



Maastricht Graduate School of Governance

# PRSP: Background and Principles

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# Outline

- The background of PRSPs
- What are PRSPs?
- What are the implications for development actors?

The content of these slides draw heavily on joint research work with Robrecht Renard

# Background

## PRSP: a response to aid failure

# 80s-90s: What didn't work, where, and who's to blame?

## WHAT?

- Failure of projects
- Failure of SAPS

## WHERE?

- Especially in the poorest countries, particularly in SSA

## WHO IS TO BLAME?

- Recipient governments
- Donors

# 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

## Weaknesses

- Government ownership
- Disconnect with bilateral donors
- Conditionality design faults
- Reform overload
- Long-term view on development missing

# Who is to blame?

- Recipient governments
  - Little commitment to poverty reduction or economic growth
  - Bad quality policies or non implementation of good quality policies
  - Systemic corruption, clientelism and patronage
  - Weak democracy, weak accountability, weak transparency
- Donors
  - Geopolitical motivations
  - Huge co-ordination failure amongst donors
  - 'Bypassing the state' & 'bullying the state' flawed
  - Aid cannot 'buy' reform
  - Aid is fungible

# Development and by extension aid-effectiveness...

The importance of « good governance » in the recipient country

- A committed government (ownership)
- With good technocratic capacities
- With high quality policies (coherent, resultsoriented...)
- And institutional quality to plan, translate into budgets, implement, M&E...

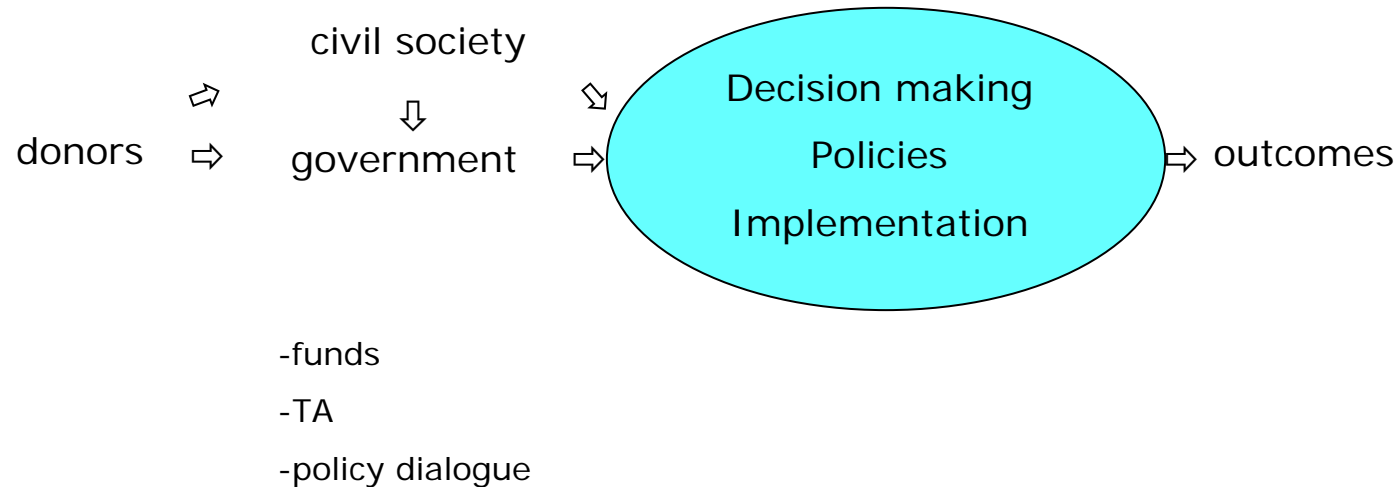
The importance of « good donorship »

- Harmonization and alignment
- Predictability and accountability

NEW: Politics and institutional issues matter => good governance as an instrument and as a final objective



# Logic chain of the new aid approach



# Other factors that played a role

- Donors under fire
  - financial crisis of 1997 in East Asia badly handled by IMF & WB
  - 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

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

<b>period</b>	<b>preferred aid modality</b>	<b>major constraint addressed</b>
1960-1980	projects	- physical capital - human capital
1980-2000	policy based support	- macroeconomic policies
2000-	budget support	- ownership - governance

# What is a PRSP?

# Not just a document, but also a new approach!

## PRSP Principles (CDF)

- National ownership
- Civil society participation
- Comprehensive
- Results-oriented, focus on poverty
- Partnership
- Medium and long term perspective

Hope: Improved performance – a state oriented towards development and poverty reduction

- Commitment/ownership
- Pro-poor effectiveness
- Increased accountability

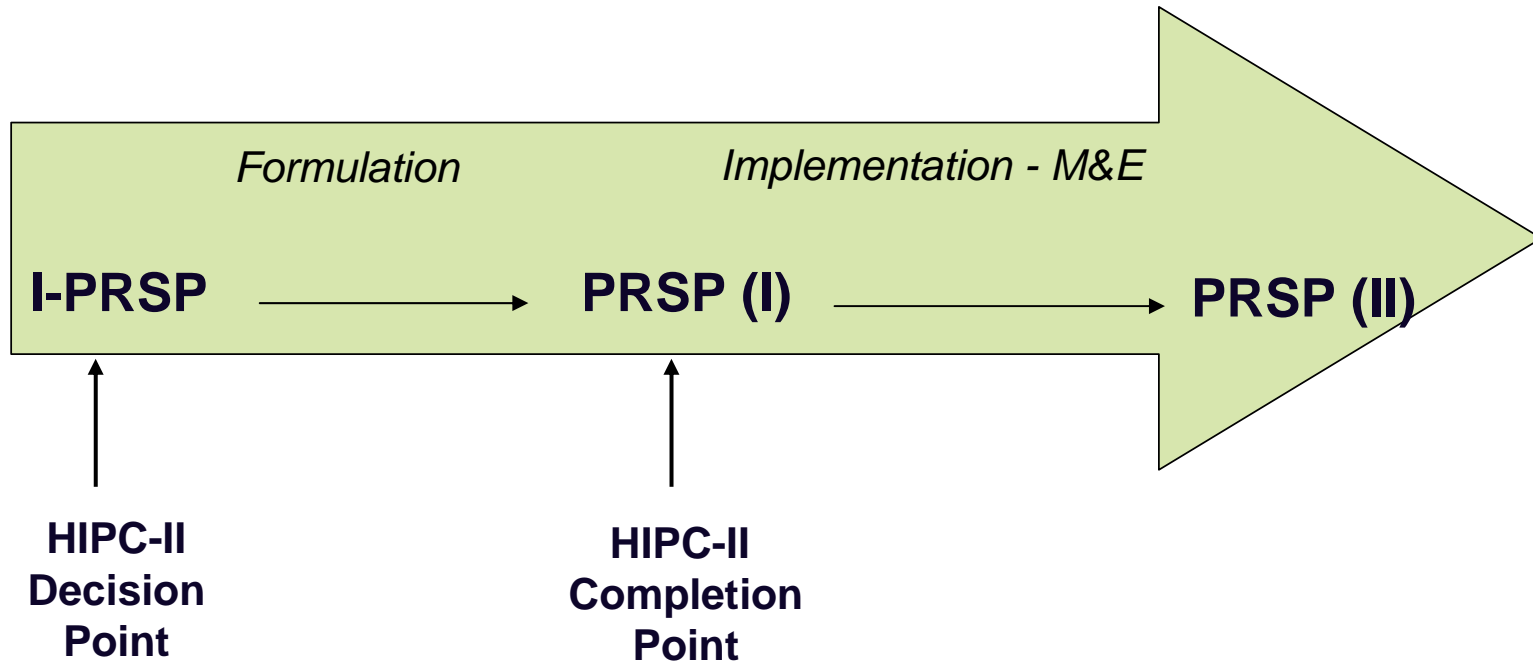
# Elementary basics

- Start in 1999
- Condition for HIPC-II debt relief
- Replaces the Policy Framework Paper as a basis for World Bank and IMF lending
- A strategic document formulated by the government of a recipient country
- With civil society participation
- Has become the standard approach (HIPC & beyond)

# Elements of the document

- Description participatory process
- Comprehensive poverty diagnostic
- Clearly presented and costed priorities for macroeconomic, structural, and social policies
- Appropriate targets, indicators, and systems for monitoring and evaluating progress

# Time line



- Full revision every 3 to 5 years
- Annual progress reports (APR)
- JSAN → Board



# 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
  - 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

What is expected of the  
major actors?

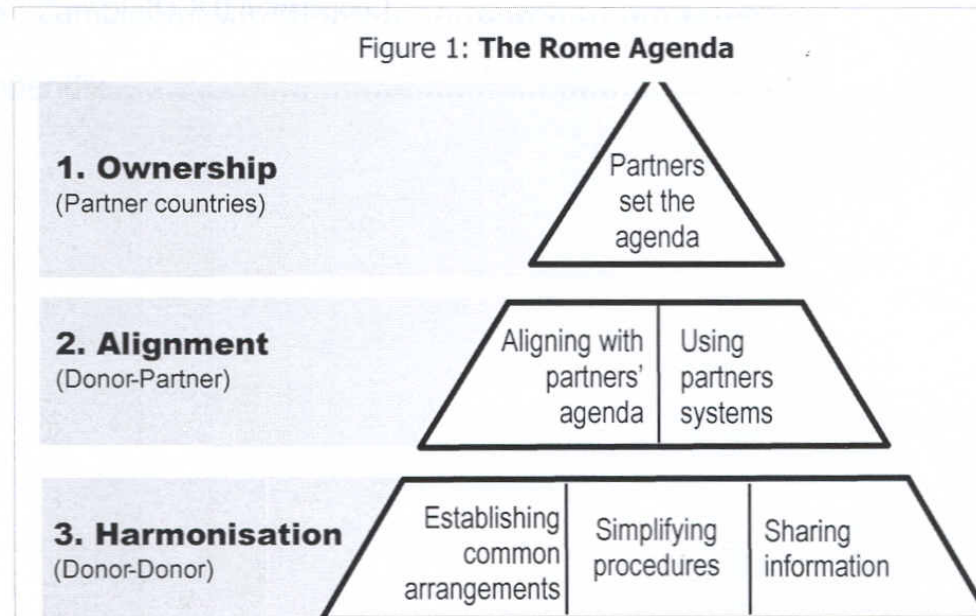
# Government

- 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
  - ⇒ formulation, M&E

# 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

# The Paris Declaration on H&A



# 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

# The PRSP is 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



Thank you !

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