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Aid approaches and strategies for reaching the poorest

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What is Chronic Poverty?

The distinguishing feature of chronic poverty is extended duration in absolute poverty.

Therefore, chronically poor people always, or usually, live below a poverty line, which is normally defined in terms of a money indicator (e.g. consumption, income, etc.), but could also be defined in terms of wider or subjective aspects of deprivation.

This is different from the transitorily poor, who move in and out of poverty, or only occasionally fall below the poverty line.

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Abstract

An analysis of the patterns of development known to assist and reach the poorest people is used to assess three major current approaches to aiding low-income countries – support for poverty reduction strategies (PRSs), the development of sector-wide approaches (SWAs) and the delivery of aid through general budget support (GBS). These three approaches in contemporary aid relations rest strongly on the principle of ‘putting the government in charge’. This paper assesses the degree to which these approaches may serve the interests and allow for the participation of the poorest people. It asks what else needs to be done to ensure greater inclusion of the poorest, even in ‘poorly performing’ countries, where these approaches may not be readily available. The paper proposes a checklist of questions donors or governments can use to ask about aid approaches if they wish to assess whether these can or do in fact facilitate the inclusion of the poorest. Key conclusions include, first, the need for policy flexibility, breadth of vision, ample resourcing and high-quality programming to include the poorest through PRSs and SWAs. The predictability of aid is critical, and the new modalities may not enhance it. Second, a critical issue is how the demand for disaggregated analysis of aid outcomes and processes in terms of whether they are reaching the poorest (and the demand for turning that analysis into action) might be generated within national governments and societies. In this respect, identifying interlocutors for the poorest who will demand disaggregated analysis and inter-sectoral action is important. Third, the new aid approaches ‘put governments in charge’, but if the political economy is adverse, this will not help the poorest. Countervailing and supplementary instruments will be needed. Fourth, the newness of the aid approaches means it is early to measure their effectiveness with respect to the poorest in quantitative terms, even if the data are available. Qualitative analysis is therefore necessary.

Keywords: aid modalities, poverty reduction strategies, sector-wide approaches, general budget support, poverty, the poorest.



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1 Introduction

This paper analyses three important elements of contemporary aid relations in low income countries:¹ poverty reduction strategies (PRSs), sector-wide approaches (SWAs) and general budget support (GBS). It discusses the extent to which these aid ‘approaches’ offer opportunities or raise new challenges to addressing the needs of the poorest.²

This analysis seeks to provide answers to two questions.

(1) Is there evidence that the interests of the poorest are being served by the use of PRSs, SWAs and GBS? In particular, (i) what is the evidence on participation of the poorest in PRS and SWA processes? (ii) Is there evidence that PRSs, SWAs and GBS are contributing, or could plausibly contribute, to better outcomes for the poorest?

(2) What can be done to increase the impact of PRSs, SWAs and GBS, in terms of the participation and outcomes of the poorest?

These are big questions, ones which cannot be answered more than sketchily at this point in time. In assessing the three aid modalities, it is important to respect their character and intentions, as well as taking account of the nature of the extreme and/or chronic poverty in a country context. This paper begins this process.

2 Current trends in aid relations

The new architecture of aid is seen as making a break with the ineffective aid practices of the past, and their negative impact on the evolution of the national political economy. Conditionalities, at the heart of structural adjustment programmes, are now generally believed not to have worked in the sense of inducing a reform process ‘owned’ by the recipient government or country. Several studies have shown that domestic considerations over policy reform are largely immune to donor-imposed pressure and hence conditionality is ineffective as a lever to foster reform in countries where a local constituency in support of reform is not present (e.g. Killick, 1998). National ‘ownership’ of reform processes is now widely thought to be critical to making sustainable progress on development and poverty reduction. However, there is scope for further debate on this: the trade liberalisation and privatisation measures that have become largely ‘owned’ by governments came out of structural adjustment conditionalities.

¹ Increasingly present also in middle-income countries.

² The term ‘approach’ is used throughout the paper as shorthand for these three elements of contemporary aid relations, although recognising that they do not fit neatly into a common category.



PRSs were introduced in low-income countries in 1999 as a new form of conditionality to accessing World Bank and International Monetary Fund (IMF) concessional loans and debt relief. They quickly become the central policy instrument (for national governments and for donors) to address poverty reduction, linking up with wider international development processes such as efforts to reach the Millennium Development Goals (MDGs). Currently, about 50 low- and middle-income countries have completed a full PRS and several (about eight) are currently undergoing a second generation of PRSs (World Bank PovertyNet). PRSs were presented by the international financial institutions (IFIs), and perceived by bilateral donors, as a step away from previous failed forms of conditionality focusing on specific policy reforms. The PRS framework emphasises the importance of policies being defined domestically through processes of dialogue led by the government with the participation of all levels of society, particularly the ultimate beneficiaries – the poor.

The progressive move, over the past few years, from projects towards more upstream and more partnership-based approaches to aid delivery (from programme to sector support and increasingly towards GBS), also reflects this concern for domestic ‘ownership’ and the revised position of donors on conditionality (see Box 1).

Box 1: New thinking on conditionality?

Compelling evidence on the past failure of policy conditionality led to much rethinking of the approach. The UK’s Department for International Development’s (DFID) policy paper on conditionality, for example, emphasises the importance of developing partnerships with national governments with conditions to ensure aid is used effectively and for the purposes intended but in a way that minimises negative effects on country leadership and predictability. It makes the commitment of promoting a more equal approach where donors do not impose conditions (i.e. policy actions that, if not fulfilled, will generally lead to the interruption of aid) but agree benchmarks (i.e. indicators used to monitor progress against agreed objectives and to inform policy dialogue) through a partnership-based interaction.

Despite the evolution in thinking, experiences on the ground still indicate a strong reliance on policy conditions. Performance assessment frameworks (PAFs), which support the monitoring of eligibility for GBS disbursements, often include a confusing mix of ‘policy triggers’ (prior actions to permit disbursements), policy actions and benchmark indicators. Also, IMF assessments on domestic macroeconomic management still constitute important binding conditions to most donors, particularly those providing GBS.

Sources: DFID (2005) and Lawson et al. (2005).

During the early years of development cooperation, aid to governments was normally provided through project modalities, using project-specific implementation units operated either directly by the donor agencies or by subcontracted organisations. Donors had a major role in the design, implementation, monitoring and evaluation of project interventions. The main concern was carrying out investments and the delivery of services (often in a post-war reconstruction context), while minimising risks of disruptions by using separate (easily controlled) financial management mechanisms. However, the proliferation of projects and funding agencies led to considerable fragmentation in development operations, generating inconsistencies between interventions and allocative inefficiencies in the use of resources,



and resulting in high transaction costs with the delivery of aid. It is also widely recognised that this approach ‘diverted skills and attention away from mainstream processes of development management in a country ... and undermine[d] incentives for officials to spend time on reform and strategic thinking’. National ownership of projectised poverty reduction efforts was unlikely, and fragmented and patronage- and rent-seeking-based policy processes were encouraged (Booth, 2003: 13-14). Unfortunately, this legitimate critique of donor-funded projects is sometimes extended to projects as a category of public action, and produced in some donor quarters a very negative attitude towards any sort of project. If properly designed, projects *can* be nationally owned and *can* be suitable vehicles to support strategic thinking and innovation. They can also be a useful expression of policy. In fact, they have not gone away, even in the better policy environments; they can provide essential props for ‘upstream’ activities (Booth and Shepherd, 2003). They may be the preferred instrument for delivering aid in countries that are not aid dependent and have stronger capacities but that welcome ideas and technical assistance (Hubbard, 2004).

Yet, in response to the many perceived failures with the project approach, and in line with the commitment to building national ownership of policy interventions, more upstream mechanisms for providing aid were developed. SWAps, for example, emerge in the mid-1990s to counter the proliferation of donor projects and the resulting poor coherence in development interventions and alignment with government-led processes, particularly in the social sectors. SWAps were seen as a potential means to focus sector policy more directly on poverty reduction, linking with the emerging PRSs, while ensuring participation of all relevant policy stakeholders and coordination of sector-wide (beyond the boundaries of bureaucratic structures) contributions to improve performance of public expenditure and lower transaction costs of aid delivery. SWAps therefore developed as *processes* that promote support to a single sector policy and expenditure programme under government leadership and adopting common planning, financial management and accountability mechanisms across the sector.

GBS makes a further step towards policy coordination and alignment with national processes. GBS is an aid modality that delivers aid directly to the treasury to fund the country’s national policy strategy (i.e. the PRS) and corresponding expenditure plan (i.e. the state budget). Although it is not a new modality as such,³ GBS adds some important nuances to previous forms of budgetary support: policy conditionalities should be reduced (or at least revamped) and performance monitoring enhanced under this modality (OPM/ODI, 2002). GBS also reinforces the link between aid and PRS processes, with poverty reduction strategy papers (PRSPs) usually setting the benchmarks against which donors assess performance in the use of aid resources. It also gives prominence to institutional development objectives (such as improving financial management capacity).

³ Structural adjustment loans were a form of budgetary support.



Assessing these three aid approaches, with respect to their effects on poverty reduction and the extent to which the interests of the poorest are included, is far from easy at this juncture. The nature of these approaches is varied: each one represents a bundle of differently balanced processes, resources and aid channels, with varying qualities of design and collaborative arrangements. Documented experience and the evidence base are narrow, especially for GBS. The effectiveness of each is likely eventually to be linked to the effectiveness of the others – for example, SWAs may be greatly improved from a poverty reduction angle when accompanied by a PRSP; a PRSP may be more effective underpinned by GBS than debt relief, if the latter's conditions are more constraining. Assessing PRSPs without assessing debt relief as a financing mechanism perhaps also does not make sense, since the two are often inextricably linked. This paper is necessarily a rough and ready first attempt.

3 Aid approaches and the poorest

This paper discusses whether the new aid approaches have led to more pro-poorest policy processes and better results in terms of reduction of poverty, inequality and exclusion. The assessment of each approach is made under the three headings: (i) impact (or likely impact) on outcomes, (ii) policies and policy processes and (iii) politics.

Based on the discussion above, a major question would be whether the different aid approaches discussed here are sufficiently *flexible* to enable inclusion of pro-poorest policy issues in a country's policy matrix, if that is what a country decides to do, or whether there are constraints set by the nature of the aid approach or the way it is commonly used in practice. In principle, there is flexibility built into all three, since each is capable of significant variation in terms of resources supplied, forms and channels of aid. In practice, flexibility may be limited. The overall intention of all three approaches is to empower governments in their pursuit of poverty reduction policies; arguably PRSPs and GBS can do this more powerfully than SWAs (OPM/ODI, 2002). The intention is also to shift from *ex ante* policy conditionality to *ex post* performance assessment of a country-led policy process. However, the reality may be that there is 'an even greater cascading of conditionalities' resulting from the new aid approaches, resulting from scepticism among donors about the scale and quality of the changes made by aided governments, and doubts about whether states will change their behaviour away from patronage-based processes (Booth, 2003). The changes envisaged are deep rooted, and may take time to be realised.

Another key question for the poorest is whether 'putting governments in charge' – allowing them to specify development priorities and delivery mechanisms – is a good thing in the short term, even if it is accepted as indispensable for the long term. It is conceivable that project aid modalities may have greater *potential*, at least in the short term, of including their



interests, channelling resources to them and/or giving them voice, especially where governments are unlikely to represent their interests strongly, or to support policy or programme approaches that do this. It is likely that 'neo-patrimonial democracies' (where the structures of power remain based strongly on patronage and clientelism) will not defend the interests of the poor as a whole very strongly, let alone the very poor. They may pick off some groups within the poor, on the basis of political patronage, ethnicity, regional location or occupation, but are unlikely to extend patronage widely enough to cover substantial categories like the poorest.

3.1 Overview of progress

PRs are widely agreed to have contributed to a much stronger focus on poverty reduction in the policy agenda and a more open dialogue with domestic constituencies. Experience with first generation PRs, however, has shown several weaknesses in the analytical content of poverty reduction policies: deficiency in poverty diagnoses, with little disaggregation of the poor; lack of correspondence of diagnosis to policy recommendation; bias towards activities that concern public spending; and failure to explore links and trade-offs between growth and poverty reduction policies.

Also, PRs are often one among several policy statements, and their influence depends critically on links through to budget processes. The main impact of PRs is to 'mainstream poverty out of the social sector ghetto' (Booth, 2003: 18) and into the ministry of finance 'mainstream'. Yet, there is nothing about being a minister of finance or a finance official that will predispose them to being a natural ally of the poorest. Their concerns are short term, focused on controlling spending departments and dealing with the central bank and the IMF.⁴ Whether poverty reduction policies are translated into reality depends on how well a PR is connected to budgets, and how meaningful budget processes are in terms of actual allocation of resources. Where ministries of finance are weakly resourced in terms of poverty and policy analysis, strong ministries (often those with strong donor support) and the donors, especially the IFIs, which have a history of working closely with finance ministries, may remain very influential within the resource allocation process.

SWAp experiences to date have been mixed. Strengthened government leadership and improved dialogue and harmonisation of management procedures between government and donors and between donors themselves are frequently noted as positive achievements of the SWAp experience. Yet, this has often been at the cost of a re-centralisation of the policymaking process and of an excessive focus on the SWAp process itself rather than on sector policy outcomes. SWAps have in practice often been more concerned with the general performance of planning and financial management mechanisms and efficiency of resource

⁴ We are grateful to Tony Killick for this observation.



use; the quality of service delivery and equity in access have been secondary-level concerns, sometimes to be addressed once basic system improvements have been achieved.

There is also very limited evidence that SWAps have actually led to a reduction in transaction costs – in fact, heavy management structures have been created to support the design, implementation and monitoring of the SWAp – or indeed the improvement in sector performance. Also, and despite the original intent, SWAps ended up concentrating almost exclusively on the way resources are channelled to sectoral ministries, doing very little to stimulate linkages with other government department and non-governmental policy actors.

In spite of the somewhat dismal experience, SWAps continue to expand, both geographically (even beyond low-income and aid-dependent countries) and sectorally (beyond the social sectors). Estimates dating back to 2001 point to more than 50 SWAps in health and education, 17 in the roads sector and 13 in agriculture (Foster *et al.*, 2001).⁵ There is evidence that SWAps have also expanded to other sectors, such as water, energy and justice. The diversification of SWAps away from the social sectors is a good sign that some fundamental issues affecting the ability of the poor to participate in economic growth and human development have been recognised. The existence of a few SWAps in the justice sector, for example, and the growing number of SWAps in the critical agricultural/rural livelihoods sector are promising developments. SWAps in social protection and financial services would be similarly welcome from the perspective of the poorest.

GBS is increasingly perceived (at least by large donors and ministries of finance in recipient countries) as a preferred funding instrument to support domestic public sector policy processes. It is arguably the modality that subscribes the best to the best practice principles agreed by donors and national governments in the Paris Declaration on Aid Effectiveness: national ownership, alignment to domestic policies and systems, harmonisation of procedures and analysis between donors, management for results and mutual accountability.

Evidence to date (IDD and Associates, 2006; ODI and Daima Associates, 2005) shows that GBS has indeed contributed to greater policy alignment of aid with government budget cycles and donor harmonisation. Also, by increasing the level of discretionary funding (both by increasing on-budget aid and reducing aid earmarking), GBS has strengthened national ownership of the resource allocation process and has contributed to improvements in the budgetary process, particularly the comprehensiveness and transparency of public financial management and the institutional relations between line ministries and the ministry of finance. GBS has also helped to focus government–donor dialogue on strategic policy issues and widening partners' involvement in the policy debate, particularly on macroeconomic and public financial management issues.

⁵ Up-to-date information on the overall number of SWAps currently in operation and corresponding sectoral breakdown is not readily available.



But experience has also pointed to the limited evidence, despite the original intent, that GBS has actually resulted in any savings in transaction costs, improvements in predictability of funding, public expenditure efficiency or domestic accountability. Crucially, GBS does not transform political realities and should not be seen as a lever to enforce policy change: 'GBS and the related policy conditions are unlikely ever to be more than a modest influence over the processes of public sector reform and institutional development' (ODI and Daima Associates, 2005: 146).

3.2 Poverty outcomes

If well designed, **PRSPs** should by definition lead progressively to improvements in poverty outcomes. Poverty-specific monitoring and evaluation systems were devised to track and assess progress in implementation. Yet, despite many progress reports, there is surprisingly little evidence that PRSPs are actually delivering better policy outcomes in terms of poverty reduction (both in its income and non-income poverty dimensions). Linking PRSP policies with outcome indicators is methodologically complicated, and few observations can be made with confidence. PRSPs are all relatively recent (although some countries are already in their second rounds), outcome data are limited and causality and attribution are difficult to demonstrate.

Table 1: Economic and human development indicators in low-income countries with and without PRSPs, 1993-2003

| Indicator | LICs with a PRSP in 2000-2003 (29)* | | LICs without a PRSP in 2000-2003 (29)* | |
|-----------------------------------------------------|-------------------------------------|-------------------|----------------------------------------|-------------------|
| | 1993-1999 average | 2000-2003 average | 1993-1999 average | 2000-2003 average |
| GDP per capita PPP (current US\$) | 1140.7 | 1394.3 | 1464.5 | 2124.3 |
| GDP per capita growth (%) | 0.93 | 2.40 | 1.38 | 0.55 |
| Health expenditure per capita (current US\$) | 17.40 | 17.60 | 26.00 | 31.31 |
| Mortality rate, infant (per 1000 live births) | 97.38 | 88.88 | 94.76 | 88.93 |
| School enrolment, primary, female (% gross) | 79.50 | 86.43 | 80.47 | 85.77 |
| Literacy rate, young total (% of people aged 15-24) | 65.26 | 70.03 | 75.85 | 78.50 |
| Persistence to Grade 5, total (% of cohort) | 64.39 | 66.13 | 64.82 | 67.43 |
| Paved roads (% of total roads) | 23.30 | 22.33 | 27.42 | 29.17 |

* 58 low-income countries are included in the sample. Afghanistan, Timor-Leste and North Korea were excluded owing to substantial data gaps. Of these, 29 produced a PRSP in the period 2000-2003. Source: World Development Indicators 2005 and authors' calculations.

The table compares progress on a selection of economic and human development indicators in low-income countries with and without a PRSP in the 2000-2003 period. It shows that, overall, there were no significant differences in performance between countries with and without PRSPs in the period 2000-2003 relative to the period 1993-1999. This suggests that



there was neither a strong selection of countries performing better, nor any effect of being in a PRS policy dialogue framework.⁶

Benefit incidence studies show that social service benefits are disproportionately enjoyed by the non-poor, especially in Africa, even though it is the poor, and among them the poorest, who particularly need at least some of the services (e.g. Castro-Leal *et al.*, 1999). This raises the need for special measures to overcome this bias, the need for targeting, and the tension between poverty reduction objectives and national 'ownership' of policies.

Few PRSs systematically disaggregate the poor or identify the poorest in their documentation. There are exceptions, however, and examples of actions taken that would be likely to improve their participation in services like education: provision of school food in Burkina Faso was a recognition that poor children were likely to need additional attractions to keep them in school.

It is perfectly possible for PRSP progress reports and monitoring and evaluation systems to disaggregate the measurement of change. However, the incentives to do so are probably weak in most contexts. There is little demand for this information. The MDGs are largely national averages, and hardly deal with inequality. Nevertheless, household surveys and participatory poverty assessments (PPAs) are capable of generating disaggregated information, so long as this is asked of them.

SWAps were not designed specifically to enhance the inclusion of the poor, let alone the poorest. Indirectly, however, they were expected to support a sector policy consistent with the country's PRS; the initial development of SWApS in the social sectors (health and education) made that a firm link from the start. Further, many SWApS do have a strong equity objective. For example, the Cambodia Education SWAp's three main objectives are 'to increase equitable access and enrolment at all levels, improve the quality and effectiveness of education and training, and strengthen the capacity for education decentralisation' (Forsberg and Ratcliffe, 2003). A major component of the Cambodian approach is the development of five poverty-indexed operational budgets for the different sub-sectors.

Foster and Mackintosh-Walker (2001) discuss the extent to which the poor have benefited from the establishment of SWApS. The cases analysed provide a mixed picture. Some countries have clearly experienced significant progress in sectors with SWApS: the Ghanaian health sector has achieved some improvements in vaccination rates and in antenatal care, and outcome indicators continue to show progress in reducing infant and child mortality. In Mozambique, there are recorded improvements in vaccination and antenatal care through

⁶ This may be partly because of the donor and non-governmental organisation-led (NGO) 'millennium rush' to get at least 20 countries within the Heavily Indebted Poor Countries (HIPC) debt relief initiative by 2000. Even later inclusions may have had low performance entry standards (World Bank, 2003a).



the doubling of health staff and a focus on outreach. In Uganda and Ethiopia, primary enrolment has increased dramatically. There is, however, less encouraging evidence. Despite increases in health expenditure, immunisation coverage in Uganda has stagnated and infant and under-five mortality rates have increased since 1995. In Ghana, there are marked inequalities in spending and in achievements between regions. Malawi has experienced falling utilisation of curative care owing partly to staff shortages.

GBS directs support to national PRSs (at least, that is the intention). It is therefore reasonable to expect that GBS contributes to better poverty outcomes, *as long as* PRS policies are sound (in terms of taking the needs of the poor and the poorest into account) and realistic, and as long as public financial management systems (through which GBS funds flow) enable resources to be channelled to PRS priority areas. In practice, however, there is still little evidence that this is happening.

Recent studies on the experiences with GBS⁷ discuss the effects of GBS on poverty reduction (IDD and Associates, 2006; ODI and Daima Associates, 2005). They illustrate the difficulties in establishing a direct link between the use of GBS and outcomes in terms of poverty reduction. This is partly because it is still relatively early to assess the performance of GBS (in its current form, GBS is a relatively new modality) and because of the difficulties with the available data. Causality is also extremely difficult to demonstrate; at any given point in time, there will be a number of factors determining poverty trends and patterns. IDD and Associates (2006: 72) note: '[s]tudy teams could not confidently track distinct (separately identifiable) [GBS] effects to the poverty impact level in most countries. This applies more particularly to income poverty and empowerment dimensions. There are some clear links [...] to improved basic services, through funding and through a collective commitment of donors and government to service delivery targets.'

Another crucial point is that the assumptions that the poverty reduction policy priorities are well defined and public financial management systems operate effectively in most cases do not hold (or at least not entirely). PRS policies and public sector planning and financial management systems are themselves evolving and this is likely to determine significantly the ability of GBS funds to generate better poverty outcomes. The sections that follow analyse some of the difficulties and challenges in designing and implementing pro-poor and pro-poorest policies.

⁷ In Burkina Faso, Malawi, Mozambique, Nicaragua, Rwanda, Tanzania, Uganda and Vietnam.



3.3 Policies and processes – critical issues for reaching the poorest

3.3.1 *Adjusting supply to demand*

A particular problem for the poorest is that they are likely to benefit from poverty reducing policies only if other facilitatory mechanisms are in place. Thus, literate poor women are more likely to demand and appreciate improved sanitation. The poorest children are likely to stay in school if there are no financial barriers and if opportunity costs of schooling are compensated in some way, or if school is redesigned around them. Poor curative health services will prevent the poorest people getting back to work rapidly after bouts of ill health – which the poorest are particularly vulnerable to as they have small or no savings, and less social capital to fall back on to deal with such problems. A PRSP should provide a forum for the analysis of such inter-sectoral issues, and help to break down the divisions between sectors. There is no information about whether this has occurred.

The social sector SWApS have largely been aimed at improving the *supply* of services, and have typically given little attention to the *demand* for those same services, especially to the constraints on demand experienced by the poorest. These constraints are often strong enough effectively to exclude them from benefiting from the service. Demand-side constraints are proving a major obstacle to the achievement of MDGs in health and education (Roberts, 2003; see also World Bank, 2003b). The focus on a single ministry or sector may prevent the identification and inclusion of critical other policies or interventions that will increase the demand for the services of that sector. An obvious example is the effect of women's literacy on health service utilisation. This can be circumvented by creative SWAp design, allowing one ministry to support additional allocations to another, or even to part-fund a programme implemented by another ministry.⁸

Increased expenditure on health and education is potentially good for many of the poorest, but they will be the people who most easily fall out of the nets provided by these basic services if they are difficult to access, or if there are barriers and opportunity costs in their way. The concentration on the *supply* of health and education services, with very little focus on the *demand* for these services from the poor, will continue to allow the poorest to fall through the net. Focusing on the demand for these services might lead to a greater diversity of policy emphasis: adult literacy, social protection including social assistance, heavier investment in certain types of infrastructure (e.g. very local roads and transport) or social welfare schemes to support families or households with particular disadvantages. It might also give greater priority to economic and social policies that would enable the poorest to participate in economic growth, like rebuilding or strengthening the financial infrastructure,

⁸ An example here is the 10th Five-Year Plan in India, where the Ministry of Health's expenditure includes resources to support literacy work.



which would allow small-scale savings to mean something. All of this is in principle possible in the context of GBS supporting a national development or poverty reduction strategy.

3.3.2 *Dealing with the ‘drivers’ and ‘maintainers’*

Critical drivers and maintainers of persistent and extreme poverty include ill health, environmental shocks and market collapse, social exclusion and adverse incorporation, insecurity and armed conflict, weak and failed states, intra-household relationships and location. Dealing with the *causes* of extreme and chronic poverty is a major challenge in any country. Few PRSs have yet attempted to do this systematically, although positive examples of difficult issues being raised and tackled are given below. Some related *processes* (PPAs and consultations) have also been able to raise relevant issues for consideration in a PRS. A question would be whether second generation PRSs are able to address these issues? Box 2 illustrates some of the difficulties.

Box 2: PRSs’ difficulties in addressing context-specific drivers and maintainers of poverty

Conflict has been identified as a key creator of extreme and long-term poverty through damage to social, economic, institutional and physical capital, loss of livelihoods and destruction of personal assets, disruption of markets, breakdown of informal coping mechanisms and social cohesion and loss of human capital through disruption of education. Conflict may be accompanied by weakened state capacity and legitimacy. Donors are increasingly engaging with conflict affected countries through PRSs. However, despite joint staff assessment (JSA) guidelines that PRSs in countries affected by conflict should be very specific to country context, six interim and full PRSs reviewed by Evans *et al.* (2003) looked similar, and similar too to PRSs in countries not affected by conflict. They gave little attention to the root causes or dynamics of conflict, the politics of conflict or the policy actions required to reduce tensions. They did deal, if variably, with some of the poverty-related consequences, such as reintegration and demobilisation of combatants and internally displaced people. The latter group (a critical often extremely and persistently poor group) featured strongly only in one of the six documents reviewed.

Source: Evans et al. (2003).

The ministries in charge of SWAp, and the sector professionals in the donor agencies supporting them, have often had few skills in poverty analysis or developing differentiated strategies capable of dealing with the specific issues of the poor. Additional, external inputs have sometimes been necessary to raise these issues, illustrated by the extended focus on gender issues in SWAp and the importance of aligning a SWAp with a national PRS (see below).

3.3.3 *Broadening access to the benefits*

The neo-patrimonial character of many poor states means that benefits of state action will be narrowly distributed (Bird *et al.*, 2003; Bratton and van der Walle, 1997). Is there evidence that PRSs may expand the range of beneficiaries? A first step here would be to identify the poorest. Some PRSs have done this, and developed policies that may benefit the poorest as a result. Out of the four PRS documents reviewed, only Bolivia had a serious analysis, with consequences for action. Malawi would be an example where vulnerable groups were



identified, with a corresponding 'pillar' of the PRS focused on improving the quality of life for these groups, mostly through social protection. The extent to which this was a 'nationally owned' aspect of the PRS remains to be seen. There is scope for further analysis of post-PRSP budgets to examine how public expenditure patterns have changed.

Geographical concentration of chronic and extreme poverty is a frequently observed fact. Generically, PRSs should be not neutral on this issue. However, given the concentration of the poorest in particular regions in most poor countries, there is relatively little information on how to deal with this issue in the various guidelines available on PRSs or the JSAs. Some countries have emphasised this issue strongly – Bolivia, for example, allocated the majority of debt relief funds to the poorest municipalities as a result of a national PRSP consultation (Christian Aid, 2001). Ghana developed a progressive formula for favouring the poorer regions in the early versions of its PRSP, but these were omitted in later versions.

In at least some countries, donor-aided projects in the 1980s and 1990s were increasingly located in the poorer regions. Ghana was an example for many donors. The move 'upstream' risks switching this progressive distribution of aid unless countervailing measures are taken.

3.3.4 Taking on board difficult socio-political issues

Stigma and discrimination affect particular social groups, and individuals within households, and may prevent them participating equitably in mainstream development processes. Have PRSs facilitated the development of policies addressing any such issues? Case study evidence from Africa suggests that many PRSs avoid difficult structural or political reforms – for example, on family law reform and land distribution in Benin, women's inheritance rights in Tanzania, corruption (Booth, 2003: 32).

PRSs have also largely ignored issues of ethnicity, the basis for negative discrimination experienced by the 150 million indigenous people in the world. This is partly because indigenous minorities are often not strong enough to get their issues on the policy agenda, but also partly because consideration of ethnicity may raise difficult issues of land security and empowerment, which may be seen as too sensitive. Raising ethnicity issues is widely considered to be anti-national and anti-modern. However, the examples in Box 3 illustrate that some PRSs do address issues of ethnicity, if indirectly.



Box 3: Example of PRSs addressing ethnic minorities

Spatial references can sometimes, as was seen in Guyana, be interpreted in terms of indigenous peoples. Guyana's National Development Strategy 2001-2010 (2000) states that 'in comparison with the other ethnic groups, a larger proportion of Amerindians is classified as poor [...] in 1999, 95 percent of the population in Regions 8 and 9, who are preponderantly Amerindian, was classified as being in a state of absolute poverty.

Kenya's Interim PRSP (2000-2003) provides another case where geography stands in for ethnicity. It states (2.4) that 'the poor are concentrated in certain socio-economic categories that include [...] pastoralists in ASAL (Arid and Semi-Arid Land) areas' and points out that the north-eastern province has been the poorest region, with large poor families. Somali and Borana pastoralists living there are indicated indirectly by this description.

In Pakistan, the Interim PRSP (2001-2004) points out that the North West Frontier province has the highest rural as well as urban poverty in the country, but does not provide figures or analysis for the federally administered tribal areas (FATA) (Bourne, 2003).

Bolivia's PRSP (2001-2003) has an analysis of social, economic and ethnic exclusion, but this is a rare example of explicit treatment of this theme.

A review by the World Bank (2002a) gave examples of good practice in including gender difference in the development of a PRS, but showed that little attention was paid to the gender aspects of poverty reduction in the core (diagnosis, public actions, monitoring and consultative) processes of 10 full PRSs and much less in the 19 interim PRSs completed by the beginning of 2002. There were also disconnects between these core elements: diagnosis was not necessarily linked to action, or action to monitoring. In the documents, consideration of gender was high in health and education, low in other sectors. Few JSAs recommended further development of the gender dimension, while the World Bank's Executive Board frequently required further work on gender, suggesting scope for further JSA improvement.

A more in-depth study of four countries' PRSs (Whitehead, 2002) found weak analysis of intra-household differences and relationships (which are critical in understanding the maintenance of poverty – Bolt and Bird, 2003), little focus on women's livelihoods, incomes and employment or analysis of the gender implications of public spending priorities and little attention to the sphere of reproduction. If this is true for a set of issues that has received so much attention from development researchers, development activists and policymakers, it is unlikely that other difficult socio-political issues will have been addressed.

These reviews have led to initiatives to engender PRSs (e.g. Keller, 2002), and given added purpose to attempts to engender budgets. A similar process could be envisaged for the poorest.

What can we learn from the problematic attempts to integrate gender analysis in SWAps? The Development Advisory Committee (DAC) reference guide (DAC, 2003: 4) found that SWAps did not address 'the underlying conditions that produce unequal access for males and females. Most programmes restricted their objectives to increasing the number of



women involved. The reasons behind women's limited access to goods and services, and their inability to take advantage of them in the same way men do, were often overlooked.' Many SWAps focus more on gender-related access than quality issues (Sibbons *et al.*, 2000). Box 4 spells out the limitations sector by sector.

Box 4. Limitations of gender analysis in SWAps

Most of the education SWAps studied focused on increasing female enrolments in basic education while ignoring the wider conditions that contribute to low female attendance in the first place. Most of the health SWAps focused on women's reproductive health needs, ignoring other health needs of women and the broader conditions that produce different health needs and health care access among males and females. The agriculture SWAps frequently recognise that women are important for agricultural production, but rarely addressed the underlying conditions that reduce women's productivity, such as unequal access to land, capital and other inputs to farming.

Source: DAC (2003: 4)

3.3.5 Participation and consultation with civil society

Most governments have designed consultative rather than participatory processes around PRSs. These have been national or regional, and PPAs have also been carried out in a growing number of countries. Civil society organisation (CSO) representatives have frequently been involved in task forces set up to develop the PRSP. There have been positive impacts in different countries – better information to the public about the PRSP, ensuring the process is gender aware, development of more participatory monitoring processes, greater awareness of poverty issues among government officials, improved government–CSO relations and greater participation of CSOs in policymaking processes generally.

There are particular problems of including the poorest in participatory or consultative initiatives. They often rely on casual labour or petty enterprise, and there are big opportunity costs of their time that need to be recognised. Women have additional work and household caring duties, which mean their opportunity costs are even greater. It may be harder to find places for meetings that are convenient for the poorest. Many are 'invisible', less well networked and get little access to information about what is going on. Special efforts have to be made to 'seek them out'. When sought out, they may be reluctant to speak in public: a range of more private, time-consuming and expensive methods may be necessary. Analysing and communicating this work to policymakers will present additional difficulties, especially if demand for the information has not come from the policymakers.

A survey of several countries' consultation processes as reported in PRSP documents revealed a systematic absence of reference to the participation of the poor or the poorest, or how their views would be included. This suggests that the issue bears much greater attention than it has received to date. The JSA guidelines are fairly explicit about the need to examine consultation and participatory mechanisms. Perhaps more recent PRSs are better at documenting the inclusion of the poor and vulnerable groups? The Cameroon PRSP has an



extended section on participation, claims that poor people participated and that 40 percent were women. The Chad PRSP also claimed extensive consultation, but there is no disaggregation of poor participants. A quick assessment of the Mongolian PRSP revealed no information about participation beyond CSOs. One could conclude that little has changed, despite the JSA guidelines. Perhaps these need to be ‘tightened up’ if PRSPs are to include different groups within the poor in consultation exercises. However, this would run against national ‘ownership’ – the general tension already referred to.

There are examples that suggest that it is *possible* to involve the poorest in participatory or consultative processes, but that these need to be designed with this objective in mind. The second Ugandan PPA process was designed to elicit a disaggregated analysis of the poor from focus group discussions: an assessment of this and any other similar efforts would be worthwhile.

A few countries designed more participatory processes – Rwanda is an example where a traditional institution was used to develop priority rankings on policy relevance in 9000 ‘*cellules*’ and community development plans, which were expected to play a part in reconciliation and social integration. On the other hand, national consultations with civil society were judged less successful because there are limits on critical debate in the post-genocide political process.

In some cases, participation or consultation has resulted in actions: Kenya’s policies take pastoralists and gender into account as a result of activities of the Pastoralist Strategy Group and the Collaborative Centre for Gender and Development; in Uganda, there was a new emphasis on water, governance and accountability, but often there is little evidence of impact on policies or action. Some PRSPs did not change policy in any case; governments have been particularly reluctant to engage on macroeconomic policy and sometimes on governance (McGee *et al.*, 2002: 5).

The Bolivian PRSP emphasised social, economic and ethnic exclusion, and proposed a radical privileging of poor municipalities, despite the fact that the poorest were hardly involved in the national dialogue (Christian Aid, no date). It took place at the municipal level, in Spanish rather than local languages, did not invoke participatory rural appraisal (PRA) approaches to interact with the poor and did not involve the traditional institutions of the 70 percent of the population that is ‘indigenous’.

A study of four PRSPs⁹ (Whitehead, 2002) found that ordinary women were hardly consulted at all, and gender advocates within CSOs did not feel they had exerted any influence. Ordinary people’s voices were squeezed in the contested space between government and CSOs. The voices of the poorest are unlikely to be heard in such settings.

⁹ Tanzania, Bolivia, Malawi, Yemen.



3.4 Politics

To what extent have PRSs or SWAPs resulted in governmental empowerment, and has that been good for the poorest? The maintained or even increasing conditionality reported above, linked to HIPC debt relief, means that the empowerment of government vis-à-vis donors is likely to be as yet limited.

In many cases, a country's cabinet approves a PRS, but it is widely the case that the involvement of parliamentarians in PRSs has been limited or negligible, and some effort is now going into getting them more closely involved, even in monitoring PRSs. It is possible that some vulnerable groups (e.g. disabled, elderly) receive some representation through parliaments; where this is the case, involving politicians could be very constructive for the poorest.

Can PRSs contribute to transforming power relations between elite, society in general and the poorest? It is likely that transformation will be incremental, unless a PRS is taking place in the context of regime change. Simply recognising that the poorest can participate in economic growth with advantage to a country, or that the poorest have as much right to social and economic services as anyone else, can have a transformative effect in the medium to long term, if acted on. Developing mechanisms to address aspects of extreme or chronic poverty – such as geographical concentration – may also succeed in achieving a degree of transformation over time. Much of the transformative effect will depend on countries and their supporters 'staying the course' – sticking with PRSs for decades.

The way that PRS concerns are translated into budgets and implemented programmes is a critical aspect of the potential for transformation. This involves synchronising policy objectives with annual budget priorities (e.g. via medium-term expenditure framework – MTEF – procedures), developing formulae for correcting geographical expenditure biases and ensuring adequate resource allocation for some of the 'non-priority' sectors or activities that are of considerable importance to including the poorest. Given the frequent concentration of power and decision making around PRSs and budgets in finance and a few key sectoral ministries, involving a wider set of ministries in policy development and budget frameworks is likely to be critical, and may be politically difficult, as system inertia has to be challenged. This is likely to require strong political and bureaucratic leadership from outside the charmed circle of ministers. Such leadership can be nurtured through new partnerships identifying the 'drivers for change' with respect to including the poorest.

Do donors have the incentives to be interlocutors for the poorest in PRSs, and have they the resources needed? The incentives are there in an abstract way but may not be in practice: the critical donor processes around PRSs – the JSAs, the formal and informal donor coordination meetings, the support individual donors give to the PRS process – would need to take the poorest strongly into account. Being an effective interlocutor requires



understanding the poorest, the capability to voice and interpret their interests and the perception of government or other donors that it is legitimate to act in this way. It is a role donors would probably only want to take on in the absence of other interlocutors.

Does supporting SWAps simply contribute to perpetuating a fragmented policy process and shore up patronage-based politics, or does it have transformative potential? On the first point, the consensus in the DAC Taskforce on Donor Practices was that sector approaches are important building blocks in planning and budgeting. They are the basis for new MTEFs (which may begin with only one or two better-organised sectors).

Can SWAps also be an entry point for the interests of the poorest into the policy process? On balance, it looks unlikely that existing SWAps contribute strongly in this direction. However, the role of a SWAp, in the context of a PRSP, and supporting debt relief and GBS, is likely to evolve. If it could evolve in the direction of addressing the demand-side constraints, it could also help to identify new policy and programme areas (e.g. pro-poor preschools, community-based education support), which can help to flesh out the politics of poverty reduction. This would lead to the innovation of actors in one sector advocating action in another, helping to break down inter-sector boundaries and competition. Where PRS and GBS processes are strong, it may be more practical to address the inter-sectoral and demand-side issues through these mechanisms.

Do donors supporting SWAps have the incentive to intercede on behalf of the poorest? Given the strength of sectoral and managerial professional interests tied up in such donor support, it is less likely in principle that the incentives will exist in this case. However, in the recent shift of emphasis from SWAps to PRSs and GBS, many sector-based professionals in donor agencies have claimed, often with some justification, that their SWAps are more poverty focused than a country's PRS.

OPM/OPM (2002) reported that governments were empowered through GBS in their relations with donors. Is this plausibly in a way that is potentially conducive for the poorest? There is a long chain of causation from providing GBS through empowerment of government (increased control over externally provided resources, strengthened ministries of finance, parliaments and cabinets and coordinated support from donors) to the reduced transaction costs, increased allocative efficiency, increased predictability of funding, increased effectiveness of the state and public administration and stronger democratic accountability (medium-term institutional effects) that could lead to governments creating an enabling environment for private investment and pro-poor growth, putting effective regulation and justice in place and delivering services effectively and inclusively (ibid: 13). Adding a



question about whether these intermediate outcomes will benefit the poorest simply adds another link in an already long chain.¹⁰

The risk for the poorest is that a current or future regime will disrupt this long chain of causation. For example, a substantial proportion of the poorest in Uganda is in the north (Okidi *et al.*, 2003), a region affected by conflict since the current regime came to power. This is a major structural weakness of the present regime/political dispensation in Uganda, one which it would be naïve to expect to disappear.

4 Conclusions

While it is too early and the evidence is too limited to pass final judgement on any of these aid ‘modalities’, a number of concluding observations can be made. First, the increased flexibility apparently offered by the donors’ collective commitment to PRSs and ‘national ownership’ of policies, potentially useful for the poorest, is too often taken away with the donors’ other hand – with new conditionalities. SWAps seem to have had little flexibility to address the key ‘demand’ issues for social services; this may be partly because they are vehicles to enable greater aid absorption.

Developing the vision to include the poorest is a challenge. Years of work on gender issues can provide a shortcut to what it is necessary to do. A combination of analytical, organisational and policy linkage approaches may work. However, a critical question is who will speak for the poorest? The answer may be nobody, but this will have to be explored in every context. If the answer is nobody, donor agencies will need to decide the extent to which it can be their most important residual policy function, once aid has been streamlined along the lines of support to national PRSs through budget support.

For the poorest, an advantage of the PRS is that it provides an inter-sectoral policy forum that can be used to address the ‘demand side’ of public expenditure and services, the barriers that so often exclude the poorest. SWAps are limited in the extent that they are likely to do this: this would be one of the ways in which PRSs could really make an impact on the lives of the poorest.

Predictability of aid flows – so vital to the economic (and political) stability of so many low-income countries, and so indirectly to the poorest who have least protection against

¹⁰ It would be relevant to look for case studies of countries where the medium-term institutional effects were achieved in past aid programmes, and led to the intermediate outcomes. What happened to the poorest in these trajectories?



instability – remains weak with the new mechanisms. The donor community and recipient governments need to continue to address this issue as a matter of priority.

The aid modalities assessed here need to be supplemented by other initiatives if they are to facilitate the inclusion of the poorest. These include well-designed consultative or participatory processes; interventions aimed at generating demand for the inclusion of the poorest, especially among the political class, and design processes that generate mechanisms for their inclusion and development of voice. They will also include projects that demonstrate that the poorest can be included, can benefit from policy initiatives. The policy dialogue process needs to recognise useful initiatives when they emerge – this will require a new approach, especially in the IFIs.

To the extent that a political economy is unfavourable to the poorest (the general case), 'putting government in charge' will not progress their case, in the short term at least. Strong countervailing measures would be needed to balance this disincentive. Mainstream donor incentives may (quite legitimately) privilege achieving resource flow, policy dialogue around economic and governance reform and work in 'key sectors' (e.g. health and education). Balancing measures may be required to support pro-poorest sectors or sub-sectors and supplement the policy dialogue with issues relevant to the poorest. Many of these will involve developing, with partners, approaches that do include and give voice to the poorest. A wide range of aid instruments will be needed for this effort.



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