PRSP and Rural Development: Reflections, Experiences to date and Implications

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The PRSP process and progress to date

In order to set the scene for a review of rural development and the reduction of rural poverty, it is useful to recap briefly on the Poverty Reduction Strategy approach as a whole, its progress and current thinking.

In December 1999, the Boards of the IMF and the World Bank approved a new approach to the challenges of reducing poverty in low income countries based on country owned poverty reduction strategies which would serve as a framework for development assistance. The underlying principles being that they should be country-driven, results orientated, comprehensive and longer term in perspective, and based on internal and external partnerships in line with principles that underpin the Comprehensive Development Framework approach, of which the Poverty Reduction Strategy Paper (PRSP) is the operational expression in low income countries.

Much has been accomplished to date with some 60 low-income countries engaged at some stage of the PRSP process. There is now broad agreement on:

- the widespread and growing sense of ownership and commitment amongst governments to the process and its objectives;
- a recognition that the PRSP processes including the participatory processes have created a more open dialogue than previously existed;
- issues relating to poverty reduction have taken a more prominent place; and
- the donor community as a whole has embraced the principles of the PRSP approach with improved prospects for stronger partnerships with countries and better donor coordination.

Key messages from the January 2002 International Conference on PRSPs and the follow-up Joint WB-IMF Review (March 2002) underlined:

- the importance of country ownership as a guiding principle;
- a recognition of the need for realism in setting goals and targets and managing expectations both domestically and internationally;
- the importance of improving the understanding of linkages between policies and poverty outcomes;
- a need to improve prioritization of policies and programs to ensure realism and facilitate implementation;
- the importance of flexibility to allow for different country starting points;
- the importance of an open and transparent PRSP process and the desirability of debate on alternative policy choices;
- success in reducing poverty will require a sustained and long term effort by countries and donors alike.
Further, the Monterrey consensus has underlined the centrality of nationally owned poverty reduction strategies to achieving the Millennium Development Goals.

Such reviews and consultations have stressed the need to build up good practice in the following: (a) improve public expenditure management systems; (b) increase emphasis on, and build capacity for, monitoring and evaluation; (c) strengthen and institutionalize participatory processes; and, (d) the need for development partners to align their support around the national strategies through both improved coordination with government and through internal changes.

Complementing the greater poverty focus of public resources is a growing emphasis on policies that will accelerate growth and thus make reduction in poverty sustainable over the long term. It is recognized that sound growth requires investment in human capital and infrastructure as well as sound macroeconomic and structural policies, political stability, good governance and healthy institutions. Countries are seeking to build an improved investment climate, and the capacity to compete in world markets. This process is however a two way process and requires the international community to increase levels of aid, to open markets and to phase out trade distortions.

The process and outputs of the PRSPs have been a major step in international development in terms of both process and in analysis, bringing in and of themselves major benefits. The challenge now is to move to implementation of the many elements which have been defined including reaffirmation of useful indicators for monitoring, development of transparent monitoring mechanisms to follow progress, actions plans aligned to Medium Term Expenditure Frameworks (MTEFs) and or sector programs; support to capacity building for implementation; annual reporting etc. the development of these will involve governments, civil society and donors and will need to be taken forward as joint processes. The development of guidelines for the post-PRSP phase forged through a collective process are necessary if the key components of the PRSP are not to be forgotten. Such a process would also aim to clarify the roles of each development partner. These changes challenge the way development partners do business and the manner in which they work together requiring closer collaboration and joint working around country owned and driven processes.

**Are PRSPs the right tool to address Rural Poverty?**

Over 70% of the poor are located in rural areas and spatial disparity of the living conditions of the poor people in rural areas compared to urban locations in terms of access to health, education, economic opportunity, infrastructure, and communications, etc, is evident. There has been a persistent neglect by both donor agencies and governments in addressing the specific needs of rural areas and the rural poor. Urban biases in policies, programs, investments and expenditures have been and often remain a problem. It is now evident that to be effective in achieving rural poverty reduction, policy actions and interventions must be both enhanced and deeply imbedded in national priorities and process – the PRSP and other related national processes offer the best opportunity yet to mainstream rural development. In many countries the rural economy, and in particular agriculture, could and should be the lead growth driver. The challenge is how development partners interested in rural development can support such national processes effectively, within the framework of the wider process, in a coherent manner now and in the years to come.

**What can we learn from the coverage of rural issues in PRSPs completed to date?**
The PRSP process has only been in place for two and a half years and any review process, whether of the PRSP process as a whole or of specific sectoral or spatial issues, can only at this stage focus on the process and emerging content rather than impacts and outcomes. However, there are lessons that can be drawn from reviews of PRSPs completed to date which may be helpful for countries and their development partners as the Interim-PRSPs are taken forward and future PRSPs and annual progress reports are prepared. The following section summarizes some of the key findings from an internal Bank review (Cord et al, 2002) of the rural content of 12 PRSPs - for Africa: Uganda; Tanzania; Burkina Faso; Mauritania; Mozambique; Niger; Guinea; Zambia; and Gambia, and for Latin America: Honduras; Nicaragua; and Bolivia. Annex 1 provides further specific details. The review used as its framework the treatment of rural content issues against the headings of participatory processes; poverty diagnosis; the targets and indicators; and priority public actions – these being the framework set by the World Bank and Fund Joint Staff Assessment (JSA) guidelines. It included an assessment of the PRSP documents and the related JSA documents and did not review related and underpinning working papers and reports.

Main findings from the review

Rural development is a priority sector in all the PRSPs and a broad array of rural poverty issues appear consistently in all four core elements of the PRSP. Most of the rural focus is on the priority public actions, with less attention provided to rural issues in the participation strategy, poverty diagnostics, and targets and indicators. A major drawback of the rural strategies in the PRSPs is the lack of a systematic and consistent approach to addressing core rural issues (building for example from a livelihood’s framework) in each of the four PRSP core elements. The priority public actions do not flow clearly from the poverty diagnosis and the participatory process and are not well linked to achieving the impact and outcome targets. Another concern is that almost all the strategies refer to the rural poor as a homogenous group and the heterogeneity of the rural poor is not adequately recognized.

Building country ownership through rural participation: While extensive participatory processes have taken place in most countries, the participation of rural stakeholders and their sectoral line Ministries in the PRSP process, as presented in the documents, seems rather limited, both in terms of breadth of the stakeholders who participated and the mechanisms applied. It is noted however that in some case separate documents on the participation process have been published.

Rural Poverty Diagnosis: In almost all cases, rural poverty rates are provided. However, they are often not disaggregated by gender, land holdings or ethnicity. In some cases, regional poverty rates are also provided. In general, little quantitative information is provided on sources of income and livelihood diversity, the distribution of land assets, and participation in various markets. Most PRSPs identify several determinants of rural poverty. However, little detail is provided on the qualitative or quantitative nature of these issues, their relative importance, and the process by which they affect the different groups of rural poor. Issues related to agricultural productivity, land tenure and access to markets and basic government social services such as health and education, as well as rural infrastructure, emerge as the most frequently discussed determinants of poverty in rural areas.

Note that data and analysis does not exist in Africa where empirical linkages have been established between public actions and the growth and poverty reduction impacts.
**Targets and Indicators for Rural Poverty Reduction:** Rural development is viewed as a key component for pro-poor growth in the PRSPs. As a result, most of the objectives and impact indicators for rural space relate to the poverty rate and productivity/growth goals. The PRSPs contain many outcome or output indicators for rural space, although the indicators do not always have quantified targets and, in some cases, are not easily quantifiable or monitored. Moreover, while the indicators generally address issues raised by the poverty diagnostics, as well as areas of priority actions, these linkages are explicit in a limited number of cases.

**Priority Public Actions:** The PRSPs generally treat rural development as a cross cutting thematic issue, proposing specific actions to address rural poverty in many of the core asset areas (human, natural, physical, financial, social) as well as risk management. However, the discussion of the issues is fairly generic and brief, and the institutional framework for their implementation is generally not fully specified. As a result, it is difficult to gauge the specific content or the poverty focus of the actions proposed. The actions proposed tend to be investment oriented. The PRSPs reviewed to date in the context of rural development and agriculture have not to any great extent been used to initiate major policy reforms. For example the incentive framework was only discussed in two of the PRSPs and the coverage of issues related to such areas of policy intervention such as markets, tended to focus on transactions costs, infrastructure, and not on regulatory and policy issues.

The priorities of governments for rural development are listed in the rural actions although in general these are yet to be fully prioritized and/or sequenced. This reflects substantial technical and well as political challenges and countries, together with their development partners, will as the process of full implementation moves forward wish to deepen and develop further the criteria for selection of priority actions. With respect to costing, the experience varies significantly across countries. In most cases, multi-year costings are provided for key rural development programs, although in others the costings are quite general.

In few cases the priority actions are explicitly linked to impact and outcome indicators. In general, there is a broad consistency between the impact and outcome indicators and the priority actions selected, but it is not made clear how the defined program will produce the desired targets. Similarly, the linkages between the priority public actions and rural poverty are implicit, as the main issues raised in the poverty diagnosis generally are covered in the priority actions section.

**Implications for Donors**

*Engage with the process and follow good practice*

Rural development practitioners must seek to engage with and enrich the country driven PRSP processes to ensure that the rural poor have voice, and opportunity. Whilst the Bank and the Fund have played a catalytic role in the launching the PRSP process with support from key international partners, the ultimate success of the PRSP process including its full implementation will depend of the actions of countries themselves and the concerted efforts of all their development partners. Some generic guidelines of good donor practice are given in Box 1.

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2 But see the caveat provided by footnote 1.
Box 1: Good Practice for development partners in support of the PRSP processes

**Participatory processes**
Provide timely and constructive feedback to the national PRSP teams
Support capacity building of civil society to engage in the processes

**Poverty diagnosis, targets and indicators and M&E**
Contribute to coordinated assistance to support poverty diagnosis and Poverty and Social Impact Analysis
Provide timely and appropriate analytical work for key areas of the PRSP

**Clarify priority public actions**
Foster civil society capabilities for establishing priorities, benchmarking and monitoring
Invest in tasks to support sectoral-poverty linkages and disseminate good practice
Support line agencies in the preparation of sectoral or spatial strategies
Deepening efforts to understand the linkages between policy actions and pro-poor growth

**Public Expenditure Management (PEM)**
Provide sufficient resources for technical assistance in support of PEM
Improve the integration of PRSPs into other national decision making processes
Respect and align assistance with national cycles particularly budget cycles

**Donor participation, alignment and harmonization**
Foster transparency of processes and seek creative ways to engage those donors not represented in country
Enhance use of Consultative Groups for alignment of business planning process
Reduce the burden on countries of accessing aid – harmonization, reduction of duplication etc
Explore further the use of programmatic lending
Improve predictability and timing of aid flows

Based on: World Bank and IMF (2002)

Build consensus for rural poverty reduction and pro-poor economic growth

The review of the first round of PRSPs indicates major gaps in understanding rural poverty, in particular the linkage of defined actions to outcomes for specific groups of the rural poor and effective mechanisms for selecting and sequencing public sector choice to achieve desired outcomes. Much more work is needed to underpin the PRSP process itself in the upcoming PRSP rounds and through implementation to secure over time the desired outcomes – this requires greater consensus building between development agencies and country governments on core principles, and whilst much has been done in taking forward strategic thinking within agencies – the dialogue between agencies and country governments must be strengthened for deepening the analytical underpinning and for shared learning on generic issues.

Specifically:

**Build national and regional capacity for policy research, dialogue and debate** to strengthening the underlying analytical framework for rural poverty reduction and to allow public investment choices to be effectively debated and considered. In particular support and strengthen relevant qualitative and quantitative surveys to ensure information is collected and analyzed relevant to issues of rural development i.e. vulnerability, access to assets, livelihood options etc. and support the deepening of understanding of policy impacts of different groups of the rural poor.
**Share good practice on approaches to rural poverty reduction at country and global levels.** While there is growing global census on key approaches to rural poverty reduction, practical experiences of what works and what works less well in different conditions are less well articulated, monitored, validated and shared. Real opportunities exist to increase the pace of shared learning of development practice and innovation.

**Deepen understanding of pro-poor growth in rural areas:** Deepen the understanding and address the underlying assumptions of linkages between diagnosis, pro-poor growth and priority public actions. Seek to ensure that policies and interventions supporting the drivers of pro-poor growth and economic development become more central to the PRSP dialogue and implementation and broader development practice than is currently evident.

**Recognize the importance of agriculture to the national pro-poor growth agenda** – seek to both address national and global trade and tariff barriers and support national competitiveness in the agriculture sector – the latter through strategic support within the PRSP framework. It is noted that for many low income countries agriculture is and will remain the mainstay of the rural and national economy and its secure and equitable growth must be adequately addressed through the PRSP and other government processes.

**Support the PRSP process**

Specific opportunities exist for donors to provide coherent and enhanced support at each level of development and implementation of the PRSP: preparatory phase; participatory processes; poverty diagnosis; the targets and indicators; and priority public actions for rural investment. These include:

**Support the preparation of national rural development strategies** and related economic sector work and analysis as necessary inputs into the PRSP process and its implementation

**Strengthen participatory processes and structures** which build both voice of the rural poor and those key agencies who represent them i.e. Agricultural ministries etc., into the articulation of priority public actions. Encourage the integration and institutionalization of participatory approaches in implementation including participatory monitoring and evaluation.

**Rural poverty diagnosis:** Strengthen the design and support regular socio-economic surveys with a wide coverage of rural areas, in order to build a database for a more differentiated quantitative and qualitative analysis of rural poverty (including reporting incidence of rural poverty by gender, landholding size, ethnicity, eco-geographical zone, sources of income - cash crop and food crops by type, rural non-farm economy, participation in markets, as well as access to assets and services, etc). And in analysis: monitor and analyze poverty trends for different socio-economic groups and seek to understand the transmission mechanisms for linking disaggregated groups to growth and the development processes. Provide analysis of the impact on poverty of past government policies and rural spending, including feedback from beneficiaries on government services. Support institutional assessments for effective rural development and poverty reduction.

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3 Note that Ministries or government focal points covering the multi-sectoral nature of rural development seldom exist.
**Rural targets and indicators:** Support and encourage PRSP teams to “ruralize” the indicators to ensure spatially differentiated impact targets. Support the development of guidelines for a consistent set(s) of impact, outcome and output indicators that address core asset categories and differentiated groups of the rural poor. Develop a framework to better link targets to the priority public actions to support overall consistency in rural strategy formulation and implementation.

**Building effective support to national, regional and local monitoring and evaluation processes and structures** for rural development and rural poverty reduction within the national framework including capacity building for data and information collection and analysis and use. Strengthening the institutional capacity of sectoral ministries, academic institutions and NGOs in the core PRSP skills of poverty diagnosis, participatory approaches, monitoring, and expenditure tracking and planning as well as strengthening the capacity of institutions for better monitoring and evaluation as decision-making tools at national and local levels for policies and interventions targeted at the rural poor.

**Priority public actions for rural sector:** Develop further the institutional framework for support to priority actions for rural development. Improve the analysis of public expenditures as well as the ability of sectoral ministries to track rural expenditures made at different levels of government and across decentralized agencies.

**A challenge to the way in which development partners work.**

The PRSP process and the follow up actions will offer opportunities and well as operational implications to development partners working at country and will require a change in the way in which we work and interact.

A central promise of the PRSP approach is that development partners will **align their support with priorities** laid out in the countries PRSP and will aim to deliver support more effectively.

This requires attention on several fronts which are relevant to **development assistance as a whole** but need to be **understood by sectoral practitioners**. They include for example linking financial and technical support to areas identified as priorities, and harmonizing procedures and practices in aid delivery; and, reducing transaction costs and pressures on scarce administrative capacity. Rural development teams in agencies should **seek to engage at all levels** with the PRSP process whilst recognizing the need to ensure that their voice and action does not undermine national ownership. Such broad based engagement requires not just that national PRSP teams develop **new skills** but that staff of agencies also deepening their understanding to support effectively design and implementation

A key sectoral challenge is to **address questions of substance** in particular coherence and consensus on approaches and practice. Multiple, and sometimes conflicting, approaches undertaken in parallel through individual agency actions without learning processes in place are increasingly undesirable. The need for learning platforms where differences of views exist must be fostered at national levels to provide the necessary analytical underpinning for debate, and to build coherence without stifling innovation.

Over time the **mode of aid delivery** is expected to shift towards budgetary support, the use of new instruments for example the WB-IMF Poverty Reduction Support Credits and a new generations of sector investment programs. For some agencies this will mean a decline and or the reshaping
of projects. This provides both opportunities (for enhanced collective alignment of investment around the shared PRSP objectives) as well as possible risk (reduction in learning and innovation). Within the framework of new modes of delivery and new instruments, new ways of supporting rapid learning and feedback including enhanced monitoring and evaluation will be necessary to ensure that investments made do indeed have the desired outcomes. Such structures will ideally be mainstreamed within national processes.

A concluding remark

It should be reiterated that the process is still very young and experience with implementation remains limited, existing institutional capacities will constrain the pace of implementation and development partners can play a major role in providing technical and analytical support, aligning aid practices and working to reduce transaction cost – these apply to the process as a whole and to support to rural development. Agencies for their part must improve their own understanding of policies and approaches for rural development and pro-poor growth in order to be effective partners.

References


Further background to the January 2002 International Conference and Bank-IMF reviews can be found at: http://www.worldbank.org/poverty/strategies/review/index.htm