

DGCD D3 Brussels PRSP workshop Day 2

PRSP : Assessing the Results



A brief recap: The PRSP as part of the new aid paradigm

period	preferred aid modality	major constraint addressed
1960-1980	projects	<ul style="list-style-type: none"> - physical capital - human capital
1980-2000	policy based support	<ul style="list-style-type: none"> - macroeconomic policies
2000-	budget support	<ul style="list-style-type: none"> - ownership - governance

What is expected of the major actors ?

- Government

- Commitment to development & poverty reduction
 - ⇒ ownership
- State capacity to formulate/plan/implement
 - ⇒ politics and institutions matter
- Transparent use of resources
 - ⇒ accountability mechanisms
- Bring in civil society

What is expected of the major actors ?

- Aid agencies
 - Partnership
 - ⇒ long-term commitment
 - ⇒ mutual accountability
 - ⇒ frank policy dialogue
 - ⇒ transparent conditions
 - Alignment
 - ⇒ flexible use of new aid modalities
 - Harmonisation
 - Good donorship
 - ⇒ predictable aid
 - ⇒ good quality technical assistance

What is expected of the major actors ?

- Civil society

- Broaden ownership
- Bring pro-poor interests to the forefront:
 - Be close to the poor - Represent the poor
 - Formulate pro-poor contributions
 - At several stages: formulation, implementation, M&E
- Play a watchdog role
 - In reaching poverty reduction goals
 - In pushing government towards more transparency, effectiveness, ...

The crucial ingredient for increased democracy and effective poverty reduction

Yet the PRSP is also a leap in the dark

- New aid approach is not based on any scientific proof that new modalities and instruments work

but rather

- on fairly solid evidence that previous approaches do not work in weak political and institutional environments

Outline

1. Where do we stand today: facts and figures
2. PRSPs versus other initiatives
3. Politics and the PRSP
4. Consequences for 'indirect' aid

1. Where do we stand today: facts and figures

- PRSP countries
- Donors and the PRSP discourse
- GBS in support of the PRSP
- Belgium and the PRSP

Facts and figures

PRSP countries (situation May 2006)

- 63 low-income countries in PRSP process
- 50 countries have a full PRSP
 - about half in SSA
 - about half HIPC
 - of which second-generation PRSP: 4 countries
- Annual Progress Reports
 - first: 34 countries
 - second: 20 countries
 - third: 6 countries
 - fourth: 1 country

Facts and figures

Donor shift to PRSP approach

- New aid paradigm has firmly taken root
- Acceptance of 'new aid paradigm' widening
- Original 'coalition of the willing' stays on course
 - World Bank, IMF, regional development banks
 - EC
 - like-minded countries
 - Scandinavian countries
 - Netherlands
 - UK
 - Switzerland, Canada
- Some of the sceptics showing increasing interest
 - France
 - Japan
 - Germany
- But no clear signal from US
- And practice does not always follow discourse

Facts and figures

Donor shift to PRSP approach

Illustration: Netherlands

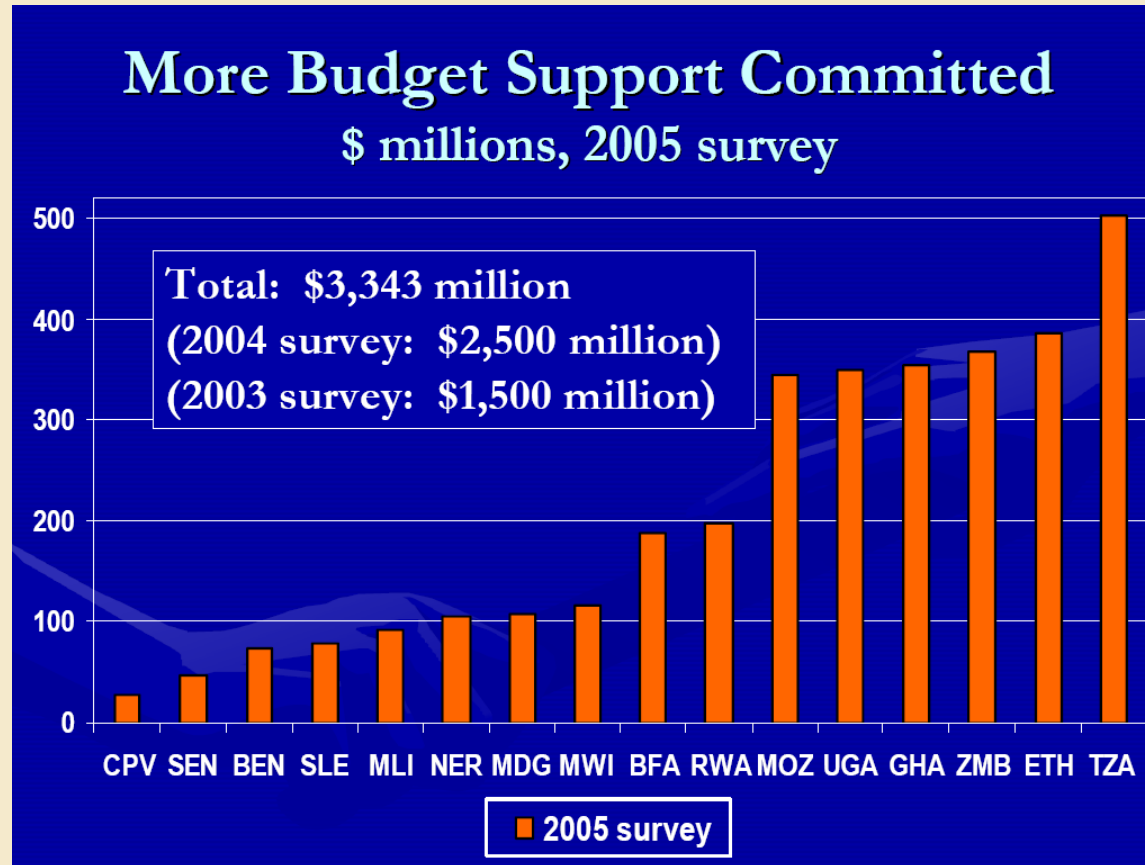
- Flexible use of aid modalities
- Sectorwide approach as organising principle
- Where possible (joint) budget support
 - using decision algorithm

Facts and figures

Use of GBS and assorted instruments

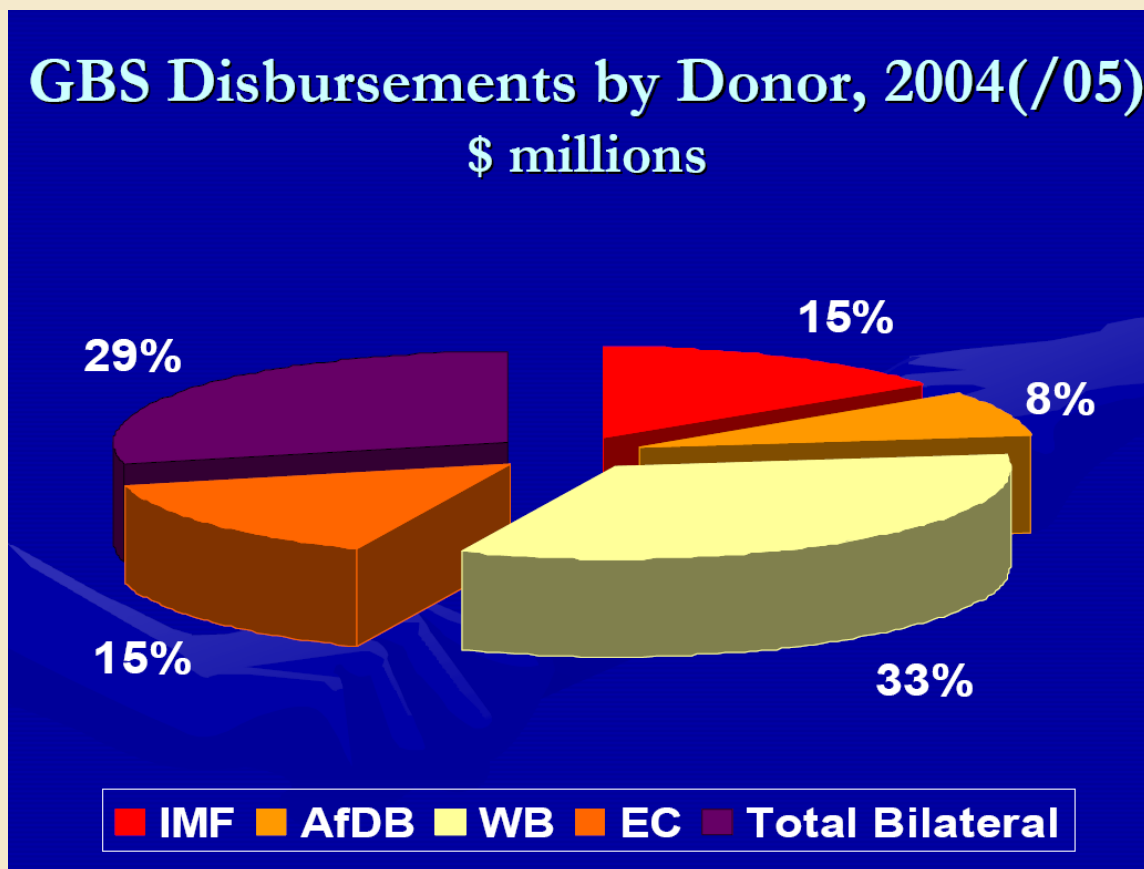
- Source for the following slides: SPA secretariat at the 2006 Accra annual conference
- Data on GBS in support of PRSP
- 16 African countries
- 18 donor agencies

The importance of GBS

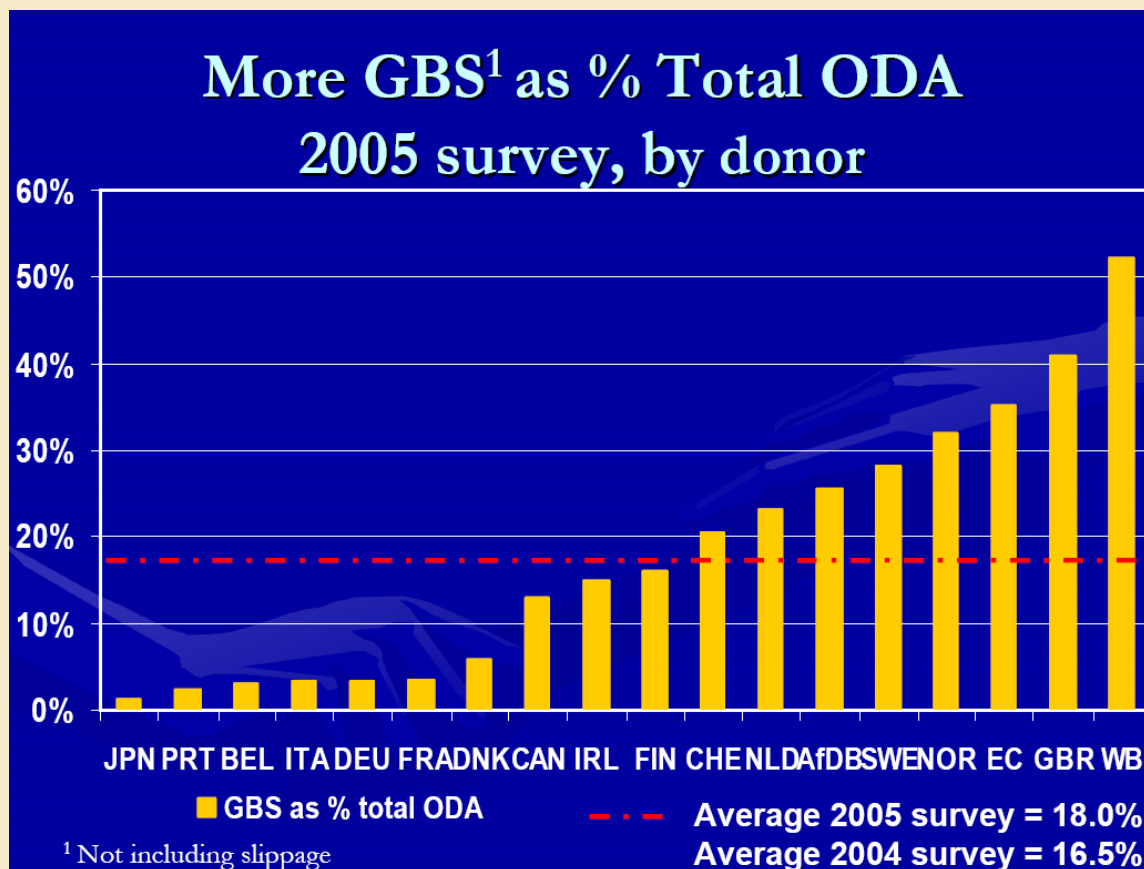


Note: DAC informal estimate of total GBS in support of PRSP: \$5 billion

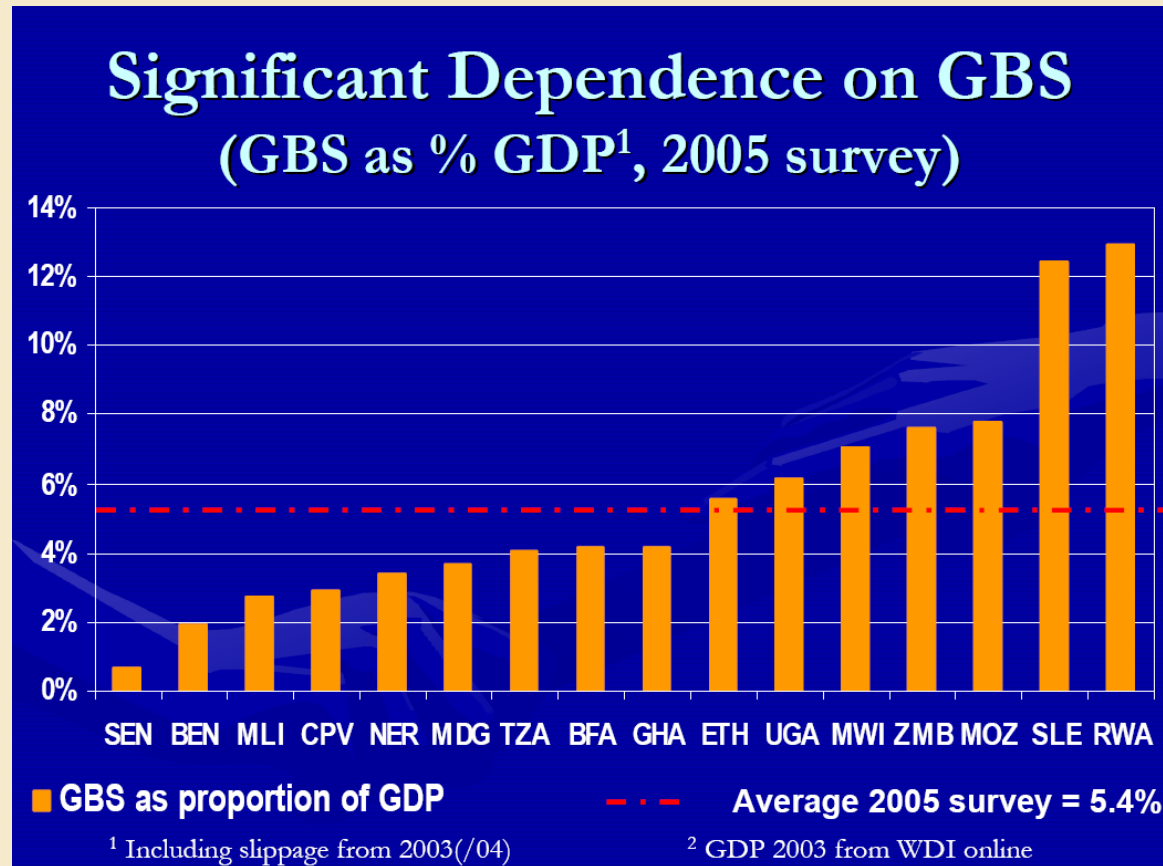
The big players



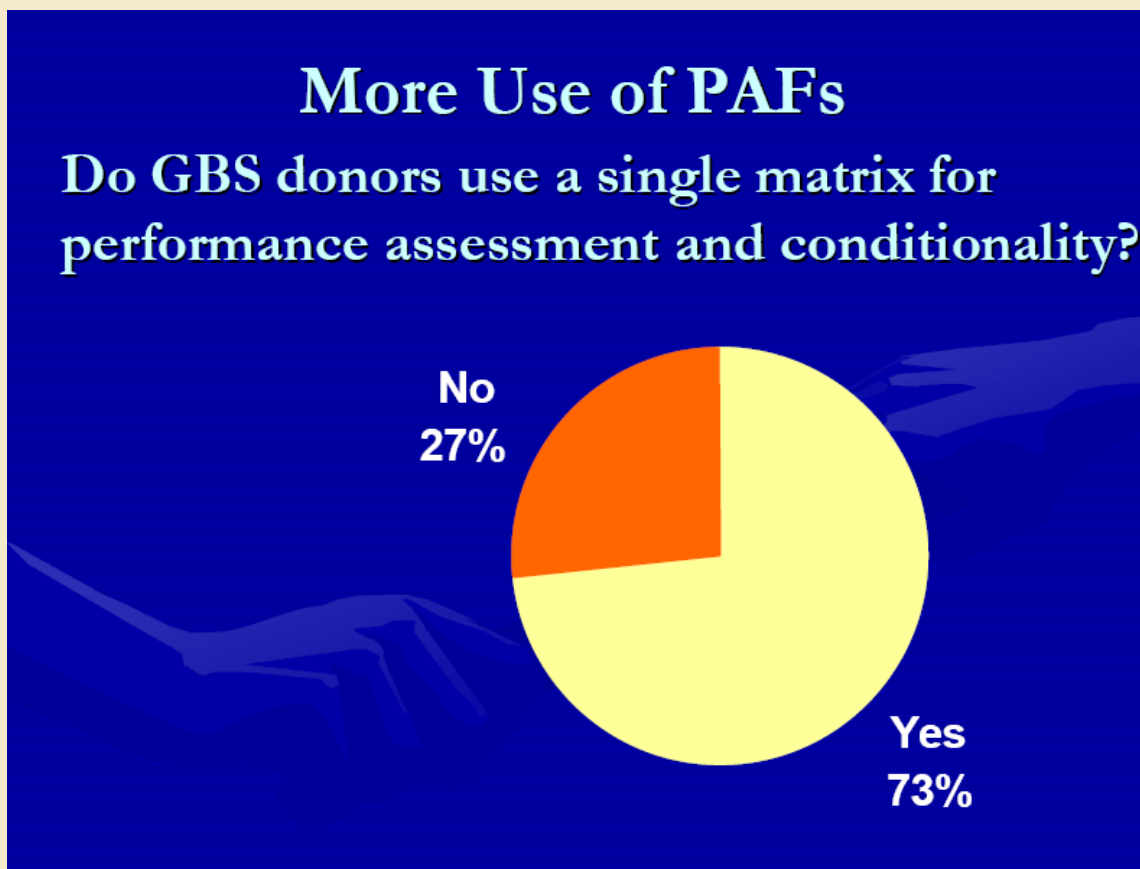
Use of GBS by individual donors



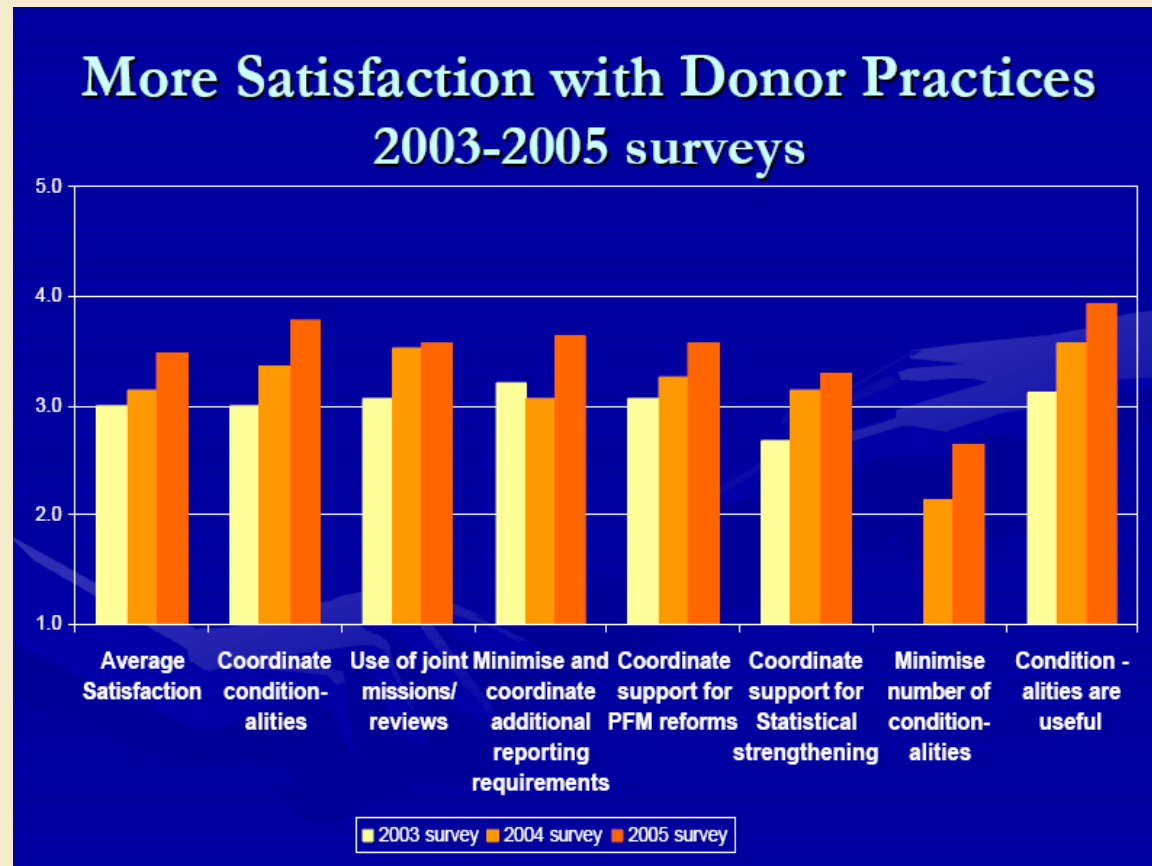
Importance of GBS for recipients



Performance Assessment Matrix (PAF)



Average ratings of GBS donors



Facts and figures: Belgium and the PRSP

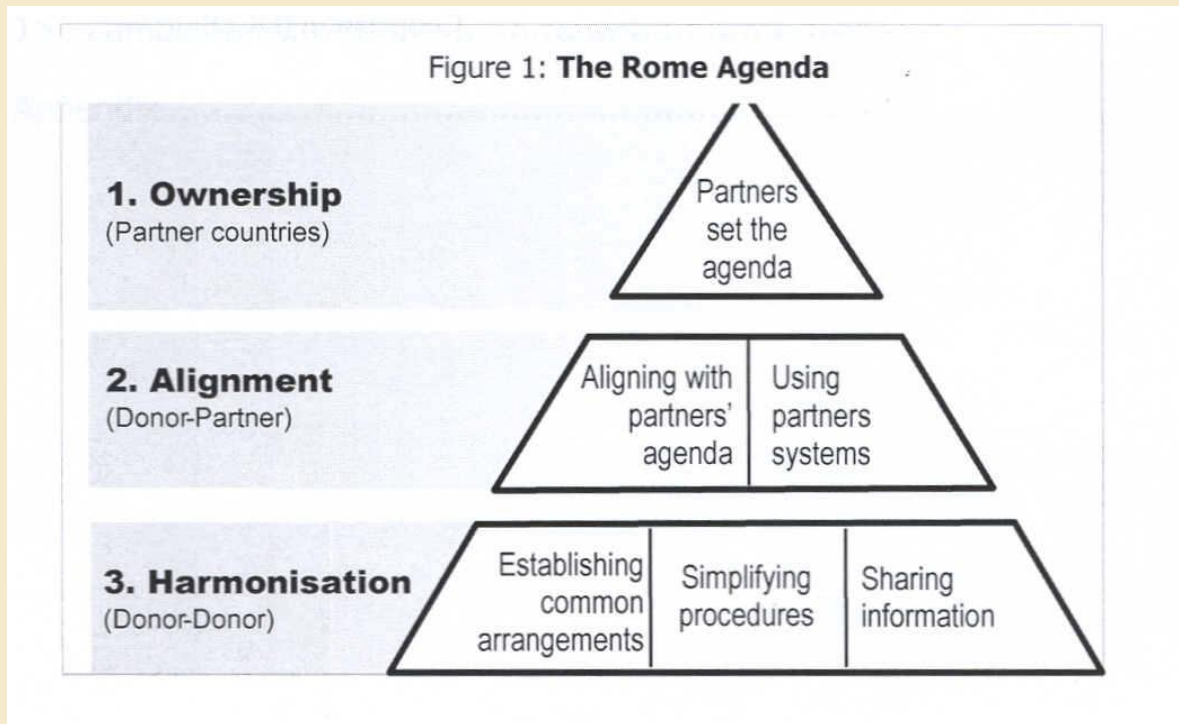
- Not an active PRSP donor
 - GBS exceptional
 - SBS experiment
- No H&A business plan
- Institutional issues
 - BTC conceived in pre-alignment age
 - DGCD highly centralised
 - defederalisation issue unresolved
- Small donor syndrome?

2. PRSP versus other initiatives

- Policy initiatives
 - Harmonisation and Alignment
 - MDGs
- Modalities
 - Global Funds
 - MCA

The PRSP and new policy initiatives

- Harmonisation and Alignment
 - 2005 Paris declaration
 - fully compatible with PRSP



The PRSP and MDGs

- Different origins
 - MDGs: UN General Conference
 - PRSP: WB and IMF
- MDGs and PRSP in principle compatible
 - focus on poverty
 - results oriented
- Yet some unresolved tensions
 - selection of poverty objectives
 - target setting
 - two discourses on governance

PRSP and new aid modalities

- Global funds difficult to reconcile with several PRSP features:
 - national priority setting
 - government in charge of planning
 - institutional strengthening of state
 - comprehensive approach

- Millennium Challenge Account (MCA)
 - US bilateral initiative
 - strong on selectivity
 - no effort to reconcile with PRSP architecture

3. Politics and the PRSP

- The explicit political agenda
- The implicit assumptions in the PRSP
- Yet also signs of change...

The explicit political agenda To promote good governance

- Results-oriented: reduce poverty, pro-poor growth, pro-poor outcomes
 - focus on indicators and results-based management
- Introduce process criteria: participation, transparency...
 - focus on procedures and rules, mechanisms of control to avoid corruption

In the long run: a responsive, transparent, performant political system

How?

- strong state, strong civil society, well functioning free market
- constructive interactions between them

The explicit political agenda cont'd

How to achieve this goal? Mainly in a technocratic way

- For achieving pro-poor development
 - The creation of economic opportunities
 - Service delivery
 - Safety nets for vulnerable groups
- For achieving transparency and efficiency
 - PFM
 - Participation (as a cost saver, lower transaction costs...)

The explicit political agenda cont'd

So technocratic that....

- Parliaments are not consistently involved (yet civil society is...)
 - Space for opposition is not really tackled (yet space for civil society is ...)
 - The fundamental political nature of corruption is not acknowledged
 - Neither the fact that a weak administration sometimes serves political purposes
- ⇒ Underperformance is thus not seen in its political context, but rather interpreted as merely:
- ⇒ A lack of resources
 - ⇒ A lack of capacities

The explicit political agenda cont'd

Advantages and disadvantages of technocratic ways of dealing with problems

Advantages:

- Donors can tackle a lot of issues (even very political ones)
- Not threatening for recipient country
- Language is non political

Disadvantages

- Treating symptoms
- Forgetting that the fundamental problem is political

The explicit political agenda cont'd

But what is governance exactly and what is the link with democracy and development ?

No consensus over the definition of Good Governance

The technocratic interpretation = sound development management

- set of rules, institutions and a system of public administration which is open, transparent, efficient and accountable
- promotion of development : private sector (not the state), market friendly

The political interpretation = democratic governance

- all the above
- + democratic politics

The explicit political agenda cont'd

Good governance: motor of development?

- Post '89 : view: democratic good governance = not end result of development, it is the pre-condition
- Scientific insights : tensions/trade-offs exist between development goals and democracy – undeveloped countries are not ready for democracy

The explicit political agenda cont'd

From a scientific point of view we know that...

- Only democracy and human development display a robust relationship over time.
- No robust relation over time regarding:
 - democracy and economic growth (only in certain moments)
 - between democracy and degree of income equality.
- And certainly no clear proof of causality in one way or the other

So... With regards to the explicit political agenda

- To what extent will technocratic solutions solve the fundamental political problem in a given country? Remains to be seen – we know very little about ‘political engineering’
- Trade-off between development, pro-poor development and democracy is not really considered
- Is strengthening the holy trinity (state, market, civil society) the only path to heaven?

The implicit assumptions of the PRSP: The Principles

National ownership	<ul style="list-style-type: none"> •political party – government – state – society at large? •Supposes a consensus – harmony model – no trade-off between gvt ownership – broad based ownership
Participation	<ul style="list-style-type: none"> •Who? What is civil society? Issues of legitimacy, mandate, representativeness? •Supposes an open political system: willingness to share information, give room – gvt does not feel threatened by civil society •Danger of capture/cooptation/bias
Comprehensive	<ul style="list-style-type: none"> •Supposes a minimal institutional capacity for planning-budgeting-implementing programmes •Supposes a state: authority and legitimacy and capacity to coordinate •Supposes government consensus (between ministries)
Poverty oriented and results based	<ul style="list-style-type: none"> •Supposes explicit choice pro-poverty ↔ ideology •Implies an evolution towards transparency and a change in the way national resources are distributed – willingness to be transparent – allow lateral accountability
Partnership	<ul style="list-style-type: none"> •Consensus between partners (donors – gvt – cso)? Realistic? •No power differences? •Donors have no difficulties giving up visibility AND (d)ownership •Gvt does not feel threatened by donors harmonizing and aligning (insight)
Long term objectives	<ul style="list-style-type: none"> •Against the short term logic of democracy

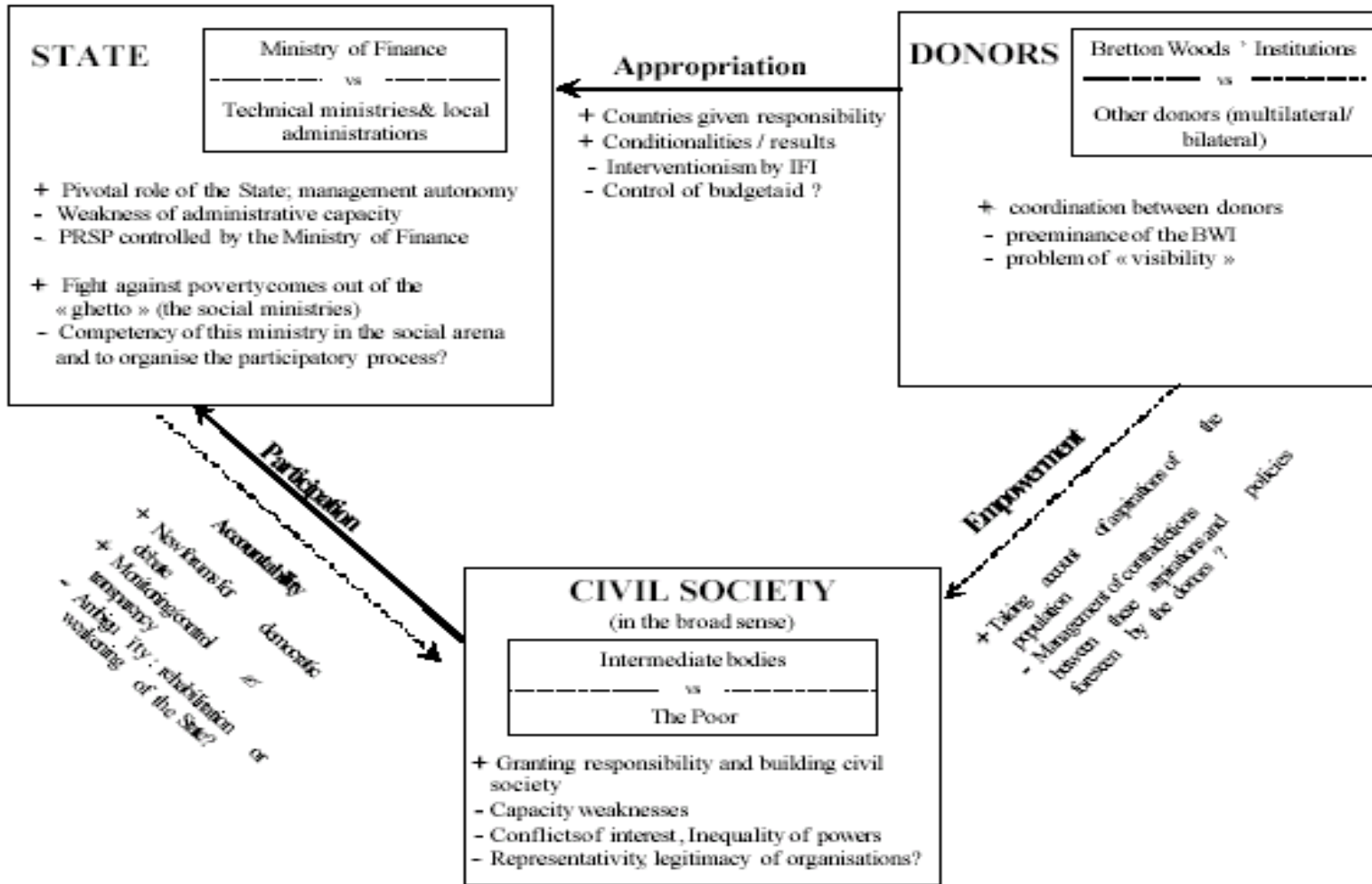
So... with regards to the implicit policies of PRSP...

- Donors cannot buy ownership/commitment
- Strengthening state and civil society means what exactly?
- The assumptions/problems pose a serious threat to the effectiveness of the PRSP if not addressed adequately
 - To do so: thorough political analysis is needed to identify pitfalls and action scenarios... this however is rarely seriously tackled by donors
- Bottom line:
 - strong governments get away with almost everything because donors are soft, need partners, suffer from spending pressure and a narcissistic the desire to make a difference in the field
 - Promises and performance are more important than actual realy life political problems that might undermine the effectiveness of the approach

Yet... changes are also being noted

- More particularly in the way in which actors now interact...

Changed Interaction Patterns



Note: (+): positive points; (-): weak points, problems.

Source: Cling, Razafindrakoto, Roubaud 2002.

4. Consequences for 'indirect' aid

Direct and indirect aid should not be treated as unconnected

- Efficiency
 - The two modalities compete for Belgian ODA funds
- Coherence
 - Belgium may support the same sector in a given country using the two approaches at the same time
- Quality
 - some of the underlying principles of the new aid paradigm provide a useful checklist for indirect aid (see next slides)

How desirable are the following PRSP principles for indirect aid through VLIR/CIUF?

1. State leadership in planning and priority setting
 - the VLIR UDC programme largely violates this principle
 - is there a way to do better (cfr Netherlands) ?
2. Single comprehensive programme and budget framework for all aid
 - the VLIR UDC programme again violates this principle
 - is some compromise possible, or should we not worry?
3. Formal donor co-ordination and harmonisation
 - the VLIR UDC is neither co-ordinated nor harmonised
 - would it be a good idea to try?

How desirable are the following PRSP principles for indirect aid through VLIR/CIUF? (continued)

4. Efforts to use local planning, implementation, financial management, M&E
 - the partner university has major responsibility for planning and implementation
 - VLIR however imposes its own financial management and M&E
 - would the use of local systems be preferable?
5. Policy dialogue & donor conditionalities
 - this possibility is largely lost when Belgian aid funds are channeled through VLIR
 - this may be a major drawback in some countries, not in others
6. Role of universities as part of civil society
 - here indirect funding through VLIR may actually be more appropriate than the state-oriented PRSP approach