The impact of PRSPs
Achievements, challenges and the role of aid

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Overview

1. The importance of context
2. Why the concern about “country ownership” and aid alignment?
3. The impact PRSPs, 1: the policy process
4. The impact of PRSPs, 2: the missing links
5. How can aid help?
6. Main challenges for donors
7. How to handle the politics
8. Summing up
The importance of context

- Country context is crucial; not all countries are the same – this is obvious but easily forgotten.
- Most of this presentation refers to type D countries.
Why “country ownership”?

• Sometimes presented as a (European) donor fashion; actually a good case of research influencing policy:
  – In a soft state, project aid weakens the incentive to make policy, and distorts resource allocation
  – “buying reform” with loan conditionalities does not work for complex reforms
  – in these and other ways, there are strict limits on donors’ ability to influence change for the better
  – what matters is domestic politics/society (and the effect of aid on that)

• PRSPs: not a new planning technology but an effort to respond to these findings
The impact of PRSPs, 1: the policy process

• Worthwhile but quite modest policy-process gains in some countries (not others, e.g. Latin America) – for example:
  – stimulation of sector policy processes
  – opening up of Public Expenditure Reviews

• But in nearly all, the buy-in is technocratic; fundamental political dynamics have not been affected
  – it is not possible to “engineer” political commitment
  – the intention was good but the theory of politics was/is naive
The impact of PRSPs, 2: the missing links

• Studies agree that a key factor is whether other reform processes are strengthening government orientation to results
  ▪ the budget/MTEF process (Tz, Ug, Ghana, Malawi)
  ▪ sector policy processes
  ▪ civil service and local government performance incentives

• Some “second generation” PRSPs are better placed in these respect, but:
  – nearly everywhere, there is serious reform slippage
  – this is determined the institutional set-up and political dynamics, not by donors
How aid can help

• Aligning project aid with the PRS objectives and government systems?
  – yes, but projects will still interact with internal incentives in damaging ways

• “Common baskets”?
  – depends on context
  – if the sector ministries are weaker than the finance ministry, GBS combined with sector policy work will be preferable (e.g. Tz agriculture)
• GBS, based more on ex-post selectivity and less on ex-ante conditionality?
  – certainly much better in theory
  – but it requires some minimal preconditions – e.g. a budget process than is more than “theatre” (Ghana, Malawi)

• Where these conditions do exist (Uganda, Tanzania), evaluations suggest:
  – the political basis is decisive ... for better or worse
  – there is still a tendency for the positive changes to be superficial, because political systems (and underlying social relationships) are not changing fast enough

• Conclusion: the institutional context is the key, for aid modality choices as well as PRSP achievements
Main challenges for donors

• Getting to know the country context – history and political economy
  – Tanzania versus Nicaragua, Korea versus Vietnam versus Cambodia, etc.

• Taking alignment, harmonisation and aid quality very seriously
  – while recognising some real constraints on the recipient side

• Being more creative about influencing in appropriate and effective ways the key political variables
How to handle the politics

• This is not easy, but is the big challenge in 2005
  – the essential complement to raising levels of funding
• It should not mean more political-governance conditionality (e.g. Uganda)
  – studies suggest it does not work
  – it is bad for predictability, and hence damages other institutional progress
• More political/governance selectivity?
  – probably, but we need something better and more coordinated than the Millennium Challenge Account
• The first step must be a more open and frank debate about political leadership and its role in development effectiveness
Summing up

• There are sound reasons for wanting country ownership of development policies
  – in soft states, this is not automatic and aid can make matters worse

• PRSPs haven’t (yet?) given us this

• But they, and the debate on aid modalities, may have helped to focus attention on what really matters – domestic politics

• We need a robust and open debate on this, starting in 2005, especially in Africa