



National Audit Office

**DEPARTMENT FOR INTERNATIONAL DEVELOPMENT**  
Tackling rural poverty in developing countries

LONDON: The Stationery Office  
£13.50

Ordered by the  
House of Commons  
to be printed on 12 March 2007



# 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.