Asian Approach to PRSP

[Diversity for Strategic Alternatives, Institutions, and Aid Modalities]

1. **PRSP**
   - 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….