

**PRSP as a Framework for
Scaling Up Efforts to Reach
the MDGs**

Executive Summary

The Poverty Reduction Strategies (PRS) approach has transformed the development planning process in Africa. Although most PRSPs in their current form are an adequate framework for scaling up aid (starting now), they are not sufficient for scaling up efforts to achieve the MDGs. In order to provide a consistent framework, PRSPs need to be ambitious enough to achieve the MDGs; i.e. they should be MDG-based.

Impressive progress has been made in implementing the PRS approach and despite the challenges the approach has been a learning experience, both for countries and for donors. The main lessons learned have been:

- The PRS approach has challenged governments to make their growth strategies pro-poor.
- The macroeconomic frameworks in PRSPs have often been weak.
- Ensuring the integration of cross-cutting issues has been a challenge.
- There has been significant variation in the depth of participation in the PRSP process.
- Ownership remains a problematic issue.
- Alignment and harmonization of donor assistance remains a big challenge.
- At times externally imposed conditionality has not helped.

Drawing from these lessons this paper presents number of issues need to addressed in order for PRSPs to be a more effective framework for achieving the MDGs. These issues relate to: the policy content of PRSPs, the actions needed to improve the PRSP process, and how PRSPs can be used to deliver effective development partnerships. This paper concludes with a number of issues for further discussion.

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1. Introduction

For the first time poverty eradication is within our grasp – “the practical solutions exist”, the donors have made the financing commitments. All that is needed is action.

African leadership in the development process has never been stronger. African countries are working closely together to eradicate poverty and hold each other to account for performance. Macroeconomic outcomes have improved steadily over the last decade and African economies are growing strongly. In the last three years, the average growth for Sub-Saharan Africa has exceeded 5%; Ethiopia, Mozambique, and Sierra Leone have experienced growth rates of more than 7%. The Nigerian economy – Africa’s second largest - grew by 7% last year and the government has set its sights on 10% growth. The economic outlook is encouraging. Moreover, the framework for the big push to achieve the MDGs is ready. Many African countries are ready to scale up ambitious plans to accelerate progress towards the MDGs. We are learning how to manage the macroeconomic challenges related to opening up fiscal space and increasing aid, and the international community is helping Africa to help itself by committing to double aid, canceling debts and making aid work better.

This paper outlines some of the elements of a framework to scale up efforts to achieve the MDGs. These have been analyzed and discussed extensively elsewhere and it is not the purpose of this paper to reproduce or synthesise this large body of literature. Instead, this paper aims to highlight some of the key issues in order to stimulate and focus discussion. Section 1 summarizes the PRSP approach. Section 2 provides a snapshot of the lesson learnt so far, drawing on the extensive research and debate among UN and World Bank. Finally, section 3 attempts to set out how the PRSP can be used as a framework for scaling up efforts.

2. The PRSP Approach

The poverty reduction strategies (PRS) approach has transformed the development planning process in Africa. Twenty-five countries in Africa have developed poverty reduction strategy papers (PRSPs) and several countries are in the process of revising their original strategies. Burkina Faso, Tanzania, and Uganda already have second generation PRSPs.

Although initially conceived as a precondition for debt relief under the Highly Indebted Poor Countries (HIPC) Initiative, countries are increasingly seeing the value of the PRS approach as the basis for broader national development planning. The approach – built around five core principles (Box 1) - has already helped countries to improve the planning, implementation, and monitoring of public actions designed to reduce poverty. As well as being an integral part of the Highly Indebted Poor Countries (HIPC) Initiative, the International Financial Institutions (IFIs) and bilateral donors have increasingly aligned their support – both aid and debt relief – behind these strategies.

Box 1: Core Principles of the PRS Approach

The PRSP approach is based on five core principles. The strategies must be:

- country-driven, involving broad-based participation by civil society, marginalized groups, and the private sector;
- results-oriented, focusing on outcomes that are of benefit to the poor;
- comprehensive, recognizing the multi-dimensional nature of poverty
- partnership-oriented, involving coordinated participation of development partners (bilateral, multilateral and non-governmental); and
- based on long-term perspective for poverty reduction.

Source: World Bank (2002); Downloaded from www.worldbank.org

The PRSP process reflects a significant departure from the past. The Policy Framework Paper (PFP), which previously governed the contract between the IMF and borrowers, was generally perceived as donor-driven, focused on policy conditionalities, and concentrated mainly on macroeconomic and structural reforms. In addition to its excessively short-term orientation, it placed little, if any, weight on the need for donors to reform. The PRSP process, on the contrary, provides more “space” for countries to develop and apply homegrown solutions, to achieve a wider national consensus around development issues; and promote the idea of partnership between developing countries and donors.

The PRS approach is also innovative in that the process for the formulation PRSPs involves wide stakeholder participation. By providing for increased participation in the policy process, the PRSP promotes the extension of democracy, by including stakeholders that previously had not been part of decision-making, and at the same time promoting greater accountability to citizens.

3. Learning from the PRSPs Experience

Impressive progress has been made in implementing the PRS approach and despite the challenges the approach has been a learning experience, both for countries and for donors. Moreover, vigorous debates in development circles and effective regular monitoring and evaluation have led to a continuous evolution and refinement of the PRS approach.¹ The most recent debate has questioned whether the PRS approach is sufficient to address the scale of development challenges of poor countries. Most studies of the framework acknowledge that it has played an important role in improving the poverty focus of development plans and in mainstreaming poverty eradication efforts into national development strategies.

However, critics have argued that PRS approach is not “taking on the challenges of the MDGs in a systematic way”.² A major issue is that PRSPs must become more ambitious. The PRS approach, although a good tool for scaling up aid, is in its current form too narrow and too constrained a framework for scaling up efforts

¹ This section is based on the Reports of Meetings of the ECA African Learning Group on the Poverty Reduction Strategy Papers (PRSP-LG); see also World Bank 2006 Global Monitoring Report, World Bank/IMF 2005; Review of the Poverty Reduction Strategy Approach, OED Review of the Poverty Reduction Strategy Process, World Bank Operations Evaluation Department 2004, IEO Review....., IMF Independent Evaluation Office 2004, Poverty Reduction Strategies – Progress in Implementation, World Bank and IMF 2004; Fighting Poverty in Africa: Are PRSPs making a difference?, David Booth, ed., Overseas Development Institute 2003, From “Donorship” to Ownership? Moving Towards PRSP Round Two, Oxfam Briefing Paper No. 51, 2004; See also UNCTAD, 2002, 2002a.

² UNDP, (2003). “Human Development Report 2003. Millennium Development Goals: A Compact Among Nations to End Human Poverty”. New York: OUP.

to reach the MDG targets. PRSPs must be MDGs-based, credibly costed and shepherded by a capable and effective State³.

The PRSP now serves, in principle, as the framework for aligning and harmonizing donor activities in poor countries. In addition, it is encouraging greater attention to results, broadening stakeholder involvement in policy dialogue and providing a better framework for aid management. However, the studies also conclude that ownership is far from complete; and that the political processes involved were not well understood and resulted in the exclusion of key stakeholders such as National Parliaments and the poor. Furthermore the studies argue that the success of PRSPs depend on improvements in monitoring, accountability, and public financial management. Finally, the studies further suggest that development partners are yet to fully align their assistance to the PRSPs and to reform their own processes.

On the content the following lessons are clear:

The PRSP approach has challenged governments to make their growth strategies pro-poor. Growth projections (of between 4 percent and 7 percent annual rate of growth) targeted in many of the PRSPs were based on weak data and foundations, given the historically low rate of growth in Africa. Furthermore, the poor quality of data and weak analysis led to important sectoral and geographical shortcomings in the design of growth strategies, making them less comprehensive and focused. The problem of the “missing middle” – understanding the fundamental dynamics of moving from growth to poverty reduction - persists. Despite this, a recent World Bank/IMF review of the PRS

³ The success of any strategy depends critically on the trust and confidence people have in their governments. A critical element therefore for scaling up is rebuilding trust and confidence of Africans in their governments.

approach reported that growth performance in low-income countries has “improved over the past 10 years”. Countries need to set out their national vision, with the appropriate mix of policies and strategies, for poverty reduction and wealth creation.

The macroeconomic frameworks in PRSPs have often been weak. In many cases, PRSPs lack concrete analysis and strategies on how to maintain macroeconomic stability in the context of increased public expenditures to achieve the MDGs⁴. For the most part, there is no in-depth discussion of the potential trade-offs between increased public spending and fiscal constraints. Finally, there is also systematic attempt to assess the *ex ante* poverty and social impact of the proposed macroeconomic policies.

Integrating cross-cutting issues (gender and environment) into the PRSP has been a challenge. Although experience has been disappointing, there is emerging good practice on this. On the subject, Lesotho and Zambia present a clear example of mainstreaming of HIV/AIDS into a PRSP. Both countries took account of poverty and migratory labour as co-factors in the spread of HIV/AIDS and adopted a multi-sectoral approach to tackling the problem. Lesotho’s draft PRSP set the ambitious goal to reduce HIV prevalence from 31% to 25% by 2007. It also identified a set of three inter-related interventions that will be introduced within the context of the PRSP. They include: a) commitment of 2% of the budgetary allocations towards HIV/AIDS prevention and impact mitigation programmes; b) the establishment of structures to manage the national response to the epidemic; and c) the development of a National AIDS Strategic Plan (2002/03-2004-05).

⁴ See for example KIPPRA (2004) for an in-depth analysis of the macroeconomic consequences of scaling up to meet the MDG targets in Kenya. This study concludes that the macro-economic framework must be relaxed if progress in scaling up investments to reach the MDG targets is to be made.

On the process side, the following lessons are important to keep in mind:

There has been significant variation in the depth of participation in the PRS process across countries. In most countries, participation of elected officials has been limited. For instance, there has been no clear process for the engagement of national parliaments. The participation of the poor is also often limited because of a failure to translate the PRSPs into local languages. In addition, there has emerged a contested interpretation of the meaning and scope of participation. In some countries, participation simply meant consultation, while government officials, development partners or a combination of the two dominated the process leaving limited space for productive and constructive exchange of views with other stakeholders. In many countries, donors largely drove and funded NGO/CSO participation in the process, raising concerns about the credibility of the process. Experience of the PRSP process also shows that broad participation by stakeholders is no guarantee that issues of concern to the poor and other marginalised groups, would necessarily be in the final document. For example, in Ethiopia, thorny issues such as land ownership, land lease, etc., were hotly debated during the consultations, only to be excluded from the final document.⁵

Ownership remains a problematic issue in the PRSP process. Aid dependency has created a tension between balancing the policy advice of donors with ownership. Many countries on the other hand are beginning to see the merit of using the PRS process as the basis for broader and deeper national development planning. For example, Ethiopia's PASDEP, departs from the PRSP approach, based on an unconstrained resource envelope and has a 5-year horizon instead of the 3-year PRSP horizon (see box 2). This trend is likely to continue as the possibilities for debt relief are exhausted. Tanzania, for example,

⁵ Ethiopia's new national development plan, PADEP, now being discussed proposes, proposes to establish security of land tenure. This is a bold step given Ethiopian government's resistance to land privatization.

has announced that it will not enter into further Poverty Reduction and Growth Facility (PRGF) arrangements after 2006 but would sign a Policy Support Instrument (PSI) agreement with the Fund.

Evidence suggests that the PRSP has not been central in the planning and budget processes in many countries. Although experiences vary, sector policies remained in general poorly aligned and inconsistent with nationally agreed priorities identified in the PRSP. Some countries still had a multiplicity of planning instruments and processes that still need to be streamlined⁶. In others, the PRSP had limited influence on the budget process because it was not integrated sufficiently into the program of line ministries. In others still, there was inconsistency between the goals outlined in the PRSP and sector programmes proposed by line ministries. Yet mapping the goals and objectives of the PRSP into implementation in sector programmes is critical for a successful outcome. Ethiopia's PASDEP (Box 2) shows how this can be done within the context of an MDGs-based PRSP. An added difficulty in this area has been sector support from donors outside of sector plans. However, a recent survey by the Strategic Partnership with Africa shows some progress, with overall alignment and strategic coherence between sector programs and PRSP is improving although problems remain with the medium-term expenditure framework (MTEF), and monitoring and evaluation⁷.

⁶ A frequently used example in this regard is Mozambique.

⁷ Strategic Partnership with Africa, (2005), "Sector Program Tracking Report: Toward Sector Support Alignment and Harmonization", at www.spa-psa.org

Box 2: Scaling up to meet the MDG targets: Different Strokes - Ethiopia and Ghana

Ethiopia is a good candidate for a study on scaling up. It is a heavily indebted poor country with an average annual growth rate of more than 6% in the past 5 years. It has successfully implemented two national development plans and is in the process of adopting a third. Ethiopia's third national development plan - the Plan for Accelerated and Sustainable Development to End Poverty (PASDEP) - recently presented to Parliament is a radical departure from the predecessor plan, Sustainable Development and Poverty Reduction Plan (SDPRP). First, it is based on a detailed MDGs Needs Assessment. PASDEP is thus amongst the first such documents that explicitly lay out detailed sector strategies aimed at achieving the MDGs. Second, it has a five-year time horizon – consistent with the electoral cycle - instead of the three-year time horizon of the SDPRP (and PRSPs). Third, it is unconstrained by a resource envelope.

The Plan, costed at between \$5-7 billion per annum from 2005 – 2015, embodies bold new strategies to accelerate growth, with particular emphasis on infrastructure. Economic growth is projected at an average of 7% over the period. The sector strategies are accompanied by resource needs assessments that lay out the different sources of financing, including the financing gap that would need to be filled for scaling up. Proposed outlays for each sector match the importance the government attaches to the sector. Education receives the highest allocation (53.743 billion birr); health (53.381 billion birr), agriculture and rural development (38.928 billion birr); water development (34.4 billion birr); road development (37.184 billion birr); energy development (34.406 billion birr), telecommunications (12.895 billion birr); housing (14 billion birr) and improving rural – urban ties (1.22 billion birr). PASDEP, unlike SDRP and other similar plans, relies heavily on sector plans thus establishing a clear alignment between sector strategies and the development plan as a whole.

In conclusion, Ethiopia's PASDEP can be adjudged an effective instrument for scaling up efforts to reach the MDG targets. It is comprehensive as it is based on a clear identification of national priorities - social development and infrastructure - and a clear assessment of needs to reach the MDGs. This makes Ethiopia among the first countries in Africa to lay out a concrete strategy for scaling up. The critical issue for the country is the financing gap. External financing of PASDEP is vital for its success as it is estimated to account for 21 percent of total expenditure over the five-year cycle of the programme. ODA per capita in Ethiopia (US\$14) is much lower than other developing countries. Donors are expected to provide over 40% of the financing requirements. This is within the realm of possibility as this gap, currently estimated at about \$50 per person per year by the UN Millennium Project, is well within the global commitments of increasing development assistance to Africa. This is true both for the G8 commitments made at Gleneagles of doubling aid to Africa, as well as the long-standing commitment of increasing ODA to 0.7 percent of rich countries' national income. But recent experience suggests that this may be difficult.

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Ghana presents a different experience. The new Growth and Poverty Reduction Strategy (GPRS), a four-year program (2006-2009) – consistent with the electoral cycle - builds on the macro-economic stability and modest growth achieved under GPRS 1 and retains its predecessor's essential growth strategies. Organized around four pillars: continued macroeconomic stability; accelerated private sector led growth; vigorous human resource development; and good governance and civic responsibility it is focused on pursuit of macro-stability. Costing is not based on any MDG Needs Assessment as was the case in Ethiopia. The total cost of implementing the GPRS, exclusive of private sector and other non-public sector initiatives is estimated at US\$7.5 billion. Initial estimates of donor partner contributions to GPRS II amounted to US\$3.0 billion, while domestic contributions were projected at US\$2.8 billion leaving an unfunded gap of \$1.7 billion. At the high range of US\$5 billion in donor contributions, GPRS II will enjoy a financing surplus of US\$300 million. But even at the low range of US\$4 billion, the unfunded gap will narrow considerably to US\$700 million.

Like Ethiopia, Ghana will rely on a significant inflow of additional external resources to implement GPRS II. However, unlike Ethiopia, domestic resource mobilization will be limited. As a well-regarded "strong performer" and given the tranquil political climate, there are opportunities for Ghana to scale up through expanding the range of donor participants in its Multi-Donor Budgetary Support Program. However, it is unlikely that GPRS II, though focused on growth, will speed up Ghana's progress towards the MDG targets: it is not based on an MDGs Needs Assessment and therefore not sufficiently forward-looking and bold.

Source: FDRE (2005). "Plan for Accelerated and Sustainable Development to end Poverty (PASDEP)"; Armah B. (2006) "ECA Mission Reports"; GoG, 2005. GPRS II

Although there has been some progress, alignment and harmonization of donor assistance remains a big challenge. Donors are increasingly using the PRS process to focus their assistance on countries with coherent and realistic poverty reduction policies; good systems of governance for formulating and implementing policies; and developed systems for public expenditure management. The PSRPs are also creating an environment in which donors can coordinate and harmonize their assistance programs to reduce the high transaction costs associated with their activities and align their programs and policies with country-owned PRSPs. There have been innovations in donor aid modalities and partnership arrangements in a number of countries. There is evidence that donor behaviour is changing in response to the PSRP process. For example:

- Rwanda prepared “Guidelines for Productive Aid Coordination.” It also introduced the idea of a “Lead Agency” where the largest donor to a sector takes the lead in that sector.
- In Nigeria, the World Bank and DFID have developed a Country Partnership Strategy aligned behind the PRSP (NEEDS).
- Burkina Faso has developed a Joint Financial Agreement (JFA) for harmonization between the donors (Box 3).

Box 3: Aid Harmonization in Burkina Faso

Burkina Faso's JFA seeks to increase:

- Increase government ownership of strategies and policies;
- Increase government and foreign aid effectiveness by increasing results orientation and monitoring;
- The predictability and decrease in the variability of aid
- Donor coordination through joint evaluation of PRS implementation.

There is recognition that externally imposed conditionality has not helped. A recent World Bank report acknowledged that conditionalities have been stifling and unhealthy, and recommended that, "countries will need to be more creative and innovative in adopting a broader range of diverse development and growth strategies that may not necessarily conform to the conditionalities in the IMF's PRGF and the World Bank's PRSC."⁸ However, as donors move away from policy conditionality they will need to adopt new mechanisms to ensure that their developing countries utilize aid in an efficient and targeted manner.

⁸ World Bank (2005) Economic Growth in the 1990s: Learning from a Decade of Reforms.

4. Using PRSPs as a Framework for Achieving MDGs

The PRS approach already provides a framework for donors to start scaling up aid now. However, a number of issues need to be addressed in order for PRSPs to be a framework for achieving the MDGs. These issues relate to the policy content of PRSPs and making them MDG-based, the actions needed to improve the PRSP process as an effective planning instrument, and the framework for more effective development partnerships. Many PRSPs have started to address these issues already and countries should look for ways to build on and refine existing strategies and processes. International development partners can help and should be responsive to requests for assistance on the enhancement of PRSP frameworks.

4.1 Developing MDG-based PRSPs

One of the important issues that need to be addressed is how to integrate the MDGs into the PRSPs. An MDG-based PRSP would depart from traditional PRSPs in three broad respects: First, the PRSP would be goal-oriented. This means that the set of actions and policies laid out in the PRSP aim to achieve national objectives within a specified timeframe, which guide setting of annual operational targets. Second, the scale of interventions identified would be ambitious enough to achieve the MDGs by 2015. Third, an estimation of the human resources, infrastructure and financial resources needed to implement such a goal-oriented, ambitious PRSP would be included to inform the MTEF and annual budgets.

The policy content is equally crucial. Unless African countries can 'get the policies right', poverty eradication and realisation of the MDGs will remain a distant dream. Debate will always exist regarding what the 'right policies' are, but the African experience over the last forty years has highlighted a number of

common problems which have weakened economic growth and disrupted poverty eradication efforts. A non-exhaustive list of these issues includes:

- What measures should Africa adopt to manage its (natural) resources more effectively (and thus remove the 'natural resource curse')?
- How can macroeconomic frameworks be designed to enable scaled up investments to achieve the MDGs?
- What policies are needed to be taken to enable Africa to realize its growth and trade potential? How can African nations place more pressure on developed nations to deliver on their free trade commitments?
- How can regional integration be used more effectively to stimulate development in Africa?
- African countries need to continue to strengthen their leadership in the policy and development planning process. This also means taking responsibility for the choice of policies and the delivery of results.

Immediate attention is required to start implementing ambitious education, health and growth plans:

- To achieve education goals, the focus needs to be on providing quality primary education for all children and reducing the disparity in educational outcomes between girls and boys.
- To improve health outcomes, the focus needs to be on strengthening health systems to deliver universal access to basic health services to achieve the MDGs.

- To generate the rates of growth needed to reduce poverty, the focus needs to be on a better investment climate, investing in infrastructure and ensuring that all citizens benefit from the growth process.

Future strategies need to be more ambitious, with ten-year plans that map out how countries will achieve and sustain the MDGs. Countries will need to rapidly increase investments to deliver the necessary improvements in health, education and growth. It will also be necessary to increase spending on salaries and other recurrent costs, while at the same time improving systems.

4.2 Improving the PRS process as an effective planning instrument

A significant amount of attention needs to be directed towards improving the PRSP process, particularly if over the coming years we expect to use it as a framework to scale up aid inflows in line with the commitments made at Gleneagles in 2005. Some of the important points that need to be considered include:

Building national ownership and deepening participation

A key part of a successful PRSP process is the success or otherwise, in ensuring wide stakeholder participation that leads to the creation of a national strategy that significant portions of society come to own. Without adequate domestic ownership, it is impossible to generate the support necessary to enable a sustained program of reforms to deliver economic growth and poverty eradication.

A possible role for development partners is to create a set of guidelines to reduce uncertainty regarding what constitutes adequate stakeholder participation. Monitor the process and provide targeted funding in circumstances where certain groups become marginalized from the PRSP process. For instance, donors could

provide the funds necessary to ensure that the PRSP is translated into all relevant local languages, and thus made accessible to all within society.

PRSP resource estimation

Another important part of the PRSP process is the assessing needs of the strategies adopted in the PRSP. A well-costed PRSP can be an important tool for helping identify the domestic and external resources needed. It can help allocate external financing for poverty reduction priorities, as it improves the credibility of the strategy in the eyes of development partners. However, realistic costing of PRSP priorities has been, and remains, a major challenge for most countries. A realistically costed poverty reduction strategy can serve as a strong signaling device to all stakeholders, can allay suspicions of lack of seriousness (among donors) or skepticism among national and development partners, can allow resources to be tied to specific deliverables in a measurable way, and initiate dialogue within country on how the resources are being spent.

Integrating PRSPs, Budgets the MTEF and Sector Plans

An important issue that the needs to be addressed is how to ensure consistent linkages between PRSPs budgets, the Medium Term Expenditure Framework (MTEF) and the existing sector plans. If this does not occur, the PRSP becomes an expensive reference document that does not reflect or indeed determine the ongoing policies of the country. There is an emerging consensus that the relative merits of PRSPs should be judged not by the quality of the document alone, but also by the extent to which PRSPs are successful in encouraging a more integrated national development planning mechanism. However, it is important to ensure that 'policy conditionality' is not replaced by an over prescriptive 'process conditionality'. Many developing countries have taken the approach of gradually improving linkages between the PRSPs and domestic initiatives (for instance, Ghana).

Improving capacity and managing human resource constraints

In the long-run the aim of the PRSP is to create a process that is led and owned by the developing countries themselves. This aim will be supported by developing the capacity necessary to manage the process.

A focus on skills and traditional technical assistance is too narrow an approach to address the capacity problem in Africa. There are a number of structural problems, the most important of which is the weak tertiary education system in most African countries. The higher education system, which is charged with producing a skilled workforce, has been in decline and there is a concern that most graduates do not have skills or competencies that match the requirements of the labour market⁹. Other factors contributing to the capacity problem include poor worker motivation to acquire new skills or upgrade old ones, absenteeism, the brain drain and the recruitment policies of developed world employers, the relative attractiveness of private sector and NGO jobs, and the impact of HIV/AIDS, malaria and tuberculosis. These problems require urgent action.

Nonetheless, an equally important, and often ignored point, is the underutilization of existing capacities in Africa. In a number of countries, the problem is not so much one of the lack of capacity for poverty reduction initiatives but of gross misapplication of existing capacities. Often the young and most qualified workers face difficulties in gaining access to jobs, because of nepotism and other forms of patronage. Moreover, despite efforts to improve gender equality, women remain perhaps the most under utilized resource in Africa.

⁹ See Nwuke, K. 2003. "Higher Education, Economic Growth, and Information Technology in Africa: Some Challenges and Issues" in Beebe, M; K. Koffi; Oyelaran-Oyeyina, B. AfricaDotEdu: IT Opportunities and Higher Education in Africa. New Delhi: Tata-McGrawHill.

4.3 PRSPs as a framework for a more effective development partnership

Most donors have already declared their willingness to use PRSPs as the framework for their assistance¹⁰. The PRS approach offers a clear opportunity to donors to coordinate and harmonize their assistance more effectively in the future, in order to ensure coherence and reduce transaction costs in the formulation of development policy. Developing country governments, development partners and non-state actors must improve cooperation and coordination if the MDGs are to be achieved.

A PRSP, which articulates the country specific policies to achieve the MDGs and domestic poverty eradication, is owned by a wide range of stakeholders and is integrated into the domestic budget process, provides the foundation upon which stronger partnerships between donors and government can be built. As donors implement their commitments to double aid, such PRSPs can serve as the basis of a mechanism for mutual accountability.

The 2005 Paris High-Level Forum of development partners agreed a framework for harmonization, alignment and results represented a significant step in the right direction. However, in practice, it is not easy for donors to harmonize or align their assistance with the PRSP framework and thus a number of important issues remain, even though it is widely recognized that harmonization and alignment of procedures and policies can result in substantial reduction of transactions cost and improve the efficiency of aid in aid-receiving countries.

¹⁰ See for example the 2005 Paris Declaration the UK Government Whitepaper on international development Eliminating World Poverty: Making Globalization Work for the Poor (Her Majesty's Government 2000) and the Norwegian Government's Fighting Poverty: Action Plan for Combating Poverty in the South Towards 2015.

Donor support often continues to be fragmented, uncoordinated, and at times at inconsistent with national policies and priorities. Furthermore, there are numerous occasions when policy advice from one development partner contradicts the advice of another. Aid remains unpredictable, assistance overlaps and the disbursement and delivery systems of Official Development Assistance (ODA) remain rigid. Even aid directly given to support PRSP policies is not without fault; often donors are guilty of cherry-picking their preferred projects, regardless of developing country priorities or the work of other donors. Overall, it would be fair to surmise that despite a number of commitments made at Conferences and High-Level meetings in the past, development partners have made slow progress in implementing measures to improve harmonization of activities. While much of this is because of domestic laws and processes, it is time to consider mechanisms to increase pressure and deliver real progress on this issue.

The Paris Declaration sets out twelve specific and time-bound targets for 2010. In the future African countries should also be given the opportunity to engage in processes, which assess the progress made by individual donors towards improving policy coordination.

There are a number of African nations that have demonstrated how in practice, the PRSP process can be moved towards the ideal scenario described above. A number of countries have been able to attract increased direct budget support, which allows them to manage aid inflows more effectively and increases predictability, by agreeing Memorandums of Understanding (MOUs) with development partners. Relevant examples include the Ugandan Partnership Principles, the Tanzanian Joint Strategy Paper and the Zambian Aid Management Strategy.

However, the point should be made that improved cooperation between donors and developing countries requires actions on both sides; if developing countries want to gain increased policy space from donors and receive aid in the form of budget support, they must deliver macroeconomic and political stability, while undertaking measures to improve the quality of their domestic institutions.

Where action is most urgent is on allocating the new aid that has been committed at the country level. Donors need to start now by filling financing gaps in existing poverty reduction strategies and sector plans, and finance more ambitious future strategies and plans as they are developed. Donors need to deliver long-term predictable aid in support of country-led plans.

5. Issues for Discussion

This paper has discussed the feasibility of the PRSP approach as a framework for scaling up efforts to realize the MDGs in Africa. It reviewed and analyzed recent lessons of experience and highlighted important shortcomings in the PRSP framework: limited time horizon, its limiting nature as a programming (budgeting) and monitoring tool and the conditionalities that constrain Government expenditure to ensure macroeconomic stability. In its current form, the PRSP can serve as a framework for scaling up aid. However, its internal contradictions and inconsistencies limit the extent to which it can serve as a framework for scaling up efforts to achieve the MDGs. To serve as an effective vehicle for scaling up, the PRSP, as shown in Ethiopia's PASDEP, must be forward looking and ambitious. The international community, especially multilateral institutions can help African countries transform their current PRSPs into MDGs-based poverty reduction strategies. In that form, the PRSP can serve as a tool for mobilizing additional resources for scaling up interventions to reach the targets of the MDGs.

Some issues for discussion:

- How can the MDG-based PRSPs (where ready) be used as an instrument for channeling the incremental development assistance as committed to by the developed countries?
- How can countries and international development partners develop mechanisms for mutual accountability
- How can countries strike the right balance between ensuring adequate stakeholder participation and completing the PRSP in a cost effective and timely fashion?

- Often wide stakeholder participation in the development of a PRSP can lead to the document becoming a wish list, how should this issue be managed?
- What process should be used to resolve disputes among stakeholders on the policy content of the PRSP?
- What action is required for countries to articulate MDG-consistent and costed strategies for accelerating pro-poor growth, and expanding the delivery of basic services?

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