

AN OPERATIONAL APPROACH TO ASSESSING
COUNTRY OWNERSHIP OF
POVERTY REDUCTION STRATEGIES

Volume II: Country Case Studies



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**AN OPERATIONAL APPROACH FOR ASSESSING COUNTRY
OWNERSHIP OF POVERTY REDUCTION STRATEGIES
VOLUME II: COUNTRY CASE STUDIES
BOLIVIA, GHANA, KYRGYZ REPUBLIC, SENEGAL**

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FOREWORD

This study consists of two volumes. Volume I analyses the evidence from four case studies on country ownership of the Poverty Reduction Strategy (PRS) in Bolivia, Ghana, Kyrgyz Republic and Senegal, and draws some operational implications for enhancing country ownership of PRSs. Volume II presents the four country case studies. Didactic versions of each of the case studies were used as the basis of a discussion on the political economy of PRSs as part of a series of workshops on the PRS initiative, held in 2003 and 2004 and sponsored by a consortium of bilateral development assistance agencies and The World Bank. The didactic versions are available on the World Bank's website.

The study is the result of the work of a team led by Janet Entwistle (OPCS), and comprising Natasha Bajuk, Filippo Cavassini, Federico Steinberg and Christian Vakarelis (OPCS). Pablo Guerrero (OPCS) provided invaluable direction, encouragement and support. Rosa Alonso (formerly WBI, currently EAP), Lindsay Judge (formerly PRMPR, currently ESSD) and Jeni Klugman (formerly PRMPR, currently AFR) were instrumental in shaping the work from an early stage. Ioannis Kessides (DEC) made substantive contributions on the factors of ownership. Saydeh Shammass (OPCS) provided strong logistical support. Cynthia Delgadillo and Pansy Chintha (OPCS) helped with publication.

The study reflects missions to Bolivia, Ghana, Kyrgyz Republic and Senegal, which included discussions with government officials, national stakeholders and officials of development assistance agencies, including the World Bank Country Office Directors or Country Managers and staff in each of these countries. It also reflects discussions on each of the country case studies, led by the report's team members, government officials and civil society representatives, held with staff of development assistance agencies during regional workshops on the PRS initiative in Burkina Faso, Bolivia, Albania, and Zambia.

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**COUNTRY OWNERSHIP OF THE *ESTRATEGIA BOLIVIANA DE
REDUCCIÓN DE LA POBREZA***

ACRONYMS

CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative group
CIDA	Canadian International Development Agency
CISE	<i>Consejo Interinstitucional de Seguimiento y Evaluación</i> (Inter-Institutional Committee for Monitoring and Evaluation)
CSOs	Civil society organizations
CODEPES	<i>Consejos de Desarrollo Económico, Productivo y Social</i> (Economic, Productive and Social Development Councils)
CONAPES	<i>Consejo Nacional de Política Económica y Social</i> (National Economic and Social Policy Council)
CV	<i>Comité de Vigilancia</i> (Oversight Committee)
DFID	Department for International Development
DUF	<i>Directorio Único de Fondos</i> (Single Directorate for Funds)
EBRP	<i>Estrategia Boliviana de Reducción de la Pobreza</i> (Bolivian Poverty Reduction Strategy)
EU	European Union
FY	Fiscal year
GDP	Gross domestic product
HIPC	Heavily indebted poor country
IDB	Inter-American Development Bank
IDA	International Development Association
IFC	International Finance Corporation
IFI	International Financial Institution
IMF	International Monetary Fund
INE	<i>Instituto Nacional de Estadística</i> (National Statistics Institute)
MCS	<i>Mecanismo de Control Social</i> (Social Control Mechanism)
MDGs	Millennium Development Goals
M&E	Monitoring and evaluation
NGO	Non-governmental organization
NMR	<i>Nuevo Marco de Relacionamiento</i> (New Relationship Framework)
ODA	Official development assistance
OTBs	<i>Organizaciones Territoriales de Base</i> (Grassroots Territorial Organizations)
PDD	<i>Programa de Desarrollo Departamental</i> (Departmental Development Program)
PDM	<i>Programa de Desarrollo Municipal</i> (Municipal Development Program)
PGDES	<i>Programa General de Desarrollo Económico y Social</i> (General Plan of Economic and Social Development)
POA	<i>Programa Operativo Anual</i> (Annual Plan of Action)
PRS	Poverty reduction strategy
SIDA	Swedish International Development Cooperation Agency
SME	Small and medium enterprise
SWaps	Sector-wide approaches
UDAPE	<i>Unidad de Análisis y Políticas Económicas</i> (Unit of Analysis and Economic Policies)
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
VIPFE	<i>Viceministerio de Inversión Pública y Financiamiento Externo</i> (Vice ministry for Public Investment and External Financing)

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COUNTRY OWNERSHIP OF THE *ESTRATEGIA BOLIVIANA DE REDUCCIÓN DE LA POBREZA*

I. INTRODUCTION

1. This case study focuses on country ownership of national development strategy in Bolivia as it materialized through the formulation and implementation of the *Estrategia Boliviana de Reducción de la Pobreza* (EBRP), Bolivia's Poverty Reduction Strategy (PRS), completed in March 2001. It identifies the political, social and economic factors as well as the institutional mechanisms that have strengthened country ownership of the EBRP and examines their resilience and effectiveness amid the recent political and economic events that are leading to a new *Estrategia Boliviana de Desarrollo* incorporating a revised EBRP.

2. Section II offers an overview and a synopsis of the political events, economic and institutional reforms and development assistance initiatives that have shaped the history and development of Bolivia since its return to democracy in 1982. Section III presents an overview of the EBRP in light of the Comprehensive Development Framework (CDF) principles - long-term holistic vision, country-led partnership and focus on development results – that, together with country ownership, form the basis of the PRS initiative. Section IV analyzes the factors that had a direct impact on country ownership of the EBRP, with a particular focus on the process leading to the formulation of the strategy: leadership within and participation across the executive, institutionalization of participatory mechanisms, the role and impact of internal and external partners and national institutions, and the recent economic and political events. Section V provides an overall assessment of country ownership of the EBRP and highlights key challenges ahead. Section A proposes some lessons learned by presenting strengths, weaknesses, opportunities and threats. Section B lists the persons interviewed for the preparation of the case study.

II. GENERAL BACKGROUND

A. Overview

3. The EBRP reflects a broad consultative process conducted through a national dialogue, National Dialogue 2000, and is based on sound analytical work on the structure and causes of poverty. It is focused on stabilization and social issues, and has led to institutionalizing national dialogue by law with the rationale that successive governments should not be tied to the policies of previous governments but should be required to consult broadly to continually adapt to changing circumstances.

4. National Dialogue 2000 was an important effort by the government to consult at the national, regional, and local levels in formulating its EBRP, building on lessons from a first national dialogue in 1997. Dialogue, however, has become viewed by some in Bolivia as a way to bypass a dysfunctional central government captured by elites rather than strengthen government to carry out its mandate. Misconceptions about participation and ownership have arisen. While greater participation is meant to allow for the expression of divergent views and ideas and help government develop a strategy for

which there is broad support among the population, some groups have sought to paralyze the government by demanding consensus. Participation has raised expectations to levels that exceed the capacity of the public sector.

5. About 15 months after the EBRP was completed, elections were held in June 2002 and a new government took office. The elections took place amidst an economic recession and mounting distrust in government. The government sought to place greater emphasis on addressing the fundamental issues of growth, but plagued by continued recession, a weak coalition and strikes and violence, the new President resigned in October 2003. A new government led by the former Vice President took office in a constitutional transfer of power. This government is faced with the challenge of consulting on national development strategy, through a National Dialogue 2004, and at the same time delivering results in the short run to restore credibility, show progress toward long-term goals and fulfilling expectations. It has renewed efforts to harmonize the efforts of development assistance agencies, which remain fragmented, around its strategy.

B. Incomplete Political and Economic Reform

6. After two decades of military governments, democracy was restored in 1982 and the 1967 constitution re-enacted. Since then, Bolivia has gone through a period of significant reform. Politically, gradual reform has tried to consolidate the constitutional system and decentralize the state structure. On the economic side, a structural adjustment process started in 1985. Despite important progress, the reform process remains incomplete. Attempts to orient both institutional and economic reforms towards the establishment of a new model enhancing political representation and promoting stable economic growth and poverty reduction have not yet led to sustained results.

Democracy and political dynamics

7. Bolivia is dominated by political parties with close links to the economic elite, often serving vested interests, and using State structures to achieve private aims.¹ Most civil servants are replaced each time government changes, thus undermining the emergence of a body of skilled civil servants without political affiliation. Indigenous communities - Aymara, Quechua and Guarani, who represent 60 percent of the population - are underrepresented in Congress. Non-traditional political parties have emerged.² Failure by the government to provide adequate social services to a large part of the population has strengthened the role of non-governmental actors such as the Catholic

¹ The parties that have held the presidency since the return to democracy are the center-right *Movimiento Nacionalista Revolucionario* (MNR), the center-left *Movimiento de la Izquierda Revolucionaria* (MIR), and the center-right nationalist *Acción Democrática Nacional* (ADN).

² The *Movimiento al Socialismo* (MAS) is one of the strongest among the non-traditional political parties. It was founded in 1998, represents some indigenous communities and coca growers, and is led by Evo Morales.

Church, which provides social assistance to the poor and plays an increasingly important role in Bolivian society.³

Economic reform

8. High levels of informal employment, low productivity and inefficiency in agriculture and the informal sector, low savings and investment rates, and high dependency on official development assistance characterize Bolivia's economic structure. Agriculture represents 15 percent of GDP, extractive industries and manufacturing account for 34 percent and services for 51 percent. The country is relatively well endowed with natural resources, such as timber, natural gas, zinc, and tin. Tin exports were the main source of foreign exchange until 1985, when international prices collapsed. Since the mid-1990s, hydrocarbons have attracted large amounts of foreign direct investment and natural gas is becoming the main export, together with soya, zinc, and gold. Large companies generate 65 percent of GDP using only 7 percent of the labor force.⁴

9. SMEs, including farmers, employ over 80 percent of the labor force, often through informal work relations, but produce less than 10 percent of GDP due to low productivity. Limited access to education and poor infrastructure create a vicious circle that prevents productivity and income from growing in labor-intensive sectors. This dynamic has handicapped poverty reduction; during periods of economic growth, poverty has not fallen substantially and in periods of economic downturn, for example from 1999 until 2002, poverty rose.⁵

10. In 1985, following the international debt crisis, the collapse of tin prices and hyperinflation, Bolivia was one of the first countries in Latin America to implement a comprehensive structural adjustment program with IMF and World Bank support. The government substantially reduced the role of the State in the economy by liberalizing the trade regime, unifying the exchange rate, deregulating prices and the labor market, and reducing the fiscal deficit through cuts in subsidies and wages. Structural adjustment programs were able to stabilize the economy but were not sufficient to promote diversification, reduce vulnerability to external shocks, and transform the employment structure to increase productivity. Employment in the most dynamic sectors (hydrocarbons, financial services, construction, transport, communications) fell and employment in the less dynamic sectors (agriculture, mining, and domestic services) increased. This created a dual economy in which new labor-intensive jobs were created in the informal sectors, with low productivity rates and lacking social protection. As a result

³ According to UNDP (2002), p. 138, the Catholic Church is the most trusted institution in Bolivia. On a 0-7 scale it scores 5. Political parties score 2.5, the Judiciary 2.7, the Congress 2.8, and the media 4.5.

⁴ Government of Bolivia (2003), p. 2.

⁵ Cf. UNDP (2002), pp. 77-104 and Gray (2001).

income inequality, measured by the Gini coefficient, increased by six percent between 1990 and 2000 (from 0.53 to 0.56).⁶

State reform and decentralization

11. During the 1990s, several institutional reforms were introduced including judicial reform, the creation of specialized state agencies such as a national highways service, customs administration and tax collection agency and the creation of ministries of education, health and agriculture. A 1994 constitutional reform sought to establish a stronger system of checks and balances between the executive, the legislature, and the judiciary and strengthen the role and power of the citizenry by reducing the power of the President and the political parties. It sought to increase the relative power of the Congress, i.e. the 130-seat Chamber of Deputies and the 27-seat Senate, vis-à-vis the executive, establish a more independent judiciary, and presidential terms were extended to five years. To strengthen representation and intensify personal contacts between candidates and the electorate, the electoral system was reformed so that 68 members of the Chamber of Deputies could be elected by a simple majority in single-member constituencies. The other members of the Chamber of Deputies and the members of the Senate continued to be elected in multi-member constituencies corresponding to the country's departments through a proportional system in which parties present closed lists.

12. In 1994, the Popular Participation Law radically transformed the structure of the State by dividing the country into 314 municipalities with an elected council and mayor. The underlying rationale for decentralization was to overcome corruption and patronage in the central government by transferring power and resources locally and at the same time increasing the over-sight role of civil society. The law allocates twenty percent of national revenues to each of the municipalities on a per capita basis, to provide basic services such as health and education and finance popular participation. Non-governmental organizations such as indigenous communities, farming communities and neighborhood associations can petition municipal councils to be recognized as *Organizaciones Territoriales de Base* (OTBs). OTBs have the right to propose, request, control and supervise public works and services related to education, health, basic sanitation, irrigation and neighborhood roads. The law also establishes *Comités de Vigilancia* (CVs), whose members are selected by OTBs to oversee local expenditures and ensure that no more than 15 percent of municipal budgets are spent on salaries and overhead and at least 85 percent is invested in programs and services.⁷ Effective implementation of the law still faces many challenges. Resources have often proved insufficient to match responsibilities and the law does not define what popular participation activities should be funded, thus leaving large discretion to local governments. Only one OTB can be registered in each of the territorial units in which municipalities are divided. As a consequence, local vested interests and political parties have tended to capture OTBs, often at the expense of the poor and most vulnerable sectors of society.

⁶ Capital intensive sectors tended to grow more rapidly than labor intensive sectors, including agriculture. At the regional level, the more developed departments of Cochabamba, Santa Cruz, and Tarija grew more rapidly than the areas of Chuquisaca, Potosí, and Beni.

⁷ Cf. Donini and Dannenmaier (2000).

13. The second key step in the decentralization process came with the Law on Administrative Decentralization, approved in 1995. This Law deconcentrated technical and administrative functions from the national executive to nine departmental executives headed by a prefect appointed by the President and overseen by municipal councilors. For example, the Ministry of Human Development was abolished and replaced by nine Departmental Secretariats of Human Development responsible for implementing social policies, designing programs and projects, and administering the health service network within the department jurisdiction.⁸

14. Decentralization has radically changed the way in which responsibility for public expenditures and investments is shared within the Bolivian polity. In 1992, before the enactment of the Popular Participation Law and the Law on Administrative Decentralization, 72 percent of public investments were made by central government, and only 0.7 percent by municipal governments. By 1998 the central government was only responsible for 29.4 percent of public investment, while municipal governments were responsible for 25 percent. In 2001 departments and municipalities were responsible for 62 percent of capital and 48 percent of current expenditures. Moreover, the reform has strengthened rural municipalities, which now receive some 60 percent of general revenue transfer up from 8 percent before the introduction of the Popular Participation Law.⁹

C. Bolivia's Approach to Development and Poverty Reduction

15. Bolivia has experienced significant improvements in its social and economic indicators over the last decades. From 1976 to 1999 poverty dropped from 85 percent to 62 percent, life expectancy rose from 58 to 63 years, infant mortality fell from 140/1000 to 80/1000, and adult illiteracy went down from 32 percent to 14 percent.¹⁰ However, Bolivia remains one of the poorest countries in Latin America. It ranks 114 out of 175 in the 2003 Human Development Index. In 2003 GNI was US\$7.9 billion and GNI per capita was below US\$900, more than sixty percent of the population still lived in poverty, and thirty-seven percent in extreme poverty.

16. During the 1990s, economic growth did not produce a sustainable rise in income and welfare levels for the poor. Poverty and social exclusion remained pervasive among indigenous peoples. Although poverty in urban regions and capitals dropped to 37 percent in 1997 from 50 percent in 1990, it remained above 90 percent in rural areas, where the majority of indigenous peoples are concentrated.¹¹

⁸ Cárdenas Robles, Muñoz and Chawla (1996).

⁹ Bojanic (2001); Judge and Klugman (2004).

¹⁰ See World Bank (2003a) and UNDP (2002) for details on socioeconomic indicators.

¹¹ Access to utilities also follows ethnic lines; indigenous males with access to water were estimated in 2003 at 16.2 percent, whereas 41.5 percent non-indigenous males had access. In 2003, indigenous people attended school an average of seven years, whereas non-indigenous people were likely to attend school for 10 years.

The National Dialogue 1997

17. During the 1997 election campaign, President Banzer obtained the support of the electorate with a populist message that aimed at reducing poverty, corruption, and drug-trafficking by promoting “*concertación social*” through the development of a culture of dialogue between government, businesses, and workers.

18. His government organized “Bolivia Towards the 21st Century”, known as National Dialogue 1997, as a means to formulate its work plan and increase the political legitimacy of the government.¹² The Vice President, Jorge Quiroga, was in charge of the Dialogue and requested assistance from UNDP as a politically neutral entity to organize it. The Dialogue went beyond the political coalition supporting the executive and discussed the government’s economic and social policy framework with representatives from the Catholic Church, selected CSO networks, the private sector, and external partners. Marginalized groups and the poor did not play an active role. The Dialogue encountered opposition from the trade union *Central Obrera Boliviana* and from the coca farmers (*cocaleros*), which opposed *Plan Dignidad*, an initiative of the Banzer government aimed at substantially reducing coca production.

19. The 1997 National Dialogue was organized around four working groups, each of which discussed issues related to one of the four thematic pillars chosen ahead of time by the government: i) “opportunity” aimed at achieving economic development and improved wealth distribution; ii) “equity” aimed at reducing poverty through programs on health, education, housing, basic services and increasing productivity in rural areas; iii) “dignity” focused on taking Bolivia off the international drug circuit and introducing alternative crops for coca-leaf growers; and iv) “institutionality” aimed at generating better conditions for transparent and smooth relations between the government and civil society; modernization of the state and removing corruption.

20. In December 1997, the National Dialogue was formally concluded and the government drafted its *Plan General de Desarrollo Económico y Social* (PGDES) 1997 - 2002, which was organized around the same four pillars and approved by the Congress. The Bolivian Constitution establishes that every administration should have a PGDES. These plans, prepared by the Ministry of Sustainable Development, have the goal of guiding the country’s development policies. They cover all areas of government spending, including some that go beyond poverty reduction and development, for example military spending. The PGDES was not fully implemented due to insufficient capacity and coordination between ministries, resource constraints, and inertia in public spending, which made it difficult to redirect funds. Many of the expectations raised during National Dialogue 1997 were left unmet.

The Nuevo Marco de Relacionamento (NMR)

21. Conscious of the high dependency on official development assistance as well as of its dysfunctions and sometimes low effectiveness, the Banzer government launched in

¹² Banzer obtained only 22.3 percent of the popular vote and was supported by a weak coalition, which included five different parties.

November 1997 a new cooperation framework aimed at tackling the high fragmentation of development assistance and insufficient partnership between government and external partners. Under this new framework, which later became known as the *Nuevo Marco de Relacionamiento* (NMR), external partners established four working groups representing the four pillars of National Dialogue 1997, jointly chaired by the government and an external partner acting as co-pillar leader, and meeting on a regular basis.

22. External partners responded positively to this new all-Bolivian approach. In January 1999, the Bolivian Government travelled to Washington and presented the NMR to the World Bank Country Team, which chaired the “equity” pillar from the outset and further supported the initiative, which mirrored the main thrust of the CDF introduced by the President of the World Bank in 1999. Bolivia became a CDF pilot country in May 1999 and the NMR was officially presented and endorsed by external partners at a CG meeting chaired by the Bolivian Government in Paris in June 1999. Following the Paris meeting, the NMR focused on ten basic actions: defining a strategic framework; defining priorities; defining programs; programming by results; supervision, monitoring and evaluation; achieving better decentralization; reprogramming and assigning resources; elaboration of multi-annual budgets; implementation of co-financing; and harmonizing procurement procedures.

The HIPC initiative

23. Bolivia had been one of the early beneficiaries of assistance under the original HIPC Initiative, which provided the government with additional resources to fund social expenditure between 1998 and 1999. Debt relief had proved particularly effective in improving education, but progress was more limited in rural development and poverty reduction.¹³ Following the 1999 fiscal crisis compounded by the effects of external shocks and natural catastrophe - the 1997 Asian financial crisis, 1997 floods and unprecedented heat caused by the climatic phenomenon known as “*El Niño*”, the 1999 devaluation of the Brazilian currency - the government decided to seek further debt relief under HIPC II.

24. As a precondition to gain access to HIPC II funds, Bolivia was required to prepare a PRS, an operational strategy focused on poverty reduction and based on the four CDF principles, introduced by the IMF and the World Bank in September 1999. In January 2000, the government submitted an Interim PRS (IPRS) to the Boards of the IMF and the World Bank.¹⁴ The IPRS was largely based on the NMR pillars, on the PGDES 1997-2002, and the Report “*Propuesta Contra la Pobreza*,” which had been prepared in 1998 by the Vice Presidency. The Joint Staff Assessment of the IMF and the World Bank pointed out that the IPRS did not present clear priorities.¹⁵ In late 1999, the government started to prepare a new dialogue process, known as National Dialogue 2000 both to consult with domestic stakeholders on the priorities of the PRS and design a formula to

¹³ World Bank (2000a), pp. 4 – 8.

¹⁴ Given the time required to formulate a PRSP, the IMF and the World Bank require an IPRSP to qualify for the HIPC Decision Point and receive interim debt relief.

¹⁵ IMF and World Bank (2001), p. 2.

distribute HIPC II funds. The EBRP, Bolivia's PRS, emerged largely from this National Dialogue and was presented to the Boards of the IMF and the World Bank in June 2001.

III. OVERVIEW OF THE *ESTRATEGIA BOLIVIANA DE REDUCCIÓN DE LA POBREZA (EBRP)*

25. The EBRP is a strategy for the social sectors, economic development, and the problems of institutional vulnerability and efficiency. It stresses the need to deepen fiscal decentralization, the commitment to establishing a social control mechanism to independently monitor public spending, and the integration of sectoral policies in a macroeconomic framework, with a strong focus on those policies that benefit the poor, such as health, sanitation, water, education, and infrastructure. However, it proposes an over optimistic macroeconomic framework and does not always identify clear actions for attacking poverty, especially in the areas of production, employment, and political inclusion.¹⁶ Political instability has overshadowed its implementation. About 15 months after the EBRP was completed, elections were held and a new government led by Gonzalo Sanchez de Lozada initiated a revision. About 15 months later, with the resignation of President Sanchez de Lozada, the government led by Carlos Mesa continued efforts to revise it.

A. Long-term Holistic Vision

26. The long-term objective of the EBRP is to reduce poverty and promote human development, placing emphasis on the neediest members of the population through improved access to markets, building capacity by providing basic public services, increasing social protection and security, and promoting citizen participation and integration within a context of growth with equity and a rational use of natural resources.¹⁷ The EBRP projects a 5 percent rate of economic growth through 2015 and aims at increasing per capita income by 3.5 percent by 2010, cutting poverty to 35 percent and extreme poverty to 17 percent by 2015, increasing life expectancy from 63 to 69 years by 2015, reducing infant mortality from 67/1000 to 40/1000 by 2015, and raising the proportion of the population with eight or more years of school from 51 to 67 percent by 2015.

27. The EBRP envisions achieving these long-term targets by implementing actions in four strategic areas: a) expanding employment and income opportunities, b) developing people's capabilities, c) increasing safety and protection for the poor, and d) promoting social integration and participation. The EBRP also incorporates three cross-cutting issues: gender, sustainable development (i.e. environment), and inclusion of marginalized ethnic groups. It acknowledges corruption as one of the key factors handicapping growth and poverty reduction.

28. The EBRP estimates its costs of implementation over a five year period (2001-2006) to be US\$7.4 billion, with financing expected from domestic sources (US\$3.7 billion) and external partners (US\$2.8 billion). There is a financial gap of US\$0.9 billion, which is expected to be filled by the private sector and by efforts to strengthen the tax

¹⁶ IMF and World Bank (2001).

¹⁷ Government of Bolivia (2001), p. 58

system. A key feature of the EBRP is an increase in resources to the departments and municipalities through the transfer of HIPC II funds (US\$105 million per year). Seventy percent of resources are distributed to the municipalities according to poverty indicators and 30 percent equally among the nine departments.

29. Even though the formula to transfer HIPC II funds to local governments is a significant injection of liquidity, municipalities still face financial problems. The level of execution of HIPC II resources in 2003 amounted to only 28 percent, mainly due to liquidity shortages in the Treasury and by internal administrative delays in the intergovernmental transfer system. HIPC II resources amounted in 2003 to less than one percent of GDP, and no additional measures have been taken to increase the share of the national budget that is distributed to municipalities beyond the 20 percent fixed in 1994.¹⁸

30. The EBRP does not adequately link the poverty diagnosis with the success or failure of past public policies and, as a result, does not present a sufficient degree of prioritization.¹⁹ The links between the EBRP and the budget are weak, no medium-term expenditure framework (MTEF) has been implemented and no mechanism has been envisaged yet to align the EBRP, the MTEF and the budget.²⁰ Alignment would require an increase in public revenues to free public funds from current spending (i.e. salaries and administrative costs). Macroeconomic projections estimate that without a substantial increase in tax revenues or official development assistance, the government will face public deficits of over 6 percent until 2008, when the reform of the pension system is expected to be completed.

31. The EBRP is not the only strategy guiding development policy in Bolivia. There are different development plans at different levels of government. At the national level, five-year PGDESs describe all the policies designed by the central government. Departments and municipalities also prepare five-year development plans, *Programas de Desarrollo Departamental* (PDDs) and *Programas de Desarrollo Municipal* (PDMs), which reflect spending priorities at these levels. In addition, municipalities prepare operational annual plans, *Programas Operativos Anuales* (POAs), based on the five-year PDMs. Ideally, the EBRP would be aligned with the PGDES, PDDs, and PDM as well as the annual POAs. However, the PGDES 1997-2002 was completed before the launch of the EBRP process and government's changes have delayed the preparation of a new PGDES. Five-year PDDs and PDMs end in 2003, 2004, and 2005 (depending on each municipality), which means that alignment, in the best case scenario, could only occur with a time lag. In addition, insufficient coordination between the municipal and central governments and limited technical and financial capacity at the local level makes it difficult to align the PDMs with national development strategy. At the central level, some steps have been taken to facilitate alignment between new poverty-reduction strategies and the PGDES. The Unit of Analysis and Economic Policies (UDAPE), the government agency involved in the formulation of the EBRP and one of the government bodies coordinating National Dialogue 2004, responds since March 2003 to both the Ministry of

¹⁸ See Judge and Klugman (2004), p. 10-11 for details on municipal budgeting and resources.

¹⁹ IMF and World Bank (2001), p. 4.

²⁰ See Judge and Klugman (2004), p. 32 for a discussion of the difficulties for establishing a MTEF.

the Presidency and the Ministry of Sustainable Development, which is responsible for the formulation of the PGDES.²¹

B. Country-led Partnership

32. Cooperation between the government and external partners has improved since the mid-1990s, but remains fragmented. Under the NMR, the Vice Ministry for Investment and External Financing (VIPFE) in the Ministry of Finance has been leading coordination and alignment efforts. Some sector ministries are playing an increasingly strong coordinating role, for example the Ministry of Education which chairs an inter-agency committee to development assistance. In 2001, a CG meeting was chaired by the Minister of Finance and held for the first time in Bolivia instead of Paris. The 2003 CG meeting took place in Paris due to the unstable Bolivian political situation. The commitment by external partners to gradually align their policies with the national priorities established in the EBRP and the new aid modalities emphasized in the 2003 Rome Declaration have prompted a shift toward sector-wide approaches (SWAps) and budget support. External partners are considering supporting the government through a Multi-donor budget support (MDBS) effort. There have also been proposals to create SWAps in education and health. However, the EBRP did not inform the negotiations conducted by the government in December 2001 with the IMF regarding macroeconomic policy for 2002.²²

33. Nevertheless, some development assistance agencies maintain “island” projects that reflect past political priorities. In practice, most of the development assistance agencies have established a twin-track strategy keeping on the one hand their own priorities and traditional policies or areas of interest while contributing some resources through programs coordinated by VIPFE. As a result, the distribution of funding is not optimal. While the areas of gender, sustainable development, indigenous peoples, health, and education are over-funded, additional resources are required in the areas of productive capacity and opportunities of employment and income. To solve this problem VIPFE produced a matrix – *Matriz Ideal* - for setting priorities for coordination and for reallocating funds in light of the EBRP.²³ The matrix has not been implemented because of insufficient political will within the Government and external partners’ reluctance to realign their programs. However, it has been useful to analyze the sectoral distribution of development assistance as part of the coordination framework between Government and external partners.

34. The main institutional innovation for channeling external funds has been the *Directorio Único de Fondos* (DUF), created as envisioned in the EBRP in 2000. The DUF is a vehicle through which development assistance agencies channel funds for the social sectors, temporary employment and small infrastructure projects. Most development assistance agencies have chosen to use it to channel only limited assistance. The DUF has two operational funds, the *Fondo Nacional de Inversión Productiva y*

²¹ Cf. Arreaño Flores (2003).

²² World Bank (2003b), p. 45.

²³ Nickson (2002), p. 5; World Bank (2003b), p. 35 and 38; Requena (2003).

Social (FPS) and the *Fondo Nacional de Desarrollo Regional* (FNDR). The DUF works like basket funding in that the same rules for M&E, financial reporting and auditing have been agreed between the government and development assistance agencies. Nevertheless, the DUF has so far been dysfunctional because there has not been full consensus among bilateral donors to use it as the only tool to channel funds. The government, led by the Ministry of Popular Participation, is making efforts to reform it and make it more operational.

35. In April 2004, five working groups were established to coordinate efforts in different areas. Each group is co-led by one external partner and one government representative and reports to a managerial group composed of 11 members from VIPFE, line ministries and external partners. The managerial group coordinates the activities of the five working groups and holds regular meetings in accordance with the progress of the different working groups. The first working group will focus on the 2004 National Dialogue and on the revised EBRP. The second is focusing on a Constitutional Assembly planned for 2005. The third has the task of developing proposals related to productivity and competitiveness. The fourth works on the reduction of the public deficit. Finally, the fifth working group focuses on harmonization.

C. Focus on Development Results

36. The EBRP sets a number of general objectives toward the achievement of the MDGs in the medium- to long-term (2005; 2010; 2015). It also puts forward 42 more specific intermediate goals which, however, have proven too many to be adequately monitored and evaluated.

37. UDAPE and the National Statistics Institute (INE) coordinate the monitoring and evaluation system (SSE – *Sistema de Seguimiento y Evaluación*), which is responsible for producing information at the national, regional and municipal levels from census, surveys, and administrative records. The SSE includes two sub-systems: a sub-system for results monitoring (SISER – *Sistema de Seguimiento y Evaluación de Resultados*) and a sub-system for impact evaluation (CISE – *Consejo Interinstitucional de Seguimiento y Evaluación de la EBRP*) where the Vice Ministry for Popular Participation is represented and plays an active role. External partners are supporting this initiative and many are revising their systems for measuring impact so as to be compatible with the official system.²⁴

IV. THE FACTORS OF COUNTRY OWNERSHIP

A. Leadership Within and Participation Across the Executive

38. Executive power resides in the President and ministers of state. The ministers of state, who form the Council of Ministers chaired by the President, head the different ministries and conduct the day-to-day government business. In March 2003 the government merged the existing separate social and economic councils to establish a

²⁴ See Eyben (2004), for an interpretation of how the PRSP process has influenced perceptions regarding poverty reduction.

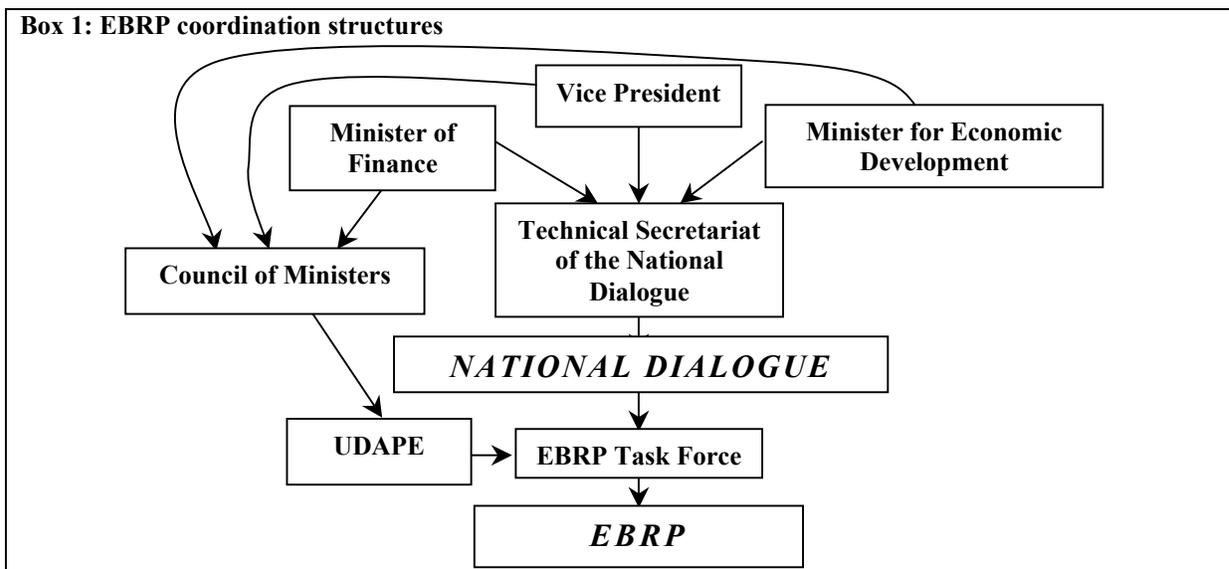
National Economic and Social Policy Council (CONAPES - *Consejo Nacional de Política Económica y Social*) to coordinate economic and social policies at the ministerial level and ensure that sector policies are compatible with the PGDES. CONAPES is chaired by the Minister of Sustainable Development and composed of the ministries responsible for social and economic activities. VIPFE participates as a non-voting member and UDAPE acts as the technical secretariat.

Locus of initiative

39. Vice President Quiroga, who became President in August 2000 after the death of President Banzer, provided political leadership from the outset. Building on his experience with Dialogue 1997 and the NMR, in December 1999 he appointed an independent Technical Secretariat to design the mechanics of the National Dialogue 2000. He clarified the importance of the EBRP process to line ministries, securing their involvement at different stages. He played a key role in determining the strategic priorities and pillars of the EBRP after consulting with other members of the executive and was the main proponent of using the EBRP process as a means to deepen and strengthen political decentralization.

Interministerial coordination

40. After the Dialogue was finalized, in September 2000, the executive appointed an independent Bolivian consultant who was a former Minister of Finance and former Executive Director of UDAPE, to lead a task force to draft the EBRP (see Box 1). The task force included independent consultants, one representative from each line ministry, and skilled civil servants who had experience working with external partners. Vice President Quiroga supported the work of the task force and helped resolve coordination issues between the task force and line ministries, particularly when some ministries sought to give a disproportional weight to their sectoral priorities. When the task force's capacity was stretched thin, UDAPE, at that time part of the Ministry of Finance, acted as a coordinating unit to discuss sections of the EBRP draft with senior staff in the line ministries.



41. Preliminary drafts of the EBRP were discussed at the monthly meetings of the Council of Ministers between September 2000 and February 2001, and the EBRP was approved by the Cabinet in February 2001. The monthly meetings promoted a certain level of dialogue and discussion between different ministries and institutions that had traditionally been working in isolation. It also helped line ministries realize that there was an urgent need to improve coordination both at the local and central level.

B. How Participatory Mechanisms are Working in Practice

Capacity

42. Capacity to analyze social and economic trends, identify appropriate policies and effectively implement them varies across government institutions. At the central level, bodies like VIPFE, UDAPE and INE are relatively well endowed with resources, highly-qualified staff with low turn-over, institutional memory, and technical support.²⁵ Professionalism and depoliticization are advancing and are particularly strong in the Office of the Controller of the Republic, the Central Bank, and the Customs Service.²⁶ The capacity of ministries, the tax service and pensions directorate to track public expenditure has significantly improved since the introduction in 2001 of a financial management system known as SIGMA, which captures all treasury executed expenditures in real time and with substantial desegregation.²⁷ However, outside these islands of excellence, skills, knowledge and expertise are often insufficient since most civil servants are replaced each time a government changes. Congress lacks resources and structures to conduct analysis and effectively scrutinize government policies, and parliamentarians do not receive any orientation or training at the beginning of their mandate. At the local level, departments and municipalities only rarely have structures and capacities to effectively implement policies and programs, track expenditures and monitor results. Little of the money transferred to local governments has gone either to technical assistance or training.²⁸ Moreover, corruption remains widespread and undermines confidence in the civil service.²⁹

43. Bolivia is endowed with a thickening web of tertiary education institutions, which are, however, insufficient to produce independent analysis and research and strengthen the analytical skills of a lively network of grassroots organizations. There are 12 public and 34 private universities and about 25 percent of 18-24 years old were attending university in 1995, one of the highest rates in Latin America. However, drop out rates remain very high and only 17 percent of students graduate. Universities are mainly teaching organizations with limited facilities and staff for research. In 1996 national

²⁵ UDAPE has a well-designed website with updated information on major government policies and initiatives; see <http://www.udape.gov.bo>.

²⁶ World Bank (2003b), p. 31; cf. also World Bank (2000b).

²⁷ On SIGMA, see Judge and Klugman (2004), p. 5.

²⁸ Cf. Bojanic (2001), p. 5.

²⁹ Bolivia figures among the most corrupted countries in the Corruption Perception Index 2003 of Transparency International, ranking 106 out of 133 with an index of 2.3 (10 being highly clean and 0 being highly corrupt); see <http://www.transparency.org/cpi/2003/cpi2003.en.html>.

expenditure on Science & Technology was 0.33 percent of GDP, well below the 0.6 percent average for Latin America, and there were only 560 full –time researchers in the country.³⁰

44. Confrontation often characterizes negotiations between government and CSOs and among CSOs. CSOs rely mainly on volunteers, with insufficient training and skills to participate in a give-and-take debate. Umbrella organizations like the *Comité Nacional de Enlace* have secretariats with permanent skilled staff, who are however insufficient to assist and train volunteers and members of the grassroots organizations which they represent.

History of consultation

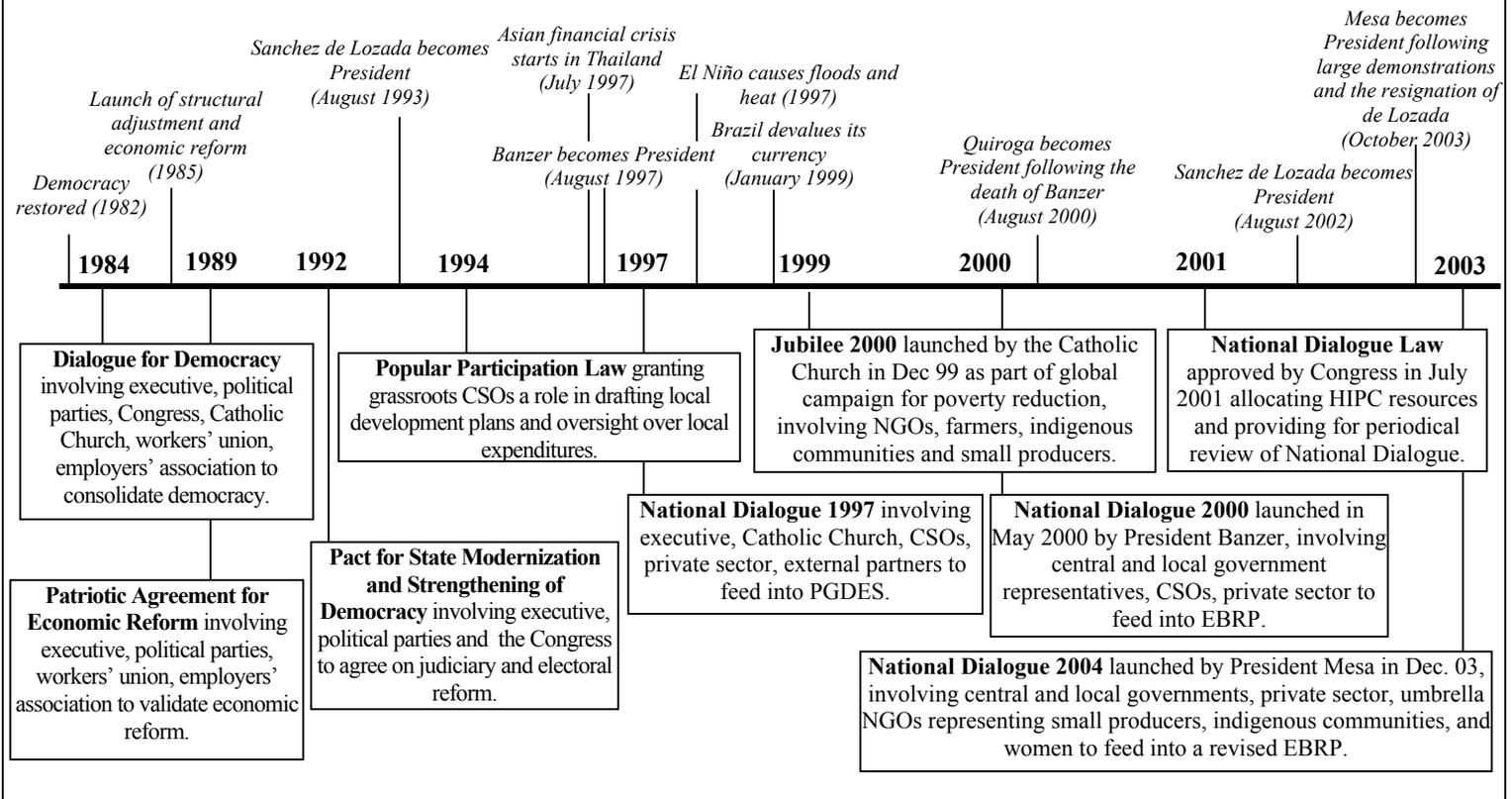
45. During the 1980s, there were various political pacts aimed at reaching consensus on political and economic reforms. These consultative processes included mainly the government, political parties, and on some occasions the heads of the *Confederación de Empresarios Privados Bolivianos*, the main trade union (*Central Obrera Boliviana*), and the Catholic Church, but not CSOs, indigenous communities, or representatives of the poor. The most significant of these pacts were the 1984 Dialogue for Democracy, aimed at consolidating democracy; the 1989 Patriotic Agreement for Economic Reform, which had the goal of validating the new economic model; and the 1992 Pact for State Modernization and the Strengthening of Democracy, aimed at agreeing on a system to elect judges and reform the electoral system (see Box 2).

46. The 1994 Popular Participation Law created a new institutional framework that strengthened participation in decision-making processes. Citizens organized in OTBs take part in the elaboration of the municipal development plans - the five-year *Programa de Desarrollo Municipal* (PDM) and the *Programa Operativo Anual* (POA). CVs, which are composed of six democratically elected leaders from the OTBs, co-manage public funds and are empowered to take to court any irregularities in public spending at the municipal level. Moreover, CVs have been active in discussing municipal priorities and have had a significant impact on the elaboration of PDMs and POAs. However, CVs tend to have an insufficient long-term strategic vision and often limit their proposals to short-term needs, such as fixing small local infrastructure projects or increasing the number of teachers or doctors within each municipality.

47. The National Dialogue 1997 was an important step forward in strengthening consultation. The Dialogue contributed to expand participation beyond the executive and political parties and provided a model to conduct the National Dialogue 2000.

³⁰ Velho, de Souza Paula and Vilar (2004), p. 20.

Box 2: History of participation and consultation in Bolivia



Institutional structure of participation

48. The National Dialogue 2000 was an ambitious bottom-up exercise, organized along regional lines. It was based on the structures and institutions established by the 1994 Popular Participation Law, consistent with the objective to deepen the decentralization process that had started in the early nineties. It was coordinated by a Technical Secretariat that, at the request of the government, was located within the UN office in La Paz to help ensure some neutrality, remaining however an all-Bolivian institution. The Technical Secretariat was staffed with local consultants, chaired by the Vice President, and co-chaired by the Minister of Finance and the Minister for Economic Development.

49. The Technical Secretariat structured the National Dialogue into three different and simultaneous agendas (social, economic, and political) and around the three levels of government – municipalities, departments and central government. It identified the municipalities as the starting point and the key institutions through which to understand the communities' priorities since their leaders were democratically elected and were responsible for the delivery of social services. It prepared a questionnaire for the 314 municipalities to inquire about local development priorities and set the process in motion (see Box 3).

Box 3: EBRP timeline		International	National	Local
1997	Nov.		The Government establishes working groups co-chaired with external partners, based on the four pillars of Dialogue 1997 (NMR).	
1998	Sept.	Bolivia reaches HIPC completion point.		
1999	Jan.	The Government presents the NMR to the World Bank Country Team in Washington.		
	May	Bolivia becomes a World Bank CDF pilot.		
	June	The Government chairs a CG in Paris and officially presents the NMR to all external partners.		
	Dec.		The Government appoints an independent Technical Secretariat to coordinate Dialogue 2000.	
2000	Jan.	IPRS submitted to the Boards of the IMF and the World Bank. Bolivia reaches HIPC II decision point.		
	May		President Banzer launches Dialogue 2000 in a televised address.	Three-hundred and fourteen municipal roundtables with mayors, municipal councils, CVs.
	June		The <i>Comité Nacional de Enlace</i> launches a <i>Consulta Nacional</i> to consolidate its proposals for Dialogue 2000.	Nine departmental roundtables with local government representatives, CSOs, Catholic Church, Congress, small producers.
	Aug.		National roundtable with representatives of central and local government, civil society, Catholic Church, Congress.	
	Sept.		The Government appoints a Task Force to draft the EBRP and begins to conduct regular meetings of the Council of Ministers to examine preliminary drafts.	
2001	Feb.		The Council of Ministers approves the EBRP.	
	Mar.		The Government presents the EBRP to civil society at the workshop 'The Government Listens'.	
	June	EBRP submitted to the Boards of the IMF and the World Bank. Bolivia reaches HIPC II completion point.		
	July		The Government chairs a CG in La Paz to present the EBRP to external partners.	
2003	Oct.	The Government chairs a CG in Paris to present to external partners a draft revision of the EBRP for 2004-2007.		

50. Three-hundred and fourteen municipal roundtables were organized in May 2000 after President Banzer launched the National Dialogue in a televised address. They lasted for two days with the objectives: a) to contribute to the design of a consensual poverty reduction strategy; b) to define participatory mechanisms for the allocation of HIPC II resources; c) to identify follow-up and control mechanisms for the allocation of these resources, and d) to agree to proposals to institutionalize the Dialogue. Mayors first convened assemblies with the CVs to jointly answer the questionnaire prepared by the Technical Secretariat and choose four representatives from their respective jurisdictions to participate in the municipal roundtable. The central government suggested that these municipal delegations comprise four members: the Mayor, the Vice President of the Municipal Council, the President of the CV, and one female member from the CV (the last two representing civil society). A total of 1,215 people participated in the municipal roundtables, including members of the Technical Secretariat who acted as facilitators.

51. The nine departmental roundtables discussed and fine-tuned the agreements of the municipal roundtables. The objectives of the departmental tables were : a) to define priorities for development of each department; b) to identify issues for the political and institutional reform agenda; c) to establish follow-up and control mechanisms for the HIPC II resources, and d) to agree on proposals to institutionalize the Dialogue. Each lasted for two days. There were a total of 935 participants, including representatives from municipalities, the central government, departmental Prefects, CSOs, the Catholic Church, parliamentarians and producers associations.

52. The national roundtable took place between August 26 and September 2, 2000. Their goals were: a) to approve the scheme for the allocation of HIPC II resources; b) to establish a mechanism for civil society monitoring of HIPC II resources; c) to institutionalize the National Dialogue process; d) to define the foundations to formulate the EBRP, including its strategic priorities; and e) to present reforms to strengthen State institutions. Two-hundred and seventy-three representatives from the municipalities, departments, the central government, political parties, Congress, and the Catholic Church participated in the national roundtable, and discussed the social, economic, and political agenda. In the first two days, the Technical Secretariat organized a preparatory meeting with departmental representatives and line ministries to consolidate the respective positions. In the following two days, the social agenda was discussed. In the last two days, the economic agenda, which included a technical discussion on sector specific issues but did not include any debate on the macroeconomic framework, was negotiated.³¹ The macroeconomic framework of the EBRP was prepared by analysts from UDAPE, the Central Bank, and the Ministry of Finance without consultation.

53. In practice, the social agenda was the only one in which it was possible to gain broad support. Participants agreed on strategic priorities and a formula to distribute HIPC II resources. On the economic agenda, participants were not able to agree on policy priorities. Discussions did not go beyond general statements on the necessity to increase employment and productivity. The political agenda was never discussed, partly because

³¹ The national roundtable also included 10 workshops on sectoral policies and 7 workshops on productive chains, complemented by 3 National Seminars and 4 Regional Seminars.

time constraints and partly because partisan politics made it virtually impossible to agree on clear measures and go beyond the need to foster good governance and reduce corruption.

54. The participatory dynamics of Dialogue 2000 peaked in March 2001 with the workshop “The Government Listens” in which a draft version of the EBRP was presented to civil society to bring forth proposals on how it might be improved.³² The workshop was organized along three pillars. The first addressed the issues of employment and income for the poor through a discussion of rural development, micro-enterprises and finance, technological assistance, and infrastructure initiatives. It also covered environmental issues. The second focused on capacity building through education, health and sanitation, and women’s empowerment. The third discussed the National Dialogue Law and the National Compensation Policy.

Emergence of a consultation culture

55. Consultation and participation are becoming part of decision-making processes beyond the EBRP. A National Dialogue Law, approved by Congress in July 2001 to design a formula to allocate HIPC II resources, has accelerated the decentralization process and established a legal framework for conducting popular consultations every three years. The rationale behind this law is that successive governments should not be tied to the policies of previous governments, but they should be required to consult broadly to continually adapt the national development strategy. Moreover, the National Dialogue Law gave legal status to a Social Control Mechanism (MCS), and to the Councils for Productive, Economic, and Social Development (CODEPES). The MCS is a national non-profit association that appoints civil society representatives selected from any organization except political parties to exercise oversight over social development policies. CODEPES are responsible for monitoring the implementation of EBRP projects in the areas of productive and social investment at the municipal level and are expected to cooperate with CVs. However, due to financial constraints and social unrest there has been a significant delay in the creation of these Councils, which only started to operate in some municipalities in early 2004.

56. The EBRP process has also created stronger interpersonal relations and confidence among stakeholders, significantly strengthening social capital in Bolivia. According to a poll conducted by UNDP in 2000 among individuals that participated in the National Dialogue 2000, 65 percent reported that they maintain contact with participants met at the local level of the Dialogue, 72 percent said that they maintain contact with civil society representatives met at the Dialogue, and 39 percent said that they maintain contact with representatives of the central government.³³ The National Dialogue has also strengthened a network of umbrella NGOs that represent various sectors of society and that are able to present policy proposals to local and central government.

³² See Government of Bolivia (2001), p. 53 for details on the workshop “The Government Listens”.

³³ UNDP (2003), p. 69.

57. Despite progress, however, the perception of how the consultation culture is evolving is divergent, especially among civil society representatives and representatives from the municipalities. Most participants recognize that the Dialogue was a positive political development. However, according to the UNDP 2000 poll, only 37.5 percent of CSO representatives consider that there had been cooperation and respect between them and representatives from the municipalities during the Dialogue. This figure is in stark contrast with the perception expressed by 81.5 percent of the representatives from the municipalities, who consider that there had been cooperation and respect between them and CSO representatives.³⁴ Many CSOs have argued that municipalities used the Dialogue to increase their political power vis-à-vis the central government and marginalized them to gain more power at the local level. They were particularly critical of the methodology used to organize the Dialogue and formulate the strategy because they considered that giving such a prominent role to municipalities (i.e. organizing the Dialogue along regional and not sectoral lines) gave a secondary role to organizations that were in close contact with the needs of the poor and let political parties capture the process. In addition, some CSOs argued that the Dialogue's preparatory process had not been transparent and the government had not distributed sufficient documents in advance to prepare the discussion, and that there was insufficient follow up after the Dialogue ended.

C. Role and Impact of Internal Partners and National Institutions

58. Internal partners are a heterogeneous group in Bolivia. The Catholic Church is a highly-trusted institution, with the biggest geographical reach in Bolivia. It is present in the whole country and coordinates grassroots movements composed of clerics and laymen, who encourage non-governmental organizations to contribute to structural adjustment policies and the organization of political movements. Besides the Catholic Church, NGOs and umbrella organizations are particularly active in working with indigenous people at the grassroots level. The private sector is organized in umbrella associations like the *Comité Nacional de Enlace*, which represents small businesses as well as cooperatives, and the *Confederación de Empresarios Privados Bolivianos*, which represents big corporations. Trade unions range from the traditional organizations representing industry workers like the *Central Obrera Boliviana*, to various associations of small producers and farmers, such as the *Confederación Sindical Única de Trabajadores Campesinos de Bolivia*, the *Federación Nacional de Mujeres Campesinas de Bolivia*, the *Confederación de Pueblos Indígenas de Bolivia*, and the *Consejo Nacional de Ayllus y Markas del Qullasuyu*.

Catholic Church

59. The Catholic Church played an important role in the National Dialogue. It conducted its own consultation process, Jubilee 2000, as part of its world-wide campaign for poverty reduction and debt relief. In Bolivia, Jubilee 2000 took place between late 1999 and early 2000 and its objectives were: a) the participation of all citizens - particularly the poorest - in formulating proposals for a poverty reduction strategy; b) the

³⁴ UNDP (2003), p. 73.

reduction of corruption and improved public management; c) to promote proposals for follow up and control of HIPC II resources and all public resources in general; d) the identification and promotion of participation on new regional or national social sectors. Over 4,500 people participated, representing over 1,000 organizations, institutions and/or regions.

60. The conclusions of Jubilee 2000, including the identification of numerous projects with little prioritization or budgeting tied to resource availability, were fed into Dialogue 2000 through the Church's participation in the departmental and national roundtables. The *Foro Jubilee* produced a specific proposal on how to establish a social control mechanism for public spending, which later became the basis of the MCS. The conclusions of the Jubilee also focused on the need to allocate HIPC II resources to health, sanitation, education, and social assistance. Expectations were high among participants that individual projects with no ranking would be included in the EBRP and eventually funded; however, some were neither integrated into the EBRP nor funded due to resource constraints.

CSOs

61. CSOs participated in the National Dialogue through various channels. Besides playing a key role in Jubilee 2000, and having the opportunity to participate in the local assemblies organized by mayors, they were invited to participate directly in the municipal, departmental, and national roundtables. As requested by the government, one member from the CV and one female member from civil society participated in each of the 314 municipal tables. One-half of the participants of the departmental tables were representatives from civil society (10 percent from the Catholic Church and 40 percent from producer's associations). At the last stage of the National Dialogue in La Paz, CSO representatives participated in ten workshops on sectoral policies and in the seventeen workshops on productive chains. At the same time, between May and July 2000, two umbrella CSOs representing indigenous peoples (CIDOB and CONAMAQ) conducted regional assemblies to articulate an independent proposal that was presented at the national roundtable.³⁵

62. CSOs proposals for the EBRP focused on increasing the access of excluded sectors to social services, particularly water, health, and education. However, they found it difficult to articulate specific strategies for each sector and to budget their cost due to insufficient technical capacity. They also stressed the need to create a social control mechanism for public spending by establishing an independent agency staffed with paid employees. This goal was only partially achieved because the MCS operates on a voluntarily basis; its members do not receive compensation. The main CSOs representing indigenous peoples and women called for a new strategy to increase their political voice at the local level. They recognized the usefulness of the mechanisms designed by the Popular Participation Law, but they argued that the CVs did not represent their interests because they had been captured by political parties and the local elite.

³⁵ CIDOB is the Confederation of Indigenous Peoples of Bolivia and CONAMAQ is the National Council of Ayllus and Markas of the Qullasuyu region.

These demands were left unmet in part because there were no specific proposals to modify the composition of CVs or to try to make them more accountable to local communities.

63. All the proposals from CSOs, as well as how the government had tried to integrate them into the final EBRP text, were included in an appendix. This mechanism helped increase transparency and accountability and facilitated discussion at the workshop “The Government Listens”. Some of the results from this workshop were incorporated into the EBRP with minor changes in the areas of microfinance, highways infrastructure, sanitation, and social control. Participants agreed that this discussion framework should be repeated periodically.

Private sector

64. The private sector participated actively in the National Dialogue. The *Confederación de Empresarios Privados Bolivianos* and various organizations of small producers contributed substantially to the National Dialogue’s economic agenda. The *Comité Nacional de Enlace* conducted its own consultation process between June and August 2000 to consolidate its position. They stressed the need to design a strategy to promote employment and increase productivity through the improvement of infrastructure and better access to credit. They were the main proponent of the EBRP provision that HIPC II resources should be used not only to improve health and education but also communication, production technologies and training for farmers and artisans. They pressed for the establishment of CODEPES to enhance the role of small farmers and artisans in the preparation of local development plans.

65. Representatives from small farmers and artisans demanded a more active governmental industrial policy, an increase in government subsidies, a land reform, and an overall change in the liberal economic model. They also suggested to open the macroeconomic framework to discussion to allow for a debate about the need to increase public spending. These policies were not integrated into the EBRP.

Trade unions

66. Traditional trade unions, which have been losing relative power since the late eighties due to a decline in mining activities and the deregulation and liberalization of the economy, did not participate in the official Dialogue. However, a new group of heterogeneous and disorganized organizations representing artisans and farmers expressed their views violently by protesting and forcing the government to declare a National State of Emergency in April 2000. These protests started in Cochabamba as a result of water price increases and spread to other cities. The official launch of the Dialogue had to be postponed and the Banzer government was forced to introduce changes in its cabinet.

Academia

67. Scholars from the prestigious Catholic University of La Paz and the University of Nur in Cochabamba participated in the National Dialogue. As members of the Technical

Secretariat they acted as facilitators at the departmental roundtables and helped design the questionnaire submitted to municipalities. They also contributed to the EBRP drafting process, particularly to the analysis of the causes, trends, and impact of poverty.

Parliament

68. Congress had a limited impact on the EBRP formulation process. Even though selected parliamentarians participated in the departmental roundtables their contribution was largely symbolic in that they did not make specific policy proposals. Congress debated and approved the National Dialogue Law in July 2001 almost a year after the National Dialogue 2000 ended. This delay was due to disagreements between government and opposition not specifically related to the content of the EBRP.³⁶

69. Congress is constitutionally required to “examine” the PGDES and approve the national budget. However, Congress is not constitutionally required to approve the EBRP and has not done so. There is no parliamentary committee on monitoring and evaluation of the EBRP and the role of the Congress in monitoring budget implementation is weak, due to insufficient technical capacity and political will.

Local government

70. Municipal and departmental governments actively participated in Dialogue 2000. Municipalities organized and undertook working groups that answered the questionnaire prepared by the Technical Secretariat in May 2000. The Mayor and the Vice President of each municipal council attended the national roundtable and made proposals based on agreed priorities at the local level. A similar process took place at the departmental level, with representatives attending the nine departmental roundtables and the national roundtable.

71. Local governments pressed successfully to transfer HIPC II resources directly to municipalities and departments. They proposed to use these resources to increase inputs (i.e. teachers, doctors, etc) at the municipal level to improve service delivery. They emphasized the need to strengthen administrative and analytical capacity at both the municipal and departmental level to effectively coordinate local policies with national plans, and implement departmental projects improving infrastructure across municipalities. Finally, they supported the idea of creating the MCS.

D. Role and Impact of External Partners

72. Bolivia is heavily dependent on Official Development Assistance (ODA), which amounted in 2002 to US\$681 million or 9.1 percent of GNI. ODA accounted for 34.2 percent of central government expenditure in 2001 and constituted approximately 50 percent of total public investment between 1992-2001, increasing to 60 percent in 2002. Bilateral assistance represents the largest share of ODA, amounting to 76 percent in 2002, up from 64 percent in 2000. In 2001-2002, the main bilateral partners were Germany and the United States, followed by the Netherlands, Japan, Spain, the United

³⁶ See Eyben (2004), p.11 for details on the Congress’s approval of the National Dialogue Law.

Kingdom and Denmark. The World Bank and IDB are the largest multilateral partners, positioning themselves in 2001-2002 in terms of disbursement just below the two main bilateral partners.³⁷

Involvement in consultations

73. Involvement of external partners in the preparation of the EBRP built on the NMR and the joint working groups created in 1999. Two working groups, led by the IMF and The Netherlands, focused on the EBRP, undertook joint analysis of EBRP sustainability and follow-up, and gave feedback and advice to the Government.³⁸

74. External partners were also closely associated with EBRP drafting. IDB and DFID represented the multilateral and bilateral development assistance community in the task force drafting the strategy, and brought about a stronger emphasis on gender and environmental issues. The decision to broaden the group of partners directly involved in consultation gave the Government room for maneuver and strengthened its role vis-à-vis the IFIs when requesting a more flexible time-schedule to allow greater dialogue and participation.³⁹ External partners were presented with the EBRP at a CG meeting chaired by the Government in La Paz in July 2001.

Technical assistance

75. External partners provided technical assistance, often in partnership with local institutions and through the structures established under the NMR. As part of the equity pillar, the World Bank led a working group on nutrition, established in December 1999 and comprised of NGOs and government institutions. The working group, co-sponsored by DFID, UNICEF, USAID and the World Food Program, provided inputs for the EBRP on poverty and malnutrition.⁴⁰ The World Bank also conducted a poverty diagnostic in 2000 based on household surveys and analytical work carried out jointly with UDAPE and INE.⁴¹ “Voices of the Poor”, a world-wide participatory poverty assessment conducted by the World Bank with the support of DFID and SIDA, also fed into the EBRP poverty diagnostic and built on pre-existing research projects carried out by a network of 26 local NGOs, think-tanks and universities.⁴²

Financial assistance

76. External partners provided funding to conduct consultation and support local institutions. At the request of the Bolivian Government, they pooled funds in late 1999 to finance the consultation process and the Technical Secretariat. UNDP was responsible for managing the fund, which amounted to US\$300,000. After the Dialogue, external partners financed the salaries of the task force responsible for drafting the EBRP.⁴³ CIDA,

³⁷ Source: OECD and World Bank.

³⁸ CIDA (2001).

³⁹ De Boer (2002).

⁴⁰ World Bank (2002b).

⁴¹ World Bank (2002a).

⁴² See <http://www.worldbank.org/poverty/voices/reports/national/bol-esp.pdf>.

⁴³ IMF and World Bank (2001), p. 2.

IDB, UNDP and The World Bank provided funding to the INE in support of the Improvement in Living Conditions Survey (MECOVI). CIDA also supported the 2001 Bolivian Census and provided funding for the National Dialogue 2000 through its locally-managed Public Sector Reform Fund.

E. Economic and Political Events

77. An extended period of political instability and economic recession started soon after the completion of the EBRP, diverting attention and resources from the strategy and slowing down its implementation. Jorge Quiroga, who had been a driving force behind the formulation of the EBRP, did not run in the 2002 national elections due to a constitutional provision preventing the incumbent President from holding a second consecutive mandate. Two governments have been in place since then. The agenda of the government led by Carlos Mesa is concentrating on restoring macroeconomic stability, reorienting some expenditure toward high-visibility programs that respond to the underlying factors that led to social conflict, and launching a new institutional reform to strengthen government capacity and credibility. The government is calling for a constitutional assembly to modify the existing Constitution in 2005.

Elections and political turmoil

78. The 2002 national elections took place amidst a recessive economic crisis and mounting distrust in the institutional system. The popular vote did not give to any of the contenders a clear majority. Former President Gonzalo Sanchez de Lozada (MNR) had an advantage of only 60,000 votes over the runner up Evo Morales (MAS).⁴⁴ The MNR formed an alliance with the MIR, the MBL, the ADN, and the UCS, and Gonzalo Sanchez de Lozada became President. The new government was plagued since its inauguration by strikes and violence that provoked a paralysis of initiatives - mostly on the government's side—and radicalism prone to confrontation and conflict—prevalent among the opposition. Controversies around a project to export natural gas to the United States and Mexico through a Chilean port led to a wave of demonstrations and blockades all over the country, but particularly violent in the cities of El Alto and La Paz. As a result, President Sanchez de Lozada resigned in October 2003. Vice President Carlos Mesa took over the Presidency and is expected to end Sanchez de Lozada's term and to reform the Constitution.

79. A key element of Mesa's agenda is to carry out a new consultative process (National Dialogue 2004) around the draft revision of the EBRP completed by UDAPE in 2003, and presented to external partners at the October 2003 CG in Paris.⁴⁵ The revised draft EBRP proposes a new development strategy for generating wealth and equality, and

⁴⁴ The electoral results were the following: 22.5 percent for the *Movimiento Nacionalista Revolucionario* (MNR), 20.9 percent for the *Movimiento al Socialismo* (MAS), 20.9 percent for the *Nueva Fuerza Republicana* (NFR), 16.3 percent for the *Movimiento de la Izquierda Revolucionaria* (MIR), 6.1 percent for the *Movimiento Indígena Pachakuti* (MIP), 5.5 percent for the *Unión Cívica Solidaria* (UCS), 3.4 percent for the *Acción Democrática Nacionalista* (ADN), and 2.3 percent for the *Movimiento Bolivia Libre* (MBL).

⁴⁵ Revised Bolivia Poverty Reduction Strategy 2004-2007, available at <http://www.ebrp.gov.bo>.

meeting the MDGs. Consequently the priority is to establish “broad based growth” understood as widening the agro industrial, the industrial and services growth base for thousands of micro, small and medium size economic actors. It seeks to improve, prioritize and develop a coherent strategy to increase production and employment and to transform the economic structure of the country. It maintains the MDGs as long-term goals for 2015, but incorporates fewer goals—seven intermediate results (trend and subjective indicators) and five input indicators (physical, infrastructure, and financial indicators).⁴⁶

The National Dialogue 2004

80. The National Dialogue 2004 is designed as a wide consultative process and incorporates lessons learned from the previous dialogues. A Technical Secretariat (*Secretaria Técnica del Diálogo*) has been created, within the Ministry of the Presidency with strong links to the newly created Ministry of Popular Participation. The Secretariat has set up various committees with civil society participation to work on the details of the Dialogue methodology. It is overseen by a Board of 22 members, two from local government associations, 5 from indigenous organizations (one each from the 5 indigenous organizations recognized by law), 6 from other CSOs including the main business association, the Social Control Mechanism, microenterprises’ association and a women’s organization, and the remaining 9 from government. Representatives from the decentralization and popular participation committee from both legislative chambers participate as observers. The Catholic Church is not represented on the Board.

81. The Dialogue is being structured into a municipal, departmental, and national dialogue scheduled to take place during 2004. It is expected to focus on identifying national priorities and concrete objectives through strategies for productive sector activities that could be implemented at the local level, including optimal financing mechanisms, and agreeing on a fiscal pact, including identifying priority sectors. The government plans to use the results of the dialogue to develop a new *Estrategia Boliviana de Desarrollo* and the PGDES 2004-2007.

V. OVERALL ASSESSMENT OF COUNTRY OWNERSHIP AND KEY CHALLENGES

82. The EBRP is the result of a process led by the government with the participation of a large group of national stakeholders, which strengthened ownership of national development strategy. Although its formulation was required to qualify for debt relief, the EBRP went beyond the HIPC initiative and became a vehicle for stakeholders within and outside government to further social and political reform, and put in place the institutional mechanisms to identify development policies based on local needs. There is support among stakeholders on the importance of national dialogue as a means to improve national development strategy.

83. Amid political and social unrest, several development projects have been suspended and the EBRP has become associated with past governments and failed

⁴⁶ See Revised Bolivia Poverty Reduction Strategy 2004-2007, p. 53.

expectations. However, institutional and legal mechanisms ensuring some form of continuity are still in place to facilitate deepening country ownership of the policy content of the new *Estrategia Boliviana de Desarrollo*.

A. Executive

84. The executive led the formulation of the EBRP. It built on previous development initiatives, took a leading role in shaping the process and the policy content of the EBRP, and used the EBRP as an opportunity to deepen and strengthen decentralization and institutional reform. The executive's decision to establish an independent Technical Secretariat to organize a National Dialogue was crucial to strengthening support on development priorities within and outside government. At the same time, the executive remained fully in charge of all key decisions during the process, such as the institutional structure of the Dialogue, the drafting of the final EBRP, and the Dialogue's agenda. The strong and clear commitment of the political leadership was key to foster participation and consultation at the cabinet level in EBRP drafting. The introduction of a National Dialogue Law providing for periodic reviews of the strategy based on stakeholders' consultation has helped to embed participation into national decision-making. The involvement of UDAPE, a capable and efficient government agency, throughout the process is ensuring some degree of continuity through government changes.

85. The EBRP, however, has become associated with the political leadership, thus weakening the commitment of new governments. Its priorities are not always matched by provisions in the national budget, and it is only marginally aligned with local development plans.

86. The development of a new strategy based on National Dialogue 2004 constitutes an opportunity to strengthen ownership of development strategy in Bolivia. Stronger coordination is required in the drafting of the PGDES 2004 – 2007 and the formulation of a new *Estrategia Boliviana de Desarrollo* to ensure up front compatibility between the two tools and set clear development priorities for the whole government. The strong links of UDAPE with both the Presidency and the Ministry of Sustainable Development, institutionalized in CONAPES, will be crucial in achieving this goal. The executive could satisfy some of the expectations raised by the EBRP process to deliver results by strengthening the role of departments in aligning local development plans with the new *Estrategia Boliviana de Desarrollo*. At the same time, it could ensure that HIPC resources are more efficiently disbursed to departments and municipalities to complement local priorities with the tangible means to reach them.

B. Internal Partners and National Institutions

87. Ownership by internal partners varies depending on their role and impact on the final strategy. Departments and municipalities played the strongest role and benefited most from the process. They provided the structures for consultation at the grassroots level, were instrumental in including health, education, and social infrastructure as key priorities for the EBRP, and have been the main recipients of HIPC funds. Civil society partly joined forces with local government through the OTBs. Internal partners made an

impact on the EBRP largely through local governments. Some internal partners, like the Catholic Church and the *Comité Nacional de Enlace*, set up independent consultation mechanisms, which were successful in bringing about changes in the final strategy.

88. Weaknesses have, however, undermined the depth and progression of country ownership. Institutions and stakeholders that could play a key role in ensuring that goals are matched with appropriate actions and resources have played a limited role in EBRP formulation. Participation was weak by some of the non-traditional political and social movements that were not a formal part of the dialogue, and which instead staged protests and demonstrations and nurtured the impression of the EBRP as “business as usual”. The EBRP was not submitted to the Congress. There is little link between CVs, the MCS, and CODEPES, the mechanisms supervising poverty-related expenditures at the local level, and the Congress, the institution evaluating national expenditures. The CVs, comprised of civil society representatives and elected officials, are often unable to understand and monitor budget allocations. Their members can easily fall prey to capture given that there are no limits to their mandates and are poorly paid. Despite the emphasis of the EBRP on productivity, employment and income opportunities, there is no mechanism to ensure that the role of producers’ associations in the CODEPES at the local level is mirrored by a similar role and institution at the national level.

89. The formulation of a new poverty-reduction strategy constitutes an opportunity to address these weaknesses and strengthen country ownership. The relationship between Congress and local oversight institutions could be strengthened through the establishment of coordination structures at the department level, where parliamentarians elected in the relevant constituencies could participate as observers and create links and feedbacks between national and local planning and expenditure mechanisms. Members of CVs could serve for a limited mandate, receiving at the same time training and financial support. The National Dialogue could become an ongoing process and build capacity for M&E at the municipal level.

C. External Partners

90. External partners, both multilateral and bilateral, facilitated the EBRP process without undermining the leadership role taken by the executive and participated through the cooperation structures set up by the Bolivian government. They financed various stages of the National Dialogue process, and some of them channeled resources through a common fund administered by an independent secretariat. They provided advice, and analysis at the government’s request and in partnership with local institutions.

91. At the implementation stage, external partners are aligning their individual strategies with the EBRP, building on the principles established by the NMR. They are also discussing the creation of a MDBS, considering SWAps in education and health, and collaborating with VIPFE on harmonization. Finally, they are financing of the National Dialogue 2004 and the M&E systems that the government is using to track progress on EBRP implementation.

92. External partners' behavior sometimes mirrors entrenched practices and institutional habits. They did not support the request by some CSOs and private sector associations to consult on the EBRP macroeconomic framework. They are only slowly moving towards providing basket funding by channelling assistance through the DUF.

93. The main challenge for external partners is to sustain high levels of analytical, technical, and financial support. They could provide increasing technical assistance at the local level to strengthen oversight and implementation structures. They could provide advice and training to parliamentarians and parliamentary committees to enhance the Congress's capacity to effectively scrutinize policies' implementation and expenditures. They could further harmonize their policies through the existing thematic working groups led by the VIPFE, by shifting their resources to support national priorities, including the strengthening of capacity of the civil service. They could rely on existing institutions and national participation mechanisms to consult for their country assistance strategies.

A: LESSONS LEARNED

1. Strengths

A. The EBRP built on a bottom-up process, the National Dialogue, which reinforced participation of stakeholders within and outside government in formulating and implementing national development strategies. The government raised interest and increase participation by linking strategy formulation to financial incentives; the direct transfer of HIPC II resources to municipalities raised the stakes for local governments and grassroots organizations. The National Dialogue Law, a direct result of Dialogue 2000, created an institutional framework for civil society participation in supervising and evaluating poverty-related expenditures through the empowerment of CVs created in 1994, the recognition of the MCS, and the creation of the CODEPES and the DUF.

B. The EBRP strengthened participation and coordination within government and anchored poverty reduction within national policy-making structures. Leadership for the process was within the executive. Key ministries such as Finance and Economic Development have coordinated the daily work of the technical units. Sector ministers were consulted on a monthly basis. Existing government agencies, especially VIPFE and UDAPE, have facilitated continuity and institutional memory through government changes.

C. External partners provided technical assistance and advice largely consistent with the NMR, a government-led partnership mechanism set up at the initiative of the Banzer-Quiroga government. For the most part, they have acted as impartial players among national stakeholders; some of them financed civil society participation in the National Dialogue 2000 through a common fund.

2. Weaknesses

D. The EBRP had a weak link to the budget. Emphasis on allocation of HIPC II resources, which are limited relative to the budget and accounted for just 1 percent of GDP in 2003, has in part impeded the overall alignment of the national budget to the priorities identified in the EBRP. Most of the budget is for fixed costs, and there has been no attempt to preserve funding to priority sectors.

E. Institutions and stakeholders that could play a key role in ensuring that goals are matched with appropriate actions and resources have played a limited role in the process. The EBRP was not submitted to Congress. There is no link between the CVs, MCS, and CODEPES, the mechanisms supervising poverty-related expenditures, and Congress, the institution evaluating national expenditures.

F. National stakeholders empowered through the EBRP process have insufficient capacity and legitimacy to carry out the tasks assigned to them by the EBRP. The CVs, comprised of civil society representatives and elected officials at the grassroots level, are often unable to understand and monitor budget allocations. Their members can also easily

fall prey to capture given that there are no limits to their mandates and are poorly paid. Municipalities are often confronted with complex procedures to have access to grants and credits, including HIPC II funds, provided by the DUF, which channels external resources.

3. Opportunities

G. Consensus has started to emerge on the need to involve the poor and indigenous people in decision-making processes. Civil society organizations have been integrated in monitoring and implementing mechanisms through the MCS. The National Dialogue Law has facilitated continued dialogue between the government and stakeholders even through political and economic shocks. The launch of the National Dialogue 2004 constitutes an opportunity for the government to create stronger links between elected institutions and civil society organizations to enlarge participation and representation. The government could seize this opportunity to move from an almost exclusive focus on HIPC II resources within the EBRP to an overall reform of public expenditure in the new *Estrategia Boliviana de Desarrollo*; the national budget could become more transparent and comprehensible to stakeholders and could be fully aligned with the priorities identified in the revised EBRP. The new *Estrategia Boliviana de Desarrollo* and the PGDES could be aligned to provide clear development goals for the preparation of local development plans.

H. The perception of the need for more coordination between the government and external partners and among external partners, which emerged during the NMR and the formulation of the EBRP, constitutes a window of opportunity to be seized by all stakeholders. The commitments undertaken by the government and external partners in the Rome Declaration on Harmonization should now be followed by concrete actions. External partners could simplify their procedures for the disbursement of development assistance following the proposals of the working groups established by VIPFE and progressively channel resources through the reformed social funds under the DUF. The government could simplify the process to allow more efficient access to grant and credits through the DUF.

4. Threats

I. In times of political uncertainty and weak economic performance, the threat is that the EBRP falls prey to vested interests and quick-fix solutions undermining long-term development.

J. For the government, the challenge is to increase transparency of public expenditures to provide national stakeholders with adequate information on what can be achieved without creating expectations impossible to fulfill. Elective institutions at the national level should be empowered to improve accountability in the revision of the EBRP. The National Dialogue could become an ongoing process by building capacity of monitoring structures to supervise and evaluate public expenditures.

K. For external partners, the challenge is to enhance capacity of government institutions and national stakeholders by providing training and financing where it is most needed, including training for parliamentary budget committees, municipalities, CVs in public expenditure management and budgeting to enable them to play a meaningful role in the implementation of the EBRP.

B: PERSONS INTERVIEWED**CENTRAL GOVERNMENT**

Mr. Iván Arias, former Vice Minister of Strategic Planning and Popular Participation
 Mr. Luis Arnal, Vice Minister of Public Investment and External Financing
 Mr. Ramiro Cavero Uriona, former Minister of Sustainable Development
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 Mr. Guillermo Justiniano, Minister of the Presidency
 Mr. Alberto Leyton, former Minister of the Presidency
 Mr. Ronald McLean, former Minister of Finance
 Mr. Herbert Muller, former Minister of Finance
 Mr. Jorge Quiroga, former President
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**COUNTRY OWNERSHIP OF THE GHANA POVERTY REDUCTION
STRATEGY**

ACRONYMS

AIDS	Acquired immuno-deficiency syndrome
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CG	Consultative group
CIVISOC	Civil Society Council
CSO	Civil society organization
Danida	Danish International Development Agency
DFID	Department For International Development
GAPVOD	Ghana Association of Private Voluntary Organizations in Development
GDP	Gross domestic product
GLSS	Ghana Living Standards Survey
GNI	Gross national income
GPRS	Ghana Poverty Reduction Strategy
HIPC	Highly indebted poor country
HIV	Human immuno-deficiency virus
IDA	International Development Association
IFI	International Financial Institution
IMCPR	Interministerial Committee on Poverty Reduction
IMF	International Monetary Fund
IPRS	Interim poverty reduction strategy
M&E	Monitoring and evaluation
MDAs	Ministries, departments and agencies
MDBS	Multi donor budget support
MEPRC	Ministry of Economic Planning and Regional Cooperation
MoFEP	Ministry of Finance and Economic Planning
MoF	Ministry of Finance
MTEF	Medium-term expenditure framework
NED	National Economic Dialogue
NEF	National Economic Forum
NDC	National Democratic Congress
NDPC	National Development Planning Commission
NGO	Non-governmental organization
NPP	New Patriotic Party
PPA	Participatory poverty assessment
PPP	Purchasing power parity
PRGF	Poverty reduction and growth facility
PRS	Poverty reduction strategy
PRSC	Poverty reduction support credit
SWAp	Sector-wide approach
SAPRI	Structural Adjustment Participatory Review Initiative
TUC	Trade Unions Congress
UN	United Nations

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COUNTRY OWNERSHIP OF THE GHANA POVERTY REDUCTION STRATEGY

I. INTRODUCTION

94. This case study focuses on country ownership of the Ghana Poverty Reduction Strategy (GPRS). It explores how country ownership has been enhanced through GPRS formulation and the early stages of implementation, by presenting an analysis of four factors that have a direct impact on country ownership: (1) leadership and coordination mechanisms within the executive; (2) institutionalization of participation mechanisms; (3) role and impact of stakeholders; and (4) economic and political events. Section II gives a brief background of Ghana's political and economic situation. Section III analyzes the GPRS from the perspective of three of the four CDF principles: long-term holistic vision, country led-partnership and focus on development results. Section IV explores the four factors of country ownership - the fourth CDF principle - of the GPRS. Section V assesses country ownership of the GPRS, and presents some of the key challenges to its deepening in Ghana. Section A highlights some lessons from the Ghanaian case. Section B lists the persons interviewed for the preparation of the case study.

II. GENERAL BACKGROUND

A. Recent Political Events And Institutions

95. Ghana gained independence from the United Kingdom in 1957. It was the first Sub-Saharan African country to become politically autonomous. Kwame Nkrumah established a socialist regime that lasted nine years. Nine changes of government, including four military coups, took place between 1966 and 1980. In 1981, Jerry Rawlings established a military regime. In 1992, the first democratic elections took place and Parliament approved the present constitution. Rawlings, running as the candidate of the National Democratic Congress (NDC) won the elections both in 1992 and in 1996. In 2001, John Kufuor, from the New Patriotic Party (NPP), became president with a liberal economic agenda focused on the development of private business. Since 1992, there has been political stability, transparent general and local elections, respect for fundamental rights, contracts and the rule of law, and a relatively free press and low crime rate.

96. Under the 1992 constitution, Ghana is a republic with a multiparty democratic system and a President elected every four years. The President, who holds a considerable amount of power, appoints the cabinet, subject to parliamentary approval. Parliament consists of a single chamber with 200 members elected on a first-past-the-post basis. The judiciary is relatively well respected and independent. Traditional authorities are represented in Regional Houses of Chiefs and a National House of Chiefs, with a consultative role in matters concerning traditional practices and customs.⁴⁷

97. Ghana's territory is divided into ten administrative regions sub-divided into 110 districts. District Assemblies, one for each district, were created in 1988 as local level

⁴⁷ Chapter 22, Articles 270 and ff. of the Constitution of the Republic of Ghana at <http://www.ghanareview.com/Gconst.html>.

forums to discuss concerns of the population and to give local communities opportunities to participate in decision-making. The majority of their members are elected; the President has the right to appoint up to 30 percent of the members in consultation with the traditional authorities in the district; the members of Parliament from the constituencies that fall within the area of authority of the Assembly are members without voting rights.⁴⁸ The Ministry of Local Government and Rural Development is responsible for coordinating the Districts with the central government. Each District has a District Chief Executive appointed by the President and approved by the District Assembly. District Assemblies are responsible for preparing a local development plan, and for the provision of basic education, public health, public sanitation, environmental protection, social welfare, civil justice, statistics collection, and the regulation of roads and public transportation, although the central government monitors their decisions. They often run short of financial and technical resources. The central government has shown little political will to undertake reform that would give local governments more resources or power. In 2003 District Assemblies received 5 percent of national tax revenues, the largest single source of development funding for many districts. The government plans to increase this allocation to 7.5 per cent by 2004.

B. Socioeconomic Structure

98. Located in the Gulf of Guinea, Ghana has a tropical climate, a population of almost 20 million, and is endowed with natural resources, such as arable land, forests, gold and bauxite. It ranks relatively high in a number of socioeconomic indicators vis-à-vis most countries in the same region: its life expectancy is 57 years, and its adult illiteracy rate is 28 percent. However, there are huge disparities between the coast and the interior, with poverty levels worse in the Northern and Upper Regions, especially among food crop farmers.⁴⁹

99. Ghana's economy suffers from the same endemic problems as most developing countries that rely heavily on a small number of exports with volatile prices: high vulnerability to external shocks, cyclical balance of payments crisis, foreign exchange shortages, and dependency on foreign assistance. In addition, infrastructure is insufficient, irrigation methods deficient, electricity is only supplied to 42 percent of households, and poorly managed state-owned enterprises reduce dynamism of the economy. The result has been fluctuating income and high poverty levels.

100. Agriculture accounts for more than 35 percent of GDP and employs about 60 percent of the labor force. Cocoa is the main export crop followed by timber,⁵⁰ and together with gold, are the main sources of foreign exchange, apart from foreign assistance. Timber, horticulture crops, fish, cassava, rice, pineapple, and bananas are produced for the domestic market. There have been various efforts to diversify the agricultural sector and promote exports, but the results have been disappointing. Strategies have not provided enough basis for the economy to shift its comparative

⁴⁸ Art. 242 of the Constitution of the Republic of Ghana at <http://www.ghanareview.com/Gconst.html>.

⁴⁹ See Government of Ghana (2003), p.15 for a summary of these indicators.

⁵⁰ In 2002, cocoa accounted for over 25 percent of exports and timber for over 11 percent.

advantage and hence be able to competitively diversify, leading to low investment, poor technology, high transaction costs, lack of adequate transportation systems, dependence on weather conditions, and a stagnant structure of land tenure.

101. Services account for about 35 percent of GDP and have been growing fast since the 1980s, with higher growth in the informal than in the formal sector. Government is still the biggest service sub-sector, and highly value added services, like banking or insurance, account for a small percentage of GDP. Tourism has been growing steadily since the 1990s and is a promising sector to promote growth. Manufacturing represents less than 30 percent of GDP. Mining, retail, and construction are the most important sub-sectors.⁵¹

C. Economic Reform, Poverty and Attempts to Overcome It

102. In 1983, Ghana was one of the first African countries to launch a comprehensive structural adjustment program with the assistance of the IMF and the World Bank. Economic decline and political instability, a severe draught, and a deterioration of the terms of trade precipitated wide economic reforms aimed at reducing macroeconomic imbalances, liberalizing prices, trade, the exchange rate, privatizing state-owned enterprises, and reducing inflation. The reforms produced mixed results. GDP grew rapidly, averaging 5 percent during the nineties. However, the 1999 Ghana Living Standards Survey (GLSS 4) showed that overall poverty declined, from 52 percent in 1991/92 to approximately 40 percent in 1998/99, but was still high. Decline proved uneven with incidents of deepening poverty in the northern, upper east and central regions. Extreme poverty also fell, but remained high. Per capita income remained lower than at independence, and income inequality persisted.

103. Largely in order to comply with the constitutional mandate that requires the president to formulate a long-term development strategy within two years from taking office, President Rawlings presented to Parliament in January 1995 a long-term development plan, *Ghana Vision 2020 (1996-2020)*. The National Development Planning Commission (NDPC) prepared this document, which had the goal of transforming Ghana into a middle-income country by 2020. *Ghana Vision 2020: the First Step (1996-2000)*, a medium-term policy framework presented in 1995, and the *First Medium-term Development Plan (1997-2000)*, an action plan based on the framework, were conceived as the mid-term strategies for implementing the required policies ultimately leading to the overall goals of Vision 2020. However, these plans had unrealistic macroeconomic goals and insufficient links to the budget. They did not identify clear priorities and a specific action plan, and their poverty diagnosis was not based on high quality data. Coordination between the agency responsible for formulation, NDPC, and the Ministry of Finance (MoF) was limited during implementation. Policy makers and external partners showed little commitment to them, and they were weakly implemented.

104. In 1999, World Bank President James Wolfensohn introduced the concept of a Comprehensive Development Framework. The CDF puts the pursuit of all elements

⁵¹ See Economist Intelligence Unit (2002).

affecting a country's development on the table at the same time giving them an equal chance for consideration, balancing macroeconomic, institutional, and social policies. It is based on four core principles underpinning national development strategies: (1) long-term holistic vision, (2) country ownership, (3) country-led partnership, and (4) focus on development results. The CDF argues that development strategies imposed by external partners to low- and middle- income countries have little chance to reduce poverty and foster growth. In order to succeed, strategies have to be envisioned by the country through a process of dialogue among internal stakeholders. Accordingly, the CDF manifests itself in different ways depending on country circumstances and history.

105. Soon after the launch of the CDF, Ghana requested to become a CDF pilot country capitalizing on its tradition as a pace-setter in reforms within Sub-Saharan Africa and the relationship of trust that had been built up between the World Bank Country Director, the UNDP Country Representative and the government. In the case of Ghana, the CDF approach led to in-country Consultative Groups (CGs), informal quarterly mini-CGs, sector coordinating groups and enhanced World Bank decision making at the local level. In November 1999, the government held its first CG in Accra rather than in Paris as had been traditional.⁵² In addition, quarterly mini-CGs, co-chaired by the MoF and the World Bank, were established to follow up on CG decisions, review the country economic situation, and foster partners' coordination. These mini-CGs proved to be a useful tool in creating a firm institutional foundation to support and coordinate programs. The government formed 14 sector-coordinating groups composed of government officials and external partners, and chaired by the relevant Ghanaian government agency or ministry, to develop an assessment and plan to address major issues in each sector. Within each group a nominated 'focal support' was chosen among external partners according to their interests and comparative advantage.

106. The MoF produced a CDF document for the November 1999 CG.⁵³ This document built on the work of the sector-coordinating groups identifying key issues in private sector development, the agricultural sector, governance, natural resources and the environment, the financial sector, decentralization, public financial management, external support and donor coordination, the water sector, education, health, mines and energy, and roads and transport. It was linked to Vision 2020, with the sector-coordinating groups having largely the same thematic focus. In September and November 1999 the World Bank held consultations with a number of internal partners as part of the preparation of the Country Assistance Strategy (CAS). NGOs, representatives from the private sector and academia, central and local government and World Bank officials attended the consultations, which were coordinated by the Institute of Economic Affairs, a think tank located in Accra. These consultations not only helped to shape the CAS, but

⁵² CGs, originally conceived as a mechanism to secure aid pledges for low income countries, have been evolving into forums to align, under government leadership, external and internal partners' contributions to a country's poverty reduction strategy. In Ghana, CGs are held every two years and are attended by external partners, government officials, and more recently members of civil society and of the private sector. In recent years they have been co-chaired by the World Bank and the Ghana Minister of Finance.

⁵³ Government of Ghana (1999); the document was also known as the Accelerated Poverty Reduction Program.

also served as a new discussion forum in which civil society and the government could exchange views. The World Bank presented its CAS to its Board of Executive Directors in the summer of 2000. In an unprecedented move, the government first presented the CDF Document before the Board as its development strategy, with the CAS being restricted to the World Bank's business plan.

107. Originally a precondition to gain access to HIPC funds and the IMF's PRGF, the World Bank required that countries prepare a Poverty Reduction Strategy (PRS), a country-owned operational strategy with a specific focus on poverty reduction introduced in September 1999 by the World Bank and IMF. Based on the CDF principles, PRSs have evolved from instruments to channel HIPC funds to development strategies identifying pro-poor policies and aligning national budgets and development assistance.⁵⁴

108. The Rawlings government, in 1999, initially decided not to apply for HIPC, and reconfirmed this decision in 2000 largely out of concerns over the impact on short-term development assistance particularly with respect to Japan's concerns over debt relief, and the belief that debt relief could be a step backwards. However, alarmed by the results of the GLSS 4 which showed the persistence of deep poverty, the government took the decision to revise its development plans. In January 2000, NDPC began preparing Ghana Vision 2020: the Second Step (2001-2005), and between January and June 2000, the Rawlings government, through the MoF, prepared an Interim PRS (IPRS) designed to lay out the issues and plan for preparing a full PRS. The IPRS was drawn largely from the CDF document prepared for the November 1999 CG and was submitted to the Boards of the World Bank and IMF in August 2000. The different government units worked separately, but at the same time, on this medium-term framework and on the IPRS.

109. In July 2000, the government launched the preparation of the Ghana Poverty Reduction Strategy (GPRS). When President Kufuor took office in January 2001, in part to mark a clear break with the past government, Ghana Vision 2020 was officially rejected as a long-term development framework. A Coordinated Program for Economic and Social Development through 2012 replaced Vision 2020. The GPRS builds partially on Ghana Vision 2020, focusing on many of the same sectors. It is the medium-term strategy for the implementation of the Coordinated Program for Economic and Social Development. It incorporates many inputs and proposals collected during the consultations organized by the government of President Rawlings. It benefits from the strengths of the CDF as it materialized in Ghana, and is a much more integrated and realistic development plan.

110. In the course of 2000, external economic shocks, coupled with a deterioration of the terms of trade and the fiscal situation, caused severe macroeconomic imbalances: inflation hit 40 percent, the local currency, the cedi, depreciated by more than 50 percent vis-à-vis the US dollar, and the budget deficit rose to almost 9 percent of GDP. President Kufuor's response was a drastic adjustment program. Besides increasing interest rates to

⁵⁴ For a detailed exposition of the links between the CDF and PRSPs, see <http://poverty.worldbank.org/prsp/docs/3475> and World Bank (2003). For specific studies of the CDF experience in Ghana see Amoako-Tuffour and Owusu (2003) and World Bank Operations Evaluation Department (2003).

almost 50 percent and reducing public expenditure, in Spring 2001 the Kufour government, in a dramatic change from the Rawlings government, decided to apply for debt relief under the HIPC initiative adding some urgency to the preparation of the GPRS.

III. OVERVIEW OF THE GHANA NATIONAL POVERTY REDUCTION STRATEGY (GPRS)

111. The GPRS was submitted to the Boards of the IMF and the World Bank in February 2003, a year after the government and the IMF had reached the decision point to release \$3.7 billion in HIPC funds, and less than two years after President Kufuor announced that Ghana would apply for additional debt relief under a follow-up facility, the Enhanced HIPC Initiative.⁵⁵ The total cost is estimated at \$5.283 billion, with financing envisioned from the government, including HIPC funds, and external partners.

112. The GPRS is organized along five thematic areas that have a direct impact on poverty: (1) the macro economy; (2) production and employment; (3) human resource development; (4) vulnerability and exclusion; and (5) governance. It also includes a section on dimensions of poverty in Ghana (that incorporates statistical information on the ten regions), one on government priorities, one that describes the consultation process, and one that focuses on M&E. It is comprehensive, organized, and well written. The CDF principles—long-term holistic vision, country-led partnership, and focus on development results—underpin the GPRS. Together with the other CDF principle, country ownership, they provide a sound basis for a strong national strategy.

A. Long-term Holistic Vision

113. The GPRS has a focus on economic growth and private sector development. This focus, combined with good governance, human development, agricultural modernization, and special programs for the vulnerable and the excluded is expected to reduce poverty in the long run. The five priorities, which are linked to the thematic areas and provide a framework for the formulation of short-term policies are: (1) infrastructure; (2) agricultural modernization based on rural development; (3) enhanced social services; (4) good governance; and (5) private sector development. In addition, the GPRS identifies health, education, agriculture, and infrastructure as priority areas for pro-poor growth. Specific targets in most of the priority areas are consistent with the Millennium Development Goals.

114. The GPRS, however, does not always link the diagnostic with concrete and achievable medium-term priorities. It focuses more on projects than on institutional and policy reforms and capacity building, with the risk that the benefits may neither be attainable nor sustainable due to an adverse institutional environment.⁵⁶ There is not yet a strong link between the GPRS, the budget, and the Medium-term expenditure framework (MTEF). However, the 2002 and 2003 budgets have increasingly focused on GPRS priorities and the MoF is strongly committed to advance the alignment process.

⁵⁵ For details on the HIPC initiative in the Ghanaian context, see Ashong (2001) and IMF and World Bank (2002).

⁵⁶ IMF and World Bank (2003), p. 2.

B. Country-led Partnership

115. Coordination with external partners has improved substantially in recent years, and the government takes overall leadership by taking the initiative and providing guidance to external partners on development priorities. The changes to aid coordination spurred by the CDF in Ghana - in-country CGs, quarterly mini-CGs, sectoral working groups - have succeeded in rallying partners around the GPRS. Internal partners are regularly invited to attend and participate in CGs. Three hundred people attended the 2002 CG, in which the government formally presented the GPRS. Civil society and the private sector participated, and a fair arranged in parallel attracted 41 NGOs.

116. External partners are offering direct support to implement the GPRS. They have been coordinating their support, particularly in the health sector, education, agricultural development and the fight against HIV/AIDS, through Sector-wide approaches (SWAs) and a multi donor budget support initiative (MDBS). The MDBS is supported by most external partners around a common policy matrix with detailed expenditure priorities for the period 2003-2005 which are consistent with GPRS priorities.⁵⁷ The MDBS supports the implementation of the GPRS by 1) helping ensure consistency between the government budget and the GPRS, 2) moving toward a common progress assessment framework, 3) reducing transaction costs, 4) enhancing the predictability of resource flows, and 5) holding joint reviews between the government and its partners. Danida organized workshops and meetings with government representatives and national stakeholders in preparation of the Ghana-Denmark Partnership for 2004-2008, to ensure full compatibility with the GPRS.⁵⁸ The World Bank conducted extensive consultations to prepare the 2004 CAS,⁵⁹ which is aligned with the GPRS, and has approved a Poverty Reduction Support Credit (PRSC).

C. Focus on Development Results

117. The GPRS focuses on short- and medium-term results for the attainment of long-term goals. Stakeholders identified 52 indicators to monitor progress, and Parliament established a committee to oversee their implementation. The availability of good statistical information is a concern. External partners are cooperating with the government to strengthen the capacity of the Ghana Statistical Service currently engaged in the preparation of a 2004 household survey. The survey is expected to be the main source of data for evaluating the effectiveness of the GPRS.

118. Access of the public to government data and information is, however, still insufficient. The government has developed a Development Communication Enhancement Program aimed at informing citizens on progress in achieving development

⁵⁷ The MDBS includes the World Bank, the African Development Bank, Canada, Denmark, the European Union, Germany, the Netherlands, Switzerland, and the United Kingdom.

⁵⁸ Danida (2003) and (2004).

⁵⁹ These consultations included a one-day seminar organized by the Institute for Economic Affairs (one of the most important local think tanks) in which more than forty civil society representatives participated.

goals and exposing possible failures in service delivery. The Freedom of Information Bill, adopted by the Cabinet, should also improve access of the media to official data.

IV. THE FACTORS OF COUNTRY OWNERSHIP

A. Leadership Within and Participation Across the Executive

119. The executive, headed by the President, has 26 ministries organized along four areas (Governance, Finance and Economy, Infrastructure, and Social Services). There is a Council of State with 25 members not linked to any ministry that meets weekly with the President to advise him in the performance of his duties. There are also a small number of permanent commissions that report directly to the President on specific issues.

Political leadership

120. While the GPRS process was launched under the Rawlings government, in January 2001, the Kufuor government took over the leadership role in the formulation process. At an early stage, it was unclear if the President would give the responsibility of preparing the GPRS to NDPC—one of the small permanent commissions that reports directly to the President and at that time with no direct link with the line ministries or the Ministry of Economic Planning and Regional Cooperation (MEPRC). NDPC did not have ministerial status but had been traditionally in charge of long-term development plans. In a complicated scheme, it had coordinated the first phases of the GPRS, under the supervision of the Interministerial Committee on Poverty Reduction (IMCPR), with the Minister of Planning - Head of MEPRC - as the focal point. At the time, NDPC was also responsible for formulating Ghana Vision 2020: the Second Step (2001-2005). Finally, President Kufuor chose NDPC, headed by Dr. Ndoum, who had come to the job after a successful international career in the private sector. Since NDPC did not have enough permanent staff to handle GPRS formulation, Dr. Ndoum had already hired under the Rawlings government, in August 2000, local consultants to create a Task Force within NDPC to work on the GPRS. The NDPC Task Force remained in place under the Kufuor government. Most of these consultants came from academia, local think tanks, or were highly skilled Ghanaians living abroad, who left once the GPRS was approved.

121. The locus of initiative for the thematic areas of the GPRS came from NDPC, under the Rawlings government. NDPC prepared a preliminary poverty situation analysis, as an input into early consultation in March 2000, with the GLSS 4 data as a basis, and from which the government drew the five thematic areas of the GPRS. The Rawlings government also initially drew on Vision 2020 in the design of an analytical framework. Following the elections, the Kufuor government's political platform influenced significantly the GPRS.

122. From July 2000 to December 2001, the GPRS formulation process was relatively disorganized and uncoordinated and there was no clear political leadership. The Task Force worked with limited resources and without full cooperation from line ministries, dominating the drafting process at the beginning. In December 2001, however, the situation started to change. At a government retreat to launch an initiative to prioritize

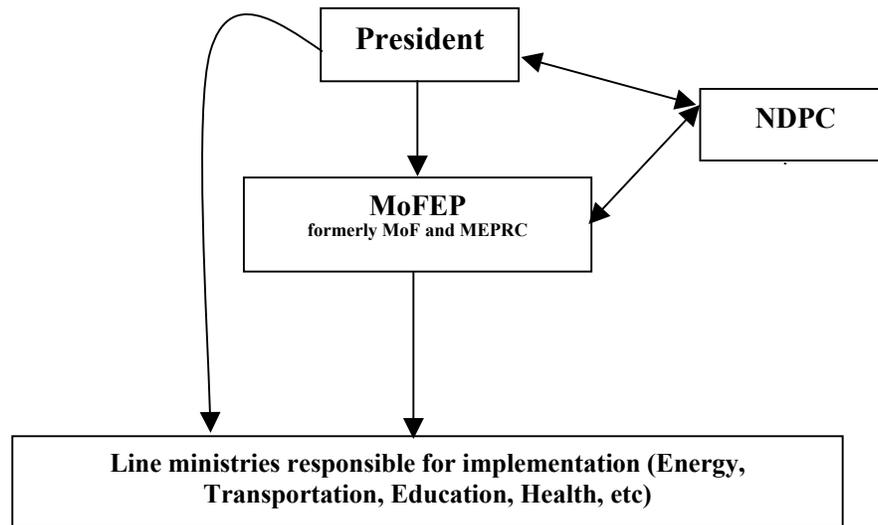
agricultural development as the most important development policy, President Kufuor pushed for stronger coordination across the executive on the GPRS. He delivered a clear message that the GPRS had to be taken seriously, both to have a coherent development strategy and to increase the amount of external assistance that the country would receive. The government held three other retreats, always led by the President, to enhance coordination of the GPRS within the executive.

Interministerial coordination

123. Even with this strong presidential push, stronger interministerial coordination did not initially materialize. IMCPR, which had been set up in 1995 to coordinate the development of initiatives to address poverty in an integrated manner, was not effective in fostering collaboration across the government on the GPRS. Only a small number of civil servants in line ministries were involved and not many beyond them had a clear idea of what the GPRS was and why it was relevant. As a result, the work of the NDPC Task Force largely mirrored views from specific individuals instead of reflecting the priorities of the different ministries. Early on in formulation, NDPC developed sectoral policies when specific line ministries had not done so. Dialogue and negotiation about priorities among ministries was often shallow and pressure to come up with a draft quickly made it even more difficult to incorporate different views across the executive. With weak coordination between NDPC, the MoF and MEPRC, there was initially a weak link to the MTEF in spite of significant efforts on the part of the government. Poor interministerial cooperation became evident in March 2002, when the government prepared a comprehensive draft of the GPRS to be discussed at a CG meeting. The costing in this draft was unrealistic, largely because there had not been enough interministerial negotiation at the government level to define priorities. This draft was a sheer compilation of priorities of different individual ministries instead of a consolidated strategy.

124. Presidential leadership has eventually helped to strengthen regular contacts among line ministers and NDPC, and has facilitated further discussion about goals and priorities. The GPRS has been a regular issue on ministerial councils and several ministers and NDPC have held follow up meetings to further discuss priorities. At the implementation stage of the GPRS virtually every ministry is involved, with different levels of commitment depending on each ministry's role and resources. Key individuals at senior levels within every branch of government have a strong understanding of the overall strategy and, in general, civil servants within each ministry see themselves more as implementers than as active participants in strategy development.

125. A positive development that is improving coordination has been the merger of the MoF and the MEPRC to create a Ministry of Finance and Economic Planning (MoFEP) in March 2003. The MTEF Secretariat, which was linked to the MoF but was an independent agency, has been integrated into the Budget Department of the MoFEP. This political decision is reducing duplication of efforts within the executive and bringing together in one Ministry most of the key government officials that have the responsibility of allocating funds to implement, monitor, and evaluate the GPRS (see Box 4).

Box 4: GPRS coordination structures

126. However, coordination is still sometimes problematic especially between line ministries and the MoFEP. The MoFEP assigns financial resources to each ministry, and receives quarterly reports on the status of activities linked to the GPRS. The MoFEP is sometimes seen by line ministries as too hands on, acting too strongly as an enforcer and not enough as a facilitator of their programs. This is creating tensions among ministries, and there is a need to foster more dialogue across the executive, for which presidential leadership and capacity building are key.

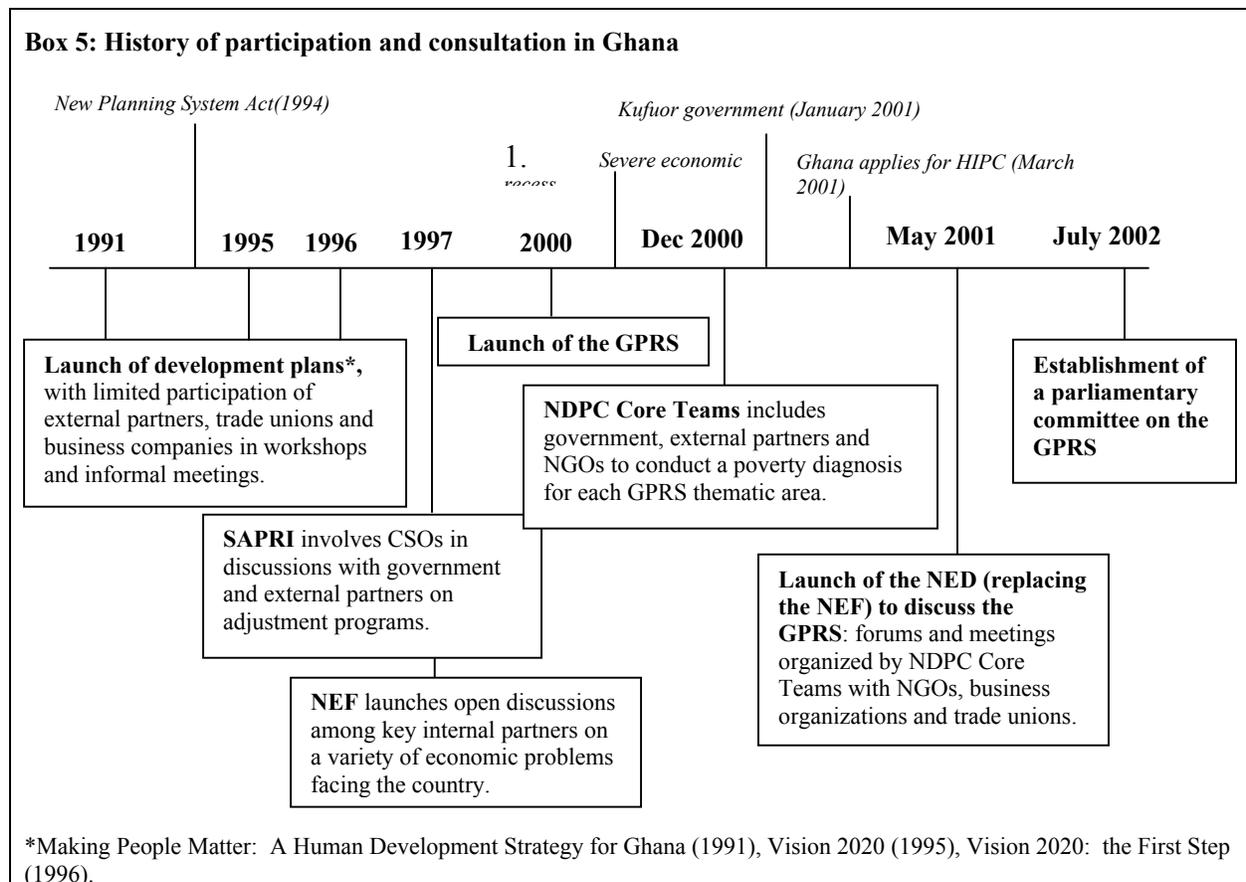
127. NDPC and the MoFEP have enhanced their collaboration and have made some headway to link the GPRS with the MTEF and the budget. Since 2001, expenditure patterns have started to shift to increase resources to priority sectors, such as infrastructure and health. NDPC recognizes that the GPRS and the MTEF must be integrated if the GPRS is to be implemented in line with the expectations of the country and external partners, and significant efforts have been underway since June 2001 to make this link. NDPC and the MoFEP have collaborated on a number of training sessions, including organizing workshops to train directors and budget officers at line ministries in an attempt to make sure that expenditure plans of each ministry were in line with the GPRS. However, the 2002 budget had to be prepared before the MTEF and the GPRS were fully integrated. As a result, the 2002 budget is not fully consistent with the GPRS, even though some important changes from previous budgets were influenced by it.⁶⁰ Significant efforts are being made by NDPC and the MoFEP to make the budget fully consistent with GPRS priorities. However, this is a challenging task because there tends to be inertia in reallocating expenditures and budgetary structural changes are usually slow processes.

⁶⁰ See Institute of Economic Affairs (2003) for a detailed analysis of the GPRS and the 2002 budget.

B. How Participatory Mechanisms are Working in Practice

History of consultation

128. Ghana did not have a significant history of consultation prior to the GPRS. Authoritarian rule and the strong presence of the IFIs left a legacy of top-down decision-making. Prior development plans, for example Making People Matter: A Human Development Strategy for Ghana (1991), Vision 2020 (1995), Vision 2020: the First Step 1996-2000 (1995), did not incorporate a wide variety of civil society views and were especially weak in reflecting views outside Accra. External partners, some private companies and the Trade Unions Congress (TUC), did participate in a variety of workshops and informal contacts for the drafting of these development strategies, as required under a New Planning System Act passed in 1994 to encourage national consensus building on strategic development issues through a participatory approach. However, their input was limited, the programs were not budgeted and included only specific short-term action plans, and CSOs were left with little voice in development strategy. The Coordinated Program for Economic and Social Development reflects consultations with stakeholders (see Box 5).



129. Improved consultation started in the mid-nineties and was enhanced by the establishment of democracy and the expansion of free press. In 1997, the Rawlings

government agreed to participate in the Structural Adjustment Participatory Review Initiative (SAPRI), in which NGOs, the World Bank, and government representatives discussed the virtues and effects of the macroeconomic structural adjustment programs of the 1980s and 90s.⁶¹ This exercise allowed stakeholders to express their needs and concerns for the first time to the government through an open discussion. Civil Society was represented by an umbrella NGO created for SAPRI, the Civil Society Council (CIVISOC), which included NGOs, religious organizations, workers organizations, think tanks, community groups, and small- and medium-enterprises elected by participating CSOs. In 1997, the government organized a two-day National Economic Forum (NEF) coordinated by NDPC. The Forum brought together 360 people who represented a variety of stakeholders to deliberate on issues such as inflation, unemployment, low investment levels, industrial and agricultural production, poverty and private sector development. After these initiatives, CIVISOC and the government started to develop a productive relationship and, in 1999, CIVISOC was invited to participate in a mini-CG. SAPRI was completed in 2001 and the NEF was replaced with an annual National Economic Dialogue (NED) in the same year. They are both widely regarded in Ghana as key building blocks for enhancing participation among internal partners.

Institutional structure of participation

130. The GPRS formulation process started under the presidency of Rawlings in March 2000 (see Box 6). The government, under the leadership of NDPC, organized a preliminary discussion in which a variety of stakeholders involved in poverty reduction activities debated the thematic areas proposed for the GPRS. The process was officially launched in July 2000, and in August 2000, NDPC created five Core Teams, one for each of the five thematic areas, to conduct a poverty diagnosis for each theme. The teams were co-chaired by a ministry official and an external partner and each included representatives from the NDPC, other relevant government ministries or agencies, and one NGO chosen by the government. Each team included a local consultant to assist with analytical work and help draft reports. In some of the teams there was also one representative of the private sector and one from a local think tank. The Teams relied on a wide set of statistical tools: the GLSS 4, a 1997 survey based on the Core Welfare Indicators Questionnaire, the 1998 Ghana Demographic and Health Survey, the Population and Household Census, and the 2000 Participatory Poverty Assessment (PPA). The PPA had been supported by the World Bank office in Accra, but was a government-led exercise that integrated the views of NGOs and the poor. Each Core Team submitted to Dr. Ndoum a report in March 2001.

⁶¹ For detailed information on Ghana's SAPRI, see <http://www.worldbank.org/research/sapri/ghana.htm>.

Box 6: CDF and GPRS timeline					
		International	National	Local	
1999	May	Ghana becomes a World Bank CDF pilot.			
	Sept.		The World Bank Office in Accra consults with government, civil society, private sector, academia for its CAS.		
	Nov.		The Government and the World Bank co-chair a CG meeting where MoF presents a CDF document outlining development issues for the country.		
2000	Jan.		MoF starts working on IPRS based on CDF document. NDPC starts working on Ghana Vision 2020 The Second Step.		
	Mar.		NDPC organizes a stakeholders' forum to identify the thematic areas for a poverty-reduction strategy.		
	June	The Government presents the CDF document to the Board of the World Bank as its development strategy to which the CAS is linked.			
	July		The Government officially launches the GPRS process.		
	Aug.	IPRS submitted to the Boards of the IMF and the World Bank.		NDPC continues working on Vision 2020 and establishes a special Task Force to coordinate GPRS formulation. It creates five Core Teams to prepare poverty diagnoses for the GPRS.	
	Oct.			NDPC organizes consultations with representatives of 36 communities and 18 districts in Accra.	
	2001	Jan.		The newly-elected Kufuor Government abandons Vision 2020 and leaves NDPC in charge of the GPRS.	
Mar.		The Government applies for assistance under HIPC II Initiative.		The Core Teams submit their reports to NDPC.	
May				The National Economic Dialogue discusses the GPRS. NDPC organizes a GPRS forum with civil society and private sector representatives.	
June				The Government presents draft GPRS to external partners for comments.	
July				MoF presents draft GPRS to Parliament.	
Aug.				NDPC organizes a series of workshops to collect comments from government officials, NGOs, labor unions, religious and advocacy groups, think-tanks, and the National Association of Local governments.	
Sept.				NDPC and MTEF Secretariat, later MoFEP, start organizing joint workshops for budget officers to link GPRS with MTEF.	
Nov.				Cabinet reviews provisional GPRS cost estimates.	
Dec.				President Kufuor holds a cabinet retreat where he pushes for stronger coordination across the executive on the GPRS.	
2002		Mar.		Stakeholders' forum examines final GPRS draft.	
		Apr.		The Government presents final GPRS draft to external partners at a CG meeting.	
		July		Parliament establishes a special GPRS committee.	
	Dec.		The Government submits the GPRS to Parliament.		
2003	Jan.		Parliament approves the GPRS.		
	Feb.	GPRS submitted to the Boards of the IMF and the World Bank.			

131. NDPC held community level consultations in Accra in October and November 2000 with a sample of thirty-six communities identified as being high-poverty areas by the GLSS 4, and eighteen districts from six administrative regions. These consultations became inputs into the work of the Core Teams. No consultations were held on the macroeconomic framework, although the government did involve local think tanks with permanent staff trained in macroeconomic technical issues. Several more meetings between the Core Teams and a variety of stakeholders took place, culminating in a March 2002 stakeholders forum on the final draft of the GPRS. In the following months, the government discussed the GPRS further with both external partners and Parliament. Simplified versions of the GPRS were later circulated in local languages.

132. The GPRS laid out the institutional structure for participation in M&E. Even though it is still unclear if sufficient resources will be available on time to undertake this phase of the process, M&E has been conceived as a shared task. All stakeholders identified 52 indicators to track progress. Those responsible for tracking are the central government, local governments, and a number of NGOs with relevant experience in service delivery.

Capacity

133. During GPRS formulation, capacity constraints surfaced because of an insufficient number of highly skilled civil servants within the government and sometimes poor technical expertise and a dearth of financial resources among CSOs, who often lack enough skilled permanent staff to submit thoughtful critiques. It is difficult for most internal stakeholders to maintain technical discussions that go beyond general ideas, although many high level officials do have this skill. In many workshops and consultation retreats, especially at the local level, the government did not provide a written text as a basis of discussion. When the government did provide a preliminary draft for discussion, CSOs often were not given enough time prior to a formal consultation to prepare substantive comments. Local governments have limited capacity to formulate and implement their development plans, and integrate them with the GPRS. Interministerial coordination is weak in that there is little capacity in the executive to coordinate, and NDPC often used, particularly at the beginning of GPRS formulation, its technical capacity to prepare sectoral policies for which line ministries were responsible.

134. At the implementation stage, capacity constraints exist at all levels. The MoFEP faces financial constraints, and has limited capacity to efficiently coordinate the allocation of funds and track progress. Parliament has insufficient resources to play an appropriate role in M&E and to make sure that the budget is aligned with the GPRS. Out of 200 parliamentarians, only the Majority and Minority leaders and the two deputy speakers have an office in Parliament, only 10 parliamentarians have assistants, committees do not have a pre-allocated budget for operations and their meetings take place in the lobby or hallway. Many parliamentarians do not have an understanding of budget issues and parliamentarians do not receive any training at the beginning of their

mandate.⁶² Finally, some local CSOs that participate in the implementation process suffer capacity shortfalls, in large part due to their heavy dependence on external partners and volunteers.

Emergence of a consultation culture

135. Although building a consultation culture takes time, the GPRS process laid a solid basis. A well functioning democracy, free mass media, actions to further reduce corruption, capacity to engage in interactive dialogue, and the consolidation of strong umbrella organizations empowered with the legitimacy to represent a large number of NGOs are basic prerequisites for the emergence of a consultation culture. All these factors are slowly emerging in Ghana, but it is early. The Ghana Association of Private Voluntary Organizations in Development (GAPVOD) - created in 1980 and representing over 250 CSOs - and CIVISOC are the two main umbrella NGOs that have sought to integrate the views of a large variety of small NGOs and communicate them to the government. The government has maintained regular contacts with NGOs through these umbrella organizations. However, capacity of umbrella NGOs to effectively represent their members is an issue that needs to be addressed, and a permanent mechanism to provide feedback on government activities to NGOs and to systematically consult them has not yet been established.

136. One promising initiative is the NED, which was put in place in May 2001 to discuss economic issues including the GPRS process. This dialogue meets once a year and includes around 200 representatives from the government, NGOs, Parliament, the private sector, think tanks, and academia. The goal of the dialogue is to allow all stakeholders to define priorities on what they consider are the major social and economic challenges facing the country.⁶³ It is used as a forum to raise general concerns, rather than to comment on specific policies presented ahead of time.

137. Media is also playing an important role in encouraging participation. Television, radio, and the press encourage debate on poverty reduction policies like the decision to apply for HIPC, HIV/AIDS policy, the NED, the role of external partners in development, and the GPRS itself.

C. Role and Impact of Internal Partners and National Institutions

138. Internal partners are a heterogeneous group in Ghana. They include NGOs, trade unions, business associations, think tanks, academia, religious organizations linked to the ancient tribal system, and the media. Labor is coordinated by the TUC, businesses are represented by umbrella organizations like the Ghana Employers Association and the Association of Ghana Industries, and NGOs are organized through less than ten umbrella NGOs, each representing up to 400 different individual organizations. There are a number of think tanks, whose members are hired regularly as consultants by the

⁶² See Barkan, Adamolekun and Zhou (2004).

⁶³ See Killick (2001), p. 28 for a critical assessment of early NED meetings.

government. Some groups are more involved and have more impact in policy than others, especially business associations and some umbrella NGOs.

139. Internal partners were involved in strategy formulation through the consultation process. They participated in the discussion of the strategy through the seminars and workshops organized by NDPC. Of all the civil society organizations consulted, the most important umbrella NGOs, selected think tanks, and the business community played a more important role than the TUC, Professional Bodies and Student Unions, and the Communications Media organization. The following sections discuss their role and specific contributions to the GPRS.

NGOs

140. NDPC organized a special forum for civil society to discuss the GPRS in May 2001. Some sectoral NGOs were also asked to comment on the GPRS draft at a later stage, focusing primarily on health, sanitation, education, and further political decentralization. In their comments, they asked for more financial resources and technical capacity.

141. A small number of organizations had direct impact on the GPRS, particularly some established NGOs, think tanks and the business community based in Accra with a history of cooperating with the government and working closely with NDPC. For example, GAPVOD emphasized the need to extend HIV/AIDS prevention programs to avoid a spread of the disease to the levels that other sub-Saharan African countries are experiencing and the need to increase the financial and technical resources of District Assemblies and NGOs working at the local level. Others had less impact, but did help highlight some issues that might otherwise not have been tabled. For example, comments of local NGOs working in the central and northern regions but without strong contacts in Accra highlighted the need to address the high levels of poverty in the north and reduce regional inequalities. The GPRS, in the end, does not plan strong measures to address these inequalities over the medium term but they are highlighted as an issue. Other issues were tabled but not substantially integrated into the GPRS, for example suggestions to tackle land reform or more specific policies to reduce poverty for women working in agriculture areas.

142. The government included an appendix in the GPRS listing all the comments and recommendations from NGOs, as well as what had been done to integrate them into the final document.⁶⁴ This mechanism ensured that the government tracked all the suggestions, increasing transparency and accountability. It facilitated discussion when NGOs and the government interacted several times to comment on the same issue, but did not quiet all criticism from NGOs whose views were not taken into account.

143. NGOs have a marginal formal role in implementation and M&E, with the exception of a limited group that have experience in service delivery largely financed by external partners. Community based organizations will report to District Assemblies on

⁶⁴ See Government of Ghana (2003), Appendix J, p. 217-225.

the execution of specific GPRS projects and on the changing perceptions of individuals about the usefulness of the strategy. They will participate in the M&E process by tracking the 52 indicators specified in the GPRS.

Private sector

144. The private sector participated in the consultation process at a meeting organized by the NDPC Core Teams in May 2001. Umbrella business organizations and government attended the meeting. There is a perception among business organizations that the GPRS is too theoretical and abstract and without specific recommendations to help business, such as simplification of bureaucratic procedures, specific measures to facilitate trade, a national plan to provide credit for small enterprises or increased tariffs or subsidies.

Labor unions

145. Labor unions were represented by the TUC, which attended a consultation workshop with civil society in September 2001. This organization, with a strong Marxist orientation, was critical of the GPRS process, regarding it as a process to meet IMF/World Bank demands supported by a government with a strong neo-liberal agenda. Their participation did not result in a strong dialogue, and their ultimate influence was limited.

Think tanks and academia

146. Some think tanks and university professors had an active role in GPRS formulation. NDPC relied heavily on their technical capacity, and representatives from think tanks and academia were integrated into the GPRS Task Force and the Core Teams. Their input was generally more theoretical and academic than operational. There is a perception among the academic community that the GPRS is a comprehensive document. Specific think tanks are doing research to assess the effects of the GPRS and its links with the budget.⁶⁵ It is expected that some economists will participate in future discussions about the macroeconomic framework.

Local government

147. Local governments had a limited input into GPRS formulation. The Ministry of Local Government and Rural Development was responsible for collecting information from all the District Assemblies and providing it to NDPC. It invited delegations from eighteen districts, three each from six regions, to provide specific recommendations on the GPRS. Some districts had already prepared local development plans and used these as a basis for discussion. Others came less prepared, relying on the government to set the agenda.

148. In August 2001, NDPC invited the National Association of Local Governments to provide comments on the GPRS draft. Local governments expressed the need to increase

⁶⁵ See Institute of Economic Affairs (2003).

the percentage of tax revenues that they receive from the central government and to increase their political autonomy vis-à-vis the central government. Given that local governments hold responsibility for service delivery in areas like education or health, having more autonomy, local government officials argued, would allow them to be more efficient, provided that they have more human and financial capacity. The GPRS reflects this dialogue, and includes plans to increase the percentage of tax revenues local government receive from the central government from 5 percent to 7.5 percent by 2004.

Traditional authorities

149. Chiefs played a limited role in the formulation of the GPRS. Their consultative role is recognized by the Constitution and they are often important authoritative players in the every-day life of villages where the poor live. The National House of Chiefs and the Regional Houses of Chiefs are consulted and participate in the implementation of the GPRS.

Parliament

150. Parliament was involved in GPRS formulation but did not have a strong impact on the policy content of the strategy. Parliament entered the GPRS process in July 2001, a year after it was officially launched. The MoF presented the GPRS before Parliament at a plenary debate, shortly after the first official draft was formally presented to external partners at a CG meeting. This first GPRS parliamentary debate focused only on broad concepts and did not discuss priorities or the draft.

151. In July 2002 Parliament formed a special committee on the GPRS, and several workshops were held to discuss it. The committee presented a report with comments on the draft in December 2002. This report did not bring about any substantial change in the GPRS. Many parliamentarians had been unable to understand some of the technicalities and did not have the resources to elaborate an in-depth assessment. In the words of one parliamentarian, “our report was superficial.”

152. In December 2002, the President complied with his constitutional obligation “to present to Parliament a coordinated program of economic and social development policies, including agriculture and industrial programs at all levels and in all the regions of Ghana.”⁶⁶ His presentation of the Coordinated Program for Economic and Social Development through 2012 filled a vacuum that existed since his government had rejected Ghana Vision 2020 as a development vision. Parliament approved the GPRS in early 2003 without extensive debate.

153. Parliament has a role in approving the budget and in M&E of the GPRS. It has only one month, usually March, to debate the annual budget and does not have the technical capacity to make substantial contributions. Historically, in any case, given that the government holds a majority in Parliament, the budget tends to be approved without major changes. The role of Parliament in M&E is to inform constituencies of GPRS

⁶⁶ Chapter 6, Article 36 (5) of the Constitution of the Republic of Ghana at <http://www.ghanareview.com/Gconst.html>.

related government policies and results, as well as to identify the areas in which society still perceives that there is need for improvement.

D. Role and Impact of External Partners

154. Ghana is heavily dependent on external assistance, and external partners (both bilateral and multilateral) historically played an important role in formulating development strategies prior to the GPRS. This dependence increased in the last twenty years. In 2000, ODA as a percentage of GNI was 10 percent (the average for sub-Saharan Africa is 4 percent) and net ODA per capita was \$38; the average in Sub-Saharan Africa is only \$21. ODA inflows reached a peak of \$800 million in 1996 and have slightly declined since then. In 2002, they financed almost 40 percent of the national budget. Major external partners include the World Bank, which is Ghana's largest external partner, the IMF, other UN agencies, Japan, Great Britain, Denmark, the Netherlands, Germany and France.

155. Except the macroeconomic framework where external partners, particularly the IMF, had strong input, external partners provided financial assistance and played a facilitating role rather than a dominant role. At the formulation stage they provided analytical advice and technical assistance in support of the GPRS, without imposing priorities and policies. They informally pledged, to the government, to avoid any action that would work against government decisions. The World Bank took a leadership role by making it clear from the beginning that the GPRS had to be a Ghanaian product. As a World Bank official put it, "we want the government to tell us how we can help them. Not to tell the government what we think they should do to reduce poverty." External partners showed some unity upfront, many of them making it clear to the government that future financing would only be provided within GPRS priorities. This encouraged the government to make the GPRS its national strategy and was a factor in raising the level of attention of the President.

Involvement in consultations

156. The government took the initiative to engage external partners, while retaining control over the content of the GPRS. Key officials saw the poor success of previous development plans as tied to a lack of commitment to them on the part of internal partners as well as external partners. They, therefore, sought to involve external partners from the initial phases, maintaining, however, country leadership. For example, they consulted external partners early to determine their areas of interest and invited them to participate in the relevant Core Teams. While the government itself identified the broad thematic areas for the GPRS, in early consultation with stakeholders, officials relied on external partners and their analytical support to help iron out the details. They appealed to external partners to coordinate their technical missions to the country so as not to impose too many meetings on government officials strapped for time, and to present a harmonized view from within organizations, and across them, that could lead to pooled funding. They appealed for strong collaboration in M&E, recognizing their weak capacity in this area and the benefits of combining external partner and country

monitoring efforts in terms of cost saving and capacity building in data collection and analysis and as an important feedback mechanism into the GPRS.

Financial assistance

157. At the formulation and drafting stage, external partners financed most of the consultations with civil society, provided funds to hire consultants and hold retreats for the NDPC Task Force and the Core Teams, and financed equipment purchases to facilitate its increased efficiency. They also provided some financing for the Parliamentary Committee on the GPRS.

Facilitating role

158. As the government requested, some external partners were integrated, including as co-chairs, into the Core Teams that conducted the poverty diagnosis and discussed the strategy. However, their involvement had the explicit aim to provide constructive feedback to the ideas proposed by Ghanaians. The World Bank provided analytical support through analysis of the Ghana living standards survey, poverty monitoring and studies on water and sanitation, education and health reforms.

159. The World Bank and most external partners made comments on the GPRS first draft in June 2001, only when it was first presented to them by the government. The World Bank set a precedent for other large external organizations by consolidating all the comments from its sector departments and presenting them to the government as a unified view easing their absorption. They also offered assistance to the GPRS team to help consolidate the macroeconomic framework. At the April 2002 CG, the government again presented the GPRS to external partners. At this stage, the government incorporated comments from external partners to make the document more operative without changing its core strategy.

160. External partners played a key role in encouraging a broad consultation process behind the GPRS. With little history of consultation in Ghana, the government relied on external advice in an attempt to bring in the poor, or organizations that represented the views of the poor prior to GPRS formulation. External partners did influence the government's decision to consult broadly.

Role in implementation

161. Given that the government has limited capacity to implement the strategy, the role of external partners is essential in delivering visible results. External partners have put forward a series of initiatives to improve coordination and to align development assistance with the GPRS. SWAPs are being developed in new areas, like education, agricultural development, or the fight against HIV/AIDS, which are GPRS priorities. The MDDBS is increasing coordination between external partners and the government by providing budgetary support to GPRS projects. It is expected that the policy matrix of reforms supported by the World Bank's PRSC will serve as a basis for further coordination for the period 2003-2005. Bilateral external partners have made the commitment of preparing similar policy matrixes that could eventually collapse into only

one document that sets priorities compatible with the GPRS and that guides the allocation of external partners resources. Danida, for example, has fully aligned its assistance strategy for 2004-2008 with the GPRS.⁶⁷

162. Finally, external partners are working to build capacity within the civil service by helping the government in collecting statistical information, as well as in putting in place the systems to process data. This constitutes an essential tool for effective M&E.

E. Economic and Political Events

163. Two shocks influenced the GPRS process: a government change in January 2001 and the 2000 economic crisis. The two are strongly interrelated because the economic crisis had an impact on the election. However, their effects on country ownership are mixed.

164. Government change in 2001 had a positive impact on country ownership of the GPRS. The Kufuor government has been more committed to consultation than its predecessor. President Kufuor came to office supported by a wide variety of social groups and generated enormous expectations for stronger participation from the electorate after 19 years under the Rawlings government. The GPRS became the vehicle for the new government to meet these expectations.

165. The 2000 economic crisis had predominantly negative effects on country ownership. The macroeconomic framework of the GPRS, which was not discussed during any consultation, is perceived by many Ghanaians, including some government members, as an imposition of the IMF in response to the 2000 economic crisis. In addition, the direct impact of the recession was a reduction of the resources and attention dedicated to the GPRS process.

V. OVERALL ASSESSMENT OF COUNTRY OWNERSHIP AND KEY CHALLENGES

166. The GPRS process has enhanced ownership of policy content, particularly among senior officials in the executive and the President, and among many CSOs based in the capital. The GPRS was prepared primarily by Ghanaians. External partners supported and facilitated national institutions in shaping the strategy, without imposing policies. Lesser involvement by grassroots organizations, local governments and Parliament, however, has impeded broader and deeper country ownership. Enhancing country ownership of the GPRS is now a task that requires coordinated actions on the part of all stakeholders to put in place or strengthen operational mechanisms relevant to country ownership. It is an iterative learning by doing process in which building trust among actors and generating cooperative behaviours are essential. External partners have an important role to play by aligning their assistance strategies with the GPRS, supporting government leadership in coordination of development assistance, and harmonizing their policies and procedures with country systems.

⁶⁷ Danida (2004).

A. Executive

167. The executive is the main owner of the content of the GPRS. It took the initiative, formed the GPRS team, organized consultations, decided on the thematic areas, prepared drafts, and made a serious effort not to give external partners leadership over the content. NDPC, the President himself, and a small number of senior officials in some line ministries were actively involved in its preparation. Staff in most ministries are committed to implementation, and recognize the GPRS as the national strategy. The government has been able to satisfy its constitutional requirement for development planning through the GPRS, avoiding the existence of parallel visions and conflicting strategies. The choice by the newly elected government to rely on the same coordination mechanism, the NDPC Task Force, put in place by the previous government guaranteed continuity and coherence to the process without impeding changes and improvements. One ministry, the MoFEP, clearly has the crucial role of ensuring alignment with the budget. An MTEF Secretariat has been integrated into the Budget Department of the MoFEP, thus strengthening the effort in aligning the GPRS with the budget.

168. Ownership could be further enhanced if cooperation among ministries continues to improve. In this respect, the merger of the MoF and MEPRC into the MoFEP in March 2003 and the leadership role taken by the President have facilitated coordination. However, the executive should develop stronger interministerial coordination to foster more systematic and timely cooperation and dialogue between the Presidency, the MoFEP, and line ministries to help ensure that they work together toward common GPRS goals within the framework of the MTEF, and focus on solving coordination problems related to implementation as they appear. In addition, the government should better prioritize the policy framework outlined in the GPRS and fully integrate the GPRS into the MTEF framework; stronger links between NDPC and the Budget Department of the MoFEP would create a focal point to support the MoFEP in setting fiscal targets compatible with GPRS priorities and in shifting responsibilities for spending details to line ministries consistent with their sectoral responsibilities.

169. Across the government, a key challenge is to produce relevant and timely statistical data to evaluate the GPRS. Further technical training of the civil service is, therefore, a priority in order to strengthen its capacity to provide this data and deepen ownership across the executive.

B. Internal Partners and National Institutions

170. The process leading to the formulation of the GPRS enhanced ownership of its content beyond the executive. The GPRS process increased the level of engagement of internal partners in the formulation of the national development strategy, especially vis-à-vis prior development plans. The building blocks for enhancing ownership by internal partners have been laid during the formulation of the strategy. The GPRS has established a strong precedent for consultation between the government and internal partners, and its value, including the potential to broaden support for difficult reforms, is widely recognized by the government and many internal partners. The GPRS sets an example of transparency in decision-making by listing all the comments and recommendations from

NGOs and what was done to integrate them into the final document. Internal partners were able to express their views through a number of consultations, even if conducted during a short period of time and mainly taking place in Accra, and tabled many issues that might not have been put forward otherwise. Simplified versions of the GPRS were circulated in local languages. The government has envisioned participation in the GPRS through M&E during implementation. Stakeholders have identified specific indicators and Parliament has established a committee to monitor their achievement. Internal partners' access to CGs and the establishment of the NED are promising steps toward integrating participation structures into permanent government institutions, as is undertaking analytical work in a participative manner such as the PPA. A consultation culture is emerging through the opening of CGs to internal partners, establishment of the NED and broad media coverage of the GPRS and poverty issues.

171. However, a greater effort is still required to further involve in the GPRS internal partners, especially NGOs outside of the Greater Accra Region, local governments and Parliament, to enhance country ownership. Largely with the exception of umbrella NGOs based in Accra, with a history of working with the executive, consultation did not become active participation in policy formulation for most NGOs which did not engage in a deep constructive debate about priorities. Although local think tanks were involved, there were no consultations on the macroeconomic framework. The private sector participated only in general discussions. Local governments were mainly engaged through the Ministry of Local Government and Rural Development, which, however, conducted consultations in only eighteen District Assemblies out of a total of 110 and only a few of which had prepared development plans as a basis to provide input to the GPRS. Parliament did not have a strong impact on GPRS formulation.

172. The key challenge to enhance country ownership of the GPRS among internal partners is now for the government to build on its experience with the GPRS (and previous limited experience with consultations), and develop a permanent mechanism for regular in-depth dialogue that influences GPRS implementation and fine tuning. The government could consider institutionalizing the NED by creating a permanent NED secretariat, and using it as a forum to meet regularly throughout the year rather than once a year. This secretariat could explore establishing a strong feedback mechanism to facilitate a two way dialogue between the government and internal partners within the NED. For example, the executive could consider preparing progress reports in local languages as well as in English that clearly state to what extent the short-term goals of the GPRS are being attained and to distribute these reports in advance to all stakeholders that participate in the NED. Internal partners could then make an effort to use these reports as a basis upon which to seek input from their members and make comments, instead of using the NED as a forum to raise general concerns that are difficult to evaluate. This would allow the NED to focus the discussion around specific objectives that are possible to quantify and would increase the focus on results. The enactment of the Freedom of Information Bill would also improve access of the media to government data and information, thus strengthening the oversight role of stakeholders outside government.

173. Given their limited technical capacity and financial resources, the establishment of a stronger dialogue will require empowering and strengthening NGOs, especially those

outside the capital and those that represent the poor. The emergence of strong umbrella organizations is important and facilitates government dialogue with internal partners, but efforts should be made to integrate and give voice within these organizations to NGOs that represent the poor. Circulating simplified updates of GPRS progress in implementation in local languages will be key to involve grassroots organizations in towns and villages outside the capital in strategy implementation.

174. The GPRS process has highlighted not only the capacity constraints faced by parliamentarians and the parliamentary administration but also the potentially crucial role of Parliament in fostering dialogue, bringing about consensus in decision-making processes, and ensuring that the achievement of GPRS priorities becomes a prominent part of the work of the District Assemblies, where parliamentarians sit as non-voting members. The government could strengthen Parliament's ability to constructively contribute by strengthening training in legislative and budgetary processes for parliamentarians and parliamentary officials, with an initial focus on the GPRS parliamentary committee. The issue of resources for parliamentarians in both the capital and the respective constituencies should be resolved to better enable them to act as the transmission chain between the regions and the center. In this respect, the presentation to Parliament of regular progress reports on the GPRS would create interest and commitment among parliamentarians. Building partnerships with parliamentary bodies in other countries, either directly or through the offices of parliamentary organizations such as the Inter-Parliamentary Union or the Commonwealth Parliamentary Association, to provide training and share good practices would enhance the capacity of Parliament to take part in GPRS implementation.

175. Strengthening local governments to improve service delivery aligned with the GPRS is essential for its successful implementation, and therefore enhanced country ownership. Aligning local development plans with the GPRS is thus essential. The envisaged involvement of local governments in collecting data for the 52 GPRS indicators could become an opportunity to deepen participation and bring results at the local level. The government could assist local institutions in elaborating and circulating information on local progress in achieving GPRS goals, thus allowing local governments and CSOs to undertake action in the most urgent areas needing improvement.

176. Implementing government plans to give NGOs an important role in M&E is crucial. Strengthening access to information and data as well as the ability to analyze it is critical for the functioning of the parliamentary committee carrying out M&E of the GPRS. A more cooperative attitude and a clear commitment to engage in interactive dialogue and reach compromise are essential on both the government and internal partner side.

C. External Partners

177. External partners (multilateral and bilateral) have facilitated country ownership of the GPRS. They intervened in the formulation process by providing technical assistance based on analytical work, financing consultations and research, and discussing the strategies presented by the government, without, however, imposing policies. They

encouraged a broad consultation process. Most have agreed to align their financing with GPRS priorities.

178. External partners did have strong input into the macroeconomic framework, which was prepared by the MoF, the Central Bank, members of selected think tanks, and the IMF. Their participation, at the exclusion of internal partners and line ministries, undermined country ownership.

179. The challenge now is to adapt established practices and behavior to enhance the country's role in GPRS implementation as well as support measures that would deepen country ownership and strengthen government leadership. The move from project lending to budget support and sector wide approaches is a promising step that strengthens the role of national authorities and increases transparency and accountability. This move is in its initial stages, but there is strong commitment to accelerate this process by extending the use of SWaps to other sectors. External partners could focus on analytical support increasingly led by government and capturing local expertise to improve its outcome orientation. They could facilitate increased technical support to the executive, local governments, NGOs and Parliament to support a more active and constructive role in implementation and M&E of the GPRS. They could coordinate their programs not only centrally with the GPRS, but also with district local development plans to allow local governments to better forecast the availability of resources and the delivery of social services.

A: LESSONS LEARNED

1. Strengths

A. Ghana has been able to produce a coherent poverty reduction strategy, the GPRS, prepared primarily by Ghanaians and with the benefit of solid data and analysis from a living standards survey. There are no parallel medium-term development strategies and an important effort has been made to increase presidential leadership, interministerial coordination, and coordination between the government and external partners. The choice by the newly elected government to rely on the NDPC Task Force, the same coordination mechanism put in place by the previous government, guaranteed continuity and coherence to the formulation process without impeding changes and improvements. An MTEF Secretariat has been brought under the umbrella of the MoFEP, thus strengthening the effort in aligning the GPRS with the budget.

B. The GPRS process has contributed to institutionalize an on-going domestic-led forum to discuss strategies and policies. In Ghana, the NED is slowly becoming an institution that can be one of the building blocks to extend participation of stakeholders in strategy implementation and updating, becoming the focal point from which a real consultation culture could grow. However, in order to be more useful, its recommendations should be more specific and operational and the government should make an effort to incorporate a wider variety of CSOs.

C. External partners explicitly encouraged government and internal partners to take the lead, especially in the formulation of policies. The case of Ghana shows that it is possible to change external partner's attitudes in the right direction in a short period of time, provided that there is the political will to work with national stakeholders inside and outside government to foster economic development and reduce poverty. At the implementation level, external partners are playing an active role in aligning their support with the GPRS.

2. Weaknesses

D. The choice of NDPC as the body responsible for coordinating GPRS formulation also had a downside. It impeded full cooperation by line ministries at the beginning of the process. As a special commission responding directly to the President and without ministerial status, NDPC lacked the authority to lead interministerial coordination. The poor coordination between the MoF and the MEPRC at the beginning of the process inhibited a stronger link of the strategy with the budget. In addition, the NDPC Task Force was staffed largely by consultants that have moved on since GPRS formulation, rather than by civil servants that might have provided some continuity into implementation.

E. Even though coordination across the executive has improved, and the MEPRC merged with the MoF, it is still unclear to what extent the MoFEP will be able to play an effective leadership role in linking the GPRS to the budget. The President's role and level

of involvement during implementation is also unclear. New mechanisms to strengthen dialogue and coordination between the President, the MoFEP, and other line ministers should anticipate conflicts and problems arising from implementation and M&E. In addition, for the government to fully integrate the GPRS into the MTEF framework and ensure that its policy framework translates into concrete policies that are prioritized, financed and budgeted, stronger links between NDPC and the MoFEP are essential. The MoFEP could become the focal point in setting fiscal targets compatible with GPRS priorities and shift responsibilities for spending details to line ministries consistent with their sectoral responsibilities.

F. The GPRS process has highlighted the capacity constraints of parliamentarians. Parliament is one of the institutions that has the legitimacy to represent all the Ghanaian population, but its involvement in the GPRS has been weak. It has traditionally been isolated from the executive. Parliament needs more financial resources and technical capacity in order to be able to play a more active role in the GPRS.

G. Local government involvement also needs to improve. The tradition of top-down decision making and the fact that most key actors are based in Accra, makes it difficult to achieve this goal. It is important that high level consultations are held outside the capital and that District Assembly members, who are directly elected, are consistently included in discussion and evaluation groups. Local governments need to be strengthened in line with the planned increase in resources, their role in service delivery and monitoring the GPRS. Local development plans should be aligned fully with the GPRS.

H. The willingness by the political leadership to broaden the consultation process was not always matched by appropriate decisions at the executive level. Not enough time was given to CSOs to examine consultation documents in depth or to reach grassroots organizations in remote areas of the country. Moreover, the financial and technical capacity of CSOs has not been sufficient to make a substantial contribution to the GPRS. Most CSOs are insufficiently funded and do not have individuals capable of discussing the many technical issues in the GPRS.

I. Independent monitoring of the level of alignment between the budget, the MTEF and the GPRS is essential. No full-fledged mechanisms have been envisioned to make sure that independent monitoring is properly done. Parliament and CSOs do not have enough resources and analytical capacity to undertake such a technical task. External partners could play a key role in helping correct this deficiency.

3. Opportunities

J. External partners coordination has worked well through the process. The creation of the MDBS and the alignment between GPRS priorities and the World Bank's PRSC is a promising development. It would be important that coordination among external partners and between the government and external partners continues to strengthen toward successful GPRS implementation. Harmonization of external partners' procedures with country systems would strengthen the role of national institutions in the implementation of policies and programs.

K. Dialogue between external partners and the government and between external partners and CSOs has traditionally worked better than dialogue between CSOs and the government. During the consultation process this pattern began to change, with CSOs and government developing a stronger relationship based on trust. It is important to take advantage of this situation and build on it.

L. Reinforcing the NED as an institution through the creation of a permanent secretariat that distributes information to all stakeholders regularly would be beneficial to consolidating a consultation culture. This opportunity should not be lost. It requires leadership from the government and strong commitment from internal partners to follow up on the implementation and M&E stages of the GPRS.

M. Progress in GPRS indicators should be tracked and circulated locally to create momentum for action by local governments and grassroots NGOs to improve the situation in villages and towns outside the Accra region.

4. Threats

N. The GPRS has created high expectations among stakeholders. It is important that all actors understand that GPRS implementation will take time. Otherwise there is a threat that internal partners, especially CSOs, generate a backlash against the GPRS process. To avoid this outcome, it is essential that the government focuses on short-term results that can be observed by the population, especially in the rural areas. Country ownership will be enhanced if society sees progress. Therefore, relatively fast improvement in basic human needs indicators highlighted in the GPRS like access to safe water, education, sanitation, energy, and infant mortality rates, should be given priority to avoid losing momentum and political support.

O. Public sector reform and further political and fiscal decentralization are the two most difficult reforms on the agenda. These reforms are essential for successful implementation of the GPRS. However, there is a lack of political will on the part of the government to move forward due to vested interests among the bureaucracy. Therefore, there is a threat that they may be blocked, which would negatively affect the implementation of the GPRS and country ownership.

B: PERSONS INTERVIEWED

GOVERNMENT

Executive

Dr. Anthony Akoto Osei, Deputy Minister of Finance and Economic Planning
 Mr. Kwesi Abbey-Sam, Chief Director, Ministry of Road and Transport
 Mr. Godfrey Ewool, Projects Director, Ministry of Local Government and Rural Development
 Prof. George Gyan-Baffour, Director General, Head of NDPC
 Dr. Paa Kwesi Nduom, Minister of Energy, former Head of NDPC

Parliament

Mr. Alban Bagbin, Member of Parliament, Minority Leader

CIVIL SOCIETY AND PRIVATE SECTOR

Mr. Kofi Adu, Executive Director, GAPVOD
 Mr. Kwesi Adu-Amankwa, Secretary-General, Trade Union Congress
 Dr. Emmanuel Akwetey, Director, Institute for Democratic Governance
 Prof. Emmanuel Gyimah-Boadi, Executive Director, Ghana Center for Democratic Development
 Mr. Cletus Kosiba, Policy and Communications Director, Association of Ghana Industries
 Prof. Takyiwaa Manuh, Director, Institute of African Studies of the University of Ghana
 Dr. Robert Darko Osei, Economist, Institute of Economic Affairs
 Mr. Philip Owusu, Chief Executive of Ghana Airways, former Senior Fellow at the Institute of Economic Affairs
 Mr. Nathaniel Quarcoopome, Finance and Administrative Manager, Association of Ghana Industries
 Dr. Peter Quartey, Economist, Institute of Economic Affairs

EXTERNAL PARTNERS

CIDA

Ms. Heather Cruden, Head of Aid

DFID

Ms. Kirsty Mason

GTZ

Mr. Reinhard Trenkle, Team Leader, Program for Rural Action

SDC

Mr. Georg Zubler, Ambassador of Switzerland

Spanish Ministry of Foreign Affairs

Mr. Álvaro Kirkpatrick de la Vega, Deputy Head of Mission and Consul

UNDP

Mr. Paul Derigubaa, Program Specialist

Mr. Alfred Sallia Fawundu, Resident Coordinator

UNICEF

Mr. Ramesh Shrestha, Resident Representative

WB*Country Office*

Mr. Daniel Boakye, Economist

Mr. Carlos Cavalcanti, Lead Economist

Mr. Mats Karlsson, Country Director

Mr. Kofi Marrah, Social Development Specialist

Mr. Kafu Kofi Tsikata, Communications Officer

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Ms. Nichola Dyer, Country Program Coordinator

Ms. Malathi Jayawickrama, Operations Officer

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**COUNTRY OWNERSHIP OF THE NATIONAL POVERTY
REDUCTION STRATEGY IN THE KYRGYZ REPUBLIC**

ACRONYMS

ADB	Asian Development Bank
CAS	Country Assistance Strategy
CBO	Community based organization
CSO	Civil society organization
CDF	Comprehensive Development Framework
CG	Consultative group
DFID	Department For International Development
EU	European Union
FY	Fiscal year
GDP	Gross domestic product
GNI	Gross national income
HIPC	Highly indebted poor country
IBPR	Institution building for poverty reduction
IPRS	Interim poverty reduction strategy
IDA	International Development Association
IFIs	International Financial Institutions
IMF	International Monetary Fund
JICA	Japan International Cooperation Agency
KCDF	Kyrgyz Comprehensive Development Framework
M&E	Monitoring and evaluation
MDGs	Millennium Development Goals
MoF	Ministry of Finance
MTEF	Medium-term expenditure framework
NGO	Non-governmental organization
NPRS	National Poverty Reduction Strategy
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
PPA	Participatory poverty assessment
PRSC	Poverty reduction support credit
PRS	Poverty reduction strategy
SDC	Swiss Development Cooperation Agency
SME	Small and medium enterprise
SWAp	Sector-wide approach
TACIS	Technical Assistance to the Commonwealth of Independent States
UK	United Kingdom
UN	United Nations
UNDP	United Nations Development Program
USAID	United States Agency for International Development
USSR	Union of Soviet Socialist Republics
WHO	World Health Organization
WTO	World Trade Organization

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COUNTRY OWNERSHIP OF THE NATIONAL POVERTY REDUCTION STRATEGY IN THE KYRGYZ REPUBLIC

I. INTRODUCTION

180. Country ownership is a key principle underpinning the Comprehensive Development Framework (CDF), and together with the other CDF principles—long-term holistic vision, country-led partnership and focus on development results—constitutes a strong basis for effective development and poverty reduction. Country ownership of national development strategies may be manifested in different ways, depending on each country’s history, institutional setting and political system. It requires active participation and consultation not only within government but also among civil society and the private sector in determining development goals and policies. External partners have a key role to play in facilitating country ownership through technical assistance, support to participatory processes and respect for the social, political, institutional and historical background of individual countries.

181. This case study highlights the factors that have enhanced country ownership of the National Poverty Reduction Strategy (NPRS) in the Kyrgyz Republic. Its aim is to provide insight into some aspects of the preparation and implementation of the NPRS, without however covering the whole process or evaluating the early development results achieved. It consists of four parts. Section II offers an introduction to the institutions, political events and economic reforms that have shaped the history and development of Kyrgyzstan since its independence from the Soviet Union. Section III presents an overview of the NPRS in light of the CDF principles. Section IV spells out the factors through which country ownership has materialized; it analyzes leadership and participation within the executive as well as the history and structure of consultation; it looks at the role that CSOs, the private sector, Parliament, local government and external partners have played in determining the policy content of the NPRS. Section V identifies some key challenges faced by different stakeholders to enhance country ownership of the NPRS and sustainability of reforms. Section A proposes some lessons learned by presenting strengths, weaknesses, opportunities and threats. Section B lists the persons interviewed for the preparation of the case study.

II. GENERAL BACKGROUND

A. Overview and Recent Political Events

182. Kyrgyzstan is a small country perched in the high mountains stretching between China and Uzbekistan, in the Northeast part of Central Asia. Its population—about 5 million people—is mainly rural, young, highly literate—98.7 percent received at least primary education- and ethnically mixed. In 1999, native Kyrgyz accounted for 64.9 percent, Uzbeks for 13.8 percent, and Russians for 12.5 percent.⁶⁸ Part of the Russian Empire and then the Soviet Union, its economy heavily relied on assistance from

⁶⁸ UN (2001), p. 17.

Moscow. In 1990, Soviet subsidies accounted for about 10 percent of GDP and 30 percent of the budget.⁶⁹

183. The process of reform launched in the Soviet Union in the mid-eighties paved the way to the rise of a new leadership committed to rapid reform and the creation of an open society, and led to the election as President of the Republic of Askar Akaev, a respected scientist, relatively new to politics. Since then, the Kyrgyz Republic, which declared independence from the Soviet Union in August 1991, has experienced uncommon openness, with the establishment of vocal NGOs and critical mass media, coupled with a key role of the President in day-to-day government.

B. Central and Local Institutions

184. The first post-Soviet Constitution adopted in 1993 established a three-branch government—executive, legislature and judiciary—with the directly-elected President overseeing that the three branches acted according to the Constitution. Amendments approved by referenda held in 1996 and 1998 further enhanced powers and prerogatives of the President.

185. Following a referendum called by the President in October 1994, a bicameral legislature replaced the Supreme Soviet elected in 1990 during the process of democratization of the Soviet structures. The present Parliament consists of the Legislative House, with sixty members sitting in permanent session, and the House of National Representatives, with forty-five members convening less regularly. It is elected through a mixed system: eighty percent of the seats are contested in single-member constituencies which elect the candidate who wins the absolute majority; the remaining twenty percent are allocated to representatives of political parties inscribed in a party list which receives more than five percent of the vote. Following some amendments to the Constitution approved in February 2003 to further the reform process started in the 1990s, the Parliament which will be elected in 2005 is to be monocameral and composed of seventy-five members.

186. The Kyrgyz Republic is administered through a three-tier system of local government, partly inherited from the Soviet state system; it consists of seven provinces (*oblast*), further divided into districts (*rayon*), subdivided into village communities (*aiyl okmotu*). In line with the administrative structures of the USSR, the governors of the *oblasts* and the heads of the *rayons* are appointed by the President.

187. Following a reform put in place between March and December 2001, the heads of the 467 *aiyl okmotus* are directly elected; international observers have regarded the 2001 local elections as substantially open and fair. *Aiyl okmotus* now own and are responsible for infrastructure such as schools and hospitals; they can raise sixteen different taxes. However, the process of budget allocation, currently under reform, has so far provided for the transfer of resources to the *aiyl okmotus*, confronted with the challenge to cater for

⁶⁹ World Bank (2003), p. 1.

most of the basic needs of the population, through the *oblasts* and *rayons*, which often absorb the largest part of them.

C. Economic Reform, Poverty and Attempts to Overcome It

188. Commitment of the political leadership to radical economic reform and the fight against poverty has brought results over time. Sustained economic growth has significantly improved the welfare of the population. The headcount index of absolute poverty declined from 62.5 percent in 2000 to 56.4 percent in 2001. However, about 2.8 million people continue to live in absolute poverty, the poorest *oblast*, Naryn, has benefited little from poverty reduction, and access to public services such as running water, public sewers, reliable electricity or telephone service remains low.⁷⁰ The reform course has shown the country's willingness to change and put to a test both the Government's capacity to improve welfare and the effectiveness of the tools offered by the international development community.

The road to transition

189. Hardly had the Soviet Union collapsed than President Akaev embarked upon a rapid course of reform designed to transform the Kyrgyz economy into a market and open economy, supported in this effort by bilateral and multilateral development assistance organizations. First among the former USSR countries, the Kyrgyz Government abandoned the ruble—the currency inherited from the Soviet era—and introduced the *Som*, liberalized prices for most goods and services, eliminated export duties, substantially reduced import tariffs, and removed most capital controls. By 1998 over half of the industrial sector had been privatized, private banks were operating in parallel to state banks, land reform redistributed land owned by collective farms to private individual farmers, and the Kyrgyz Republic had become the first former Soviet republic to become a member of the WTO.

190. Such a strategy, adopted in 1992, had important effects on the social conditions of the Kyrgyz population, which were exacerbated by the disruption of economic links with the rest of the Soviet Union and the 1998 Russian financial crisis. Real GDP shrunk by 45 percent between 1991 and 1995, industrial output by over 65 percent, and agricultural output by over 30 percent in a country where this sector accounts for more than 35 percent of GDP and over 65 percent of the population is rural. Low quality of infrastructure partly contributed to the spread of poverty in some *oblasts*. The outlook turned bleak: unemployment grew, budgets for social assistance were cut, and poverty rose from 54.9 percent in 1998 to more than 60 percent in 1999. Between 1997 and 1998, urban poverty went up 21 percent.⁷¹

⁷⁰ World Bank (2003a), pp. iii – viii; Ivaschenko, Ibragimova and Kolev (2002), p. 25.

⁷¹ Source: National Statistics Committee and Government of Kyrgyzstan; cf. also World Bank (2003a), pp. iii – v; World Bank (2001), pp. 4-6, 19 f., 29 f.; Mikhalev and Heinrich (1999), pp. 5 ff.

Attacking poverty through the UN Sustainable Human Development Strategy

191. Poverty alleviation became part of the political agenda with the adoption in 1998 of the *Araket* National Program for Poverty Alleviation. The program was prepared by the Kyrgyz Government, benefited from the advice and cooperation of UNDP, and incorporated some of the tenets of the UN Sustainable Human Development Strategy. It combined employment-intensive growth with human resource development, accompanied by a safety net for the hard-core poor. In fact, *Araket* suffered from shortcomings in its implementation.⁷² It harbored, however, a notable strength: the emergence of community organizations facilitated by a Social Mobilization Program. This experience was never abandoned.

192. Confronted with rising poverty and recognizing the CDF principles as key to support the reform agenda and achieve development results, President Akaev approached the World Bank to have the Kyrgyz Republic among the CDF pilot countries, the only pilot from the former Soviet Union.

Embracing the Comprehensive Development Framework

193. Since its introduction in January 1999, the CDF has emerged more as an approach to development than an operational blueprint.⁷³ There is now broad international consensus around this approach as recognized in international summits in Johannesburg, Monterrey and Rome as well as at the London Conference of the CIS-7 Initiative.⁷⁴ The implementation of its four principles has taken different forms in different countries; it has often influenced the preparation of different long-term strategies. However, only rarely has it materialized in the preparation of a long-term vision named “CDF”, constituting the main roadmap for the development of a country, as it has in the Kyrgyz Republic.

194. The Kyrgyz CDF (KCDF) was conceived from its launch as a participatory process to build a long-term development strategy. It complemented and furthered the process of economic and political reform started at the beginning of the 1990s. Ensuring some coherence and continuity between the KCDF and the *Araket* Program became a matter of concern not only within the Government, but also among those external partners who had originally endorsed it. Conflicts and tensions were partly overcome by the involvement in the working groups preparing the first concept paper for the KCDF of those who had worked on the *Araket* Program. UNDP also received the guarantee by the Government that the KCDF would reflect some of the main tenets of the UN Sustainable

⁷² UNDP (2000) stated that *Araket* lacked “a clear and consistent management structure and a budget”.

⁷³ Cf. Wolfensohn (1999).

⁷⁴ The Millennium Summit (Johannesburg, September 2000) identified the Millennium Development Goals and launched a result-based development process, carried on at the International Conference on Financing for Development (Monterrey, March 2002) to increase effectiveness of development assistance, and at the High-level Forum on Harmonization (Rome, February 2003) to enhance coordination and alignment among external partners; cf. Stern (2002), pp. 3 – 9, 18 – 20; for the 2003 Rome Declaration, see <http://www1.worldbank.org/harmonization/romehlf>; for the London Conference of the CIS-7 Initiative, see <http://lnweb18.worldbank.org/eca/cis7.nsf>.

Human Development Strategy. The KCDF was approved in May 2001.⁷⁵ Its main goals are the achievement of an effective and transparent state, the establishment of a fair society to substantially reduce poverty and sustainable economic growth.

195. While the KCDF process was under way, a new tool was developed and officially launched jointly by the World Bank and the IMF in September 1999. Originally conceived as a means of enhancing the HIPC initiative, the PRS soon evolved into an instrument to lay out a country's medium-term development strategy linked to the budget. The PRS would identify pro-poor policies and investment priorities developed and monitored through a wide participatory process, embodying at the same time the CDF principles and furthering their implementation. It would constitute a framework for the alignment of the government budget and development assistance.⁷⁶ The Kyrgyz Republic, which did not qualify for debt relief through the HIPC initiative, embarked upon this new process and, in January 2003, submitted a PRS, known as the NPRS in the Kyrgyz Republic, to the Boards of the IMF and the World Bank.⁷⁷

III. OVERVIEW OF THE NATIONAL POVERTY REDUCTION STRATEGY (NPRS)

196. The NPRS builds on the KCDF, and explicitly incorporates the KCDF objectives as the goals at which the medium-term strategy aims. It constitutes the Government's only strategy for poverty reduction. It presents a matrix with pro-poor policies and actions to meet the KCDF objectives, and includes 100 indicators to monitor progress. It also envisages a monitoring and evaluation system to collect data. It sets the target of a 3 percent annual reduction of poverty, envisaging a 5 percent annual growth from 2001 onward. Together the KCDF and the NPRS constitute the framework for coordination and alignment of external assistance, and the basis to build stronger partnership with development assistance agencies under government leadership. The NPRS embodies the other CDF principles—long-term holistic vision, country-led partnership, and focus on development results—that, together with country ownership, provide a sound basis for a strong national strategy.

A. Long-term Holistic Vision

197. The NPRS constitutes the mid-term implementation blueprint for the first three years of the ten-year KCDF. In line with the KCDF, the NPRS focuses on three areas: formation of an effective state, building a fair society, and promoting sustainable economic growth. It stresses the need for macro-stability as a foundation of sustainable economic growth, recognizes the need for greater efficiency and targeting in social assistance, and advocates a greater role for the private sector in fostering growth, especially in the area of agro-processing and services.

198. The Joint Staff Assessment pinpoints that the NPRS needs stronger links between poverty diagnosis, poverty reduction strategy objectives and priority actions. The strategy is not couched in terms of costing and prioritization: financing requirements for priority

⁷⁵ Government of Kyrgyzstan (2001), Appendix H. "Participation in Development of the CDF Program".

⁷⁶ See IMF and World Bank (1999); (1999a); (1999b).

⁷⁷ Government of Kyrgyzstan (2003).

actions are not clearly defined and linked with annual budgets.⁷⁸ The Government is tackling this issue and is developing a MTEF for 2004-2006, linked to the NPRS and aimed at combining in budget formulation the macroeconomic framework, sectoral strategies and expenditure plans to implement these strategies.⁷⁹

B. Country-led Partnership

199. The NPRS process has strengthened awareness of the need to better coordinate the efforts of external partners in supporting development of the country. Significantly, the CG organized in October 2002 to discuss the draft NPRS was held for the first time in Kyrgyzstan and co-chaired by the Government and the World Bank. However, the capacity of the Government in this effort is not strong given the diffuse responsibility for external partners' coordination. Coordination is conducted by three different institutions: the Ministry of Finance, a CDF Secretariat, and the Ministry of Economic Development. Insufficient coordination within the Government in its relations with external partners had an impact on the formulation of the NPRS. In large part, the NPRS has attached external partners' on-going programs and projects to the policy matrix.⁸⁰

200. Significant efforts are underway to align external programs with the NPRS. The Strategy Paper 2002-2006 for Central Asia, adopted by the EU Commission in October 2002, provides support for government reform, agro-processing and tourism in line with the KCDF/NPRS.⁸¹ UNDP launched in February 2003 a new Program Framework consistent with the KCDF/NPRS goals.⁸² The World Bank's CAS FY 03-06 reflects the priorities of the NPRS, and was prepared in collaboration with the Government and in close consultation with civil society and private sector representatives through a series of roundtables co-chaired by the UN Resident Coordinator. It envisages, under its base case scenario, a move towards programmatic support, including a series of PRSCs and a health and social protection SWAp.⁸³ ADB's Country Strategy and Program for 2004-2006 is based on KCDF/NPRS priorities and was discussed with government officials, parliamentarians, representatives of civil society and the private sector as well as other external partners.⁸⁴ DFID's Regional Assistance Plan for Central Asia, South Caucasus and Moldova, currently under public discussion, identifies pro-poor growth and support for NPRS implementation as key priorities for 2004-07.⁸⁵

201. The Kyrgyz Republic has become a frontier country associated with the Rome Declaration on Harmonization of February 2003, and is piloting mechanisms to foster harmonization of policies and procedures for development assistance.⁸⁶ The government has established a steering committee and a working group chaired by the Deputy Prime

⁷⁸ IMF and World Bank (2003a).

⁷⁹ World Bank (2003b), pp. 13 f.

⁸⁰ Government of Kyrgyzstan (2003), pp. 209 – 212; cf. also IMF and World Bank (2003), p. 37.

⁸¹ EU (2002), pp. 18, 20, 39 – 40.

⁸² See <http://www.undp.kg/english/programs.phtml>.

⁸³ World Bank (2003), pp. 26 - 28.

⁸⁴ ADB (2003), pp. 19 ff.

⁸⁵ DFID (2004), pp. 14, 16.

⁸⁶ See World Bank (2003c), p. 11.

Minister responsible for Economic Development, Trade and Investment and the Director of Investment in the Ministry of Finance, both including representatives from development assistance agencies. Task forces are being set up to support harmonization in procurement, financial management and audit. External partners have started developing a database on projects and programs financed by different partners, to avoid duplication.

C. Focus on Development Results

202. Progress in fulfilling the goals spelled out in the NPRS will be monitored through 100 indicators, linked to the MDGs, whose achievement is set for 2010. The M&E system currently under consideration would rely on a computerized data collection and analysis system. The system would be managed by the CDF Secretariat, which would facilitate training for local civil servants to collect data for the 100 indicators. The data would then be transmitted to the CDF Secretariat, which would post them on a dedicated KCDF/NPRS website alongside other information.⁸⁷ In 2002 the Government launched a National Strategy on Information and Communication Technologies for Development to support a more widespread use of Internet by both government agencies and private citizens.⁸⁸

203. The NPRS M&E system would build a monitoring mechanism parallel to those of the line ministries, raising the need to integrate them. Champions for introducing results based management systems already exist. The Ministry of Health, for instance, with technical support from the WHO, has developed a systematic approach to data collection and management that includes the development of a worksheet for every output and outcome indicator of every sector goal; the Ministry has also taken steps to ensure that their data collection system includes those indicators that are part of the KCDF and the NPRS.⁸⁹

204. The M&E system is a work in progress still in need of better internal coordination and external support. The Government has shown its commitment to deal with costing of the policy measures envisaged in the KCDF/NPRS as well as better prioritization and outcome evaluation, and has recently taken part in the 2004 International Roundtable on Managing for Development Results and subscribed to its action plan, which envisages to apply results-based approaches to planning and budgeting.⁹⁰

⁸⁷ [Http: www.cdf.gov.kg](http://www.cdf.gov.kg) ; cf. Kusek and Rist (2003), pp. 19 f.

⁸⁸ See United Nations Economic Commission for Europe (2002); in 2002 the number of Internet subscribers was estimated at around twenty-thousand; cf. Economist Intelligence Unit (2002), p. 16.

⁸⁹ See Kusek and Rist (2003), p. 27.

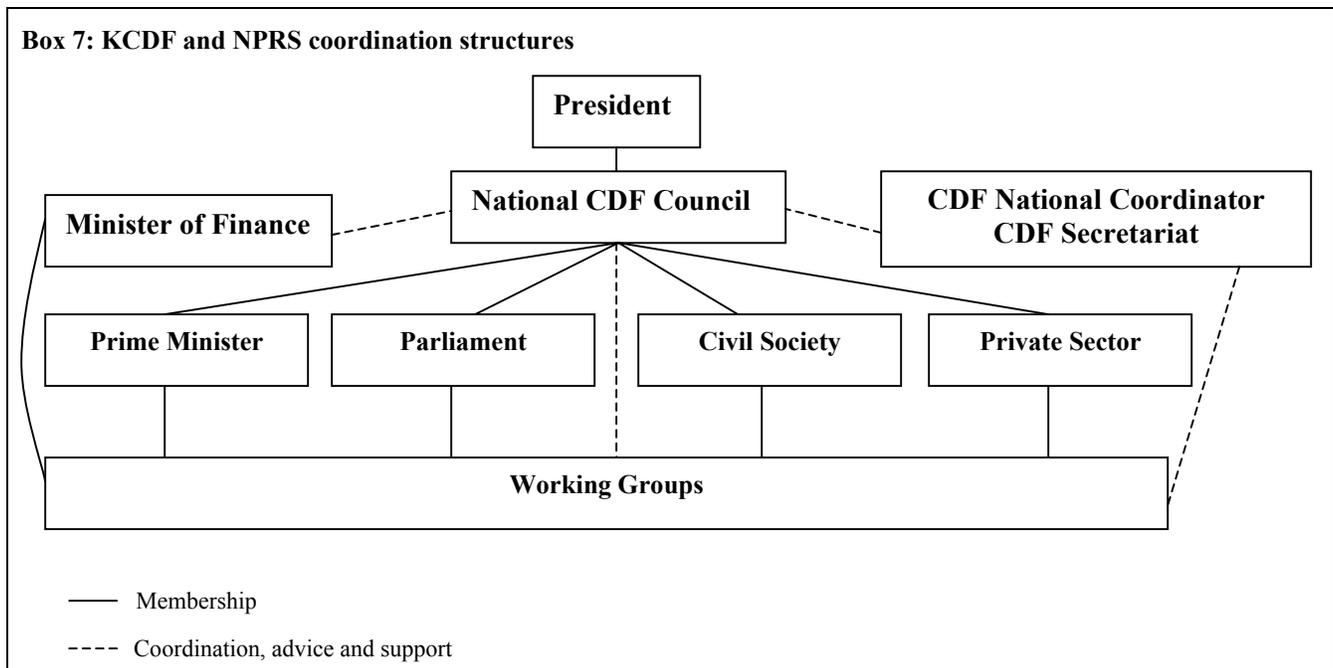
⁹⁰ For the action plan and more information on the Marrakech Roundtable, sponsored by the multilateral development banks and the OECD, see <http://www.mfdr.org>.

IV. THE FACTORS OF COUNTRY OWNERSHIP

205. Country ownership of the NPRS is intimately linked to that of the KCDF. It has been enhanced through stakeholder participation, organized through existing institutions and structures set up in the context of the KCDF or NPRS. The consultative process has moved from the executive to local governments, and has been characterized by a more active involvement of the growing community of CBOs and grassroots NGOs. It has involved institutions at the central and local level that will remain in place during implementation, thus supporting sustainability of the reforms.

A. Leadership Within and Participation Across the Executive

206. The President is the head of state, appoints the Prime Minister, and the Cabinet of Ministers upon recommendation of the Prime Minister, subject to parliamentary approval.⁹¹ Responsibility for the preparation of the NPRS moved from the now defunct Goskominvest General Directorate, a governmental body that had been responsible for coordinating development assistance, to the Ministry of Finance to the CDF Secretariat, an organizational unit of the Presidential Administration established by the President in 2001. The President chairs a National CDF Council, comprised of the Prime Minister, the Speakers of the two Parliamentary Chambers and representatives of civil society and the private sector, which approved the KCDF and is responsible for assessing implementation. The CDF Secretariat acts as the executive unit of the Council, and coordinates the implementation of the KCDF and the NPRS. (see Box 7).



⁹¹ Economist Intelligence Unit (2003), p. 4.

Locus of initiative and political leadership

207. The decision to become a CDF pilot country clearly belonged to President Akaev. The President set up the interministerial coordination mechanism for the KCDF and the NPRS and exercised strong leadership over the process. The President ensured his personal commitment to the KCDF/NPRS, took part in seminars and workshops and even co-chaired from the beginning to the end the three-day CG held in Bishkek and Osh in October 2002 to discuss with representatives of Government, civil society, private sector and external partners the draft NPRS.

208. A champion of reform emerged within the Government, who advised the President to embark upon the KCDF. Goskominvest General Directorate had been established by the 1997 Law on Foreign Investment as the operational body of the State Committee on Investments and Economic Development, the interministerial organ chaired by the Prime Minister promoting and ensuring efficiency in foreign investment and coordinating external resources and technical assistance. Headed by a former economic advisor to the President and Kyrgyzstan representative to the IMF, the main asset of this small, highly technical body was its knowledge of the mechanisms of external assistance and the status of development programs and projects, reinforced by daily relations with the development community. Furthermore, being the operational body of an interministerial organ including the Ministry of Finance and various line ministries, it had developed an institutional habit of working with different Government branches. Its head had been an adviser to the President and could therefore access the office of Mr. Akaev with relative facility.

Institutional structure of coordination

209. The CDF Coordination Team set up by a Presidential Decree of May 24, 1999 was first headed by the Prime Minister with the Minister of Finance and the Head of Goskominvest General Directorate as deputy-chairs: the Ministry of Finance would deal with macro- and financial aspects of the strategy, whereas Goskominvest General Directorate would coordinate the consultation process with national stakeholders and international partners.

210. When Goskominvest General Directorate was merged with the Ministry of Finance in January 2001, the latter acquired the role of the official institution for the coordination of the PRS process. The Minister of Finance, who was the PRS National Coordinator at that early stage, was also charged with the coordination of CDF activities. The Interim Poverty Reduction Strategy was prepared by the Ministry of Finance in close cooperation with the IMF resident office.⁹²

211. After the submission of the Interim Poverty Reduction Strategy to the Boards of the IMF and the World Bank, and the approval of the KCDF by the National CDF Council, however, the Ministry of Finance was not taking a proactive role in the completion of the full NPRS. New steam to the process was again given by President

⁹² IMF and World Bank (2001), pp. 44 and 47.

Akaev, who established a CDF Secretariat as an organizational unit of the Presidential Administration, with high-ranking officials drawn from different ministries and governmental agencies. The top echelon is staffed by a former deputy Minister of Finance, who is the CDF/NPRS National Coordinator and the Head of the Economic Policy Department in the Presidential Administration, and a former economic adviser to the Prime Minister, who is the Head of the Secretariat and the Deputy Head of the Economic Policy Department. Coherence and continuity has been helped by this choice of officials who had already worked intensively on the KCDF/NPRS in their previous positions.

212. The clear appropriation of the process by a body institutionally and physically established within the Presidential Administration did not remain without consequences. The Ministry of Finance had not always been highly cooperative during the final steps leading to the completion of the NPRS. Closer links are being established with the development of a MTEF.

213. Line ministries have begun to draw up sector strategies and action plans consistent with the NPRS. There is a well-designed comprehensive rural development program and comprehensive frameworks for tourism development and state employment both through 2010. Other similar programs are being drawn up. However, the CDF Secretariat does not have formal links with existing interministerial bodies, for example, a commission chaired by the first Deputy Prime Minister charged with the task of monitoring social policies. This commission, established in 1998 and composed of twelve members, assembles in monthly meetings the Minister of Education, the Minister of Labor and Social Protection, parliamentarians and NGOs.

B. How Participatory Mechanisms are Working in Practice

Capacity

214. The Kyrgyz Republic is relatively well endowed with knowledge and expertise within and outside Government. It boasts forty-five higher education institutions including twenty-three universities;⁹³ twelve percent of the population have had higher education and eleven percent went through specialized secondary education. Despite budgetary cuts in science and research, in 1999 there were eighty-nine organizations conducting scientific research, twelve of them inside central ministries and governmental departments.⁹⁴

215. This wealth of knowledge and ideas to support the development of the country is not always matched by an efficient and transparent government structure and civil service. There are duplication and overlapping of functions between different ministries and between different units, departments and agencies under individual ministries. Household survey data on unemployment and labor market conditions are not collected and analyzed on a regular basis, weakening the analysis of the impact of macroeconomic policies, sectoral policies, and social policies on the evolution of poverty in the

⁹³ Source: Government of Kyrgyzstan.

⁹⁴ UN (2001), pp. 78 ff.

formulation of the strategy. There is a weak system for financial planning and cash management, which significantly undermines an efficient and transparent allocation of resources. Civil servants both at the central and local government levels are poorly paid and often seek alternative sources of income, which reduces the quality of public services and promotes rent-seeking behavior. Moreover, the level of political interference and instability remains high. Political appointments extend deep down the administrative hierarchy. Changes in political heads of ministries and agencies, therefore, lead to large scale changes in incumbents at lower levels. Turnover of staff remains high.⁹⁵

216. The translation of knowledge and expertise into realistic policies and actions is undermined by insufficient familiarity with issues typical of decision-making processes. During the preparation of the NPRS, internal partners did not always take into consideration the existence of budgetary and institutional constraints, the emergence of conflicting interests, the need to set up priorities and the trade-offs typical of any process aimed at broadening consensus in decision-making. Conflicting interests and the need for bargaining were sometimes not recognized in working groups. The idea of budgeting and costing to help prioritize was insufficiently developed in the contribution of civil society.

History and emerging culture of consultation

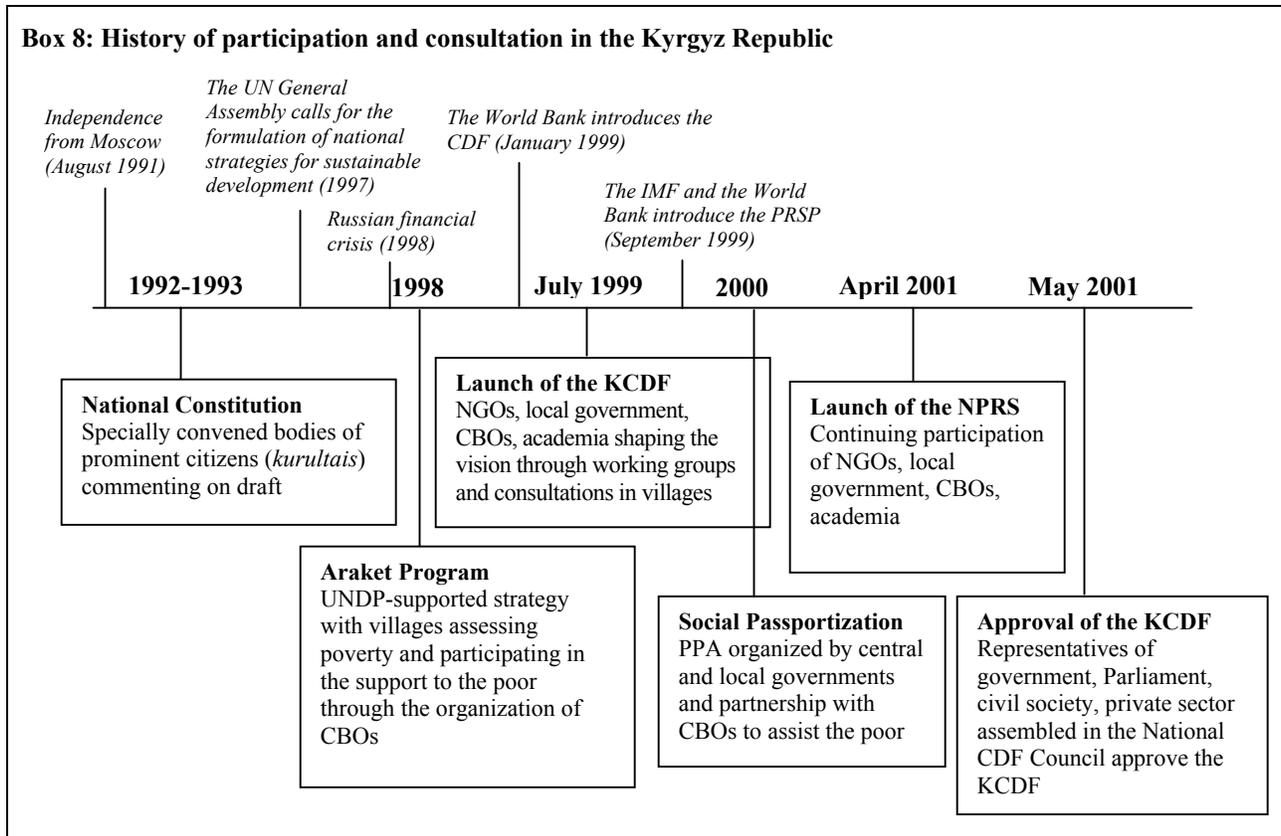
217. Kyrgyzstan did not experience extensive consultative processes until independence from the Soviet Union. Since 1991, participation of citizens in decision-making processes has been fostered by the revival of traditional forms of direct democracy, the establishment of vocal CBOs, and social passportization, a social assistance program introduced in the framework of the KCDF process (see Box 8).

218. The memory of participatory forms of government such as councils of the elders or *kurultais*, linked to the nomadic character of the Kyrgyz population and often entrenched in family and clan kinships, never completely disappeared and played an informal role in the day-to-day running of local affairs.⁹⁶ When the process of drafting the Constitution was launched in 1992, these bodies of prominent citizens were convened to provide inputs.⁹⁷

⁹⁵ World Bank (2003b), pp. 6, 13 ff., 21 ff.

⁹⁶ Similar assemblies exist in Armenia and Georgia, where the community of the elders (*khevis beri*) has traditionally been a form of self-government in mountainous regions even during the Soviet time; cf. Tumanyan (2001), p. 332; Losoberidze et al. (2001), p. 269.

⁹⁷ Cf. Olcott (1997), p. 117; Huskey (1997), p. 245.



219. A growing and vocal group of CBOs has emerged in villages around the country. This movement has mainly grown out of the ongoing Social Mobilization pilot of the *Araket* National Program for Poverty Alleviation. In 122 pilot villages located in all seven *oblasts*, UN volunteers support local communities in convening meetings of all village members to assess who are the poor. Communities members then receive training and support to establish CBOs and apply for microcredits provided by the Kyrgyz Agriculture Finance Corporation, a body set up by the Kyrgyz Government and the World Bank to support the process of land reform launched in 1994.⁹⁸ These CBOs are active beyond this pilot project. For example, when in March 2001 heads of village councils were for the first time directly elected, CBOs played an important role in involving people in the electoral process and often brought forward their own candidate. Since the dimensions of a village community are relatively small, effectiveness of CBOs in reaching people is high. At the same time, however, CBOs often mirror family and clan kinship, which plays a crucial role in Kyrgyz society. Accordingly, their commitment to the integration of the poor and marginalized groups might be weakened by local cleavages and power structures. Evidence shows that the informal social networks of the poor and non-poor have become increasingly polarized since the collapse of the Soviet Union.⁹⁹ Moreover, the transition to a market economy has affected social conditions of different generations as well as their willingness to play an active role in development. A sentiment for a return to communism has emerged among the generation

⁹⁸ UNDP (2001).

⁹⁹ Cf. Kuehnast and Dudwik (2004).

over 40 years old, which has often borne the heaviest burden of the transition and significantly diminished its participation in community life.¹⁰⁰

220. The Ministry of Labor and Social Protection launched in 2000 the social passportization program, which resulted in improved efficiency of the social support system. Under this program, local governments have involved people in villages and towns in poverty assessment and in providing assistance to the poor. In Naryn, for instance, the poorest *oblast* in the country, the local Department for Social Protection has created in each of the 60 *aiyl okmotus* a special commission comprised of the representative of the Ministry of Agriculture in charge of the land reform, a member of the council of the elders, representatives of youth associations and women's associations, and one or two people from each village who were particularly familiar with the local situation. The commission has visited each of the 62,000 households. To the extreme poor, who are often in possession of some land but unable to cultivate it, the well-off in the village offer the possibility to cultivate their land for a small wage that can be later used to buy tools and seeds. Local governments have also established partnerships with CBOs to support the poor in applying for microcredits to start small businesses.

Institutional structure of participation

221. The institutional structure of participation was largely similar for the KCDF and the NPRS. The NPRS consultation mechanism built on KCDF instruments, involved existing local government institutions, and created new structures such as working groups (see Box 9).

222. In July 1999, the Government convened the first workshop to pinpoint the main goals on which the KCDF would focus. Questionnaires asking for proposals for projects and policies and briefly explaining the main building blocks of the strategy were then circulated by the Government to ministries, government agencies and local authorities as well as to civil society actors with the cooperation of two NGOs, Counterpart Consortium and InterBilim. The questionnaires triggered a series of roundtables at the local level to collect proposals for the KCDF and three national workshops on poverty reduction, economic growth and good governance, chaired by the Prime Minister and the Minister of Finance, with the participation of representatives of NGOs—both pro- and anti-government—business associations, parliamentarians, external partners.

223. The choice by the Government to involve Counterpart Consortium and InterBilim was particularly effective, and lent to the process a less formal and more open character that fostered participation since both NGOs enjoy popular support, a well-established presence throughout the country and strong links with grassroots organizations working with the poor. Established at the beginning of the 1990s as part of Counterpart International, Counterpart Consortium runs eleven information centers to foster growth of civil society organizations, and has established a wide network of relations with grassroots NGOs and associations even in the most remote parts of the country. InterBilim is a national NGO which works closely with CBOs supporting the poor and

¹⁰⁰ Cf. Kuehnast (2002), p. 53.

marginalized groups, and provides training and advice to strengthen CBOs and grassroots NGOs' capacity to partner with local governments in service delivery.

Box 9: KCDF and NPRS timeline			
	International	National	Local
1999	July	The Government convenes a National Workshop to identify the main goals of the KCDF.	
	Nov.	Goskominvest General Directorate starts circulating questionnaires to ministries and CSOs asking for proposals on projects and policies for the KCDF.	<i>Oblast</i> and <i>rayon</i> administrations conduct consultations. Counterpart Consortium and Interbilim circulate the questionnaires among grassroots NGOs.
2000	Feb.	The Prime Minister and the Minister of Finance chair a KCDF National Workshop on poverty reduction and social protection assembling parliamentarians, NGOs, business associations, external partners.	
	May	KCDF National Workshop on sustainable economic growth.	
	July	KCDF National Workshop on good governance, legal and judicial reform.	
2001	May	The National CDF Council approves the KCDF.	
	June	IPRS submitted to the Boards of the IMF and the World Bank.	
	Oct.	The President establishes a CDF Secretariat to coordinate the formulation of the NPRS.	
	Nov.	Parliament organizes a symposium on good governance.	Regional councils coordinate consultations at the local level; <i>oblast</i> and <i>rayon</i> administrations collect proposals for the NPRS.
2002	Jan.		Newly elected heads of <i>ayyl okmotus</i> consult with CBO leaders, who consult with members of their organizations.
	Mar.	Twenty-three working groups and three coordination committees assembling government officials, parliamentarians, NGOs, business associations and academia start drafting the NPRS.	
	Apr.	The working groups terminate a first draft of the NPRS.	
	June		Some <i>oblast</i> administrations organize fora with CBOs and NGOs to discuss draft NPRS and send proposals to the CDF Secretariat.
	Aug.	The CDF Secretariat consolidates a final draft of the NPRS.	In some <i>oblasts</i> grassroots NGOs conduct consultations on the final draft of the NPRS.
	Oct.	The Government and the World Bank co-chair a CG meeting to discuss the final draft of the NPRS.	
	2003	Jan.	NPRS submitted to the Boards of the IMF and the World Bank.

224. At the *oblast* and *rayon* level, consultations were coordinated by regional councils chaired by *oblast* governors and composed of representatives at all levels of local government as well as members of civil society organizations and business associations. Drafts of the NPRS were discussed in elected councils. In some *rayons*, the appointed heads convened special *kurultais*, assembling the prominent people, i.e. teachers, doctors, successful businessmen. At the village level, the elected heads of the village council interacted actively with CBOs and community members, through the village council and informal meetings with coordinators and leaders of the different CBOs. In an incremental process which involved more and more actors, the documents were passed to the members of the CBOs, which formulated proposals which were then discussed by the leaders of the CBOs in village committees which then selected and transmitted them to the heads of the *aiyl okmotus*.

225. Following consultations at the grassroots level, between March and April 2002 the CDF Secretariat formed in the capital twenty-three working groups under coordination committees dealing with the three main goals of the NPRS, to conduct the work of actual NPRS drafting. For the economic issues, for example, twelve working groups dealing with budgetary issues and public investment, development of financial markets, taxation, macroeconomic and structural reforms, investment policies, industrial development, agro-processing, energy, mining, infrastructure, tourism, and reform of the labor market have been established and put under the coordination of the Ministry of Finance, with the obligation of convening no less than five hours per week. Each working group has about ten members, with an equal balance between government officials, representatives of civil society, and representatives of business associations. The choice of the NGO representatives who would participate in the working groups is left to each organization.

Institutional structure of participation in the implementation of the strategy

226. There are some indications of the possibility of an institutionalized involvement of CSOs in the process of implementation of the KCDF/NPRS. The working groups set up for NPRS drafting are participating in the preparation of the first NPRS Progress Report. They meet less often than at the beginning of the process, although the CDF Secretariat sends a monthly newsletter via email on progress in implementation to members of the groups. The National CDF Council provisions envisage convening on a quarterly basis.

227. Representatives of NGOs remain active and would welcome the organization of monthly roundtables with the Government to monitor the implementation of the NPRS. The CDF Secretariat is examining the possibility of involving them in the evaluation of indicators related to issues like gender, civil and human rights, and more generally areas where no quantitative hard data can be collected through the National Statistical Committee. A Matrix of Partnership and Participation, when it becomes fully operative, will enhance the role of civil society not only in M&E but also in service delivery and support for the poor at the grassroots level.

C. Role and Impact of Internal Partners and National Institutions

228. Internal partners in the Kyrgyz Republic comprise NGOs and CBOs, particularly lively in organizing community life at the village level, micro farmers and small entrepreneurs, as well as think-tanks and universities, which are an important source of expertise and human resources for NGOs. Representation of the private sector is still fragmented. No major farm association exists. Trade unions play a limited role in Kyrgyz society. There are thirty-five registered political parties but the percentage of the overall population that belongs to them is negligible. Most candidates in the 2000 parliamentary elections were not affiliated to a party and only five parties won seats in Parliament.

NGOs

229. NGOs based in villages and towns were contacted through Counterpart Consortium and InterBilim, when they circulated drafts of the NPRS and asked for proposals. Grassroots NGOs openly consulted with their members and mainly focused their contribution on the need to improve social infrastructure. NGOs prepared the Matrix of Partnership and Participation.¹⁰¹

230. However, limitations in the consultation process emerged. NGOs often limited their contribution to the needs of their membership without any attempt to broaden their perspective. The need to submit the NPRS to the IFIs hastened consultations and did not help to conduct a more informed debate among NGOs and between NGOs and central and local government bodies. For example, some representatives of NGOs contacted by Counterpart Consortium in Naryn, regretted having received a draft NPRS relatively late—in September 2002—with only two weeks to conduct consultations among their members. Information loops were weak, and the government did not always factor in the time necessary to reach remote areas. Despite the effort undertaken by the CDF Secretariat to circulate copies of the document widely, some NGOs representatives consulted during the process lamented not having received the final NPRS after they submitted proposals for its completion.

CBOs

231. CBOs played a strong role and had a significant input on the NPRS. For example, in the Mady *aiyl okmotu*, a community of about twenty thousand people assembled in eleven villages, eighty-seven percent Kyrgyz, seventeen percent Uzbek, the Uzbek coordinator of one of these organizations was invited, in June 2002, to a two-day Forum organized by the *oblast* administration in Osh, the regional capital. Working in small groups, he produced with other CBO representatives a series of proposals on how to strengthen social mobilization, which were included in the NPRS. CBOs are cooperating with local governments in providing microcredits for the poor in the framework of the social passportization program incorporated in the NPRS. In some *oblasts*, this partnership has provided assistance to the homeless by building houses with the support and help of the whole community and without any external financial assistance.

¹⁰¹ Government of Kyrgyzstan (2003), pp. 220 ff.

232. Shortcomings emerged in the formulation process. CBOs often drafted proposals which were based on the narrow, particular needs of their communities. Local governments and working groups in the capital could not always consolidate them into the strategy guiding the development of the country as a whole. This wealth of projects and ideas submitted to the government, often with insufficient costing and budgeting, and not included in the NPRS was collected by the CDF Secretariat in *The Book of Participation*.

Private sector

233. Micro and small farmers were actively involved in the process. They were mainly consulted as community members through CBOs and local governments. Larger farmers were sometimes asked directly by local governments to make proposals for improving the business environment. Some submitted proposals and reviewed the NPRS to assess whether their proposals had been incorporated or not.

234. In the capital, the commitment and the involvement of the private sector has been less strong, in part because individual businessmen rather than umbrella organizations were conveying the views of the private sector. Representatives of banks, energy firms, transport companies, tourist agencies, food-processing firms take part in the twelve working groups established in March 2002 under the coordination of the Minister of Finance. For each group of about ten members, at least three people, mainly individual entrepreneurs, participated in the committee together with officials from economic ministries.

235. Private sector representatives are active participants in KCDF/NPRS measures towards deregulating the economy. They have established a regular dialogue with the Deputy Prime Minister responsible for Economic Development, Trade and Investment on possible partnerships between private and public sector. However, there is a perception among some members of the business community that the NPRS does not tackle some key issues that the private sector champions, such as access to credit. In a country where fifty-six percent of total money at the end of 2000 was held outside banks,¹⁰² this issue is in part the consequence of a weak banking system, which is regarded by many as inefficient and untrustworthy and therefore lacks the capacity to become the transmission chain between investors and firms. The NPRS does discuss at length the situation in the non-bank financial market, offering, however, few concrete proposals to bring about an efficient financial market meeting the needs of both private households and businesses.¹⁰³ The Government is tackling this issue and working on an integrated national payments system for commercial banks, with the support of an IDA credit.

Academia

236. A limited number of researchers, professors and national experts were involved in drafting the strategy. The dean of the Law Faculty of the Kyrgyz-Russian Slavic University was in the working group dealing with the reform of the State, the directors of

¹⁰² Siegelbaum et al. (2002), p. 44.

¹⁰³ Cf. IMF and World Bank (2003a), p. 6.

two local research institutes in the group dealing with macroeconomic issues, and an economic professor in the one tackling the issue of investment.

Parliament

237. Some parliamentarians have taken part in the KCDF/NPRS formulation and implementation, but Parliament is not required by the Constitution to approve a long-term development strategy, and Parliament as an institution has been little involved. It considers and approves draft laws submitted by the Government to implement the reforms envisaged in the NPRS. The Speakers of the two Chambers are represented in the National CDF Council. During the formulation of the KCDF, it organized a symposium on public governance and published a KCDF Bulletin, which was, however, discontinued due to financial constraints.

238. Two members of the Legislative House, the branch in charge of everyday legislative work, were in the working groups dealing with the State reform, the President of the parliamentary Committee on Human Rights participated in the group dealing with the development of democratic institutions together with a member of the House of Representatives. An expert on budgetary issues from the Legislative House participated in the working group on the reform of the budget process.

239. The budget is submitted to Parliament for approval by the Prime Minister. In 2001 and 2002 the Budget Committee organized a series of public hearings on the draft budget with representatives of academia and NGOs. However, in the present institutional setting the role of Parliament in the budget process is weak. The budget is a struggle between sector ministries and the Ministry of Finance with the President as an important player to determine who gets what, especially in the different provinces. However, the recently-approved constitutional amendments and the MTEF currently under development could give to the Parliament to be elected in 2005 a stronger role and make it a key-actor in the implementation of the NPRS. Some promising developments are already materializing. In August 2003, for example, the Committee on Budget and Policy of the House of National Representatives organized a public hearing in the provincial capital of the Jalal-Abad *oblast* on the issue of financing the NPRS at the regional level. It was aimed at linking the budget process more directly to the NPRS and discussing budgetary and financial issues with local government and civil society.

Local government

240. Local governments were actively involved in the preparation of the NPRS, and proposed a list of actions to improve social welfare and development of SMEs, drawn on the basis of a detailed analysis of the social and economic situation for each of the seven *oblasts* and the capital city. As a result, the NPRS has a strong focus on regional development. However, it does not always identify specific measures to improve equity in resource allocations across the different regions.

241. Heads of village councils prepare four-year social and economic development plans approved by the village council, and revised after two years, by an assembly of all

village members. There are indications that the plans currently developed mirror some of the KCDF/NPRS goals. The CDF Secretariat is currently developing a database assembling all the local development plans to better coordinate their priorities and plans of action. In twenty-two cities local governments have organized, with the technical support and advice of the Urban Institute, public hearings on the local budget and development plans.¹⁰⁴

242. The NPRS envisions a substantial transfer of resources to village administrations. The Law on Financial Economic Foundation of Local Self-Government, adopted by Parliament in the summer of 2003, provides for a radical reform of the whole process of budget allocation for local government. Resources would be allocated at first to *aiyl okmotus*, who would then send a part of them to the *rayon* and the *oblast*.

D. Role and Impact of External Partners

243. The World Bank, the IMF and ADB are by far the most important external partners, accounting for 65 percent of total ODA, which represented 12.8 percent of Kyrgyz GNI in 2001. UNDP has a well-established presence in the country. The EU provides assistance through TACIS, and, since June 2003, has established a delegation of the European Commission in the capital. Japan and the United States lead the group of bilateral partners in terms of amount of ODA, with Switzerland, Germany and the UK following. The most active international NGO is the Open Society Institute; its activities in the country are implemented through the Soros Foundation-Kyrgyzstan, which is registered as a national NGO.¹⁰⁵

Facilitating role and capacity building

244. External partners undertook the role of facilitators, promoting initiatives and actions conducive to contributions to the strategy from national stakeholders. Consulted by the Government on an early draft of the NPRS, the World Bank staff in Bishkek proposed to the Ministry of the Environment to strengthen it by choosing six local independent experts on environmental issues, among them the director of a public research center, a former professor of renewable resources and the Head of the Sustainable Development Department at the Kyrgyz-Russian Slavic University, presidents and directors of independent NGOs, to lead six working groups whose members would include various ministries, the private sector and civil society organizations. The World Bank limited its role to hiring an international consultant who provided training on costing and budgeting for the six team leaders. The output was six reports with cost-related proposals for action in the field of environmental protection submitted to the Ministry of the Environment. Some of the proposals were included in the NPRS by the Ministry, which also financed them.

245. The World Bank provided analytical support to the preparation of the NPRS. It conducted a poverty assessment in close partnership with the Kyrgyz National Statistical

¹⁰⁴ Cf. Kaganova, Tian and Undeland (2001), 333-341, on the training and advice provided to local officials.

¹⁰⁵ Development Assistance Committee (2003).

Committee, training local researchers on poverty analysis, and commissioning eleven independent researchers to write background papers on various aspects of poverty. Preliminary findings of the analysis were discussed at the KCDF workshop on poverty reduction and social protection in February 2000.¹⁰⁶ Initial poverty diagnostics were presented at a workshop organized by the CDF Secretariat in May 2002 and provided background information for the working groups involved in the formulation of the NPRS.¹⁰⁷ The World Bank also undertook a review of social policy and expenditures between October 1999 and June 2000.¹⁰⁸ In addition, it conducted studies on energy, forestry, mining, and pensions policy. ADB conducted sectoral studies on health reform, private sector development and fiscal decentralization, following terms of reference agreed after extensive consultation with the Government.

Financial assistance

246. The KCDF/NPRS process received financial support from several external partners without any of them undertaking an exclusive or prominent role. The World Bank and the Government of Japan provided a grant to support the KCDF/NPRS process, which financed Counterpart Consortium to organize roundtables. The World Bank is supporting a project for Institution Building for Poverty Reduction (IBPR) through a Poverty Reduction Strategy Trust Fund (PRSTF) financed by the Governments of the Netherlands, Switzerland and Japan. DFID financed an international consultant to support the CDF Secretariat in editing the NPRS, and provided support to develop statistics towards the evaluation of KCDF/NPRS outcomes. SDC co-financed expenses related to a 'road show' of a Government delegation in various foreign capitals in September 2002 to present a draft of the NPRS to external partners prior to the CG meeting. The Government has requested substantial assistance to prioritize policies envisaged in the KCDF/NPRS and for M&E. Since September 2003, the EU has financed support for the establishment of the M&E system, focusing on information technology and capacity building in central and local government.

Involvement in consultations

247. External partners were invited to provide advice and expertise to working groups especially for the preparation of the KCDF. Those who did send experts to the working groups remarked that time constraints jeopardized meaningful consultations.

248. UNDP took a particularly active role; the leadership role played by the Government in the early phases of the KCDF was key to ensure that the strengths of the UN-sponsored *Araket* Program were included in the KCDF and the NPRS and that UNDP would be a key player. UNDP organized workshops and seminars specifically aimed at members of the working groups charged with the drafting of the NPRS to acquaint them with gender-related issues; it recruited four consultants to provide assistance to the working groups.

¹⁰⁶ World Bank (2001).

¹⁰⁷ World Bank (2003a).

¹⁰⁸ World Bank (2001a).

249. The in-country CG held in October 2002 was co-chaired by the Government and the World Bank; during this three-day meeting, the draft NPRS was formally discussed with external partners and representatives of civil society, the private sector, parliamentarians and the President, all ministers and most deputy ministers. *The Book of Participation* was also submitted by the Government to external partners, who are currently exploring with the CDF Secretariat the possibility of budgeting and financing some of the projects and ideas.

E. Political Events

250. Political shocks have not yet significantly affected or undermined country ownership of the KCDF/NPRS process. Demonstrations in the capital at the beginning of 2002 brought about the resignation of the Prime Minister in May 2002 and the appointment of the Vice Prime Minister as new head of Government. However, the cabinet remained almost unchanged. Representatives of civil society, some of them particularly critical towards the present leadership of the country, did not regard this episode as a disruption to the process. NGOs involved in the process were mainly focused on social issues. Furthermore, the consultation process was spread in local communities and rural areas, mostly unaffected by turmoil.

V. OVERALL ASSESSMENT OF COUNTRY OWNERSHIP AND KEY CHALLENGES

251. The NPRS is owned by the country; it is the result of a wide consultative process led by the government and involving internal partners at the central and local level in its formulation. It has built upon the wide consultations launched for the formulation of the KCDF. Participation has been strengthened by the involvement of elected officials at the local level, who have interacted with CBOs and NGOs in villages and towns. Goals and broad policy lines mirror national stakeholders' views, wishes and capacity. Specific policies might concern some stakeholders more than others. The formulation of the strategy, however, has significantly broadened the spectrum of stakeholders participating in policy-making. The process has shown strengths that can be built on and weaknesses that stakeholders need to overcome to enhance ownership and sustainability of reforms.

A. Executive

252. Ownership is strong within the government. The NPRS is a product of the executive, with contributions from different ministries and governmental bodies as well as strong inputs from local and self government structures. The political leadership has shown a high level of commitment to a broad and participative process. The government has been able to integrate the NPRS into the KCDF process, avoiding the existence of parallel visions and conflicting strategies. The NPRS has been embedded within the government by the appointment of a high-ranking CDF National Coordinator and the establishment of an office within the Presidential Administration, the CDF Secretariat, which coordinated its completion and is now in charge of implementation.

253. Limitations within the executive, however, have impeded the pace and depth of ownership. Responsibility for coordinating consultation and participation has moved

from one government institution to another; the Ministry of Finance passed from the role of PRS National Coordinator in the early phases to a contributor toward the end. Coherence and continuity has been helped by the choice, through these changes, of high-ranking officials already involved in the process. However, the commitment of the Ministry and the link of the strategy to the budget have proved weak. Existing interministerial bodies have not always been integrated into the process. The CDF Secretariat receives external financing for many of its activities, part of which are carried out by consultants. Information loops between Government and other national stakeholders are weak. Capacity constraints in collecting and analyzing data has crippled analysis of the link between policy actions and their effect on the evolution of poverty. Diffuse responsibility for ODA coordination has impeded the emergence of a strong and authoritative national interlocutor able to influence external partners' programs, policies and procedures to conform to those of the country.

254. Ownership can be enhanced during implementation. Involving line ministries as partners of the Presidential Administration in the collection of data to evaluate progress toward the achievement of NPRS goals would help broaden ownership. The MTEF developed by the government is becoming the tool to involve the Ministry of Finance in implementation. Coordination within the executive could be enhanced by integrating existing interministerial bodies in M&E. Sustainability of NPRS coordination structures could be strengthened by relying on national civil servants financed through the national budget. Government capacity to coordinate external partners and lead the alignment of their programs and projects with the NPRS could be strengthened by supporting the establishment of a clear institutional arrangement coordinating relations with external partners.

B. Internal Partners and National Institutions

255. The NPRS is owned by internal partners. Academics, NGOs, CBOs and individual entrepreneurs contributed with proposals and saw many of them incorporated into the strategy. The process consolidated the participation of a new, but wide network of self-help groups at the community level that are increasingly active and committed. Newly elected heads of village councils played a key role in connecting civil society and government structures at the local level. They increased transparency and accountability. The contribution of CBOs and local government is reflected in the regional dimension characterizing the NPRS. Civil society representatives participated in working groups drafting the final NPRS. However, informed participation by some internal partners was impeded by a relatively short time frame for consultations in a country with little history of participation in policy making, vast remote areas and poor communication networks.

256. There are also weaknesses inhibiting deeper ownership by internal partners. Participation of internal partners has not yet been institutionalized in a permanent body convening on a regular basis tasked with monitoring. Involvement of the private sector is often limited to individual businessmen, not always able to convey views, concerns and proposals of the business community as a whole. Parliament, which, following the 2003 constitutional reform, will become an important actor in the Kyrgyz polity, has played a limited role. Internal partners are, in general, more eager to put through their proposals

than to engage in a give-and-take debate with different actors, based on the recognition of the existence of conflicting interests. Local governments and CBOs often mirror local cleavages and power structures, thus creating resistance to change and reintegration of the poor and marginalized groups into societal life. Many people from the older generations, hit hard by the transition to a market economy and nostalgic for the Soviet past, regard policies and reforms initiated by the NPRS as a new threat to their welfare. Reliance by the government on its website to keep internal partners informed on implementation excludes a large part of the population, since only a minority has access to Internet.

257. Weaknesses could be overcome if internal partners become active players in the implementation and monitoring of the strategy. Participation could be institutionalized through the empowerment of existing consultative bodies such as the National CDF Council and the working groups, by having them convene more often, evaluate progress on NPRS implementation, and submit reports to the CDF Secretariat. Internal partners, in part involved through the working groups, could be more widely consulted in preparation of NPRS Progress Reports and strategy updates. NGOs and CBOs could be involved in the collection and elaboration of data and indicators monitoring implementation. Regular roundtables with CSOs and umbrella organizations representing large strata of the business community could be organized to discuss implementation. A communication strategy taking into consideration different views and perceptions across generations could be developed to explain the benefits of policies and reforms initiated by the NPRS. Parliament could be encouraged to become an active player in the monitoring and implementation process through the MTEF. Village communities could be empowered in the implementation of the NPRS through the effective transfer of resources to elected local government bodies. The central government could formally require that local development plans are consistent with the NPRS, as is now often done in practice, to help ensure that the development of the country does not fall prey to local potentates and interest groups.

C. External Partners

258. The NPRS is a national product; external partners have facilitated the process without masterminding it; they have assisted in the establishment of working groups by training local experts and by providing advice and background studies, commented on early drafts upon request of the government, changed some established practices and behaviors. For the first time, for example, a recent CG meeting was held in the Kyrgyz Republic. External partners are beginning to align their assistance with the NPRS, and are moving towards programmatic support.

259. External partners' messages guiding development processes evolved, opening new perspectives to development thinking, but also posing considerable challenges to national stakeholders in absorbing them. The UN Sustainable Human Development Strategy, which was primarily focusing on poverty alleviation, was broadened and deepened by the CDF, a holistic approach guiding the long-term development of the country. The CDF was later complemented by the PRS, a medium-term action plan with precise deadlines to be met. External partners have usually preferred financing local

consultants to support the work of those engaged in the formulation and implementation of the KCDF/NPRS, enhancing sometimes speedier accomplishment of tasks but undermining the sustainability of the coordination and implementation structures.

260. The challenge is to support and sustain progress in achieving country ownership. External partners could help strengthen the commitment of sector ministries to the NPRS by aligning their assistance with it and encouraging collaboration across the executive, particularly on crosscutting issues and activities. In response to the Government's strong interest and clear commitment, it is important to support prioritization and M&E, including sharing experience from countries more advanced in these areas. They could enhance sustainability of reform by scaling up training for civil servants, who could increasingly staff KCDF/NPRS coordination and implementation structures. The shift of power from the top to the bottom could be sustained by training and support for local government bodies and CBOs; external partners' daily behaviors could adapt to the requirements of the increasingly influential local communities, such as the use of the local language instead of the English language. At the same time, however, external partners could assist the central government in coordinating the efforts of local governments. External partners could help the Government strengthen its capacity for coordinating external assistance. They could, for example, support the organization of quarterly sectoral mini-CGs, co-chaired by the Government and the development partners with a specific interest and comparative advantage in each sector, and involving line ministries and non-governmental actors participating in the implementation of the relevant projects.

A: LESSONS LEARNED

1. Strengths

A. The Kyrgyz Republic has geared its future development towards a long-term vision—the Comprehensive Development Framework to 2010—linked to a medium-term strategy—the National Poverty Reduction Strategy 2003-2005. There are no parallel visions and strategies. An effort has been made by Government and external partners to incorporate components of previous development initiatives into the KCDF/NPRS. External partners who had sponsored them were involved in the preparation of the KCDF/NPRS.

B. The consultation mechanism moved from the bottom to the top involving people in both cities and rural areas. The process used existing forms of direct democracy embedded in the structures of local government to involve national stakeholders, who have been contributing to the strategy more in their capacity of community members than as representatives of a specific sector. The role of local communities has shown through the focus of the NPRS on regional development and the need to tackle poverty at the grassroots level.

C. The KCDF/NPRS process has been embedded within the government structure through the appointment of a high-ranking CDF National Coordinator and the establishment of a permanent body, the CDF Secretariat, in charge of coordinating the implementation of the strategy, whose top-echelon is staffed with national civil servants.

D. The involvement of existing institutions of local government in the consultation mechanism has created a bedrock of potential agents of implementation who will remain in place once the consultation mechanism for the preparation of the strategy has achieved its goal.

2. Weaknesses

E. The coordination mechanism at the government level has undergone several changes during the formulation of the KCDF/NPRS. The Ministry of Finance passed from the role of coordinator to that of partner, with negative effects on the link of the strategy to the budget.

F. Government and internal partners have shown insufficient capacity in setting priorities for policies and programs on the basis of existing resources. Contributions to the strategy by national stakeholders sometimes lacked costing and were too broad and comprehensive to become operational. The ability of the Government to set priorities, provide clear policy alternatives and estimates to national stakeholders outside government and narrow down these wish lists has been crippled by insufficient data and analysis of policy actions and their effects on poverty reduction.

G. The M&E system currently envisioned might hamper the commitment of line ministries in the implementation of the strategy, if it creates a parallel system centralized

in the CDF Secretariat. More work is needed to integrate well-performing existing M&E systems.

H. Diffuse responsibility for ODA coordination has hindered the ability of the Government to significantly influence alignment and harmonization of external partners' programs, policies and procedures.

3. Opportunities

I. The CDF Secretariat and its competent and committed staff have created the conditions for deepening the institutionalization of the KCDF/NPRS process within the national civil service. Sustainability of reform could be enhanced by increased reliance on civil servants for the KCDF/NPRS coordination structures.

J. The high level of participation of local communities through the structures of local government and CBOs has produced commitment to the process and high expectations for results. The perception that by helping the poor to help themselves the whole community might benefit constitutes an important step towards sustainable development.

K. A new type of development agent is emerging: closely linked to the community where they live and work, these doctors, teachers, and farmers see the development of their villages and towns as key to the improvement of their own welfare. To support their actions, they need knowledge, information, and access to financial resources. The challenge is for multilateral and bilateral development agencies to adapt their programs and projects to the needs of these agents.

L. Public-private partnerships are key to implement the policies identified in the KCDF/NPRS and create the conditions for sustainability of reforms. Partnerships could be strengthened by the launch of an institutionalized dialogue between Government and the private sector, convened on a regular basis, to identify bottlenecks for private sector development and create consensus around Government actions.

M. The perception of the need for more coordination between the Government and external partners and among external partners, which emerged during NPRS formulation, constitute a window of opportunity to be seized by all stakeholders. It is now important to follow with concrete actions. The commitments undertaken by both Government and external partners in the Rome Declaration on Harmonization. This will require that the Government strengthen its capacity to speak with a single voice with external partners. It could be facilitated by stronger cooperation with the government and among external partners, for example by organizing in-country mini CGs jointly chaired by the Government and those external partners willing and capable to act as *chefs de file* in a specific sector.

4. Threats

N. The CDF/NPRS raised high expectations in the population. The main threat is that these expectations are not met, given that the country is highly dependent on foreign aid

and overall capacity is insufficient. At the same time, however, the pressure these expectations put on all development actors may enhance the chance of success.

O. The NPRS highlighted the important role of local governments in a country where decision-making processes are significantly influenced by family and clan kinship. Reliance on local communities in implementation might reinforce local power structures, at the expense of the poor and marginalized groups.

P. For the government, the challenge is to provide self-government bodies at the village level with resources to meet the needs expressed by the people. At the same time, it is up to the central government to guarantee that development of local communities is geared towards the achievement of development results for the country as a whole. Development of regions and villages should be a tool to resolve uneven development and not a way of producing new imbalances.

Q. For external partners, the challenge is to adapt their operational procedures to the needs of local communities and, at the same time, strengthen the capacity of the civil service to coordinate and implement development policies: far too often are daily behaviors, such as the use of the English language instead of the local language or the financing of external consultants, adapted more to the requirements of the respective headquarters than to those of the country.

B: PERSONS INTERVIEWED

GOVERNMENT

Administration of the President

Mr. Kubat Kanimetov, Head of the Economic Policy Department, CDF National Coordinator

Mr. Leonid Komarover, Deputy Head of the Economic Policy Department, Head of the CDF Secretariat

Mr. Narynbek Djunushev, IBPR Project Manager in the CDF Secretariat

Prime Minister

Mr. Joomart Otorbaev, Deputy Prime Minister for Economic Development, Trade and Investment

Ministry of Labor and Social Protection

Ms. Roza Aknazarova, Minister of Labor and Social Protection

Ms. Abdulaeva, Deputy Minister

Ministry for Regional Development

Mr. Tolobek Omuraliev, Minister without Portfolio for the Relations with Local Self-Government and Regional Development

Local and Self-Government

Naryn

Mr. Askar Salymbekov, Governor of the *Oblast*

Mr. Azylov Kymarovich, First Deputy Governor

Mr. Armangeldy Kendjetaev, Akim of the Naryn *Rayon*

Ms. Zamira Nazarbaeva, Head of the Department of Social Affairs of the *Oblast* Administration

Osh

Mr. Naken Kasiev, Governor of the *Oblast*

Ms. Zakirova, Deputy Akim of the Mady *Rayon*

Mr. Abdymital Kochkurbaev, Head of the Mady *Aiyl okmotu*

Mr. Inam Abdurasulov, Head of the Kashgar Kishtak *Aiyl okmotu*

Ms. Achakan Turgunbaeva, Administrator, Department of Social Affairs of the *Oblast* Administration

Mr. Madamin Fattakhov, Director of the Regional Office of the National Bank

CIVIL SOCIETY AND PRIVATE SECTOR

Roundtable with 11 representatives of local NGOs convened by the Center for the Support of Civil Society Organizations of the Naryn *Oblast*.

Roundtable with 16 representatives of business associations and private enterprises convened by the Osh *Oblast* Administration.

Roundtable with 14 representatives of local NGOs, CBOs and the private sector convened by the Nookat *Rayon* Administration.

Roundtable with 12 representatives of national NGOs convened by the World Bank Country Office in Bishkek.

Roundtable with 10 representatives of business associations and private enterprises convened by the World Bank Country Office in Bishkek.

EXTERNAL PARTNERS

ADB

Mr. V. B. Tulasidhar, Deputy Resident Representative

DFID

Mr. Nurkaly Isaev, Resident Representative

EU

Ms. Carina Skareby, Head of the Delegation of the European Commission in Kyrgyzstan

Ms. Gulnara Botobaeva, Project Manager, Technical Cooperation Section

IMF

Mr. Bhaswar Mukhopaghyay, Resident Representative

JICA

Mr. Kiyoshi Ishii, Resident Representative

Ms. Shuto Megumi, Project Formulation Advisor

SDC

Mr. Vladimir Rakov, Program Officer

UNDP

Mr. Jerzy Skuratowicz, UN Resident Coordinator

Ms. Aikan Mukanbetova, Program Analyst

USAID

Mr. Tracey Atwood, Country Representative

WB

Country Office

Mr. Christopher Lovelace, Senior Manager

Ms. Dinara Djoldosheva, Senior Country Officer

Ms. Asyl Undeland, Operations Officer

Headquarters

Ms. Sebnem Akkaya, Senior Country Economist, PRSP Team Leader

Mr. Anthony Cholst, Senior Country Officer, CAS Task Team Leader

Ms. Kathleen Kuehnast, Consultant, Research Associate at the Institute for European and Eurasian Studies of the George Washington University

Mr. Mohinder Mudahar, Senior Economist, former Country Manager

Mr. Ray Rist, Senior Evaluation Officer

Mr. Nikolai Soubbotin, Senior Counselor

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**COUNTRY OWNERSHIP OF THE *DOCUMENT DE STRATEGIE DE
REDUCTION DE LA PAUVRETE* IN SENEGAL**

ACRONYMS

AFD	<i>Agence Française de Développement</i> (French Development Agency)
CBO	Community based organization
CDF	Comprehensive Development Framework
CFA	<i>Communauté Financière Africaine</i> (African Financial Community)
CFAA	Country financial accountability assessment
CG	Consultative group
CIDA	Canadian International Development Agency
CONGAD	<i>Conseil des Organisations Non-Gouvernementales d'Appui au Développement</i> (Council of Development NGOs)
CPAR	Country procurement assessment report
CREA	Centre for Applied Economic Research
CSO	Civil society organization
CSPLP	<i>Cellule de Suivi du Programme de Lutte contre la Pauvreté</i> (Poverty-Reduction Program Monitoring Unit)
CWIQ	Core welfare indicators questionnaire
DPS	Directorate of Forecasting and Statistics
DSRP	<i>Document de Stratégie de Réduction de la Pauvreté</i> (Senegal Poverty Reduction Strategy Paper)
ESAM-II	Second Senegalese Household Survey
EU	European Union
FAO	Food and Agriculture Organisation of the United Nations
FCFA	<i>Francs de la Communauté Financière Africaine</i>
FDD	Decentralization Fund
FECL	Local Governments Equipments Fund
GDP	Gross domestic product
GTZ	Deutsche Gesellschaft für Technische Zusammenarbeit (German Society for Technical Assistance)
HIPC	Highly indebted poor country
IDA	International Development Association
IMF	International Monetary Fund
IPRS	Interim poverty reduction strategy
JSA	Joint staff assessment
MEF	Ministry of Economy and Finance
MTEF	Medium-term expenditure framework
NEPAD	New Partnership for African Development
NGO	Non-governmental organization
ODA	Official development assistance
PAP	Priority Action Plan
PDES	Economic and Social Development Plan
PDS	<i>Parti Démocratique Sénégalais</i> (Senegal Democratic Party)
PPS	Perception of poverty surveys
PRGF	Poverty reduction and growth facility
PRS	Poverty reduction strategy
PRSC	Poverty reduction support credit
PS	<i>Parti Socialiste</i> (Socialist Party)
TOR	Terms of reference
UNDP	United Nations Development Program
UNICEF	United Nations Children's Fund

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COUNTRY OWNERSHIP OF THE *DOCUMENT DE STRATEGIE DE REDUCTION DE LA PAUVRETE* IN SENEGAL

I. INTRODUCTION

261. The *Document de Stratégie de Réduction de la Pauvreté* (DSRP), completed in April 2002 after an extensive consultation process, is Senegal's medium-term strategy to reduce poverty between 2003-2005. This case study analyzes how the process of formulating and beginning to implement the DSRP enhanced country ownership of its content. Country ownership is one of the fundamental principles of the Comprehensive Development Framework (CDF) that, along with the principles of long-term vision, country-led partnership and a focus on development results, constitutes an approach to development that provides the basis for Poverty Reduction Strategies (PRSs).

262. Section II consists of an overview of the institutions, political events and economic reforms that have shaped Senegalese history and development in recent years. Part B provides an introduction to the DSRP from the perspective of the CDF. Section III provides an analysis of country ownership since the earliest stages of the DSRP formulation process, with an emphasis on leadership and coordination within the executive, participation mechanisms, and the role and impact of internal and external partners. Section IV makes an assessment of how the process of formulating the DSRP enhanced country ownership of it, including certain key challenges that different stakeholder groups face to deepen ownership. Section A proposes some lessons learned by presenting strengths, weaknesses, opportunities and threats. Section B lists the persons interviewed for the preparation of the case study.

II. GENERAL BACKGROUND

A. Overview and Recent Political Events

263. Located on the westernmost tip of the African continent, Senegal has close to 10 million inhabitants. French is its official language, based on its historical heritage as a former French colony, though the languages of the almost 20 ethnic groups that compose the Senegalese population are also spoken, such as Wolof, Pulaar, Jola or Mandinka. Among these, the Wolof ethnic group accounts officially for around 43 percent of the population, while the Wolof language is spoken by some 70 percent.¹⁰⁹

264. Almost 47 percent of the population lives in urban areas, a proportion much higher than the regional average, and the urbanization rate is rising at almost 4 percent per annum. One-fifth of the population lives in Dakar, the capital. There is a significant divide between the urban and rural populations in terms of income, education, health and access to modern services. Income distribution is highly unequal between literate and

¹⁰⁹ Data refer to 2001; see Economist Intelligence Unit (2003).

illiterate, urban and rural, and Dakar and the rest of Senegal. The lowest income quintile accounts for 5.2 percent of consumption while the highest accounts for 50 percent.¹¹⁰

265. Services accounted for 60 percent of Senegal's GDP in 2001, but it is the primary sector which employs three fourths of the active population. However, output in this sector accounts for only 20 percent of GDP, as it is highly dependent on weather patterns that have proved particularly erratic in recent years. Much of Senegal is located in the Sahelian zone, an area of irregular rainfall, and desertification is a significant problem in the north. Activity in the industrial sector, representing about 20 percent of GDP, is largely concentrated in agro-industries and mining. Fishing has emerged as the largest source of export earnings, followed by phosphates and groundnuts; these three account for about 50 percent of exports of goods.

266. Senegal gained its independence from France in 1960. Since then, in a region where conflict and political unrest is not rare, Senegal has earned a reputation for stability and democracy. This reputation was confirmed with its recent landmark presidential elections, where Senegal peacefully underwent its first democratic political turnover. However, between 1960 and 2000, while officially a multi-party democratic state, Senegal functioned largely as a *de facto* one-party state. The *Parti socialiste* (PS) held power and dominated the Government for forty years. Only two Presidents held office during that period: Léopold Sédar Senghor, from 1960 until his retirement in 1981, followed by Abdou Diouf, Senghor's Prime Minister. Diouf held the office of President until he lost the March 2000 elections to Abdoulaye Wade of the *Parti démocratique sénégalais* (PDS). This political change in 2000 was later reinforced by further PDS victories at the April 2001 legislative elections that followed the dissolution of the National Assembly in early 2001, and at the May 2002 local government elections.

B. The Institutional Structure of the State

The predominant role of the President

267. The Senegalese system of government is characterized by the predominant role of the executive power, and of the President in particular. The President, elected by popular vote, appoints the Prime Minister, who in turn appoints the Council of Ministers. The President can act independently in areas of defense, foreign policy and justice, but he also has a significant role in the law-making process as no legislation can be passed without his signature. The President's involvement also extends to functions that in other countries are delegated to levels of bureaucratic administration that are hierarchically much lower such as in the area of routine personnel functions.

268. A national referendum held in 2001 to decide on alterations in the government structure changed little. The referendum included amendments to the original 1963 constitution that reduced, for example, the length of the presidential term from seven to five years (a special provision allows President Wade to finish his seven-year term), while reinstating a two-term limit. The upper house of the legislature was abolished,

¹¹⁰ World Bank (2003a), p.2.

establishing a unicameral legislature with 120 seats.¹¹¹ The powers of the National Assembly to question government policy were increased, although legislative oversight functions of the executive branch remain limited. Some of the constitutional changes reinforce the role of the President. In particular, the powers of the President to dissolve the legislature were broadened.

269. Formally, the legislature has the power to vote on the budget. Its oversight powers enable it to appeal the constitutionality of a law before promulgation, submit written and oral questions to the Government and organize commissions of inquiry. It can vote motions of no confidence or censure, pressuring the resignation of the Prime Minister and ministers. In practice, however, oversight is practically non-existent. The National Assembly proposes few laws and adopts nearly all government-proposed laws. The control of the President over the present coalition that holds a strong majority in the legislature, and the weak capacity of deputies restrict it from exercising its limited authority.

Centralization of the State

270. Senegal has a centralized administrative structure, having largely inherited the French model. The administration is organized into eleven *régions*, each of which is further divided into *départements* and further into *arrondissements*.¹¹² Many regional entities are administered by central state officials or centrally appointed officials. While in each *région* there is an elected Regional Council, the executive head of the *région* is the Governor, which is a central state official appointed directly by the President. Similarly, in each *département*, the executive head, the *préfet*, is also a centrally appointed official, with *sous-préfets* in each *arrondissement*. In addition, sector-related functions are administered by national-level line ministries through regional delegations, or “deconcentrated” ministerial services.

271. Senegal is also highly centralized in terms of resource allocation. The task of allocating budgeted resources across ministries is centralized in the Ministry of Economy and Finance (MEF), with little input from line ministries or from deconcentrated ministerial services. This fiscal centralization has presented difficulties, particularly since 1996 when the transfer of resources did not accompany the transfer of responsibility to the *régions* for service delivery in nine areas¹¹³. For example, since the 1996 decentralization reform, the Government provides budget support to local government through two funds, a Decentralization Fund (FDD) and a Local Governments Equipments Fund (FECL). The FECL is responsible for financing local investments; the Government finances 3.5 billion CFA francs (FCFA) of its budget annually, 2.5 billion of which are used to provide support to local government finances. The FDD, created in 1996 at the

¹¹¹ These measures reversed those undertaken in 1998 under the Diouf administration, which added the upper house and increased the seats of the National Assembly to 140.

¹¹² There were ten regions at the time of the DSRP consultation process; since then, one of Senegal’s northern regions split into two, bringing the total number of regions to eleven.

¹¹³ The nine areas of responsibility transferred to the local governments according to the 1996 reform were: planning, land planning, public land administration, urbanization, health, education, environment, youth and sports, and culture.

time of the reform, is financed through a percentage of the value-added tax. Although the percentage has not been defined since the reform, government funding for the FDD increased somewhat from 4.9 billion FCFA in 1997 to 7.3 billion FCFA in 2001. The sum of the assistance these two funds can provide is far below the estimated 80 to 100 billion needed to adequately finance the transfer of responsibilities undertaken in the reform. In real terms, government transfers from 1997 to 2001 have not exceeded 1.4 percent of total budget resources.

C. Economic Reform, Poverty and Attempts to Overcome It

272. Senegalese economic policy in the early decades of independence was characterized by heavy state intervention, strongly regulated private sector activity and pervasive price and trade controls. The long-term rate of real per capita income growth between 1967-1993 was -0.35 percent. Despite limited attempts at liberalization starting in 1979, many structural problems remained unaddressed, and debt levels accumulated significantly. In January 1994, the FCFA underwent a 50 percent devaluation, following a collective decision of all franc zone members. The devaluation measure in Senegal was accompanied by other reforms, including a dramatic reduction in price controls and a reduction in public holdings by about a third. Significant progress in trade liberalization was also undertaken in 1997 through the Common External Tariff agreement with WAEMU - West African Economic and Monetary Union members.

273. Senegal maintained positive growth rates between the 1995-2000 period, averaging 5.3 percent and reaching 5.7 percent in 2001. During this period, poverty dropped only slightly from 58 percent of households in 1994 to 54 percent in 1999. In particular, due to a combination of factors that include regressive public spending and erratic groundnut output—the main source of income in most rural areas - rural poverty and income inequality have persisted. Growth in 2002 slipped to 2.4 percent, largely due to poor results in the primary sector.¹¹⁴

274. During this period, the Senegalese government was engaged in several initiatives that aimed to reduce poverty, including the constitutionally mandated series of five-year Economic and Social Development Plans (PDES). In May 2000, shortly after President Wade took office, Senegal first produced an Interim Poverty Reduction Strategy (IPRS), required for HIPC eligibility. Senegal reached the HIPC decision point one month later in June 2000. In April 2002, the Senegalese Government completed the *Document de Stratégie de Réduction de la Pauvreté* (DSRP), after an extensive participatory process and dialogue with external partners. Its stated objective was to create a strategy that would serve as a reference framework for all government policy in poverty reduction.

¹¹⁴ There has also been a methodological change in the way Senegal calculates its GDP. According to Economist Intelligence Unit (2003), the government calculates that real GDP growth in 2002 would have reached 4.9 percent according to the old method.

III. OVERVIEW OF THE *DOCUMENT DE STRATEGIE DE REDUCTION DE LA PAUVRETE (DSRP)*

275. Enhancing country ownership of national development strategy is closely interlinked with the implementation of the other CDF principles. Progress in one area is often contingent on progress in another, or conversely, barriers and difficulties in one area often preclude progress in others. The implementation of the other three principles in the context of preparing and implementing a national development strategy—long-term holistic vision, country-led partnership, and a focus on development results—is moving ahead in Senegal.

A. Long-term Holistic Vision

276. The DSRP is a solid first step toward the goal of anchoring a medium-term poverty reduction strategy in a long-term holistic vision. Although it falls short of full integration into a long-term vision, the DSRP does include a list of indicators with quantitative objectives for 2010 and 2015. Since the DSRP's completion, this list of indicators and corresponding objectives has been expanded. For example, the priority action matrix of the DSRP addresses the need for reforms in the areas of budget preparation and execution and in achieving greater transparency in public expenditures.

277. As the Joint staff assessment (JSA) points out,¹¹⁵ the main theme of a validation seminar held in October 2002 to discuss implementation issues was the need to improve budgeting procedures and execution. The recent Country Financial Accountability Assessment (CFAA) notes that the budget does not include the totality of public spending, nor does it accurately record external financing received in different sectors and at different levels of government.

278. The DSRP does not pretend to contain all policy relevant to poverty reduction but rather it is meant as a frame of reference from which all sector policies and investment programs should stem. The sector strategies which preceded the DSRP, in particular in health and education, fed into it. However, the IMF and World Bank JSA notes that some sectoral targets, even if achieved, will fall short of the overall goals for poverty reduction as set out elsewhere in the DSRP. These issues are among those being addressed in the implementation of the strategy.¹¹⁶

279. The DSRP is structured around the following pillars: (1) wealth creation through economic reform and private sector development; (2) capacity building and development of social services; (3) improvements in the living conditions of the poor; and (4) implementation of the strategy and monitoring. According to the JSA, a number of key issues related to poverty reduction in Senegal are inadequately addressed, such as the need for greater fiscal decentralization, a central element of policy dialogue between Senegal and external partners for several years and a priority objective of the DSRP. Also, some of the planned liberalization and privatization reforms of public enterprises, such as the electricity and groundnut companies, which would have a profound impact on

¹¹⁵ IMF and World Bank (2002), p. 2.

¹¹⁶ IMF and World Bank (2002), p. 5.

the poverty reduction strategy, are not explicitly discussed. Senegal does not yet have an MTEF, although the government has launched, as a first step, expenditure tracking surveys and public expenditure reviews in health and education as part of a budget reform.

280. The Government has also been engaged in other strategy and vision initiatives, some with links to the DSRP. For example, the New Partnership for African Development (NEPAD) and the 10th Economic and Social Development Plan (PDES) for 2002-2007 were formulated at the same time as the DSRP and the broad links between the objectives of the DSRP and these initiatives have been identified. The DSRP makes reference to the PDES for 2002-2007, although the latter has not yet been finalized and approved by the President. The New Partnership for African Development (NEPAD), of which President Wade has been one of the key advocates and founding personalities, is cited in the DSRP as the valid long-term vision for Senegal. NEPAD is a much broader agenda on the level of the entire African continent and the scope of its objectives is much wider than of poverty reduction alone, including initiatives of regional peace and the promotion of culture.¹¹⁷ The DSRP makes a brief reference in its introduction to the 20/20 Initiative as a previous long-term vision initiative,¹¹⁸ which focused on increased access to social services. Separately, President Wade has also been strongly advocating several large infrastructure projects not within the scope of the DSRP, called the Presidential infrastructure projects, which include the construction of a new airport for Dakar and a toll-road linking it to the capital.

281. Senegal has also prepared a series of long-term perspective studies, the last of which, “Senegal 2015”, was completed in 1989 with another one launched in the summer of 2003. Like the PDES, these Perspective Studies are planning instruments prepared by the Ministry of Planning, and required by the constitution. The perspective studies were not considered a reference for the DSRP, largely because they had not been prepared in a participatory fashion, were to be revised, and because the government wanted to leave the dialogue open during the participatory process rather than have it be constrained by existing documents.

B. Country-led Partnership

282. The DSRP is helping to increase coordination among partners and the Government. A Consultative group (CG) meeting was held in June 2003, the first since 1998, with Senegal’s major external partners, the Prime Minister and many members of the Government’s cabinet of ministers. The DSRP and its implementation were at the

¹¹⁷ The NEPAD objectives as cited in the DSRP are: (1) reduction of poverty by one half by 2015 by the pursuit of seven objectives relating to sustainable development, especially in the fields of health and education; (2) strengthening basic infrastructure; (3) good governance, peace, and conflict-prevention; (4) development of agriculture; (5) capacity-building through information and communication technology; (6) culture; and (7) access to the markets of major industrial countries. The NEPAD initiative was launched in October 2001.

¹¹⁸ The 20/20 Initiative is a declaration and program of action to achieve universal access to basic social services. Multilateral organizations and countries first endorsed this initiative at the 1995 Copenhagen World Summit for Social Development.

center of the discussions; it was presented as the frame of reference for assistance to Senegal.

283. The Government does not yet play a clear leadership role in coordination of development assistance. The Government did play a leadership role in convening external partners in a meeting in October 2001, to inform them of progress on the DSRP consultation process. At the CG meeting, the World Bank chaired the two-day CG in the World Bank office in Paris.

284. One of the major characteristics of external assistance in Senegal is the low disbursement ratio from several development partners. Delays in implementing the economic reform agenda and difficulties in executing IDA-financed projects, for example, have resulted in IDA disbursement ratios reaching as low as 9 percent in 2001, the lowest in the Africa region, before rising somewhat to 12.7 percent as of June 2003. External assistance in Senegal has a very low budget support component. The EU, for example, had abandoned its budget support due to irreconcilable difficulties with the public financial management system and its lack of transparency. At the June 2003 CG meeting, several external partners, including the EU, the Netherlands and Canada, indicated their readiness to provide assistance in the form of budget support, although contingent on key public expenditure management reforms identified in analytical studies such as the CPAR and CFAA, completed also in June 2003. The World Bank's Country Assistance Strategy (CAS) for 2003-2005 envisages providing budget support through a Poverty reduction support credit (PRSC) in fiscal year 2005. Issues concerning the harmonization of budget support have also been raised recently in the context of an EU-led multi-donor Action Learning mission of the Strategic Partnership with Africa, whose objective was to initiate a policy dialogue on harmonization with the country's major multilateral and bilateral donors.

285. Some external partners are providing support to the other national initiatives and strategies that the Government has formulated outside of the DSRP. External partners, in particular in the international private sector, are providing technical and financial support to the Presidential infrastructure projects. In its March 2003 CAS, the World Bank has included the possibility of support for these large infrastructure projects in its high-case lending scenario, although noting that they would be subject to standard tests of economic, technical and financial viability, and would have to respect operational directives concerning the environment and involuntary resettlement.

286. Among external partners themselves, there is some coordination, with the UNDP assuming a loose coordinating role, opening meetings between external partners from time to time. Development partners and the Government hold informal thematic group meetings regularly at the sectoral level, with a different donor leading each thematic group. The development agencies of EU member countries have an established dialogue and coordination among themselves, often producing joint statements and positions. However, effective partnership between the Government and the external partner community is still undermined by multiple and diverging procedures each development agency requires, forcing the Government to prepare multiple reports depending upon the funding source and to build capacity around different procedures.

C. Focus on Development Results

287. The principle of instituting a results orientation refers to the establishment of a culture of accountability, providing a means by which all stakeholders can verify progress of poverty reduction efforts. One of the strengths of the formulation of the DSRP has been that it was conducted as an open process. The strategy has been made publicly available on the website of the MEF.¹¹⁹ The level of documentation available on this website is particularly noteworthy with respect to other countries that have prepared PRSPs. Not only is there a record of the priority measures brought forward at each regional consultation meeting, but the record of attendance of consultation meetings and many of the attendance sheets to validation seminars, including those at the regional level, are also available and have been posted on the MEF website as the consultation process unfolded.¹²⁰ Active dissemination of the DSRP is underway as part of the Government's implementation process, and the DSRP Permanent Secretariat in the MEF has made local field visits to inform and further involve stakeholders, particularly CSOs. Civil society also has been involved. For example, the DSRP has been printed only in French by the government, but certain religious groups have been distributing summaries translated into other languages more widely spoken.¹²¹ Statistical development information is provided through existing sectoral surveys and planned updates, including the 2001 Household Budget/Consumption Survey, and the ESAM-II/CWIQ that provides an update to the 1994 ESAM-I. The Government is establishing a National Statistics Institute that will play a significant role in the monitoring and evaluation process.

IV. THE FACTORS OF COUNTRY OWNERSHIP

288. The DSRP, at present in the foreground, is well known by the population. This rather widespread awareness of the strategy is greatly to the credit of the media's efforts to relay progress in its formulation and now implementation. Moreover, the DSRP consultation process was extensive, reaching every region in the country, and in this way increasing awareness of the strategy.

A. Leadership Within and Participation Across the Executive

Locus of initiative and political leadership

289. The locus of initiative and political leadership for the formulation of the DSRP is clearly in the MEF. Early leadership over the process was inhibited by rapid turnover of ministers following the completion of the IPRS. From the completion of the IPRS in May 2000 to the launch of the consultation process in June 2001, there were three Ministers. The DSRP consultation process did not fully take hold until the third Minister's tenure beginning in April 2001. The Directorate of Forecasting and Statistics (DPS) in the MEF

¹¹⁹ www.finances.gouv.sn.

¹²⁰ However, according to World Bank estimates, the number of internet users in Senegal in 2000 was estimated at 40,000.

¹²¹ Dissemination through written materials, however, reaches only part of the population. In 2000, the illiteracy rate among men over the age of 15 was calculated to be around 53 percent, and around 72 percent among women over 15.

acted as the main driver of the formulation and drafting process. More recently, there has been an organizational shift between the responsibilities of different units within the MEF. Another unit in the MEF, the *Cellule de Suivi du Programme de Lutte contre la Pauvreté* (CSPLP), has been placed in charge of monitoring implementation. The DPS mandate is to work with the CSPLP, while the DPS transforms itself into a national statistics institute. Both the DPS and the CSPLP are staffed with civil servants involved in the consultation process from its initial phase.

Interministerial coordination

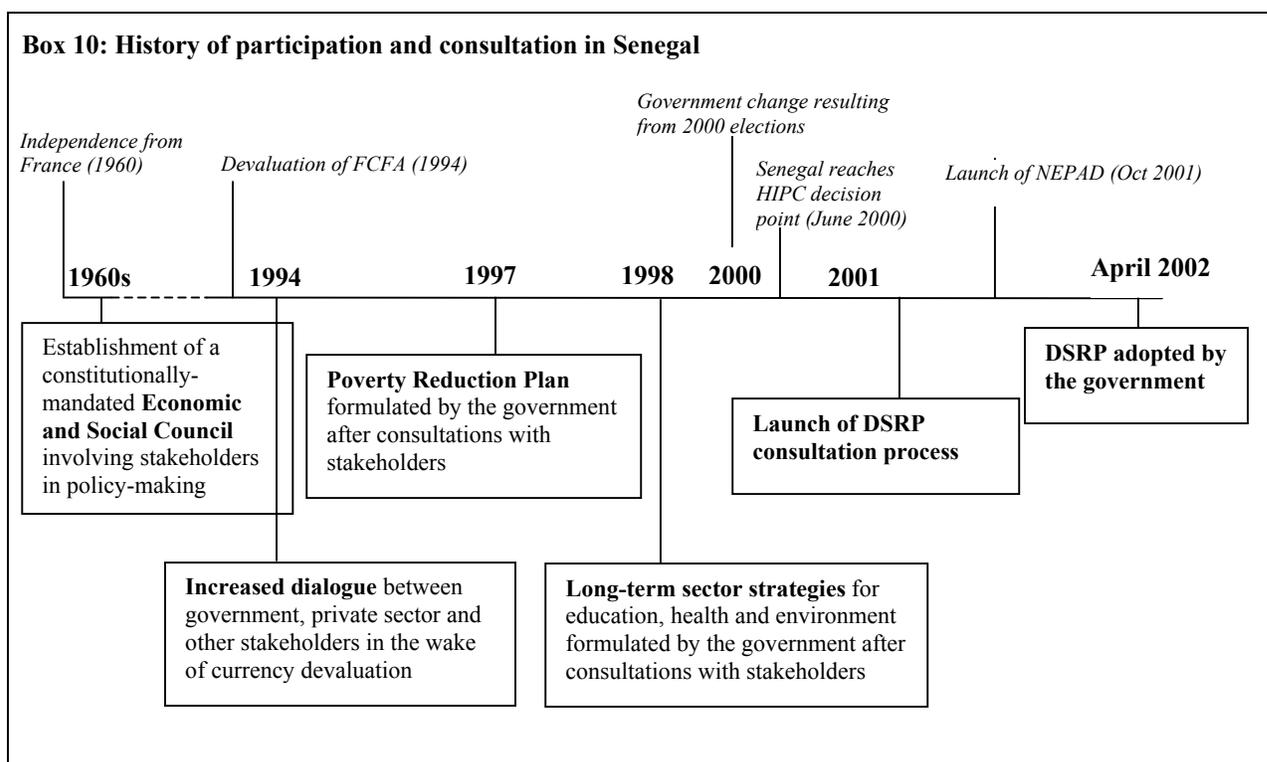
290. Coordination among line ministries has evolved significantly in the DSRP context. From the earliest stages of the formulation process, line ministries participated in a Technical Committee that led the formulation process. While it was not formalized institutionally, it reported to the Council of Ministers on a regular basis. The DPS, which organized and led the Technical Committee, invited a prominent local research institute, the Center for Applied Economic Research (CREA), affiliated with Cheikh Anta Diop University in Dakar, as well as all line ministries to participate. Line ministries such as the Ministries of Health and Education, which had already produced consultative sector strategies, were among an initial core group of active representatives. These ministries informed the respective DSRP sector objectives so that they corresponded to the objectives in their existent sector strategies. Other ministries joined this core group of active representatives in the Technical Committee progressively as the formulation process continued. A key milestone in the implementation process, completed as of mid-June 2003, has been for each line ministry to develop action plans for the implementation of the DSRP in their respective area of responsibility. Focal points in each line ministry are in charge of the monitoring of the implementation of these action plans. The focal points are to report to the CSPLP, which acts as the secretariat of a participatory Steering Committee including government officials and stakeholders' representatives. The Steering Committee prepares the agenda for an interministerial council presided by the Prime Minister, with plans to meet a minimum of once a year, to oversee the overall implementation of the strategy.

B. How Participatory Mechanisms are Working in Practice

History of consultation

291. There is a strong history of dialogue between the Government and internal partners in Senegal with roots dating long before the preparation of the DSRP (see Box 10). In the 1960s, soon after independence, for example, a constitutionally-mandated Economic and Social Council was created. Its members are representatives of various stakeholder groups, and its responsibilities are to submit recommendations to the National Assembly for all legislation of an economic or social nature. However, the series of 5-year economic and social plans, drawn up since Senegal's independence and continuing today as required by the Senegalese constitution, do not involve consultation with stakeholders. Similarly, previous long-term vision initiatives were not based on consultation with stakeholders. In 1989, a Perspective Study, "Senegal 2015" was completed, also to meet a constitutional requirement, without consulting stakeholders.

The UNDP/UNICEF financed study based on the Initiative 20/20 was also not based on consultation. NEPAD, while not based on consultation, calls for regional and national programs developed through participatory processes. Extensive consultation processes were undertaken in the late 1990s to develop medium- and long-term sector strategies, for example in the areas of health, education and the environment. The DSRP has built upon these strategies and upon the 1997 poverty reduction plan, developed on the basis of a consultation process, which was not as comprehensive and integrated into government policy as the DSRP has become. Perception of Poverty Surveys (PPS) conducted in 2001 for the DSRP consultation built upon previous survey initiatives conducted in various regions in the late 1990s.



292. The economic shock in the aftermath of the 1994 devaluation of the FCFA created demand for dialogue between the Government, workers' unions and employers' associations which is at the root of a continuing relationship that functions largely outside of the DSRP framework. Several public/private institutions have spurred dialogue that is credited with having significantly contributed to the promotion of greater competition and openness in the economy, and resulted in several structures to address private sector development issues in different contexts, including an agency for investment promotion in July 2000 and a recently launched President's Investment Council. In an effort to bring together different initiatives for private dialogue, in 1999, a steering committee was put into place composed of government representatives, employers' associations and external partners to develop a private sector development strategy that may eventually be integrated into the DSRP. This strategy outlines the organization of partnerships with the private sector, and has been discussed across the executive. Follow-up on activities from different existing frameworks are to be coordinated in trimestrial meetings of a

monitoring committee for the private sector development strategy within the MEF. Monthly meetings are to be held between the private sector representatives and line ministries; meetings with the President are to take place on an annual basis.

Capacity

293. Senegal possesses relatively significant capacity for strategy formulation, both within the Government and among many internal stakeholder groups.¹²² There is little reliance on foreign consultants. For example, the sociology specialists conducting the PPS and the consultant firms involved in the drafting of the DSRP were all Senegalese. Among Senegal's civil society organizations, many national NGOs have the capacity to participate actively and constructively in strategy formulation and implementation; some have extensive representation in different regions of the country.

294. The internal legitimacy of some individual stakeholder groups and organizations that participated in consultation meetings is an issue of growing concern, and may be exacerbated by sometimes limited capacity within these organizations. While many participatory structures exist, the leaders of organizations representing different stakeholder groups sometimes may not accurately relay the interests of those they are meant to represent. Often, the same representatives are present at multiple meetings, sometimes in more than one region, and speak on behalf of the local population without systemic mechanisms to provide feedback and collect information from them.¹²³ Marginalized groups, however, lack the capacity to participate directly in consultation structures as actively as others, limiting their ability to influence directly strategy.

295. Some of these organizations are receiving help. Certain grassroots organizations and rural councils have received external technical support from external partners to document and prioritize their needs into localized strategies. It is unclear, however, in the design of regional and national strategies, whether the Government is taking these localized strategies into account.

296. Capacity constraints are among the principal obstacles the National Assembly faces in carrying out its potential duties of monitoring DSRP implementation. According to the Constitution, the National Assembly is to vote the finance law within a 60-day time limit at the start of its second annual session. This time period is short given that it must be discussed by several technical committees and their counterpart ministries, and given the technical capacities of most of the deputies. National Assembly statistics based on self-reporting state that about 12 percent of deputies are illiterate in French, the official language in which business is conducted and in which official documents are written. The percentage that does not have a sufficient level to read and understand draft laws is estimated to be much higher.¹²⁴ Many deputies sit on multiple committees which are often paired with more than one ministry, limiting the number of committees that can meet

¹²² The education system in Senegal has played a role in the development of national capacity; public spending in education in Senegal has had a traditional bias toward higher education producing a well-educated elite, though often at the expense of broader primary education needs.

¹²³ Balde and Sarr (2002), p.6

¹²⁴ Barkan, Adamolekun and Zhou (2004).

concurrently. In general, deputies suffer from a lack of resources including offices and resource staff. Many deputies lack sufficient information and understanding of public finance to allow them to propose amendments.

Institutional structure of participation

297. In planning the consultation for the formulation of the DSRP, the Senegalese authorities established three entities. First, the Steering Committee was set up, presided by the MEF, with elected officials, civil servants, private sector and civil society representatives as members. In practice, the Steering Committee only met a few times. The MEF set up a Technical Committee that integrated line ministries and a prominent research institution, with the responsibility for preparing background documents for the consultations and for preparing drafts of the final DSRP. Lastly, a Permanent Secretariat was established as an integral part of the Technical Committee, composed of three Senegalese consultants that organized and carried out the consultations (see Box 11).

298. At an early stage, the Permanent Secretariat contacted civil society organizations through individual interviews to inform them of the upcoming consultations and to discuss a draft terms of reference (TORs) outlining their possible participation in the DSRP consultation process and seek commitment to conclude the process according to the agreed deadlines. The Technical Committee drafted a paper on poverty in Senegal, and presented it as a working paper for the National Inaugural Seminar held in June 2001. More than 200 members of various stakeholder groups –government officials, NGOs, women’s associations, trade unions, religious associations, traditional authorities, associations of the handicapped and disabled, research institutions, government-sponsored and private press, farmers’ associations and development partners - attended the seminar.

299. At the National Inauguration Seminar, the TORs were validated and December 2001 was chosen as the deadline for the end of the consultation process. In addition, the Government agreed to organize five thematic groups of a cross-section of about 50 stakeholder groups each at the national level. These groups were to develop a consensus on the broad thrusts of the strategy, engaging in debates on the basis of written contributions from line ministries and civil society representatives. Each group was given a number of relevant background documents, including the 1997 Poverty Reduction Plan. An open recruitment process was held to hire consultant firms, all Senegalese, to take charge of the process of drafting the documents for each thematic group. Each of the four pillars of the DSRP draws on the work of a thematic group, with a fifth thematic group having discussed macroeconomic issues.

Box 11: DSRP timeline		International	National	Local
2000	May	IPRS submitted to the Boards of the IMF and World Bank.		
	June	Senegal reaches HIPC II decision point.		
2001	Jan.		Technical Committee starts interviews with civil society groups and distributes draft TORs for consultations.	
	May		Technical Committee completes interviews and drafts poverty paper.	
	June		National Inaugural Seminar with stakeholders and government representatives examines poverty paper, validates TORs and sets agenda for consultations.	
	July		Five Thematic Groups starts discussing the pillars of the strategy.	
	Sept.			Consultation meetings in each region chaired by governors with civil society, parliamentarians, mayors, elected rural councils. Teams of Senegalese experts conduct a poverty survey in urban neighborhoods and villages.
	Oct.		The Government meets with external partners. The Technical Committee starts drafting a draft strategy based on Thematic Groups' reports and regional consultations.	Workshops in villages and urban neighborhood discuss the results of the survey.
	Dec.		National Validation Seminar with stakeholders and government representatives examines Technical Committee's draft.	
2002	Jan.		Civil Society Workshop with government representatives and external partners discusses role of civil society in DSRP implementation.	
	Mar.		Validation Seminar.	
	Apr.		The Government approves the DSRP.	
	June		The <i>Collectif</i> organizes a Civil Society Forum to formulate recommendations on DSRP implementation.	
	Sept.		The Government holds an interministerial council on implementation.	
	Oct.		The Government organizes an implementation seminar to review civil society recommendations and fine-tune DSRP.	
	Dec.	DSRP submitted to the Boards of the IMF and the World Bank.		
2003	June	The World Bank chairs a CG in Paris.		Regional governments convene internal partners to establish Regional Steering Committees and Regional Monitoring Units.
	July		Line ministries complete sectoral action plans for DSRP implementation.	
2004	Mar.	Senegal reaches HIPC II completion point.		

300. The consultation process for the DSRP also included an important decentralized dimension, both at the regional and local levels. In each of the regions, consultation meetings were organized by regional line ministries and chaired by the governors, convening members of civil society, parliamentarians, rural councils, mayors, and civil society organizations. These consultation meetings aimed to refine the poverty profile through an analysis of the regional context, to review regional plans and existing sectoral policies in the region with respect to poverty reduction objectives, and to devise a set of top priorities in the region. At the local level, a PPS was conducted in urban neighborhoods and villages to collect the views of the people on the priorities for fighting poverty as one input to the DSRP consultations. Teams of Senegalese sociology experts travelled to each region to conduct surveys with two dimensions, quantitative and qualitative. About 6,600 people across the country responded to the quantitative survey, contributing to a statistical description of the incidence of poverty and the priorities of the poor.¹²⁵ The qualitative element of the survey combined methods such as focus groups, interviews, and life histories to articulate how the poor perceive poverty, possible solutions and strategies for its reduction. The findings were gathered at a local and regional level, providing material for public debates. Over 2,000 people attended the workshops that validated the findings at the village and neighborhood level. In each region, the results of the surveys, poverty mappings and regional documents, such as the Regional Integrated Development Plans that had already been prepared as part of the planning process, provided inputs for the formulation of the DSRP action plan in each region.

301. The Technical Committee was in charge of drafting a provisional summary document that aimed to bring the documents prepared during the regional consultations and the documents produced by the thematic groups into a single cohesive strategy. This provisional summary document was presented at a National Validation Seminar that took place in December 2001. Over 250 representatives of various stakeholder groups took part, and each of the regions was also invited to present its contribution. After some additional consultation with external partners, the DSRP was finalized in April 2002.

Emergence of a consultation culture

302. On the whole, the way in which the consultation was structured and conducted by the Senegalese authorities, where the Technical Committee played a significant role, was a relatively open process with a certain degree of flexibility. For example, organizations and associations that had not initially been contacted were integrated into the process at their request and participated in the consultation. Most stages of the consultation process were marked by validation seminars, “*séminaires de restitution*”, where measures were adopted in the presence of various stakeholders, providing them with an opportunity to bring forward proposals for amendments. The validation seminars were an effective tool to diffuse conflict because the Government had a chance to arbitrate in accepting or rejecting proposals openly rather than behind closed doors.

¹²⁵ The sample used for the quantitative surveys was that used for the Household Budget-Consumption Survey (ESAM-II). The ESAM-II, however, had not been completed at the time of the drafting of the DSRP. The first survey of its kind, ESAM-I, was conducted in 1994.

303. At each of the consultation meetings—the National Inaugural Seminar, the National Validation Seminar, each of the regional consultation meetings, the workshops validating the PPS results—a record of the names, and at times also contact information, of all those attending has been maintained. These attendance sheets contribute to the establishment of an institutional memory of the consultation process.

304. In order to allow for monitoring and evaluation of the implementation phases, the DSRP as it was adopted in April 2002 needed further elaboration. The original strategy draws up a matrix of measures for 2003-2005 that includes the objectives and strategies drawn up by the Technical Committee on the basis of the consultation and presented at the December 2001 Validation Seminar. A subset of the matrix of measures composes the Priority Action Plan (PAP) for 2003-2005, which has been costed and included as an annex of the DSRP. Medium and long-term goals for poverty reduction, outcomes for education, health, nutrition, access to drinking water, gender disparities, and rural/urban income gaps, as well as indicators of economic growth are defined in the DSRP, including some targets consistent with progress toward the Millennium Development Goals. Priority interventions have now been further defined; the Technical Committee translated the PAP into more specific policy objectives and targets, further costing them and calculating financing shortfalls in the Priority Investment Program 2003-2005. It expanded the list of indicators included in the original DSRP, and discussed these changes at a validation seminar on implementation in October 2002.

305. The implementation phase of the DSRP is still in its initial stages, but the participatory mechanisms set in motion as a result of the DSRP constitute evidence of an emergence of a consultation culture in Senegal. Many vocal critics of the DSRP and of the participatory process remain willing to participate in the continuing consultation planned for DSRP implementation, monitoring and evaluation. As of June 2003, each of the regions was in the process of convening internal partners to participate in both Regional Steering Committees, responsible for implementation, and Regional Monitoring Units, responsible for monitoring and evaluation. The Regional Monitoring Units are to periodically monitor implementation and produce evaluation reports for the Regional Steering Committee. In this way, the consultation process was designed to institutionalize a continuous two-way information flow between the Government and stakeholders. The regional steering committees are to be presided by the Governors, with the Regional Development Agency (which works with local government entities, but is financed by the central Government through the Ministry for Local Government) responsible for the Secretariat role. The regional monitoring and implementation units are to be headed by the President of the elected Regional Council, with the Regional Service of Forecasting and Statistics responsible for the Secretariat role. This institutional framework was instituted as a result of proposals on the part of civil society representatives at the October 2002 Implementation Seminar.

306. The DSRP provides for the allocation of resources to strengthen popular participation and the role of CSOs in the implementation of projects, including evaluation. According to government plans, civil society groups are encouraged to conduct evaluations of the implementation of the DSRP through the establishment of an Observatory for DSRP monitoring and evaluation. Several civil society groups are

working together to establish the independent monitoring and evaluation unit, although the Observatory has yet to take definitive shape. The institutional set-up of the Observatory, its specific responsibilities and its relationship to the Government's steering committees and regional monitoring units are still being defined.

C. Role and impact of internal partners and national institutions

NGOs

307. Senegal has a vibrant and active group of civil society organizations, which have a long history of activity. These include both national and international NGOs -as well as Senegal-based international NGOs-, faith-based organizations, womens' groups, groups representing the interests of the handicapped, the elderly and children, retirees, farmers' organizations, consumers' organizations and others. Some of these are large, vocal, well organized and have representative delegations throughout the country. Some 140 smaller organizations are organized in an umbrella NGO organization, called the CONGAD, founded in the early 1980s, while others maintain a stand-alone independence. For the sake of the DSRP consultations, civil society organizations joined together to establish a larger collective organization—the *Collectif*—in August 2001 with the objective of better channelling ideas and proposals for the DSRP process.

308. Civil society organizations met in a series of meetings throughout 2002, before and after the DSRP was adopted, to discuss their potential role in implementation, after participating in the government-organized consultation meetings between June and December 2001. In January 2002, a workshop was held among internal partners, external partners and government representatives with a validation seminar following it in March 2002. The *Collectif* developed an information campaign and a program for civil society capacity reinforcement, which included plans for a Civil Society Forum, held in June 2002. These meetings were intended to provide the members of the collective civil society organization an opportunity to come to an internal consensus with respect to the DSRP and to formulate recommendations to be proposed to the Government.

309. The government consultation of stakeholders has had a tangible impact on the DSRP process. The July—December 2001 consultations influenced the DSRP content. For example, at the December 2001 validation seminar, womens' groups lobbied for and succeeded in achieving a greater consideration of gender issues in the final DSRP. In addition, the Government reviewed the recommendations from the Civil Society Forum at the Implementation Seminar organized in October 2002; some were taken into account and did in fact change the DSRP. For example, at this seminar, the planned institutional structure for implementation was altered from the original proposal after intervention from other stakeholders, empowering the elected regional councils with a leadership role in monitoring and evaluation at the regional level.

Private Sector

310. Trade unions and small business associations, as well as groups representing the large informal sector of the economy, were involved in the consultation process alongside other civil society organizations. These organizations were also included in the Collectif. Employers' associations were given a prominent role, as they were represented on the Steering Committee and participated in the 2003 Consultative Group meeting. Some employers' associations maintain that the DSRP's strategy is insufficient to generate the growth necessary to finance efforts toward its stated objectives. Further dialogue with the Government is continuing through other public/private partnership initiatives, for example, the private sector development strategy and the Presidential infrastructure projects.

Academia

311. A university-based research institute, the CREA, has been particularly instrumental in preparing background documents for various consultation meetings. It worked together with line ministry representatives as one of the members of the Technical Committee and led the formulation of the DSRP. It had already been involved in developing a poverty analysis in conjunction with the Canadian development agency CIDA, and produced a study, which was presented as a background document at the National Inaugural Seminar in June 2001. In addition, representatives of the Dakar and Saint-Louis universities were invited to all stages of the consultation process. The *Institut sénégalais de recherches agricoles* (Agricultural Research Institute), the *Institut de technologie alimentaire* (Institute for Food Technology), and the *Institut de recherche pour le développement* (Development Research Institute) also took part in the consultation process.

Parliament

312. The Senegalese National Assembly played a role, albeit minor, in DSRP formulation. Several individual parliamentarians were involved, in some cases quite actively, in the national seminars and consultation meetings held in their respective regions. Among these, some belonged to opposition parties. Also, the Finance Committee of the National Assembly held a one-day discussion on the DSRP in the context of the budget approval process.

313. As per its duties in budget monitoring and public finance management areas, the National Assembly has a crucial potential role in monitoring implementation of the DSRP. However, the implementation of these duties has traditionally been very weak. For example, the National Assembly is meant to vote a "settlement law", a report on the previous year's budget execution, before voting on the budget. The settlement law is to be prepared by the MEF and transmitted to an independent auditing body, the *Cour des Comptes*, which is to review and draft a report. Both the law and the report are then to be submitted to the National Assembly for a vote. However, the Government has fallen far behind in preparing the settlement law. The last settlement law that was voted was for the 1996 budget; the *Cour des Comptes* is currently reviewing the 1997 settlement law. This

creates a situation where parliamentarians adopt a budget in the absence of any information on State spending in previous years. There is also no requirement that the National Assembly discuss or otherwise act on the *Cour des Comptes*' report or audits of other government entities.

314. The DSRP does not address the National Assembly's capacity constraints that limit the oversight of the executive branch. These limitations are particularly egregious in the context of the budget process and in the management of public finances. Aside from deputies' capacity to analyze economic and financial data within the timeframe defined by law, parliamentary oversight is also negatively affected by the presentation of the budget document itself, which, by its volume and lack of clear hierarchy of detail, inhibits an effective evaluation of priority spending plans.¹²⁶

Local government

315. Local government officials were involved in the formulation process at many stages of DSRP consultation. Officials at the regional and municipal levels were present both at the seminars at the national level and at the consultation meetings at the regional level. In most of the regional consultation meetings, both elected and appointed local government representatives participated. Current plans for DSRP implementation include the establishment of specific roles in steering participatory implementation and monitoring at the regional level, distributing responsibilities between both the decentralized administration and locally elected bodies.

316. However, local governments are not empowered with sufficient fiscal resources to adequately address the needs of their constituencies and face capacity constraints in carrying out duties transferred to them from the central government. The *régions* depend exclusively on central budget transfers to carry out their duties; the hierarchically lower levels of government dispose of limited taxing power. The DSRP does plan reforms for increased decentralization and deconcentration; in particular, fiscal decentralization is listed as a key priority in its matrix of measures to be addressed.

D. Role and Impact of External Partners

317. Senegal's major development partners are France, the World Bank, Japan, the EU and the US. France has long been Senegal's largest provider of bilateral assistance, and Senegal was France's second largest ODA recipient after Cote d'Ivoire in 2001.¹²⁷ The 1999-2001 average of French ODA to Senegal totals \$158.6 million, whereas the average during the same period for IDA, the second largest partner, totals \$77.13 million. Senegal is a highly aid-dependent country, although ODA levels have dropped somewhat in recent years, from 11.5 percent of GNI in 1999 to 9.2 percent of GNI in 2001. Senegal's ODA reached \$566.1 million in 1997, dropping to \$457.4 million in 2001.¹²⁸

¹²⁶ Government of Senegal and a Multi-donor Task Team (2003).

¹²⁷ Since 2001, ODA to Cote d'Ivoire has dropped sharply due to the recent unrest.

¹²⁸ Development Assistance Committee (2003).

318. Although the Government played the leading role in the DSRP consultation, external partners played an important facilitating role. External partners provided both financial (CIDA, UNDP, EU, and GTZ)¹²⁹ and technical (UNDP, FAO and USAID) support to the consultation process. They also participated in thematic groups, consultation meetings and validation seminars alongside other stakeholders. The World Bank conducted a consultation process in preparing its CAS to elicit public views on its current and potential role in Senegal. Several external partners conducted analytical work, such as studies on the challenges of decentralization, privatization and economic competitiveness, water and sanitation, education and HIV/AIDS, tourism, and telecommunication sector reform.

319. Presentation of the DSRP to the Boards of the IMF and the World Bank was delayed significantly. At the time of the adoption of the DSRP by the Government in April 2002, Senegal's most recent PRGF agreement, approved in 1998 and extended through a fourth year, was expiring. A new PRGF was not concluded: problems with the operations of the public electricity and groundnut enterprises weakened public finances and the implementation of reforms in the pension system and the groundnut sector fell short of targets. Moreover, the IMF had disbursed \$11.9 million, conditional on the implementation of a prior action related to the increase in electricity tariffs, but was subsequently informed that the measure had not been implemented before the disbursement took place. A waiver on the non-observance of the prior action that led to the non-complying disbursement was granted in September 2002. Finally, the Boards of the IMF and World Bank formally endorsed the DSRP eight months after its completion, in December 2002.¹³⁰ Despite this delay, the Government did move forward with the DSRP, holding an interministerial council on implementation plans in September 2002 and an implementation seminar the following month.

320. External partners have voiced disagreements with the content of the strategy, especially over the DSRP's plans to support agriculture. The EU and other external partners maintain that the emphasis on supporting agriculture as a principal source of wealth creation is not realistic given its low contribution to overall GDP. However, the Government maintained its position, which is the result of the participatory process and CSOs have organized meetings to defend this position. The wealth creation pillar of the DSRP remains essentially unaltered in this respect.

E. Political events

321. The electoral results since the year 2000 –presidential, legislative, and local elections- show that a majority of the Senegalese population has for the first time rallied around a new political party, by means of peaceful government change. With this political turnover that only a few other countries in the region have experienced, Senegal broke with forty years of de facto single party rule. The Senegalese electorate has achieved a heightened awareness of the power of its vote and of its direct influence in the

¹²⁹ France, the Netherlands, JICA and the African Development Bank were also ready to provide financial support, though funding had already been secured.

¹³⁰ IMF (2003).

political system.¹³¹ This awareness bodes well for increased accountability of Senegalese politicians in the long run, as the population seems increasingly disposed to hold their political representatives accountable for the mandate they were given. In the long-term, continuing democratic elections can represent an ultimate sanctioning and evaluation of progress, and underpin stronger country ownership of national development strategy.

V. OVERALL ASSESSMENT OF COUNTRY OWNERSHIP AND KEY CHALLENGES

322. The process to formulate the DSRP, as well as early implementation experience, has resulted in greater country ownership of its content. There has been a broad and inclusive consultation process that included significant participation at the regional and local levels. While external partners played an important facilitating role in both a technical and financial sense, the DSRP was prepared by the Senegalese. As the implementation stage progresses, capacity constraints that weaken the potential involvement of some internal partners will emerge as a key challenge. For country ownership of the DSRP to be strengthened further, the promising dialogue within Government and between the Government and various stakeholders must be sustained and institutionalized throughout implementation.

A. Executive

323. Ownership of the DSRP is strong within the MEF. The DPS acted as the principal driver for formulation, and a newer unit has been placed in charge of monitoring implementation. While only a select number of key line ministries were actively involved in the early stages of formulation through the Technical Committee, interest and commitment eventually spread across the executive. Sectoral action plans derived from the DSRP have been developed in each line ministry. A coordination mechanism between ministries has been established, but with plans to meet only once a year. Both the DSRP's perceived and real weight as a policy frame of reference has increased significantly with respect to other initiatives that the executive manages. The DSRP is now in the process of implementation, whereas the first draft of the 10th PDES was rejected by the President.

324. The formulation of a development plan is a constitutional requirement that has not been fulfilled through the DSRP; traditionally it is fulfilled through consecutive five-year plans and long-term perspective studies prepared by the Ministry of Planning. The government, therefore, is revising the 10th PDES and has launched a new long-term perspective study. There remains a need to reconcile or integrate these constitutionally mandated plans with the DSRP.¹³² This will require strong coordination between the MEF and the Ministry of Planning. While the objectives of the PDES's strategic guidelines are listed in the DSRP, the co-existence of the two initiatives, and now of a third with the launch of the new long-term perspective study, has been at the origin of some confusion

¹³¹ Sissokho and Thomas (2003), p.12.

¹³² Ghana chose to integrate its poverty reduction strategy and constitutionally mandated planning into a single national development strategy. Vietnam's comprehensive poverty reduction and growth strategy is an action plan that is meant to translate the ten-year socio-economic development strategy, five-year socio-economic development plan as well as other sectoral development plans into concrete measures with roadmaps for implementation.

as to whether they are competing strategies or complementary to one another. The budget has not been an accurate measure of the emphasis given to the priorities of one strategy with respect to another, as it has in the past not included the totality of public expenditure nor recorded all external financing.

325. A DSRP Presidential Council, chaired by President Wade, has been established. However, President Wade has been less involved in DSRP formulation, than in other initiatives, including the Presidential infrastructure projects, which lie outside the priorities defined in the DSRP. Implementation plans on these infrastructure projects are moving forward and Senegal is receiving financial and technical support from some external partners. Their stated objective is to attract foreign investment, crucial for growth in Senegal and consequently for the viability of the poverty reduction strategy. However, the JSA cautions against their pursuit. If followed through to completion, the Presidential infrastructure projects risk draining public finances and eroding the valuable political support that has been painstakingly rallied for the priorities brought forward in the DSRP.

326. From this perspective, a main challenge for the executive remains the extent to which it integrates or establishes a credible link between different strategy initiatives, and whether the DSRP serves its intended purpose as the reference point for government policy and investments toward poverty reduction. The implementation of planned reforms in the area of budget preparation, execution, and reporting should increase transparency and accountability in the allocation of resources to DSRP priorities, clarifying the role of the DSRP with respect to other existing strategies. An MTEF could help establish a strong link between the DSRP and planned expenditures.

327. Increasing the frequency of meetings of the interministerial council that oversees implementation of the sectoral action plans could strengthen coordination across ministries. In addition, further definition by the government of the institutional structure for civil society collaboration with the government in implementation is pending. The mechanisms for participation in government-led monitoring with respect to separate civil society monitoring needs to be clarified. The Government should also consider holding CG meetings in Senegal to allow for greater participation from internal stakeholders, engaging them in the discussions on the financing of the poverty reduction strategy designed to reflect their priorities, and increase their capacity to lead coordination efforts.¹³³

B. Internal Partners and National Institutions

328. The DSRP process has led to broad ownership within Senegal of its content. There is general acceptance of the use of the DSRP as a vehicle –that can be improved– for poverty reduction. The consultation process and the participatory structures that are planned for implementation are a major strength. The decentralized framework for consultation is especially notable, given the highly centralized structure that exists in

¹³³ Increasingly, CG meetings are chaired by the Government and are held in countries rather than in other venues such as Paris, Tokyo, Geneva or Washington, allowing for an increased participation on the part of internal stakeholders. World Bank (2003b), p.25.

Senegal. At the national level, participatory thematic groups held meetings organized around the pillars of the strategy, including one group that discussed macroeconomic issues. At the regional level, various stakeholder groups based in the region participated in consultations to discuss the regional context, findings of a PPS and existing policies to fight poverty. These consultations fed into regional integrated development plans that influenced the DSRP. At the local level, quantitative and qualitative surveys were conducted to integrate a grassroots perspective. All stakeholder groups were represented at these meetings as well as at both the National Inaugural Seminar and the National Validation Seminar. Internal partners had an impact on DSRP content and on the structure of the implementation process, which is still at an early stage but is being organized as a participatory process.

329. The consultation process was characterized by a significant element of transparency, aided by strong team composed of national experts in different areas of expertise to support and maintain a timely and open process. Most stages of the consultation included a validation mechanism, which allowed for stakeholders to propose changes and validate elements of the final strategy. Terms of reference for stakeholder participation were clearly defined in advance and validated at the National Inaugural Seminar. Attendance was recorded, and regional consultation documents, thematic group documents and other relevant information was made public and posted on the MEF website, allowing broad access. The media succeeded in significantly raising awareness of the DSRP among the general public. Parliament played a role, even if not a strong one, with some discussion on the DSRP taking place in the Finance Committee.

330. However, the involvement of internal partners in DSRP formulation was weak in a number of areas, signalling the need for greater efforts. The six-month time frame for consultations was sufficient to raise awareness and for large NGOs to participate actively. However, the timeframe may have been too short for substantive participation from smaller organizations that needed more time to formulate views based on government proposals. While some effort was made to distribute information ahead of the meetings, more meaningful discussion could take place through a greater effort. Also printing the DSRP in other languages, in addition to French and English, could extend its reach among the non-francophone population. While the National Assembly did not play a strong role in formulation, its oversight role in public financial management carries great potential in implementation. However, like local governments, the National Assembly faces significant institutional, financial and human capacity constraints that will inhibit its ability to substantially influence the DSRP or play an effective role in monitoring. In addition, DSRP implementation plans place local governments in the central role of service delivery in many DSRP priority areas. But perennial difficulties related to fiscal centralization have not yet been fully addressed, leaving local governments with a very ambitious mandate relative to available resources.

331. Challenges to enhancing ownership with respect to internal partners require attention from both the civil society organizations themselves as well as the Government. Some civil society organizations need to address problems of internal representation and legitimacy to better understand the views of their members. There is a need to institute internal feedback mechanisms so that delegates at consultation meetings adequately relay

the views of those they are representing. Smaller civil society organizations, especially those representing the marginalized groups and the poor, need strengthened capacity to be adequately empowered to engage in constructive dialogue with the Government about their priorities. Civil society organizations engaged in efforts to translate simplified versions of the DSRP in languages other than French could benefit from additional support to continue to diffuse DSRP information throughout implementation in order to increase accountability and facilitate monitoring on the part of internal partners in various regions.

332. Key challenges to deeper ownership also include strengthening the capacity of the National Assembly and local governments to implement and monitor the DSRP, commensurate with their significant responsibilities in monitoring implementation and, in the case of local governments, also in service delivery. The Government could take steps to strengthen the National Assembly's ability to conduct an effective analysis of public finances. Presentation of progress reports on DSRP implementation to the National Assembly would inform parliamentarians and increase their potential as informed interlocutors between the Government and their constituencies. Training in economic and finance issues could be made available to parliamentarians, and in particular to the members that compose the Finance Committee, to strengthen their ability to analyze financial information so as to exert an effective oversight on State expenditures. The establishment of a parliamentary budget office staffed with civil servants possessing expertise in public financial management would further reinforce the capacity of parliamentarians in their decision-making duties on the basis of budget information. The settlement laws that record the past performance of State spending could be presented to parliamentarians on a timelier basis to inform parliamentary debates on the appropriation of resources for upcoming fiscal periods. The transparent budget format would facilitate external analysis and monitoring. Planned budget reforms should also be integrated with the decentralization reform agenda, to increase transparency with respect to transfers and disbursements made in different priority sectors at the local level. These measures can facilitate a streamlining of the budget process through to the local level, increasing the efficiency of transfers to local governments. Increasing the availability of additional financing at the local level is needed for local governments to meet the responsibilities they are accorded in service delivery and monitoring. Significant capacity building for officials at various levels of local government administration must also accompany these measures to help ensure effective service delivery.

C. External Partners

333. External partners were involved in the consultation process, although playing a facilitating role rather than a leadership role, providing technical advice, participating in the thematic groups, consultation meetings and validation seminars, and financing various stages of the consultation process. They also conducted analytical studies in a number of areas pertinent to the DSRP. Some external partners, such as the World Bank, consulted stakeholders themselves in the preparation of their own assistance strategies.

334. External partners could take a number of steps to strengthen their role in facilitating country ownership of the DSRP. Principally, by aligning their assistance with

the DSRP they would encourage the Government to develop a unified national strategy, rather than maintain disparate strategies. Maintaining thematic group meetings with the Government, and fostering greater Government leadership of them, would enhance ownership. Harmonizing policies and procedures with those of the government is essential and could be aided by the use of SWAps and budget support. The FDD and the FECL could be important vehicles for external partners to support programs and projects locally through existing decentralized government structures. Increased use of these innovative instruments will require coordinated support to the public finance reform agenda, and to capacity building needs within the executive, National Assembly and local governments. Analytical work done in partnership with the government and local think tanks could help build ownership by helping to internalize within the country policy recommendations, and help ensure they are tailored to country circumstances. Finally external partners could continue to support the government to strengthen interministerial coordination around the DSRP, and its participatory M&E plans and facilitate the development of mechanisms that would facilitate incorporating the ensuing feedback into strategy adjustments and revisions. To facilitate institutionalization and strengthening of the government structure for consulting internal partners, consultations on the assistance strategies of individual development assistance agencies could be carried out within the existing structure for DSRP consultations.

A: LESSONS LEARNED

1. Strengths

A. DSRP formulation is well rooted in a consultative process that is being institutionalized. Despite the short time frame that was agreed upon at the Inaugural Seminar, the authorities succeeded in organizing extensive consultations, integrating a good representation of the relevant internal and external stakeholders in the process. A significantly decentralized dimension was included, which is of particular importance in a country like Senegal where an important segment of the poor live in remote, rural areas. The PPS was used to integrate a qualitative dimension of the description of the needs and priorities of the poor in various areas of each region. Each step was punctuated with validation seminars to have the conclusions ratified by the participants. From an early stage of preparation the government proactively sought to strengthen country ownership of the DSRP by seeking the agreement of stakeholders to a draft terms of reference outlining the consultation process and requesting a commitment to carry out the process according to the agreed deadlines. Previously excluded civil society organizations were welcomed into the consultations at various stages at their request. The organizational framework of participation in the formulation of the DSRP, and a strong team composed of national experts in different areas of expertise to support and maintain a timely and open process, has undoubtedly lent the DSRP legitimacy among the Senegalese. The population is aware of the strategy, having been given the opportunity to contribute to it.

B. The growing ownership of the DSRP across ministries is promising, as ownership across the Government appears to have been progressing steadily since the beginning. The DSRP has now been translated into sectoral action plans at the level of each line ministry, to operationalize implementation plans. The presentation of the DSRP at the CG meeting by several ministers is an example of this growing ownership across the Government. The DSRP is widely recognized as constituting a step beyond previous strategy initiatives.

2. Weaknesses

C. The weak role that the Senegalese National Assembly plays in the political system, and the capacity constraints that affect parliamentarians' effectiveness undermines the possibility of exerting essential monitoring and oversight functions over the Government in general and the budget in particular. Significantly strengthening of the role of the National Assembly for greater country ownership would require in-depth reform and capacity building that might not be realistically expected in the medium-term. This lends an even stronger argument, then, to the need to address significant problems in the transparency and effectiveness of public financial management. These issues have been obstacles to the implementation of projects and programs in the past in Senegal. While the strategy itself also includes plans to address the effectiveness of public expenditure, delays in the implementation of reform in these areas could jeopardize country ownership of the DSRP.

3. Opportunities

D. The existence of a strategy prepared with broad-based consultation provides an incentive for external partners to align their development assistance with country priorities. At the CG meeting in June 2003, the Government presented the DSRP to external partners and urged them to consider it the frame of reference for all assistance in Senegal. The clarity of the Government's message on the role of the DSRP presents an opportunity for external partners to align around a single strategy. Also, the Government is better positioned to lead aid coordination around country priorities, as they are articulated in a more comprehensive strategy with greater ownership than any other previous initiative.

E. Decentralization, in particular fiscal decentralization, has emerged as one of the objectives of the DSRP. Progress in this area can be a key step in establishing a meaningful role for local government entities, and strengthen the DSRP implementation process.

4. Threats

F. The success of the DSRP consultation process has produced a significant effect on the expectations of the Senegalese, who have been presented with a strategy reflecting their needs and priorities. The challenge is to provide tangible results in order to maintain buy-in and credibility among stakeholders, ultimately, to maintain country ownership of the strategy. Without reconciliation of the dominant planning processes, the DSRP managed by the MEF and the PDES and long-term perspective studies managed by the Ministry of Planning which satisfy the constitutional requirement for planning, the reference point for government strategy is unclear. Also, significant projects are on the Government's agenda, which are not part of the DSRP, including the Presidential infrastructure projects. External partner support of such projects drains funding and undermines the support rallied for the DSRP. These projects do not emerge from the DSRP consultation process where stakeholders were asked to express their needs and priorities for poverty reduction. If the Government's and external partners' priorities shift toward these other projects, without integrating them through a participatory mechanism into the strategy, country ownership of the DSRP would be threatened.

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Mr. Mamadou Lamine Loum, former Prime Minister, former Minister of Economy and Finance, former deputy Minister in charge of the Budget

Local government

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Mr. Désiré Sarr, World Vision Senegal, Kaolack

Roundtable with 20 local entrepreneurs convened by UNACOIS Regional Office in Kaolack.

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