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IFAD

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ROUND-TABLE DISCUSSIONS

**NATIONAL STRATEGIES FOR RURAL POVERTY REDUCTION:
A COMPARISON OF EXPERIENCES**

The round table will provide an opportunity for participants to exchange views on a range of approaches to national poverty reduction strategies. Participants will discuss common features and differences in terms of context and objectives, ownership and participation, instruments and implementation. Current status and trends will also be discussed, as well as the impact on rural poverty reduction. Finally, the prospective role of IFAD will be touched upon, bearing in mind some of the challenges ahead.

Purpose

1. The global consensus on the importance of the Millennium Development Goals (MDGs) brings the discussion of poverty reduction strategies to centre stage: What types of strategies and policies are conducive to the achievement of the MDGs? Which is the best way to design and implement them? What role should be played by government agencies, civil society organizations and the donor community? The purpose of the round table is to shed light on these broad questions, taking into account the experience gained by developing countries committed to the achievement of these goals. Given the high incidence of rural poverty (more than 60%) in most of the countries under consideration, the discussion will focus mainly on issues related to the rural sector.
2. This note has been prepared as background for the round-table discussion. It does not intend to provide an exhaustive analysis of the topic, but rather a preliminary discussion of key issues and observations, in order to set the stage for the three case studies to be presented from Brazil, Rwanda and Tunisia.

A variety of approaches

3. There is increasing awareness of and commitment to achievement of the Millennium Development Goals, but the approaches adopted at the national level for developing poverty reduction strategies vary considerably across countries and regions. The range of approaches has evolved in recent years, becoming better tailored to the different country contexts. It is possible to distinguish three broad categories of strategies: (i) poverty reduction strategy papers (PRSPs) developed within the framework of the Debt Initiative for Heavily Indebted Poor Countries (HIPC) for external debt relief; (ii) other PRSPs developed to access concessional loans of the International Monetary Fund (IMF) and the World Bank, with no link to the Debt Initiative; and (iii) poverty reduction strategies developed without linkages either to the Debt Initiative, or to concessional loans (i.e. outside the PRSP framework). A common feature of these approaches is the use of national strategies, referred to by the generic term of poverty reduction strategies (PRSs), as a reference framework in achieving the Millennium Development Goals.

4. PRSPs, both those bound by the Debt Initiative for HIPC and those without linkages to it, present common characteristics compared to strategies developed outside the PRSP framework. PRSPs share features such as the following: (i) consultation is mandatory during formulation of the strategy, although in practice this varies widely from country to country; (ii) the process is coordinated by a single unit (usually located in the Ministry of Finance or in the Office of the President) with limited capacity for line ministries to influence the entire process; and (iii) donors coordinate their activities in support of the PRSP process through a consultative group, which is increasingly playing a key role in the international harmonization agenda. The formulation of PRSPs prevails in sub-Saharan Africa, where their development has been part of the HIPC initiative, and in eastern Europe, where PRSPs are a precondition for access to the concessional lending instruments of the IMF and the World Bank.

5. In Latin America and the Caribbean, Asia and the Pacific and the Near East and North Africa, many countries have formulated or are in the process of developing a poverty reduction strategy, even in the absence of concessional loans or debt reduction incentives. PRSs developed outside the PRSP framework follow a much more varied approach. In many cases these processes are better nested within the existing governmental framework, and implementation is often facilitated by direct linkages to the budgetary allocations of the ministries. In addition, strategies developed outside the PRSP framework present a less uniform government-donor relationship: in several cases, governments coordinate their relationship with the different donors through a series of parallel – independent – channels, in order to be more responsive to the specific needs of the implementing agencies. This also precludes the need to negotiate with a unified, and more powerful, donor counterpart.

6. Interest in the formulation of poverty reduction strategies stems from the concern for growing social and economic disparities, and from the recognition that achievement of the MDGs will require the creation of a more conducive environment for collaboration among all stakeholders concerned. Owing to the increasing attention given to strengthening country ownership in the design and development of these strategies, the three categories mentioned at the beginning of this section are gradually converging, and the classification of country cases is becoming increasingly difficult.

Ownership – who should lead the process?

7. Experience shows that institutional ownership, at a national and local level, plays a key role in placing poverty reduction strategies at the heart of the political agenda. It is also of great importance that ownership occurs within both the executive and legislative branches of government. However, the process has been, to some extent, a technocratic one, failing to be fully embraced by the government. In some cases, poverty reduction strategies are considered a ‘product’ of the incumbent government, rather than a negotiated achievement of the entire political system. As a result, changes in power may lead to a radical departure from the poverty agenda already agreed upon. Nonetheless, there is an

increasing effort to regard poverty reduction strategies as the result of a broad participatory exercise, which contributes to a greater ownership of the process by civil society and the country as a whole. Participatory approaches are also being supported by the recent development of “poverty and social impact analysis”, which aims to assess the distributional impact of policy reforms on the well-being of different stakeholder groups, with particular focus on the poor and vulnerable.

8. Overall, ownership seems to be greater in countries with strategies outside the PRSP framework. Nonetheless, country ownership remains an ambiguous and challenging concept. It usually refers to ownership by the ‘state’, as a political entity, rather than to ownership by the ‘nation’, a broader concept with cultural dimensions. What appears to be the case is that ownership has developed among the central and key sectoral ministries. Other stakeholders such as parliaments, decentralized government agencies and civil society organizations have in some cases had a limited role in strategy development, thereby neglecting the political dimension of the process. The donor community, while heavily influential in the early stages of strategy development, is becoming less involved, although still having a critical role regarding the strategies developed within the PRSP framework. In countries characterized by strong growth rates or influx of direct foreign investments, donors play a marginal role. The donor oversight role remains strong particularly in those countries characterized by institutional weakness, problems of governance and limited financial resources. One feature of the strategies developed outside the PRSP framework is that they have generally emerged as a result of local and national political processes. Evidence suggests that when strategies are developed in this way, it is easier to achieve a greater and deeper degree of commitment by national institutions.

Participation

9. Poverty reduction strategies involve a large number of stakeholders at the country level (national and local governments, parliaments, NGOs and the private sector, among others) as well as external partners (particularly the donor community). This poses a challenge to achieving a broad participatory process. Experience shows that the extent and quality of participation are directly related to the strength of civil society and are often rooted in the prevailing attitudes and political traditions in the countries under consideration. The extent and quality of participation is also strongly influenced by government appreciation of the role of civil society in strategy formulation and the willingness to institutionalize formal mechanisms that enable its participation throughout the process. With few exceptions, limited participation has been one of the shortcomings of poverty-reduction-strategy processes, both within and outside the PRSP framework. However, a gradual but clear improvement in this area is noticeable.

10. Participation has often taken the form of spot consultation for strategy formulation and review, rather than being institutionalized in the form of permanent working groups that support the whole process of strategy formulation, implementation and review. PRSP ad hoc consultative processes may also have contributed to excluding democratically elected institutions such as parliaments from the debate. Nevertheless, and in spite of these weaknesses, progress has been made regarding the involvement of civil society organizations in the design and implementation stages, particularly in Latin America. In eastern and southern Africa, participation of civil society has often taken the form of involvement by NGOs having only weak linkages with rural areas, while membership organizations that might seem in principle to have greater claims to represent civil society have not been included systematically in the consultation processes. In Asia, where governments are linking PRSPs to domestic decision-making processes, debates of the source of growth and its distributional impact are growing parliamentary involvement in debate and oversight. These political processes have raised awareness of the value of decentralization, democratization and, to some extent, civil society contributions to policy dialogue.

Scope and instruments

11. Most poverty reduction strategies do not focus clearly on the rural sector and have not considered the full range of policy actions required for rural poverty reduction. The focus is largely on public expenditure for social sectors, rather than on pro-poor policy reform. Relevant exceptions have mainly been countries outside the PRSP framework, which have chosen to address poverty through strategies focusing on rural economic development and income generating activities.

12. What is the most effective instrument that governments can use to reduce rural poverty? What are the respective roles of the public and private sectors in achieving a dynamic and inclusive process of growth? The first round of strategies developed within the PRSP framework was weak in identifying and tackling the rural dimension of poverty reduction strategies. It was also weak in defining specific instruments for rural areas. Even those strategies with a focus on the rural sector have a number of limitations: (i) the analysis of agriculture is in broad terms, without an in-depth consideration of the livelihoods of the rural poor; (ii) actions are not clearly prioritized and sequenced; (iii) the strategies lack an intersectoral approach to rural development; and (iv) they emphasize the importance of liberalizing the market and promoting exports, without showing *how* the rural poor could benefit from these opportunities. These limitations have gradually been overcome by the development of specific tools to facilitate the design and implementation of poverty reduction strategies, including important additional ones, such as the adoption of sector-wide approaches (SWAs), and other new planning and budgetary tools (see below).

Poverty reduction strategies as part of the new development architecture

13. PRSPs are part of an important shift in the organization of international development assistance – the “new development architecture”. In this context and in order to be effective, they should establish clear objectives, priorities and instruments. Complementary tools are therefore needed to execute PRSPs. This also applies to strategies outside the PRSP framework. For instance in Latin American countries, territory-based development plans are increasingly being implemented as part of poverty reduction strategies.

14. The adoption of SWAs is emerging as a tool to tackle the rural development dimension of the PRSP in situations characterized by: (i) clear weaknesses in sectoral policy and institutional arrangements; (ii) widespread rural poverty; (iii) highly fragmented donor support to the sector; and (iv) government commitment to reform and the ability to deliver. Particularly in eastern and southern Africa, SWAs are emerging as nationally-owned and executed sectoral programmes – in theory reflecting sectoral policy frameworks – for the achievement of key PRSP objectives, and as the basis of an institutionally coherent approach to poverty reduction, enjoying the common support of stakeholders and financiers.

15. On the budgetary side, priorities in allocations for PRSPs are reflected in the “medium-term expenditure framework” (MTEF), which links the PRSP to the budget with a multi-year planning tool. The institutionalization of PRSPs within existing policies, while moving ahead in a number of countries in eastern and southern Africa, is still at an early stage. An emerging issue in the introduction of the MTEF is that budgetary allocations for the agricultural and rural development sector are low, relative to the extent of rural poverty, in situations in which line ministries for agriculture and/or rural development have been relatively weak during government negotiations. This may therefore preclude the use of all available donor resources, with negative consequences for the achievement of the MDGs.

16. In the case of national strategies developed outside the PRSP framework, the greater role of local and national institutions in the determination of these strategies often leads to greater commitment and ownership of the process by the government. This in turn facilitates: (i) greater articulation of pro-poor domestic policies; and (ii) a more efficient allocation of the financial resources needed to implement the strategies. The scope of strategies outside the PRSP framework is

usually not limited to social policies, and there is an increasing emphasis on income generating activities and on targeting.

How can IFAD contribute to the effectiveness of poverty reduction strategies?

17. Experience shows that the approach to poverty reduction strategies varies according to country and region, requiring a vast menu of supporting measures to add value to strategy development and implementation. In addition, poverty reduction strategies, either within or outside of the PRSP framework, do not stand alone, but are implemented together with other instruments such as sectoral policies and strategies, programmes and area-based planning tools, offering opportunities for engagement at different levels. As a result, IFAD's approach has varied according to local conditions and its niche in each country. Nonetheless, a common feature emerges: in most cases, IFAD contributes to the implementation phase of PRSPs through national investment programmes and projects that operationalize the strategies. It should continue current efforts to align its support to investment programmes with poverty reduction strategies.

18. Other effective tools are emerging from IFAD-supported initiatives to respond to specific characteristics and weaknesses of PRSP processes. As indicated above, the promotion of broad-based participation has been problematic, in particular with reference to marginalized rural populations. However, some positive experiences show that properly institutionalized participatory processes have been supportive of the designing of poverty reduction strategies, which are responding better to the needs of the poor population. In certain countries, therefore, IFAD has a role to play in promoting the involvement of marginalized rural populations as active stakeholders, building on the experience developed within the projects and programmes it supports.

19. With some exceptions, PRSP and related sectoral frameworks have had a limited impact in revitalizing the rural sector. Where conditions are appropriate, IFAD may have a role in supporting governments in their efforts to develop pro-poor policies and strategies for rural areas upon which sector-wide or subsectoral investment programmes can then be built. Such support can be provided through policy dialogue, direct assistance – particularly capacity-building initiatives – and through promoting engagement in the processes of the representatives of IFAD-financed projects and programmes in the country.

20. Despite interest in poverty reduction strategies as vehicles for enhancing the effectiveness and impact of development investments, few countries have yet operationalized effective monitoring and evaluation (M&E) systems for assessing their impact. Part of the role that IFAD can play is to support the development of such systems in the rural sector. Participatory M&E systems, in particular, could play an important role, because it is during implementation phases that the rural population could contribute effectively to the development of strategies, and it is through participatory evaluation that one ensures that successive rounds of the strategy are better tailored to the needs of the poor.

Questions for discussion at the round table – some suggestions

- Which are the key issues and players in the design and implementation of poverty reduction strategies?
- What should be the main components of these strategies? Who should lead the process and how?
- What role can IFAD-supported projects and policy dialogue initiatives play in the design and implementation of poverty reduction strategies?
- What have been some of the critical lessons learned in the development and operationalization of poverty reduction strategies that can inform future work in this area?
- What is the future of poverty reduction strategies and what shape will they take in the long term?