



National Audit Office

DEPARTMENT FOR INTERNATIONAL DEVELOPMENT

Tackling rural poverty in developing countries

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Tackling rural poverty in developing countries

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SUMMARY

1 The World Bank defines poverty as those living on less than two dollars a day, some 2.7 billion people, and extreme poverty as those living on less than one dollar a day, some 1.1 billion. The United Nations Millennium Development Goals aim to halve these numbers by 2015 (Appendix 1). The Department for International Development (DFID) has set Public Service Agreement targets to use its development aid programmes to contribute to this reduction. Some 75 per cent of the world's poor live in rural areas and the proportion is even higher in the countries which DFID prioritises under its Public Service Agreement targets. The Department cannot achieve its targets without significant reductions in rural poverty.

2 There are often wide variations in poverty levels within countries, with many of the very poorest living in remote areas, which usually benefit little from general government expenditure including that funded through development aid. Rural areas are usually significantly poorer than non-rural areas. In some countries this gap is shrinking, but in others it has remained steady or even increased. Despite trends towards urbanisation two-thirds of the world's poor will still live in rural areas in 2015.

3 This report examines rural poverty in the context of the overall global problem and the way DFID tackles the issue, in particular in the short and medium term. Our methodology included three country visits and review of 515 projects and programmes and is set out at Appendix 2. Our specific findings and recommendations are as follows.

The significance of rural poverty

4 DFID plans and monitors its assistance using regional, country and sector based targets and indicators in line with its Public Service Agreement and the Millennium Development Goals. Its assistance to rural areas has delivered important benefits. It does not have specific targets for the rural poor but estimates that two-thirds of its bilateral spending directly benefits them – a significant proportion but less than that of the poor who are rural. There are also additional costs and complications in reaching rural areas which makes delivery of services to the rural poor relatively expensive.

5 In recent years DFID, like other donors, has increased its spending on the social, economic and governance sectors. The rural poor have shared in the general benefits that have resulted. But the proportion of DFID expenditure specifically for traditionally rural sectors such as agriculture has declined – a trend mirrored internationally. Rural development generates broad based growth across national economies, while the way urban growth benefits rural development is less clear.

Tackling rural poverty

6 DFID has a range of aid mechanisms to tackle rural poverty, the largest in expenditure terms is the bilateral aid programme. DFID has assessed that nearly three-quarters of its bilateral projects and programmes with a rural emphasis were “completely” or “largely” achieving their objectives. We found that rural programmes were not significantly more or less successful than non-rural ones. But DFID’s own evaluations and the examples we examined identified differences in the benefits produced by DFID aid. Common characteristics influencing the degree of success were:

- **Depth of research and flexible design.** Good research into the causes and nature of poverty and a degree of flexibility in design helped ensure the intended benefits were achieved.
- **Full stakeholder consultation and involvement.** Consultation with local communities, government and other donors helped to improve design and operation of the projects and guard against risks from unforeseen changes which undermine the project.



- **Understanding the circumstances of remote areas.** Aid has sometimes lacked a focus on the practical difficulties of tackling rural poverty leading to partial failure. In remote rural areas it has been difficult to get good information on poverty or to monitor the effects of assistance. More precise targeting has helped to focus on the poorest and improve benefits.

7 DFID considers the rural poor when designing its country assistance programmes. But while the majority of DFID’s rural interventions achieve most of their objectives, there is scope for additional analysis to improve the targeting of DFID’s programmes on the rural poor. DFID often makes some use of available data. But it could make more consistent efforts to monitor the available data on poverty, government budget allocations and service delivery to establish what funds and services reach the rural poor. Beneficiary governments’ allocations of funds to districts do not always reflect the distribution of poverty between districts.

8 DFID allocates some 38 per cent of its budget to multilateral institutions and their expenditure on rural poverty varies widely. Some, which put a strong emphasis on rural poverty, attracted low DFID ratings for effectiveness, which limits the benefits of DFID’s funding. It is therefore working with some multilateral agencies to improve the effectiveness of their rural based aid.

9 DFID spends significant sums on research to help reduce rural poverty; for example recently committing £200 million over five years to research into sustainable agriculture. It is increasing its emphasis on the dissemination and use of its research results. But the country teams and non-governmental organisations we consulted were dissatisfied with the dissemination of findings.

10 DFID needs sufficient advisory capacity in country as well as in the UK to design and implement sound programmes. As DFID aid for livelihood and rural development has declined, the number of advisers for these areas has decreased. DFID's advisory groups are building a reputation for effectively influencing beneficiary governments' policies and systems. But the groups that have increased most in recent years – governance and economics – are often not closely engaged on issues concerning rural and remote areas.

Recommendations

- a** DFID's targets are country and sector based, in line with the Millennium Development Goals. But if it is to meet those targets, poverty in rural areas must be substantially reduced. It should concentrate its efforts on what it knows works well and avoid what does not work well in practice.
- b** DFID should have a more explicit recognition of the rural poor in its analysis, planning and monitoring of country assistance. This will allow it to assess progress at an appropriate level and adjust programmes as necessary.
- c** DFID's ability to research poverty or focus assistance most effectively at district levels is limited by the lack of data on poverty and achievements. DFID should work with development partners to obtain better data while making full use of existing data to verify the appropriateness of its plans and give early warning of emerging problems.
- d** Where DFID identifies problems with a developing country's resource allocation or service delivery in rural areas, it should apply its strengths in influencing policy to secure improvements.
- e** Where such changes are resisted or the developing country needs time to respond, DFID should consider direct assistance for the rural poor. Experience shows that such assistance must be kept tightly scoped if it is to be successful. DFID may need the cooperation of other donors to obtain the necessary changes and to avoid duplication or gaps.
- f** DFID should promote and support reviews of the scope and effectiveness of the rural activities of multilaterals similar to the one conducted by the World Bank.
- g** DFID needs sufficient expertise on rural development issues within its advisory groups at the centre and in country offices to ensure that its programmes are effectively addressing the needs of the rural poor.
- h** DFID needs to seek closer engagement with country teams on the use of research, as well as building better dissemination arrangements for future research projects.



PART ONE

The challenge of tackling rural poverty

1.1 The majority of the world's poor live in rural areas and a reduction in rural poverty¹ is crucial if the Department for International Development (DFID) is to meet its targets. This Part considers the extent of rural poverty, trends in DFID's and other donors' assistance to rural areas and the implications of development targets for tackling rural poverty.

Poverty – the global position

1.2 The World Bank has estimated that some 2.7 billion people live in poverty, i.e. on less than two dollars a day, and that 1.1 billion are in extreme poverty, living on less than one dollar a day. The first of the eight Millennium Development Goals adopted by the international community is to “Eradicate extreme poverty and hunger” (Appendix 1). This goal is defined to:

- Reduce by half between 1990 and 2015 the proportion of people living on less than a dollar a day.
- Reduce by half between 1990 and 2015 the proportion of people who suffer from hunger.

Achieving this goal will also help to achieve other goals.

1.3 The responsibility for achieving these aims rests with the government of the countries concerned but they can only do so with the full support of developed nations and the international aid bodies, such as the United Nations agencies, other multilateral institutions and voluntary organisations.

1.4 The management and allocation of United Kingdom government aid to developing countries is the responsibility of the Department for International Development. DFID's 2005-06 expenditure was £4.4 billion. Of this, DFID allocated the largest part, some £2.5 billion (57 per cent) in bilateral aid to 119 countries, including many of those with the most serious levels of poverty. A further £1.7 billion (38 per cent) is being channelled through international bodies, with the European Union receiving the largest share – £0.9 billion. The remaining five per cent is spent on administration.

The extent of rural poverty

1.5 Approximately 75 per cent of the world's poorest people live in rural areas. The definition of the term rural varies between countries², and rural and non-rural areas are often linked, particularly through migration and trade. However, rural poverty does have specific characteristics. For example, the rural poor often suffer from long-term poverty and are more vulnerable to external factors such as market fluctuations, poor harvests and climate conditions. They often have limited opportunities to generate income and difficulties in accessing services and infrastructure. Service providers also face higher unit costs in delivering services to rural people, as access problems drive up costs and high quality staff are often unwilling to live in remote areas.

¹ The term poverty is used here in its wider sense, to include deprivation in access to services such as health and education as well as low income.
² Each country has a national definition of rural and urban. We use these throughout our report.

1.6 Many poorer countries are becoming more urbanised, as some of the rural poor migrate to towns in search of higher incomes and better opportunities. Even taking account of urbanisation, however, we estimate that two thirds of the world's 800 million poor in 2015 will still live in rural areas (**Figure 1**). Moreover, those who do migrate to urban areas tend to be the fit and economically active. Migration leaves more vulnerable groups such as children and the elderly in rural areas. And “for the poorest countries.... accelerating growth in labour intensive agriculture is fundamental to reducing poverty and... enabling economic transformation”.³ For these reasons, successful development in rural areas remains an essential component of overall success in poverty reduction.

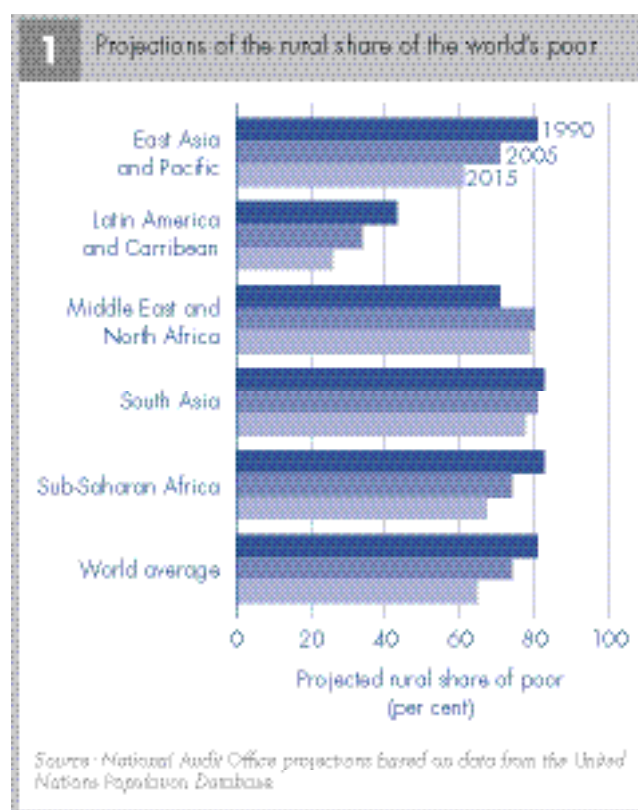
1.7 There are also often wide variations in poverty levels within countries, with many of the very poorest living in remote areas, which benefit little from economic development. Rural areas are usually significantly poorer than non rural areas. In some countries this gap is shrinking, but in others it has remained steady or even increased.

Figure 2 shows that, for example, people are as much as 60 per cent more likely to live below the income poverty line in rural areas.

1.8 Tackling rural poverty is important to meeting DFID's targets for poverty reduction. DFID is currently off track for achieving its Public Service Agreement targets for poverty indicators such as under-five mortality rates in Asia and use of skilled birth attendants in Africa. Rural populations find it particularly difficult to access services in these areas. For example, one of DFID's targets is to reduce under five mortality by 24 deaths per thousand live births in Asia.⁴ But rural areas were lagging behind, with an average of 28 more deaths per thousand in rural than in urban areas.

1.9 The rural poor benefit from programmes which target them specifically, often in traditionally rural sectors such as agriculture, and from broader social sector programmes in health, education and even from governance reforms. Over the longer term rural areas may indirectly benefit from assistance to urban areas, although research indicates that urban growth does not necessarily reduce national poverty.

1.10 All this means that rural poverty must be specifically addressed by the countries concerned and the international community if the poverty reduction targets set out in the Millennium Development Goals are to be achieved.



2 Rural populations are on average poorer than urban populations

Measure of poverty	Rural average ¹	Urban average ¹
Income poverty levels (percentage of population living in poverty, based on national poverty lines)	46%	28%
Infant mortality (number of infant deaths, 0–1 years, per 1,000 live births)	86	62
Under five mortality (number of child deaths, 0–5 years, per 1,000 live births)	136	95

Source: National Audit Office calculations using data from Millennium Development Goals indicators database and the World Bank development statistics database

NOTE

¹ The average given is for DFID's target countries, where data was available. Averages are not weighted by size of population in countries.

³ *Growth and Poverty Reduction: the role of agriculture*, DFID, December 2005.

⁴ DFID works in nine key countries in Asia. The target applies to those countries rather than the continent as a whole.

Development targets and rural poverty

1.11 The Millennium Development Goals do not differentiate between rural and non-rural poverty – with the exception of the Goal for improved water and sanitation. Nevertheless to meet the Millennium Development Goals it is essential to tackle poverty in rural areas. DFID's own Public Service Agreement targets create short term goals based on the Millennium Development Goals. As the majority of poor people in DFID's target countries live in rural areas, rural poverty reduction is essential in achieving its targets. The Department also has a clearly stated policy that reaching the very poorest is important. However, unlike the Millennium Development Goals, DFID's Public Service Agreement targets do not take depth of poverty into account. This means that DFID is not required by the Public Service Agreement to evaluate whether particular areas or regions are being left behind, though in practice DFID staff do so in some cases. This is important, as poverty reduction rates can be as much as ten times faster when economic growth is linked to a more equitable distribution of wealth.

Changing patterns of aid to tackle rural poverty

1.12 Most of DFID's expenditure on poverty reduction is through bilateral and multilateral aid. So this report focuses on the use of aid. A wide body of research has linked aid to economic growth and in turn linked economic growth to poverty reduction. Rural based economic growth has been shown to help reduce national poverty rates whereas this connection is less clear for urban based growth. While approaches must be tailored to specific country circumstances, research also indicates that generally aid to sectors such as agriculture and education is particularly effective in achieving poverty reduction and economic growth (Appendix 3).

1.13 In addition to providing aid, other important types of DFID assistance include encouraging policy coherence on major international issues such as climate change and trade, and promoting cross-Whitehall co-ordination. The volume of all global aid is far less than global levels of trade or of foreign direct investment. Aid can also be outweighed or undermined by corruption, climatic change or other negative impacts, which can have disastrous effects on the livelihoods of rural people. DFID has been heavily involved in activities such as lobbying to reduce international trade barriers to developing countries and to promoting debt relief.

1.14 In line with a wider international trend DFID is changing its approach to delivering aid, both in terms of the emphasis of DFID's sector spending and the systems used to deliver the aid such as through projects or governments.

The emphasis of DFID's sector spending

1.15 Over the past two decades DFID has been moving its aid from the productive sectors to the social sectors. For example, the proportion of funding to agriculture has declined significantly while that to education has risen. Over the last twenty years the UK's shift towards the social sectors has been above the Organisation for Economic Cooperation and Development average (Appendix 3).

1.16 None of the sector classifications map accurately onto the rural poor. They should benefit from general social programmes such as education, as well as from improvements in governance – although issues of targeting will determine the extent of benefit. Of the traditional classifications used by the international development community, agriculture is the most closely related to rural life as most of the rural poor depend on agriculture for their livelihoods. In the last five years developing countries and some donors have shown renewed interest in supporting productive sectors, particularly agriculture. However, DFID is likely to continue focusing on the social and governance sectors as:

- The 2006 White Paper prioritised governance and introduced spending targets for education and water; and
- Most Country Assistance Plans emphasise governance and the social sectors. Country teams also indicated in response to our survey that they thought that the governance sector was the most important to poverty reduction.

1.17 DFID's management information system uses sectors to categorise its spending. One of these is livelihoods (formerly called rural livelihoods), which seeks to improve opportunities for poor people to make a living. Most spending in this sector clearly benefits the rural poor, although much expenditure in other sectors such as health and education also benefits rural people. The Department's expenditure on livelihoods has remained almost the same in real terms over the last five years, while the total country programme budget has risen by 50 per cent. Expenditure on livelihoods now represents six per cent of the total country programme expenditure.

How DFID delivers its aid

1.18 Many donors, including DFID, are committed to changing the way they deliver aid from funding discrete projects to providing programme based aid, particularly through “budget support” directly to partner governments. This approach supports the implementation of an agreed poverty reduction strategy where DFID judges the partner government to have the necessary systems and fiscal safeguards. DFID has been at the forefront of this change and intends to increase further the proportion of budget support as far as country circumstances allow. This approach, if managed well, can have benefits for aid effectiveness. But it is also more difficult for DFID to ensure that its funding is benefiting the poorest in rural areas.

DFID’s spend in rural areas

1.19 DFID operates through a range of funding streams, all of which help to reduce rural poverty. These are:

- **Bilateral aid:** this is the largest funding stream which is targeted primarily on the poorest countries, most of which have a high incidence of rural poverty. But, like other donors, DFID cannot easily analyse the allocation of aid within countries or how much of it is reaching rural areas. This is partly due to poor quality sub-national data. DFID staff estimated that two thirds of their bilateral expenditure benefited rural areas (Part 2);
- **Multilateral aid:** many multilaterals have substantial programmes with a rural focus. But most of these institutions do not analyse their effectiveness or spending in rural areas so it is not possible to quantify expenditure on rural areas (Part 3); and
- **Research:** the growth and livelihoods team spend one third of total research funding, although other research areas such as health, education and environment also benefit the rural poor (Part 3).



PART TWO

DFID's country programme assistance to the rural poor

2.1 In this Part we estimate DFID's expenditure on the rural poor through its country programmes and explore the success factors of interventions with a rural focus. We then look in more depth at the impacts of different forms of aid on rural poverty reduction, focusing on projects and budget support.

An overview of DFID's bilateral spending in rural areas

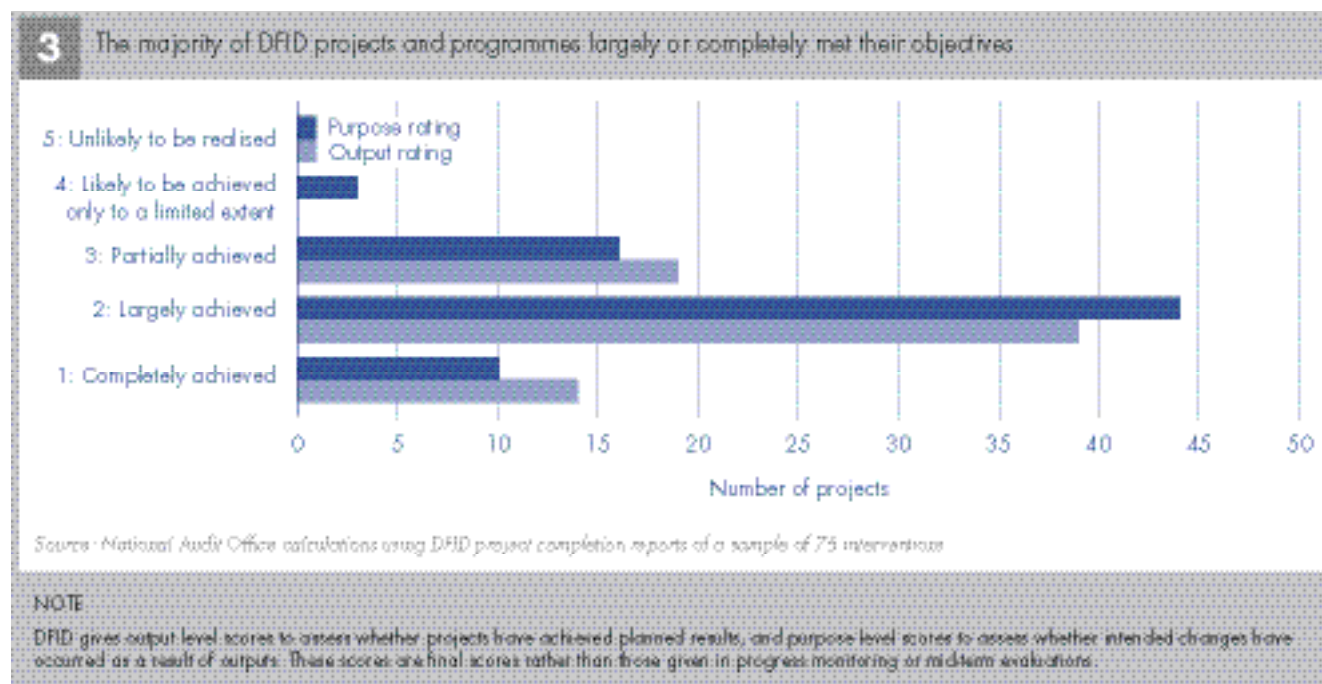
2.2 DFID's management information categorises assistance by sector but not by type of beneficiary – such as the rural poor. We asked DFID country teams for their estimates of the proportion of their expenditure benefiting the rural poor. Fewer than half described their country programmes as more rural than non rural. Our analysis of their estimates from a sample of 515 projects and programmes found that approximately two thirds of bilateral assistance had a rural focus. In the same countries, around three quarters of the poor live in rural areas.

2.3 Rural expenditure estimates need to be interpreted with caution. Estimates sometimes have to be based on incomplete or weak data. And assistance to urban areas may indirectly help the rural poor. On the best estimates available, the rural poor receive less direct DFID assistance per head than the non-rural poor. Other factors also place the rural poor at a disadvantage. In general, economic development tends to favour urban and coastal areas or areas where there are good transport links. Further, the unit cost of delivering services in rural areas is generally higher than in other areas – so that more money would have to be spent on rural services to meet any given standard of service.

2.4 Our analysis of 515 projects and programmes indicated that whether or not a project or programme has a rural focus makes no significant difference to DFID project performance ratings. Within our sample performance was more likely to relate to sector and the risk rating given by DFID. Projects which DFID assessed as low risk during planning were more likely to be successful. Projects and programmes in the education sector scored particularly well compared with other sectors while governance and livelihoods projects and programmes scored less well.

Analysis of interventions with a rural focus

2.5 Our analysis of a smaller sample of DFID projects and programmes with a predominantly rural focus showed that most were rated as largely or fully achieving their objectives (**Figure 3 overleaf**). Only around five per cent were rated as unlikely to be realised or likely to be achieved to a very limited extent. This pattern is broadly in line with our wider sample which included rural and non-rural interventions.



2.6 We found a number of factors which DFID staff often identified as key to the success or failure of projects or programmes. These factors can broadly be grouped under three themes:

- **Good background research and flexible design.** The ability to refine details or management during a project helped to improve final outputs. We also found examples where repeated piloting of strategies ensured the success of the final programme. For example, detailed design followed by interim reviews of the Gansu basic education project in China helped DFID to identify and then address emerging problems.⁵ We found examples where poor background research of local circumstances led projects to under perform. For example, one public works programme in Malawi paid poor people for their labour but the wages were too low to allow workers to retain or invest money, covering only basic expenditure on subsistence. This meant that the project failed to bring about a long term improvement to the lives of the intended beneficiaries;
- **Good partnerships and full stakeholder involvement.** We saw good examples where other stakeholders, including government and local communities, had been involved from the earliest stages and positive relationships were established. A key success factor of the Shiksha Karmi primary education programme in Rajasthan in India was in establishing good relationships with both the state and national government. The project was also

strong in involving members of the community by training them as teachers. But we also saw examples where poor relations with government officials had led to failure. For example, in Bangladesh a technical assistance programme aimed to increase capacity of a ministry failed when the government changed and the official who had championed the project was sidelined; and

- **Understanding the circumstances of remote areas and targeting assistance to disadvantaged groups.** We found that understanding the context was important in reaching remote rural areas. For example a rural road project in Mozambique had difficulty in assuring road quality and maintenance as it had underestimated requirements for supervision in remote areas. Targeting specific groups was also very important. For example, DFID staff noted for a midwifery project in Nepal that specific targeting was required to reach the poorest groups and remote areas. **Figure 4** gives two examples of programmes where increased targeting by DFID would have improved outcomes.

2.7 Country teams were strong on identifying risks but less consistent in examining the continuing viability of interventions and learning lessons from previous ones. Issues regarding sustainability were considered in more detail at the design than evaluation stage. This trend was particularly clear in interventions in agriculture, environment, education and non-farm rural livelihoods.

⁵ Appendix 4 presents basic information on this project and the others mentioned in the text.

4 Examples of DFID interventions in rural areas where increasing the extent of targeting would have improved results

Aga Khan Rural Support Programme in Chitral (phase 3) ran from 1998 to 2005 and cost £7.4 million. DFID Pakistan estimated that 100 per cent of the programme's benefits went to rural areas. DFID reviewers gave the project a score of 2 (largely achieved).

The programme's aims

The programme aimed to support local people and community organisations to facilitate local development. For example it supported locally run microfinance groups and a range of community training such as basic accounting training. It aimed to increase the involvement of women in community organisations and to help community groups link together.

Key achievements against targets

- 40 per cent of the voluntary women's organisations formed local federations (nearly meeting the target of 50 per cent).
- 70 per cent of their members reported increased involvement in decision making (exceeding the target of 50 per cent).
- 91 per cent of projects were being maintained at the end of the project, against a target of 90 per cent.

The role of targeting

Though the programme was designed to reach only the Chitral region it included a broad range of activities. The reviewers noted that was essential to focus specifically on the poorest and most excluded, including women. In the beginning the programme focussed only on gender but later began to focus on the poorest and excluded groups, which increased the quality of results in the later stages.

Reviewers also noted that local community organisations can have a very important role to play in development in remote areas which are often not reached by government.

Source: Review of DFID project documentation

Zambezia Agricultural Development Programme in Mozambique ran between 1998 and 2003. It cost £7.3 million. DFID Mozambique estimated that 100 per cent of the benefits went to rural areas. DFID reviewers gave the project a 3 (only partially achieved).

The programme's aims

The programme aimed to increase household food security and agricultural production in the region by helping smallholders to diversify food and income sources, for example by introducing different crops, and non-farm incomes. It also aimed to develop self sustaining community organisations such as farmers' groups.

Key achievements against targets

- The target of reducing the hungry period by three months for 15 per cent of poorest families was mainly achieved, although there was some slippage at the end of the project.
- The target of increasing the levels of basic food crops by 10 per cent was achieved for most crops although there was slippage at end of project.
- The target of communities taking 20 per cent of products to market was generally not achieved.

The role of targeting

One key lesson learnt from the project was that trying to operate in three separate areas made the project unnecessarily complicated to run and concentrating on one area would have been more effective.

By spreading the project across districts too little attention was given to some of the key objectives. Furthermore at review stage DFID staff noted that while the programme did achieve desired levels of coverage, detailed information on the impact it had within those areas was not collected.

For example the benefits of one project in Kenya designed to help farmers increase their income earning opportunities were all lost when the project's funding ended. Although it was known that funding would end it seems that insufficient preparation was made to ensure that the project's outputs could become self sustaining.

2.8 We found little analysis of the efficiency of interventions or of unit costs. In many cases the defined target group was too broad for any calculation of the cost per beneficiary to be meaningful and the documentation for two thirds of the sample gave no estimate of the number of beneficiaries. We did not find evidence that DFID country teams used or sought unit cost or benchmarking estimates in design of interventions.

Budget support and rural poverty reduction

2.9 DFID is changing the way it delivers aid from funding discrete projects to providing aid directly into the national budgets of partner governments where the country shows sufficient commitment to poverty reduction and there are adequate controls to safeguard the use of public funds. DFID believes that, given these conditions, budget support is a more effective way of delivering aid. In 2005-06, DFID spent 25 per cent of its bilateral funding through budget support; up by over £100 million on the previous year. DFID's use of budget support is likely to continue to increase, in response to its aim to increase the proportion of aid channelled through programmes rather than projects.

2.10 A recent evaluation, covering all of our country case studies, concluded that budget support had helped to improve the efficiency of public expenditure, strengthened ownership and contributed to improvements in public service delivery, particularly in terms of quantity, rather than quality of provision in health and education.⁶ However, little work has been carried out to quantify improvements in rural areas or how they affect those most in need, such as those in remote areas. We saw some specific examples of improvements in rural areas during our field visits, as **Figure 5** illustrates.

2.11 DFID assesses the risks of budget support as part of its planning. For example DFID looks at:

- the way partner governments allocate funds to line ministries, programmes and local government;
- the quality and comprehensiveness of partner governments' public financial management; and
- the extent to which the partner governments are committed to poverty reduction and supporting private sector development.

5 Education funding and enrolment has improved in Samora Machel School, Mozambique

There has been an increase in enrolment between 2001-2004, with the percentage of females attending increasing slightly:

Year	Total number of pupils	Percentage of females (%)
2001	790	40
2002	964	40
2003	892 ¹	43
2004	1,309	45

The headmaster reported that he had received the budget to recruit additional teachers as the school has expanded, and that the current pupil-teacher ratio was 50:1, compared with a national average of approximately 72:1. Only one of his teachers was untrained. He had also received per capita funding from the government for books and materials for the past three years. He said that this has delivered benefits, although it was still difficult to provide sufficient school materials such as sports equipment and uniforms. Girls and orphans received a basket of food at the end of each month as incentives to attend the school.

Source: Head teacher, Samora Machel school

NOTE

¹ The temporary decline in numbers was due to a new school opening close by.

2.12 This risk assessment is particularly relevant to the circumstances of the rural poor, who can be disadvantaged by a range of factors when developing country governments allocate scarce resources:

- By their nature, rural areas are difficult to reach, and it is easier for governments to focus their limited resources on areas with better access.
- It is difficult for governments to recruit and retain high quality staff to work in the more remote regions, leading in turn to problems in capacity and ability to use available funds efficiently.
- There may be an urban bias, with policy makers living in urban areas and focusing on spending there.
- Bias or political rivalry between the government and other parties or groups often has a geographical dimension and may affect allocations.

2.13 In one of the countries we visited, Vietnam, the government had demonstrated a clear commitment to poverty reduction in its budget, by allocating more funding per capita to poorer provinces. It had also identified the need for supplementary funding for development in the poorest areas – which were remote, rural and often mountainous. In these circumstances, DFID decided to support the government's budget using general budget support. This provided broad-based assistance to the government's poverty reduction plans, and gave DFID 'a seat at the table' in discussing major policy issues. But DFID also earmarked some support for specific sectors or government programmes enabling them to target their assistance, while still supporting the government's development strategy, and minimising the costs and complexity of assistance (**Figure 6**).

2.14 In Uganda, where DFID has been providing budget support since 1998, government allocations to districts had not always been clearly related to the needs of the poorest. Although the government revised funding allocations in 1999 to reflect population levels and poverty rates, **Figure 7** shows that under that system district budgets did not rise with increasing levels of poverty. It also shows that spending per head in districts with similar poverty levels varied by more than 100 per cent.

2.15 Similar variations existed in individual services. In 2004-05 the Government's expenditure plans for the water sector allocated 29 per cent of total funding to rural areas. Urban areas received 50 per cent and the remainder was used for water resource management. **Figure 8 on page 16** shows that although the Eastern region had the highest sickness rates and lowest proportion of medical staff, it attracted the lowest per capita transfers from the Ministry of Health.

⁶ Organisation for Economic Co-operation and Development, Development Assistance Committee Joint Evaluation of Budget Support, 2005.

6 DFID provides assistance to the Government of Vietnam at different levels to help it to target the rural poor

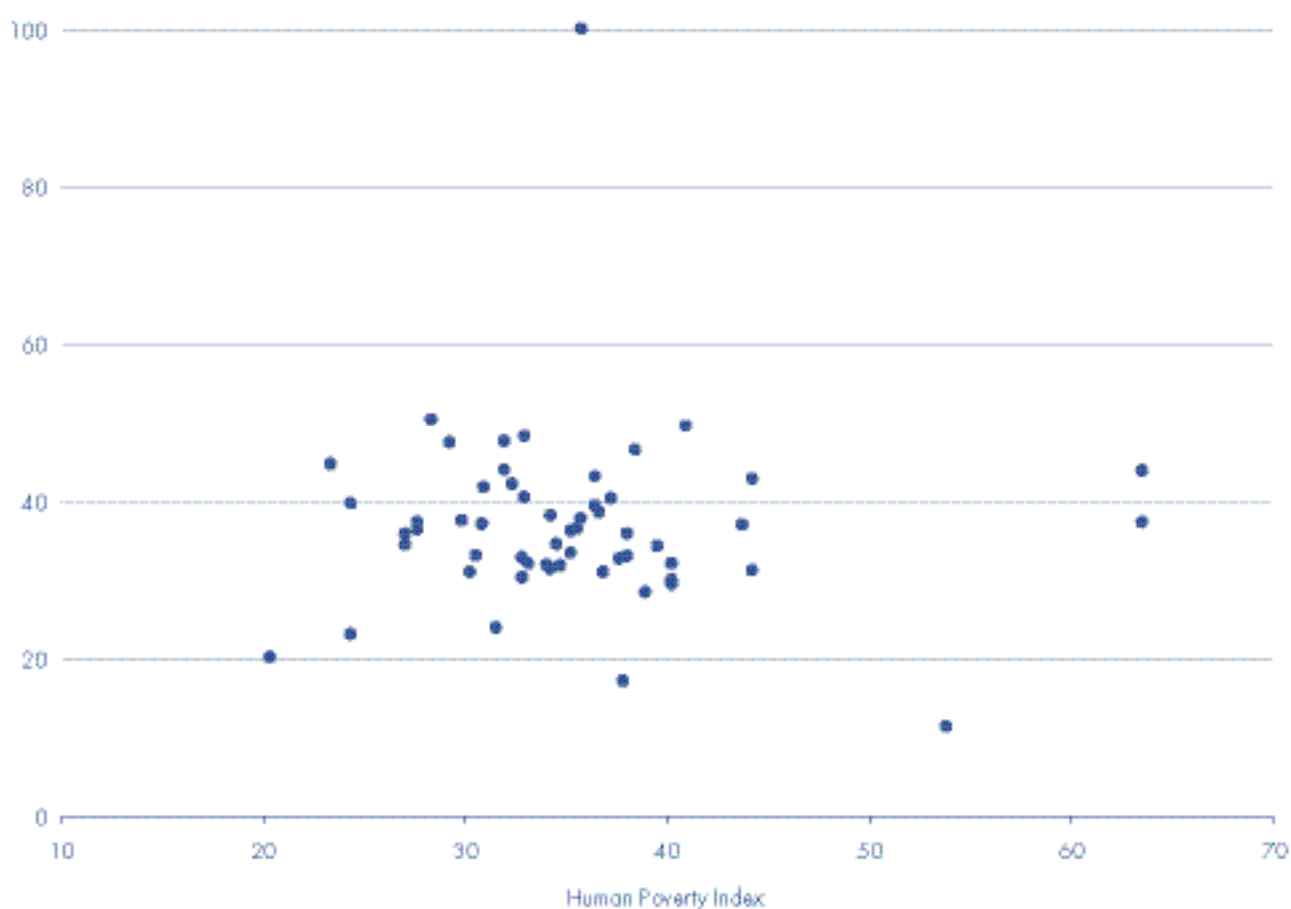
- DFID contributes £20 million per year as general budget support to Vietnam via the World Bank. While this component of DFID's support is not targeted it provides an opportunity for influencing the national government on a broad range of policy issues.
- DFID also funds several more targeted approaches. These include the education sector in Vietnam through support to the 'Education for All' programme, and a government initiative called 'Programme 135' which is specifically aimed at the poorest communities in the country.
- Vietnam has made substantial progress in tackling poverty over the last decade. But pockets of chronic poverty remain and 92 per cent of the poor now live in rural areas. The Vietnamese government has identified the poorest communities

throughout the country for targeted supplementary assistance on basic and social infrastructure. Most of these communities are in remote rural areas, particularly in mountainous regions. DFID contributed £10 million in support to the programme between 2005 and 2006 and a further £250,000 to be used as technical assistance or capacity building. The programme is implemented by local government officials who consult local people about priorities in their area. We spoke to local people living near basic infrastructure built as part of programme 135. They emphasised the positive impact the new roads, bridges and schools had had on their lives. They also confirmed that involving them in the management of these individual projects increased their sense of ownership. Other donors consider the programme highly successful and several are also now supporting it.

Source: National Audit Office country visit

7 Comparing budgeted transfers to districts and levels of poverty in Uganda

Budgeted transfer per capita



Source: PricewaterhouseCoopers calculations using local Government Finance Commission figures from 2005-06 and 2002 census data

NOTE

The Human Poverty Index is a composite index measuring deprivation in three dimensions: a long and healthy life, knowledge and a decent standard of living.

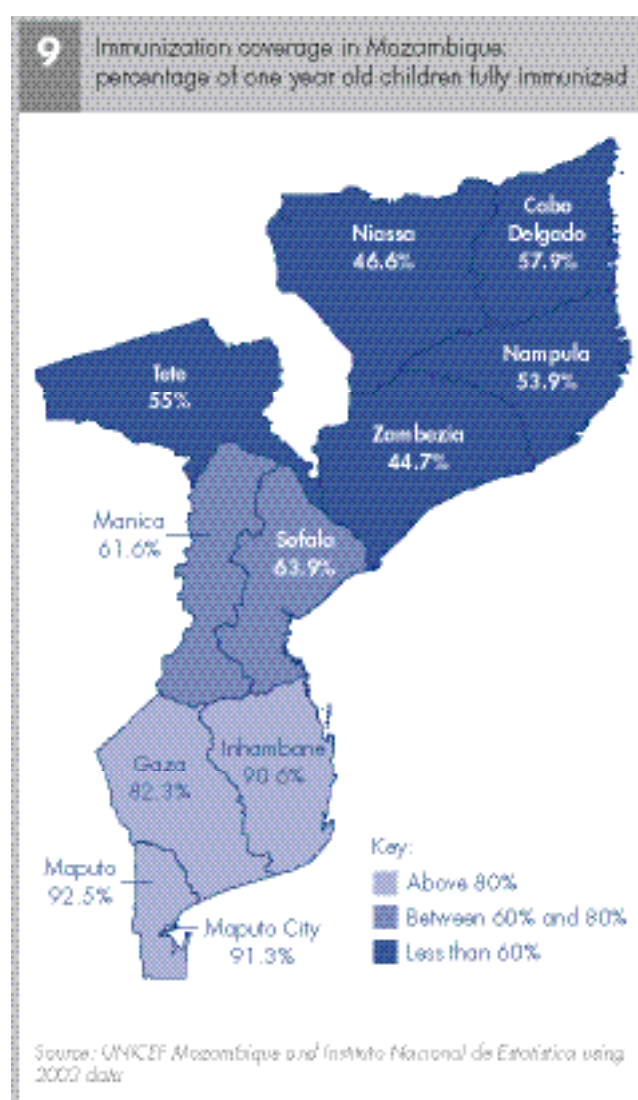
8 Regional variations in health spending and outcomes in Uganda

Region	Estimated percentage of population falling sick during past 30 days (%)	Estimated days lost to illness per month	Population per medical staff (2002)	Health transfers per capita (Uganda shillings)
West	22	2.17	17,500	5,790
East	35	2.50	18,700	5,090
North	25	2.15	16,400	6,480
Central (excl. Kampala)	22	1.93	13,000	6,240

Source: Data provided by PricewaterhouseCoopers from the Uganda 2002 census, the 2004 service delivery survey, the Uganda National Household survey 2002-03, and the 2005 statistical abstract

2.16 While there are many factors which can reasonably influence resource allocation, patterns such as these caused donors some concern. DFID, for example, had raised regional disparities in health indicators with the Ministry of Health and were trying to engage key partners to do the same. In 2004 the Ugandan government reviewed the formulae it was using to allocate funds to districts. A new allocation system has now been developed which accords poverty levels more weight in making allocations to districts. The system is being introduced over a four year period. Projected 2008-2009 district allocations for basic education and primary health indicate that budgets are becoming much more responsive to poverty, although there will still be significant variations in resourcing for districts with similar poverty levels.

2.17 In the third country we visited, Mozambique, high rates of economic growth had not reduced poverty equally across the country. Though there has been some development in rural areas national growth was partly driven by a small number of big industrial projects in the south⁷. There were stark differences in the extent and success of programmes to address poverty in different parts of the country. For example **Figure 9** shows that levels of child immunization vary widely between the north and south of the country. Levels of children immunized were also higher in urban areas, averaging 81 per cent, compared with 56 per cent in rural areas.



⁷ The World Bank has estimated that in 2001 one single company located just outside Maputo contributed 10 per cent of the country's economic growth.

2.18 Variations in service delivery are also apparent within districts. WaterAid is currently undertaking a project, funded by UNICEF and DFID, to map water points within districts. This project is revealing some interesting patterns: those who live in the administrative centres of districts are relatively well served with water, as are those who live close to roads. But there are whole communities which do not have any improved water points at all.

2.19 These examples of concerns about developing country budget allocations and resulting variations in service provision are not isolated instances. In our survey of country offices, only half of those country teams using budget support reported they were satisfied with government spending in rural areas or its broad geographical focus. One of the causes of concern is the lack of good data on rural poverty or services at district or similar levels. We saw that in some countries sub-national data were being examined by DFID advisers. However, most of the indicators formally used to monitor progress of poverty reduction strategies in the countries we visited, for example, do not disaggregate information below the national level (**Figure 10**). So rising inequalities will not affect achievement of government or linked donor targets.

2.20 Few countries routinely analyse poverty or services split between rural and non-rural beneficiaries. But data are more frequently available by region or administrative area – which often provide useful proxies for rural data. We found the quality of geographical analysis of poverty varied between countries. In Vietnam, for example, only pockets of extreme poverty remain, so geographical factors are intrinsically important and well-known. In Mozambique, where poverty is still more widespread, some geographical data are available, which provides an insight into rural poverty rates. But, apart from district data on services to children and immunisation rates, neither DFID nor its donor partners often used them to monitor progress despite clear differences in poverty between the north and south.

2.21 DFID is a strong supporter of governance reform and better public financial management. It is also active in pressing national governments for reform in individual sectors. But DFID does not consistently take a strong line in pressing governments to target finances to rural or the poorest areas. For example, in Mozambique, civil society organisations were concerned about emerging inequalities, the politicisation of regions and therefore central funding allocations. But we did not see evidence that DFID raised these issues formally with the Government of Mozambique.

10 Poverty reduction indicators often do not include sub-national data

Country	Disaggregated indicators	Details
Mozambique's Poverty Reduction Plan (PARPA II) Strategic Indicators Matrix	Total indicators: 200 Regional/district data: 18 Rural/Urban: 2 Rural-specific: 8 Urban-specific: 4	In Mozambique there are a number of geographically disaggregated indicators, in areas such as poverty analysis, public sector and justice reform, disadvantaged children and health. There are also separate targets for rural development and access to water and sanitation in rural areas. There are two rural/urban targets: one covers the availability of consultations by health specialists and the other covers the proportion of the population with access to computer technology.
Uganda's Poverty Eradication Action Plan 2004–2008	Total indicators: 83 Regional/district data: 3 Rural/Urban: 4 Rural-specific: 2 Urban-specific: 0	In Uganda there are indicators on service provision for internally displaced people in the north of the country. But indicators used for the rest of the country are not disaggregated, except for separate targets for rural and urban access to water, sanitation, electricity and percentage of titled land.
Vietnam's Comprehensive Poverty Reduction and Growth Strategy to 2010	Total indicators: 136 Regional/district: 24 Rural/Urban: 3 Rural-specific: 0 Urban-specific: 8	Vietnam has a number of indicators disaggregated by province. Poverty is particularly concentrated in rural areas and the government has developed programmes to target remote regions. But more indicators relate to urban poverty than rural poverty.

Source: Poverty Reduction Strategy indicators for Mozambique, Uganda and Vietnam

The contribution of projects to rural poverty reduction

2.22 Even in countries where most of DFID's funding is in the form of direct budget support, sector programmes and discrete projects remain a significant part of its assistance. Where projects are only part of a country programme they can add most value if they complement the effectiveness and outputs of other types of aid. In other countries, projects remain the main way of providing aid. Here, projects have particular value where governments do not address aspects of poverty as a matter of policy, or lack the capacity to deliver appropriate services.

2.23 Projects are subject to similar risks to other types of intervention, though they have particular pitfalls and advantages. We found that where projects had performed poorly the reasons included:

- Problems with the capacity of DFID's partners. For example a project in Kenya to feed poor children at school was hampered by the limited capacity of DFID's partner. In Pakistan DFID's support to a non-governmental organisation's primary education project had to end due to poor relations between the organisation and the government.
- Poor sustainability of outputs – a common problem with projects is that the benefits may not be permanent. For example in Kenya a scheme to help farmers increase production and gain better access to markets was undermined by DFID's decision not to renew its support to the project. This meant that services established during the project simply ended when funds dried up.

2.24 However, good use of project partners can help DFID to achieve its objectives. For example a project designed to help eradicate polio in Pakistan was successful in raising the profile of polio in the country. It involved low transaction costs for DFID as the partner agency implemented the project efficiently, drawing on lessons of similar projects it had completed in other countries. In Uganda a project to assist rural people to improve their livelihoods benefited from very strong partnerships with local communities and organisations. These partnerships allowed rural people to learn more about farming techniques and technologies. It also allowed DFID to target its assistance to specific regions of the country.

2.25 Sustainability problems can also be reduced by planning for them. In Uganda we spoke to local people who were still running their local micro-finance group which a DFID funded project had helped them establish. The project had been designed to provide training and act as a catalyst but to then leave the community groups to run themselves and also to help others in nearby villages to set up their own microfinance groups.

2.26 We saw evidence of projects being used to respond to gaps in service provision or to supplement support to the poorest groups in remote rural areas in all three countries we visited. For example, in Vietnam DFID is supporting a project to provide primary education to the most disadvantaged children. In Uganda DFID has redirected aid to the north, through United Nations and other agencies, to address the basic needs of people displaced by conflict.

2.27 We found evidence from all three country visits that teams were using projects to complement the management of programme aid. Country programmes are increasing their focus on building capacity in central government to secure and use resources efficiently. For example in Mozambique DFID has given more than £16 million over ten years to support reform and capacity building of the customs revenue authority. Partner governments in case study countries also emphasised that support through capacity building was very beneficial.

2.28 Decentralisation is a key issue for many developing countries. All the countries we visited were devolving more responsibility for service delivery to local government. In Vietnam the country programme was working in particular with two provinces, piloting direct assistance on a small scale, as arranged with central government. However, for most countries, despite a strong focus on governance at the centre (at country, or for large countries such as India, at state level), country teams are less engaged in governance or service delivery at lower levels of government.

2.29 In the countries we visited DFID spent more on capacity building of central institutions than on monitoring the outputs or encouraging accountability and transparency to poor people. While the extent to which DFID works with civil society varies across countries, in all three of the countries we visited projects supporting civil society organisations tended to be small in scale and limited in coverage. Often the poorest groups are the least able to communicate with those responsible for service provision. In Uganda however, a small civil society⁸ project funded by DFID is seen by the government as a model for wider use (**Figure 11**).

8 Civil society organisations include non-governmental organisations, faith groups and other bodies.

11 Supporting the rural poor to hold service providers to account in Uganda

As part of its Civil Society Umbrella Programme, DFID Uganda is supporting a Ugandan non-governmental organisation to run a project known as Poverty Resource Monitoring and Tracking project. The aim is to help ordinary poor people to come together and exercise their voice to hold local service providers accountable for delivery and quality of services.

We saw discussion groups in a village hall and open debate within the community and interaction with local officials. Local people also told us how the project had helped them to address past problems. For example, following a previous discussion regarding staff shortages at the local health centre, group representatives raised the problem with local government officials who sought to recruit more staff. The group has also used the forum to identify how to use their own capacities and resources to address problems, resulting in the establishment of a micro-finance institution and a herb garden for local medicinal use.

The project is active in five districts in West Uganda and in some areas in North Uganda.

Source: File review and discussion with DFID country staff and local people

2.30 We found examples of poor coordination by donors in locating projects and that donors did not always ensure that more remote areas received appropriate attention. In Vietnam the Government controlled where donors operated and was able to ensure good coverage and minimise overlap. It took this step because of past experience of poor geographical coordination by donors. In Mozambique we saw an example of weaker coordination. In one poor province three different donors were running similar HIV/AIDS awareness projects in a school in one district. But they gave minimal attention to another district which was geographically no further from the local town than the first but could only be accessed by boat.



PART THREE

Reaching the rural poor through other funding streams

3.1 In addition to DFID's bilateral programme expenditure, its support to multilateral institutions and its funding of research help tackle rural poverty. This Part focuses on how, and to what extent, DFID's funding of multilateral institutions and research is benefiting the rural poor.

DFID's engagement with multilaterals

3.2 The Department's 2006 White Paper emphasises the high priority DFID places on the international aid system in reducing poverty. Funding of multilateral institutions is an important part of DFID's overall programme – representing nearly 40 per cent of total expenditure in 2005-06. Its funding of multilaterals is based on strategic priorities, political considerations and organisational effectiveness, and does not directly consider the impact of its funding choices on the rural poor. Multilateral institutions' help for the rural poor ranges from infrastructure projects such as those run by the Regional Development Banks to the policy expertise and technical standards provided by the Food and Agriculture Organisation (**Figure 12**).

3.3 Few multilaterals assess their impact on rural poverty and DFID does not systematically try to analyse the extent of their rural activities. The European Union and the World Bank, the two largest recipients of DFID multilateral funding, both have substantial rural programmes, supported by rural strategies. The work of the Food and Agriculture Organisation and the International Fund for Agricultural Development is almost entirely relevant to rural areas but the rural focus of institutions with broader remits is less clear. And where a review has been conducted, the results have been surprising. Analysis published by the World Bank in 2003 suggested that the rural poor had been losing out. It found that its lending to rural areas was approximately \$5 billion annually from 1999-2001, representing only 25 per cent of its total

lending. This, together with concerns regarding the extent to which social sector spending benefited the rural poor (Appendix 3), led it to adopt a new strategy to increase rural investment and integrate the needs of the rural poor into national policy.

3.4 We reviewed the extent to which DFID-funded multilaterals focus on the poorest people, and most rural populations and found wide variations. This was often due to the political nature of aid allocation and regional priorities. As **Figure 13 on page 22** shows, some bodies such as the World Bank and African Development Bank allocated a higher than average percentage of their funds to the most poor and most rural populations. But the European Union, the largest recipient of DFID funding, spends a significantly lower proportion of its funding on the poorest countries and those with highest rural populations.

3.5 The effectiveness of multilaterals is also important in assessing how they benefit the rural poor. DFID uses a Multilateral Effectiveness Funding Framework to assess organisational effectiveness in areas of internal management and country-level results. But some of the multilaterals which performed relatively well in terms of the proportion of their spending that goes to rural areas or the poorest countries, such as International Fund for Agricultural Development, are rated by DFID as less effective at reducing poverty (**Figure 14 on page 22**). DFID funds projects in some multilaterals to increase their effectiveness. For example it committed £765,000 to help the International Fund for Agricultural Development to enhance its performance through a programme to improve the institution's management and its monitoring and evaluation. DFID's 2006 White Paper highlights its work with Regional Development Banks to encourage organisational change and greater effectiveness.

12 Recipients of DFID multilateral funding vary in their focus on rural poverty

Organisation	Planned DFID spending 2006-07	Description of rural focus
European Union	£936 million	Rural development is one of five primary themes of European Union funding. Other themes are also relevant to the rural poor, including research, transport infrastructure, trade and access to basic services.
International Development Association (World Bank)	£573 million	17 per cent of the Bank's funds are spent on rural development: this is the second largest sector by expenditure. The Bank had shifted away from a straightforward agricultural approach and towards broader rural development, although this trend is being reversed to some degree. The 2008 World Development Report will be on agriculture.
United Nations bodies	£163 million	This includes United Nations Development Programme (UNDP), UNICEF and World Food Programme. UNDP mandate includes rural development, governance work, environment and HIV/AIDS. UNICEF focuses on the rights of children, including health and education. The World Food Programme targets hunger and works to provide food security.
African Development Bank	£119 million	Mission is to promote sustainable economic and social development and to reduce poverty in Africa. Approvals in 2005 included £185 million (13 per cent of total) specifically for agriculture and rural development. The Bank also spends £550 million (39 per cent of total) on infrastructure which has a direct effect on rural poverty reduction.
Asian Development Bank	£57 million	The Bank targets the 1.9 billion people in Asia and the Pacific living on less than \$2 a day. Annual lending totals around \$6 billion. The Bank does not have a specific rural poverty programme, but many of its loans benefit rural people.
Food and Agriculture Organisation	£14 million	This is a United Nations technical agency, with responsibility for monitoring food security. Work focuses on food standards, agricultural policy and practice and other aspects of the rural economy.
International Fund for Agricultural Development	£2.5 million	This is a specialised United Nations agency, whose vision is to "enable the rural poor to overcome their poverty". Objectives focus on strengthening capacity of the rural poor, improving equitable access to natural resources and technology, and increasing access to financial services and markets.

Source: DFID annual report (spending plans)

3.6 In addition to expenditure programmes, DFID's engagement with multilaterals allows it to participate in, and seek to influence, policy on rural issues. DFID's centrally based livelihoods advisers in areas such as agriculture, forestry and fisheries reported that they work mainly on policy discussion, including with multilaterals. Key multilaterals we consulted such as the World Bank reported that DFID's input has been extremely valuable in promoting best practice and advancing technical knowledge. The European Commission also described DFID's involvement in their rural development review as both crucial and timely.

DFID-funded research

3.7 DFID's central research department spent £116 million on research in 2005-06, £40 million of which was spent through a growth and livelihoods team. The 2006 White Paper committed DFID to doubling expenditure on science and technology research by 2010. As part of this DFID now plans to spend £200 million over five years on its growth and livelihoods research. A range of research topics such as health, education and environment will also directly or indirectly benefit the rural poor. But our review looked mainly at the impacts of DFID's agriculture-based research, an area where DFID bilateral programmes are often less active.

13 The proportion of spending of multilaterals in the poorest countries

Multilateral organisation	Proportion of aid given to the poorest 10 per cent (%)	Proportion of aid given to the poorest 40 per cent ¹ (%)
European Union	15	28
International Development Association (World Bank)	28	70
United Nations bodies	23	51
African Development Bank	54	84
Asian Development Bank ²	2	82
Food and Agriculture Organisation	22	39
International Fund for Agricultural Development	23	54

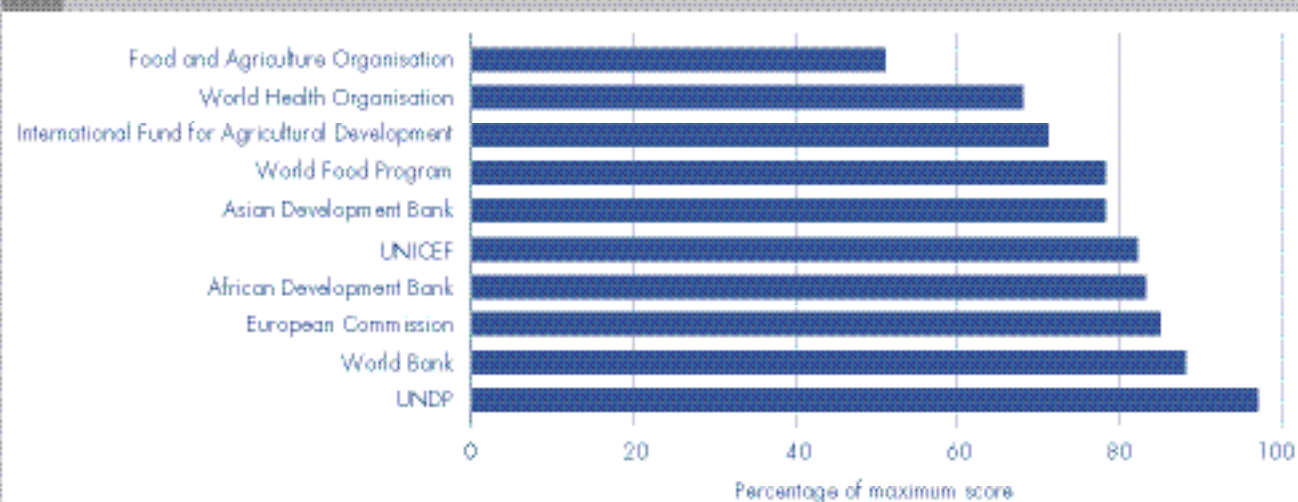
Source: National Audit Office calculations based on Organisation for Economic Cooperation and Development Assistance Committee, World Bank and Food and Agricultural Organisation data

NOTES

1 We compared multilateral funding allocations to developing countries with the average per capita income of each country and the number of poor people there. Red colouring indicates that the poorest countries are not receiving a proportionate amount of funding; green colouring indicates that they are receiving at least a proportionate amount. Statistics are not available for all countries on rural poverty. We have used overall poverty. We also re-ran the analysis using figures for rural population and found no significant difference in the results.

2 The Asian Development Bank's geographical focus is a distorting factor, as most of the very poorest countries are in Africa. It does perform well in its level of spending to poorer Asian countries.

14 DFID's multilateral effectiveness framework scores



Source: DFID multilateral effectiveness framework results

NOTE

DFID gave each organisation a traffic light rating for several different factors. We translated these into scores for each, with green, amber and red ratings scoring 10, 5 and 0 points respectively. The graph above shows the aggregate for each organisation against the maximum possible score.

3.8 Until 2004, agricultural research was mainly channelled through two main routes; the Consultative Group on International Agricultural Research and the Renewable Natural Resources Research Strategy (Figure 15). Although both have been successful in providing high quality agricultural research, DFID is improving the effectiveness of its funding design. First it is shifting its approach from a largely centrally driven programme to one which is more demand-led,⁹ to encourage greater uptake in developing countries. Secondly in 2004-05, DFID started to link its funding allocations to performance ratings for research centres within the Consultative Group. DFID gave research centres star ratings according to criteria such as promotion of uptake, impacts and beneficiaries. In 2004-05, one two and three star rated centres received a 40, 50 or 60 per cent funding increase respectively over 2002-03 levels.

The dissemination and uptake of research

3.9 The quality and coverage of the information collected on the uptake and impact of agriculture research is patchy, although impact assessment has been considerably better under the Consultative Group than under the Renewable Natural Resources Strategy. Evaluations have highlighted areas of both success and weakness in uptake and impact (Figure 16 overleaf). In response to problems relating to the limited uptake of research findings, particularly with the Renewable Natural Resources Research Strategy, DFID is committing £37.5 million of funding over five years to a “Research into Use” scheme.

3.10 DFID sees its central research as a global public good, intended to generate knowledge and expertise for a wide international audience. Communicating research findings is particularly valuable for agriculture, given the number of potential beneficiaries and the scope for this to create economic growth. The difficulty of disseminating

research findings to and ensuring uptake in rural areas creates a particular challenge for DFID. Historically researchers have been responsible for disseminating research results but DFID is now making efforts to promote better communication between researchers, policy makers and poor people. DFID now requires all research projects to allocate at least ten per cent of their research budget to communication, and a central team provide a challenge and review function. The team also disseminates research results using a wide range of communication channels including online web-based services and the mass media. DFID funds two websites: ID21, which disseminates information on all UK-funded research, and ‘Research 4 Development’, which provides information on DFID centrally-funded research. The websites collect performance data on how often the websites are accessed but performance data on how the research is used as a result is weaker.

3.11 DFID research aims to reach a wide range of audiences. But DFID country teams and some non-governmental organisations are still dissatisfied with the dissemination of central research to themselves, to policy makers and to the poor. One organisation we surveyed commented “DFID identifies critical areas to commission research for topical policy debates... but does not adequately disseminate the findings... or discuss how to use the research to influence”. Only two of the 25 country teams we surveyed were content with how research was disseminated to developing country policy makers, although, since research is often disseminated by others, country teams may not always be aware that research was funded by DFID. Our survey found that 55 per cent of staff used ID21 at least quarterly, but one quarter said that they never used it. Many country teams reported that they did not make use of research either for their own programmes or to influence recipient government policy. The research team is responding by offering tailored newsletters for specific country offices where there is demand.

15 Research funding for growth and livelihoods pre 2004

Body	Renewable Natural Resources Research Strategy	Consultative Group on International Agricultural Research
Funding amount	£190 million over 1995-2004 through projects	£20 million annually
Structure	The strategy contains ten programmes which fund research	15 independent research centres, based in developing countries, managed by the Consultative Group.

Source: DFID

⁹ Supply driven research projects are designed by researchers, often in developed countries. Demand led projects arise from developing countries’ requests for assistance.

16 Impacts and uptake of two main research funding streams

	Renewable Natural Resources Research Strategy	Consultative Group on International Agricultural Research
Examples of what has worked well in research activity	<ul style="list-style-type: none"> ■ The Crop Protection Programme vegetable projects were effective in improving the livelihoods of poor farmers in east Africa. ■ The Good Seed initiative contained a clear programme for dissemination. 	<ul style="list-style-type: none"> ■ Plant breeding programmes have produced modern varieties for a range of food crops. New varieties have increased yields and are more resistant to drought and disease.
What has worked less well?	<ul style="list-style-type: none"> ■ Better consideration of gender issues would have improved uptake of research findings. ■ Good in-country relationships would have improved dissemination of findings. ■ The impact of water management research was limited by failure to consider how findings could be used more widely. ■ Poor co-ordination in projects constrained uptake in crop production projects. 	<ul style="list-style-type: none"> ■ Restrictions in funding led to a narrow geographical focus, so findings were not easily transferred to other communities. ■ The system failed to develop coherent or system-wide actions on intellectual property rights, biotechnology and links to the private sector.
What was the impact of the work?	<p>DFID assessed that the projects had achieved the desired outputs. Despite data limitations, quantifiable impacts were that:</p> <ul style="list-style-type: none"> ■ 40 per cent of outputs increased crop yield. ■ 30 per cent generated financial benefits. ■ 20 per cent generated a positive cost-benefit ratio. 	<p>Evaluations provide strong evidence for positive global results from investment in agriculture research.</p> <p>An internal assessment estimated a potential cost-benefit ratio of 1:9.</p>
What was the extent of wider use?	<ul style="list-style-type: none"> ■ Programmes had no practical ways of disseminating information so uptake was patchy. ■ Monitoring the extent of use after project completion was not seen as priority. 	<p>Examples of use included:</p> <ul style="list-style-type: none"> ■ More than 300 new varieties of wheat and rice were developed ■ Modern maize varieties are now grown on more than 40 per cent of cultivated area of Africa. ■ Blight resistant barley was planted on over 100,000 hectares in China. ■ Improved lentil varieties were adopted by 78 per cent of farmers in two Turkish provinces.

Source: PricewaterhouseCoopers evaluation of DFID-funded research on agriculture, *Research for Poverty Reduction report*, 2002, and *Evaluation of DFID Renewable Natural Resources Research Strategy*, June 2005



PART FOUR

Management of the aid budget

4.1 This Part considers how DFID identifies and addresses rural issues when designing and monitoring country programmes, how they work with others and the importance of the Department's expertise in reaching the rural poor.

The design of country programmes to reach the rural poor

4.2 DFID country teams, supported by headquarters, design country programmes to support national poverty reduction strategies. DFID provides central guidance to country teams on the preparation and content of plans and programmes. This points country teams to the high level objectives set out in DFID regional plans, but also highlights the importance of designing country programmes to support countries' own poverty reduction strategies. Country teams are given flexibility to identify areas where DFID will add most value.

4.3 We analysed the content of the 18 Country Assistance Plans currently available from the 25 countries covered by DFID's Public Service Agreement targets. The extent to which the Plans explore rural poverty issues varies and does not correspond to the extent of rural poverty in each country. Most identified key problems facing the rural poor but less than a fifth set out opportunities for the rural poor or analysed linkages between rural and non-rural areas. A quarter discussed differences between rural and non-rural areas in public service provision.

4.4 These Plans are not intended to be exhaustive but rather to identify priority areas. All the Plans we examined identified governance issues as a priority. Over half gave priority to health, and a similar proportion to education. Sectors with a specific rural focus were less frequently prioritised: only a third identified rural livelihoods, and just one of 18 Plans prioritised the environment.

4.5 Country Assistance Plans are designed to complement countries' own poverty reduction strategies. Our examination of available poverty reduction strategy

papers also indicated variation in the quality and breadth of these documents, both in general and in relation to rural development. More recent strategies tend to be more comprehensive and better address issues such as rural livelihoods and their links with wider economic growth. We found that when Country Assistance Plans are taken together with poverty reduction strategy papers they address rural poverty issues to a greater extent. But the attention paid to rural poverty was only weakly related to the scale of rural poverty: several countries where the vast majority of the poor were in rural areas gave the rural poor only moderate coverage.

4.6 In response to our survey half of country offices said that they always or usually plan the overall country programmes on a geographical basis. In some countries we saw that some projects and programmes were designed to address needs identified in particular regions or districts. However, we did not find that this was consistently carried through to the indicators and targets they use to monitor progress – sometimes because data were not available. In Cambodia and Malawi less than ten per cent of indicators and targets were broken down by region, compared with around fifty per cent for India and Nepal. Unsurprisingly, teams working in larger countries such as India used disaggregated data more frequently than those operating in smaller countries such as Malawi.

Understanding other donors in country programme design and management

4.7 Donor coordination and partnerships are increasingly important for achievement of targets, although our survey found that only two thirds of country teams reported satisfaction with partnerships on rural issues. Country teams have a good general knowledge of the sectors other donors are working in and their aid programmes. However, the depth of knowledge about what others are doing, their geographical focus and where their comparative advantage lies, is variable.

4.8 In Uganda, where donor coordination is strong, we found that the DFID country team had identified depth of knowledge as a problem and was working with the Government of Uganda to address it. They intend to produce an 'Aid Information Map' to provide detail about donor assistance by sector and funding method. But it will not have a geographical dimension. In Mozambique the European Commission had established a database which maps donor activities by sector, donor and location. The information, available both to donors and government, could be a useful planning tool – although not all donors have yet participated in this initiative.

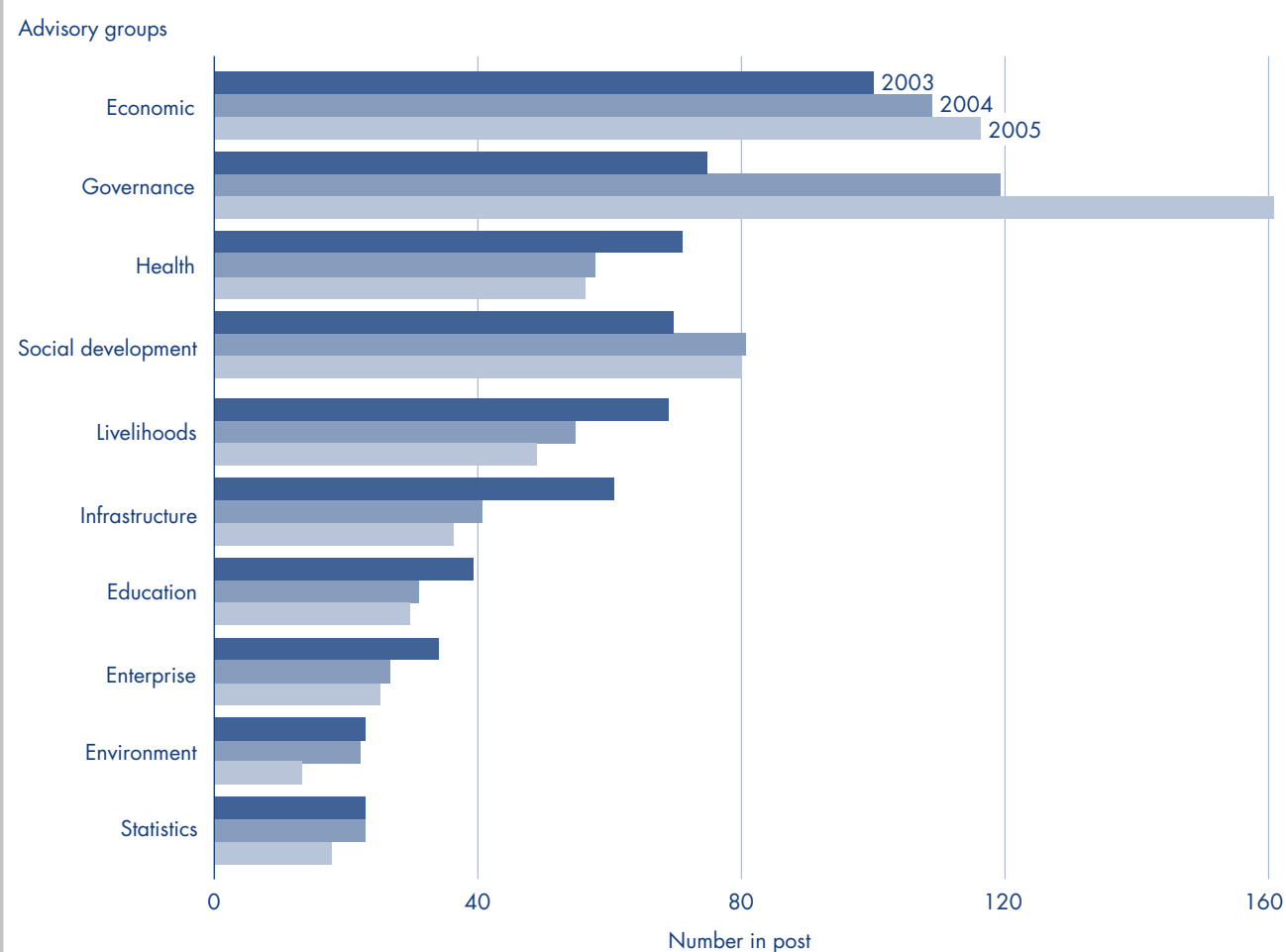
Changes in the Department's overall advisory capacity

4.9 DFID has a strong and respected skills base, with advisers in London and each overseas office. In recent years the growth of advisory skills has been concentrated in the economic and governance groups (**Figure 17**). The number

of advisers from those groups traditionally most associated with rural poverty reduction – livelihoods, environment, enterprise and infrastructure – has decreased both in country offices and across the Department. But most countries where DFID has significant programmes are predominantly rural.

4.10 These changes reflect shifting policy and spending priorities; for instance increasing use of budget support means more country offices need governance, economic and statistical advisers. It also means, however, that the Department supports an increasing array of sectors. Country teams need access to expertise to assess prospects and progress across that range of sectors, unless they are confident they can wholly rely on analysis from other donors. Further, where expertise is not present in-country, relevant issues are less likely to be identified or prioritised. But DFID must also meet new headcount restrictions which are affecting advisory capacity in both headquarters and overseas offices.

17 Changes in the size of advisory groups between 2003 and 2005



Source: Scutt F. 2005 'Analysis of current trends in DFID advisory posts'

4.11 Since 1997 DFID has established a good reputation for working on livelihoods-related issues such as agriculture, forestry and land/property rights. It has been particularly strong in pioneering the use of sustainable livelihoods approaches to rural development. However, the number of livelihoods advisers has decreased and spending on livelihoods programmes has not kept pace with other spending. Furthermore some of DFID's partners were concerned that livelihoods expertise was being lost or not fully utilised.

4.12 DFID has made some efforts to ensure that livelihoods and particularly rural issues are considered by other sector specialists. But these are not yet widely considered to be important aspects for all advisor groups. Job competency frameworks showed that few of those groups not traditionally associated with rural development were expected to specifically demonstrate an understanding of rural or regional issues. Only the livelihoods group explicitly stated that experience in working with the rural poor was desirable. DFID has begun to promote closer joint working on livelihoods issues and to include livelihoods approaches in the training for other adviser groups. For example, from 2004

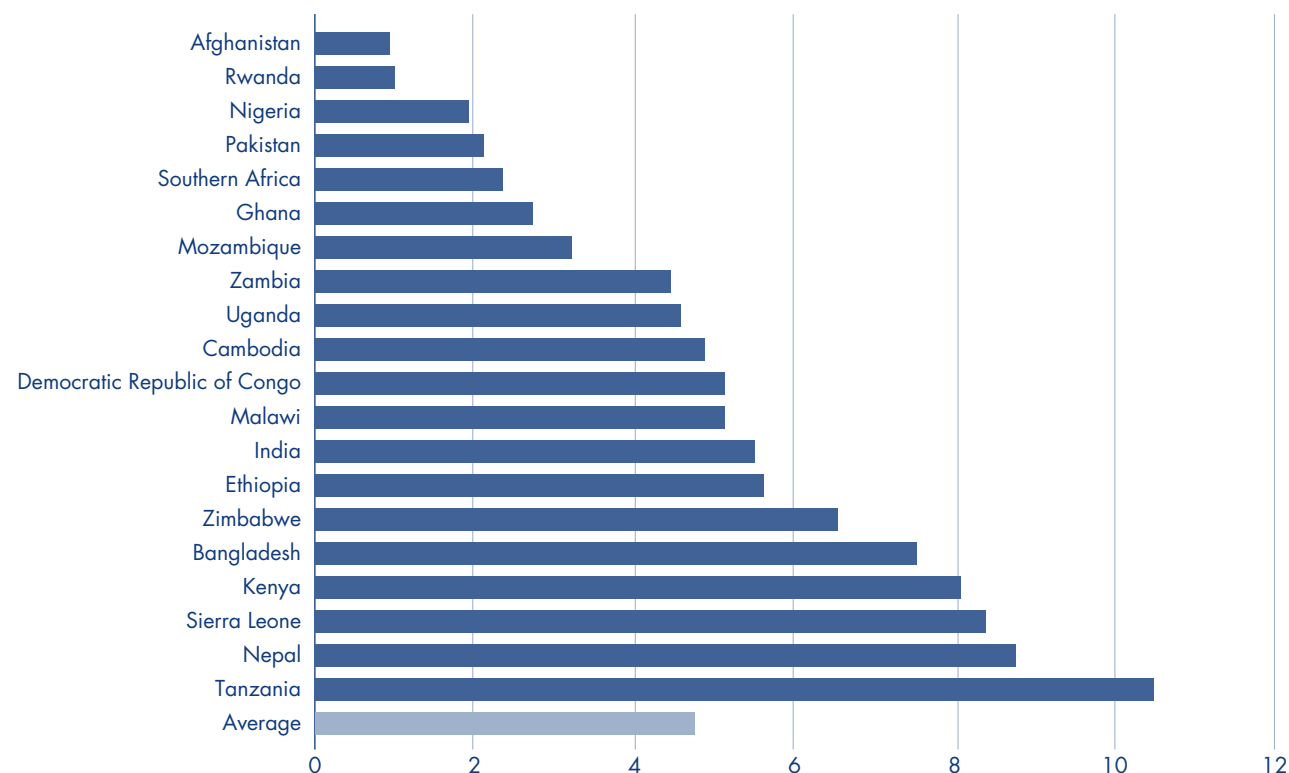
onwards DFID held joint workshops for professional staff to look at common issues such as climate change, markets, and private sector development in agriculture.

Gaining the views of the rural poor

4.13 In addition to core competencies, advisers overseas also require an in-depth understanding of country circumstances. We asked country teams how much time staff spent in rural areas. Responses showed some variations between country teams which were not easy to explain (**Figure 18**). For example, staff in Rwanda spent less than half as many days in rural areas as staff in Uganda. The Tanzania country office has introduced a new "reality check" policy which provides incentives for DFID staff to visit the field more often. This crude estimate does not pick up the quality of information derived from a visit, but good monitoring and understanding of rural issues still requires a sufficient level of visits to a variety of areas. In the three countries we visited other donors or civil society groups raised this issue as a weakness in DFID's approach. Some thought that the lack of field visits was linked to increasing use of programmatic aid. But it is still important for country teams to have a good understanding of how budget support and other programmes are affecting poor peoples' lives.

18 The average number days spent by DFID staff in rural areas per year

Estimated number of days per person



Source: Analysis of National Audit Office survey of DFID country offices

APPENDIX ONE

The Millennium Development Goals

1. Eradicate extreme poverty and hunger

- Reduce by half between 1990 and 2015 the proportion of people living on less than a dollar a day.
- Reduce by half between 1990 and 2015 the proportion of people who suffer from hunger.

Indicators used to measure progress towards the first target

- 1 Proportion of population below \$1 (adjusted for purchasing power parity) per day
- 2 Poverty gap ratio [incidence x depth of poverty]
- 3 Share of poorest quintile in national consumption

2. Achieve universal primary education

- Ensure that by 2015 all boys and girls complete a full course of primary schooling.

3. Promote gender equality and empower women

- Eliminate gender disparity in primary and secondary education preferably by 2005, and at all levels by 2015.

4. Reduce child mortality

- Reduce by two thirds between 1990 and 2015 the mortality rate among children under five.

5. Improve maternal health

- Reduce by three quarters between 1990 and 2015 the maternal mortality ratio.

6. Combat HIV/AIDS, malaria and other diseases

- Have halted and begun to reverse the spread of HIV/AIDS by 2015.
- Have halted and begun to reverse the incidence of malaria and other major diseases by 2015.

7. Ensure environmental sustainability

- Integrate the principles of sustainable development into country policies and programmes; reverse loss of environmental resources.
- Reduce by half the proportion of people without sustainable access to safe drinking water.
- Achieve significant improvement in lives of at least 100 million slum dwellers, by 2020.

8. Develop a global partnership for development

APPENDIX TWO

Study methodology

Preliminary research

We commissioned the Poverty Research Unit of the School of Social Sciences at the University of Sussex to undertake some preliminary work covering:

- Background narrative of key factors relevant to rural poverty;
- Collection and comparison of data on poverty and donor assistance; and
- Suggested issues that an NAO study could examine, together with possible methodologies.

Review and analysis of literature sources

We reviewed a range of sources:

- We collated published data on rural poverty and trends within countries, drawing on a combination of poverty monitoring systems set up by developing countries as part of their Poverty Reduction Strategies and data collected by the United Nations, World Bank and Organisation of Economic Cooperation and Development.
- We also reviewed reports published by the Department, other donors and multilaterals on their support for the rural poor, including research studies and evaluation reports.
- We also reviewed internal Departmental documents in areas such as policy and strategy, human resources information and research findings.

We also commissioned PricewaterhouseCoopers to produce three related outputs as follows:

- A background paper on aid effectiveness, synthesising project review and academic literature and looking at DFID-funded research.
- A review of changing approaches to tackling rural poverty.
- An analysis of government spending in Uganda.

Analysis of the Department's country plans and countries' poverty reduction strategies

We examined and compared the Department's Country Assistance Plans or equivalent strategies and country Poverty Reduction Strategies for countries included in DFID's Public Service Agreement where these plans were available (a total of 18 plans). We used a scoring mechanism to compare across countries the consideration given to rural poverty, and the steps proposed to tackle it.

We collected and analysed monitoring frameworks used by the Department's country teams to assess progress in poverty reduction. We examined the frameworks for the incidence of indicators and targets disaggregated by district and/or by rural/urban location.

This analysis established:

- the key issues which would form the basis of the study; and
- suitable methodologies for evaluating the impact of DFID's approach.

This analysis established:

- the extent and circumstances of rural poverty now and as predicted for 2015;
- changes in the way donors including DFID are seeking to address rural poverty;
- DFID's organisational approach and policies, and their links to rural poverty;
- the implications for the achievement of the Millennium Development Goals and the Department's Public Service Agreement targets;
- the impact of DFID funded research on agriculture and natural resources;
- the historical changes to DFID's approach to rural poverty; and
- patterns of public spending in Uganda and their relation to need.

This analysis established:

- the extent to which the Department's strategies consider rural poverty;
- the extent to which countries' poverty reduction strategy papers address the incidence of rural poverty; and
- the extent to which the Department monitors in-country geographical variations in poverty.

Modelling of future rural poverty levels

We used a method devised by Ravallion, M. (2001 'On the urbanization of poverty', World Bank, Washington, DC) to estimate the rural share of the poor in each country. We applied Ravallion's formula to known and projected urbanisation rates in 1990, 2005 and 2015. We used data from the United Nations' population database.

This analysis established:

- the expected future rural poverty levels in different regions and in the Department's target countries; and
- where progress towards poverty reduction targets is on track or at risk.

Samples of the Department's projects and programmes

Using the information from the above analysis, we selected a sample of 515 projects and programmes and conducted bivariate analysis of performance scores by date, cost, project type, sector, region and country.

We also conducted multiple regression analysis to examine the performance over time, space and sector while looking at the effect of the policy environment, using the World Bank's Country Policy Institutional Assessment scores.

We asked departmental programme staff to estimate the percentage of rural spend in each individual observation in the sample.

This analysis established:

- the Department's overall activity and spend;
- patterns of success or failure of interventions; and
- an estimate of the Department's rural spend through its bilateral assistance.

Sample of completed projects and programmes

For a sample of 75 completed projects and programmes with a predominantly rural focus, we also reviewed the detailed project documentation. We collected information relating to performance, targeting, sustainability and cost-effectiveness. Appendix 4 provides summary information about those projects included in the Report.

This analysis established:

- what projects and programmes with a rural focus have achieved;
- how the Department measures the achievements; and
- how far the Department considers cost-effectiveness of activities for achieving rural poverty reduction.

Surveys

We conducted three surveys with different stakeholders.

Country team survey

We surveyed the 25 country teams included in DFID's Public Service Agreement target and two regional programmes. All but one country team replied. We asked questions on the extent of rural focus, the effectiveness of programmes, relationships between headquarters and country teams, influencing roles, awareness and use of research and staff skills.

Full results are at: www.nao.org.uk

Non-governmental partners survey

We conducted a survey of key non-governmental partners. We asked questions on their perceptions of the Department's strengths and weaknesses, the appropriateness of its focus, the effectiveness of its methods and their experiences of joint-working.

Department's multilaterals staff survey

We surveyed the Department's staff who work directly with key multilaterals.

We asked staff to confirm and explain recent levels of DFID's financial support for key multilateral organisations and provide their assessment of the importance of the multilateral organisation to achieving rural poverty reduction.

This analysis established:

- the extent to which in-country staff are aware of the Department's policies and practices, including the dissemination of research findings;
- the extent to which country teams see rural poverty as a major problem;
- the extent to which country programmes focus on rural poverty and the types of interventions they use;
- the skills-base of the Department's staff in-country and in headquarters;
- the extent to which others with expertise in the field believe the Department to be effective in tackling rural poverty; and
- an overview of the reasons for the Department's allocations to key multilaterals and how far rural poverty issues are considered in such allocations.

Interviews

We carried out over 25 interviews in the UK. Within the Department we interviewed both policy and regional staff, sectoral advisers, evaluation and statistics teams, internal audit, research department and human resources staff.

We contacted key policy and programme staff in developing country governments, staff in multilateral and bilateral donor agencies and international non-governmental organisations at global and country levels.

This analysis established:

- the views and concerns of the Department's own staff;
- the perceptions of key stakeholders of the Department's activities; and
- the experience of partner organisations where they have undertaken joint working with the Department.

Fieldwork visits to three countries

We visited Mozambique, Uganda and Vietnam to obtain evidence of the Department's activity in-country. We chose our case studies based on selection criteria such as the proportion of the population living in rural areas and the Department's involvement in rural projects and programmes.

We visited selected projects and programmes in rural areas. We assessed at first hand the relevance, targeting and sustainability of each project and programme in reaching the rural poor. We interviewed staff and beneficiaries and reviewed project design, monitoring and evaluation documents.

We had discussions with beneficiaries of programmes and other key stakeholders including local government officials, and civil society groups.

We also conducted interviews with the Department's in-country staff and with their partners including other donors, government officials and civil society groups. In addition we carried out file reviews of documentation in country.

This analysis established:

- a validation of the project status and performance data provided by the Department;
- the views of key stakeholders in-country regarding their experience of the Department's activities; and
- the perspective of the Department's in-country staff on the Department's activities and its relationships with development partners in promoting rural poverty reduction.

Analysis of spending patterns of DFID-supported multilaterals

We calculated and examined the aid concentration curves of the multilateral organisations which the Department supports. The concentration curves plot the cumulative percentage of global poverty and rural population in developing countries ranked by per capita income, against the cumulative percentage of aid given to each country.

We obtained our data from the Organisation for Economic Co-operation and Development, Development Assistance Committee's International Development Statistics on-line database, with the exception of Food and Agricultural Organisation data, which were sourced directly from that body. Aid allocation data are from 2004, which was the most recent year available. Poverty data are collected from the World Bank's PovcalNet database covering roughly 95 per cent of the total developing and transition world population. Rural population data are taken from the United Nation's population database. Income per capita data are from the World Bank's World Development Indicators.

This analysis established:

- the extent to which global aid allocations are targeted towards the poorest and towards the rural population;
- patterns of aid allocation by different multilaterals; and
- the extent to which the Department's support for multilaterals reaches the rural poor.

APPENDIX THREE

The international aid context

The international community is striving to meet the Millennium Development Goals. DFID plans to double its aid budget and other donors are also increasing their overseas development assistance. Patterns of spending within this increasing total have also changed substantially. This appendix looks at how aid has been linked to poverty reduction, the changing types of aid in the last two decades and the implications of these changes on country spending.

Linking aid to poverty reduction

Empirical studies provide a mixed picture about the relationship between aid and poverty reduction.¹⁰ Some studies report that aid can have a direct impact on poverty but that increasing the volume of aid produces diminishing returns.¹¹ Others suggest that aid contributes to economic growth and that this growth contributes to poverty reduction.¹² Neither is there unanimous agreement on whether or how far the effectiveness of aid is contingent on the policy environment in the recipient country.

The relationship between economic growth and poverty reduction is not straightforward. Where growth is combined with falling inequality, poverty reduction rates can be as much as ten times greater than where economic growth takes place alongside rising inequality.¹³ Research shows that where economic growth is driven by urban areas the effect on the rural sector and national poverty rates is dependent on rural-urban linkages, whereas rural based growth has a broader impact.¹⁴

The results of research, on which types of aid are effective in reducing poverty or promoting economic growth, is mixed. Bilateral aid has been found to be more effective than multilateral aid.¹⁵ Project and food aid are linked to reduced levels of public investment in recipient countries whereas programme aid and technical assistance are positively related to public investment.¹⁶ Researchers have explored the relative effectiveness of aid to different sectors. Results have varied but overall findings include:¹⁷

- agriculture spending has a significant impact on both poverty reduction and economic growth;
- education expenditure has a positive effect on both poverty reduction and growth, though poverty reduction rates are better in non-rural areas;
- infrastructure spending has a positive impact on both poverty reduction and economic growth; and
- health spending has a positive impact on poverty reduction but a relationship has not been found between health spending and economic growth.

There has been research into the overall effectiveness of different types of aid (by sector and type of funding) but there is a lack of conclusive research looking at the relative cost effectiveness of different types of aid.

10 We commissioned PricewaterhouseCoopers to carry out a literature review of changes in the international aid context and research carried out on aid effectiveness.

11 Asra, A., Estrada, G. Kim, Y. And Quibria, M, 2005, *Poverty and Foreign Aid: Evidence from recent cross country data*, Working Paper 65.

12 Such as Hansen and Tarp 2000, *Aid effectiveness disputed*, Journal of International Development 12 (3).

13 Ravallion, M. *Growth, Inequality, and Poverty: Looking beyond averages* (February 2001), World Bank Policy Research Working Paper No. 2558.

14 Bravo-Ortega and Lederman. *Agriculture and national welfare around the world: causality and international heterogeneity since 1960*, (February 2005), World Bank Policy Research Working Paper No. 3499.

15 Such as Ram, R. (2003), *Roles of Bilateral and Multilateral Aid in Economic Growth of Developing Countries*, Kyklos, Vol. 56, pp. 95-110.

16 Mavrotas, G. 2003, *Which types of aid have most impact?*, WIDER discussion paper, 2003/85.

17 Review carried out by PricewaterhouseCoopers.

Changing international aid preferences

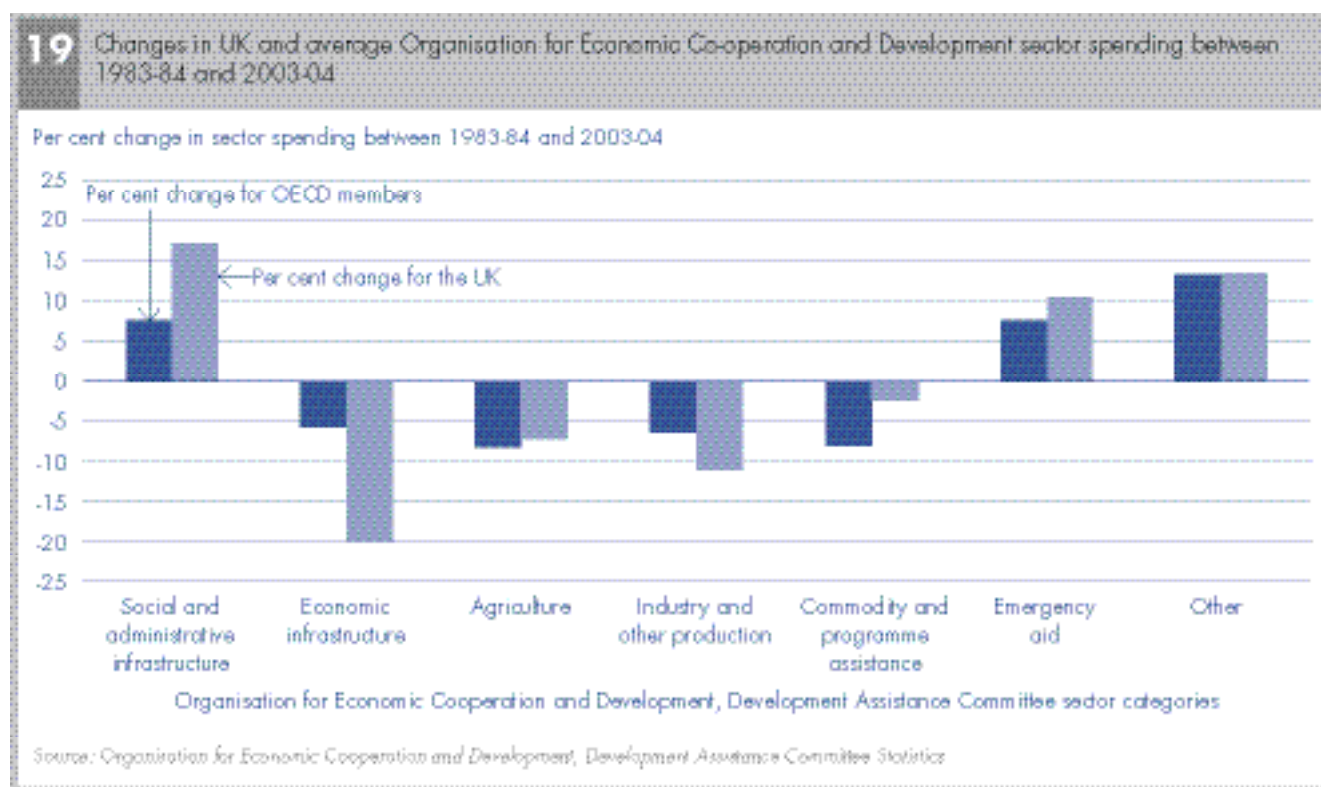
In recent years donors have shifted funding from the productive sectors towards the social sectors, notably in health and education. The Millennium Development Goals have reinforced this trend as the most specific targets relate to social sectors. DFID has been at the forefront of this change and its move towards the social sectors has been above the Organisation for Economic Cooperation and Development average (**Figure 19**).

Support to agriculture has declined dramatically: in real terms international aid to agriculture in 2004 was half the level it was in 1980.¹⁸ However, during the same period hunger in Sub-Saharan Africa doubled. This has contributed to renewed interest in agriculture in the last five years. For example the World Bank has reviewed its rural development strategy to combine social and productive interventions and the 2008 World Development Report will focus on agriculture. The New Partnership for African Development also highlights the importance of agriculture to the continent's development.

Following criticism from both the International Development Select Committee and the Science and Technology Select Committee, as well as requests from country offices, DFID produced an agriculture policy paper. This paper puts agricultural growth at the centre of wider economic growth. However, DFID does not prioritise agriculture in the 2006 White Paper and spending patterns also suggest that DFID is not likely to shift its spending back towards agricultural development. DFID's main priorities, as its overall spending increases significantly, remain in the social and governance sectors coupled with macro-economic and public financial management work.

Bringing geography into aid

As well as increased support to social sectors, DFID and many other donors are now moving away from geographically discrete projects towards wider programmes often spent directly through government budgets. Budget support (where aid is given directly to recipient country exchequers) can be important in facilitating governments to be effective service providers nationally. But the use of budget support has made it harder for donors to track where funding is going within a country and how much of the benefits reach rural areas.



18 Overseas Development Institute Working Paper, *Official development assistance to agriculture*, 2004.

The World Bank has analysed its support to rural areas, and found that its assistance in rural areas constituted just 25 per cent of its portfolio. It also found that most of the support that reached the rural poor was related to the broad goal about reducing poverty with only small proportions contributing to social sector goals such as health and education. This raised concerns that while the rural poor were benefiting from targeted spending they were not necessarily seeing the results of wider social spending (**Figure 20**).

The World Bank has also recently pioneered work which maps poverty by region within countries. Despite this analysis, systematically disaggregating needs geographically is not common. Most countries are now producing occasional public expenditure tracking surveys, which can give a proxy for aid where it is delivered via budget support. However, the extent to which these look at spending on a geographical basis varies greatly. The extent to which donors try to track their spending geographically within countries also varies significantly.

DFID's rural-urban change team has looked at geographical issues. It noted problems with rural or urban development projects that did not take the extent of rural-urban linkages into account. The team argued that interventions should not be aimed at only rural or urban target groups, claiming such projects are misleading and ineffective. It also argued that the idea of 'urban bias' is no longer relevant in today's developing world. Not all DFID staff agree with this. The Department has also highlighted the importance of understanding how location affects poverty but DFID has not made geographical analysis a standard part of its planning, analysis and reviews.

Influencing on policy issues to support development

DFID has secured a strong international reputation beyond its aid spending. It has become involved in lobbying for change on a broad set of issues which can affect developing countries. For example, the Secretary of State has been appointed the UK's anti-corruption champion and is tasked with ensuring the UK Government takes a lead on tackling bribery and international money laundering, which undermines development in many countries.

Most directly relevant to rural development, DFID, with other UK Government Departments, has been involved in arguing for changes to international trade, including for a reduction in subsidisation of agricultural production in the developed world, to help developing countries compete in European and other profitable market places. Unfortunately, this lobbying on trade has not yet reaped the benefits DFID had hoped for. As well as direct involvement in policy debate DFID supports the development of trade through aid, including through capacity building in developing countries. In 2005 the Prime Minister announced that the UK would treble its 'aid for trade' budget to £100 million per year.

The Department also plays an important role in other important areas such as climate change and debt relief. For example, DFID played a role in lobbying for debt relief for Zambia. The money freed up through debt relief is being used to provide free health care in rural areas. DFID has also become involved in research to reduce the transaction costs involved in sending money home to developing countries – a source of income to many countries that is far greater in volume than aid.

20 The World Bank's 'rural space' analysis of its support to rural areas

Millennium Development Goals	Total bank lending to rural areas %	International Development Association funds to rural areas %
Goal 1: Eradicate extreme poverty and hunger	46	40
Goal 2: Achieve universal primary education	8	9
Goal 3: Promote gender equality and empower women	n/a	n/a
Goal 4: Reduce child mortality	1	2
Goal 5: Improve maternal health	1	2
Goal 6: Combat HIV/AIDS, malaria and other diseases	8	9
Goal 7: Ensure environmental sustainability	8	9
Goal 8: Develop a global partnership for development	16	17
Contributing to multiple goals	12	12
Total rural space investment	100	100

Source: World Bank 'Reaching the rural poor' 2003. Figures from 1999-2000 spending

APPENDIX FOUR

Projects and programmes cited in the report

Throughout the report references are made to specific projects and programmes. This appendix sets out the basic details of each. Most were identified through a review of a sample of DFID projects and programmes with a rural focus. Others (marked *) were identified during visits to case study countries.

DFID scores each project and programme on how far it achieved its stated overall purpose and how far it achieved specific outputs. DFID's scoring system works as follows:

- 1 = completely achieved
- 2 = largely achieved
- 3 = partially achieved
- 4 = achieved to a very limited extent
- 5 = unlikely to be realised

Project title and location	Outline of project – including estimated rural share of spend	Budget and dates ¹	Project score and key achievements or deficiencies
Association for Better Land Husbandry Smallholder Market and Certification Project, Kenya	<p>The project aimed to increase farmer incomes through land conservation, development of farmer businesses and changes in policies.</p> <p>DFID estimated 100 per cent of this project was directed at rural people.</p>	<p>Dates: 1996–2004</p> <p>Cost: £2.6 million</p>	<p>The project 'partially achieved' its overall purpose and intended outputs, attaining a score of three.</p> <p>5,600 farmers directly benefited from the project. But it did not succeed in influencing wider policy and certification procedures. Project funds dried up and the results could not be sustained without further funding.</p>
Aga Khan Rural Support Programme, Phase III, Chitral, Pakistan	<p>The project aimed to support people and community organisations to help local development. For example by supporting locally run microfinance groups and supporting a range of community organisations to manage themselves.</p> <p>DFID estimated that 100 per cent of this programme was directed at rural people.</p>	<p>Dates: 1998–2005</p> <p>Cost: £7.7 million</p>	<p>The project 'largely achieved' its overall purpose and intended outputs, attaining a score of two.</p> <p>The programme was always designed to reach only the Chitral region. Targeting of specific groups increased the quality of results in the later stages of the project.</p>
Civil Society Umbrella Programme, phase 2, Uganda*	<p>This programme covers a group of smaller funding agreements with Ugandan non governmental organisations. One of these was the Poverty resource monitoring and tracking project run by Kabarole Research Centre.</p>	<p>Dates: 2000–ongoing</p> <p>Cost: £480,000</p>	<p>The programme is ongoing.</p> <p>Overall it aims to give coordinated support to civil society organisations.</p> <p>The Poverty resource monitoring and tracking project helps ordinary Ugandans to hold local government to account on access to and quality of local services.</p>

Project title and location	Outline of project – including estimated rural share of spend	Budget and dates ¹	Project score and key achievements or deficiencies
Education for all, Vietnam*	This is support for implementation of the Government's Education for all programme. DFID jointly funds it with others including the World Bank.	Dates: Ongoing Cost: £19.3 million	The programme is ongoing. It has made some progress towards increasing educational achievement amongst the poor, particularly ethnic minorities.
Feeder Roads Project, Zambezia, Mozambique	This was a road building project in one province of Mozambique. DFID estimated that 100 per cent of this programme was directed at rural people.	Dates: 1995–2002 Cost: £7.4 million	The project 'largely achieved' its overall purpose and intended outputs, attaining a score of two. The project improved 950 kilometres of rural roads. Over 15,000 people received employment. But, there were problems with road maintenance and quality as well as with the capacity of local authorities to manage ongoing maintenance.
Financial Sector Deepening, Uganda*	This was a range of projects aimed at increasing access to and presence of financial services for the poor and wider development. One of the projects included the setting up of a series of micro-finance groups in western Uganda.	Dates: 2001–ongoing Cost: £7.1 million	The programme is ongoing. We saw that community micro-credit groups had been established and were continuing to operate successfully after the project team left the area.
Gansu Basic Education Project, China	This project aimed to improve educational provision for and achievement of disadvantaged children in remote areas in Gansu. DFID estimated that 100 per cent of this programme was directed at rural people.	Dates: 2000–2006 Cost: £10.1 million	The project 'completely achieved' its overall purpose and its intended outputs, attaining a top score of one. Net primary school enrolment rates in the target areas increased from 79 per cent to 91 per cent. Remote and excluded groups were successfully targeted.
Improving Rural Livelihoods, Uganda	This programme aimed to improve incomes of poor farmers by disseminating farming research and technology. DFID estimated that 100 per cent of this programme was directed at rural people.	Dates: 1999–2004 Cost: £4.5 million	The programme 'largely achieved' its overall purpose and 'completely achieved' the specific planned outputs, attaining a score of two and of one. Though evaluators did not say whether the target to get 4,000 poor farmers to adopt technologies was met they did estimate that 6,000 benefited from the programme either directly or indirectly.
North West Frontier Province Primary Education Programme, Pakistan	The project aimed to improve and sustain improved management of primary education, human and financial resources, with particular reference to girls. DFID estimated that 83 per cent of this programme was directed at rural people.	Dates: 1996–2005 Cost: £6.5 million	DFID gave the project a score of 2 saying it 'largely achieved' its overall purpose and intended outputs. The target to get 75 per cent of district staff to produce gender sensitive programmes was not met, though gains were made. DFID staff felt the support the project gave to the government department was beneficial over the long term.

Project title and location	Outline of project – including estimated rural share of spend	Budget and dates ¹	Project score and key achievements or deficiencies
Polio Eradication, Pakistan	<p>This was a World Health Organisation project to eradicate polio in Pakistan.</p> <p>DFID estimated that 67 per cent of this programme was directed at rural people.</p>	<p>Dates: 2005</p> <p>Cost: £5.2 million</p>	<p>The project ‘completely achieved’ its overall purpose and intended outputs, attaining a top score of one.</p> <p>Six rounds of national immunisation days were completed. The coverage rate exceeded the 95 per cent target in each province.</p>
Programme 135, Vietnam*	<p>This was targeted budget support to the Government’s ‘Programme 135’ – which aimed to help the poorest communities in the country by providing basic infrastructure such as roads, water points or schools. Local people identified their top priorities.</p>	<p>Dates: 2005–2006</p> <p>Cost: £10.1 million</p>	<p>The project ‘completely achieved’ its overall purpose and intended outputs, attaining a top score of one.</p> <p>Poverty reduction in the selected areas exceeded the target. 45 per cent of households had access to drinking water and 90 per cent of the children enrolled in primary schools. Capacity of communities to manage small projects also increased. Funds were also allocated to operation and maintenance.</p>
Public Works Programme, Malawi	<p>This programme aimed to deliver sustainable improvements to the livelihoods of vulnerable and marginalised groups in Malawi through paid employment in public works projects.</p> <p>DFID estimated that 80 per cent of this programme was directed at rural people.</p>	<p>Dates: 2003–2005</p> <p>Cost: £4.0 million</p>	<p>The programme achieved its overall purpose only ‘to a limited extent’ and did ‘partially achieve’ its intended outputs, attaining a score of four and of three.</p> <p>Public infrastructure works were completed and jobs created but the wages offered to workers were too low to allow them to save. So the benefits of the programme were not sustained.</p>
Rural Transport 2, Vietnam*	<p>This was a pilot of provincial sector budget support – to departments of transport in two provinces in northern Vietnam. Funds are used mainly for road building and capacity building.</p>	<p>Dates: 2000–ongoing</p> <p>Cost: £25.7 million</p>	<p>The programme was ongoing and to be extended into a third phase.</p> <p>Capacity has been built at provincial level and roads have been built, though high costs have limited the extent of building.</p>
Safer Motherhood Project, Nepal	<p>The project aimed to increase use and quality of midwifery and obstetrics care in five target areas.</p> <p>DFID estimated that 80 per cent of this project was directed at rural people.</p>	<p>Dates: 1997–2003</p> <p>Cost: £5.8 million</p>	<p>The project ‘largely achieved’ its intended purpose and outputs, attaining a score of two.</p> <p>Rates of use did increase in areas covered by the project at a higher rate than other areas. It also helped to change perceptions of the services in local communities.</p>

Project title and location	Outline of project – including estimated rural share of spend	Budget and dates ¹	Project score and key achievements or deficiencies
School Feeding Programme, Kenya	<p>This support to the World Food Programme and the Government's school feeding project aimed to support enrolment and reduce drop out rates in primary schools, through providing school meals.</p> <p>DFID staff estimated that 90 per cent of this programme was directed at rural people.</p>	<p>Dates: 2004–2006</p> <p>Cost: £2.7 million</p>	<p>The project 'largely achieved' its overall purpose and intended outputs, attaining a score of two.</p> <p>The target of a five per cent increase in completion rates was achieved. However DFID reviewers go on to say this statistic means little since completion of primary schooling takes far longer than the duration of DFID support to the programme.</p>
Shapla: Organisation and Management Development Project, Bangladesh	<p>A technical assistance programme supporting health policy. It aimed to improve outcomes through improved management</p> <p>DFID estimated that 80 per cent of this project was directed at rural people.</p>	<p>Date: 1999–2004</p> <p>Cost: £5.1 million</p>	<p>The project 'partially achieved' its overall purpose and intended outputs, attaining a score of three.</p> <p>Some health clinics were established but the initial re-organisation of fieldworkers was reversed. Planned re-organisation was not achieved within the secretariat.</p>
Shiksha Karmi Project (SKP) Phase 3, Rajasthan, India	<p>This project sought to improve basic education in a set area, particularly among marginalised groups including girls, tribes and caste.</p> <p>DFID estimated that 100 per cent of this project was directed at rural people.</p>	<p>Dates: 1999–2005</p> <p>Cost: £15.8 million</p>	<p>The project 'largely achieved' its overall purpose and intended outputs, attaining a score of two.</p> <p>It exceeded its target to get 90 per cent enrolment of girls and met its target of 70 per cent of pupils reaching class five and having access to upper primary levels. The key problem was that the project did not operate in as wide an area as planned, but was successful in the villages where it did operate.</p>
Zambezia Agricultural Development Project (phase 2), Mozambique	<p>The project aimed to increase agricultural production of poor households in three districts through establishment of farmer groups and use of alternative crops.</p> <p>DFID estimated that 100 per cent of this project was directed at rural people.</p>	<p>Dates: 1998–2003</p> <p>Cost: £6.7 million</p>	<p>The project 'partially achieved' its overall purpose and intended outputs, attaining a score of three.</p> <p>The planned number of farmer groups were not established. Reviewers thought that there had been some improvements in the three districts compared with others but did not provide data.</p>

Source: DFID project completion reports and other project documentation

NOTE

¹ We converted expenditure from US Dollars to British Pounds where necessary using an exchange rate of 0.51 pounds to the dollar.

APPENDIX FIVE

Case study countries

In 2006 the NAO visited Vietnam, Mozambique and Uganda as part of this study. DFID has significant programmes in all three countries. All of the countries also have a high proportion of the poor living in rural areas.

Vietnam

Vietnam is the least aid dependent of the countries we visited, with aid comprising only four per cent of gross national income. The country has a strong government and is on target to become a middle income country by 2010. It has experienced economic growth rates of seven per cent per year. The Vietnamese Government's commitment to poverty reduction is made in its 'Comprehensive Poverty Reduction and Growth Strategy'. It has made good progress in reducing poverty, with poverty rates halving in just over a decade.

92 per cent of the country's poor live in rural areas. Most of the poorest regions are mountainous and very remote, creating particular difficulties with the cost of infrastructure improvements. The government has implemented several targeted programmes to tackle poverty in these areas.

DFID's budget in Vietnam was £40 million per year; around half of this was deployed as budget support direct to the government. DFID also supported targeted government poverty reduction programmes and projects implemented by multilateral organisations such as the World Bank and Asian Development Bank. DFID also funded programmes to improve governance and public financial management in Vietnam. DFID was the seventh largest donor in-country.

Around a quarter of all international aid to Vietnam was spent on the social sectors with around 40 per cent going to economic infrastructure and services.

Mozambique

Mozambique suffered a long civil war which significantly harmed economic growth and increased poverty. The war ended in 1992 and the country has now entered a period of recovery. Mozambique has achieved economic growth of seven per cent per year, and is often cited as an African success story although to some extent this reflected a recovery to pre-war levels of development. The Government of Mozambique's commitment to poverty reduction is made in its poverty reduction strategy. Overseas development assistance comprises 24 per cent of the Government's gross national income.

71 per cent live of the nation's poor live in rural areas. Over 80 per cent of the labour force works in agriculture.

DFID was the fifth largest donor in Mozambique, representing six per cent of all donor contributions. Its country programme budget in 2005-06 was £55 million. Of this, over 60 per cent (£35 million) was channelled through direct budget support. DFID also had a range of other programmes and projects, including sector budget support and support to government processes such as public financial management and tax collection.

Nearly half of all aid to Mozambique goes to the social sectors such as health and education. Less than ten per cent was spent on sectors such as agriculture, fisheries, manufacturing and trade.¹⁹

¹⁹ Organisation for Economic Cooperation and Development figures for 2004.

Uganda

Uganda has suffered ongoing insecurity in the north of the country. This has resulted in the internal displacement of 1.5–2 million people. Nationally, the country achieved a growth rate of 5.5 per cent in 2005, although there has been little development in the north. The Government of Uganda's commitment to poverty reduction is made in its 'Poverty Eradication Action Plan'. Overseas development assistance made up 17 per cent of Uganda's Gross National Income.

In Uganda 87 per cent of the poor live in rural areas. Over 80 per cent of the labour force works in agriculture.

DFID is one of the biggest donors to Uganda alongside the World Bank, USAID and the European Commission. DFID's budget support to Uganda is currently £35 million, some 50 per cent of its total aid programme and is expected to remain at this level, over the next two years. The remaining funds are spent on a variety of projects and programmes, with a focus on governance and public financial management and on addressing humanitarian needs in the north of the country.

Over half of all international aid to Uganda goes to the social sectors including health, education and other basic services. Less than ten per cent of aid was spent on sectors such as agriculture, fisheries, manufacturing and trade.²⁰

²⁰ Organisation for Economic Cooperation and Development figures for 2004.

GLOSSARY

Advisory Group	The term used by DFID for specialist professional groupings. For example the livelihoods advisory group or the health advisory group.
Aid Modality	The mechanism used to deliver aid, varying from use of discrete projects to support to a partner government's budget.
Bilateral Aid	Bilateral aid is provided on a country to country basis directly from DFID to an implementing agency or government.
Budget Support	<p>DFID defines direct budget support a form of programmatic aid in which:</p> <ul style="list-style-type: none"> ■ funds are provided in support of a government programme that focuses on growth and poverty reduction and transforming institutions especially budgetary ones ■ the funds are provided to a partner government to spend using its own financial management and accountability systems. <p>DFID uses the term Poverty Reduction Budget Support (PRBS) to describe its general budget support in poor countries.</p>
Civil Society Organisations	Organisations which are independent of the state and the private sector. These include non-governmental organisations, faith groups and business associations.
Country Assistance Plans	DFID produces Country Assistance Plans for countries where it provides significant development assistance programmes. These plans set out how DFID aims to reduce poverty.
Country Programme	The range of DFID assistance within a country which is managed by a country team, usually based in the country.
Demand driven research	Research that responds to the demands or needs of potential beneficiaries or users. This is in contrast to supply driven research which builds on ideas developed by researchers, policy makers or planners.
Development Assistance Committee	The Development Assistance Committee of the Organisation for Economic Cooperation and Development is a forum for consultation among 22 donor countries and the European Commission on how to increase the level and effectiveness of aid flows to all recipient countries.
European Development Fund	The European Development Fund is the main route through which funds committed under the European Commission's Cotonou Convention are channelled.

International Development Association	Part of the World Bank Group that makes loans to countries at concessional rates of interest.
Livelihoods	
■ Livelihoods spending	DFID categorises its spending by sectors, one of which is 'Livelihoods'. This covers projects and programmes that aim to contribute to better and more secure livelihoods for poor people and includes spending on agriculture, forestry, fisheries, land reform etc.
■ Livelihoods (formerly Rural Livelihoods) advisory group	The advisory group in DFID that specialises in how poor people make a living, with a main focus on the rural poor. The group contains sector specialists on agriculture, forestry, fisheries, agricultural trade etc. The group adopted and pioneered practical use of sustainable livelihoods approaches in the late 1990s.
■ Sustainable Livelihoods approaches	Sustainable livelihoods approaches are based on the principle that poverty focused development assistance should be people centred, responsive, and participatory. They use analytical frameworks that take account of people's assets, the risks they face and the policy and institutional context in which they live and work.
Millennium Development Goals	The United Nations' agreed Millennium Development Goals set goals and specific targets for reducing poverty by 2015. See also Appendix 1.
Multilateral Aid	Aid channelled through international bodies for poverty reduction in aid recipient countries.
Non-Governmental Organisations	These are private, non-profit making bodies. Many are active in development. To qualify for DFID support they must be registered charities.
Poverty Reduction Budget Support	Poverty Reduction Budget Support (PRBS) is DFID's brand name for direct budget support (and includes both general and sector budget support). It is a form of financial aid in which funds are provided directly to a partner Government's central exchequer to support that Government's programmes.
Poverty Reduction Strategy Paper	All countries which receive assistance from the International Development Association produce a document detailing how their policies, actions and spending will contribute to poverty reduction. DFID tries to links its support to priorities identified in countries' own poverty reduction strategies.
Productive Sectors	These sectors include agriculture, fisheries, industry, manufacturing, mining, construction, trade and tourism. They do not include support to governments, financial services or spending on basic social services.
Programme Aid	Programme Aid is financial assistance specifically to fund (i) an integrated programme of support for a particular sector, or (ii) discrete elements of a recipient's budgetary expenditure.
Policy Dialogue	DFID uses the term policy dialogue to describe their attempts to influence policy makers in other developed and developing countries.

Poverty	Using income as the key measure of poverty the World Bank categorise those living below the \$2 a day poverty line as the poor.
■ Extreme Poverty	Those living on less than a dollar a day are the extreme poor. The first Millennium Development Goal aims to halve the number in extreme poverty.
■ Chronic Poverty	People are defined as chronically poor if they remain poor for over five years
Public Service Agreement	A set of measurable targets for the Department's work, as required by the White paper <i>Public Services for the Future: Modernisation, Reform and Accountability</i> .
Remittances	Remittances are money or goods sent back to developing countries by people who are working away from home. Usually, they are transfers between members of the same family in different locations.
Social Protection	Direct transfers to vulnerable groups, usually as cash.
Social Sectors	These sectors include health, education, water supply and sanitation and the provision of other basic services. It does not include expenditure on agriculture, trade, manufacturing or support to the economy.
Technical Assistance	The provision of advice or skills in the form of specialist personnel, training and scholarship, grants for research and associated costs.