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No. 01/15

Pro-Poor Conditionality for Aid and Debt Relief in East Africa

by

Oliver Morrissey

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Acknowledgements
This paper was prepared for the WIDER Development Conference on Debt Relief, Helsinki, 17-18 August 2001; useful comments were received from Maureen Were and participants. The research is part of a project on 'Poverty Leverage of Aid' funded by DFID (grant R7617). The views expressed here are those of the author alone.

September 2001

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Abstract
This paper considers how the conditionality inherent in HIPC debt relief should be constituted to promote pro-poor policies. There are two dimensions to this. First, the extent to which the policies proposed are pro-poor. Second, the potential for releasing resources for pro-poor expenditures. The paper provides an analytical framework to describe the policy environment for poverty reduction, and identifies where donor effort and influence are most likely to be effective. An illustrative application is made in a comparative study of PRSPs in three countries. Uganda is one of the leaders in the PRSP process, is already benefiting from HIPC debt relief and has achieved significant reductions in poverty. Tanzania has recently completed the PRSP process and hopes to qualify for debt relief. Kenya has also started on the PRSP process but has been much less successful in devising a poverty reduction strategy. The paper argues that the elements of debt relief conditionality should be tailored to the features of the poverty-reduction policy environment in each country and provides guidelines for the design of conditionality.

Outline

1. Introduction
2. Aid and External Influence on the Policy Process
3. Elements of a Poverty-Reduction Strategy
4. PRSPs and Pro-Poor Policy: An Illustrative Comparison
5. Conclusions: Implications for Conditionality

I. INTRODUCTION

The economic study of the effectiveness of aid is like a very large jigsaw. Theory gives us insights into how the pieces fit together, and cross-country studies provide a vague outline of what the picture looks like. However, each country is different, both in the nature of the economic interactions that determine the effects of aid and, at least as importantly, in terms of the underlying policy process. Policy clearly influences economic performance, and thus mediates the effectiveness of aid, but there is a debate regarding the mechanism by which policy influences effectiveness (contrast Burnside and Dollar, 2000, with Hansen and Tarp, 2001). A separate issue, on which current understanding is limited, is whether and how aid influences policy, the aspiration behind conditionality. At one extreme, World Bank (1998) seems to take the view that conditionality does not work, and it is certainly true that tight conditionality is not an effective instrument to get governments to do something they do not want to do (White and Morrissey, 1997). However, this may be going too far. For example, many African countries have implemented significant economic policy reforms over the past 20 years, and aid has clearly played an important role, both encouraging and supporting reform.

This paper addresses the latter issue – in what ways can, and has, aid influenced policy reform. Being the policy that is now foremost among donor objectives, the focus is on poverty-reduction. Donors have established the adoption of poverty-reduction policies, as represented through a country's Poverty Reduction Strategy Paper (PRSP), as a criterion for aid and, more specifically, debt relief under the Highly Indebted Poor Countries initiative (HIPC). The question addressed here is whether this has increased the policy leverage of aid as an instrument of poverty reduction and are there lessons for the design of conditionality associated with HIPC debt relief? We adopt a political economy approach, being concerned with the interface of politics and economics – the influences on economic policy rather than political systems *per se*. Thus, the focus is on how aid (and the associated relations with donors), especially in relation to debt relief, interacts with the political factors that influence the policy process.

It is useful to distinguish pro-poor policies from pro-poor expenditures. First, we consider how liberal economic policy reforms, those associated with structural adjustment and stabilisation, can be made pro-poor. Our concern is not with the detail of reform areas,

such as trade or exchange rate policy, but with the broad implications. The desirability of some liberalisation is accepted, the question is how to protect the relatively poor (those who either are poor, or in danger of being pushed into poverty). This leads to an emphasis on complementary policies that, in an environment of liberalisation, make the reform process pro-poor. Second, we elaborate the notion of compensatory policies in respect to the policy reform conditions associated with debt relief under HIPC. Such compensatory policies comprise pro-poor expenditures that target and protect the poor and vulnerable.

In general, it is *easier* (but by no means easy) to identify and implement pro-poor expenditures than it is to implement complementary policies that make a reform process pro-poor, especially if the reform process is relatively complex and wide ranging. Macroeconomic, liberal, policy reform is a pre-condition for eligibility for debt relief under HIPC. There is considerable debate, however, regarding the effect of such reforms on the poor, and thus on the appropriate pro-poor complementary policies. The design and implementation of pro-poor policies is demanding of policy-makers, whose potential is conditioned by the policy environment – the political and administrative constraints to policy. The design and implementation of pro-poor expenditures is easier. A central argument of this paper is that given the policy environment, the objective of poverty reduction can be more effectively promoted through pro-poor expenditures than by requiring pro-poor policies. Less 'up front' conditionality should attach to the broad economic reforms and more emphasis should be given to the composition of expenditures.

Examples are taken from three East African countries – Kenya, Tanzania and Uganda. These countries have a number of similarities. Broadly speaking, they share a common history, the same geographical and climatic conditions and are primarily agriculture-based economies producing similar commodities. Their post-colonial political histories have been different. Kenya has been politically quite stable, although inward-oriented and resistant to liberalising the economy in recent decades. Tanzania experienced 'African Socialism' until the mid-80s, and has gradually liberalised its economy since then. Uganda was politically unstable until 1987, but has liberalised rapidly since then. In terms of donor relations and poverty-reduction policies, their status is quite different. Uganda is a 'favourite' and has made most progress, qualifying for debt relief under HIPC. Tanzania is less favoured, but is nearing acceptance of its PRSP. Kenya is the least favoured, and only embarking on devising its PRSP strategy (and Kenya's debt burden is not severe for it to be classed as a

HIPC country). The premise of this paper is that the nature of the policy process in each country has mediated how they are influenced by aid and donors, and this can help to explain their varying degrees of progress with adopting poverty-reduction policies.

Section 2 considers the role of external influences, channelled through aid and debt relief, in the policy process - how policy preferences combine with the political capacity of a government to adopt policy and create a commitment to reforms that can be implemented. Section 3 considers debates on the impact of economic reform on the poor, discusses the policy context of debt relief under HIPC, and identifies the features of the policy environment for poverty reduction. The relationship between economic policy, aid and poverty-reduction is an issue of increasing research activity and policy interest, although current knowledge is limited. Section 4 presents the brief case studies. Attention is confined to the PRSP process and a number of core pro-poor expenditures. Section 5 concludes with some implications for HIPC conditionality and how aid can be targeted on poverty reduction via support for PRSP processes and pro-poor expenditures.

II. AID AND EXTERNAL INFLUENCE ON THE POLICY PROCESS

This section presents a framework for analysing the nature of the policy process in a country with a view to identifying the appropriate ways in which external agencies, in this context aid donors, can influence the process so as to promote pro-poor policies. Some comments on terminology are in order. Government refers to the set of ruling politicians who are policy-makers (and may include senior Civil Servants and advisors). This paper is not concerned with the political process by which policy-makers are selected, although we do consider some implications of democratic systems. Administration refers to the Civil Service and other institutions that implement policy. We wish to draw a clear distinction between policy-making – the choice, design and advocacy of policy – and implementation (acknowledging that implementation experience should feed back to policy-making).[1] Policy-making will depend on the way in which government functions, the strength of opposition, and the quality of technocrats involved in the process (the same individuals may also be involved in administration, but that is a distinct function). This is our principal concern. We recognise the importance of implementation capability,

1 This is not to deny that implementation is integral to the policy process, but allows the focus to be on policy-making. Grindle and Thomas (1991) provide the seminal discussion of policy-making and implementation in developing countries.

especially insofar as limitations constrain policy choice, but are not concerned with issues relating to administrative or institutional reform.

It will be helpful to locate this paper within the emerging literature on the politics of pro-poor policy, although that is peripheral to our main concern. Much of this literature starts from the premise of ‘assuming that governments are willing to pursue pro-poor policy’ and concentrates on three issues (Johnson and Start, 2001: 9). First, how to identify activities and target beneficiaries. Second, how to ensure communication and satisfaction of needs and priorities for such activities within the public sector. Third, the politics of the interface between public sector providers and beneficiaries (such as devolving accountability, promoting local democracy and involving civil society). Johnson and Start (2001) review this literature in some detail. Although we comment on the first issue (as central to the identification of pro-poor expenditures), the concern here is with the premise. What role do external influences, in particular donors, play in encouraging governments to adopt and implement pro-poor strategies?

Morrissey (1999) proposes a framework for analysing the factors influencing governments’ choices of which policies to adopt, and the presentation here builds on this. The government has to have a preference for the particular policy or reform (as elaborated below, this is distinct from the notions of ‘commitment’ and ‘ownership’ that are prevalent in the literature). Preferences in this context are policy-specific. A government may wish to retain the status quo or may perceive the need for change. If the latter, there is a preference for reform (with a particular aim), but this does not imply that the government knows what the most appropriate policies are to achieve the reform (this is where external influences come into play).[2] Aid, in itself and as a manifestation of donor views on what are appropriate policies, can play a role in shaping preferences. There is no reason why aid, or donors, should have an immediate effect. It takes time to shift preferences, although is easier when there is a policy vacuum to fill (and when governments are receptive). While the aid financing acts as a carrot, effort should be

2 There are two issues here. First, donor and recipient preferences regarding reform may differ (abstracting from any consideration of who, if anybody, is ‘right’). This is the standard case of conditionality failure (White and Morrissey, 1997), but one should not infer from such failure that donors cannot, over time, play a role in shifting preferences. Second, having chosen a specific policy, recipients may lack full information on design and implementation. This is where donors can play a directly constructive role, assuming there are shared preferences.

made to convince recipients that the policies proposed are indeed appropriate (made easier if, in fact, they are – a point returned to in Section 3).

To a large extent preferences are shaped by internal factors. At one extreme, ideological regimes will tend to have relatively fixed and inflexible preferences, although these can change over time. At the other extreme, liberal technocratic regimes will be inclined to search for the most appropriate policy and tailor it to internal political needs (their technocratic nature implies an ability to do this). Most governments (and the three cases we consider in Section 4) are somewhere in between: they have a set of preferences, but these can be altered or refined in the face of a changing internal or external environment. Our focus is on the influence of the external environment and external actors; internal politics is, in effect, treated as a constraint (this is not to claim that change may not arise internally). That is, we take internal factors as shaping initial preferences and then consider how external influences can alter these. We begin by elaborating these factors.

A core concept is that of 'political capacity' – the ability of the political system to institute policy evolution and policy change. This will depend on the nature of decision-making within the government itself, and the relative strength of constituencies that support or oppose the direction of policy. Morrissey (1999) considers four types of political regime in the context of how this shapes willingness to adopt new policies. Two are mentioned here. Established regimes tend to have vested interests they will want to protect; this combined with hysteresis renders them less willing to change preferences and adopt new policies. Kenya falls in this category, as did Tanzania under Nyerere. New regimes that emerge victorious from a civil war may find that they have power before they have formed policies and may be encouraged to become reformist. This appears to have been the case in Uganda after Museveni gained power in 1987; Museveni encouraged dialogue within the government and became convinced of the merits of liberalisation (Harvey and Robinson, 1995). Tanzania represents an in between case. The transition of power after Nyerere retired was peaceful but only slowly did anything that could be termed a new regime emerge. When Benjamin Mkapa succeeded Ali Hassan Mwinyi as President in the country's first multiparty elections in 1995, the same political party remained in power – the Chama Cha Mapinduzi (CCM). Nevertheless, the Tanzanian government of the late 1990s was more reformist and market-oriented than that of the mid-80s.

Even a government with a preference for reform will be slow to adopt politically risky policies. The willingness to attempt reform will be constrained by political capacity, and governments will be wary of trying to push through reforms in the face of strong opposition. In this context it can be observed that 'democratisation' in Africa, even if partial, can reduce political capacity (i.e. one should not assume that it necessarily enhances political capacity, although it may improve policy choice). A dictatorial regime can usually adopt and push through the policies (good or bad) it prefers; the constraint on implementation is administrative. An elected regime may be inclined towards caution if it fears attracting blame for failed reform. In a democracy, even a single party one, an effort has to be made to convince the media and public that the policies are 'right' for the country. This may, of course, encourage better policies. In some cases, however, the process of consultation with civil society can slow the policy-making process, as varied interests make conflicting demands. Democracy 'clearly does not guarantee good governance and enhanced political capacity to enact economic reform' (Sandbrook, 1996: 17). Democracy is not necessarily a good thing if the underlying political capacity is weak – in Africa, for example, democracy *per se* is not the problem, but the absence of an established process for the peaceful transfer of power is a source of political instability. Such instability can stifle reform, and can undermine growth.[3]

In principle, democracy 'creates a broad institutional framework that enables market-led economic growth to occur' (Brinkerhoff, 2000: 603). While this may apply once democratic institutions are established, it may not be the case during the transition to democracy. Political transition is no less costly and fraught with difficulties than economic transition. In the African context, democracy 'has usually involved a transition from an ineffectual, albeit repressive, authoritarian regime to a weak and fragile democratic one' (Sandbrook, 1996: 3). However, implementing reforms with high adjustment costs requires strengthening the state (Haggard and Kaufman, 1992, in the context of structural adjustment and stabilisation). Thus, the nature of the transition to democracy in Africa has often not created the environment for more effective economic policy reform.

3 A number of recent studies provide evidence for this in sub-Saharan Africa (SSA). Gyimah-Brempong and Traynor (1999) find that political instability has a direct negative effect on growth and also an indirect effect via discouraging accumulation. Guillaumont *et al* (1999) find that SSA has high levels of primary instabilities (political, climatic and terms of trade) and these reduce growth by distorting economic policy so that the rate of investment is volatile, thus the growth rate is lowered.

A priori, democracy, or involvement of civil society and the poor, would be expected to support adoption of pro-poor policies insofar as it mobilises support for policy reform. This will depend on preferences – it cannot be assumed automatically that governments want to implement pro-poor policies or, more generally, that they wish to prioritise pro-poor policies over other demands on scarce resources (financial and political). In principle, pro-poor policies require redistribution and those who expect to lose income or rents will resist the change. If governments do have a preference for poverty reduction, they will still take into account political capacity and strength of opposition. This will influence the nature of pro-poor policies and redistribution; weak capacity, given preferences, will tend to constrain the amount of poverty reduction achieved (by weakening policy and/or implementation). Aid funds can play a direct role here by postponing the need for domestic resource redistribution. If initial preferences are not in favour of pro-poor policies, donors can focus on influencing preferences.

The political difficulty with pro-poor reforms is that they require redistribution. On the one hand, this implies that there will be opposition to reform (from the rich, who are initially the powerful). On the other, there is the possibility that redistribution will, at least in the short run, slow the rate of growth. Alesina and Rodrik (1994) develop a dynamic endogenous growth model with production as a function of capital, labour and production services offered by governments and financed by a capital tax. The capital tax captures the re-distributive policies of government. Growth is a result of investment in capital and therefore investment and growth are lower the higher the tax rate on capital. Thus, redistribution 'is conducive to the adoption of growth-retarding policies' (Alesina and Rodrik, 1994: 465). This would be of concern to governments as growth is often the most important determinant of the sustainability of policy reform. More can be attempted and support is greater during a period of growth, whereas reforms that are perceived as reducing growth increase opposition. 'Popularly elected governments realize that political survival depends upon good economic performance' (Sandbrook, 1996: 6).

Much of the discussion of policy reform in developing countries has been concerned with the concepts of 'ownership' and/or 'commitment' (e.g. Killick, 1995; Sandbrook, 1996; Leandro *et al*, 1999; Dijkstra and Van Donge, 2001), with ownership seen as necessary if policies are to be implemented successfully and sustained. The implication that ownership

is a necessary, albeit not sufficient, condition for effective reform may be too strong. Typically, the concept of ownership is not clearly defined and is used in a loose sense, frequently indistinguishable from commitment. Sandbrook, for example, argues that 'ownership', which is not defined, is necessary for commitment, apparently defined as requiring that 'the executive authority must be [cohesive and] firmly convinced of the necessity of [reform]' (Sandbrook, 1996: 5). Leandro *et al* (1999: 288) acknowledge that no clear and unambiguous definition of ownership appears in the literature, and consider it some combination of commitment and capacity to 'conceive, negotiate and implement reforms'. Thus, if a government supports a particular policy, has chosen that policy itself (although it is never fully clear how it was chosen), and openly expresses its commitment to the policy, then it is claimed to own the policy. This may be an acceptable definition of ownership, but it is unlikely to be a necessary condition for effective reform. The focus here is on commitment as the necessary condition, rather than ownership.

Commitment, defined as the explicit adoption of a specific policy, can be seen as comprising two elements – preferences and political capacity. Preferences for reform are a sufficient condition to ensure an attempt at implementation (irrespective of ownership), but do not guarantee successful implementation, nor do they guarantee that the government will make its intentions public.[4] Preferences and capacity give rise to commitment to reform, but the ability to implement successfully will then depend on administrative capability and institutional structures. In this sense, we define commitment as revealed preference. If a government favours a particular reform and believes it has the political capacity to advocate and try to implement the reform, it is willing to declare the commitment. If a government has a preference for reform but capacity is weak, it may choose not to declare its commitment (it will be implicitly, but not explicitly, adopted). If there is no preference for the reform, there is no commitment by this definition (irrespective of what the government may declare).[5]

4 As should be clear from the context, preferences here do not mean that the government 'likes' the policy or thinks the policy objectives are desirable (although it may do). Preferences relate to policy choice, based on information given objectives.

5 It should be admitted that political commitment is difficult to define in an operational way. Ideally, one needs to know the true intentions of the government rather than relying on revealed preferences (which may be opportunistic and politically, rather than policy, motivated). A government may declare an intention to reform simply to receive aid, and then renege on this 'commitment' (the source of aid conditionality ineffectiveness). Some observers (e.g. Levy, 1993) use 'announcement' as a proxy for commitment, and this certainly indicates explicit adoption. However, one can envisage a situation where a government is reluctant

While preferences and capacity are necessary and sufficient for commitment, this does not imply ownership – the government could simply choose to implement a set of policies ‘off the shelf’ (from, for example, donors). A meaningful concept of ownership, as suggested above, would require that the government is able to select and design the policy itself. This requires considerable policy-making and policy analysis capacity, often beyond that available to most developing countries (at least in respect of complex issues where policy knowledge is not well known, such as poverty reduction). In this context ownership implies that the government itself forms preferences for reform and a strategy for implementing the preferences. This is a strict definition of ownership, and neither necessary to ensure that reform is attempted nor that it is successful. External influences may help shape preferences and suggest policy options, so contributing to ownership. However, if donors suggest preferences and provide policy options that are accepted, this is not ownership although the government may be committed to the reform. Although ownership as defined *is* desirable in its own right, it is not at all evident that ownership rather than commitment is *necessary* to ensure that reform programmes will be advocated, implemented and sustained.

Thus, we are not concerned with ownership *per se* but with commitment and, specifically, its components – preference with adequate political capacity is the basic requirement for adopting policies. Commitment to reform is important and ensures that policy will be advocated and attempted; it does not guarantee success, but increases the probability of sustained implementation. It is now possible to consider the role of external influences and actions (for our purposes referring to donors).

Table 1 External Influences on the Policy Reform Process

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to declare its commitment because of uncertainty regarding the outcomes, so announcement is not a perfect measure.

POLITICAL DIMENSION	DONOR INFLUENCES
A. Preferences	*The government is in favour of the reform*
	Placing specific concerns high on the agenda
	Policy advice and knowledge transfer
	Evidence of how policy has worked elsewhere
B. Capacity	*Ability to advocate policy and move to implement*
	Taking responsibility for unpopular policies
	Providing evidence to build support
	Assistance for policy advocacy
	Poverty monitoring and analysis*
C. Commitment	*Preference revealed because capacity is adequate*
	Financial support for adopting policies
	Building policy-making capability
	Technical assistance on policy design and analysis
D. Administration	*Process of implementing the policy*
	Technical support and assistance

Notes: Basic structure taken from Morrissey (1999: Table 4.1). The aim is to identify the ‘entry routes’ of external influences on the politics of policy reform. A definition of the political dimension is provided in italics.

* these contribute to policy-making and therefore enhance capacity, but are also elements in implementing effective policy, therefore contribute to administration.

The discussion above is summarised in Table 1 which also indicates the various stages at which external influences can come into play. If policy-making within government is relatively open and based on dialogue there is scope for developing new policies and the government will be receptive to external influences. External influences are often most important in shaping preferences. Donors can encourage governments to give particular

issues more priority on the policy agenda, or try to convince governments that there is ‘new’ policy knowledge and experience that they should recognise. Disseminating ‘good’ policy experiences is one of the most effective ways to influence preferences. If a government is presented with evidence of policies that have worked elsewhere, they are more likely to be convinced that the policy is appropriate for them.

This is one reason why adjustment and stabilisation programmes may have failed. At the time such programmes were initiated, there was little evidence that they would be successful (even now there is mixed evidence, see McGillivray and Morrissey, 1999). Many governments accepted the policies only because it was required (a condition) to qualify for aid. Frequently, they remained sceptical of the merit of the policies. Thus, preference for reform was often absent, hence commitment was lacking. This was compounded by the tendency for such reform programmes to be wide ranging and demanding, stretching political capacity and administrative capability (Morrissey, 1999). It was further compounded by the fact that elements of the reform programme often had high adjustment costs, further undermining political capacity. Donors are most likely to be able to shape preferences if they focus on relatively narrow and clearly defined policies where there is evidence of success elsewhere (the success of the PRSP process in Uganda may have encouraged Tanzania and later Kenya).

Donors can also support political capacity – providing evidence to counter opposition and assistance in policy advocacy, for example. When political capacity is weak but governments accept the desirability of reform, external agencies can be ‘blamed’ for requiring governments to adopt unpopular policies. If responsibility for the adverse effects of the reform is not attributed to the government, but to external actors, then opposition has less to attack (Frey and Eichenberger, 1994). More generally, the government may support the objectives, but may have limited capacity to advocate an appropriate policy and mobilise support for it. The type of evidence that influences government preferences is essentially the same as that which supports policy advocacy, although dissemination modes differ. The former should be designed to appeal to policy-makers (accentuate the positive) whereas the latter should appeal to the public and interest groups (e.g. deflecting or countering opposition arguments). In these ways, donors can fill the gap where preferences are pro-reform but capacity is weak. This implies working with or even for government.

Once commitment exists, external agencies can help to strengthen it, directly with financial support (to offset costs of implementation) or more generally with advice and help in policy design. Commitment implies the government has advocated the policy and is moving to implementation. External assistance at this stage should be directed on appropriate policy design, such as resolving problems of targeting in pro-poor expenditures. Some see such technical assistance as contributing to ownership (e.g. Leandro *et al*, 1999). This is true in a dynamic sense, if support for capacity now contributes to enhanced policy-making capacity in the future. However, technical assistance for implementing specific reforms should not be considered as promoting ownership of that reform – it is too late. Similarly, such assistance does not establish commitment, rather is assists the process of acting on commitment.

Increasing administrative capability is an essential part of effective policy reform, relevant not only to implementation but also to political capacity itself. ‘However difficult and politically risky it is to decide to introduce a reformist initiative, the process of implementing and sustaining that decision is likely to be even more fraught with difficulty and risk’ (Grindle and Thomas, 1991: 121). The problem in many African countries is that bureaucrats were ‘captured’ by the elite. ‘Political patrons secure positions in the civil service and parastatals for clients, who then owe loyalty to those patrons rather than their hierarchical superiors. These transorganizational factions advance the interests of their members – often to the detriment of the public they are supposed to serve’ (Sandbrook, 1996: 8). This captures the inherent interaction of administrative capability and political capacity. A more capable and independent bureaucracy can contribute to effective policy-making as it strengthens capacity (and promotes ownership), whereas weak capabilities undermine implementation and political capacity. Donors can contribute via technical assistance in administration and implementation.

III. ELEMENTS OF A POVERTY-REDUCTION STRATEGY

This section places pro-poor policies within the framework developed above. First, we consider how liberal economic policy reforms, those associated with structural adjustment and stabilisation, can be made pro-poor. Our concern is not with the detail of reform areas, such as trade policy, but with the broad implications for protecting the relatively poor. This requires complementary policies that ensure a pro-poor effect and

compensatory policies that minimise or offset adverse effects on the poor (these include pro-poor expenditures). We elaborate the notion of compensatory policies in respect to the policy reform conditions associated with debt relief under HIPC. This allows us to identify some problems with HIPC conditionality as practised and to identify pro-poor expenditures. This is then related to the discussion of the previous section to identify the policy environment for poverty reduction. Given the policy environment prevailing in a country, what types of pro-poor policies and expenditures should be promoted?

The Impact of Economic Policy Reform on the Poor

Kanbur (2001) provides a seminal discussion of the current state of debate on the effects of economic policy reform on poverty (or, more accurately, on the poor). He identifies three areas of disagreement over whether or not 'liberal' economic policies are pro-poor – aggregation, time horizon and market structure. The source of disagreement due to aggregation is explained clearly by an example. Economic measures of poverty mostly focus on what is happening to national headcount poverty (the percentage of households or individuals living below some poverty line). Those who work at the grassroots tend to invoke personal experience of what is happening to particular households (in, for example, a study village or region). It is therefore not unusual for the first group to argue that poverty (overall) is declining whereas the second group counters that, in their experience, poverty has increased. Both may be right, as they are talking at different levels of aggregation. It may even be the case that the percentage of the poor in poverty may decline while the absolute number increases (given population growth).

Economists (and those who could be said to adopt the 'economists' mindset') tend to think in terms of the effect of economic policy over a medium time horizon (say 5-10 years). That is, they are concerned with what is likely to be the outcome when the economy has adjusted to the economic policy reform. This is not to say that economists ignore adjustment costs and the fact that some will suffer (on the contrary, many emphasise the need for social safety nets and the role of compensatory policies), rather that they look beyond these costs. Others, again especially those at the grassroots, are concerned precisely with those among the relatively poor who are suffering the costs of adjustment. To such people, 'short-run survival trumps medium-run benefits every time, if the family is actually on the edge of survival' (Kanbur, 2001: 1089). Thus, the proponents of liberalisation argue that reform is necessary for economic growth and this offers the

opportunity for future poverty reduction, accepting adjustment costs as a 'no gain without pain' sacrifice. The critics of liberalisation counter that they see the pain, but where's the gain? As with aggregation disagreements, there is truth in both sides of the argument. The common ground is that both sides recognise the need for policies to protect the poor from the costs of adjustment (although they may disagree on the detail).

The greatest disagreement is over perceptions of the underlying distribution of economic and political power. While most economists recognise the problems of imperfect competition and the need for regulating the behaviour of monopolistic firms, economists tend to base their arguments on an assumption of competitive markets. In other words, competitive efficiency is the analytic norm, and excessive market power is a distortion or exception. Critics, and the 'anti-globalisation' protesters are an example of this, are more likely to see concentrated market power as the norm, and the unequal distribution of power as increasing. Competitive markets are an academic concept at variance with what is observed in the real world. This disagreement is important and intense, and an important area for future work. For example, there is increasing recognition of the need to address the behaviour of multinationals in the context of multilateral (WTO) trade liberalisation (e.g. Morrissey, 2001). However, this is beyond the scope of the current analysis.

These sources of disagreement have important implications for the design of pro-poor policies, and are thus relevant to our consideration of conditionality for debt relief. At stake is getting the right balance between adjusting the reform policies to make them pro-poor and including targeted expenditures to benefit the poor during periods of reform. The issue of aggregation relates to whether one concentrates on the effects for particular groups (typically the poor) or on the economy overall (allowing that there are winners and losers, the issue is whether the net gain is positive and whether the losers are compensated).[6] Policies that promote economic growth are generally good for the poor on aggregate, and are desirable for this reason. Specific groups will suffer, and these are

6 Non-economists often criticise economists for considering only the aggregate effect, whether the net effect is likely to be positive. In fact, welfare economics places strong emphasis on distribution – a change is only welfare-improving if the net effect is positive and nobody is made worse off (i.e. the gainers compensate the losers). This of course does not require that the poor become non-poor, rather that the non-poor do not become poor (or that nobody becomes poorer). However, welfare criteria can easily be made pro-poor

likely to be the relatively poor, applying a need for additional, compensatory policies targeted at those groups (Morrissey, 2000). Provided this is acknowledged, there is nothing inconsistent with advocating broadly liberal economic policy reforms and having a poverty reduction objective.

Take trade liberalisation as an example. Trade liberalisation (multilateral and unilateral), by establishing appropriate relative incentives for exporting and import-competing sectors, provides an opportunity for countries to increase efficiency by improved resource allocation. It may also provide for dynamic gains if the increase in market access and relative incentives for exportables' production leads to an increase in the real value of exports and contributes to growth.[7] There is no guarantee that these efficiency gains will be reaped, and hence no guarantee of a positive impact on growth. Put simply, some countries, and these are most likely to be the poorer countries, are constrained in their ability to avail of the opportunities offered.

Studies of the impact of trade liberalisation on low-income countries that are heavily dependent on agriculture, which is true of most poor countries, provide three broad findings (e.g. Blake *et al*, 2001). First, the impact of multilateral trade liberalisation appears to be quite slight, although it is positive. However, low-income countries face constrained supply response and other domestic policy reforms would be required to allow them avail of the increased opportunities associated with liberalisation of trade in agricultural commodities (McKay *et al*, 1997). Second, the greatest share of gains in welfare actually arises from reforms that are essentially unilateral. This is fundamentally because policy reforms are inter-related, and unilateral trade reforms tend to be part of a 'package' of economic policy reforms. The impact of trade policy reform is conditional on the characteristics and non-trade policies of the economy. While there is a positive correlation between trade outcomes and economic performance the same need not hold for trade policy *reform* and economic performance, as this depends on the other policies in place. Policies that complement trade reform can be growth-promoting in their own right and thus enhance the effectiveness of liberalisation. Examples include exchange rate

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simply be attaching a greater weight to the welfare of the poor (and this is what the critics are in effect doing).

7 Increased exports is not the only way trade liberalisation can contribute to growth. Import liberalisation implies access to more and cheaper imported inputs and technology. This can promote increased efficiency and productivity.

liberalisation, export promotion and sector reforms to promote efficiency and productivity gains. Other complementary policies can be pro-poor, such as agricultural reforms that benefit smallholder producers.

Third, there are distributional consequences of the impact of trade liberalisation. This is true both within countries and between countries. If unilateral trade liberalisation leads to an increase in production of export sectors and sectors using imported intermediate inputs that is greater than any reduction in production of import-competing sectors, the net effect on employment and incomes will be positive. Nevertheless, there will be adjustment costs, some sectors and households will lose and so some will suffer from the distribution effects. Compensatory policies are useful to mitigate any likely adverse effects of liberalisation. These include redistribution to losers during adjustment and temporary subsidies to ease the adjustment of import-competing sectors. Social safety nets help those who lose income during the adjustment period. Such compensatory policies involve pro-poor expenditures. At a global level, some countries will derive greater benefits than others, and some countries may well be net losers (these tend to be the poorest countries). Liberalisation is unlikely to provide gains for all, even in the long-run, so redistribution is justified. This can be delivered through aid that compensates losers.

Stated briefly, trade liberalisation is a pro-growth policy, but complementary policies are necessary if the potential offered by liberalisation is translated into pro-poor growth. Trade liberalisation is neither an inherently pro-poor nor anti-poor policy. A given set of liberalisation policies could contribute to reducing poverty (on aggregate) significantly in one country, yet to increasing poverty significantly in another country (or for groups within the first country). To render a liberalisation strategy pro-poor it is not necessary to alter the set of liberalisation policies but it is essential to add appropriate compensatory expenditures, and complementary policies that ease adjustment (as in, for example, the agriculture sector).[8] The timing and sequencing of a particular set of liberalisation policies will affect the impact on the poor (or, more generally, the adjustment costs). For example, trade liberalisation could begin with export promotion and converting quotas to tariffs

8 It should be emphasised that the design of complementary policies (and thus of pro-poor policies) is extremely difficult, context-specific and path dependent. Policy coherence is difficult to achieve, many policies have unintended consequences and the need for complementarity can be used as an excuse to undermine or negate liberalisation efforts.

(increasing revenue). Then, as complementary sector reforms are implemented, governments could begin to reduce tariffs. The 'big bang' approach is likely to be anti-poor, whereas a gradual, phased reform programme can be designed in a pro-poor manner. This brief discussion of trade policy replies to economic liberalisation policies more generally.

Debt Relief and Pro-Poor Policies

The HIPC-II scheme, agreed in 1999, is based on conditionality linking debt relief to policies for poverty reduction. Stated briefly, countries are required to establish a good record of implementing economic and social policy reform and prepare a PRSP indicating how they will tackle poverty reduction. In the terminology above, PRSPs include pro-poor complementary policies and compensatory expenditures. However, it is the record on implementing broad economic reform, not the PRSP or pro-poor policies, that determines eligibility for HIPC relief, the timing of the decision point and the triggers for reaching completion.[9] The funds made available by debt relief would be then channelled into poverty-reduction, typically through a Poverty Action Fund (PAF) that identifies pro-poor expenditures. Thus, there is incoherence insofar as the pro-poor element of the package does not 'kick in' until after compliance with liberal economic reforms (this is discussed again in Section 5). A number of observations are in order with respect to this process.

- As with HIPC-I, to qualify for debt relief countries must demonstrate their ability for sound economic management through satisfactory compliance with and implementation of policy reforms over three years under IMF and World Bank programmes. This is the condition on which selectivity is based. Yet 'satisfactory compliance' inevitably implies judgement, and even governments trying to comply may find themselves thrown off course by external shocks (such as the increasingly frequent and calamitous weather shocks). The inherent problem with selective conditionality is that it is the donors, specifically the International Financial Institutions (IFIs, the World Bank and IMF), that both stipulate conditions and judge compliance and their criteria are not transparent.

9 An established record of implementing policy reform over three years is the requirement to reach the decision point, at which point a commitment for debt relief is made. The completion point is deemed to be reached after a further period of sustained reform, often interpreted as three years, and then relief is actually

Furthermore, the pro-poor component does not feature in these eligibility conditions.

- Unlike HIPC-I, to qualify under HIPC-II countries must also draw-up a Poverty Reduction Strategy Paper (this is where pro-poor policy enters). The PRSP process should include consultation with civil society and other interested parties. While commendable *prima facie*, involving affected parties in the design of poverty-reduction strategies, this is a highly demanding condition. On the one hand, as elaborated above, there is no consensus on what actually constitutes a 'pro-poor growth strategy' while the impact of economic policies on poverty is not well understood. On the other hand, 'consultation with civil society' is a politically sensitive topic, as mentioned in Section 2.

- The Fund and Bank must endorse and assess the PRSP. They will then agree with the government a policy reform and macroeconomic management programme to be followed during the HIPC period. Consequently, there will be some degree of cross-conditionality (Killick, 2000). The poorest countries, almost by definition countries with weak policy-making and implementation capacity, are being required to design and implement a sophisticated programme of linked policies. As argued in Section 2, this can stretch political capacity and undermine commitment.

- Performance criteria, monitoring and review will be applied regularly and relief will be disbursed in tranches. The timetable will depend on how well the government complies with the PRSP and policy programmes agreed. Upon completion, which requires implementation of the PRSP for at least a year, debt relief is provided without conditions. The inherent defect with this approach is that the resources to fund pro-poor expenditures are not released fully until the end of the process. The problems experienced with conditional lending in the past will be present. The effectiveness of HIPC-II will depend on the time-frame and severity with which implementation is evaluated.

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granted. In effect, credit is given for previous reform so that a country can qualify for relief within three years.

A major criticism of HIPC-I was its excessive reliance on conditionality (Killick, 2000). Campaigners for debt relief have argued that conditionality can be used by donors to avoid granting the promised relief. If the conditions for macroeconomic stability and policy reform are demanding, it will be difficult for debtor countries to qualify for relief. Furthermore, the debt burden itself may be one reason why the debtor has difficulty meeting the conditions. HIPC-II, in requiring a PRSP to be drawn-up by the country that meets Fund/Bank requirements may make eligibility more difficult to achieve for the poorest countries. The severity of conditionality is a major concern in any debt relief programme. HIPC-II, by appearing to increase the conditions required, and by making these a criterion for pre-selection, is very demanding of poor countries.

Issues relating to conditionality are discussed later. Here we focus on making the process pro-poor as 'the link to poverty reduction, which is the main unique feature of HIPC II, should similarly be viewed against the background of intense interest in, and a rapidly-growing literature on, the nature of poverty in poor countries and the best ways of reducing this' (Killick, 2000: 1). One approach is to make the conditions pro-poor, by adapting the types of economic policies to be implemented to constitute 'a good record of implementation' as defined by the IFIs. An alternative approach (that is not exclusive of the former) is to place the pro-poor policies in the PRSP. As this is in keeping with the argument for complementary and compensatory policies above, it is the approach discussed.

On the face of it, PRSPs are about listing the policy areas of specific concern to the poor and providing a list of proposed actions in these areas. As such, there appears something of a template that includes education, health, agriculture, water and security. Other areas may be included, but these are the core. Similarly, the policy detail may differ from country to country (although PRSPs rarely include much detail on policy actions), but all will address these five areas. Of course, for most countries, especially HIPC ones, these areas encompass the issues of greatest importance to the welfare of the poor, especially if interpreted broadly. As our interest is in general principles rather than fine detail, discussion under these areas is appropriate.

The essential pro-poor policies in PRSPs can be considered under two headings – those relating to the provision of and access to public services and those relating to the rural

sector, as the majority of the poorest in HIPC countries are in rural areas. The former are mostly pro-poor expenditures while the latter are mostly pro-poor policies. Consumption of public services is an important element of the well-being (or real income) of the poor, usually omitted from income-based measures of poverty (Kanbur, 2001). The most important services are education, especially at the primary level, health (including nutrition) and water (sanitation and access to safe water). To maximise the consumption of the poor, it is necessary not only that public services are delivered but also that they are available for free (at least for the relatively poor). Charges for access to health or education (including implicit charges, such as for school uniforms, textbooks or drugs) bear disproportionately on the poor. Even if they do make efforts to meet these charges, and thus secure access, this implies a severe reduction in income available for food and other basic needs. Consequently, increased public spending on the provision of social services are central elements of PRSPs. The abolition of charges or the inclusion of specific targeting schemes are means of ensuring that such expenditures are pro-poor.

Policies to address poverty in low-income countries must address the rural dimension, especially the relevance of the agriculture sector that provides the livelihoods for most rural people. 'Seventy-five per cent of the dollar-poor work and live in rural areas; projections suggest that over 60% will continue to do so in 2005' (IFAD, 2001: 15). Policies to address rural poverty must tackle four types of inequalities (IFAD, 2001). First, the rural poor have unequal access to physical and financial assets – distribution of land is highly concentrated and the poor are disadvantaged in access to irrigation, safe water, credit and productive assets. Second, the poor require access to technology and extension services to increase productivity. Third, markets tend to discriminate against the poor (this relates to the issue of market structure mentioned above). Fourth, institutions, political and financial, often fail to serve the poor. PRSPs typically contain a range of policies directed towards subsistence and small-holder farmers, intended to support a pro-poor agriculture policy.

The role of debt relief itself is to provide increased government resources to finance these pro-poor policies; the Poverty Action Fund (PAF) details how savings on debt servicing will be spent, and monitors expenditure. The conditionality associated with debt relief under HIPC is intended to assist in two further ways. First, the record of sound economic policies should ensure that the country has in place pro-growth policies, including policies

to reverse any bias against agriculture. Second, the PRSP process should ensure that the needs of the poor are recognised and pro-poor policies adopted by the government. This is covered in Section 4, but first we consider the environment for pro-poor policies. The first issue is returned to in Section 5.

The Policy Environment for Pro-Poor Policies

We have now identified some priorities in pro-poor policies. To see how these can be turned into policy actions, and to identify an effective role for donors, it is useful to place the ‘pro-poor agenda’ within the policy process discussed in Section 2. One way of summarising the policy environment for poverty reduction is on two dimensions. Political commitment can be either low, where the desire and capacity to adopt pro-poor policies are weak, or high, where preferences and capacity are strong. Similarly, administrative capability can be weak, such that only a few fairly simple reforms are feasible, or strong, such that the reform programme can be more ambitious. An advantage of this approach is that specific types of pro-poor policies can be classified according to whether they are more demanding of political commitment or of administrative capability, or both. This can be represented in the four quadrants of Table 2 (following Morrissey 1995b, but here applied to poverty reduction policies). An appropriate objective in the design and sequencing of reforms is to keep the range of reforms narrow and increase complexity as commitment and capability are expanded. Successful implementation of even simple reforms can promote commitment and enhance the capability for attempting more complex reforms.

Table 2 Policy Environment for Pro-Poor Policies

POLITICAL COMMITMENT

	Low (weak preference and capacity)	High (strong preference and capacity)
	I (minimal)	**II (incremental)**
Weak	donor dialogue	sector focus (e.g. SWAPs)
	donor projects	technical assistance/PAF
	initiate PRSP	‘imposed’ strategy
ADMINISTRATIVE CAPABILITY		
	III (erratic)	**IV (extensive)**
Strong	interim PRSP	consultative PRSP
	targeted schemes	integrated budget
	dialogue	‘owned’ strategy

Notes: Basic structure taken from Morrissey (1999: Table 4.3), although that relates to trade liberalisation policies.

If a country has neither the desire nor means to commence reform (cell I) then only minimal reforms are likely. Countries with such an environment (e.g. where there is a strong bias against agriculture) are unlikely to embark on a PRSP process, as that requires commitment, so most poverty-reduction will be embodied in donor projects (aid is used directly). Donor dialogue plays a role here to shift preferences towards poverty reduction, and initiating the PRSP process can be a central element of such dialogue. For a country initially in this position, shifting preferences and then supporting political capacity are the appropriate functions for external agencies.

High commitment, or at least preferences for poverty-reduction, but low capability (cell II) is perhaps the most common case in Africa. Governments may have adopted and embarked on the PRSP process but administrative capability is the constraint that must be relaxed. Aid in the form of technical assistance can be very important here. Given the weak capability, it is inadvisable to attempt wide-ranging reform, so a sector focus is helpful. Donor initiatives in Sector-wide Approaches (SWAPs) are appropriate, and our earlier discussion suggests a focus on agriculture and social sectors (health and

education). As policy-making capacity is weak, ownership need not be emphasised (it is commitment that really matters) and appropriate policy strategies can be offered or even imposed.

As so few African countries have a strong administrative system, the case of strong capabilities but low commitment (cell III) is rare. Unfortunately, and for the same reason, the case of strong capability and high commitment (cell IV), where extensive reforms can be implemented successfully, is also rare. Nevertheless, cell IV is the objective and the notion of the policy environment cautions for gradual sequenced policies that build administrative capability and political commitment. Donors can do much to assist in capacity building. In practice, it may be more meaningful to interpret cell III as representing an intermediate point between a 'minimal' and 'incremental' policy environment. As preferences are shifted and administrative capability is strengthened, political capacity becomes stronger. However, the underlying weakness in capacity suggests that such a phase is unstable and associated with 'erratic' policies, as policy reversals arise to placate strong opposition. It is because this phase is unstable that extensive reforms are not feasible; these require the establishment of adequate commitment and capability. Only then can one have a truly consultative PRSP process, an integrated budget (as donors trust the ability of the recipient to monitor spending) and, ultimately, pro-poor policies that are owned by the country.

IV. PRSPs AND PRO-POOR POLICY: AN ILLUSTRATIVE COMPARISON

Perhaps the true merit of PRSPs is that they force governments to think in a structured manner about the impacts of economic policies on the poor, and to identify policy areas requiring actions that are pro-poor. Our concern is not with the detail of the process (who did or said what, when and why) nor the detailed content of the PRSP that emerged (and how this reflects influences in the process), interesting as these are. Rather, we take the experience of each country as an illustration of how the framework to identify the pro-poor policy environment can be applied (a full application of the framework to each country is beyond the scope of this paper). This is then used to derive implications for the appropriate role for donors as external agencies of influence on policy. The countries are discussed together rather than individually. We begin by considering the issues emphasised in the PRSPs, then consider how the poor have fared in each country, finally relating the discussion to the policy process.

As mentioned in the introduction, the three countries – Kenya, Tanzania and Uganda – have a number of similar features. They are geographically and agro-climatically similar although, significantly, Uganda is land-locked and has to transport traded goods through the others (traditionally, Kenya has had the better transport infrastructure). To some extent the major agricultural products are competing goods – all produce coffee; Tanzania and Uganda produce cotton, while tea is relatively more important in Kenya. However, although both Tanzania and Uganda have increased food production in the 1990s, Kenya has seen a decline. Whilst all three remain dominated by agriculture (and poverty remains predominantly a rural phenomenon), Kenya has by far the most developed manufacturing sector.

Politically, the countries were at least compatible until the late 1960s, but subsequently they diverged (in ways that perhaps only now the significance of which can be appreciated). Kenya has been politically stable under Moi, but inward-oriented, protectionist, non-democratic and an essentially rent-seeking society. This explains elements of Kenya's poor economic performance, and the 'stop-go' nature of its reforms since the 1980s (Mosley, 1991). Tanzania also has been politically stable and inward-oriented, but with an African Socialist ideology that involved relatively low levels of rent-seeking. Although economic performance was poor, levels of human development were good by African standards until the 1980s. From the mid-1980s, market-oriented reforms were embraced, although implementation and progress were gradual (Morrissey, 1995a). Uganda, on the other hand, was politically unstable throughout the 1970s and most of the 1980s. Museveni restored stability after 1987, and the liberalisation progress of his reformist regime was rapid (Morrissey and Rudaheranwa, 1998; Dijkstra and Van Donge, 2001).

Uganda was the first of the three East African countries to embark on the 'HIPC path to debt relief' and the first to start a PRSP process, and actually qualified for debt relief from 1998. The essence of its PRSP is represented in the Poverty Eradication Action Plan (GOU, 2000). Tanzania began the PRSP process later and has yet to qualify for debt relief; its policy is contained in the National Poverty Eradication Strategy (URT, 2000). Whereas both countries are eligible for HIPC debt relief, Kenya initiated its PRSP process in 2000 as part of the policy dialogue with donors. The Interim PRSP is based on the

National Poverty Eradication Plan (GOK, 2000). It should be noted that in both Kenya and Tanzania, the current strategy builds on previous national poverty policy documents.

All three countries' PRSPs address a similar set of issues in a broadly similar order of priority, although there are differences of nuance and emphasis. For example, all recognise that the majority of the poor are in rural areas, 'poverty is largely a rural phenomenon' (URT, 2000: 6), and attach high priority to agriculture, especially smallholder farming. However, whereas Tanzania mentions the role of agricultural exports, Kenya places emphasis on food security. Uganda also emphasises agriculture, and has gone as far as to draw up a Plan for the Modernisation of Agriculture, but places more emphasis on developing industries with backward and forward linkages to agriculture. As another example, whereas all attach great importance to primary education, in Uganda this is manifested in the policy of Universal Primary Education whereas in Tanzania the emphasis is on abolishing fees for primary education. As a final example, Tanzania and Uganda emphasise investment in rural roads to assist agriculture, whereas Kenya is concerned with the transport sector more broadly.

Table 3 summarises the issues addressed in the PRSPs of all three countries as revealed by the publications in 2000 (so they are being compared at the same point in time). These are divided into two sets of issues. The first relate to income poverty, identifying policies required to promote growth that increases the incomes of the poor. These are essentially what we refer to as complementary policies above. Note that macroeconomic stability and expenditure management is included, widely seen as a prerequisite for improving economic performance. The second relate to non-income poverty as 'insecurity, illness, isolation and disempowerment are as important to the poor as low incomes' (GOU, 2000: 3). These could be considered as broadly compensatory policies, establishing social safety nets (Tanzania specifically raises the issue of vulnerability) or more generally compensating the vulnerable for their lack of income (by providing services they could not otherwise afford). Governance is included here, specifically administrative and political reform. Measures to reduce low level corruption (e.g. the tendency of public officials to seek bribes) improve the functioning of the bureaucracy, the access of the public to services, and enhance the monitoring and transparency of expenditures.

Table 3 Major Policy Issues in PRSPs

Priorities	Uganda	Tanzania	Kenya
Income Poverty			
Agriculture	linkages	exports	food security
Non-agriculture	linkages	employment	tourism and industry
Macroeconomy	establishing stability and expenditure management		
Other*	donors	donors	energy
Non-income Poverty			
Education	UPE	abolish fees	access
Health	AIDS	AIDS	delivery
Water	access to safe water and sanitation		
Roads	rural roads		infrastructure
Governance	security	legal system	security
Other*		vulnerability	women, land access

Notes: All countries address similar concerns relating to the same priorities (as listed). The intention is to highlight specific differences in emphasis within these priorities, as suggested by the order and content of discussion in the PRSPs. In respect of macroeconomic and water issues, there were no discernible differences of emphasis. Other* identifies issues that received specific attention in the PRSP of the country.

The intention here is to establish the priority areas for pro-poor policies and identify how the emphasis within these areas differs across the countries. It is not feasible to 'do everything' and these are the priorities identified by the countries. Policies relating to what is typically described as income poverty are complementary to the broad thrust of economic policy. That is, a country may be engaged in macroeconomic stabilisation, exchange rate and trade liberalisation, but adjustments and sector policies are needed to

address the needs of the poor. In Uganda, a major concern is creating linkages between the agriculture sector and the rest of the economy. This may reflect the fact that reforms relating to agricultural production and marketing, especially coffee, were largely successful. In Tanzania, a particular concern in agriculture is promoting exports, as the marketing reforms of the 1990s were not successful, whereas the issue in the rest of the economy is increasing employment. Kenya's main concern for agriculture is increasing food production, given the food deficit experience in the latter half of the 1990s, but in the rest of the economy it is recovery in tourism and manufacturing. The role of donors, notably in the context of debt relief (and the implied expenditure monitoring under a PAF) is especially important for Uganda and Tanzania. Energy supply is a more important issue in Kenya, largely because it is relatively more industrialised.

The priorities listed under non-income poverty relate to compensatory policies, actions and expenditures targeted on the poor to protect them from potential adverse effects of liberalisation and to attempt to increase welfare (if not earnings) directly. There are few major differences between the three countries. Uganda has had considerable success with its commitment to UPE, Tanzania views abolishing fees as the first step in expanding education provision, while Kenya recognises the need to increase access. All face a need to expand the provision and delivery efficiency of health care, although only Tanzania and Uganda specifically address the problem of AIDS. While Uganda and Tanzania are especially concerned with improving rural roads, Kenya is concerned with the transport infrastructure more broadly (including discussion of rail and air transport).

All countries recognise the need for political reforms to reduce corruption, institute consultation mechanisms and improve governance. This is reflected in the detailed monitoring frameworks provided in each PRSP. In fact, Kenya refers to this as the 'participation framework' and identifies the stakeholders for activities (GOK, 2000). Many of the proposals on eliminating corruption refer to 'micro corruption' – the tendency of public officials to require bribes to deliver what the public are in fact entitled to – and the behaviour of police and security services. Whilst Uganda is concerned about border security, and Kenya with internal security, Tanzania is more concerned with improving the performance of the police and courts. Similarly, all countries emphasise administrative reforms, especially improvements in public sector expenditure budgeting and monitoring, an essential component of any PAF.

Tanzania attaches particular emphasis to the vulnerability of the poor, implicitly stressing the need for social insurance or protection. Kenya recognises that women are more likely to be poor, and that unequal access to land is an important element of this (and of poverty more generally). This is not to imply that the other countries ignore these issues, rather that they attach less prominence to them.

Performance and Poverty in the 1990s

One pertinent observation can be made at the outset, comparing the three countries. During the 1990s, Uganda implemented the greatest amount of liberalisation (and was thus the first to meet HIPC eligibility), experienced the most rapid growth rate, and achieved significant reductions in poverty. In contrast, Kenya implemented the least reforms (and is some way from meeting HIPC eligibility), experienced negative real per capita growth, and poverty may have increased. Tanzania is in between in all regards: it did implement reforms, experienced slow but positive growth, but had no strong trend in poverty (upward or downward). One cannot generalise from three cases, but this it at least consistent with the cross-country evidence that liberalisation is conducive to growth, and growth tends to reduce aggregate poverty.

The evidence on poverty trends in Uganda is conclusive and downward. Appleton (2001) provides evidence of a decline in poverty: the headcount index fell from 56% nationally (and 60% for the rural population) in 1992 to 49% (54%) in 1995 and 35% (39%) in 1999. Growth in cash crop production was a more important source of poverty reduction than increased food crop production over 1992-96, accounting for 48% of the reduction in poverty as compared to 14% for food crops. The proportional contributions were reversed over 1996-2000, with increased food crop production accounting for 43% of the reduction in poverty and cash crops 27% (Appleton, 2001). Uganda implemented significant economic reforms in the 1990s, establishing macroeconomic stability by the middle of the decade with real annual growth rates exceeding five per cent per annum for the latter half of the decade. Trade liberalisation was implemented from the mid-90s, boosted by a coffee boom although the supply response of exports was muted (Morrissey and Rudaheranwa, 1998). The main economic gains, supporting growth and poverty reduction, were in agricultural production.

Qualification for debt relief has been very important for Uganda. The ratio of debt interest payments to exports has fallen from 35% in 1997/8 to 10% in 2000/1, while the ratio of debt payments to tax revenue has fallen from 22% to 11%. HIPC savings were equivalent to 13% of tax revenue and 23% of export earnings in 2000/01 (MFPED, 2001). These savings have been channelled to spending on social sectors (especially primary education and health care) through the Poverty Action Fund, which was equivalent to 31% of the budget and 4.8% of GDP in 2000/1. In the late 1990s, expenditure on primary education increased 307%, on primary health care by 227%, on agriculture by 186% and on roads by 279% (MFPED, 2001). Uganda is a successful example of how HIPC debt relief can work when the resources saved are channelled into pro-poor expenditures, but unfortunately remains about the only such example.

There is conflicting evidence on poverty trends in Kenya during the 1990s. An assets index of welfare suggests that the poverty headcount fell from 40% to 35% between 1988 and 1998 (Sahn and Stifel, 2000: 2130). These figures seem low, and even the trend is questionable. Survey data suggest that national poverty incidence fell between 1992 and 1994, from 45% to 40%, but rose to 52% in 1997 (Republic of Kenya, 2000: 199). This is in line with economic performance. During the 1990s, Kenyan real GDP increased at an average rate of about two per cent per annum but real GDP per capita declined (perhaps by five per cent over the decade). This suggests that poverty increased. The overall quantity of agricultural output was only maintained over 1990-95 by growth of perennial cash crop output; cereal output actually fell. Since 1995, cereal output fell by almost 44% in quantity terms and cash crop output also fell (Republic of Kenya, 2000). This is likely to reflect the drought, but has serious ramifications. Agricultural imports (mostly foods) were a larger share of the total in 1999 than in earlier years (consistent with the poor performance of agriculture). Cereals prices have risen at a rapid rate (almost fivefold since 1990), reflected in the large increase in the Consumer Price Index (especially for food). This is likely to have had an adverse impact on the poor. It is also evident that the price of agricultural inputs has tended to match output prices, implying that farm profitability is unlikely to have increased (this also helps to explain why the quantity of inputs used has fallen). All of this would be likely to exert downward pressure on rural real incomes.

Given the importance of the agricultural sector to the economy and the concentration of poverty in rural areas largely dependent on agriculture, the tax treatment of the agricultural sector has been an issue of major concern. The strategy adopted has reflected twin objectives of assisting agricultural producers while minimising the taxation of food (we noted above that food security was a priority in the PRSP). Basic foods (such as flour, bread and milk) are exempt from VAT. The principal agricultural inputs, such as fertilizers and seeds, are zero rated for VAT and exempt from import duties. On the other hand, Kenya has chosen to use trade policy to protect farmers, notably through tariffs on imports of agricultural products including food, especially the major grains (maize, wheat, rice), milk, fruits and vegetables. While the motives for this protection policy are understandable, high tariffs are not the best way to help a sector.

The evidence on trends in poverty in Tanzania is inconclusive. Sahn and Stifel (2000: 2130) estimate that the asset poverty headcount fell from 40% in 1991 to 33% in 1996, but again these figures appear too low. URT (2000) estimates of poverty in 1991/92 suggest that nationally 27% of the population was below food needs income and 48% below basic needs income. Later estimates suggest increasing poverty in the late 1990s, to over 50%, due to poor growth and rising inequality (with rural areas worst affected). There appear to have been two phases: 1985-95, poverty declined; post-95, poverty increased. Spending on health care has fallen, with a detrimental impact on the urban poor especially. Castro-Leal *et al* (1999) show that while 36% of the richest quintile benefit from health spending only 20% of the poorest quintile benefit, although the shares are fairly equal for primary health care. The richest are also more likely to benefit from education spending (again the differential is much higher for secondary than primary education).[10] Adjustment in Tanzania has been associated with a decline in social expenditures and a consequent deterioration in many social indicators. Although adult literacy is high by African standards (72%), gross school enrolment has fallen from 42% in the 1980s to 33% in the 1990s and life expectancy has fallen from 54 to 48 years, reflecting the impact of AIDS (ESRF, 1999). Debt relief offers an opportunity to reverse these trends.

10 This highlights the fact that simply increasing social sector expenditure may not guarantee benefits to the poor. This depends on the incidence of benefits. The identification of pro-poor expenditures assumes some effort at targeting the poor.

External Influences on Pro-Poor Policy

The Ugandan government clearly held a strong commitment to economic liberalisation throughout the 1990s, and to implementing pro-poor policies from the mid-90s. It would be incorrect to infer ownership (as strictly defined above) from this. The Ugandan government did not design its liberalisation strategy itself, but largely followed donor, especially World Bank, advice. In many respects the timing was fortuitous. Liberalisation of coffee marketing in the early 1990s, for example, coincided with a boom in world coffee prices over 1994-96. The positive effect on growth and sustained inflows of aid added impetus to the reform process that was seen as benefiting the economy and the majority of the population (see Dijkstra and Van Donge, 2001). Donors certainly influenced preferences and their continued support reinforced political capacity, placing Uganda firmly in cell II of Table 3. Similarly, it is well known, even if not officially documented, that the PRSP was drafted by external consultants, and that external advisors have played a prominent role in improving expenditure monitoring and management, contributing to the success of the PAF. This is the correct intervention to support existing capacity, and in terms of pro-poor policies Uganda is being assisted in its progress towards cell IV of Table 3.

In Tanzania, by contrast, commitment towards liberalisation has been weaker and the timing of reforms less fortuitous. Liberalisation of coffee marketing, for example, coincided with a period of declining world prices after 1996, undermining the sustainability of reforms. Donors were unwilling to ‘stay the course’, withholding aid and punishing non-compliance rather than adequately recognising the effects of external events on the economy. Consequently, Tanzania was not supported in a move out of cell I in Table 3. The Tanzanian PRSP was based on policies that have been evolving since the mid-90s, based on 10-year targets, and in that sense the basic document was lead and initiated by Tanzania (the PRSP process has not brought new thinking on pro-poor policy). Unlike Uganda, Tanzania did own its PRSP but donors have been slow to acknowledge the political commitment. In fact, by questioning the motives of the government, donors are more likely to undermine political capacity rather than assist the process of implementing pro-poor policies.

In Kenya, commitment towards liberalisation has been weak if not absent. Frequent reversals of trade liberalisation efforts, and the continued policy of taxing food imports

even in times of a domestic food production deficit, are examples of this. However, its administrative capability is greater than that of its neighbours, placing it closer to cell III of Table 3. This suggests that a different strategy is appropriate for donors, with more emphasis on projects and dialogue to shift preferences rather than technical assistance. In the context of encouraging coherent thinking on pro-poor policies, the initiation of a PRSP process is having beneficial effects (and the Kenyans are looking closely at the experience of their neighbours). The Poverty Eradication Commission (PEC) was established as a national agency to champion the interests of the poor and poverty-reduction. Support for the activities of the PEC can help build commitment for pro-poor policies. This is an area where donors could try and influence preferences and provide assistance to build capacity for promoting reforms.

Kenya provides an example of a conflict often inherent in the HIPC-II process. On the one hand, a government may be fully aware of the need for debt relief and accept the desirability of the types of pro-poor policies inherent in a PRSP. That is, it may accept that savings in interest on debt servicing should be channelled into pro-poor expenditures. In this sense there is political commitment. On the other hand, the government may not accept the type of macroeconomic reform package required to establish an ‘acceptable track record of reform’ to be eligible for debt relief. Strict enforcement of the HIPC pre-selection criteria implies that donors cut off their noses to spite their face – potential pro-poor expenditures are not facilitated because of disagreements over macroeconomic policies. This has also been the problem in Tanzania, although it is less severe and progress is now being made. This problem was avoided in Uganda, because of greater commitment to liberalisation (reinforced by fortunate timing and generous and continuous donor support).

Table 4 Pro-Poor Policy Priorities for East Africa

	Kenya	**Tanzania**	**Uganda**
Policy Environment			
Preferences	moderate		strongstrong
Political capacity	strong	moderate	strong
Administrative capability	moderate		weak weak
Ownership potential	moderate		moderateweak
Policy focus (for donors)			
Education	UPE	UPE	secondary
Health	Primary/AIDS	Primary/AIDS	Primary/AIDS
Agriculture	food crops	marketing	infrastructure
Security	governance	local/police	border
Investment	energy	transport	transport

Notes: Authors judgement. Issues identified for donor focus are not the only important issues but rather those demanding attention now.

Table 4 presents the above discussion in summary form in the top panel. Both Tanzania and Uganda appear to have revealed a preference for pro-poor policies, influenced by donors but probably not driven by them. The evidence for Kenyan pro-poor policies is weaker, and it will be relevant to see how the PEC performs. Kenya and Uganda both have strong political capacity, given their demonstrated ability to adopt and push the policies preferred by the government. Political capacity in Tanzania is deemed moderate as it provides an example where democratisation has supported factionalisation of interests and 'relatively stronger groups will have the louder voices, thus reducing the likelihood that the needs of the poor will be heard' (Brinkerhoff, 2000: 604). The same is true in Kenya, compounded by the weaker preferences for pro-poor policies. Thus, in Kenya the appropriate role for donors is to influence and monitor preferences. In Tanzania these can be taken as pro-poor, but assistance in enhancing political capacity is required. This implies that donors should be supporting the PRSP and eligibility for HIPC

relief, rather than protracting disputes on the implementation of macroeconomic reforms (on which Tanzania has actually made considerable progress).

Of the three countries, only Kenya has relatively good administrative capability. The Civil Services in Tanzania and Uganda are under-staffed and under-resourced, with the few high quality staff under severe pressure. Donors can assist in this by providing more technical support and advice. The presence of expatriates as technical advisors (TAs) in a country facing staff shortages can facilitate the reform process in at least two important ways. First, the TAs can fill capability gaps in the administration, although there has been limited success in transferring skills and training to local counterparts. Second, the willingness to incorporate TAs in the government indicates some credibility towards the reform process. The TAs, by their nature, are closer to the views and beliefs of donors, and can also provide a personal link to donors. It is worth observing that, since the early 1990s, Uganda has had the greatest preponderance of expatriates, and Kenya the fewest. This reflects the traditionally stronger domestic policy capacity in Kenya, and also Tanzania. Both have relatively established domestic economic policy capacity in their Universities and in research institutes. In Uganda, most of this capacity was destroyed during the long period of political unrest and is only now being rebuilt. Ironically, this lack of capacity has appeared to help Uganda in attracting donor support whereas it has weakened the position of Kenya and Tanzania if the donors do not agree with the policies they are able to own.

The issue of technical support is thus related to ownership potential. Given its weak administrative and domestic policy capability, Uganda still has limited potential to design and implement policies itself. Ownership potential is stronger in Tanzania and Kenya. To date, donors, especially the IFIs, appear somewhat inconsistent in their espousal of ownership, which only appears to be beneficial if the donors agree wholeheartedly with the proposals made by the government. At stake is the donor position on the broader economic reforms required for eligibility for debt relief. These are discussed in the final section. The pro-poor contents of PRSPs are relatively uncontested in the sense that there is wide agreement on the types of sectors and expenditures to address. However, within these areas the specific focus will differ for countries. This is illustrated in the lower panel of Table 4.

If donors want to support the pro-poor content of PRSPs, emphasis should be given to the specific concerns in each country, recognising progress that has been made. For example, education is a major social sector but while the objective of UPE is appropriate for Kenya and Tanzania, Uganda has largely achieved this and is now concerned with the implications for secondary education (as larger numbers of students emerge with a primary education). Similarly, all three require increased spending on primary health care and HIV/AIDS is a major problem. However, while Uganda has already made progress in AIDS awareness and reducing the incidence of the disease, Kenya has yet to fully acknowledge the nature of the problem. Donors need a more nuanced approach to supporting PRSP activities. The essential component of donor support for the PRSP is through ensuring that funds are available for pro-poor expenditures. Some prioritisation is necessary.

As already mentioned, the agriculture policy needs are different in each country. Kenya's concern is to increase domestic food production, especially among smallholders. The immediate issue in Tanzania is increased efficiency in marketing of export crops, without losing sight of the needs of subsistence food producers. Uganda has been quite successful in liberalising marketing and has witnessed positive supply response in many agricultural sub-sectors, but transport and distribution infrastructure remains a major constraint. Strategies towards physical investment also differ, with energy (power generation) important in Kenya, and Tanzania, whereas transport needs are greatest in Uganda, but also important in Tanzania. Many of the spending allocations require choices to be made for priority areas to target with scarce resources. The lower panel of Table 4 offers suggestions.

V CONCLUSIONS: IMPLICATIONS FOR CONDITIONALITY

The basic argument of this paper is that the potential for implementing poverty reduction policies is conditioned by the policy environment in developing countries. Of central importance are government preferences for pro-poor policies and the political capacity to promote a pro-poor agenda. Taken together these create commitment. Persuasive economic arguments supported by relevant research can shape preferences while technical and financial support can enhance political capacity. Through such interventions donors can help to establish commitment to poverty-reduction strategies. A poverty-reduction strategy requires increased spending in certain sectors. Developing countries have limited

capacity to reallocate spending from domestic resources to any significant degree, and limited ability to increase revenues. Aid can here play its traditional role of bridging a financing gap. More importantly, debt relief is important to release resources for allocation to pro-poor expenditures.

Within the constraints of the policy environment, it is generally easier (but not easy) to identify and implement pro-poor expenditures than it is to implement an economic reform programme that includes pro-poor policies. This is so because pro-poor expenditures are technically easier to design and to establish political commitment to. The binding constraint is resources, and donors can relax this (especially as new resources obviate the early need for domestic redistribution that can undermine reform and growth). Pro-poor policies, on the other hand, are more difficult to design and imply redistribution. They therefore require stronger political capacity and administrative capability. This problem is compounded by the disagreements and limited knowledge on the effects of economic reform on the poor. If the primary objective is poverty reduction, therefore, the prior policy is pro-poor expenditures, and this is a feasible implementation objective (conditional on the policy environment that prevails). Pro-poor policies, however desirable, are of secondary priority. They are more difficult to design and achieve, and external intervention can as easily be counter-productive as it is constructive. Pro-poor expenditures offer a first stage in building commitment and a foundation for pro-poor policies.

What are the implications for conditionality? The obvious implication is that the current approach to HIPC conditionality reverses these priorities. The resources for pro-poor expenditures are only released after a record of policy reform has been demonstrated and after the basis of a pro-poor policy is outlined. This is not necessary, and results from a misguided approach to conditionality. It is not that pre-selection is a misguided principle. Rather, the implication is that eligibility for the release of resources (aid and debt relief) should be based on pro-poor expenditure criteria. This is more simple, and more transparent, than eligibility criteria based on a package of economic reforms that interact in complex ways, are often contested regarding appropriateness, and can be undermined by poor economic performance (not infrequently due to events beyond the control of governments). Support for broader economic reform may require eligibility criteria, but

these could relate to pro-poor policies and should not be a precondition for release of funds for pro-poor expenditures.

The notion of 'uncoupling' areas of reform conditions is not itself new. Leandro *et al* (1999) propose unbundling three reform areas – macroeconomic fundamentals, budget management and equitable growth. Disbursement of funds for macroeconomic reforms would be subject to the conventional conditions, being linked to satisfactory implementation of specified reforms. Disbursement of funds to the other areas would be subject to a softer conditionality, determined by results achieved evaluated against a set of agreed indicators rather than the implementation of specific reforms. The intention is to permit greater flexibility, although the question of how to evaluate failure to meet targets is left somewhat open. Our trichotomy is pro-poor expenditures, pro-poor policies and pro-growth policies. The point is that we reverse the conventional order of priority.

There are at least two reasons why conditions may be attached to debt relief. First, the donors want to encourage policy reform in a particular direction. A distinction can be made between pro-growth reforms intended to enhance the opportunities for economic performance, about which there is some dispute, and specific pro-poor policies and expenditures, about which there is less dispute. The inherent problem with current HIPC arrangements is that the first set of conditions determines eligibility whereas the second only come into effect once the PRSP is accepted and resources are released. This blurs the distinction, and can delay the implementation of pro-poor policies that do not require comprehensive economic policy reform. In particular, this approach delays the disbursement of pro-poor expenditures. Second, conditions are criteria for monitoring the compliance required, if aid flows are to be maintained or debt relief granted. In this sense, conditions (by stipulating what must be done) serve an enforcement role by triggering eligibility. This further blurs the distinction between types of reform.

It is important to note that these two 'roles' of conditionality may conflict. Typically, the extent of reform the donor wants to encourage will be broader and deeper than the minimum reform required to maintain aid flows. In other words, the level of reform required to continue receiving aid is less than the level of reform required to be eligible for debt relief. This conflict lies at the heart of the problems and ineffectiveness of conditionality, as it gives rise to a signaling problem. Recipients want to signal a

commitment to reform in order to be eligible for debt relief. Whatever the level of genuine reform they wish to implement, recipients will only see a need to meet the minimum requirements. If the compliance conditions are set too high, even recipients that are genuinely trying to reform may be denied relief (there are many reasons other than intentional behaviour to explain failures in implementing reforms). Alternatively, if the conditions are set too low, insufficient reform is encouraged. Donors do not know how much reform a recipient really wants to implement, therefore may set the conditions at the wrong level (White and Morrissey, 1997, provide an exposition of this argument). A general resolution to this problem is to allow the recipients to set the target level of reform, and donors can decide whether this is acceptable. This is implicit in the spirit of HIPC selection criteria, but is not so evident in the application.

A related problem is how compliance is assessed. In the case of aid, it is the donor who decides the conditions and if compliance is satisfactory. A donor wishing to continue disbursing funds faces an incentive to tolerate more non-compliance than really desired. Consequently, levels of compliance (evaluated against the time frame of the aid agreement) were often low without punishment being triggered. Allowing the recipient to in effect establish the conditions (the target level of reform) reduces the uncertainty and makes it more credible for the donor to assess acceptable compliance. The recipient wants to propose sufficient reforms to be acceptable to the donor, but not so much as to run the risk of non-compliance and punishment. This incentive structure encourages recipients to commit to a feasible level of reform. Donors, if they accept this as the minimum target, could still offer additional incentives for exceeding the target.

A similar line of argument can be extended to debt relief. To facilitate future fiscal and debt sustainability, donors (who are the creditors) are justified in desiring pro-growth reforms, hence such reforms have been the basis for eligibility. Donor emphasis on poverty reduction lead to the addition of pro-poor policies under the PRSP in HIPC-II. These were not part of the eligibility criteria, and thus have implicitly been subject to softer conditionality based on performance indicators rather than the implementation record. Pro-poor expenditures are in a sense an add-on, being activities that support implementation of pro-poor policies. However, although the PRSP allows the debtors to set the performance indicators for the PRSP (pro-poor policies and expenditures), the IFIs in effect set the tighter pro-growth conditions for eligibility. Thus, tighter conditions

(with greater likelihood of unsatisfactory compliance) are applied to pro-growth policies than apply to pro-poor policies. By implication, countries that could implement pro-poor policies, especially expenditures, are being at least constrained, if not prevented, from doing so by being denied eligibility. Reversing these implicit priorities could enhance the provision and effectiveness of debt relief.

Four measures to reform HIPC conditionality to promote and support pro-poor policies are recommended.

- Aid resources should be deployed to support pro-poor expenditures, the only condition being the existence of an *expenditure strategy, monitoring arrangements and performance indicators*. On this criterion, Tanzania and Kenya would be eligible for increased aid to support social sector spending.

- Debt relief should be initiated subject only to a PRSP plan being in place. This facilitates the initiation of pro-poor policies. The minimum conditions for eligibility should not be very tight, otherwise countries trying to reform may be unfairly punished. Softer conditions favour genuine reformers by allowing them to signal good intentions by exceeding the performance targets. Under this criterion, Tanzania would become eligible for immediate relief, and Kenya would be near to eligibility.

- Debt relief can be accelerated when an appropriate package of pro-growth policies is in place. The developing country should be allowed to establish the level of reform intended. The aim is to get countries moving in the right direction. In this way conditions can support or underpin government policy.

- Conditions should be part of a negotiating incentive strategy rather than as a coercive punishment strategy, and used to encourage rather than force policy reform. Conditions should be consistent and policy coherent.

Has the PRSP process enhanced the capacity of aid to contribute to poverty reduction? The answer is an unequivocal yes, but there remains considerable room for improvement. Under the current criterion, of the countries we consider only Uganda has been granted

debt relief. Even in this case more relief could be awarded under the acceleration criterion. With the above proposals, Tanzania would now qualify for some relief, and Kenya would qualify within a year. At the same time, increased aid (in the form of grants) would be targeted to support pro-poor expenditures. The requirements for broader economic policy reform, under our proposals, would be lessened and de-linked from initial debt relief. There is no necessary reason why this would undermine the reform process in any country. In fact, front-loading support for pro-poor policies is likely to enhance commitment to and potential for economic and social reform.

Policy advisors and donors, who tend to be the major proponents of poverty-reduction strategies in developing countries, should show greater awareness of the prevailing policy environment, and work with it rather than against it. Donors can assist the policy-making process through providing technical assistance and aid, to support the budgetary costs at the initial stage of moving to poverty-reduction strategies and to support projects and sector programmes directed at helping the poor. Donors can also help to increase administrative capability; support for technical assistance and training is the most obvious mechanism. Technical assistance is equally important in contributing to policy-making capabilities, also enhancing administration but perhaps at a higher level. In both contexts, but especially the latter, it is best if the assistance is in and through, rather than simply to, the government. Most importantly, implementing pro-poor policies should not be held hostage to judgements regarding the broader policy reform agenda.

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