



Findings

Poverty Reduction

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PREM Anchor Support to the Africa Region

The goal of the Poverty Reduction and Economic Management (PREM) Network is to shape policies and to help countries build successful national strategies for sustained, shared growth, and to strengthen partnerships at the country level for improved aid effectiveness. There is no region in which this goal is more challenging than in Africa.

In support of the Africa Action Plan (AAP), the PREM Anchor has actively stepped up its support to the Africa Region (AFR) in fiscal year 2006 (FY06). As of the end of January 2006, Anchor staff had provided nearly 83 staff weeks in direct cross-support alone. Activities have included knowledge generation, high-level policy support on missions, the development of toolkits and diagnostics to improve policy advice on growth strategies, among others. Most of this work has been provided on a demand-driven basis, and PREM plans to continue providing such services subject to its budgetary and skills capacity. This note illustrates how the PREM Anchor's support to the

AFR connects with the objectives of the AAP.

AAP focus: Results framework for achieving impact

The PREM Anchor is working closely with the AFR on ways to improve the results focus and analytical foundations of *poverty reduction strategies* (PRSs). A study is under way on the integration of PRS reporting and budget implementation covering eight African countries to improve existing reporting instruments and assess how to better align PRS reporting with budget reporting. Work is also under way to strengthen the quality of second generation PRSs and their relevance as a framework for scaling up and improving aid effectiveness. To this end, the Anchor is exploring ways of using the PRS process to increase aid effectiveness, along with other bilateral donors. A conference with several African countries and donors on this topic is tentatively planned for the fourth quarter. Both of these activities feed directly into the AAP's objective of supporting results-oriented national strategies.

The effectiveness of aid will ultimately be judged by the impact it has on the ground. The Anchor's work on *poverty analysis, monitoring, and impact evaluation* is heavily focused on the AFR. Some examples of collaboration include a conference on improving the quality of impact evaluations of government programs in Kenya; the implementation of six country studies to identify the most promising institutional arrangement for PRS poverty monitoring systems; and a workshop organized in collaboration with the African Development Bank (AfDB) and several other bilaterals on how to deepen the growth diagnostics in PRSs and strengthen the links to national monitoring and budget systems.

AAP Focus: Building capable states and improving governance

A country's ability to maximize and sustain growth depends on the quality of its institutions and the capacity to efficiently and effectively deliver services. The PREM Anchor is working with the AFR to build on efforts that African countries have taken during the past few years and in support of the AAP's goal of building capable states and improving governance. Efforts have largely focused on:

- Building capacity to strengthen governance in client countries;
- Creating new instruments to better tailor CASs and operations to political

Box 1: Direct country support for building capable states and improving governance

Strong institutions, good governance, and an understanding of the political economy in which PREM's clients operate are necessary elements to providing solid policy advice and achieving results on the ground. Following are examples of activities in support of this end.

In **Kenya** and **Madagascar** PREM has implemented pilot leadership and ethics programs focused on building effective cabinet teams to further reform and improved accountability and service delivery for the citizens. This has been done through a series of cabinet retreats for both technical skills and team building.

Analytical and team dialogue support was provided for **Uganda's** political economy assessment and follow-up discussions in response to a similar steep deterioration of governance.

PREM provided high-level support to the **Ethiopia** country team in response to an urgent request for a governance assessment to provide the analytical and strategic foundations for an Interim Strategy Note in response to the political crisis.

In **Rwanda**, cross-support was provided for the PRS on Service Delivery and Decentralization & Territorial Reform, which included a high-level conference with the prime minister and ministers in attendance.

On the public expenditure side, a clinic was held for a visiting **Democratic Republic of Congo** delegation on Public Expenditure Tracking/Managing Teachers Top Ups as part of a Development Policy Loan.

Advisory support was also provided to the Government of **Lesotho** on Medium-Term Expenditure Frameworks and lead Public Finance Assessments for 18 HIPC G-8 Debt Relief countries' eligibility.

governance and corruption realities and to more accurately and comprehensively monitor progress on the ground; and

- Helping governments improve the efficiency of internal and external controls that monitor budgetary execution to contain the misuse of public resources.

In addition to providing direct country support (Box 1), PREM Anchor staff have been actively involved in the Africa Capacity Building Initiative and the committee responsible for the World Bank's new capacity building strategy for AFR. Working with the regional management team, support was also provided on

developing a strategy for risk mitigation and effective control of corruption in the AFR, which included methods to identify high-risk countries, such as corruption and governance indicators and diagnostics.

AAP Focus: Supporting the Drivers of Growth

Growth is at the core of PREM's work program. Its focus continues to be on providing sound policy advice to help countries accelerate and sustain growth through the medium term, of which supporting the drivers of growth is key. In FY06, the Anchor's focus on Africa has been extended substantively

and sharpened to reflect the priorities set out in the AAP. The topics PREM is working on include:

MACROECONOMIC IMPLICATIONS OF SCALING UP: PREM Anchor is examining the macroeconomic implications of aid flows using case studies on Uganda and Tanzania, and examining the consequences of sharp increases in aid for infrastructure development in 12 African countries. A toolkit that enables users to conduct country-specific analysis is under development.

MEDIUM-TERM GROWTH FORECASTS: The application of new approaches to benchmark medium-term growth forecasts for all African countries, with the intention of making risk analysis more realistic, is under way. Given the vulnerability of African oil exporters and importers, PREM is analyzing the fiscal and oil-wealth management implications of the oil price shock for Nigeria and other African oil exporters and importers.

CREATING THE EXPORT PUSH: The Anchor is looking at the institutional and economic constraints to export diversification and competitiveness in Africa. In a related context, it is also studying the kinds of tertiary skills that are needed to promote higher value exports in Africa. Furthermore, PREM is providing cross-support in the areas of trade policy, trade facilitation, and standards and co-task-managing Diagnostic Trade Integration Studies in Rwanda and Niger. This work has largely focused on

countries in the Integrated Framework; however, significant work has also been conducted in Kenya, where PREM has had a major role in staffing the missions and participating in the follow-up policy dialogue.

TRADE FACILITATION: PREM supports the trade facilitation negotiations in Geneva and the capacity building initiatives it has or will be carrying out for African countries with trust fund support from the European Community (EC), the United Kingdom, and Sweden. PREM staff are also highly engaged in the Integrated Framework and the broader Aid for Trade Initiative, which will provide large returns for the AFR.

REGIONAL INTEGRATION: PREM has been working closely with the AFR Vice-Presidency and the Department for Regional Integration in preparing a strategy for engagement and supporting dialogue with the EC on Economic Partnership Agreements. It is also providing technical assistance for the Common Market for Eastern and Southern Africa (COMESA).

DEBT MANAGEMENT: The PREM Anchor has comprehensive knowledge about African debt issues and continues to provide cross-support and technical advice on the implementation of the HIPC Initiative, the low-income debt sustainability framework, and additional debt relief proposals. For example, by the end of FY06, Anchor staff will have worked with country teams on debt sustainability analyses for most African IDA countries. Staff also provide

on-going advice on issues related to debt and growth, borrowing strategies that prevent a rapid reaccumulation of debt, and increasing debt-management capacity in African countries (in collaboration with the AfDB).

AAP Focus: Participating in and Sharing Growth

(Connecting the Poor to Markets—Scaling Up Human Development)

Making Africa's growth more inclusive means connecting the poor to markets, scaling up human development, and ensuring that both men and women participate in and share the returns from growth. In support of these efforts, the PREM Anchor is currently tackling problems related to migration, labor markets, and economic mobility and their links to poverty and growth. For example, it has undertaken a joint program with the AFR to improve the quality of informal labor diagnostics in the region. In addition, the *Moving Out of Poverty Study* entailed close collaboration with national policy institutes and country teams to deepen PREM's understanding of economic mobility, using both quantitative and qualitative methods. A flagship effort, the Pro-Poor Growth Diagnostic Facility, is also under way, which will help support increased donor collaboration and support for country-focused analytical work on the linkages among poverty, equity, and growth in the region.

Physically connecting the poor to markets and scaling up human development will require additional investments in infrastructure, health, and education. PREM is developing analytical tools to assess the fiscal space available for these investments and conducting detailed assessments of the main dimensions of the fiscal space problem. The empirical pilots for this work will focus on Africa. To ensure that these investments are used efficiently and to help improve the monitoring of sector specific public expenditures, PREM is conducting an assessment of the cost performance of service delivery in which pilots are also being carried out in the AFR.

Finally, shared growth cannot be achieved if more than half of the population is left out. To help ensure that both men and women participate in and benefit from growth, PREM has stepped up efforts to accelerate progress towards the gender Millennium Development Goal

(MDG) and draw links between gender and growth. A growth and gender assessment was recently conducted for Kenya and work on the links between private sector development and gender is under way in Tanzania and Ghana. PREM is working with its colleagues in the AFR to organize workshops and training on gender and economics during the coming months.

AAP Focus: The scaling up agenda (*Strengthening partnerships at the country level*)

In close collaboration with the Organization for Economic Co-operation and Development (OECD) - Development Assistance Committee (DAC), PREM has brought together DAC members, multilateral development banks, the International Monetary Fund (IMF) and the United Nations Development Programme (UNDP) to discuss practical steps to help ensure the effective use and delivery of aid and to support scaling up

initiatives. The topics this group is addressing include achieving greater predictability and appropriate flexibility of donor financing; strengthening the poverty reduction strategy process; and energizing the consultative group and roundtable processes to achieve clarity and secure the financing needed for country plans to ramp up MDG efforts. Work is under way to strengthen the consultative group/roundtable processes at the country level to better link resources to results at the country level.

This Findings is a reprint of PREM Note No. 107, which was issued by the PREM VP under the guidance of Danny Leipziger. For more information about PREM and PREM publications, visit their website at www.worldbank.org/prem