

Asian Approach to PRSP
Diversity for Strategic Alternatives, Institutions, and Aid Modalities

1. PRSP

- PRSP (Poverty Reduction Strategy Paper), introduced by WB/IMF in late 1999.
- Centerpiece of global poverty reduction partnership
- Why is PRSP so important for poor countries and donors?
 - Country-owned development strategy, 3-year action plan for poverty reduction, result-oriented with monitorable indicators & system.
 - Regarded as a tool to achieve MDGs (UN Millennium Development Goals).
 - Conditional on eligibility for the Enhanced HIPC Initiative, as well as access to IMF/IDA concessional finance.
 - Aid coordination tool for donors.
- PRSP status
- Lessons learned from the early PRSP experiences
 - Views of Japanese development professionals

2. Diversity in Asian countries

- HIPC status
- Aid dependency
- Donor composition
- Grants vs. Loans
- Causes of poverty
- Relationship with the existing national development plans
- Institutional capacity, etc.

3. PRSP (1)--Strategic Contents

- Causes of poverty matter.
 - Recently, increased attention to “sources of growth” and “pro-poor growth” (...but, not enough!)
- Pro-poor growth
 - Definition?, desirability?, policy implications?
 - Need to broaden the scope
- Channels and Linkages
 - Three channels for pro-poor growth: direct channel, market channel, policy channel

4. PRSP (2)--Institutional Application

- Relationship with the existing national development plans
 - PRSP as a primary document vs. PRSP as a supplementary document
- In Asia, many countries historically have medium-and long-term national development plans
 - Implying the need to consider the relationship between the newly-introduced PRSP and the existing planning documents.

5. PRSP (3)--Aid Harmonization

- Basic principle: Donors should reduce “transaction costs” (T/C) arising from proliferation of different aid practices.
 - Pros: common strategic framework, on-budgeting of aid, simplification of donor practices (e.g., joint missions, common reporting formats).
 - Cons: uniform application of a specific aid modality desirable?, different comparative advantages among various tools (project aid, TA, non-project aid)?
- Need for a balanced approach
 - Dilemma (WB 98, Harrold 95),
 - How should and can we do for countries with high aid dependency, donor proliferation, and weak institutional capacity?
- T/C reduction is only one factor to enhance development effectiveness. Sound policies and institutional capacity are also key. (WB 98).
- The local context matters, too.
 - Sector conditions, type of interventions, aid menu by donor, etc.
 - Country-specific needs for aid harmonization

6. Example: Vietnam’s PRSP Experience

- Strong government ownership
- Strategic contents: PRSP renamed to CPRGS, embracing growth-oriented national development vision
- Institutional aspects: PRSP as a supplementary document; highest national documents are the existing 5-Year Plan and 10-Year Strategy).
- Aid harmonization: progress on diverse fronts
 - Loan-giving donors (JBIC, WB, ADB accounting for 2/3 of total ODA to Vietnam);
 - Grant-giving donors (LMDG, providing small-scale grant); and
 - JICA (T/C study underway to identify specific bottlenecks)
- In Vietnam:
 - Sector: transport (30%), power (30%), health & education (15%)
 - GoV wants to receive both projects and non-project aid.
 - SWAp means a common strategic framework, not unification of aid modality.

7. Implications: “Best Mix” Approach

- Agree on general principle, but apply them locally.
- Best-mix approach for what?
 - Strategic alternatives: pro-poor targeting and broad-based growth promotion
 - Institutional application: due attention to the existing planning system and institutional capacity
 - Choice of aid modality: non-project aid and project-aid, TA (--again, depending on strategy and institutions)
- Probably, more realistic to start with a common strategic framework, procedural simplification by each donor, harmonization among donors with procedural similarity, and support to capacity building of recipient countries....

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