Developing the empirical evidence for DFID's strategy on exclusion

Aid instruments and exclusion

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1.1   Scope and limits of the exercise

This is one of two papers commissioned by DFID's Exclusion, Rights and Justice Team to assist in developing the evidence base for a new DFID Strategy on Exclusion.[1] Both papers are based on collection and assessment of evidence from selected countries in DFID's regions of operation. They are intended to complement the review of DFID and UK government experience of working on social exclusion completed in 2004 (Beall and Piron, 2004).

The other paper is devoted to country experiences that illustrate types of public policy responses to exclusion. It explains how they have arisen, the degree of success they appear to have had and the nature of the obstacles they have encountered. This paper has a narrower focus. **It aims to collect, assess and analyse evidence on the use of new aid instruments and donor agency modalities to address exclusion.** The terms of reference are included as Annex 1.

There are good reasons for taking a serious look at this question. The review found that most DFID work on exclusion has been carried out in traditional project mode. That is, it predates the PRSP initiative or has taken place in countries where the thinking about building country policy leadership through PRSPs does not apply. Hence, the DFID policies on the use of programme-based modalities (sector common-baskets, general budget support), and on aid harmonisation and alignment, have not been as relevant as they are today. Understandably, one of the questions most frequently raised by DFID staff in the course of the review was about the feasibility of operationalising exclusion work in the context of the new aid instruments and modalities (Beall and Piron, 2004:13).

The paper assesses what is known and understood on the subject. **It begins by tackling the essential preliminary question of what would *count* as evidence of anti-exclusion work being operationalised in the new aid-policy environment.**

This is not as obvious as it may appear. For example, we were able to draw together a large number of illustrations of ways in which exclusion issues have been discussed or prioritised for action in PRSPs. However, all the studies and evaluations that have been done on PRSP processes caution against the assumption that having a topic included in the text a country's PRSP is necessarily of great operational significance. In order to form a view on this, we would need to probe more deeply, and ask to what extent government policies or practices changed as a result.

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[1]   Exclusion is a general concept meant to capture the various ways in which groups or categories of people are prevented from participating in social, political and economic processes and institutions on the *basis of their social identity*, and who experience more or less serious *poverty impacts* as a result.

The assessment must also be based on a proper appreciation of what the new aid thinking is. That is, it should not rest on a mechanical set of rules on what is "in" (supporting the implementation of PRSPs, programme modalities) and what is "out" (working outside the PRSP framework, project aid). While a content analysis of PRSP documents may, for the reason just given, lead to an over-estimation of the headway that has been made, a mechanical understanding of the aid environment will provide an unduly narrow vision of the options for donors. To say something relevant and useful about operationalising exclusion work in the current policy environment we have to be on the lookout for non-standard ways of tackling the deficit of credible country-owned policies for addressing exclusion.

An implication of these observations is that the "evidence base" that it would be desirable to feed into a Strategy on Exclusion may not be easily accessed through a literature search. It may consist of quite subtle understanding of ways of working in-country with different sorts of stakeholders which would be hard to identify and evaluate without fieldwork. Since fieldwork is excluded, what we need to do is to report what comes out of the literature search but to sift and interpret this raw evidence in the light of what is more generally known and understood about the relevant types of process. This should enable us to offer, at least, informed judgements about what would be worth including in the Strategy in respect of aid instruments and approaches.

Three major categories of "raw" evidence are considered:

- ❏ the degree to which exclusion problems and relevant policy approaches figured in the first round of PRSPs;
- ❏ the early evidence on how the same issues are being handled in "second generation" PRSPs;
- ❏ suggestions on the scope for donor activities around PRSPs to stimulate policy action on exclusion, including but not limited to new modalities.

The three main sections of the paper set out an argument on each of these topics. Some particular topics are dealt with in text boxes. The remainder of this Introduction is devoted to explaining in a little more detail our understanding of the new aid environment and what this means for the operationalisation of exclusion work.

1.2   *What is the new aid environment?*

Efforts are now made to deliver aid in ways that build country policy ownership and institutional capacity, rather than undermining these. This reflects the strong research-based evidence suggesting that policies that are weakly owned are badly implemented and do not improve outcomes Various specific innovations have been made with a view to achieving the objective of greater policy ownership. They include PRSPs and new ways of delivering aid. However, these are means to an end and not ends in themselves, and the conditions under which they are expected to work are quite demanding.

In practice, those conditions often do not exist. The degree to which PRSP processes involve an effective policy debate among country stakeholders as well as with donors is quite variable. Most PRSPs have a tenuous relationship at best with the procedures for allocating budgets and regulating the performance of different parts of government, which implies that their effectiveness for driving actual policy is questionable. For their part, SWAps and Poverty Reduction Budget Support (PRBS) programmes have a range of expected benefits in terms of strengthening policy capacities and accountabilities in sectors and across governments. But even in theory those benefits are only expected where there are already incentives for policy improvement and better accountability being created by political change in the country. Where that is not the case, the new modalities are not recommended.

Even when it is the case, it is likely that the objective of greater country ownership will benefit from being pursued by a variety of means, including some projectised activities. There has been a tendency in recent years in DFID for means and ends to get confused. It seems essential to avoid that type of confusion in thinking about a Strategy on exclusion. The question to be addressed, therefore, is what do we know about how to encourage national adoption of effective policies against exclusion, not (or not necessarily) how can those be got into the PRSP or enabled with budget support.

1.3   Addressing exclusion in the new aid environment

Several of the elements of the new aid environment are potentially problematic from the point of view of tackling social exclusion:

- the overarching emphasis on poverty reduction – particularly when accompanied by a focus on the measurable targets of the Millennium Development Goals – can be interpreted as implying a reduced commitment to combating social exclusion;

- the commitment to promoting country ownership of policies implies that donors adopt a more "hands off" or "arm's length" approach to policy dialogue – where donors may be expected to restrain themselves from commenting on particular policy issues in the interests of encouraging overall improvements in the policy process;

- the new aid modalities (SWAps and PRBS) are recognised to have high start-up costs in terms of investment in processes and institutions at the centre, meaning that at least for a period there may have to be some de-emphasis on the type of "grass roots" activities that were the stuff of development cooperation during the heyday of projects.

In at least three ways, therefore, there are grounds for concern that the new aid environment is a relatively difficult one for tackling social exclusion.

The argument is not entirely straightforward. Thus, the Millennium Declaration contains quite a clear commitment to combating exclusion, even if the Goals do not. The hands-off approach to policy dialogue in a PRSP context does not imply

caving in to prejudices and discriminatory institutions and policies that prevail at country level – it is about the style and not the content of policy dialogue. And the concentration on improving central processes that is a feature of the new modalities is only to a certain degree inevitable. Nevertheless, there is enough in these observations to confirm the view that the new aid environment is intrinsically a challenging one in which to address social exclusion.

These concerns are valid even if the understanding of the aid policy guidelines is the one expressed in Section 1.2. If, on the other hand, means and ends do get confused, so that the practical thinking becomes "if it is not in the PRSP, we can't deal with it" or "we don't do projects any more, so we can't deal with it", the conflict is even more serious. For the purposes of the following sections, we assume that the reader shares the non-mechanical perspective on the current DFID policy.

2 Exclusion themes in first-round PRSPs

2.1 The PRSP context

The PRSP initiative has affected so far about 70 low income countries around the world. 42 countries have produced full PRSPs and another 13 have produced Interim-PRSPs containing plans for the preparation of a full strategy (Table 1) Second-generation PRSPs have begun to emerge in Bolivia, Burkina Faso, Nicaragua, and Tanzania. Uganda, the forerunner of the PRS approach, is already developing its third strategy. To begin with, PRSP processes were conditionalities for HIPC debate relief. Increasingly, they are associated with more general access to concessional loans and grant aid. PRSP formulation processes and implementation arrangements have been the subject of numerous studies, reviews and evaluations. A second major review exercise is being undertaken by the World Bank in 2005.

Table 1: Status of PRSPs worldwide

Region	Full PRSPs	Producing a PRSP
Africa	Benin, Burkina Faso, Cameroon, Chad, Djibouti, Ethiopia, Gambia, Ghana, Guinea, Kenya, Madagascar, Malawi, Mali, Mauritania, Mozambique, Niger, Rwanda, Senegal, Tanzania, Uganda, Zambia	Angola, Burundi, Cape Verde, Central African Republic, Comoros, Congo (DR), Congo (Republic of), Cote d'Ivoire, Djibouti, DRC, Eritrea, Guinea Bissau, Lesotho, Nigeria, Sao Tome & Principe, Sierra Leone, Sudan, Togo
Asia	Cambodia, Lao, Mongolia, Nepal, Pakistan, Sri Lanka, Vietnam	Bangladesh, East Timor, Indonesia
Latin America and the Caribbean	Bolivia, Guyana, Honduras, Nicaragua	Dominica
Middle East and Europe	Albania, Armenia, Azerbaijan, Bosnia and Herzegovina, Georgia, Krygyz Republic, Moldova, Serbia and Montenegro, Tajikistan, Yemen	Kazakhstan, Macedonia FRY, Uzbekistan

Source: Word Bank 'Board Presentations of PRSP Documents' (23 December 2004)
         http://siteresources.worldbank.org/INTPRS1/Resources/boardlist.pdf

Experience with the first generation of PRSs suggests that the approach has contributed to important progress in three key areas (Driscoll with Evans, 2005: 6). It has:

- ❏ led to a much stronger *focus on poverty* inside government;
- ❏ *engaged civil society* in poverty policy debates on an unprecedented scale; and
- ❏ *focused attention on donor alignment* and harmonisation internationally and at the country level.

On the other hand, the outstanding challenges are several, and include:

❑ turning the stronger focus into an institutionalised commitment, with *relevant sector policies and links to the budget*;

❑ a broader process of *building accountability* rooted in constitutional institutions and citizenship;

❑ concrete *behavioural changes* by donors at country level (ibid: 10-15).

So far, an enhanced capacity to tackle issues of exclusion has not been claimed as one of the benefits from the PRSP approach. However, this may well just be an aspect of two generalisations: 1) that the policy content of first-generation PRSPs was weak; and 2) that the PRSP has been an expression of broadly shared aspirations and not, in most cases, a prioritised statement of real intent. These caveats need to be firmly in mind when assessing the evidence and discussion on exclusion themes in first-round PRSPs.

In the following sub-sections, we first present the facts on the role of exclusion themes in selected PRSPs and then discuss some commentaries and interpretations before presenting our own assessment. The gist of the argument is that exclusion does have a certain presence in some PRSP documents, but that this does not necessarily get us very far. It raises a new set of questions about whether PRSP processes can be expected to mature in significant ways, and how donors can and should bring their influence to bear on the relevant issues. The more detailed descriptions of the country PRSPs on which this section draws are included as Annex 2.

2.2 Poverty analysis and information on exclusion

A basic yardstick in assessing the content of PRSPs is whether they contain information and analysis on specific poverty groups, and particularly the kinds of social categories that may be subject to exclusion. Relevant information is clearly a precondition for the design of policies that address exclusion and for ensuring that the general PRSP policies reach excluded groups and meet their needs.

Many PRSPs identify "vulnerable" groups, usually including children, older people, disabled people, refugees and people living in isolated areas. PRSPs also include information on regional inequalities and make commitments to investing in particularly disadvantaged regions. However, the analysis following the identification of poor groups is often limited. Whitehead's report on gender in PRSPs argues that the poverty analysis typically does not extend to addressing the reasons behind the impoverishment of certain groups (2003:4).

Analyses of exclusion have been included in some PRSPs. It has been observed that even where there is more differentiation in the poverty analysis of a PRSP, this rarely results in significantly different policy (Marcus and Wilkinson, 2002:7). However, for what it is worth:

- **Albania** produced a *social exclusion index* which fed into a "social exclusion map";

- **Cambodia's** PRSP develops the analysis of exclusion to include a discussion of the factors causing exclusion; and
- **Nepal's** PRSP has a section on "Ethnic and Caste-based Disparities" which gives some general conclusions on the differences in poverty levels among different groups. In Nepal, DFID and the World Bank sponsored a gender and exclusion assessment, which fed into the PRSP process.

2.3   Policy content on exclusion

The first wave of PRSPs broadly followed the policy agenda laid out in the World Bank's 2000/1 *World Development Report* **on "attacking poverty".** An examination of 32 strategic objectives or "pillars" that occur frequently in PRSPs suggests that the three strongest pillars are those emphasised in the WDR – opportunity (i.e. economic growth); empowerment and security. Although PRSPs have managed to integrate a number of cross-cutting issues and a commitment to social services, policies to tackle exclusion are often included in an arbitrary and fragmented way and frequently are not mainstreamed throughout the strategy.

However, as the examples below show, there *is* **evidence of exclusion being addressed in PRSPs and there are examples of clear policy commitments to tackle exclusion.** In three of the PRSPs reviewed, exclusion or related topics are one of the main pillars of the PRSP:

- In **Bolivia**, "Promoting Social Integration and Participation" is one of the four PRSP objectives. It includes a commitment to reducing social exclusion and poverty through empowering communities to make decisions to promote their interests. One of the cross-cutting themes in the PRSP is promoting equity by promoting policies to improve opportunities for ethnic groups and indigenous peoples.
- The main goal of **Ghana's** PRSP is to "ensure sustainable, equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded with a decentralised, democratic environment". This translates into a number of specific strategies targeted at vulnerable and excluded people.
- One of the four pillars in **Nepal's** PRSP is targeted programmes to facilitate social inclusion and the inclusion of poor and marginalised groups into the mainstream of development. Furthermore, the PRSP seeks to address ethnic, caste and gender disparities and encourage social inclusion through mainstreaming efforts throughout the four pillars.

There are also examples of PRSPs including strategies to tackle exclusion within the overarching objectives or pillars:

- **Cambodia's** Action Plan Matrix linked to the PRSP includes specific programmes targeted at excluded groups including education and training, social safety nets, support to targeted groups and "ethnic minority development".

- **Guyana's** PRSP refers to the creation of ministries and institutions with responsibilities for Amerindian affairs, development and skills and community development.
- One of five strategic guidelines in **Honduras'** PRSP includes policies and actions for establishing conditions that guarantee equity in relation to gender, age, ethnic origin or any other type of social difference, as well as for democratic strengthening and improving the administration of justice. Other key objectives in the PRSP include security in access to land and strengthening social protection for specific groups and building indigenous peoples' capacities.
- **Rwanda's** PRSP makes links between social exclusion and the factors that led to the 1994 genocide. Therefore, the strategy seeks to reduce levels of inequality as well as setting up provisions for groups whose level of vulnerability and poverty increased because of the genocide.

2.4   Interpretation and qualification

In a fair number of first-round PRSPs, then, exclusion or some reasonably close proxy of it is either in the diagnostic analysis or dealt with in the discussion of strategic objectives, or both. However, before we draw substantial conclusions from this, we need to interpret and qualify. These are the interpretations and qualifications that are suggested immediately by reading the documents. A field-based understanding would be necessary to confirm these concerns. In some cases, a more in-depth investigation might suggest that the concerns are overstated.

In most cases, the PRSP does not suggest any clear method for implementing the strategic option that is adopted. More strongly, there is not really a strategy for addressing the dimension of exclusion that has been identified, but only an aspiration to do some at some point. For example:

- **Albania**'s social exclusion map is a striking innovation. However, it is not clear that its implications have been systematically translated into relevant public policies. There are commitments to improve the coverage of social protection measures for specific vulnerable groups, but even if these have been funded, a close examination would be necessary before concluding that the most salient exclusion problems have been addressed.
- **Ghana**'s PRSP suffers from the generally rather serious problem that it is not linked to a credible budget or Medium-Term Expenditure Framework (MTEF) process. Even if the PRSP were formally the basis for budget bids and allocations, studies suggest that the formal budget is not a good guide to actual resource allocation in the public sector. This affects any programmes or policies for excluded social categories along with everything else. In Ghana, the most relevant efforts remain projectised and managed by NGOs.
- **Guyana**'s PRSP process was unusually strong in articulating directly the views and priorities of leaders of the Amerindian minority. However, most of the expressed priorities were not turned into policy proposals in the document, even in general terms.

In many cases, PRSPs do as good a job as they do on exclusion because of donor influence. The content of the document is not necessarily a reflection of a consensus among national stakeholders about what the problem is and what should be done about it. For example:

♦ In **Bolivia**, the useful and monitorable activity of issuing national identity cards to men and, especially, women from ethnically excluded groups was heavily promoted by donors. It was also funded by a DANIDA project that originated outside the PRSP process.

♦ It is unclear, for **Cambodia**, how much of the array of programmes for excluded groups that appears in the PRSP arises from the PRSP's recognising existing donor-supported efforts, and how much from a genuine process of national consensus-building around related policies.

♦ **Nepal** may be a more helpful case to examine when thinking about taking forward exclusion work in the new aid-policy environment. Not only are there domestic political reasons as well as donor pressures leading the authorities to take exclusion seriously. Nepal also has large donors that favour programme modalities and working through government systems.

That PRSPs reflect donor influence may not matter too much. Having drawn attention to the issues in the PRSP process, the donors and their local allies may be better placed to raise them in other arenas of policy dialogue. For example:

♦ In **Honduras**, the PRSP is strong on general programmatic declarations about equity, universal rights and inclusion. Close analysis shows that it is less impressive when it comes to tackling the more difficult sectoral policy questions that bear on the rights and livelihoods of minorities in forest areas. In other words, issues involving fundamental interest-conflicts were skated over. On the other hand, these internal consistencies in the PRSP may help to give the public debate about the commercial timber trade a higher profile and more obvious connection to the general rights issues than would have been the case otherwise.

One of the PRSPs examined, that of **Rwanda**, illustrates another important issue. The PRSP has a strong treatment of the challenges faced in trying to reverse the "ethnicisation" of public life in previous periods as well as the specific legacies of the war and genocide. Unusually, there is no doubt that this is the government's view, and there are effective mechanisms for translating the PRSP objectives into public expenditure plans. However, the government's vision is contested and donors other than the UK, EC and Sweden argue strongly that a wholesale adoption of support to the PRSP through the budget would result in quite a partial approach to human-rights concerns among others in the country.

2.5   Commentary and discussion

As well as searching PRSPs for content on exclusion, we reviewed the available summaries and commentaries on the subject. A major theme of this literature is why it is the case that exclusion is not dealt with by PRSPs. As we have just seen, it is not true that they are not dealt with, and several of the obstacles are more to do with the general weaknesses of the linkages between

the documents and actual policies and practices in the countries. However, we can easily agree that PRSPs do not handle exclusion issues *well*.

There clearly are some particular problems associated with tackling exclusion through PRSPs. **One is the emphasis that the PRSP approach puts on improving the official policy process and government-led activities** This may restrain some donors and NGOs that are particularly concerned about exclusion from organising their own interventions. Others may be restrained from speaking their minds in ways that they would do if less concerned about getting government to "own" the process and the resulting policy. There are possibly some real trade-offs here.

There is also the problem that PRSPs are centralised processes, perhaps necessarily so. A centralised development approach poses a problem for excluded groups, which are generally politically marginalised even if they are not geographically so. They are rarely included in national decision making processes and their specific needs are rarely reflected in the sector strategies that are the main elements of PRSPs (Feiring et al, 2003:5). This is a particular issue for indigenous peoples interested in realising their human rights; including the right to self-determination and control over their own development as peoples (ibid).

NGO commentaries on exclusion issues and PRSPs tend to stress the various limitations to the participatory strategy-formulation processes that were organised. The general opinion among civil society commentators is that the participation processes for the first wave of PRSPs were in many ways flawed.[2] The processes ended up as superficial consultation exercises where the government decided who would be invited and what information was available for discussion. This, it is argued, limited the topics and policy options that could effectively be explored.

On the other hand, many of the actors are in agreement that the participation element of the PRSP process did open up a space for citizens to take part in policy making processes that had not been previously been there. It provided a new opportunity for civil society organisations to apply their knowledge of poverty to policy processes. There were also new opportunities for linking poor citizens to government processes, through information sharing and raising awareness.

Even so, the participation processes often did not ensure that the voices of marginalised groups and victims of discrimination were heard. In many countries, the use of English or other national lingua franca as the language of participation excluded indigenous and minority groups from the process (Christian Aid, 2001). As Whitehead argues, "men's *and* women's voices were stifled in the contested space between government and CSOs, but this was exacerbated in the case of women and women's organisations" (Whitehead, 2003:4). What Whitehead says of women seems to apply even more strongly to excluded minorities and their representatives.

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[2]   See McGee et al (2001) and Christian Aid (2001) as examples.

While participation is one of the underlying principles of the PRSP approach, there are no specific rules about who to include and how the process should work. Under these circumstances, the participation of minorities and indigenous peoples is often either overlooked or simply regarded as impractical due to their marginalisation, different language and the remote locations of their communities (Lennox, 2003:3). Without effective consultation processes, excluded groups remain unaware of the PRSP and are subsequently not involved in the monitoring and evaluation of its implementation (Fiering, 2003:14).

Although for these reasons the general assessment is rather negative, there are some examples of excluded groups participating in first-generation PRSP processes:

- minority indigenous groups participated in **Bolivia** to an important extent;
- in **Guyana**, the Amerindian village chiefs conducted a consultation process that was much larger than anticipated; and
- **Nepal** had five regional consultations processes, where representatives from ethnic minorities were included.

In summary, PRSPs have created new and wider opportunities for policy debate, and it may be partly for this reason that their content does reflect some attention to issues of exclusion. On the other hand, **there seems to remain plenty of scope for ensuring that in some way the voices of excluded groups are heard, or that well-grounded analysis of their position is articulated.** As we argue in the next section, it is the second of these formulations (better analysis rather than direct participation) that may be the more relevant in the future. Second-generation PRSPs are tending to be based on better analysis, based on a deeper but less wide-ranging engagement with stakeholder organisations.

Another possible argument is that PRSPs have been negatively affected in this as in other respects by the fact that they were a response to IMF, World Bank and HIPC conditionalities. It is well known that although the international financial institutions (IFIs) never specified the desired content of strategies, those drafting the documents often took it upon themselves to second-guess what would meet approval in Washington. This was particularly the case with the first round exercises that occurred under the direct shadow of HIPC completion.

One source that PRSP drafters may have looked at for guidance is the PRSP Source Book. This was produced by staff at the World Bank and IMF as a collection of broad policy guidelines and examples of best practice. Although it is not meant to be a prescriptive hand-book for producing a PRSP, it does give an indication to governments producing a PRSP to get debt relief or concessional lending of what issues are seen as priorities for the World Bank and IMF.

In the Source Book, there is a chapter on inequality. The argument of the chapter is that inequality perpetuates poverty and hinders growth. A number of tools of economic analysis are given to help governments to assess levels of inequality and the impact of poverty reduction strategies on disadvantaged

groups. This chapter, however, does not explicitly link inequality to exclusion or seek to look at the reasons behind the inequality.

In the Governance chapter, however, there is mention of exclusion and its impact on accessing markets. The section on "Providing Economic Opportunities" states that "[s]ocial exclusion and discrimination keep the poor out of the markets for land, labor, and credit, as buyers or as sellers": "Removing these barriers requires far-reaching national and local antidiscrimination efforts to expand the freedom of poor individuals to participate in mainstream institutions. Governments may need to enact legal and regulatory reforms to deepen market access, clean up inspectorates and revenue authorities, and actively disseminate information to the poor on opportunities for employment, asset ownership, and local and international prices" (Girishankar et al, 2000:8).

Finally, the Source Book includes Community-Driven Development (CDD) as an effective tool for ensuring poverty reduction strategies reach marginalised and vulnerable groups. The idea is that if "ownership" of development programmes is passed to community-based organisations, the impact on poverty reduction will be greater. The state's role is to support the community-based organisations in implementing the strategies and ensuring that any CDD initiatives are fully inclusive.

In summary, there is some guidance from the Bank and the Fund suggesting ways of addressing exclusion through PRSPs. There are questions about how much use of the Source Book is actually made at the country level. But to the extent it is used, it does not give a basis for the argument that neglect of exclusion is the result of IFI influence.

3 How is exclusion handled in second-generation PRSPs?

We have seen that the theme of exclusion has not been entirely missing from PRSPs. This is despite the general weaknesses of the PRSP instrument, and the possibly inherent difficulties of using it to address exclusion in particular. However, these examples all come from their countries' first PRSPs. If it is true that PRSPs are important primarily as an opportunity for widened participation in policy-making for poverty reduction, it also worth asking whether PRS processes are becoming progressively deepened, in ways that matter for tackling exclusion, as first-generation strategies are replaced by a second generation.

There are two views that might be taken on the potential of second-generation PRSPs with regard to policies on exclusion. On one hand, the second round of the PRSPs will have a wealth of international and domestic experience on which to draw. This may imply a potential to improve the policy content of the papers in respect of issues like exclusion. Even more important, the linkages may become stronger between the overarching strategy and the mechanisms, including the budget and sector policy reviews, whereby actual policy change takes place. There is some evidence that both things have happened to some extent in the revised PRSPs for **Tanzania** and **Uganda**.

However, on the other hand, an emerging issue for the PRSP approach is the growing interest of developing-country governments in giving the PRSP greater national identity as a policy document. In this case, it may be that issues of exclusion and inequality that have not in the past gained support in the government will remain lacking in legitimacy. Policy commitments of exclusion that primarily reflected the influence of donors may even be downgraded as the first PRSP gives way to a second-generation plan. This is particularly likely if, as has happened in several countries, the second PRSP is strongly focused on improving the aggregate rate of economic growth. **Bolivia** is a good example.

It is likely that, in most cases, the reality will lie somewhere in between these alternatives. PRSPs will be adapted to become national policy documents to a greater degree, which may imply some downgrading of concerns that have been largely promoted by donors. At the same time, key principles of the PRSP approach will remain and may become deepened, including strengthening learning processes and accountability mechanisms between governments and all citizens. Even if exclusion figures less in the documents, whatever does figure may have more real significance as a consequence of this maturation process.

3.1 Tanzania

Whereas Tanzania's first PRSP focused on priority social sectors, the central objective of Tanzania's PRS II (2004) is "to achieve faster, equitable and sustainable growth". At the same time, "… poverty reduction, growth and macro-level achievements need to be adequately translated into micro-level welfare outcomes all the way to the household level" (p.1). Three broad outcome "clusters" are identified, namely: (i) growth and reduction of income poverty, (ii)

improved quality of life and social well being, and (iii) governance and accountability. These form the basis for determining strategic interventions.

Under the third cluster, there is a specific goal of reducing political and social exclusion and intolerance. This is to be achieved by the development of political and social systems and institutions that allow for full participation of all citizens, including the poor and most marginalised.[3] Strategies include:

- designing and implementing campaigns to inform people of their rights and deal with all forms of discrimination and stigma;
- enforcement of legislation requiring employers to utilize equal opportunity employment policies;
- establishing measures to analyse exclusion of vulnerable persons within key review processes (e.g., health and education sector reviews);
- instituting reliable mechanisms of citizen complaint regarding the poor and vulnerable persons that ensure people are protected from retribution and intimidation; and
- legislation and special provisions that categorically define the rights of people with disabilities, including measures that should be taken when these stated rights are infringed (p.34-35)

Included within the third cluster is the goal to protect and promote the rights of the poor and excluded in the justice system. This includes a number of strategies to strengthen the judiciary and all levels.

The consultation processes for the second PRSP in Tanzania was more extensive than the first, with a range of internal and nationwide stakeholder consultations. However, the approach to excluded groups was indirect. Although there is some mention that representatives from particular groups[4] and civil society organisations were invited to the consultations, there is no indication that particular emphasis was placed on directly engaging excluded groups in the consultation process. Similarly, it appears that a questionnaire distributed across the country was not targeted at excluded groups, and no additional assistance was given to these groups to actively participate in the PRSP process.

This may give the impression that Tanzania has slipped backwards (e.g., marginalised pastoralist ethnic groups were consulted in the first round exercise). However, on the basis of information collected for the budget-support evaluation, we think that judgement would be at least premature. There are two reasons for saying this.

First, the NGOs appear to think that the policy debate was of a higher quality this time. Although more restricted in some respects, it was, partly as a consequence, better-prepared and more searching. That creates the potential, at least, for well-considered policy proposals for addressing exclusion to be

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[3] In the PRSP, marginalised people are footnoted as 'vulnerable persons' which include: children, youth, women, and persons with disabilities, elderly, orphans and people living with HIV and AIDS.

[4] Including: the aged, children, youth, women, persons with disabilities, persons living with HIV and AIDS, widows, orphans.

articulated by organisations working alongside (if not actually representing) groups like pastoralists.

Second, the linkage to the budget, and thus to effective public policy, has been strengthened. The first PRSP was linked to the budget by affording special protection to allocations and disbursements to "PRS priority sectors". This has been found to be both very crude (poverty reduction is not just about primary service delivery) and not very effective in incentivising improvements in the utilisation of scarce resources. The new mechanism invites ministries and departments to bid for resources on the basis of the components PRS II's "cluster strategies". This may lead to more creative policy thinking. If so, the prospects for developing policy approaches to exclusion issues could improve.[5]

3.2   Uganda

Uganda's PRSP, or PEAP, was revised during 2003/04. Three major stakeholder workshops were held, bringing together representatives from central government, local government, civil society and private sector.

The first workshop was used to launch the revision process. After this, sector working groups developed sector PEAP revision papers. Civil society and the private sector ran consultative processes led by the Uganda NGO Forum and the Private Sector Foundation respectively. A working group on cross-cutting issues integrated issues of gender, HIV/AIDS and environment into the whole PEAP revision process.

The second workshop reviewed the draft sector papers, and the third workshop reviewed the first draft of the PEAP itself. This consultation process engaged a large number of stakeholders (over 1000). However, once again there is no information on who participated and whether excluded groups were specifically targeted and assisted to engage in the process.

The PEAP now has greater emphasis on equity. This strengthened theme focuses particularly on equity between men and women, and on the costs created by on-going gender inequities. PEAP III also raises the issue of vulnerable groups[6] and poorer regions in the country.

Uganda's Ministry of Finance, Planning and Economic Development is keen to ensure that the commitments expressed in the revised PEAP are translated into budget allocations. One manifestation is this concern is that the formulation and implementation of gender and equity budget guidelines was included in the Policy Results Matrix, governing the World Bank's PRSC and other bilateral aid, as an action to be undertaken in the next budget cycle (2004/05)

This has been taken forward. There has been an in-country workshop on gender and budgets which included participants from local government and civil

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[5]   A limiting factor is the relatively large proportion of donor funding that is not fully subject to the budget process.

[6]   Vulnerable groups include children, the very old, disabled people.

society organisations. A report has been commissioned by the Director of Budget in the Ministry of Finance proposing an approach and workplan for devising and implementing the gender and equity guidelines. The report proposes guidelines that "address regional, age-related and disability-related inequity in the allocation and utilisation of public resources, as well as the economic and social implications of unequal gender relations" (Booth et al, 2004:1). These guidelines have been followed during the 2004/05 budget cycle.

As in Tanzania, there is a concern to define "pro-poor" expenditure less rigidly, and in a way that encourages thinking about efficiency and effectiveness, although Poverty Action Fund budget lines are still protected. The trend should open up the possibility of "non-PAF" departments bidding for increased resources by referring to the equity objectives in the new PEAP. In both the Tanzanian and the Ugandan cases, it will be worth watching out for any deepening of policies relating to exclusion issues as a result of these changes.

4   Donor approaches and options

The core of the new aid thinking is the desirability of greater country ownership of policies that are likely to contribute directly or indirectly to meeting the MDGs. The issue for donors, therefore, is to find new ways of engaging with PRSPs and other policy processes that contribute to this end. That will tend to mean not prescribing the content of policy papers or otherwise compromising the ability of national stakeholders to assume ownership of them. On the other hand, it does not have to mean only supporting programmes that have, for one reason or another, found their way into the text of the PRSP. It certainly should not mean deciding to ignore important issues of social exclusion because they are not reflected in the PRSP.

The approach adopted will obviously need to be influenced by the general choices that the donor has made about funding modalities. The challenges and options will obviously be different depending how far the particular agency has moved from funding separately-managed projects to participating only in common-baskets in support of SWAps or cross-cutting reforms. They will be different again according to the degree to which general budget support (GBS) has replaced ring-fenced sector programmes as the preferred modality.

In all cases, however, the funding modality will allow the donor means of participating in policy dialogue and influence that are additional to the PRSP process itself. Furthermore, even where the PRSP or SWAp is considered to provide an excellent framework for assistance, so that the donor is happy to channel most of its funds through the selected modality, this does not have to be exclusive. That is, there is no sound reason for abandoning completely the project modality where that is the only way of attending to an important issue that is neglected by the national authorities.

We consider in turn the options that arise in relation to:

- Sector-Wide Approaches; and
- General Budget Support

4.1   Sector-Wide Approaches

Sector Wide Approaches (SWAps) are taken here as joint programmes where the funding firmly earmarked to the sector and not subject to the central budget process.[7] **Such programmes are integrated by a joint policy vision for the sector but funded by a mixture of "sector budget support", a common-basket fund and projects.**

There appears to be little evidence of exclusion being explicitly addressed in SWAps. However, projects funded by donors to work on issues of exclusion often fall within SWAps. The tendency has been for policy dialogue within health and education SWAps to be focused on the larger equity issues

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[7]   This would exclude programmes such as the Health SWAp in Uganda, which are largely financed by non-earmarked funds in the budget.

(non-use of primary-care facilities by the poorest, gender balance in educational enrolment and progression rates, etc.). Maintaining a sufficient focus even on these issues has often been difficult, given the very process-intensive quality of early SWAp experiences in all countries (Booth, 2000; Bird and Norton, 2000). More closely targeted work on excluded minorities has tended to undertaken, if at all, in the more projectised parts of the SWAp package.

There is a DAC Working Party on Gender Equality that has undertaken work on gender mainstreaming in SWAps. The working party has carried out research on sector programmes in education, health and agriculture to review experiences of gender in SWAps (DAC, 2002). The study's findings include that many of the existing SWAps focused on narrow investments for women and girls rather than addressing the underlying issues that result in inequalities of access.

The study found that SWAps do contribute to building capacity on gender in sector ministries and showed that addressing gender objectives strengthened the overall SWAp objectives. On the other hand:

- Education SWAps – focused on increasing female enrolments in basic schooling while not addressing the wider conditions and barriers that contribute to low female attendance in the first place;
- Health SWAps – focused on women's reproductive health needs and did not include other health needs of women and the conditions that produce different health needs and health care access among males and females;
- Agriculture SWAps – frequently recognised that women are important for agricultural production and food security, but the approaches did not analyse the underlying conditions that reduce women's productivity, such as unequal access to land, capital and other inputs to farming (DAC, 2002:3-4).

The recommendations from the Working Party are relevant for tackling issues of exclusion. They include: starting with a comprehensive analysis of the conditions that cause the discrimination; ensuring that stakeholder consultations are inclusive and influence sectoral policies; supplementing work with technical assistance to ensure that organisational structures and capacity are created over time to address issues of gender inequality or exclusion (DAC, 2002: 4-11).

In some cases, the best way to open up a policy debate about exclusion may be to undertake a Poverty and Social Impact Analysis of a current policy proposal for the sector. This is explained in Box 1.

In view of the likelihood that the main business of policy dialogue in SWAps will be dominated by broad equity principles and/or the sector-management challenges that these imply, there may be a case for developing projects to address specific exclusion problems. **This suggests that there is something to be said for a relatively loose SWAp concept, which allows this to happen, as against the more rigorous pooled-fund approach favoured by some sector advisors.**

Box 1: Poverty and Social Impact Analysis (PSIA)

PSIAs are *ex ante* studies into the social and poverty related impacts of policy change. Governments are now required to undertake PSIAs as one of the conditions for receiving World Bank and IMF lending. They are not required to do a PSIA for every new policy or reform receiving Bank or Fund support, but they are advised to analyse any policy likely to have large positive distributional impacts. For example, Cambodia saw a need for PSIA with respect to indirect taxation, land reform, and trade; Tanzania highlighted the distributional effects of interventions in the agriculture sector; and Vietnam is assessing the impact of enterprise reforms (World Bank and IMF, 2003: 13).

A review of a set of joint PSIA pilot studies argues that very few of them provided differentiated information on impacts on particular groups among the poor. In general, they included very little discussion on how policies may affect groups within different income quintiles (Bird, 2003:22). Among the PSIA pilot studies, a few do make reference to excluded or vulnerable groups:

* Rwanda - The Public Expenditure PSIA for Rwanda states that reform programmes do not appear to be targeted and do not recognise the particular constraints and barriers faced by women or other marginalised groups (Mackinnon et al, 2003). The report proposes that quotas might be used to ensure that women, youth, the disabled, ex-combatants and men released from prison are included. However, as Bird argues, the report does not explicitly address the detail of poverty processes and the possibility that some types of expenditure will address these processes better than others; nor does it provide differentiated understanding regarding impacts on vulnerable groups (e.g. women and the elderly) or the very poorest (Bird, 2003:25-6).

* Guyana – the Guyana PSIA examines the impact of reforms in the water, sugar and bauxite sectors. In the section on the water reforms, the PSIA differentiates between income quintiles and "notes that it is unlikely that the squatter, rural and hinterland Amerindian communities, who currently have poor access to water will gain universal water supply by 2007" (Bird, 2003:23).

Since these pilot studies, many more PSIA have been produced in different countries and on a number of different policy options. A recent PSIA was carried out on tackling vulnerability and exclusion in Ghana (Sync Consult, 2004). The overall objective of the study was to "assess the nature and extent of vulnerability and exclusion in Ghana through analysis of risks that affect people and their efficacy of risk management options available to those affected" (Sync Consult, 2004:7). The study adapts a Social Risk Management Framework used by the World Bank to analyse the nature of risks that confront people and their options for dealing with those risks.

The study shows that vulnerability in Ghana is exacerbated by exclusion that prevents people from fully participating in society and denying them from a full range of opportunities. "Exclusion results in the denial of individuals' rights and entitlements and contributes…to vulnerability and extreme poverty" (Sync Consult, 2004:8).

The key findings of the study include the following:
* Absence of comprehensive definition of vulnerability and exclusion and uncoordinated "projectisation" and fragmented interventions have undermined the effectiveness of poverty reduction efforts. This has resulted in a lot of money being spent without much impact.
* Targeting is a challenge, as experience shows that vulnerable and excluded people have not benefited from interventions that have supposed to address their needs.
* The risk management capacity of the vulnerable and excluded is weakened by the absence of a comprehensive social protection system (Sync Consult, 2004:10).

The policy proposals that emerge from the report are:
* "introduction of a multi-sectoral policy that will recognise the multiple dimensions and cross cutting nature of vulnerability and exclusion and will …harmonise all policies targeted at tacking vulnerability and exclusion;
* the need for an all-inclusive social protection system that reduces vulnerability…;
* need to address barriers to social inclusion to ensure that the vulnerable and excluded themselves are included in the design and implementation of interventions that affect their lives. This needs to include policies and actions to empower vulnerable and excluded, and eliminate gender inequalities;
* crisis management to mitigate and reduce risks borne out of the need to develop a more holistic and comprehensive disaster management framework…" (Sync Consult, 2004:11).

4.2   Budget support

Budget support has gained ground in recent years, as the aid instrument most closely associated with the PRSP approach. Bilateral as well as multilateral donors have been moving progressively from project to non-project aid and from import support to direct budget support (Driscoll et al, 2004:9). The United Kingdom, the Netherlands, Sweden and Denmark have all committed significant proportions of their bilateral aid to budget support. Since the Cotonou Agreement and the declaration of the European Commission and the Council of Ministers on the Development Policy of the Community, the EC has also committed itself to allocating an increasing proportion of its development co-operation in the form of budgetary aid (ibid).

Budget support is meant to finance the attainment of the outcome-objectives contained in the country's PRSP, while contributing to the strengthening of country institutions and processes that are considered essential for sustained and effective poverty-reduction efforts (Lawson and Booth, 2004). Different donors give slightly different emphases to their rationale for preferring budget support as a modality. In all cases, however, there is concern about the fiduciary risks entailed in giving budgetary aid and in how to minimise these.

There is also a common interest in mechanisms for performance assessment and the monitoring of progress. In this context, the priority is that mechanisms are in place to ensure that the government and donors are able to monitor the funds and the progress made according to national poverty reduction indicators. The joint Performance Assessment Frameworks (PAFs) and policy matrices that are now in common use by budget-support groups tend to focus on what are regarded as the key policy actions in providing these guarantees and the best overall conditions for poverty-reduction efforts to be effective.

These will not normally include direct action on exclusion issues. They may, however, focus on process changes (such as the gender and equity budget guidelines in Uganda above) that, in their turn, shape the incentive to address exclusion issues across government.

Also, in the context of budget support there are opportunities for governments to introduce policies to address exclusion that may not have been possible through project funding. Public social protection policies are possible to implement even in low-income countries (Shepherd et al, 2004:3). Start-up costs are high for social protection policies but they can be spread over a number of years and implementation can be progressive. Budget support can help countries to take the first steps sooner rather than later. The DFID paper on social protection explains that "[w]hereas under project modes of donor financing, support for long-term recurrent expenditure was difficult (and resisted), the increasing use of budget support makes donor support to social protection more possible. The key issue is agreement between donors and government on the uses of budget support; this may not be straightforward, since there are often competing approaches to social protection and contested priorities" (Shepherd et al, 2004:4).

Thus, the move away from project financing towards a partnership-based approach does pose some challenges to donors wishing to advance particular priorities and commitments, such as those on exclusion. However, GBS implies a scope for donors to engage with where and how public funds are being spent across the board, which is denied to project funders. **GBS donors are in a position to ask much more comprehensively about whether resources are reaching excluded groups.**

They may and may not wish to back this with specific disbursement conditionalities. A possible direction for donors would be to follow the EC's approach to budget support which has a fixed and variable tranche, where the variable tranche is linked to outcome performance, and could be linked to progress towards reaching excluded groups within a particular policy area. There is an obvious difficulty. As the EC itself has recognised, the challenge is to choose targets and indicators that help governments focus on results while not undermining national ownership of policy in the relevant sector. The best solution is to ensure that the variable tranche's indicators are based on the PRSP, but there may be doubts about whether the PRSP is the best test of country ownership as well as about the donor's willingness to make the trade-off in favour of ownership given the particular issue of exclusion that it is concerned about.

DFID's new guidelines on conditionality, and the implications for exclusion work, are reviewed in Box xx.

Technical assistance often accompanies GBS and other programme types of financial aid. This is an obvious route by which aid can build government capacity to tackle issues of exclusion within the new aid-policy context. DFID has technical assistance programmes in most countries in which it works and there are examples of this work addressing issues of exclusion.

In **Uganda**, DFID's support is based on the PEAP. DFID provides most of its support through budget support but accompanies this with technical assistance at both the central and sectoral levels. Two recent initiatives introduced by DFID are aimed at ensuring that the needs and priorities of pastoralists were included in the PEAP revision process. These included:

- A study tour for key policy makers to Kenya in 2003, to look at how pastoralist issues are handled there. This made a major contribution to pastoralism featuring in the revised PEAP as a recognised livelihood type.
- A regional workshop for MPs with a specific interest in pastoralism, held in Kampala earlier in 2004. The workshop was called by PANOS, with support from Oxfam and others (Beall and Piron, 2004:72).

This work illustrates the possibility of working with policy makers in a GBS context to explore why poverty reduction strategies are not benefiting all sections of society. It shows how to support a country policy-making process to enable it to become more responsive to excluded groups and their needs without necessarily compromising country ownership of the resulting policy options (ibid).

Box 2: Conditionality and exclusion

The UK Government's policy document for comment on changing aid conditionality sets out a new approach "to building a successful partnership for poverty reduction" (DFID et al, 2004:2). The policy paper states that aid conditions should not be unilaterally imposed by donors but should be agreed by both partners within a framework of the national poverty reduction strategy. There are six key elements on the terms of the aid partnership:

- Terms and conditions must support, not "buy" reform. Conditions must be linked to benchmarks agreed by both partners.
- Transparent terms and conditions are important for DFID's domestic accountability requirements and can strengthen the accountability mechanisms for DFID and partner governments to deliver on their promises.
- Conditions on sensitive policy choices will only be used where governments have had space to debate the policy choices and had the time to conduct poverty and social impact analyses (PSIA) where appropriate.
- Process conditionality will continue to be used to improve the effectiveness of aid.
- The UK government will be open and clear about the criteria that will be used to reduce to withdraw aid, which will include compliance with international obligations on human rights and peace and security.
- The UK government will improve aid harmonisation to reduce the burden of conditionality (DFID et al, 2004: 3-4).

An increasingly popular method is signing a Memorandum of Understanding (MoU) that sets out shared commitments and specific commitments for each government. The 2004 MoU between the UK and Rwanda governments includes a Government of Rwanda commitment to the UK to "continue to place poverty reduction and social inclusion at the centre of policy-making and resource allocation" (p.6). Under this commitment is a list of actions for the Government of Rwanda to undertake. These include identifying "within the PRS implementation and review cycle, policy responses which address needs of vulnerable groups; e.g. widows, orphans, disabled" and continuing to "mainstream women in development and gender issues into government policy and programmes" (p.6).

This suggests that although the new approach to aid conditionality is moving away from donors' specifying which issues and policies government must adopt, there remain a number of entry points by which donors can ensure either that aid is spent specifically on issues to tackle exclusion, or that universal development programmes do reach excluded groups. Aid harmonisation can provide greater opportunities. If donors are able to coordinate their thinking about cross-cutting issues such as inequality and exclusion, this may increase the effect. A unified donor voice is likely to be more persuasive than many disparate donor voices.

In **Rwanda**, the Ministry of Gender and Promotion of Women (MIGEPROFE) has introduced a gender budgeting initiative with technical assistance from DFID. Also in DFID's programme, technical assistance has been provided to place a long term expert in MIGEPROFE with the aim of supporting gender mainstreaming work. These initiatives could no doubt be replicated more widely. **One of the claimed advantages of GBS is that it allows aid to contribute to a process in which citizens of the country contribute to policy debates**

around the budget. In some countries, this has coincided with changes in the way governments formulate budgets, including the introduction of participatory budget processes and mechanisms to engender budgets. Whether or not these changes are successful will be a factor influencing the ability of budget support to be associated with policies against exclusion.

Participatory budgeting is based on the idea that budgets will be more pro-poor if poor people participate directly in the process. That might be taken to mean that participatory budgeting will only have an impact on exclusion if excluded groups are included. However, comparative research from a number of countries and municipal areas around the world suggests that the relationship between participation and budget outcomes is not so simple. The successful cases of pro-poor public spending are cases where a left-of-centre political party won power, and used that power to negotiate a shift in priorities (Bräutigam, 2004). We may speculate that something similar might apply to budgets which address exclusion.

Gender budget initiatives emerged when gender activists realised that commitments by governments to address gender issues will not have the anticipated impact unless they are backed up with policies and budget allocations. The aims of most initiatives are more than just identifying targeted expenditures, or allocating more money to women. "They also seek to break down and identify the differentiated impact and incidence of general public revenue and expenditure on women and men … [and] … can significantly contribute to overall objectives like equity, equality, efficiency, transparency, the realisation of social, economic and cultural rights, and good governance" (Gender and Development, 2002:1).

In Tanzania, a gender budget initiative was started in 1997. It was started by a local NGO, the Tanzania Gender Networking Programme (TGNP) in collaboration with the Feminist Activism Coalition (FemAct) as a response to the growing marginalisation of women, young people and poor men. The initiative started as gender-sensitive budget research that was fed into those ministries most affected by the harsh economic situation (education and health). This prompted the Ministry of Finance to introduce its own gender budget work a year later, particularly linked to the MTEF. After some time, TGNP were contracted as gender experts. They are actively engaged in the PRSP process, and have also been invited to take part in the annual Public Expenditure Review meetings chaired by the Ministry of Finance.

TGNP has significantly raised the profile of gender issues in the budget process, in part due to their innovative approach of linking their gender budget work with their actions to make the PRSP and PER more gender-sensitive and pro-poor (ibid). While the Tanzanian system – e.g. the place of the PER in relation to other parts of the public expenditure management and aid system – has some individual features, **the experience illustrates possibilities that could be exploited in other countries.**

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Annex 1: Exclusion in first-round PRSPs by country

Albania

Albania's PRSP, completed in November 2001, includes a commitment to social equity in that the benefits of growth should be distributed to the entire population. One of the PRSP's main objectives is the "reduction of people living in poverty with the aim of alleviating poverty, in particular, for worst-affected social groups and areas" (p.xi).

The poverty diagnosis stresses the multidimensional nature of poverty in Albania. It recognises that certain groups (e.g. female headed households) and regions have higher incidences of poverty. As part of the poverty analysis, the Government of Albania used a human development indicator and developed a *social exclusion index.* The human development indicator is a synthesis of three components of human development: life expectancy, schooling level and living standard. Social exclusion was measured by using the indicators of mortality rate, dropout level and income-related poverty. **The social exclusion index was used to produce a** *social exclusion map* (p.29).

It is not clear, however, how this analysis has been translated into public policies that seek to address issues of exclusion. The priority area that is most related is the one on social protection measures. This section sets out commitments to improve the coverage and content of the current social protection and social insurance programmes for urban and rural poor. There is also a social care programme aimed to support and integrate disabled individuals, and give protection to orphaned children and elderly persons living alone (pp.74-75).

Bolivia

Bolivia's first full PRSP (EBRP) was completed in March 2001. The preface of the PRSP starts by stating that: "the Bolivian Poverty Reduction Strategy is rooted in an irrefutable premise: poverty, inequity, and social exclusion are the most severe problems affecting democracy and governance in Bolivia, and that, in consequence, the preservation of democracy demands that the highest priority be given to meeting these challenges" (p.11).

The PRSP was developed after a participation process called the National Dialogue. Indigenous peoples' groups participated in this process – notably the apex organisations of the minority lowland peoples – and various issues of exclusion and marginalisation were raised (pp.48-49). Social exclusion was seen as a problem related to both gender and ethnic discrimination, with limitations on exercising rights and participating in community decisions (p.49). Giving more importance to local governments was seen as a prerequisite to tackling issues of exclusion. The National Dialogue was institutionalised in the *Ley del Diálogo*

(2001) which required that citizens be involved every three years in the revision of the national poverty reduction strategy.[8]

The PRSP recognises the extreme poverty levels in rural municipalities of the high plateau and that this is where many indigenous peoples and communities live. These communities are scattered, difficult to access and poorly integrated with population centres, with the result that access to basic services is limited, production infrastructure is insufficient and agricultural yields are low (p.32). The poverty diagnosis also contains information on urban poverty and the differences in urban poverty levels associated with different socio-economic characteristics of households and individuals. Poverty levels are higher for households headed by young people, for those with less than five years formal education and for the sections of the population that speak native languages (p.37).

One of the four PRSP objectives is "Promoting Social Integration and Participation", which includes measures to deepen popular participation and social control over the EBRP (for example, the Social Control Mechanism). This section outlines its position on social exclusion and poverty and states that "[r]educing social exclusion means giving poor communities the power to make decisions helping them to organise in defense of their interests, transparency in decision-making and providing an accounting of the use of resources" (p.113). **Two lines of action are suggested: i) supporting and training for citizen organization and participation; and ii) reducing inequities and barriers based on ethnic discrimination** (p.114). Within the latter, the strategy undertakes to strengthen the "self-management capacities of indigenous and native organizations". Meanwhile, the Ombudsperson's Office "will be strengthened with special emphasis on human rights offices for matters relating to indigenous peoples, in their role of providing information and serving the demands of vulnerable sectors of the population in indigenous areas of the East and West identified as most sensitive due to their high levels of insecurity and poverty" (p.117).

As one of the cross-cutting themes of the PRSP, "[a]ctions directed to seeking equity will be promoted through policies designed to improve opportunities for ethnic groups and indigenous peoples, create citizenship capabilities, and protect and promote women's rights" (p.58). Within this theme, there is a section on "Development with identity of indigenous and native peoples". Actions are proposed to:

- broaden opportunities for economic opportunities (promoting and facilitating entrepreneurial organisation and self-management by indigenous and native peoples; consolidate culturally based indigenous and native micro-enterprises);
- facilitate access to social services (link programmes to special characteristics of small farmer communities and indigenous and native peoples); and

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8   In the last two years, the political situation in Bolivia has disrupted and delayed the process of developing the second generation PRSP, including the National Dialogue process.

- strengthen indigenous and native group organisations (recognitions and exercise of economic, social and cultural and political rights of small farmer communities and indigenous and native peoples; strengthen management capacities; consolidating the functionality of the Indigenous Municipal Districts (p.125)

Within the monitoring and evaluation section, there are indicators for the "Development of identity", which include the implementation of the Indigenous Development Plan, the number of culturally oriented micro-enterprises in operation and the percentage of population covered by health, education and other basic services (p.184). Also included in the section on Social Integration and Participation, is an indicator regarding the reduction of exclusion: to measure annually the percentage of the population with identity cards (Casson, 2001:13).

The possession of an identity card is a precondition for voter registration. Non-registration, particularly among women (as men can use their military-service papers), is closely associated with being card-less. Thus, this is a good indicator of political exclusion. Action on this issue is likely to prove very valuable in combating both ethnic and gender-related political exclusion in Bolivia. **However, the specific measures that have been taken were initiated by a DANIDA-funded project, which originated separately from the PRSP and may have predated it.**

Cambodia

Cambodia completed its PRSP in December 2002. It includes a multidimensional definition of poverty and explains that poverty in Cambodia has largely resulted from high population growth, inadequate opportunities, low capabilities, insecurity, exclusion and vulnerability (p.iii). **Within the poverty analysis, the PRSP explores the factors that cause exclusion, including: illiteracy; lack of access to decision making processes and law; discrimination on the basis of gender and ethnicity, HIV/AIDS and corruption** (p.22).

The PRSP's Action Plan Matrix includes special programmes for excluded groups, including:

- education, training and rehabilitation programmes for socially excluded groups;
- introduction of basic safety nets for the poor, orphans, disabled people and the elderly;
- providing support to disabled people including dissemination of information, training, expanded rehabilitation services
- support to the elderly in the form of community based support activities;
- ensure equal access rights for women and veterans to economic resources and opportunities and their equal participation in national decision making processes;
- ethnic minority development including research and improvement of policies and the promotion of ethnic-minority oriented development activities especially to natural resources and basic services provision;

- promoting gender equity through research, training, legal protection, community awareness projects (pp.171-235)

The available documentation does not allow a proper assessment of the degree to which these programmes have been funded and realised in practice. Another comment is relevant too. **It is unclear whether the PRSP document simply recognises the existence of a range of separately managed programmes or was part of a process in which country-owned initiatives to address exclusion were built.**

Ghana

Ghana's PRSP (February 2003) recognises poverty as multi-dimensional, with complex interactive and causal relationships including factors leading to vulnerability and exclusion (p.3). The poverty analysis includes aspects of exclusion and presents evidence suggesting that "vulnerability and exclusion among some geographical groups, socio-economic groups, gender and age groups may have worsened" (p.13).

The preparation process started with a national forum for stakeholders. The forum focused on five major thematic areas including vulnerability and exclusion. Subsequent consultations included a wide range of stakeholders including community groups and civil society organisations. Apart from a statement saying that women, youth, men, traditional authorities etc. were represented among these groups, there is no information on whether excluded and vulnerable groups were specifically included in these consultations.

The main goal of the PRSP is to ensure sustainable, equitable growth, accelerated poverty reduction and the protection of the vulnerable and excluded within a decentralised, democratic environment (p.30). This includes a number of strategies including special programmes in support of the vulnerable and excluded. These include:

- free basic education including provision of school clothing and meals for children in the three Northern Regions and alternative education for children and youth that are out of school;
- expansion of social security and social protection schemes, the introduction of a regulatory framework for private social security schemes and public marketing of social security to those working in the informal sector;
- slum upgrading and the enforcement of planning schemes;
- disaster management with a focus on developing the capacity of agencies involved in the management of disasters;
- co-ordinating service delivery. The strategy will support policy development to ensure service delivery is coordinated and reaches vulnerable groups, particularly the disabled, street children and excluded women and children. Finally, partnership programmes with NGOs will include **special programmes for community-based rehabilitation and education for physically and mentally challenged persons the provision of facilities and basic material support for schools for the**

blind and deaf, orphanages and community-based programmes for the elderly.

A PSIA has been carried out on tackling vulnerability and exclusion in Ghana (see box in main text). However, there is a major obstacle in the Ghana case to making any firm conclusions about the contribution of the PRSP process to tackling exclusion issues. This is the lack of a credible linkage between the priorities stated in the document and the funding of public-sector activities.

Donor-funded NGO projects do aim to address the needs of various vulnerable groups, as well as the concentration of extreme poverty in the north of the country. However, all this predates the PRSP and is largely independent of the PRSP process. On the other hand, recent investigations of the status of the budget and Medium-Term Expenditure Framework in the context of Drivers of Change work for DFID produced very discouraging results. **The formal government budget is not a good guide to actual resource allocation. A good deal would have to be done before an effective link between PRSP aspirations and government actions could be established.**

Guyana

The Guyana PRSP completed in 2001 includes issues related to the Amerindian (indigenous) population, often in reference to high levels of poverty in particular regions of the country. "Poverty is very unevenly distributed throughout the country. The lowest incidence of poverty is in the urban areas …The highest is in the rural interior. The high incidence of poverty in the hinterland areas is largely the result of isolation. These areas are far removed from the hubs of economic activity and are thinly populated, with less than 10 per cent of the total population" (p.6). This is a, somewhat ambiguous, reference to the Amerindian population which makes up roughly that percentage of the population and is concentrated in the hinterland (Bourne, 2003:17).

The PRSP refers to the creation of a Ministry of Amerindian Affairs, an Amerindian Development Fund and an Amerindian Skills in Community Development and promises that the government will finance small projects designed and implemented by Amerindian communities (p 58). The overall objective of these institutions and related policies and programmes regarding the Amerindians is to integrate them into national life (p.58). Since the PRSP was prepared, an Indigenous Peoples Commission has been proposed, as part of a constitutional reform process, but its creation has been delayed due to a parliamentary stand-off between the government and opposition (Bourne, 2003:17).

The PRSP also describes the participation process which included PRSP consultation in Region 9 conducted by Amerindian village chiefs (the Touchaus). This was actually bigger than had been planned by the PRS team and resulted in a comprehensive report of their requirements. **However, most of these priorities were not translated into policies within the document**, although the government acknowledged that this process should be built on in future consultations. The deficit of policies to address exclusion is also apparent for

other groups in Guyana. For example, the issue of inequalities in economic status related to ethnicity, particularly for the Indo-Guyanese and Afro-Guyanese, was not raised in the PRSP (Bourne, 2003:17).

Honduras

Honduras produced its first full PRSP in August 2001. It has a vision of reducing poverty through accelerated and sustained growth, the benefits of which are distributed equally (Marcus and Wilkinson, 2002:13). In Honduras, as with many countries in Latin America, the indigenous population experiences significant political, social and economic exclusion. Although Honduras' PRSP does not disaggregate poverty data to highlight the level of poverty among indigenous peoples, it does say that "belonging to some of these [ethnic] groups increases the risk of becoming part of the most vulnerable groups in the country" (Honduras PRSP, cited in Feiring et al., 2003:10).

In Honduras, nine indigenous peoples are recognised by the state. While the PRSP mentions that some members of "ethnic groups" participated in the process, in some regions, such as the Moskitia,[9] none of the indigenous peoples participated directly.

The PRSP is divided into five strategic guidelines including "strengthening governance and participatory democracy within the PRS framework". This includes policies and actions for establishing conditions that guarantee equity without regard to gender, age, ethnic origin or any other type of social differences; as well as for democratic strengthening and improving the administration of justice (p.58). **Other key objectives in the PRSP include security in access to land and strengthening social protection for specific groups and building indigenous peoples' capacities.**

However, the policies for the development of the forest sector, which includes supporting the development of commercial forest plantations and enlarging and developing the primary and secondary forest industry, appear to be in conflict to the priorities of indigenous peoples living in forest areas, such as the Moskitia (Feiring et al, 2003:10). This suggests that the PRSP process may have advanced the discussion of indigenous rights somewhat, but **was not capable of resolving the fundamental conflicts of interest that often lie at the back of exclusionary relationships when important natural resources are involved**

Nepal

Nepal's full PRSP completed in May 2003 later also became the 10th Five Year Plan. The process for producing the 10th Five Year Plan was different to the previous nine in a number of ways. It adopted a participatory and more 'bottom up' approach and included a nation-wide consultation process. Five regional consultations were held with representatives from "ethnic minorities, backward communities and areas, government officials, representatives from academia and

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[9] The Moskitia, is a vast and thinly populated forest inhabited by 73,000 indigenous peoples (Feiring et al, 2003:9)

private sector, NGOs and CBOs" (p.7). The process was also supported by donors, including a joint World Bank and DFID gender and exclusion assessment (DFID, nd:3).

The poverty analysis goes beyond income definitions of poverty and also recognises that discrimination and social exclusion are "dysfunctional and constitute … disinvestments for future poverty reductions" (Sadeque, 2003:5). A section on "Ethnicity and Caste-Based Disparities" shows the different ethnic and caste groups within Nepal. Although some key data sources aggregate data for some of these groups, making it difficult to accurately establish poverty levels for different groups, some general conclusions are possible. "In general the *Janajati* (indigenous ethnic) groups have higher poverty levels (ranging from 45-59%) than the national average, while the *Dalits* have poverty levels as high as 65-68%. There are some notable deviations from this generalization. The upper caste *Chhetris* have an above average poverty rate of 50%, while the Muslims, although low in the social hierarchy, are relatively better off in terms of poverty incidence. And the indigenous *Limbus* have the highest rate of poverty (71%)" (pp.28-29). The section also highlights regional and educational ethnic-based disparities.

This evidence on poverty levels, together with the on-going conflict in Nepal, ensured that the government and donors recognised the significance and scale of exclusion. One of the four pillars of the PRSP is: "[t]argeted programs including social inclusion, in order to bring the poor and marginalized groups into the mainstream of development, together with targeted programs for the ultra poor, vulnerable and deprived groups (who may not adequately benefit from the first two pillars" (p.41).

The PRSP seeks to address ethnic, caste and gender disparities and to encourage social inclusion through mainstreaming efforts throughout the four pillars. There are then also targeted programmes, which include:

- multidimensional and integrated development programmes for construction of infrastructure, such as drinking water, small irrigation, schools, health posts in poorer areas;
- programmes which aim to improve the access of target groups to resources, skills and opportunities for income generation. For example: programmes on women's group formation and empowerment, income generation activities, non-formal education, and skills training; and
- programmes to improve the access to education for deprived groups (through scholarship programs) (p.59).

The PRSP also proposes affirmative action measures in a number of key areas such as education, health, participation in public services, administration, political life and at the community level. These measures are aimed and women, ethnic and caste-based groups (p.57).

Nepal would be an interesting case for more detailed, fieldwork-based enquiries to establish the degree to which the bold programmatic statements in the PRSP have been translated into real transfers of resources and effort. **Given the heavy**

engagement of donors such as DFID that favour programme modalities and working with government systems, it will be an important test case for ability to operationalise exclusion work in the new aid-policy environment.

Rwanda

Rwanda's PRSP (June 2002) includes a cross-cutting theme of inequality. It explains that perceptions of inequality and social exclusion have been major features in Rwanda's history and were the basis of the "*ethnicisation"* of all aspects of life which laid the foundations for the 1994 Genocide (p.72). The strategy seeks to remedy levels of inequality by mainstreaming distributional issues throughout the strategy. Also, it states that "[r]educing poverty, inequality and building an inclusive society must be the basis of unity and reconciliation". (p.72).

A number of institutions were set up after the 1994 Genocide and their work is included in the PRSP. The PRSP is committed to mainstreaming the work of National Unity and Reconciliation Commission (NURC) into every sector of policy and life in Rwanda. The PRSP also provides support for widows, orphans, unaccompanied children and sexually abused women and children through the Victims of Genocide Fund (VGF). **5% of Rwanda's annual domestic revenue goes to these groups in the form of school fees, healthcare, social rehabilitation and income-generating schemes** (p.158 and Marcus and Wilkinson, 2002:23).

Rwanda is a good case of the PRSP approach being used to serve the cause of social inclusion, but may also illustrate some of the dangers of a mechanical donor response to the new aid thinking. The government has a clear philosophy which includes better-than-average efforts to direct public spending in line with the priorities set in the PRSP process. On the other hand, the government's concept of national reconciliation is contested and many donor organisations express strong reservations about the degree to which the UK, the EC and Sweden concentrate their aid on supporting the government's vision through budget support.