Context and Rationale

There is by now consensus that the series of macroeconomic stabilization and structural adjustment programmes, which dominated economic policy making during much of the last two decades, have not produced the desired rate of poverty-reducing growth. Initial analyses of the underlying factors for this tended to put the burden of blame on weak domestic implementation performance of the agreed policy measures. However, much of the subsequent empirical analysis of actual implementation experience shifted measurably to place the blame on the design of the adjustment programmes themselves.

Analysis of the performance over the past decade of African countries as a group with respect to macroeconomic indicators suggests that significant progress has been made by most of them in stabilizing their macroeconomic conditions. For instance, average inflation has declined from a high of 41 per cent in 1994 to 11 percent in 2003. Similarly, fiscal deficits have been reduced from an average of about 7.0 per cent of GDP in 1993 to 3.0 percent in 2003. The current account deficits have also shown notable improvements. Additionally, the ratio of external debt to GDP has declined from a high of 74 per cent of GDP in 1994 to 47.6 percent in 2003. There is consensus that, to a large measure, these improvements in macroeconomic indicators are attributable to consistent efforts in implementing economic reform programmes by an increasing number of African countries and to the resulting strengthening of fiscal and monetary management.

However, performance on the growth front has continued to be well below the levels required to impact meaningfully on poverty and meet the Millennium Development Goals (MDGs). Although real economic growth rates of GDP have continued to average just over 3.0 percent since 1996, this is well below the level required to substantially reduce poverty in the region.

The introduction of Poverty Reduction Strategy Papers (PRSPs) in 1999 as the overall framework for debt relief and poverty reduction initiatives globally was a response to the weaknesses of earlier adjustment programmes with respect to generating sustained and significant poverty reducing rates of growth. PRSPs therefore constitute the outcome of efforts aimed at putting in place a policy formulation process that seeks to forge a more mutually reinforcing relationship between the macroeconomic and sectoral policy frameworks and poverty reduction programmes. The introduction of PRSPs also constituted a response to the need for broadening participation in macroeconomic and structural policy formulation and implementation processes.
Since the Millennium Summit in September 2000, the legitimacy, as well as the effect, of the PRSPs are also increasingly connected to their impact in securing the Millennium Development Goals.

African countries have embraced the PRSPs as the main framework for their medium-term development and poverty reduction programmes. At least thirty sub-Saharan African countries have committed themselves to the PRSP process (through formulating full or interim PRSPs) since 1999.

However, several independent evaluations of the first generation of PRSPs indicate that their current macroeconomic policy components have hardly changed from what they had been under the former stabilization and adjustment programmes, which fell short of providing the requisite framework for the desired poverty reduction objectives. Specifically, there is a continuing lack of coherence between the macroeconomic framework of the PRSPs and their overarching poverty reduction objectives. This suggests that there is scope for more work in the area of pro-poor economic policies, particularly in the context of efforts aimed at ensuring that PRSPs constitute effective building blocks for realizing the Millennium Development Goals. This is especially the case, especially for sub-Sahara Africa, given the mid-stage MDG evaluation, which indicates that there are serious lapses of progress on the MDGs, especially with regard to poverty reduction.

In the light of the foregoing, the UNDP Regional Bureau for Africa has launched under the Second Regional Cooperation Framework for Africa (2002 – 2006) the Regional Project for promoting more pro-poor policies in Sub-Sahara African countries in the context of PRSPs and MDGs. The Regional Project will reinforce national programmes for building more effective linkages between macroeconomic and structural policies, on the one hand, and poverty reduction strategies, on the other. The project also aims to facilitate this process by strengthening the linkages between the PRSPs and MDGs.

Specifically, the Regional Project has the following objectives:

- To contribute to strengthening national participation and ownership of pro-poor economic policy formulation;
- Influence more concretely the economic policy framework of PRSPs towards a more pro-poor orientation; and
- Stimulate research and broadened dialogue on economic policy options with respect to accelerated poverty reduction objectives in the context of efforts aimed at building more effective linkages between PRSPs and MDGs.

**Approach of the Project**

The strategy for UNDP’s support to African countries to put in place macroeconomic, structural and sectoral policies that are more supportive of poverty reduction initiatives is grounded broadly in the human development framework. An important premise of the
human development approach is that growth and equity should be perceived as mutually supporting means for promoting human development.

Traditionally, macroeconomic policy is concerned primarily with ensuring stable and balanced macroeconomic conditions, with growth and poverty seen as derived goals. Within the context of the human development strategy, public policies—and, by extension, macroeconomic policies—are seen as direct instruments for increasing private and public resources and improving their allocation. Therefore, in designing macroeconomic policies for poverty reduction, the focus of the strategy is on how public policies can create a pattern of growth that is equitable and impacts on poverty directly. With the introduction of MDGs, this has become even more important to attainment of poverty reduction objectives.

The project will be executed in two phases. The first phase will entail (i) sensitization and preparation of concept papers by two project support institutions, to be identified from among external and African research institutions, and the preparation by national researchers of country case studies; and (ii) organization of a launching workshop, followed by capacity building and direct policy advisory services at the country level. As part of the sensitization phase, an Inception Workshop was organized in July 2004 in Cape Town, South Africa (the Report is attached herewith).

The launching workshop will be organized in Kigali between 22 – 24 March 2005 on the basis of the generic and country papers, and participants will include national stakeholders (high level Government officials in charge of PRSPs and MDGs), UNDP Resident Representatives and/or Economic Policy Advisers from the Country Offices of the selected countries, UNDP Bureau for Development Policy, concerned staff members from the Regional Service Center in Johannesburg and SURF in Dakar, representatives of selected Applied Economic Research institutions as well as concerned donors. Ensuing workshops would aim at sensitization, coalition building with national and other stakeholders in the area of pro-poor policies and preparing the grounds for actual interventions at the country level or preparation of more in-depth case studies.

Objectives of the Launching Workshop

- sensitization to, and initial training in, pro-poor economic policy options/alternatives;
- coalition building with national and other stakeholders in the area of pro-poor economic policies;
- preparing the grounds for capacity building interventions at the country level.

The workshop is expected catalyze the planned programme by laying a solid foundation for its successful implementation through the realization of the objectives set out above. As part of preparations for the workshop, solid concept papers are being prepared in the form of analytical works buttressed by country experiences and would attempt to relate
possible range of macroeconomic policy options/alternatives for poverty reduction in its various dimensions to the concrete circumstances of selected countries.

**Outputs and Timeframe**

The main expected outputs are as follows:

- Stakeholders better sensitized to pro-poor economic policies in the context of PRSPs in particular;
- Coalitions built with senior policy makers and applied research institutes at the national level for launching the programme;
- Better conceptual and programmatic clarification of linkages between PRSPs and MDGs achieved.

The workshop will be organized in Kigali, Rwanda between 22 – 24 March 2005

**Partners**

RBA will collaborate closely with UNDESA, BDP, Rwanda Country Office, the participating country offices, national policy makers as well as DFID, CIDA, SIDA and Finland in organizing the workshop. Attempts are also being made to build partnership with the African Development.

**Budget**

The estimated resource requirements are US $...... This will include the cost related directly to the workshop, logistical arrangements, financing the resource persons, funding the travel and DSA of participants and documentation.
AGENDA

Day One

Session One

A.M.

8.30 – 9.30 Registration

9.30 – 11.00 Opening Session

Opening Remarks, Mr. Macharia Kamau, RR/RC Rwanda;
Welcoming Statement, Mr. Abdoulie Janneh, Assistant Administrator and Regional
Director, UNDP Africa;
Keynote Address, High Level Representative, Government of Rwanda.

11.00 – 11.30 Coffee Break

11.30 – 13.30

Lamin Mainneh, RBA - Rationale, Objectives and Implementation Arrangements of the
RBA Regional Project for Pro-Poor Economic Policies;

RR/RC and, UNDP Regional Service Center/UNDESA - Introduction to the Challenges
and Opportunities of Implementing Pro-Poor Economic Policies in Africa.

Millennium Project, Pro-Poor Policies in the Context of MDGs in Africa

Discussions

Lunch Break

14.30 – 16.30

John Weeks, SOAS/Jean Pierre Foirry, CERDI Representative - Current State of Play of
the Pro-Poor Economic Policy Agenda and its Implications for Implementing the RBA
Pro-Poor Economic Policies Regional Project.

Terry Mckinley, UNDP/BDP, Presentation on the Experience and Lessons Learnt from
Pro-Poor Economic Policies in Asia, Arab States and Selected African countries.
Discussions

16.30 – 16.45 Coffee Break
Design of Pro-Poor Policy Interventions and the Implications at the Country Level, UNDP International Poverty Center, Brazil, Rathin Roy/Jean Le Nay/Katsiaouni/Asghar

Discussions
Day Two

A.M

9.00 – 9.30 Recapitulation of Previous Day’s Discussions

9.30 – 11.00 Group Work

1.00 – 1.30 Coffee Break

11.30 – 12.45 Presentation of Outcome of Group Work and Discussions

12.45 – 14.00 Lunch

P.M

15.30 Presentation Of Country Cases.

15.30 – 16.00 Coffee Break

16.00 – 17.30 Presentation of Country Cases (Cont’d)

Day Three

A.M

9.00 – 10.30 Perspectives of Governments, Development Research Institutes and Development Partners

Discussions

10.30 – 11.00 Coffee Break

11.00 – 12.30 Group Discussions on Strategy for Change and Its Implementation: Role of Actors

1.00 – 14.15 Lunch

P.M
14.30 – 15.00 Presentation of the Conclusions of the Group Discussions

15.00 – 15.30 Coffee Break

15.30 – 17.00 Presentation of the Conclusion and Recommendations of the Workshop

Closing Ceremony