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The Highly Indebted Poor Countries (HIPC) Initiative: a human rights assessment of the Poverty Reduction Strategy Papers (PRSP)

Report submitted by Mr. Fantu Cheru, independent expert on the effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights

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* Because of the page limit restriction, annex II could not be translated and is therefore reproduced in English only.

Executive summary

Although the author recognizes good intentions behind the HIPC initiative, he points out that there remain a number of problems, the most critical problem being the financing of this initiative. The lack of sufficient resources to fund the initiative has become a growing concern to the World Bank and the International Monetary Fund (IMF), the two institutions that preside over the HIPC process, and to regional development banks and other relatively unknown and smaller multilateral institutions. Further, the author underlines that the HIPC initiative does not address debts that are owed by HIPC to non-Paris Club creditors. Thus, the actual debt situation of the HIPC countries is worse than is apparent and is even more deteriorated by the intra-HIPC debts. The HIPC initiative as it stands is therefore inadequate.

With regard to the PRSPs, the author indicates that, in preparing the PRSP, Governments are expected to show clearly the links between macroeconomic policies and agreed international social development goals to be reached by 2015. Examination of the annexed eight I-PRSPs (Benin, Chad, Ghana, Kenya, Mozambique, Senegal, Tanzania and Zambia) and one full PRSP (Uganda) reveals great differences in their quality. Further, it shows that the broad macroeconomic objectives of the majority of the countries studied are inconsistent with the poverty reduction goals. One of the reasons for this inconsistency is the tension between the desire to provide debt relief quickly and the lack of a proper poverty reduction framework. Another reason for this disconnection is to be found in the unequal power relations between indebted countries and the Bretton Woods institutions that manage the HIPC process. Given the fact that the G-7 countries set the agenda of these institutions to a considerable degree, the G-7 Governments are as much to blame for continuing to prescribe faulty diagnosis to indebted countries as the World Bank and the IMF.

Also with regard to the PRSPs, the independent expert points out that Governments of HIPC countries try to please the World Bank and the IMF. Therefore, they put too much emphasis on macroeconomic considerations, fiscal reform and privatization measures, without thinking about the impact of these policies on poverty reduction nor about the context. He stresses that all the PRSPs reviewed emphasize the need for restructuring, downsizing, cost-recovery and paying teachers less, and questions whether this will eliminate poverty. The author criticizes the fact that the use of the I-PRSP process as a transitional measure does not take into account the difficulty of producing an authentic, consensus-based national poverty strategy with the consent of all stakeholders. The IMF-supported programmes remain stringent, inflexible and in some instances very punitive, where countries have very little room to manoeuvre. The Poverty Reduction and Growth Facility (PRGF) (previously the Enhanced Structural Adjustment Facility (ESAF)) remain firmly focused on macroeconomic and financial concerns.

Although the PRSPs are supposed to be country-driven, prepared and developed transparently with a broad participation of the civil society, the independent expert states that, in the majority of the countries examined, the participatory and transparency elements in the elaboration of PRSPs have not been respected. As a result, the PRSPs in these countries lack credibility for the population.

Despite these criticisms, however, the independent expert believes that the PRSP process does provide a potential tool that developing countries can use to implement genuinely country-owned and participatory poverty reduction strategies. The role of the World Bank and the IMF can be important in this process, but will depend on their approach to conditionality and macroeconomic reforms.

Finally, the independent expert recommends that creditor Governments and institutions "revisit the whole issue once again". His other recommendations address the issue of how to expedite the process of providing immediate relief to eligible HIPC countries. His main recommendations are that the HIPC debt relief be delinked from the PRSP process, that the only condition imposed on countries receiving debt relief be that they establish an independent entity to channel freed resources towards social development, that the World Bank and IMF not have the exclusive role as overseers of poverty reduction programmes but that other United Nations agencies be included as well, that new rounds of talks aimed at finding a solution to the debt burden of many poor countries be organized, that the PRGF be abolished, and that a serious dialogue be undertaken on how to integrate macroeconomic policy issues with broader social development goals.

Background

1. In 1999, the independent expert, Mr. Fantu Cheru, submitted his first report on the effects of structural adjustment policies on the full enjoyment of human rights (E/CN.4/1999/50) to the open-ended working group on structural adjustment programmes and economic, social and cultural rights at its second session. Subsequently, the same report was submitted to the Commission on Human Rights at its fifty-fifth session. In that report the independent expert examined the roots of the third world development crises, explored the links between structural adjustment programmes and the realization of economic, social and cultural rights, and presented basic principles for "adjustment with transformation" and provided recommendations for action at the international, regional and national levels.

2. Taking into account the related nature of foreign debt and structural adjustment policies, the Special Rapporteur on the effects of foreign debt on the full enjoyment of economic, social and cultural rights, Mr. Reinaldo Figueredo, and the Independent Expert on the effects of structural adjustment policies on the full enjoyment of human rights submitted a joint report (E/CN.4/2000/51, annex) to the Commission on Human Rights at its fifty-sixth session, in 2000. In that report, they focused their analysis on the Heavily Indebted Poor Countries (HIPC) Initiative, on the effects of the HIV/AIDS epidemic on Africa's development, on the effects of Hurricane Mitch and on the link between debt relief and the worst forms of child labour. They concluded the report with general recommendations.

3. The present report is submitted pursuant to Commission on Human Rights resolution 2000/82. In that resolution the Commission decided to discontinue the mandates of the Special Rapporteur on the effects of foreign debt on the full enjoyment of economic, social and cultural rights, and the mandate of the independent expert on structural adjustment policies. Instead, the Commission decided to create the mandate of the independent expert on the effects of structural adjustment policies and foreign debt on the full enjoyment of all human rights, particularly economic, social and cultural rights.

4. This report examines the steps which have been taken since 1999 in granting debt relief to qualifying countries. On the basis of an analysis of 9 of the 19 Interim Poverty Reduction Strategy Papers (I-PRSP), it critically examines the PRSP process.

5. In the mid-1980s, under the guidance of the IMF and the World Bank, structural adjustment programmes (SAPs) were introduced which had the stated aim of developing growth and capacity. The liberalization of markets called for by stabilization policies often resulted in delays in growth. In order to reduce the negative impacts of these delays, the IMF introduced in September 1987 an Enhanced Structural Adjustment Facility (ESAF) for poor countries which enabled them to received assistance over a period of up to 3 years with reimbursement stretched out over a period of 10 years (in contrast to its regular credits, which were to be repaid within one to two years). In November 1999 the Poverty Reduction and Growth Facility (PRGF) replaced the ESAF. The aim of the PRGF is to support programmes to strengthen substantially and in a sustainable manner balance of payments positions and to foster durable growth.

6. At the same time, the Poverty Reduction Strategy Papers (PRSPs) replaced the Policy Framework Papers (PFP) which underpinned ESAFs. National programmes for poverty

reduction are the foundation for IMF and World Bank lending programmes and for HIPC debt relief. Essential features are that PRSPs (a) are developed in a participatory way, (b) are nationally owned and (c) lay out a policy framework and agenda for tackling poverty.

7. HIPC and ESAF countries are required to produce a PRSP before they can seek new programme support from the IMF or the World Bank. The Boards of the IMF and the Bank must approve a country's PRSP before a lending programme is agreed with the Bank and Fund. The Boards of the IMF and the Bank accept a PRSP on the basis of a coherent policy strategy, which will be assessed jointly by the Bank and Fund staff in terms of its objectives and policy content. Further, the Boards are required to review the extent to which Governments have consulted with civil society and how governance issues will be addressed.

Introduction

8. A year and a half has passed since the G-7 Governments announced a major debt relief initiative at their 1999 annual meeting in Cologne, Germany. At the time, many debt-relief advocates, including the Jubilee 2000 movement, welcomed the enhanced HIPC initiative as a major step by the World Bank and the IMF towards finding a lasting solution to the debt problem of poor countries. The central element of HIPC II was the proposals to grant larger reductions of the total accumulated debt and quicker reductions in debt-service payments, to relax the stringent qualification criteria and, most importantly, to place poverty reduction at the centre of an enhanced HIPC framework.

9. At the launch of the enhanced HIPC (HIPC II), a total of $90 billion in debt service was promised for 33 poor countries, with the cost to creditors estimated at just $27 billion, primarily owing to heavy discounting of the loans and the advantage of purchasing the debt today as opposed to having it accrue interest over the length of the loan. By the time of the IMF/World Bank Annual Meeting in Prague in September 2000, however, there was little substantive progress to report on debt relief under the Cologne Initiative. The G-7 Governments had fallen short on the pledge made at the Cologne summit in the summer of 1999 to forgive the debts of at least 20 nations by 2000. The incremental, step-by-step approach has delivered some relief only to nine countries and has failed to provide relief at the pace and to the extent required.

10. The United Nations Secretary-General, Kofi Annan, expressed these sentiments in his report to the United Nations General Assembly at its fifty-fifth session on recent developments in the debt situation of developing countries (A/55/422, of 26 September 2000). He noted that the key impediments have been (a) the failure of the G-7 Governments to appropriate sufficient resources to the HIPC Trust Fund; and (b) the enhanced HIPC initiative, even in its reformulated guise, continues to be caught up in a complex web of IMF and World Bank eligibility conditions which must be reflected in the Poverty Reduction Strategy Papers (PRSP) that countries are required to produce in order to qualify for full relief after completion point. But the efforts to comply often take many months or even years and cost applicants scarce resources to develop. A few eligible nations have withdrawn or have threatened to withdraw their applications in frustration.

11. The present report examines the pace of progress that has been made since 1999 in granting debt relief to qualifying countries, and critically examines the PRSP process. The report is based on a careful analysis of 9 of the 19 Interim Poverty Strategy Papers (I-PRSP)

presented to the IMF and the World Bank Boards for their consideration as of September 2000. The nine Interim PRSPs are all from Africa although a cursory review of the I-PRSP of Honduras has also been made. At the time of writing, there were only three fully completed PRSPs: Uganda, Burkina Faso and Bolivia. The expert has consulted them extensively. Because of page limitations set by the United Nations, a narrative description of the nine PRSPs reviewed is not possible. A summary of each PRSP is attached in the annexes and should be read along with the analysis given in the text.

I. WHY THE EMPEROR HAS NO CLOTHES: HIPC AND THE FUNDING CRISIS

12. The HIPC initiative is designed to reduce debts to sustainable levels for poor countries that pursue economic and social policy reforms, and is used specifically in cases where traditional debt-relief mechanisms will not be enough to help countries exit from the rescheduling process. Some three dozen HIPC countries are expected to qualify for assistance under the enhanced HIPC initiative, the great majority of which are sub-Saharan African countries. So far 17 countries have been reviewed under the enhanced framework, for packages amounting to some $31 billion in debt-service relief over time.[1] Work is under way to have debt relief packages in place for some 20 countries by the end of December 2000.

13. Despite good intentions, however, the enhanced initiative is experiencing a number of problems, the critical one being its financing. As mentioned at the outset, both multilateral and bilateral creditors were expected to provide the estimated $28 billion (in net present value terms) to finance the debt relief programme. Of this amount, four multilateral creditors - the World Bank, IMF, the Africa Development Bank and the Inter-American Development Bank - are expected to provide about $14 billion; bilateral creditors about $13.2 billion, and commercial creditors the rest. Commitments from bilateral creditors have mostly come from Paris Club creditors, many of whom have written off significant amounts of bilateral debt beyond their assistance under HIPC. Debts owed to non-Paris Club creditors by HIPC countries, however, remain on the books, a subject which will be returned to later in the present report.

Table 1
Creditors' share of HIPC debt relief

Creditors	Percentage share of total HIPC relief
Total multilateral of which:	50
World Bank	22
IMF	8
African Development Bank	8
Inter-American D. Bank	4
Other (23 in total)	8
Bilateral - Paris Club	41
Bilateral - non-Paris Club	6
Commercial institutions	3

Source: Data from the United States Treasury, the IMF and the World Bank.

14. The lack of sufficient resources to fund the initiative has become a growing concern to the two institutions that preside over the HIPC process. The IMF itself has expressed its reservations about participating in the HIPC process beyond the year 2000 unless additional resources are released from the money raised from gold revaluation and which is now invested in a long-term account. Many creditors, especially the multilateral and smaller bilateral creditors, are having difficulty securing the funds required to cover their share of financing for the HIPC Trust Fund. Legal constraints governing the operations of these institutions have been difficult to overcome.

15. The main reasons for the deflated expectations about financing the initiative relate to the politics of budget appropriation in the principal donor countries. The heads of States of the G-7 countries can promise debt relief during the Annual Meetings. But, at the end of the day, it is their respective legislative bodies and parliaments that must decide how much money to appropriate or not. Since debt relief above and beyond annual appropriations for bilateral aid results in added budgetary cost for each country, many bilateral creditors face huge political hurdles in order to secure additional resources from their respective parliaments. This is particularly difficult in many Western capitals where opposition to foreign aid is growing.

16. With respect to the regional development banks - the African Development Bank (ADB) and the Inter-American Development Bank (IDB) - the rules governing them set a ceiling on the amount of their resources that can be allotted for debt-relief purposes for fear of undermining their financial integrity. Out of its total outstanding debt claims of $10.2 billion from 29 African countries, the ADB has pledged to grant debt relief in the amount of $2.2 billion (Net Present Value). The ADB will contribute $370 million of its own resources while the rest should come from external sources. Similarly, the IDB plans to grant debt relief in the amount of $1.1 billion (Net Present Value) on its outstanding debt claims of $3.8 billion. The institution will allocate $180 million of its own resources while the rest should come from bilateral sources. Given a high proportion of debt relief relative to outstanding debt claims, both institutions are working to fulfil their pledges by raising external resources from bilateral donors. But donor pledges remain to be secured.

17. For example, the failure of the IDB to secure voluntary contributions from bilaterals early in 2000 resulted in the holding up of the release of IMF interim assistance to Honduras. The problem was complicated by the failure of the Government to speed up the country’s privatization programme. Similar situations are likely to arise as bilaterals run into difficulty in getting their respective legislative bodies to approve additional resources for multilateral debt relief above and beyond their respective bilateral debt-relief initiatives. The combination of inadequate resources and slow progress on the part of HIPC Governments to implement agreed-upon reforms amounts to a prescription of no relief at the end of the tunnel. This is one among other reasons discussed below why debt relief should be delinked from the PRSP process.

18. In addition to the four main multilateral institutions, there are 23 relatively unknown and smaller multilateral institutions, such as the East African Development Bank (Kampala, Uganda) and the Central American Bank for Economic Integration (Tegucigalpa, Honduras) that are expected to participate in the financing of the HIPC initiative. While these region-based multilateral institutions support the initiative’s goal, they have been unwilling to fully fund their contribution from their own resources because of concern that such action would threaten their

financial integrity. For this reason, the HIPC trust fund will remain severely under-funded and under-nourished. Unless the G-7 Governments agree to fund the entire debt relief initiative through the sale of IMF gold and a small portion of the annual profits of the World Bank for a specified period of time, the whole project is likely to come to a halt early in 2001.

19. Besides the funding crisis, the enhanced HIPC initiative as it is currently constituted is inadequate since it does not address debts that are owed by HIPC countries to non-Paris Club creditors and which have not been rescheduled or serviced at all for a long time. Consequently, the debt-sustainability ratio for these debtor countries is misleading, since the actual debt situation of these countries is worse than is apparent. This is because their balance-of-payments reserve accounts include money that should have been paid out to non-Paris Club creditors. It is more than likely that some HIPC countries with debts to non-Paris Club countries will fall right back into "coma" since the current approach is silent on how to address non-Paris Club debts.[2]

20. Finally, there is the relatively little known problem of intra-HIPC debts, for which no resolution mechanism exists. For example, Tanzania is a creditor with exposure to Uganda. Similarly, Costa Rica and Guatemala have loans outstanding to Nicaragua. The debts owed by these countries to their neighbours are recorded as part of their respective balance-of-payments reserves, inflating the reserve position of each of these debtor countries. There are many other HIPC countries that are in the same boat as Uganda and Nicaragua.

II. THE POVERTY REDUCTION STRATEGY PAPERS (PRSP): A NEW FORM OF STRUCTURAL ADJUSTMENT

21. The Interim PRSP (I-PRSP) is intended as a road map to prepare full PRSP and as a bridge between the long-term PRSP objectives and a country's short-term needs for financing and debt relief. The I-PRSP paves the way for the country to qualify for its "decision point", which is followed by interim support (or a loan) to the Government from the IMF Poverty Reduction and Growth Facility, formerly called the Enhanced Structural Adjustment Facility (ESAF). Under the enhanced HIPC framework, the "completion point" is an additional point of leverage to influence policies. Most countries will be required to complete at least a year of performance after a full PRSP has been prepared in order to qualify for debt-stock reduction. The PRSP will also be establishing the framework for all new concessional assistance from the international financial institutions.

22. In preparing the PRSP, Governments are expected to show clearly the links between macroeconomic policies and agreed international social development goals to be reached by 2015.[3] In addition, the I-PRSP document should articulate the proposed use of the incremental resources for poverty reduction. The I-PRSP contains the following:

> The Government's commitment to poverty reduction and the main elements of its poverty strategy;
>
> Commitments to a timeline and a consultative process by which the full PRSP will be formulated with the IMF, the World Bank, and other creditors and donors;

A three-year macroeconomic framework and policy matrix, which focuses on reducing poverty through faster growth (see annex II for a sample policy matrix). The matrix is basically a list of policy conditions (114 in the case of Tanzania).

23. Examination of the eight Interim PRSPs (I-PRSPs) and the one full PRSP from Africa contained in annexes I and II shows great unevenness in the quality of these documents,[4] including the following:

The quality of the poverty reduction strategies and the level of civil society participation are being compromised by the unrealistic time-frame set for meeting the initiative;

Excessive numbers of policy prescriptions, or conditions, are a dominant feature of many of the papers reviewed. For example, Tanzania's policy matrix, 2000-2002, which was appended to the I-PRSP by the Fund and the Bank lists approximately 157 policies that the Government must implement during this period. In addition, there are more than 20 policy conditions linked to debt relief, 10 policy conditions linked to the World Bank's Country Assistance Strategy, and additional conditions linked to IMF and World Bank-financed structural adjustment loans;

Benin's interim PRSP, which also included a policy matrix, contains about 111 conditions, which the Government must implement. Exactly how debt relief will be used is barely touched upon in the PRSP, except for the statement that priority will be given to social services when allocating external assistance;

While the interim PRSPs of Ghana, Kenya and Mozambique and the full PRSP of Uganda contain up-to-date data, the quality of the I-PRSPs of Chad, Senegal and Tanzania was hampered by out-of-date or relatively limited household survey data;

The lack of gender-disaggregated data is a general problem for all the PRSPs reviewed for this report, except that of Kenya;

None of the I-PRSPs attempt to integrate major international human rights principles - namely the Convention on the Rights of the Child, the International Covenant on Economic, Social and Cultural Rights, and a number of ILO labour conventions;

In terms of issues emphasis, all nine papers reviewed emphasize the importance of growth for poverty reduction, but they all fail to demonstrate the links between the two;

Other common themes include the central importance of rural development and of special efforts to assist disadvantaged groups (e.g. women and children). The need to increase social spending is heavily emphasized, but how the macroeconomic aspects relate to poverty reduction goals is not clearly explained;

All nine papers reviewed emphasize the importance of transparency and fiscal accountability and improving the access of the poor to public services. Yet, all the papers are silent on how transparency and accountability can be achieved when "kleptocratic" elites preside over the implementation of poverty strategy frameworks. The links between the rule of law and economic justice are not sufficiently or realistically addressed. Transparency and accountability are not, alone, going to lead to economic justice. Anti-corruption measures, inter alia, are also required;

Several papers (Ghana, Kenya and Tanzania) explicitly note the linkage between the countries' poverty reduction priorities and the international development goals for 2015. This will be done through re-prioritization of the existing budget;

The Kenya and Ghana I-PRSPs introduce new issues, such as governance, anti-corruption, etc.;

The Kenya PRSP points out the importance of land reform and proposes the issuance of individual land titles for 300,000 landless peasants.

Table 2

PRSP/I-PRSPs reviewed for this report and date of consideration by World Bank and IMF Boards

Country	Accompanied by	Documentation	Discussed by World Bank Board	Discussed by IMF Board
Ghana	PRGF	I-PRSP	24 August 2000	22 August 2000
Chad	HIPC, PRGF	I-PRSP	25 July 2000	25 July 2000
Uganda	HIPC	PRSP	2 May 2000	1 May 2000
Zambia	PRGF	I-PRSP	4 August 2000	26 July 2000
Benin	HIPC, PRGF	I-PRSP	13 July 2000	17 July 2000
Tanzania	HIPC	I-PRSP	4 April 2000	31 March 2000
Senegal	HIPC	I-PRSP	20 June 2000	21 June 2000
Kenya	PRGF	I-PRSP	1 August 2000	27 July 2000
Mozambique	HIPC	I-PRSP	6 April 2000	7 April 2000

Source: IMF/IDA, "Poverty Reduction Strategy Papers - progress in implementation", 7 September 2000, p. 7.

A. The policy disconnect: poverty and macroeconomic goals

24. In the majority of countries examined, the broad macroeconomic objectives are inconsistent with the poverty reduction goals. The same conclusion was reached in a recent report by the United States General Accounting Office, which pointed out that there is tension between the desire to deliver debt relief quickly and the need to ensure that a proper poverty reduction framework is in place.[5] Only the Uganda PRSP is firmly anchored in the Government's comprehensive Poverty Eradication Action Plan first developed in 1997 and revised to take into account new poverty data, detailed sector plans and direct consultation with the poor. But this process took more than two and half years to complete. Civil society is at present involved in monitoring its implementation.

25. What explains this disconnect between macroeconomic components of the interim PRSPs and the poverty reduction goals? The answer is to be found in the unequal power relations between indebted countries and the institutions that manage the HIPC process, namely, the IMF and the World Bank. What is obvious from our analysis is that countries have tried to read too much into the minds of the IMF and the World Bank. The Governments of HIPC try to make their PRSP meet the lending criteria of the Fund and the Bank, and have thus put too much emphasis on macroeconomic considerations, fiscal reform and privatization measures to placate these powerful institutions, without thinking through how such policies impact on poverty reduction and in what context. At the end of the day, what matters the most to these Governments is that they get the badly needed cash flow from these institutions. As one finance minister interviewed for this report succinctly put it, “We do not want to second-guess the Fund. We prefer to pre-empt them by giving them what they want before they start lecturing us about this and that. By so doing, we send a clear message that we know what we are doing - i.e. we believe in structural adjustment.”

26. The decision by debtors to “placate” the IMF is both political and financial, since eligibility for debt relief under HIPC-II is conditioned upon “good performance” in the implementation of IMF and World Bank policies. While countries should be encouraged and supported to adopt sensible policies that make good economic and political sense, IMF-supported programmes remain stringent, inflexible and in some instances very punitive,[6] leaving very little room for countries to manoeuvre. The ESAF programmes in their reincarnated form (now renamed Poverty Reduction and Growth Facility) remain firmly focused on macroeconomic and financial concerns. There is no indication of how the PRSPs complement the macroeconomic emphasis of the PRGF.

27. What the architects of the HIPC initiative failed to realize is that it was the failure of two decades of structural adjustment programmes (SAPs) to help countries “export their way out of the crisis”, and their inability to service their debts and the social erosion that followed that gave the impetus for the establishment of the HIPC initiative. Increasing malnutrition, falling school enrolments and rising unemployment have been attributed to the policies of structural adjustment. Yet these same institutions continue to prescribe the same medicine as a condition for debt relief, dismissing the overwhelming evidence that SAPs have increased poverty.

28. So far, the preparation of interim PRSPs has been relatively easy, since most Governments have relied heavily on existing national poverty strategy reports to prepare their respective PRSPs. And these strongly reflect economic reform strategies such as structural adjustment programmes which have not proved successful in reducing poverty. All the PRSPs reviewed beat the same drum on the need for restructuring, downsizing, cost-recovery and paying teachers less. How is this going to eliminate poverty? The use of the I-PRSP process as a transitional measure, while addressing the immediate cash-flow problem, does not take into account the difficulty of producing an authentic, consensus-based national poverty strategy with the consent of all stakeholders. The Bank and Fund see the process as essentially technocratic. The next phase will prove to be more difficult and, until very recently, the World Bank and the IMF had not appreciated the depth of political change required to make it effective. In many HIPC countries where democratic rule does not exist, it will be a protracted process.[7] This is likely to delay the pace of debt relief.

Table 3

Conditions the nine African countries are expected to meet in order to reach HIPC Initiative milestones

Country	Macroeconomic stability and public finance	Foreign exchange system reform	Tax reform	Financial sector reform	Public sector reform	Social sector reform	Privatization	Governance
Senegal	✓		✓	✓	✓	✓	✓	
Mozambique	✓	✓	✓	✓	✓	✓	✓	
Tanzania	✓	✓	✓	✓	✓	✓	✓	
Benin	✓	✓	✓	✓	✓	✓	✓	
Kenya	✓	✓	✓	✓	✓	✓	✓	✓
Chad	✓	✓	✓	✓	✓	✓	✓	
Ghana	✓	✓	✓	✓	✓	✓	✓	✓
Uganda	✓	✓	✓	✓	✓	✓	✓	
Zambia	✓	✓	✓	✓	✓	✓	✓	✓

29. A participatory approach in the design of a national poverty strategy framework is an important innovation, and the IMF and the World Bank could play a constructive role by helping countries achieve this goal. Unfortunately, the majority of HIPC countries simply do not have the necessary up-to-date poverty data and the institutional and analytical capacity to undertake extensive poverty monitoring and integrate poverty reduction strategies into a macroeconomic framework. In the absence of this critical knowledge infrastructure, it is unrealistic to expect that these countries can come up with a consensus-based national poverty reduction framework. The Bank and Fund are in a much better position than anyone else to recognize that such information on broad areas of economic and social sector policy are hard to come by in many of the HIPC countries.[8] Even the construction of a poverty profile is difficult since a recent national household survey is not available in the majority of HIPC countries.

30. Given these problems, the decision to make debt relief conditional on the preparation of full-fledged Poverty Reduction Papers is unrealistic. Since the outcome of national consultation during the preparation of the full PRSP is uncertain, it is advisable to delink debt relief from the PRSP process so that resources can be directed toward poverty programmes without any further delay. But great care must be taken to ensure that debt relief funds are not used for corrupt purposes.

B. Citizens' participation

31. The PRSPs are supposed to be country-driven, prepared and developed transparently with the broad participation of civil society. Yet the "template" for preparing the PRSP, i.e., what it should contain, is designed by donors, which says very little about the authenticity of national ownership.

32. Citizen participation in the preparation of the I-PRSPs has not been transparent in several of the countries reviewed - although the independent expert notes the exception of Uganda's full PRSP. While civil society groups have been invited to participate extensively in discussions on the social policy-planning component of the I-PRSP, they have effectively been excluded when it comes to discussions on the content of macroeconomic policy choices. In Ghana, Tanzania and Kenya, for example, the contents of the policy matrix that is part of the I-PRSP were never made public during the national consultations. In a few other countries, consultations took place only with concerned line ministries, although the policy documents state that such consultation shall take place in the course of the preparation of the full PRSP.

33. In Tanzania, civil society organizations were demanding more active participation throughout the PRSP process. However, they were brought into the process in a superficial and half-hearted manner.[9] The Government developed the I-PRSP internally, while civil society groups were involved in a separate process, convened by the Tanzania Coalition for Debt and Development (TCDD). Key macroeconomic and structural adjustment issues were addressed in secret negotiations, occurring in parallel to the PRSP consultations. At a later stage, the civil society working groups managed to participate in the sharing sessions on the documents already prepared by the Government. Rather than there being a joint sharing process about the best way to merge the civil society and government inputs, the inputs prepared by the civil society organizations were simply sent to the government-led process for integration. The consultations were all undertaken in a rushed manner, not allowing for true dialogue, discussion and debate.

Civil society groups were not invited to participate in the final drafting of the I-PRSP, although they had argued that the final process should include representatives of civil society organizations.[10]

34. As it stands now, the PRSP in Tanzania lacks credibility because the process lacked the informed participation of citizens' groups. The imperfect consultation process will have a huge impact on the preparation of the full PRSP. Many civil society groups feel cheated by both the Government and donors, especially the World Bank, which has been emphasizing the importance of civil society participation in the PRSP preparation and approval process. The politics of managing this discord between government and civil society will be a more difficult problem to overcome than the problem of data and technical expertise in the preparation of the full PRSP. The I-PRSP should be seen as a building block for the full PRSP rather than as a tool of political expediency to get as many countries as possible qualified for decision point so that they access interim relief.

35. Despite the criticisms raised above, the PRSP process does have potential as a tool that developing countries can use to implement genuinely country-owned and participatory poverty reduction strategies. The Bank and Fund can play an important role in this process, but only if they are able to change their approach to conditionality and macroeconomic reform. While both institutions increasingly recognize the need to link macroeconomic policies to broad social development goals, there is still a tendency to design macroeconomic policy with a focus on market-based criteria and financial concerns.[11] This tendency always leads to a situation where social and human development and equity concerns take a back seat to financial considerations. Desired social and human rights objectives, such as equity, meeting basic needs, etc., need to be central to macroeconomic policy-making if a people-centred development or rights-based approach to development is to be promoted.

III. BOGUS INDICATORS: CAN THE DEBT "SUSTAINABILITY" RATIO TELL US HOW SICK A COUNTRY IS?

36. A recent Oxfam report concluded that the annual budget savings for most countries receiving HIPC debt relief would be modest. Some countries, including Senegal, Tanzania and Zambia, will emerge from the HIPC debt relief process in the perverse position of paying more in debt servicing. Debt payment will continue to absorb a disproportionately large share of government revenue, amounting to more than 15 per cent in six countries and to over 40 per cent in Zambia, Cameroon and Malawi.[12] That such a situation can occur raises questions about the viability of the HIPC initiative. It makes no sense to put such pressure on these poor and desperate countries.[13]

37. The current strategy to provide debt relief to eligible HIPC countries is grossly inadequate. Mozambique and Zambia illustrate this point. When Mozambique became the first candidate under the HIPC initiative in 1996, it was thought that the debt relief package would finally liberate the country from debt bondage. But, by 1998, Mozambique, with $6 billion debt, found itself repaying more than $100 million a year in debt service despite the cancellation of

approximately $1.4 billion of debt owed to the IMF and the World Bank. The actual relief amounted to only just a little over $10 million a year, leaving Mozambique to continue servicing the debt at the level of more than 20 per cent of its foreign exchange earnings.[14]

38. The Mozambican case was complicated by the release of a confidential March 1998 letter of agreement between the World Bank and the Government that had not been disclosed to the Parliament or civil society in which the Government had agreed to implement several macroeconomic conditions, including the privatization of municipal water, in order to receive HIPC debt relief. Public outcry over the terms of the conditions for debt relief, particularly the pressure by the Jubilee 2000 movement, led to slightly greater concessions in mid-1999. Average debt repayment is expected to decline to $73 million a year between 1999 and 2005, as opposed to $114 million a year between 1995 and 1998. To obtain the additional relief, the Government agreed to implement 71 new conditions imposed by the IMF, including a prohibition not to resurrect the cashew-processing industry using traditional industrial policy tools.

39. Zambia had faced the same fate as Mozambique.[15] Even with full application of HIPC debt relief, Zambia's debt would not have reached "sustainable levels" until after 2005, according to the IMF's own analysis. In early September 2000 the IMF had proposed four options for smoothing post-HIPC debt service obligations:

> Front-loading of interim assistance under the initiative by 75 per cent. The debt service under this option will still be above the current debt service and does not therefore address the objectives of the HIPC initiative;
>
> Rescheduling the Structural Adjustment Facility (SAF) loan to the IMF. This will only shift the "hump" of the debt burden to a different period in the future;
>
> HIPC initiative loan; this will not be subject to any further debt relief in future;
>
> Finally, (a) blending of HIPC initiative grants and loans; and (b) reduction of Zambia's debt to export ratio to 11.7 per cent in 2001, and 8.5 per cent in 2005. This variant will leave the debt service to revenue ratio at 23 per cent in 2001, and since this ratio will not fall below 15 per cent until 2007, is still insufficient.

40. In a letter dated 17 October 2000 to the Executive Director of the IMF, Mr. C.D.R. Rustomjee, the Minister of Finance and Economic Development of Zambia, Dr. Katele Kalumba reiterated his Government's disappointment with the proposal put forward by the Fund in this way:

> " … If the fundamental objective of the Enhanced HIPC initiative is poverty reduction, then the proposals in their current form, which translate into higher or unchanged debt service levels, are inconsistent with the spirit of the entire initiative, and indeed of the Poverty Reduction and Growth Facility (PRGF). The inconsistency is heightened by the fact that debt service to the Fund, which is the architect and sponsor of the HIPC Initiative and the PRGF, will rise substantially following the Decision Point."

41. The events surrounding the IMF-Government of Zambia exchanges generated significant levels of public outcry and lobbying in an effort to force the Fund to change its position and to take a more sensible position that would not aggravate the deteriorating social situation in the country. In response to this public pressure, the Executive Board of the IMF changed the rules governing Fund assistance to Zambia under the enhanced HIPC initiative on 1 December 2000, permitting the Fund to accelerate debt relief for Zambia. The Fund agreed to effectively reduce Zambia's debt to the IMF by about two thirds. According to the Director of the Fund's African Department, net transfers to Zambia will rise by about $100 million in 2001 to about 15 per cent of gross domestic product; and the IMF will be putting in more than it is taking out in debt service payment.[16]

42. Inadequate levels of debt relief are just one of the problems associated with the enhanced HIPC initiative. Unrealistic IMF conditions that eligible countries must comply with in order to receive debt relief have been the second most pernicious problem. Although there is no clear evidence that shows that the IMF and World Bank are directly dictating policies to HIPC countries, Governments know by experience what the two powerful institutions expect of them. Stringent macroeconomic goals (normally found in conventional structural adjustment programmes) feature prominently in the 10 Interim Poverty Reduction Strategy Papers (I-PRSPs) reviewed for this report, as countries try to send a clear signal to the IMF in order to trigger interim support.

43. For the Enhanced HIPC initiative to become successful, therefore, it must avoid excessive conditionality, especially so long as little evidence exists of the success of programmatic conditionality in reducing poverty. Most critically, it must give countries facing major humanitarian crisis increased flexibility. Such countries are forced to make decisions and allocate resources in ways not consistent with business-as-usual development planning and management, given an urgent need for reallocation of funds towards ensuring, as a priority, that people stay alive. The time factor is obviously critical. In the face of mass poverty and humanitarian and health emergencies, there is no time to wait for an evaluation of three-year implementation of conditionalities to reach completion point before countries can obtain full relief.

44. Better yet, there is a need to delink debt relief from the whole PRSP process so that countries take the necessary time to prepare a consensus-based national poverty reduction plan without the pressure of having to please the IMF and the World Bank in order to access interim relief. Both creditors and debtors should pay serious attention to the urgent need to link macroeconomic policies to social development objectives. As practised now, the disconnect between the two is too wide to lead to the desired outcome.

45. Finally, a word or two is in order as to the relationship between the Bretton Woods institutions and the policies of the G-7 Governments, which effectually set the agenda for the two institutions. These institutions very much serve the interests of the key shareholders.[17] Given that the IMF and the World Bank do not have a monopoly of knowledge about economic development and social policy despite their posturing to the contrary, the G-7 Governments are as much to blame for continuing to prescribe faulty diagnosis to indebted countries as the Fund and the Bank. In this regard, the role of the United States Treasury cannot be underestimated.[18]

IV. RECOMMENDATIONS: THE WAY FORWARD

46. The under-funding of the HIPC initiative, the unnecessary delay in granting immediate relief, because countries encounter difficulty preparing a PRSP that meets all the conditions, and the inadequate and superficial participation strategy for inclusion of civil society groups, provide sufficient reason for creditor Governments and institutions to revisit the whole issue once again.

47. At the same time, the need to grant immediate relief to eligible HIPC countries should not be understated, given their precarious economic and political situations at the present moment. But to expedite the process, the following measures are recommended:

(a) De-link HIPC debt relief from the PRSP process. Real national ownership of poverty reduction frameworks can only happen if the threat of "conditionality" is removed by the IMF and the World Bank from the backs of vulnerable Governments. Linking debt relief to the preparation of the PRSP removes the "autonomy" of countries to come up with a framework that clearly makes an explicit connection between macroeconomic policies and poverty reduction goals. This requires time, research and exhaustive consultation with broad sectors of their populations. The only condition should be that countries receiving debt relief establish an independent entity, like Uganda's Poverty Reduction Action Plan, to channel freed resources towards social development. Such an entity - preferably an independent non-governmental body - will manage the fund. This entity must follow important rules governing financial control, performance monitoring and evaluation systems to ensure that the Government will not be able to draw funds from the debt relief fund for other unproductive purposes. A steering committee composed of representatives of the NGOs, the Government and the donor community shall oversee the management of the independent entity to ensure financial and programmatic accountability;[19]

(b) The World Bank and IMF should not be given the exclusive role as overseers of poverty reduction programmes in poor countries. Other United Nations agencies, such as UNDP, UNICEF, UNCTAD and ILO should be brought into the process;

(c) Recalling the report of the Secretary-General on the subject, efforts must be made to initiate new rounds of talks in order to come up with a lasting solution to the crushing debt burden of many poor countries, including the HIPC countries. The new rounds of talks should start with a clear commitment that all debts owed by the HIPC countries will be written off, with no conditions; and that the list of eligible countries should be expanded to include countries that previously failed to enter the HIPC process because they failed to submit to IMF conditions on time;

(d) Abolish the IMF Poverty Reduction and Growth Facility (formerly ESAF) since this is merely a financing facility paid for by bilateral donors to clear up the debts owed by HIPC Governments to the IMF. The Fund can clear debts owed to it through gold sales (revaluation process) rather than through voluntary contributions from bilateral donors. Bilateral resources going to the PRGF should instead go to: fund additional bilateral debt relief, increase bilateral aid or directly fund a targeted programme, such as in the area of HIV/AIDS, girls' education or post-conflict reconstruction and rehabilitation in HIPC countries;

(e) Finally, it is important for third world debtor Governments, the multilateral financial institutions and social movements working on global economic justice issues to undertake serious dialogue on how to integrate macroeconomic policy issues with broader social development goals. The starting point of this dialogue should be an agreement to discuss and debate the research results on the economic and social impact of structural adjustment gathered from 10 country case studies, most of which were carried out jointly with the World Bank under an initiative known as the Structural Adjustment Participatory Review International Network (SAPRIN). Such a dialogue, if managed constructively, would benefit each of these actors in the formulation and implementation of alternative structural adjustment policies that are more transformative and non-regressive.

Notes

[1] IMF/IDA, Poverty Reduction Strategy Papers: Progress in Implementation, report prepared by the staffs of the IMF and the World Bank, 7 September 2000.

[2] Under the enhanced HIPC framework, the present value of debt is to be reduced to a maximum of 150 per cent of exports (as compared with a range of 200-250 per cent under the original HIPC) and 250 per cent of government revenue (previously 280 per cent). The amount of debt relief to be delivered is determined at the decision point, based on actual data.

[3] The goals include the following: reducing by half the incidence of extreme poverty; reducing by two thirds the infant and child mortality rates and by three fourths the maternal mortality rate; achieving universal primary education in all countries; providing access to reproductive health services for all individuals of appropriate age; eliminating gender disparities in primary and secondary education by 2005; and implementing national strategies for sustainable development by 2005 to ensure that the current loss of environmental resources is reversed globally by 2015.

[4] The I-PRSPs from the following countries have been reviewed for this report: Ghana, Senegal, Tanzania, Mozambique, Benin, Chad, Zambia and Kenya. The full PRSP was from Uganda.

[5] United States General Accounting Office, Debt Relief Initiatives for Poor Countries Faces Challenges, Report to Congressional Committees, GAO/NSIAD-00-161, Washington, D.C.

[6] See annexed I-PRSP Summary for Benin. This I-PRSP imposes 117 conditions.

[7] World Bank/IMF, “Heavily Indebted Poor Countries Initiative and Poverty Reduction Strategy Papers: progress report”, a joint memorandum by the President of the World Bank, James D. Wolfensohn and the Managing Director of the IMF, Horst Kohler, 7 September 2000, p. 6.

[8] In a 7 September 2000 memorandum to the members of the Development Committee and the members of the International Monetary and Financial Committee, World Bank President James D. Wolfensohn and IMF Managing Director Horst Kohler wrote the following: "The transition to full PRSPs is likely to present other problems, including effective costing of inputs and outcomes; tracking poverty-related public expenditure; and integrating poverty reduction strategies into a consistent macroeconomic framework", p. 5.

[9] Comments from the Tanzanian Gender Networking Project regarding the IMF and World Bank endorsement of the Government of Tanzania's "Poverty Reduction Strategy Paper", available at http://www.global.challenge.juno.com.

[10] Charles Abugre, "Who governs low-income countries? Summary of an interview", News & Notices, vol. 2, No. 3, Fall 2000.

[11] Fantu Cheru, "Mainstreaming human rights in macroeconomic policy-making: a closer look at structural adjustment programs", paper prepared for the UNDP Human Rights Training Seminar, Windhoek, Namibia, 9 October 1999.

[12] Oxfam International, "HIPC leaves poor countries heavily in debt", 18 September 2000.

[13] In an article entitled "The charade of debt sustainability" which appeared in the 26 September 2000 issue of the Financial Times of London, economist Jeffrey Sachs wrote "The IMF and the World Bank have been mouthpieces of deceit on behalf of the G-7 Governments, with their charade of analysing the 'debt sustainability' of the poorest countries. These analyses have nothing to do with debt sustainability in any real sense, since they ignore the needless deaths of millions of people for want of access to basic medicines and nutrition. Money that could be directed towards public health is instead siphoned off to pay debts owed to western governments and to the IMF and World Bank themselves."

[14] Joseph Hanlon, "New official data shows Mozambique gains little or nothing from debt relief", Jubilee 2000 Coalition, 4 June 1998.

[15] Letter to Tim Geithner, Under Secretary of State for International Affairs, United States Department of Treasury, regarding Zambian debt, from Mr. Salih Booker, Director, Africa Policy Information Center, 27 November 2000.

[16] "Change to HIPC rules will help Zambia", letter to the Editor from Mr. G.E. Goudwe, Director, African Department, International Monetary Fund, Financial Times, 8 December 2000.

[17] See the quote from Jeffrey Sachs in note 13.

[18] For example, Gordon Brown, Britain's Chancellor of the Exchequer has been a champion of debt relief. His emphasis on accelerated debt forgiveness is at odds with the position of his United States counterpart, Treasury Secretary Lawrence Summers. Although Summers also favours debt forgiveness, he takes the position that countries must implement broad economic reforms and commit themselves to Bank/Fund approved poverty reduction strategy if they expect to be rewarded. But there are political and practical technical problems, which make it impossible for many HIPC countries to prepare an authentic, and consensus-based poverty reduction strategies for reasons detailed above. Given the differential powers among the G-7 Governments when it comes to international economic coordination, there is a limit to what the Bank and the IMF can do. It is in this complex and contested international political terrain that the issue of debt relief to poor countries is being played out.

[19] Fantu Cheru, "Debt relief and social investment: linking the HIPC initiative to the HIV/AIDS epidemic in Africa, the case of Zambia", in Review of African Political Economy, December 2000.

Annex I

PRSP SUMMARIES: CHAD AND MOZAMBIQUE

<table>
<tr><th colspan="2">CHAD</th></tr>
<tr><th colspan="2">Key elements</th></tr>
<tr><td colspan="2">While poverty-related data are limited and not reliable, it is estimated that 54 per cent of the population of the country is affected by poverty. The average annual income is CFAF 98,000 (US$ 180). Seventy-seven per cent of women and 55 per cent of men have no education. Only 27 per cent of households have access to safe drinking water and 40 per cent of children under five suffer from chronic malnutrition.

The Government’s fight against poverty as the cornerstone of development strategy is articulated in the 1998-2005 Orientation Plan, which has the strategic aim to: combat poverty and improve the living conditions of its citizens. The four accompanying objectives are:

• Continuing and consolidating the democratization process of political and social life, in order to guarantee the security of individuals and of their property, increased participation of the population in political, economic and social life, and in decision-making processes, establishment of the rule of law, and of sound rules of governance and management;
• Achieving a high level of sustained economic growth leading to job creation and rising incomes;
• Developing human resources to promote increased long-term productivity of the workforce by providing better access to basic social services, health care, education, and social protection, as well as to the job market;
• Restoring and safeguarding the ecological balance of the ecosystems by placing particular emphasis on the environmental problems associated with human activity.</td></tr>
<tr><th>Macroeconomic policy</th><th>Social policy</th></tr>
<tr><td>Targets (2000-2002):
• Real GDP growth rate of at least 5 per cent;
• Annual inflation under 3 per cent;
• Increase in the current primary surplus equivalent to 1.7 per cent of GDP by 2002;
• Reduction of the current external deficit (excluding oil revenue and grants) to 14 per cent by 2002.</td><td>Overall poverty-reducing activities:
• Improve rural development;
• Mine clearing and reintegration of demobilized military personnel;
• NGO and development organization training;
• Development of Grassroots Economic Associations (ABVEs);
• Development of independent network of savings and credit cooperatives and their union;
• Measures to protect vulnerable groups.</td></tr>
</table>

Structural adjustment (2000-2002): 1. Maintaining macroeconomic stability, pursue fiscal consolidation and accelerate economic growth; 2. Improving efficiency of government management in general and management of financial resources in particular; 3. Continuing efforts to liberalize economy, divest government holdings in production activities and promote private initiative; 4. Preparing a PRSP on a participatory basis to serve as an overall framework for Chad.	Education: • Adopting the legislative framework; • Improving the efficiency of education spending; • Introducing new norms on the level of education of teachers and their remuneration, and providing training to implement the new norms; • Raising the share of education spending allocated to primary schools; reducing administrative expenditure as a share of the education budget; • Improving teaching and apprenticeship conditions; • Increasing the share of budgetary resources and raising investment spending in the sector; • Setting targets for reducing the pupil/teacher and pupil/classroom ratios and increasing the number of classrooms; • Improving the efficiency of the management of the educational system, by decentralizing and downsizing; • Renewing curricula and increasing their relevance to the workplace; • Raising literacy rates; the illiteracy rate is 67 per cent; 78 per cent of the illiterate are women; • Increasing community participation.

Growth: • Increasing growth in the medium term will require stimulating investment and increasing domestic resources available for investment, both by strengthening public savings and implementing policies to mobilize private and foreign savings; • Obtaining financial assistance from external partners, both to finance a large portion of public investment and to cover exceptional financing needs.	Health: • Completing health coverage by gradually providing all districts with functional services; • Consolidating maternal and infant health objectives; • Strengthen institutional capacities; • Training personnel; • Provision of drugs and improvement of national pharmaceutical policy; • Increasing participation of local communities in health service operations; • Defining mechanisms for the contracting out of services to NGOs to implement health policy; • Strengthening control of epidemics and AIDS; • Improving information, education and communication.
Fiscal policy: • Strengthening fiscal programming to direct it towards the objectives of poverty reduction, improvement of tax and customs administration, and enhancement of public expenditure procedures and management; • Introduction of new budget and accounting nomenclature, strengthening of the macroeconomic and public expenditure framework, and gradual consolidation of public resource management will result in more coherent social, economic and financial policies.	Agriculture/rural development: • Increased production; • The emergence of competitive sectors of activity; • Improving food security by increasing output; • Promotion of the rural sector, by adapting and starting up programmes to provide training in fisheries, livestock and agricultural techniques, and by strengthening producer organizations and transferring management functions; • Defining an action programme targeted at the advancement of women and children in rural areas; • Improving the development of natural resources; • Improving the effectiveness of public intervention and public services by starting a programme to strengthen the capacity to design and monitor rural development strategies and policies; • Completing reforms to liberalize cotton sector.
Tax policy: • Increasing the availability of resources for development by expanding the tax base through the reduction of tax evasion and fraud; • Improving taxation of the informal sector; • Replacing the turnover tax by a single-rate value-added tax (VAT) in early 2000.	

Monetary policy: • Continuing to target reduction of the inflation rate; • Consolidation of Chad's external position within the BEAC; • Continued rehabilitation of the banking and financial sector; • Increased use of indirect monetary policy instruments and the use of market-based interest rates in order to reduce the costs of financial intermediation; • Continuing to limit recourse to domestic bank credit.	Environmental protection: • Anti-desertification effort; • Adoption of a plan of action, including tree planting, erosion control and management of soil fertility; • Strengthening of the regulatory framework and national capacity to manage the environment; • Publication of the implementing regulations for the framework law on the environment and the law establishing the water code; • Training national environmental experts; • Undertaking and publishing a participatory assessment of the state of the environment; • Adoption of a National Environment Plan.
Budget expenditure: • Better allocation of budgetary resources to priority sectors to fight poverty; • Simplification and streamlining of government expenditures to improve efficiency, strengthening of management controls and audit procedures, and greater transparency and public information on budget execution.	
Structural reforms and private sector development: • Development of the private sector; • Strengthening of economic and administrative management; • Completion of the Government's programme of divestment of commercial activities; • Strengthening of the financial sector, particularly the rehabilitation of commercial banks and promotion of microcredit institutions, especially in rural areas; • Reform of the judicial system and regulatory framework to provide greater security to economic agents; • Coordination of all aspects of economic policy between the public and private sectors; • Special efforts to maintain and expand the road network.	Urban development: • Improving access to adequate, safe and clean housing; simplifying administrative procedures; • Promoting urban employment; • Improving services provided to the agricultural sector in urban areas; • Revitalizing social and community infrastructures; • Refurbishing/creating market facilities; • Devising plans for urban/town planning; • Developing urban land; • Strengthening land tenure law; • Strengthening resources of local governments; • Protecting/supporting vulnerable groups; • Encouraging NGOs and urban associations to mobilize the people towards participation; • Establishing a framework for preventing natural disasters.

<table>
<tr><td>Economic and administrative management:
• Vast institution and capacity-building programme aimed at improving government efficiency by downsizing staff and streamlining functions;
• Controlling the wage bill, particularly by replacing the automatic promotions system with a merit-based system;
• Decentralizing government.</td><td>Debt relief/management:
Not discussed.</td></tr>
<tr><td colspan="2" align="center">Consultation process</td></tr>
<tr><td colspan="2">With the aim of devising a transparent and participatory PRSP process; three phases have been identified:

1. A diagnostic assessment, aimed at gathering and enhancing information on poverty and its dynamics;
2. Identification of strategic approaches to priority actions;
3. Broad-based implementation of the National Poverty Reduction Strategy (NPRS).

A steering committee, comprised of all stakeholders - representatives of Parliament, government, civil society and the private sector - has been chosen to guide the process. It meets monthly. Participatory consultations, led by a senior government official and a representative of civil society, are being held in all regions of Chad in order to involve the broadest possible range of groups and regions. Special measures are being taken to ensure that the poorest of the poor participate in advisory groups.

A special civil society forum took place in November 2000, and an evaluation of standard programmes is taking place in the final quarter of 2000. A national seminar to identify strategic approaches and priority actions will take place from 15 to 22 February 2001. The preparation of the draft NPRS will follow and it will be ready in March. Regional seminars to review the draft will take place in April. In April-May 2001 a phase of strategic planning will be undertaken, followed in May-June by a validation of the PRSP process, when feedback from the political authorities will be incorporated. The NPRS/PRSP will be ready on or before 30 June 2001.</td></tr>
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<table>
<tr><th colspan="2">MOZAMBIQUE</th></tr>
<tr><th colspan="2">Key elements</th></tr>
<tr><td colspan="2">National objective: To improve the population’s standard of living (poverty reduction)

The PRSP has five objectives:

1. Improving living conditions in rural areas;
2. Investing in human capital;
3. Improving the social safety nets;
4. Formulating a population policy;
5. Improving national capacity for analysis and monitoring of poverty.</td></tr>
<tr><th>Macro policy</th><th>Social policy</th></tr>
<tr><td>• Maintain rapid economic growth by stimulating the development of industry and construction and increasing agricultural productivity.

Prospects for growth have a rural and regional focus:
• Increase agricultural productivity in the family sector;
• Create a marketing network able to provide the necessary productive inputs and to guarantee that agricultural surpluses are bought;
• Create a rural financial system to support production activities and marketing by small and medium farmers and traders;
• Stimulate marketing and competition through access to capital.</td><td>Poverty: the inability of individuals to ensure for themselves and their dependants a set of minimum basic conditions for their subsistence.
• Minimum basic conditions identified through an absolute poverty line established using nutrition levels of approximately 2,150 kilo-calories per person per day;
• The incidence of absolute poverty is 69.4 per cent;
• Three out of four Mozambican women are illiterate;
• The majority of the population does not have access to clean water;
• Infant and maternal mortality rates remain high.
The objective is the reduction of poverty from the current level of 70 per cent to around 50 per cent in the next 10 years.</td></tr>
<tr><td>• Economic policy in recent years has focused on stabilization;
• Mozambique is moving towards structural adjustment, concentrating on the reduction of the macroeconomic imbalances.</td><td>• Goal of developing human capital through investments in education, health, employment, access to safe water and sanitation.</td></tr>
<tr><td>• The fight against poverty means directing scarce budget resources to activities that contribute to sustained economic growth and a better distribution of resources within the economy;
• Economic stability is a critical factor in ensuring that the assets of the poor do not deteriorate.</td><td>• Priority given to the following households: those with many dependents; a single source of income; headed by women; where the average machamba is smaller than the norm; headed by people without any permanent income source.</td></tr>
</table>

Liberalize international trade: • Encourage entry of new traders by reducing the bureaucracy associated with obtaining a licence; • Reform tax policy; • Improve customs; • Improve basic infrastructure; • Maintain law, order, justice and internal security.	Education: • Guarantee that all children have access to primary education; • Reduce adult illiteracy; • Increase girls' enrolment rate; • Recruit qualified teaching professionals; • Construct new classrooms; • Provide school materials and uniforms free of charge; • Encourage companies and non-governmental organizations to provide literacy programmes for their workers and surrounding communities.
• Maintain low inflation levels in the economy and foreign-exchange stability.	Health: • Improve primary health care and women and children's access to it; • Prevent the main endemic diseases; • Prevent HIV/AIDS; • Improve nutrition, primarily through education on healthy eating habits; • Promote family planning.
• Growth of key industries.	• Increase institutional delivery coverage to 50 per cent; • Ensure that 75 per cent of children born in the next 10 years have complete immunization before they are one year old; • Improve treatment of abortion complications; • Involve 1,200 drug addicts in rehabilitation programmes.
	Safe water: • Improve access to safe water (50 per cent of urban and 40 per cent of rural population).
• Improve the postal and banking system to assist with communications and transfers of remittances.	Sanitation: • Improve access to sanitation; • Increase low-cost sanitation coverage in urban areas to 50 per cent.

<table>
<tr>
<td rowspan="2">Strengthen poverty analysis:
• Analyse the macroeconomic framework within which stabilization occurs and sustained economic growth is projected;
• Train 10 national technicians in poverty analysis and evaluation techniques;
• Introduce seminars on poverty analysis into the curricula of university courses.</td>
<td>Agriculture:
Objective of increasing agricultural productivity in the household sector by:
• Encouraging the use of improved seeds, extension services, compost, pesticides and fertilizers;
• Increasing the proportion of the population with access to extension services from 17.5 per cent to 27 per cent;
• Encouraging development of small irrigation systems;
• Improving access to land, markets and financial services;
• Promoting peasant associations;
• Utilizing surpluses by promoting the processing and conservation of the main local crops.</td>
</tr>
<tr>
<td>• Improve fishing techniques;
• Promote animal husbandry as a source of food security and income by encouraging the consumption of meat, milk and eggs, promoting the development of cattle and restocking programmes.</td>
</tr>
<tr>
<td></td>
<td>Rural infrastructure and development:
Community participation, intersectoral coordination and decentralization are basic fundamentals of rural development.
• Improve rural roads, housing, and access to energy services;
• Make rural areas less isolated;
• Establish favourable terms of trade for goods and services, reduce transaction costs and ensure adequate financial services;
• Guaranteeing adequate financial services for 100,000 clients;
• Decentralize and empower provincial governments;
• Promote rural communication by establishing local sports clubs and cultural centres;
• Reduce percentage of the population living in huts and shacks</td>
</tr>
</table>

	Employment: • Promote rural employment and vocational training; • Promote income generating micro-projects and enterprises; • Ensure that every worker has a social security system.
	Nutrition: • Distribute vitamin A capsules to all children under five years of age and increase their consumption of vitamin rich foods; • Distribute iodine to school age children; • Improve the quality of the diet in rural areas.
	Food security: • Physical and economic access by all individuals to sufficient food to sustain an active and healthy life; • Ensure greater stability in family resources through: 1. Increased output; 2. Diversification of subsistence crops; 3. Expansion and diversification of income generation opportunities through agricultural and non-agricultural activities; • Provide food subsidies for 54,390 disabled people.
	STD/HIV/AIDS: 1998 adult prevalence was 14.5 per cent; the main determinants of HIV/AIDS are poverty, unemployment and sexual taboos and traditions: • Priority actions: 1. Prevent infection through sexual education; 2. Treatment of STDs, counselling and voluntary testing; 3. Increase condom availability; 4. Establish six counselling offices in major cities; 5. Provide 30,000 clinical care for 30,000 and home care for 9,500 people living with AIDS.

	Family: • Strengthen the role of the family in protecting and developing its members; • Provide social rehabilitation for delinquent children and child victims of prostitution and sexual abuse; • Promote the psychosocial rehabilitation, education and vocational training of street children and orphans; • Involve 7,500 young people in development organizations.
	Debt relief: No mention of debt relief.
Consultation process	
PRSP prepared by an intersectoral team led by the Ministry of Planning and Finance and including the Department of Macroeconomic Planning, the Ministries of Health, Education, Labour, Social Action, Agriculture and Fisheries, Public Works and Housing, and the Social Action and Rural Development Institutes. Staff of the Technical Office for Population, academic and research institutions, and Matola Municipality also participated. Consultation process within government institutions, civil society (producers' associations, trade unions, NGOs and religious groups) and the international donor community during the elaboration, implementation, execution and adjustment of the development programme. Reproduction and distribution of the PRSP throughout the country. Also, dissemination of information by radio, television and seminars in the provinces.	

Annex II

SUMMARY OF PRSP ANALYSIS: BENIN, GHANA, KENYA, SENEGAL, TANZANIA, UGANDA AND ZAMBIA

<table>
<tr><td colspan="2">BENIN</td></tr>
<tr><td colspan="2">Key elements</td></tr>
<tr><td colspan="2">Strategic approach:

• Enhance the consistency of macroeconomic and sectoral policies and ensure specific targeting at poverty reduction;
• Strengthen macroeconomic and financial policies and various measures to promote private investment, as well as give priority to social services by allocating more of the proceeds from growth and external assistance to them and implementing social policies appropriate to local conditions;
• Focus on the principal objective of the national plan for combating poverty, adopted in 1998, of achieving a sustainable rate of economic growth that will produce a substantial increase in income per capita by the year 2002.</td></tr>
<tr><td>Macroeconomic policy</td><td>Social policy</td></tr>
<tr><td>• Economic reforms aimed at re-establishing sustainable growth, reducing internal and external imbalances, and improving the standard of living;
• Goal of poverty reduction through financial stability and strong and sustainable economic growth;
• Goal of real economic growth rate of 5 to 6 per cent by raising the investment ratio and keeping inflation at 3 per cent.</td><td rowspan="2">Current initiatives to combat poverty:
• National Programme on the Social Dimension of Development Strategy;
• National Community Development Programme;
• Local development support programmes;
• National Employment Programme;
• Adopted the Social Dimension of Development (SSD) in 1994 to address all aspects of poverty simultaneously by ensuring that macroeconomic and sectoral policies explicitly integrate the SDD;
• Plan targeting the most vulnerable groups, with their full participation. Aim of addressing the causes of poverty through monitoring of the population’s living conditions.</td></tr>
<tr><td>Budgetary policy:
• Overall development strategy based on budgetary policy;
• Goal of increasing budgetary revenues through effective tax and customs administration and broadening the tax base;
• Ensure that budgetary allocations to the social sectors are consistent with the poverty reduction strategy.</td></tr>
<tr><td>Privatization:
• Policy of withdrawal from productive activities (in particular telecommunications, energy and cotton).</td><td>• Improve social services by reforming the civil service and quickening the pace of decentralization;
• Address basic needs identified as priorities by the beneficiaries themselves.</td></tr>
</table>

• Enhance the efficiency of the public sector, expand the role of the private sector, and stimulate private investment in diversifying monetary policy through: 1. Active involvement in regional integration and WAEMU activities; 2. Acceleration of structural and sectoral reforms.	• Public participation is essential for poverty-reducing development; • Local governments will play a predominant role in executing and monitoring anti-poverty programmes.
Tax policy: • Goal of promoting greater equity in income distribution.	Poverty: five essential areas: 1. Education; 2. Access to primary health services and care; 3. Food security; 4. Development of income-generating capacity; 5. Economic integration.
Price stability: • Use interest rates as the principal instrument for price regulation; • Maintain the parity of the CFA franc against the euro.	Health: Limited access to health-care services, with Benin falling short of WHO standards; • Goal of establishing 23 additional health districts; • Prepare a strategy to combat the HIV/AIDS epidemic; • Pursue efforts to reduce malnutrition.
• Liberalize the economy by deregulating prices and opening new sectors to competition and private investment; • Continue diversifying the economy, through private investment in the agricultural and manufacturing sectors.	Education: • Make education broadly available by: 1. Eliminating tuition fees for rural students; 2. Transferring central government resources to rural schools; 3. Eliminating the grade repetition system in the first year of primary school; 4. Recruiting teachers to fill vacant posts.
Sectoral reform of agriculture: • Promotion of the diversification of national output by developing pineapple, cassava, cashew, palm oil and groundnut production; • Increase farmers’ incomes to reduce poverty: supporting producer prices are an important part of the poverty reduction strategy.	Water: • Accelerate rural and urban water supply programmes; • Introduce a pricing policy for water use; • Pursue public awareness campaigns on the interactions between water, hygiene and health.
Debt: • Reduce the external debt burden and maintain a prudent debt policy.	Rural development: • Local financing for agriculture; • Improve food security; • Extend the road system.

<table>
<tr><td></td><td>Environment and sanitation:
• Increased planning of urban development and access to low-cost housing;
• Goals:
1. Improving living conditions;
2. Monitoring trends in natural resources and biodiversity;
3. Promoting urban sanitation;
4. Reducing pollution.</td></tr>
<tr><td></td><td>Debt relief:
• Exactly how debt relief will be used is barely touched upon, except to say that priority will be given to social services when allocating external assistance.</td></tr>
<tr><td colspan="2">Consultation process</td></tr>
<tr><td colspan="2">It is necessary for the population to take responsibility for development policy. The people themselves must be involved throughout the process, from the conception of projects and programmes, through their planning and financial arrangements, to their execution and evaluation. At the national level, the Government will involve target groups, civil society, the private sector and NGOs.

To prepare the PRSP, the Government established the National Development Anti-Poverty Commission, whose membership is comprised of the public administration, specialized agencies, development partners and representatives of civil society, including NGOs. Participation will be managed through the Commission.

At the local level, local development associations, authorities and municipal associations for the environment will constitute the basic support for the participatory process. This process will include education programmes and household surveys of living conditions. Consultations will involve representatives of local government and decentralized State agencies, civil society and development partners.

At the central level, consultations with issue-specific groups will be used on an ad hoc basis. Technical meetings will address the macroeconomic framework, as well as economics and social policies, and will involve the appropriate external partners.</td></tr>
</table>

<table>
<tr><td colspan="2" align="center">GHANA</td></tr>
<tr><td colspan="2" align="center">Key elements</td></tr>
<tr><td colspan="2">The overall trend in poverty during the 1990s has been broadly favourable in Ghana, with the percentage of poor falling from 51 per cent in 1991/92 to about 43 per cent in 1998/99. The decline however, is not evenly distributed geographically, with substantially higher levels of poverty in rural areas.

Ghana’s development policy over the past 10 years has prioritized reducing poverty by improving agriculture. Developed in 1995, Ghana’s strategy for poverty reduction lays emphasis on: economic growth, integrated rural development, expansion of employment opportunities, improved access by the rural and urban poor to basic public services such as education, health care, water and sanitation, and family planning services. Principal objectives are:

• A reduction in the incidence of poverty in both rural and urban areas;
• Strengthened capabilities of the poor and vulnerable to earn income;
• Reduced gender and geographical and socio-economic disparities;
• A healthier, better educated and more productive population.

Ghana is at present embarking on preparations for its second policy framework and medium-term plan for the period 2001-2005, a constitutional requirement every five years and part of Ghana’s vision statement, “Ghana 20/20”.</td></tr>
<tr><td align="center">Macroeconomic policy</td><td align="center">Social policy</td></tr>
<tr><td>• Growth-oriented macroeconomic strategy, based on promoting the productive sector and encouraging private investment (4 per cent in 2000, 4.5 per cent in 2001, 5.5 per cent in 2002);
• Maintaining budget resources for sustainable revenue to GDP ratio provision of public services;
• Poverty reduction through expenditure reprioritization, (medium-term expenditure framework), decentralization, better targeting of poverty regions;
• Raising labour productivity through diverting money saved from cuts in interest payments to social sector expenditure.</td><td>• Basic education, primary health care, rural water, housing and infrastructure, poverty-focused agriculture, social welfare and population management;
• Establishment of food security systems and improved access markets and better infrastructure;
• Reducing population growth and improvement of nutrition;
• Increased support to judicial, legal and human rights;
• Reducing isolation of poor communities through strengthening economic infrastructure such as roads and communications networks.</td></tr>
</table>

Privatization and employment: • Creating an enabling environment for private sector growth; removing bottlenecks; • Growth in the productive sectors to create employment; • Construction of economic infrastructure; • Accelerated privatization programme and creation of Privatization Trust to ensure ordinary Ghanaians have meaningful stake in privatized companies; • Creation of National Economic Forum and Public-Private Sector Forum; • Creation of appropriate regulatory frameworks.	Education: • Increased support to basic education, supply of materials, number of teachers and teacher trainings; • Ensure equal access to basic education to raise human capital levels of the poor; • Increase girls' primary school enrolment, from 82.4 per cent in 1999 to 93 per cent in 2003; boys' from 85.5 per cent to 93 per cent; • Implement strategic functional literacy programme; • Target deprived areas for infrastructure development, teacher housing, etc.
Trade and export promotion: • Liberalizing economy (key to higher growth and employment) and lowering of trade protections in line with regional liberalization; • Export promotion and diversification.	Health: • Increase health expenditure as a percentage of domestic primary expenditure; • Develop/implement multi-sector HIV/AIDS strategy; • Coverage of, and access to, primary health care.
Tax policy: • Pursue equity by replacing trade-related taxes with broad-based taxes (value and income).	Water: • Improve access to safe water; • Increase access to safe water to 60 per cent of the rural population by 2001, and 83 per cent of the rural population by 2008, and to 100 per cent of the urban population by 2015.
Agriculture: • Modernization of agricultural sector; • Rebuild foreign reserves to reduce vulnerability to external shocks.	Agriculture: • Enhancement of agricultural sector by increased investment productivity, investment and access through improved technology and financial services, as well as training.
Monetary policy: • Reduce inflation; • Stabilize the exchange rate.	Debt relief/management: • Reduce domestic debt, by maintaining primary balances around 4 per cent (medium term) and accelerating divesture programme; • Strictly limit external borrowing.

Consultation process
The PRSP will be integrated into the Vision 20/20 process and poverty reduction efforts will generally work through existing institutional mechanisms - the Technical Committee on Poverty of the Inter-Ministerial Committee (IMC) on Poverty Reduction. The National Development Planning Commission - the body also responsible for the second five-year plan of Vision 20/20 - will ensure that a coherent poverty strategy emerges from the consultations. • The process started in January 2000, with the formation of eight Cross-Sectoral Groups (CSPGs) with broad representation from government, the private sector, academics, civil society and development partners; • Shortly thereafter, Vision 20/20 was launched and in February the Development Strategy for Poverty Reduction was drafted as the core of an Interim PRSP, and distributed to the CSPGs as background for their thematic work. Presentation of the Interim PRSP took place in July 2000, as well as the launching of the Ghana PRSP process on the basis of Vision 20/20 and the formation of core teams to undertake the preparation of the PRSP. Consultations with civil society and others are to have taken place from August/September 2000; • The IMC will oversee the preparation of the Ghana PRSP, which will be finalized in February 2001. The Comprehensive Development Framework and the Comprehensive Country Assessment were also prepared with a broad range of development partners, under the leadership of the Government. The “Mini-CG” (Consultative Group of Government and its development partners) meets four times per year, reviewing developments and government-donor issues.

<table>
<tr><td colspan="2">KENYA</td></tr>
<tr><td colspan="2">Key elements</td></tr>
<tr><td colspan="2">Primary development goal: Achieve a broad-based, sustainable improvement in the standards of welfare of all Kenyans. While the Government has a particular responsibility for spearheading action and creating a positive framework, the private sector, non-governmental and community-based organizations all have a vital role to play in meeting the challenge of poverty reduction.

The PRSP has five components:

1. To facilitate sustained and rapid economic growth;
2. To improve governance and security;
3. To increase the ability of the poor to raise their incomes;
4. To improve the quality of life of the poor;
5. To improve equity and participation.</td></tr>
<tr><td>Macroeconomic policy</td><td>Social policy</td></tr>
<tr><td>Prerequisites for poverty reduction:
• Economic growth that considerably outpaces population growth;
• Immediate priority of restoring and sustaining rapid economic growth in order to generate the wealth and economic expansion necessary;
• Agriculture (food production) and tourism will be the main source of economic growth early on. An upturn in manufacturing, export-oriented agricultural and service sectors is projected to sustain economic growth over the medium term.</td><td>The poor are defined as those who cannot afford basic food and non-food items.
The poor must be provided with the means to help themselves through:
• Income earning opportunities;
• Ready access to means of production;
• The provision of affordable, basic services;
• Protection of the law.
This will not be achieved through temporary relief programmes, but only by increasing equity of opportunity and ensuring that all members of society can participate fully.</td></tr>
<tr><td>Macroeconomic strategy for the next three years:
• Increase real per capita GDP growth to at least 3 per cent a year on a sustainable basis;
• Keep inflation below 5 per cent;
• Gradually increase foreign exchange reserves to provide four months of import cover;
• Maintain the current account deficit at sustainable levels.</td><td>Methods for achievement:
• Focus resources on improving the provision of and access to basic social services most needed by the poor: education, health, and water supply;
• Seek closer working relationships with NGOs and religious organizations to increase the range and quality of provision.</td></tr>
<tr><td>Reform of the financial sector:
• Reduce interest rates and increase savings rates by consolidating stabilization gains and reducing the domestic debt burden.</td><td>• Each community must become the vehicle for its own development and increased well-being;
• Development must be participatory and demand-driven, with accountability to local people rather than central government;
• Deliberate shift to increase the functional responsibilities of local authorities.</td></tr>
</table>

Private sector: • The Government will assist the private sector in expanding and gaining access to export markets and attracting foreign investment; • The bulk of the investment will come from the private sector, as investor confidence recovers, key privatizations take place and infrastructure priorities are addressed; • This strategy relies on significant privatization proceeds and an increase in foreign financing, which will have to be identified.	Immediate priorities: • Increasing primary school enrolment and completion; • Enabling poor children to attend secondary school; • Providing public health-care facilities with adequate drug supplies; • Making drugs and treatment affordable to the poor; • Increasing the provision of potable water in poor areas; enabling communities to assume responsibility for managing and maintaining water supplies; • Privatization of urban water supplies.
Debt reduction: • Reduce the domestic debt by lowering domestic real interest rates and allowing resources to shift to the private sector; • Contain the tax burden to 25 per cent of GDP; • Allow markets to determine interest rates; • Maintain international reserves to cover four months of imports.	Agriculture: • Poverty reduction calls for higher agricultural growth rates; • Important to expand rural non-farm employment; • Create an effective agricultural advisory service that provides practical, cost-effective extension; • Promote food security by maintaining a reserve of 3 million bags of maize, as well as drought contingency funding; • Continue famine relief distribution and monitoring by NGOs; • Control farm inputs for quality and empower farmers' associations; • Focus training on women farmers.
Tax Reform: • Reform the tax and fee system; • Shift the tax burden away from the poor.	Physical infrastructure: Key to economic growth, employment generation and poverty reduction: • Employ strict and transparent contracting procedures, quality inspection, and prompt auditing and accounting for road maintenance funds; • Sub-contract road maintenance to communities which will use labour-intensive methods and provide employment to local communities;

Foreign trade: • Rationalization of the trade regime through reductions in duty rates on raw materials; • Enforce anti-dumping legislation to ensure fair competition for Kenyan products.	• Attract the private sector to construct, maintain and manage the major highways as toll roads; • Increase the portion of the population with access to electricity and address the power crisis; • Improve telecommunications, air transport, ports, railways and housing; • Rehabilitate historical buildings and monuments.
Land reform: • Issue over 300,000 titles to individuals.	Water: • Withdraw from direct involvement in the implementation and management of water schemes, handing them over to communities and local authorities; • Develop a rehabilitation programme with stakeholders to enhance ownership; • Private sector will finance and manage urban water utilities.
Trade liberalization: • Eliminate all requirements for trade licensing acts which constrain, control and impose costs on business without adding value; • Retain requirements relevant to the sale of firearms, licensing or radio frequencies, etc.; • Eliminate excessive delays at port through port privatization.	Education: • NGOs and development partners fund the provision of textbooks and teaching materials at the primary level; • Provide science equipment to secondary schools; • Standardize textbooks; • Provide bursaries to cover user charges for poor children; • Provide loans and scholarships to outstanding poor students; • Equitably distribute teachers; • Reduce optional subjects and textbooks; • Decentralize school management to the district, school boards and parents'/teachers' associations; • Increase educational resources targeted to AIDS orphans, child workers and slum dwellers.

Opening of markets: • Opening of new markets for labour intensive manufacturers, services and agro-products; • Reduction of customs duties on raw materials which are not locally available.	Health: • Drop charges for treatment of certain diseases; • Enforce a waiver system for the very poor; • Shift from curative to preventive services; • Declare AIDS a national disaster; • Expand family planning services and improve information and education.
Tourism: • Renewed marketing effort to promote Kenya as an attractive tourist destination; • Improve security for tourists; • Upgrade tourism infrastructure, including roads, telecommunications, power, water and airport facilities; • Diversification of tourism (i.e. wildlife, cruise ships).	Social security: • Create a safety net for aged, retrenched, unemployed, disabled and displaced persons; • Develop new, innovative approaches for dealing with social safety nets.
Priority sectors for increasing employment and household incomes: • Coffee, cotton/textiles/garments, tourism, pyrethrum, processed foods, leather and leather products; • Increase production of coffee, tea, sugar, cotton, pyrethrum, horticultural crops, dairy and fish; • Minimize obstacles and constraints to the process of private sector value creation.	
Combating corruption: • Drive against corruption at all levels of the public sector; • New Code of Ethics and a wealth disclosure system for public officers; • Transparency in public procurement and contracting procedures.	

<table>
<tr><td rowspan="2">Privatization:
Removal of government from business and commercial activities;
Adopt a privatization programme, concentrating upon Kenya Railways, Ports Authority and Pipeline Company;
Reduce government control and intervention in the day-to-day running of the sugar factories;
Liberalize, reform and privatize institutions in the financial sector.</td><td></td></tr>
<tr><td>Debt relief:
No mention of debt relief.</td></tr>
<tr><td colspan="2" align="center">Consultation process</td></tr>
<tr><td colspan="2">The PRSP was developed in broad consultation with various stakeholders. Six Sector Working Groups and a Macroeconomic Working Group were established. This process culminated at the National Stakeholders’ Consultative Forum, which brought together over 300 Kenyans from the private sector, government, the media, NGOs, civil society, research institutions and think-tanks. Forum participants acknowledged that the voices of the poor were missing and the consultation process needed to be decentralized to districts and communities.

Monitoring and Evaluation Strategy:

All public sector programmes will include targets, objectively verifiable indicators and annual output definitions to facilitate monitoring. Poverty monitoring involves a large number of institutions, including the Poverty Eradication Commission and the Central Bureau of Statistics (CBS). CBS will provide data on these poverty analyses. Information for poverty reduction strategy will be drawn from household surveys, participatory poverty assessment surveys and establishment surveys.

A stakeholders’ committee that includes representatives from the public sector, the private sector, NGOs and religious organizations, donors and representatives of the poor will be formed.</td></tr>
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SENEGAL	
Key elements	
The existing private sector development strategy has not contributed to improving living standards or reducing poverty levels as hoped.	
Macroeconomic policy	Social policy
Economic Growth: • Growth-oriented macroeconomic strategy, based on promoting the productive sector and encouraging private investment; • Goal of maintaining the economy on a higher growth path, by completing structural and sectoral reforms in agriculture, livestock, fisheries, energy, transportation, private sector development and promotion of good governance; • Transfer increasing responsibility to the private sector in order to stimulate broader growth and create jobs; • More active partnership between the State, social and professional groups, and local communities.	Poverty: • Aim of reducing the incidence of household poverty by 50 per cent by 2015; • Will be measured and evaluated on the basis of the “energy approach”, taking into account the variables of “food and basic social services”, with the cost of the bundle being approximately 1 dollar purchasing power parity (PPP). Objectives of the strategy: • Promoting income-generating micro-enterprises; • Increasing cooperation between local government and grass-roots organizations to develop community infrastructure; • Strengthening of capabilities at the grass-roots level.
• Reforms in conjunction with West African Economic and Monetary Union (WAEMU) countries to improve revenue generation and ensure strict management of public spending; • Implement WAEMU Common External Tariff in full.	Demand-oriented approach: • Solutions to local problems will be more sustainable if target communities are able to participate in designing and implementing the solutions; • Approach will be participatory, focusing on accountability; • Requires communities to become involved in projects and play a meaningful role in the financing of current and capital outlays.
• Banks are expected to increase financing for productive investment.	• Decentralization of government agencies and local government; • Central government will coordinate, facilitate, promote, and supervise the execution of investment projects.

	Education: • Increase funding for primary education to raise enrolment rates to 75 per cent; • Improve the enrolment rate for girls; • Priority to have universal school enrolment by 2008, as well as eradication of illiteracy; • Development partners will contribute to funding these efforts.
	Agriculture and food security: • Involve rural people in economic and social infrastructure projects; • Enhance food security through diversified and competitive local production; • Achieve objectives by improving rural infrastructure and making micro-credit available to small producers.
	Health: • Ensure wider availability of essential drugs, access to health services, improved care, monitoring of endemic diseases and epidemiological surveillance, hospital reform and compliance with staffing standards; • Reduce infant and maternal mortality; • Lower fertility rates with family planning; • Solidify the financial basis for the public health system.
	Gender and development: • Alleviate domestic tasks in rural areas by making proper equipment available.
	Employment: • Goal of achieving full employment; • Reduce unemployment with a programme to promote income-generating activities and slow the rural exodus; • Make credit more available to local products and businesses that employ vulnerable groups.

<table>
<tr><td></td><td>Environment:
Empower local groups in the management of natural resources;
Carry out obligatory environmental impact studies in connection with any project involving land development, civil works, infrastructure or industrial and agricultural installations that pose environmental risks;
Preserve human habitats, particularly in coastal areas and wetlands.</td></tr>
<tr><td></td><td>Rural areas:
Provide access to drinking water through a well drilling programme (the national borehole interconnection programme);
Extend rural electrification and the telephone service;
Develop roads to facilitate trade and communication.</td></tr>
<tr><td rowspan="2"></td><td align="center">Debt relief</td></tr>
<tr><td>No mention of debt relief or any other external assistance.</td></tr>
<tr><td colspan="2" align="center">Consultation process</td></tr>
<tr><td colspan="2">Strategy was developed in consultation with all constituencies, including public administration, local communities, civil institutions and development partners.

To prepare the final version of the PRSP, the Government will hold broad consultations with all the parties concerned, including focus groups of the private sector, press, unions, women’s groups, NGOs and local representatives.</td></tr>
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<table>
<tr><th colspan="2">TANZANIA</th></tr>
<tr><th colspan="2">Key elements</th></tr>
<tr><td colspan="2">• Between 15 million and 18 million Tanzanians, half the population, live below the poverty line of $0.65 a day. The infant mortality rate is 86 per 1,000, while life expectancy is around 49 years. Malnutrition affects 44 per cent of children and access to safe water is around 50 per cent. The adult illiteracy rate is 28 per cent and the net primary school enrolment rate is about 57 per cent.
• Poverty eradication will be pursued through higher growth, improved economic opportunities for the poor, building human capital and empowering the poor to participate in development strategy.</td></tr>
<tr><th>Macroeconomic policy</th><th>Social policy</th></tr>
<tr><td>• Goal of achieving an economic growth rate of 6 per cent per year by maintaining gains in macroeconomic stability.</td><td rowspan="2">Poverty:
• Remains predominantly a rural phenomenon, though the number of poor in urban areas is growing fast;
• The poor typically lack capital and human assets, are less educated, suffer ill health and have large families;
• Envision society without abject poverty and improved social conditions.</td></tr>
<tr><td>• Avoid net domestic financing of the budget and follow monetary policies aimed at reducing inflation below 5 per cent per year.</td></tr>
<tr><td>• Maintain international reserves at four months of imports of goods and non-factor services.</td><td>Education:
• Conduct 50 per cent of district-based school mapping by the end of 2000.</td></tr>
<tr><td>• Improve accountability in financial management.</td><td rowspan="3">Health:
• Raise the coverage of children under two years immunized against measles and DPT from 71 to 75 per cent;
• Combat the denial of the HIV/AIDS pandemic through national awareness campaigns covering 75 per cent of all districts.</td></tr>
<tr><td>Foreign investment:
• Enhance private investment and lower the cost of doing business;
• Allow foreign investors to acquire equities in the stock market.</td></tr>
<tr><td>• Continuance of a market dominated exchange rate, with interventions by the Bank of Tanzania to smooth seasonal fluctuation.</td></tr>
<tr><td rowspan="2">Tax reform:
• Rationalize local taxes and fees and institute central government control mechanisms;
• Apply VAT to petroleum products at standard rate;
• Repeal NGO exemptions from VAT, except with respect to health, education and water projects;
• Limit taxes and levies to import duty, product-specific excises, the Energy Fund and the Road Fund.</td><th>Debt relief</th></tr>
<tr><td>• Seven countries have donated to the Multilateral Debt Fund since its establishment in July 1998;
• Provides assistance in servicing debt to the World Bank, IMF and the African Development Bank.</td></tr>
</table>

• Allow use of land as collateral for commercial bank lending.	• Savings of government resources will be used to provide services to priority sectors, permitting an increase in expenditures.
• Privatize assets of Dar es Salaam Water and Sewerage Authority and Tanzania Electric Supply Company.	• Plan to develop a Tanzania Assistance Strategy to guide external aid to Tanzania.
Consultation process	
Committee of Ministers and the Governor of the Bank of Tanzania has been established to steer the preparation of the PRSP. Technical committee established in the Ministry of Finance to assist Committee of Ministers. Responsible for laying the PRSP groundwork, the committee will coordinate consultations with stakeholders such as the donor community, non-governmental organizations, the business community and academics.	

<table>
<tr><th colspan="2">UGANDA</th></tr>
<tr><th colspan="2">Key elements</th></tr>
<tr><td colspan="2">Poverty has been falling over the past decade in Uganda. The proportion of Ugandans in consumption poverty fell from 56 per cent in 1992 to 44 per cent in 1997. The Government cites the increase in world coffee prices as a major reason for this.
Uganda's long-term goals are set out in "Vision 2025". The Poverty Eradication Action Plan (PEAP), developed in 1997, provides national priorities for poverty reduction and guides sector policies. The PEAP is at present being revised and will constitute the Comprehensive Development Framework, as well as the Poverty Reduction Strategy Paper. The PEAP rests on four pillars:
1. Creating a framework for economic growth and transformation;
2. Ensuring good governance and security (decentralization, transparency and efficiency of public expenditure, improving information access and dissemination, disaster management and conflict resolution);
3. Directly increasing the ability of the poor to raise their incomes;
4. Directly increasing the quality of the life of the poor.

The PEAP places emphasis on eradicating income poverty, increasing income to poor households, equitably and efficiently collecting and using public resources, improving literacy and educational achievement, health and ensuring the poor have an effective voice in the design and implementation of public policy.</td></tr>
<tr><th>Macroeconomic policy</th><th>Social policy</th></tr>
<tr><td>Creating a framework for economic growth and transformation:
• Sustain economic growth (7 per cent) by creating a framework through which the private sector can expand;
• Improve, in particular, agricultural growth rates;
• 5 per cent inflation target;
• Market-determined exchange rate.</td><td>Actions to aid the poor:
• Improve rural roads and transport (district roads fully repaired and maintained by 2006);
• Land: implementation of structures in Land Act;
• Restock livestock;
• Expand rural and urban markets;
• Improve rural electrification (12 per cent rural electrification by 2010);
• Vocational education (850 polytechnics and 100,000 persons trained by 2003).</td></tr>
</table>

Macroeconomic incentives: • Economic openness, encouraging exports and labour-intensive investments; • Low tariffs; • Open competition in a market being expanded by rising incomes from agricultural modernization.	• Expand micro and small-scale enterprises; • Administrative and political reforms aimed at increasing poor people's control over their own lives and the policies and services which affect them; • Equalization grants to ensure more equal delivery of services across the country.
Structural reforms: • Aimed at removing key constraints to private sector growth, and to improve the efficiency and quality of public services; • Banking and financial system; • Public utilities and transport infrastructure.	Education: • Maintain universal enrolment of 100 per cent (including poor households); • Encourage children to remain in school; reduce drop-out rates and raise completion rates; • Raise cognitive skills of primary school graduates (as reflected in results of the National Assessment of Progress in Education); • Access to districts levelled and access for lower socio-economic groups increased; • 85 per cent adult literacy after five-year programme; • Maintaining quantity of enrolment increases, while enhancing quality.
Tax reform: • Continue to make taxes more progressive; • Review of local taxation.	Water and sanitation: • 100 per cent or maximum feasible access to safe water by 2015.
Employment: • Expand employment; • Increase non-farm employment in rural areas where most poor people live.	Health: By 2004/2005: • Reduce child mortality from 147 to 103 per 1,000, maternal mortality from 506 to 354 per 100,000; • Reduce AIDS by 35 per cent; • Reduce total fertility rate to 5.4 per cent; • Reduce stunting to 28 per cent.

<table>
<tr><td>Financial and regulatory sector:
• Strengthening of financial sector;
• Develop a commercial justice reform programme in order to improve the ability of the Government to enforce contracts.</td><td>Agriculture:
• Modernization of agriculture, by:
• Research and technology;
• Advisory services;
• Education for agriculture;
• Access to rural finance;
• Access to markets;
Sustainable natural resource utilization and management.</td></tr>
<tr><td>Private sector competitiveness:
• Remove constraints on private sector competitiveness;
• Improve infrastructure;
• Reduce power shortages.</td><td>Infrastructure:
• Improvement of feeder roads via labour-intensive methods of road-building which are cheaper and increase employment.</td></tr>
<tr><td></td><td>Debt relief/management</td></tr>
<tr><td></td><td>• Debt relief made available under enhanced HIPC will go towards the Poverty Action Fund.</td></tr>
<tr><td colspan="2" align="center">Consultation process</td></tr>
<tr><td colspan="2">Uganda's PRSP will build upon the PEAP, which emerged in 1997 following a national consultative process involving a cross-section of stakeholders (central and local government, civil society and the private sector). Moreover, the current process of revising the PEAP remains a highly participatory process. An initial "discussion draft" was circulated to a wide range of stakeholders and a Participatory Action Plan has been developed which includes consultation at all levels of government, donors, Parliamentarians and civil society. Participatory approaches have increasingly been adopted for sector plan preparation and monitoring and appraisal exercises.

A Poverty Status Report (PSR) is produced on a semi-annual basis to review the implementation of the PEAP. The 1999 PSR incorporates data from the recent Uganda Participatory Poverty Assessment Project (UPPAP), which directly consulted poor communities on their priorities, needs and perceptions of the quality of service delivery and government policies.

Budgetary process: For the first time, civil society is involved in the dialogue on priorities and spending commitments, as well as monitoring of expenditures. To better reflect district poverty priorities and to bring local governments into the medium-term expenditure process, local government officials prepare medium-term expenditure plans. A transparent budget process with multiple channels for accountability (local constituencies, local authorities, press, community groups, NGOs and donors) is being developed. Civil society meets quarterly with central government officials to discuss delivery against budget allocations.</td></tr>
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<table>
<tr><td colspan="2">ZAMBIA</td></tr>
<tr><td colspan="2">Key elements</td></tr>
<tr><td colspan="2">In May 1998, a National Poverty Reduction Strategic Framework (NPRSF) was created with the following strategies aimed at addressing both causes and manifestations of poverty:

• Achieving broad-based economic growth through agriculture and rural development;
• Providing public physical infrastructure;
• Increasing productivity of urban micro enterprises and the informal sector;
• Developing human resources;
• Coordinating, monitoring and evaluating poverty reduction programmes and activities.

The NPRSF and its corresponding National Poverty Reduction Action Plan (NPRAP), prepared after extensive consultations with numerous stakeholders, will serve as the basis and reference point for the preparation of the PRSP.</td></tr>
<tr><td>Macroeconomic policy</td><td>Social policy</td></tr>
<tr><td>Monetary policy:
• Improve effectiveness of monetary policy;
• Reduce reliance on reserve and liquid asset requirements for domestic credit control;
• Make more active use of open market operations, e.g. through the purchase and sale of treasury bills.</td><td>Cross-cutting priorities:
• HIV/AIDS;
• Environmental management;
• Human rights;
• Promote gender equity and the role of women in economic development;
• Allocate at least 36 per cent of domestic spending (excluding debt service) to the social sector.</td></tr>
<tr><td>Trade policy and export promotion:
• Stimulate non-mining exports;
• Reduce/eliminate barriers to imports and continue to rationalize tariff structure;
• No new import duty exemptions;
• Reduce maximum import tariff rate to 20 per cent;
• Build capacity in government for handling non-tradable barriers by trading partners and for imposition of countervailing duty (by 2002);
• Finalize establishment of Export Processing Zone.</td><td>Targeted group interventions:
• Provide safety net for unemployed persons including retrenchees;
• Targeted food security, health and nutrition interventions to areas with high poverty levels;
• Implement land resettlement initiatives for displaced workers;
• Provide infrastructure support for disabled persons.</td></tr>
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<tr><td>Tax policy:
• Broaden tax base to and raise revenue-GDP ratio (excluding grants and privatization receipts) by 1.5 per cent of GDP over the period 1999-2001;
• Improve tax administration by rehabilitating border stations, enhancing cooperation with neighbouring countries and improving computer systems;
• Review structure of corporate income tax rates with a view to its unification;
• Improve compliance with direct tax rules;
• Improve non-tax revenue;
• Improve collection of debt service from parastatals and privatized companies;
• Put in place an effective administrative system to collect road and land taxes.</td><td>Education and human resource development: Towards the goal of providing universal education by 2005, implementation of the Basic Education Sub Sector Investment Programme (BESSIP):
• School gross enrolment to reach 100 per cent from current 84 per cent by 2005;
• Aim to achieve scores in ongoing national assessment that show improvement over scores in preceding assessments;
• Increase access to basic education and improve supply of educational equipment and materials;
• Increase access to skills development and vocational training;
• Improve health and nutrition of school pupils.</td></tr>
<tr><td>Fiscal management:
• Improve budget control and cash management;
• Eliminate domestic payment arrears and avoid accumulation of new arrears.</td><td>Health:
• Provide essential and cost effective primary health-care services.</td></tr>
<tr><td>Exchange rate policy:
• Maintain efficient allocation of foreign exchange and competitive tradable goods sector;
• Maintain competitive, unified, market-based exchange mechanism.</td><td>Economic community empowerment:
• Agricultural Sector Investment Programme (developing infrastructure for the development of small-scale farmers);
• Environmental Support Programme (aimed at supporting sustainable community-based projects).</td></tr>
<tr><td>Financial market development:
• Increase variety of financial investment and improve savings allocation.</td><td>Water and sanitation:
• Increase access to clean and safe water and sanitation in rural areas.</td></tr>
<tr><td>Financial system supervision:
• Improve prudential oversight and supervision.</td><td>Urban development:
• Improve and legalize unplanned peri-urban settlements;
• Rehabilitate urban water supply and management;
• Increase access to adequate housing in urban areas.</td></tr>
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<tr><td>Privatization:
• Continue to implement accelerated Privatization Programme, particularly in the non-mining sectors;
• Add utilities, transport companies and financial institutions to the portfolio of the Zambia Privatization Programme;
• Discontinue direct government involvement in retail credit operations, and privatize State-owned enterprises.</td><td>Management:
• Build capacity for improved social service delivery;
• Improve institutional capacity for effective planning, monitoring and evaluation;
• Improve logistical and information systems to support effective decision-making;
• Build district capacity to manage education and health services;
• Accelerate issuance of title deeds to land and housing.</td></tr>
<tr><td></td><td>Debt relief/management</td></tr>
<tr><td></td><td>• Zambia needs urgent debt relief, given the huge amounts of debt falling due in coming few years, in particular because of the HIV/AIDS crisis;
Reduce external debt burden by:
• Remaining current on external debt service obligations;
• Seek further concessional rescheduling with Paris Club and rescheduling of non-Paris Club/private sector debt on comparable terms;
• Abstain from medium- and long-term borrowing on non-concessional terms;
• Reach HIPC decision point (2000);
• Reach HIPC completion point (2002).</td></tr>
<tr><td colspan="2">Consultation process</td></tr>
<tr><td colspan="2">The Government plans to present the full PRSP to the Bretton Woods Institutions in June 2001, in line with their new requirement for concessional lending. Given the urgent need for debt relief and consequent urgent need to prepare the Interim PRSP, the consultation for the Interim PRSP was limited to government institutions. However, the NPRAP, which heavily informed this I-PRSP, evolved through a consultative process. Furthermore, the Government intends to hold a stakeholders’ seminar to inform on status and to engage stakeholder input into the planning for the PRSP.

Various committees have been set up to manage the PRSP process. Technical preparations have been considered and key tasks for preparing the PRSP outlined. Mechanisms to encourage participation, particularly in the rural areas, are being developed. Following a nationwide consultative process, the technical working group will draft the initial PRSP. A national workshop will follow, where delegates from rural and urban areas will participate in discussing the draft. Following approval by the Cabinet, the document will be presented to the IMF and World Bank. The Government will encourage public interest in monitoring the delivery of poverty reduction actions at the national and community levels.</td></tr>
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