

DGCD D3 Brussels PRSP workshop Day 1

PRSP : The What, Why and How

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Outline

1. The PRSP and the 'new aid paradigm'
2. The PRSP as a response to aid failure
3. The broader context
4. The pillars of the PRSP
5. Technical management of the PRSP

1. The PRSP and the 'new aid paradigm'

What does PRSP mean?

- 'Poverty Reduction Strategy Paper'
- 'Document de stratégie de Réduction de la Pauvreté (DSRP or CSLP)'

What is it?

- An official document
- Indicates how HIPC-II savings will be used
- A donor conditionality
 - first introduced end 1999
 - replaces Policy Framework Paper (PFP)

Why all this talk about a 'paradigm shift'?

1. Novelty of the process
 - government produced
 - civil society participation
2. Scope of the strategy
 - not only about economic reform
 - not only short-term
3. Multi-donor involvement
 - structural adjustment was mainly IMF plus WB
 - under the PRSP dozens of donors are involved
4. Signal of new-found donor optimism
 - PRSP addresses major criticisms of aid
 - decline in aid halted

2. The PRSP as a response to aid failure

WHAT didn't work, in donor eyes?

- Donor-driven and managed projects
- Washington imposed structural adjustment
- ➔ The two major aid modalities under attack

WHERE did aid fail?

- In low-income, aid-dependent countries
- Mainly, but not exclusively SSA

WHO did the donors blame? Everyone!

Why did donor-driven and managed projects not work ?

Strengths

- Allows addressing genuine poverty issues at local level
- Even in absence of a 'development state'
- Relatively simple to manage and supervise (log frame)
- High donor commitment
- High donor accountability

Weaknesses

- Weak national ownership (donor-driven priority setting)
- High donor and recipient transaction costs
- Institutional undermining of public sector
- Weak sustainability
- Fungibility (WYS≠WYG)

Why did structural adjustment not work ?

Strengths

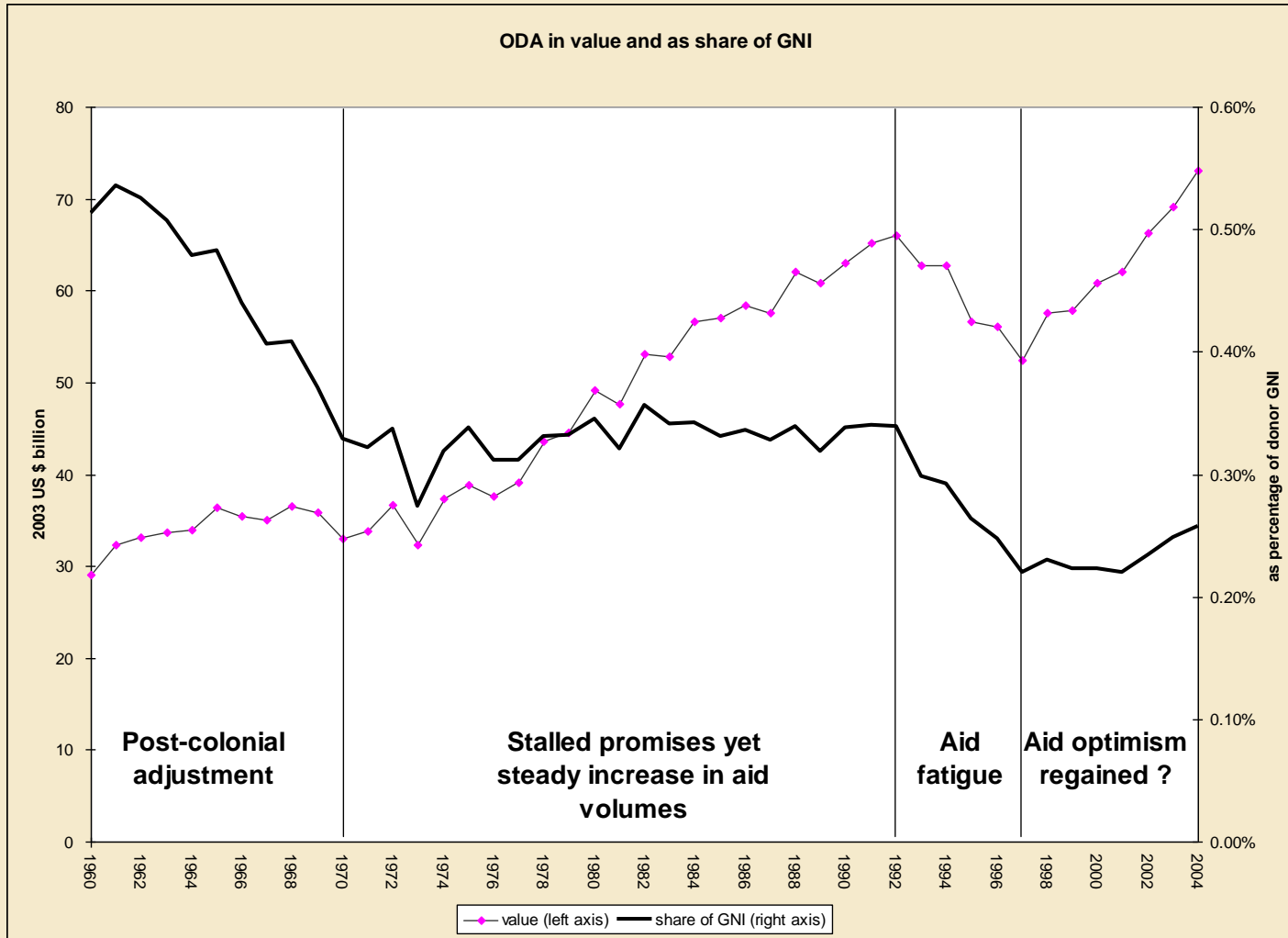
- Sound macroeconomic management stressed
- Some technocratic governance issues addressed
- Institutional strengthening of public finance management
- Attractive modalities: budget support and balance of payments support

Weaknesses

- Government uncommitted
- Public opinion hostile
- Disconnect with bilateral donors
- Conditionality design faults
- Reform overload
- Long-term view on development missing

3. The broader context

- IMF and WB under fire
 - financial crisis of 1997 in East Asia badly handled
 - political dissatisfaction in key western countries
- The international coalition for debt relief
 - policy makers under pressure to grant debt relief
 - NGOs recognise need of some conditionality
- Aid fatigue
- International political events
 - end of Cold War
 - 11 September 2001



Aid and the Cold War

The importance of international stability

- East versus West – communism versus capitalism – left versus right
- Third world: aid linked to alliance-formation

Foreign affairs and aid tightly linked

- Defending (inter)national interest (a political/economic model)
 - Trade-off international stability – national political situation in third world countries
- Importance of freedom/democracy/human rights: high in political discourse in the North but low in action

The end of the Cold War

1989 victory of western political model

- Collapse of Sovjet-Union
- Due to internal (civil society) and external pressure
- More than 80 countries take steps toward more freedom
 - Internal movements for democracy
 - International pressure
 - Events in neighbouring countries
- Today 140 out of 200 countries organize elections

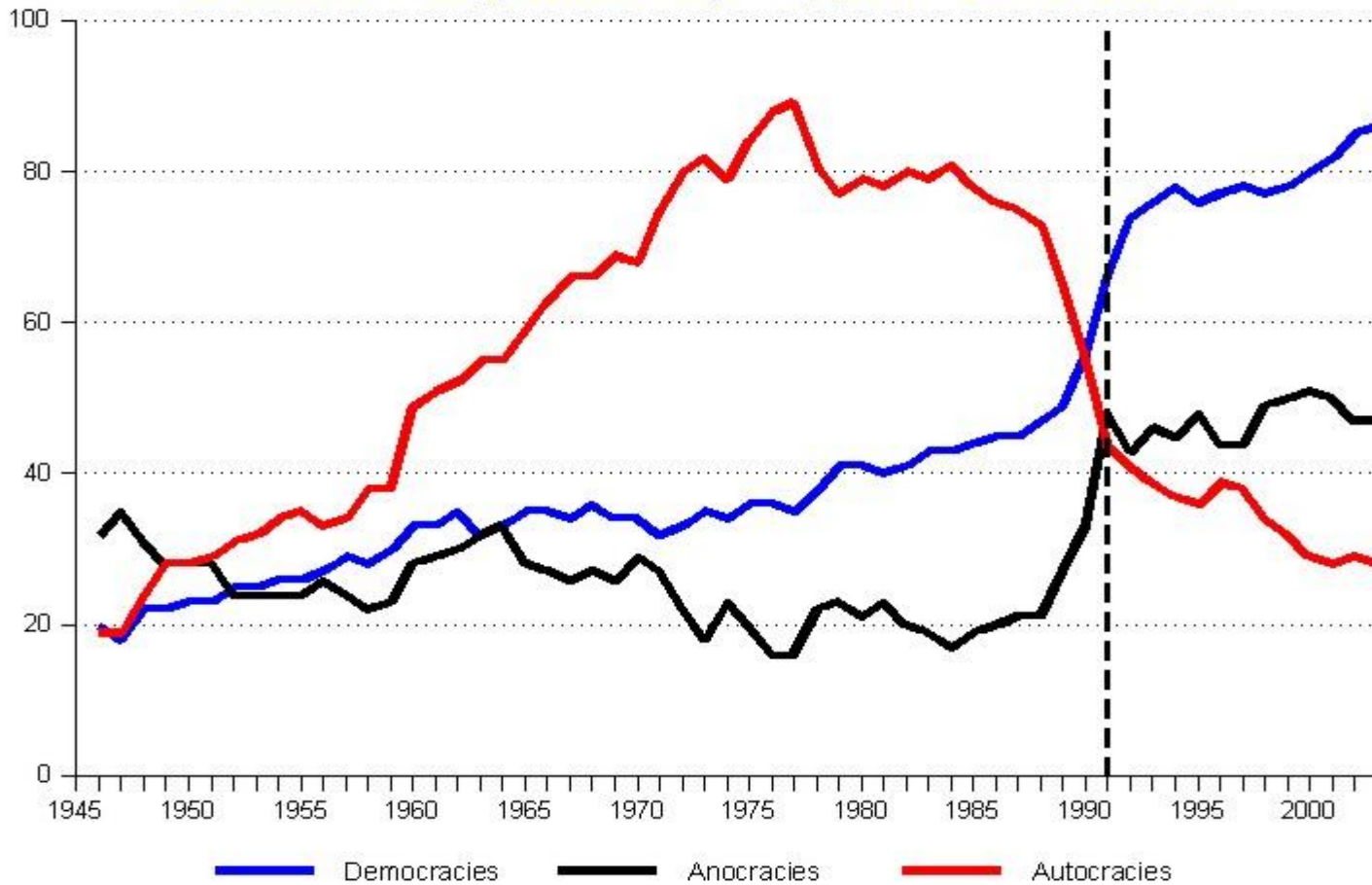
Democracy in the minds of people

Global Barometer 2002 In %	Africa	East Asia	Latin America	New Europe
Preference for democracy	74	64	63	61
Authoritarianism is better	12	19	17	18
Doesn't matter	14	17	20	21

But...

- Democratisation and the crisis of democracy
 - Civil wars, intra-national wars, ethnic violence
 - Decline of trust in stable democracies
 - Rise of extremist/fundamentalist movements
- Transiting versus consolidating democracy
 - Lapses into authoritarianism
 - Limited transition
 - Eternal transition
- The blooming of pseudo-democracies or anocracies

Global Regimes by Type, 1946-2003



Anocracy: some characteristics

- The main democratic feature: elections
- But elections not really open/fair
- Opposition rarely wins – is limited in campaigning space...
- Party in power rules in authoritarian way (little or no accountability)
- Institutions are not transparent, little audit/control, inefficient
- Parliament is dysfunctional, a rubberstamping institution, low on capacity
- With regards to results: economic progress, human development, poverty reduction too limited

Desillusionment in the minds of people

Global Barometer 2002 In %	Africa	East Asia	New Europe
A lot less corruption	14	6	1
Somewhat Less	17	26	4
The same	18	29	21
A bit more	17	19	20
A lot more	18	13	53
Don't know	16	7	1

Desillusionment in the mind of donors

- Vietnam, Cuba, China, ... => not democratic yet performing well

HOW TO DEAL WITH THESE CONTRASTS?

- Maybe it isn't as much about democracy (elections) as it is about good governance?
- ⇒ Good governance: committed government, high on technical capacity, ...



Being a developmental state

11 September 2001

- Isolationism no longer an option
 - security, terrorism...
 - aid as an antidote to state failure
 - aid as incentive for good governance
 - basic premises of PRSP confirmed
- Donor interest in the politics of aid enhanced
 - major western donors underwrite new philosophy
 - yet not all donors choose the PRSP as the vehicle

4. The pillars of the PRSP

The Five core PRSP Principles (CDF)

1. Country driven

- National ownership
- Civil society participation

2. Results-oriented

3. Comprehensive, but poverty is key

4. Partnership

5. Long-term perspective

Ownership

- ingredients of ownership
 - locus of initiative
 - commitment
 - institutional capacity

- levels of ownership
 - political leadership
 - government
 - state
 - society

Participation

Shift in focus :

Micro → Macro

Project → Policy

Beneficiary → Citizen

Consultation → Decision making

Evaluation → Implementation

	↗ ownership	↘
Civil society participation	→ pro-poor effectiveness	→ poverty reduction
	↘ accountability	↗
	↘democracy ↗	

Results orientation

- results-oriented approach gives more autonomy and responsibility to the recipient
- project aid: donors steer inputs and activities
- budget aid: donors no longer steer inputs and activities and focus on outputs and outcomes is the only option

Impact	<ul style="list-style-type: none"> •Reduce mortality rates for children under 5 years old (dimension of poverty reduction)
Outcome	<ul style="list-style-type: none"> •Improved use of ORT for managing childhood diarrhea
Intermediate outcomes	<ul style="list-style-type: none"> •Increased maternal knowledge of ORT services •Increased access to ORT services
Outputs	<ul style="list-style-type: none"> •15 media campaigns completed •100 professionals trained in ORT
Activities	<ul style="list-style-type: none"> •Launch media campaign to educate mothers •Train health professionals in ORT
Inputs	<ul style="list-style-type: none"> •Trainers •ORT supplies •Funds

Comprehensiveness

- key objective: poverty reduction
 - poverty diagnostic
 - what is poor, who is poor, poverty traps
 - why did policies not work in past?
- macroeconomic conditions for growth
- sector attention
 - health
 - education
 - agriculture, ...
- crosscutting issues
 - gender
 - environment

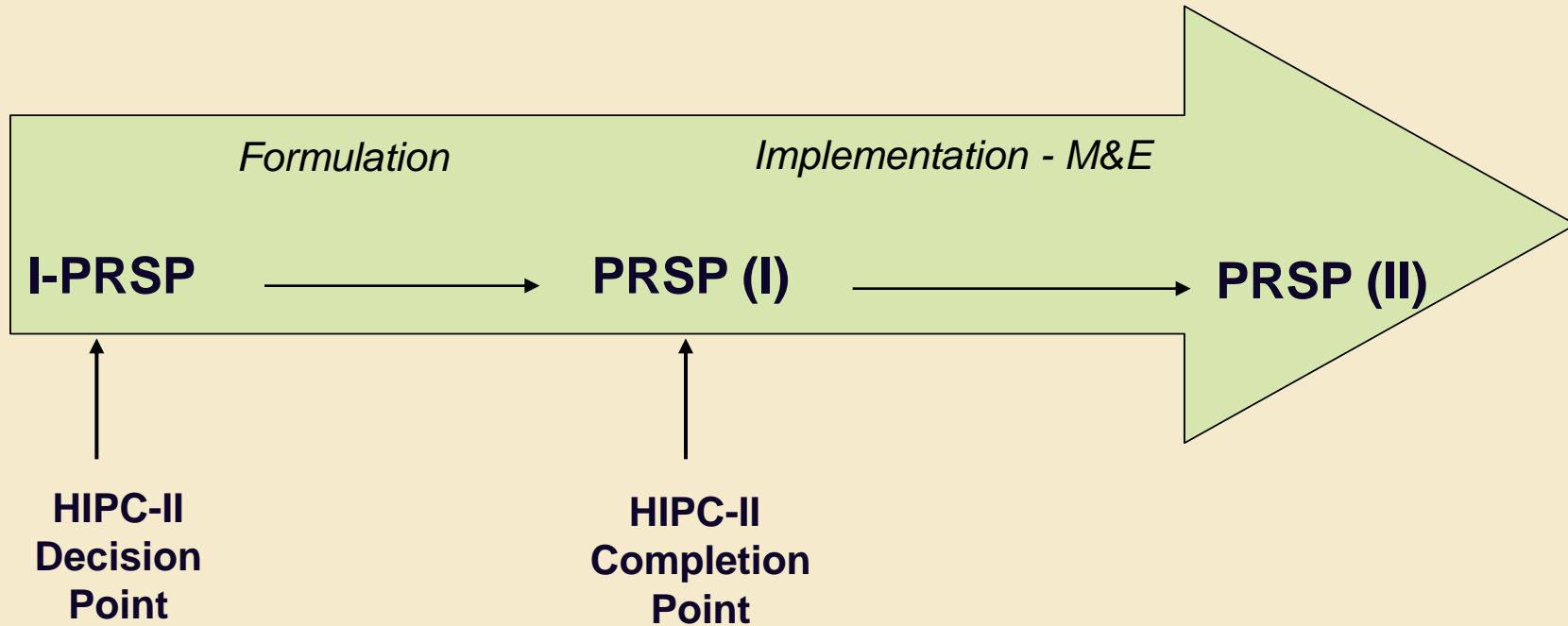
Partnership

- aid relationship is essentially uneven
 - just a case of 'donor-speak'?
- long-term relationship
 - based on selectivity and thus trust
- principles of good donorship
 - H&A
 - financial predictability
 - transaction costs kept low
 - flexibility and speed
- mutual accountability

5. Technical management of the PRSP

- Time line
- Aid modalities under the PRSP
- Monitoring and Evaluation
- Policy dialogue and conditionalities

PRSP time line



- Full revision every 3 to 5 years
- Annual progress reports
- JSAN → Board of WB and IMF

Major aid modalities under the PRSP

- Debt cancellation
- Budget support
- Programme based approaches (PBAs)
- Technical assistance at macro and sector level

General budget support (GBS)

- Donor funds are pooled with partner government funds
 - disbursed through the government's public expenditure system
 - with the aim of financing government budgeted activities using government procedures
- Flagship of PRSP, emphasizing:
 - alignment with recipient country planning (PRSP) and procedures
 - donor harmonisation (and partnership with recipient government)
 - policy dialogue and conditionality

Sector budget support (SBS)

- Financial earmarking
 - often, but not always
- Policy dialogue, conditionality
 - donor chooses negotiating table
- Increasingly popular with PRSP donors
 - many problems at sector level
 - overcrowding problem with GBS
 - less sensitive to political conditionality
 - allows donor programmes and projects to be linked up

Programme-based approaches (PBAs)

- Characteristics of PBAs
 - Country leadership
 - Single comprehensive programme and budget framework
 - Formal donor coordination and harmonisation
 - Efforts to use local planning, implementation, financial management, M&E
- A compromise term that accomodates
 - budget support
 - SWAPs = PBA at sector level
 - ‘new style’ projects in framework of SWAP

M&E under the PRSP

- Monitoring
 - in principle results-based
 - but creates a missing middle problem
- Evaluation
 - two purposes
 - policy learning
 - accountability
 - the problem of attribution
 - causality
 - individual donor contribution
- Alignment with national M&E ?
 - government reports to donors
 - Annual Progress Report (APR)
 - sector review meetings
 - donor chicken-egg problem

Conditionality under the PRSP

- policy dialogue and conditionality
 - a continuum from soft to tough
- new generation conditionalities
 - from unilateral TO consensual
 - some process conditions: PRSP, participation
 - from input/policies TO output/outcome
- harmonising conditionalities
 - budget support is joint
 - Performance Assessment Framework (PAF)
- making conditionalities credible
 - from ex ante TO ex post
 - graduated response