

United Nations Development Programme
Evaluation Office



EVALUATION OF UNDP'S ROLE IN THE PRSP PROCESS

VOLUME II: COUNTRY REPORTS

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Introduction

OVERVIEW OF THE EVALUATION

Since 1999, the *Poverty Reduction Strategy Paper* (PRSP) process has become the formal statement of development strategy, formulated in terms of poverty reduction objectives. UNDP programme countries have received the agency's support and continue to seek its active engagement in the PRSP preparation and implementation processes. The PRSP process represents an area of strategic importance to UNDP and a core priority for one of its key global practices, poverty reduction for human development. In 2002, 43 UNDP country offices (COs) reported on their support and involvement in the preparation and implementation of PRSPs/I-PRSPs, an increase from 36 in 2001, 24 in 2000, and 11 in 1999. UNDP has emphasised different aspects of the PRSP process, depending on the context and the situation in which it finds itself.

As a result of the UNDP's involvement and the variety of its activities, the UNDP Evaluation Office (EO) commissioned a review of the role of UNDP in the PRSP process in mid-2002. This evaluation is intended to assist UNDP in positioning itself for a more effective role in and contributions to the PRSP processes, with a view to learning lessons for its future engagement. The evaluation focuses on UNDP's role in the achievement of the following seven key PRSP outcomes (in the Main Report, outcomes 3 and 6 are combined into one outcome; see *Evaluation of UNDP's Role in the PRSP Process, Volume I: Main Report*, UNDP, 2003):

1. Increasing country ownership of the PRSP process
2. Broad-based participation by civil society and the private sector in the PRSP process
3. Increasing commitment to pro-poor growth reflected in PRSPs
4. Building of partnerships between development actors
5. Promotion of coherence between PRSPs and longer term national planning instruments

6. Addressing of the multidimensional nature of poverty by PRSPs
7. Building of poverty monitoring capacity at national and local levels

The Centre for Development Policy and Research (CDPR) of the School of Oriental and African Studies at the University of London undertook the evaluation for UNDP. The outputs of the evaluation were seven country reports and a Main Report.

THE EVALUATION PROCESS

The evaluation was divided into the standard three phases: preparation, field study, and report writing. Each phase had specific characteristics.

First Phase: Preparation (September-October 2002)

The first phase of the evaluation was information gathering and preparing for effective field studies, which was carried out in New York, London, and the concerned UNDP COs.

- The evaluation team met in New York in September 2002 with the senior management of the UNDP EO, the EO Task Manager, and other key members of UNDP Headquarter staff to discuss the evaluation, review documentation, and discuss the methodology.
- At CDPR, the evaluation team developed the methodology paper and reviewed all relevant documents to prepare for the country visits.
- Desk research was undertaken by the EO on UNDP's support to key PRSP outcomes in a number of countries. A background paper was also prepared on the origins of the PRSP process. Further desk research was undertaken at CDPR, an annotated bibliography on PRSPs was prepared and all relevant documentation collected. EO established a web site for use of the EO and the evaluation team.
- The selected UNDP COs identified the national consultants for selection and

recruitment by the EO, sent relevant documents to New York and London, and arranged appropriate meetings for the country visits.

- National consultants prepared a chronology of the PRSP process in each of the seven countries. This included country-specific bibliographies of primary and secondary documentation and a summary of the PRSP process from beginning to present, including activities of the UNDP. They also identified the major PRSP-related issues that the country visit should investigate and served as members of the evaluation team.

At the end of phase 1 (October 2002), the evaluation team had studied all relevant documents and prepared a standard interview format; written brief documents summarising the major issues by country (outlined in Terms of References); and identified, with the COs, the most important people to interview.

Second Phase: Country Visits (October–November 2002)

Country visits were conducted in two rounds to allow the team leader to visit more than one country, and to allow for a team discussion after the first round as to how the country studies and field work might be improved. The country visits allowed the evaluation team to assess accurately the PRSP process and UNDP's engagement in it. To be effective, these country visits required thorough preparation. Specifically, the consultants arrived in each country with a detailed knowledge of all documents relevant to the PRSP process. The country visits were for the accumulation of first-hand experience of the PRSP process, not document collection (except when documents were recent, not previously known to the team, or not available outside the country).

Third Phase: Report Writing (November 2002– March 2003)

The third phase included all report writing.

This process involved close interaction with UNDP EO New York and the concerned COs, with the national consultants providing inputs on the following documents:

- Seven country reports, in first draft, each approximately 20 pages or 10,000 words and presented as individual documents with a common introduction
- A brief report on preliminary findings prepared in December 2002 for discussion in a joint meeting held in Washington D.C. with the World Bank and International Monetary Fund on December 16, 2002
- A first draft synthesis report, based on the revised country reports, sent to UNDP New York in February 2003 and a final draft delivered in March 2003 after comments on the first draft were received

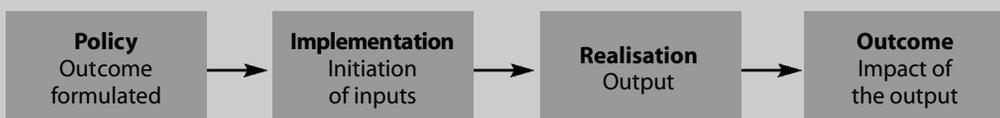
METHODOLOGY AND ANALYTICAL FRAMEWORK

How one evaluates the PRSP process depends on the general analytical approach adopted. The PRSP analytical approach is based on the following:

- In every country, the PRSP is part of a process. The evaluation covers a dynamic process, not a static outcome.
- The process is specific to each country, and evaluation judgments should be based on progress made from the initial conditions, not on the basis of an outcome that every country should achieve.
- This study evaluates outcomes in the development process. Outcomes can be understood in the flow chart below.

A policy is formulated, which specifies a desired outcome, such as reaching a target level of poverty. The policy is implemented through applying inputs to process, such as a vaccination programme. These inputs produce an output, in this example a reduced incidence of a specific disease. This reduction

OUTCOMES IN THE DEVELOPMENT PROCESS



in the incidence of disease has an impact on poverty, which is the outcome of the policy that initiated the process.

In the case of the PRSP process, the UNDP works with other national and external organizations to achieve commonly desired outcomes. A characteristic of outcome-focused evaluations is that their analysis implicitly moves back from the impact of a policy (the outcome) and assesses the following:

- **Progress Towards Outcomes:** The first step was to ascertain the status of the seven PRSP outcomes listed above. The country specific Briefing Paper prepared by each national consultant in advance of the field visits formed the basis of this assessment. Further interviews with stakeholders ensured a more objective assessment of the status and involved an analysis of both the content of the PRSP document and the process of developing, implementing, and monitoring it. Given the nature of the PRSP outcomes it was not possible to develop quantitative indicators for each, but assessment of progress towards achieving outcomes was made on a before and after basis.
- **Factors Affecting Outcomes:** The second step was to analyse the factors that influenced the PRSP outcomes. A thorough understanding of these factors represents the rationale for any development intervention and UNDP involvement—bridging the gap between “what is needed” and “what can be done”. A challenge in this respect was the fact that a number of outside (exogenous) factors influenced the outcome, many of which had nothing to do with UNDP’s interventions.
- **Key UNDP Contributions:** The third step was to assess UNDP’s contribution to achieving the outcomes. UNDP contributions to the outcome take the form of the outputs produced as part of the full range of project and non-project activities and efforts. The evaluation team was guided by the principles set out in the UNDP EO Guidelines for Outcome Evaluators.¹ Use was made of documents related to the

country programme, such as the Country Cooperation Framework (CCF), Strategic Results Frameworks (SRFs) and the ROARs, as well as Common Country Assessments (CCAs) and United Nations Development Assistance Frameworks (UNDAFs).

- **Partnership Strategy:** The fourth step was to assess the partnership strategy that UNDP designed and implemented in achieving the PRSP outcomes. In this respect specific assessment was made of UNDP’s role as leader of the Resident Coordinator system in facilitating an effective and coordinated UN system response, especially the UNCT, in contributing to the PRSP outcomes. Key documents that were examined before the country visits included the CCA, the UNDAF, and the UN Resident Coordinator Annual Reports.

The Terms of Reference for this evaluation specify the following three issues to be key to understanding the UNDP’s role in the PRSP process:

1. interventions in pro-poor policy deliberations influencing the content of the PRSP;
2. engagement in PRSP preparation process and involvement of partners including civil society;
3. support to implementation and monitoring of the PRSP.

In addition, the Terms of Reference identify the following categories for analysis when addressing the key issues:

1. progress made by the UNDP in its contribution to the PRSP process;
2. the UNDP’s strengths and weaknesses (its so-called comparative advantage);
3. good practice, with emphasis on that which might be generalised;
4. the application of good practices to policy and practice for future UNDP poverty reduction initiatives;
5. promoting the sharing of experience across regions (to enhance the potential for UNDP activity).

1. UNDP/EO New York (2002). “EO Guidelines for Outcome Evaluators.” Page 15.

AZERBAIJAN COUNTRY REPORT

by **Michael Reynolds**

The author thanks the UNDP country office in Baku, for the invaluable help it provided.

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Acronyms and Abbreviations

ADB	Asian Development Bank
CCA	Common Country Assessment
CDPR	Centre for Development Policy and Research (SOAS)
CO	Country office
IDP	Internally displaced persons
IFI	International Financial Institution
I-PRSP	Interim PRSP
JSA	Joint Staff Assessment
MDG	Millennium Development Goal
MED	Ministry of Economic Development
MLSP	Ministry of Labour and Social Policy
NGO	Non-governmental organization
PRSP	Poverty Reduction Strategy Paper
RC	Resident Coordinator
ROAR	Results Oriented Annual Report
SOAS	School of Oriental and African Studies, University of London
SPPRED	State Programme on Poverty Reduction and Economic Development
SWG	Sector Working Group
SSN	Sectoral Strategy Note
THM	Town Hall Meetings
UNCT	UN Country Team
UNDAF	UN Development Assistance Framework
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WFP	World Food Programme

Country Background

The Azerbaijan Country Study mission took place between October 27 and November 7, 2002, and was undertaken by Michael Reynolds (CDPR) and Emil Aliyev (National Consultant). Key documents including the newly launched PRSP were examined and meetings were held with a range of key stakeholders and participants in the PRSP process. In addition, a field trip was made to the Nakchevan Autonomous Republic.

1. INTRODUCTION

Azerbaijan is a country of 86,600 square kilometres situated on the western shores of the Caspian Sea. It has a population slightly greater than eight million people, approximately half of whom reside in urban areas. It regained independence following the collapse of the Soviet Union in late 1991 and embarked on a difficult political, economic, and social transition. Independence occurred while the country was at war with neighbouring Armenia over the territory of Nagorny Karabakh (an enclave in the territory of Azerbaijan); a ceasefire was reached in 1994. Approximately 20% of the country (Nagorny Karabakh and seven contiguous regions) is still occupied by Armenian forces and the country has approximately one million Azerbaijani internally displaced persons (IDPs) as well as refugees from Armenia and other regions of conflict.

Azerbaijan is a unitary, secular, and democratic presidential republic. Power is distributed among three main branches:

1. legislative power is held by Milli Mejlis (parliament);
2. executive power belongs to the President;
3. judicial authority is in the hands of the courts of Azerbaijan republic.

Civil society is represented by approximately 1,500 national non-governmental organizations (NGOs), approximately 50% of which are officially recognized and operational, and more than forty political parties.

2. SOCIOECONOMIC SITUATION

The decade since Azerbaijan's independence can be divided into two distinct periods. The first period, from 1991 to late 1995, was characterized by a turbulent political and economic situation associated with the collapse of the Soviet Union and a conflict with Armenia. By the end of 1995, measured GDP stood at only 34% of its 1988 value, budgetary deficits increased dramatically, and inflation was in triple digits. The internal political situation was also unstable in the early years following independence. Some semblance of political order was established with the assumption of power by President Aliyev in October 1993, and a ceasefire was negotiated in the conflict over Nagorny-Karabakh in May 1994. At the same time, the government decided to embark upon a serious economic reform program with the support of the International Monetary Fund (IMF) and World Bank. In addition, a liberal policy to attract foreign investment in the oil sector through production-sharing agreements was adopted. This led to a sharp increase in exports of crude oil from the new fields.

Since 1995, the performance of Azerbaijan in achieving macroeconomic stability and resumption of growth has been impressive. The year 1996 marked a turning point towards economic recovery, with GDP registering growth of 1.3%. Large foreign direct investments in oil fields contributed to increased growth rates in construction and services, and in 1997, growth accelerated, fueled by a surge in foreign direct investment and rising oil exports. The economy has continued to grow rapidly reaching over 11% in 2000. Economic growth has not, however, been broad based and unemployment levels remain high.

The main challenge now facing the government is to translate economic growth into sustainable poverty reduction. Using an absolute poverty line of 120,000 AZM per capita per month, it is estimated that 49% of the population is living in poverty. Using a relative poverty line set at 72,000 AZM, it is estimated that 17% of the population is

living in extreme poverty. Poverty is greater in urban areas than rural areas (55% versus 42%). The poverty level in Baku, the capital, is approximately the national average (49%) and is lower than in other urban areas. Because of Baku's large population in relation to the country, however, the largest group of poor (one quarter of the total poor population) is situated in the capital. The higher incidence of poverty in urban areas is linked to the loss of non-agricultural employment and the importance of access to land and home produce in protecting rural inhabitants from poverty.

While the rural population is relatively better protected from poverty than urban populations, due to the value of produce consumed from rural household production, participatory studies have shown that rural areas and small towns suffer from unreliable supplies of energy and gas, declining infrastructure, and less access to basic health and education services. Access to land is important in protecting the rural population from poverty but, in many cases, cannot be used for more than subsistence farming.

Before independence, Azerbaijan had strong social indicators: basic food and consumer needs were met, and access to health and education was universal. Since independence, however, social indicators have deteriorated, partly because of the large number of displaced people. A significant increase in morbidity from infectious diseases has recently been noted, partly because of the abysmal water supply and sanitation service. The economic transition and the war have eroded the education system. In addition, environmental damage in Azerbaijan is severe and considered amongst the worst in the region.

3. DEVELOPMENT ASSISTANCE

Compared to many other Commonwealth of Independent State countries, aid intensity in Azerbaijan is low at less than 3% of the gross domestic product (GDP) in 2000.² The number of international players is also very small, with only Germany and the USA as large bilateral donors. The European Community is also an important donor providing support through Technical Assistance to the Commonwealth of Independent States (TACIS) Programme, the

Food Security Programme, and the Exceptional Assistance Programme. There is, however, no EU Delegation in the country and the programmes are run from Brussels. Among the international financial institutions (IFIs), the World Bank, IMF, and European Bank for Reconstruction and Development have full representation while the Asian Development Bank (ADB) and Islamic Development Bank do not. Many of the international non-governmental organizations (NGOs) originally came to Azerbaijan for the humanitarian crisis following the Armenia conflict but are trying to reposition themselves to undertake more developmental activities. Of the development oriented NGOs, a large number are dependent on financing from USAID.

Within the UN Country Team (UNCT), UNDP, United Nations Children's Fund (UNICEF), and United Nations Population Fund (UNFPA) are the three resident development agencies. The United Nations High Commissioner for Refugees (UNHCR) and World Food Programme (WFP) are still dealing with humanitarian issues and are therefore only marginally involved in the PRSP process. WFP has a new programme until 2005—supplementary feeding of IDPs—and UNHCR will be reduced in size to deal only with genuine refugees, mainly Russians from Chechnya and Dagestan. The International Organization for Migration (IOM) has an office in Baku, United Nations Development Fund for Women (UNIFEM) a project office, World Health Organization (WHO) a liaison office and International Labour Organization (ILO) a Correspondent Officer. Other UN agencies, United Nations Educational, Scientific and Cultural Organization (UNESCO) and Food and Agricultural Organization (FAO), are represented only through their role in implementing projects in Azerbaijan. A UN Common Country Assessment (CCA) was prepared in 2001 but not widely distributed nor endorsed by government. A new CCA will be produced by 2003 and a UN Development Assistance Framework (UNDAF) will be in place in 2004. In the meantime, a joint Memorandum of Understanding has been signed among UN agencies for the joint implementation of activities including fund raising for projects.

2. UNDP. 2002. "Human Development Report 2002".

The PRSP Process

In late 1999, the World Bank and IMF stated their requirements for the preparation of a PRSP as a prerequisite for further concessional lending to low-income countries. In Azerbaijan, the process of preparing the PRSP began with Instruction No. 636 of the President of Azerbaijan Republic Heydar Aliyev, dated March 2, 2001, regarding the establishment of the National Commission for the Development of the Programme under the chairmanship of the Prime Minister. As its first act, the Commission (Protocol Decision No. 1 of the Cabinet of Ministers of Azerbaijan) established a special Task Force headed by the Minister of Economy to prepare an Interim PRSP (I-PRSP).

The I-PRSP was prepared by a team including representatives of 34 government and non-government agencies, led by the Ministry of Economy. Government institutions, NGOs, and donors contributed to the development of the I-PRSP through their participation in a number of international poverty alleviation seminars and a seminar in Baku dedicated to the formulation of a poverty reduction program and policies for Azerbaijan Republic. A draft version of the I-PRSP was fully discussed by the Task Force and a final draft approved by it. The Joint Staff Assessment (JSA) of the I-PRSP was presented to the Boards of IMF and World Bank in June 2001. The document provided an analysis of poverty, proposed policies to reduce it, and outlined the existing and future consultation process.

In July 2001, the government launched the process of preparing the full PRSP, to be known as the State Programme of Poverty Reduction and Economic Development (SPPRED). To this end, 15 sectoral working groups (SWGs) were formed by the newly-created Ministry of Economic Development³ (MED) and a PRSP Secretariat was established in the Ministry to support the process. Each SWG, composed of members of different

government agencies as well as NGOs, was responsible for developing sectoral strategy notes (SSNs), which ultimately would feed into the SPPRED. The PRSP Secretariat within MED was tasked with the primary responsibility for preparing the Azerbaijan's SPPRED. Its task was to coordinate the work of the SWGs, as well as to facilitate civil society participation and the international donors' contribution to the process.

To support broad participation by civil society, the PRSP Secretariat developed a Participation Action Plan which envisaged a three-stage process:

1. Intra-sectoral level (within the SWGs)
2. Inter-sectoral level (involving interaction and discussion between SWGs)
3. National level (involving discussions with a broad section of government and non-government participants)

Implementation of the action plan was carried out by the PRSP Secretariat with multi-donor support. Four roundtables, attended by the SWGs and representatives of different international organisations and foreign embassies, were held in Baku with the aim of discussing the Sectoral Strategy Notes (SSNs) produced by individual SWGs. The most complex part of the action plan concerned the national level participation process, which was to cover comprehensively representatives of civil society, the government, and parliamentarians. A two-pronged approach was taken involving:

1. A Public Education and Outreach Program:

The programme involved national researchers using participatory techniques to gain a greater understanding of poverty, the problems facing the poor, and the priority actions needed to address them.

2. Town Hall Meetings (THMs): The THM model was selected as a tool to bring the government of Azerbaijan close to its citizenry through open meetings at the

3. The MED was formed following the merger of the Ministry of Economy with three other government entities.

local level where key issues related to the PRSP could be discussed and draft versions of the PRSP document could be examined. THMs were preceded by training sessions both for government officials and the public to help them clearly and objectively express their views and define priorities. A total of five THMs were held in different parts of the country.

A three-day workshop was held in Baku on July 10-12, 2002, to present the first version of the integrated policy matrix of the PRSP document. The matrix summarized the main policy actions proposed by the 15 SWGs and was eventually appended to the final PRSP. The workshop was attended by representatives of the international donor organizations and by ambassadors from EU countries. The matrix was edited and adapted on the basis of comments received during the workshop. The PRSP document was also drafted and discussed by the SWGs and the relevant Ministries, in order to ensure that there was broad government ownership of the final document.

On the basis of what is known about poverty and living standards in the country, the

government has designed a poverty reduction strategy based on six key strategic aims:

1. the facilitation of an enabling environment for growth of income-generating opportunities;
2. maintenance of macroeconomic stability;
3. improvement in the quality of, and equity in access to, basic health and education services;
4. improvement of infrastructure (including roads, delivery of utility services, communications, and irrigation);
5. reform of the existing system of social protection to give more effective protection to the vulnerable;
6. improvement of the living conditions and opportunities of the refugees and IDP population.

The PRSP was launched on October 25, 2002, at a conference attended by the President, members of the government, the donor community, IFIs, international and national NGOs, and the private sector, and was formally approved by a Presidential Decree in February 2003. A Joint Staff Assessment of the PRSP by the World Bank and IMF, prepared in April 2003, recommended its approval.

Key PRSP Outcomes

This section assesses the seven key PRSP outcomes in terms of the four-stage outcome evaluation process described in the Introduction under the section on Methodology and Analytical Framework. Several issues related to each stage should be noted. First, in terms of progress towards the outcome the period taken is from just before the start of the process (for example an agreement to prepare the I-PRSP) until present. Second, the terminology used in each of the key PRSP outcomes being examined is open to a variety of interpretations. Efforts have therefore been made to ensure that, for each of the outcomes, the views of UNDP are reflected and the issues important to UNDP are identified.

Third, assessments of ongoing discussions and plans to implement activities or undertake dialogue in the near future are also included. In UNDP terms, partners are agents or actors with whom UNDP has, or intends to have, a substantive relationship in pursuit of common outcomes. Partners may include stakeholders, if they are involved in working towards the outcome; beneficiaries of outcome actions; and donors involved with UNDP on the outcome. Fourth, two approaches will be used to reflect UNDP's special role within the UN development system:

1. Specific assessment will be made of UNDP's role as leader of the Resident Coordinator (RC) system in facilitating an effective and coordinated UN system response, especially the UNCT, in contributing to the PRSP outcomes
2. UNDP will be assessed as a member of the international donor community that works in partnership with other donors as well as government, civil society, and the private sector in contributing to PRSP outcomes.

1. COUNTRY OWNERSHIP

A key principle of the PRSP process is that it should be country driven and nationally

owned. Country ownership is, however, a complex subject and, in the context of the PRSP, can have several dimensions. First, ownership can relate to the PRSP document in the sense that it truly reflects national priorities. Second, and far more important, is ownership of the PRSP process as a whole, not only formulation of the document but also its implementation. In this sense, ownership reflects a commitment to the process and control over it as well as an acceptance of responsibility for its success. Ownership raises the question "who are the owners?" Is ownership narrow, in the sense that the PRSP process is driven by the government or part of the government, or is ownership broad, in that it is nationally owned, not only by government but also by civil society and the private sector? The issue of broad ownership is partly addressed in the second outcome related to participation in the PRSP process. Another important question is what role donors play in supporting ownership and a country-driven process. Do they tailor their assistance to the national priorities, thereby supporting country ownership, or do they promote "donorship" of the development agenda?

Assessment of Progress Towards Outcome

In terms of the PRSP document, the main progress has been towards broad ownership. The I-PRSP was almost completely government owned, while the fully-fledged PRSP is more nationally owned, as a result of the participation process. It is too early to fully evaluate the dimension of ownership for the PRSP Plan of Action for 2003-2005, in terms of commitment towards the continuation of the process and effective implementation. Interviews with key government officials suggest that the commitment of at least part of the government is strong. The new MED has the strongest ownership of the PRSP process, but other ministries are less clear about their role in the PRSP process and the purpose of the PRSP document and seem less committed to it.

Implementation and management arrangements are not clear in the PRSP document, although the government will address these in the near future in a special Presidential Decree. It remains to be seen if the PRSP will be implemented by all ministries or only by those that feel ownership in the process.

Further evidence of the government's commitment comes from the fact that the President of the Republic has been very supportive of the process and indicated this at the national conference that launched the PRSP on October 25, 2002. The presence of the President at such a conference, together with the television coverage of the conference, is a further indication. In addition, the national government newspaper *Azerbaijan* published a special edition on the PRSP and included the speech of the President as well as those of key government officials and members of the international diplomatic and development communities. Even though the PRSP is an IMF and World Bank conditionality, the government is openly talking about poverty levels, something it did not do before. The test of this commitment will come after 2005 when oil revenues are due to increase significantly and the leverage of the IMF and World Bank will be reduced.

In general, the donor community, including IFIs, is very supportive of the PRSP process and is prepared to integrate its development assistance into the PRSP framework. Some donors are now waiting to see if the PRSP will be implemented, the initial test being the integration of the newly approved PRSP into the ongoing budget process. Given that many international NGOs derive the bulk of their funding from bilateral donors, many of their activities will fall within the framework of the PRSP. Through enhancing aid coordination, the PRSP process is therefore supporting even greater country ownership of the development agenda.

Assessment of Factors Affecting the Outcome

The government recognised that it had made a commitment to develop a national poverty reduction strategy at the World Summit for Social Development in 1995, but, at that time, the main focus was addressing the macroeconomic situation and setting up the basic structural reforms. It felt that now

was the time to develop such a strategy and, based on international best practices, agreed that the PRSP process was appropriate for the country.

In terms of ownership of the PRSP document, it should be noted that a number of the priorities and policies simply reflect existing agreements with the international community and IFIs, in particular the PRGF agreement with the IMF and the Second Structural Adjustment Credit agreement with the World Bank. The government had already made commitments to implement policies within these agreements.

The broader ownership of the PRSP was the direct result of the participation process described in the previous section. The postponement of the deadline for completing the PRSP (described in the next section) allowed greater participation in the process and more time for analysis, ensuring that the document really reflected national priorities. It also allowed time to align the PRSP process with budget cycles in order to ensure its implementation. In addition, the government appreciated the donor support for preparing the document and noted the appropriate modalities used by donors that was not only timely but also strengthened national ownership. The process of preparing the PRSP was well managed by the PRSP Secretariat, and the system of SWGs producing SSNs worked effectively. The Secretariat also received effective and timely support from the donor community to undertake its work.

Assessment of Key UNDP Contributions

Ownership is partly related to having sufficient capacity to drive the process. UNDP supported this capacity building in a number of ways. First, it supported effective communication and provided technical assistance to 14 SWGs and the PRSP Secretariat by providing five computers, financing internet connections, and developing the PRSP Web site. Second, UNDP fielded a consultant to prepare a Participation Strategy Paper for the PRSP that reviewed ideas in the I-PRSP, as relating to the SWGs and SNPs, and identified effective ways to manage PRSP development. Both interventions, much appreciated by government, strengthened the PRSP Secretariat and allowed it to be more effective in producing what was to become a largely home-grown

PRSP document. In addition, UNDP supported the development of home-grown policies in the area of employment through organising an employment conference in April 2002. Finally, UNDP played an important role in harmonising efforts in support of delaying the deadline for PRSP completion.

Assessment of Partnership Strategy

Support to the PRSP Secretariat was undertaken by UNDP in effective partnership with a number of donors. Gesellschaft für Technische Zusammenarbeit (GTZ) originally provided financial support to cover some of the operational costs of the Secretariat, including staff and communications. The EC Food Security Programme financed a long-term consultant to assist the Secretariat and the costs were taken over by UNDP. USAID was an additional key partner in the process, especially in terms of supporting regional dissemination and discussion of the PRSP (this will be discussed in more detail in the next section). This multi-partner approach was effective in supplying the government with the appropriate type of assistance in a coordinated, timely manner. The partnership strategy also ensured that no single donor was dominant in the PRSP process. In terms of the UNCT, the roles of the members involved in the process of preparing the Participation Action Plan were defined as follows: UNDP and UNICEF assumed leadership in the sectoral working groups concerned with employment and the social sectors (education and health), and UNFPA was involved in the health and poverty monitoring groups.

2. BROAD-BASED PARTICIPATION

Broad participation is the second key principle of the PRSP process. Broad participation should go beyond sharing and consulting on draft documents and include participation in developing drafts of the PRSP. It should be an ongoing process supported by the PRSP. Participation represents a number of elements including ongoing dialogue between government, civil society, and the private sector on poverty issues including mechanisms to institutionalise this

dialogue and make it sustainable. An additional dimension is the role of the poor in the participation process, whereby their voices and the issues that affect their lives are taken into account by the government. Broad ownership of the PRSP will only be realised by engaging in effective broad participation.

Assessment of Progress Towards Outcome

The process of preparing the I-PRSP saw a slight increase in participation largely related to the inclusion of some NGOs in the document formulation process. There was however a significant increase in broad participation during the preparation of the full PRSP including that of civil society and the private sector. The participation process involved not simply the discussion of documents prepared in advance but was started early in the process where elements of the civil society and private sector were involved in identifying key issues and priorities as an input into the document. Participation by the private sector seems to have been less than that of civil society.

It is generally agreed by different groups of stakeholders interviewed that the participation process was successful. While some suggest it could have been stronger, the consensus seems to be that it has set a good platform for future efforts. The challenge now facing the government is to continue participation in the poverty reduction strategy process beyond the formulation of the PRSP document. Mechanisms need to be put in place to encourage further participation in the implementation. These need to be institutionalised and built upon existing structures where possible.

Assessment of Factors Affecting the Outcome

Before the start of the PRSP process, broad participation in government decision making in Azerbaijan was limited. Participatory approaches have been used by international NGOs and donors in projects aimed at community development and support to IDPs. Civil society has also participated in the development of NGO legislation. Nonetheless, direct participation of civil society and the private sector was not well known and there was initially some resistance from the government to undertaking a comprehensive participatory process while formulating the PRSP.

When the IMF/International Development Association JSA of the I-PRSP noted the lack of participation in the process of preparing the I-PRSP, the donor community encouraged the government to ensure that the full PRSP process was more participatory. Key elements of the government recognised the importance of participation and the development of a strategy that is “national” in that it represents the views of the people. The donor community was quick to respond to government requests for support in the process.

Some have suggested that lack of participation by the private sector is due to lack of effective mechanisms for facilitating this process while noting that the recently-established Business Development Alliance might represent such a mechanism in the future.

Assessment of Key UNDP Contributions

Since participation in the I-PRSP was weak, UNDP decided to engage with the government in this area and made an important contribution to the participation process in four ways. First, it facilitated an effort by the donor community to delay the deadline for completion of the full PRSP to ensure that a comprehensive process of broad participation could be implemented. This was an important contribution because the original deadline, initially determined by the proposed presentation of the document to the IMF Board of Directors, allowed little opportunity for effective participation. Second, through fielding an international consultant, UNDP provided timely support to the PRSP Secretariat in the development of the participation plan described above. The plan did not propose new ideas but helped operationalise the participation process and much of the preparation process as a whole. Third, UNDP provided timely and effective support to the PRSP Secretariat in its effort to promote greater harmonisation among different interventions in the participation process once it had started. Fourth, UNDP financed three of the four PRSP roundtables (described in the PRSP Process section). The government was highly appreciative of this package of direct support to the

participatory process.

In addition, UNDP CO and project staff took part in participation workshops and project staff in Nakchevan identified community leaders to participate in THMs. Greater civil society participation was also encouraged through workshops designed to get civil society organizations and students to discuss issues related to the PRSP. UNDP supported the NGO Forum in its engagement with the PRSP. In addition to using its regional branches to extend the outreach of NGO discussions, the Forum established 15 NGO groups mirroring the SWGs to discuss sectoral issues and feed into the work of the SWGs.

Assessment of Partnership Strategy

UNDP entered directly into partnership with the PRSP Secretariat, the EU Food Security Programme, GTZ, and USAID to implement the participation process so that it became a joint effort of clearly defined parts. Ongoing partnership with the National NGO Forum was also strengthened.

3. COMMITMENT TO PRO-POOR GROWTH

Traditional development thinking is that economic growth is necessary, but not sufficient, for sustainable poverty reduction and human development. For economic growth to effectively translate into poverty reduction it must be pro-poor—it needs to be rapid enough to improve the absolute condition of the poor and to have maximum impact it needs to improve the relative position of the poor.⁴ This is true for income poverty or broader multidimensional definitions of poverty such as human poverty (see outcome 6). The UNDP guidelines on engagement with the PRSP note that “Equity is good for the poor because it is good for growth and for distributing its benefits across the population, including the poor. High inequality inhibits growth, contributes to poor policy-making and delays pro-poor reforms.”⁵

4. McKinley, T. 2001. “Economic Policies and Poverty Reduction: Macroeconomics, Restructuring and Redistribution – the Basis for a UNDP Guidance Note” (Draft Document) UNDP Bureau for Development Policy.

5. UNDP. 2002. *Policy Note: UNDP's Engagement in Poverty Reduction Strategy Papers*.

Assessment of Progress Towards Outcome

The PRSP reflects an increase in commitment to pro-poor growth compared to previous development policies. However, there is no explicit reference to pro-poor growth in the full PRSP, rather it is implied by the package of activities being undertaken, for example, PRSP emphasis on non-oil sector activities and focus on employment as poverty reduction strategies. There is, however, limited explicit attention to inequality. The PRSP document implies a reduction in inequality but other data suggests it has been steady since 1996.

Assessment of Factors Affecting the Outcome

Since 1995, the government had focussed on achieving macroeconomic stabilisation and undertaking priority structural adjustment reforms. Poverty reduction was not linked to growth, and members of the international community stated that much effort was needed at the start of the PRSP process to persuade some parts of the government that the link is strong. The start of the PRSP process, to some extent, reflected a commitment to reconciling economic development with pro-poor growth, as did the government's naming of the programme. Equally, efforts to encourage pro-poor growth were based on the recognition that existing efforts had not been successful in reducing poverty and that growth since the mid-1990s had not been sufficiently pro-poor. Good progress has been made towards stabilisation, and the growth forecasts for Azerbaijan (as set out in the Medium Term Expenditure Framework attached to the PRSP) are strong in both the oil and non-oil sectors. The main challenge that the government faces is translating this growth into poverty reduction.

Assessment of Key UNDP Contributions

UNDP's main contribution was to strengthen the development of the employment part of the PRSP by supporting a conference on employment and poverty in Baku on April 16, 2002. A key dimension of the conference was to change the focus of government from provision of employment services to creating an enabling environment for private sector growth and employment creation. A second element was to shift the focus of future employment creation from the oil sector to the non-oil sector. Both these issues were

consequently addressed in the PRSP document.

UNDP has directly addressed the issue of translating growth into poverty reduction through other advocacy actions, including the widespread promotion of the idea through the use of the slogan "turning black gold into human gold". Equity issues are not explicitly addressed in the PRSP, and although the government contends that they are being addressed implicitly by elements of the strategy, UNDP and the UNCT have a role to play in ensuring that this becomes explicit during the PRSP process.

Assessment of Partnership Strategy

In supporting the national employment conference, UNDP strengthened its partnerships with the Ministry of Labour and Social Policy (MLSP) and MED. Its efforts have brought the two agencies together in examining the issues in partnership. Both agencies have expressed their appreciation of UNDP's support in this area. In addition, the conference successfully brought together a broad range of partners including other government agencies, international organisations, private sector (national and international) NGOs, and academia.

4. PARTNERSHIPS BUILT BETWEEN DEVELOPMENT ACTORS

Partnerships involve UNDP and any organisation—government, civil society, or private sector—that joins with others in pursuit of the outcome. Partnerships are important, as they promote broad ownership of policies and facilitate more effective participation and implementation in the development process. They also lead to more effective use of development assistance and better division of labour based on comparative advantage. A key issue, however, concerns the sustainability of partnerships made during formulation and the opportunity for them to continue during implementation.

Assessment of Progress Towards Outcome

Through Azerbaijan's PRSP process, partnerships have been built between all groups of development actors, namely government, the donor community, civil society, and the private sector. The nature of the PRSP means that its implementation

will also strengthen partnerships between government agencies. As in the case of participation, partnerships between government and civil society organizations had mostly been developed in relation to implementation of interventions, often externally financed, in relation to IDPs. The PRSP now explicitly recognises the importance of partnerships in the PRSP implementation process, especially between government and NGOs and between central and local government. There is less evidence of significant increases in government and private sector partnership as a result of the PRSP process and a number of members of the international development community interviewed by the mission suggested that it is quite limited, especially outside of the oil industry. With respect to the oil industry, it should be noted that a high ranking official from BP—the largest foreign investor in Azerbaijan—spoke alongside ambassadors and heads of international organisations at the PRSP launch conference in October 2002.

Assessment of Factors Affecting the Outcome

Partnerships between the development actors had been mixed before the start of the PRSP process but were strengthened in a number of ways. First, the SWGs created partnerships among all the development actors. Approximately 30 NGOs were represented among the 15 SWGs. It is unclear if the SWGs will continue in the future and if these partnerships will be sustainable. It should also be noted that the enthusiasm for inclusion of NGOs in the SWGs varied. According to one NGO representative, his organisation was a member of a SWG, but he was not informed of all meetings. Second, by bringing potential partners together, the PRSP process helped build trust and understanding between the groups, thereby facilitating the development of further partnerships in the future. The PRSP states, “The positive experience with national and international NGOs during the preparation of the document has shown the necessity of using their potential and expertise in the implementation of the programme in future”. In particular, the government recognises their important role in the participatory process both as facilitators and as participants. It is now envisaged that

NGO and government partnerships will be developed for implementation of the policy measures outlined in the PRSP as well as for capacity building of municipalities and joint monitoring of poverty.

Assessment of Key UNDP Contributions

In addition to forming partnerships in its ongoing work, UNDP facilitated increased partnership in a number of ways. First, UNDP supported a business forum between government and the private sector where the MED had the opportunity to discuss the PRSP with representatives of the international and national business communities. BP provided significant support to these efforts. Second, UNDP provided support to the NGO Forum to train NGOs on the PRSP to facilitate their engagement in the process as well as to create an enabling environment for more effective partnerships. Third, UNDP's support to the Employment Conference is widely recognised as being important in the process of developing partnerships among key government agencies as well as between government and the private sector and civil society.

Assessment of Partnership Strategy

UNDP has seen the development of partnerships as an important part of its work. Part of its strategy has been to sign memoranda of understanding or aide memoires with partners to develop stronger and more formal relationships. Specifically, a Joint Aide Memoire on Coordination for Poverty Reduction Strategy Implementation Process in Azerbaijan was signed by the representative of UNDP, the World Bank, and ADB with the objective of setting out “a coherent operational framework and financing plan” from these organisations in support of the PRSP implementation process. Also, a Memorandum of Understanding was established between MED and UNDP relating to cooperation on joint implementation of projects between 2002 and 2004. It is too early to assess the full impact of this strategy.

5. COHERENCE BETWEEN PRSP AND OTHER PLANNING INSTRUMENTS

If the PRSP is to succeed in the long term, coherence between the PRSP and long-term national planning instruments is essential.

The goals of such long-term planning instruments should coincide with appropriate global, regional, and national Millennium Development Goals (MDGs). The existence of long-term planning tools makes the development of the PRSP easier. By focussing the plans on the MDGs, the PRSP will become a powerful tool in the process of achieving the goals. The UN Development Group (UNDG) Guidance Notes state that “the MDGs are substantively addressed in the PRSP both sectorally and cross-sectorally and that policies are monitored and assessed in terms of their impact on the MDGs”.⁶

Assessment of Progress Towards Outcome

Azerbaijan abandoned the five- and ten-year plans inherited from the central planning system soon after the start of the transition to a market economy. These plans have not been replaced with longer-term national planning instruments appropriate to the new economic environment. Although Azerbaijan is a signatory to the Millennium Declaration and committed to achieving the MDGs, the “final draft” of the PRSP presented at the October 25, 2002, conference attended by the President did not refer to either achieving the MDGs or using them to monitor outcomes. However, a later “final draft”, prepared after the evaluation mission was complete, did refer to the goals, stating that “Care has also been taken to ensure that the objectives of the SPPRED are consistent with the Millennium Development Goals as developed in the United Nations Millennium Declaration”. The MED recognises the need to develop a longer-term planning tool that will act as a framework for developing successive PRSPs. It has stated that the MDGs will be used as the reference for developing a long-term Sustainable Human Development Programme for the country within which further PRSPs will be developed.

Assessment of Factors Affecting the Outcome

The government believes that, because the monitoring indicators coincide with the MDGs, the MDGs will effectively be

monitored. The assumption is that if they are monitored (i.e., are goals of the PRSP) then policies will automatically be aligned to achieving them within the PRSP process. While this may be true to some extent, the government needs to make an explicit statement of the role of the PRSP in achieving the MDGs. An MDG Report has yet to be prepared by the UN System, but this is largely due to practical difficulties with measuring some key indicators. In particular, there are discrepancies between official statistics and the survey data of international organisations, especially in the health sector. The Ministry of Health has rejected the results of the surveys and has refused to accept their utilisation in its official publications.⁷ In other areas, the government is more willing to accept revision of official statistics based on the results of professional and methodologically sound surveys, for example in respect to recent efforts aimed at measuring poverty.

Assessment of Key UNDP Contributions

The UN system and the donor community have yet to engage the government fully in the issue of its commitment to the MDGs. The government’s appointment of the PRSP Secretariat as its MDG focal point and the PRSP Secretariat and the MED’s commitment to the MDGs indicate that some engagement has taken place. UNDP has proposed establishing a working group to help address the problem of reaching agreement on the use of indicators to measure progress towards MDGs. In addition, agreement has been reached between the government and the UNDP on establishing a monitoring unit within the PRSP Secretariat that would facilitate linking the PRSP and the MDGs (see outcome 7 on page 22).

Assessment of Partnership Strategy

UNDP will work in its role as leader of the RC system to support the development of appropriate and accurate indicators to effectively monitor progress towards the MDGs, as the process needs a coordinated UN system response.

6. UNDG Guidance Note to United Nations Country Teams on the PRSP, 8 November 2001.

7. It should be noted that the PRSP is the first official document to make reference to health data derived from the surveys of international organizations.

6. PRSPS AND THE MULTIDIMENSIONAL NATURE OF POVERTY

Contemporary thinking about the nature of poverty recognises that it is a complex and multidimensional phenomenon. Poverty relates not only to income but also to a variety of other dimensions. What these dimensions are is country, if not community, specific. To effectively reduce multidimensional poverty means to understand and prioritize these dimensions. It also means to distinguish between means and ends and to examine links between the dimensions. For example, when addressing narrow income poverty, education is often a means to reduce poverty. When addressing multidimensional poverty, education becomes an end in itself, allowing people greater opportunities and choices to lead fuller lives. In the 1997 *Human Development Report*, UNDP introduced the concept of human poverty to capture its approach to multidimensional poverty. Human poverty focuses on the capabilities people have to function. In this respect, the poor lack the opportunity to achieve minimally acceptable levels of functioning, such as living long and healthy lives, being well nourished, and having positive interactions with others in the community.⁸ The nature of these dimensions is country specific and needs to be identified through listening to the poor themselves.

Assessment of Progress Towards Outcome

The PRSP explicitly recognises the multidimensional nature of poverty. It states, "Today, poverty reduction means improving access of the population to basic resources, including land and water, as well as to employment, education and health care services, ensuring equal rights for men and women at all levels, meeting needs for infrastructure and utility services, improvement of sanitary and hygienic conditions and providing adequate living standards for the population".

Assessment of Factors Affecting the Outcome

Before the start of the PRSP process, poverty was not addressed in a comprehensive

manner but rather focussed on public employment programmes and safety nets. By agreeing to prepare a PRSP within the guidelines set out by the World Bank and IMF, the resulting strategy will address poverty in a more multidimensional manner. However, there is still the need for a comprehensive participatory poverty assessment to complete the understanding of poverty. This would give a greater understanding of the dimensions of poverty in Azerbaijan and support the development of policies more targeted to addressing these specific problems.

Addressing poverty in a multidimensional manner is a fundamental principle of the PRSP. There is little resistance in the development community, either within the international community supporting the PRSP or from the government or other stakeholders, to the idea that poverty is a multidimensional phenomenon.

7. POVERTY MONITORING AT NATIONAL AND LOCAL LEVELS

It is essential to set clear goals that reflect the multidimensional nature of poverty and that are an outcome of broad participation. Monitoring progress towards these goals is essential if the PRSP process is to be effective, since strategies will need to be amended in light of lessons learned. These goals set the benchmarks that can facilitate the identification of effective or sub-optimal policies and interventions. Poverty monitoring requires effective institutional structures and appropriate capacities and will involve a number of different approaches, including the use of participatory methods in addition to broad household surveys. Clear goals and monitoring instruments will also improve the transparency of the PRSP process, especially in the allocation of resources.

Assessment of Progress Towards Outcome

The PRSP process has helped build poverty monitoring capacity in Azerbaijan in three ways. First, the sector working group on poverty monitoring allowed national and international members to discuss poverty monitoring issues and prepare an SSN on

8. UNDP. 1997. "Human Development Report", Oxford University Press, Oxford: Chapter 1.

the subject. Second, in implementing the participatory process, capacities were built among a broad range of participants, especially in terms of qualitative monitoring of policy impacts on poverty. Third, additional support was given to improving the Household Budget Survey. There is still work to be done to reach consensus on identification of appropriate indicators and to develop capacities that effectively measure these indicators. This fact is fully recognised in the PRSP, which also highlights the issue that capacity for analysis of monitoring information is also lacking.

Assessment of Factors Affecting the Outcome

Azerbaijan inherited a statistical system developed for the central planning system of the former Soviet Union. While progress has been made in reorienting the system to one more appropriate to a market economy, this is a large task and one not suited to an ad hoc or piece-by-piece approach. Moreover, the main capacity building need is in the area of utilizing the information provided by a poverty monitoring system, specifically to its analysis, and also the development of pro-poor policies.

Assessment of Key UNDP Contributions

In response to a need identified by the government in the PRSP, UNDP and other members of the UNCT have offered to support the establishment of a Poverty Monitoring Unit within the PRSP Secretariat. Staff of the unit will be trained to use various surveys and other sources of information and, in turn, will train and support members of other government bodies in the same way. In this way, poverty monitoring efforts will have a much larger impact on the development of effective pro-poor policies. In addition, UNDP has provided financial support to the ongoing IDP Social Assessment that started in July 2002. Other proposed interventions include support to the Statistics Committee in improving its data collection activities and undertaking an annual labour market survey, which would support UNDP's strategy of focussing on the employment issue in its pro-poor policy dialogue.

Assessment of Partnership Strategy

UNDP's partnership strategy is to provide support to the PRSP Secretariat, and specifically the Poverty Monitoring Unit, as part of a comprehensive package of activities financed by a number of donor partners. This will ensure a more coordinated and effective approach.

Conclusions

Conclusions can be summarised using the three key issues identified in the evaluation Terms of Reference and representing the stages of the process:

- engagement in pro-poor policy deliberations influencing the content of the PRSPs
- engagement in PRSP preparation process and involvement of partners including civil society
- support to implementation and monitoring of the PRSPs

It should be noted that the PRSP process is not simply divided linearly into three stages of dialogue and analysis, formulation, and implementation. Dialogue and analysis will be ongoing during implementation. Depending on the design of the management of the PRSP, there may be updating of the document on an annual basis and the development of a new one within three years. Preparation of the second PRSP will begin as soon as the first PRSP begins implementation. Therefore, discussions about implementation of the PRSP document are different from the actual implementation of the PRSP process.

1. UNDP'S STRENGTHS

There are a number of areas where UNDP is perceived to have an advantage, compared to other international development organisations, in supporting the PRSP process. Some advantages are global (although not all perceived global advantages apply in the country context), while some are specific to Azerbaijan. In addition, UNDP has a comparative advantage in certain sectors, for example, in employment or NGO strengthening, that will support the overall implementation of the PRSP. Three key advantages are the following:

1. UNDP is perceived by both the government and other members of the

international community as independent and neutral. From the donor perspective, this means that UNDP can play a sensitive role that some bilateral donors may not be willing to undertake, for example, in ensuring that the implementation of the PRSP is independently monitored. From the government perspective, this has manifested itself as trust and feelings of true partnership. In the Azerbaijan context, it also seems that the neutrality is in relation to the World Bank, globally the key international player in the PRSP process and an organisation with a mandate as broad as UNDP's, which is seen as an organisation representing rich countries. The neutrality and trust also gives UNDP a comparative advantage in building alliances among major players, as it did in the employment conference.

2. UNDP's role in harmonising donor interventions and engaging with the government. The government and most donors, including the IFIs, noted the role of UNDP in "coordination" (their use of the term). UNDP facilitated coordination of specific activities, such as the participation process, helping take a multi-donor programmatic approach to support the PRSP implementation process and bringing donors together with a unified voice. UNDP's comparative advantage here, strengthened by the lack of an EU Delegation and the small number of bilaterals with significant aid programmes, lies in its support to government to facilitate its ongoing aid coordination activities.

3. The decentralised nature of UNDP facilitates rapid response as well as flexibility in addressing key issues on a timely basis. UNDP has a range of modalities that can facilitate appropriate support with a number of execution arrangements. National Execution, for

example, may lead to greater ownership by government. It has access to additional resources as appropriate and has co-financing agreements.

2. GOOD PRACTICE

Good practices are often developed through exploiting the comparative advantage in the country and the UNDP CO in Azerbaijan has been successful in doing so. Three areas of good practice by the UNDP CO in Azerbaijan were identified:

1. The UNDP CO, through the strong support of the Resident Representative (RR), has been very effective in facilitating harmonization among the donor community. A number of specific cases were identified including efforts to postpone the deadline of the completion of the PRSP to ensure adequate time for broad consultation; development of the participation plan to facilitate an efficient and harmonised approach to undertaking the formulation process; and facilitating the development of a “unified voice” from the donor community at the PRSP launch, to emphasise key issues important to all.
2. UNDP was able to exploit its comparative advantage in providing timely support, as seen in its support of the PRSP Secretariat. The speed with which UNDP could react was supported by the Regional Bureau for Europe and the Commonwealth of Independent States’ (RBEC) rapid approval of the application to use the Direct Execution modality.
3. UNDP provided ongoing support to the government, and the PRSP Secretariat in particular, in facilitating effective coordination of the complex multi-donor effort to support the PRSP process. UNDP is supporting the Secretariat in taking a programmatic approach to address the capacity building and institutional strengthening needs for effective implementation of the strategy. This will ensure a more coordinated and effective use of external resources, greater country ownership of the process, and the timely

undertaking of priority tasks. In addition, specific help is being provided in terms of the poverty monitoring unit described above. UNDP’s comparative advantage of building alliances among major actors was exemplified in the employment conference it sponsored. The employment conference was successful in supporting ownership though strengthening the capacity of government to develop home-grown employment strategies, many of which were subsequently incorporated into the PRSP, and it also helped develop alliances between a broad range of stakeholders in the employment creation process.

3. LESSONS LEARNED

This section sets out some of the key findings concerning UNDP and the PRSP process in Azerbaijan. Although the PRSP process in Azerbaijan is still young, with the PRSP only recently approved by the government and many of the institutional arrangements still not in place, there are a number of key lessons that can be learned from UNDP’s engagement.

- The UNDP CO in Azerbaijan has played an important (described by some key government officials as “crucial”) role in the PRSP process to date, and it is likely to remain a key actor in the PRSP process in the future. This role has been verified by government, civil society, donors, and IFIs. Much of the success is due to the personal involvement and commitment of the UNDP RR and the commitment of the CO PRSP focal point. A key lesson is that the UNDP RR/UN RC must be committed to the process to the extent that it is country driven and nationally owned and must engage on a personal basis with key partners to ensure UNDP plays an important role. While personal relationships need to be built with key government actors in the process, there is concern that efforts should be made to institutionalise relationships rather than risk the consequences of a change in personnel.
- The PRSP process provides an excellent opportunity for UNDP and UNCT to

engage in upstream policy dialogue and to see the results of this dialogue incorporated into concrete plans of action. By focussing on a small number of key issues for policy dialogue, most importantly employment in the case of Azerbaijan, UNDP can have greater impact on policy reform in partnership with its development partners. Thus UNDP was able to provide the adequate resources, human and financial, to ensure that its activities were successful.

- Broad ownership of the PRSP within the government of Azerbaijan is facilitated by the lack of an existing national planning framework within which a PRSP may or may not fit. The lack of such a framework reduces the risk of institutional rivalries and competition between vested interests. It also facilitates UNDP's efforts to put the MDGs at the heart of a new long-term national development vision for Azerbaijan.
 - The PRSP document has failed to define clearly the purpose of the PRSP: how the PRSP fits in the planning framework, including the budgeting process; and the roles of the main players, including their responsibilities, deadlines, and how the PRSP process should affect them on a daily basis. This has led to some confusion among government agencies and has reduced a feeling of ownership and commitment among some.
 - The PRSP process in Azerbaijan has probably benefited from being placed within a powerful new ministry. This fact has also facilitated UNDP's engagement, since it is on a level playing field with other donors, as opposed to a scenario where the PRSP is the responsibility of the Ministry of Finance and UNDP has few contacts compared with the World Bank and the IMF.
 - UNDP was able to offer timely support to the PRSP process because of the effective support from headquarters and the regional bureau (RBEC). The CO in Azerbaijan noted the support of the regional UNDP SURF (Sub-Regional Facility) located in Bratislava, in rapidly finding appropriate consultants to support the process. It also was able to access funds from the UNDP Poverty Thematic Trust Fund within the
- timeframe required.
- UNDP's role in coordinating UNCT support of the PRSP has been limited, largely due to the small size of the UNCT in Azerbaijan. UNICEF is playing an important role in the PRSP process and will continue to do so. The 2001 CCA did not contribute to the PRSP. Efforts need to be made to ensure that the new CCA is integrated into the PRSP process and supports the PRSP in achieving the MDGs. The CCA/UNDAF process therefore represents an opportunity to support government ownership of the PRSP process while at the same time ensuring that it is fully geared to achieving not only the MDGs but also other international commitments made by the government.
 - Regional workshops that brought together people from different countries engaged in the PRSP process were found to be useful in the sharing of experiences and gaining a greater understanding of the PRSP process. The meetings also allowed policy level discussions among different players in the PRSP process, including players from donor and IFI headquarters. For example, the Second Regional Forum on Poverty Reduction held in Budapest in November 2001, with a strong delegation of parliamentarians and civil society representatives from Azerbaijan, was an important opportunity for UNDP to engage with other donor and IFIs on the issue of postponing the PRSP process to facilitate greater participation. In this respect, the CO appreciated the support of the UNDP Bureau for Development Policy (BDP) at the conference in Budapest.
 - There is concern that the good practices and approaches undertaken during the formulation process by the government, donors, and civil society will not continue in implementation. In particular, there is concern about the development of an adequate institutional framework for monitoring and supporting effective implementation of the process. Clearly, the implementation of activities will be the responsibility of various stakeholders, including central and local government as well as NGOs, but someone needs to

support the implementation and formulate the next document in the ongoing PRSP process. Equally, the donor coordination that was achieved during the PRSP preparation process needs to be institutionalised so that it does not rely heavily on personalities and personal relationships.

4. POTENTIAL ROLES IN AZERBAIJAN

This section promotes the sharing of experience across regions by looking at a number of potential roles for UNDP. This includes many areas of potential intervention that are already being planned by the UNDP CO as well as some recommendations as appropriate. In the case of Azerbaijan, the future role of UNDP will depend largely on government decisions about organisational and institutional structures developed to manage and monitor the implementation of the PRSP. Assuming that the decisions do not introduce structures significantly different from present ones, some key potential roles are listed below:

- Supporting the PRSP Secretariat in taking a more strategic and programmatic approach to utilising external assistance for the PRSP process during the implementation phase.
- Supporting different dimensions of monitoring. Three potential roles identified include:
 - (i) Using UNDP's resources to strengthen the government's capacity to monitor and report on progress. Many international organizations, concerned with government commitment to implement the PRSP strategy, thought UNDP should play an important role in monitoring implementation of the PRSP based on UNDP's perceived neutrality. While there may be some benefit from independent monitoring, monitoring implementation is the responsibility of the government and should be undertaken in the context of annual (and possibly quarterly) progress reports. UNDP's resources would be better used to support this.
 - (ii) Developing partnerships with organizations that can provide adequate indicators across all dimensions of poverty to assist in more effective poverty monitoring. As noted earlier, there are a number of cases where there is lack of consensus on the indicators to be used and/or the methodologies used in measuring them. The UNCT has a significant comparative advantage in addressing this issue in a comprehensive and holistic manner due to its broad mandate and existing relations with key sectoral ministries. Partnerships will need to be developed beyond the UNCT and possibly through such initiatives as PARIS 21.
 - (iii) Supporting the establishment of a Poverty Monitoring Unit, as described in earlier sections of this document.
- Supporting the government through the development of the National Sustainable Development Programme focussed on the achievement of the MDGs. Although the document will be of a different nature, lessons from the development of the first PRSP should be incorporated, especially in relation to the participatory processes involved. Lessons should also be drawn from wider experience in developing the Comprehensive Development Framework (CDF), since the Azerbaijan initiative will probably reflect some, if not all, of its key principles and approaches. This will be facilitated by the evaluation of the CDF approach that was undertaken by the World Bank together with its development partners.⁹
- Supporting the coordination process between the government and international organizations. Almost all organizations recognised that UNDP has a number of advantages in supporting coordination, for example, it is a good neutral place for meetings and could be an ideal place to have a depository of donor information (reports, terms of reference, project documents, etc.) to facilitate greater aid and donor coordination.

9. World Bank Operations Evaluation Department. June 2003. *Toward Country-led Development: A Multi-Partner Evaluation of the Comprehensive Development Framework*.

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Annex 2: People Interviewed

GOVERNMENT OF AZERBAIJAN _____

Cabinet of Ministers

Mr. Ali Hasanov, Deputy Prime Minister
Mr. Gurban Sadigov, Acting Head of
Department for Problems of Refugees,
IDPs and Migration

Ministry of Economic Development

Mr. Farhad Aliyev, Minister
Mr. Mehman Abasov, Head of
PRSP Secretariat

Ministry of Youth, Sport and Tourism

Mr. Aboulfas Garayev, Minister

Ministry of Labour

Mr. Ali Nagiyev, Minister
Mr. Tahir Budagov, Deputy Minister
Mr. Vahab Mammadov, Head of Department
on Employment Policy and Demography

Ministry of Economic Development (Nakhchivan Autonomous Republic)

Mr. Famil Seyidov, Minister

Nakhchivan Municipality

Mr. Zaka Mirzayev, Deputy Head
of Municipality

UNDP AZERBAIJAN _____

Mr. Marco Borsotti, Resident Representative
and UN Resident Coordinator
Ms. Narmina Guliyeva, Programme Officer
Responsible for PRSP
Mr. Lutful Kabir, CTA, NGO Resource
and Training Centre

INTERNATIONAL FINANCIAL INSTITUTIONS _____

World Bank

Mr. Akbar Noman, Country Manager

Ms. Saida Bagirova, Operations
Officer/External Affairs

IMF

Mr. Michael Mered, Resident Representative

EBRD

Mr. Thomas Moser, Head of Office

UN SYSTEM _____

UNHCR

Mr. Didier Laye, Representative

UNICEF

Dr. Akif Saatcioglu, Head of Office

WFP

Ms. Hae-Won Park, Programme Officer,
Officer-in-Charge

IOM

Mr. Govind Panda, Community Development
and Micro-credit Project Manager

EMBASSIES AND DELEGATIONS _____

Germany

Mr. Klaus Grewlich, Ambassador

Italy

Ms. Margherita Costa, Ambassador

France

Ms. Chantal Poirer, Ambassador

Japan

Mr. Toshikazu Muto, Second Secretary

Norway

Mr. Steinar Gil, Ambassador

United Kingdom

Mr. Andrew Tucker, Ambassador

USA

Mr. William D. McKinney, USAID
Country Coordinator

European Commission

Mr. Celal G. Alpman, Director, Exceptional
Assistance Programme

Mr. Phillippe Bertrand, Responsible for EC
Budget Support, Food Security Programme

Ms. Cristina Amaral, Policy Advisor
in the Ministry of Agriculture,
Food Security Programme

CIVIL SOCIETY _____

Association of Young Economists

Mr. Azer Amiraslanov

Education Society

Mr. Nugay Aliyev

National NGO Forum

Mr. Azay A. Gulyiev, President

Mr. Ilkin Garayev, Expert

Union of Traders and Producers

Mr. Sevgim Rahmanov

Transparency International – Azerbaijan

Mr. Sabit A. Bagirov, Chairman of the Board

INTERNATIONAL DEVELOPMENT NGOS _____

Save the Children Fund (USA)

Mr. Tryggve Nelke, Field Office Director

World Learning

Mr. Jeffrey Cornish, Country Director

Adventist Development and Relief Agency (ADRA)

Ms. Sevinj Rustamova, Program Manager

INTERNATIONAL PRIVATE SECTOR _____

BP

Ms. Karen St. John, Director,
Social Performance

BOLIVIA

COUNTRY REPORT

by John Weeks and Oscar García

The authors thank the UNDP country office, La Paz, for the invaluable help it provided. The authors especially thank Christian Jette.

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Acronyms and Abbreviations

CDPR	Centre for Development Policy & Research, SOAS
CISE	Consejo Interinstitucional de Seguimiento y Evaluación
CO	Country office of the UNDP
EBRP	Estrategia Boliviana para la Reducción de Pobreza (Bolivian PRSP)
ECLAC	Economic Commission for Latin America and the Caribbean
HIPC	Highly Indebted Poor Countries Initiative
IDB	Inter-American Development Bank
IFI	International financial institution
IMF	International Monetary Fund
JSA	Joint staff assessment of the IMF and World Bank
MDG	Millennium Development Goal
ND	National Dialogue (Dialogo Nacional)
NHDR	National Human Development Report
PNUD	Programa De Las Naciones Unidas Para El Desarrollo. (Spanish acronym for the UNDP)
PRSP	Poverty Reduction Strategy Paper
RBLAC	Regional Bureau for Latin America and the Caribbean (of UNDP)
ROAR	Results Oriented Annual Report of the UNDP
RR	Resident representative of the UNDP
SOAS	School of Oriental & African Studies, University of London
UDAPE	Unidad de Análisis de Políticas Sociales y Económicas (Unit for the Analysis of Social and Economic Policies)
UNCT	United Nations country team
UNDP	United Nations Development Programme
UNDP EO	UNDP Evaluation Office
UNFPA	United Nations Population Fund
UNICEF	United Nations Children's Fund
VIPFE	Viceministerio de Inversión Publica y Fianciamiento Externo
WB	World Bank

Country Background

The Bolivia Country Study mission took place during November 4-16, 2002, and was carried out by John Weeks (CDPR) and Oscar Garcia (ProActiva). Key documents were examined and meetings were held with a range of key stakeholders and participants in the PRSP process.

1. INTRODUCTION

Bolivia is one of only two land-locked countries in South America. It is a unitary country, divided into 9 departments and 314 municipalities. It has a population of 8.3 million people who inhabit 1 million square kilometres. The official language is Spanish, and the main native languages are Quechua, Aymara, and Tupi-Guarani. The country has important cultural and ethnic diversity, with 37 different ethnic/cultural groups and 10 linguistic families. Bolivia's constitution establishes the country as multicultural and ethnically diverse by recognizing the right to be different.

Political change in Bolivia is currently occurring in a democratic context. This is radically different from the political uncertainty that characterised the country until 1981 and is the result of the combined action of diverse social actors.

2. SOCIOECONOMIC SITUATION

Poverty has been accompanied by profound inequality in the distribution of resources between rural and urban areas, and between rich and poor in all areas. Poverty affects 52.6% of urban households and 95.4% of rural households. Income distribution in urban areas is extremely unequal, with a Gini coefficient of 52.5 in 1990.¹⁰ This situation

has grown worse since 1985, when structural adjustment policies were introduced, as the most vulnerable sectors of society have borne the cost of adjustment. Policies adopted to mitigate the social consequences of the so-called structural adjustment have had limited effect.

Macroeconomic stability was achieved during the 1990s, followed by a growth rate of 4% and inflation below 5%. However, this growth rate was not high enough to deal with the country's development challenges. Since 1999, Bolivia has suffered from an economic crisis, arising from external shocks. The economic growth rate fell to an annual average of 1.3%, associated with a substantial increase in unemployment, aggravating socioeconomic inequity.

3. DEVELOPMENT ASSISTANCE

Bolivia's strategy of partnership with the international community has two aspects. On the one hand, Bolivia has relations with the members of the Organization of Economic Cooperation and Development (OECD), focusing on the fight against the traffic of drugs, the execution of structural reforms, and negotiation of the foreign debt. On the other hand, Bolivia's relations with its neighbours focus on commercial and political issues.

Bolivia is the second largest recipient of Official Development Assistance (ODA) in the Latin American and Caribbean region, averaging close to US \$80 per capita over the past decade, from US \$498 million in 1989 (11% of GDP) to US \$569 million in 1999 (6.8% of GDP).¹¹ ODA peaked in the mid-1990s and dropped gradually to the level of the previous decade. Technical cooperation flows during the past decade can be broken down into three distinct periods: first-generation reforms (1985-1992), second-generation reforms (1993-1997), and

10. UNU/WIDER World Income Inequality Database 2000. Available at www.wider.unu.edu/wiid/wiid.htm.

11. World Bank 2001, based on OECD/DAC. Summary online at <http://capacity.undp.org/countries/studies/bolivia.htm>.

Highly Indebted Poor Countries Initiative (HIPC) II reform assistance (1997-present). Each period has a distinct pattern of ODA flows and capacity development.

The first period (1985-1989) was characterized by inflows of balance of payments assistance for structural adjustment and macroeconomic stabilization. The second period (1993-1997) inaugurated a process of intensive institutional reform, backed by high levels of technical assistance. Education reform, decentralization process, popular participation, and judicial reform, in particular, included a significant capacity development component.

Technical cooperation peaked during this period. A third period (1997-2002) began with Bolivia's entry into the HIPC-II agreements, which set out a new framework for donor assistance and a shift from project-centred technical cooperation to policy-level dialogue and long-term planning.

Two serious problems threaten Bolivia's capacity to sustain human development:

1. public investments being largely dependent on development assistance resources;
2. structural external deficits resulting from dependence on exports of raw materials with low added value.

The PRSP Process

1. PARTICIPATION

The primary vehicle for broad-based participation in Bolivia was the National Dialogue (ND) of 2000, which received strong support from UNDP. The ND represented a historic event in Bolivia, and it is necessary to discuss it in some detail. As the discussion will show, the importance of ND goes far beyond its relationship to the PRSP.¹²

First National Dialogue: 'Bolivia Towards the XXI Century'

The first ND occurred September 1997, bringing together representatives from the central government, the most important organized groups of the civil society, and political parties. The ND developed an Operative Plan of Action, which included government plans and programmes organized in four categories:

1. *Equity*, which covered education, health, basic sanitation, and the household sector;
2. *Opportunity*, which included programmes for economic growth;
3. *Dignity*, which was to be achieved through policies to reduce production of coca and promote alternative development;
4. *Institutionalisation*, which would improve public administration and reform judicial power.

The timing of the first ND was prompted by the need to meet HIPC conditionality. In 1998, Bolivia obtained its first relief from the HIPC-I. The relief, in net present value, was US \$448 million, distributed over 20 years (equivalent to 10% of the country's debt in 1981).

In February 2000, Bolivia was selected for HIPC-II debt relief. The conditions of HIPC-II and the Growth and Poverty Reduction Service (which was established at the annual assembly of 1999) were continued adherence to structural adjustment policies and commitment to use resources from

foreign debt relief in programmes that will reduce poverty.

Second National Dialogue: 'Economic Growth and Fight Against Poverty'

During the first quarter of 2000, a new participatory process began. The first steps occurred at the municipal level, followed by the organization of participatory round tables at the departmental level, to finally achieve the National Dialogue 2000. The ND was organized into social, economic, and political agendas. Its main objective was to define, in a participatory manner, the allocation and monitoring ('social control') mechanisms for the HIPC-II resources. The participation of UNDP was important for the success of the process. Drawing on the conclusions of the *National Human Development Report 2000* (NHDR 2000), UNDP called for strengthening a 'deliberative democracy' through popular participation, both local and national.

During the dialogue, UNDP provided technical assistance on the design of the participatory processes and facilitated the allocation of resources from the international agencies to enhance these processes by use of a 'basket fund'. Among those active in the dialogue were municipal and departmental representatives, labour unions and federations, the Catholic Church, rural organizations, representatives from the central government, and all political parties.

Agreement was reached on several issues in the Social Agenda:

- establishment of growth-promoting financial policies to benefit small producers;
- creation of mechanisms for the commercialisation of products;
- technical assistance and programmes for productive employment;
- construction, maintenance, and improvement of roads and irrigation systems.

12. A law has been passed by the congress establishing NDs on a regular basis.

Proposals to improve the education, health, and basic sanitation sectors included:

- expansion of infrastructure;
- increase in training;
- pro-poor priority in the allocation of public expenditure;
- strengthening of public institutions.

Other proposals that were not agreed to included:

- decreasing bureaucracy;
- defining, in a participatory manner, a mechanism to distribute more equitably expenditure from the central government;
- broadening participation in the determination of departmental expenditure;
- implementing the Popular Participation Law and the law regulating the public administration of expenditure (Sistema de Administración Financiera y Control Gubernamental or SAFCO, the Financial Administration and Governmental Control System) to facilitate its implementation at the municipal level.

Among other issues, the ND defined social exclusion to be related to gender and ethnic discrimination, manifested in lack of enforcement of civil rights, limited popular participation, and the undermining of social relations in communities. The ND also considered environmental issues and related them to social exclusion. Among the measures proposed to reduce environmental degradation were the creation of programmes to prevent discrimination and violence against women, programmes for the development of native communities, and measures for the conservation of protected areas and forestry resources.

Several actions were identified to improve the economy. These included:

- research on competitiveness;
- technical assistance to foster technological innovation;
- development of markets;
- creation of an institutional and legal outline serving the needs of the producers;
- increase in public investment;
- implementation of changes to improve infrastructure.

In order to achieve sustainable development, it was recommended that measures should be taken to render compatible environmental

legislation and the requirements of local development.

It was decided that municipal government would receive the funds from HIPC-II debt relief, with their transfer automatically performed by the banking system. Seventy percent of these funds would be distributed among municipalities according to poverty indicators. The remaining 30% would be distributed equally across the nine regions, with distribution within each region based on poverty indicators as well. A surveillance committee would be established to monitor expenditure at the municipal level.

The Political Agenda addressed democracy, transparency, and citizenship. Democracy issues, such as the enlargement of popular participation to achieve full citizenship and institutional reforms that would facilitate the fight against corruption, were debated. Agreement was not achieved on the Political Agenda. Because no agreement was reached on either the Economic or Political Agendas, the output of the ND 2000 in effect became the Social Agenda.

As a second result of the participative processes, the government created the National Dialogue Law. Its main objectives are:

- to establish the basic outline for the Poverty Reduction Strategy that will lead government actions to promote fair growth and poverty reduction;
- to change, as necessary, public institutions that are responsible for the execution of poverty reduction programmes;
- to define the criteria for the distribution of funds from external debt relief and apply them to poverty reduction;
- to establish mechanisms for monitoring poverty reduction programmes;
- to establish the ND as a permanent mechanism of social participation in the design, pursuit, and monitoring of poverty reduction policies.

2. GOALS OF THE PRSP (EBRP) _____

The central government, supported by experts from public institutions and international organizations, produced a PRSP document with input from the NDs. The objective of the PRSP was to focus economic and social

policies on the poorest, for whom the strategy seeks to improve access to markets, deliver basic social services, increase social protection, and promote equality of opportunity. The four strategic components that define the needed actions to fight poverty are:

1. an increase in wages and employment opportunities (favouring small producers in urban and rural areas), promotion of rural development investment infrastructure, and creation of systems of micro-finance;
2. improvement in primary education, preventive health services, and housing conditions;
3. protection of the most vulnerable parts of the population (children, elderly, and those affected by natural disasters), including measures for risk management;
4. promotion of social integration by encouraging broad-based participation and decentralization of public functions.

The strategy also includes actions for fairer treatment of ethnic groups, gender equality, and rational use of natural resources.

The goals identified in the PRSP are:

- decrease the incidence of poverty by at least 22 percentile points (from 63% to 41%);
- reduce extreme poverty from 37% to 17%, which would surpass the relevant Millennium Development Goal (MDG);
- increase life expectancy from 62 years to 69 years;
- raise the percentage of the population with eight or more years of schooling from 51% to 67%.

3. MACROECONOMIC POLICIES

The PRSP states that its policies should not violate the fiscal, monetary, or financial policies established by the government. The document is based on several economic assumptions. First, it presumes growth rates of 5% to 5.5% over the following fifteen years. Second, it assumes sustainability of the fiscal balance would be maintained by the use of non-inflationary financing. This excludes government borrowing from the Central Bank, which is presumed to have crowding out effects. A balanced budget is anticipated, with expenditures favouring social services and investment.

Included in the PRSP is reform of tariff structure, which would improve administrative efficiency, generate more revenue, and include a new tax code. Major revenue increases are anticipated as a result of gas exports to Brazil.

Monetary policy will aim for price stability to achieve inflation rates lower than 4%, which is hoped to contribute to maintaining a competitive exchange rate. The sustainability of the balance of payments is based on a sustained growth of exports; foreign investment aimed at the mining, oil, and gas sectors, which will finance a considerable part of the imports; and favourable terms for the external debt. The government in power during the writing of the PRSP designated it the official instrument for coordinating and integrating all other policy documents and instruments.

The NHDR 2000 and the National MDGs

1. NHDR 2000

Prior to evaluating the key PRSP outcomes, it is important to discuss the NHDR 2000. The document is of central importance to the evaluation because of its intellectual contribution to the PRSP process and, perhaps even more important, because of what it reveals about the UNDP country office in La Paz.

The NHDR 2000 received an award from UNDP in the category of 'participation' and is a paragon of good practice and a model for both other country offices and headquarters. Its outstanding characteristics are the following:

1. It is written from the perspective of a participant in Bolivia's development process, rather than from the perspective of an omniscient and detached observer; as a result, it embodies an inspiring commitment to Bolivia.
2. It is an analytical document, in which explanation plays the central role, and the reporting of facts is derivative from the analytical framework.
3. It provides a clear definition of human development and how that development would be achieved.
4. It deals explicitly with some of the most conflictual aspects of Bolivia's development without courting controversy.

The above characteristics were used as guidelines for the UNDP's engagement in Bolivia. First, the subjective view of the country office and its place in Bolivian society was considered. Typically, in-country donor and lender representatives, and some UNDP staff, view themselves as part of an expatriate development assistance community detached from the country in which they work. This is not a comment on degree of commitment,

which is typically high, but refers to a subjective view of where they are placed in the country. The contrast to the introduction to the NHDR[ES] 2000 by the Resident Coordinator could not be greater:¹³

*"...[W]e expect [that the NHDR] shall become an important contribution to understand the country **where we live** and the construction of the **country we want**."*¹⁴

This rhetorical placement of UNDP as a national participant in the development process reflects the country office's commitment to national ownership of that process.

Second, the NHDR contains an analytical framework that is intellectually sophisticated. The concept of a 'deliberative democratic culture'¹⁵ places popular participation in a political context, rescuing it from the rather bureaucratic, management-oriented approach found in PRSP documents by other organisations. In the NHDR, participation is not merely the vehicle for consulting the poor over policy but becomes the cornerstone for constructing a democratic society whose priority is human development.

Third, human development is treated in a manner that could provide a clearer focus for all UNDP work. The report defines the basis of human development to be the synthesis of individual interests into a collective interest, which allows society to 'further its aspirations'. The approach is summarised as follows:

*"The rescue and promotion of shared national values and aspirations can be used as a basis for human development goals and practices. These aspirations reinforce the republican values, legitimise those that are democratic, and demand new equality goals for Bolivia's future. Through them the nation will be able to better address internal change and the de-structuring effects of globalization."*¹⁶

13. In order to avoid mistranslations, all quotations are from the English Summary of the NHDR, which is identified here and subsequently as NHDR[ES].

14. NHDR[ES] 2000, Bolivia, page 5, emphasis added. <http://hdr.undp.org/>.

15. NHDR[ES] 2000, Bolivia, page 7.

16. NHDR[ES] 2000, page 8, all in bold in original.

Fourth, the report does not avoid the controversial problems facing Bolivian society. For example, with regard to globalisation, it recognises that liberalisation policies bring opportunities, but warns:

“While Bolivian society aspires to attain unity, equity, equal opportunities, and social integration and seeks to improve the population’s quality of life, globalization’s inertial processes tend towards an accelerated concentration of power and wealth, social and national disintegration and increased poverty.”¹⁷

Whether one agrees with this warning or not, the report is to be commended for its willingness to deal with issues that affect and constrain human development and deal with them in a profound, rather than a cursory, way. Similarly, it discusses extremely sensitive issues of church and state and conflict resolution.

The NHDR is not without its problems, such as its use of the term consensus, which incorporates the implicit view that the aspirations of the poor, greater inequality, and social exclusion can be synthesised into common values. However, the report offers a model of how UNDP can shed institutional constraints and boldly address social issues.

This discussion of the NHDR 2000 is relevant to PRSP outcomes in several ways:

- UNDP’s intensive engagement in the participatory process, both in terms of

analysis and direct involvement, affects all of the outcomes.

- The report has provided an analytical basis for contributions to the key outcomes.
- The analytical work within, and sponsored by, the country office is perhaps more important to PRSP outcomes in the medium term than the standard UNDP mechanisms of involvement.

Thus, even before considering each specific outcome, UNDP’s influence on the PRSP process can be seen as profound.

2. NATIONAL MDGs

The Administrator of UNDP has stressed the importance of countries developing nationally owned MDGs (see the discussion in the Main Report of this evaluation). In Bolivia, the national MDGs appear to be taken directly from the international targets, with initial and terminal levels adjusted from national statistics. The lack of a meaningful process of developing nationally owned MDGs is surprising, since issues relevant to this process were discussed in the ND. Given that Bolivia is unlikely to meet key MDGs as established internationally, developing nationally owned targets should be a priority of the government. UNDP is well prepared to support this process.

Key PRSP (EBRP) Outcomes

1. COUNTRY OWNERSHIP

No one interviewed doubted that the EBRP, which was written within the government unit UDAPE (in English, Unit for the Analysis of Social and Economic Policies), was government owned. However, several informants, including ones from donor agencies, qualified that the EBRP was written within a severely constrained fiscal context that limited government options. Those constraints were strengthened by the fact that the Bolivian government has depended heavily on financing from international financial institutions (IFIs) for more than fifteen years. Nonetheless, there is little doubt that Bolivians wrote the document, with technical support from UNDP. Thus, one can conclude that the EBRP was government owned but not country-driven.¹⁸

The issue of broad ownership is complicated by two issues. First, there is doubt about the extent to which the ND influenced the EBRP. The ND arose from the HIPC process, and the Social Agenda, the successful outcome of the ND, focussed almost exclusively on HIPC-related issues. Given this context, it is the opinion of Bolivian experts on participation that those involved in the ND gave relatively little attention to the implications of the ND for the EBRP. This opinion is not a criticism either of the participation process or of the participatory element in the EBRP. Rather, it indicates that, in each country, the participation process has its own characteristics and internal dynamic. The PRSP is one instrument of public policy and, in some countries, may not be the most important. At the same time, participation has a dynamic that makes its agenda much broader than the PRSP. The participation process should have a substantial impact on the PRSP; at the same time, the PRSP "tail should not wag the participation dog". There is general agreement that the

ND has laid the basis for participatory based monitoring of the EBRP and a participatory content of future poverty reduction strategies.

Second, national ownership is rendered quite complex by the change of government that occurred in mid-2002. This issue is dealt with under Outcome 4, consistency of the EBRP with other policy instruments. One major cause for concern with regard to national ownership is the anomaly that the EBRP was not discussed or approved by the congress. Given the increased legitimacy of the new congress, with its substantial number of indigenous members, future poverty reduction programmes, as well as the required reports to the International Monetary Fund (IMF) and World Bank, should be reviewed by Bolivia's elected representatives. If this reform were implemented, it would increase further the legitimacy of the congress.¹⁹

In a direct contribution to fostering government ownership of the EBRP, the UNDP financed the Technical Secretariat of the Dialogue, and promoted support of Dialogue staff in several ways during the process, including logistical support for local and regional meetings. The UNDP financed two Brazilian experts to comment on the preparation of the EBRP and serve as resource people for UDAPE, which wrote the document.

2. BROAD-BASED PARTICIPATION

In June 1997, the government invited representatives from the Catholic Church, trade union associations, several non-governmental organization networks, academic institutions, and the private sector to an ND workshop. The objective of the dialogue was to discuss and develop the new administration's economic and social policy framework. This first dialogue

18. This distinction is discussed in detail in the Main Report of this evaluation.

19. PRSP Joint Staff Assessment, IMF & World Bank, May 10, 2001, page 3.

did not include representatives from municipalities or *prefecturas*. Its composition was elitist, and participating groups tended to focus on narrow self-interest. In early 2000, because of the conditions set down for obtaining HIPC relief, the government called for a second ND. The NHDR 2000 had a substantial impact on the design of the participation process in this second dialogue.

Seeking a neutral actor, the vice president of Bolivia, who was in charge of coordinating the Dialogue, requested UNDP assistance to administer and implement the workshops of the ND. With contributions from donors and lenders, the UNDP marshalled a fund of US \$1.4 million, US \$400,000 of which, it allocated to promote the participation of civil society organizations.

While the World Bank did not provide financial or technical support directly to the ND, it cooperated with civil society organizations, providing detailed information about the HIPC and PRSP processes. The World Bank also invited the principle representatives from civil society organizations to national and international workshops. The IDB (Inter-American Development Bank) and several bilateral donors contributed financial support, experts, and funds to hire consultants to prepare background documents. There is general agreement that the external assistance facilitated national ownership of the participation process.

The ND 2000 included representatives from almost all segments of society and was structured to occur at three levels:

1. nine municipal round tables in each department of the country, with representatives of all the municipalities;
2. nine departmental round tables with delegates from the municipal round tables, plus representatives of public and private departmental organizations;
3. a national round table with delegates from the departmental and municipal round tables, and representatives of the central government and political parties.

The Technical Secretary encouraged municipal and departmental round tables, enhancing the Popular Participation Law, with technical

assistance from UNDP. The national round table was organized on three areas, which were identified as the social, economic, and political agendas.

The participatory process represented a great achievement because of the inclusion of previously excluded social groups and the frank discussion of national and local problems. However, two significant difficulties emerged:

1. Agreement was reached on the Social Agenda alone, which generated demands from the civil society at the municipal and departmental level, which would be considered for the PRSP. The participants could not reach consensus on the other two agendas, with a singular lack of progress on the Political Agenda.
2. Before the participative processes, the government did not adequately inform the society about the issues to be discussed nor about budgeting restrictions constraining the formulation of the poverty strategy. The consequence was unfulfilled expectations by participants and wider civil society.

3. COMMITMENT TO PRO-POOR GROWTH

Interviews and documents suggest that pro-poor growth by any definition receives greater attention from UNDP in Bolivia than from most of its development partners.²⁰ Judging the extent to which the EBRP shows a commitment to pro-poor growth depends on one's definition of that concept. Both from New York and the La Paz office, it is clear what UNDP means by pro-poor growth: growth designed such that the incomes and standard of life of the poor improve faster than those of the non-poor. No definition is given in the I-PRSP, the PRSP, or the Joint Staff Assessment (JSA) of the IMF and World Bank.

It would appear that the EBRP uses 'pro-poor growth' to mean a combination of the following:

- more rapid growth;
- sectoral emphasis on agriculture;

20. The phrase 'pro-poor growth' is rarely used in the JSA for Bolivia of the IMF and World Bank. It appears in a phrase in paragraph 18, 'greater emphasis on pro-poor growth [would result from] removing obstacles to the development of small-scale agriculture'. It also can be found in paragraph 20, 'Pro-poor growth might be jeopardized, however, by the failure to address structural impediments mentioned in para 18' (IMF & World Bank, May 10, 2001, page 7).

- public expenditure switching towards social programmes (health and education);
- measures that increase the access of the poor to markets;
- emphasis on small scale production in agriculture and non-agricultural activities.

While each of these might reduce the anti-poor bias of Bolivia's growth pattern, none of them favours the poor over the non-poor. For example, improvement in public services would benefit all Bolivians, not only the poor.

Perhaps more important, the macroeconomic framework in the EBRP is indistinguishable from those found in orthodox, pre-PRSP programmes for the country. Fiscal policy stresses balancing the budget, so the document creates no pro-poor fiscal space. Monetary policy stresses the targeting of inflation at a low level (5% per annum) and the importance of exchange rate stability. The probable result of these policies would be neutral, if not negative stimuli from fiscal and monetary policy. Such an approach would be unlikely to generate a growth rate that was sufficient to achieve the MDGs, especially in the absence of purposeful redistributive policies.

Also problematic is the emphasis on small-scale agricultural and non-agricultural enterprises. In agriculture, such development is limited by landlessness and the concentration of land ownership, neither of which are treated as policy issues in the EBRP. With regard to the non-agricultural sector, it is assumed that the relative absence of small enterprises in Bolivia is an indication of possibilities for expansion. It may be the case that this indicates unspecified obstacles to small-scale production. In any case, Bolivia's growth in the medium term will be driven by natural gas production, which is located in the wealthier provinces and will be extremely capital intensive.²¹ It would appear from interviews that the new government intends to maintain the emphasis on small-scale production as central to its poverty reduction strategy when it revises the EBRP.

The UNDP in Bolivia has consistently stressed the importance of equity and distribution for poverty reduction (see the introduction to the NHDR 2000).²² UNDP's influence in this regard has been and will continue to be through public debate, rather than direct influence on the government. Given the configuration of political power in the country, the political base of the government, and the new opportunities for debate created through the ND, this approach would seem the most promising for making future poverty strategies more pro-poor. Concretely, UNDP La Paz cooperated with UNDP Regional Bureau for Latin America and the Caribbean (RBLAC) experts and UDAPE in a pilot study of pro-poor growth that covered several Latin American countries, as well as Bolivia.

4. COHERENCE BETWEEN PRSP AND OTHER PLANNING INSTRUMENTS

The question of whether the EBRP is consistent with other national planning documents demonstrates the need to evaluate the PRSP process in a flexible, non-bureaucratic manner. Because of the change in governments in mid-2002, there can be no simple answer to this question. The EBRP was created under a government that many Bolivians considered of questionable legitimacy because the president seized power through a military coup in the 1970s and imposed a regime of singular brutality. While the current government does not suffer from this legacy of dictatorship, the legacy of dubious legitimacy of formal political institutions remains.²³

The new government has announced its intention to substantially revise the EBRP, which it views as owned by the previous government, not by itself. Until that revision is made public, considering the relationship between the EBRP and other policy instruments is largely of historical interest.

21. At one point in the JSA, one reads that the EBRP "is candid about the fact that growth in the 1990s was skewed toward capital-intensive sectors and relatively high-income regions" (page 4). Three pages later, the document states, "the growth of the capital-intensive hydrocarbons and mining sectors would contribute to the anti-poverty effort mainly through the generation of fiscal revenues rather than job creation" (page 7). The EBRP has no explicit discussion of the consistency of a small enterprise strategy when growth is driven by a capital-intensive sector.

22. NHDR Bolivia, 2000. Spanish version http://idh.pnud.bo/drows/idh_informes/2000/todo.htm.

23. This point is made in the NHDR 2000, page 9: "Although most Bolivians support democracy...one of the most relevant political problems...is the lack of legitimacy of political actors and institutions. This means that there are serious problems that affect a democracy's ability to govern...". The JSA of the IMF and World Bank alludes to this problem, referring to the Banzer government: "Rising social tensions, and a fragile political situation, also may limit the current administration's ability to meet the goals it has set for itself over the remaining months of its term." (IMF & World Bank 2001, page 1).

More important is the implication of this revision for the PRSP process from the point of view of donors and lenders. Formally, PRSP documents represent long-term commitments (albeit embodied in a three-year time horizon). This commitment is given legitimacy beyond the life of a particular government by the participation of civil society. In other words, the PRSP is designed to be a document that embodies a civil society consensus, that the government of the day is constrained to accept as its 'roadmap' for long-term poverty reduction.²⁴

This view of the PRSP is central to its legitimacy as the predominant national statement of development strategy, to which all others relate as inputs or complements. When combined with nationally owned MDGs, it brings the international consensus on goals to the country level. However, the idea that a policy document would be independent of the current government is problematic. This is especially the case for the EBRP that, like other PRSPs, has a detailed costing of programmes and proposals for allocation of expenditure. As a practical matter, one cannot expect a government to be bound by the economic policies of its predecessor. If we assume a competitive electoral system (as in Bolivia), it may be that the new government came to power, in part, by promising to introduce different policies than its predecessor.

It does not appear that this situation, realised in Bolivia in 2002, has been anticipated by the World Bank and the IMF. For example, in the chapter on participation in the *PRSP Sourcebook*,²⁵ one finds no discussion of how the World Bank or the IMF might respond to a government change that results in a *de facto* rejection of a PRSP that has been approved by the executive boards of IFIs. World Bank officials in La Paz took a pragmatic view of this problem, offering the opinion that it would 'probably not' be necessary for the executive boards to review government policy, as long as the new document meets the PRSP criteria. While this response is flexible and pragmatic, it does raise the question of the formal status of the EBRP for IFIs, the Bolivian government, and civil society.

The following conclusion was reached,

informed by discussion in UNDP: Civil society in Bolivia (and elsewhere) expresses its views through a number of vehicles. The ND was one and the elections another. The former carries moral weight, and the latter is associated with the legal authority to make policy (through congress and the executive). If the government and congress were bound for three years by policies in the EBRP, this would mean, in effect, that the executive boards of the IMF and the World Bank had usurped the legislative power of the congress (i.e., the EBRP was approved by IFIs but not by the congress). It is doubtful that the IFIs foresaw this practical contradiction, since the public relations implications would be dire.

The approach of UNDP La Paz has been to treat the PRSP as one part of a national process of developing a poverty strategy, rather than seeing the document as having a status analogous to a Letter of Intent or a formally agreed structural adjustment programme. In practice, the World Bank in La Paz takes a similar view. In light of the Bolivia experience of government change, a reform of the PRSP process is clearly required. It would be appropriate and logical for UNDP to initiate this reform, with the aim of making PRSPs more effective for the countries formulating them, IFIs, and other donors and lenders.

5. PARTNERSHIPS AMONG DEVELOPMENT PARTNERS

The New Framework for the Relationship to the International Cooperation, created in 1999, redefined the relationship between the government and donors. The funds from international donors and lenders included assistance to the participative processes during the elaboration of the EBRP and subsequent stages. Almost all bilateral donors participated in the informal network for the EBRP, including Belgium, Canada, Denmark, France, Germany, Japan, Netherlands, Spain, Sweden, Switzerland, the United Kingdom, and the United States of America. All the multilateral and UN agencies, the World Bank, the IDB, and the Corporación Andina de Fomento (CAF), supported the EBRP.

24. Several Bolivian experts and representatives from donor and lender organizations contributed to providing us with clarity on this interpretation of the PRSP.

25. *Poverty Reduction Strategy Sourcebook*, World Bank & IMF, Section 2.1. <http://www.worldbank.org/poverty/strategies/sourcons.htm>.

Despite formal support for the process, the IDB showed limited enthusiasm for 'aligning' its lending within the PRSP framework. More important, little progress has been made on the coordination of development assistance, which is a major goal of the PRSP process, even on the relatively straightforward harmonising procedures for government reporting to donors and lenders. On the positive side, the World Bank in Bolivia appears quite flexible, at least in principle, on harmonising and simplifying the relationship between donors and lenders and the government.

The UNDP worked with a range of national partners, including *Foro Jubileo 2000* (Jubilee Forum 2000 organized by the Catholic Church), the *Comité de Enlace de Productores* (Committee of Small Producers), the *Diálogo del Consejo de Pueblos Originarios del Oriente* (Dialogue of the Eastern Native Populations), *Instituciones Privadas de Desarrollo* (Institutions for Private Development), *Consulta a Mujeres Campesinas de La Paz* (Consultation of Native Women from La Paz), and *Consejo Nacional de Ayllus y Marcas del Kollasuyo* (National Body for Ayllus and Marcas from the Kollasuyo).

At the municipal level, the participation process enhanced groups by the strengthening of the 'Surveillance Committees' created by the Popular Participation Law in 1994. These committees became part of the mechanism of monitoring. They have the responsibility for the design, evaluation, and monitoring of public policies, budgets, and projects. They also promote active participation and coordination within civil society and the public institutions at the national, departmental, and municipal levels. Overall, UNDP's public sector and civil society partnerships are quite strong.

6. PRSP AND THE MULTIDIMENSIONAL NATURE OF POVERTY

The JSA of the IMF and World Bank took a favourable view of the EBRP's treatment of

poverty, calling it a "good, comprehensive poverty diagnosis".²⁶ After approving this aspect of the EBRP, it went on to say, "the discussion... is considerably stronger on the income than the non-income dimensions of poverty".²⁷ By UNDP standards for an analysis of the 'multi-dimensional' nature of poverty, the EBRP must be considered quite weak, with almost exclusive reference to income poverty.²⁸ Overall, the EBRP's treatment of poverty is only a marginal improvement upon that in the I-PRSP. Both documents describe poverty without explaining why Bolivia has one of the highest incidents of poverty in the Western Hemisphere.

The absence of a multi-dimensional treatment is more than a failure to meet a bureaucratic or technical requirement of PRSPs. One of the most important lessons to take from the Bolivia experience is that major aspects of the quality of life of the poor can improve with minimal reduction in income poverty. In its national report on the MDGs, UNDP points out that infant mortality declined from 120 deaths per 1,000 live births in 1989, to 92 deaths per 1,000 live births in 1998.²⁹ Associated with this, maternal mortality declined between 1994 and 2000, though by considerably less than child mortality. These and other results could have been used in the EBRP to present a more comprehensive understanding of poverty and the policies by which it would be reduced. Given the likelihood that Bolivia will not achieve the MDG for the reduction in income poverty, which UNDP judged as 'not achievable',³⁰ it is surprising that the EBRP did not point to what the country had achieved. The absence of an adequate analysis of poverty accounts for the JSA comment that the document has an "absence of an explicit link between the diagnosis [of poverty] and the success (or failure) of past interventions".³¹

The narrow focus on income results in the poverty reduction programmes in the EBRP having little link to the analysis of poverty. The 'strategic components' of the EBRP programme could have been formulated with

26. Bolivia PRSP, Joint Staff Assessment, IMF & World Bank, 2001, page 3.

27. Bolivia PRSP, Joint Staff Assessment, IMF & World Bank, 2001, page 4.

28. The EBRP devotes 11 pages to the discussion of the characteristics of the poor ('The Poor in Bolivia', Republic of Bolivia, March 2001, pages 32-43). Of the 48 paragraphs in this section of the EBRP, 17 refer to income poverty, 5 could be interpreted as treating non-income aspects of poverty, with the remaining 26 devoted to description of labour market conditions, rural production, and other topics setting the context for in which poverty persists.

29. UNDP MDGs 2001.

30. UNDP MDGs 2001, page 6.

31. Bolivia PRSP, Joint Staff Assessment, IMF & World Bank, 2001, page 4.

virtually no concrete knowledge of the characteristics of poverty in Bolivia: expanding employment and income opportunities, especially through micro and small enterprises; developing 'human capabilities' (primary education and basic health services); providing safety nets; ensuring property rights; protecting people against natural disasters; promoting social integration and participation; and various 'cross-cutting' priorities (e.g., opportunities for ethnic groups, women's rights, and environmental management).

The lack of progress on addressing the multi-dimensional character of poverty exists despite UNDP's major contribution to this central aspect of the PRSP process. In partnership with the United Kingdom Department of International Development, UNDP supported several 'consultative groups' dealing with problems of social exclusion, linked to the EBRP (*Grupos Consultivos Seguimiento de la EBRP y la problema de la exclusión social*). The reports of the integration and social participation group were published in November 2002 and addressed problems and issues of young adults (*la dimensión generacional*), women, and indigenous groups. A synthesis volume on these reports provided concrete policy proposals (*Agenda contra la exclusión*), some of which can be found in the NHDR 2000.

As noted, the new government is in the process of revising (some say discarding) the EBRP in favour of a new strategy. UNDP work has laid the basis for a more comprehensive treatment of poverty in the new document. Whether this document will present a more pro-poor growth strategy is a question that cannot be answered now.

7. POVERTY MONITORING AT NATIONAL AND LOCAL LEVELS

The EBRP created indicators for poverty monitoring in three categories:

1. *Impact*, which considers changes in the various aspects of poverty;
2. *Results*, an approximated evaluation measure;
3. *Intermediate*, an interim instrument.

These indicators will be quantified through interviews and administrative records. The National Dialogue Law, which requires an ND

every three years, serves as the legal framework to assure the monitoring and formalize the participative process. The Surveillance Committees oversee monitoring at the local level. Civil society groups participate at the national and departmental levels through the National Mechanisms of Social Control.

A specialized technical unit, called *Consejo Interinstitucional de Seguimiento y Evaluación de la EBRP* (CISE, Inter-institutional Council for the Monitoring and Evaluation of the PRSP), will have direct responsibility for monitoring and evaluating poverty. This unit is composed of three institutions: the *Unidad de Análisis de Políticas Sociales y Económicas* (UDAPE, Unit for the Analysis of Social and Economic Policies), the *Viceministerio de Planificación Estratégica y Participación Popular* (VPEPP, Vice-ministry of Strategic Planning and Popular Participation), and the *Instituto Nacional de Estadística* (INE, Statistics National Institute). The World Bank has cooperated with financial support, and UNDP provides technical assistance and advice.

To date, CISE has presented two reports on the EBRP. The first, presented April 2002, focused on a qualitative analysis of the Strategy Action Plan and the National Dialogue Law. The second, presented in June 2002, brought the Action Plan up to date and highlighted the main programmes for the fight against poverty. It also reviewed macroeconomic performance in the first quarter of 2002 to consider the sustainability of the EBRP. The report noted that the GDP growth rate of 1.2% for 2001 fell well below the rate required to meet the EBRP goals. The report attributed this poor performance to social conflict, natural disasters, and external factors, such as the depreciation of the exchange terms and the reduction of world market demand. Overall, the monitoring mechanisms for the PRSP in Bolivia appear impressive and considerably superior to those in many other countries.

International partners have also taken up the monitoring task, with a Bilateral Assessment Team and the World Bank and IMF reports. As a result of the change in government in 2002, the current administration is reviewing ways to revise the EBRP to make it consistent with Plan Bolivia.³²

32. Plan Bolivia is a 12-point agreement signed on July 25, 2002 by two former Bolivian presidents, on power sharing in the government that took office on August 6, 2002.

Conclusions

1. UNDP'S STRENGTHS _____

The strengths of UNDP in Bolivia to fulfill the institution's role in the PRSP process are many: successful engagement with the governments of the country; trust created with civil society; and expertise in social issues that provides the basis for intellectual and policy leadership.

The government perceives UNDP as a reliable, long-term partner, which is committed to government ownership of Bolivia's development strategy. The trust established by UNDP with the government is all the more impressive because the country office (CO) includes experts whose criticisms of government policies, past and present, are well known. The CO in Bolivia demonstrates that UNDP can be bold in its choice of local and international experts without losing the trust of the government.

UNDP has operated in Bolivia during a wide range of governments, both elected and military dictatorships. Through all of these, the CO has maintained trust of civil society despite, in some cases, bitter animosities among those groups. Relations with some groups in civil society are better than with others, but there are few legal organizations that do not dialogue with UNDP.

The strength of UNDP's expertise in social issues was discussed earlier in relation to the NHDR 2000. Expertise in sectoral policies and the environment is also strong. At the same time, in-house expertise on macroeconomic issues is relatively weak.

2. GOOD PRACTICE _____

Perhaps the most outstanding aspect of UNDP work in Bolivia has been its contribution to the participation process. While the ND would have occurred without UNDP's help, that help greatly facilitated its success as a vehicle of social inclusion. This

contribution can be attributed to the excellent relations that the office has maintained with both the governments of the country and civil society. Even more impressive is that the office did this despite a change in government that represented a substantial political and policy shift.

Less outstanding, but important, has been the CO's monitoring of the MDGs. The report on the MDGs is a model of realistic, analytically sound assessment.

3. LESSONS LEARNED _____

The UNDP CO in Bolivia has played an important role in the PRSP process, described as crucial by key government officials and civil society representatives, and is likely to remain a key actor in the process in the future. Much of the success is due to the commitment of the Resident Representative and the enthusiasm of his office staff.

The organisation of the CO in Bolivia is a model for others to follow. The teams that produced the NHDRs acted, in effect, as an in-house think-tank, both analysing current issues and anticipating major developments in the country. The NHDR work, plus the work of issue-based groups within the office, facilitated the CO in making strong contributions to policy analysis.

The role of UNDP as the campaign leader for a new development agenda within the PRSP framework is centrally important. The CO's excellent NHDRs have had a strong advocacy role in favour of participation and pro-poor outcomes. The report on the MDGs could be a basis for making those targets nationally owned.

Perhaps most important, UNDP practice in Bolivia teaches the lesson that UNDP can confront controversial issues in its public work without weakening its ties with either the government or civil society. On the contrary, confronting such issues has been a

source of prestige for the CO.

Three weaknesses can be identified in the context of the work of the CO in the PRSP process. First, UNDP's impressive contribution to the participation process had limited direct impact on the PRSP. This is, in part, because the participation process had its origin in the HIPC initiative. In its future engagement in the PRSP process, the CO will have the opportunity to foster a closer link between participation (the next ND) and the PRSP process.

Second, the MDGs play little or no role in the formulation of policy for poverty reduction in Bolivia. As discussed above, this results from the timing of the PRSP, on

the one hand, and the formulation of MDGs, on the other. A future focus of the CO might be to foster a discussion that would lead to nationally owned MDGs, which could be integrated into the policy process. In addition, nationally owned MDGs could be made central to the monitoring of the PRSP.

Third, interviews suggest that commitment to the PRSP varies within the UN country team. Whether this reflects a lack of interest by some UN agencies or a weakness in coordination among the UN partners, the fact is that improved UNCT coordination in the PRSP process is a task requiring attention in the future.

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Annex 2: People Interviewed

GOVERNMENT OF BOLIVIA _____

Ivan Arias, Advisor to the Comité de Participación Popular y Régimen Municipal, former vice-minister for popular participation
 Victor Hugo Balcarreza, Director de Financiamiento Externo, Ministerio de Hacienda, Viceministerio de Inversión Pública y Financiamiento Externo, VIPFE
 Marcelo Barron Arce, Consultor, Vice-Ministerio de Inversión Pública y Financiamiento Externo
 Elsa Guevara, Diputada Nacional, Bancada del MIR (leader of the party in the lower house)
 Guillermo Justiniano, Ministro de Desarrollo Sostenible y Planificación, ex-Ministro de Agricultura and Ministro la Presidencia
 Moira Paz, Leader of the MNR in the Senate
 Juan Carlos Requena, Advisor to the government on the EBRP
 George Gray, Director Ejecutivo de UDAPE

UNDP BOLIVIA _____

Carlos Felipe Martínez, Resident Representative
 Christian Jette, Public Policy Specialist
 Jesus Ortego, Consultant, UNDP Public Policy Unit

INTERNATIONAL FINANCIAL INSTITUTIONS _____

John Newman, Resident Representative, World Bank
 Carlos Melo, Resident Representative, Inter-American Development Bank
 Jose Vicente Maldonado, Representative of the CAF (Corporación Andina de Fomento)
 Luis Carlos Jemio, Country Economist, CAF, ex UDAPE Director

UN AGENCIES _____

Hugo Fernández Araoz, Director, UNITAS

Waldo San Martín, Country Representative, UNPFA
 Francisco Rojas, Public Policy Advisor, UNICEF

BILATERAL DONOR ORGANIZATIONS _____

Mogens Pedersen, Head of Danida
 Marianne Peters, Project and Programme Officer, Danida
 Carlos Caraza, Asesor Permanente de COSUDE (Swiss Aid), Ex-director de la Secretaría Técnica del Diálogo Nacional

CIVIL SOCIETY _____

José Enrique Pinelo Navarro (and colleagues), Coordinador Comité de Enlace de Pequeños Productores (Committee of Small Agricultural Producers)
 Felipe Quispe Huanca, (aka Mallku) Secretario Ejecutivo CSUTCB (peasant organisation), and Diputado Nacional por el MIP (Movimiento Indígena Pachakuti)
 Saturnino Mallku, Secretario Ejecutivo de la Central obrera Boliviana (Bolivian Confederation of Workers), and Secretario Ejecutivo de la Federación de Mineros (Federation of Miners)

NHDR TEAM _____

Fernando Calderón, Bolivia Human Development Advisor and Coordinator
 Armando Ortuño, Member
 Christopher Pinc, Member

OTHER _____

Eduardo Forno, former Deputy Resident Representative
 Bernardo Requena Blanco, Ex-vice Ministro de Inversión Pública y Financiamiento Externo

ETHIOPIA COUNTRY REPORT

by Alemayehu Geda and John Weeks

The authors thank the UNDP country office in Addis Ababa, for the invaluable help it provided.

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Acronyms and Abbreviations

AAU	Addis Ababa University
ADLI	Agricultural Development-led Industrialization Strategy
AG	Ambassadors' Donors Group
CCA	Common Country Assessment
CDPR	Centre for Development Policy and Research, SOAS
CO	Country office (of UNDP)
CSO	Civil society organization
DAG	Development Assistance Group
DAG-CG	Development Assistance Group Core Group
EEA	Ethiopian Economic Association
EEPRI	Ethiopian Economic Policy Research Institute
EPRDF	Ethiopian Peoples Revolutionary Democratic Front
FLC	Federal Level Consultation
FSS	Forum for Social Studies
HIPC	Highly Indebted Poor Countries
I-PRSP	Interim Poverty Reduction Strategy Paper
<i>Kebele</i>	Lowest level administrative unit
MDG	Millennium Development Goal
MOFED	Ministry of Finance and Economic Development
NGO	Non-governmental organization
ODA	Official development assistance
PRSP	Poverty Reduction Strategy Paper
SAP	Structural Adjustment Programme
SDPRP	Sustainable Development and Poverty Reduction Program (Ethiopia's PRSP)
SOAS	School of Oriental and African Studies, University of London
SPA	Strategic Partners with Africa
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
<i>Wereda</i>	District level administrative unit

Note: All dates refer to the international standard calendar, not the Ethiopian calendar.

Country Background

The Ethiopia Country Study mission took place October 11-18, 2002, and was undertaken by Alemayehu Geda (SOAS/CDPR) and Getahun Tafesse (National Consultant). Key documents were examined and meetings were held with a range of key stakeholders and participants in the PRSP process.

1. INTRODUCTION

Ethiopia is in Eastern Africa, in the region commonly called the Horn of Africa. It has a population of about 65 million people, with the majority (more than 85%) residing in rural areas. It is the second most populous country in Africa. Ethiopia is a potentially rich country with considerable natural resources, although few have been exploited. The country remains extremely vulnerable to the vagaries of nature and external shocks.

Ethiopia has a long national history that spans more than 3,000 years. It was not colonized and had a monarchy based government until 1974. In 1974, the last emperor was deposed by a military junta, which then ruled the country from 1974 to 1991. During this time, the military government experimented with the Soviet-style central planning, and markets and the private sectors were suppressed. At the same time, the economy collapsed, growth plummeted, and civil war led to the fall of the regime in 1991, which was overthrown by a coalition of forces under the umbrella organization, the Ethiopian Peoples Revolutionary Democratic Front (EPRDF).³³ The EPRDF formally created a multi-party system and reorganized the previous administrative regions under a federal system. The federal states were formed on an ethno-linguistic basis and the country was renamed the Federal Democratic Republic of

Ethiopia (FDRE). In 1992, the EPRDF accepted World Bank/International Monetary Fund (IMF) Structural Adjustment Programmes (SAPs).

2. SOCIOECONOMIC SITUATION

Table 1 shows major macroeconomic aggregates for the 1990s. Growth performance in the last decade was quite strong and was accompanied by a stable price level. Because of the structure of the economy, growth performance is largely determined by the performance of the agricultural sector. The table also shows that the country experienced only minor structural change, with industry representing only about 14% of gross domestic product (GDP).

The domestic saving rate has been disappointing, at an average of 6% of GDP, and became negative in 2000/2001. This widened the resource gap and increased the country's dependence on external finance. This dependence can be deduced from the share of exports to imports, which did not exceed 70% between 1990 and 2000. The major conclusion that can be made from the macroeconomic picture is that the government has managed to establish respectable macroeconomic conditions. Given the weak structure of the economy, however, sustainability of these results is not guaranteed.

The country has a large poor population, as illustrated by Table 2. The degree to which economic growth affected poverty was counteracted by a rise in income inequality. Available studies show that there is a positive and strong correlation between economic growth and income inequality in Ethiopia.³⁴ Addressing the issues of income distribution would seem as important as growth.³⁵

33. EPRDF is a coalition of political groups organized along ethno-linguistic lines, the nucleus of which is the Northern-based Tigray Peoples Liberation Front.

34. Alemayehu *et al.* 2002. "The Pattern of Growth, Poverty and Inequality in Ethiopia: Which way to a Pro-poor Growth."

35. *ibid*

TABLE 1. ETHIOPIA: RECENT MAJOR MACRO AGGREGATES (%)

Year	GDP Growth Rate	Agricultural Growth Rate	Agri-culture/ GDP	Industry/ GDP	Investment/ GDP	Dom Saving/ GDP	Fiscal Deficit/ GDP	Exports/ Imports	Inflation
1990/91	-4.3	5.2	55.9	9.4	10.4	7.9	10.0	44.3	21.3
1991/92	-3.7	-2.7	56.5	9.0	9.2	3.4	9.9	42.2	20.7
1992/93	12.0	6.1	53.5	10.4	14.2	3.0	7.9	49.2	9.9
1993/94	1.7	-3.7	50.7	10.9	15.2	5.6	11.5	52.9	1.2
1994/95	5.4	3.4	49.7	11.2	16.4	5.0	7.3	61.6	13.4
1995/96	10.6	14.7	51.5	10.6	16.9	7.4	5.7	57.0	-2.6
1996/97	5.2	3.4	50.7	10.8	17.0	7.0	6.0	68.5	-1.5
1997/98	-1.4	-10.8	45.8	11.1	17.1	9.5	6.9	66.9	3.5
1998/99	6.2	3.8	44.8	11.2	14.8	7.7	12.9	45.2	1.2
1999/00	5.0	1.9	43.5	11.2	14.3	1.2	14.3	49.6	4.0
2000/01	9.2	13.1	45.0	11.3	16.4	-1.0	9.7	51.4	-7.2

Source: Alemayehu. 2001. "Recent Economic Performance in Ethiopia:1990-2002."

TABLE 2. POVERTY ESTIMATES FOR ETHIOPIA:1995/1996-1999/2000

Index	Region	1995/1996 Index	1999/2000 Index	Change in Index (%)
Head count index (P_0)	Rural	0.475	0.454	-4.4
	Urban	0.332	0.369	11.1
	National	0.455	0.442	-2.9
Poverty gap index (P_1)	Rural	0.134	0.122	-9.0
	Urban	0.099	0.101	2.0
	National	0.129	0.119	-7.8
Squared poverty gap (P_2)	Rural	0.053	0.046	-13.2
	Urban	0.041	0.039	-4.9
	National	0.051	0.045	-11.8

Source: Alemayehu *et al.* 2002. "The Pattern of Growth, Poverty and Inequality in Ethiopia: Which way to a Pro-poor Growth."

3. DEVELOPMENT ASSISTANCE

With an average investment to GDP ratio of approximately 16% and a domestic saving

to GDP ratio of 6% during the 1990s, Ethiopia had an average resource gap of about 10% of GDP. With such a large resource gap, the country had little choice but to depend on foreign finance. It is estimated that external assistance over the last decade constituted an average of 76% of capital accumulation, and about 25% of the recurrent budget of the government. This clearly shows the dependence of the country on donor support, hence the significance of new aid-delivery mechanisms (or partnership frameworks) such as the PRSP. This is the context in which the discussion of the PRSP process in subsequent sections should be understood.

It is beyond the terms of this report to consider the impact of conflict on the PRSP process in Ethiopia. However, it should be noted that the border conflict with Eritrea had a number of negative consequences on relations between the government and donors and lenders, including, in some cases, suspension of financial disbursements. During this tense period, UNDP played an important role in maintaining communication between the government and external agencies.

The PRSP Process

The PRSP process in Ethiopia began with the establishment of a technical committee to draft the interim PRSP (I-PRSP) in May 2000. The committee comprised representatives from selected government ministries, regional governments, and parliament. The representatives embarked on preparing the I-PRSP after attending the regional workshop on PRSP held in Cote D'Ivoire in June 2000. However, the involvement of the committee in preparing the I-PRSP ended before the document was drafted. The final shape and content of the I-PRSP, which was issued in November 2000, was determined in the Prime Minister's office in consultation with the Ministry of Finance and Economic Development (MOFED). There was limited involvement of many concerned government institutions and no participation by stakeholders outside the government. Partly because of the rush with which the I-PRSP was prepared, and owing to the non-participatory nature of its formulation, the document generated wide-ranging criticism. Some of these comments were formally discussed within the donor community and submitted to the government. The Development Assistance Group (DAG),³⁶ and the European Union formally submitted comments on the I-PRSP. The I-PRSP was submitted to the World Bank and the IMF, who endorsed the document in March 2001. The government subsequently prepared the detailed Plan of Action for the Formulation of the PRSP, which was launched in July 2001.

UNDP's engagement began immediately after the preparation of the I-PRSP by the government and its subsequent submission to donors. Initially, the donor group identified gaps in the I-PRSP. These comments, containing about forty points, were subsequently presented to the government during their first joint meeting, which many observers considered to be a failed attempt by donors and lenders

to influence the document. Subsequently, engagement between international agencies and the government became more constructive.

Central to UNDP's engagement in the PRSP process was its leadership and facilitation of the Development Assistance Group Core Group (DAG-CG) chaired by UNDP, established in September 2001. Through this vehicle, UNDP located its engagement with the government and facilitated donor coordination of the process.

The UNDP country office (CO) can take credit for improving relations between donors and lenders and the government. In the context of the government's strong ownership of its policies (discussed in more detail later in this document), the DAG produced eight major areas of comment on the I-PRSP. The government seemed satisfied with donor involvement, which facilitated communication and addressed issues of lowering administrative and transaction costs of official development assistance (ODA).

With the intent to broaden the consultation process for the PRSP, the government conducted *wereda* and regional level consultations. The response to the participation process was mixed, with the government considering it broad and productive, and some or many representatives from civil society sceptical. Given the inherent tension in the participation process, and within civil society itself, it would be strange if this were not the case. In the case of Ethiopia, some civil society organisations (CSOs) and non-governmental organisations (NGOs) criticised the government for excessive control of the consultation process. Judgement of the donor community was also mixed. Three general comments seem valid with regard to the consultation process:

1. It represented an important step toward achieving broad consensus on economic and social policies.
2. The claims of civil society representatives had validity and could be used constructively to

36. Consortium of 33 multilateral and bilateral donors chaired by the UNDP and the World Bank.

improve future consultations.

3. Achieving a balance between a 'popularly-led' participation process and one that keeps to a focused agenda that can produce concrete policies is quite difficult.

The PRSP Federal Level Consultations (FLC) held in the capital March 28–30, 2002, represented the culmination of the participation process and met the objective of the Government Plan of Action (final phase) for the PRSP consultation process. Building on the *wereda* and Regional Level Consultations, the key objective of the FLC was to shift the poverty focus towards the national level and ensure a consistent policy focus. The forum facilitated a broad based stakeholder representation, including participants from regional and federal levels, NGOs, private sector, academic and research institutes, and religious bodies. The FLC led to the preparation of the PRSP (named Sustainable Development and Poverty Reduction Program, SDPRP) in July 2002, by experts of MOFED with considerable input from local experts at the Economics Development Department of Addis Ababa University. This document was approved by the World Bank and IMF in September 2002.

An extensive review process followed the various consultations, a process in which UNDP played a leadership role with donors

BOX 1. FEDERAL LEVEL CONSULTATION (FLC) PROFILE AND REPRESENTATION

- Approximately 450 participants attended the three-day FLC, representing all central government ministries, all regional governments (including *wereda* and *kebele* level representatives), parliamentarians, civil society, religious bodies, private sector, and development partners. Excluding international agencies, the composition of participants was 56% from the government; 33% from civil society; and 11% from the private sector.
- The importance given to the FLC was reflected in the high level representation attending the consultation, including the President of Ethiopia, key ministers and other senior government officials, leaders of political parties, CSOs, religious bodies, and development partners.
- Only 16% of the total participants were women.
- The content of the agenda incorporated policy briefings, poverty analysis, sector and thematic poverty profiles, findings of regional and *wereda* level consultations, and non-state and development partner perspectives on poverty reduction.

Source: DAG CG observations of the consultation compiled in a synthesis report that fed into the GOE and civil society stakeholders meeting.

and lenders. The SDPRP was submitted to and accepted by the boards of the World Bank and IMF in August and September 2002. The UNDP also facilitated government engagement with civil society and the private sector in the post-PRSP period.

Key PRSP Outcomes

This section assesses the seven key PRSP outcomes in terms of the four-stage evaluation process described in the section on methodology. In terms of progress towards the outcome, the period discussed is from just before the start of the process (the agreement to prepare the I-PRSP) until the present. Assessments of ongoing discussions and plans to implement activities or undertake dialogue in the near future are also included. The UNDP either has, or has plans to assume a substantive relationship in pursuit of common outcomes.

1. COUNTRY OWNERSHIP

The Ethiopian government has shown consistent commitment to policies that it has implemented, with a strong degree of ownership. The government considers ownership to be essential to its credibility. For any government in Ethiopia, deviation from this principle, even if it is for political pragmatism, has serious political costs. When the PRSP was introduced, there was a legitimate fear within the government and civil society that it represented unnecessary external pressure on a government that was already implementing pro-poor development policies and strategies—a valid criticism. This evaluation tends to conclude that the I-PRSP was a document prepared to satisfy the demands of major donors, namely the World Bank and IMF, but that this is not true for the PRSP.

In the view of the government, the PRSP does not represent a new strategy; rather, it restates what the government has been implementing for the last ten years. The government considers itself committed to equitable rural development, in which it is acting on behalf of the rural population. This commitment reflects the rural base of the rebellion and the need to maintain the

political support of that base. Major policies and strategies of the government have a strong rural focus and explicit emphasis on poverty reduction, at least in principle.

The government has been consistent in upholding its own development agenda during negotiations with multilateral and bilateral donors. The tension between the desire to be self-reliant and dependence on foreign loans and grants is difficult to reconcile. Notwithstanding this difficulty, the government is fully in control of the PRSP process. Thus, the SDPRP is derived from the government's overall strategy, the Agricultural Development-led Industrialization (ADLI).³⁷ Ownership by the government in Ethiopia is clearly distinct from ownership by other stakeholders such as the CSOs, NGOs, and the private sector.

There are at least four factors that determine the outcome of ownership in Ethiopia. These are:

1. the capacity of the government to articulate and design its development strategy;
2. the home-grown nature (including political consensus) of the strategy (PRSP);
3. the level of participation by stakeholders in the design and implementation of the strategy;
4. the level of development of the country and its aid-dependence.

The speed at which both the I-PRSP and PRSP was formulated had a negative effect on national ownership. In addition, the strategy followed by some CSOs and NGOs for participation, which was confrontational, might have had a negative effect on national ownership.

The government's focus on rural areas is consistent with the fact that most of the poor live in these areas, and it is in line with the spirit of the PRSP. However, if pursued as an exclusive strategy, it would fail to deal with the needs of urban poor. A comprehensive view of rural-urban and agriculture-industry linkages, and openness

37. There are policies that will not be acceptable to one or more major donors, even if there were a national consensus on them. An example is protecting domestic industries or deviation from the liberal macro policy framework. To that extent, ownership in Ethiopia is constrained.

to alternative voices, are important for policy making in the future. Particularly important is that strong government ownership not come at the expense of PRSP outcomes, namely broad-based participation.

Assessment of Key UNDP Contributions

As far as government ownership is concerned, the direct contribution by UNDP is limited and supportive, because the government takes control of its programs as a matter of principle. Since UNDP has long been engaged in capacity building in all line ministries and the MOFED, it contributed indirectly to ownership. Another contribution of the UNDP is its efforts in organising the donor community to engage constructively with the government. In the process, the government's desire for strong ownership has been enhanced.

As in most countries, there is a tension in Ethiopia between UNDP maintaining close relations with the government and civil society. This is a tension that ebbs and flows with political developments in a country. Thus, the context of managing this tension is, to a great extent, beyond the control of UNDP or any external actor.

In the specific conditions of Ethiopia, a key role of the international community, and the UNDP in particular, can be to facilitate broadening ownership beyond the government. Two strategies were employed by the UNDP towards realizing this outcome. First, the UNDP was involved in capacity building and supported advisory services to the government. Second, UNDP, managed skilfully to rally the donor community to uphold the government's core value of strong ownership (discussed below).

2. BROAD-BASED PARTICIPATION

Broad-based participation is perhaps the most controversial outcome, because it is a negotiation over the power between the government and the governed. The basic issue in assessing broad-based ownership is not the sincerity or insincerity of each party to the participatory process; rather it is whether the political context is such that each party perceives it to be in its interest to engage

productively. For all the difficulties and tensions in the participatory process in Ethiopia, the judgement of this report is that the engagement of the government and civil society groups can realise its potential to be constructive.

Little more than ten years ago, Ethiopia was a centrally planned military dictatorship. Therefore, one could hardly expect that the institutionalisation of political liberalization and democratisation to be complete in such a short time span. It would be equally surprising if the outcome of the participatory process were not mixed. It is too early to judge whether this mixed outcome in the PRSP participatory process will contribute to that institutionalisation.

With the emergence of the PRSP, various CSOs initiated engagement in the process (see Table 3). These groups included the NGO Task Force on PRSP, the Ethiopian

TABLE 3. CIVIL SOCIETY GROUPS SUBMITTING SUGGESTIONS FOR INCORPORATION IN THE PRSP³⁸

Institutions	Documents Submitted
FSS	<i>Consolidated Report on FSS Program of Public Debates (Consultations and research on poverty and poverty reduction in Ethiopia)</i>
Addis Ababa Chamber of Commerce	<i>Summary of Recommendations of the Business Community (Suggested to be included in the full PRSP)</i>
EEA/EEPRI	<i>Summary Report of Consultations in Regions and with Stakeholders</i>
Ethiopian Women Lawyers Association, FSS, Center for Research and Training on Women in Development	<i>Gender Focused Poverty Strategy in Ethiopia</i>
NGO PRSP Task Force	<i>NGO Perspective Paper on the PRSP</i>
InterAfrica Group	<i>Civic Engagement in PRSP Formulation in Ethiopia, Research And Advocacy Notes</i>
Forum for Environment	<i>Integrating Environment Concerns into the PRSP</i>

38. This list excludes government bodies at federal and regional level that submitted summary reports on the PRSP.

Economic Association and Ethiopian Economic Policy Research Institute (EEA/EEPRI), the Forum for Social Studies (FSS), the Pastoralists Forum on PRSP, and the Inter-Africa Group. The FSS involvement began with duplicating and distributing the I-PRSP document, which was not widely accessible outside the government. In this, and other ways, the FSS played a leading role in fostering broad-based participation.

Compared to the I-PRSP, the role of CSOs and NGOs in the PRSP process represented a step towards greater participation. The primary government participatory mechanism is the ruling political party. When the government states that its policies are developed through active grass-roots participation, it refers to its party-based meetings that are held at various times at different levels in the country. As one would expect, there is disagreement among CSOs and within the government itself over the effectiveness and independence of the consultations.

Some CSOs, including ones involved in facilitating participation, were generally not satisfied with the consultation process because it was government led. For example, the request by the NGO Task Force on the PRSP to be represented in PRSP technical committees was not granted. Civil society groups also questioned the selection criteria for *wereda* participants, as well as the mechanisms through which consultations might influence the design of the PRSP. A constructive approach would be for the government and international agencies to view these objections from civil society as guides to improving the participation process.

One of the problems of previous poverty strategies in Ethiopia (and elsewhere) was that government technocrats and decision makers formulated policies without involving the public. The PRSP initiative created an opportunity for building a national consensus on causes of poverty and designing of appropriate interventions. If appropriately implemented, the value added to the PRSP initiative may be greater than poverty reduction; it may be a step toward improving democratic participation. This would facilitate reducing not only narrowly defined poverty, but also the wider concept.

Despite increased government openness to accommodate other stakeholders during the PRSP period compared to that of the I-PRSP, the PRSP process was government owned and country driven, with weak national ownership derived from broad-based participation. As pointed out in the Main Report of this evaluation, broad-based participation is the weakest outcome of the PRSP process across countries.

Some of the factors for this can be identified. First, the speed with which both documents (I-PRSP and PRSP) were prepared was excessive, which negatively affected broad-based participation. Second, by the time the World Bank and the IMF approved the I-PRSP, civil society initiatives were at an early stage.

Third, there were differences in the character of consultation at the various levels of administration, as noted by those interviewed in the government and in civil society. It was widely believed that at *wereda* level, the consultations were quite effective and participatory. At regional and federal levels, government intervention to steer the direction of the discussion was strong, with a negative impact on the outcome.

Finally, there was the structural problem of the mode of participation between the government and other stakeholders. The government argued that the existing political institutions and their structure were the appropriate mode of participation, while many CSOs and NGOs argued that the government's political framework could not embrace all citizens, especially those not in agreement with its politics. The issue of whether broad-based participation for the PRSP process should be within existing political structures, or if parallel ones should be created for the purpose, is debated in every PRSP country. On the one hand, in some countries the formal institutions have limited legitimacy in the eyes of some groups;³⁹ on the other hand, PRSP participation should serve to reinforce, not undermine, formal institutions of representation. In Ethiopia, as in every country, only domestic actors can resolve this issue through the political process.

Assessment of Key UNDP Contributions

The UNDP CO played a major role in the participation process from its outset, engaging

39. This is especially the case for ethnic groups that suffer from various forms of social discrimination.

in consultations from the *wereda* to the federal level. It took a lead role in observing and coordinating donor observations of the consultation process and assessed its impact. It also worked with and supported selected CSOs and the private sector. This work implies that the UNDP in Ethiopia has the potential to take the lead among international agencies in championing the cause of broader participation through stressing constructive criticism of the process by civil society groups.

3. COMMITMENT TO PRO-POOR GROWTH

An examination of various policy initiatives (see Annex 3) in Ethiopia reveals that poverty reduction is central to government policy. The Ethiopian PRSP clearly states that growth should be pro-poor. The pro-poor content of the PRSP is based on the political commitment found in the constitution of the country. Article 41, Sub-article 3 states, "Every Ethiopian citizen has the right to equal access to publicly funded social services". This commitment is reinforced in Sub-article 4 of the same article that reads, "The state has the obligation to allocate increasing resources to provide public health, education and other social services". Thus, the Ethiopian government has a statutory requirement to be pro-poor. This seems to be reflected in the final PRSP (the SDPRP), in which the issue of pro-poor growth is explicitly discussed. This is strengthened by the adoption of the ADLI as the strategy that informed the SDPRP. The ADLI focuses on development in rural areas, where the majority of the poor reside.

The SDPRP is clear about the nature of growth. All the informants interviewed for this study agree that the government's PRSP has a commitment to pro-poor growth, and our examination of the document confirms that. However, assessment of progress towards that outcome is difficult to judge at this stage of the PRSP process, since the SDPRP was only approved in September 2002 and making its strategy concrete will be a daunting task. Whether the designed policy and strategy are pro-poor in impact is an empirical question. One needs to await

the implementation of the policies. However, the existing data on the agricultural sector are not encouraging. Yield per hectare hardly changed over the last twenty years and real income did not increase and may not in the future, because the demand for agriculture is not addressed in the strategy.

Assessment of Key UNDP Contributions

There were several UNDP contributions towards this outcome. First, the UNDP played a crucial role in convincing donors to work with the government in a constructive and non-confrontational manner. This strengthened the government's ownership of its policies. Since the program has a pro-poor growth content, the UNDP contributed in an indirect manner. Second, UNDP advocated the importance of incorporating the Millennium Development Goals (MDGs) in the PRSP, both to the donor community and the government. That effort was successful and helped progress towards this outcome. The UNDP also made financial and technical contributions towards this end. In addition, in several DAG documents, especially the Joint Partner Review of September 2002, UNDP pointed out the "useful but narrow" treatment of poverty in the SDPRP, and recommended "use of qualitative poverty data" to supplement the quantitative analysis.⁴⁰

The strategy adopted by UNDP resulted in cooperative relationships between donors and the government. This successfully created an enabling environment for realization of progress towards the outcome. A further success was the use of the MDGs as an instrument to introduce further pro-poor elements into the government's policy formulation and implementation.

4. PARTNERSHIPS AMONG DEVELOPMENT ACTORS

Donor and lender involvement in Ethiopia's PRSP is realised through the DAG and the Ambassadors' Group (AG). The former is involved in development and policy issues, including the PRSP process, while the latter is mainly concerned with

40. DAG. 2002. "Briefing Note on DAG Engagement in the PRSP P process." Page 4.

political matters. The preparation of Consultative Group (CG) meetings falls under the DAG.⁴¹ Coordination within the donor and lender community in Ethiopia streamlines working arrangements in order to harmonize efforts and views on issues pertaining to development cooperation.

The government is interested in creating a comprehensive framework for harmonization of assistance, building on its own national systems and procedures. A proposal for a Comprehensive Harmonized Program of Donor Assistance Framework was prepared, based on a September 2002 Strategic Partnership with Africa document that was recommended by the World Bank Mission Consultative Group. The objective was to advance the harmonization agenda and to identify opportunities and constraints for better alignment of donor country assistance strategies with Ethiopia's SDPRP.

The DAG-CG was established in September 2001 and is chaired by UNDP. It comprises seventeen bilateral and multilateral representatives. It holds a regular weekly meeting, which suggests the strong commitment of the members. The DAG-CG formed sub-working groups that interface with DAG Thematic/Technical Working Groups. A staff member of the UNDP CO serves as facilitator to the DAG-CG for support of interventions. In line with this engagement strategy, a memorandum of understanding supporting PRSP preparations was signed by 14 bilateral donors and lenders, UNDP, and the government. A joint donor fund was established, managed by UNDP. This fund channels support to the government. Towards that end, US\$ 1.6 million has been mobilized.

The DAG has outlined four broad areas for support to the PRSP:

1. direct funding to the government Plan of Action;
2. technical assistance, research, and analysis for formulation of the PRSP;

3. support to civil society;
4. support for independent observation and documentation of consultations.

This framework accommodates the interests of donors and lenders who wish to focus their financing in their priority areas. The DAG has established a Core PRSP Group to lead coordination of donor and lender support, and it will seek to ensure that inputs by individual donors are coherent with the overall effort. DAG has explicitly set out three principles for donor engagement:

1. Individual DAG members will act in coordination with other donors and lenders.
2. Donor support to the PRSP process will be clearly distinguished from donor input to content.
3. DAG engagement does not imply validation of the government's entire Plan of Action. DAG recognises that the PRSP is a process and supports the need for flexibility and modification in response to lessons learned.

DAG endorses the lead role of the government in the PRSP. In order to enable sufficient levels of interaction among the government, civil society, and external development partners during the process, the government agreed to provide opportunity for civil society engagement and participation in the process. The DAG also recommended participation of civil society in the steering and technical committees, and provided support to the preparation of the PRSP for Ethiopia through activities that ensured that the consultations were productive and well documented.

The coordination of donor and lender activity is highly appreciated by the government, which was hampered by a multitude of demands from a multitude of donors. Donors and lenders endorsed the government approach, because it greatly eased their work and should make assistance more effective. The UNDP and the World Bank assume responsibility

41. The following donor and lender coordination mechanisms are currently operating: (A) DAG is responsible for internal donor discussions and consultations with the government on substantive and technical issues. DAG informs the AG of its activities as necessary and has quarterly meetings with the government on development cooperation issues. The DAG Co-Chairs, UNDP, and the World Bank, inform the Chair of the AG in order that ambassadors who wish to participate in these meetings can attend. (B) AG, chaired on a rotational basis, deliberates on specific issues that are of a more political nature. (C) There are ten sector/thematic working groups within the donor community. The groups on Human Rights and Organization for African Unity (OAU) report to the AG; other Thematic Working Groups report to DAG. These are on gender, HIV/AIDS, food security, water, environment, justice and legal reform, human rights and democratization, private sector development, health, population and nutrition, education, and public finance management. (D) A fourth mechanism was added to the PRSP with the formation of the DAG Core Group for the PRSP, initially involving thirteen key donors, which increased to seventeen.

for bringing the different interests of donors and lenders into harmony. UNDP, in particular, has performed an excellent job in this task. The donors and lenders and the government explicitly acknowledged this.

The forging of partnerships is largely successful in Ethiopia. The excellent handling of both donors and the government by the UNDP was and is key to the success of the outcome. Interviews revealed that the diplomatic skill of the resident representative of the UNDP was instrumental to the success of this outcome.

The excellent working relationship between the World Bank and the UNDP CO was also crucial for the positive outcome. An agreement was reached among the senior staff of UNDP, World Bank, and IMF to hold joint meetings every three months. Through this joint discussion forum, agreement was reached to chair the donor and lender group jointly. The UN RC and the World Bank Country Representative became co-chairpersons of the DAG. A high level of collaboration was consequently achieved, and many of the coordinating activities of the DAG-CG (including setting of its agenda) were left to the UNDP. Donors and lenders have reached a clear understanding of the government's problems in handling a multitude of demands by external partners. The government's desire to address those problems collectively has contributed positively to the progress made towards this outcome.

Assessment of Key UNDP Contributions

UNDP has played and is playing a key role in building partnerships between development actors, in particular, between the donor and lender community and the government. UNDP co-chaired the DAG and chairs the DAG-CG for the PRSP. This was done in an excellent way. The UNDP became the secretariat of donor and lender assistance to the PRSP process. Through its support and involvement in the DAG-CG, UNDP has played a critical role by bridging gaps not only within the donor community but also between donors and lenders and the government. UNDP managed to exert influence on the following processes:

1. Fostering agreement among donors to achieve non-confrontational and coordinated engagement with the government. UNDP's role in coordinating donors' engagement has continued in the post PRSP-formulation period. It is currently involved in designing strategies for donor and lender engagement with the PRSP implementation, monitoring, and evaluation. It is also chairing the harmonization taskforce within the UN system as part of the UNDAF and facilitating the work of the Joint Government-DAG Harmonization Task Force, which was established in October 2002.
 2. The development of a strong working relationship with the government has been successful. The government agreed to meet regularly with DAG representatives, on a quarterly basis with the PRSP Steering Committee, and on a monthly basis with the PRSP technical committee.
 3. Provision of administrative and information services and technical advice to the DAG-CG for the PRSP has given UNDP a pivotal role in the PRSP process. The DAG-CG weekly meeting to discuss PRSP related issues has been instrumental in coordinating donor and lender financial and technical inputs, and closely following and supporting the government led consultation processes.
 4. Managing the pooled funding mechanism of DAG financial support to the PRSP has facilitated a simplified and streamlined disbursement of funds and reduction of transaction costs to the government.
 5. Facilitating the DAG technical support to the PRSP process, whereby the DAG-CG Secretariat had almost daily contact with the government's PRSP Secretariat and assisted in the implementation of the government led consultation processes by providing technical knowledge on participatory procedures.
- Another key UNDP contribution was its move to the 'upstream' policy arena. UNDP country operations traditionally have been carried out at the program formulation level. The UNDP in Ethiopia engaged at the policy level with the government well before the PRSP by focusing on issues such as strategic planning, information technology, governance, and coordinating donors.
- The UNDP partnership strategy is based on harmonization of donor engagement

through a careful process of consultation. The strategy is pursued through UNDP's role in guiding the process, facilitation of joint donor support initiatives, and provision of secretariat services to the donor assistance group. UNDP management of the multi-donor pooled fund relies on Direct Execution for a flexible, responsive decision making process. Direct Execution has been central to successful UNDP operations in Ethiopia. With regard to the government, flexibility, neutrality, and playing an advisory role are the strategies followed by the UNDP. These elements helped the UNDP build a good working relationship and trust with donors and lenders and the government.

5. COHERENCE BETWEEN PRSP AND OTHER PLANNING INSTRUMENTS

Coherence between the PRSP and other long-term national strategies of the government is essential if the PRSP is to achieve its goals. There is also a need to have coherence between the PRSP and the MDGs. The coherence between previous strategies and the PRSP could heighten the relevance of the PRSP as a medium-term action plan.

Poverty reduction has been a core element of the development agenda in Ethiopia across different policy regimes. The policies being pursued by the current government explicitly state poverty reduction as their foremost objective. This is articulated in policies, reform measures, and in particular the ADLI strategy and sectoral strategies and programs that are implemented by the government.

A major poverty oriented initiative of the government during the transition period (1991-1994) was the Emergency Reconstruction and Recovery Program, which helped to rehabilitate social and economic infrastructure and revive growth. Subsequently, the government adopted a holistic approach to reduce poverty through the World Bank- and IMF-financed economic reform programs and formulated macro and sectoral development policies and programs.

The ADLI, adopted in 1993, is the central guiding policy framework to reduce poverty. It promotes broad-based growth in agriculture and subsequently in industry. Under this broad

framework, two five year development programs (First Five-Year Development Program and Second Five-Year Development Program) along with a series of Economic Reform Programs were introduced to facilitate the transition from a command economy to a market oriented system. These planning instruments sought to restore macroeconomic stability, growth, and efficiency by rationalizing the role of the state. Public expenditure shows considerable emphasis on protecting pro-poor public programs. Following the ADLI strategy, the government launched several sector programmes and projects in the second half of the 1990s. These included multi-year sector development programmes for roads, education, health, and energy, as well as projects for agricultural and rural development (see Annex 3). Other areas of emphasis were water supply and telecommunications.

It is interesting to note that key policies adapted in Ethiopia are in line with the major components of the MDGs. Poverty reduction, food security, expansion of education and health services, and access to safe water are areas that are given emphasis in development interventions. Perhaps the most challenging question in Ethiopia is not the merits of such policies as much as the relevance and practicality of strategies designed to achieve them. The PRSP has the potential to resolve these problems.

Most importantly, the government reinvigorated policy and institutional measures to strengthen the focus on poverty reduction activities in the country. The overall focus to reduce poverty in rural areas and improve the lives of the majority of the small farmers has a renewed emphasis under the recently formulated rural development strategy. As a complement to the new rural development strategy, there are important additional measures that need to be implemented to ensure the realization of the goals and visions of ADLI.

Examined in the context of these previous strategies and policy initiatives, one can conclude that there is coherence among these policies and strategies and the Ethiopian PRSP. Perhaps the most important issue, and to which no significant step is made in the PRSP, is the costing and implementation framework. No assessment can be made about success of the PRSP until costings

have been finalized.

Coherence has been realized in Ethiopia for the following reasons. First, the PRSP is based on previous long-term strategies and policies such as ADLI, but this coherence does not appear in the PRSP in terms of cost and implementation details. This may affect progress towards the outcome. Second, the major analytical work done by the MOFED experts and other local experts helped to relate past strategies with current policy intentions. Finally, the emphasis in the previous strategies and the PRSP on major elements of the MDGs has also made the PRSP consistent with the goals.

Assessment of Key UNDP Contributions

The first contribution of UNDP is its role in facilitating donors to work with the government. This has helped not only to finance relevant studies, but also to respect the government ownership. Government ownership ensures the PRSP will be coherent with long-term strategies, and this has been achieved in Ethiopia.

The second major contribution relates to MDGs. The UNDP is currently working closely with the government to ensure systematic integration of the MDGs in national programs and strategies and the establishment of appropriate mechanisms for monitoring progress towards MDGs. An MDG Task Force involving relevant government ministries and donors has been established. Major activities are planned to set the MDGs in the context of Ethiopia, i.e., to make them nationally owned. The technical work toward that end is underway. The government has agreed to integrate the monitoring of progress on MDGs in the annual progress report on the PRSP.

The partnership strategy followed by the UNDP ensured that donors and lenders supported the government in the PRSP process. This has also ensured that ownership has had a positive impact on enhancing coherence. UNDP has also helped in capacity building in the key ministry, MOFED, which indirectly contributed to this outcome. The final and direct strategy involved work with the

government and other partners through a task force aimed at ensuring coherence of previous strategies and the PRSP. This took the form of an MDG task force, chaired by the MOFED.

6. PRSP AND THE MULTIDIMENSIONAL NATURE OF POVERTY

This outcome is strictly related to the analytical work on poverty that underpinned the PRSP process. The analytical work for the formulation of the PRSP draws on various policy documents that are detailed in Annex 3 and, in particular, on the ADLI strategy paper. These documents were prepared by the government and are broad based in that they incorporate the multidimensional nature of poverty. Some of the basic principles upon which this analytical work are based are enshrined in the constitution of the country.

The Ethiopian PRSP (SDPRP) foresees the economy developing rapidly, the country reducing its dependence on food aid, and poor people being the main beneficiaries of economic growth.⁴² To achieve this, the SDPRP is based on four building blocks:

1. ADLI;
2. reform of the justice system and the civil service;
3. decentralization and empowerment;
4. capacity building in the public and private sectors.⁴³

The SDPRP is based on previous strategies that address poverty as multidimensional in nature and broadens these by using non-income related poverty issues as building blocks for its formulation. It is too early to assess the success of this broad strategy. At the level of design, poverty is treated as multidimensional. The major factors that affected the inclusion of a multidimensional approach to poverty include the government's attempt to base the PRSP on other strategy papers and policy documents that include a multidimensional approach and the attention given to MDGs in the PRSP.

42. FDRE. 2002. "Ethiopia: Sustainable Development and Poverty Reduction Program, Ministry of Finance and Economic Development." Addis Ababa, Ethiopia: FDRE.

43. *ibid*

Assessment of Key UNDP Contributions

The UNDP CO supported, both financially and technically, the inclusion of MDGs in the PRSP and created a task force for the MDGs. It has reached an agreement with the government to have annual reports on progress towards implementation of MDGs that will be integrated in the PRSP process. The UNDP is also working in the area of governance, in particular the justice system.

Central to UNDP work on poverty is an expert base in its office and links with local researchers in order to influence the content of major analytical studies and help the government include alternative views. Further efforts to including local researchers could help steer such studies towards the conceptualization of poverty as even more multidimensional in its nature.

7. POVERTY MONITORING AT NATIONAL AND LOCAL LEVELS

The Ethiopian PRSP was recently completed and the government has not as yet established mechanisms for poverty

monitoring at the national and local level. The government indicated its intention to use the existing institutional framework for this task. Both UNDP and other partners are in the process of preparing themselves to support this work. UNDP is an active member of the donor and lender group working on this issue and leads this group's engagement. At this stage, no conclusion can be reached about the effectiveness of monitoring. The UNDP has positioned itself well to play a supportive role by demonstrating to the government and development partners the importance of the MDGs.

The government is currently implementing decentralization measures through which decision-making power is transferred from regional governments to districts. *Wereda* administrations, which are the lowest formal government administrative structure, will have the power to raise resources and allocate federal grants based on their own priorities and development agendas. The policy will have a strong impact on the implementation and monitoring of the PRSP in Ethiopia, and could 'localise' MDGs in the process of making them nationally owned.

Conclusions

1. UNDP'S STRENGTHS _____

One of the strengths of the UNDP CO in Ethiopia is its long engagement with the government. Informants from the government stated that UNDP resident representatives respected the government's independence. This allowed UNDP to forge strong relationships with the government that have been of benefit to donors. The UNDP has also managed to earn the respect and trust of the donor and lender community in Ethiopia.

2. GOOD PRACTICE _____

- The most important good practice of the UNDP CO has been its role in creating an excellent working relationship with the donor and lender community through its effective coordination, facilitating engagement with the government. Donors appreciate the bridging role the UNDP has played both among themselves and between themselves and the government.
- Over a long period, UNDP has engaged in building the capacity of key ministries and, in particular, the MOFED.
- A further good practice has been the UNDP's contribution to the development of information technology in the country. Information technology is a dynamic area where the capacity building role of the UNDP can be very effective.
- UNDP has provided technical and policy advice to the government, for which it has been highly appreciated; in particular, UNDP sees policy dialogue as a key mechanism for engagement in the PRSP process.
- The fostering of integration of the MDGs in the PRSP process represents a major

contribution to both the Ethiopian PRSP and the UNDP's global work.

3. LESSONS LEARNED _____

Various lessons can be learned from UNDP's engagement in Ethiopia's PRSP process. First, the UNDP CO in Ethiopia has played a key role in the PRSP process and will remain an important partner in the future. This is the view of all stakeholders interviewed. Second, UNDP has managed to occupy a central place in Ethiopia's PRSP process, in particular in donor coordination, because of:

- its excellent working relationship with the government, which was built over a long period of time;
- its impartiality, flexibility, and willingness to work within established government structures;
- its fostering of government interaction with the donor community and use of creative mechanisms, such as pooled funding for support of the PRSP process.

Some of the lessons learned might be associated with challenges. Specifically, the strength of UNDP's close relationship with the government gives it the potential to bridge the gap between CSOs, NGOs, and the government. Depending on developments in the country's political context, the CO could achieve good relations with both the government and civil society, since almost all respondents have a high opinion of the RC as a skilful coordinator and very good diplomat and of the potential contribution of the CO as a whole.

Finally, some donors and government officials suggested that UNDP's work among donors sometimes involves seeking consensus when there is none, resulting in agreements that are too vague to be operational. While there may be some truth in this view,

erring on the side of consensus may have facilitated government ownership of policies.

4. UNDP'S POTENTIAL ROLE IN ETHIOPIA _____

A potential role for UNDP in the future could be the monitoring and implementation of the PRSP. Because UNDP has coordinated donor and lender engagement in the preparation of the PRSP, it could do the same for implementation and monitoring. UNDP could also ensure the integration of MDGs into implementation and monitoring. With decentralisation to districts, UNDP will find it necessary to intervene at lower government levels. Doing so could be a costly venture for UNDP but is necessary for sustained and effective engagement. Thus, UNDP will need to design creative ways to handle this challenge that are specific to the Ethiopian context as decentralisation unfolds.

In continuing its engagement with the government, UNDP needs to strengthen its

capacity building role to carry out important analytical work for the PRSP. As in other countries, the upstream move into the arena of policy making requires a strong base of in-house expertise and establishing close links with local organizations and research institutions. UNDP also has an extremely important role in the development of information technology in Ethiopia, which is behind its neighbours in this area.

Finally, UNDP should continue to serve as a bridge between the government, on the one hand, and donors and lenders, on the other, and extend this to CSOs, NGOs and the private sector. This requires knowledge of the operation of the government structure and the various interests of donors, lenders, and civil society. By investing in further acquiring this knowledge in a dynamically developing political context, UNDP can make its future engagement even more effective. If successful in facilitating interaction between civil society and the government, UNDP will expand its partnerships in an effective manner.

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Annex 2: People Interviewed

GOVERNMENT OF ETHIOPIA

His Excellency, Ato Mekonnen Manyazewal, State Minister, MOFED
Ato Getachew Adem, Head, Macroeconomic Policy and Planning Department, MOFED

UNDP ETHIOPIA

Samuel Nyambi, Resident Representative and UN Resident Coordinator
Antonius Broek, Deputy Resident Representative
Janette Moritz, DAG CG Facilitator
Kristin Seljeflot, Economist in charge of facilitating the evaluation mission
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EMBASSIES AND DELEGATIONS

Donors/ DAG core group for PRSP

Robert A. Beadle, Counsellor, Head of Development Cooperation (CIDA), The Canadian Embassy
Dr. Inge Herman Rydland, Counsellor, Head of Development Cooperation, Norwegian Embassy
Rene van Nes, Second Secretary, Economic Advisor, Delegation of the European Union
Peter Kerby, Development Administration Officer/Food Security Advisor, DFID, Department of International Development, UK
Pauline Conway, Charge d'Affaires, Embassy of Ireland

CIVIL SOCIETY

Members of NGO Taskforce for PRSP

Berhanu Nega, Director, Ethiopian Economic Association/Ethiopian Economic Policy Research Institution
Jalal Abdel-Latif, Director, Inter-Africa Group
Kebede Asrat, Director, Christian Relief and Development Association, CRDA

Annex 3: Poverty Related Policy Initiatives

ETHIOPIA: POVERTY RELATED POLICY INITIATIVES UNDERTAKEN SINCE 1991			
No.	Policy	Date of Issue	Statement of Policy Objectives
1	The New Economic Policy	Nov, 1991	<ul style="list-style-type: none"> • Priority to rural development and focus on agriculture • Decentralized administration
2	Agriculture Development Led Industrialization	Aug, 1992	<ul style="list-style-type: none"> • Improvements in small-holders agricultural productivity • Improvements in traditional agricultural practices • Improvements in incomes of rural dwellers
3	Education and Training Policy	April, 1994	<ul style="list-style-type: none"> • Education is recognized as a very important factor to human development • Particular emphasis on expanding basic education for all • Special support to those deprived of educational opportunities
4	Health Policy	Sept, 1993	<ul style="list-style-type: none"> • Decentralization of the health services system • Focus on preventive health care • Promotion of equitable health service system
5	Food Security Strategy	Nov, 1996	<ul style="list-style-type: none"> • Household level food security • Free food grain trade • Disaster prevention and preparedness
6	Women's Policy	Sept, 1993	<ul style="list-style-type: none"> • Promoting equality between men and women in political, social, and economic participation • Improving women's access to assets and services • Eliminating prejudices and harmful practices
7	Social Policy	March, 1994	<ul style="list-style-type: none"> • Improving the well-being of the population • Ensuring social justice • Promoting human resource development

MALI
COUNTRY REPORT

by Zenebeworke Tadesse, Carlos Oya and John Weeks

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Bamako, for the invaluable help it provided.

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Acronyms and Abbreviations

CCA	Common Country Assessment
CDPR	Centre for Development Policy and Research (SOAS)
CSO	Civil society organisation
CFAF	CFA Franc (Franc for the African Financial Community)
CMDT	Compagnie Malienne de Développement des Textiles (Malian Company for Cotton and Textile Development)
CSLP	Cadre Stratégique de lutte contre la pauvreté (French Acronym for PRSP)
DNP	(Direction Nationale de Planification) French Acronym for National Directorate of Planning
DNSI	Direction Nationale de la Statistique et de l'Informatique (National Directorate of Statistics and Computer Services)
EU	European Union
FSS	Forum for Social Studies (Addis Ababa, Ethiopia)
GDP	Gross domestic product
HIPC	Heavily Indebted Poor Country
IDA	International Development Association
IFI	International financial institution
ILO	International Labour Organisation
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
MDG	Millennium Development Goal
MEF	Ministry of Economy and Finance
NHDR	National Human Development Report
NGO	Non-governmental organization
NPAAE/AP	National Programme of Action for Employment to Alleviate Poverty
ODA	Official development aid
PRECAGED	Programme de Renforcement des Capacities Nationales pour une Gestion Stratégique du Développement (Programme for Strengthening the National Management of Strategic Development)
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
PRODEC	Programme Décennal de Développement de l'éducation (Ten-Year Education Programme)
PRODESS	Programme Décennal de Développement de la Santé et de l'Action Sociale (Programme for Social and Health Development)
SNLP	Strategie Nationale de Lutte contre la Pauvreté (National Strategy for the Fight Against Poverty)
SOAS	School of Oriental and African Studies, University of London
SSA	Sub-Saharan Africa
SWAP	Sector Wide Programme
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
WB	World Bank

Country Background

The Mali Country Study mission took place during October 29 and November 8, 2002, and was carried out by Zenebeworke Tadesse (Forum for Social Studies), Carlos Oya (CDPR) and Hamidou Magassa (National Consultant). Key documents were examined and meetings were held with a range of key stakeholders and participants in the PRSP process.

1. INTRODUCTION

Mali has a population of approximately 11 million people who inhabit an estimated 1.24 million square hectares, for a population density of 8.2 people per square kilometre. It is one of the largest land-locked countries in Africa. After independence, a civilian government with a socialist ideology took over the government. Mali is a multi-ethnic and culturally diverse country of farming, pastoral, and fishing communities. The environment poses great challenges, exemplified by the vast area covered by desert and the Sahelian dry lands, which have meagre prospects for agriculture. Two major rivers, the Niger and the Senegal, provide reliable sources of water to a limited part of the country. In urban areas, petty trade is the most important form of livelihood for the majority of the population. Artisans form a large group, which has received increasing attention from the government in the last decade, given their importance to the tourism sector

In 1968, the government was overthrown by a military coup led by Moussa Traoré, whose party, the Mali People's Democratic Union, established authoritarian rule. That government was deposed in 1991 by another coup called the People's Revolution. Protests by 'pro-democracy forces' induced the leader of the coup, Lieutenant-Colonel Amadou Toumani Touré, to form a government of national unity, the Transitional Committee

for the Salvation of the People. While this government lasted barely a year, it held a national conference, carried out a constitutional referendum, and organised elections that created a multiparty political system. This transitional government gave way to civilian rule after the elections of 1992, which brought to power Alliance for Democracy in Mali, whose leader, Alpha Oumar Konaré, won the presidency. During his first term, Konaré faced a number of social, economic, and political crises. These included protests by students, widespread unrest following a 50% devaluation, and a rebellion during 1990-1996 centred within the Tuareg minority. These crises resulted in a process of national consultation and political decentralisation. In 1997, a coalition of opposition groups alleged that it had lost the first round of legislative elections due to fraud. In response, the Constitutional Court annulled the election result and ordered new balloting. However, the opposition boycotted the election for the national assembly and the presidency, which resulted in President Konaré winning by a massive majority.

In 1992, the government initiated a policy of decentralization that gave local communes fiscal control over health, education, and infrastructure. In 1999, 682 communes each elected a council and a mayor to deal with these responsibilities. The communes were regrouped into 'circles', and the circles into eight regions. The communes are expected to gradually increase their capacity to raise revenue and competence in budgeting.

In 2002, elections brought a transfer of government in which General Touré, the former coup leader, became president. The participation rate in the election was low, about 25% for the legislature and 30% in the second round of the presidential elections. The low participation rate is a symptom of the weakness of democratic political institutions, and, in the opinion of many, a pervasive clientelism that hinders the development of

TABLE 1. SOCIAL AND ECONOMIC INDICATORS

Indicator	1987	1990	1995	2000	2002
GDP per capita (US\$ 1995)	247	252	254	272	300
Infant mortality rate (per 1,000)	144	136	123	233	238
Fertility rate (births per woman)	7.1	6.9 ^a	6.7 ^b	6.5	6.5
Illiteracy rate for ages 15 and up (%)	81	-	-	60	
Female illiteracy rate (%)	84	81	74	67	
Gross enrolment rates of females in primary school (%)	18	19	32	40	46.3
Life expectancy (years)	46.7	48	-	50	56
Population underweight for age (%)	31	-	43	43	33
Inequality, measured by rural Gini coefficient (%)	-	-	55		
Share of income of poorest 20% (%)	-	-	4.6		5
Population with access to safe water (%)	17	-	49	65	51
Health expenditure as percentage of GDP	-	1.6	2.1 ^b	2	
Primary education expenditure per capita as percentage of GNP per capita	33 ^c	-	15	-	

Notes: a) 1989; b) 1994; c) 1985; d) 2000.

such institutions. However, the elections, with a multi-party system, a relatively independent press, and politically active civil society organisations (CSOs), suggest a process of democratic development. For example, Mali's liberal media laws have allowed the highest number of independent radio stations in Francophone Africa. Given the low level of literacy, radio plays a major role in disseminating information.

2. SOCIOECONOMIC SITUATION

Mali is one of the poorest countries in the world in terms of per capita income and human development indicators (see Table 1) and was ranked 164 of 174 countries in the *Human Development Report* (HDR) 2002.⁴⁴ Despite adopting a structural adjustment programme in 1980, the country continued to decline with an average annual growth rate of negative 0.5% under the Traoré government. As of 1999, the agricultural sector accounted for 41% of gross domestic product (GDP) and provided employment to the majority of

people in rural areas, where more than 70% of the population lives. Agriculture holds the key to Mali's short- and medium-term economic prospects and will continue to be the barometer for income, employment, and poverty.

The country's lack of infrastructure is very severe, particularly given the size of the country and the natural barriers to movement such as rivers and desert. Access to basic services of health, drinking water supply, and education is below the Sub-Saharan Africa (SSA) average.

The economic trends in the second half of the 1990s were more positive, with GDP growth rates consistently in the 5-7% per annum range. The increase was due to growth of cotton exports after the large devaluation of the FCFA in 1994 and better rainfall, and a 50% growth in gold exports (partly related to a new mining code). In 2000 and 2001, economic growth declined to 1-2% per annum. The main reason for the decline was the poor performance of the agricultural sector in 2000. Cotton producers boycotted the market in protest against falling world prices. Producers received low farm gate prices from the state-run *Compagnie Malienne pour le Développement*

44. UNDP. 2002. "Human Development Report 2002." Oxford University Press.

des Textiles (CMDT), the main official cotton buyer, though this was more the result of international markets than domestic policy. Drought further induced a decline in agricultural output.

Over the last five years, gold became a major source of foreign exchange and improved the balance of payments. If the appropriate institutional arrangements are put into place, it could also contribute to the funding of poverty reduction programmes. However, the country's export concentration is very high, with only three products accounting for almost all merchandise exports in 1997: cotton 85%, gold 6%, and live animals 3%.⁴⁵ Because Mali is a Franc Zone (CFA) country, the government of Mali has little control over monetary policy. The positive aspect of this policy constraint has been low inflation rates, except when the regional currency is devalued, as it was in 1994.

The political crisis in Cote d'Ivoire may have serious implications for Mali. Approximately 70% of recorded trade between Mali and the rest of the world transits through Cote d'Ivoire. If unrecorded transactions are also considered, the importance of Cote d'Ivoire as the main trade outlet becomes greater. At the time this evaluation was carried out, trade could not pass through the port of Abidjan. This forced traders and authorities to seek alternative outlets, with Conakry increasing in importance. Tema in Ghana has also been used, though the transport costs are higher, since goods must cross Burkina Faso. The problem is sufficiently serious that the International Monetary Fund (IMF) and the World Bank, along with bilateral donors and lenders, have urged the government to evaluate the effects of the neighbouring conflict on the macroeconomic and growth framework presented in the final Cadre Stratégique de Lutte contre la Pauvreté (CSLP, the French acronym for PRSP).

3. POVERTY PROFILE _____

Given its low per capita income, the incidence of poverty in Mali is quite high, estimated as approximately 60-70%, depending

on the statistical sources and the indicators used. More than 70% of the population falls below the poverty line of US\$ 1 a day.⁴⁶ Data from a 1994 survey yielded Gini coefficients of .51 for the country as a whole and .55 in rural areas, quite high statistics for the sub-Saharan region. The poorest 20% of the population receive less than 5% of national income. Due to lack of reliable data, it is difficult to assess changes in poverty over time. The fundamental measurement problem is the lack of comparable sample surveys and a rigorously calculated national poverty line on which poverty indicators could be accurately estimated.

On the basis of recent data, 70% of the population live in 'poor' areas by the definition adopted in the CSLP. Between 1989 and 1996, poverty allegedly increased (especially in Bamako), then decreased during 1996 and 1998. Other estimates show a reduction in poverty between 1987 and 1995. The lack of consensus reflects the weakness of survey data and implies an urgent need to analyse the 2000 and 2001 sample surveys to provide a reliable diagnosis of poverty. Most of the non-income indicators, e.g., under-nutrition, infant mortality, illiteracy, access to safe water, sanitation, and health services, appear to have slowly improved. Absence of data makes it impossible to analyse the gender, age, and geographic dimensions of poverty. What data are available indicate that women and children suffer disproportionately from poverty.

4. DEVELOPMENT ASSISTANCE _____

The importance of development assistance in Mali cannot be exaggerated both in macroeconomic terms and in terms of the impact on government intervention and actions at the local level through projects implemented by non-governmental organizations (NGOs) and local agencies. The country is heavily indebted, external debt representing more than 155% of GDP in 1999, and multilateral agencies accounting for nearly 100% of all debt. However, in the last three years, Mali has received debt relief of more than 90% of the total.

45. Data from UN Conference on Trade and Development.

46. 1993 PPP.

In 2000, total official development aid (ODA) received amounted to almost 16% of GDP. ODA commitments finance the bulk of government investment. In 1994 and 1995, net ODA represented more than 90% of total gross domestic investment and 63% in 1999. Thus, aid is essential to ensure an adequate investment programme to meet the enormous challenges that the country faces, particularly in rural infrastructure. The most important donors are France, USAID, Norway, Netherlands, Germany and International Development Association

(IDA, World Bank).

There are three approaches to aid allocation in Mali: projects, Sector Wide Programmes (SWAPs), and budget support. This latter method was welcomed by the government in the last round of discussions on reforming aid in Mali (1999-2001), associated with the strategic framework of the CSLP and other national priorities. The recommendations arising from those discussions have not been implemented because of lack of commitment on the part of both development partners and the government.

The PRSP Process

The Government of Mali embarked on the preparation of a poverty reduction strategy before the PRSP process was approved by the international financial institutions (IFIs) in December 1999. A workshop on the reform of the planning system and the creation of a strategic framework was organised in 1996. Studies on poverty, relying on qualitative and quantitative data, were used to provide a basis for a future action plan. Following the Social Summit of 1995 and anti-poverty programmes at the global level, the UNDP assisted Mali in the formulation of a poverty reduction strategy (SNLP) in 1998. The resulting discussions set the basis for a more committed approach to defining priorities for poverty reduction and long-term development. Moreover, evaluations of anti-poverty projects were undertaken during this period and aided efforts to establish new guidelines for future action. The SNLP constituted the first comprehensive effort to systematize a strategic framework for poverty reduction. Consultations on priorities were held in 1997 at both national and regional levels. The SNLP comprised a project-led action plan and a system of monitoring and evaluation. The SNLP was adopted by the Council of Ministers in July 1998 and was submitted to and approved by the Donors Round Table meeting held in Geneva in August 1998. The implementation of the action plan began in 1999, and UNDP played a significant role in its design and implementation.

Despite these national efforts and donor endorsement, the SNLP was not immediately accepted by the IFIs as a valid strategy for Mali to qualify for the Heavily Indebted Poor Country (HIPC) Initiative. The IFIs regarded the SNLP as too project-driven and incomplete, because it lacked a comprehensive and consistent macroeconomic framework. It was criticised for lacking links between growth and poverty reduction and for excluding important sectors of the economy.

Furthermore, the SNLP lacked an appropriate statistical and analytical assessment of poverty based on a household budget survey. In most countries, the PRSP is located in the hands of major policy making ministries, such as Finance, which have a direct role in allocating budget resources within a medium-term expenditure framework.

In a somewhat complicated arrangement, in 2000, the SNLP and the long-term prospective study, *Mali Vision 2025*, were accepted by donors and lenders as *inputs* to the CSLP process, but the SNLP was not formally accepted as the country's I-PRSP. In 2001, the process of transforming the I-PRSP to a full PRSP (CSLP) was initiated. Neither the Interim CSLP nor the final CSLP were based on household sample surveys or on any detailed assessment of the poverty situation, these being principle reasons why the SNLP was viewed as unsatisfactory. This apparent contradiction casts some doubt about the ownership of the poverty strategy process and the positions taken by the IFIs. It would appear that the transfer of leadership of the PRSP process to a special coordinating unit in the Ministry of Economy and Finance (MEF), along with the inclusion of a macro-economic framework and growth strategy, were the key additions that changed the judgement of the international development partners.

In September 2000, the government, World Bank, and IMF, approved the I-PRSP (Interim CSLP). During 2001-2002, the preparation of the final CSLP involved different stages and various levels of participation. The participation process was formally organized in a thorough manner. The key features were: eleven thematic working groups; a coordination unit (the CSLP unit); the permanent presence of key units of the MEF, which had operational management of the process, and other sector Ministries; and the inclusion of civil society stakeholders (i.e., trade unions, development NGOs, and human rights groups) and their selective

placement in working groups.

Several agencies and ad hoc groups were created to support the CSLP:

- **Policy Orientation Committee**, chaired by the Prime Minister and comprising of ministers and presidents of the Trade and Industrial Chamber of Mali, National Employment Federation, Permanent Assembly of Malian Chambers of Agriculture, Malian National Federation of Artisans, Platform of Civil Society, and National Trade Union of Malian Workers;
- **Joint Commission**, composed of the ministries that were most involved and international partners;
- **Technical Committee**, operational in MEF and coordinating the eleven thematic groups in which government and civil society were represented;
- **Substantive Secretariat**, controlled by the National Director of Planning (DNP), to guarantee the sustainability of the process in the long-term, especially after the approval of the document by the IFIs;
- **Steering Committee**, in which the MEF, through the CSLP Technical Committee, supported and coordinated the activities of the substantive and regional committees, facilitating consultation among the various parties and controlling the substantive quality of documents.

The reference period for the CSLP would be 2002-2006, with the ultimate objective of reducing poverty from 63.8% to 47.5% by 2006. Around this general objective, consultations took place to agree on the main strategic policies that would receive priority. For the education, health, and agricultural sectors, existing medium and long-term programmes facilitated the work of the

groups. The main objective was to endorse these sector programmes and to highlight the key priorities for poverty reduction, defined at a very general level. The major components of the Policy and Action Plans for Women, Children and the Family, 2002-2006, whose formulation predated the PRSP, were included in the final PRSP. The employment targets were taken from a pre-existing National Programme of Action for Employment to Alleviate Poverty (NPAAE/AP).

In spite of this comprehensive and costly organisation, it is not clear that participation was enhanced under the specific circumstances of the policy dialogue in Mali. Coordination problems arose and progress proved uneven across working groups, leading to apathy and a lack of confidence among some participants. The lack of preparation, training, and time led to inadequate discussion of concrete, specific policy measures and priorities. Many participants in the process could barely remember which key priorities their constituency brought to the process. In light of this experience, one must avoid exaggerating the success of the CSLP participatory process. In practice, the process did not work as expected; this is discussed in more detail in the sections on ownership and participation below.

In May 2002, the CSLP was approved and submitted to the Bretton Woods Institutions. The Joint Staff Assessment of the IMF and World Bank was prepared on February 13, 2003. The current situation in Cote d'Ivoire seems a cause of major concern and may have an effect on the evaluation of the final CSLP, given the need to incorporate this type of external contingency on the growth and macro framework of the CSLP.

Key PRSP Outcomes

1. COUNTRY OWNERSHIP

The CSLP process underscored the complexity of national ownership. Most stakeholders used ownership and participation interchangeably during interviews. Accordingly, they reported a sense of increased country ownership as a result of the participatory process, and specifically of the final CSLP. However, few informants drew the distinction between a process or document being country owned and country driven (see the Main Report of this evaluation for a detailed discussion). In other words, few referred to ownership associated with national autonomy in formulating a policy. Perhaps this lack of distinction explains a sense of cynicism expressed by public servants and members of civil society towards the CSLP and a tendency to compare it unfavourably to the SNLP, which they felt was based on national priorities and characterised by broader ownership.

Most people interviewed highlighted the time allocated to the formulation of the SNLP. The elaboration and validation of SNLP took two years and created a strong sense of national ownership both by members of government and civil society. Conversely, none of those interviewed examined the relationship of country ownership to the considerable participation of donors in the formulation of critical components of the strategy papers, such as the macroeconomic framework and the harmonization of that framework and social sector programmes.

The Ministry of Finance and Economic Planning (later Ministry of Economy and Finance, MEF) coordinated the preparation of the I-PRSP through its Poverty Reduction Monitoring Committee and the Office of the DNP. Other ministries felt that they were not sufficiently involved in this phase of the process. The MEF considered the limited time that the authorities had for submitting the I-PRSP as the major reason for not consulting more frequently and widely.

However, important ministries, such as Social Development, Solidarity and the Aged; Rural Development; Health; Education; Women's Affairs; Infrastructure; and Labour were asked to chair subgroups. Their involvement, together with the integration of the SNLP, the Agricultural Master Plan, and two education and health SWAPS, appears to have broadened ownership. But the drafts submitted by the Ministries revealed weak capacity in formulating sectoral strategies and, particularly, pricing medium and long-term programme proposals. These costings were done with the help of the Ministry of Economy and Finance.

The lack of capacity was partly related to the nature of the aid regime in Mali. In principle, line ministries submitted requests directly to the donors, but in some cases, donors indicated the requests they would consider favourably. This practice of direct discussions led to the proliferation of relatively uncoordinated projects and programmes. A major dysfunction included poor integration of aid operations with national management structures. As a result, a large number of projects were implemented outside the official frameworks of the Three-year Investment Programme and the Special Investment Budget. An aid review exercise found that the major reasons for lack of coordination were a climate of distrust between partners and the size and diversity of the aid system. The ODA environment was not conducive to building strong partnerships and national ownership.

The aid review study also revealed that, in 1996, there were 20 multilateral agencies, 30 bilateral donors and a large number of NGOs, each of which had its own strategies, values, culture, customs, and work procedures. Lack of integration weakened national institutions through the creation of parallel management structures. A proliferation of projects that lacked overall coherence placed a heavy administrative burden on the government. This fragmentation of the aid regime

significantly reduced national ownership. Despite commitments by donors and lenders to reduce project aid and increase budget support, the former continues to dominate. It is in this context that the CSLP, as the sole framework of government action and external cooperation, has the potential to make a major improvement on past practice.

While the participation by civil society in the consultation process had its problems, it made these groups aware of the need to develop specific skills, such as the formulation of macroeconomic policies and sectoral programmes. This indicates an enhanced process of country ownership, one that will result from the quality of participation. There is no doubt that the CSLP included development priorities formulated and agreed upon through a participatory process.

The degree of national ownership, in Mali and elsewhere, is in great part determined by the capacity of line ministries and CSOs to formulate and monitor development strategies. The evaluation did not encounter strong evidence of capacity building programmes that are likely to enhance national ownership. The overall low capacity is made worse by the lack of institutionalisation of the participatory process. In many agencies and organisations visited during the evaluation, only the person directly involved in the CSLP process had more than superficial awareness of the process. Even those institutions represented in the formulation and consultation process could not be said to fully 'own' the process. Institutionalising consultative processes that would ensure effective participation is a key challenge for the future.

The typical view of civil society and the government is that the MEF, and especially the CSLP Coordinating Unit, owns the CSLP process. It would be important however to involve parliament and other stakeholders in monitoring and evaluation. Further, one can hope that the process of decentralisation will be both a stimulus and vehicle for achieving broader ownership.

Key UNDP Contributions

The contribution of UNDP to the process of national ownership predates the current CSLP process. The formulation of the SNLP and the preparation of the *National Outlook: Mali 2025* study are two outstanding examples.

Other UNDP contributions to national ownership include the support provided to the Sustainable Human Development Unit, in charge of producing the National Human Development Report (NHDR), and the programme for strengthening the National Management of Strategic Development (PRECAGED). Furthermore, UNDP was an active participant in the Mali aid review, a process that provided insight into the factors that inhibited national ownership. Many of the recommendations of that study remain to be implemented. UNDP's role in the formulation of two SWAPs (The Agricultural Master Plan and National Plan of Action for Employment) also contributed to national ownership.

The governance component of UNDP's programme aimed to increase parliament's effectiveness in performing its legislative and oversight functions. The governance programme also included activities that enhanced country ownership by increasing participation of women and commune members in local government and building partnerships between local authorities and members of civil society. However the sustainability of these activities is questionable.

Partnership Strategy

UNDP has established a number of partnerships with government institutions, multilateral and bilateral organizations, and CSOs. In the context of the SNLP, UNDP had established close relationships with the Ministry of Social Development, Solidarity and the Aged, and with the former Ministry of Planning. It also worked with the Ministry of Rural Development and the Ministry of Women, Children and the Family. Since the beginning of the CSLP process, UNDP has established effective working relations with the unit in charge of CSLP in the MEF. The major focus of the partnership is training, provision of technical assistance, and facilitating monitoring and evaluation of the CSLP through data collection and household surveys scheduled for 2003. Other government institutions with UNDP links include the National Office of Statistics (DNSI), National Office of the Budget, and the Regional Planning and Statistics Unit.

Within multilateral institutions, UNDP worked with the International Labour

Organisation (ILO) in employment promotion and in the ongoing project Jobs for Africa. During formulation of the CSLP, UNDP established project-specific partnerships with the EU and French Development Cooperation. At present, the Resident Representative is the chair and spokesperson of the Development Assistance Committee. The strengthened multilateral partnership in the context of the Common Country Assessment (CCA) and United Nations Development Assistance Framework (UNDAF) and the emphasis on the CSLP within UNDAF, are key elements of strengthened partnership that are likely to enhance national ownership. The current cycle of the UNDAF, 2003–2007, coincides with the implementation and monitoring phase of the CSLP. National ownership will be further enhanced if UNDP involves other bilateral donors in the CCA and UNDAF process.

2. BROAD-BASED PARTICIPATION

PRSPs should be constructed with broad-based participation of stakeholders. In Mali, the CSLP was able to draw on an established practice of participation. Throughout the 1990s, there were numerous consultative exercises at the national and regional levels. These included:

- consultations associated with the 1994 devaluation of the CFA franc, the conflict with the Tuareg in the north of the country, and the educational crisis, organized at the national and regional levels by the first government of the Third Republic;
- the formulation of the SNLP;
- the launching of the *National Outlook Study: Mali 2025*;
- the formulation of the two educational and health SWAPs;
- deliberations in villages for self-determination of communes in the context of the decentralisation process;
- the Mali aid review process;
- the formulation of the CSLP.

The longer time allowed in the preparation of the final CSLP and formation of working groups appears to have resulted in broader participation. In addition to the thematic groups organized by the government, civil

society groups organized five regional seminars in which they conducted their own consultation and produced a statement subsequently submitted to the government. The statement included the complaint that “information about the CSLP has been limited and its formulation was not publicly debated, nor did it solicit the active and broad participation of the poor”. However, broad participation was enhanced through translation of documents into local languages and the dissemination of CSLP related information through the media.

Interviews and documents indicated that the poor and parliament were absent from the consultation process. The latter omission was officially justified on the grounds that the CSLP is an iterative, not a legal process, making parliamentary involvement unnecessary. The newly elected National Assembly was given a daylong seminar on the CSLP and its link with the budget process, only after the CSLP was endorsed by the Council of Ministers and submitted to the IFIs for approval. Even for public and private institutions represented in the consultations, participation was usually not preceded or followed by adequate sharing of information and identification of priorities.

Throughout the 1990s, the government of Mali solicited and positively responded to demands for broad-based participation in political and economic problems and, more recently, in the formulation of development policy. However, despite this earlier practice, the interim CSLP appears to have been prepared hurriedly, with limited participation of stakeholders. Participation increased in the preparation of the final CSLP, in part due to donor pressure, which delayed completion of the final document. Nonetheless, even with increased participation, adequate measures were not taken to incorporate underrepresented groups, for example, women and youth. In addition, gender issues were not given high priority—the topic had no working group of its own and was belatedly included in the monitoring group.

The quality of participation was affected by non-government participants' lack of expertise on key issues under discussion. There was also limited capacity among participants in policy formulation, policy analysis, monitoring, and evaluation. It is a task for the future to strengthen analytical

skills of researchers and to widely disseminate reliable and timely information. Finally, substantive participation requires the construction of skills that would enhance multi-stakeholder participation.

Key UNDP Contributions

The contributions of UNDP to broad-based participation fall into two categories: those that predated the CSLP and those during the preparation of the CSLP. UNDP was a key player in the two-year process of consultation and validation of the SNLP and the *Mali 2025* study. In addition, UNDP encouraged a participatory process involving various stakeholders during national and regional consultations on a variety of development priorities, including the Action Plan for Food Security, that were subsequently included in the CSLP. In the preparation of the final CSLP, UNDP played a key role in donor coordination and actively enhanced the mobilisation of resources for participatory process at the national and regional level.

3. COMMITMENT TO PRO-POOR GROWTH

To achieve long-term poverty reduction, the government of Mali devised an 'export-led' growth strategy, accompanied by structural policies including financial market reform, trade liberalization, privatisation, and private sector development. Macroeconomic stability presumes low and declining debt levels. The CSLP highlights the commitment to accelerated and redistributive growth, which presumes a growth rate of 6.7% during 2002-2006. If achieved, this would reduce the incidence of poverty from 63.8% to 47.5% over the period. The tasks in this broad development agenda can be classified under four broad programmes:

1. institutional development
2. infrastructure
3. skills development
4. private sector development and direct support

An important component of the growth strategy focuses on improving public resource management and expenditure to ensure maximum impact household living standards. Infrastructure development and

skills development are priorities for the budget and call for redirecting public expenditure to basic education, health, and infrastructure, particularly in rural areas. The private sector development programme seeks to promote a dynamic private sector and foreign investment.

To overcome the major problems of the agricultural sector, which include lack of water, inadequate infrastructure, and lack of diversification of production, a rural master plan and action plan have been integrated into the CSLP. The overall objective of the master plan is to improve the income and living conditions of the population in a sustainable and equitable manner, i.e. overcoming regional and gender disparities. In addition to the rehabilitation of the cotton sector, the government plans to pursue a hydro-agricultural development policy aimed at improving food security and boosting the income of the poor. Other components of the development strategy identified as pro-poor include increasing support to rice production; implementing education, health, potable water, and sanitation policies; and executing the national action plan for employment.

Cotton is a key component of the growth strategy because of its contribution to the GDP and balance of payments, and because it is a source of livelihood for approximately three million people. Following the cotton crisis of 2000/2001, caused primarily by exogenous factors, the government began reorganising the sector. The reorganisation involved liberalization policies and state withdrawal from commercial activities, through restructuring of the parastatal CMDT. This state enterprise is jointly owned by the public sector (60%) and a French state company. Disbursement of Poverty Reduction and Growth Facility (PRGF) funds were blocked by the IFIs due to the delay by the government to restructure the CMDT, which it had agreed to undertake.

Production in the sector is expected to regain pre-crisis levels in 2003, which would imply a growth rate of 6-7% during 2002-2004 and an increase in export volume of approximately 9.5% over the same period. According to the *National Outlook Study: Mali 2025*, expenditure will increase to the sector during 2002-2005. Taking into account exogenous factors, the Malian government and IMF have mapped out two scenarios,

based on the assumption that there will be (1) a strong cyclical drought lasting till 2004; and (2) a terminal decline of approximately 10% in international cotton prices beginning in 2002. The drought is projected to result in a 2% growth decline over 2002-2004. Currently, this decline is aggravated by the political crisis in Cote d'Ivoire.

As noted, PRGF funds were blocked following delays in restructuring CMDT, and the anticipated privatisation is projected for completion by 2005. It is difficult to imagine privatisation as a buffer to income instability faced by Malian cotton farmers, though restructuring may make CMDT more accountable and transparent in its management. Strengthening farmers' organizations and institutionalising the consultation process may contribute to the household welfare and growth in production. However, cotton farmers are not the poorest households in the country.

Other factors that would affect the prospect of pro-poor growth are diversification of production through improvements in the physical, technical, and financial environment of small-scale farming. Such measures will help to withstand shocks due to trade and environmental stress. However, these changes have been accompanied by tightening of macroeconomic policy, rather than increased investment. Given the overall downward trend in ODA, it is hard to imagine an increase in external financing that would make it possible to bring about the necessary changes in rural investment in the foreseeable future.

As noted earlier, the Agricultural Master Plan, the educational and health SWAPs, and the National Employment Action Plan all predate the CSLP. This raises questions about the pro-poor contribution of the document. For instance, while there seems to be an assumption about the links between the provision of education and health services and poverty reduction, the crucial link between education, health, and new employment opportunities is not made explicit. Overall, the final CSLP has paid inadequate attention to the sources of pro-poor growth in the context of Mali. While the Malian authorities have shown growing willingness to make development strategy pro-poor since the mid 1990s, there is a clear deficiency in capacity, as indicated in other parts of this document. Attempts to build increased national capacity

to formulate pro-poor growth strategies should extend to research centres and civil society institutions.

As in many other countries, the CSLP has a general growth strategy in which the poor are not specifically targeted for disproportional gains from the growth increment. Thus, while the strategy would benefit the poor, it is not pro-poor by the usual definition, or by the UNDP definition (see the Main Report of the Evaluation of UNDP's engagement in the PRSP Process for further discussion).

Key UNDP Contributions

Since 1995, UNDP has promoted the formulation of poverty eradication strategies and, in collaboration with other UN agencies, has advocated an increase in public expenditure to education and health. Its support in the creation of the Sustainable Human Development Unit resulted in the NHDRs that focused on poverty, growth, and debt. These reports initiated debate over these issues. UNDP's contribution to the CSLP included participating in the various thematic working groups, mobilizing resources, and coordinating the work of external consultants in charge of the macroeconomic framework.

At present, UNDP is reviewing the Sustainable Human Development Observatory with the purpose of making it directly responsive to the data needs of the CSLP. The review has revealed many weaknesses of the Observatory, and there is a danger that if the recommendation to make the Observatory directly responsive to the data needs of the CSLP were to be implemented without further reflection on the part of UNDP, the equity aspect of the human development approach, might be lost. The UNDP had made efforts to facilitate research into the sectoral aspects of poverty reduction, which proved difficult in the absence of basic quantitative data. Given its past and planned partnership with national data collecting units, UNDP can develop a two pronged strategy of facilitating comprehensive research into pro-poor growth based on an alternative macroeconomic framework, and providing sustained support for the production of reliable socioeconomic data.

UNDP in cooperation with UNICEF, UNFPA, and the government of Mali carried out a social sector expenditure review in the

context of the 20/20 initiative. The National Action Plan for Employment Generation for Poverty Reduction (incorporated into the CSLP) was the product of a partnership between UNDP and ILO. More recently, UNDP has engaged actively in the formulation of the two health and educational SWAPS and other key components of the CSLP, such as the Agriculture Master Plan, in partnership with other bilateral and multilateral donors. In the preparation of the final CSLP, UNDP used EU funds to coordinate the work of an external consultant who authored the macro-economic framework.

4. PARTNERSHIPS AMONG DEVELOPMENT ACTORS

Since the mid 1990s, Mali has gone through a number of exercises that enhanced partnership among multilateral organizations, bilateral organizations, and civil society groups, notably in the formulation of the two SWAPS, the *Mali Aid Review*, the final CSLP, and the preparation of CCA, and UNDAF. A number of important partnerships were built prior to the launching of CSLP. The aid review exercise gave birth to the Joint Commission, which became one of the important consultative structures of the CSLP. The mandate of the Commission included monitoring development cooperation to improve coordination. Overall, the CSLP received increasing support of multilateral and bilateral donors through participation in various working groups and provision of technical assistance. The work of the Commission continued beyond the completion of the full CSLP, with a rotating chair and spokespersons selected among donors.

Prior to the formulation of the CSLP, partnerships were built in the formulation of two major SWAPS, PRODEC (education) and PRODESS (health), both of which have been integrated in the CSLP with little modification. Within the UN system, engagement in the CCAs and UNDAF has further strengthened the partnership within multilateral institutions through the harmonization of UN programming periods and formation of UN thematic groups. Various interagency mechanisms have been introduced to assist in the coordinated implementation of UNDAF. Relations between multilateral

institutions, the government, and members of civil society, have been strengthened as a result of the use of inclusive approaches in preparing the CCA and UNDAF.

While the relations between other donors, lenders, and IFIs has improved substantially since the start of the CSLP process, some bilateral donors feel excluded from IMF and World Bank missions and have formally requested to be a part of the consultations, for example, Embassy of the Netherlands. At the time of the evaluation, there had been no response to these requests. This lack of responsiveness on the part of the major players in the CSLP process affects the contribution of other donors.

Key UNDP Contributions

UNDP provided support for the formulation of the SNLP and the *National Outlook Study: Mali 2025*, both of which involved a highly participatory process involving large numbers of stakeholders. UNDP also built partnerships during and after the formulation of the two SWAPS. Subsequently, four UN agencies, including UNDP, along with Norway and Luxemburg supported a government project to encourage women's education within the PRODEC framework. This component has been included in the final CSLP.

The NPAE/AP was finalised in partnership between ILO and UNDP, and these agencies advocated its inclusion in the CSLP. UNDP played a key role as an advisor and coordinator of technical assistance in the elaboration of CSLP by establishing close partnerships with the EU, ILO, French Cooperation, Atomic Energy Committee, and IFIs. Similarly, UNDP played a leading role in the completion of the CCA and solicited the collaboration of the World Bank, IMF, and CSLP Coordinator. The UNDAF process was also launched with the collaboration of the Bretton Woods Institutions.

UNDP was also a member of the research team undertaking the *Mali Aid Review*. The review has not substantively improved aid coordination but has led to recognition of the importance of the issue. It is hoped that, at the minimum, the review will result in simplification of aid procedures and harmonization of data collecting and analysis.

With regard to civil society participation in the CSLP, some organizations pointed to

lack of sustainability in the partnerships. A case in point is the establishment of the Platform of Civil Society, with support from UNDP, which was subsequently abandoned. The inability to revive and strengthen the Platform of Civil Society is indicative of the dependence on donors and lenders and other weaknesses of civil society. Representatives of the private sector lamented the lack of tangible and sustained support by development partners, despite the rhetoric that the private sector would be the engine of economic development.

A major contribution by UNDP was its success in opening up national debate on poverty and making it a legitimate issue for political discourse. Unfortunately, the greater awareness of poverty created by the participatory debate on poverty has not led to a more gender sensitive national poverty debate or to capacity building for gender analysis.

5. COHERENCE BETWEEN PRSP AND OTHER PLANNING INSTRUMENTS

Against a background of a weak national programming framework, the CSLP has been seen as an opportunity to create a medium-term framework of strategic operations that may facilitate a greater coordination between sector programmes, international partners, and the Malian government.

Interviewees reported a lack of an effective *general* planning system in Mali since 1991, despite a National Directorate of Planning within the MEF. The Malian economic planning bureaucracy has been concerned primarily with policies recommended under structural adjustment programmes, and there has been a lack of long-term or medium-term planning instruments that would reflect goals and operations at the sector level. Each sector has a degree of autonomy in devising its own programmes, in some cases with the support of donors that fund these programmes. This is the case of PRODEC, PRODESS, and the Master Plan of the Ministry of Agriculture, all of which emerged from the availability of medium-term funding of the World Bank, UNDP, and bilateral agencies. The Master Plan of the Ministry of Agriculture involved a long process of preparation and consultation prior to that of the CSLP.

Because the Master Plan seemed to be consistent with CSLP priorities, CSLP extracted basic elements from the strategic options set out in the plan. Those who participated in the process were satisfied with the degree of consistency between these policy instruments and the CSLP. In practice, the CSLP endorsed what had already been designed in the sector programmes. However, there was a degree of uncertainty about the implementation of the approved programmes in agriculture. Of the nine strategic programmes that emerged from the Agricultural Master Plan, only two received support, and one of these was severely delayed due to late disbursement of funds.

According to most sources, the CSLP, with its time horizon of five years, is the only official medium-term strategic policy of the government, and should be used as a guide for setting sector priorities and facilitating the coordination of donor support. However, it is too early to confirm that the CSLP will effectively guide priorities for poverty reduction and development goals in the sectoral programmes for education, health, public works, and agriculture. If the CSLP is not more clearly embedded in the key planning units (for example, the DNP), it is not obvious how it can continue to be the 'strategic reference framework' in the medium to long term.

The CSLP, according to the assessment of some international stakeholders, provides at best a general framework of strategic priorities, rather than an effective operational plan with concrete sectoral components. The operational elements of sector components are to be found in the sector programmes and in the specific projects that receive funding within these master programmes. Therefore, it is not yet clear to what extent the CSLP will constitute a permanent institutional policy instrument with concrete operational guidelines. The CSLP is regarded as a framework that facilitates international partnership and financial support to development initiatives, rather than as an instrument to guide domestic policies, sector programmes, and the budget.

The lack of a long-term officially institutionalised planning framework is a cause of concern, because it may make CSLP processes marginal to overall planning. At the same time, the lack of a previous planning framework facilitated the importance of CSLP and its

use by international partners. At present, the lack of institutionalised instruments makes it easier for the CSLP to have a prominent place in the overall government strategy for the medium-term. There are both opportunities and problems for the success of the CSLP process, due to the lack of a policy framework to translate general strategy into specific policy measures and action plans. Unless this is resolved, the links between the CSLP and the implementation of programmes and their respective budgets will be rather loose.

The large number of international partners and stakeholders supporting projects in Mali is one of the reasons for the fragmentation of programmes. In addition to a neglect of medium- and long-term government plans in the 1980s, for their alleged inefficacy and top-down nature, this fragmentation has prevented the institutionalisation of permanent policy instruments that respond to national priorities rather than to conjunctural financial needs.

Structural Adjustment Policies, which took the time and effort of national experts in the MEF during the 1990s, are another factor underlying the lack of a consistent and institutionalised system of policy instruments for different time periods. The domestic budget is the only such instrument, and it focuses on short-term expenditures. The Triennial Investment Programmes, a rolling planning instrument, is used to direct capital expenditure over three-year periods. This instrument is supposed to be linked to the priorities set by the CSLP, but this must be confirmed in the implementation phase.

Key UNDP Contributions

Three of UNDP's most important contributions include:

1. *Support for the initiative that led to the SNLP, prior to the CSLP process.* A strong advocacy was made to transform concerns and activities about poverty into a strategic framework. The SNLP was an important step in this direction. However, its continuity was put in question when the CSLP process began, and the SNLP became merely an input, together with the *National Outlook Study: Mali 2025*. The transfer of the SNLP to the Ministry of Social Development, Solidarity and the Aged, a ministry that is relatively weak, could be interpreted as a sign of downgrading the SNLP as an instrument for poverty reduction.
2. *Support to the MEF through the capacity building project PRECAGED, with the aim of creating expertise for macroeconomic programming and management within the CSLP process.* The initial aims of PRECAGED were ambitious, to “put in place a new development planning and management system that has to take into account the double time (articulation between short, medium and long term) and spatial dimensions (regional and sector development)”. It is too early to assess the impact of PRECAGED activities on strategic and decentralised planning. That this project is not located in the DNP, but in an ad hoc unit, the Cellule d'Appui a la Gestion du Programme (CAGP) located in the Ministry of Economy and Finance, may negatively affect its operations. Moreover, the composition of the unit does not seem consistent with the ambitious goals of the project in its relation to the CSLP. The PRECAGED project reflects an effort by UNDP to link with MEF staff who work more directly with the budget allocations and with those who would develop a medium-term expenditure framework. Additional capacity is needed for this task. Nonetheless, the reputation of PRECAGED among some donors is excellent, especially for its potential role in promoting decentralised planning.
3. *Inclusion of the Millennium Development Goals (MDGs) in the CSLP.* However, these appear in an annex and in a way that does not create coherence between the MDGs and the targets of the CSLP. UNDP can play a more active role in fostering government commitment to the MDGs by fostering national ownership of MDGs within the CSLP process. The monitoring process and the restructured Human Development Observatory offer an opportunity for linking the CSLP and the MDGs. UNDP plans to take a very proactive role with other development partners in identifying appropriate indicators to monitor the CSLP. This is an opportunity to identify appropriate indicators that could also monitor progress towards the MDGs. It is not necessary to develop separate indicators for monitoring MDGs, as suggested in the UNDAF.

6. CSLP AND THE MULTIDIMENSIONAL NATURE OF POVERTY

There is consensus that poverty is a complex and multidimensional phenomenon, which includes different dimensions according to the specificities of each country. Poverty refers not only to income but also to access to education and health, acceptable nutritional standards, equity, and justice. A thorough analysis of poverty and its causes, as well as the dissemination of the analysis, is key to the success of any participatory approach to a PRSP. This analysis, which is an essential part of the PRSP process, should inform policy discussions and priorities in a participatory manner.

In Mali, the mission found that one of the greatest weaknesses of the PRSP process was the limited and partial poverty analysis in the CSLP. Despite the resources allocated, there was no time to collect and analyse data; this resulted in inadequate analytical and empirical support for discussions and consultations. The concept of poverty that was used in the CSLP was based on information about the distance from villages to basic social services such as, schools, water, and cereal storage. There was an absence of consideration of the nature and extent of the access to these services at the household level. The CSLP mainly referred to 'poorly-served' areas and villages, rather than to the extent to which the basic household needs were not met.

A living standards household survey was carried out in 2001, but there were delays by the DNSI in generating results. Other less comprehensive annual surveys were anticipated for 2002 and 2003 and on an annual basis thereafter. Most existing data lacked a reliable gender sensitive approach to poverty. Moreover, there was no indication that the household survey disaggregated results by gender or considered inequities within households.

7. POVERTY MONITORING AT NATIONAL AND LOCAL LEVELS

A critical problem with PRSP documents is the difficulty of linking action programmes with outcomes, specifically with respect to poverty reduction goals. The statistical requirements

for making these links are very demanding, particularly in Mali, where institutional capacities for data collection, processing, and analysis are very weak. Given the weak analytical basis in the final CSLP document and the need for a sound baseline for poverty measurement and diagnosis, it is unclear how the CSLP outcome indicators will be assessed.

The institutional framework for monitoring derives from the thematic working groups established to enhance the participatory process. The DNP will be responsible for synthesising the reports of the working groups and their regional committees, and an annual report will be submitted for approval to the government.

Different evaluation mechanisms will be used as a basis for monitoring the CSLP. However, detailed information could not be obtained about these monitoring tools that, according to the CSLP document, are to be found in Programming Sector Departments, DNP, DNB (Direction National de Budget) DNSI, and the Sustainable Human Development Observatory. It is not clear whether there is an institutionalised division of responsibilities among units. Several institutions seem to have a direct role in monitoring the CSLP, and their mechanisms and outputs appear to be in the definition stage.

Various factors have affected progress towards the establishment of a CSLP monitoring system. First, the participatory process has created some basis for institutionalisation of monitoring, as described in the CSLP document. Coordination between the thematic groups, DNP, and CSLP is a logical step toward reinforcing the institutionalisation of the participation process. This would also facilitate social dialogue in the context of the CSLP. Second, the Sustainable Human Development Observatory is in an ideal position to take a significant role in the CSLP monitoring and evaluation process and could provide analysis of indicators that will be essential parts of the monitoring strategy. As was indicated above, the Sustainable Human Development Observatory is being reorganized with a view to making it more responsive to the monitoring and evaluation needs of the CSLP. Third, the ambiguous role of the DNP in the process needs to be clarified in order to strengthen coordination. Fourth, although the integration of sector programmes into the CSLP has

been regarded as successful, the integration of sectoral monitoring mechanisms into the CSLP remains unclear. If the processes run parallel, there is a danger of statistical discrepancies and duplication of efforts. The reorganisation of the government after the elections will have an impact on the effectiveness of monitoring and on the roles of the different institutions and departments that are involved in poverty monitoring.

Key UNDP Contributions

The UNDP placed strong emphasis on monitoring in Mali, as it has in other countries in which UNDP has supported the PRSP processes. The link between monitoring the MDGs and the outcomes of the CSLP is necessary in the near future. In this respect, the key contributions of UNDP can be summarized in three areas:

1. Direct support to the organization and analysis of annual 'light surveys' on sub-samples of the Mali National Consumption Budget Survey.
2. Support of the Sustainable Human Development Unit, which, in coordination with DNSI, may become a key agency in the monitoring and evaluation process of the CSLP.
3. Capacity building in the National Directorate of Statistics, which is likely to become an autonomous agency, the DNP, and the continuation of PRECAGED. These capacity building efforts require clarification of the division of labour among PRECAGED, DNP, DNSI, and CSLP.

The support in these three areas is essential, but it is not yet clear to what extent stakeholders from civil society will be directly involved.

Conclusions

1. UNDP'S STRENGTHS _____

In Mali, perceptions of UNDP's comparative advantages were varied. However, a number of strengths were noted:

- UNDP has the trust of the government and a strong record as a pro-poor advocate.
- Most respondents regarded UNDP as an effective bridge between government institutions actively involved in the CSLP and donors.
- Both the government and other members of the international community perceived UNDP as willing to undertake sensitive roles that other bilateral donors may not be willing to undertake, for example, in ensuring that the implementation of the CSLP is effectively monitored.
- UNDP played an important coordination role and was successful at bringing donors and lenders together to reach consensus on different stages of the CSLP process. It is not clear, however, to what extent all key donors, notably the USAID, cooperated.
- UNDP was effective in mobilising EU and French resources, which were used to provide technical assistance in the formulation of the macroeconomic framework of the CSLP. UNDP also organised funding for capacity building in monitoring and evaluation, via identification of indicators and reorganization of the Sustainable Human Development Observatory.

2. GOOD PRACTICE _____

- UNDP's support to the formulation of SNLP and *National Outlook Study: Mali 2025* fostered a national debate on poverty, creating an awareness of the need for a short- and long-term development strategy.
- The support given to the Sustainable Human Development Observatory and the NHDRs contributed substantially to the diagnosis of poverty.

- UNDP played an active role in the *Mali Aid Review*, which provided valuable insights into aid coordination and effectiveness. Furthermore, the Joint Commission that resulted from the aid review continues to coordinate support for the CSLP process.

3. LESSONS LEARNED _____

- Achieving national ownership is a complex process that requires time, commitment, and informed participation by internal and external stakeholders. It also requires substantive departures from previous practices underpinning the aid relationship.
- There is a growing awareness of the need for robust and timely poverty data, the absence of which limits the potential for a pro-poor growth strategy. This awareness underscores the need to strengthen the capacity of institutions in charge of data collection and analysis.
- The adoption of the CSLP as the framework for government action has strengthened partnerships among development actors. External cooperation through the harmonization of instruments such as CCAs, UNDAF, CSLP, and MDGs is likely to promote a more sustained form of policy coherence and reduce fragmented projects and programmes. More effort should be invested in ensuring government ownership of the UNDAF process.
- Greater efforts are required to make poverty reduction gender sensitive, including explicit measures to overcome gender discrimination in the wider policy framework, markets, and households.
- The participatory process gained momentum during the CSLP process and should be nurtured through the promotion of participatory monitoring and evaluation, which builds capabilities of stakeholders at the national and regional levels.
- The CSLP process has underscored human and institutional weaknesses that can be corrected through imaginative training in the coming five years of the CSLP.

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Annex 2: People Interviewed

GOVERNMENT OF MALI _____

Bengaly Berthé Aissata, Minister of the
Ministry of the Promotion of Women,
Children and the Family

Cisse Daouda, Technical Advisor in the
Ministry of the Promotion of Women,
Children and the Family

Diarra Adama N, Director, Social
Solidarity Fund

Diarra Sékouba, Coordinator of the CSLP
Unit and Technical Advisor in the
Ministry of Economy and Finance

Ministry of Rural Development

Sangare Bekaye, Programme Officer
Sow Hamadou, Director General
Planning and Statistical Unit

National Assembly

Bouare Moumouni, Questeur
Kane Ousmane, Technical Advisor
Tolo Salif, Administrative and
Financial Secretary

Ministry of Social Development, Solidarity and the Elderly

Fane Koulou, Technical Advisor

Economic and Social and Cultural Council

Magassouba Mamadou,
Secretary General
Mama Dramane, Economic Advisor
Traore Dramane, Chief of Cabinet

Directorate of National Planning

Modiba Dollo, Deputy Director
Keita Youlia, Advisor
Telfi Oumar Ag, Director

Centre for the Analysis and Formulation of Development Policy

Keita Lamine, Director

Programme for Strengthening National Management of Strategic Development (PRECAGED)

Diallo Mohamed, Coordinator

UNDP _____

Jocelline Bazile-Finely, Resident
Representative/UN Resident Coordinator

Barry Djibrina, Senior Economist

Marie De Coune, In charge of
UN Coordination

Dansogo Oumar, In charge
of Communication

Paul Jatho, UN Volunteer, Human Rights

Keita Karounga, National Economist

Mwkarubayeza Dancilla, Assistant
Resident Representative –

Management of Programmes

Sako Oumar, Assistant Resident

Representative – Governance

Sylla Alima Konaté, Programme Analyst

ILO/UNDP: Jobs for Africa

Fofana Mohamed, Coordinator

INTERNATIONAL FINANCIAL INSTITUTIONS _____

World Bank

Thiam Youssouf, Economist

BILATERAL DONORS _____

Embassy of the Kingdom of the Netherlands

Traoré Namory, Advisor,
Institutional Matters

French Development Cooperation

Bernard Larfeuil, Director

NON-GOVERNMENTAL ORGANISATIONS

Coordination of Indigenous NGOs

Diallo Abdoul Aziz, Resource Person
 Doumba Bakary, President
 Konate Moray Moussa, Permanent Secretary

Coordination Committee of International and Indigenous NGOs

Touré Mamadou Sékou, Executive Director

CIVIL SOCIETY ORGANISATIONS

Malian Association for the Support of Islam

Dicko Mamdou, Secretary General
 Drame Modi, Secretary for Social Affairs
 Sogoule Youba, Cleric
 Toure Siaka, President

National Union of Malian Workers

Diakite Siaka, Secretary General
 Telly Tibou, First Secretary General
 Toure Ibrahima, Second Secretary General

National Federation of Malian Artisans

Sanogo Oumar, Programme Coordinator
 Sissoko Mamadou, Permanent Secretary

Association of Malian Consumers

Diarra Coulibaly Salimata, President
 Berthe Salif, Finance Secretary

Chamber of Commerce and Industry of Mali

Traore Daba, Secretary General

Malian Association of Human Rights (AMDH)

Boly Foudiwa, Communication Secretary
 Coulibaly Foussemi, Third Secretary
 Diarra Boubkar, Permanent Secretary
 Famassekou Mohammane, First Secretary
 Fofana Issago, Environmental Programme
 Keita Yocamba C., Deputy Secretary General
 Maiga Moussa, Secretary for Justice and Social Affairs
 Maiga Idrissa Alido, Second Commissioner on Conflicts
 Sissako Traore Nama, Secretary Gender and Development
 Tégouété, Secretary General

Permanent Assembly of Malian Chambers of Agriculture (APCAM)

Abdramane Bouare, Secretary General
 Tidiani Diarra, Deputy Secretary General

OTHER

University of Mali, Higher Institute of Training and Applied Research (IFSRA)

N'Golo Coulibaly, Director General
 Diallo Thiam Fanta, Deputy Director

Agency for National Employment (ANPE)

Camara Morlaye, Director
 Guindo Diabaté Fatoumata, Head of Self Employment Services

PAKISTAN COUNTRY REPORT

by **Michael Reynolds**

The author thanks the UNDP country office, Islamabad, for the invaluable help it provided.

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Acronyms and Abbreviations

ADB	Asian Development Bank
CCA	Common Country Assessment
CDPR	Centre for Development Policy and Research (SOAS)
CGA	Controller General of Accounts
CO	Country office
CRPRID	Centre for Research on Poverty Reduction and Income Distribution
DfID	Department for International Development (UK)
EFA	Education for All
GDP	Gross Domestic Product
IDTF	Institutional Development Task Force
IFI	International Financial Institution
I-PRSP	Interim PRSP
ICTD	Information and Communications Technology for Development
MDG	Millennium Development Goal
PIDE	Pakistan Institute of Development Economics
PRGF	Poverty Reduction and Growth Facility
PRSP	Poverty Reduction Strategy Paper
RC	Resident Coordinator
SME	Small and medium enterprise
SOAS	School of Oriental and African Studies, University of London
SSCC	Social Sector Coordination Committee of the Cabinet
UNCT	UN country team
UNDAF	UN Development Assistance Framework
UNDG	UN Development Group

Country Background

The Pakistan Country Study mission took place between November 11 and 21, 2002, and was undertaken by Michael Reynolds (CDPR) and Dr. G. M. Arif (Pakistan Institute of Development Economics).

The Islamic Republic of Pakistan was founded as a federal republic in 1947 when Britain partitioned British India into India and Pakistan. It has an area of nearly 800,000 square kilometres with a population of approximately 140 million people.

1. SOCIOECONOMIC SITUATION _____

While the average annual economic growth rate reached 6.5% in the 1980s, it declined to 5.4% in the first half of the 1990s and 3.6% in the second. The economic sanctions imposed following nuclear tests in mid-1998 contributed to the existing macroeconomic imbalances leading to a balance of payments crisis the same year. In 2000, the government responded with a comprehensive stabilisation package, agreed upon with the International Monetary Fund (IMF), that led to a reduction in these imbalances. Progress towards stabilisation was threatened following the events of September 11, 2001, but was alleviated by increased assistance from the international donor community. The main macroeconomic threat remains Pakistan's unsustainable debt position with total debt (external and domestic) exceeding gross domestic product (GDP) in 1998. Interest on public debt, together with defence expenditures, consumes about 70% of total revenues, leaving the limited residual for developmental expenditures. In December 2001, the government concluded an agreement with the Paris Club of creditors to reschedule Pakistan's bilateral debt, resulting in cash-flow savings of about US\$ 2.7 billion per annum over the Poverty Reduction and Growth Facility (PRGF) period and providing three years of breathing space.

The declining trend in income poverty in Pakistan in the 1970s and 1980s was reversed in the 1990s. The level of poverty increased from approximately 27% of the population in 1992/1993 to more than 32% in 1998/1999; this translates into an increase in the number of poor by 12 million people over the period. The largest increase in poor was seen in the rural areas, where poverty levels were greater than 36% in 1998/1999 compared to approximately 23% in urban areas. Rural areas account for more than three quarters of the poor, and in these areas, the depth and severity of poverty are also greater. Changes in inequality play a part in explaining poverty trends. Significant declines in poverty between 1984/1985 and 1987/1988 coincided with sharp falls in inequality for the country as a whole. However, inequality has been increasing in the 1990s, with the 1998/1999 Gini coefficient slightly greater than in 1990/1991 for the country as a whole and much greater in urban areas. Potential gains in poverty reduction from economic growth were therefore negated by rising inequality.

Other social indicators in Pakistan also compare unfavourably with countries with similar levels of income per capita. Adult literacy rates were 45% in 1998/1999, with the rate for women only half that of men and only 36% in rural areas compared to 65% in urban areas. Education enrolment rates also revealed strong rural-urban and gender disparities. While the gender gap has been declining, rural-urban disparities have increased—the national gross primary enrolment rate was 71% in 1998/1999, and rates in urban areas were 20% higher for boys and 42% higher for girls compared to rural areas. Similar trends are occurring in the health sector. Great progress was made, however, in the 1990s with significant declines in infant mortality rates and increases in the immunisation rate, although the latter was still low by 1998/1999 at 49%.

2. DEVELOPMENT ASSISTANCE _____

The Asian Development Bank (ADB) is the largest multilateral donor, and the World Bank is the second largest. The major bilateral donors in Pakistan are Canada, Japan, United Kingdom and United States of America. In the period between 1996 and 2001, four agencies—ADB, World Bank, USA, and Japan—accounted for almost 70% of loan commitments. Following the nuclear explosion in May 1998, most bilateral programmes were suspended only to be resumed in a phased manner in 2001 subsequent to the events of September 2001 and Pakistan's decision to join the campaign against global terrorism.

The UN Country Team in Pakistan comprises six voluntary funds—International Drug Control Programme, Development Programme, Population Fund, High Commissioner for Refugees, Children's Fund, and World Food Programme—and five specialised agencies—Food and Agriculture Organization; International Labour Organization; UN Education, Scientific and Cultural Organization; UN Industrial Development Organization; and World Health Organization. The Joint United Nations Programme on HIV/AIDS (UNAIDS) is also represented. In addition, a number of non-resident agencies, normally acting through the resident agencies, maintain a long-standing relationship with Pakistan including International Atomic Energy Agency, International Civil Aviation Organization, UN Department of Economic and Social Affairs, UN Development Fund for Women, UN Office for Project Services, World Intellectual

Property Organization, and World Trade Organization. UN agencies in Pakistan are coordinated by the Resident Coordinator (RC) and maintain close links with their respective counterpart ministries. The total programme size of the UN system in Pakistan is small in comparison to overall external assistance flows.

The key aid coordination mechanism for integrating external development assistance into national plans, programmes, and strategies is the Pakistan Development Forum. The Forum, with the participation of all major bilateral and multilateral funding agencies, sets the framework for formulating the country's external assistance programme under the leadership of the government. Furthermore, lead agencies in certain sectors, such as governance, gender, and forestry, regularly hold coordination meetings.

Other mechanisms include the Human Development Forum, held by the government in January 2002, which outlined priorities and strategies for the social sectors. In addition, there are a number of vibrant donor coordination platforms that seek to exchange information, harmonize programme modalities, initiate policy dialogue, and generate consensus on key issues and challenges facing the sector, for example:

- The Institutional Development Task Force – focussing on devolution, decentralisation, and governance (Chaired by UNDP)
- The International Partner for Education for All – focussing on initiatives related to education for all (Chaired by UNESCO)
- The Donors Group on Basic Education

The PRSP Process

1. PREPARATION OF THE INTERIM-PRSP

The PRSP process was initiated in December 1999, and the Planning Commission was assigned responsibility to prepare the Interim PRSP (I-PRSP) document. A high level committee monitored the progress of work fortnightly and was headed by the Finance Minister with members of the National Security Council, social sector ministers, Deputy Chairman, Secretary General of Finance, secretaries of Ministries and Divisions, and other core persons. The first draft of the PRSP formed the basis for comprehensive consultations between all levels of government, civil society, donor agencies, district level communities, and organizations. UN agencies, including UNDP, also played a key role in advising the committee and team working on the I-PRSP. The I-PRSP draft document was shared with governors and provincial cabinets, and presentations were made by the Finance Minister, the Deputy Chairman of the Planning Commission, and the Secretary General of Finance. At the working level, separate presentations were made to provincial departments working on poverty issues.

The I-PRSP committee also made arrangements to get feedback on the I-PRSP draft document from districts by holding workshops in ten districts across the country. In this process of consultation, approximately 800 persons, representing all segments of life including government, non-governmental organizations (NGOs), academia, and media, participated in identifying issues commonly faced by the poor and suggested policies, programs, and projects for poverty reduction and improvement in social indicators. Provincial and national workshops were also organized to discuss the I-PRSP draft document. The Economic Advisory Board and other forums were briefed on the I-PRSP. A national workshop on the I-PRSP was held jointly with the World Bank, followed by four

provincial workshops organized with the help of provincial governments in collaboration with the ADB. The draft I-PRSP was also shared with the Pakistan Development Forum and other similar fora, and I-PRSP progress was monitored by the Social Sector Coordination Committee of the Cabinet (SSCC), represented by federal and provincial social sector ministers, Deputy Chairman Planning Commission, Secretary General of Finance, and concerned federal and provincial secretaries.

The I-PRSP was completed in November 2001. It now institutionalises the country's development agenda, focusing upon reforming formal institutions of governance while working towards attainment of specific human development goals in the areas of education, health, population welfare, water supply, and sanitation. It incorporates the key features of the education and health reform programs launched in 2001, while addressing a broader agenda of structural reform. The I-PRSP has identified five major areas of intervention for poverty reduction in the country. These are revival of economic growth, income generation and creation of employment opportunities, human development, strengthening of social safety net programs to reduce vulnerability, and improvement in governance.

The key element of poverty reduction is reviving economic growth for which the government has identified four major areas: agriculture, small and medium enterprises (SMEs), oil and gas sector, and information technology. The government recognises that while growth is critical for poverty reduction, the focus on growth alone is not enough. Where poverty is endemic, the high economic growth policy must be accompanied by direct poverty alleviation measures. This is the approach taken by the government. The poverty alleviation programme consists of four major elements that include the following:

1. integrated small public works programme in both urban and rural areas (Khushall

- Pakistan Programme);
- 2. food support programme;
- 3. revamping of zakat system so it can be used as an effective means of cash transfer as well as to provide income opportunities to the targeted poor on a sustainable basis;
- 4. establishment of a micro credit bank (Khushali Bank) to help improve poor peoples' access to credit.

2. IMPLEMENTATION OF THE INTERIM-PRSP

In order to oversee the implementation of the I-PRSP, the government constituted a second high-level National PRSP Implementation Committee in February 2002, headed by the Secretary General of Finance and comprising of secretaries of the federal and provincial PRSP partner government agencies. The Committee is responsible for implementing PRSP policy reforms, evaluating their impact, and making appropriate adjustments (if required) in the policy regime. In addition, the government established the PRSP Secretariat in the Finance Division of the Ministry of Finance to serve as a secretariat to the Committee.

The PRSP Secretariat has been mandated with the overall lead in coordinating, monitoring, evaluating, and tracking the implementation of the I-PRSP and reporting progress on anti-poverty public expenditures, intermediate social indicators, and final outcomes. A critical input in achieving the targets set out in the I-PRSP is the effective utilisation of anti-poverty expenditures. For this purpose, the PRSP Secretariat has institutionalised a mechanism with the Controller General of Accounts (CGA) for quarterly tracking of anti-poverty expenditures. A list of anti-poverty expenditures, along with their functional classifications, has been developed with provincial consultations, and PRSP expenditure reports are regularly posted on the Ministry of Finance web site. The government has extended the practice of tracking budgetary expenditures to include all anti-poverty outlays, budgetary expenditures, and non-budgetary social safety transfers. By regularly tracking the flow of all anti-poverty

public outlays, the government seeks to improve the allocative efficiency of scarce resources and redirect public resources to the poor.

The real test of public expenditures lies in their impact. Therefore the policies outlined in the I-PRSP document have been linked with the achievement of key social and human development goals. However, depending upon the variable in question, there is an implementation lag between expenditures incurred and outcomes achieved that makes it difficult to assess policy performance immediately, i.e., even though public expenditures on primary schools may be increased, higher gross primary enrolment rates and higher literacy rates may not appear for months or even years. However, there are some key intermediate social indicators that may show the effect of policy interventions over a relatively short period of time. The government will regularly report information on such human development intermediate indicators, which will be a valuable guide for evaluating the efficiency of public policies and public funds

3. PREPARATION OF THE FULL PRSP

Following the completion of the I-PRSP, and parallel to its implementation, the government embarked on the preparation of the full PRSP. The National PRSP Implementation Committee is responsible for the formulation process with the support of the PRSP Secretariat. In order to make a comprehensive PRSP that is truly reflective of the diversity of the federating units, the document will be based on provincial PRSPs prepared by provincial governments in consultation with the newly-elected district governments. The Provincial PRSPs would include detailed costings of the programmes and projects that these governments intend to undertake in the medium-term. The Provincial PRSPs would be based on the medium-term expenditure framework of each province in order to develop a realistic and holistic picture of provincial requirements and resource availability. It was expected that the full PRSP would be completed by August 2003.

Key PRSP Outcomes

This section assesses the seven key PRSP outcomes in terms of the four-stage outcome evaluation process described in the Introduction. Several issues related to each stage should be noted. First, in terms of progress towards the outcome, the period taken is from just before the start of the process (for example, an agreement to prepare the I-PRSP) until the present. Second, the terminology used in each of the key PRSP outcomes being examined is open to a variety of interpretations. Efforts have therefore been made to ensure that, for each of the outcomes, the views of UNDP are reflected and that the issues important to UNDP are identified.

Third, assessments of ongoing discussions and plans to implement activities or undertake dialogue in the near future are also included. In UNDP terms, partners are agents or actors with whom UNDP has, or intends to have, a substantive relationship in pursuit of common outcomes. Partners may include stakeholders, if they are involved in working towards the outcome; beneficiaries of outcome actions; and donors involved in some way with UNDP on the outcome. Fourth, in this respect, two approaches will be used reflecting UNDP's special role within the UN development system:

1. Specific assessment will be made of UNDP's role as leader of the RC system in facilitating an effective and coordinated UN system response, especially the UNCT, in contributing to the PRSP outcomes.
2. Assessment will be made of UNDP as a member of the international donor community working in partnership with other donors as well as government, civil society, and the private sector in contributing to PRSP outcomes.

1. COUNTRY OWNERSHIP

A key principle of the PRSP process is that it should be country driven and nationally owned. Country ownership is, however, a

complex subject and, in the context of the PRSP, can have several dimensions. First, ownership can relate simply to the PRSP document in the sense that it truly reflects national priorities. Second, and far more important, ownership can relate to the PRSP process as a whole, not only formulation of the document but also its implementation. In this sense, ownership reflects a commitment to the process and control over it as well as an acceptance of responsibility for its success. Ownership raises the question, who are the owners? Is ownership narrow, in the sense that the PRSP process is driven by the government or even part of the government? Or is ownership broad, in that it is nationally owned, not just by government but also by civil society and the private sector? The issue of broad ownership is partly addressed in the second outcome related to participation in the PRSP process. Finally, what role do donors play in supporting ownership and a country-driven process? Do they tailor their assistance to the national priorities, thereby supporting country ownership, or do they promote "donorship" of the development agenda?

Assessment of Progress Towards Outcome

Much of the government sees the PRSP process as central to the national planning framework. In this respect, it will guide government activities and set priorities that help integrate donor assistance into the national planning system. Within the federal government, ownership is strongest within the Ministry of Finance, which houses the PRSP Secretariat. Key line ministries also feel ownership, largely due to the inclusion of their existing programmes within the document. They recognise the importance of the PRSP in identifying priority interventions and mobilising both budget and external resources towards them.

Weakest ownership probably lies in the Planning Commission, the organisation responsible for developing some of the key

planning instruments. Here, the PRSP is seen as secondary to existing government plans and primarily aimed at donors and mobilising external resources. There remains a lack of clarity as to how the PRSP will be implemented, the institutional arrangements for doing so, the relationship of the PRSP to the budgeting process, and the relevant roles of the ministries and other government bodies in the process. This may become clear in the full PRSP document. A specific problem relates to the relationship between the PRSP and the other planning tools. While the I-PRSP notes that it has been developed and will be implemented within the framework of the National Economic Revival Program, its relationship to key planning instruments, such as the 10-year Perspective Plan developed by the Planning Commission, remains unclear. It should also be noted that a large part of the document is based on agreements already made within the international community, including the PRGF and various sectoral and thematic programme loans agreed with the international financial institutions (IFIs).

Two important factors should be noted regarding ownership of the full PRSP. First, the process of preparing the full PRSP should increase the level of ownership by the provincial governments. Second, the schedule of preparing the document means that the newly elected government can also take ownership of the process. The issue of broad ownership is discussed more fully in the next section on participation. Some civil society organisations (CSOs) have decided not to engage in the process of formulating the PRSP. They do not want to be co-opted into the formulation process or give legitimacy to it through participation, such as providing comments. They reject the content of the I-PRSP more than the process, in particular the stabilisation package agreed upon with the IMF, and elements of the document that they believe may actually increase poverty.

Assessment of Factors Affecting the Outcome

The PRSP Secretariat undertook extensive efforts to discuss drafts of PRSP documents with line ministries and facilitate their ownership of the process. Ownership at the Ministry of Finance is particularly strong, as the ministry feels it is accountable to the

IMF for successful implementation of the I-PRSP and, more importantly, achievement of goals set within the PRGF. Ownership by line ministries is partly due to the fact that the PRSP reflects their ongoing programmes. It should also be noted that the I-PRSP was formulated and the full PRSP will be formulated within the parameters set by a number of IFIs, including the PRGF agreed in December 2001, as well as other externally-financed programmes with conditionalities attached. Much of the I-PRSP inevitably reflects existing programmes of the government. Donors, in turn, feel satisfied with the PRSP process if it reflects their ongoing and planned activities and will, in this respect, fully support the implementation of the PRSP. While there is capacity in the country to develop home-grown policies and strategies, there is a need to develop stronger linkages between research and policy makers.

Assessment of Key UNDP Contributions

UNDP has contributed more to ensuring ownership of the content of the PRSP rather than the process. There has been no direct support for the PRSP Secretariat at central or provincial levels in enhancing its capacity to develop a home-grown strategy. In terms of content, UNDP has, through its ongoing interventions, supported the development of national policies and strategies that have been incorporated into the document. For example, the Centre for Research on Poverty Reduction and Income Distribution (CRPRID), which is discussed in more detail under Outcome 3, is supporting the development of a home-grown strategy by linking the Human Condition Report to policy makers through policy briefings.

The UNCT has also provided support on a sectoral level, for example the International Labour Organization (ILO) has worked with the Ministry of Labour in developing a National Employment Strategy, which has been fully incorporated into the 10-year Perspective Plan and may be incorporated in turn into the full PRSP. The UNCT will have the opportunity to support ownership of the PRSP process through integrating its assistance into the PRSP process through the UNDAF, expected to be prepared in 2003.

Assessment of Partnership Strategy

UNDP, as part of the UNCT, is a key player in the UNDAF process and the UNDAF

will be integrated into the PRSP. UNDP and the UNCT have developed close partnerships with counterpart ministries in the development of national strategies and policies as well as with civil society in relevant areas.

2. BROAD-BASED PARTICIPATION

In addition to country ownership, broad participation is the second key principle of the PRSP process. Broad participation should include participating in the development of draft PRSP documents, not just consulting on or sharing drafts of documents. Participation should also be more than the formulation of PRSP documents—it should be an ongoing process supported by the PRSP process itself. It therefore represents a number of elements including ongoing dialogue on poverty issues between government, civil society, and the private sector and mechanisms to institutionalise this dialogue and make it sustainable. An additional dimension is the role of the poor themselves in the participation process, whereby their voices and the issues that affect their lives need to be taken into account by the government. Only by engaging in effective broad participation will the kind of broad ownership envisaged by the PRSP process be realised.

Assessment of Progress Towards Outcome

Through the activities described in the section on PRSP Process, progress has been made in increasing broad-based participation by civil society and the private sector in the PRSP process. While the participatory process implemented during the formulation of the I-PRSP could have been stronger, it has not been significantly strengthened during the process of preparing the full PRSP. Reports from the provinces suggest a varying degree of consultation and inclusion of the new district governments in the process. At the central level, some consultative processes have been used to identify appropriate indicators for health and education. The final results of the UK Department for International Development (DfID)-assisted Participatory Poverty Assessment are not yet available, but it is hoped that there is still time to include them during the preparation of the full PRSP.

The government has made some attempts to make information on the PRSP process widely available, an important step for facilitating participation. The I-PRSP has been posted on the Ministry of Finance's web site, which states that "It is hoped that it will usher the beginning of a new process of continuous feedback from stakeholders. This is however not enough for such a process to occur". However, participation at the local level could be facilitated by wider dissemination of key PRSP documents (beyond the use of the Internet) and dissemination of documents in appropriate national languages. A comprehensive communications strategy is currently being planned that should aid this process.

Assessment of Factors Affecting the Outcome

Before the start of the PRSP, broad participation in decision making was limited to development projects sponsored by the international donor community, such as the various Rural Support Programmes. Elements of the government have recognised that broad participation in the decision making process should be extended to the PRSP process and possibly beyond. In its description of this process, the I-PRSP notes, "...planners for too long have remained detached from the people as well as the place where development work was intended. They have been making choices on behalf of the people when they were ready to make their own choices. Lack of participation in the process of decision making has made people weary of development plans".

The participatory processes described earlier therefore represent the first real attempt at broad participation in the formulation of a national development plan in the country. The potential for greater political participation, as well as the institutionalisation and expansion of the existing process, may be facilitated by the government's ongoing devolution strategy that has established freely elected district councils across the country. It should be noted, however, that participation in the PRSP formulation is constrained by the inheritance of existing conditionalities as noted in the previous section. How much these existing conditions influence the contents of the PRSP and how much participation can occur in formulating the residual remains to be seen.

Assessment of Key UNDP Contributions

UNDP provided financial support to national and provincial workshops during the initial stages of the process. UNDP is also providing support to sustain the participation process beyond development of the PRSP through its governance interventions, including direct support to the devolution process.

3. COMMITMENT TO PRO-POOR GROWTH

Orthodox development thinking is that economic growth is necessary but not sufficient for sustainable poverty reduction and human development. For economic growth to effectively translate into poverty reduction it must be pro-poor—it needs to be rapid enough to improve the absolute condition of the poor and to have maximum impact it needs to improve the relative position of the poor.⁴⁷ This is true for income poverty or broader multidimensional definitions of poverty, such as human poverty; this is discussed in more detail under Outcome 6. The UNDP guidelines on engagement with the PRSP note that “Equity is good for the poor because it is good for growth and for distributing its benefits across the population, including the poor. High inequality inhibits growth, contributes to poor policy-making, and delays pro-poor reforms”.

Assessment of Progress Towards Outcome

Poverty reduction has long been on the agenda of the Pakistan government but responses have been related to direct interventions to address income poverty (for example, public works or social assistance transfers) or to improving social service delivery (for example, through the Social Action Programmes). The I-PRSP explicitly links economic growth to poverty, recognising that growth alone will not reduce poverty and that reducing poverty requires growth that “is equitable in nature and broad based in its reach”. To reduce poverty, growth must “emanate from sectors that have greater employment generation capability”; these are defined as agriculture, small and medium industry, and IT sectors.

The policy statements in the I-PRSP therefore indicate the government’s commitment to pro-poor growth.

Assessment of Factors Affecting the Outcome

The increased commitment to pro-poor growth arose from the recognition that poverty in the 1990s was increasing and that growth had not translated into poverty reduction. However, although statements in the I-PRSP reflect commitment to pro-poor growth, a number of interviewees from both government and civil society expressed concern that the policies included in the document may not be appropriate for pro-poor growth. The most common concern related to the stabilisation package agreed upon with the IMF, *inter alia* the limits to fiscal deficits and levels of public investment. Another concern was that the I-PRSP policies seemed only slightly more pro-poor than previous policies and that previous experience with translating growth into poverty reduction has been inadequate. Furthermore, interviewees were concerned that, even with an increase in the pro-poor dimensions of growth, the levels of growth expected in the next five years will not be sufficient to make a significant impact on the number of poor. It remains to be seen how pro-poor growth is reflected in the full PRSP.

Assessment of Key UNDP Contributions

The UNDP Support for Planning Division/CRPRID Project is putting employment on the agenda and facilitating the development of employment generating growth policies. It is also putting income distribution on the agenda and is supporting research into this important issue. CRPRID has also recently published the Human Condition Report for Pakistan, which may support the development of pro-poor growth policies. In addition, such policies may be supported by the recently published National Human Development Report, which focuses on poverty reduction. It is too early to see how these efforts will affect the PRSP process. It should be noted that these important contributions to the poverty debate should be seen in the context of other

47. McKinley, T. 2001. “Economic Policies and Poverty Reduction: Macroeconomics, Restructuring and Redistribution – the Basis for a UNDP Guidance Note.” Draft Document. UNDP Bureau for Development Policy.

poverty reports and analysis produced by government and donor partners, including the World Bank and ADB.^{48,49}

Assessment of Partnership Strategy

In its support of strengthening the employment and income distribution dimensions of the PRSP, UNDP has partnered with the ILO through the Support for Planning Division/CRPRID Project.

4. PARTNERSHIPS AMONG DEVELOPMENT ACTORS

Partnerships involve not only UNDP but also any organisation—government, civil society, or private sector—that joins with others in pursuit of the outcome. Partnerships are important as they promote broad ownership of policies and facilitate more effective participation and implementation in the development process. They also lead to more effective use of development assistance and better division of labour based on comparative advantage. A key issue, however, concerns the sustainability of partnerships made during formulation and the opportunity for them to continue during implementation.

Assessment of Progress Towards Outcome

The I-PRSP recognises the importance of partnerships, stating in the preface “[poverty reduction] is a war that needs to be fought concurrently on all fronts with keen involvement of all government agencies, civil society and the private sector”. There is little evidence, however, of significant progress in developing such partnerships in either the I-PRSP formulation process or its implementation, especially in relationship with civil society or the private sector. By including provincial governments in the preparation of the full PRSP, greater partnerships may be developed in this respect. In turn, partnerships between the provincial and district government may be developed through the consultation process and involvement in identifying key issues and priorities. Whether these partnerships will endure remains to be seen. In terms of

implementation of the PRSP, the I-PRSP recognises a significant role for NGOs in social service delivery, advocacy, and empowerment, but it also indicates that the role is already important and it is unclear how the PRSP process itself will strengthen it.

Assessment of Factors Affecting the Outcome

A key factor is that many partnerships were developed before the start of the PRSP process, for example between donors and government. Where partnerships did exist between government and civil society, the PRSP process to date has not significantly strengthened them. Efforts were made by some donors to engage NGOs and other CSOs in the PRSP process, but full partnerships have not emerged as a result.

Assessment of Key UNDP Contributions

UNDP is supporting partnerships through a number of coordination groups and support to NGOs. Such support is not specifically through the PRSP process.

5. COHERENCE BETWEEN PRSP AND OTHER PLANNING INSTRUMENTS

Coherence between the PRSP and any long-term national planning instruments is essential if the PRSP is to achieve longer term goals and visions. The goals of such long-term planning instruments should coincide with the Millennium Development Goals (MDGs), either global ones or appropriate regional or national ones. The existence of such planning tools makes the development of the PRSP easier. By focussing the plans on the MDGs, the PRSP will become a powerful tool in the process of achieving the goals. The UNDG Guidance Note on the PRSP identifies the services that could be offered by UNDP and notes that “the MDGs are substantively addressed in the PRSP both sectorally and cross-sectorally and that policies are monitored and assessed in terms of their impact on the MDGs.”⁵⁰

48. ADB. 2002. “Poverty in Pakistan: Issues Causes and Institutional Responses.”

49. World Bank. 2002. “Pakistan Poverty Assessment: Vulnerabilities, Social Gaps and Rural Dynamics.”

50. UNDP. 2001. “UNDG Guidance Note to United Nations Country Teams on the PRSP.”

Assessment of Progress Towards Outcome

As noted earlier, Pakistan has developed a 10-year Perspective Plan. The plan was developed from the three-year revolving Poverty Reduction Strategy, which, in turn, formed the basis for the first draft of the I-PRSP. This is the extent of the linkages. The use of the 10-year Plan and its role in the overall development planning framework is unclear. According to the PRSP Secretariat, the full PRSP will not be developed within the framework of the 10-year Plan.

In terms of the MDGs, the I-PRSP makes no reference to them or the commitments made by Pakistan by signing the Millennium Declaration. While some of the indicators selected for monitoring within the I-PRSP coincide with MDGs, there is no explicit reference to the PRSP as a tool for achieving MDGs or for ensuring that policies and interventions within the PRSP process are aimed at achieving the goals by 2015. Senior representatives of the Ministry of Finance and members of the PRSP Secretariat stated that this will be addressed in the full PRSP.

Assessment of Factors Affecting the Outcome

Institutional non-cooperation or misunderstanding between the Finance Division and the Planning Commission may be one of the reasons for the lack of coherence between the PRSP and longer-term national development plans. More important is the fact that the PRSP is set within a different macroeconomic framework, which was agreed upon with the IMF, and those formulating it through a process of consultation, do not want to be constrained by a plan that has not gone through the participatory and consultation processes, even though key elements may be similar in both documents.

There has yet to be a concerted effort by the donor community to remind the government of its millennium commitments and to ensure that the PRSP supports progress towards the MDGs. The UNCT has yet to produce an MDG Report that could form an important advocacy tool in the process. The main tool to be used by UNDP and the whole UNCT to advocate for and facilitate the inclusion of the MDGs in the full PRSP is the forthcoming Common Country Assessment (CCA).

Assessment of Key UNDP Contributions

The 2002 Pakistan CCA was prepared in the context of national development priorities and country-level follow-up to UN global conferences and commitment to global conventions, particularly the 2000 Millennium Declaration. In May 2001, the UN Heads of Agency met and agreed that collaborative programming would be initiated on a voluntary basis and that such programming would emphasise integration and complementarity. Following this meeting, the detailed CCA for the UN in Pakistan was initiated in late 2001 with a series of thematic discussion sessions involving UN personnel. These discussions resulted in a set of detailed papers written by UN agency staffers that reflected the situation of particular sectors and the status of agency programme operations.

In early 2002, a CCA Core Group was formed of UN staff members from several agencies. Unfortunately, the continuous political and security uncertainty in the country seriously undermined the efforts of the Core Group to progress on its assessment until June 2002. In order to engage a broader set of participants in the CCA preparations, a series of four half-day workshops involving Pakistan Federal Government personnel, Islamabad-based NGOs, and UN staff and representatives was conducted between June 25, 2002, and July 3, 2002. The first three workshops were thematic focused: Human Capabilities, Participatory Governance, and Poverty Reduction. A fourth workshop was held that synthesized these outputs and enhanced the understanding of the interlinkages among the themes.

Following these workshops, a draft CCA was prepared by a consultant and reviewed by UN agencies in Pakistan and elsewhere. Comments were incorporated and a second draft was shared with the government for review. This draft was discussed on September 10, 2002, in a consultation session and presented formally on September 23, 2002, to the government, civil society, and private sector.

The UNCT now needs to engage directly with the PRSP Secretariat and senior members of the National PRSP Implementation Committee to ensure that MDGs become the longer-term planning focus and that the PRSP process support their attainment. It is

important that the MDGs really reflect the priorities of the government and are not simply included in the document to appease international partners. While the CCA is a good start, technical support needs to be provided to show how the MDGs can be fully incorporated into the PRSP document to reflect how the PRSP process will become a part of the process of achieving the goals.

Assessment of Partnership Strategy

The development of the CCA is clearly undertaken in partnership with the UNCT and UNDP is a member of a number of the CCA theme groups. The CCA was also undertaken in partnership with the government but not civil society. Efforts now need to be made to develop partnerships with the PRSP Secretariat to develop linkages between the MDGs and the PRSP.

6. PRSP AND THE MULTIDIMENSIONAL NATURE OF POVERTY

Contemporary thinking about the nature of poverty recognises that it is a complex and multidimensional phenomenon. Poverty relates not only to issues of income but also to a variety of other dimensions—what these dimensions are is country, if not community, specific. To effectively reduce multidimensional poverty means to understand and prioritise these dimensions. It also means distinguishing between means and ends and examining linkages between the dimensions. For example, when addressing narrow income poverty, education is often a means to reduce poverty. When addressing multidimensional poverty, education becomes an end in itself, allowing people greater opportunities. There is therefore a need not only to examine if the PRSP addresses poverty in a multidimensional manner, i.e. across a number of sectors, but also how.

Assessment of Progress Towards Outcome

The I-PRSP states:

“Poverty is not merely income deprivation. It is a multi-dimensional concept, which encompasses

economic, political and social needs that are sine qua non for a meaningful existence. The poor in Pakistan are not only deprived of financial resources but they also lack access to basic needs such as education, health, clean drinking water and proper sanitation. Limited access to education, health and nutrition undermines their capabilities, limits their ability to secure gainful employment, and results in income poverty and social exclusion; while also making them vulnerable to exogenous shocks. This cycle is further exacerbated when institutions of governance tend to exclude the most vulnerable from the decision-making process and thus feed into poverty and human deprivation.”⁵¹

While the I-PRSP recognised the complex and multidimensional nature of poverty in Pakistan, the document failed to address all these dimensions. In particular, the environment-poverty nexus and the gender dimensions of poverty were not sufficiently addressed. However, it is possible that the full PRSP will address the multidimensional nature of poverty. The terms of reference for the PRSP Implementation Committee states that “The PRSP Implementation Committee will build consensus on the comprehensive national anti-poverty strategy (full PRSP), which would encompass the economic, structural, and social initiatives undertaken by the federal, provincial, and district governments for targeting the multidimensional nature of poverty and human deprivation in Pakistan.”⁵²

Assessment of Factors Affecting the Outcome

By agreeing to embark on the PRSP process, the government has already made the decision to examine poverty beyond its income dimensions. This would not however, guarantee that all the dimensions would be addressed. Effectively addressing multidimensional aspects of poverty in the full PRSP will be facilitated by detailed comments by the donor community on specific dimensions that were not adequately addressed in the I-PRSP. Two issues identified by donors relating to gender and the environment are being fully incorporated into the full PRSP.

51. Government of Pakistan. 2001. I-PRSP, Chapter 2, “Poverty in Pakistan.” Jointly prepared by the Policy Wing, Finance Division and the Poverty Reduction Cell, Planning Commission. Islamabad, Pakistan.

52. Terms of Reference for the PRSP Implementation Committee.

A major problem at the time of the developing the I-PRSP was the comprehensive identification of the multidimensional aspects of poverty in Pakistan. The Participatory Poverty Assessment being undertaken with the support of DfID would allow insights into this issue but was not ready at the time of the I-PRSP formulation. It should be available to both federal and provincial governments in the preparation of the provincial and federal PRSPs, allowing greater opportunity to include interventions and policy reforms to address the issues.

Assessment of Key UNDP Contributions

UNDP contributed comments on both the draft of the I-PRSP (March 2001) and the final I-PRSP (November 2001). Key comments were made through donor coordination groups, specifically on gender and environment, to address the deficiencies described above. In addition, UNDP supported the discussion and dissemination of issues related to multidimensional poverty and what it means in Pakistan. In this respect, it is utilising a number of tools. First, the *National Human Development Report on Poverty, Growth and Governance* (July 2003) explicitly deals with multidimensional aspects of poverty. Second, through UNDP support, the CRPRID has developed the *Human Condition Report* (released November 2002), which also supports addressing poverty in a multidimensional manner. Policy briefs are being produced to ensure that policy makers get the main message of the document and facilitate the utilisation of the research. Third, UNDP supported the Mahbub ul Haq Centre for Human Development in preparing a profile of poverty in Pakistan before the start of the PRSP process, which nonetheless contributed to it. In addition, UNDP financed the participation of the Chief of the Planning Section at a recent Human Development Course at Oxford University. While this multi-pronged effort is important, it remains to be seen if it will truly influence the design of the full PRSP and further efforts need to be made to ensure effective utilisation of these efforts.

Assessment of Partnership Strategy

UNDP's efforts to ensure that the PRSP process addresses the multidimensional nature

of poverty in Pakistan have been made in full partnership with other donor organisations through a number of coordination groups.

7. POVERTY MONITORING AT NATIONAL AND LOCAL LEVELS

It is essential to set clear goals that reflect the multidimensional nature of poverty and are an outcome of broad participation. Monitoring progress towards these goals is essential if the PRSP process is to be effective, since strategies will need to be amended in light of lessons learned. They set the benchmarks that can facilitate the identification of effective or sub-optimal policies and interventions. Poverty monitoring requires effective institutional structures and appropriate capacities and will involve a number of different techniques and approaches including the use of participatory methods in addition to broad household surveys. Clear goals and monitoring instruments will also improve the transparency of the PRSP process especially in the allocation of resources.

Assessment of Progress Towards Outcome

Since the start of the PRSP process, there has been considerable progress in reaching agreement on the selection of key indicators for monitoring poverty. As a first step, agreements have been reached on the methodology to be used for measuring income poverty, including selection of the appropriate methodology for identifying the poverty line in Pakistan.⁵³ Second, further agreements have been made on selection of appropriate indicators for monitoring other dimensions of poverty, in particular in relation to health and education. Capacities have also been built to undertake surveys and qualitative assessments as part of the poverty monitoring process. Monitoring capacities at the district and provincial levels reportedly remain weak. Overall responsibilities for poverty monitoring remain unclear. At present, the PRSP Secretariat is fulfilling the role of monitoring the implementation of the I-PRSP and has established mechanisms relating to monitoring intermediate indicators for health and education.

53. Agreement was reached in August 2002 on an official poverty line based on 2350 calories per adult equivalent per day.

The multitude of surveys being undertaken has led to a lack of coordination among the different efforts aimed at monitoring poverty in all its dimensions. While further capacities need to be built, there also needs to be better organisational arrangements in place to utilise effectively existing capacity. Effective coordination mechanisms also need to be put in place to ensure consistent and efficient use of resources in a comprehensive, holistic monitoring mechanism with clear responsibilities. At the same time, capacity building needs should be identified in a holistic manner and addressed in a programmatic manner so as to make the best use of resources and ensure that the whole country is covered. The PRSP Secretariat has identified such a programme.

Assessment of Factors Affecting the Outcome

There are a number of reasons for the lack of clarity concerning the institutional arrangements for monitoring and evaluating the PRSP process. In the I-PRSP, CRPRID was identified as one of the organisations responsible for evaluation of the PRSP process. Established in January 2002, the Centre describes itself as an autonomous organization with its own board of directors (although housed in, and closely linked to, the Planning Commission). The Centre has the following objectives:⁵⁴

- comprehensive poverty impact assessment analysis
- in-depth qualitative and quantitative analysis to explore the positive and negative impacts of Poverty Reduction Strategies, including the government's evolving PRSP
- developing awareness by disseminating data and information of the poverty situation through workshops/seminars
- conducting studies, surveys, research, and analyses to formulate effective recommendations for policy making on the basis of research inputs
- training staff in data collection, analytical techniques, poverty assessment, and monitoring

Monitoring the PRSP is primarily the responsibility of the government, and even though CRPRID is closely linked with the government, it has been established as an

autonomous agency. The PRSP Secretariat, established after CRPRID, felt strong responsibility for preparing the quarterly PRSP progress reports and felt unable to rely on a non-governmental agency for supporting it in this process. It has therefore taken on much of the work that could have been allocated to the CRPRID.

The ability to undertake effective monitoring of multidimensional poverty has been constrained by the prevalence of alternative indicators and the lack of consensus on appropriate ones in the context of Pakistan. Although agreements have been reached on health and education, further efforts are now required to address other indicators related to the many dimensions of poverty and the many factors that affect it.

A number of donors are also providing significant support to building capacity for poverty monitoring. UNICEF has responded to federal and provincial government requests to support the development of poverty monitoring systems and capacities in the context of provincial PRSPs. DfID has supported a participatory poverty assessment. UNDP has supported CRPRID with ILO.

Assessment of Key UNDP Contributions

UNDP's support to CRPRID has potential in the area of monitoring, but the issue of allocating institutional responsibility for monitoring and evaluating the PRSP needs to be resolved. If the autonomy of the CRPRID is strengthened, and steps may need to be taken to ensure an autonomous status is widely recognised, then it may facilitate verification of the formal government indicators through independent surveys, bringing CSOs into the system.

UNDP has undertaken comprehensive district-level poverty assessments through projects within both the Governance and Sustainable Livelihoods units. These have not been integrated within an overall monitoring system and may not be sustainable. They may even contribute to the problem identified above concerning the multitude of independent surveys. If this is the case, they should be brought within the comprehensive monitoring system that is required.

The I-PRSP clearly identified the priority

54. CRPRID. 2002. "Pakistan Human Condition Report." Islamabad, Pakistan: CRPRID.

capacity building needs for continuing the PRSP process:⁵⁵

- PRSP preparation (dialogue with civil society and poverty assessment)
- monitoring (data collection and impact assessment)
- statistics (covering all PRSP indicators)
- special studies and surveys (deeper and continuous analysis of poverty in selected areas)

UNDP is addressing some of these priorities, but this short list presented an extremely good (but unfortunately missed) opportunity for a coordinated UNCT engagement in the PRSP process. While some agencies are

involved, for example UNICEF is playing an important role in the identification of health and education indicators, and ILO will play a role in establishing a labour market information system, there are many gaps that other specialised agencies could fill.

Assessment of Partnership Strategy

Through its project support, UNDP in partnership with ILO has developed a strong partnership with CRPRID. While UNDP is seen as the prime supporter of CRPRID, other donors are also providing support including DfID and ADB. A key issue has been partnership with CRPRID at the expense of partnering with the PRSP Secretariat.

55. I-PRSP. 2001. Section 5.3. Jointly prepared by the Policy Wing, Finance Division and the Poverty Reduction Cell, Planning Commission, Government of Pakistan, Islamabad.

Conclusions

This section is based on the above analysis but identifies general conclusions that can be taken from the Main Report of the evaluation. Assessment of each area was made in terms of the three key issues identified in the evaluation Terms of Reference and representing the stages of the process:

1. Engagement in pro-poor policy deliberations influencing the content of the PRSPs
2. Engagement in PRSP preparation process and involvement of partners including civil society
3. Support to implementation and monitoring of the PRSPs.

It should be noted that the PRSP process is not divided linearly into the three stages of dialogue and analysis, formulation, and implementation. Dialogue and analysis will be ongoing during implementation. Depending on the management of the PRSP, the document may be updated on an annual basis and a new one may be developed within three years. The process of preparing the second PRSP will start as soon as the first one starts implementation. Therefore, discussions about implementation of the PRSP document are different from discussions about implementation of the PRSP process.

1. UNDP'S STRENGTHS _____

There are a number of areas where UNDP is perceived to have strengths compared to other international development organisations. Some are global strengths (not all perceived global strengths apply in the country context), and some are specific to Pakistan.

1. Members of the UNCT agreed that UNDP's comparative advantage in Pakistan may not be clear but that of the UNCT as a whole is. The UNCT has special relationships with the major line ministries, for example ILO with Labour; WHO, UNICEF, and UNFPA with health; and UNESCO and UNICEF with education. Overall, the UN

system is viewed as close to government at all levels—federal, provincial, district—and has the usual advantages of impartiality, trust, long-term commitment, and long in-country experience.

2. UNDP and other members of the UNCT, notably UNICEF, have considerable outreach, engaging in local level initiatives and working closely with local government in most, if not all, parts of the country. Not only does this give the advantage of first hand experience of issues at the local level, but it also allows the exploitation of macro-micro linkages, bringing these experiences to policy makers at the provincial and central levels.

2. GOOD PRACTICE _____

Good practices are often developed through exploiting the comparative advantage in the country and the UNDP country office (CO) in Pakistan has been successful in doing so.

1. In terms of its support to implementation of the PRSP, it has already been noted that UNDP will integrate its assistance into the PRSP through the Country Programme and the UNDAF. In addition, the UNDP CO is making other efforts to internalise the PRSP into its programming. In this respect, it has introduced project and programme appraisal criteria that explicitly look at the integration of the intervention into the PRSP process.
2. Although the institutional arrangements for monitoring and evaluation of the PRSP are still unclear, UNDP's support to CRPRID has the potential to become an example of good practice. Two areas of its activities stand out, although both are as yet underdeveloped: proposed activities aimed at linking poverty-related research to policy makers, and research directed towards issues of income distribution and inequality.

3. LESSONS LEARNED

There were three main findings from the PRSP process in general:

1. The process has not been undertaken within a vacuum—both the I-PRSP and PRSP were developed within existing national, sectoral, and thematic planning frameworks. How the PRSP will relate to these frameworks is still unclear.
2. Ownership of the PRSP process is narrow, with some institutional non-cooperation and misunderstandings contributing to the unclear role of the PRSP. Ownership is also limited by the fact that much of the I-PRSP, and inevitably the PRSP, will be set within the policy conditionalities agreed with IFIs, in particular the stabilisation package agreed with the IMF.
3. The institutional framework for managing the PRSP process, including its monitoring, has yet to be clearly established, and there are some capacity building needs that should be addressed. Specifically, the capacity of the PRSP Secretariat (currently two persons) may need to be expanded and its relationship to key development institutions such as the Planning Commission clearly defined

Once ownership of the PRSP process passes firmly into the hands of the newly-elected government, some of the necessary decisions should be made in the near future. At the same time, the government needs to ensure broad ownership of the strategy, building on the efforts to promote provincial ownership and to ensure greater participation of civil society and the private sector in the process.

UNDP's role in the PRSP process has been limited. In the development of the I-PRSP, it played a larger role in partnership with other stakeholders, but its support has become weaker (partly as a result of some of the issues identified above). UNDP undertook a strategic approach to supporting the PRSP process in line with the implementation arrangements set out in the I-PRSP but that has since changed. It has so far focussed its support on the Planning Commission and the CRPRID and not on the PRSP Secretariat (the organisation mandated to formulate the PRSP) with which there has been little contact.

Within the RC system, there has been no concerted and coordinated effort by the UNCT

to engage in the PRSP process, and any engagement has been on an ad hoc basis. This is being addressed through the ongoing CCA and UNDAF processes. The MDGs are not explicit in the PRSP process and the UNCT is addressing this again through the CCA process. Efforts will need to be made to ensure that MDGs are included in the PRSP process in terms of monitoring and that the PRSP is clearly seen as a tool for achieving the MDGs, not just in terms of including this statement in the text but in actual policy reforms and interventions.

4. UNDP'S POTENTIAL ROLE IN PAKISTAN

The purpose of this section is to promote the sharing of experience across regions by examining several potential roles for UNDP. It includes many areas of potential intervention that are already being planned by the UNDP CO as well as some recommendations as appropriate. To a large extent, future work of the UNDP CO (as well as the UNCT) in the PRSP process will depend on the decisions made by the government on the organisational and institutional structures developed to manage and monitor the implementation of the PRSP. There is now a window of opportunity for UNDP and the UNCT to engage with the government in the PRSP process, specifically in the process of formulating the full PRSP document. Originally to be completed in October 2002, it is now likely that the PRSP will be completed by August 2003. Provinces are now completing Provincial PRSPs. Key partners suggest that if UNDP engages with provincial PRSPs they need to do so directly.

Strengthening National Ownership

A key principle of the PRSP process is that it should be country driven, and part of this is the development of home-grown strategies and policies. The UNCT is already building national capacity for development of such home-grown strategies within partner ministries at the central and provincial level. There still needs to be strengthening of capacity to articulate and implement home-grown strategies for poverty alleviation as a whole. Pakistan has significant research capacity and is home to a number of world-class

research institutions producing high quality outputs. A problem has been linking this research to policy making. The CRPRID is attempting to facilitate this process by preparing “policy notes” summarising the key policy messages in its recent Human Condition Report. The preparation of these notes is a skill in itself and the CRPRID, with additional resources, could undertake this for other research outputs, for example, the NHDR on poverty or the CCA. Linked to this activity and related to the large amount of research being produced—both domestically and externally—is the need for a clearing house for the research. This is a function that could be played by the CRPRID. The Centre could use information and communications technology for development and could examine links with the World Bank-sponsored Pakistan Development Gateway, currently in prototype form. It is also essential that the policy support and clearing house activities extend to the provincial and district level. The translation of material (such as policy briefs) into locally-used languages is therefore a potential role of the Centre.

It should also be noted that policy makers need to be informed about not only formal research but also lessons learned from interventions at the local level. These may come from project interventions, including those supported by UNDP and other members of the UNCT, as well as other donors. The facilitation of macro-micro linkages is therefore an extremely important role that could be played by the CRPRID. In this respect, CRPRID could form partnerships with organisations already attempting to promote such linkages, such as the Rural Support Programme Network. In addition to collecting and disseminating research in various forms, another potential role of the CRPRID could be to support line ministries in the mainstreaming of poverty, i.e., helping ministries understand how to mainstream poverty, not simply providing them with possible solutions. The CRPRID could be the source of practical technical support (rather than theoretical) to line ministries and other organisations in the process of designing truly pro-poor policies. What will be difficult is the evaluation of the results of the CRPRID’s work to ensure that the outputs actually result in outcomes, specifically in the

development and implementation of pro-poor policies and interventions.

Supporting Participation in the PRSP Process

The participatory process for formulating the PRSP has been quite weak, although it represents an important step in the country where participation in government decision making has been limited. Support for greater participation needs to continue for the process to ensure that it does not simply relate to document formulation. UNDP has a role in supporting participation and ensuring its sustainability, largely through its existing governance interventions. In this way, participation, in the sense of consultation in the PRSP formulation process, can be institutionalised. What the government may need is help developing a PRSP participation strategy that builds on existing efforts, rather than establishing new mechanisms. In addition, part of the participation process should include the kind of participatory research that would be collected and analysed by CRPRID as described in the above section.

Establishing the Institutional Framework for Implementation Including Monitoring

UNDP and the UNCT could help the government develop a comprehensive system of monitoring, including identifying capacity building needs and facilitating a coordinated response and the establishment of an institutional framework for managing the implementation of the PRSP. This means making implementation of activities in the PRSP plan the responsibility of line ministries, local government, other government agencies, various CSOs, and the private sector, where appropriate. Management of the PRSP process therefore involves *inter alia*: monitoring and evaluating its overall implementation and impact (line ministries and other government organisations will be responsible for monitoring outcomes within their mandates and adjusting policy accordingly); updating the document; and developing new ones, including ensuring wide consultation and participation in the process.

Once the overall implementation plan has been developed, UNDP could support the PRSP management organisation through ensuring a programmatic approach that would facilitate a coordinated multi-donor

response, including a coordinated UNCT response, and providing support at all levels of government. The UNCT has a major role to play in the development of the monitoring system, since most efforts in this respect have focussed on education and health sectors. The government needs support to ensure that all indicators meet international standards and are developed in consultation with key stakeholders. Given the broad range of issues covered by the UNCT, it has an advantage in leading a coordinated support in this respect. The role of CRPRID in terms of monitoring will need to be defined. The main issue is that CRPRID is considered by some to be an independent body and that monitoring of PRSP implementation is the responsibility of government. In some respects, it is unclear where responsibility for monitoring PRSP implementation lies. Further strengthening of the role of the CRPRID in this system

may be required, for example, in independent verification or in support for effective monitoring, but its status needs to be clarified first. Steps to ensure an independent role for the CRPRID (for example, establishing an independent board for the Centre) should be undertaken if necessary.

UNDP also needs to develop closer links to the PRSP Secretariat, especially in terms of building its capacity and providing policy advice to develop the full PRSP. UNDP could also play a role in enhancing cooperation between the PRSP Secretariat and CRPRID. In turn, CRPRID should develop its capacity to provide timely required data to the PRSP Secretariat. UNDP could be effective in helping to determine the role of PRSP in overall development strategy of the country. This could be done through institutional cooperation, particularly between the Ministry of Finance and the Planning Commission.

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Annex 2: People Interviewed

GOVERNMENT OF PAKISTAN _____

Naved Ahsan, Secretary, Ministry of Finance
Dr. Shahid Amjad Chaudhry, Deputy Chairman, Planning Commission
Dr. Nasim Asharaf, Chairman, National Commission of Human Development
Tariq Farooq, Secretary, Ministry of Education
Dr. Ishfaque Kahn, Advisor, Ministry of Finance
Dr. Mutawakil Kazi, Secretary Planning and Development Division, Planning Commission
Jawed Ali Khan, Director General, Ministry of Environment
Shoaib Sultan Khan, National Rural Support Programme
Ghalib Nishtar, Khushali Bank
Ejaz Rahim, Secretary, Ministry of Health
Javed Zafar, Secretary, Ministry of Environment

UNDP _____

Onder Yucer, Resident Representative and UN Resident Coordinator
Lena M. Lindberg, Deputy Resident Representative and Director, Development Division
Dr. Chaudhry Inayatullah, Assistant Resident Representative and Chief, Sustainable Livelihoods Unit
Naeem Ahmad, Programme Officer, Sustainable Livelihoods Unit
Farhan Sabih, Chief, Governance and Gender Unit

INTERNATIONAL FINANCIAL INSTITUTIONS _____

Henri Ghesquiere, Resident Representative, International Monetary Fund

Naved, Asian Development Bank
Operations Officer, World Bank

UN AGENCIES _____

Johannes Lokollo, Director, International Labour Organisation
Abdul Aleem, Programme Officer, UNICEF
Heads of Agency meeting

BILATERAL DONORS AND EC _____

Gareth Aicken, UK Department for International Development
Emmanuel Mersch, Acting Head of Development Section, European Commission

PAKISTAN CIVIL SOCIETY _____

Sartaj Aziz, Deputy Chairman, Social Policy Development Centre, Karachi
Fateh Chaudhry, Mahboob ul Haq Human Development Centre
Tariq Hussain, Advisor, CRPRID
Kamal Hyat, Pakistan Poverty Alleviation Fund
Usman Iftikhar, ICUN
Dr. A. R. Kemal, Director, Pakistan Institute of Development Economics (PIDE)
Dr. Mushtaq A. Khan, Director, CRPRID
Dr. Saba Gull Khattak, Executive Director, Social Policy Development Institute
Dr. Asif Zaidi, ICUN

INTERNATIONAL DEVELOPMENT NGOS _____

Steve Rasmussen, Agha Khan Rural Support Programme
Dr. Fauzia Saeed, Country Director, Action Aid Pakistan

TANZANIA
COUNTRY REPORT

by Alemayehu Geda and John Weeks

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Acronyms and Abbreviations

CCA	Common Country Assessment
CO	Country office (of UNDP)
CSO	Civil society organisation
DAC	Development Assistance Committee
GCM	Grassroot Consultation Meeting
HBS	Household Budget Survey
HIPC	Heavily Indebted Poor Countries
I-PRSP	Interim Poverty Reduction Strategy Paper
LGRP	Local Government Reform Programme
MDG	Millennium Development Goal
MTEF	Medium Term Expenditure Framework
NGO	Non-governmental organisation
NPES	National Poverty Eradication Strategy
PER	Public Expenditure Review
PPA	Participatory Poverty Assessment
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
REPOA	Research on Poverty Alleviation
TAS	Tanzanian Assistance Strategy
UNDAF	United Nations Development Assistance Framework
UNDP	United Nation Development Programme
ZPRP	Zanzibar Poverty Reduction Plan

Country Background

The Tanzania Country Study mission took place November 4-9, 2002, and was undertaken by Alemayehu Geda (Centre for Development Policy and Research, School of Oriental and African Studies, University of London) and Bedasson Shallanda (National Consultant). Key documents, including the newly launched Poverty Reduction Strategy (PRS) progress report, were examined and meetings were held with a range of key stakeholders and participants in the PRSP process (see Annexes 1 and 2).

1. INTRODUCTION

The United Republic of Tanzania (Tanzania) is a union of mainland Tanzania and the island of Zanzibar, which contains two small islands called Unguja and Pemba. As of 2000, it had a population of approximately 34 million people, with the majority of its population (more than 80%) residing in rural areas. It is a potentially rich country with natural resources conducive for agriculture (land resource of 88.6 million acres, of which 44 million are arable land). It also has a variety of mineral resources, such as gold, diamonds, and tanzanite; rich wildlife; tourism; great potential for fisheries, with three large lakes and the Indian Ocean coastline; potential for forestry, with non-reserved forest land of one million square kilometres; and beekeeping potential.

Tanzania has a 'multi-party political democracy' system. It has 20 administrative regions on the mainland, and Zanzibar has 5 administrative regions and 10 administrative districts.

Following its independence from Britain in 1961, Tanzania followed a strategy of 'Ujamaa', the principles of which are embodied in the *Arusha Declaration* of 1967. The most important principles were:

- self reliance and self help;
- social and economic justice;
- eradication of poverty;

- people-centred development;
- national unity and social cohesion;
- peace and stability;
- ethical leadership with good governance;
- human dignity, equity, and respect.

The *Arusha Declaration* still informs the design of strategies and the discourse of development in Tanzania. With per capita income of US\$ 280 in 2000, Tanzania is a low income country. The share of agriculture, industry, and services in the gross domestic product (GDP) in 2001 was 44.8%, 15.8%, and 39.4%, respectively. This has hardly changed in the last decade. However, there are some promising developments in macro-economic performance in recent years.

2. SOCIOECONOMIC SITUATION

The country has managed to register a sustained growth in real GDP and per capita GDP in the second half of the 1990s (see Table 1). This is a strong performance compared to the early 1990s when the growth rate of per capita GDP was negative. However, the growth rate is associated with limited poverty reduction because of high population growth and increasing inequality.

On the positive side, inflation stabilised at a moderate rate (the figure for inflation in early 1990s was about 25%). However, the government has managed to maintain a stable macroeconomic environment over several years. Despite the depreciation of the Tanzanian Shilling, the foreign exchange market maintained stability. Significant progress was made in limiting the rise of the public deficit. The external sector, however, remained precarious. Exports cover only half of imports, and the services account runs a chronic deficit.

After independence, the government launched a campaign against "(income) poverty, ignorance and disease". During the 1970s and 1980s, under the socialist regime, poverty eradication was the main goal of development.

TABLE 1. TANZANIA: RECENT MAJOR MACROECONOMIC INDICATORS

Indicator	1995	1996	1997	1998	1999	2000	2001	2002
Real GDP growth (%)	3.6	4.2	3.3	4.0	4.7	4.9	5.7	6.2
Inflation, annual average (%)	27.1	21.0	16.1	12.9	7.8	6.0	5.2	4.5
Exchange rate, annual average (Tshs/US\$)	574.8	580.0	612.1	664.7	748.1	800.4	878.4	978.9
Merchandise exports (mil.US\$)	682.9	763.8	752.6	588.5	543.3	661.5	776.4	877.0
Export/import ratio (goods & services)	50.9	63.0	65.6	43.1	38.1	49.6	52.0	58.7
Overall balance of payments (mil.US\$)	-382.1	-231.2	-633.4	-645.8	-372.8	-239.3	-14.9	132.4
Current account balance (mil.US\$)	-646.4	-461.3	-558.6	-993.0	-793.5	-515.2	-559.5	-448.9
Foreign reserves (months of imports)	1.6	1.5	2.8	3.4	4.2	5.6	6.3	8.9
Govt. domestic revenue (% of GDP) ^a	13.2	13.5	12.6	12.5	11.3	12.2	12.2	12.5%
Total govt. expenditure (% of GDP) ^a	13.1	15.2	14.8	14.8	17.1	15.7	18.8	22.2%
Fiscal balance, before grants (% of GDP) ^a	0.1	-1.7	-2.3	-2.3	-5.8	-1.2	-6.6	9.8%
Disbursed external debt (mil.US\$) ^a	6,623.3	6,600.3	6,435.8	6,580.3	6,538.3	6,365.8 ^b	6,559.7	6,413.4

Notes: a. Refers to 1995/1996-2000/2001 fiscal year for all years. b. May 2001.

Source: Planning and Privatization Commission. 2001. "Tanzanian Social & Economic Trust." Dar es Salaam, Tanzania.

The high level of ambition was epitomized in the phrase "we must run as they [the developed countries] walk". Due to limited resources and weakness of the adopted development strategy, which was income redistribution through public spending programmes, income poverty worsened. However, the strategy brought about significant gains in social indicators, such as life expectancy (which rose from 35 years in 1961 to 52 years by the late 1980s) and a rise in literacy rates (from 25% to 95%). Because of slow growth, these achievements could not be sustained. Thus, by 1990s, poverty still remained a challenge to the country.

Notwithstanding various initiatives that are discussed below, progress at the end of the 1990s was not impressive. Figures for the 1990s (see Table 2) show that there has been very limited improvement in income poverty among Tanzanian households. Only in Dar es Salaam is there a statistically significant improvement. According to the latest analysis of the poverty data, by Research on Poverty Alleviation (REPOA), an indigenous research centre, reducing the headcount ratio will not meet the government targets to halve the proportion of people

TABLE 2. POVERTY HEADCOUNT RATIOS 1991/1992-2000/2001

	1991/ 1992	2000/ 2001	1991/ 1992	2000/ 2001
Dar es Salaam	13.6	7.5	28.1	17.6
Other urban areas	15.0	13.2	28.7	25.8
Rural areas	23.1	20.4	40.8	38.7
Total	21.6	18.7	38.6	35.7

Source: HBS 1991/92 and 2000/01 from "Poverty & Human Development Report" forthcoming from REPOA.

living below the food poverty line by 2010. Progress towards the target is lagging significantly for urban areas, and even more so for rural areas. Since the latter is where most of Tanzanians reside, and where poverty is most pervasive, it would appear that the target will not be met (see Table 1).⁵⁶

Rising inequality aggravates the condition of the poor, in particular, the rural poor. The most recent Household Budget Survey (HBS) data reveal that inequality in Tanzania is growing. Unlike poverty, which shows improvement in some regions, inequality, as measured by the Gini coefficient, is increasing

56. More detail can be found in the draft UNDP REPOA Report.

across various strata of the population. Inequality is greatest in Dar es Salaam, where the Gini rose from 0.30 to 0.36 between 1990/1991 and 2000/2001. The comparable figure for other urban and the rural areas is 0.35 and 0.36, from 0.33 and 0.36, respectively. For the country as a whole, the Gini increased from 0.34 to 0.37.

3. DEVELOPMENT ASSISTANCE _____

With an investment to GDP ratio of approximately 17% for 1995-2000 and a domestic saving to GDP ratio of about 6%

during the same period, Tanzania has an average resource gap of about 11% of the GDP. With such a big resource gap, the country has no choice but to depend on foreign finance. It is estimated that external assistance constitutes about 90% of the capital and more than 40% of the recurrent budget in fiscal year 2002. This shows the extreme dependence of Tanzania on donor support and the importance of new aid-delivery mechanisms such as the PRSP and the Tanzania Assistance Strategy (TAS). It is within this general framework that the discussion of the PRSP process in Tanzania should be understood.

The PRSP Process

1. MAINLAND TANZANIA

The Tanzanian PRSP was prepared in the context of the Heavily Indebted Poor Countries (HIPC) Initiative to channel debt relief funds to poverty eradication. Preparation involved a consultative process that involved different stakeholders at different levels. In October 1999, a cabinet committee was formed to steer the PRSP preparation process. A technical committee, made up of officials from key ministries, was specifically asked to prepare the interim and final PRSP and organize participation of stakeholders. The technical

committee wrote the initial draft of the I-PRSP in early January 2000, using the results of consultations with stakeholders and incorporating background documents such as *Tanzania Development Vision 2025* (1998), TAS, *National Poverty Eradication Strategy* (NPES) (1997), *National External Debt Strategy* (1998), and *Public Expenditure Review* (PER). The technical committee also used expert assistance from local research institutions. The draft I-PRSP was discussed at a consultative technical meeting that included government representatives and stakeholders from the donor community and civil society.⁵⁷ It was reviewed and approved

BOX 1. TANZANIA: CONSULTATIVE STEPS IN PREPARING THE PRSP

Consultative Participatory Steps	Objective of Consultation	Outcome
<i>I. Domestic Stakeholders</i>		
Committee of ministers and central bank governor	Steer preparation of PRSP	Final PRSP
Inter-ministerial technical committee, researchers, and editors	Technical preparation of PRSP	Final PRSP draft
Zonal workshops (May 2000)	Ascertain views of "grassroots" stakeholders	Identified priority concerns and requirements for poverty reduction
Members of parliament (July 2000)	Establish reactions to the findings of the zonal workshops and solicit their views	Concurred with the findings of the zonal workshops; underscored regional differences in the incidence of poverty
Regional administrative secretaries (August 2000)	Discuss final PRSP draft	Endorsed zonal workshops results
Cabinet (August 2000)	Review and discuss final PRSP draft	Reviewed and approved final PRSP
<i>II. Joint Consultations with International Partners</i>		
Consultative meetings with donors (May and June 2000)	Review and exchange views on preparation of PRSP	Endorsed the process of preparing PRSP and pledged support
National workshop (August 2000)	Review draft PRSP	Concurred with orientation of the draft and noted specific concerns— child labour unemployment, environment, and gender—as not having been adequately analyzed

57. The PRSP has three-year targets focusing on the following three critical dimensions of poverty: reducing income poverty; improving human capabilities, survival, and social well-being; and containing extreme vulnerability among the poor. In all these areas, there are specific goals, broad strategies, and indicators that can be monitored and benchmarked for the three-year period.

by the cabinet in early February 2000. Following the approval of the I-PRSP and its action plan by international financial institutions, the task of preparing the full PRSP began.

The committee of ministers and the central bank governor steered the PRSP process, preceded by the preparation of a draft document by an inter-ministerial technical committee and researchers. This led to the final draft of the PRSP. At the final stage of the PRSP preparation, the government convened another consultative meeting with the donor community on June 30, 2000, to seek comments on the process and the draft document. Members of parliament were briefed on the concerns and priorities identified at the Zonal Workshops on July 1, 2000, in Dodoma. The background information gave the parliamentarians an opportunity to state their concerns. They endorsed the priorities emerging from the consultations. A national workshop followed on August 3-4, 2000, in Dar es Salaam to seek further reactions to the targets, priorities, and actions in the draft PRSP. Among the participants were permanent secretaries, regional commissioners, representatives of the donor community, multilateral institutions, private sector organisations, non-governmental organisations (NGOs), the media, informal sector representatives, and other members from civil society. The draft PRSP was also presented to regional administrative secretaries during a workshop held August 3-4, 2000. A revised draft PRSP was finally presented to the cabinet for review and approval on August 31, 2000. This design and consultation process is summarized in Box 1.

2. ZANZIBAR

The Zanzibar Poverty Reduction Plan (ZPRP) came after the formulation of the PRSP on the mainland. This timing was partly explained by the political crisis in the island following the 2000 election. The principal guiding body for the preparation of

the ZPRP was an inter-ministerial technical committee comprising senior officers of the main technical and implementation ministries, chaired by the Principal Secretary of the Ministry of Finance and Economic Affairs (MOFEA) of Zanzibar. The Government of Zanzibar, supported by UNDP and two local research institutions (Economic and Social Research Foundation and Research on Poverty Alleviation), undertook the preparation process.

The ZPRP is founded on three main documents, the *Development Vision 2020* for Zanzibar, a report on the Grassroot Consultation Meetings, and a Common Country Assessment (CCA), all of which were prepared in late 2000 and early 2001. It also drew on sectoral reviews and previous reports from the government, UN system, and other sources. It has involved numerous discussions with many officials within and outside the public sector.

The UN system, with close involvement of the government, prepared the CCA. The main purpose of the CCA was to provide analysis and assessment of development and poverty issues. It served as an input into the UN system's new programming cycle and guided interventions from other development partners. The CCA was not only the basis for UNDAF but also provided input into the ZPRP exercise. Grassroots consultation was also conducted. Consultations with a wide range of stakeholders were organized.

The ZPRP drafting team made visits and conducted discussions with the government, NGOs, political parties, and the private sector. The draft reports were subjected to a workshop in Unguja and another in Pemba, and subsequently to a national workshop held in August 2001. In May 2002, UNDP supported the government in its launch of the ZPRP, which all UN agencies, bilateral donors, civil society organisations (CSOs), and multilateral agencies attended. After the launch, the government, with support from UNDP, disseminated the ZPRP through workshops for members of the House of Representatives, ministers, permanent secretaries, and other senior government officials.

Key PRSP Outcomes

This section assesses the seven key PRSP outcomes in terms of the four-stage outcome evaluation process. The period covered is from before the start of the process (agreement to prepare the I-PRSP) to the end of 2002. UNDP partners include all major stakeholders, if they were involved in working towards the outcome; beneficiaries of outcome actions; and donors involved in some way with UNDP. Two approaches were used that reflected UNDP's special role within the UN system. First, specific assessment was made of UNDP as the UN Resident Coordinator (RC), in facilitating an effective and coordinated UN system response, especially the UNCT, in contributing to the PRSP outcomes. Second, UNDP as a member of the international donor community in working in partnership with other donors as well as government, civil society, and the private sector in contributing to PRSP outcomes.

1. COUNTRY OWNERSHIP

The PRSP process should be nationally owned *and* country driven. It is also necessary to make a distinction between ownership of the program by the government and by a wider constituency. This issue was inspected from the stages of inception to implementation.

Both the I-PRSP and PRSP in Tanzania were initially driven by the BWI. Discussions during the field visit attested to this. However, once the process was initiated, both the I-PRSP and PRSP could be said to be owned by the two governments (both the mainland and the Zanzibar government).

In Tanzania, ownership evolved because the formulation of both the I-PRSP and PRSP was based, at least at the detailed preparation stage of the PRSP, on other long-term strategies of the government. These strategies undoubtedly were owned by the government, though donors aided in their preparation. Three major strategy documents

formed the basis of the I-PRSP and PRSP: Vision documents 2025 and 2020 (for Zanzibar), NPES, and TAS. Some research organisations and the government argued that the PRSP was the action plan of the NPES, with an explicit costing and time frame. On the basis of these documents and interviews, it can be concluded that the Tanzanian government owned the PRSP process. However, this ownership was confined to the government and its ownership by other stakeholders—CSOs, NGOs, and the population at large—is limited.

There are at least three factors that determined the ownership outcome:

1. the capacity of the government to articulate and design its development strategy;
2. the home-grown nature (including political consensus) of the strategy in the PRSP;
3. the level of participation by stake holders in the design and implementation of the strategy.

In Tanzania, the high dependence of the government on external resources and the relatively weak technical capacity in the public sector negatively impacted on ownership at the initial stage of the process. This can be deduced from the preparation of the I-PRSP when fulfilling the HIPC conditionality was an overriding concern. As time passed, there was an increasing linkage of the PRSP to previous, home-grown strategies. Moreover, the capacity of the public sector and local research institutions increased, in particular their ability to carry out analytical work upon which the PRSP, the PRSP progress report, and the monitoring and evaluation master plan were based.

Key UNDP Contributions

UNDP supported, in both financial and technical ways, the initial process of formulating major documents (i.e., the NPES and Vision documents 2020 and 2025) upon which long-term strategies and the PRSP were based. It was also actively involved in the

formulation of TAS. In so doing, it helped to enrich the home-grown content of the PRSP. Once the PRSP was launched, the UNDP became directly involved in developing the Poverty Monitoring Master Plan and other PRS processes, and was an active member of the PER process and other committees that were directly linked to the PRSP process. In these committees, it contributed to the content of the document, discussion of resource allocation, and the monitoring and evaluation of the PRSP. The UNDP also worked with MOF to provide expert help and build capacity, including a database, a collaborative post-graduate (MSc) programme on poverty analysis with local research centres, and an analysis of external finance. The government appreciated this help from UNDP. UNDP also contributed to the local content of the analytical work for PRSP by directly funding or sub-contracting local research institutions that worked closely with the government.

UNDP has established a strong and cooperative relationship with the government and forged productive links with ministries. The government sees the UNDP as a true partner, rather than merely as a donor. Some government officials noted that, even if its resources are small, UNDP's contributions are extremely important. This trust and appreciation reflects an effective partnership strategy. The success of partnerships needs to be enhanced by the advocacy role of UNDP for human development. This balance between maintaining existing partnerships while simultaneously enhancing UNDP's advocacy role seems a bit problematic, for there is little provision of alternative macroeconomic analysis and distribution of income issues, as discussed later in this document.

2. BROAD-BASED PARTICIPATION

Broad-based participation is one of the basic principles of the PRSP and perhaps the most controversial. By its nature, the concept is fundamentally political and cannot help but confront the distribution of power within a country. The history and institutions of a country have a strong impact on participation. The more institutionalised the representative process, the greater the

probability of government ownership as a proxy to country and national ownership. Pre-PRSP documents, such as the NPES, acknowledge that lack of broad-based participation undermined progress in fighting poverty.

In mainland Tanzania, zonal workshops were conducted to achieve wider participation. These zonal workshops, which included a large number of representatives of the poor at village level, were key for PRSP formulation and yielded results paralleling those of earlier participatory poverty assessments (PPAs) done by the UNDP and the World Bank (i.e., *Voices of the Poor*, 1995). They were conducted concurrently over May 11-12, 2000, in all seven regions of mainland Tanzania. A total of 804 participants attended the workshops, comprising 426 villagers, 215 councilors, 110 District Executive Directors, and 53 people from NGOs. Of the participants, 22% were women. The workshops were carried out through working groups, followed by plenary presentations. To facilitate participation, participants were grouped to have regional, zonal, and gender representation.

All the groups discussed basic issues relating to poverty: perception by the population, causes, characteristics, indicators, and policy priorities. A consensus was reached that expenditure on education should be the top priority for poverty reduction, followed by agriculture, health, roads, and water. Participants identified a range of constraints in the effort to reduce poverty: 'poor governance', cultural factors, illiteracy, poor infrastructure, inadequate extension services, and gender imbalances. Civil society groups were invited to the Consultative Group meeting in Dar es Salaam on May 22, 2000, where the outcome of zonal workshops and PRSP progress were discussed.

Similarly, in Zanzibar, the Grassroots Consultation Meeting (GCM) was organized in December 2000, to obtain views from a cross section of society in Pemba and Unguja islands. The GCM was held on a single day across Unguja and Pemba and organized by the MOFEA. It involved consultation with a variety of community groups, including those representing the poor within communities. There was considerable consultation with stakeholders in government offices, the private sector, political parties, NGOs, and civil society. In this process, the UN Inter-Agency

Programme Committee (IAPC) provided invaluable inputs.

The UNDP country office (CO) interviews and a review of documents have indicated that the consultative process had its flaws. These flaws related to the process, such as the selection of participants. There was also criticism that views expressed in consultation meetings were incorporated in the PRSP in incomplete and altered forms. Nonetheless, a degree of process towards broad-based participation was achieved. There was also a clear distinction between the participation of different government ministries and non-government groups (CSOs, NGOs, and the private sector). With the exception of local research institutions, non-government groups were not seriously involved. The team concludes Zanzibar process was superior, however, there were flaws with the overall process.

Several factors could explain the low level of broad-based participation in Tanzania. One of the most important factors is the speed at which both the I-PRSP and the PRSP were developed. Both the government and many CSOs expressed their concern over lack of time to adequately prepare for the issue. Another factor, widely mentioned, relates to the government's perception of the CSOs and NGOs. Although contested by the government, there are those in the NGO community who believe that the mainland government does not view NGOs as important stakeholders and does not provide them with necessary information. Additionally, some believe that the government favours some NGOs over others.

These criticisms reflect a complex combination of perceptions and constraints. The government's perception is that NGOs and CSOs do not have adequate political constituencies to justify a strong participatory role. This perception is strengthened by the low capacity of most NGOs and CSOs to make a technical or analytical contribution to discussions on poverty reduction. Finally, lack of clarity on the part of donors on how they should engage with CSOs and NGOs in the PRSP process, compared to engagement with government, had a detrimental impact on their active participation.

Key UNDP Contributions

In addition to financing the consultation process, the UNDP contributed to participation

by building confidence between the NGOs and CSOs and the government.

Some UNDP staff members were involved in a small working group that developed an action-plan (known as the Reference Document) for conducting the zonal consultative workshops. They also participated as 'Independent Observers' and as resource persons in the zonal workshops, which were conducted throughout the country. UNDP supported a retreat for NGOs and the Coalition on Debt and Development to draft a strategic plan on NGO participation in monitoring the PRSP. Support was provided to the PRS Secretariat of Vice-President's Office for dissemination of the PRSP through radio, newsletters, and the International Poverty Eradication Day activities in 2000-2001.

UNDP provided logistic support to the government for organisation of meetings and workshops on the PRSP. It organized a pre-consultation workshop for CSOs to prepare them to participate in the National PRSP workshop. It facilitated members of CSOs in joining the TAS working groups and was active in maintaining liaisons between the government and CSOs. Throughout the process, UNDP was perceived as an 'honest broker' when CSOs and government reached points of disagreement.

Notwithstanding these efforts, most NGOs contacted for this evaluation expressed some dissatisfaction with the participation process. Specifically, they complained that UNDP placed priority on CSOs and NGOs engaging within the framework set by government. This criticism, which arose in most of the case studies, demonstrates a basic tension within the PRSP process. This tension was particularly severe in Tanzania, because the pressure of time made it difficult, if not impossible, to create a satisfactory consultation process from the point of view of civil society. However, because the main output of the process is the PRSP document, which will become official government policy, the process must, to some degree, be managed by government.

3. COMMITMENT TO PRO-POOR GROWTH

An examination of various strategy papers in Tanzania reveals that poverty reduction

takes central stage in the policy arena. What distinguishes the PRSP from many of the strategies developed after the late 1980s is its focus on growth as an important component to address poverty. In addition to stressing the importance of growth, the PRSP stresses the need to examine the nature of growth, that is, whether the growth is pro-poor.

The government is committed to a stable macroeconomic environment. This takes the form of a conservative fiscal and monetary policy, stable exchange rate, and 'prudent' fiscal balance. In the view of the government, this policy approach is conducive to growth. The macro package has been complemented by a number of institutional reforms aimed at improving the capacity of the government to manage the economy.

At the initial stage of the PRSP process, the commitment to pro-poor growth was weakened by a belief that if all growth is good for the poor, one need not be concerned about the composition of growth. After the first and the second progress report on PRSP, however, there was a move towards a pro-poor growth approach. This is broadly understood to imply a geographic and sector focus, that is, a 'rural development strategy'. Notwithstanding that income inequality has increased recently, distribution is assigned a low policy priority.

The absence of concern about distributional aspects of growth reflects the lack of alternative macroeconomic frameworks at the onset of the PRSP process. This may be because of the inclination of major donors and lenders, and the dependence of Tanzania on external assistance, would have eroded any alternative frameworks. However, absence of detailed analytical work on pro-poor growth prevents alternatives from even being discussed. This became apparent after the first two progress reports on the PRSP, which identified focusing on the agriculture sector, designing a rural development strategy, and paying special attention to vulnerable groups as new areas of emphasis.

Assessment of Key UNDP Contributions

Pro-poor growth in the PRSP process plays a key role in the production of the *Poverty and Human Development Report* (PHDR) under the poverty monitoring system (Research and Analysis Working

Group), in which UNDP collaborated with other donors. This is a positive move in mainstreaming human development into the PRSP process, since quality of growth and equity issues have been put firmly on the agenda through the PHDR. The PHDR also provides inputs to the PRS report. UNDP contributed to the tracking of pro-poor content of public expenditure, which has important implications for pro-poor growth.

4. PARTNERSHIPS AMONG DEVELOPMENT ACTORS

In Zanzibar, the UNDP and the UN system formed a close partnership with the Government of Zanzibar to prepare the CCA. The main purpose of the CCA is to provide information on development issues and poverty concerns facing the Isles and determine how the CCA could be used as an input for the UN system's new programming cycle. It will also guide interventions from other development partners. The CCA and UNDAF, most importantly, have served as input to the current ZPRP exercise.

The UNDP has also forged effective relationships with almost all major donors and lenders, including the World Bank. UNDP, together with the World Bank, co-chairs the Development Assistance Committee (DAC). Most members of the DAC are working toward increased budget support and working towards harmonization of procedures.

While UNDP has an effective relationship with the World Bank, this partnership is not without its problems. For example, it would appear that the World Bank is not notably open to macro policies that are not 'orthodox'. Within the staff members of the UNDP CO and the UNCT, opinions about the partnership differ. One strongly held view is that the partnership is, at best, unequal. It is pointed out that issues relating to country lending are not discussed by the World Bank with UNDP. To the extent that this characterisation of UNDP weakness is correct, it is partly explained by the funding capacity of UNDP compared to the World Bank. In this context, the move towards budget support, requires the UNDP to move upstream in the policy process.

Therefore, it is a major problem that UNDP is not part of the budget support

group for PRSP. This group not only makes key policy decisions but also designs guidelines for progress monitoring. The donors in this budget support group are seeking to harmonize activities with the World Bank and the IMF, which have similar frameworks; the PRSC; and the PRGF.

Assessment of Key UNDP Contributions

Donors and lenders actively cooperate with UNDP because of the following:

- the positive role that UNDP plays as coordinator of the DAC;
- UNDP's effective cooperation with the government and advisory role towards donors;
- donors and lenders view the UNDP as less constrained in its work by its institutional interests.

Overall, the UNDP has been well served by its partnership strategy with the government, based on being non-partisan, flexible, and engaged. This has proved successful even under difficult circumstances. In Zanzibar, many donors withdrew their support to the Zanzibar government, while the UNDP (and other UN agencies) remained engaged throughout the period of the island's political crisis.

The CO is moving upstream in the policy arena, despite its narrow resource base. The move poses a challenge to the CO because other agencies, some considerably stronger financially, occupy this space or are moving into it. A clear strategy is required for UNDP success.

5. COHERENCE BETWEEN PRSP AND OTHER PLANNING INSTRUMENTS

Coherence between the PRSP and long-term national planning instruments is essential if the PRSP is to achieve its goals. The goals of such long-term planning instruments also need to be based upon the Millennium Development Goals (MDGs). As noted, during the 1970s and 1980s, the national plan to reduce poverty was based on the strategy of African socialism (*Ujamaa*).

Despite social gains, the government abandoned this approach by the late 1980s, replacing it by a market-led development strategy. The new approach was established prior to and during the PRSP process. It included:

1. Strategies that preceded the PRSP
 - a. *Vision 2025* (Mainland) and *Vision 2020* (Zanzibar)
 - b. NPES
 - c. TAS
2. Strategies associated with the PRSP process
 - a. Medium Term Expenditure Framework (MTEF)
 - b. PER
 - c. PRSP
 - d. ZPRP
 - e. Local Government Reform Programme (LGRP)
 - f. Independent Monitoring of Development Cooperation (IMDC)

Following the development of the Vision documents, the Union Government formulated the NPES 1998, which provided a long-term framework to guide poverty eradication initiatives. The ambitious goal was to reduce absolute poverty by 50% by 2010 and eradicate it by 2025. The NPES aimed to facilitate pro-poor economic growth by putting in place appropriate policies and strategies. The NPES underscored that a large proportion of the poor in the country is affected by several attributes of poverty, and thus, efforts to reduce absolute poverty have to focus on income (growth), human development, vulnerability, and good governance.⁵⁸ One of the weaknesses of NPES is that it is a ten-year strategy without a concrete action plan. This weakness gave an opportunity for the PRSP to act as a medium-term vehicle for realizing the long-term strategy.

The role of the international community in this process is found in the TAS. This is a medium-term national strategy of economic and social development, encompassing joint efforts of the government and the international community. It aims to develop a partnership approach with enhanced Tanzania ownership of its development agenda. It also calls for greater transparency in the use of aid, with a

58. The NPES focuses on three main areas: creating an enabling environment for poverty eradication by promoting pro-poor policies with the aim of ensuring that poverty eradication becomes the central objective of all policies as well as the government's development agenda; building capacity for poverty eradication by promoting broad-based growth, which ensures that the majority of the population effectively contribute and benefit from the growth process; and promoting social services and safety nets to ensure access to basic social services by the poor.

view to increasing its effectiveness of aid for poverty reduction.

The Vision documents, NPES, and TAS were followed by the I-PRSP and PRSP. The government gradually began to set priorities for pro-poor expenditure and monitor the efficiency and effectiveness of that expenditure. These programmes are co-ordinated by the Ministry of Finance, but are based on priorities identified in the *Vision 2025*, NPES, and PRSP.

Two initiatives that are closely related to the PRSP process are the LGRP and the IMDC, under the leadership of Professor Helleiner. The LGRP devolves the responsibility and delivery of basic social and infrastructure services to sub-national levels, in the hope of greater efficiency and empowerment of local communities. The IMDC between the government and donors was launched in January 1997, based on a report prepared in 1995 by a group of five prominent figures who were working on Tanzanian development issues. It is intended to monitor implementation of agreed objectives between the Government of Tanzania and its external partners.

The extent to which the initiatives under Category 1 (strategies that preceded the PRSP) relate to Category 2 (strategies associated with the PRSP) may shed light on the coherence of the PRSP process with previous and existing national strategies. It is also related to the degree of government ownership of the PRSP process. Although the PRSP in Tanzania was initiated in the context of the HIPC Initiative and, to that degree, donor driven, examination of documents and a series of interviews indicate that the process became owned by the Tanzanian government and has a high level of coherence with long-term strategies. In particular, the government has realized that the NPES is not an operational instrument. This is because it covers a ten-year period and is not focused, prioritised, or costed. Thus, the government could use the PRSP as the action plan of the NPES.

Establishing coherence has been largely successful in Tanzania because of two important factors. First, the PRSP has been heavily based on previous strategies that have a high degree of ownership but lack a medium-term, operational mechanism. The PRSP provided that mechanism with the long-term strategy. Second, the development of analytical capacity,

both in the government ministries and, more importantly, at local endogenous research centres, facilitated coherence. Development partners were instrumental in creating such capacity.

Assessment of Key UNDP Contributions

UNDP has a long history of support to the Tanzanian government. In 1995-1996, UNDP provided support to the design of the *Vision 2025* for Mainland Tanzania, and *Vision 2020* for Zanzibar. In 1997-1998, UNDP supported the formulation of the NPES, which is a medium-term strategy for implementing the *Vision 2025*. It was also involved in the study of TAS by providing technical and financial assistance. By contributing to the preparations of these previous documents and subsequently to PRSP, UNDP directly facilitated coherence between the two.

At a technical level, the TAS task groups involved staff from the government, the UN, bilateral partners, and CSOs. Many aspects of the TAS process merged with the PRSP process when it was later introduced. The government, supported by UNDP, undertook the coordination of the TAS task groups. The local research institutions that were contracted by UNDP provided specialized technical knowledge when required. UNDP has also assisted the governmental inter-ministerial technical committee in guiding the PRSP process. Moreover, UNDP has coordinated the UN system to align their activities with the PRSP. It has also worked closely with the government to coordinate donor meetings on the PRSP.

By moving upstream to analytical work required to design development strategies and financing such activities, the UNDP has positively contributed to coherence between long-term strategies and the PRSP.

6. PRSP AND THE MULTIDIMENSIONAL NATURE OF POVERTY

This outcome is strictly related to the analytical work on poverty that underpinned the PRSP process and has been examined from this perspective. The analytical work that supported the formulation of the PRSP and its implementation was based on various strategy papers prepared with the help of the

UNDP. These documents are visionary and broad based, recognising the multi-dimensional nature of poverty. This is clearly articulated in the *Arusha Declaration*, discussed at the beginning of this report.

Once the I-PRSP and PRSP were launched, various attempts were made to carry out an in-depth analysis of poverty in the country by focusing on its multidimensional nature. The most notable activity is the ongoing *Poverty and Human Development Report*, which incorporates human capability concerns that are not only multidimensional but also coincide with UNDP's mandate. The studies on vulnerable groups, gender dimensions, environmental issues, and rural development are also indicative of the progress made towards this outcome. Other major factors that affected this outcome include the following:

- The government based the PRSP on other strategy papers that include a multi-dimensional approach to poverty.
- Development research centres, such as the Economic and Social Research Foundations (ESRF) and REPOA, participated in the process.
- Two comprehensive progress reports on the PRSP were produced that identified gaps that require analytical treatment to broaden the understanding of poverty from income poverty to issues of vulnerable groups, regional variation, and other dimensions.

Assessment of Key UNDP Contributions

The UNDP in Tanzania has made an effort to ensure the multidimensional nature of poverty is emphasized in the PRSP, as shown by the following activities of the CO:

- It supported, both financially and technically, the initial process of formulating major documents upon which long-term strategies and the PRSP were based and the analysis of poverty in these documents is multidimensional.
- It forged partnerships with local research institutions (ESRF, REPOA) and data generation institutions (The National Bureau of Statistics [NBS]), again with financial and technical support, and these institutions contributed to the analytic content of the PRSP.
- It emphasised the role of HIV/AIDS and its poverty links.

Partnership strategies pursued by UNDP are three fold:

1. It has involved itself in various committees that are responsible for identifying gaps in the implementation of the PRSP and also in those committees dealing with data generation and analytical studies.
2. It has its own experts for crucial areas of analytical work for the PRSP. This strategy is, at times, complemented by the use of local research institutions. Both helped the office influence the analytical content of major policy documents.
3. It aligns its work, such as the *Human Development Report* (HDR), with that of the PRSP.

7. POVERTY MONITORING AT NATIONAL AND LOCAL LEVELS

The Tanzanian government uses existing institutional arrangements for implementing sector development strategies, as well as for implementing monitoring of the PRSP process. The government has only begun to implement reforms that shift the responsibility for formulating, implementing, and monitoring poverty reduction interventions to the district, municipality, and grassroots community level. Given the dynamic and evolving nature of the PRSP process, the overall strategy for poverty reduction will need to be managed flexibly so as to accommodate additional action plans and activities emanating from the ongoing process.

The government released the first progress report on the implementation of the PRSP in August 2001. The review of implementation of the PRSP provided an opportunity for periodic consultations with a wide range of stakeholders, especially the poor, to obtain feedback and foster ownership of the poverty eradication efforts. The progress report was based on a general assumption that the concerns and views of the poor did not change notably from those documented in the zonal and national consultations described earlier. Moreover, the processes of formulating strategies in health, education, agriculture, and the rural sector (under preparation), as well as the poverty monitoring system, have adopted an elaborate participatory approach. The first progress report of PRSP benefited

from comments by members of parliament, the private sector, and a broad range of other stakeholders during a national workshop held in July 2001. The comments and views reaffirmed the importance of effective implementation and monitoring of interventions. Stakeholders underscored the need to increase employment opportunities for youth and women, as well as the importance of mainstreaming gender, environment, and HIV/AIDS in the government machinery through line ministries, departments, and agencies.

Following the first progress report, the government began preparing a second progress report. The first draft was distributed to various stakeholders and followed by a joint meeting in October 2002 to discuss it. The next step was inclusion of comments in the draft before it was presented at the Consultative Group meeting in early December 2002. The report focused on the following issues:

- the status of outstanding work based on the actions enumerated in the 2001 progress report matrix;
- elaboration of issues raised in the IMF/World Bank joint staff assessment of the 2001 progress report.⁵⁹

The second progress report details efforts to establish a well coordinated poverty monitoring and evaluation system through a consultative process. During budget year 2000/2001, the government made substantial progress towards developing a comprehensive poverty monitoring and evaluation system. An institutional framework under the oversight mandate of the Vice President's Office was established. The National Poverty Monitoring Steering Committee has responsibility for the oversight of monitoring. Four technical working groups will carry out the monitoring: Surveys and Census, Administrative Data, Research and Analysis, and Dissemination and Sensitization.⁶⁰ Each group's work plans have been consolidated into a poverty monitoring master plan. The master plan outlines a comprehensive programme of work

for three years, provides a detailed costing of the activities, and outlines capacity building requirements. It is an important tool to foster a coherent approach to monitoring poverty in Tanzania.

The third PRSP progress report will include the findings of the ongoing PPA study to reach conclusions as to whether vulnerability is adequately addressed in the PRSP. The completion of a new data collection exercise in 2002/2003, the Population and Housing Census, will contribute to this report. Moreover, the Surveys and Census Monitoring Group is also preparing to conduct an agriculture survey in 2003. Given the importance of the agriculture sector in poverty reduction, this survey should provide crucial data to aid the implementation of the PRSP, as well as the Rural Development Strategy and the Agriculture Sector Development Strategy.

Tanzania produced a first report on progress towards the MDGs in February 2001 and a report on costing the achievements of the MDGs in 2002. A report on progress towards the MDGs in Zanzibar was underway as this evaluation was being written.

The government is in the process of reassessing the integration of the MDGs and their monitoring into the poverty reduction strategy process. There are two important reasons for doing so:

1. The MDGs have a longer time horizon than the PRSP targets. Integrating the MDGs into the PRSP process will facilitate coherence between medium-term and long-term poverty reduction targets. This will reinforce linkages between the PRSP, NPES, and Vision documents 2025 and 2020.
2. Integrating MDG monitoring with PRSP monitoring will avoid duplication of monitoring processes.

Notwithstanding the attempt to put in place a policy framework for poverty reduction and comprehensive poverty system to monitor progress towards the MDGs, the government

59. These include implementation plan and costing of the Agricultural Sector Development Program; elaboration of the Rural Development Strategy; refinement of the costing of the PRS programmes; progress on expenditure tracking; examination of the linkages between macroeconomic policies, structural reforms, and poverty; explicit discussion of domestic resource mobilization compatible with the PRS; a complete poverty analysis on the basis of the full HBS sample along with an analysis of the implications for PRS; and vulnerability issues.

60. The four technical working groups—the NBS (Surveys and Censuses); President's Office, Regional Administration and Local Government (Administrative Data); President's Office, Planning and Privatisation in close collaboration with the REPOA; and Vice President's Office (Dissemination and Sensitisation)—have developed their three-year work plans and budgets.

faces challenges in realizing the MDGs. The first of these is to integrate MDGs into the national policy framework and poverty monitoring system. Whereas most of the goals and targets are already incorporated in the policy framework and the monitoring system, some remain to be addressed. This is particularly the case, for example, for the MDG on environmental sustainability. The second challenge is to address equity issues in relation to MDGs, especially with regard to gender, rural and urban strata, and region. The third challenge is to find the resources required to reach the MDGs. Achieving the targets is beyond the current financial resources of the government. The final challenge is the HIV/AIDS pandemic, which could undermine achievement of most of the MDGs.

The government has initiated detailed analytical work on the eight MDGs and the corresponding list of indicators in relation to the national policy framework and the national poverty monitoring system. This analysis will highlight gaps and discrepancies and form the basis to integrate the MDGs more firmly into the policy framework. The next PRS progress report and *Poverty and Human Development Report* will document progress towards the MDGs as part of overall reporting.

The PRSP in Tanzania so far has remained a national (central government) initiative. Translation of the specific targets set in PRSP into action plans and interventions at lower echelons of the government has not been adequately done. This exercise requires a change in the planning and budgeting process at the sub-national level. It needs to be closely linked to the local government reform process. As yet, the linkages between the two have not been clearly established. Similarly, the PER/MTEF process that links the PRSP and the government budget exists only at the national level.

Assessment of Key UNDP Contributions

UNDP has made a major contribution to poverty monitoring. Its assistance strengthened the PRSP Secretariat, which is in charge of

implementation and monitoring. UNDP staff participated in the inter-ministerial workshop on the choice of indicators to be used in the PRSP. By providing support to develop the poverty monitoring system, UNDP staff assisted the government in drafting the Poverty Monitoring Master Plan. Moreover, UNDP staff are members of the government inter-ministerial technical committee on PRSP and assisted the government in producing the first PRSP progress report in 2001. This document enabled Tanzania to reach the completion point under HIPC-II. The same UNDP staff members worked closely with government officials to draft the second PRSP progress report for 2001/2002.

Generating accurate and reliable data is an important element in monitoring and evaluation. The UNDP supported such activities in Tanzania's NBS. In collaboration with partners, UNDP has supported a multi-year Agriculture Survey that began in January 2003. Preliminary work has been completed and full implementation will begin in July 2003. It has also supported the assessment of data needs in sectors that will be an input for the formulation of PRSP indicators in the Agriculture Survey and Population Census of 2003. It is imperative for the UNDP to support a process of national ownership of MDGs in Tanzania. This can be built on the government-initiated study to foster coherence between the PRSP and MDGs, discussed above.

The first partnership strategy adopted by the UNDP is engagement in major committees that are key to the development of the implementation and monitoring framework. The second is to contribute its expertise to developing government capacity in designing a strategy for monitoring and evaluation. The third partnership strategy fosters endogenous local institutions that have links with the government to perform analytical work. Thus, UNDP has not only placed itself on crucial committees but also made a substantial contribution on the analytical input side of the process.

Conclusions

1. UNDP'S STRENGTHS _____

UNDP has shown several comparative advantages in Tanzania:

- UNDP CO has had a long engagement with the Tanzanian government that has helped the CO earn the trust of the government, which other donors seek to use.
- UNDP has experts who not only have specialized knowledge about PRSP but also have developed a close working relationship with the government. This has led the UNDP to be more effective than most other development partners.
- The non-partisan nature of UNDP contributes to bestowing a strong sense of ownership to the government.

As a result of these, the CO has significantly contributed to the formulation of major analytical documents upon which the PRSP is based. UNDP's engagement with the government and specialized knowledge of the PRSP give the office important strengths in relation to other partners. Recent resident representatives possessed the skill to manage government and donors in an effective manner.

2. GOOD PRACTICE _____

UNDP's engagement in Tanzania is based on two important principles:

1. working cooperatively with the government;
2. working within the government's institutional framework.

These principles are highly appreciated by the government. Further, UNDP has managed to create strong links with local research institutions by sub-contracting them or directly financing their activities. This has helped the CO influence the content of major strategic documents that are key inputs in the preparation of the PRSP. Such an engagement is advantageous

because not only are these research institutions strongly linked with the government but also the CO, in the process, is building local capacity in a cost-effective way. A possible drawback could be the difficulty of ensuring such local researchers are at the frontiers of their field of study and ensuring their neutrality to work on pro-poor strategies, which may not necessarily coincide with government priorities. The CO needs to constantly monitor such possible tensions.

The leading role of the Tanzanian CO in helping to formulate major strategy documents (such as, *Vision 2025*, *Vision 2020*, NPES, and TAS), while facilitating them to be home-grown and country-driven, represents a good practice to be emulated elsewhere. As part of this, the office contributed to the development of the databases required to formulate these and subsequent documents.

Another good practice of the Tanzanian CO is its group of experts that knows the PRSP subject matter and is familiar with how the government system operates (see the section on ownership and monitoring). These experts reside in the country and can be readily deployed. This places the UNDP in an advantageous position compared to other major partners whose expert base in the country is weak.

UNDP has also managed to influence the formulation of a comprehensive PRSP monitoring master plan using its experts and financial contributions. In this endeavour, it not only managed to show the good practice in the area but also helped build the capacity of the government.

3. LESSONS LEARNED _____

There are various lessons that can be learned from UNDP's engagement in Tanzania's PRSP process. It is hoped that these lessons can help shape UNDP's future engagement and its potential role. The

following are the major lessons learned:

- UNDP CO in Tanzania has played a key role in the PRSP process and will remain an important partner in the future. This is the view of all stakeholders interviewed and, most importantly, the government.
- UNDP has managed to develop a good working relationship with the donor community in Tanzania. This again is the result of its neutrality and the knowledge it has about the workings of the Tanzanian government, from which other donors want to benefit. Its coordination role also minimizes the transaction cost to other donors and this has an effect on their demand for its service.

Some of the lessons learned might also be associated with problems. In this regard UNDP's close working relationship with the Tanzanian government could bring potential problems:

- Although UNDP has supported establishing a national framework for government and NGO cooperation, UNDP's close relations with the government has led NGOs and CSOs to perceive that sometimes their needs are not a priority. Some interviewees reported that UNDP approached them on an ad hoc basis or through government channels. This problem, common to all the evaluations, points to the general difficulty of managing the political tension of having good relations simultaneously with CSOs, NGOs, and the government. The resolution of this tension is specific to each country.
- The second potential problem for UNDP is its administration of budget on behalf of the government and location of technical advisors in the CO rather than in government ministries. While this evaluation does not intend to discourage the effective and proactive approach of the CO (which could be usefully emulated elsewhere), UNDP might concentrate its effort on mobilizing resources and building government capacities and leave budget administration to the government.
- The final lesson learned is that there is potential tension between what headquarters in New York wants and what the country's specific conditions and the CO's long-term engagement demands. It should be noted that the CO in Tanzania assures that there is no such tension.

4. UNDP'S POTENTIAL ROLE IN TANZANIA

Given that the PRSP process is the most important, and perhaps the only, framework for development cooperation in Tanzania, ensuring engagement in that process is crucial. To strengthen this, the UNDP will need to continue its engagement with the government. This would take the form of helping the government build its capacity to carry out analytical work with its partners in the short and long term. Given its historical engagement, UNDP can play a significant role here.

A second potential role relates to improved coordination of both donors and lenders, and the UN system. So far, UNDP's role among the donors and lenders is strong, but within the UN system, it is weak. As discovered in other country studies, some of the members of the UN system organisations have limited commitment to the PRSP process. Aligning the activities of the UN system with the PRSP requires work both at the level of the CO and reform at the UN global level, though the latter is beyond the terms of reference of this evaluation. However the coordination challenges faced by the UN system, due to the nature of different operational procedures of UN Specialized Agencies, need to be addressed in the course of the UN system's ongoing work on harmonization and simplification.

Third, and related to the above, UNDP's role of serving as an intermediary among government, donors, lenders, CSOs, and NGOs requires knowledge of how the government system works and of the operations of the other organisations. This knowledge includes awareness of institutional interests, political orientation, and administrative capacity. By investing in further acquiring this knowledge, UNDP can advise these groups and strengthen its coordination role.

Fourth, the PRSP process in Tanzania is currently focused on monitoring and evaluating the implementation process. Major donors view the monitoring master plan, produced with the help of UNDP, as best practice. Not only is it an excellent document, but also the development of it built capacity in the national government. The major problem to realize the potential of this plan could be lack of capacity of the *local* authorities to

implement the PRSP. UNDP has the potential to forge good relations with local authorities through building their implementation capacity. The use of the UN agencies, which have offices throughout the country, might be a fruitful avenue that could be exploited.

Fifth, with the move of the World Bank to traditional areas of UNDP, namely human development, and given the relatively small resources that the UNDP has, it is cost-effective for the UNDP to move upstream. This potential role may face problems of limited decentralization of power from New York so as to be relatively flexible, limited resources, and stiff competition from large donors. UNDP needs to design creative ways of compensating for these drawbacks, such as emphasis on developing pro-poor policies.

Sixth, the UNDP CO has made important contributions in Tanzania because it managed to have experts on key areas of the PRSP process. This is augmented by the UNDP's use of local research institutions. By working

through these two mechanisms, the UNDP has the potential to enrich the analytical content of policies, their implementation, and provide pro-poor perspectives.

Seventh, there are short-term and long-term strategies the UNDP may need to follow to maintain its strong influence on policy. A strong expert base can put the UNDP in par with other strong partners that have not had the long-term presence of UNDP. Moreover, these experts, by providing a pro-poor analysis in line with UNDP mandate, may give governments analytical alternatives to the IMF and World Bank framework. As mentioned, local research institutions can play an important part in this process.

Finally, in the implementation stage of the PRSP, the UNDP should develop a relationship with local government that is similar to the close relationship it has with the central government. Once UNDP has done so, it creates the opportunity to realize its objective of helping the very poor.

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Annex 2: People Interviewed

GOVERNMENT OF TANZANIA

Vice President's Office

Pascal Assey, Programme Coordinator,
Poverty Eradication Project
Servius Sagday, Programme Officer

Ministry of Finance

G. Mgonje, Deputy PS, Chair of PRS
Technical Committee
Joyce Mapunjo, Commissioner a.i.,
External Finance Dept.

National Bureau of Statistics

Ali Athuman, Director, National Accounts

ZANZIBAR

Ministry of Finance

Hussein S. Khatib, Commissioner,
External Finance
Saada M. Salum, Senior Officer,
External Finance

CIVIL SOCIETY

ANGOZA – Association of Non-
government organisations in Zanzibar
Prof. Joseph Semboja, Executive
Director, REPOA
Prof. H. Amani, Executive Director, ESRF
Emmanuel A. Kallonga, Director,
Hakikazi Catalyst
H. Massawe, Policy and Advocacy Advisor,
Action Aid Tanzania

UN SYSTEM

UNDP

John Hendra, Resident Representative/UN
Resident Coordinator
Oddvar Jacobsen, Deputy Resident
Representative
Eugene Owusu, Deputy Resident
Representative

Mary Kabatange, Assistant Resident
Representative

Lucia Luguga, Assistant Resident
Representative

Ernest Salla, Assistant Resident
Representative

Philip Courtnadge, Development
Management Advisor

Christopher Mushi, Programme Analyst,
Poverty Reduction

Audax Rutta, Programme Analyst

Amon Manyama, Programme Specialist,
National Economist

Appolenia Mbowe, Manager RC Office

Connie Affonso, Programme Associate
Per Tidemand, Regional Technical

Advisor, UNCDF

A. Bwatwa, Programme Officer

G. Sundet, Governance Specialist

ILO

Ali Ibrahim, Director

Anthony Rutabansibwa, Programme Officer

WHO

Dr. C. A. Atsyor, Officer In-charge

UNICEF

Valerie Leach, Officer In-charge and
Senior Project Officer

UNFPA

Teferi Seyoum, Country Representative

Thor Oftedal, Deputy Representative

Christopher Mwaijonga, Assistant
Representative

UNIDO

Felix Ugbor, Resident Representative

BILATERAL DONORS

Alana Albee, Senior Social Development
Advisor, DfID

Tone Tinnes, Counsellor & Resident
Economist, Embassy of Norway

**VIET NAM
COUNTRY REPORT**

POVERTY MONITORING

by John Weeks and Nguyen Thang

The authors thank the UNDP country office,
Hanoi, for the invaluable help it provided.

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Acronyms and Abbreviations

ADB	Asian Development Bank
CCA	Common Country Assessment
CG	Consultative Group
CO	Country office of the UNDP
CPRGS	Comprehensive Poverty Reduction and Growth Strategy
DFID	Department for International Development (UK)
GSO	General Statistics Office
HEPR	Hunger Eradication and Poverty Reduction (Strategy for)
IMF	International Monetary Fund
I-PRSP	Interim Poverty Reduction Strategy Paper
JSA	Joint Staff Assessment (of the IMF & IDA)
MDG	Millennium Development Goal
MOLISA	Ministry of Labour, War Invalids, and Social Affairs
MPI	Ministry of Planning and Investment
NGO	Non-governmental organisation
ODA	Official development assistance
PPA	Participatory Poverty Assessments
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
PTF	Poverty Task Force
RR	Resident representative of the UNDP
SEDS	(Ten-year) Socioeconomic Development Strategy
Sida	Swedish International Development Cooperation Agency
UNCT	United Nations Country Team
UNDP	United Nations Development Programme
VCCI	Viet Nameese Chamber of Commerce and Industry
VDG	Viet Nam Development Goal
VHLSS	Viet Nam Household Living Standards Survey

Country Background

John Weeks and Nguyen Thang conducted interviews with PRSP stakeholders in August 2002, and further interviews were conducted by Nguyen Thang in February and March 2003.

The evaluation assessed the UNDP country office's (CO's) role in PRSP processes and how UNDP can utilise and improve the PRSP process to promote poverty reduction in all countries. The focus of the evaluation was on the goal of poverty reduction, rather than the tool (the PRSP) or the extent to which the PRSP adequately served the goal of poverty reduction. The conclusion was reached that the PRSP created new and positive opportunities in Viet Nam for achieving poverty reduction within the framework of the UNDP's human development approach.

UNDP's role in the PRSP process developed over time, including providing early technical assistance to the I-PRSP process. This support continued and expanded with the arrival of a new resident representative (RR) in Hanoi in late 2001. The UNDP CO was actively involved in government-donor consultations, including the RR's co-chairing with the government of the consultation workshop in which the final set of comments on the Comprehensive Poverty and Growth Strategy (CPRGS) were presented. The CO's role in planning and advocacy activities also was intensive during this period.

1. INTRODUCTION

Viet Nam, located in the eastern edge of Indochina, spreads over 331,041 square kilometres, stretched along 3,260 kilometres of coastline between China in the north and the Gulf of Thailand in the south. Viet Nam shares borders with China, Lao PDR, and Cambodia. Most of the population lives in the two large and fertile deltas and plains: Red River in the north and the Mekong in

the south. The population of 78 million people is well-educated, especially for a low-income country, and approximately one quarter live in urban areas. The literacy rate is high at almost 90%, and life expectancy is 66 years for men and 71 years for women. The Kinh is the largest ethnic majority (greater than 85% of the population), followed by the Chinese (3%). Ethnic minority groups include Hmong, Thai, Khmer, Cham, and mountain groups.

After almost a century as a French colony, Viet Nam regained independence in 1945. The French sought to re-establish colonial rule, prompting a war that lasted until 1954 and resulted in the political division of the country between north and south. Following the war with the United States, Viet Nam was reunified in 1975. A new state constitution was approved in April 1992, which reaffirmed the leading role of the Communist Party in politics and society. The National Assembly is the highest representative body of the people of Viet Nam. This is the only organisation with legislative powers, and it has a broad mandate to oversee all government functions. The role of the National Assembly has been increasing in recent years.

Civil society is represented in mass organisations such as unions of women, farmers, youth, and labour, which have a long history that dates back to the wars during 1945-1975. In recent years, business associations and more independent national non-governmental organisations (NGOs) have emerged. There are also numerous international NGOs that have been actively operating in Viet Nam for some years.

2. SOCIOECONOMIC SITUATION

After reunification in the mid-1970s, the Viet Nameese economy grew slowly until the mid-1980s. In 1986, the Sixth Party Congress

approved a comprehensive economic reform package called 'Doi Moi', or renovation, that shifted the country from central planning towards a market-based economy. Major institutional and policy reforms have included price liberalisation in the late 1980s and the early 1990s; approval of the legal framework for the private sector; and a radical Land Law in 1993 that changed the economic incentive system. External economic relations changed, most notably with the lifting of the U.S. embargo in 1993, which improved access to major markets in developed countries.

Foreign direct investment rose from US\$ 346 million in 1988 to more than US\$ 7 billion in 1995, reaching a peak of US\$ 8.2 billion in 1996. Domestic investment also rose steadily. Viet Nam became one of the fastest-growing economies in the world, with an annual growth rate of more than 7% in the 1990s. Inflation fell from greater than 300% in 1987 to less than 4% in 1997. The economic growth has been broadly shared, resulting in a sharp poverty reduction, from 57% in 1993 to 37% in 1998.

Growth slowed towards the end of the 1990s, associated with a sharp drop in new foreign investment commitments. There is serious concern about rising income inequality, largely generated by regional differences in growth rates. This has negatively affected poverty reduction and human development, especially in underdeveloped regions. Urban unemployment has been rising, and rural unemployment, estimated to be 35% during non-harvest periods, is at critical levels.

3. DEVELOPMENT ASSISTANCE

Official data indicate that official development assistance (ODA) has been growing steadily in Viet Nam since the broader donor community gradually resumed assistance to Viet Nam from 1993 onwards. Pledges by donors during 1993-2001 reached nearly US\$ 20 billion. Disbursements during that period amounted to US\$ 10.3 billion. Due to efforts by the government and the donor and lender community, the gap between commitments and disbursements has narrowed. Annual ODA disbursements could be as great as US\$ 1.5 billion in 2002, increasing almost 10% from 2001. The donor community in Viet Nam consists of 25 bilateral donor countries, 20 multilateral agencies, and nearly 400 international NGOs. Japan is the largest donor, followed by the World Bank, the Asian Development Bank (ADB) and the International Monetary Fund (IMF). Bilateral donors, as a group, provided 50% of ODA disbursements.⁶¹

Disbursements by UN agencies were stable during 1998-2000 at approximately US\$ 50 million. Among the agencies, UNDP was the largest donor in 2001, followed by United Nations Children's Fund. There was a discernible shift in the sectoral distribution of funding from the UN family. In 1999 and 2000, health was the main recipient sector, with the remainder evenly spread across sectors. In 2001, agriculture was the main recipient (US\$ 12 million), followed by health (US\$ 9 million) and social development (US\$ 6 million).

61. UNDP. 2002. "Overview of Official Development Assistance in Viet Nam." Hanoi, Viet Nam: UNDP.

The PRSP Process

The PRSP is a recently initiated process and, therefore, a process that needs time to demonstrate its value to the development process in each country and to establish its place as a viable tool among planning and implementation instruments. The level of national ownership of the PRSP process will vary from country to country. Nevertheless, as the process is meant to be nationally owned and driven by country needs, it is important for UNDP to ensure that it is process driven by national development, rather than external factors.

The Viet Namese I-PRSP and PRSP (CPRGS) build on the country's socioeconomic development strategies, five-year plans, and targeted poverty programmes. The sectoral parts of the CPRGS draw on the sectoral ten-year strategies for 2001–10 (see Figure 1) and submissions made by line ministries to the CPRGS drafting team. Thus, the national PRSP process began well before the government decided to prepare an I-PRSP at the request of the Bretton Woods

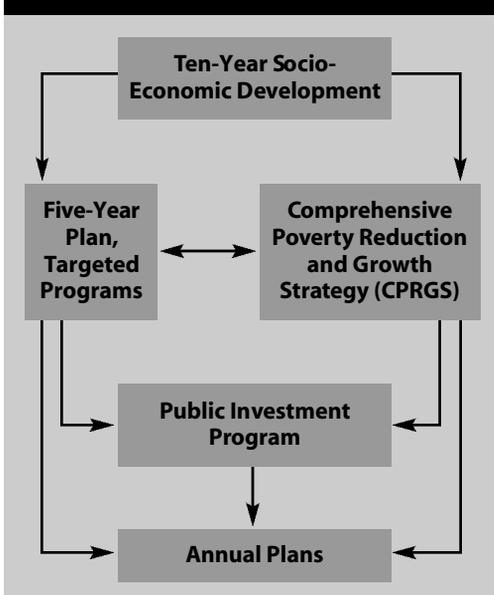
Institutions. It can be traced back to the Poverty Task Force (PTF) that was jointly established by the government, the donor and lender community, and local and international NGOs in January 1999. Viet Nam's long strategic planning tradition includes the Ten-Year Socio-Economic Development Strategy, various sectoral ten-year strategies for 2001–2010, a five-year plan, and nationally targeted programmes, most of which were developed and approved during 1999–2000, that is, before the CPRGS. These provided an effective basis for the CPRGS.

The Participatory Poverty Assessments (PPA) methodologies, which were originally conducted for the 1999 PTF's *Viet Nam Development Report 2000: Attacking Poverty*, were used for consultations with grassroots people on the I-PRSP. As noted earlier, since the CPRGS was not yet available, consultations were conducted on the content of the I-PRSP. The views of those consulted in the PPAs were, to a certain extent, heard and taken into account in the letter and spirit of the CPRGS.

During January to September 1999, the PTF intensively worked on quantitative and qualitative analysis of poverty-related data collected from the Viet Nam Living Standard Survey 1997–1998 and four PPAs carried out in four sites located in Lao Cai, Ha Tinh, Hochiminh City, and Tra Vinh. This resulted in a joint poverty assessment, *Viet Nam: Attacking Poverty*, published and presented to the Consultative Group (CG) meeting in December 1999. This report had substantial influence on both the I-PRSP and the CPRGS. It provided an in-depth analysis of causes of poverty and characteristics of the poor and identified measures to create income opportunities, ensure equity, and reduce vulnerability.

In January 2000, in response to a request from the Government of Viet Nam, the PTF supported the Ministry of Labour, War Invalids, and Social Affairs (MOLISA) in

FIGURE 1. VIET NAM: SECTORAL TEN-YEAR STRATEGIES FOR 2001–2010



Source: Government of Viet Nam. 2002. "The Comprehensive Poverty Reduction and Growth Strategy (CPRGS)." Page 3

drafting the ten-year Strategy for Hunger Eradication and Poverty Reduction (HEPR). In March 2000, the UNDP CO hosted a meeting of the PTF, in which a representative from the HEPR office of MOLISA presented the status of HEPR preparation and a draft of HEPR strategy.

The PRSP process formally started in April 2000, when the government asked the Ministry of Planning and Investment (MPI) to prepare an I-PRSP as the basis for a concessional loan under the Poverty Reduction and Growth Facility and Structural Adjustment Credit from the IMF and the World Bank. In June 2000, the Viet Nameese Government asked the PTF to support the process of producing the I-PRSP. A three-day workshop was held in Sapa, with more than 100 participants representing various government ministries, the donor community, and NGOs. The workshop discussed strategies for poverty reduction across all sectors and provided important inputs for the I-PRSP. A group of local experts drafted the I-PRSP with assistance from the World Bank, IMF, UNDP, and Food and Agricultural Organisation. The drafting team consulted and received inputs from agencies, representatives of the donor community, researchers, mass organisations, and NGOs.

In October 2000, in a meeting of the PTF hosted by ADB Resident Mission in Viet Nam, representatives from MOLISA presented the draft Strategy for HEPR 2001-2010 (also called Poverty Reduction Strategy [PRS]) and the draft National Target Program on HEPR 2001-2005. In the same meeting, MPI presented the first draft of the I-PRSP. The issue of complementarity and consistency of PRS and I-PRSP was raised by participants of the meeting, as these documents overlapped one another and were being prepared in parallel. Participants therefore called for better coordination between MPI and MOLISA.

Both the PRS and the I-PRSP were presented at the CG meeting in December 2000. In this meeting, the donor community pledged its support to the government in developing the I-PRSP into a PRSP through the forum of the PTF and the Poverty Working Group.

The UNDP CO hosted a PTF meeting in March 2001, at which MOLISA presented the current state of the PRS. Participants stressed the desirability of integrating PRS and I-PRSP⁶² for the following reasons: the underlying ideas were very similar; their integration would facilitate implementation, most of which would be at the local level; and it would be very helpful for practical reasons, especially for the discussion with donors, as many of them were then formulating new country support strategies (e.g., World Bank, ADB, and Department for International Development [DFID]).⁶³ MPI reported that it was close to completing the I-PRSP and would submit it to the Viet Nameese Government for approval. In the preparation process, the I-PRSP drafting team received more than 60 sets of comments through 3 international and various national workshops. At the March 2001 meeting, the government committed itself to integrating the Millennium Development Goals (MDGs) into the PRSP process. The UN agencies, under the coordination of the UN Resident Coordinator's Office, were collecting information and reviewing progress made with regards to the MDGs. DFID provided support for efforts to elaborate individual targets. Once localized (Viet Namised), these targets would be used as important inputs for the full PRSP.

Later in March 2001, the government approved the I-PRSP. The document marked a shift in approach to poverty reduction in Viet Nam, expanding the agenda well beyond the more targeted approach prevailing in the PRS. The I-PRSP drew explicit links between structural shifts in the economy and poverty reduction.

The formal presentation of the I-PRSP to the Boards of IMF and the World Bank occurred in April and May 2001, respectively. During May to September 2001, the PTF carried out analytical work on outcomes of Viet Nam Development Goals (VDGs). In July 2001, the UN country team (UNCT) prepared a report on progress towards achieving the goals. Of the eight thematic papers on VDGs, UNDP and the World Bank took the lead in two, DFID and Japan

62. Given the time constraint on preparation of the I-PRSP, it was agreed that the PRS and the full PRSP (not I-PRSP) should be brought closer together.

63. DFID informed the government that completion of the I-PRSP was not a prior condition for it to draft a new country programme.

Bank for International Cooperation assumed responsibility for one each, while ADB assumed responsibility for one and worked with the World Health Organization on another.

In August 2001, the PTF held another meeting, expanded to include new members drawn from the inter-ministerial committee established to oversee the production of the CPRGS. Participants emphasized the need for broad-based consultation on the strategy documents by including elements of civil society, such as local and international NGOs. These could play a useful role in bringing the consultation process directly to various poor communities around the country. A number of international NGOs expressed their willingness to be involved in the process. In September 2001, more than 100 participants met in Haiphong for a PTF meeting to discuss the eight thematic papers produced on the development targets adapted to Viet Nameese conditions.

Work on VDGs was presented and discussed at a CG meeting in December 2001. In the same month, a number of international NGOs, with support from the World Bank, carried out consultations on the I-PRSP.⁶⁴ In January 2002, the first draft of the CPRGS

was completed,⁶⁵ which incorporated some of the VDG work. From January to May 2002, the draft CPRGS was presented for comments at four national and four regional consultation workshops. During this period, the CPRGS went through an iterative redrafting process. The Prime Minister approved the final version of the CPRGS on May 21, 2002 (Government Document No. 2685/VPCP-QHQT).

During May to October 2002, the PTF focused its work on elaborating the policy matrix and implementation timetable for the first three years. These were discussed in a three-day workshop held in Haiphong in the middle of October 2002, with 300 participants representing various ministries, the donor community, and NGOs. Participants reviewed various policy matrixes with concrete timetables prepared by central and line ministries for key areas such as aligning the Public Investment Programme with the CPRGS, private sector development, infrastructure, urban development, agriculture and rural development, health, education, environment, ethnic minorities, public administration, monitoring and evaluation, and gender impact.

64. Because the first draft of CPRGS was not yet available, consultations were in fact conducted on the content of I-PRSP.

65. UNDP/UN provided international consultancy support to the CPRGS drafting committee to integrate comments from consultations with government agencies, the UNCT, donors, NGOs, and other stakeholders.

Key PRSP Outcomes

For reasons particular to Viet Nam, it is logical to consider some of the seven PRSP outcomes under combined headings. Below, country ownership and broad-based participation are considered together, as are commitment to pro-poor growth and coherence with other long term planning instruments.

1. COUNTRY OWNERSHIP AND BROAD-BASED PARTICIPATION

Perhaps more than for any of the case study countries (with the possible exception of Ethiopia), the Viet Nameese I-PRSP and PRSP were government owned and country driven. All 52 members of the drafting committee for the CPRGS came from the Viet Nameese government. The strength of government ownership of the CPRGS arose from the principles and practice of the government, rather than from any important actions by donors and lenders. However, UNDP made government ownership more effective through its long record of capacity building in Viet Nam, as well as by specific actions described below.

Broad-based participation in the PRSP process varied by stage of preparation. Government technocrats prepared the early draft documents with little input from any source other than the government and some international agencies. After preparation, these drafts were shared with representatives of the civil society for comments that were fed back into revisions of the documents. Toward the final draft, consultations were conducted directly with the poor through NGOs. Civil society and the poor did not have representatives on the PRSP Drafting Committee, nor were their views sought before formulating what would become the basic structure and approach of the

documents. In Viet Nam, the main forum of dialogue between government and civil society was the Poverty Task Force. In this forum, international NGOs played a major role. As important as the input of these groups was, an international agency of whatever type would not usually be considered part of Viet Nameese civil society. As different parts of civil society played different roles and have been involved to varying degrees in the PRSP process, it is useful to provide a brief description of civil society including private sector in Viet Nam (see Box 1).

The CPRGS document explicitly states that civil society also took part in the strategy preparation.⁶⁶ The extent of participation varied considerably across different groups within civil society. International NGOs, if it is appropriate to include them as part of Viet Nameese society, played a much more active and prominent role in the PRSP process. The participation of the private business sector and local NGOs was much less. In the PRSP process, the poor were directly consulted on assessment of the poverty situation and poverty reduction measures that were proposed in the I-PRSP. Because the consultations were few in number, it is unlikely that they had sufficiently wide coverage to adequately capture the diversity of the poor.

In the CPRGS document, Section II of Part II, 'Current Poverty Situation and Causes of Poverty in Viet Nam', is based almost exclusively on the joint poverty assessment done by the PTF in late 1999, which in turn intensively used the findings of four PPAs carried out by international NGOs (Oxfam GB, ActionAid, Save the Children, and Swedish International Development Cooperation Agency [Sida] North Mountain Project) at their own sites. These were coordinated by the World Bank Viet Nam in their project sites from mid-1998 to

66. Government of Viet Nam. 2002. "The Comprehensive Poverty Reduction and Growth Strategy (CPRGS)." Page 4.

BOX 1. CIVIL SOCIETY IN VIET NAM⁶⁷

Civil society in Viet Nam consists of mass organisations of the Communist Party, local NGOs, and the private business sector. Some would add international NGOs to this list.

There are four principal **mass organisations**—unions of women, youth, labour, and farmers. These are the major social institutions in Viet Nam that have been in existence since Viet Nam declared its independence in 1945. Professional staff of these mass organisations are funded from the government budget, though the funding is limited. Although historically these mass organisations came to existence long before the notion of NGOs and civil society was introduced in Viet Nam, they are clearly the most important part of Viet Nam's civil society to date. Indeed, they involve millions of citizens and engage in a whole range of social and cultural activities, including social welfare programmes and development projects. They have a role to play in the development of policy. For example, the Women's Union is the leading member within the statutory National Council for the Advancement of Women, and also participates in the steering committee of the national poverty reduction programme (HEPR, the Hunger Eradication and Poverty Reduction Programme). Similarly, the youth structures, through the National Committee on Youth of Viet Nam, are part of the consultative process of government and are represented in discussions with the Party and the government on matters related to the interests of youth. The Youth Union also engages in implementing some credit and employment creation schemes, and its policy priorities are in the areas of job creation, poverty reduction, and rural development.

Local NGOs are a relatively new phenomenon. There are still only a handful of local NGOs, which are engaged in social and development work. These organisations are mostly located in Hanoi and Hochiminh City, but some have expanded their regional outreach to have closer contacts with grassroots people. They have normally developed as small groups of professionals with interest and expertise in different sectors such as health, education and training, and rural development. In contrast to mass organisations, local NGOs do not receive financial support from the government budget. Their funding generally comes from international NGOs or donors, and/or from contract work on development projects for donors and, to a much lesser extent, for the government. The potential of these organisations to assist the government and mass organisations in strengthening analysis and identifying policy issues relating to poverty reduction is quite significant, given their flexibility, independence, and the growing support that they receive from the donor community and international NGOs. As of yet, the state has not developed a clear legal framework for local NGOs (they are currently required to register under the relevant national scientific or research association, which is part of the network of mass organisations), or a set view of the status and role of such bodies within Viet Namese society.

There are hundreds of **international NGOs** operating in Viet Nam. They run development grassroots projects. Their good standing with the government is based partly on commitments made by some of the most active agencies when Viet Nam was still isolated by western countries and by their commitment to long-term grassroots development projects resulting in good understanding of the needs of local communities and people. Some large international NGOs such as Oxfam Great Britain (GB), ActionAid, and Save the Children have recently begun to actively engage in advocacy activities and 'action' research (as distinct from academic research) to address burning issues affecting the poor, examples include the 'bitter coffee' campaign of Oxfam GB and 'catfish and the poor' campaign of ActionAid. Their involvement in the Poverty Task Force/Poverty Working Group and in bringing the perspective of local partners into its work, has made a particularly important contribution to the formulation and implementation of poverty reduction strategies and policies.

The private sector is represented through the Viet Nam Chamber of Commerce and Industry (VCCI), which is formally recognized as the representative of the business community and which is made up of 50% state-owned enterprises and 50% private companies and trade associations. The VCCI is a semi-government organisation, which is not funded by the government. However, it has strong linkages to the state, and it is consulted by the government on many aspects of economic policy, particularly on those that affect the development of the private sector, such as the private sector's access to credit, land, external markets, and other components of a level playing field with state-owned enterprises.

early-1999.⁶⁸ In December 2001, these sites were revisited to solicit the opinions of the poor on the I-PRSP. As for the 1998 community consultations, consultations were

also extended to the central coastal province of Quang Tri and in the Mekong Delta province of Vinh Long.

The findings of these consultations were

67. This Box is built on an earlier work done by DFID on Viet Nam's civil society and PRSP: SGTS & Associates. For more information, see: DFID. 2000. "Civil Society Participation in Poverty Reduction Strategy Papers (PRSP). Volume III. Viet Nam Case Study." Hanoi, Viet Nam.

68. These PPAs involved more than 1,000 households in four very different parts of Viet Nam in a process of research. Voices of the poor were recorded from 6 villages in 4 communes in 2 districts in Lao Cai province (North Uplands), 14 villages in 7 communes in 6 districts in Ha Tinh province (North Central Coast), 8 villages in 2 communes in 2 districts in Tra Vinh province (Mekong River Delta), and 12 quarters in 6 wards in 3 districts in Hochiminh City, the largest city of Viet Nam. Ethnic minorities and migrants were represented in the survey. Source: Turk, C. 1999. "Voices of the Poor." Hanoi, Viet Nam: World Bank. Page i.

reported and debated in four CPRGS regional consultation workshops held during February and March 2003. A number of the findings were incorporated into later drafts and were reflected in the final version of the CPRGS. Examples include: addressing the social exclusion of migrants in urban areas, reducing the cost to the user of basic social services, ensuring greater local participation in infrastructure development, improving transparency and accountability at local levels of government, upholding labour standards, and providing a platform for participatory monitoring of progress.⁶⁹

One can conclude that the poor in Viet Nam were *consulted* about the PRSP documents through these policy-focused participatory events. However, the participation was largely passive in that the poor, and civil society in general, had little active roles in the design of the participation process, the selection of who participated, or the agenda for the consultations. The amount of information provided in advance to those consulted was limited. Nonetheless, the consultation of those poor complied with the letter and the spirit of the CPRGS. In addition, this limited consultation process represented a substantial step forward in the Viet Namese context.⁷⁰

At the same time, the consultation process only modestly tapped the potential of civil society to contribute to the CPRGS. First, the geographical coverage of the community consultations was relatively narrow, given the high degree of heterogeneity of the poor in Viet Nam. For example, poor communities in south central coast (such as Ninh Thuan, Binh Phuoc) and central highlands were not covered. Second, the participatory policy consultations were initiated and conducted by international NGOs and the World Bank, while local NGOs played a very limited role, if any. Third, if the voices of the poor were used directly as inputs into a previous joint poverty assessment (i.e., the influential

Attacking Poverty report in 1999), in the PRSP process, participation of the poor involved discussing and commenting on the I-PRSP. Thus, little progress on broad-based participation of civil society and the poor at large occurred after the first PPAs were conducted in 1998. Additionally, the way the international community facilitated these community consultations was not a step forward. The community-based consultations in December 2001 were, in effect, a replication and extension of the PPAs done in 1998, though the content changed.⁷¹

Efforts were made to involve women in the process of PRSP consultation. Women were well represented in the community consultations and the Women's Union and the National Committee for the Advancement of Women (NCFAW) actively contributed to the drafting and consultation process. The NCFAW poverty task force drew up an action plan for mainstreaming gender issues into the CPRGS. It conducted a survey of 65 female National Assembly members to obtain their opinions and consulted provincial and commune-level Women's Union officials and members. The NCFAW hosted a high level round-table dialogue with the CPRGS drafting committee. These efforts generated visible results. The CPRGS makes an explicit reference to the need to "Mainstream gender issues into National Targeted Programs" and to "Mainstream [the] gender issue into the political and administrative training courses at various levels".⁷²

Participation of the private sector in the preparation of PRSP documents did not match with its potential importance for poverty reduction. As for local NGOs, there was no representative of the private sector (i.e., the Viet Nam Chamber of Commerce and Industry, VCCI, or other business associations) in the CPRGS drafting team. Owners of small and medium enterprises participated in only two of six community consultations, in Hochiminh City and Quang Tri. There was

69. Shanks and Turk. 2002. "Local Consultations on the Draft Comprehensive Poverty Reduction and Growth Strategy." Hanoi, Viet Nam. Pages 45-48.

70. In the regional consultation workshop in Can Tho of Mekong River Delta, the poor in one site were quoted as saying that this grassroots consultation exercise for the CPRGS was among a few cases when they were consulted on issues directly related to their livelihoods.

71. This evaluation does not agree with the extremely positive conclusion of the JSA with regard to the broad based nature of the participation process. For more information, see: IMF & IDA. 2002. "Joint Staff Assessment of the Poverty Reduction Strategy." Washington, D.C. Page 4.

72. Government of Viet Nam. 2002. "The Comprehensive Poverty Reduction and Growth Strategy (CPRGS)." Pages 93 and 94.

one consultation workshop organized by VCCI in March 2002, but the text on private sector development in the CPRGS appears to be from the Ten-Year Socio-Economic Development Strategy (SEDS). This document reflected various private sector consultations that took place prior to the PRSP process and within the framework of SEDS.

There are a number of factors that explain the somewhat limited participation of civil society, including the private sector. The most important constraint was the time frame that was set for the PRSP documents, particularly the CPRGS, which was formally launched slightly more than a year after the I-PRSP was approved in March 2001. The first draft was available for comments in January 2002, and the PRSP was finalised in May 2002. Given the large number of stakeholders within and outside of the government, this was quite a short time period. If in the future, additional community-based poverty-related policy consultations are to be undertaken, they should aim to have a better coverage of the poor. Moreover, a substantial increase in funding would be necessary, as well as an expanded timeframe for the hosting of the consultations.⁷³

On the positive side, the active and effective participation of international NGOs, both in shaping the CPRGS and in facilitating consultations with the poor, is largely explained by their good standing with the Government of Viet Nam and by their strategy of proactive advocacy activities. In contrast, the weak and passive participation of local NGOs is explained by the lack of a vibrant local civil society with strong policy analysis skills. Some progress was made, however. A number of local NGOs are familiar with PPA-type skills and techniques and have used these in their grassroots projects. In order to ensure that the PRSP is truly nationally owned and implemented, in the broad sense of including organisations and people from outside the government, the government and international agencies should assist local NGOs in increasing their role in facilitating consultations with poor people at the grassroots level on policy

measures for poverty reduction, and in formulating and implementing them. This is an important activity for UNDP to pursue in its capacity building in the future.

A factor that limited the active participation of civil society, and especially the private sector, was the initial perception of the CPRGS as a document intended for donors.⁷⁴ Related to this, the inadequate comprehension of the role of private sector in poverty reduction is due largely to a narrow interpretation of poverty reducing measures, which is that they must rely on the State through its poverty targeted programmes. This implies the need to carry out an awareness campaign among both civil society and various levels of the government about the meaning and implications of a broad-based approach to poverty reduction.

UNDP Contributions

UNDP's role in facilitating broad-based participation by civil society in the PRSP process was less prominent than that of the World Bank, in that UNDP was not directly engaged in consultations with the poor communities. However, UNDP CO and project staff actively participated in the regional consultation workshops, as well as the workshop with the private sector. More importantly, in comments made on the last draft of the CPRGS and sent to the CPRGS Drafting Team, UNDP stressed the importance of participatory decision-making and participatory social and environmental impact assessments of macroeconomic policies. Earlier, UNDP also made these points in various PTF meetings and workshops. The UNCT document commenting on the CPRGS, coordinated by UNDP, provides many concrete measures that could be taken to broaden participation in the future.⁷⁵ As an active member of the Poverty Task Force, UNDP facilitated national dialogues that helped define the outline and contents of PRSP and also took the lead in preparing two out of eight VDG papers.

The PRSP process is dynamic and unfolding. Since the CPRGS was built on SEDS and various national strategies and plans, the UNDP's

73. It is estimated that the six community consultations carried out in December 2001 cost at least US\$ 150,000, if staff time of the World Bank and involved international NGOs is included. See Shanks and Turk. 2002. "Refining Policy with the Poor." Hanoi, Viet Nam.

74. Participants made this point in a CPRGS consultation workshop with private sector hosted by VCCI in Hanoi, March 2002.

75. UNCT. 2002. "UN Comments on the Draft CPRGS." UNDP. Page 2.

efforts in supporting and building capacity for mass organisations had an important impact on their effective participation. An example is the UNDP project, Support to the National Machinery for the Advancement of Women to Mainstream Gender in National Policy and Planning.

Looking forward, the government has committed itself to ‘mainstream’ the CPRGS into the national planning and budget process. In light of this, UNDP priority activities might include working with local government and international and national NGOs on localising and bringing MDGs closer to the people in communities. Also important, and an area of current UNDP work, capacity building within the National Assembly on these issues would further enhance broad-based ownership. During the early phase of the CPRGS implementation, UNDP was involved in the National Assembly and People’s Councils. To foster participation of local government agencies and other stakeholders, it supported the devolution of the CPRGS into provincially owned activities. This is being linked to promoting the achievement of the VDGs.

2. COMMITMENT TO PRO-POOR GROWTH AND COHERENCE BETWEEN CPRGS AND OTHER PLANNING INSTRUMENTS

The CPRGS is clearly compatible with the long term planning instruments of the government. This link is made explicit in the CPRGS:

“The Comprehensive Poverty Reduction and Growth Strategy (CPRGS) is an action plan that translates the Government’s Ten-Year Socio-economic Development Strategy, Five-Year Socio-economic Development Plan as well as other sectoral development plans into concrete measures with well-defined road maps for implementation. This is an action plan for realizing economic growth and poverty reduction objectives. The Comprehensive Poverty Reduction and Growth Strategy is closely related to the

national annual socio-economic development plans and the plans developed by different ministries, agencies and sectors. The national annual socio-economic development plan that is passed by the National Assembly serves a tool for bringing the policies and measures contained in the CPRGS into practice.”⁷⁶

Some might argue that the CPRGS simply represents a compendium of previously existing elements from other government documents, and while it was government owned, it had no practical significance except as a document required for multilateral funding. The status of the CPRGS might be further called into question by the fact that the development plans mentioned above were endorsed by various party congresses and plenums and the National Assembly while the CPRGS was not. It would appear, from a strictly legal point of view, that in cases in which the CPRGS and other documents conflict, the latter take precedence.

As a practical matter, the government is free to introduce shorter-term programmes that include policies not found in the long-term planning documents. Thus, the important question is whether the government is committed to the poverty reduction policies found in the CPRGS. Since, with few exceptions, the policies in the CPRGS are taken or adapted from other documents, the answer to this question would seem to be positive. Thus, this evaluation concurs with the Joint Staff Assessment (JSA) conclusion that “the government has a strong commitment—endorsed at the highest level of policymaking—to poverty reduction and social equity”.⁷⁷

Though the government is committed to poverty reduction, this was not fully explored in the macro framework or discussion of structural changes (‘reforms’) found in the CPRGS. As the JSA assessment points out, “the link between the proposed reforms and poverty reduction is not well-articulated”.⁷⁸ As stressed in the UNCT comments on the CPRGS, integrating explicitly pro-poor growth measures into the macro framework, mainstreaming poverty

76. Government of Viet Nam. 2002. “The Comprehensive Poverty Reduction and Growth Strategy (CPRGS).” Page 2.

77. IMF & IDA. 2002. “Joint Staff Assessment of the Poverty Reduction Strategy.” Washington, D.C. Page 3.

78. *Ibid*, page 6.

reduction, remains an uncompleted task.⁷⁹ UNDP's efforts to foster a more pro-poor growth strategy took many forms, and the argument in favour of this approach is well stated in the UNCT comments on the CPRGS.⁸⁰ UNDP and the UNCT were among the few international partners placing a strong emphasis on the need for policies to address the widening income inequalities in Viet Nam.

UNDP Contributions

In the context of coherence among planning instruments, it should be noted that UNDP supported the development of the Ten-Year National Socio-Economic Strategy and 'master plans of action' (for example, for the advancement of women, poverty assessment, and the Legal Needs Assessment). It has also involved national research institutes and other stakeholders in the elaboration of human development concepts and poverty reduction analysis. These activities facilitated the writing of the CPRGS, as confirmed by the government drafting team. In addition, support to public expenditure management, including developing the pilot Medium Term Expenditure Framework in the education sector, can serve as the basis for similar exercises in the CPRGS implementation stage to program pro-poor budget allocation in sector strategies.

The PRSP is being mainstreamed into annual plans of line ministries and provinces and implemented through the existing development planning instruments and processes. It is no longer viewed as a separate initiative or stand-alone document. This approach was adopted by the government and is supported by UNDP.

3. PARTNERSHIPS AMONG DEVELOPMENT ACTORS

UNDP's support, specifically monitoring and evaluating support, to the CPRGS Secretariat is part of a comprehensive package of activities

financed by a number of donor partners. Support to the General Statistics Office (GSO) was provided by UNDP in partnership with Sida and the World Bank in Viet Nam. The work on localising MDGs and VDGs and making the budget more pro-poor in Tra Vinh province was carried out in partnership with Oxfam GB. These partnerships will ensure a more concerted and therefore effective approach to supporting monitoring and evaluation under the CPRGS.

Most international partners explicitly expressed their support for broad-based participation in various meetings of the PTF working towards the PRSP and in written comments to the Government of Viet Nam on the CPRGS. The World Bank coordinated and led community consultations that were carried out by the World Bank and international NGOs, with partial funding from DFID. It was explicitly acknowledged that other donors also played an important role through the forum of the PTF. Many donors were actively engaged in funding and organizing national and sub-national level consultations at which the community consultations were presented and discussed. The support of the ADB, UNDP, Gellenshaft für Technische Zusammenarbeit, and DFID was crucial in allowing these meetings to take place. Without the backing of the broader international community through the PTF, there was a risk that these community consultations could have been a marginal activity.⁸¹

The donor community appeared eager to further develop various forms of donor partnerships in the process of CPRGS implementation, monitoring, and evaluation. For example, in a pilot project to help translate the CPRGS into annual and five-year plans at the provincial level, UNDP is working with Oxfam GB in Tra Vinh province. Such partnerships promise to create the synergy of joint efforts by the donor community for the benefit of the poor in Viet Nam. Within the UNCT, International Labour Organization is supporting VCCI, the main representative of private sector in Viet Nam, to implement

79. "The UNCT strongly recommends that the CPRGS show how the proposed economic growth strategies will address long term causes of poverty and inequality, and how the economic policies proposed under this strategy will be translated into actual poverty reduction." See UNCT 2002. Page 1.

80. UNCT. 2002. Page 3.

81. Shanks and Turk. 2002. "Local Consultations on the Draft Comprehensive Poverty Reduction and Growth Strategy." Hanoi, Viet Nam. Page 13.

BOX 2. POVERTY LINES IN VIET NAM

The GSO and MOLISA both generate estimates of poverty in Viet Nam, one using an internationally comparable methodology and the other a national methodology and definition of poverty.

The **international poverty line** was applied to the VLSS undertaken during 1992/1993 and 1997/1998, by the GSO. These surveys received funding from UNDP, World Bank, and Sida. The poverty line includes the minimum consumption level for food (70%) and non-food items (30%), and is determined by a two-step procedure. The first step established the price of a Viet Namese-specific basket of food items deemed necessary for good nutritional status. The absolute amount of the basket was based on the international standard of 2,100 calories per adult per day. The actual consumption of the third quintile of households was closest to this level of minimum food intake. The second step added the costs of the non-food items, which were derived from the levels of the consumption of the third quintile. Taken together, the resulting poverty line was equivalent to US\$ 109 in 1993 and US\$ 128 in 1998 (using nominal exchange rates). It should be noted that this poverty line is not directly comparable to the more common measure of US\$ 1 per person per day (Purchasing Power Parity). A new household survey was implemented in 2002 and survey data was planned to be released in June 2003.

The **national poverty line** was determined by MOLISA throughout the 1990s as the income equivalent of buying fifteen, twenty, and twenty-five kilograms of rice per month for all parts of the country, i.e., in mountainous and remote regions, and rural and urban areas. In order to broaden the definition of poverty beyond a sole focus on adequate food supply and to allow more poor households access to government anti-poverty programmes, MOLISA recently increased the poverty line and set different ones for different areas: VND 80,000 (US\$ 5.5) for mountainous and remote regions; VND 100,000 (US\$ 6.9) for rural areas; and VND 150,000 (US\$ 10.3) for towns and cities. Under certain conditions, provinces and cities are authorized to raise the poverty line, that is, to allow more households to qualify for poverty funds. Due to the increase in the poverty line, the MOLISA estimate was adjusted from 11% in 2000 to 17% in early 2001. The government target for the reduction of poverty by 2010 (10%) is based on the new poverty line.

the CPRGS. This could provide an opportunity for the UNCT to make concerted efforts in support of CPRGS implementation, monitoring, and evaluation.

UNDP Contributions

With one caveat, discussed in the conclusion under 'UNDP CO: Overview', the UNCT in Viet Nam represented a cooperative and effective mechanism for fostering a participatory and pro-poor approach to the CPRGS. The coordination of the contributions from the community of donors and lenders was not exempt from difficulties. In this framework, UNDP attempted to mediate among them as an impartial agent. Some understandable tensions arose from two main sources:

1. the great importance placed by the World Bank on finalizing the PRSP within a relatively tight time frame;
2. differences among donors and lenders in their enthusiasm for 'aligning' their programmes with the PRSP (the word 'alignment' itself is a source of contention).

The first problem exacerbated the second, with the second arising from differences in perceptions about the degree of country ownership; institutional tolerance for

programme assistance in place of projects; and relative influence on the government and among donors due to size of an agency's assistance programme. The implications of these tensions for UNDP are treated at the end of this report.

4. CPRGS AND THE MULTIDIMENSIONAL NATURE OF POVERTY

The poverty diagnosis in the CPRGS draws on the Viet Nam Household Living Standards Survey (VHLSS), the PPAs, and information collected by MOLISA. The emphasis is overwhelmingly on income poverty, with other dimensions playing a peripheral role.

However there was some confusion surrounding the measurement of income poverty, with MOLISA preferring its own measures over those used by the VHLSS, based on the international poverty line from GSO. The MOLISA measure implies a much lower headcount measure of the poor (see Box 2). However, at the time the CPRGS was approved, the government announced its intention to use the GSO-VHLSS measure for monitoring.

UNDP Contributions

The UNCT has provided what could be called a 'good practice' guide to diagnosing the multidimensional nature of poverty in Annex 2 of its comments on the draft CPRGS.⁸² Based on this guide, the multi-dimensional approach needs to be further refined in the poverty diagnosis of the CPRGS, and UNDP's efforts have been geared towards that end.

However, in contrast to the poverty diagnosis in the CPRGS, the identification of monitoring indicators in the CPRGS shows an understanding of the importance of the multidimensional nature of poverty. The CPRGS proposes a comprehensive set of targets that covers the core areas where progress is needed to generate sustainable poverty reduction. This set includes targets on economic, social, and governance areas and is a result of collaborative work within the PTF, which was carried out in the second half of 2001 and early 2002 to localise the MDGs. In the Haiphong workshop held October 16-19, 2002, to design the CPRGS implementation plan for the period 2003-2004, it was agreed that 104 indicators for monitoring and evaluating CPRGS would be reviewed to assess their quality and the availability of information sources needed for monitoring activities based on these indicators. Further work is needed to make a clearer distinction between inputs, outputs, outcomes, and impacts, and to produce a well-justified monitoring frequency for each indicator. These efforts should be considered a part of a larger government programme on developing the system of economic and social indicators to be implemented over the medium to long term. In this sense, the reviewing and monitoring of 104 indicators might be considered a part of mainstreaming the CPRGS into the national planning system, but most of these same indicators were already embedded in existing sectoral plans.

The CPRGS does not capture the complex and multidimensional nature of Viet Nam's poverty reduction policies and plans. In recognition of this, the government decided to update the CPRGS to include infrastructure programmes that affect poverty reduction. Thus, the CPRGS is an evolving document,

which will require amendments that are integrated into sector strategies and linkage to annual and five-year implementation plans. It appears that the CPRGS is becoming an integral part of local and sector strategies, fostering greater focus on poverty and on how local planning and resource allocation affect poverty.

5. POVERTY MONITORING AT NATIONAL AND LOCAL LEVELS _____

The importance of poverty reduction goals that reflect the multidimensional nature of poverty and are an outcome of broad participation were discussed above. Monitoring progress towards these goals is essential if the PRSP process is to be effective. It will be necessary to amend strategies in light of lessons learned from concrete experience. These lessons set the benchmarks that facilitate the identification of effective or sub-optimal policies and interventions. Poverty monitoring requires effective institutional structures and appropriate capacities and will involve a number of different techniques and approaches including the use of participatory methods in addition to broad household surveys. Clear goals and monitoring instruments will also improve the transparency of the PRSP process, especially in the allocation of resources.

A monitoring framework is set out in the final section of the CPRGS. This represents a substantial improvement on the I-PRSP. The CPRGS proposes to establish an Inter-ministerial Working Unit, led by the Ministry of Planning and Investment. This unit has the function, in cooperation with line ministries and provinces, to implement, monitor, and evaluate the implementation progress of the CPRGS. It is also proposed that a Secretariat will be formed to assist the Inter-ministerial Working Unit.

For monitoring and evaluation purposes, the CPRGS: adopts a set of monitorable indicators and targets, specifies sources of information and data to be used, and proposes institutional arrangements for implementation and coordination of the monitoring and evaluation related activities. Identification of indicators was discussed in the section on the

82. UNCT. 2002. "UN Comments on the Draft CPRGS." UNDP. Hanoi.

multidimensional nature of poverty.

The CPRGS explicitly identifies information sources that will be used for monitoring and evaluating purposes. This is evidence that the government takes the CPRGS exercise seriously. In addition to the government's system of administrative reporting, which has been in use for many years as the major information source for poverty targeting programmes, the CPRGS emphasises a monitoring system that relies heavily on sample surveys of both households and enterprises. These two types of surveys complement one another in providing a comprehensive picture of the dynamics of economic growth, employment, and the multiple dimensions of poverty. The CPRGS also explicitly refers to participatory assessments as a means of monitoring and evaluation, and encourages the participation of civil society and other beneficiary groups in qualitative data collecting process. These sources of quantitative and qualitative data appear to be receiving growing recognition by policy makers as objective sources of information for monitoring and evaluation. In the Haiphong workshop held October 2002, participants discussed the implementation of monitoring and evaluation. The discussion included:

- completing the household living standard surveys 2002 and 2004;
- conducting enterprise and business environment surveys;
- drafting and submitting the Statistics Development Plan to the Prime Minister;
- designing and implementing a statistics regime at the district level.

Participants agreed that the promulgation of the Statistics Law, which will be debated in the National Assembly in May 2003, and other regulations should play a crucial role in CPRGS implementation. These documents will provide a legal foundation for CPRGS monitoring and evaluation. This law in particular should ensure that poverty-related and other data are publicly available, thus making a significant contribution to strengthening transparency of the statistical system.

Until the 1990s, Viet Nam's statistical system derived from the needs of a central planning

system. While substantial progress has been made in reorienting the system to a market economy along international statistical norms, there remains much work to be done to ensure that data are of high quality and available to the public. This requires improvements in statistical capacity, as well as overall changes in official culture toward independent and participatory monitoring and evaluation. To make monitoring and evaluating more objective, it may be wise for the CPRGS Secretariat to explicitly delegate these activities to more independent organisations or agencies.

UNDP Contributions

In response to the CPRGS, UNDP set up a project titled Support to the Implementation of Comprehensive Poverty Reduction and Growth Strategy (CPRGS). This project will assist a selected line ministry in reviewing its sectoral strategy and one province, Tra Vinh.⁸³ The project will assist the ministry in reviewing its five-year socioeconomic development plan, as well as in updating annual plans through mainstreaming the CPRGS, VDGs, and MDGs in these documents. The project also supports the CPRGS Inter-ministerial Working Group and Secretariat in establishing an effective mechanism for monitoring and reporting the progress of translating CPRGS into action and status towards the achievement of the VDGs and MDGs. These activities are innovative, and UNDP is clearly among the first agencies to bring the CPRGS to localities and put the CPRGS into action. This work can potentially provide very useful lessons for other stakeholders who will support the implementation of the CPRGS.

UNDP continues its support in strengthening the capacity of GSO to coordinate data collection efforts in agencies at the central level and to implement, analyse, and disseminate data of the VHLSS. This should make a significant contribution to monitoring and evaluating the CPRGS. UNDP's support of the implementation of the national, targeted programme on HEPR, particularly the programme evaluation component of this project, is also a part of its efforts to support CPRGS monitoring and evaluation activities.

83. This is one of the six provinces that was part of the UNDP-supported Capacity Strengthening for Poverty Alleviation Projects.

In short, either through capacity building or direct technical assistance, UNDP plays a prominent role in supporting monitoring and evaluation activities under the CPRGS. Support to strengthen national capacity for data collection, analysis, and dissemination of poverty helped provide good data for analysing poverty and in setting national targets contained in the CPRGS. The UNDP partnerships for these activities, including the World Bank and bilateral donors and lenders, are well recognized by the government and will continue with CPRGS implementation.

6. MDGS AND THE PRSP _____

With strong support from UNDP, the government has incorporated the MDGs into the PRSP. As much or more than any other country, Viet Nam has made the MDGs nationally owned in the form of the VDG. UNDP provided help in this process in several ways, including its national report

on MDG progress in 2001.⁸⁴

The MDGs and VDGs will play an important role in the monitoring of poverty reduction, as decided in the Haiphong workshop in October 2002. Issues discussed included a GSO plan to submit reporting guidelines to the Prime Minister and to consult with ministries and data users on objectives and contents of poverty surveys. This reporting would include progress in achieving MDGs and VDGs, as well as sectoral targets in the CPRGS. The findings would be disseminated in annual reports for 2003 and 2004. As noted in the conclusions, the integration of the MDGs into the PRSP process in Viet Nam and the role of the UNDP in facilitating this represent good practice that could be applied elsewhere. However, although the MDGs and VDGs are integrated into the CPRGS, the UNCT felt that, "a more in-depth and precise costing analysis at the sectoral level [should] be undertaken" and that concrete technical steps are required to make them operational for monitoring.⁸⁵

84. UNDP. 2001. "International Development Targets/Millennium Development Goals: Progress – Viet Nam."

85. UNCT. 2002. "UN Comments on the Draft CPRGS." UNDP. Pages 3 and 9.

Conclusions

1. UNDP'S STRENGTHS

UNDP Hanoi enjoys the strengths typical of UNDP offices:

- a long engagement with the government, especially with key ministries, that make UNDP a trusted partner in a country in which the presence of most bilateral and all multilateral donors and lenders is recent;
- its potential to provide alternative advice on economic policy, particularly important because the government is committed to country-driven policies;
- the expertise, especially on poverty issues in the UNCT.

In addition, UNDP's close relationship with the National Assembly should be seen as a clear strength, especially given the criticism raised by many national and international commentators that the CPRGS was not debated at the National Assembly.

2. LESSONS LEARNED

It is important in every country for CSOs to play a central role in the PRSP process. UNDP's advocacy of greater involvement of independent national research institutions and local NGOs can be essential to enhance broad-based ownership of the CPRGS.⁸⁶ To this end, UNDP may consider the possibility of building capacity for these organisations, including skills and techniques in conducting policy consultations with the poor.⁸⁷ Because of UNDP's comparative advantage in capacity building, its expert knowledge in the area of

human development and the multidimensional nature of poverty, and its extensive experience in promoting local participatory development, it is the logical organisation to facilitate future reform of the PRSP process in Viet Nam.

UNDP's substantial involvement in the implementation of the CPRGS may help expand the coverage and increase the frequency of community-based policy consultations and further increase broad-based participation. This, in turn, may imply the need for UNDP Viet Nam to have NGO Execution mode and some flexible funding sources to respond quickly to newly arising demands. There is little doubt that resource constraints have affected the ability of the CO to realise its potential. The success of the CO in the PRSP process, under difficult circumstances, make it all the more important to release the funding constraint.

3. GOOD PRACTICE

Good practices are often developed through seizing on strengths, and the UNDP CO in Viet Nam has been successful in doing so. Good practices for the UNDP in Viet Nam include:

- UNDP support for capacity building in government through projects with MOLISA, MPI, and GSO. Further work of this type would help Viet Nam increase national ownership over its strategies and raise the quality of their formulation and implementation.

86. Other donors also strongly call for independent evaluations. Those donors who carried out the community consultations in the field pointed out the need for stronger policy analysis skills outside government and called for donor support in this area. "Developing this capacity in Viet Nam really deserves the attention of international agencies seeking to promote broader participation in policy-making and will certainly be a long-term endeavor." See Shanks and Turk. 2002. "Local Consultations on the Draft Comprehensive Poverty Reduction and Growth Strategy." Hanoi, Viet Nam. Page 49.

87. Even international NGOs that are very experienced in PPAs, which are frequently carried out for identification and formulation of their grassroots projects, have found it difficult to conduct participatory research with an explicit and strong policy focus. See Shanks and Turk. 2002. "Local Consultations on the Draft Comprehensive Poverty Reduction and Growth Strategy." Hanoi, Viet Nam. Page 49. Understanding complex policy documents and translating the letter and spirit of these documents into a simple language accessible to the poor to encourage their active discussion and feedback was a challenge for these grassroots organisations.

- UNDP's long-term programme (to be implemented during 2003–2005) supporting the National Assembly in a number of areas that are key to the successful implementation of the CPRGS: raising awareness about the CPRGS among elected members and professional support staff of the Assembly; and improving capacity of the Assembly and elected bodies at lower levels in promulgating legal frameworks and overall oversight of the budgetary process to facilitate participation and transparency and foster a pro-poor state budget.
- UNDP's continued financial and technical support to the production of national HDRs, which have themes directly relevant to pro-poor growth in general and to the CPRGS in particular.
- UNDP's innovative work in the Tra Vinh province to create local ownership of the CPRGS, with a focus on adapting MDGs and VDGs for the province and mainstreaming CPRGS, VDGs, and MDGs in policy documents; this pioneering work could potentially be replicated to play a prominent role in supporting the Government of Viet Nam in implementing the CPRGS.
- UNDP's important work to foster adaptation and country ownership of the MDGs at all levels of government.
- The brief but sharply focussed paper produced by a national staff member of the CO, 'Some Lessons Learned on PRSP Process in Viet Nam'; preparation of such papers should be a requirement for every CO involved in the PRSP process.

4. THE UNDP CO: OVERVIEW _____

The conclusion of this evaluation is that few UNDP COs encountered the degree and complexity of difficulties faced in Hanoi in achieving an effective engagement in the PRSP process. For a number of reasons, the World Bank set a high priority on ensuring the completion of a PRSP in Viet Nam in a relatively short period of time. It appears that a rapid completion was also viewed by the government to be in its interest. As a result, other donors, lenders, and UN agencies found themselves followers in a

rapidly unfolding process.

The pressure of deadlines had a number of negative consequences:

- it appears to have resulted in lack of ownership of the CPRGS by important line ministries;
- several bilateral donors, including ones with major programmes, to varying degrees did not fully engage in the process;
- several specialised UN agencies felt that their inputs should have been given greater consideration;
- the participatory process lacked important aspects of national ownership—it was consultative rather than pro-actively engaging the poor in policy decisions, it could have included a broader spectrum of stakeholders, and its geographic coverage could have been enlarged to be more fully representative.

These understandable tensions continued during the production of what was otherwise a sound CPRGS, making UNDP's task challenging. Nonetheless, the CO managed to achieve important successes. In comparison to other countries, the Viet Nameese PRSP inclusion of the MDGs (VDGs) was singularly impressive. Though the CPRGS could be improved in its pro-poor approach, the monitoring process incorporates the principles and practice of the multidimensional nature of poverty. UNDP can justifiably claim considerable credit for this, and despite mixed feelings about the progress among UN agencies, the CO successfully collated and synthesised a set of UNCT comments, under extreme pressure of deadline, of which important aspects were incorporated into the CPRGS.

Faced with the above difficulties, the CO could easily have been sidelined and left to continue its projects at the margin of the PRSP process. Instead, it maintained active engagement—hosting meetings, fostering the role of line ministries with which it had close ties, and even maintaining influence within the CPRGS executing ministry. This engagement resulted in substantially enhanced human development content. The persistence of the CO was good practice to be followed elsewhere.

Annex 1: Documents and References

Documents that are relevant to the PRSP process may be classified into two groups:

1. those that were directly used as inputs for the CPRGS and the PRSP process (such as preparation, broad-based consultation, and discussion);
2. those that were used as important inputs for preparation of the government's Ten-Year Socio-economic Development Strategy, Five-Year Socio-economic Development Plan, and sectoral development plans.

The references in the text refer to those documents in the first category.

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Annex 2: People Interviewed

GOVERNMENT OF VIET NAM

- Nguyen Buu Quyen, Director, General National Economic Department, Ministry of Planning and Investment
- Nguyen Toan Thang, Director, General Economic Department, Central Committee of the Communist Party of Viet Nam
- Tran Nguyen Tuyen, Deputy Director, General Economic Department, Central Committee of the Communist Party of Viet Nam
- Le Dang Doanh, advisor to the Minister of the Ministry of Planning and Investment, Central Institute for Economic Management
- Nguyen Hai Huu, Director, General Social Protection Department, Director, National Programme Office for HEPR, Ministry of Labour, Invalids and Social Affairs
- Pham Lan Huong, Unit for Policy Analysis and Economic Forecasting, Central Institute for Economic Management
- Truong Thai Phuong, Department for the State Budget, Ministry of Finance
- Tran Thi Thu Ha, Deputy Director, Department for the State Budget, Ministry of Finance
- Pham Van So, Chief of Economic Balance, Department of General Economic Issues, Ministry of Planning and Investment

UNDP

- Jordan Ryan, UNDP Resident Representative / UN Resident Coordinator
- Kanni Wignaraja, Deputy Resident Representative
- Robert Glofcheski, Chief Resident Economist
- Nguyen Tien Phong, Head of the Poverty and Social Development Cluster
- Nguyen Thuc Quyen, Programme Officer
- Juan Gomez, Economist
- Lisa Ng Bow, Special Assistant to the UN Resident Coordinator

PROJECT STAFF

- Ngo Huy Liem, Chief Technical Advisor, Ministry of Labour, Invalids and Social Affairs (seconded from the German Agency for Technical Co-operation)
- Emmanuele Cuvillier, UN Resident Advisor (UNDP project), Ministry of Finance

INTERNATIONAL FINANCIAL INSTITUTIONS

- Susan Adams, Senior Representative, International Monetary Fund

EMBASSIES AND DELEGATIONS

- Alan Johnson, Head of Office, Department of International Development, United Kingdom

NGOs

- Than Thi Thien Huong, Senior Programme Officer, Oxfam

CIVIL SOCIETY

- Nguyen Chan, Institute of Socio-Economic Development and Enterprise Management (SEDEM), located at the National Economics University
- Do Hoai Nam, Vice Executive President National Centre for Social Sciences and Humanities
- Le Xuan Nghia, Banking Strategy Development Department, State Bank of VN

OTHER

- Robert Blauch, Institute for Development Studies, Brighton, former expert to the World Bank on the Viet Nam Living Standards Survey
- Raymond Mallon, independent consultant



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