ENUGU FORUM POLICY PAPER 2

DEBATING POLICY OPTIONS FOR NATIONAL DEVELOPMENT

POVERTY REDUCTION STRATEGIES TOWARDS THE MILLENNIUM DEVELOPMENT GOALS: Africa's Experiences and Lessons for Nigeria

AFRICAN INSTITUTE FOR APPLIED ECONOMICS

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Series Theme:

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Topic:

POVERTY REDUCTION STRATEGIES TOWARDS THE MILLENNIUM DEVELOPMENT GOALS: Africa's Experiences and Lessons for Nigeria

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PUBLISHED BY AFRICAN INSTITUTE FOR APPLIED ECONOMICS

FIRST PUBLISHED 2005

ABOUT ENUGU FORUM

INTRODUCTION

Opening new spaces for domestic policy dialogue is one of the most important potential gains of democratic governance. Democratic space creates public policy arena in which government can be engaged by private sector and civil society on what it is doing or not doing, and hence be pressured to perform. Since the return to democratic rule in 1999, there has been an upsurge of private sector and civil society engagement with governments on economic policy and development issues. But, the upsurge of civic advocacy on economic and development issues has not been matched with commensurate improvements in the quality of debates on policy alternatives and roadmaps for national development.

ENUGU FORUM is intended to provide a civic arena for proposing and debating policy alternatives and roadmaps towards social, economic and political progress of the country. It is hoped that the FORUM will foster interaction between government and non-state actors towards good governance, accountability and participatory democracy.

IDENTITY AND MISSION

Enugu Forum is a civic platform devoted to intellectual conversation and of policy issues affecting the growth and development of the country. It was founded in 2001 to promote informed and credible avenues of stakeholder dialogue and policy advocacy. It seeks to improve the policy process through high quality debate and non-partisan discourse of alternative solutions to contemporary development questions.

The Forum deploys both intellectual and empirical insight to nurture a shared understanding and objective scrutiny of policy issues on social, economic and political development of the country.

ACTIVITIES

Enugu Forum's activities take several forms:

- Public Lectures
- Seminars
- Workshops
- Conferences
- Roundtables

The activities bring together diverse stakeholders including government officials, private sector operators, independent think-pots and civil society to exchange and constructively critique perspectives and experiences on critical policy imperatives. Attendance is by formal invitation.

OUTPUTS

The outputs of the Forum's activities take the form of communiqué outlining key outcomes of discussions, conclusions and recommendations. The presentations and proceedings are further developed into Occasional Papers, Working Papers or Policy Briefs widely circulated to inform, sensitise and enlighten stakeholders.

STRUCTURE AND ORGANISATION

Enugu Forum is structured into a Steering Committee, a Coordinating Committee and the General Members. The Steering Committee governs the Forum through guides and policies agreed in consultation with the General Members. The Coordinating Committee executes the activities and programmes.

MEMBERSHIP

There are two classes of membership: individual and corporate. The Forums' activities are open and can be attended by all interested persons but formal invitations are issued to members and designated guests only. To be a member, one needs to register in the appropriate category. Registration can be done during the Forum's events, or at the Host Organization - *African Institute for Applied Economics, Enugu.*

SPONSORSHIP

Ownership of the Forum resides in the members. It is run on the goodwill contributions from corporate bodies and individuals. Sponsorship includes provision of venue, refreshments, logistics, and facilitation of Guest Speakers and Resource Persons.

HOST INSTITUTION

The Enugu Forum is hosted by the African Institute for Applied Economics (AIAE) Enugu. AIAE is a non-governmental, not-for-profit and independent organization devoted to economic policy research for the purpose of promoting evidence-based decision making. It is located at 128 Park Avenue, GRA, Enugu, Phone: (042) 256644, 256035, 300096; Fax: (042) 256035. E-mail: aiaeinfo@aiae-nigeria.org, aiae@infoweb.com.ng; http://www.aiae-nigeria.org

ENUGU FORUM POLICY PAPERS

Enugu Forum Policy Paper Series publishes the proceedings and outcomes of workshops, conferences, seminars or public lectures held by the Enugu Forum. The Series provides documentation of the topical presentations, debate, comments and perhaps consensus at the Forum.

It is intended to disseminate the Forum's intellectual discourse to a wider audience. The essence is to stimulate broader policy debate and promote multi-perspective dialogue on policy options.

Enugu Forum Policy Papers constitute an advocacy instrument to canvass alternative development solutions and policy roadmaps, for the overall purpose of enriching the policy discourse in the country. The Series also draws attention of government, private sector and civil society to salient dimensions of contemporary development challenges in Nigeria.

Abstract

The Structural Adjustment Programme of the 1980s and 1990s did not achieve significant growth with poverty reduction in most reforming countries instead the quantum of their debt increased and became a fetter on their growth. Poverty rates consequently increased or remained unchanged. Poverty reduction strategy describes a country's macroeconomic, social and other policies and programmes designed to promote growth and reduce poverty.

The ECA-sponsored African Learning Group on PRSP was established to facilitate African Peer Learning and serve as a mechanism through which Africans could ensure the relevance of the PRSP approach to the continents development challenges. This paper discusses the lessons of experience after 5 years of PRSP and four years of MDGs along, the themes of macro economic stability, participation, content and comprehensiveness of growth strategies, linkages with sectoral policies and long-term plans, capacity building and harmonisation of donor policies and programmes. It also makes the point that reducing poverty has positive impact on HIV/AIDS prevalence and fighting AIDS equates fighting poverty.

The PRSP prospect faces considerable challenges. Chief among these is the strategy of reducing poverty by means of social sector programmes managed by the public sector. Without attention to growth drivers PRSP approach anchored on private sector and trade, the effectiveness of the PRSP approach may be reduced. Other challenges and risks are well discussed.

For Nigeria, which is not as dependent on foreign aid as many HIPC African countries in her public finance, but remains comparatively poor , there are quite some lessons to be drawn in preparing a PRSP or IPRSP. Among the issues that call for careful attention is the federal nature of governance in Nigeria. It should be possible to transform decentralisation from a hindrance to advantage.

The conclusion from the evidence is that the participatory approach adopted in producing PRSPs has potential for changing the policy-making process in Africa. It will, if sustained, create more space for widespread national ownership of policies and programmes. Many other lessons are also drawn from the paper on the progress towards the millennium development goals.

The paper is complemented with notes on Poverty statistics on Nigeria. This is necessitated by the need to update the poverty statistics contained in the paper in the light of the FOS Poverty Profile of Nigeria in 2004.

Author would like to thank ECA colleagues, participants at the Workshop on Pro-poor growth strategies in Southern Africa for their comments. Ms. Hiwot Gebeyehu provided excellent research support.

 Comments will be appreciated and should be sent to the author at nwuke@un.org

INTRODUCTION

Africa, as the 20th century drew to a close, presented two inescapable but reinforcing dismal realities: economic and social. On the economic side - stagnant or anemic growth, the downsizing of the state through commercialization and privatization of economic activities, belief in the supremacy of the market and market institutions, fiscal restraint in the presence of escalating needs, and poor governance. On the social side - deep and crushing poverty, skewed income and asset distribution, poor health and sanitation, HIV/AIDS, hunger, death, social and ethnic conflicts, and wars. It was this reality that inspired the bleak portrayal of the continent in Robert Kaplan's best selling book: *"The Ends of the Earth: From Togo to Turkmenistan, from Iran to Cambodia, A Journey to the Frontiers of Anarchy."*

These realities projected in amazing, perhaps comical, relief the paradox of the continent: blessed with enormous riches and resources yet mired in poverty, still unable to successfully tackle underdevelopment, and appearing to reject the worldwide hope of convergence to productivity, skills, and standard of living. But they also gave impetus to the continent's collective search for new solutions and remedies. In 2000, at the UN Millennium Summit, African countries were enthusiastic signatories to the Millennium Development Goals. Across the continent, countries began to prepare Poverty Reduction Strategy Paper (PRSP), not simply because for many, it is a prerequisite for debt relief and concessional loans under the enhanced Highly Indebted Poor Country initiative (eHIPC) but also because governments were increasingly recognizing that the eradication of poverty is the moral debt that they owe their people. The transformation of the Organization of African Unity (OAU) to the African Union (AU), and the development and adoption of the home-grown New Partnership for Africa's Development (NEPAD) are both visible outcomes of these efforts inspired by the search for solutions to the continent's myriad development challenges.

My purpose in this paper is not to discuss the MDGS or the new African initiatives, important though these are, but to share with you preliminary lessons on the PRSP emerging from Africa and to explore their relevance for Nigeria. The paper is based on twenty-four country studies (see Annex 1 for a list of countries) commissioned for the ECA African Learning Group on the Poverty Reduction Strategy Paper (PRSP-LG) as well as the main outcomes of three meetings[1] of the Learning Group[2]. These country background papers examine the scope, content and comprehensiveness of the growth strategies in the PRSPs as well as the degree to which Africa's development partners are aligning their programs and policies to support the PRSP.

The structure of the paper is as follows. I begin with a brief discussion of the Millennium Development Goals. Sections 3 and 4 discuss the nature of poverty in Africa and Nigeria respectively, and Section 5 provides a brief introduction to the PRSP. The purpose of these early sections is to provide context to the discussion of experience and lessons that follow in sections 6 and 7. Section 8 concludes.

WHAT ARE THE MILLENNIUM DEVELOPMENT GOALS?

The Millennium Development Goals (MDGs) is a set of global development goals (8 goals) adopted by UN member states and the international institutions to which they belong at the UN Millennium Summit in 2000. By adopting these goals, (see box 1) the international community committed itself to achieving significant improvements in the human condition by 2015. One of the most important of these goals is the goal of reducing by 50% the number of people living in extreme poverty by 2015.

1 There have so far been three meetings of the Learning Group. The first and second meetings were held in Addis Ababa, Ethiopia, in November 2001 and December 2003 respectively while the second meeting was held in Brussels, Belgium under the auspices of the European Union. Participation in these meetings has since been expanded to include non-HIPC (or middle income) African countries such as South Africa, Egypt, Namibia, and Nigeria. It is our view that these countries may provide counterfactuals to the PRSP and may have lessons for PRSP.

2 For more information on the Learning Group, please visit www.uneca.org/prsp.

Box 1. Millennium Development Goals and Targets

Goal 1: Eradicate extreme poverty and hunger
- *Halve, between 1990 and 2015, the proportion of people whose income is less than $1 a day*
- *Halve, between 1990 and 2015,the proportion of people who suffer from hunger*

Goal 2: Achieve universal primary education
- *Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling*

Goal 3: Promote gender equality and empower women
- *Eliminate gender disparity in primary and secondary education, preferably by 2005 and in all levels of education no later than 2015*

Goal 4: Reduce child mortality
- *Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate*

Goal 5: Improve maternal health
- *Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio*

Goal 6: Combat HIV/AIDS, malaria and other diseases
- *Have halted by 2015 and begun to reverse the spread of HIV/AIDS*
- *Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases*

Goal 7: Ensure environmental sustainability
- *Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources*
- *Halve by 2015 the proportion of people without sustainable access to safe drinking water*
- *Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers*

Goal 8: Develop a global partnership for development
- *Develop further an open, rule-based, predictable, non-discriminatory trading and financial system (includes a commitment to good governance, development, and poverty reduction – both nationally and internationally)*
- *Address the special needs of the least developed countries (includes tariff-and quota- free access for exports, enhanced program of debt relief for and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction)*
- *Address the special needs of land- locked countries and small island developing states (through the Program of Action for the Sustainable Development of Small Island Developing States and 22nd General Assembly provisions)*
- *Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term*
- *In cooperation with developing countries, develop and implement strategies for decent and productive work for youth*
- *In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries*
- *In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies*

Source: Human Development Report 2003, UNDP

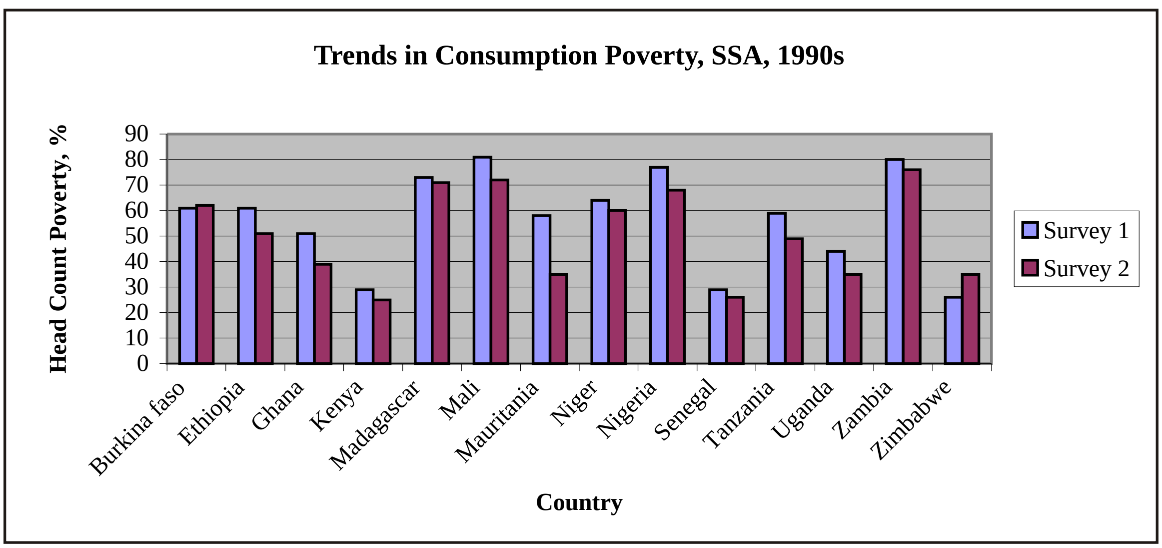
The MDGs reflect key aims of various UN Conferences in the 1990s, regional conferences and national and bilateral conferences and build on impetus created by the 2nd Tokyo International Conference on African Development (TICAD 2) and OECD/DAC's International Development Goals (IDG). The MDGs thus are the outcome of widespread consultations at many levels and summarize the global concern for the over 1.2 billion people who live in extreme poverty in the world. It is designed to serve as a blue print and plan for action and focuses on results.

Assessments of progress towards the MDGs reveal varying degrees of success (ADB, 2002, UNDP, 2003). Overall, these may not be achieved *globally* although it is not impossible to. All regions of the world are on course except Africa. Few African countries, among them Nigeria, are likely to meet these goals because most are growing at less than the 5% annual rate required to reduce poverty. Africa's progress towards the MDGs will require action to address poverty and the deepening of macroeconomic and structural reforms, strengthening democratic institutions, and investing in human, *organizational,* and institutional development. Poverty Reduction Strategy Papers (PRSPs) can be useful in this regard as they serve to focus attention on the goal of reducing poverty.

POVERTY IN AFRICA

As we move relentlessly and rapidly into the 21st century, there are few signs that the two realities described in the opening paragraph of this paper, are changing or will change in demonstrable ways any time soon. But for a few exceptions – North Africa, Mauritius, Botswana, Namibia - countries of the region remain desperately poor, with a majority of the people living on less than US$1/day. The poverty situation is much worse in the group of countries described by the United Nations as Least Developed Countries (LDCs) (UNCTAD, 2002). According to the 2001 World Development Report of the World Bank twenty-two of the twenty-five poorest countries in the world are in Africa. And of the estimated 1.2 billion people in the world who survive on less than $1 a day, three hundred and forty million (28%) live in sub-Saharan Africa. This is more than half the region's population and more than the 331 million people who live in South America. Poverty in Africa is so chronic that it has become a catalyst for violent conflicts, (specifically among ethnic groups), displacement of large populations, and environmental degradation. And as the poor are much more likely to be ill, poverty is also implicated in the spread and endemicity of diseases such as HIV/AIDS, multi-drug resistant tuberculosis, malaria and vaccine-preventable childhood diseases[3].

Recent assessments of Africa's progress towards the millennium development goals by a number of agencies including the ECA, the ADB, UNDP, the World Bank, suggest that most African countries are unlikely to meet the goals. This is despite the resumption of growth in the 1990s in a number of countries. The continent grew by 4.3% in 2001 and 3-3% in 2002 respectively (ECA, 2002, 2003) and the fact that the poverty reduction elasticity of growth in Africa is high. As Christiaensen, Demery, and Paternostro (hereinafter CDP) (2002) show, growth in Africa in the 1990s resulted in significant reductions in poverty in a the countries studied - see Figure 1. It is thus not that "progress" is not being made. It is that the rate of progress is slow relative to the magnitude of the problem and relative to other regions of the world.



But for Zimbabwe, most of the countries in the sample have been growing, although in some cases below their potential. Nonetheless, because growth in Africa is pro-poor (Demery et al op cit), it can reasonably be inferred that Africa's recent good growth performance () resulted in significant reductions in poverty.

3 For example, Zambia's 1996 *Living Conditions Survey Report* shows that more persons in poor households reported an illness in the period preceding the survey than those belonging to non-poor households.

Income poverty alone is not a sufficient enough description of the full extent of poverty. In order to get a sense of the full extent of poverty in Africa, it is important to bring other dimensions - AIDS, low level of educational attainment, low caloric intake, life expectancy at birth. When this is done, the enormity of the challenge of poverty reduction in Africa appears daunting.

Table 1 compares Africa's key development indicators with those of other regions. It shows that there are stark differences not only between Africa and the rest of the world, but between Africa and the rest of the developing world. As can be seen from the Table, sub-Saharan Africa in 2000 had the lowest life expectancy at birth. The region also had the highest under-5 mortality rate and was second to South Asia in the number of its citizens above 15 years of age who cannot read and write. In a world increasingly driven by knowledge and information technology, Africa's high illiteracy rate will increasingly become a constraint on growth.

Table 1: Key Development Indicators

	Population Average annual % growth 1990-2001	*Life expectancy at birth Years 2000*	*Under-5 Mortality Rate Per 1,000 2000*	*Adult illiteracy rate,% of people 15 and above 1999*
Low income	2.0	59	115	37
Middle Income	1.2	69	39	14
Lower middle income	1.1	69	42	15
Upper middle income	1.3	71	30	10
Low & Middle Income	1.5	64	85	25
East Asia & Pacific	1.2	69	45	15
Europe & Central Asia	0.2	69	25	3
Latin America & Caribbean	1.6	70	37	12
Middle East & N. Africa	2.1	68	54	35
South Asia	1.9	62	96	45
Sub-Saharan Africa	2.6	47	162	39
High Income	0.7	78	7	…

Source: World Bank, World Development Report, 2003.

The table confirms or corroborates the poor conditions observed with money metric measures of poverty.

An emerging concern in the region with important implications for poverty reduction is the manner in which income is distributed. The ECA Economic Report on Africa 1999 showed that income inequality was rising in Africa. Revised estimates suggest that some African countries today rank among the world's worst with respect to income equality. Kenya, for example, has the highest degree of income inequality among low-income countries. Africa now shares the dubious honor with South America as the regions with the highest income inequality. However, this observation should not be interpreted to mean that an argument is herein advanced that a less lopsided distribution arrangement is likely to result in demonstrable improvements in poverty and associated indicators. Indeed in some African countries, equal distribution of all available resources in the economy is unlikely to result in a significant reduction of poverty on a sustained basis. Any distribution arrangements must therefore be accompanied by growth no matter how unequal its initial benefits might be distributed.

But there is nonetheless news to be cheerful about. Even as their economies have deteriorated, there appears to be an increase in the capacity of African societies to live and work together. There has been an increase in the number of countries where democratic rights and freedoms have been expanded. However, this has been offset in many countries (like Nigeria, South Africa and Kenya) by an increase in citizen victimization rates or crime. The high rate of crime is a symptom as well as evidence of the high levels of poverty and the resultant breakdown of social conditions.

To sum up, the evidence shows that African countries are growing, the growth is shallow and difficult to sustain. However, the rate of growth is not rapid enough to result in demonstrable progress towards the Millennium Development Goals. Many countries (Uganda, Democratic Republic of Congo, Sudan, Liberia, Tchad, Burundi, Somalia) remain mired in conflict. The heavy external indebtedness continues to be a burden and the medium term prospects of the region's two major economies, Nigeria and South Africa, remain dim. Both countries are constrained by economic difficulties and political uncertainties; Nigeria by inter-ethnic and religious conflicts and unstable oil prices; South Africa by a rampaging HIV/AIDS epidemic, high crime, and white emigration. Public and private investment remains low and the view of Africa as a high-risk proposal by the external world remains largely unchanged.

POVERTY IN NIGERIA

> *"There is no poverty in Nigeria. We have no business with poverty in Nigeria. I totally disagree with those people who say Nigeria is in difficulty. We must know that we are endowed with so many beautiful things people take for granted."*
>
> Ahmadu Adamu Mu'azu, Governor of Bauchi State
> Reported in The Guardian of 28/01/04

Each year, with depressing consistency, Nigeria is declared among the 20 poorest countries in the world, its substantial wealth notwithstanding. The country has fared very poorly in many indicators of economic and social development on just about any metric used since the 1980s in spite of having earned over $200 billion from oil. Its income per capita of $955.0 (PPP) is below the $3,579 for oil producing countries and below the $2076 for all developing countries (World Bank WDR, 2003). The country has not done well in keeping its people out of poverty or in distributing income among its people. As table 2 shows income poverty has steadily increased since 1980. According to latest available FOS data, approximately two-thirds of the Nigerian population lived in income poverty in 1996 using the World Bank's one dollar per day measure.

Table 2: Nigeria: Poverty Incidence (% headcount) 1980-1996

Analytical categories	1980	1985	1992	1996
National	28.1	46.3	42.7	65.6
North East	35.6	54.9	54.0	70.1
North West	37.7	52.1	36.5	77.2
North Central	32.2	50.8	46.0	64.3
South East	12.9	30.4	41.0	53.5
South West	13.4	38.6	43.1	60.9
South-South	13.2	45.7	40.8	58.2
Urban	17.2	37.8	37.5	58.2
Rural	28.3	51.4	46.0	69.3
Average South	35.5	52.6	45.1	70.5
Average North	13.5	38.3	41.1	57.5

Source: FOS, 1999. Poverty Profile Analysis for Nigeria - 1980-1996 cited in Eboh CE (2003)

The table also shows the spatial dimension of poverty in Nigeria. Although more than 50% of the population in all zones of the country lived in poverty in 1966, poverty was much more widespread in the Northern than the Southern parts of the country. Comparing the zones, the South East is the least poor while the Northwest zone is the poorest. These differences reflect, in part, the differences in natural resource endowments and levels of education between the north and the south as well as differences in the distribution of industries.

The table also shows that poverty rates are converging between the Northern and Southern parts of the country. While poverty was more prevalent in the North in 1980, by 1992, the poverty rates were about the same although a gap between the two regions emerged again in 1996. An important issue for policy makers is therefore to understand why poverty has increased most rapidly in regions of the country that were relatively well-off.

Although poverty in Nigeria is relatively shallow (see Annexes 2, 3 and Table 3), it is characterized by a worsening of inequality among the poor themselves. Compared with other countries, income inequality in Nigeria is widening. As can be seen from Table 3, although the incidence of poverty in Nigeria is not significantly different from that of Sri Lanka, the Gini coefficient (which measures the distribution of income) for Nigeria is .450, much higher than Sri Lanka's .302. But it is much smaller than Brazil's .638 - if there is comfort to be drawn from that.

The large number of Nigerians living in poverty, the spatial dimensions of poverty in the country and the characteristics of the poor of the country, require that Nigeria should have a strategy to address poverty.

POVERTY REDUCTION STRATEGY PAPERS (PRSP)

The PRSP represents a radical shift in the thinking of the enhanced HIPC initiative on how best to tackle the underdevelopment challenges of poor countries. Earlier on the BWIs had proposed the HIPC initiative as a coordinated framework for addressing the high external debt burden of poor countries, which was increasingly been seen as a fetter on their growth. The enhanced HIPC initiative aimed to simplify and accelerate the process of debt relief as well as to make substantial and consequential, the amount of debt relief that poor countries received by lowering the debt service threshold. The major innovation of the Enhanced HIPC initiative is that it stipulated that developing countries seeking debt relief or concessional assistance from multilateral institutions must prepare a Poverty Reduction Strategy Paper, thus making debt relief contingent upon the preparation of a poverty reduction strategy. In addition, it requires that resources freed up from debt relief should be used to enhance the provision of social services such as health, education, and rural development.

In order to speed up access to debt relief and reduce delays, the enhanced HIPC initiative permitted countries to prepare interim PRSPs (I-PRSP) which would provide a description of a country' existing poverty reduction strategy and a roadmap for the development of the full PRSP (F-PRSP). An F-PRSP is expected to be completed within 12 months of an I-PRSP. The F-PRSP is revised every three years and is a HIPC completion trigger point. The HIPC initiative is thus recognition by the multilateral financial institutions of the failure of the Structural Adjustment Policies of the 1980s and 1990s to result in significant growth with poverty reduction in most of the reforming countries and their response to that failure. The quantum of debt of most adjusting countries increased and became a fetter on their growth and poverty rates either increased in tandem or remained unchanged. The HIPC initiative can also be seen as a strong argument for the view that donor policy conditionalities are not impervious to the corrective forces of public opinion in poor countries and to democracy.

Poverty Reduction Strategy Papers are a description of a country's macroeconomic, social, and other policies and programs designed to promote growth and reduce poverty. Unlike SAP, PRSPs are undergirded by five main principles. A PRSP must be:

- Country-owned, country-led and country-driven and must involve broad-based participation by all stakeholders including the poor, civil society and the private sector in all steps. This principle aims to create a shared understanding among citizens of a country of the policy choices and thus to help broaden action and create mutual accountability for results.
- Results-oriented. Each PRSP is expected to focus on measurable outcomes and how they would be beneficial to the poor. The focus on results is a salutary and important departure from the past because it compels governments to develop a system for monitoring the impact of policy choices and outcomes on poverty.
- Comprehensive in recognizing the multidimensional nature of poverty;
- Based on partnership with donors. The PRSP must corral and curry the coordinated participation of development partners (bilateral, multilateral, and non-governmental) and it must be accepted by donors as the framework for their assistance. The partnership principle aims to remove the asymmetry of power relationships that has until recently characterized the aid relationship.
- Based on a long-term perspective for poverty reduction. Each PRSP must provide a road map for poverty reduction instead of palliative prescriptions. The PRSP process recognizes that one factor explaining the limited impact of development assistance is the unequal power relationship between donors and recipients. Hence, it calls for a shift in responsibility for designing and implementing development strategies.

Assessed on its principles, the PRSP is indeed a radical departure from the adjustment programs of the 1980s and early 1990s. It provides superior housing for anti-poverty policies because of its emphasis on country-ownership, participation and partnership.

THE AFRICAN LEARNING GROUP ON THE POVERTY REDUCTION STRATEGY PAPER (PRSP-LG)

Soon after the introduction of the Poverty Reduction Strategy Paper in September 1999 by the Bretton Woods Institutions as a prerequisite for concessional loans and for debt relief under the Enhanced Highly Indebted Poor Countries Initiative (eHIPC), ECA in collaboration with the World Bank and the IMF, hosted in March 2000 a workshop for African countries to examine this “new” conditionality, explore not just the content of the PRSP but also its process and its possible implications. In considering ways to operationalize the PRSP, workshop participants noted the institutional and capacity challenges that African countries may face, and the significance of the PRSP for Africa's future relations with external partners.

Pursuant to the recommendations of the workshop, ECA, in July 2000, launched a high-level mission to several African countries then at different stages of the PRSP process to learn first hand how these countries were adjusting to the PRSP process and how they were addressing the practical challenges and constraints that the process invited. This mission also consulted with Ministers and senior officials on how the ECA might support member States confront these challenges and address the constraints.

An important and consistent message that emerged from the March 2000 workshop and the consultations with member States that followed was that African contribution to the unfolding, content, and implementation of the structural adjustment programs (SAP) of the 1980s and early 1990s was minimal and inconsequential. This was largely ascribed to the absence of a forum for the serious interrogation of SAP, systematic sharing of experience, peer learning, and articulation of a strong African voice in the international community on the continent's experience with the SAP.

It is in this context and in recognition of the operational challenges associated with the PRSP approach, that member States urged ECA to establish and manage an African-owned forum that would facilitate African peer learning and serve as a mechanism through which Africans could ensure the relevance of the PRSP approach to the continent's development challenges. The ECA-sponsored African Learning Group on the PRSP has been established to meet this request.

A distinct feature of the PRSP-LG is the link with the Strategic Partnership with Africa (SPA). This link offers a mechanism to feed the messages from and lessons learned on the African side to international and donor fora where the PRSP is discussed.

The focus of the work of the PRSP-LG is on sharing of best practices, identification of national capacity gaps, formulation of recommendations of the required actions by various stakeholders (African governments, civil society organization, African research institutions, and private sector) to address these gaps, and advocacy for change in aid modalities and approaches. The Learning Group also aims to stimulate dialogue on transforming development relations between African countries and their key external partners for increased aid effectiveness and enhanced development impact. Each annual meeting of the PRSP-LG is informed by succinct country reports prepared by African experts on the key PRSP-related issues confronting the country.

The Learning Group executes its mandate principally through three main activities: a) in-house research, b) commissioning of country-specific background studies, c) annual meetings, advisory services and advocacy. The annual meetings are the most important of the activities. Each meeting includes participants from African countries: government officials and experts directly involved with the PRSP process and civil society actors who are well placed to influence and contribute to this process. Resource persons and observers from the Strategic Partnership with Africa (SPA) Secretariat, World Bank, International Monetary Fund (IMF), African Development Bank (ADB) and United Nations Development Program (UNDP) also attend the meetings.
The meetings have been organized, with some refinements, around five thematic sessions: - The scope, content and comprehensiveness of the growth strategies underpinning PRSPs; PRSP-related financing and public expenditure management; the depth and legitimacy of the PRSP participatory process; Institutional and capacity requirements; and donor policies and modalities. The sessions also consider the cross-cutting and important issues of HIV/AIDS and gender in order to examine the extent to which they are adequately incorporated in the PRSP.

The meetings have been unique and insightful in several important ways:

- The rich and candid deliberations among the African country representatives on their experiences and, at times frustrations, with the required PRSP content, process, and implementation;
- The strong, collective articulation of an African perspective on the PRSP;
- The unanimous acknowledgement that harmonized, PRSP-based, aid programs, and modalities can better support an African-driven agenda for poverty reduction;
- The convening of the African Learning Group back-to-back with a joint PRSP-LG/SPA expert workshop, and the SPA Technical Group meeting which provided a feedback loop from the African forum to the donor forum; and
- The clear messages communicated from Africans to their external partners and also to ECA.

AFRICA AND THE PRSP PROCESS

African countries have, since the introduction of the PRSP framework by the World Bank and the IMF in the context of the Enhanced Highly Indebted Poor Countries (eHIPC) initiative of 1999 intensified their focus on reducing poverty. The preparation of a PRSP is a condition for accessing debt relief under the eHIPC, and also for access to concessional loans. The number of African countries preparing either the I-PRSP or F-PRSP during this period has increased quite significantly (see Table 4). Nine countries finalized their PRSPs in 2002 against four in 2001. This is understandable. The articulation, development, adoption and implementation of PRSPs is all the more pressing for countries in a region where significant progress is yet to be made in reducing poverty in spite of the resumption of growth (ECA, 2002). High rates of growth, however, remain elusive for most countries.

General Lessons

In the nearly 5 years since the introduction of the PRSP concept and 4 years since the MDGs were agreed, African PRSP experience has begun to accumulate. Although these are early days for the PRSP there is already beginning to emerge a wide range of views on the achievements/lessons of the PRSP approach so far[4]. The discussion of lessons in this section draws on papers commissioned for the ECA PRSP-LG and from outcomes of meetings of the LG. ECA has concentrated so far on examining the process because process is not inconsequential for outcomes. We discuss the lessons in three major clusters: a) the discussion of macroeconomic stability in the PRSP; b) participation, c) content and comprehensiveness of growth strategies, d) linkages with sectoral policies and long-term plans, e) capacity building, and f) harmonization of donor policies and programs. We do not discuss the impact of PRSP on poverty because, implementation has just begun or is about to begin in most countries. As such, it is too early to assess its real impact on poverty outcomes.

- *Macroeconomic Stability*

Deepening macroeconomic reforms, promoting foreign trade and competitiveness, and efficient allocation of resources are fundamental for sustained growth with poverty reduction. However, the macroeconomic chapter of most African PRSP is generally weak. They lack concrete analysis and strategies. There is no deep discussion of the trade-offs between increased emphasis on social sector spending and the tight fiscal discipline required under the IMF's poverty reduction and growth facility (PRGF) program. Nor is there deliberate attempt to assess or monitor the social and poverty impact of the proposed policy reforms. This lack of indepth examination of the macroeconomic environment probably reflects the HIPC origins of PRSP in which countries are required to use debt relief funds to fund the social sector.

- *Participation*

Countrywide broad participation by all stakeholders, especially the poor, is the most important innovation of the PRSP process. Stakeholders are required to be involved not only in the preparation of the policy document but also in its implementation. This is an important shift from the widely vilified donor-led, conditionality-driven aid of the past as it invests significant autonomy and authority on the aid recipient. The emphasis on participation and ownership should, ipso facto, improve policy design and reduce the probability of non-implementation of policies.

Many African countries have invested significant effort to ensure that the process of preparing the PRSP is as participatory as possible. In Rwanda, Ethiopia, Sierra Leone, and Zambia wide citizen participation was the basis for the formulation of the PRSP. While in Ethiopia and Zambia coordination of the consultations was smooth, in others it was very poor, resulting in poor participation. There was also very limited participation of elected officials and no clear arrangement for the institutional

4 See for example, Chapter 5 of the UNCTAD 2002 Least Developed Countries Report. See also UNCTAD (2002). “Economic Development in Africa: From Adjustment to Poverty Reduction: What is New?”

engagement of parliaments with the process. In Kenya, Zambia for instance, documents were not translated into local languages thus limiting severely the active participation of the poor.

But broad participation by stakeholders was no guarantee that issues that were of concern to the poor would necessarily be in the final document. In Ethiopia, thorny issues such as land ownership, land lease, etc., which were hotly debated during the consultations, were simply ignored by the government when it prepared the final document. The consultations were, in all countries dominated by government officials, leaving limited space for productive and constructive exchange of views.

Moreover, the country experiences strongly suggest that the success of the PRSP approach is very much contingent upon strong political leadership and ownership of the reforms envisaged. It will take strong political leadership and abiding commitment to the PRSP process for the concerns of the poor, as expressed during the consultations, to be duly reflected in the PRSP and for the participatory nature of the PRSP process to be institutionalized. Also still unanswered are questions such as the extent to which the quest for broad-based participation is replacing or undermining the fledging institutions of representative democracy and how best to institutionalise participation in order to ensure that the variance between the aspirations of the poor and the policy content of the PRSP is minimized (see Box 2).

- *National ownership*

The PRSP should, ideally, be country-owned, country-driven and should reflect the priorities of each country in its fight against poverty. National ownership at first glance appears unreal especially as PRSPs must be consistent with the IMF's PRSP Sourcebook and must be consistent with the poverty reduction and growth facility as well as the poverty reduction support credit (PRSC). But in spite of this, countries are beginning to exercise ownership in subtle ways. New forms of political ownership of PRSPs are emerging as countries integrate them into broader national plans (such as PEAP, SDRP, NEEDS and GPRS). By this, participants see the PRSP approach as providing a vehicle for more transparent and accountable policy processes in Africa. In taking ownership of the PRSPs, countries are beginning to collapse them into broader national plans, hence PRSPs are providing a vehicle for more transparent and accountable policy process in Africa.

- *The nature and comprehensiveness of growth strategies:*

Although it is too early in the process to determine whether or not the PRSP has been consequential for growth, the limited experience thus far suggests that growth is necessary but not sufficient for poverty reduction. In countries, like Ghana, Nigeria, Zambia, and Ethiopia, higher rates of economic growth in the 1990s were translated into poverty reduction. This was especially so for Uganda. The same is not true for others. In Kenya, Senegal and Mali growth has not translated into poverty reduction to the extent it is claimed to have done in Uganda. Key in this regard, is the nature of growth-that is, whether the benefits of growth are distributed equitably, and growth strategies are pro-poor. Some policies may promote growth but have little impact on poverty. Others may promote growth and increase poverty at the same time. Poverty-reducing growth strategies are those that promote growth and result in significant decreases in the number of people living below the poverty line. Given that the majority of the poor in Africa live in rural areas, growth strategies that increase employment growth, address agricultural productivity and rural development may be more beneficial to the lives of the poor. Furthermore, growth must be associated with progressive distributional changes in order to have a greater impact on poverty reduction.

Worrying is the fact that the fundamental dynamics of what it takes to create and sustain growth appears to be lacking in most of the PRSPs reviewed. A general problem noted by many observers, including the European Commission (European

Commission, 2001), is that the PRSPs have a missing middle: that is, they seldom describe the mechanisms that lead from policies to desired outcomes. Besides, in many countries, the emphasis on conditionalities has created the incentive for policy makers to concentrate on satisfying them for purposes of debt relief than focusing on the fundamentals of wealth creation with poverty reduction. Too much emphasis on poverty and social sectors at the expense of growth presents the risk that due attention may not be paid to inter-temporal tradeoffs.

- *Link Between PRSP and Sector Programs*

The PRSP, notionally, should be a tool to shed light on linkages between various development tasks and to determine their order of priority. It should include more than special sector initiatives, measures targeting special groups and regions in specific measures to remedy structural imbalances.

The emerging experience suggests that in many countries the centrality of the PRSP in the planning process is not yet clearly defined. Although experiences vary, sector policies remain in general poorly aligned and inconsistent with nationally agreed priorities identified in the PRSP. While there is agreement in Uganda that the PRSP is the sole planning document that guides the sector plans and investment programs, the centrality of Mozambique's and Ghana's PRSP in the planning process, relative to other planning instruments, is not yet clearly and firmly established. At present, Mozambique has a multiplicity of planning instruments and processes that need to be streamlined. In Ghana, for example, the PRSP so far has had limited influence on the budget process because it is yet to be well integrated into the program of line ministries (Cheru, 2002). In Kenya, there is a huge disconnect between the goals outlined in the PRSP and sector programmes proposed by line ministries.

Yet the mapping of the goals and objectives of the PRSP into sector programmes is critical for a successful outcome. This lacuna is most observable in the early PRSPS and in the I-PRSPs. Recent PRSPs are making efforts to address it. In Zambia, Rwanda, and Malawi sector ministries are now required to use the PRSP as the guiding framework for their policies and programmes. The Government of Ghana has set up a working Committee of line ministries to mainstream the PRSP.

- *.... and to National Long term Plans*

In many countries, efforts were made, in varying degrees of detail, to anchor the PRSP in national long-term strategic plans. In Kenya, the PRSP is linked to the long-term vision outlined in the National Poverty Eradication Plan (NPEP) which has a 15-year horizon. There is unalloyed recognition that the three-year PRSP is a short-term plan that implements the NPEP. In Malawi and Rwanda, the three-year rolling PRSP is described as a subset of the Vision 2020 long-term plan. In Ethiopia, the PRSP is firmly anchored in the country's Agricultural Development Led Industrialization strategy as it places special emphasis on rural and agriculture development as the prime variables of action.

- *Integrating HIV/AIDS into the PRSP*

The HIV/AIDS epidemic presents a significant development challenge to Africa. It is now a principal factor contributing to deteriorating human development - decline in life expectancy, rising mortality and morbidity. Life expectancy has fallen in many countries in SSA most especially Bostwana, Lesotho, Malawi, Mozambique, Rwanda and Zambia largely due to HIV/AIDS. At current rates of prevalence, HIV/AIDS will seriously erode the human capital stock of the continent and undermine social and economic services. The HIV/AIDS epidemic is deepening and spreading poverty, reversing human development, worsening gender inequalities and eroding the capacity of governments to provide essential servics and reduce pro-poor growth. Reducing poverty has positive impact on HIV/AIDS prevalence and fighting AIDS equates fighting poverty. Economic growth is unlikely to lead to poverty reduction under this circumstance. Many African countries face the challenge of systematically assessing the developmental impact of the HIV/AIDS epidemic and integrating HIV/AIDS concerns into national strategies. The PRSP framework provides as it requires that countries pay due attention to HIV/AIDS.

The country background papers examine the degree to which HIV/AIDS is adequately reflected and mainstreamed into PRSPs. The studies generally acknowledge that the epidemic has the possibility of styming the prospects for Africa of attaining the Millennium Development goal of halving the number of people living in extreme poverty by 2015. Countries are however making some efforts. In the DRC, a national programme has been instituted with support from WHO and other humanitarian partners with respect to HIV/AIDS. The I-PRSP underscores the need for urgent measures to face the devastating HIV/AIDS and other STD epidemics. One of the planks of the strategy is the strengthening of national and international partnerships as well as the coordination of sector strategies in the fight against HIV/AIDS in relation to poverty. It is not however clear the extent HIV/AIDS concerns are mainstreamed into the national poverty reduction strategy.

Lesotho and Zambia presents a clear example of mainstreaming of HIV/AIDS in a PRSP. Both countries took account of poverty and migratory labour as co-factors in the spread of HIV/AIDS and are adopting a multisectoral approach to tackling the problem. Lesotho's draft PRSP sets the ambitious goal of the government to reduce HIV prevalence from 31% to 25% by 2007. It also identifies a set of three inter-related interventions that will be introduced within the context of the PRSP. These are: commitment of 2% of the budgetary allocations towards HIV/AIDS prevention and impact mitigation programmes, the establishment of structures to manage the national response to the epidemic and the development of a National AIDS Strategic Plan (2002/03-2004-05). HIV/AIDS is reflected in chapters and due emphasis is placed on the challenge it poses for realizing the goal of poverty reduction. In Namibia, a number of national policies are in place to support the implementation of the national HIV/AIDS reduction plan. Implementation and monitoring challenges, however, remain.

It is also important for PRSPs to pay due attention to the oft-neglected interface between HIV/AIDS and civil conflicts and wars. It was stressed that it is important to mainstream HIV/AIDS policies in demobilization and reinsertion programmes for the ex-soldiers given the kind of behaviors that are reported on during time of war. As was the case for the interim PRSP, there may be a need to treat these countries in the same way.

- *Harmonization of donor policies*

All African HIPCs are highly dependent on external resources. In Mozambique, Ghana, and Uganda, for instance, about 60% of the budget comes from external loans and grants. Recognizing the persuasive power of this dependency, the PRSP encourages donors to selectively focus their assistance on those countries that have good poverty reduction policies, and good systems of governance for formulating and implementing policies and mobilizing and managing public resources. It also envisages an environment where donors will increasingly coordinate and harmonize their assistance programs to reduce the high transaction costs of their activities and align their programs and policies with the PRSP.

Innovations in donor aid modalities and partnership arrangements (for example, in Mozambique, Rwanda and Tanzania) are being tried in a few countries. Rwanda has prepared "Guidelines for Productive Aid Coordination." PRSP now provides the framework for aid coordination. The government of Rwanda is also considering the idea of a "Lead Agency Arrangement" where the largest donor to a sector takes the lead in that sector. In Sierra Leone a new government agency – the National Economic Policy Council – has been set up to, among other things, coordinate aid and manages partnership activities in order to ensure a more effective aid utilization.

A lot more needs to be done in this area as the outcome of the Pilot Action Learning Missions commissioned by the Strategic Partnership with Africa (SPA) in 2002 show (Box 3). To forge a partnership genuinely reflecting the PRSP principles, donors need to do much more to replicate in more countries the positive innovations that are already being tried, harmonize aid procedures, and improve coherence in their aid and trade policies. More needs to be done by external partners to respect the centrality of the priorities articulated in the PRSP and to realign their programs accordingly. Donors continue to place undue emphasis on procedures and process and need to shift their focus to impact. Responsibility for ensuring that aid is being effectively used and that aid dependency is reduced over the long run rests with Africans and their governments.

Challenges and Risks

The PRSP is still new and as a consequence yet to be properly structured to deliver on its promise. The African experience has revealed some weaknesses. These include the lack of a long-term growth strategy; too much emphasis on government; the weak integration of sector plans in the PRSP; and a tendency to focus on improved and pro-poor public expenditure management rather than private sector investment and employment generation. The experience of African countries further identified some areas of weakness. As countries prepare and implement PRSPs, there are challenges and risks that they face which need to be highlighted. These include:

- *Enabling environment still lacking in many countries:*

Pro-poor growth strategies do not work in a vacuum. They need an enabling environment, an environment that encourages private sector investment and ensures efficient delivery of public services. The key elements of this environment include: - stable macroeconomic environment; sectoral policies that pay adequate attention to investing in human and physical capital, financial sector reforms, increasing productivity in agriculture, promoting export diversification; and investing in rural development. Strong institutions that promote the rule of law, combat corruption, and empower local governments through the decentralization of decision-making processes are also essential to fostering an enabling environment for broad-based growth.

- *The trade-off between increased social sector expenditure and long term growth is poorly explored*

The HIPC initiative requires countries benefiting from debt relief to invest freed up resources in the social sector including health and education. This is not systematically reflected in the PRSPs. An example will suffice. HIV/AIDS is a major social and development challenge in Africa. Its consequences on and for poverty and growth are far reaching. And poverty is directly implicated in its rapid spread in the region. But many of the PRSPs, except Zambia's and Uganda's pay sufficient attention to HIV/AIDS.

The emphasis on the social sector – health education and sanitation is welcome. It makes sense especially as future growth will rely heavily on harnessing the potentials for increasing the poor's productive engagement in the economy. But there are drawbacks. These investments are highly vulnerable to changes in political regimes not only in Africa but also in the major donor countries. Without growth, it is very unlikely that these investments will make a significant impact on poverty.

- *The Private sector is seldom invited to the table*

The private sector is crucial for the success of the PRSP yet there is very little indepth exploration of its potential for pro-poor growth in the PRSPs. Rwanda contains an explicit discussion explicitly of the private sector and Ghana has set up a new government department – The Ministry for Private Sector Development – to focus on private sector activities. In Ethiopia's PRSP, there is a detailed discussion of issues surrounding the private sector but these are not addressed in a systematic way. Governments need to create the space for the private sector to contribute to poverty reduction.

- *Idealism, optimism versus resource constraints*

Inadequate financial resources in all PRSP countries is a real threat to a successful implementation and outcome. The resource picture in the short to mid-term is not very encouraging in spite of the promises and pledges of Monterrey. Aid to Africa continues to decline both in nominal and real terms. The lack of growth in the major donor countries does not portend hope of an increase in the near future and the continued denial of access by the major industrial countries to their markets means that many of the countries will be unable to mobilize additional resources to implement their PRSP through export promotion. They will rely more on internal resources to finance their PRSPs, and this – domestic resource mobilization presents a major challenge for the successful implementation of the PRSP.

- *Costing is weak*

Realistically costing the PRSP has been and remains a major challenge for most countries. Countries are experiencing a variety of difficulties in costing the PRSP. This ranges from poor governance in some cases civil servants have inflated the cost of projects and programs in the expectation of profiting thereby -, weak accounting and costing capacity. In some, the attempt to cost has not produced good results. In countries like Rwanda, Ghana, Malawi and Uganda, where costing efforts have been relatively more successful, problems still persist. It is now accepted that reaching targets set under the Uganda's Poverty Eradication Action Plan (PEAP) will take longer than initially expected. In all countries, the gap between current and required spending levels to implement the PRSP is huge. Kenya, for example has a financing gap of Ksch 70 billion. The lack of data and capacity at regional and local levels make it even more difficult to quantify resource needs.

The PRSP countries recognize that to ensure a successful outcome, they will need to elevate their domestic revenue mobilization efforts. The PRSPs discuss and identify additional sources of revenue. These include cutback on defense expenditures, increased tax effort, introduction of new taxes such as VAT, cuts in government services, and deficit financing. However, these measures are unlikely to yield much revenue. The tax base of most countries remain weak and fragile and inadequate administrative capacity is a real constraint.

The weak resource picture is a threat to the PRSP. It could compromise and weaken the country-ownership principle as it could enhance the scope and importance of donor support and the conditionalities that come with it. The partnership principle will be eroded. Overall, progress towards poverty reduction will not be rapid and citizen confidence in the process will be replaced with skepticism.

- *Capacity Constraints:*

The success of the PRSP hinges greatly on the availability of a tolerable minimum of preparation and implementation capacity. A systematic and detailed analysis of the nature, extent and impacts of poverty is a very recent activity in Africa despite the pervasiveness of poverty. Statistical agencies systematically collect data, seldom are these duly analysed to produce consistent characterizations of the human condition in the region. Analytical capacity is limited and authority with respect to examine the causes of poverty in Africa has been ceded to foreign research institutions and international agencies. New crucial capacities for PRSPs are needed in the light of the dynamic nature of the PRSPs analytical and implementation challenges in poverty diagnostics, impact evaluation, public expenditure management and analysis, inter-sectoral linkages and participatory processes for monitoring and evaluation. Since, capacity requirements vary across the PRSP stages – design, implementation, monitoring and evaluation – there is need for comprehensive approach to capacity issues by countries.

The consequences of this limited capacity were evident in the African PRSP countries studied. In many countries, capacity constraints in part explain the substantial delays in finalizing the PRSP (see Annexes 4 and 5). In Rwanda, Malawi and Sierra Leone, sector programs are yet to be operationalized because of inadequate capacity. Kenya's PRSP often listed policy actions which had no clear connection to poverty diagnostics. Even the results of the poverty diagnostics were not systematically applied to determine priority policy actions and their sequencing. These capacity problems are likely to be more serious in the context of a decentralized system like Nigeria, Ethiopia, and Sudan, and suggest that decentralization now being pushed by donors, should be taken a closer look at. Its impact is also being felt in other areas. Donors, for example, remain reluctant to provide general budget support because of inadequate financial management capacity in countries. There is still the additional problem of ownership of capacity building projects.

Equally important is the underutilization of existing capacities. In a number of countries – Nigeria, Ghana, Egypt for example – the problem is not so much one of the lack of capacities for poverty reduction but of the gross misapplication of existing capacities. The role of donors in the erosion of capacities was also underscored. The flighty nature of donor-driven sector and program -specific capacity building results in rent-seeking, undermining incentives for long-term capacity acquisition.

- *Trade is poorly integrated into the PRSP*

Although export promotion and export diversification are mentioned in a number of PRSPs (Rwanda, Mozambique, Ethiopia) none has a credible analysis of the potential impact of trade liberalization and the WTO on the poor. But, as Sachs and Warner (1995) argue, trade liberalization has an enormous impact on the livelihood of the poor. Openness to trade can be a key driver to economic growth, helping countries to significantly reduce poverty. Access to export markets backed by export promotion, is thought by many to be an effective way to find sufficient demand for a nation's output. But trade can also contribute to poverty.

- *Good quality data still insufficient*

Good strategies and policies depend to an important extent on good quality data and analysis. Effective formulation of policies to address structural poverty requires an appreciation of the causes and consequences of poverty and the regional, ethnic, gender disparities that exist. More analytical work is also needed to understand poverty and social impacts of macroeconomic stabilization and growth strategies. These require bolstering data collection systems, gathering data at a highly disaggregated level, carrying out poverty assessments and monitoring, and improving the overall analytical capability.

- *The lingering unpredictability of aid flows*

As discussed earlier, the financing gap of most the PRSPs is substantial. Progress on poverty reduction can be speeded up if donors increase their support to close the financing gap. But aid flows remain highly unpredictable. The seriousness of the unpredictability of aid flows is amplified and accentuated by the heavy reliance of the budgets of these countries on external sources of funding. Given that high levels of resource flows are unlikely, PRSP governments will constantly revise their PRSP targets downwards.

For example, without massive donor financial assistance in support to the PRSP in Niger, it is unlikely that the country's proposed MTEF will be financed, given that donor investment financing averaged more than 80% of total government investment expenditures. Also, Lesotho requires substantial financial assistance to achieve the MDG targets in the areas of poverty and HIV/AIDS. Ironically however, Niger and Lesotho (landlocked, poor and heavily dependent on donor assistance) have witnessed the sharp declines in official development assistance, falling from 7.9% to 2.5% of GDP between 1990-2001 for Lesotho and by 48% in volume between1990-1999, for Niger. Donor policies are therefore very critical to the PRSP process since a significant part of national efforts toward poverty reduction is funded through donor assistance.

- *The shaky foundations of the Partnership Principle is threatened*

There is as yet no credible evidence that the partnership principle of the PRSP is being actualized by donors, their substantial support for preparing the PRSPs notwithstanding. Aid policies remain a cacophony of procedure even though it is widely recognized and agreed that harmonization of procedures and policies can result in substantial reduction of transactions cost and improve the efficiency of aid in aid-receiving countries. The disbursement and delivery systems of ODA remains rigid. And even the partnership itself is threatened by the fact that donors are slow to recognize the urgent need for genuine reciprocity and mutual accountability in the relationship. There is the risk that the "partnership" could metamorphose into covert conditionality as donors insist on it, may subverting country-ownership. In spite of proclamations, donors continue to drive the PRSP agenda and donor-driven priorities and systems continue to impose a very high burden on aid-receiving African countries.

Even more worrying is the fact that donors are not matching their words with *sufficient* action. Policy advice remains contradictory. Assistance overlaps. Yet coherence demands a more structured strategy by the international community. The *additional* hope that donors will increase the coherence of their policies to support poverty reduction in the poorest countries by providing greater market access for products from poor countries remains unrealized.

POSSIBLE LESSONS FOR NIGERIA AND SOME PROPOSALS

These lessons may be of relevance to Nigeria since it is yet to prepare a PRSP or finalize one it began more than 2 years ago. However, the degree to which these lessons can be of value to Nigeria depend on the country's internal policy process (see Eboh, C. E, 2003 for a rich discussion of Nigeria's confusing poverty policy process), the structure of public administration (Federal structure), differences in the nature and causes of poverty in the various zones and the human and institutional capacity of governments and all stakeholders to carry through the strategies.

There are many lessons but I shall concentrate on a few. A Nigerian PRSP must of necessity pay attention economic growth and the distributional patterns, and the spatial and sectoral composition of growth. Nigeria's growth experience of the 1986-92 period shows a high poverty elasticity of growth (Thomas, 2003). Poverty fell by more than 13% as a result of growth but increased by more than 4% because of worsening income distribution (see Table 5). So, the 8.9% reduction in poverty during that period was accounted for by growth and shows that growth alone will not be sufficient for poverty reduction in Nigeria. But it also shows that sustained economic growth, given the shallowness of poverty in the country, can lift a considerable number of Nigerians out of poverty. The lesson here is that Nigeria should pay due attention to the inter-temporal tradeoff between increases in social expenditures and long-term growth.

A major shortcoming of a handful of the PRSPs is the lack of attention paid to employment creation as an important component of any strategies to reduce poverty. Yet the easiest pathway out of poverty is employment. A Nigerian PRSP must, given the country's large youthful population, focus on employment creation as the major plank of that strategy.

Most African PRSPs ignore the possible use of social safety nets to reduce poverty. Egypt's and South Africa's experiences (and indeed experience from the more industrialized countries) show that social safety nets can be useful instruments for reducing poverty. In Egypt, poverty increased when the subsidy on bread was removed. However, for efficiency, these subsidies must be properly targeted and time-bound.

Another lesson for Nigeria is the need to mainstream HIV/AIDS into any national strategies to reduce poverty. Poverty and HIV/AIDS are linked. Poverty is implicated in the spread of HIV/AIDS as HIV/AIDS is implicated in the growing incidence of poverty and in its severity. Emerging experience out of southern Africa where HIV/AIDS prevalence rates are high suggests that the epidemic can be a constraint on development. However, not too many PRSPs prepared by countries in that region systematically factor in HIV/AIDS. This is probably because we do not quite know how to do that. Nigeria's large population requires any national strategy to address poverty must build in a strategy to address HIV/AIDS.

Nigeria's federal structure has been said by many to be an impediment against a national poverty reduction strategy paper. But the experience of Ethiopia, although not as decentralized as Nigeria, provides some lessons. The Ethiopia used Regional states, the districts and wards to facilitate widespread participation in the preparation of the SDPRSP. However, given the spatial dimensions of poverty in Nigeria, a one size fits all Federal PRSP or NAPEP may not be ideal. The Federal government should, in my view, provide only broad national guidelines and benchmarks to States and should employ States as its agents in achieving this goal. States can be encouraged, through a system of incentives – such as a Federal Poverty Reduction Grant – structured in such a way as to encourage states to prepare and execute their own poverty reduction strategies consistent with federal guidelines. States shall receive the grant – which will be in addition to their share of federally collected revenues – if they achieve specific targets. States which more than meet the targets will receive bonuses and those that do not meet the targets receive nothing. Through this system, states will produce context-specific poverty reduction strategies. This system will, in addition, promote innovative competitiveness in the policy arena among states which will be healthy for the country.

CONCLUSION

Overall, it is safe to state that based on evidence from the ECA country studies, PRSPs are making a difference in the way that growth and poverty strategies are being developed in many African countries country, discussed and negotiated with the International Financial Institutions, and other external partners. It has become the central strategy for many countries and is being adopted by even more countries not required to prepare a PRSP.

It is now widely acknowledged that by promoting broad-based participation of key stakeholders in developing, implementing, and monitoring national poverty strategies, the PRSP approach has the potential to change policy-making processes in Africa and creating more space for increased national ownership of policies and programs. A few lessons have been learned:

- The PRSP remains for the most part broad statements of strategic intentions in many of the countries that have prepared it. But PRSPs must go beyond this. They need to become operational roadmaps for policy making. To do this, they need to identify and consider the tradeoffs among objectives and among policy options and provide guidelines for resolving them.
- Participation is being institutionalized but in varying degrees across the region. However, in many countries, it is largely donor-driven. CSO participation in the consultations has been made possible, in large part by donors. Despite the fragility

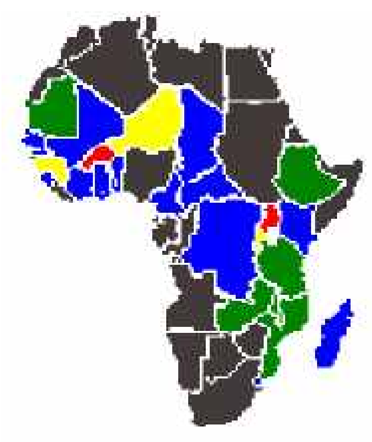
of this model, it does nonetheless sow the seeds for greater citizen-participation in the policy process.

- The PRSP is forcing governments to focus on poverty and providing a framework for national planning.
- Growth is necessary but not sufficient for poverty reduction. Redistribution policies must also be considered in the PRSPs. Besides, the growth strategies need to address the missing middle from policies to poverty reduction. This missing middle has been a major weakness of early PRSPs but it can be addressed concretely through exploration of channels such as employment creation.
- Sector programs remain weakly aligned with nationally agreed PRSP goals and targets. Alignment of PRSPs with sector strategies will result in the substantial exploitation of economies of scale and scope.
- Donors need to increase their support for the PRSP. The need to harmonize donor procedures, policies, and reporting systems in order to reduce transaction costs and improve the effectiveness of aid remains urgent.

The task of poverty reduction is daunting. It is hard to argue that the obstacles and challenges to growth in Africa in general and in Nigeria in particular, are not known. They are. It also hard to argue that the emerging African experience has no relevance for Nigeria. The causes of poverty and the diseases of poverty in Africa have been studied over and over and over. What is lacking in Africa is the political will to implement the findings and recommendations of these studies. As Karl Marx said *"Philosophers have only interpreted the world in various ways; the point is to change it.*[5] *"* In the Nigerian environment, the quality of leadership as well as followership matters. Good, visionary, and exemplary leadership and innovative policies and approaches are required to reconcile the countries many competing interests and to subordinate them to the commonweal.

The will of leaders to promote development and secure human freedoms is decisive for achieving the MDGs and poverty reduction. Governments must acknowledge this role; assume it; feel a sense of responsibility for the millions who are poor; feel shame for the lack of progress towards poverty reduction; proffer and own proffered solutions to the problems. Nigeria has the

Box 2: How Participatory are African PRSPs?



To succeed in providing a shared understanding of a country's economic problems and the possible solutions for them, it is necessary to understand the extent to which the PRSP process is participatory and the degree to which participation and consultation have been institutionalized. In spite of proclamations to the contrary, donors continue to drive the PRSP agenda and donor-driven priorities and systems continue to be a very high burden of receiving aid.

In a very insightful study, William Eberlei of the University of Duiberg, Germany explored the degree to which participation has been institutionalised in African PRSP countries. He argues that if the participatory process is not institutionalized, it confronts the risk of either being misdirected or used as an alibi process to get donor assistance without resulting in any substantial change in the political framework of poverty reduction. This is an important observation especially with respect to implementation as there is hardly a PRSP country where the roles of stakeholders are clearly delineated. In most countries, parliaments have been marginally involved in the process to date.

Eberlei assesses the degree to which participation has been institutionalised in Africa using of data from 12 countries. Institutionalized participation is defined in the study as a rights-based, structurally integrated, and legitimised process through which capable stakeholdrers shape and share control over development initiatives. Using these parameters to develop 28 indicators, Eberlei groups his study countries according to the degree to which participation has been institutionalised (see map). According to his findings, participation is strongly institutionalised in two countries - Burkina Faso and Uganda; moderately institutionalised in 7 countries - Ethiopia, Gambia, Malawi, Mauritania, Mozambique, Tanzania, and Zambia, and weakly insititutionalised in three - Guinea, Mali and Rwanda.

Other key findings include the following:

- the environment for participation varies from country. This is a self-evident truth.
- Participation is dynamic
- There is room for countries to learn from each other
- Full and institutionalised participation is still a long way off. This has important implications for a successful implementation of the poverty reduction strategies.

Mr. Eberlei concludes from his work that a) the environment for participation varies from country; b) Participation is dynamic; c) There is room for countries to learn from each other; and d) Full and institutionalised participation is still a long way off.

LEGEND:
PRSP countries with
- strongly institutionalised participation
- moderate participation
- weak participation

or: countries with I-PRSP only

Basis:
28 indicators for the four *participation standards*: rights, structures, legitimacy, capacity

Source: Eberlei, W. 2002. « Institutionalisation of Participation in PRSP Processes. » Presentation for the 2nd Meeting of the ECA PRSP Learning Group. Brussels, 18-19 Nov. 2002

Box 3: The Strategic Partnership with Africa (SPA) Action Learning Missions

The Strategic Partnership with Africa (SPA) carried out pilot action learning missions to three African countries in 2002. The main purpose of the mission was to identify constraints to, and investigate specific measures for aligning donor practices behind national PRS processes and cycles. The missions were to explore, joint with government and in-country donors, the possibilities for developing a coordinated government-led, annual PRS cycle whereby aid financing, procedures and practices line up behind a national review process and budget cycle. The missions also sought to elicit from both government and donors an agenda of the changes needed in order for donor policies, procedures and practices to line up behind a nationally-led PRS cycle.

Findings

- The number of donor conditions has not shown a tendency to decrease;
- The process for agreeing to specific policy actions required by donors remains non-transparent, and is not based on the country's own policy-making process;[1] and
- reporting requirements have not been aligned, either with each other or with the country's own information systems.

Needed Actions by African Governments:

- Translate medium term indicators, targets and policy commitments into annual goals against which progress can be measured;
- Clarify the link between the PRS annual review and national budget and planning cycles;
- Clarify the links between PRSs and sector programs; and
- Ensure consistency between the PRS and MTEF/budget allocations.

Needed Actions by Donors

- Agree to use the annual PRS review to assess and review country performance and conditionalities;
- Align disbursements to the government's budget cycle;
- Notify Government, in advance, of the specific information they would like to see included in the annual reviews, and streamline their requests;
- Avoid making additional ad hoc requests for information;
- Support Government through capacity building and appropriate technical assistance; and
- Align conditionality with the PRSP, and simplify it where possible; there would be a common set of conditions which include all the requirements of all donors providing budget support, but each donor would link its support to its own sub-set of conditions and render its own judgment as to whether these conditions have been met.

Source: SPA-6. 2002. The New Partnership: From Strategy to Implementation

Annex 1: Country Studies Commissioned by the PRSP_LG

2001	2002	2003
Mali	Burkina Faso	Cameroon
Mozambique	Cote d'Ivoire	Democratic Republic of Congo
Uganda	Ethiopia	Egypt
Tanzania	Ghana	Lesotho
	Kenya	Madagascar
	Malawi	Namibia
	Rwanda	Nigeria
	Sénégal	Niger
	Sierra Leone	South Africa
	Zambia	Sudan

Annex 2: Depth and Severity of Poverty in Nigeria (1980-1996)

	1980		1985		1992		1996	
	Depth	Severity	Depth	Severity	Depth	Severity	Depth	Severity
National	0.160	0.080	0.352	0.169	0.384	0.202	0.358	0.207
Urban	0.135	0.062	0.319	0.144	0.359	0.180	0.356	0.206
Rural	0.162	0.081	0.367	0.180	0.397	0.213	0.359	0.207
M-headed	0.151	0.071	0.352	0.169	0.380	0.198	0.361	0.209
F-headed	0.234	0.156	0.350	0.167	0.425	0.237	0.329	0.186
Size of HH								
1 nos.	0.076	0.021	0.139	0.034	0.601	0.507	0.214	0.097
2-4	0.077	0.026	0.241	0.091	0.293	0.134	0.286	0.147
5-9	0.135	0.058	0.332	0.149	0.355	0.176	0.369	0.214
10-20	0.175	0.084	0.409	0.215	0.442	0.247	0.431	0.276
20+	0.511	0.421	0.634	0.460	0.649	0.450	0.581	0.425
No Educ	0.165	0.081	0.364	0.178	0.390	0.208	0.376	0.221
Primary	0.142	0.067	0.327	0.148	0.381	0.194	0.328	0.184
Sec	0.183	0.114	0.287	0.123	0.368	0.193	0.320	0.178
Post-Sec	0.108	0.042	0.318	0.154	0.328	0.165	0.308	0.164

Source: FOS (1999) Poverty Profile for Nigeria in Eboh, CE (2003).

Annex 3: Distribution of the Population According to Upper and Lower Poverty Lines (% Headcount)

	1980	1985	1992	1996
National				
Non-poor	72.8	53.7	57.3	34.4
Moderately poor	21.0	34.2	28.9	36.3
Core poor	6.2	12.1	13.9	29.3
Urban				
Non-poor	82.8	62.2	62.5	41.6
Moderately poor	14.2	30.3	26.8	33.0
Core poor	3.0	7.5	10.7	25.2
Rural				
Non-poor	71.7	48.6	54.0	30.7
Moderately poor	21.8	36.6	30.2	38.2
Core poor	6.5	14.8	15.8	31.6
Male-headed				
Non-poor	70.8	52.7	56.9	33.6
Moderately poor	19.5	35.1	29.6	36.7
Core poor	9.7	12.2	13.5	29.8
Female-headed				
Non-poor	73.1	61.4	60.1	41.5
Moderately poor	21.2	27.7	23.0	33.5
Core poor	5.8	10.9	16.9	25.0

Source: FOS (1999) Poverty Profile for Nigeria, from Eboh, C.E. 2003. "The Poverty Reduction Strategy Process in Nigeria", UNECA, Addis Ababa, Ethiopia

Annex 4: Duration of PRSP Processes for Countries with Full PRSPs

Country	I-PRSP Completion	PRSP Completion	Time Taken	0-1 year	1-2 yrs	2-3 yrs
Albania	May 2000	Nov 2001	18 months		*	
Azerbaijan	May 2001	May 2003	24 months		*	
Benin	June 2000	Mar 2003	33 months			*
Bolivia	Jan 2000	Mar 2001	14 months		*	
Burkina Faso	-	May 2000	-			
Cambodia	Oct 2000	Dec 2002	26 months			*
Cameroon	Aug 2000	Aug 2003	36 months			*
Chad	July 2000	July 2003	36 months			*
Ethiopia	Nov 2000	July 2002	20 months		*	
Gambia	Oct 2000	Apr 2002	18 months		*	
Georgia	Nov 2000	Jun 2003	31 months			*
Ghana	June 2000	Mar 2003	33 months			*
Guinea	Oct 2000	Jan 2002	15 months		*	
Guyana	Oct 2000	May 2002	19 months		*	
Honduras	Apr 2000	Aug 2001	16 months		*	
Kenya	Jul 2000	Apr 2001	9 months	*		
Kyrgyz Republic	Jun 2001	Dec 2002	18 months		*	
Madagascar	Nov 2000	Jul 2003	32 months			*
Malawi	Aug 2000	Apr 2002	20 months		*	
Mali	July 2000	May 2002	22 months		*	
Mauritania	Dec 2000	Mar 2002	15 months			
Mongolia	Jun 2001	Jul 2003	25 months			*
Mozambique	Feb 2000	Apr 2001	14 months		*	
Nepal	-	May 2003	-			
Nicaragua	Aug 2000	July 2001	11 months	*		
Niger	Oct 2000	Jan 2002	15 months		*	
Pakistan	Nov 2001	Feb 2003	15 months		*	
Rwanda	Nov 2000	Jun 2002	19 months		*	
Senegal	May 2000	May 2002	24 months		*	
Sri Lanka	-	Dec 2002	-			
Tajikistan	Mar 2000	June 2002	27 months			*
Tanzania	Mar 2000	Oct 2000	7 months	*		
Uganda	-	Mar 2000	-			
Vietnam	Mar 2001	May 2002	14 months		*	
Yemen	Dec 2000	May 2002	17 months		*	
Zambia	June 2000	Mar 2002	21 months		*	
AVERAGE			21 months	N=3	N=19	N=9

Note: Kenya remains anomalous, since the country's full PRSP has not been endorsed by the IMF/World Bank. In most BWI documentation, it is acknowledged as having finalized its I-PRSP and is in the process of preparing a full PRSP. The exclusion of Kenya from the above table does not alter the average time taken to complete the full PRSP. Focusing exclusively on countries in Sub-Saharan Africa, the average duration between submission of an I-PRSP and the completion of a full PRSP is also 21 months (22 months excluding Kenya).

Annex 5: Time elapsed since I-PRSP submission for countries preparing full PRSPs

Country	I-PRSP Completion	Time Taken in Preparing Full PRSP
Armenia	Mar 2001	31 months and counting
Bangladesh	June 2003	4 months and counting
Cape Verde	Jan 2002	21 months and counting
Central African Republic	Dec 2000	34 months and counting
Cote d'Ivoire	Jan 2002	21 months and counting
Djibouti	Nov 2001	23 months and counting
DRC	Mar 2002	19 months and counting
Guinea Bissau	Sept 2000	37 months and counting
Lao PDR	Mar 2001	31 months and counting
Lesotho	Dec 2000	34 months and counting
Macedonia	Nov 2000	35 months and counting
Moldova	Apr 2002	17 months and counting
Sao Tome & Principe	Apr 2000	42 months and counting
Serbia & Montenegro	July 2002	15 months and counting
Sierra Leone	June 2001	28 months and counting
AVERAGE		26 months

Source: Own calculations based on month of submission up until October 2003.

Note: Focusing exclusively on the eight countries in Sub-Saharan Africa, the average time elapsed since the submission of an I-PRSP is 30 months.

Source (Annexes 2 and 3): Roberts, B. 2003, "Exploring the PRSP Process in Lesotho: Reflections on process, content, public finance, donor support and capacity need" UNECA, Addis Ababa, Ethiopia

Table 3: International Poverty Incidence Comparisons (US$1/day poverty Line) **

Countries	Incidence	Depth	Severity	Gini
Nigeria, 1992*	27.10	10.80	5.70	.450
Ghana, 1991-92	42.00	12.20	5.10	.408
Cote d'Ivoire, 1988	55.80	20.10	9.60	.346
Sri Lanka, 1990-91	23.50	5.00	1.60	.302
China, 1992	10.80	2.50	1.00	.321
Pakistan, 1991	22.30	5.40	2.00	.312
Panama, 1989	19.60	9.20	5.90	.568
Brazil, 1989	26.00	10.90	5.60	.638
Peru, 1990	40.60	14.10	6.70	.439
Colombia, 1991	3.00	0.80	0.30	.513

Source: IMF Working Paper "Poverty in a Wealthy Economy: The Case of Nigeria, July 2002

Table 4: PROGRESS IN PRSP PREPARATION IN AFRICAN COUNTRIES

Country	Interim PRSP (year)	Full PRSP (yr)
Angola		
Benin	X2000	
Burkina Faso		X 2000
Burundi	-	
Cameroon	X2000	
Cote d'Ivoire	X 2000	
Cape Verde	X2002	
Central African Republic (CAR)	X2001	
Chad	X2000	
Comoros		
Democratic Republic of Congo (DRC)	X2002	
Djibouti	X2001	
Equatorial Guinea	-	
Eritrea	-	
Ethiopia		X 2002
Gambia		X 2002
Ghana	X2000	
Guinea		X 2002
Guinea Bissau	X 2000	
Kenya	X 2000	

Source: World Bank, http://poverty.worldbank.org/files/revised_Country_table_annex_1-sept3.pdf

Table 5: International Decomposition of Poverty: Percentage Changes in the Headcount Index

Countries	Growth	Redistribution	Residual	Total
Nigeria, 1985- 92	-13.6	+4.70	-	-8.90
Ghana, 1989-92	-2.91	+2.18	-0.32	-1.05
Kenya, 1981-92	-10.02	+1.99	1.85	13.87
Cote d'Ivoire, 1985-88	5.89	-3.06	-2.42	0.41
Sri Lanka, 1985-91	-4.98	-3.34	-0.44	-8.76
China, 1985-1990	-1.12	+4.96	0.08	3.92
Pakistan, 1984-1991	-0.96	-7.83	0.15	-8.64
Panama, 1979 -89	0.59	+9.08	-0.08	9.59
Brazil, 1979 -1989	0.66	+4.77	-0.02	5.41
Peru, 1985-1990	38.41	-3.00	-1.97	33.44
Colombia, 1980-1991	-0.42	-1.00	0.05	-1.30

Source: IMF Working Paper "Poverty in a Wealthy Economy: The Case of Nigeria, July 2002

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NIGERIA POVERTY PROFILE: AN UPDATE

Eboh, E. C. and Ujah O. C.

The release of the results of the Nigerian Living Standard Survey 2003/2004 by the Federal Office of Statistics (renamed National Bureau of Statistics) in March 2005 necessitates the updating of Nigeria poverty statistics given by Kasirim Nwuke's paper. We therefore present some analysis and overview of the poverty situation and trends across the states of Nigeria, based on the FOS 2004 data.

The results show that poverty in Nigeria (based on relative poverty line) was 54.4% in 2004, down from 65.6% in 1996. Besides the aggregative national poverty incidence, there are sharp poverty differences across states as shown below in Figs. 1 and 2 below.

Fig. 1: Poverty Map 1996

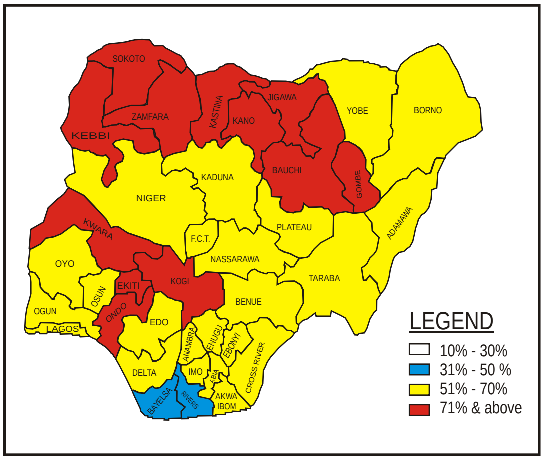
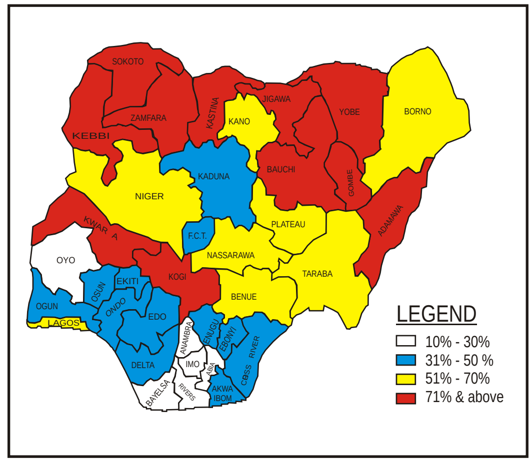


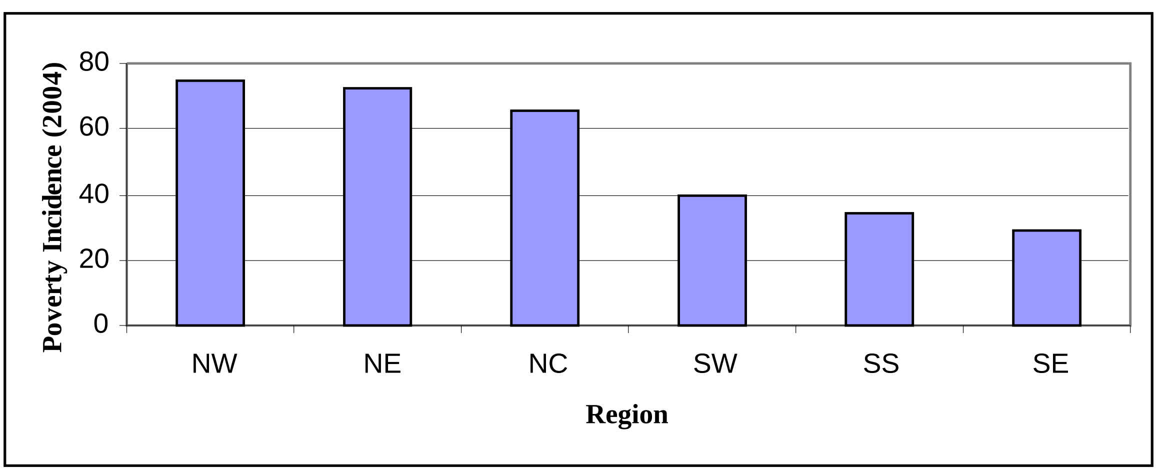
Fig. 2: Poverty Map 2004



Source: *Data from FOS-NLSS, 2005.*

Fig. 2 shows high variability in poverty rates across states, with poverty incidence above 70% in parts of the NorthWest and NorthEast compared to less than 30% in parts of the Southeast. Poverty incidence in 2004 showed dramatic differences across states ranging from 20-22 percent in Bayelsa, Anambra and Abia to 85-95 percent in Kwara, Bauchi, Kogi, Kebbi, and Jigawa. Regional averages are presented in Fig. 3 showing that poverty incidence in the north is more than twice as high as in the south.

Fig. 3: Poverty Incidence (2004) by Geopolitical Region

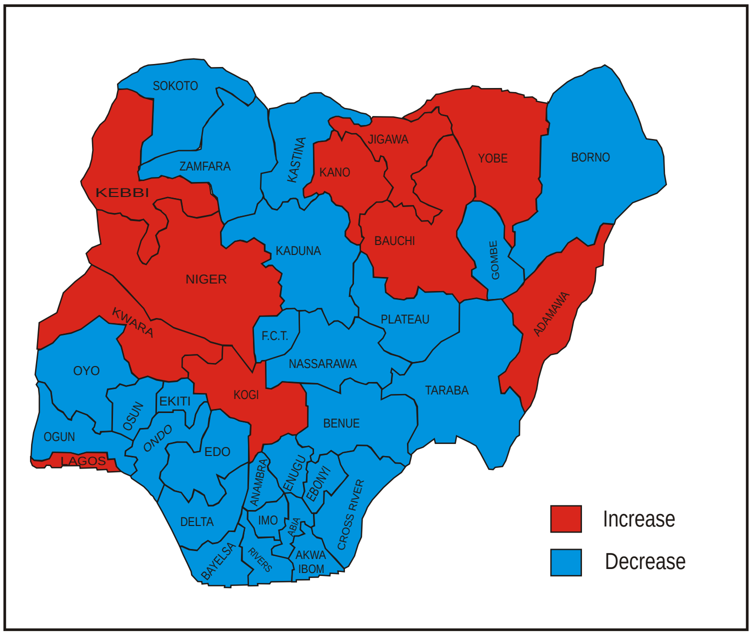


NW= northwest; NE=northeast; NC= north-central; SW= southwest; SS= south-south; SE= south-east.

According to the FOS estimates, the relative contributions of regions to national poverty are as follows: South-South 9.7%, South-East 5.9%, South-West, 15.5%. Others are North-Central 17.7%, North-East 17.7% and North-West 33.6%. The Northwest made the highest contribution to the national poverty.

Moreover, trend from 1996 to 2004 shows that poverty rates increased in parts of North-West and North-East but decreased in the South and parts of North-Central states, as shown in Fig. 4.

Fig. 4: Map showing Change in Nigeria Poverty Incidence (1996-2004)



Poverty increased in two more urbanised states in the country, suggesting a growing phenomenon of urban poverty. In fact, distribution of total national population living in poverty by states shows that Lagos State has the highest single share of 7.6% followed by Kano State 6.0% and Katsina State 4.9%.

Poverty by Gender and Sector

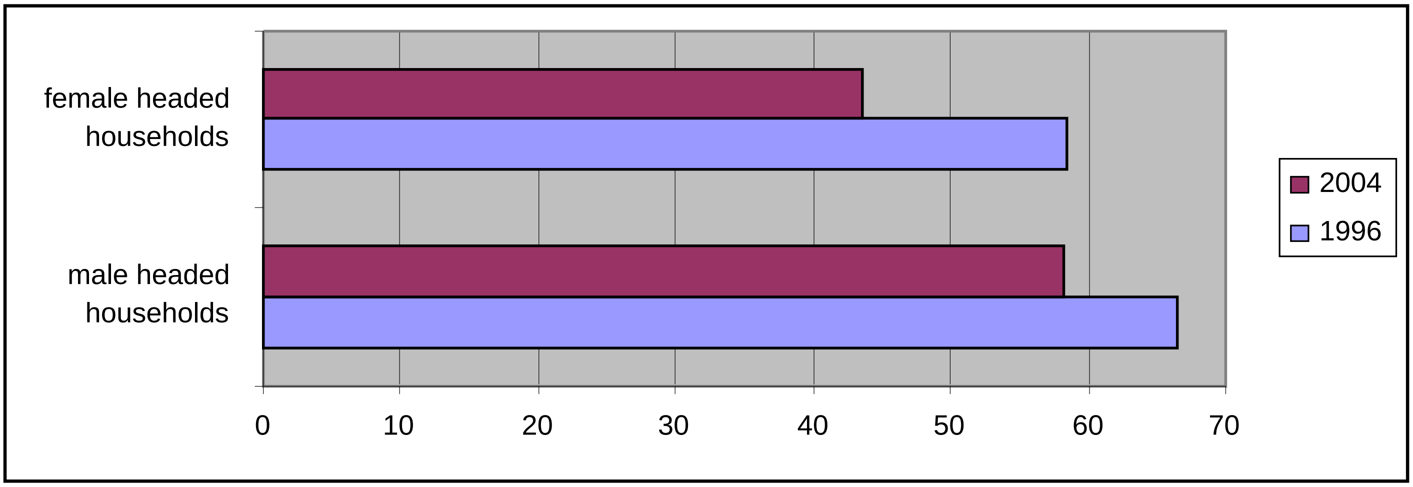
Poverty by Gender and Sector (%)

Year	Gender		Sector	
	Male-headed households	Female-headed households	Rural	Urban
1980	29.2	26.9	28.3	17.2
1985	47.3	38.6	51.4	37.8
1992	43.1	39.9	46.0	37.5
1996	66.4	58.5	69.3	58.2
2004	58.2	43.5	63.3	43.2

Disaggregated data showed that poverty differs by gender and by sector (rural and urban).

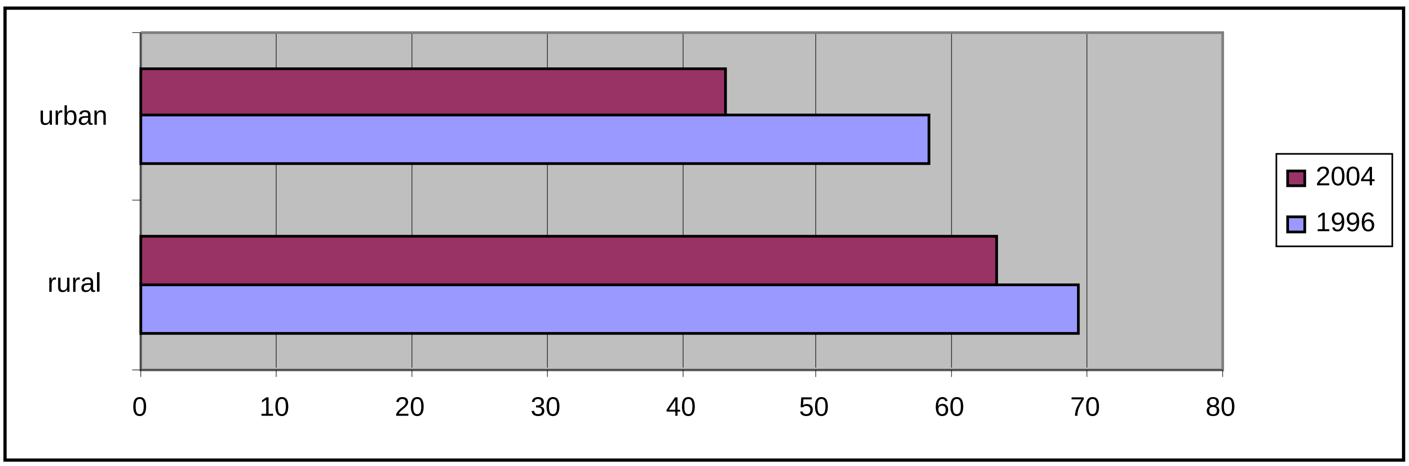
Gender-disaggregated poverty data can be presented as follows:

Fig. 5: Nigeria Poverty (2004) by Gender



Sector-disaggregated poverty data can be presented as follows (Fig. 6).

Fig. 6: Nigeria Poverty by Sector (1996-2004)



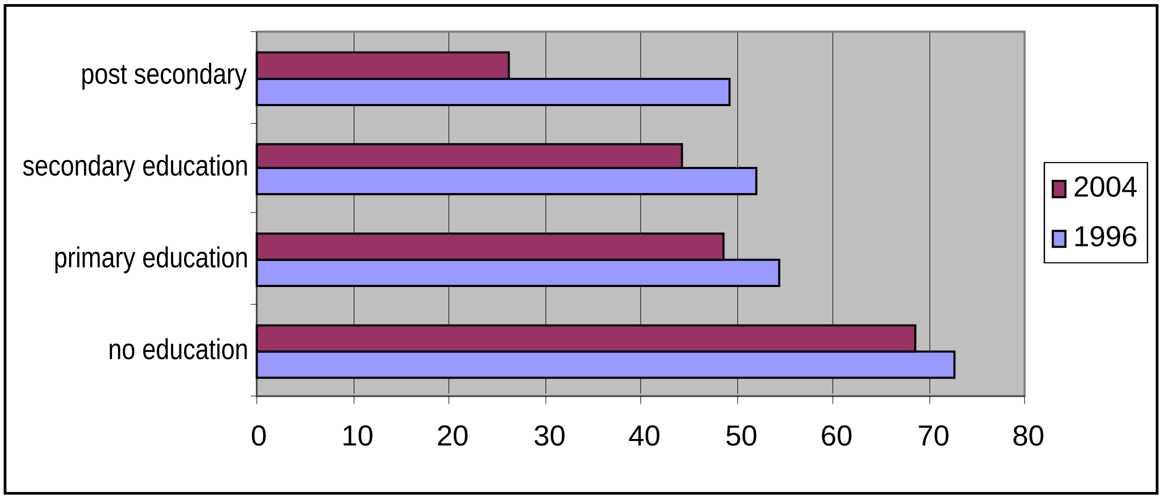
Poverty by Occupation of Household Head

Agriculture and forestry are among the worst bearers of poverty in the country. Both sectors have the highest incidence of poverty among all economic sectors, except in 1980 and 1996 as can be seen in Table 1 below. It is estimated that rural sector contributed 65% to national poverty compared to 35% by urban sector in 2004.

Table 1: Poverty incidence by occupation of household heads

Occupation	1980	1985	1992	1996	2004
Professional & Technical	17.3	35.6	35.7	51.8	34.2
Administration	45.0	25.3	22.3	33.5	45.3
Clerical & Related	10.0	29.1	34.4	60.1	39.2
Sales Workers	15.0	36.6	33.5	56.7	44.2
Service Industry	21.3	38.0	38.2	71.4	43.0
Agriculture and Forestry	31.5	53.5	47.9	71.0	67.0
Production and Transport	23.2	46.6	40.8	65.8	42.5
Manufacturing and Processing	12.4	31.7	33.2	49.4	44.2

Fig. 7: Poverty by educational level of household head (%)



The apparent association between poverty and education underscores the potential role of education in lifting households and individuals out of poverty.

Poverty Gap

Poverty gap measures the depth of poverty, that is, the extent to which a poor household's expenditure falls below the national poverty line. Some states may have low poverty incidence but low poverty gap and vice versa. We illustrate the poverty depth using states with highest poverty rates as follows (Table..)

Table 2. Poverty gap in states with highest poverty incidence (2004)

State	**Poverty rate**	**Poverty gap**
Jigawa	92.1	0.4967
Kebbi	90.4	0.4322
Kogi	88.6	0.5713
Bauchi	82.2	0.3573
Yobe	81.1	0.3563
Kwara	79.3	0.4413

It can be seen from above Table that though Kogi State is not the worst in poverty incidence, it has the deepest poverty.

Poverty situation: perspectives from the per capita expenditure

A greater appreciation of the poverty situation in Nigeria can be obtained from the perspective of per capita expenditure. The NLSS estimates annual per capita expenditure to be N35,600.00, which at the rate of N133.5 to the US dollar (average DAS rate for 2004) is equivalent to US$266.67, that is, US$22.22 per month. The highest quintile of the population recorded per capita expenditure of N68,952.00 compared to the lowest quintile which recorded only N7,226.00 Per capita expenditure was estimated to be N34,576.00 for male-headed households and N41,004.00 for female-headed households.

Income Inequality

Income inequality indicates disparity in incomes across groups in society. It is traditionally measured by the Gini coefficient. According to the Macroeconomic Assessment Report on Nigeria carried out by African Institute for Applied Economics, Enugu, in 2003, income distribution is so skewed that the country is one of the most unequal societies in the world, with 50% of the population having only 8% of the national income. Nigeria is also one of the most unequal societies in the world, with income distribution skewed heavily such that whenever aggregate growth occurs, it is not shared by all. On the average, Nigerians are very income-poor. But the skewed distribution of the available income makes the situation rather serious. The UNDP/Nigeria (2001) observes that while the highest income bracket constituting only 10 percent of the population shares 31.4 percent of total national income, the poorest 10 percent has only 1.3 percent. Nearly 50 percent of total national income is owned by 20 percent of the highest income group. In contrast, the poorest 20 percent of the population own only 4 percent of total national income. Update statistics from the NLSS 2004 survey estimates national income inequality to be 0.4882. Income inequality in urban sector is estimated to be 0.5441 compared to rural sector 0.5187. According to the 2004 statistics, the poorest 10% accounts for only 1.6% of total income while the highest 10% accounts for up to 40% of national income. Regional distribution of income inequality shows that southwest has the highest income disparity of 0.5538, followed by south-south 0.5072, northeast 0.4590, south-east 0.4494, north-central 0.3934 and north-west 0.3711. Inequality breeds social tension, conflict and raises the stakes for policies to promote balanced growth and income redistribution.

Literacy (in English) by Gender

There are sharp disparities in literacy rate across the country, as shown by (Figs. 8 and 9). Male and female literacy are acute in the northern states. Female literacy is less than 25% in most of the northern states.

Fig. 8: Male Literacy (2004)

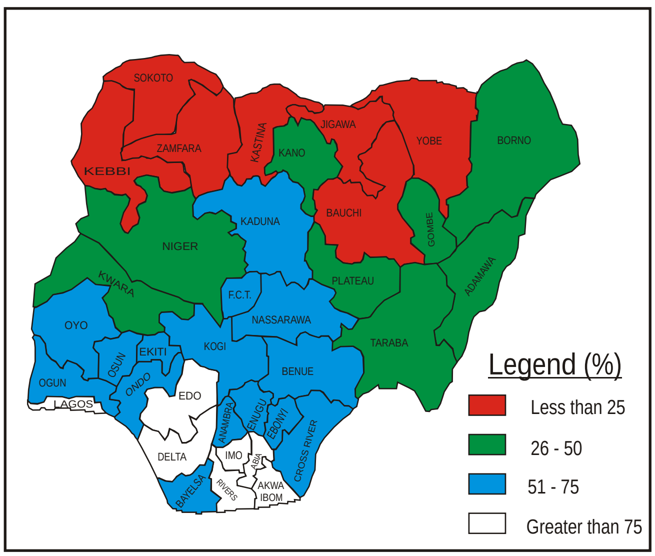


Fig. 9: Female Literacy (2004)