

National Poverty Reduction Strategies (PRSPs) in Conflict-Affected Countries in Africa

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Previous Briefing Notes include: A review of Growth Strategies in a selection of African PRSPs, Costings in PRSPs, Reporting and Monitoring in a post-full PRSP world, A Comparison of PRSCs in Vietnam and Uganda.

PART 1: INTRODUCTION & BACKGROUND

The Study and the Scope of this Note

This Briefing Note has been prepared by the PRSP Monitoring & Synthesis Project¹, and is based on a study jointly commissioned by DFID's Africa Policy Department (APD), Conflict and Humanitarian Affairs Department (CHAD) and Africa Greater Horn Department (AGHD) to examine progress with and prospects for the implementation of Poverty Reduction Strategy Papers (PRSPs) in selected countries affected by conflict. The study was finalised in August 2002 and was produced by a team led by Lyndsay McLean Hilker and included Andrew Norton, Alison Evans, Laure-Hélène Piron and Erin Coyle.²

The study focused on a core set of questions about the prospects for a PRSP process in countries affected by conflict, and what might be a suitable donor response given the challenges of the conflict environment. The main analytical work was carried out using secondary sources and materials. Study team members also made two country visits – Rwanda and Sierra Leone³ – selected from a broader set of countries considered to be a particular interest.⁴ These were:

- countries still engaged or recently engaged in conflict but having already developed or developing a full PRSP (Uganda, Ethiopia, Rwanda, Sierra Leone)
- countries still engaged or recently engaged in conflict with the prospect of developing a PRSP over the next 12-24 months (Angola, DRC, Burundi, Nigeria)
- countries still engaged or recently engaged in conflict that are not currently 'PRSP countries' but may start PRSPs in the medium term (Sudan)

This Briefing Note highlights key findings and messages from the wider study; it is not meant to be exhaustive. A Strategic Framework designed to assist DFID country teams with issues relating to engagement with PRSPs in countries affected by conflict is attached separately.

Background

Violent conflict⁵ is widely recognised as a major constraint on Africa's development, with the World Bank estimating that almost 50 percent of African countries and over one in three of African people affected by it, directly or indirectly.⁶ For this reason donors are concerned to develop forms of engagement that help to reduce or prevent conflict and promote conditions for longer-term development.

Donor concerns have recently intensified as efforts to build peace in the immediate aftermath of hostilities have been accompanied by efforts to develop national Poverty Reduction Strategies (PRSPs) as a way building commitment to long term poverty reduction and accessing concessional financing. This has raised questions about the potential synergy or trade-off between strategies for conflict reduction and strategies for poverty reduction, particularly given the risk of subsequent conflict in the first few years after the end of violent conflict. The extent to which a synergy exists between peace building and poverty reduction, and can be built on by national governments and the international community to enhance the prospects for longer-term development is a key question for this Briefing Note.

Differences in Conflict Contexts

There is no definitive way of categorising countries in conflict, but two helpful distinctions are the **type of conflict** (minor civil war, inter-state, regional) and the **phase of conflict** (at risk, ongoing, in peace talks or post-conflict). The table below categorises the main countries reviewed by the study using these two dimensions. In several cases countries are engaged in more than one type of conflict, or straddle more than one phase of a conflict. It may also be useful to further distinguish types of conflict by the degree of violence (large scale military

confrontations or guerrilla attacks on civilian and military targets) and by some of the less obvious fault-lines of conflicts, such as, conflict between women and men or armed and unarmed groups.⁷

Table 1. Assessing the Type and Phase of Conflict

| Type of Conflict | Phase of Conflict | | | |
|--|-------------------|-----------------------------|------------------------------|--------------------------|
| | Ongoing conflict | In peace negotiations | Recent cessation of conflict | Post conflict transition |
| Localised civil conflict or tension | Uganda Nigeria | | | |
| Major internal conflict | Burundi | Burundi DRC | Angola DRC | Rwanda Sierra Leone |
| Inter-state war | | | | Ethiopia |
| Involved in external conflict | Uganda Burundi | Rwanda Angola Burundi | | |

Note: Conflict situations are fluid so this classification of countries will rapidly become out of date. The purpose is to illustrate the localised and systemic nature (within and across borders) of most violent conflict situations.

Conflict-related poverty

Conflict-affected countries in Africa experience many of the same problems of weak economic performance, poor governance and vulnerable livelihoods as many other low-income countries in the region. However, in addition, there are specific manifestations of conflict related poverty:⁸

- Damage/destruction to social, economic, institutional and physical capital important to poor people;
- Loss of livelihoods and the destruction of household assets, poor access to markets;
- Breakdown of informal coping mechanisms and loss of social cohesion;
- Weak human capital caused by disruption to or absence of formal education.

Physical and economic insecurity are major aspects of poverty in conflict countries, even in localities not directly affected by war. There are also people with specific conflict-related vulnerabilities such as the war-wounded, amputees, orphans, single parent and child-headed households. The implication is that any poverty reduction strategy will require some understanding of the new forms of poverty and vulnerability that are created during conflicts.

State Institutions and Governance

Historically, development and poverty reduction have been premised upon there being a modern state, with government capable of exercising control and providing security for its citizens. In cases of conflict the role of the state is often contested and the capacity of government to govern is compromised by a lack of resources and institutional failure. Some of the biggest challenges, which can be both a cause and a consequence of conflict, can be found in:

- Significantly weakened/reduced state capacity;
- Low political legitimacy and the dominance of national security concerns;
- Ongoing problems of insecurity, breakdown in the rule of law and widespread corruption;

- Disruption to economic activity because of landmines, loss of basic infrastructure and communications;
- Low levels of poverty related public spending;
- Weak public sector capacity and poor information (with social and poverty statistics being particularly unreliable);
- Weak or missing civil society institutions and a relatively small and specialised donor presence.

The challenges faced by countries affected by conflict raises the question of whether the PRSP approach is the most relevant instrument for donor engagement.

Relevance of the PRSP approach in conflict-affected countries

The PRSP approach is built around a number of core principles of which national leadership and ownership of the strategy through broad-based participation is the most important. The implicit assumption is that countries adopting PRSPs will have certain basic conditions in place:⁹

- A credible political authority that has control over people and territory;
- A degree of commitment to peace and poverty reduction
- A minimally functional government that follows certain basic good governance practices and economic policies
- A political climate that can support some degree of public participation and opportunities for civil society and private sector engagement.

Table 2: PRSP Process in Study Countries

| Stage of PRSP | Countries in conflict (internal/ external) | Countries emerging from conflict | Countries at risk of conflict |
|-------------------------------------|--|----------------------------------|-------------------------------|
| Drafting I-PRSP | Sudan Burundi Nigeria | Angola | |
| I-PRSP approved, drafting full PRSP | DRC | Sierra Leone | |
| Draft PRSP awaiting approval | | Ethiopia | |
| PRSP approved and being implemented | Uganda Rwanda | | |

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Table 2 shows that all of the countries covered by the study are engaging with the PRSP process, yet in many instances the conditions mentioned above are either missing or in a very fragile state as a result of conflict.

- In Sierra Leone, government technically has full control over territory, but there are many parts of the country that remain cut off and where public services have not reached for many years because of war and earlier state collapse. There are major shortcomings in basic institutional capacity and governance. While the government is one of the more democratic in the region and consequently has formal legitimacy, it is yet to translate this into meaningful popular accountability. Despite a fairly comprehensive I-PRSP, there are doubts about the extent of government commitment to poverty reduction and a more inclusive political process.
- In Angola the government has formal political authority, but falls short on all other counts. Until the recent peace accord, government control was limited to the coastal strip around Luanda. Despite preparing an I-PRSP, there has been no material evidence of a commitment to poverty reduction, as evidenced by government reluctance to use oil revenues to improve living standards or introduce relevant policy reforms. There is limited room for civil society engagement and there are questions about basic institutional capacity.

- In Sudan, the basic functions of the state are present but only in parts of the country under government control; long-standing war in south Sudan is evidence both of lack of control over territory and lack of commitment to peace. The government and the opposition SPLA are both articulate in the language of development but with very different objectives. Before preparation of the I-PRSP there was little evidence of government commitment to poverty reduction and a very limited space for public participation of any kind.
- In the Democratic Republic of Congo there is a commitment to macro-economic reform but less clearly to poverty reduction; progress towards establishing peace and an inclusive government has been uneven; government has had no effective presence or legitimacy in much of the countryside for several decades. Organised civil society barely exists. Nevertheless, DRC has produced an I-PRSP which has recently been approved by the Bank-Fund boards.
- Rwanda, Uganda and Ethiopia are the distinctive cases. Here all the basic conditions mentioned above are in place and, as a result, each has a sound national poverty reduction strategy enjoying relatively wide internal and external support. Constructive engagement in the PRSP process¹⁰ has helped to enhance governmental capacity and strengthen processes of downward accountability. In Rwanda, there are still concerns about the extent of civil society 'freedom' to engage in public policy debate.¹¹

The examples show that PRSP processes are going ahead in several countries where governments do not have full and effective control over territory, populations or institutions. PRSPs have also been started by governments before the end of a conflict¹² - in Sierra Leone as an attempt to strengthen the peace and reconstruction process, in Angola as a way to try and garner international support and in the DRC because the IFIs feared that it faced imminent financial collapse.

There are three potentially important implications here.

- First, a government or political authority can begin a PRSP process at any time; even if the international community is not ready to support it.
- Second, whereas in most low-income countries the PRSP approach has evolved as a logical development of previous national and donor strategies with the basic conditions of state capacity taken for granted, in the case of most conflict-affected countries (Uganda being an obvious exception) the PRSP is one of a number of instruments that will have to contribute to the building of these basics. The degree to which the PRSP can assist in the process of state-(re)building will be a crucial test of its relevance.
- Third, conflict-affected countries often become engaged in the PRSP process not because of a primary concern with poverty reduction but because of the financial access (and legitimacy) that it provides. The hard reality is that countries can engage in preparing a PRSP without necessarily being committed to either poverty reduction or an end to conflict (Box 1). Assessing the relevance of the PRSP process in these contexts must involve a wider reading of the governance and conflict context, in particular a better understanding of the 'legitimacy' and 'capacity' of government.

Box 1 : Poverty Reduction and Conflict Prevention: Synergy or Trade-Off?

There is an assumption that there is a synergy between poverty-reduction and conflict-prevention. There are indeed elements of synergy, but there are also some grounds for scepticism. On synergy, it may be precisely the occurrence of an outright conflict that makes poverty-reduction possible. Powerful popular coalitions in favour of radical reforms often emerge from conflicts. Western countries' freedoms did not emerge without various kinds of outright conflict, though clearly some processes were more violent than others. Making participation real and deep doesn't have to be violent but history suggests that it often is. There may be some kinds of conflict prevention that actually freeze existing structures of exploitation and the often-hidden violence of peacetime, suggesting that there is a problem in placing conflict and peace at two ends of a spectrum.

However, there may be trade-offs. First there is a possibility that nationally led poverty-reduction strategies will themselves involve various kinds of conflict and perhaps outright violence. Some national agendas for poverty reduction in the past have helped fuel future conflicts e.g. the development process in Rwanda before the 1994 genocide fostered the practice of forced labour; development in Sudan involved forcibly ejecting people from mechanised farming estates and then, during wartime, ejecting them from the south onto agricultural projects in the north. Just as peace settlements can re-enforce conditions of economic exclusion created by war, there is a possibility that national PRSs could do the same unless there is a commitment to address forms of wealth and power, poverty and vulnerability created by and during conflicts.

Secondly, poverty-reduction processes (and associated political changes) may themselves be *incendiary*. The assumption of a synergy between poverty-reduction and conflict-prevention seems to be related to an (unspoken) assumption that contemporary African conflicts are largely driven by 'bottom-up' processes, but a good deal of research on Africa shows the importance of 'top-down' processes in generating violence. Keeping a conflict going can be useful in suppressing political dissent since dissenters can be readily labelled as supporters of 'the other side'. Recognising these political processes is crucial to an understanding of the prospects for peace and poverty reduction.

Source: Based on Peer Reviews by David Kean (2002) and Mark Bradbury (2002)

PART 2: REVIEW OF DONOR ENGAGEMENT IN CONFLICT AFFECTED COUNTRIES

Issues and Guidance Affecting Donor Engagement with the PRSP Process

The issues above point to a clear dilemma for donors - while most countries engaged in or affected by conflict clearly need the additional resources that instruments such as the PRSP process can mobilise,¹³ they also face major challenges in creating the conditions for a credible PRSP process. What is also clear is that the decision by donors to engage with a PRSP is first and foremost a political one,¹⁴ and the decision about *whether* and *how* to engage will be driven as much by political concerns as it will by a technical reading of the process itself.¹⁵

A review of donor literature on conflict-related issues suggests that concerns about the political legitimacy, commitment and capacity of government in conflict settings are uppermost, with legitimacy concerns being expressed most directly by bilateral agencies and multilateral organisations such as the UN and EC. Nevertheless there remains a degree of disconnect between donor guidance on engaging in conflict countries and approaches to the PRSP process in these countries. The IFIs decision to engage in either case remains largely based on economic and technical criteria.

The International Financial Institutions

At the time of initial interviews, the message from IFI staff working on PRSPs was that the PRSP process is flexible and can be adapted to most country contexts and, because it is country-led, can be pursued irrespective of how the international community may view the initial conditions. However, the recent World Bank Board Paper based on the PRS Comprehensive Review makes it clear that "adequate progress towards cementing peace and establishing security" is a prerequisite for starting a PRSP process. Even more recently, changes in PREM point to a growing acceptance that the processes and content of PRSPs are likely to differ in conflict –affected countries.

At the time of interview, none of the IFI sources of guidance on the PRSP process provided any specific direction to staff (or other donors) on whether, when or how to engage with PRSP processes in conflict-affected countries.¹⁶ The JSA guidelines did not make specific reference to issues of particular importance in conflict countries, such as whether it is more appropriate to undertake a vulnerability assessment than a poverty assessment in the period immediately following a conflict. Nor does the PRSP Sourcebook contain specific recommendations on how countries affected by conflict might address the interaction between conflict prevention and long term poverty reduction. This lack of guidance is regarded by some observers¹⁷ as the reason why I-PRSPs and PRSPs prepared in conflict-affected countries contain only a superficial treatment of conflict-related issues and look remarkably similar to one another as well as to strategy documents prepared in other low-income countries. Very recently, however, the position of PREM has shifted and there is growing acknowledgement of the need for central guidance and support on how to work with PRSPs in conflict contexts.

Working in conflict-affected countries is not new to either the Bank or the Fund, however, there is no single framework governing the timing of IFI operations in a conflict-affected country. Where a country is in conflict and IFI lending has been suspended, the Bank will monitor the situation through a Watching Brief. The IMF continues to survey macro-economic conditions and dialogue with a country even if it has no lending programme. IFI engagement is then scaled-up as soon as security conditions permit, a "credible political authority" has been established and their involvement can be productive. Criteria are not readily available for how decisions are reached on these matters. In practice, judgements are based heavily on certain technical/economic criteria. The main principles guiding the resumption of financial assistance are that:

- Governments must establish a satisfactory track record of sound economic management, normally over three years
- It is provided on appropriate concessional terms
- It is provided within the framework of concerted international action

The financial policies of both the Bank and the Fund do not permit them to extend new loans or credits to countries in arrears (affecting many countries in and emerging out of conflict), but they have recently taken steps to help countries with large and protracted arrears.

Given the challenges facing conflict-affected countries seeking eligibility for HIPC and or IDA assistance, the IFIs are considering accelerating the delivery of financial assistance by having a shorter track record leading up to the decision point, a longer preparation period between I-PRSP and PRSP and a greater front-loading of interim debt relief. The assessment of a government's track record would also place greater emphasis on institution building and governance leading up to the decision point and on establishing mechanisms to ensure proper use of resources (e.g. expenditure tracking) during the interim period.

Concerns have been raised about the timing of IFI re-engagement in conflict countries, mainly because judgements about scaling up IMF engagement still seem to be based almost exclusively on economic criteria. Discussions with IFI representatives suggest that they are trying to coordinate with other actors on political issues but, in the end, the IFI Articles of Agreement prevent them making explicit use of political criteria (Box 2).

Box 2: IFI–Donor Disagreements over Support for the PRSP Process in DRC

The recent case of the DRC highlights important differences in the criteria governing IFI and bilateral/multilateral donor engagement in a conflict-affected country. While the IFIs have put their faith in a small group of key reformers in the Central Bank and other key ministries, other donors remained concerned about the degree of commitment by Kabila's government to the ongoing peace talks, in particular the Inter-Congolese Dialogue for a transitional government. Although the IFIs were clear that Kabila's expressed commitment to the three objectives of macroeconomic reform, regional and internal peace was critical to their re-engagement, the outcome of peace talks were not something they were monitoring directly nor were there obvious contingency plans for a possible talks breakdown. In June and early July 2002 the IFIs were proceeding with a PRGF based on Board discussion of the I-PRSP while the ICD was stalled because of arguments over the composition of the national army and a failure to reach agreement with all except one of the rebel groups. Several donors were unhappy with the pace of IFI re-engagement, and during I-PRSP and PRGF approval in June, the UK stressed that a move to a full PRSP would not be possible until there was an all inclusive government. The UN had similar concerns. In the event, a peace agreement was signed between Rwanda and the DRC at the end of July, so that IFI re-engagement did coincide with improved prospects for peace, but this was fortuitous rather than planned.

Other multilateral and bilateral donors

Other multilateral and bilateral donor decisions about engaging in PRSP processes follow a wider set of decisions about establishing longer-term development cooperation, which are in turn guided by political and economic considerations. Development cooperation is often just one part of a more comprehensive response in conflict settings involving military, diplomatic, and humanitarian instruments.

With regard to engagement in PRSPs, guidance is relatively limited. Donors stress that evidence of government commitment to poverty reduction is the over-riding consideration, though none has specific criteria for assessing this. Sweden makes government commitment to poverty reduction a pre-requisite for engagement and is willing to help to improve government capacity where this is weak.¹⁸ The Dutch government specifies three questions which need to be asked in deciding whether to engage with a PRSP process: "(i) is the process sufficiently inclusive? (ii) is the budget transparent? (iii) are enough pro-poor choices being made?"¹⁹ The UK (DFID) asks whether the PRSP represents a credible commitment to poverty reduction. DFID's main concern is the nature of the process and the extent of government commitment, as distinct from the capacity of government to deliver. Where government is not perceived to have a credible commitment to poverty reduction DFID will not provide financial assistance to government, instead it will (i) deliver urgent and humanitarian relief through NGOs (ii) support measures that build pressure for increased government accountability (iii) selectively work with governments and reforming elements to create conditions for a successful PRS process in the future, and (iv) seek ways to reduce the impact of the weak policy environment on the poor.²⁰

The UN has probably the most overtly political role to play in countries emerging from conflict. The UN Charter gives the UN an explicit mandate to promote peace and security and it carries out regular political analyses to inform UN country-level engagement. In crisis situations the UN's Consolidated Inter-Agency Appeals Process (CAP) provides the framework for humanitarian engagement. For countries on the road to longer-term development, the UN system draws up a joint country strategy – the Common Country Assessment and UN Development Assistance Framework (UNDAF). UNDP is currently working to strengthen the conflict analysis and diagnostics underpinning the CCA and UNDAF. However, links between these strategies and with national PRSPs are still not entirely clear. This reflects a more systemic lack of read-across between support for PRSPs and ongoing efforts at mainstreaming conflict reduction in UN instruments.

What is clear is that the presence of conflict per se does not rule out engagement by donors, including through development cooperation. However, engagement is decided upon on a case-by-case basis and there is still a lack of read across between criteria governing engagement for conflict reduction (on diplomatic and political grounds) and criteria for engaging in a PRSP process. There are nevertheless some similarities in the way donors (including the IFIs) assess commitment to poverty reduction, the most common criteria being:

- The existence of anti-poverty policies and a willingness to reallocate resources to pro-poor sectors
- Consultation with/participation by non-government stakeholders in policy-making and priority setting
- The recognition in policies and monitoring mechanisms of inequalities between population groups and evidence of targeted efforts to tackle inequality and exclusion
- Evidence of efforts to tackle corruption, vested interests and patronage

Risks of donor /IFI engagement

The decision to engage with a conflict-affected country carries with it inevitable risks. These risks stem in part from the politically volatile nature of the conflict setting, but also from the fact that development assistance itself is not neutral and always has a political impact, even if the purposes for which it is intended are entirely developmental. Note these risks are of a somewhat different order from the specific risks to the PRSP process in a conflict-affected country, which are outlined further on (on page 14).

Risks may include:

- The possibility that the provision of development assistance will de-motivate a government's domestic or regional commitment to peace
- That aid will be perceived as a reward or recognition of one or more parties to the conflict
- That assistance will be diverted and used to fuel a conflict
- The danger that *reformers* who talk the language of development assistance are acting as 'cover' for those who are prepared to use violence to maintain criminal and/or violent economies behind the scenes.

The relative importance of these risks needs to be set against the equally significant risk that, without donor engagement, the prospects for long term poverty reduction may be limited. But there is also a need for donors to ensure that these aid risks do not undermine the credibility of the PRSP process itself.

Review of Donor Support for PRSPs

Uganda and Rwanda

The IFIs, UNDP, SIDA and DFID, among others, have given significant support to PRSP processes in Uganda and Rwanda because the quality of participation, analysis and strategy in both countries has been high, with evidence of serious commitment to poverty reduction and of competent management of the economy.

The high quality of the PRSP process in these two countries is partly accounted for by the fact that both governments developed their PRSPs only some years after internal conflicts had come to an end. The Rwandan Government stressed that the 5 years between the ending of the genocide in 1994 and the beginning of PRSPs in 1999 was important in giving it the time to address urgent needs, and to carry out a thorough poverty assessment and build consensus around strategies²¹.

Despite the acknowledged strengths of the Rwandan and Ugandan PRSPs, some donors are reluctant to fully support them while they are involved militarily in the DRC. While key donors, including Britain, consider that Rwanda has legitimate security concerns there, others are concerned that PRSP financing sidetracks the two governments from critically examining their involvement in external war and essentially frees up internal resources for uses other than poverty reduction. There have also been some allegations of off-budget military expenditure, though no evidence of this was found by the IMF in agreeing a PRGF for Rwanda. There is also evidence of involvement in illegal resource extraction and human rights abuses in DRC by all parties engaged in the conflict.

Sierra Leone

IFI programmes in Sierra Leone remained on track throughout the 1990s, despite the conflict and despite the virtual collapse of the state even before the war took hold. Bank programmes were only scaled down during the most intense fighting. With satisfactory implementation of the 1996 Economic Recovery Program (supported by an ESAF and Bank sectoral credits) and the signing of the Lomé Peace Accord in 1999, the Bank approved further credits for the period 1999-2001. In January 2000, with World Bank agreement, UNDP encouraged the Sierra Leone government to start preparing an I-PRSP. Visible international support to this process was important both to assist the country out of crisis and to demonstrate backing for the democratically elected government. I-PRSP preparation proceeded slowly because fighting continued, with rebels in occupation of more than a third of the country. A more secure ceasefire was signed in May 2001 and, with UNDP and World Bank assistance, the IPRSP was completed soon after. It was approved in September 2001 giving Sierra Leone immediate access to the renewal of the PRGF.

Donors generally agreed that the Ministry of Finance had done a good job in drafting the I-PRSP, and that it represented a positive first step. However the process is only one of a number of strategy and conflict-resolution processes underway, many of which are not well aligned. The concern now is that the PRSP is caught up in inter-ministerial wrangling and that progress had stalled. Some donors also sense a lack of high-level political commitment to the PRSP process. UNDP and the World Bank are relatively optimistic that this will change; others

are concerned that the government is reverting to the structures of patronage and exclusion which had fuelled the original conflict. DFID wants the post-elections government to demonstrate real commitment to poverty reduction before it will consider building a longer-term development partnership.²² Oxfam and Action Aid feel that donors need to apply more pressure to secure a stronger government commitment to poverty reduction and political reforms.

Angola, Sudan, Burundi

In **Angola**, the IMF set production of an I-PRSP as a key benchmark in its April 2000 SMP. The I-PRSP was prepared amidst continuing conflict in large areas of the country and as such covered only those areas of the country under government control. However, performance under two consecutive SMPs was not satisfactory. Recently the IMF has stated that a new SMP will need to show progress on governance and transparency; public expenditure management; improved data provision; and increased social spending before any renewed lending can be considered. The government's I-PRSP did not feature as one of the benchmarks under the last SMP and it is unlikely to be one in future SMPs. Since 2001, the Angolan government has continued to send drafts to Washington for comment and, while staff have responded, they have not submitted the I-PRSP for discussion at the IFI Boards.

The key issue now is what impact the April 2002 peace accord will have on the PRSP process and on prospects for resumed IFI lending. The IFIs have stressed that they do not foresee any immediate change in programme status and will need to see strong evidence of improved macro-economic management, accountability and government commitment before this happens²³. Donors in Angola have submitted a joint recommendation to GoA on the way forward with the I-PRSP. The key aspect of the recommendation is to develop an I-PRSP that focuses on emergency issues and on reforms that can be implemented in the short run. The objective is to use the I-PRSP as the base document for a planned International Donor Conference. A JSA of the I-PRSP will not be required for this.

The **Burundi** PRSP process was initiated by the government at the time of the August 2000 Arusha Peace Accord with the encouragement of donors including the World Bank, UNDP, Belgium, France and Canada. Government's primary motivation was to access concessional assistance and debt relief. Although progress during 2001 was slow, mainly because of continued fighting, donors maintained a fairly active level of dialogue with government. They met in Paris in December 2000 and in Geneva in December 2001 a month after a transitional government (TGOB) was installed.

Burundi is not in arrears on debt repayments but does not currently have a PRGF²⁴. The Bank prepared a TSS in February 2002 but is only willing to accelerate IDA lending and preparation of a CAS when there is "a cease-fire in place, rapid progress in the implementation of the Arusha and Lusaka Accords, satisfactory performance on the implementation of the Fund's SMP and Emergency Post-Conflict Assistance Policy/PRGF and the proposed Economic Rehabilitation Credit."²⁵. Other donors have pledged up to US\$830million, but little of this has been dispersed due to continuing insecurity and Burundi's involvement in the DRC conflict.

The World Bank reviewed the latest draft of the I-PRSP in April 2002 and commended the Burundi Authorities' efforts at consultation and initial poverty diagnosis, in view of the difficult political and social situation. However, they also noted that the I-PRSP focused too much on the need for HIPC debt relief and concessional assistance, and advised the Authorities to highlight their motivation in terms of what is new about the PRSP approach and how this will help Burundi to achieve its long term development goals.

In **Sudan**, some donors are cautiously engaging with the governments efforts to begin a PRSP process. Donor caution reflects ongoing concerns about the scale of government arrears to the IFIs and uncertainty about government commitment either to a peaceful resolution of the war in south Sudan or to long term poverty reduction. There are still major populations from particular ethnic groups living outside of government control and that the military division of the country across ethnic/religious lines as well as military lines means that serious questions remain about social and political exclusion. The government has nevertheless taken its own initiative to draft an I-PRSP and the IFIs and other donors are engaged in low level dialogue around the process. In recent months, there have been signs of slow progress. Sudan has started making debt repayments drawing on its oil revenues, and the IMF reports progress in macroeconomic stabilisation and structural adjustment. The two main parties, the Government and SPLA, have been engaged in peace talks since July 2002, and local agreements such as the Nuba Mountains ceasefire continues to hold.

Donors agree that before re-engagement is possible the government needs to give serious attention to the status of the South, government links to terrorism, its human rights abuses and purposeful failure to act during humanitarian crises. With regard to the PRSP, DFID has further concerns which include the lack of government action to mitigate the impact of fiscal stabilisation on education and health, a centralised and weak planning system, a centrally driven PRSP process with little involvement by the states or by civil society, and a lack of parliamentary oversight or forum for public debate on budget allocations.²⁶ Sudan is a country where it is important for the bilaterals, EC and UN to agree common approaches to PRSP engagement with the IFIs, particularly in relation to progress in peace talks. However, as Sudan continues to make progress on economic reforms, holding on to a common approach hinged around political-governance criteria becomes increasingly difficult.

Reflections on donor policy and practice

Inconsistency between donor agencies

Donor/IFI decisions tend to be taken on a case-by-case basis with only limited attention to consistency between them, in policy or in practice. Strategic interests still dominate the decision-making of bilateral donors, leading to differences, for example, in UK, French and Belgian policies towards Rwanda and the DRC. The UN is maintaining its presence in coordinating humanitarian efforts and its own development assistance but these are still unevenly linked up with the PRSP process and other mechanisms for donor coordination (e.g. Sierra Leone). The IFIs continue to mainly use economic and technical criteria in their decisions, despite recent moves towards taking political considerations into account. In the DRC and Burundi, bilateral donors have criticised the IFIs for moving to re-engage before certain basic political pre-requisites are in place. The same concern is now emerging in donor debates over Sudan. There is concern that members of the elites are learning to speak the language of poverty reduction in order to secure access to international finance but without any commitment to long-term change. In other cases, such as Angola, donors feel that alternative strategies need to be deployed where access to concessional finance is delayed by a country's failure to satisfy the IFI's economic criteria but some progress on the political front is being made.

Inconsistency within donor agencies

Inconsistency also exists within donor agencies, generated by individual or group interests, differing levels of experience, forms of internal communication and differences in judgement. Bilateral donor policy often emerges from tough negotiations between the aid agency, other ministries, parliament and civil society groups. Within official aid bodies, ongoing DAC work²⁷ suggests that more needs to be done to ensure that conflict analysis is integrated into decisions on country programmes by, for example, ensuring regular and systematic communication between conflict, policy and geographic staff.²⁸ The World Bank country teams, responsible for making the case for support to specific PRSPs work closely the Poverty Reduction and Economic Management Unit (PREM) which has overall responsibility for PRSPs but, up until recently, rarely consulted with the Conflict Prevention and Reconstruction Unit about ways of approaching PRSPs in conflict-affected countries. This is now changing and the work of the CPR on engagement in conflict situations is being more actively disseminated to Bank staff and is the basis for ongoing discussions with PREM on how best to work with PRSPs in conflict settings.

Options for Donor Engagement

The preceding analysis is suggestive of a continuum of possible engagement by the international community in support of a country's PRSP process. This section reviews some options for engagement based on the phase of conflict and whether or not some of the assumptions underlying the PRSP approach (pages 2-3) are satisfied.

Engaging in countries still engaged in widespread conflict

Where initiating or directly supporting a PRSP process is judged by donors to involve too many risks, they may wish to consider formalising an *intermediate phase* of engagement. This would create incentives to move forward on peace and political and economic reform and would assist the country to reach a point where they and the international community can formally engage with a PRSP. Engagement by external agencies in Sudan and in Angola broadly fits with this approach.

Intermediate engagement can include some or all of the following:

- Giving diplomatic and/or financial support to a peace process, other peace-building initiatives or efforts at political dialogue both at a national and community level;
- Starting a dialogue on poverty, especially with key reformers in government and civil society'
- Giving technical and limited financial support to work on poverty diagnoses and participatory processes;
- Supporting elements in government and civil society who can exert pressure for change, perhaps involving limited financing of transformational projects;
- Continuing humanitarian aid and support to emergency service delivery.

A key issue in these contexts is how to provide financing when it may be too early or in other ways inappropriate to support a PRSP. This is to some extent being accommodated by the IFIs through World Bank initiatives such as the new approach to IDA-13 allocations being piloted in Congo-Brazzaville and Eritrea, and Transitional Support Strategies (TSS) which precede the full Bank Country Assistance Strategy (CAS). The proposed extended timetable between completion of the I-PRSP and preparation of a full PRSP may also help to build capacity before the rolling

out of the full PRSP. Alternatively, donors might want to adopt a twin-track approach, under which an initial PRSP strategy would focus on short-term stabilisation and rehabilitation in secure areas, and a complementary medium-term strategy would set out goals for government policy as and when security is re-established.²⁹ Something along these lines may be on the cards in Angola.

Countries engaged in localised conflicts or in transition out of conflict

A post-conflict administration is going to need to set out both short-term priorities for reconstruction and a vision for the country's longer-term development. The PRSP process should build on and facilitate this. Donors should also ensure that the PRSP is coherent with other processes of political reform and peace building by encouraging governments to build on existing priorities, strategies and programmes. The potential should be explored for using the I-PRSP as a type of national recovery strategy (as well as re-badging any national recovery strategies in development as I-PRSPs), which will help ensure ownership and avoid the PRSP being viewed as just another donor driven process (the danger in Sierra Leone)

Donors may also need to consider complementary strategies in that countries emerging from conflict often lack capacity to take full responsibility for service delivery, which may have been provided by NGOs during the conflict. Certainly, in the period immediately after the cessation of fighting, a transitional strategy may be needed for engaging non-governmental actors in rebuilding public sector capacity for service delivery. Strategies are also needed to facilitate domestic constituencies (both inside and outside of government) to take ownership of the reform agenda. This is a key element of the approach to Low-Income Countries Under Stress (LICUS) currently being rolled-out the World Bank (Box 3).

Box 3: Strategies for Working in Low Income Countries Under Stress

LICUS are characterised by a combination of poor policy, weak institutional capacity and the social and political consequences of conflict. The World Bank's approach to working in LICUS involves promoting development-inducing change through engagement with institutions outside of government, as well as with government.

While no single strategy of engagement is applicable in all LICUS key features might include:

Support for zero-generation reforms: a highly focused reform agenda with quick pay-offs but feasible in socio-political terms;

Identification of champions of reform: use of instruments to facilitate society's capacity for change around this limited reform agenda, drawing on local expertise and participation by local stakeholders

Improving the basic provision of social services: supplement the work of government by using alternative channels – community groups, NGOs, the private sector - but emphasise building public sector capacity over the medium to long term.

Source: World Bank (2002)

Donors could usefully help to develop government expertise in pursuing approaches to consultation that are sensitive to the impacts of conflict and the fault lines of tension within society.³⁰ A key strategic issue is to identify institutions within civil society that can build bridges between hostile groups. Organisations with the capacity to develop affiliations and alliances across the fault lines of the conflict will be particularly valuable in the reconstruction phase.

Donors also need to think through how resources released through PRSP (and related) processes can be used to promote peace rather than war, and what actions need to be taken to not only transform predatory war economies but also build peaceful pro-poor ones. Where there is evidence of misappropriation, donors will need to review funding instruments, especially budget support which may need to be safeguarded differently than in other low-income countries. Otherwise, donors need to invest in developing institutional capacity for allocating resources and tracking expenditure. Priorities in the area of public sector management will vary according to situation. Addressing revenues will be critical for jump-starting basic government services and a crucial basis for building a sustainable public authority. Early restoration of sound public accounting functions is also critical for effective and transparent public financial management. A related vital state function is the audit of public finances.

Given the complexities of conflict settings, donors need to be aware that the PRSP process may be a necessary but not a sufficient instrument for achieving poverty reduction and peace-building objectives. For long-term change to come about, donors need to strengthen processes and to encourage governments to address the causes and impact of the conflict. This will include encouraging governments over time to include conflict prevention and peace building initiatives in the PRSP. Where this is not possible it is critical to ensure that other mechanisms for political dialogue exist. However, conflicts are rarely a matter for nation-states alone. Conflicts regularly spill over borders or have significant economic and social impacts on neighbouring states. Here donors must face up to the inherent limitations of the PRSP and find ways to combine a focus on regional and sub-regional issues with continuing support for the PRSP.

Implications

Three important implications emerge. One is that the trend among donor agencies, particularly in DFID, for moving towards the PRSP as the sole and overarching means of engagement with partner governments may need to be nuanced for conflict-affected countries. This is already the case in Rwanda, where it is understood that the principles and organisation of the PRSP are the starting point for DFID engagement but are not the sole mechanism. Over time DFID will encourage government, in conjunction with domestic partners, to better understand and address political governance issues within the PRSP approach. This would particularly involve considering poverty reduction within a broader rights-based approach, linking consumption poverty with wider freedoms and linking progress on the Good Governance Strategy in concrete ways to the PRSP. In Rwanda, DFID's engagement around the PRSP is supported by a Memorandum of Understanding which emphasises the importance of continued progress with national reconciliation efforts and underwrites the importance of observance with international human rights.

Second, there are often parallel and usually uncoordinated processes going on in conflict/post conflict countries, which include the PRSP, peace building, peace keeping, emergency relief and recovery initiatives. A key role for donors is to minimise the duplication of these processes and to try and ensure coherence and complementarity between them. Using the I-PRSP process as the basis for (or redefining the I-PRSP as) a national recovery strategy or process is one possibility.

The third implication is that donors must base decisions around engagement with a PRSP on an analysis of the specifics of the country context. This is even more important in conflict settings because (a) the prospect of self-assessment by government of the political economy of the conflict situation is likely to be limited - 'power does not like to analyse itself'; and, (b) development assistance itself is not neutral and always has a political impact. In a conflict environment this can be even more pronounced, with aid creating direct and indirect incentives and disincentives for the transition towards peace and development. Awareness by donors of the way in which their own engagement strategy (including their trade and investment strategies) are likely to interact with the structures left behind after a conflict is as critical early on as governments doing this for themselves.

PART 3: ISSUES FOR THE PRSP

Consultation exercises in the aftermath of war

Violent conflicts in Africa are typically identity-based contests for power and resources. Whether artificially incited or reflecting real inequalities, social divisions drive the conflict and the discourse around it. Participation is therefore hugely contested and real inclusion is hard to achieve and measure. How the conflict is proceeding or ended will influence how participation is played out. With an unambiguous military victory, the new government may wish to appear inclusive but is likely to keep a tight control on power behind the scenes. Where a peace agreement represents a fragile compromise between contending parties, the resulting coalition government is likely to be a site of continuing power struggles (Box 4). Donors need to be aware of this risk and avoid complicating local politics.

Box 4: The Possibilities for Consensus in Conflict Settings?

Achieving national consensus and ownership around development objectives is difficult to achieve during a conflict or in an immediate post-conflict environment. In Sudan the government and the SPLA are both articulate in the language of development, but with different objectives. In Somalia there is no unified Somali voice for formulating national development policies. Instead, the disputed legitimacy of sub-national polities in the country reflects both the diverse developmental needs and varied aspirations of the Somali people. Paradoxically, however, certain forms of public participation may be greater during conflicts than in peacetime. Community-based peace conferences in Somalia and Somaliland, people's conferences in Sierra Leone or 'people-to-people' peace processes in Sudan are examples of popular participation in countries in conflict. Scaling up and linking these local forms of participation to national policy making processes is the challenge.

In Sudan such are the current difficulties in undertaking a national participatory process for the PRSP, there is talk about possibly engaging in two separate processes – one in the government controlled north and the other, working through non-governmental organisations in the south. Conducting two processes in parallel, one managed by government the other by NGOs, has not been tried elsewhere and there are undoubtedly some risks – not least that the government will not accept or be suspicious of the results of the exercise conducted in the south and vice versa, or that the process itself could end up being inflammatory to the existing conflict. The Rwanda experience suggest that these risks can be managed as long as the process is handled with great sensitivity to the dynamics and 'hidden' fault lines of the conflict itself.

Source: Peer Review on Background Study - Mark Bradbury (2002)

Amongst the study countries, Uganda, Rwanda and Ethiopia have all completed the PRSP consultation process. Donors have commended each process as a positive first step under difficult circumstances. The processes have contributed to a broader dialogue between government and citizens, between central and local government and people who participated in them have expressed themselves to be generally satisfied. Rwanda illustrates both the PRSP's potential to promote participatory processes and also how the legacy of the genocide has imposed constraints on open debate. The Rwandan process consisted of a PPA (mainly in the province of Butare) and of national consultations with civil society organisations, donors and other stakeholders. It also drew on findings from consultations conducted by the National Unity and Reconciliation Commission (NURC). While the PPA has been widely praised the national consultations – a series of conferences and the circulation of drafts for comment – have been judged to be less successful. This is mainly because the legacy of the genocide still curbs critical debate. Government retains a tight control on the political process, civil society remains polarised, political parties are not permitted, and there is little tolerance of dissent. The result is a culture of self-censorship and a lack of skills for advocacy and lobbying within CSOs and NGOs.

Although a participatory process is not required for drafting the I-PRSP, some countries have conducted limited consultation exercises. In Burundi, the government set up an Organisation and Coordination Team made up of government staff, NGOs, the private sector, religious groups and donors. The Team supervised a first round of consultations with community representatives, which were carried out in July-August 2001 at sector and communal level in Bujumbura and four other regions. Consultation findings were analysed at workshops in January 2002.

No special exercise was carried out in the context of the Sierra Leone I-PRSP, but it was informed by findings from the 1998/99 Social Priority Action Process (SPP), a participatory methodology set up with World Bank TA which surveyed citizens' concerns and priorities³¹. This was a fairly limited and selective exercise which enabled some useful baseline data to be included in the I-PRSP. However, the claims made about the representativeness of the consultation process were overstated and civil society representatives protested at their exclusion from the process. This highlights a particular danger that while carrying out a consultation exercise early in the PRSP process may reflect a genuine concern to re-establish contact with citizens and gather data for planning future activities, governments may also do it because they want to create a good impression on donors or to stage-manage participation. If so, the process risks being superficial or contrived, which may make it difficult to later develop a more meaningful consultation exercise

Strategy Content

The current JSA Guidelines do not provide any specific guidance on how the Joint Staffs should appraise the content of an I-PRSP or PRSP prepared in a conflict-affected country. However the Guidelines are clear that it is extremely important that they analyse problems and propose solutions in terms of country specifics. It is therefore striking that the I-PRSPs and PRSPs reviewed for the Study strongly resemble one another and are similar to PRSPs for non-conflict countries, suggesting that many country particulars have in fact been glossed over.

Two key concerns for strategy content are: first, whether there is any attempt to address the collateral damage of conflict where this is important both to the poor and for wider economic growth and the reintegration of combatants, IDPs and, second, whether there is any attempt to address the root causes or dynamics of the conflict, both for building a sustainable peace and to inform how the PRS process can help. The documents reviewed give little attention to the second of these concerns, though the Rwandan PRSP does provide socially and geographically disaggregated data, including data on conflict-affected groups. The first concern features more strongly in proposed policies and actions: for example in proposals for demobilisation and reintegration (Rwanda), resettlement of IDPs/refugees (Burundi), transitional justice (Rwanda) and police reforms (Nigeria). There is still nevertheless a lack of analysis (or plans to analyse) key tensions remaining within society and policy actions, as well as trade-offs required to reduce these and prevent future conflict (Box 5).

Box 5 : Horizontal Inequality and the Seeds of Conflict

Horizontal inequalities have been a powerful spur to conflict in, for example, Sudan, Rwanda, Liberia and Sierra Leone, and have frequently interacted with ethnic tensions to shape the fault-lines of contemporary wars. Horizontal inequalities simultaneously generate grievances, on the one hand, and, on the other, vested interests that may be defended with violence. In Sudan, an Islamic elite centred on the northern-central area of the country has dominated the political economy since before independence, and has used warfare as a means of securing revenue, buying supporters, dividing its opponents and forestalling democracy. In Rwanda, a small 'Akazu' elite among the Hutu, based in the northwest, dominated the peacetime political economy, and seem to have stirred up the genocide in a bid to forestall democracy and power-sharing with the rebel Rwandan Patriotic Front. The wars in Sierra Leone and Liberia owe a great deal to tensions between the capitals and 'upcountry'. Ethnic and regional elites have frequently been artificially bolstered by external assistance – for example, under the leadership of Barre in Somalia, Doe in Liberia and Habyarimana in Rwanda. In these circumstances, gathering pressures for democracy (both internally and internationally) can be particularly explosive. This underlines the importance of understanding – in any post-war regime and any PRSP – the contours of horizontal inequality and how (and whether) it is proposed to address them.

Source: Peer Review on Background Study by David Kean 2002

Neglect of these issues may reflect government reluctance to re-open wounds, particularly where there is an attempt at a broad-based consultation process involving groups who until recently were opponents in the conflict. Moreover, the government itself will have been a belligerent party and some members of it may have committed human rights abuses. Where a conflict brings a new government to power, as in Rwanda and Uganda, there may be a general feeling that people want to move on rather than constantly to re-live the past.

Governments may also not recognise the link between particular dimensions of the conflict and issues of poverty and governance. In Sierra Leone, some members of government seem unaware of how the continuation of the chiefdom system in the absence of government structures in rural areas could have fostered grievances that led people to participate in fighting.

Even where governments recognise the relevance of conflict analysis, they may lack the skills and capacity to do this or to integrate analysis into policy-making. For example, with a very small staff, the Rwandan National Unity and Reconciliation Commission has the task of mainstreaming reconciliation right across government, a task unlikely to be completed within the lifetime of the first PRSP.

Implementation

It has been mentioned frequently that conflict-affected countries face institutional challenges in a number of respects, including in basic public sector capacity. This has serious implications for the effectiveness of a PRSP process and the likelihood of successful implementation. Experience shows that a very basic level of institutional capacity - to collect, analyse and interpret data, to formulate and implement policy actions, to plan, budget and track expenditures – is fundamental to national ownership of a PRSP. It is hard to draw a bottom line here as a good and carefully paced PRSP process with adequate donor support can arguably build this capacity. However, experience shows that in these circumstances donors need to proceed carefully and be prepared to invest early in building some of these basics and resist the temptation to rush in with consultants to do the work on behalf of governments. The process must proceed at a pace suited to the development of institutional capacity of the country.

Options and entry points to support PRSP preparation and implementation include:

- Supporting the establishment and staffing a unit in government charged with managing the PRSP process
- Supporting poverty diagnostic and participatory work drawing on local institutions as key stakeholders in the process
- Supporting improvements in public expenditure management
- Supporting the creation of sustainable information systems
- Working to assist the donor community adopt a coherent/joined-up approach to the PRSP process

PART 4: ISSUES FOR FUTURE ENGAGEMENT WITH PRSPs IN CONFLICT-AFFECTED COUNTRIES

Conflict and Political analysis

Donors urgently need to make analyses of the dynamics of the conflict so that they are aware of the economic interest of the contending parties, their incentives for war or peace, and how donor support might play into this. Although there is now a considerable body of literature on this topic, there is little evidence that it is currently informing programming decisions. IFI programming is particularly weak in this regard. There is still limited read-across between ongoing analytical work on conflict countries and the general discourse around PRSPs. A good conflict analysis should identify³²:

- How far causes of conflict persist; the risk of a return to conflict; the conflict-related issues that need addressing in the context of a poverty strategy
- The role of different actors in the conflict and how this might affect their motivations, actions and discourse
- How different social groups and their livelihoods have been affected by the conflict and the actions needed to support them and the extent to which the proposed PRSP will bridge or aggravate divisions
- Lines of inequality, tension or exclusion; which groups are dominant and which have grievances; how social fault lines might be bridged or aggravated by the PRSP and different policy choices

- Authority and leadership within the different parties to the conflict; the existence of systems of patronage
- Whether rights over or access to resources are part the background to the conflict; whether state power has/ does favour particular groups in allocating resources, and what impact PRSP-linked resources may have on this
- Whether all the territory is accessible and whether the security situation permits a comprehensive poverty analysis and inclusive participation process and the implications for the PRSP process.

Judging government commitment is not a one-shot exercise but needs constant monitoring as the PRSP is rolled out. As the factors contributing to PRSP success suggest in addition political assessments are needed to evaluate:

- government commitment to peace and poverty reduction
- government legitimacy domestically and internationally
- government accountability to its citizens
- institutional capacity

In making these assessments it should be borne in mind that the litmus test of government commitment in the short run may be progress in restoring peace and security and putting in place preconditions for economic and social recovery. Traditional indicators such as shares of public expenditure allocated to social sectors may not therefore be appropriate. Judgements also need to be based on an understanding of the real opportunities and constraints facing governments. It is important to give credit to governments that are making modest progress in the face of vested interests, as well as to those which are more successful but are also facing less opposition. In some circumstances where government commitment is judged to be doubtful, if carefully handled the PRSP process may be a means of testing and building commitment through selected capacity building and sensitisation within government and support for domestic constituencies outside of government. Weak capacity implies that a careful and costed prioritisation in the PRS process is critical.

PRSP Process and Timing

The PRSP process can provide an entry point for external actors to engage with a difficult conflict affected country. However difficulties inevitably arise in supporting a government in preparing a PRSP simultaneously with reintegration and reconstruction activities. Possible approaches are:

- Adopt a twin-track approach, focusing initially on short term rehabilitation and reconstruction in secure areas and a medium term strategy setting out longer term goals and aspirations that would guide government policy as and when security is re-established.³³
- Prioritise a limited policy agenda for the first PRSP; where appropriate consider re-badging an existing government owned process and focus donor efforts on supporting government capacity to carry forward a more ambitious reform agenda as the PRSP process develops. Prioritise working with domestic constituencies inside and outside of government to help build ownership of the reform agenda.

Institutionally Compatible Policy Actions

Matching donor support for specific policies with the capability of institutions to deliver is particularly complex in conflict-affected countries (see LICUS). Policy actions that are likely to be considered as part of a reform agenda need to be assessed in the light of what is likely to be institutionally compatible. For example:

- Civil service reforms after a conflict needs to be sensitive to the dynamics of the conflict in peacetime. Sustaining a large civil service initially may be a way to help integrate both parties to a conflict and avoid further exacerbating tensions.
- Decentralisation needs to be carefully considered in the light of ongoing tensions and sources of financial opportunity and grievance in society. Areas to think about include local power structures and their links to grievances, how patronage networks work, where lucrative resources are located and the mechanics of decentralising security.
- Vertical vs. horizontal inequality. Policy actions contained in PRSPs often focus heavily on the problems of vertical inequality, however given the importance of horizontal inequality as a trigger to conflict it may be more important to introduce actions that address horizontal inequality in the early years after the end of a conflict in order to get the peace/security needed for a sustained attack on vertical inequality. This focus on horizontal inequality may entail a short term deterioration in vertical inequality, through clearly any actions should seek to minimise this trade-off while not re-igniting tensions.
- Programmes to combat corruption will need to be aware of the links between corruption and the war

economy, for example resource extraction, drugs, the arms trade. Vested interests may be strong and certain groups may have a high interest in a re-triggering of the conflict if they become threatened.

Engaging with the IFIs and other development partners

The study makes an important case for donors/DFID to put effort into engaging with the IFIs, notably by providing good political assessments to counterbalance IFI technical assessments. This is particularly important where there is a risk that a process may become caught up in the fault lines of the conflict itself, particularly in the way it handles poverty and vulnerability analysis.

Currently the JSA guidance contains no specific pointers on PRSPs in conflict affected countries, but this short note has made it relatively clear that the PRSP process is faced with a unique set of challenges in conflict countries. Getting more guidance for IFI staff on how these challenges might be assessed/analysed is a potentially crucial influencing point for donors and development partners. Equally important is the need to press for greater clarity about IFI decision criteria for engaging in a conflict/post-conflict country – for instance, what constitutes a credible political authority; what does a commitment to security and poverty reduction look like? What are some of the preconditions for a country to engage in a credible and sustainable PRSP process that the international community will support?

Assessing and managing risks

In countries still engaged in conflict or recently emerged from conflict, even marginal engagement with a PRSP process may be all that is needed to grant certain elites the legitimacy they need to retain power and ‘cover’ up continued abuses. Strong political assessments that take account of the twin goals of reducing conflict and reducing poverty are crucial for assessing and balancing such risks.

There are also risks to working mainly with/through Ministries of Finance, particularly in conflict affected countries where this may limit the extent of donor dialogue over governance and security issues.

There are inevitable risks to the consultation/participatory process and to data gathering that need to be handled with considerable sensitivity so as not to fall foul of the fault lines of the conflict they are trying to assess.

There is a risk that despite government rhetoric no serious commitment to poverty reduction will be forthcoming. Donors cannot stop a country going forward with a PRSP process but what they decide will determine whether that process receives international recognition and support or not. The really difficult question is to determine *a priori* when donors might want to disengage from a process and begin channelling their support differently. The study did not come up with a definitive answer but does suggest that a better understanding of the building blocks of political legitimacy and government commitment to poverty reduction is vital, including the existence of anti-poverty policies (or policies addressing vulnerability) and the willingness to reallocate resources to these areas; increasing levels of budget transparency; the recognition in policies, service delivery and monitoring mechanisms of inequalities across and between population groups, particularly those affected by conflict; and evidence of efforts to tackle corruption, vested interests and patronage linked to the causes of the conflict. If no progress is being achieved on any of these fronts or progress is in reverse due to an upsurge of conflict, then government commitment to poverty reduction can be seriously questioned. As the DFID guidance notes, at this point financial assistance may need to be withdrawn and strategies developed for reducing the impact of the weak policy environment on the poor while supporting reform elements (from outside) to create demonstration effects and pressures for change (see the Bank’s LICUS approach).

Conclusions

Ultimately the credibility and sustainability of the PRSP process will rest on its ability to support progressive change in the way policy is made, governments account to citizens for budget and service delivery decisions and donors coordinate their development assistance. This note has argued that in conflict-affected countries there is no *a priori* reason why this cannot happen, but it is still a major challenge.

The reason it is such a challenge lies in weak preconditions for a comprehensive PRSP process, the specifics of conflict-related poverty and vulnerability and the unpredictability of the political/conflict context. These present their own challenges to donors wishing to support the PRSP process. A number of general conclusions emerge:

- Decisions around engagement should be based on an analysis of the specific country context. In the short run there may be a tension between reducing poverty and reducing conflict or building sustainable peace. Country analyses consider must consider all these aims in order to find ways to minimise any possible trade-off.

- The prominence of conflict and governance issues means that the initial decision whether or not to engage is first and foremost a political decision;
- In low-income countries PRSPs are being implemented with many of the basics (preconditions) taken for granted; in conflict countries the PRSP is going to be one instrument of many contributing to the building of these basics;
- 'Power does not like to analyse itself' - PRSPs cannot solve conflicts; they could even inflame a conflict. Ensuring that expectations are carefully managed is critical. There are inevitable pressures on a PRSP to balance, on the one hand, access to financial support with, on the other, support to long term development and conflict reduction.
- PRSPs are unlikely to be the sole means of engagement for donors in conflict/post-conflict settings, complimentary processes are also required, such as joint donor strategic conflict assessments.
- Coordination of multiple and overlapping donor/NGO strategies ranging from peace keeping to peace building to emergency relief is vital if the PRSP approach is to get a chance to work.

Endnotes

1 The PRSP Monitoring & Synthesis Project is funded by DFID and managed by the Overseas Development Institute, London. This note was prepared by Alison Evans with the assistance of Erin Coyle and Zaza Curran. The views expressed herein are not necessarily the views of DFID staff. The authors accept full responsibility for any errors. Comments on the note are welcome at prsp@odi.org.uk.

2 The note was also able to draw on the comments of two peer reviewers and a number of other readers from within DFID and the World Bank.

3 Rwanda was selected as an example of a post-conflict country that used the opportunity presented by the PRSP to build a bridge between national reconciliation efforts and poverty reduction. Sierra Leone was selected as an example of a country only recently emerging from conflict with significantly weakened institutional capacity but trying to engage with the PRSP process alongside other processes of national reconstruction and reconciliation. Both are also countries where DFID has significant material interest.

4 Study team members also made visits to key UN agencies and the World Bank and IMF.

5 Conflict is not always negative; indeed it is an inherent feature of change in society. However, it becomes a problem when society cannot manage or resolve its different interests in a peaceful way and this conflict turns violent. 'Conflict' is used throughout this briefing note as shorthand for violent conflict. See *Conducting Conflict Assessments: An Introduction* DFID, U.K.

6 'Post-conflict Recovery in Africa: An Agenda for the Africa Region' World Bank, March 2002

7 C.f. David Kean, peer review.

8 Alison Scott, 'Poverty Reduction Strategies in Conflict Countries: How are they Different?' Internal note, October 2001, African Department, IMF

9 The World Bank and IMF have both argued that there are no 'minimum conditions' as such for a country starting out on a PRSP. However, IFI documentation reveals a number of references to the need for a credible political authority, for basic security and peace and for evidence of a country's commitment to poverty reduction as all being critical for the PRSP process.

10 In Uganda it was the PEAP process, which provided the model for much of what was to follow in the PRSP approach.

11 In Rwanda and Uganda, enthusiasm from the international community for the PRS process has tended to overshadow the fact that both countries are engaged in an ongoing external conflict in DRC and, in the case of Uganda, in an ongoing internal conflict in the north. This raises the question as to whether the international community is more inclined to find encouraging signs of progress within 'friendly' governments on thorny issues like involvement in external conflict, and to keep rather quiet about the exceptions, such as the longstanding effects of conflict in northern Uganda.

12 Defined here as a sustained ceasefire plus a peace agreement, commitments by the victorious party or similar initiatives.

13 Although not all conflict-affected countries are resource poor.

14 Mark Bradbury, peer review.

15 This has been less true for the IFIs whose engagement tends to be more on/off than for other donors – although they are also now looking at more gradual strategies of engagement. See HIPC in Conflict-Affected Countries Paper.

16 The most important sources are: The World Bank PRSP Sourcebook (2001); the Bank-Fund Development Committee Paper (1999) and the Joint Staff Assessment Guidelines (2002).

17 See contributions to the PRSP Comprehensive Review

18 *A Swedish Approach to National Poverty Reduction Strategies*, Draft March 2002

19 *Poverty Reduction: Dutch Policy in Brief*, December 2001

20 DFID How to Respond to PRSPs, Africa Policy Department. December 2001

21 Interview with Vincent Karega, Head of Unit responsible for the PRSP

22 This has now been achieved with the signing in late 2002 of a 10 year Poverty Reduction Framework Arrangement between DFID and the Government of Sierra Leone.

23 Interview with World Bank country economist for Angola, March 2002

24 In March 2002 Burundi did have arrears to the AfDB of 21.9 million euros.

25 *Memorandum of the president of the International Development Association to the Executive Directors on a Transitional Support Strategy for the Republic of Burundi* (World Bank, February 12, 2002)

26 AGHD, DFID (March 2002) 'Support to Civil Society Engagement in Peace in Sudan'

27 As part of the 2001-02 Work Programme for the DAC Conflict, Peace and Development Cooperation Network

28 Something that CHAD and the Regional Policy Departments in DFID are attempting to do.

29 Alison Scott, 'Poverty Reduction Strategies in Conflict Countries: How are they Different?' Internal note, October 2001, African Department, IMF

30 C.f the Saferworld project in the Horn of Africa.

31 The World Bank also supported a consultation process in parts of the DRC under government control.

32 Further details is available from the DFID publication *Conducting Conflict Assessments: An Introduction*.

33 Alison Scott, October 2001, IMF