

# The Poverty Reduction Strategy Papers (PRSP) approach

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Issues and Challenges  
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# PRSP

- Started around year 2000
- A country-level development strategy that is
  - pro-poor
  - comprehensive
  - results-oriented
- The following tables indicate which VLIR partner countries have a PRSP, and reveals the pattern:
  - low-income
  - aid-dependent

country	PRSP	date
Congo DR	I-PRSP	2002
Ethiopia	PRSP	2002
Kenya	PRSP	2004
Mozambique	PRSP	2001
South Africa		
Tanzania	PRSP	2000
Zambia	PRSP	2002
Zimbabwe		
Bolivia	PRSP	2001
Cuba		
Ecuador		
Guatemala		
Suriname		
Philippines		
Vietnam	PRSP	2002

country	PRSP	ODA%GNI 2002	ODA/cap \$ 2002	GDP/cap PPP 2002
Tanzania	PRSP	13.2	35.0	580
Congo DR	I-PRSP	14.7	15.6	650
Ethiopia	PRSP	21.7	19.4	780
Zambia	PRSP	18.1	62.5	840
Kenya	PRSP	3.2	12.5	1020
Mozambique	PRSP	60.4	111.6	1050
Vietnam	PRSP	3.6	15.9	2300
Bolivia	PRSP	9.0	77.3	2460
Ecuador		1.0	16.9	3580
Guatemala		1.1	20.7	4080
Philippines		0.7	7.0	4170
South Africa		0.6	14.5	10070
Zimbabwe		..	15.4	..
Cuba		..	5.4	..
Suriname		1.3	26.9	..

## PRSP (continued)

- As conditionality for HIPC-II debt relief, a PRSP must be
  - home-made
  - with broad participation
  - approved by the BWI
- Approach has been extended to all low-income countries
- The PRSP constitutes a linchpin in the 'new aid paradigm'
  - a new compact between donors and recipients

# Aid Paradigms and aid instruments

period	aid instruments	major constraint addressed	university co-operation
1960-1980	projects	- physical capital - human capital	university co-operation projects
1980-2000	structural adjustment support	- macroeconomic policies	emphasis on fiscal drain and lack of efficiency and equity
2000-	programme-based approaches (PBAs)	- ownership - governance	?

# Key elements in the new aid paradigm

Aid has failed in low-income, aid-dependent countries ⇒ a new approach is in order

- Lessons drawn with regard to the recipient side
  - Commitment to development & poverty reduction  
⇒ ownership
  - State capacity to formulate/plan/implement  
⇒ politics and institutions matter
  - Transparent use of resources  
⇒ accountability mechanisms
  - Civil society as facilitator for all the above
- Lessons drawn with regard to aid agencies
  - Selectivity
  - Alignment to recipient policies and systems
  - Harmonization among donors

# PRSP and indirect aid modalities

- The PRSP is part of the aid architecture for dealing with bilateral, government to government aid relations, and multilateral aid
- The VLIR UDC programme belongs to a separate aid modality, which may be labelled 'indirect aid through non-state actors', which is
  - channeled through Belgian non-state actors
  - based on the principle of Right of Initiative
- A policy question is whether direct and indirect aid can be handled in isolation from each other
  - the DAC, in its peer review of Belgian aid, thinks not
  - there are substantive reasons why it is worth looking at the interaction between direct and indirect aid (next slide)



# Why direct and indirect aid should not<sup>8</sup> be treated as completely unconnected modalities

- the two modalities compete for Belgian ODA funds
- Belgium may support the education sector in a given country using the two approaches at the same time (e.g. Tanzania, Ethiopia), raising questions of overall coherence
- 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<sup>9</sup> principles for indirect aid through VLIR?

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<sup>10</sup> principles for indirect aid through VLIR ? (cont'd)

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 consistent than the 'statist' PRSP approach

Thank you !

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