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DFID - Study on Rural Poverty in Developing Countries

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PRICEWATERHOUSECOOPERS

Contents

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The project team wishes to record its warm thanks for the willing co-operation provided by all who provided data and views on the topics covered by the study.

1 Introduction

This report was prepared by PricewaterhouseCoopers (PwC) in response to the invitation to tender for the project "NAO Study on Rural Poverty in Developing Countries". The work was completed in August and September 2006.

1.1 Background

The National Audit Office (NAO) is the process of conducting a value for money examination of the implications of the Department for International Development (DFID) programmes for rural poverty alleviation in developing countries.

Your terms of reference and the documents supplied ("*Business Case, Part 1 and Part 2*") give a comprehensive overview of the background and objectives of the study which would:

- Answer the key question: "Are DFID's policies and programmes effective in contributing to rural poverty reduction, in order to achieve the Millennium Development Goals?" The key supporting issues are:
  - Is poverty reduction being achieved among the rural poor?
  - Is DFID funding and activity effective in contributing to poverty reduction in rural areas?
  - Does DFID have the skills, structures and mechanisms in place to ensure that rural poverty is appropriately and effectively addressed in order to contribute to overall poverty reduction targets?
- Assess what DFID has achieved through its projects and programmes in tackling rural poverty, and comment on how its current work in rural areas will help the international community to meet its wider poverty reduction objectives; and
- Make recommendations on how DFID might increase the effectiveness of its contribution to tackling rural poverty.

1.2 Scope

The scope of our support for the main study would include four separate tasks:

- *Task A* – Synthesis of the evaluations of effectiveness of aid. This task has two parts:
  - (i) A paper synthesising the literature available on aid effectiveness;
  - (ii) An assessment of the findings and impacts of DFID-funded research on agriculture and natural resources;
- *Task B* – Analysis of changing approaches to tackling rural poverty;
- *Task C* – Analysis of government spending; and
- *Task D* – Expert panel.

1.3 Approach

We used a range of methodologies to gather and analyse information, including:

- *Review of publications and research* by leading academic organisations, (multilateral and bilateral) aid agencies and nongovernmental organisations (NGOs);
- *Review of evaluation studies* from leading aid agencies and other organisations, including: DFID, the European Commission, and the World Bank;
- *Review of relevant DFID material* such as: statistics on aid, evaluation reports, internal briefing notes and concept and briefing papers;
- *A small number of interviews* with DFID (former and current) staff and other experts on rural development. One of the objectives of these interviews was be to triangulate our findings.
- *Meta-analysis*, where appropriate, in particular for the review of the literature on aid effectiveness in section 2.

1.4 Structure

The rest of report is in five main sections.

Section 2 contains a synthesis of the evaluations of aid effectiveness (task A (i)).

In section 3, we cover the assessment of DFID-funded research on agriculture and natural resources (task A (ii)), and in section 4 we analyse the changing approaches to tackle rural poverty (task B).

The last section contains an analysis of the government spending in Uganda (task C).

2 Synthesis of the evaluations of effectiveness of aid

2.1 Introduction

The past 30 years have seen the publication of a large number of studies on aid effectiveness, but not cost effectiveness. The methods employed to study the subject range from detailed case studies at the project level to regression analyses of the growth impact of aid in samples of almost a hundred countries.

Three main approaches have been used:

- Impact of aid has been evaluated at both the micro and macroeconomic level;
- Cross country as well as single country case studies have been relied upon; and
- Broad surveys of qualitative and inter-disciplinary nature as well as quantitative analyses have been carried out.

Although it is generally agreed that poverty reduction is the main objective of foreign aid programmes, the aid effectiveness literature has focused on evaluating the impact of aid on economic growth. There are two reasons for this focus. Firstly, economic growth is often perceived to be the primary driver of poverty reduction. Secondly, there are very little data available relating to measures of poverty.

2.1.1 Definitions

'*Effectiveness'* is the "extent to which objectives have been achieved and the relationship between the intended impacts and actual impacts of an activity" (NAO).

Assessing the '*cost effectiveness'* of an intervention (eg policy, programme, or project) requires looking at the ratio between the resources used and the outcomes of the intervention.

For the development literature we review in this report assessing *'aid effectiveness*' means examining the strength of relationship between (types of) aid and variables such as economic growth and (rural) poverty reduction.

The expression 'aid effectiveness' is also used at DFID when it is referred to the factors which are considered to be important to have "better aid". Indeed, in order to achieve the Millennium Development Goals (MDGs), DFID needs to secure "more and better aid". Aid effectiveness at DFID refers to the second part of the equation. DFID argues on their website that there is an emerging consensus on aid effectiveness (for example in the OECD) that points to the importance of aid that is "country-owned, aligned and harmonised, focused on the poorest, predictable and untied, delivered through effective institutions, and that focuses on results not inputs. Donors should also use minimal conditions, strengthen accountability and participation, and ensure their own policies are joined up behind the country's poverty strategy."

The box below provides a description of *aid modalities* (Evans et al., 2006).

Aid modalities

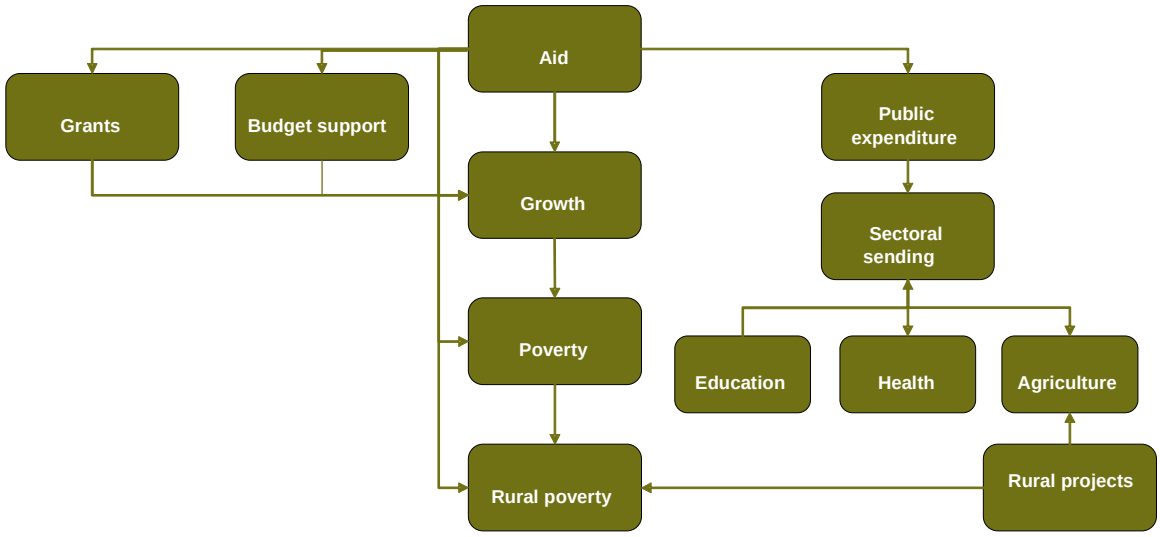
The following aid modalities are most commonly used:

- **Balance of payment support** – assistance is provided in support of a programme of policy reform measures, usually agreed by government with the IMF and the World Bank. This aid modality was particularly significant in the 1980s when it was used primarily to correct problems of debt sustainability, trade imbalances and exchange-rates over-valuation.
- **General budget support** – assistance is provided in support to the government budget and can be used to increase spending, reduce borrowing or reduce taxes. Funding is disbursed into the government accounts and used and managed according to the national public financial management procedures.
- **Sectoral budget support** – this modality is provided with sector conditions usually requiring agreement between government and donors on the sector's policy. Funds are hence earmarked to financing an agreed expenditure plan for the sector and disbursed and accounted for through government systems, sometimes with some additional sector specific reporting.
- **Sector earmarked support or basket funding** – this modality is a variation to the above and is used when specific earmarking within the sector's programme and expenditure plan is required because the donor(s) limits aid to specific expenditure categories within the sector - Mozambique's donor basket funding for the acquisition of pharmaceuticals is an example of this modality.
- **Project aid** – this modality provides a more specific earmarking of expenditures to a set of agreed activities. Project aid can use government or parallel (sometimes donor managed) project-specific financial management systems.

2.1.2 Issues and objectives

Limitations of the literature

The purpose of this paper is to examine the relative (cost)-effectiveness of different types of in promoting rural poverty reduction. As the figure below highlights there are number of ways that different types of aid can impact rural poverty.



It is important to note a number of issues with this task which mean it is difficult to answer this question directly.

- *Mismatch between aid-effectiveness literature and examining cost effectiveness* – The focus of the aid effectiveness literature is to establish at a macro-economic level the relationship between aid and economic growth or poverty. This literature does very rarely examine *cost*- effectiveness, as an

input/output ratio. It is only at the project level, where some rural development projects appraisals have incorporated an efficiency component, that the cost effectiveness of aid has been assessed.

- *Limited disaggregation of aid flows to enable comparison between different types of aid* – There is a limited literature comparing different type of aid approaches, such as grants, loans, sector wide approaches, budget support. Instead there have been stand-alone evaluations of these approaches. Where disaggregation of aid has taken has taken place this has been focused on the impact on growth. There have been a few articles that attempt to disaggregate different types of aid flow and look at the relative cost effectiveness.

- Most evaluations of the effectiveness of aid on rural poverty are *at the project level*, and are not looking at the more macroeconomic impact of aid on rural poverty as the dependent variable[1].

- Poverty reduction can be defined at absolute or in relative terms. As some studies define poverty reduction in relative terms, they therefore examine the impact of growth on inequality.

2.1.3 Approach

Given the limitations highlighted above, we examined three types of studies:

- Studies at cross-country level, looking at the relationships between aid, growth and poverty;

- Studies looking at the relationship between agriculture, growth and poverty; and

- Studies analysing the impact of spending on rural development projects which have the objective of reducing rural poverty.

The questions we are attempting to answer are:

Review of aid-effectiveness literature focusing on aggregate impact on growth and poverty (section 2.2)

- What do we know about the relationship between aid and growth?

- What do we know about the relationship between aid and poverty reduction?

- What do we know about the relationship between growth, poverty reduction and inequality?

- What do we know about the relative effectiveness of different types of aid?

- What do we know about the effectiveness of public expenditure on growth and poverty reduction?

Review of the role of agriculture in rural poverty (section 2.3)

- What do we know about the relationship between agriculture, growth and poverty reduction?

- What do we know about the effectiveness of aid targeted at the rural sector?

2.2 The aid-growth-poverty relationships

2.2.1 What do we know about the relationship between aid and growth?

The literature on the effectiveness of aid focuses almost exclusively on the *macroeconomic* impacts of aid, measuring the effects of aid on economic *growth*, *savings*, and *investment*. It lacks a strong analytical framework and therefore relies heavily on empirical work. However, empirical evidence is ambiguous. Even though methodological issues have been refined, this literature presents inconclusive results.

The focus on whether aid improves GDP growth can be traced back to the *two-gap model* (Chenery and

[1] A dependent variable is a variable that may be predicted by or caused by one or more other variables called independent (explanatory) variables.

Strout, 1966) which remains the most influential theoretical underpinning of the aid effectiveness literature. In this model, developing countries face constraints on savings and export earnings that hamper investment and economic growth. Aid flows are meant to fill the gap between investment needs and domestic savings. Even though this model has been the target of severe criticism almost since its inception, it has provided the underlying principles both for early aid policies (Easterly, 1999) and for regression specifications of most empirical papers, which focused on the aid-growth and aid-savings relationships.

Up to the late 1990s, there was a widespread perception that aid was ineffective at spurring macroeconomic growth in developing countries. However, the World Bank (1998) report "Assessing Aid" reignited the aid effectiveness debate. Burnside and Dollar (eg 1997) provide the background studies to the report, which concludes that aid effectiveness is contingent on the macroeconomic policy environment of recipients: aid is effective at spurring growth in countries with good policies but has little impact in countries with a poor macroeconomic policy environment. The report proceeded by recommending a policy of selectivity where by donors only provide foreign aid to countries with good policies already in place. Collier and Dollar (2001, 2002) confirm the Burnside and Dollar finding and argue that aid should be reallocated to countries with high rates of poverty, which are pursuing good policies.

The 1998 "Assessing Aid" report has been highly influential and has stimulated a number of responses from the academic community. Since the publication of this report, two major strands of the aid effectiveness literature have developed.

The first strand finds that foreign aid is effective irrespective of the policy environment and other country characteristics (Hansen and Tarp, 2000, 2001; Dalgaard and Hansen, 2001; Guillaumont and Chauvet, 2001; Hudson and Mosley, 2001; Lensink and White, 2001; Lu and Ram, 2001; Dayton- Johnson and Hoddinott, 2003; Moreira, 2003; Dalgaard et al, 2004). Most notably, Hansen and Tarp (2001) show that the results of the Burnside and Dollar research are entirely conditional on the omission of five countries from the analysis, deemed as 'outliers'.

The second strand of the literature also finds that aid is effective but that its effectiveness is contingent upon certain country characteristics. McGillivray (2003) summarises these studies. For example, studies have found that aid effectiveness is contingent upon vulnerability to external shocks (Guillaumont and Chauvet, 2001; Collier and Dehn, 2001), political stability (Chauvet and Guillaumont, 2002), post-conflict periods (Collier and Hoeffler, 2002), the level of democracy (Svensson,1999; Islam, 2003), institutional quality (Burnside and Dollar, 2004), whether the recipient is located in the tropics (Dalgaard et al, 2004) and the degree of aid fungibility (Pettersson, 2004).

Guillaumont and Chauvet (2001, 2002) argue that in countries which are vulnerable to external shocks, foreign aid contributes to the sustainability of growth and policy reforms. Aid can cushion the impact of shocks on economic growth and can also allow policy reforms to continue. Guillaumont and Chauvet (2001) use the instability of agricultural production as a proxy for climatic shocks, and the instability of export earnings and the trend in the terms of trade to capture trade shocks. Population is also included since small countries are more likely to be susceptible to external trade shocks. Following the Burnside and Dollar studies, Guillaumont and Chauvet (2002) measure macroeconomic policy using inflation, the budget deficit, and trade openness. They found that aid is more effective in countries subject to external shocks.

Collier and Dehn (2001) argue that aid is more effective in countries which are experiencing negative external trade shocks. They hypothesise that aid can cushion the impact of shocks by acting as a buffer, reducing both the proportionate and absolute change in foreign currency inflows. Shocks are obtained from a model forecasting export prices. In this model the change in each country's export price index is regressed against a constant, a linear time trend, the change in the price index lagged one period, and the level of the price index lagged two periods.

Recent surveys of the aid-growth and related literatures include Hansen and Tarp (2000), Beynon (2001, 2002), Morrissey (2001), Hermes and Lensink (2001) and McGillivray (2003a, 2004a).

McGillivray (2004a) identifies 35 studies empirical aid-growth studies that have been conducted since Burnside and Dollar (1997). Each of these studies provide original empirical results, obtained from either

new or updated data sets, similar data sets but employing different empirical methods or both. Thirty-three of these studies find evidence that aid works. The two studies that fail to find this evidence do not reject the proposition that aid increases growth, but simply that in the context of a Burnside and Dollar analysis of aid one cannot observe a relationship between aid and growth.

Roodman (2004) points to the results of some of these studies being fragile, but does not per se reject the conclusion that aid and growth are positively associated. The author applies a battery of diagnostic tests to the specifications of a number of these studies, testing the strength of each. The results from this extensive testing lends most support to the Dalgaard et al (2004) study which finds that on average aid works but not in countries located in the tropics. Weakest support is found for the Burnside and Dollar finding that aid effectiveness is contingent upon the policy environment. Moreover, Easterly (2003) shows that the Burnside and Dollar result is not robust to changes in other plausible definitions of aid, policies and growth and Easterly et al (2003) find that the Burnside-Dollar finding is not robust when they add additional years and countries to their sample.

The debate over the importance of policy for aid effectiveness continues. There are questions regarding what good polices are, how they should be defined and when policies become 'good'.

Of most importance to this report are the second strand studies by Guillaumont and Chauvet (1999, 2001) and Collier and Dehn (2001). These studies investigate whether aid effectiveness is contingent on the level of 'structural vulnerability' and export price shocks.

While aid is positively associated with growth, there can be too much of good thing, with aid being subject to diminishing returns. This is based on the findings of a number of studies that tested for non-linearity in the aid-growth relationship, with aid being positively related to growth up to a certain level of aid relative to recipient GDP and negatively related thereafter. That diminishing returns exists is a seemingly highly robust finding, with almost all studies testing for such a relationship finding evidence of its existence. Among the studies reporting diminishing returns are Durbarry et al. (1998), Collier and Dollar (2002), Collier and Hoeffler (2002), Hansen and Tarp (2000, 2001), Dalgaard and Hansen (2001), Hudson and Mosley (2001), Lensink and White (2001) and Dalgaard et al. (2004). These studies find that negative returns set-in when the aid inflow reaches anywhere between 15 and 45 per cent of GDP.

This has been interpreted as indicating limited aid absorptive capacities, with recipient governments being limited in the amounts of aid they can use effectively (Clemens and Radelet, 2003). This is not, though, an argument against aid. It is an argument for donors being conscious of absorptive capacities and to work with recipient countries to remove bottlenecks to aid effectiveness. This is an important matter if aid flows are to be increased to help achieve the MDGs.

Finally, foreign aid might have a negative impact on the rural sector if it induces real exchange rate appreciation and 'Dutch Disease' effect. We do not review here this strand of the literature.

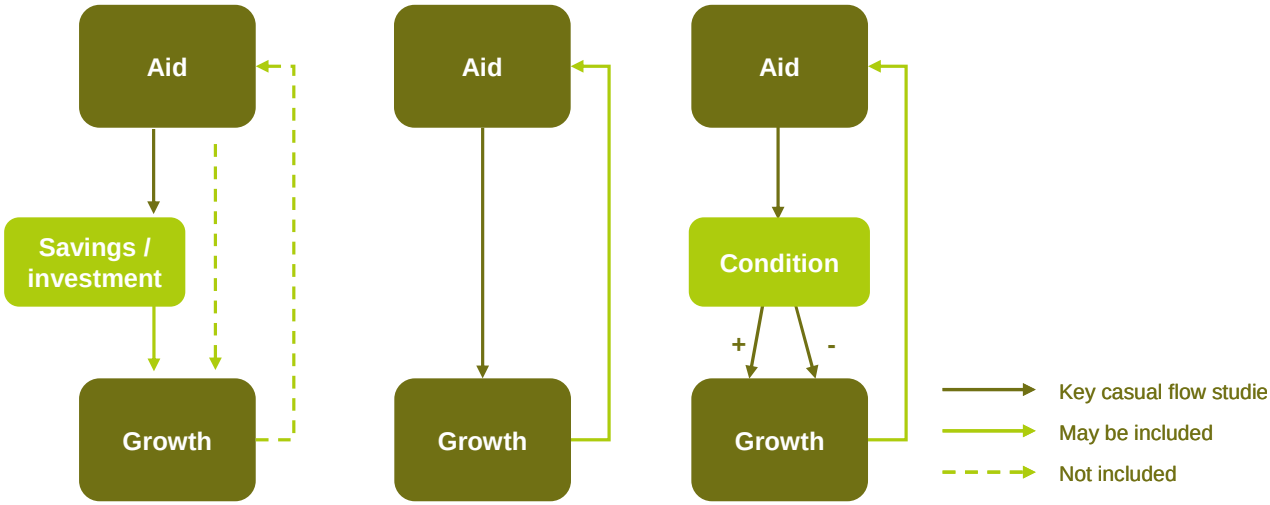
Summary of aid to growth regressions - review of existing meta studies

Doucouliagos and Paldam (2006, 2005a, 2005b)

Doucouliagos and Paldam reviewed 97 studies, and categorised the models into three types (see figure below):

- It started with a first wave of "accumulation" models (left in the figure below), first savings models and then gradually investment models;
- Then came the larger wave of "growth direct" type models; and
- Finally, since 1995, "conditional" type models emerged. This wave of papers is still on the upswing, so we are likely to see many more papers in the field.

The three families of models in the (Doucouligos and Padam, 2006)



The results vary remarkably. The aggregate results are summarised in the table below. Even when the average effect of aid is positive, it is small and of dubious statistical significance

Main conclusions from the three meta studies (Doucouliagos and Paldam, 2006))

Type	Casual link	Conditional on	Conclusion	Significance
Family A	Aid → investment Aid → savings		App. 0.25 App. -0.75	Dubious Dubious
Family B	Aid → growth		Positive, small	No
Family C	Aid / condition → growth	Good policy Aid itself (aid squared)	Rejected Positives small	Dubious

Overall they conclude that about 25 per cent of aid becomes increased accumulation. With an aid share of 2½ per cent this gives an extra share of accumulation of ½ per cent. If we consider that the average rate of accumulation is about 12½ per cent, aid raises that share by 4 per cent. With a real rate of return of 5 to 10 per cent, that should increase growth by around 0.03 per cent. It is not large, but it accumulates. If the average project has a lifespan of 10 years, a permanent flow of aid should thus add up to at most 0.3 per cent of growth.

Finally they conclude that there appears to be enough evidence to conclude that the results differ between the different regions of the world. Aid is more effective in Asia and Latin American than in Sub-Sahara Africa. In the poorest region of the world aid is not pushing a development process well under way, but trying to start such a process and that is particularly difficult.

Hansen and Tarp (2000)

Hansen and Tarp have surveyed three generations of empirical work: early Harrod-Domar models, reduced form[2] aid-growth models, and new growth theory reduced-form models. They find a consistent pattern of results. Aid increases aggregate savings; aid increases investment; and there is a positive relationship between aid and growth in reduced form models. The positive aid-growth link is a robust result from all three generations of work.

[2] The 'reduced' form of an econometric model has been rearranged algebraically so that each endogenous variable is on the left side of one equation, and only predetermined variables (exogenous variables and lagged endogenous variables) are on the right side.

As a corollary, using perceived ineffectiveness of aid as an argument against cross-country regressions at large is not substantiated. Important information is embedded in the similarities among countries, and cross-country work does provide clues to how aid interacts with savings, investment, and growth.

Their survey is based on an inventory, including 131 cross-country regressions identified in the literature published from the late sixties to 1998. They examine the three dependent variables include savings (S), investment (I), and growth (G), with aid inflows as the explanatory[3] variable.

- However, in many of the early aid effectiveness studies inflows are not identified separately from other foreign capital inflows. The 131 regression results are classified in two groups. In the first group, with a total of 104 regressions, the explanatory variables include a clearly identified measure of aid (A), roughly equivalent to the DAC (Development Assistance Committee) concept of official development assistance (ODA).

- The remaining 27 studies, in which aid cannot be separated from the various aggregate foreign inflow measures, were placed in a second group (F).

The number of regressions in which the impact of either A or F on respectively S, I, and G is analysed adds up to respectively 41, 18, and 72. They then recorded the number of significantly positive, insignificant, and significantly negative relations between the dependent and the explanatory variables. A summary of the results is in the table below.

Impact of foreign aid and resource flows on savings, investment, and growth (131 cross-country regressions) (Hansen and Tarp, 2000)

Dependent variable	Explanatory variable							
	Foreign aid flows *(A)*				Foreign resource flows *(F)*			
	(-)	(0)	(+)	Total[a]	(-)	(0)	(+)	Total
Savings $H_0 : \alpha_1 = 0$	14	10	0	24	11	5	1	17
Savings $H_0 : \alpha_1 = -1$[b]	1	13	8	22	0	7	10	17
Investment $H_0 : \alpha_1 = 0$	0	1	15	16	0	0	2	2
Growth $H_0 : \alpha_1 = 0$	1	25	38	64	0	6	2	8

Notes: The null-hypotheses (H_0) are tested at a 5 per cent significance level against a two-sided alternative.

[a] The total number of regressions in the $\alpha_1 = 0$ and the $\alpha_1 = -1$ savings-rows are not the same (24 and 22) due to missing data on standard errors for two regressions.

[b] Since (H_0) in this row is $\alpha_1 = -1$, the cells (-), (0) and (+) represent $\alpha_1 < -1$, $\alpha_1 = -1$, and $\alpha_1 > -1$, respectively.

The table shows that there is only one study reporting an estimate of savings which is significantly greater than zero. Hence, arguments suggesting that the impact of aid on domestic savings is positive are speculative. More than 60 per cent of the observations (25 out of 41, see row 1) show a significant negative coefficient from aid to savings, which suggests that aid cannot be assumed to increase total savings on a one-to-one basis. There are therefore empirical grounds on which to conclude that the early extreme pro-aid view of the macroeconomic impact of aid is not robust. At the other extreme of the debate, the negative parameter estimates (row 1) have been interpreted as a confirmation that aid is harmful to growth.

[3] A regression function describes the relationship between dependent variable Y and explanatory variable(s) X. One might estimate the regression function m() in the econometric model Yi = m(Xi) + ei where the ei are the residuals or errors.

In the next series of studies the focus moved from aid-savings relation to estimating the link between *aid* and *growth*. Some estimated the link via investment and some in directly reduced equations. The underlying structural model[4], the focus relies on capital accumulation and is consistent with the Harrod-Domar model or a simple Solow growth model.

The number of studies that find significant link between aid and growth is impressive, especially given the simplicity of the reduced form equation and the quality of data relied on; and the reduced form 'Papanek-type regressions'[5] that found a significant aid – growth link are in general based on more observations than those that found insignificant links.

Summary of what we know about the relationship between aid and growth

- The relationship between aid and growth remains inconclusive. Empirical evidence is ambiguous.
- Geography is found to be influential on economic growth and there appears to be enough evidence to conclude that aid has different effects in different developing countries.
- Aid increases aggregate savings; aid increases investment; and a number of models do show that there is a positive relationship between aid and growth.
- The debate over the importance of policy on aid effectiveness continues. There are questions regarding what good polices are, how they should be defined and when policies become 'good'.
- In short, the results of research on the relationship between aid and growth vary depending on the models, data and countries of analysis. The debate is on-going and left open to further study.

Explanations of mixed results of studies of the relationship between aid and growth

Three main arguments have been advanced to explain the mixed results of most aid effectiveness studies: aid is misallocated (donors give aid for strategic reasons to the wrong recipients); aid is misused (recipient governments pursue non-developmental agendas); and GDP growth is not the right measure of aid effectiveness.

- First, while all aid effectiveness papers implicitly define the donors' objective as solely the promotion of economic growth or the reduction of poverty in the recipient countries, a parallel strand of literature on aid allocation has shown that most donors often pursue a different underlying agenda and allocate aid also according to their own strategic interest. If a significant part of aid is allocated for strategic purposes, no positive impact in terms of growth or poverty alleviation should be expected.

- Second, most studies on aid effectiveness assume that the recipient government shares the donor's officially altruistic objective. This need not be so. As argued by Svensson (2000) and Murshed and Sen (1995), a recipient government and a perfectly altruistic donor can have conflicting objectives, as the former represents a variety of stakeholders, including wealthy individuals who might influence the aid distribution. If foreign aid is misallocated and misused, then it cannot be expected to have a significant impact on growth.

- Third, as suggested by Boone (1996), aid effectiveness should not be measured by its impact on GDP growth. Aid could be increasing consumption rather than investment, which would explain the disappointing results of studies on growth, but still reduce poverty through either "higher consumption of the poor or greater provision of services to the poor."

2.2.2 What do we know about the relationship between aid and poverty reduction?

Till the late nineties, few studies examined the direct relationship between aid and poverty reduction, without examining growth. Collier and Dollar (1999, 2001, 2002) changed this state of affairs with their

[4] A 'structural model' is a system of simultaneous equations model.

[5] Papanek is an economist who in the early seventies argued that focus in the aid-effectiveness debate should shift away from the aid–savings relationship to examining the effects of aid on the various elements of investment and growth. Accordingly, he proposed a model in which the different financing components of investment - domestic savings, aid, and other foreign capital inflows - are separated.

'aid selectivity' model of inter-country aid allocation. This model provides a 'poverty-efficient' inter-country aid allocation that provides a benchmark guide to donors pursuing poverty reduction as the prime operational criterion. A poverty-efficient allocation is one that minimises the total number of people living in the world below the chosen, international income poverty line.

According to the 'prescriptive' Collier-Dollar aid selectivity model, aid allocated to each country is an increasing function of its poverty level and 'Country Policy and Institutional Assessment' (CPIA) score, and a decreasing function of its national per capita income. Countries with inferior policy regimes receive less aid in this model, therefore, as these regimes are thought to reduce the impact of aid on growth and thus poverty reduction. The poverty-minimising, optimal allocation is one in which an extra dollar of aid in any given country decreases the number of people living below the income poverty line by an identical amount as in any other country. The Collier-Dollar selectivity builds on the empirical work of Burnside and Dollar (1997, 2000), in particular on the notion that the effectiveness of aid in promoting growth is contingent on the policy regimes of recipient countries.

Aid can of course contribute to poverty reduction or, more generally, well-being enhancement more directly, via channels other than growth. Growth is not the only means of reducing poverty, nor is it necessarily the most efficient way.

Gomanee et al. (2002b) look at aid and pro-poor expenditures, finding that aid is associated with increases in these expenditures and in turn improvements in overall 'well-being achievement' (measured for example by the Human development Index, HDI[6]).

Kosack (2003) found that, contingent on the extent of democracy in recipient countries, aid was positively associated with the level of well-being achievement among countries, as measured by the HDI.

Asra et al (2005) also look at the issue of aid effectiveness from the perspective of poverty reduction, rather than economic growth as the goal of economic assistance. The main focus of the paper is to assess quantitatively the impact of aid on poverty reduction. The most important result is that aid and aid-squared both have significant coefficients but with different signs (positive for aid and negative for aid-squared). This result shows that aid is effective when it is moderate in volume but becomes ineffective when the size of the aid programme exceeds a critical value set by the *absorptive capacity* of the country concerned.

The paper also explores the causal link between *macroeconomic policy* and aid effectiveness in reducing poverty. In contrast with the Burnside and Dollar findings, their regression results indicate that the effectiveness of aid in reducing poverty is not contingent on the macro policy environment. Similarly, with regard to aid interaction with the quality of governance, the results suggest that aid effectiveness does not hinge on the level of quality of governance. In other words, while the macro policy environment and the quality of governance have a direct bearing on poverty reduction, the effectiveness of aid is not critically contingent on them. Aid has on average been effective, their regression results confirm, under a whole variety of circumstances—in terms of policy environments and quality of governance—in a wide diversity of developing countries.

With respect to the impact of macroeconomic policy on poverty reduction, the paper offers mixed results. Taking a more disaggregated look at the different elements of macroeconomic policies, they find that some regression equations suggest that openness has a positive impact on poverty reduction, i.e. greater openness helps reduce poverty, a result that is consistent with a large body of literature. The effect of openness on poverty reduction, however, disappears once the interactions of aid with the quality of governance index or with the macroeconomic policy variables are introduced. The size of government expenditure is found to have a negative impact on poverty reduction.

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[6] The human development index (HDI) is a composite index that measures the average achievements in a country in three basic dimensions of human development: a long and healthy life, as measured by life expectancy at birth; knowledge, as measured by the adult literacy rate and the combined gross enrolment ratio for primary, secondary and tertiary schools; and a decent standard of living, as measured by GDP per capita in purchasing power parity (PPP) US dollars.

They also find that aid has been more effective in the East Asia and the Pacific (EAP) compared to in other regions. EAP countries have shown faster poverty reduction than countries in the other areas even after controlling for initial conditions and policy differences. On the other hand, Sub-Saharan African (SSA) countries have shown slower poverty reduction even after controlling for all other factors. This indicates that there are factors above and beyond those captured by the macroeconomic policy and governance variables that favour EAP and disfavour SSA in poverty reduction. This may have to do with social, cultural, and geographical factors not captured in the analysis.

Summary of what we know about the relationship between aid and poverty reduction

- The effect of aid on growth is conditional on policy: aid has more of an effect in a good policy environment, that is, aid in promoting growth is contingent on the policy regimes of recipient countries.
- The quantity of aid received has no systematic effect on policy;
- Aid is often fungible and it is difficult to target it to particular services or particular groups (such as the poor);
- In low-income countries, there is a strong relationship between per capita income growth and the speed of poverty reduction; and
- There are diminishing returns to aid: aid is effective when it is moderate in volume but becomes ineffective when the size of the aid programme exceeds a critical value set by the absorptive capacity of the country concerned.
- There seem to be social, cultural, and geographical factors beyond those captured by the macroeconomic policy and governance variables that favour poverty reduction.

2.2.3 What do we know about the relationship between growth, poverty reduction and inequality?

There is now some economic literature regarding the relationships between growth and poverty reduction.

Definitions of 'pro poor growth'

One finds two quite different definitions of 'pro-poor growth' in recent literature and policy-oriented discussions:

- By definition 1, pro-poor growth means that poverty falls more than it would have if all incomes had grown at the same rate (Baulch and Schlock, 2000; Kakwani and Pernia, 2000).
- By definition 2, pro-poor growth is growth that reduces poverty (Ravallion and Chen, 2003).

It is important to note this distinction as many of the papers focus on *relative* poverty, so inequality, as opposed to *absolute* poverty.

Is "growth good for the poor"?

The study by Dollar and Kraay ("Growth is Good for the Poor," 2002) provoked wide debate by documenting the empirical regularity between growth and poverty using a panel data of 92 countries over the last four decades. Their analysis concludes that, on average, the mean income of a country's poorest quintile rises and falls at the same rate as average national income. The growth elasticity of poverty (poverty rates measured by headcount) has an estimated value of one. Moreover, other policy-related factors usually considered important to reduce poverty, such as public expenditures on health and education, and improvements in labour productivity in agriculture, were found to have little marginal effect on the average income of the poorest.

The controversies sparked by these findings have surrounded such questions as the role of inequality in determining the importance of growth for the poor, and the impact of education on poverty, after controlling for per capita income and other variables.

Gundlach, Pablo and Weisert (2004) critique the Dollar and Kray finding that income of the poor is not systematically related to expenditures on *education*. Public expenditures on education could be a poor measure of the formation of human capital, and would not reflect the impact of education itself on poverty reduction. This cross-country study finds that education is not distribution neutral, and thus educational attainment (not necessarily education expenditures) may allow the poor to benefit from growth to a

greater extent. The authors also find that education is not distribution neutral, and thus educational attainment (not necessarily education expenditures) may allow the poor to benefit from growth to a greater extent.

Growth and Inequality

The relationship between growth and inequality

On the *growth to inequality* relationship, the results found in the empirical literature are unanimous. The results in Deininger and Squire (1996), Chen and Ravallion (1997), Easterly (1999) and more recently Dollar and Kraay (2002) all suggest that growth, as such, does not have an impact on inequality.

The literature on the *inequality to growth* link is less unanimous. Alesina and Rodrik (1994) and Perotti (1996) use one cross section to run a regression of the average yearly growth rate of per capita GDP over 1960-85 on initial inequality (as measured by the Gini coefficient[7] in Alesina and Rodrik (1994) and as measured by the share in income of the third and fourth quintile in Perotti (1996)) and a number of standard control variables[8].

Inequality can lead to political instability, social tensions and conflicts that reduce growth by deterring foreign and domestic investment, increasing the cost of doing business and reducing the security of property rights. There is strong evidence of a causal link between the initial level of inequality and growth. Empirical studies find a negative impact of high inequality on growth (Galor and Zeira, 1993, Persson and Tabellini, 1994, Alesina and Rodrik, 1994). Moreover, there is evidence that in countries with initially high levels of inequality, economic growth is less effective at reducing poverty (Bigsten and Levin, 2001, Lustig et al, 2002).

There is an identity linking changes in the level of poverty in any given country with changes in the average income level (i.e. growth) and changes in income inequality (i.e. income redistribution). This would suggest that a sensible poverty reduction strategy will have to focus both on growth issues and on the pattern of that growth (i.e. who benefits from growth). But what is the relative importance of these elements?

In a recent paper, Kraay (2004) has explored these issues and identified three potential sources of pro-poor growth (understood as growth that leads to a fall in a given poverty measure). These are: (i) a high growth rate; (ii) a high sensitivity of poverty to growth; and (iii) a poverty reducing pattern of growth. His results suggest that roughly 70 per cent of the variation in short-run changes in poverty can be explained by growth in average incomes. In the medium- to long-run, growth would account for an impressive 97 per cent of the changes in (headcount) poverty. Virtually all of the remainder of the variance would be due to changes in relative incomes, with the cross country sensitivity of poverty to growth accounting for little of the variation. The author also finds that the relevance of growth for poverty reduction declines as one move from headcount poverty to the squared poverty gap[9]. He explains this finding by noting that more bottom sensitive poverty measures place more weight on changes in the distribution of income than on growth.

A common empirical finding in the recent literature is that changes in inequality at the country level have virtually zero correlation with rates of economic growth (Ravallion and Chen, 1997; Ravallion, 2001; Dollar and Kraay, 2002. Amongst growing economies, inequality tends to fall about as often as it rises, i.e. growth tends to be distribution neutral on average. For example, across 117 spells (time periods) between successive household surveys for 47 developing countries Ravallion find a correlation coefficient of only 0.06 between annualized changes in the Gini index and annualized rates of growth in mean household income or consumption as estimated from the same surveys (Ravallion, 2003). Thus

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[7] The 'Gini coefficient' (named after the Italian statistician Cerrado Gini) was developed to measure the degree of concentration (inequality). It ranges between 0 (perfect equality), and 1 (perfect inequality).

[8] A 'control' variable is a variable that is held constant or whose impact is removed in order to analyze the relationship between other variables without interference, or within subgroups of the control variable.

[9] The 'poverty gap' is defined as the average shortfall of the poor with respect to the poverty line, multiplied by the head count ratio.

economic growth is not typically pro-poor.

However, one must be careful in interpreting such evidence from at least four points of view.

- Firstly, there is likely to be considerable measurement error in the changes in inequality over time — weakening the power of such tests for detecting the true relationship.

- Secondly, an inequality index such as the Gini index may not reflect well how changes in distribution have impacted on poverty — that depends on precisely how the distributional changes occur. In theory it is possible for the Gini index to increase while the percentage of people living below the poverty line remains the same; this appears to be rare in practice however.

- Thirdly, finding that there is no change in overall inequality can be consistent with considerable 'churning' under the surface, with gainers and losers at all levels of living.

- Fourthly, an unchanging Gini index with growth can mean large increases in absolute income disparities.

On the same data set, Ravallion (2003) finds a strong positive correlation coefficient of 0.64 between annualized changes in the *absolute* Gini index (in which absolute differences in incomes are not scaled by the current mean) and rates of growth in mean household consumption. Growth in average income tends to come with higher absolute disparities in incomes between the rich and the poor. Arguably, it is the absolute changes that are more obvious to people living in a growing developing economy than the proportionate changes. So it may well be the case that much of the debate about what is happening to inequality in the world is actually a debate about the meaning of inequality (Ravallion, 2003).

While recognizing these caveats, the fact that growth tends to be distribution neutral on average makes it unsurprising that the literature has also found that *absolute* poverty measures tend to fall with growth (World Bank, 1990, 2000; Ravallion, 1995; Ravallion and Chen, 1997; Fields, 2001; Kraay, 2003).

The elasticity of the "$/day" poverty rate to growth in the survey mean is around minus 2 , though somewhat lower (in absolute value) if one measures growth rates from national accounts (Ravallion, 2001)[10]. The significant negative correlation between poverty reduction and growth in the mean from surveys is found to be robust to correcting for the likely correlation of measurement errors in the poverty measures and those in the mean, using growth rate in the national accounts as the instrumental variable (Ravallion, 2001). Economic growth is thus typically pro-poor.

However, there is wide variation in the impact of a given rate of growth on poverty. Across a cross-country panel of spells (time periods) constructed between successive surveys, the 95 per cent confidence interval implies that a 2 per cent annual growth rate in average household income will bring anything from a modest drop in the poverty rate of 1 per cent to a more dramatic 7 per cent annual decline (Ravallion, 2001). The elasticity tends to be higher (in absolute value) for higher-order poverty measures (such as the squared poverty gap) that reflect distribution *below* the poverty line. Thus the gains to the poor from growth are clearly not confined to people near the poverty line, but reach deeper.

Finding that growth tends to be distribution neutral on average does not, of course, mean that distribution is unchanging. Whether inequality is rising or not can make a big difference to the rate of poverty reduction. Amongst growing economies, the median rate of decline in the"$1/day" headcount index is 10 per cent per year amongst countries that combined growth with falling inequality, while it is only 1 per cent per year for those countries for which growth came with rising inequality (Ravallion, 2001). Either way poverty tends to fall, but at very different rates. (And similarly amongst contracting economies; poverty rises on average, but much more rapidly when inequality is rising than falling.) Changes in distribution

[10] The total growth-elasticity of poverty is defined as the relative change in the poverty headcount between two periods for a one per cent growth in mean income (assuming that the poverty line remains constant in real terms).In contrast, the partial growth elasticity of poverty as defined by in Bourguignon (2003), is the relative change in the poverty headcount for a one per cent growth in mean income holding inequality constant.

matter even more for higher-order poverty measures, such as the Watts index, which can respond quite elastically to even small changes in overall inequality.

Given that growth is roughly distribution-neutral on average, it is not surprising that growth in the developing world as a whole has brought down overall poverty measures. Indeed, there has been a trend decline in the incidence of absolute poverty and the total number of poor over the bulk of the 1980s and 1990s. For example, the number of poor (by the $1/day standard) fell by about 100 million in the 1990s, representing a decline of about 0.7 points per year (Chen and Ravallion, 2004).

The story on *relative* poverty is not so clear. By the Chen-Ravallion relative poverty measure, the incidence of relative poverty has been falling in the 1990s though with a rising number of relatively poor (Chen and Ravallion, 2001). Higher rates of growth would thus be needed to bring down relative poverty.

Despite the controversies surrounding the magnitude of the impact of growth on poverty, and the importance of other variables such as education, there is no question regarding the direction of the impact of growth on poverty overall. Even taking Ravallion's (2004) worst inequality scenario (which is often the case in middle income countries), the growth poverty elasticity is still around 0.6. Although a low number, making growth in the case of high inequality, as Ravallion comments, a "blunt instrument against poverty," it does not suggest ignoring growth. And in fact, Ravallion (2004) finds poverty rate elasticities as high as 4.3, suggesting that most countries would have elasticities greater than one. Using a different measure of poverty impact – the average income of the poorest quintile – Dollar and Kraay find an elasticity of growth equal to one.

As Lopez (2004) notes we know that policies affect average income growth, that average income growth affects poverty, and that income distribution affects the influence of growth on poverty. But we do not know how policy affects income distribution and how income distribution affects growth. Also, Bigsten and Levin (2005) comment in their review of the literature regarding the relationships between growth, distribution and poverty, "there could be a conflict between short-term distributional measures and immediate poverty reduction on the one hand, and long-term growth-supporting measures and long-term poverty reduction, on the other hand."

Returns to education

Tsangarides, Ghura and Leite (2000) confirm that growth raises the income of the poor, but the relationship is typically less than one-to-one, implying that a simple pro-growth strategy to lower poverty could increase the disparity between the poor and the average population. This study gives evidence that higher educational status (along with lower inflation, lower government consumption, and higher levels of financial sector development) would be a component of 'super pro-poor' strategy to both raise the incomes of the poor and to lessen income disparities. This cross-country growth perspective is highly consistent with the literature on household survey analysis, where there is a broad consensus that education is important for raising poor household incomes.

Analyses of household surveys almost always show raising returns to education, although these returns, of course, are influenced by education quality, parents' schooling, and other variables. Importantly for the rural poor, the returns to education depend also on the activities in which that education might be applied. Returns to schooling are higher in urban areas than in rural areas, and higher for non-farm activities than for farming (see for Latin America, Lopez and Valdes, 2000).

Other approaches

There is, however, a different way to look at this issue – by focusing on the expected change in poverty (rather than on the share of variance explained) that would be associated with a one per cent growth rate (i.e. the growth elasticity of poverty), and how this impact is affected by inequality.

Ravallion (1997) presents an empirical model of the relationship between poverty and growth where the rate of poverty reduction associated with a given growth rate depends on a distributional correction (one minus the initial Gini index).

In Ravallion (2004) the model is improved (in empirical terms) by using an adjustment for possible nonlinearities in the relationship between the growth elasticity of poverty and the initial inequality. His

estimates would suggest that depending on the initial level of inequality a one per cent increase in income levels could result in a poverty reduction of as much as 4.3 per cent (very low inequality countries) or as little as 0.6 per cent (high inequality countries). The author concludes that "growth will be quite a blunt instrument against poverty unless that growth comes with falling inequality".

Bourguignon (2003) also focuses on the impact of growth on poverty reduction. However, he adopts a different approach. Specifically he explores alternative specifications for the relationship between poverty, inequality and growth and concludes that, at least for headcount poverty, assuming that income follows a 'log normal distribution'[11] may prove satisfactory. This in turn is useful because it allows computing the growth and the changes in inequality elasticities of poverty as a function of per capita income levels (relative to the poverty line) and inequality (as measured by the Gini).

A similar point is made by Lopez and Serven (2004), who using a large cross country dataset on income/expenditure inequality formally test the null hypothesis[12] of log normality for the size distribution of income/expenditure. Their results suggest a rejection of the null hypothesis for per capita expenditure, but they are unable to reject the null for per capita income. With this functional form it follows that, consistently with Ravallion (1997, 2004), inequality is a brake for poverty reduction.

However, it also follows that poverty (as measured by low per capita income) is also a barrier to poverty reduction. In particular, both Bourguignon (2003) and Lopez and Serven (2004) illustrate how the impact on poverty of a one per cent growth rate declines as per capita income declines relative to the poverty line.

Summary of what we know about the relationship between aid and poverty reduction

- The case is strong that sustained growth remains a necessary condition for poverty reduction.
- A common empirical finding in the recent literature is that changes in inequality at the country level have virtually zero correlation with rates of economic growth. Growth, as such, does not seem to have an impact on inequality.
- Given that growth is roughly distribution-neutral on average, it is not surprising that growth in the developing world as a whole has brought down overall poverty measures.
- There is strong evidence of a causal link between the initial level of inequality and growth. Empirical studies find a negative impact of high inequality on growth. Moreover, there is evidence that in countries with initially high levels of inequality, economic growth is less effective at reducing poverty.
- Poverty is a barrier to poverty reduction: the impact on poverty of growth rate declines as per capita income declines relative to the poverty line.
- Educational attainment (not necessarily education expenditures) may allow the poor to benefit from growth to a greater extent.
- These findings would justify poverty reduction strategies with a pro-growth bias in low income and low inequality countries and policy packages that adequately balance growth and inequality objectives in richer and more unequal countries.

2.2.4 Relative effectiveness of different types of aid

The 'aggregation bias'

A major problem with most of the existing literature on aid effectiveness is the neglect of the

[11] In probability and statistics, the 'log-normal distribution' is the probability distribution of any random variable whose logarithm is normally distributed.

[12] In statistics, a null hypothesis is a hypothesis set up to be nullified or refuted in order to support an alternative hypothesis. When used, the null hypothesis is presumed true until statistical evidence in the form of a hypothesis test indicates otherwise.

heterogeneous character of aid inflows. It has been correctly argued that aid is heterogeneous and each of its components exerts different (eg macroeconomic) effects on the aid-recipient economy. The use of a single, aggregate measure for aid, a typical feature of the aid effectiveness literature, cannot capture this aid heterogeneity. This lead to an 'aggregation bias' in the evidence reported (Cassen, 1994; Mavrotas 2002a, 2002b; Mavrotas and Ouattara 2003a, 2003b).

This important issue has been addressed by the recent aid effectiveness literature. Recent studies have disaggregated foreign aid into its various components to investigate whether different types of aid impact differently on growth.

Bilateral versus multilateral aid

For example, Ram (2003, 2004) uses the same dataset of Burnside and Dollar (2000) and identifies large differences between the impacts of *bilateral* and *multilateral* aid, but this is not conditional on the policy environment of the country. Bilateral aid is found to have positive and statistically significant impact on growth while multilateral aid is found to have a negative impact.

Impact of different types of aid on the fiscal variables of the aid-recipient country

Mavrotas (2003) uses an aid disaggregation approach to examine the impact of different types of aid on the fiscal variables of the aid-recipient country (such as government revenues and expenditures). It uses time-series data on different types of aid (project aid, programme aid, technical assistance and food aid) for Uganda, an important aid recipient in recent years, to estimate a model of fiscal response in the presence of aid which combines aid disaggregation and endogenous aid.

The findings suggest the importance of disaggregating aid for delving deeper into aid effectiveness issues since different aid categories have different effects on key fiscal variables, an impact that could not be revealed if a single figure for aid was employed. More precisely, project aid and food aid appear to cause a reduction in public investment whereas programme aid and technical assistance are positively related to public investment. The same applies for government consumption. A negligible impact on government tax and non-tax revenues, and a strong displacement of government borrowing are also found.

Short versus long term impact of aid

Another contribution to the aid effectiveness literature examines the issue of aid disaggregation further. Clemens et al (2004) disaggregate total aid into 'short impact' and 'long impact' aid variables. *Short impact* aid relates to aid flows that can be expected to increase GDP per capita within approximately four years. This time period was chosen since most studies use cross-country data with observations averaged over a four or five year period. The authors argue that such aid includes budget support and project aid for infrastructure or to support transportation, communications, energy, banking, agriculture and industry.

Long impact aid relates to aid flows that might be expected to increase GDP per capita but which is unlikely to do so within four years of its disbursement. It is argued that such aid includes technical cooperation, social sector investments in health, education, population control and water. They also categorise some flows as 'humanitarian' which relate to emergency assistance and food aid. Humanitarian aid is not expected to impact on growth.

A problem that the authors had to address is that disaggregated aid *disbursements* (Official Development Assistance, ODA) by specific purpose are not available from the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). There have been recent attempts to compile detailed disaggregated disbursements for the 1990s but these data do not include all donors. Aid disbursements are disaggregated into grants and loans and by source (for example, bilateral and multilateral donors). However, aid *commitment* data, disaggregated into 233 distinct purposes are available since 1973 from the DAC. Further, each purpose is allocated one of four prefix codes entitled 'investment project', 'other resource provision including commodities and supplies', 'technical cooperation', and 'programme aid/cash'.

The authors categorise aid flows into short-impact and long-impact using this information. Firstly, the 233 purpose codes are assigned to one of the categories: short-impact, long-impact and humanitarian. Secondly, all aid for 'technical cooperation' is classified as long-impact aid while all 'programme aid/cash'

is classified as short-impact aid. Thirdly, the remaining two prefix codes are categorised according to their purpose codes assigned to them in the first stage. The final step of the classification procedure is to assume that the fraction of disbursement in each of the three aid categories is equal to the fraction of commitments in each category in each period.

The authors find that approximately 45 per cent of total aid flows can be classified as short impact. They proceed by finding a positive and statistically significant association between short impact aid and economic growth using panel data averaged over a four-year period. Moreover the impact is found to be about two or three times larger than in studies using aggregate aid and is not conditional on the quality of institutions or policies.

Grants versus loans

The effectiveness of aid debate has also centred on comparative advantages of grants versus loans, which have different fiscal implications. It is argued that grants are free resources which are substitutes for domestic revenues, while the burden of future loan repayments induces policy makers to mobilise taxes or at least protect current levels of revenue collection (Brautigam, 2000). The dampening effect of grants on revenues is favourable on economic development needs to be judged on a case by case basis. In some cases a reduction in tax burden can reduce growth by freeing resources for the private sector.

However reduced revenues and the resulting dependence on aid may lead to adverse macroeconomic consequences: first, aid is more volatile and unpredictable than revenues; second, poverty-reducing spending becomes dependent on aid can be cut should aid inflows decline or cease; third the growing dependence on aid reduces incentives for governments to adopt good policies and maintain efficient institutions.

Budget support

Cordella and Dell'Aiccia (2003) find evidence that *budget support* aid is preferable when donors preferences are closely aligned with those of the recipient while project aid is preferable if they differ.

General budget support (GBS) has become more prominent since the late 1990s, as part of a wider quest to improve the effectiveness of aid. Funds provided through general budget support are disbursed through the recipient government's own financial management system and are not earmarked for specific uses. They are accompanied by various understandings and agreements about the government's development strategy. There has been a recent major evaluation of 'partnership general budget support'[13] (PGBS), carried out by a consortium led by the University of Birmingham, published in May 2006. This assessment made the following points

- PGBS has been a relevant response to certain acknowledged problems in aid effectiveness.
- PGBS can be an efficient, effective and sustainable way of supporting national poverty reduction strategies. It played a clearly positive role in five of the seven case study countries (Burkina Faso, Mozambique, Rwanda, Uganda and Vietnam). Subsequent findings about the effectiveness of PGBS are based mainly on the experiences of these five countries. In one country (Nicaragua), PGBS was at so early a stage that it was not possible to draw firm conclusions about its effects. In another (Malawi), PGBS was not successfully established during the evaluation period.
- Provision of discretionary funds through national budget systems has produced systemic effects on capacity, and particularly capacity for public finance management, that are posited in the evaluation framework. Moreover, these effects are government-wide in nature. PGBS was not a panacea, but it did strengthen government ownership and accountability and, in the short–medium term, there were useful effects on the allocative and operational efficiency of public expenditures (including aid). These in their turn were linked with medium–longer term systemic effects on improving the links between policy and results.
- PGBS tends to enhance the country-level quality of aid as a whole, through its direct and indirect

[13] ''New general budget support' and 'poverty reduction general budget support' are equivalent terms.

effects on coherence, harmonisation and alignment. This makes PGBS a particularly valuable addition to the array of aid instruments in use. It also highlights the need to employ PGBS as part of a strategy that takes account of the interplay between different aid modalities.

- As regards poverty reduction, it is too soon for the ultimate effects of PGBS inputs during the evaluation period to be manifest. PGBS is a vehicle that assists in implementing a poverty reduction strategy. Its ultimate effectiveness in reducing poverty is bound up with the quality of the poverty reduction strategy that it supports. Given the bias of early poverty reduction strategies towards the expansion of public services, most of the effects of PGBS inputs so far are likely to have been on access to services, rather than income poverty and empowerment of the poor.

- It is important not to overload the PGBS instrument. However, the team found in all cases a capacity to learn from experience, which suggests that PGBS could become more effective, and have a broader scope, over time.

- The evaluation also considered possible unintended effects of PGBS. It did not find evidence of significant crowding-out of private investment nor of the undermining of domestic revenue effort. Malawi's experience showed that PGBS could have a destabilising effect when basic conditions for disbursement are not met. In other countries PGBS design has been improved to limit short-term unpredictability. Corruption can undermine all forms of aid and systemic strengthening of public finance management, which PGBS supports, is an important part of a broad anti-corruption strategy. All of these potential adverse effects also represent risks that need to be taken into account in the design of PGBS (and other aid).

- The evaluation team also found that PGBS, as presently designed, is vulnerable to a number of risks, including political risks. These threaten its ability to operate as a long-term support modality. Its sustainability depends on making it “more resilient”.

- PGBS is part of a family of programme-based approaches and many of the findings are also relevant to programme-based approaches in general.

Sector wide approaches (SWAps)[14]

Gilling et al (2001) examines the relationship between sector wide approaches (SWAps) sustainable livelihoods approaches (SLAs) and rural poverty reduction. They suggest that SLAs provide one means by which SWAps can focus more effectively on poverty reduction, whilst SWAps provide an entry point with which government and donor initiatives can be made supportive of livelihoods of the poor.

Similarly Foster et al (2001) explores why SWAps have performed less well in agriculture than in the social sectors. Many problems stem from the more limited, more contested and shrinking role of the state in the agricultural sector. It is also argued that sector programmes have worked best where the key constraints on sector development are the responsibility of a single ministry, whereas agricultural development requires co-ordinated interventions across sectors. The sector approach may have a limited role in delivering better focused agricultural services, but fundamental policy questions need to be resolved first. This is more likely if support for reforms is channelled through central economic ministries and other bodies outside the agriculture ministry.

Cash transfers

Recently, there has been a renewed interest in cash transfers to reduce poverty among those unable to engage fully in the productive economy (widows, the elderly etc.), to stimulate access to health and education and to access agricultural inputs. A new generation of ‘conditional’ cash transfer programmes in Latin America specifically target children from poor households – the cash provided being conditional

[14] A sector wide approach (SWAp) is a process where donors give significant funding to a government’s comprehensive sector policy and expenditure programme (for example on health or education), consistent with a sound macro-economic framework. SWAps typically have a joint review mechanism and performance monitoring system relying on the government's own performance assessment framework. Donor support for a SWAp can take any form - budget support, projects, technical cooperation, policy dialogue. (Source: DFID)

on specific behaviour by recipient households such as school enrolment or regular use of primary healthcare (Tabor, 2002).

A review by Harvey, Slater and Farrington (2005), conclude that overall, the potential of cash transfers for poverty reduction has been underestimated in both relief and development contexts. As the emergent 'give them dollars' school (see e.g. Hanlon 2004) suggests, cash transfers have the added merit of bypassing conventional donor-government relations which may suffer absorptive capacity constraints, chronic rent-seeking, or problems of 'over-specification' of the conditions that government has to put in place for successful poverty reduction. However, even if the local spending power of the poor is increased substantially through cash transfers, this still leaves them facing markets, bureaucracies and political systems which disadvantage them. Cash transfers are therefore not a panacea for poverty reduction: improvement in these larger spheres, carefully negotiated between donors and governments, will also continue to be necessary.

Similarly, an evaluation by Oxfam GB (2006) points to the need to guard against assuming that cash transfers are necessarily appropriate or cost-effective. In particular, it cannot be assumed that cash transfers will be cost-effective in remote rural areas with weak markets. Cost-effectiveness calculations based on plausible assumptions about prices could usefully be a more explicit part of the assessment process, and should probably also feed into decisions about the appropriateness of cash compared to food aid in responding to acute food insecurity. They find there is a huge discrepancy in implementation costs between the two projects (over 30% in Zambia and around 3% in Malawi) suggests that there may be a need to establish guidance for country programmes on what constitutes an acceptable cost range. Arguably, the Zambia programme was expensive, and the Malawi programme probably under-invested in management capacity and monitoring.

Relative effectiveness of different approaches

- There is little empirical work so far analysing the relative effectiveness of different types of aid.
- There is no meaningful and conclusive evidence on what types of approach is generally most effective.
- There is however a growing number of research projects undertaken in this area and the body of evidence is bound to become larger.
- There are more robust findings for specific and comparable aid instruments, such as cash versus in-kind transfers.

2.2.5 Relative effectiveness of types of public spending on growth or poverty reduction

Another way to disaggregate aid and examine its relative effectiveness is by examining the flow into public expenditure is to examine the relative effectiveness of different types of sectoral spending. There are two ways of doing this: by comparing relative sectoral spending; and by constructing a general equilibrium model to look at the impact of different types of spending. Both methodologies allow for ranking spending priorities depending on the primary policy objective.

We discuss these two approaches below, but first we give the findings of the literature which has looked at the impact of aid on various categories of public expenditure and revenue

Impact of aid on various categories of public expenditure and revenue

A strand of the literature looks at the impact of aid on various categories of public expenditure and revenue. Included in expenditure categories are those that support the provision of health and education services important to MDG achievement. Recent studies include Feyzioglu, et al. (1998), Franco-Rodriguez et al. (1998), McGillivray and Ahmed (1999), Swaroop et al. (2000), McGillivray and Morrissey (2001b) McGillivray (2000), Mavrotas (2002) and McGillivray and Outtara (2005).

The evidence emerging from these studies is not as unambiguous as that emerging from the aid-growth literature. It is generally concluded that aid results in higher public expenditure than would otherwise have prevailed, although it can also result in decreases in tax revenue and increases in public sector debt.

Aid 'transmission mechanisms' – the channels through which aid can potentially contribute to growth - are the focus of Gomanee et al (2002a). Aid can effect growth directly, but also through its impact on

investment, imports, public sector fiscal aggregates, and government policy. Conscious recognition of these mechanisms has important implications for modelling the aid-growth relationship in order to avoid double-counting the impacts of aid. Gomanee et al. tested for the presence of the *aid-investment-growth mechanism*, finding strong evidence that it existed.

Morrissey (2002) suggested, on the basis of this result, that government policies can play an important role in enhancing aid effectiveness through seeking to improve the productivity of investment. This also applies to the other mechanisms. For example, policies aimed at improving the productivity of government expenditure should improve aid's impact on growth provided the aid-fiscal aggregates mechanism exists.

This research is linked with the extensive and long-standing literature on aid and public sector fiscal behaviour, which generally finds that aid is associated with increases in government expenditure categories, including pro-poor expenditures, the fungibility problem notwithstanding.

Gomanee et al. (2002b) look at aid and *pro-poor expenditure* directly, using the above-mentioned transmissions mechanisms approach, finding that aid is associated with increases in these expenditures and in turn improvements in welfare.

The effect of government expenditure on growth and poverty reduction

Using different econometric and statistical methods, a number of *cross country studies* (eg Wilhem and Fiestas, 2005) have explored the link between public expenditure in different sectors and growth and poverty reduction (see the two tables below). The main findings reveal that investing in agriculture, education and infrastructure has a positive effect on poverty reduction and growth.

Overall, investing in agriculture seems to yield the highest returns in terms of both growth and poverty reduction. In comparison, investing in health also has a positive effect on poverty reduction, but the impact on growth is much weaker.

A closer look at the selected studies confirms that:

- *Agriculture* spending appears to have a very significant effect on both poverty reduction and growth. However, these results must be taken with caution as the four studies by Fan et al. define growth as rural income growth. In other words, the effect of agriculture expenditure over overall growth might not be that significant.

- *Education* expenditure is shown to have a positive effect on both poverty reduction and growth, with one exception: Dollar and Kraay (2002), using cross-country econometrics, found that education expenditure was not significant for growth.

- According to most studies, *health* seems to have a positive impact on poverty reduction, but may not have the same impact on growth (two out of the three studies that analyzed the impact of health expenditures find that its positive impact on growth is not significant and only one finds that it has a positive impact).

- *Infrastructure* spending is seems to have a positive impact on both poverty reduction and growth.

The effect of government expenditures on poverty reduction (Wilhelm and Fiestas, 2005)

Country	Author	Period	Method	Agriculture	Education	Health	Infrastructure
China	Fan & Hazell, 2001	1970-1997	Regression analysis (system of equations)	+	++		+
Cross-country	Gomanee, Morrisey, Mosley and Vershoor, 2003	1980-1998	Regression analysis	(+)	+	+	
Ghana	Dabla-Norris & Matovu, 2002	1999	Dynamic CGE		++		+
India	Fan Hazell & Thorat, 1999	1970-1995	Regression analysis (system of equations)	+	+	+	++
Sub-Saharan Africa	Lofgren & Robinson, 2004	1998-2015	Dynamic CGE	++	+	+	+
Tanzania	Jung & Thorbecke, 2003	1992	CGE		+		
Uganda	Fan, Zhang & Rao, 2004	1992, 1995 1999	Regression analysis (system of equations)	++	+	+	+
Vietnam	Fan, Huong & Long, 2004	1993-2000	Regression analysis (system of equations)	++	+		+
Zambia	Jung & Thorbecke, 2003	1995	CGE		+		

Notation: +, sector indicated has a significant poverty-reducing effect through the methodology stated; ++ sector indicated had the largest effect on poverty reduction (not available for all studies); (+), sector indicated had a non-significant positive effect on poverty through the methodology stated; -, sector indicated had a significant poverty-increasing effect through the methodology stated. Missing notation means that the study does not cover the sector.

The effect of government expenditures on poverty reduction

Country	Author	Period	Method	Agriculture	Education	Health	Infrastructure
China	Fan & Hazell, 2001	1970-1997	Regression analysis (system of equations)	++	+		+
Cross-country (92)	Dollar & Kraay, 2002	1950-1999	Regression analysis (various techniques)		(+)	(+)	
Ghana	Dabla-Norris & Matovu, 2002	1999	Dynamic CGE		++		+
India	Fan Hazell & Thorat, 1999	1970-1995	Regression analysis (system of equations)	++	+	(+)	+
Sub-Saharan Africa	Lofgren & Robinson, 2004	1998-2015	Dynamic CGE	++	+	+	+
Tanzania	Jung & Thorbecke, 2003	1995	CGE		+		
Uganda	Fan, Zhang & Rao, 2004	1992, 1995 1999	Regression analysis (system of equations)	++	+		+
Vietnam	Fan, Huong & Long, 2004	1993-2000	Regression analysis (system of equations)	++	+		+
Zambia	Jung & Thorbecke, 2003	1995	CGE		+		

Notation: +, sector indicated has a significant poverty-reducing effect through the methodology stated; ++ sector indicated had the largest effect on poverty reduction (not available for all studies); (+), sector indicated had a non-significant positive effect on poverty through the methodology stated; -, sector indicated had a significant poverty-increasing effect through the methodology stated. Missing notation means that the study does not cover the sector.

The dynamic 'computerized general equilibrium' (CGE) model by Lofgren and Robinson (2004) for Sub-Saharan Africa allows to evaluate the impact that one specific policy has on the economy as a whole. The CGE study simulates the effect of a reallocation of government demand into alternative priority areas (agriculture, human capital, and infrastructure) while keeping the real growth of total government demand constant.

The paper simulates several different scenarios, from an increase only in agriculture or human capital, to a combined increased in all sectors. Several conclusions emerge:

- An increase of public spending in human capital (education and health), agriculture or infrastructure has a positive effect on growth and an even larger effect on poverty reduction.
- Investments in agriculture have the highest impact on poverty reduction. Alternatively, investing in

human capital only leads to half the decrease in poverty.

- There are no significant differences in terms of the impact of any of these sector investments for growth.
- Investment in defence negatively affects growth and poverty reduction.

The regression model by Fan et al for India (Fan, Hazel and Thorat, 1999), Uganda (Fan, Zhang and Rao, 2004) and Vietnam (Fan, Huong and Long, 2004) simultaneously evaluates the impact of *sectoral* expenditure on growth and poverty reduction.

Both the CGE study and the findings of Fan et al conclude that investing in agriculture brings the highest levels of growth and poverty reduction. However, the dynamic CGE study shows that investment in human capital (defined as education and health) yields higher returns in terms of both growth and poverty reduction than infrastructure. In contrast, Fan et al. find that investment in infrastructure causes more growth and poverty reduction than education.

Impact of different types of spending

- There is strong evidence that there exists an aid-investment-growth mechanism.
- A number of cross country studies find that investing in agriculture, education and infrastructure has a positive effect on poverty reduction and growth. If the objective is to achieve growth, investment in agriculture, human capital or infrastructure (or even a combination of the three) will bring returns.
- However, if the objective is poverty reduction, investment in agriculture is likely to be most effective, followed by investments in human capital and infrastructure.

2.3 Review of literature on aid effectiveness on rural poverty

2.3.1 What the literature doesn't tell you – relationship between aid and rural poverty

We have not found empirical studies examining the relationship between aid and *rural* poverty, i.e. with aid measure(s) as explanatory variable(s) and *rural* poverty as the dependent variable. Therefore, our approach in this section has been to focus on what we know of the linkages between aid and rural poverty, that is:

- The relationship between the agricultural sector ('agriculture') and growth;
- The relationship between agriculture and poverty (and assume this impacts rural poverty); and
- The evaluations of rural development projects targeted at reducing rural poverty.

2.3.2 The relationship between agriculture and growth

The direct contributions of the agriculture sector (crops, livestock, forestry, and usually fisheries) to the functioning of the national economy is reflected by its participation in total GDP, its foreign exchange earnings, and its role in supplying savings and labour to other sectors. These contributions make up the traditional roles of agriculture described in Johnston and Mellor (1961). The development literature in the 1950s is now viewed as generally *pessimistic* with respect to the sector's potential for productivity and export growth (e.g. Prebisch, 1959).

There was a presumption that the sector was insensitive to incentives, and there was the perception that significant linkages with other sectors did not exist (Hirschman, 1958). This set of stylized facts led to the conclusion that spurring agricultural growth was a low priority in the search for policies that would stimulate national economic development (Lewis, 1954).

Development economists have reassessed the efficiency of agricultural producers and the sector's growth potential, especially following the work of Schultz (1964) and others. The reassessment followed the results of econometric analyses that suggested that agriculture in developing countries was as

responsive as development countries, and that the sector was both capable of productivity growth and responsive to technological change.

With respect to the links between agriculture and the rest of the national economy, the evidence demonstrated that the farm sector could have significant multiplier effects and therefore that agricultural growth could be propagated to other sectors in the economy (Adelman and Morris, 1973; Mellor, 1976; Bell and Hazell, 1980; Hazell and Haggblade, 1990; Delgado, Hopkins and Kelly, 1998). Due in part to the focus of most of this work on near-subsistence agriculture, the findings concerned primarily the importance of *consumption* linkages, rather than inter-industry effects.

Empirically, the historical record shows that in many cases the increases in agricultural output have preceded the major expansions of manufacturing. Quantitative comparisons across countries using regression analysis tell a similar story. For example, Irz et al (2001) set out expecting agricultural growth to reduce poverty. The main argument include that the creation of jobs on the land, linkages from farming to the rest of the rural economy, and the decline in the real cost of food for the whole economy. However the degree of impact in all cases is qualified by different factors. They undertake a cross country estimation of links between agricultural yield per unit area and measure of poverty. This produces strong confirmation that increasing agricultural productivity is the key to reducing poverty effectively. They estimate that for every 10% increase in farm yields, there is a 7% reduction in poverty in Africa, and a 5% reduction in Asia. Growth in manufacturing and services has no such effect.

De Janvry and Sadoulet (2002) show how improved *farm productivity* can reduce poverty. Aid can impact directly on the rural sector by assisting growth in agricultural output by providing agricultural research, education and training, irrigation and extension facilities and flood control schemes. Providing access to credit in rural areas will also help expand agricultural production. Aid will also impact positively on the long run productivity of the rural sector by ensuring the availability of basic social services such as education, health and sanitation facilities in rural areas. Further, the construction of rural roads will allow the cost effective transportation of goods and can assist in building important linkages with marketing centres and other rural communities. A good transportation network will ensure that domestically produced agricultural products reach the market, reducing dependency on more expensive imported foodstuffs

Timmer (2000) review article on agriculture and economic development analyses the relationship between the rate of economic growth and the growth of agriculture expands upon the panel data approach to the estimation of 'endogenous growth' models. Using 65 developing countries (1960-1985), he finds that contemporaneous increase of 1% in the growth rate of agriculture would contribute to about a 0.2 per cent increase in the non-agricultural growth rate (see table 1, page 496, in Timmer, 2000). But this does not show causality: both sectors could have grown in response to other factors, such as macroeconomic policies. More interestingly for attempting to infer causality, a 1 per cent increase in the lagged agricultural growth rate (five years) would contribute to about a 0.14 per cent increase in the non-agricultural growth rate.

There does seem to be widespread agreement in the literature on the basic linkages connecting agriculture and overall economic growth that were first articulated to a general economics audience by Lewis (1954) and Johnston-Mellor (1961). At a conceptual level, these linkages have long been part of the core of modern development theory and practice (Timmer, 1988, 2002). Establishing the empirical value of these linkages in different settings has been done by a number of authors (Byerlee, 1973; Mellor and Lele, 1973; King and Byerlee, 1978; Hazell and Roell, 1983; Haggblade, Hammer and Hazell; 1991; Hazell and Haggblade; 1993; Timmer, 1997; Delgado, Hopkins and Kelly, 1998; Fan, Hazell and Thorat, 2000; Fan, Zhang and Zhang, 2002; Fan, Thorat and Rao, 2004).

A recent study by Bravo-Ortega and Lederman (2005) examines the links between agricultural growth and the growth of non-agriculture. In most countries agriculture includes farm activities, forestry and fisheries, all at the level of primary production (e.g., excluding off-farm processing). Using panel data of over 120 countries for the period 1960- 2000, non-agricultural GDP was regressed on the one-year lag of agricultural GDP. The approach also controls for lagged non-agricultural GDP level. (Using lagged non-agricultural GDP also is a way to control for the level of development, because one expects faster non-agricultural growth at lower levels of development. This control was not included in Timmer's analysis.)

The results show that in developing countries historically a one per cent increase in agricultural growth leads to between a 0.12 per cent (for Latin America) and 0.15 per cent (other developing countries) increase in non-agricultural growth. (Although statistically different from zero, these regional averages are not statistically different from each other.) This is in contrast to high income countries, where agricultural growth has been associated with a subsequent decline (–0.09) in non-agricultural growth (perhaps through a resource pull effect). There appears also to be a reverse effect: a one per cent increase in the non-agricultural growth rate leads to a decrease in agricultural growth in non-Latin American and Caribbean (LAC) developing countries. In other countries (LAC and developed) non-agricultural growth appears not to be related one way or the other to subsequent agricultural growth.

However, economic growth does not guarantee access to health, education and a clean water supply or a better standard of living for those living in some, usually remote, areas.

Moreover, if economic growth is largely driven by urban areas, the extent to which to which it will impact on the rural sector will depend on rural-urban linkages. If these linkages are well-established and well-functioning, then urban led growth can stimulate rural development through increased employment and higher incomes. However, poor transportation networks and law and order problems can prevent the rural sector from benefiting from urban-based growth.

Further, an urban bias of large labour intensive projects is likely to encourage rural-urban migration and could lead to urban unemployment, with the associated problem of poor law and order in cities.

2.3.3 The relationship between agriculture and poverty

Very few economies around the world have achieved broad-based economic growth without agricultural and rural growth preceding or accompanying it (Mellor, 2000; Pinstrup-Andersen and Pandya-Lorch, 2001).

Virtually all of these studies conclude that the 'agriculture *multiplier*[15]' is significantly greater than one, especially in relatively closed, 'non-tradable' economies of the sort found in rural Africa, where the multiplier is often between 2 and 3. But even in the more open economies of Asia, where rice was more tradable than most African staple foods and local prices more easily reflected border prices, the agriculture multiplier is close to 2 in the early stages of agricultural modernization when productivity gains are the fastest. Because economic growth usually has a direct impact on poverty, any contribution agriculture makes to speeding overall economic growth through these large multipliers will, in most circumstances, also directly contribute to reducing poverty (Dollar and Kraay, 2002; World Bank, 2004a).

The multiplier effects of agriculture on the economy are estimated to be in the range of 1.35 to 4.62 (Thirtle et al., 2001), though those for sub-Saharan Africa are at the lower end, with important implications for investment decisions in agriculture there. Income from agriculture tends to be spent on a range of goods and services at the local or sub-national level, fostering opportunities for local diversification. So, while agriculture remains a primary contributor to growth, particularly in the early stages of development, it cannot function in isolation from the wider economy. It requires a supportive environment, including the removal of factors constraining its growth such as infrastructure. Nor can it drive growth alone – also needed are structural changes that support knock-on effects in local product and labour markets (Dorward et al., 2004).

At the macro level, growth in agriculture has consistently been shown to be more beneficial to the poor than growth in other sectors. In several South Asian countries poverty reduction through growth in agriculture was higher than that through growth in manufacturing (Warr, 2001). Similarly, for every 1% of growth in agricultural GDP the positive impact on the poorest was greater than that from similar growth in manufacturing or services (Gallup et al., 1997). Such impacts are usually best realised where there is an equitable distribution of assets, particularly land (De Janvry and Sadoulet, 1996).

Further evidence that agricultural growth is more effective at reducing poverty than manufacturing growth in agriculturally dependent countries, is provided by Ravallion and Datt (1996) and Bourguignon and

[15] A 'multiplier' is defined as the increase in national income divided by the increase in expenditure generating that increase in income.

Morrison (1998). If agriculture is the primary occupation of the population, agricultural growth is likely to lead to higher output, greater employment opportunities and increases in incomes. However, aid can still have an indirect impact on the rural sector by increasing overall economic growth, or growth in the non-agricultural sectors of the economy.

Based on 33 household surveys in India from 1951 to 1990, Ravallion and Datt (1996) found that there is strong evidence that the *urban-rural composition* of growth matters to poverty reduction. While urban growth reduced urban poverty, its effect was not significantly different from zero in explaining the rate of poverty reduction nationally. On the other hand, rural growth reduced poverty in rural and urban areas and hence had a significantly positive effect on national poverty reduction.

Growth in India's rural sector reduced poverty in both rural and urban areas, while urban growth reduced rural poverty (Datt and Ravallion, 1996).

Variations in poverty reduction mirror the variations in per capita agricultural growth. And agricultural growth, particularly the growth of agricultural sector productivity, plays a significant role in poverty-reducing growth (Thirtle et al., 2001).

The World Bank 2005 report "Pro-Poor Growth in the 1990s: Lessons and Insights for 14 Countries" confirms what agricultural growth, with its strong links to non-agricultural growth, can do to reduce poverty. In the case study countries, most of the reduction in poverty was among households primarily (though not exclusively) engaged in agriculture. This was true even though non-agricultural growth was generally faster and even though agriculture contributed only 10%–30% of GDP. Agricultural growth had its greatest impact when it was driven by the crops that poor farmers cultivated most.

It has been shown that agricultural growth has been more pro-poor than industrial growth in India (Datt and Ravallion 1998), in Indonesia (Thorbecke and Jung 1996), and in cross-national data sets for all (Timmer 1997) and small and medium (Bourgignon and Morrisson 1998) developing countries. However, Timmer (1997) finds that in the less-equal sub-sample of developing countries agricultural growth does less than non-agricultural growth to increase average income in the *poorest* quintile. This is supported by de Janvry and Sadoulet (2002), whose work on 11 (highly unequal in income and especially land) Latin American countries suggests that agricultural growth did little or nothing to reduce absolute poverty.

Mosely and Suleiman (2004) argue that growth processes in different parts of economy have radically different capacities for reducing poverty. They argue that one sector, historically as had the ability to stimulate pro-poor growth processes, which is *smallholder agriculture*.

By disaggregating different types of households in a 1980 'social accounting matrix' for Indonesia, Thorbecke and Jung (1996) were able to decompose the multiplier effects into distributional and interdependency effects[16]. They found that the agricultural sector contributes the most to overall poverty reduction, followed by the services and informal sectors. The manufacturing sector as a whole contributed the least to poverty reduction, although the food processing and textiles sub-sectors within manufacturing made relatively large contributions to poverty reduction by employing unskilled workers.

Using data for 1985 to 1996 for China, Fan et al. (2005) estimated an econometric model to compare the relative contributions of rural and urban growth to poverty reduction in rural and urban areas. The authors found that higher growth in agriculture reduced both rural and urban poverty, though the pro-poor effect was largest for rural areas. n the other hand, urban growth contributed only to urban poverty reduction and its effect on rural poverty was neither positive nor statistically significant.

Based on data from a broad sample of developing countries in the early 1970s and mid-1980s, Bourguignon and Morrison (1998) found that variables which measure agricultural productivity are important in explaining income inequality. Using cross-country regressions for each time period separately and then for the pooled data, the authors found that increasing agricultural *productivity* was the most effective path for many countries to reduce poverty and inequality.

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[16] The interdependency effects measure the interdependency between the rural and agricultural sector and the other sectors of the economy.

Beyond the contribution of agricultural growth to economic growth, and from growth to poverty reduction, there is the question of the *role of the sectoral composition of growth*; that is, whether or not sectoral composition influences the strength of the link between overall growth and poverty.

A useful starting point in addressing this question is the work of Timmer (2002). His econometric analysis of the impact of agriculture on poverty uses 27 countries (1960 to 1992) where agriculture represents at least 5% of total GDP. Timmer finds that for countries where the disparity (or 'income gap') between the richest and poorest is relatively small, growth in agricultural labour productivity is "slightly but consistently" more important in generating per capita income in every quintile. For countries where the income gap is large, the elasticities of connection[17] of both sectors for the poorest quintile are small and rise sharply by income class.

This last result leads Timmer to conclude that, for high income gap countries, the poorest quintile is "nearly left out of the growth process altogether." Furthermore, in this case agricultural growth is less successful than non-agricultural growth at raising the incomes of the poorest.

One would hope for higher elasticities of connection of both agricultural and non-agricultural to the incomes of the poorest in the case of large income disparities. But the Timmer results suggest that on average this is not the case

The more recent panel data approach by Bravo and Lederman takes a similar look at the per capita incomes of quintiles, but uses many more countries (84), updated to 2002. In contrast to Timmer, their estimates show that the elasticities of connection (the direct effects on poverty) are higher for non-agricultural than for agricultural growth across quintile groups. For example, for non-LAC developing countries, the elasticities of connection for the poorest quintile are 0.36 for agriculture and 0.64 for non-agriculture. In general, in terms of absolute impact, growth in the non-agriculture sector is more important than growth of agriculture, in both LAC and non-LAC developing countries. Moreover, the relative impact of agricultural growth is least for the lowest quintile compared to higher income quintiles (similar to Timmer's high inequality scenario). The elasticities of connection for agriculture compared to non-agriculture are even less in the case of Latin America, where the agriculture elasticities fall relative to non-LAC developing countries and the non-agriculture elasticities increase.

As discussed above, there are *indirect effects of agriculture* on poverty reduction, through the influence of agricultural growth on non-agricultural growth, which stimulates poverty reduction as well. For LAC countries the total elasticity is 0.28 for agriculture and 0.77 for non-agriculture. For other developing countries the corresponding values are 0.48 and 0.58. The first thing to note is that the indirect effect of agriculture's growth on poverty reduction is a notable proportion of its total effect both in LAC (a third) and non-LAC developing countries (a fifth).

It is also relevant to note that, relative to LAC countries, in non-LAC developing countries agricultural growth has slightly higher impact on non-agricultural growth, but that non-agricultural growth has a smaller impact on poverty reduction. So in non-LAC developing countries the direct effect of agricultural growth is relatively more important than in LAC countries for poverty reduction. Nevertheless, in non-LAC developing countries, growth of the non-agricultural sector is still more important for poverty reduction in absolute terms.

A final set of linkages makes growth originating in the agricultural sector tend to be more pro-poor than it would be if the source of growth came from the industrial or service sectors (Mellor, 1976; Ravallion and Datt, 1996; Ravallion and Chen, 2004; Timmer 1997, 2002). New agricultural technologies that improve *farm productivity* strengthen this connection. Separate reviews by Thirtle et al. (2004) and by Majid (2004) confirm the strong empirical link between higher agricultural productivity and poverty reduction.

The evidence of the Green Revolution is that *technical progress* is a very substantial cause of agricultural growth, and has been very pro-poor (Kerr and Kohlavalli, 1999; Lipton and Longhurst, 1989), indicating national and international measures to revive it and spread it to neglected crops and areas (IFAD 2001). In Asia the rapid productivity gains of the Green Revolution offered a route out of poverty by increasing

[17] The 'interconnection elasticity' measures the impact of the agricultural sector on the non-agricultural sector.

incomes and labour rates, lowering rural and urban food prices and generating new upstream and downstream livelihood opportunities. This productivity growth further stimulated and sustained wider economic diversification and transformation beyond agriculture. But in much of sub-Saharan Africa, with a different set of predetermining factors, productivity has stagnated or even fallen (Nkamleu et al., 2003).

Another way is examine under what conditions growth in rural household income has been achieved, Gardener (2005) finds five factors have been present: macroeconomic and political stability; property rights and incentives; productivity enhancing new technology; access to competitive input and product markets; and real income growth in the non-agricultural economy.

Work by the LAC FAO Regional Office in Santiago (Gordillo, Ortega and Wagner, 2004) has led to a rich data set on public expenditures in rural areas, which was utilized by Lopez (2005) to examine the importance of the composition of rural public spending relative to simply the level of spending in Latin America.

Lopez finds that while public spending levels can promote (slightly) agricultural GDP per rural person, the mix of spending on public goods and private subsidies is much more important. A reallocation of ten percentage points of total rural public expenditures (e.g. from 40 per cent spending on public goods to 50 per cent) raises agricultural GDP per rural person by 2.3 per cent. A dollar added to total rural expenditures would be shared by both public and private goods.

In contrast, an intra-marginal shift of a dollar from private to public is claimed entirely by public goods and is lost to private subsidies. There are two effects: more money for public goods, and less encouragement to rent seeking, less over-investment in subsidized activities, and delays in restructuring away from subsidised investments.

A reflection piece by Eicher (2003) summarises that while it is encouraging that that many donors are now reordering their priorities and coming around to the conclusion that rural social services, food aid and post conflict aid may keep people alive but they do not increase crop yields and earnings capacity – the keys to mass poverty alleviation. He concludes that donors should increase their investments in the prime movers to increase farm production and accelerate agricultural growth, that is: human capital, technology and institutional innovations.

The slide below is taken from a presentation given by Felicity Proctor (of the Natural Resources Institute, UK) to the OECD PovNet Agriculture subgroup meeting, 22 March 2005.

Box 1.3 What higher agricultural sector productivity can mean for reducing poverty?

A lot. Consider these numbers:

- A 10% increase in crop yields leads to a reduction of between 6% and 10% of people living on less than $1 a day (Irz *et al.*, 2001).
- The average real income of small farmers in south India rose by 90% and that of landless labourers by 125% between 1973 and 1994 as a result of the Green Revolution (World Bank, 2001).
- A 1% increase in agricultural GDP per capita led to a 1.61% gain in the per capita incomes of the lowest fifth of the population in 35 countries (Timmer, 1997).
- A 1% increase in labour productivity in agriculture reduced the number of people living on less than $1 a day by between 0.6% and 1.2% (Thirtle *et al.*, 2001).

2.3.4 Findings of evaluation of rural development projects and programmes

Rural development projects have typically focused on objectives such as:

- Facilitating the access of the rural poor to services such as farm extension, training, farm inputs, or credit to promote the adoption of new crops and technologies; and/or
- Attempting to integrate farmers with markets by investing in roads, markets, and storage facilities.

While these interventions may have had positive impacts on agricultural production, the results in terms of poverty reduction have often been disappointing. Rural development projects have often been plagued by implementation problems because they were too complex and difficult to coordinate.

The connection between projects and policies has frequently been weak, so farmers ended up cultivating crops for which prices decline or that are not favoured by national agricultural policy. Rural elites have frequently taken the most advantage of projects, credit, and technical assistance. Little attention was paid to building local institutions that could coordinate rural development efforts.

Community-driven development

A new set of 'social fund' projects emerged in the 1980s, initially aiming to serve as a safety net to mitigate the negative effects on the poor of structural adjustment programmes, and later posed as a community-driven development (CDD) model for service delivery to the poor. These projects support the poor with grants for small projects ranging from infrastructure, social services, and training, to micro-enterprise development. They aim to give control of planning decisions and investment resources to community groups and local governments, operating on the principle of local empowerment, participatory governance, demand-responsiveness, administrative autonomy, downward accountability, and enhanced local capacity.

Some studies claimed that CDD projects could contribute to developing local capacity, building social and human capital, facilitating community and individual empowerment, deepening democracy, improving governance, and strengthening human rights.

However, others argued that CDD projects were plagued by problems, including low impact on job creation and income generation among the poor, an emphasis on short-term benefits, and communities other than the poorest receiving the benefits.

A review of CDD projects by the World Bank in 2003 did not support the high expectations placed on beneficiary participation (World Bank, 2003). While there was evidence that some CDD projects created effective community infrastructure and improved welfare outcomes, the evidence was missing for most projects reviewed, and the studies did not establish that the participatory elements in CDD projects were what caused improved project outcomes.

Finally, an ADB evaluation in 2005 found that the typical forms of beneficiary participation used in ADB projects - such as engaging non-government organisations (NGOs), organising beneficiary groups, providing training, and developing village plans - did not provide an effective solution to the conventional problems in rural development projects.

A deeply seated institutional cause of the problem was the grant nature of the projects, which were largely free to beneficiaries, whose lack of payments for project benefits underlie their lack of power to hold government agencies and project staff accountable for the use of public funds and delivery of project benefits (ADB, 2005).

Section 4 gives more evidence from the evaluation of rural development projects and programmes.

The box below gives an overview of what we know about the impact of aid on rural poverty in the case of Uganda.

What do we know about the impact of aid on rural poverty? What has led to Uganda's growth? The case of Uganda

Uganda's economic growth has been driven mainly by donor support, and increased private sector investment especially in industry and construction.

What has the role of agriculture been in growth?

The growth of monetary agriculture averaged 5.6 per cent between 1987 and 2003, which was lower than the average GDP growth rate of 6.3 per cent. This suggests two things:

- The fast growth of the small sectors (mining and quarrying, manufacturing, hotels and restaurants, and construction) compensated the lower growth of agriculture;
- The growth of community services (education, health and general government), whose share in GDP in 2002/03 was 19.1 per cent seems to have been a key driver of Uganda's GDP growth between 1987 and 2003.

What has been the impact of growth on inequality?

- This translated into the reported increase in poverty and the rise in welfare inequality from a Gini coefficient of 0.40 in 1999/2000 to 0.43 in 2002/2003.
- Although between 2000 and 2003 the poverty headcount in Northern remain about the same while it was rising for the rest of the country, this region has maintained the highest incidence of poverty of not less than 64%.

What has been the impact of growth on poverty?

- Headcount index of total income poverty declined from 56% in 1992/93 to 34% in 1999/00 after which it rose to 38% in 2002/03.
- Growth (much more than redistribution) has driven the poverty reduction in Uganda during the 1990s.

What has been the impact of growth on rural poverty?

- Poverty in Uganda remains a predominantly rural phenomenon and particularly very pronounced among crop farmers.
- Rural poverty headcount declined from 60 per cent in 1992 to 37 per cent in 2000 before rising to 42 per cent in 2003. The corresponding figures for urban areas are 28, 10 and 12 per cent.
- The disproportionate contribution of rural areas to the national poverty has remained unchanged at about 96%.

Conclusion

Despite the finding that aid has contributed to growth and poverty had declined. The evidence suggest that while rural poverty had declined, poverty still remained a rural phenomenon.

(Source: Okidi J.A., Ssewanyana S. Bategeka (2004), "Operationalising Pro-Poor Growth. Country Case Study on Uganda")

Findings of 35 evaluation reports of programmes run by DFID multilateral partners

In this part of the study we reviewed 35 evaluation reports of programmes with a rural poverty alleviation agenda run by multilateral partners: World Bank, European Commission (EC), International Fund for Agricultural Development (IFAD) and UN Food and Agricultural Organisation (FAO). These studies focused either on rural or agricultural related evaluations, or on evaluations of country strategies which explicitly addresses rural poverty. We selected evaluations undertaken in the last five years were selected.

In order to review the programmes, the evaluations were assessed against the DAC criteria for aid-effectiveness: relevance, efficiency, effectiveness, impact and sustainability.[18]

[18] For definitions, see "DAC Principles for the Evaluation of Development Assistance", OECD (1991), and the "Glossary of Evaluation and Results Based Management (RBM) Terms", OECD (2000).

In many cases, especially for earlier studies, these criteria are not explicitly specified, but the key lessons have been drawn out. A summary of the reports reviewed is included in appendix 3. The key lessons for each the multilateral partners' evaluations are included below.

Case study: India (World Bank, 2002)

In addition a summary of the World Bank's review of its agricultural strategy in India is profiled below.

"India: Evaluating Bank and Assistance for Agricultural and Rural Development", an evaluation by the World Bank (2002)

This report concluded that for the decade as a whole, Bank- financed rural development projects have had modest relevance to poverty reduction because the overwhelming proportion of their beneficiaries were those with already significant assets rather than those below the poverty line. Poverty reduction was certainly amongst project objectives in appraisal documents, usually tied to increased employment opportunities supported by Bank assistance, but one could find neither analysis nor monitoring that would show that such increased employment would benefit the poor. Moreover, the Bank expanded lending in an inadequate policy environment, that was over-regulated by government, where production and marketing incentives were distorted, and where public resources were used inefficiently for subsidies while investment in rural infrastructure suffered.

However, the stronger focus on policy issues was seen to justify a substantial relevance rating for the agricultural and rural development programme of the last five years of the decade. Although most ongoing agricultural projects are expected by the Bank to achieve their implementation and development objectives, the low ambitions with respect to poverty reduction of many of the projects in the Bank's portfolio during the late 1990s, the inadequate identification and monitoring of project beneficiaries, the still prevalent (albeit changing) shortcomings in the policy environment, made it inevitable that the Bank's contribution to India's goal of poverty reduction was modest. Thus, when measured against the Bank's core objective of poverty reduction, the outcome of the Bank's assistance programme for agriculture/rural development in the second half of the 1990s was only moderately satisfactory.

The institutional development impact of the programme, while modest for the first half of decade, has been substantial over the last five years on account of the changes that have taken place at the state level. Sustainability of the Bank assistance programme's achievements without continuing external support is judged as uncertain. The prospects for improving agricultural policy at the central government level have been also uncertain in recent years, but have been improving over the last year of the evaluation.

Main themes of programme/project evaluations reviewed

Across the four major donors programmes reviewed, there was a wide variety in the approaches of the programmes used to address rural poverty. Programmes could be categorised as focused on:

- Enhancing agricultural productivity and incomes through the provision of credit and other incentives to intensify production and processing and marketing of specific commodities;
- Instigating sustainable management of natural resources in areas of environmental deterioration, including greater water use efficiency and improved soil and water conservation;
- Assisting local communities to organize for their collective benefit in addressing social, economic and technical constraints to their well-being; and
- Encouraging sectoral policy and institutional reforms in the interests of rural producers.

Most programmes have more than one of these objectives and some have all four, but there is a clear distinction in terms of the approach represented by each objective: emphasis upon production as the key driver; emphasis on resource use and environmental conservation; emphasis on community action; and emphasis on government reform.

Summary of findings against DAC criteria

Relevance

Most programmes ex post evaluations reveal that ex post, the programmes were relevant to the original objectives.

Efficiency

Where efficiency is explicitly addressed by the World Bank or IFAD evaluations, there were a number of concerns about the delivery of the project and the actual rate of return. For the World Bank projects, where this was assessed, the internal rate of return varied between 10 per cent (Anatolia Watershed Rehabilitation project) to 28 per cent (Uttar Pradesh Sodic Lands Reclamation project).

However a number of evaluations expressed concerns about the efficiency of the projects. Examples of concerns include:

- High operating costs of rural finance, training activities not sufficiently structured and differentiated, technical assistance that lacked continuity and was not always appropriate (United Mexican States-Rural Development Project of the Mayan communities in the Yucatan Peninsula, IFAD, 2005).
- Generally insufficient capacity of the diary processing plants to ensure further development (Training of rural families and technical staff to extend proved animal health and livestock production packages, FAO, Afghanistan, 2005).
- Delays with country-wide programmes hampered efficiency (EC Country Strategy for Ghana, European Commission, 2005).

Therefore the efficiency of these programmes, where explicitly addressed, is mixed.

Effectiveness

A similarly diverse set of outcomes are arrived about the effectiveness of rural development programmes was also arrived at. Where programmes were assessed as generally effective, a number of concerns were issued, such as:

- Effectiveness was undermined by lack of support by other programmes e.g. by training not being supported or other factors, like reducing water borne diseases (Upper East Region Land Conservation and Smallholder Rehabilitation Project (LACOPSREP), IFAD, Ghana, 2005);
- Programme lacked sense of direction (Technical Support to Rural Development and Agrarian Reform, UNFAO, Philippines, 2001);
- Difficulties in dissemination of information (Conservation Agriculture for Sustainable Agriculture and Rural Development (SARD) and Food Security in Southern and Eastern Africa (CA -SARD), FAO, Africa, 2005);
- Difficulties in actually making the link to effectiveness (Evaluation of European Commission's Support to United Republic of Tanzania, 2006); and
- Delays affected effectiveness (Evaluation of EC's Country Strategy for Ethiopia, European Commission, 2006).

Impact

The assessed impact of programmes in achieving the aims of objectives of rural development programmes, varied from those that clearly met their objectives of raising rural poverty, to a number of reasons why impact was undermined. Examples of high impact include:

- Good impact on institution building (Development Project for Indigenous and Afro-Ecuadorian People, IFAD, 2004; Philippines-Australia Technical Support for Agrarian Reform and Rural Development

(PATSARRD), Philippines, UNFAO, 2006); and

- Helped communities which were traditionally excluded (United Mexican States- Rural Development Project of the Mayan communities in the Yucatan Pensula, IFAD, 2005).

Sustainability

Where sustainability was assessed a number of programmes were assessed has having limited or not sustainability. This was for the following reasons:

- Conditions to ensure sustainability were generally lacking;
- Environmental sustainability was unlikely if practises had not been institutionalised; and
- Financial sustainability of micro-credit projects was undermined by lack of institutionalisation.

Summary of what we know on aid effectiveness on rural poverty

- Empirically, the historical record shows that in many cases the increases in agricultural output have preceded the major expansions of manufacturing.
- Very few economies around the world have achieved broad-based economic growth without agricultural and rural growth preceding or accompanying.
- There is strong confirmation that increasing agricultural productivity is the key to reducing poverty effectively.
- The evidence of the Green Revolution in Asia is that technical progress is a very substantial cause of agricultural growth, and has been very pro-poor.
- However, economic growth does not guarantee access to health, education and a clean water supply or a better standard of living for those living in some, usually remote, areas.
- The agricultural sector has a positive and fairly strong impact on non-agricultural growth. Because economic growth usually has a direct impact on poverty, any contribution agriculture makes to speeding overall economic growth will, in most circumstances, also directly contribute to reducing poverty
- Agriculture growth requires a supportive environment, including the removal of factors constraining its growth such as infrastructure. Also needed are structural changes that support knock-on effects in local product and labour markets
- At the macro level, growth in agriculture has consistently been shown to be more beneficial to the poor than growth in other sectors.
- There is strong evidence that the urban-rural composition of growth matters to poverty reduction. Rural growth is found to reduce poverty in rural and urban areas and hence can have a significantly positive effect on national poverty reduction.
- If economic growth is largely driven by urban areas, the extent to which to which it will impact on the rural sector will depend on rural-urban linkages.
- There are also indirect effects of agriculture on poverty reduction, through the influence of agricultural growth on non-agricultural growth, which stimulates poverty reduction as well.
- The community-development approach has had some successes although it is not clear if such local empowerment projects have had significant income benefits.
- The productivity/commodity approach has had successes but often these have confined to the better off (or 'market ready') and have not benefited the poorest.
- The environmental projects have proved difficult to execute in the face of rising human and animal populations as well as increased climatic volatility.

2.4 Conclusions

2.4.1 What don't we know

This review has highlighted a number of gaps in the literature about the cost effectiveness of different types of aid on reducing rural poverty. It is important to note that there is no literature that we are aware of that explicitly addresses the question of cost-effectiveness of different types of aid on reducing rural poverty.

- The aid effectiveness literature examines the effectiveness of aid simply from the point of view of establishing whether there is a positive or negative relationship between aid and growth and poverty. It does not look at cost effectiveness.

- There is limited work on the relationship between aggregate aid flows and the impact on rural poverty. The aid effectiveness literature examines the impact between aid and poverty, not rural poverty.

- While there is work to suggest that aid to the agricultural sector does have comparatively a strong relationship to growth and poverty reduction, than spending on other sector, this work does not explicitly address whether aid to agriculture impacts rural poverty, although it is assumed it does, as the spending is targeted at the agricultural sector

- While there are evaluations of individual rural development projects which examine the effectiveness and cost effectiveness, there is little to compare the cost-effectiveness of these projects vis-à-vis spending in other types of projects. It is therefore difficult to compare the relative contribution of agriculture to growth and poverty reduction, against spending to other sectors (although there is a macroeconomic literature which studies that relationship, see for example Wilhem and Fiestas, 2005 reviewed above in this section).

We have not found empirical studies examining the relationship between aid and *rural* poverty, i.e. with aid measure(s) as explanatory variable(s) and *rural* poverty as the dependent variable. Therefore, our approach in this section has been to focus on what we know of the linkages between aid and rural poverty, that is:

- The relationship between the agricultural sector ('agriculture') and growth;

- The relationship between agriculture and poverty (and assume this impacts rural poverty); and

- The evaluations of rural development projects targeted at reducing rural poverty.

2.4.2 What do we know

Given the gaps in literature explicitly evaluating the cost effectiveness of different types of aid on rural poverty, these are the facts and relationships which the literature seems to be able to confirm:

- The relationship between aid and growth is ambiguous. Aid has different effects in different developing countries.

- Aid increases aggregate savings; aid increases investment; and a number of models do show that there is a positive relationship between aid and growth.

- The effect of aid on growth is conditional on policy: aid has more of an effect in a good policy environment, that is, aid in promoting growth is contingent on the policy regimes of recipient countries.

- Aid is often fungible and it is difficult to target it to particular services or particular groups (such as the poor).

- In low-income countries, there is a strong relationship between per capita income growth and the speed of poverty reduction.

- There are diminishing returns to aid: aid is effective when it is moderate in volume but becomes ineffective when the size of the aid programme exceeds a critical value set by the absorptive capacity of the country concerned.

- There seem to be social, cultural, and geographical factors beyond those captured by the macroeconomic policy and governance variables that favour poverty reduction.

- The case is strong that sustained growth remains a necessary condition for poverty reduction.

- A common empirical finding in the recent literature is that changes in inequality at the country level have virtually zero correlation with rates of economic growth. Growth, as such, does not seem to have an impact on inequality.

- Given that growth is roughly distribution-neutral on average, it is not surprising that growth in the developing world as a whole has brought down overall poverty measures.

- There is strong evidence of a causal link between the initial level of inequality and growth. Empirical studies find a negative impact of high inequality on growth. Moreover, there is evidence that in countries with initially high levels of inequality, economic growth is less effective at reducing poverty.

- Poverty is a barrier to poverty reduction: the impact on poverty of growth rate declines as per capita income declines relative to the poverty line.

- Educational attainment (not necessarily education expenditures) may allow the poor to benefit from growth to a greater extent.

- These findings would justify poverty reduction strategies with a pro-growth bias in low income and low inequality countries and policy packages that adequately balance growth and inequality objectives in richer and more unequal countries.

- There is little empirical work so far analysing the relative effectiveness of different types of aid and there is no meaningful and conclusive evidence on what types of approach is generally most effective. There is however a growing number of research projects undertaken in this area and the body of evidence is bound to become larger.

- There is strong evidence that there exists an aid-investment-growth mechanism.

- A number of cross country studies find that investing in agriculture, education and infrastructure has a positive effect on poverty reduction and growth. If the objective is to achieve growth, investment in agriculture, human capital or infrastructure (or even a combination of the three) will bring returns. If the objective is poverty reduction, investment in agriculture is likely to be most effective, followed by investments in human capital and infrastructure.

- Empirically, the historical record shows that in many cases the increases in agricultural output have preceded the major expansions of manufacturing. Very few economies around the world have achieved broad-based economic growth without agricultural and rural growth preceding or accompanying.

- There is strong confirmation that increasing agricultural productivity is the key to reducing poverty effectively. The evidence of the Green Revolution in Asia is that technical progress is a very substantial cause of agricultural growth, and has been very pro-poor.

- Economic growth does not guarantee access to health, education and a clean water supply or a better standard of living for those living in some, usually remote, areas.

- The agricultural sector has a positive and fairly strong impact on non-agricultural growth. Because economic growth usually has a direct impact on poverty, any contribution agriculture makes to speeding overall economic growth will, in most circumstances, also directly contribute to reducing poverty.

- Agriculture growth requires a supportive environment, including the removal of factors constraining its growth such as infrastructure. Also needed are structural changes that support knock-on effects in local product and labour markets.

- At the macro level, growth in agriculture has consistently been shown to be more beneficial to the poor than growth in other sectors.

- There is strong evidence that the urban-rural composition of growth matters to poverty reduction. Rural growth is found to reduce poverty in rural and urban areas and hence can have a significantly positive effect on national poverty reduction. If economic growth is largely driven by urban areas, the extent to which to which it will impact on the rural sector will depend on rural-urban linkages.

- There are also indirect effects of agriculture on poverty reduction, through the influence of agricultural growth on non-agricultural growth, which stimulates poverty reduction as well.

- There is little robust evidence to suggest that one form of aid is more effective at reducing rural poverty, than another. The evaluation of aid targeted at reducing rural poverty through rural development projects finds mixed results on cost-effectiveness, which are dependent on a number of external factors including sustainability of the project, take up, changing social factors.

3 Assessment DFID-funded research on agriculture and natural resources

3.1 Introduction

3.1.1 Issues and objectives

Issues

DFID spends £40 million per annum on agricultural research, but dissemination mechanisms to poor African farmers are limited. Attempts are made to ensure agricultural research is communicated effectively with the eventual users of the technology, such as by ensuring that communications strategies are in place before funding is released. However, there are risks that without more widespread mechanisms for technology dissemination to rural areas, potentially large benefits will not be realised by poor people. This is particularly problematic in Africa, as reflected in DFID's policy paper on agriculture, which recognises that the institutions which perform these services (known as agricultural extension services) are severely limited in their ability to reach farmers.

(Source: NAO Business Case)

Objectives

In this section, we assess the findings and impact of DFID funded research on agriculture. Where possible we assess the findings against the criteria of: impact; effectiveness; take up; and rate of return.

3.1.2 Scope

Agricultural research includes applied agricultural research programmes and extension programmes. Agricultural research programmes are conducted by both the private and public sector and seek to invent new technology for new crops or market groups. Innovations can either be embodied in capital goods or new products (such as tractors, fertilisers and seeds) or disembodied (for example, integrated pest management schemes). Applied agricultural research has taken place either through the Consultative Group on International Agricultural Research (CGIAR) system, which consists of fifteen autonomous international research centres, or through the National Agricultural Research Systems (NARS) of developed and developing countries.

The new DFID research programmes comprise:

- Four regional research programmes (East, West and Southern Africa and South Asia);
- A programme in partnership with UK research councils to support long-term basic/fundamental research linked to applied research in southern-based organisations; and
- DFID supports international agricultural research, principally through CGIAR.

Previous to this, DFID's Renewable Natural Resources research programmes ran for 11 years and

finished in March 2006. A number of the themes on which they were engaged continue in the new programmes now under development.

The Renewable Natural Resources Research Strategy (RNRRS) was evaluated in 2005. The recommendations from the evaluation were used to inform the design of the new programmes.

We review below DFID research published between 2000-2006, which covered both the former Renewable Natural Resources programme and the new NARS and CGIAR funding. In addition we review the IFPRI projects funded by DFID.

3.1.3 Approach

In all cases, the proposed innovations arising from research confront the issue of adoption. This is particularly challenging in the case of farmers in poor regions because, first, there are often weaknesses in the systems for disseminating new technologies and, second, there are often reasons why poorer rural households in particular are reluctant to adopt new technologies.

In examining DFID agricultural research investment, therefore, we need to consider both direct investment in technical research (typically through the RNRSS programme, support to the CGIAR) and other research financed by DFID on the linkage between research and communications/extension systems, and on the nature of rural livelihoods and the responses of rural households to changes in technology.

We examined the uptake of the research findings, where this information was available examining particularly the uptake of learning, where assessed.

We review the four different programmes in the following way:

- *DFID RNRSS programme* - A number of papers were commissioned to evaluate the RNRSS programme, and we review the key findings examining: general issues limiting the impact of DFID funded agricultural research; uptake of renewable natural resources research; importance of demand driven research; effectiveness of RNRSS; impact;
- *Review of directly funded DFID research outside RNRSS*;
- *Review of CGIAR research* focusing on: outputs; uptake; impacts; rate of return; cost benefit ratios; CGIAR impact on prices; production; land use and trade; and meta-evaluation of CGIAR.
- *Review of IFPRI funded research: a*ssessment of take up of technology, and review of DFID directly funded IFPRI projects.

3.2 Review of papers assessing the RNRRS programme

With the ending of the RNRSS programme a number of evaluations and reviews of the research undertaken was commissioned by DFID to understand the lessons learnt from the research. The findings of these assessments are summarised below.

3.2.1 General issues limiting the impact of DFID funded agricultural research

- Gender needs to be more clearly mainstreamed into the renewable resources programme in order to help the take up of agricultural research.
- Impact of water funding programmes may have been limited by the failure to look at linkages between different parts of the programmes.
- Take up of research relating to water management agricultural research was limited by research not looking at how widely applicable the research was.
- The assessment of the DFID rice research programme highlighted that uptake was limited by the fact that agricultural research was project based: the scope for uptake was constrained by the fact that

research outputs were generally promoted by individual projects, in the absence of programme-wide or cross-programme uptake strategies.

- As fewer funds were available during the uptake phase, there was little scope to commission impact assessment studies, or research that would explore strategic opportunities for uptake. DFID country programmes provided few opportunities for uptake, possibly because of a lack of awareness of the potential of some of the research outputs.

- Building long term in-country relationships is the key to improving take up and adoption. The review of the Plant Sciences Programme sees this as a primary determinant of ensuring good adoption and take up rates.

- Good examples of disseminating the information from agricultural research include:

  – The Good Seed Initiative (GSI), where a clear programme of outputs in order to promote dissemination was undertaken; and

  – Crop Protection Programme's cluster of vegetable projects in East Africa. This programme was assessed as one of the most effective projects for contributing to reduction of poverty and improvement in livelihoods of poor small-holders working in both the domestic and export sectors and poor employees working in the export sector, mainly because the key output included bio-pesticides, knowledge generation and promotion, and spillover effects.

3.2.2 Uptake of renewable natural resources research

The DFID commissioned report "Research for Poverty Reduction" (2002, named the 'Surr report') commented that most, but not all, of the annual reports prepared by the programme managers include information on the stage reached by each current project. Most programmes use the A-H scale: from level A (agreement with partner institutions), through level E (uptake by target institutions), to level H (uptake by end users). These ratings provide an indication of the level of uptake achieved by each individual project. However, they are less useful as a measure of the uptake performance of the programmes as a whole. The Surr report concludes that a number of general observations can be made on the basis of the information provided:

- Information on uptake is patchy: the quality and coverage of the information available varies considerably from project to project and programme to programme.

- Monitoring uptake from completed projects has not been a priority: once RNRRS funding ceases and project teams disperse, programmes have no formal means of tracking progress, and are not contracted to do so.

- There are indications of substantial uptake across the programmes. However, the type of uptake is extremely diverse. This presents a real challenge for assessment across the RNRRS, and makes it even more important that the definition and assessment of uptake is agreed at an early date, as part of an overall evaluation framework.

The DFID paper "Communication for Research Uptake Promotion: Learning from Practice" (2006) underlined that the following points were necessary to improve the uptake and use of RNRRS:

- Communication planning is crucial for research uptake promotion projects. Flexible plans, developed with specialist help and supported by flexible budgets, allow for the most effective communication.

- Successful engagement with stakeholders is central to communication for uptake promotion. Sufficient skills and resources are needed to achieve this: close and repeated interaction, often face-to-face and one-to-one, is required.

- Developing effective communication products is difficult, and seldom achieved by projects. Project teams need to have the communication knowledge, skills and experience to achieve this.

- Diverse communication skills are needed for effective communication. Communication specialists should be included on project teams to assist with communication activities as well as to provide

training in communication skills.

- Dissemination of information via electronic media is widespread, but little is known about the reach and effectiveness of this communication pathway. More study is needed on the limitations and potential of these media for research uptake.

- Specific monitoring and evaluation of communication activities within projects is needed. The effects of communication on research uptake are often only fully apparent in the longer term, and so later assessment is important for learning what does and what does not work.

- Good communication practices are sometimes shared, but often remain confined to the project. Institutional learning and organisational capacity for communication need to be improved to enable wider influence and the creation of models of good practice.

- The skills, resources and time to achieve effective communication are typically underestimated in project planning and implementation. Research funders and programme managers need to recognise this and to ensure that communication is adequately resourced.

3.2.3 Importance of demand driven research

One factor impacting the whether research is effective, is how research topics are identified and what ownership of projects is undertaken.

Spray and Thomas (2003) describe the Bolivian national agricultural research system which has an adaptive research/technology transfer project fund. Research topics are identified by contracting users (e.g. producer associations) to identify their priority. These are then put out to tender to research suppliers - the users must contribute 15% of the costs. This is a lot for some and pushes it to being research that has rapid impact. This is supported by a new DFID programme to pay for a person to link this Bolivian national agricultural research system to results from DFID centrally-funded research, and international research.

There is similar work on demand-driven national agricultural research systems in Kenya and Uganda. The Participatory Plant Breeding Programme in Tanzania involved local farmers in the research process from the start, setting the agenda of what should be researched, and yet generated findings that have relevance beyond Tanzania.

This paper concludes that research is systematically under-funded in-country because the poor, governments and donors all have short time horizons. Over-dependence on donor funding has created reliance, reducing even further the incentive for governments to fund research systems. Donor-funded research can lead to ivory towers, or islands, detached from the national research systems let alone the needs of poor people. International research institutes especially. The regional level is important for research, especially for small countries with a small base of professionals.

Regional projects, however, tend not to be as politically attractive as national ones. In countries where there is a substantial research sector, government poverty reduction priorities and the research they seek around this is not necessarily matched by what is being produced by independent research entities. This is in part due to poor communication between government departments and external entities, and between government departments themselves. The capacity within government itself to articulate and manage research agendas and then to use the results to inform policy formulation is also highly uneven.

3.2.4 Effectiveness of RNRSS

The Surr report (2002) commented that available information on project effectiveness is limited. Almost all the projects are reported as achieving their research outputs, and ‘Project Completion Summary Sheets’ (PCSS) do not include any rating for purpose-level achievement, or assessment of the contribution to purpose. The sections on ‘contribution to goal’ are rarely useful. ‘Final Technical Reports’ contain much more detail, but still do not provide a consistent basis for assessing project performance. There is no straightforward way of using aggregated project scores or ratings to assess programme performance.

3.2.5 Impacts

The Surr report (2002) also reviewed the impact evidence garnered from three main sources: the impact studies of selected research themes carried out between1998 and 2000; questionnaires completed by programme managers; and reports produced by the research programmes themselves.

The report concludes that the research commissioned by DFID between 1998 and 2000 provide some of the best evidence on uptake and impact. Some of the impact studies provided useful and reliable findings. In others, the analysis was superficial, the evidence was thin, and consideration of attribution and counterfactuals was largely absent.

The strongest evidence relates to productivity and, to a slightly lesser extent, financial impacts: 40% of the projects have produced outputs that have significantly increased yields; 30% have generated significant financial benefits; and for 20% of the projects it is reasonable to conclude that the financial cost-benefit ratio is positive.

The evidence for large-scale uptake among the rural poor, or for sustainable impacts on institutions or human capability, is weaker. Convincing evidence is only provided for around 20% of the projects evaluated.

Weakest of all is the evidence relating to impacts on livelihoods, equity, gender, security, and empowerment. The studies provide little or no evidence that the projects have led to significant impact in these areas.

3.3 Review of agricultural research directly funded by DFID

Appendix 4.1 summarises the findings of 18 agricultural projects which were funded directly by DFID between 2002 to date. Although the impact of the individual projects is unclear, as only the outputs are reported by DFID (on their 'R4D' website) and as no formal evaluation has yet taken place to the best of our knowledge, it is apparent that the outputs did include an element of the dissemination. Examples are:

- Using and building websites to provide access to the reports e.g. Rural Non-Farm Economy (RNFE) - Dissemination of project outputs and budget.
- Building agricultural knowledge centres. This was particularly the case in terms of the East Africa pro-poor sustainable agriculture knowledge centres – which was specifically set up to share the learning of the agricultural research.
- Ensuring that learning from projects is fed into wider World Bank programmes e.g. Enhancing Rwanda's Mid Term Review. Here the report made recommendations for enhancing positive poverty outcomes of the Rural Sector Support Project in Rwanda. Lessons learnt from this process will feed into an on-going and wider World Bank programme designed to support World Bank investment at the mid term review (MTR) stage through providing recommendations for World Bank instruments to improve poverty orientation in operations.
- Using the research to influence wider relationship e.g. the relationship between nutrition and the Millennium Development Goals. A strategic review of the scope for DFID's influencing role was commissioned by DFID to be rolled out by the IFPRI in Bangladesh.

3.4 Review of CGIAR funded research

3.4.1 Outputs

Please refer to appendix 4.3. Main outputs of the CGIAR system, based on those highlighted in the CGIAR "general impact" section from their website (www.cgiar.org) include the following:

- A major set of outputs has been produced by the plant breeding programmes. These have produced modern varieties (MV) for a range of food crops. Initially concentrating on maize, wheat and rice, programmes have expanded to include tubers, grain and legume crops of importance to the poor, as well as some work on forage crops. Early focus was on yield increases but now includes resistance to stresses, shorter duration and suitable for low input systems.

- Work has also been done on developing more environmentally friendly technologies and natural resource management strategies. Much of this work is still in progress although integrated pest management approaches have been influential in reducing pesticide use. Biological control measures for plant pests are also developed.

- Conservation of plant genetic resources has been undertaken, and material is accessible to plant breeders worldwide.

- More than 75,000 scientists and technical experts have been trained by the centres.

- A formidable range of information resources have been produced including some training materials aimed at farmers and extension workers.

3.4.2 Uptake

The Surr report (2002) highlights that adoption studies have been carried out since the early days of the CGIAR system. The uptake of modern varieties is well documented and clearly many were/are acceptable, accessible and of benefit to large numbers of farmers. A few of the many examples of uptake presented on CGIAR websites include:

- More than 300 CGIAR developed varieties of wheat and rice and more than 200 varieties of maize that are grown by farmers in developing countries.

- Maize modern varieties (MVs) now grown on more than 40% of cultivated area in Africa.

- 55 million ha in developing countries planted with CIMMYT related wheat varieties, accounting for 80% of annual wheat production.

- MVs of cowpea grown in over 60 countries.

- Improved bean varieties now occupy 40% of total Latin America bean areas.

- Blight resistant barley planted on over 100,000 ha in China.

- Improved lentil varieties adopted by 78% farmers in two provinces of Turkey and by 65% farmers in one province in Syria.

Information on the adoption and uptake of other outputs is less available although there are examples (e.g. cassava mealy bug control, and integrated pest management). A particular gap has been the institutional and policy outputs although ISNAR and IFPRI have begun to address this in the last few years.

3.4.3 Impact

The majority of the impact information comes from the adoption studies and their aggregate evaluation which has a heavy emphasis on economic returns, increased productivity and hence incomes. The results of impact studies from across the CGIAR system provide strong evidence for positive global results from investment in agricultural research: increased productivity, the more efficient use of the natural resource base, and large-scale uptake.

A key assumption made by the CGIAR evaluation system is that increased and more sustainable food production by farmers will lead to increase in their welfare and, possibly, through price reductions to increase in consumer welfare. The evidence for other, non-economic, impacts (institutional, policy, gender, environment, etc.) is both more limited and less clear-cut.

3.4.4 Rates of return

Alston et al (1998) looked at 294 studies of rates of return (1,800 estimates for developed and developing countries). Omitting the highest and lowest 2.5%, the analysis for the entire literature showed estimated annual rates of return of 73%. Other studies provide comparable findings for maize in Africa, for potatoes worldwide, and for several crops in Asia (e.g. rice and wheat). Their key findings are as follows:

- There is no evidence that rate of return declined over time;
- Location does not appear to make much difference;
- Returns on long term processes such as natural resources management are lower; and
- Some simplifications result in over-estimates (notably counting a single project as opposed to entire research programme).

The Alston study comments that "the range of rates of return is uncomfortably large, which makes it harder to discern meaningful patterns in the rates of return, and to identify those factors causing variation in the evidence. But, these are the data, and it is better to use objective and systematic methods to filter the results rather than ad hoc sample selection, which may entail corresponding bias".

3.4.5 Benefit cost ratios

A review by CGIAR's own standing panel on Impact Assessment (SPIA) (Raitzer, 2003) analysed the effectiveness of the overall investment in the CGIAR system, and produces evidence that overall benefit-cost ratios could plausibly range from nearly two to over 17, with a "plausible" scenario of benefits to date producing a ratio of 9 to 1. The economic value of benefits derived from just three CGIAR innovations is estimated to be greater than the entire $7 billion (1990 US dollars) invested in the international agricultural research centres of the CGIAR since the system's establishment.

This seems to suggest that the impact of CGIAR funded research, in general is highly positive. This is obviously CGIAR funded assessment of their research, so the estimates may be overstated.

3.4.6 CGIAR impact on prices, production, land use and trade

The following estimates of impact are derived from the 'International Model for Policy Analysis of Agricultural Commodities and Trade' (IMPACT) model developed by the International Food Policy Research Institute (IFPRI). They show what would have happened to world food production without CGIAR contributions:

- World food production would have been 4 to 5 per cent lower and developing countries would have produced 7 to 8 per cent less, exacerbating hunger, malnutrition, and poverty;
- World food and feed grain prices would have been 18 to 21 per cent higher, adversely affecting poor consumers;
- Area planted to crops would have been significantly higher for all food crops, as cultivated area in developing countries would have expanded by 11 to 13 million hectares (and 5 to 6 million in industrialized countries), at the expense of primary forests and fragile lands with high biodiversity;
- In developing countries, per capita food consumption would have declined by 5 per cent on average, and up to 7 per cent in the poorest regions — causing food, income, and nutrition insecurity; and
- Some 13 to 15 million more children would have been malnourished, predominantly in South Asia, where incidence of hunger is highest.

This assessment is very dependent on the assumptions under which this assessment was done. It makes assumptions about the take up of CGIAR funded research.

3.4.7 "The CGIAR at 31": an independent meta- evaluation

Eicher, C. and Rukuni, M. (2003) carried a meta-evaluation of the CGIAR, commissioned by the World Bank Operations Evaluation Department.

The report summarises evidence of the large past contribution by the CGIAR institutions to poverty reduction and economic development, mainly through improved germplasm for basic food staples. It points out that this contribution is in need of revival, given the slowdown in the growth of yields of main food staples in the past decade or so; the increasing perception of endangered soil and water resources;

and growing poverty and malnutrition in Sub-Saharan Africa. The meta-evaluation identified threats to the CGIAR system's future ability to contribute: a sharp fall in unrestricted funds, and a shift toward restricted funding; a steady fall in CGIAR resources for germplasm work; and "less focus" and "inappropriate downstream activities in much of the CGIAR's research programme".

The sharp fall in unrestricted funds and the shift toward restricted funding mean that each centre increasingly solicits and gets funds from a specific donor, often for a purpose responsive to donor pressure groups. This has reduced the power of the CGIAR to implement a system-wide scientific strategy or to influence the priorities of individual centres. Increasingly, the system has no means either to make strategic and science-based decisions, or to implement them, by allocating funds or otherwise.

The meta-evaluation shows in detail how restricted funding underlies the CGIAR's failure to develop coherent or system-wide actions on intellectual property rights and links to the private sector, biotechnology, conservation of genetic resources. However, as the report shows, there is little tangible evidence of high returns to the CGIAR system's largely downstream research. Even if returns are high, such research may be locally specific and better done by NARS.

Also, adoption of advice by farmers often depends on productivity gains, which are larger with good germplasm, attuned to sustainable high productivity under specific environmental constraints. Therefore, falling CGIAR funds for germplasm research and conservation can undermine the usefulness of this research.

The meta-evaluation also noted a lack of routine accountability, via periodic external evaluation of the CGIAR system. This was traced partly to insufficient joint action by donors.

The meta-evaluation concluded that there was a case for the World Bank (as convener and largest donor) to ensure accountability of the CGIAR system, to which it provides $50 million annually.

3.5 Review of DFID funded research undertaken by IFPRI

A summary of research undertaken by IFPRI funded by DFID is in appendix 4.2, as identified from the DFID research portal.

- At the moment these projects have limited information about the take up of their research. So it is difficult to assess the actual sharing of findings from the research;
- However all the reports have an element of sharing the findings either with other research institutes and recognise the need to share this information;
- Look to inform public opinion about agricultural research; and
- Specifically look to improve information about impact of poverty and rural livelihoods research.

3.6 Other evidence on returns of agricultural research

S. Fan, L., Zhang, and X. Zhang Growth, in "Poverty in Rural China: The Role of Public Investment" (IFPRI, 2002) examines the effectiveness of different types of public investments within one framework, and within a single econometric model. The primary purpose of this study is (i) to develop an analytical framework for examining the specific role of different types of government expenditure on growth, regional inequality, and poverty reduction by controlling for other factors such as institutional and policy changes and (ii) to apply that framework to rural China. Using provincial-level data for the past several decades, we construct an econometric model that permits calculation of economic returns, the number of poor people raised above the poverty line, and impact on regional inequality for additional units of expenditure on different items. The model enables us to identify the different channels through which government investments affect growth, inequality, and poverty.

The results show that:

- Government spending on production-enhancing investments, such as agricultural research and development (R&D) and irrigation, rural education, and infrastructure (including roads, electricity, and

telecommunications) all contributed to agricultural productivity growth and reduced regional inequality and rural poverty. But variations in their marginal effects on productivity were large, among the different types of spending as well as across regions.

- Government expenditure on education had the largest impact on poverty reduction and very high returns to growth in agriculture and the non-farm sector, as well as to the rural economy as a whole. Among all types of investments, additional spending on education in the less developed areas (the western region) also had the largest role in reducing regional inequality.

- Government spending on agricultural research and extension improved agricultural production substantially. In fact, this type of expenditure had the largest returns to growth in agricultural production and overall in the rural economy.

A report by Enterplan (2005) assesses the results of this study and suggests that if the government is interested in obtaining the maximum impact on productivity growth and poverty reduction in rural areas for public expenditures, it should primarily allocate these expenditures to agricultural research, education and road construction. The fact that public investment in R&D matters in very different institutional contexts is an interesting result and if found robust, has significant implications for policy. However, they note that a key omission of the Fan et al. studies is the possibility of intranational spillovers from research both from one state or province to neighbouring states or provinces or international research spillovers from the dissemination of new seed varieties from international agricultural research programmes. The omission of such spillovers can lead to a distortion in the estimated rate of return to public investment in research relative to other types of public spending.

The 2005 Enterplan report also highlights there is a robust positive relationship between spending on research and development (R&D) and economic growth – the rate of return on R&D is many times the rate of return on investment in machines and equipment. Though R&D predominantly occurs in advanced market economies, there are significant spillovers from developed countries to developing countries via international trade.

Spending on R&D in developed countries can have important positive implications for economic growth and poverty reduction in developing countries. In addition, they note that research and extension in agriculture yields consistently high rates of return – whether for extension and research separately or combined, whether for farm-level (cross-sectional) observations or for aggregated farm production data that varies across districts, states or countries and over time (panel data), and whether for all crops or individual crops.

However, there are no comparable estimates for policy-oriented social science research due to the problem of quantification of the benefits of such types of research in terms of output or productivity gains.

3.7 Conclusions

In all cases, the proposed innovations arising from research confront the issue of dissemination and take up. Overall assessments of agricultural research funded by DFID either through the previous RNRSS programme or the new thematic programme suggest that projects have been effective, although this is difficult to evaluate in terms of uptake or impact on rural households.

In examining DFID agricultural research investment, is not often clear whether there is a positive relationship between: (i) research and communications/extension systems; (ii) the nature of rural livelihoods and the responses of rural households to changes in technology. This means that it is not clear whether there is a close linkage between these different elements of DFID expenditure on promoting the use of improved agricultural technology as a means to alleviate rural poverty.

The key difficulty in making this assessment is that evaluation of uptake and dissemination is patchy. The actual uptake and dissemination of findings is not often commented on explicitly, making it difficult to assess whether these positive spill over effects have occurred. Where an assessment of take up has occurred it seems that this is limited by structural issues, for example project based funding means regional gains are not often assessed.

Locally demand driven research is seen to result in better outcomes, as being more responsive to local needs, and more likely to have high take up.

Assessments of CGIAR's agricultural research showed high rates of return, but assumptions about the actual level of spillover may lead to overestimates. Similarly, the actual take up of advice resulting from CGIAR's research is questionable.

4 Analysis of changing approaches to tackling rural poverty

4.1 Introduction

4.1.1 Issues and objectives

"DFID and others do not have a clear view of the most effective routes to combat rural poverty.

There are unresolved tensions within DFID and the wider donor community regarding the most effective routes for rural poverty alleviation.

The international development community has a range of views on the most appropriate ways to improve living standards and reduce poverty in rural areas. These may include encouraging overall economic growth which will 'trickle-down' to the poor, more direct strategies for raising rural incomes such as increasing agricultural productivity, improving infrastructure, supporting migration to urban areas, and implementing social protection measures, among many others. We would expect a range of approaches, tailored to country circumstances.

But we did not find, even within the central policy division in DFID, a clear view on what DFID would consider to be effective for rural poverty reduction and in which circumstances. For example, DFID's work on social protection has mainly focused around a cash or social transfer approach, though there have been no studies to assess the effectiveness of these transfers versus other mechanisms such as income generation schemes."

(Source: NAO Business Case)

The main questions we address in this section are:

- What *approaches* to tackling rural poverty has DFID adopted since approx 1990?
- What are the key *strengths and weaknesses* of the different approaches?
- What *explained the changes* from one approach to another one?

In addition we collected some evidence on two other issues the NAO asked us to keep in mind while searching through the literature and holding our interviews. These are:

- Does DFID have knowledge of the *efficiency* (cost-effectiveness) of alternative methods - such as microfinance, economic growth, redistributive transfers, social protection and migration - for reducing rural poverty in different situations?
- Are DFID's approaches to rural poverty reduction compatible and sufficiently *linked*? Are those people who are likely to be missed by a given strategy adequately captured by another, and is there any evidence of this?

4.1.2 Definition

In 1997, the Overseas Development Administration (ODA), a functional wing of the Foreign and Commonwealth Office, was replaced by the Department for International Development (DFID). In this report we also refer to the ODA as "DFID".

4.1.3 Structure

The paper is structured as follows. Section 4.2 gives an overview of the approaches to tackling rural poverty adopted by DFID, and discusses the main reasons of the changes in approach. In section 4.3 we summarise our findings, report the findings from our interviews and make a number of concluding comments.

Appendix 5 gives the chronology of the rural development approaches. Appendix 6 contain two brief case studies on rural development programmes, Malawi and Bangladesh. Appendix 7 presents the sustainable livelihoods framework and gives the history of the sustainable livelihoods policy at DFID.

4.2 Approaches to tackling rural poverty

4.2.1 Introduction

In this section we review the approaches to tackle rural poverty adopted by DFID in the last 15 years or so. We assess the key strengths and weaknesses of the different approaches and we discuss what explained the change from one approach to another one and the reasons why some approaches fallen out of favour.

We distinguish between three periods in agriculture and rural development:

- ***Up to mid 1990s***: this period – ***'putting production first'*** - is characterised by efforts to transform peasant agriculture through technological innovation, initially through a commodity focus but later through multi-sector area based approaches. Towards the end of this period, more attention was paid to agricultural sector policy reform (under structural adjustment policies) and to environmental conservation (after Rio) but the focus remained upon technological improvement within agriculture.

- ***Mid 1990s to early 2000s***: a new development paradigm – ***'putting poverty first'*** - is dominant, in which agriculture as a sector is neglected. For the incoming Labour British government promising a new approach to aid, this poverty focus - and the elevation of targets - became its touchstone. The previous approaches that emphasised production and technology were relegated in importance.

- ***From mid-2000s***: DFID (and other donors) re-engage with agriculture. A new policy is emerging, more pragmatic and more inclusive. We name this period ***'the new agriculture agenda '.***

4.2.2 Up to mid 1990s: 'putting production first'

Highlights of the 1950s and 1960s[19]

Because agriculture forms a large share of national output and employment in the early stages of development, this sector is explicitly treated in most theories of economic development. These theories have evolved over time, but generally can be divided between the *classical views* in the 1950s and early 1960s of agriculture as a passive contributor to economic growth, and the *agricultural-led industrialisation* school of the 1970s and 1980s (Byerlee et al, 2005; Eicher, 2003).

Development thinking in the 1950s and early 1960s did not view agriculture as an important contributor to economic growth. Instead development was equated with structural transformation of the economy, that is, with the decline of agriculture's relative share of the national product and the labour force. The prevailing belief was that state-led industrialization could transform agrarian-dominated societies into modern industrial nations in one generation.

[19] Throughout the whole of its existence, the Overseas Development Administration (now DFID) was staffed mainly by home civil servants, although some members of the diplomatic service have spent parts of their careers there. At its peak in 1979, it employed 2,300 staff, which fell to 1,500 in 1987 as aid budgets were progressively reduced during the Thatcher administration. The rundown of staff numbers was complemented by a reduction in overseas manpower. In the mid-1960s there were about 16,000 British staff working on contract to developing countries, receiving a salary supplement from the Overseas Development Ministry. By 1990, this had been reduced to almost none. (Barder, 2005)

Development thinking and practice converged during the sixties and seventies and most African planners and their foreign advisors focused on capital accumulation, state-led industrialization and a heavy reliance on foreign aid to achieve high rates of economic growth. And to justify foreign assistance, each African government typically prepared a five- or six-year national development plan, including a collection of projects to achieve a target rate of economic growth (Eicher, 2003).

As regards rural development policy in the UK, up to the 1960s 'transforming peasant agriculture' (i.e. settlement schemes, improved inputs, commodity schemes, agricultural research etc) was the dominant approach. The thinking behind this approach was that the major achievements in colonial agriculture in introducing export crops - such as tea, coffee, and sugar - could be replicated in food staples and livestock and therefore many more producers could enter into the commercial mainstream. The reasons for what has been named "peasant conservatism" were much debated, and the general conclusion (including from farming systems research) was that a broader approach was required, involving more than just production constraints.

The UK government declared in 1958 that aid would be extended to former colonies that were members of the Commonwealth, and some non-Commonwealth countries. The British began to offer a combination of budgetary grants and technical assistance grants, concessionary loans, and loans under the Export Guarantee Act. The Colonial Office, which was responsible for managing the colonies and the process of decolonisation, worked under a guiding principle of the 'paramountcy of interests of the colonial peoples,' under which it had a duty to press for these interests within government even against Britain's other interests. (Barder, 2005)

Highlights of the 1970s

The failure of communal farming, government livestock schemes, state farms, settlement schemes, and government tractor hire schemes in the 1960s and 1970s, and the overall failure of economic growth to trickle down to the masses led to a shift in development practice in the seventies to '*basic needs*' (food security, health, education) programmes, integrated rural development (IRDPs) projects, and aid to smallholder agriculture. The World Bank, for example, stepped forward in the early seventies and threw its clout and financial resources behind direct assistance to smallholder agriculture and rural development projects to help the rural poor (Eicher, 2003).

In the UK, when it was returned to office in 1974, the Labour government proposed a significant change in aid policy, set out in the 1975 White Paper, "The Changing Emphasis of Britain's Aid Policies: More Help for the Poorest". One explicit priority was "to give special emphasis to programmes oriented towards the poorest groups within these countries, and especially to rural development". The White Paper adopted a '*basic needs*' approach, and identified the rural poor as the main group to be brought out of poverty and committed the UK to increasing the resources devoted to the agricultural sector.

At DFID, from the late 1960s, the need to address multiple (and non-agricultural) constraints took hold and '*integrated rural development projects*' (IRDPs). These projects were multi-sectoral and covered specific geographical areas (eg region, province, district). The intention was to embrace all the main sectors within a given rural area. They were DFID main spending priority. The primary aim of IRDPs was to improve the incomes and standards of life of a large number of people in a determined area. The projects covered several sectors, such as agriculture, health and transport, often with more than one component for each particular sector. Agriculture was the main sector and often covered all aspects of agricultural production, including 'extension'[20] (farmer advisory services), research, credit, inputs, production techniques and marketing.

IRDPs were very ambitious. They were wide-ranging, complex, and expensive. Successive evaluations of IRDPs concluded that expectations were not realised, and recommended to develop less ambitious projects, more carefully prepared and better focused. For example:

[20] 'Agricultural extension' was known as the application of scientific research and new knowledge to agricultural practices through farmer education. The field of extension now encompasses a range of communication and learning activities organised for rural people by professionals from different disciplines, including agriculture, health, and business studies.

- A 1981 evaluation ("Integrated Rural Development") of six IRDPs by DFID and the World Bank concluded that the expectations of the IRDPs had not been met: "Farm output did not increase as expected and economic rates of return were therefore substantially reduced. The objectives presented at appraisal were not achieved as planned." The evaluation also concludes that "it is right that integrated plans for rural development should cover multi-sectors but they should generally be used to generate single-sector and single-function projects. These should be implemented individually according to the priorities in the overall plan. There is a need for less complex projects."

- A 1985 evaluation conducted by P Balacs, DFID Economic Adviser ("Rural Development in Africa: a Synthesis of Project Experience") reviewed the evaluation material from the World Bank, International Fund for Agricultural Development (IFAD) and DFID sources on rural development projects in Sub-Saharan Africa during the 1970s (where the focus was on large IRDPs). The main finding is "one of unrealised expectations". The main lesson is that "projects should be less ambitious, more carefully prepared and focused on new technologies offering the best chance of success." The evaluation also shows that donor funding for agricultural research investments in rural development declined dramatically in real terms.

Evaluations by other aid agencies such as the World Bank reached similar conclusions. The World Bank conducted a comprehensive global assessment of rural development projects covering the 1965-86 periods and concluded, "Although lending targets were met, half of the audited rural development projects in Africa failed over the 1965-86 period."

(Note that one interviewee told us that the World Bank was first rejecting the very negative conclusions coming out of the DFID evaluations and refused for a while to change their approach).

Other criticisms of IRDPs were that they were ultimately unsustainable, creating artificially favourable environments for service delivery, and bypassing the public administration, but at the same time offering terms and conditions that drew talented staff from government, thereby undermining it. (Farrington *et al* 2002).

Highlights of the 1980s

Economic stagnation blanketed Africa in the early 1980s and the optimism of the first two decades of independence was overtaken by a wave of 'Afro-pessimism'. A long term perspective study by the Economic Commission for Africa concluded that "if present economic trends continue the picture that emerges for Africa in the year 2000 is almost a nightmare".

The poor performance of state-led organisations and "thousands of poorly performing IRDPs, livestock and agricultural credit projects" and the growing food crisis all contributed to a shift in donor aid back to economic growth and market liberalization. In short, the state was often seen as an obstacle to growth. The 'Cold War' also left a legacy of politically distorted, and hence largely ineffective aid priorities (Eicher, 2003).

The 1981 'Berg Report' ("Accelerated Development in Sub-Saharan Africa: an Agenda for Action", World Bank) made the case to liberalize trade, adjust foreign exchange rates, reduce the role of the state in direct agricultural production, marketing and grain storage, and reduce the level of taxation on agricultural exports.

Pursuant to the release of the Berg Report, the World Bank led the charge to tackle these reforms through a series of short term structural adjustment and balance of payment loans and a wave of promising agricultural projects, including an expansion of farming systems research and strengthening.

Structural adjustment programmes

From the mid 1980s there was a sharp decline in spending on project aid as donors began to pool their support around World Bank and IMF adjustment programmes. This meant, in practice, balance of payments support in return for economic policy reform.

For agriculture, the most important reforms were exchange rate flexibility to stimulate exports, and domestic deregulation to stimulate competition in input supplies and marketing. This approach did not

simply mean a squeeze on direct project-type spending in agricultural however. The view, of DFID economists especially, was that project interventions were unlikely to have much impact until the policy environment for agriculture was substantially reformed (meaning favourable terms of trade for producers and removing state controls over market agents).

The arguments over structural adjustment, and especially policy conditionality, have waned in recent years but the fundamental issue of whether to target rural directly through projects or to work on indirect sectoral policies, reform of institutions and public spending re-orientation are still alive. Similarly there are still issues about the amount being provided on budgetary support (with its more implicit *macro*-level policy conditionality) at the expense of what agricultural advisers in particular regard as necessary *micro*-level activities to unlock specific potential opportunities for the rural poor in targeted commodities or services.

'Area development' and 'watershed' projects

There was a clear move away from multi-sectoral rural development projects, declared largely ineffective and expensive by a large number of evaluations.

The World Bank, and other donors, responded to the criticisms of IRDPs by making greater use of pilot projects, followed by interim reviews, prior to full-scale implementation; and by giving greater attention to indirectly productive investments within agricultural institutions with emphasis on research, extension and credit.

At DFID, the main change in emphasis was not the principle of integrating different factors that impacted upon rural poverty. The main change was to move away from what were termed 'blueprint approaches' (setting out specific outcomes) and to lessen the emphasis on building regional government institutions and development authorities. Instead, there was more focus on specific natural environments ('areas'), such as large watersheds, rather than administrative units.

The scope of the projects "typically excluded social sectors and concentrated on agriculture and production issues" (interview), and the geographical focus was more limited. The style of the approach also changed and DFID adopted a more "more consultative approach" (interview).

The box below describes a typical watershed development project in India.

The Karnataka Watershed Development Project (KAWAD)

- DFID has supported the Government of Karnataka in implementing the Karnataka Watershed Development Project (KAWAD) since 1998 (and thus designed in the early to mid-90s).
- The project operates in Karnataka's three watershed districts, which are home to some 13,000 households. Partner non-governmental organisations (NGOs) manage field operations for the project.
- The KAWAD project was set up to address the problem of ensuring livelihood security in these drought prone and degraded areas in which the bulk of the population are dependent upon renewable natural resources and in which some 70% of people belong to households with an income below the official poverty line of 11,000 rupees (£137) per year.
- DFID India committed approximately £15 million over seven years (1998-2005) for this project. The project came to an end in June 2005.

Increasing focus in natural resources sector

The 'watershed approach' emphasised the multiple demands on specific environments, but this period also saw (largely because of the concerns over environmental threats to global resources) an emphasis upon specific measures to protect endangered resources and production systems. Forestry (and 'reforestation') was a particular interest of one long serving prime minister, Margaret Thatcher. Coastal fisheries also received attention.

Increasing emphasis on sustainability, people-centred approaches and emergence of rural livelihoods

At the same time, we observe an increasing importance of environmental and sustainability issues, a broad international climate which favoured people-centred approaches, leading to the emergence of the livelihoods approach. The Sustainable Agriculture Strategy (SAS) was approved by DFID in 1994 following a specific UK commitment at UN Conference on Environment and Development (UNCED), held in Rio de Janeiro (Brazil) in 1992.

The SAS amounted to a broad affirmation of existing approaches towards rural development within DFID. The strategy advocated few revisions to established practice and consolidated the focus on environmental sustainability, albeit within a narrow biophysical definition. Its poverty focus was narrow, with the poor defined as rural producers, rather than as landless labour and urban migrants. (DFID, 2002, "Supporting Agriculture. An Evaluation of DFID's Support for Sustainable Agriculture since the Early 1990s").

The SAS can be understood as a response to UNCED and a step towards the broader analytical foundation on which the sustainable livelihoods (see below) approach is based.

4.2.3 From mid 1990s to early 2000s: 'putting poverty first'

At global level, a new 'welfarist' and poverty-oriented approach is emerging

By the early 1990s, many donors spoke of a 'crisis' in aid. There were declining aid allocations from almost all OECD countries aid but, more important, it was felt that that public and parliamentary confidence in aid as a means of reducing global inequalities was declining. Within the OECD, a group began working on a 'new case' for aid to engage public support. The result was a small number of development targets, subsequently re-packaged as the 'Millennium Development Goals' (MDGs). These targets were strongly 'welfarist' (reflecting donor priorities for social spending, on education and health especially, over productive investment) and poverty-orientated.

In the UK, for three decades, foreign assistance programs had been influenced by the Cold War, during which strategic and security interests had affected the governments' choice of which countries to support and how; and by the need to support the UK's balance of payments, which had encouraged governments to link overseas aid to British exports. By the mid-1990s, these pressures had largely disappeared. (Barder, 2005)

Under Labour, DFID articulates a new approach to international development

In 1997, the Overseas Development Administration (ODA) was replaced by the Department for International Development (DFID), headed by a secretary of state with cabinet rank, assisted by (from June 2003) a minister of state and (from 1997) by a parliamentary under secretary of state. For an incoming British government promising a new approach to aid, this poverty focus - and the elevation of targets - became its touchstone. The previous approaches that emphasised production and technology were bound to be relegated in importance. At one point, the new secretary of state was said to have told one of her officials (possibly identified with earlier approaches) "Talk to me about poverty, not agriculture".

To mark the change of government in 1997, DFID under Clare Short strove to articulate a new approach to international development, in line with global changes in the approach to international development. Indeed, since the mid 1990s, the aid paradigm has been radically changing. Clear trends can be identified in DFID global strategising. These trends may be described as elements of the DFID policy framework. They include:

- Overarching focus on the MDGs, as encapsulated within DFID performance management systems;
- Poverty reduction, poor people, human rights and entitlements are central to the new approach;
- Increased emphasis on donor harmonisation as a core issue in relation to engagement with government and poverty impact;
- Focus on national government leadership and ways in which donor behaviour needed to underpin

ownership;

- Increased use of budget support as an instrument as well as improved public financial management;
- Increased use of sector-wide approaches (SWAps) (note that sector programmes in agriculture and natural resources are generally considered more difficult, and this general shift 'upstream' is more likely to favour the social sectors);
- Increased emphasis on influencing, both of government and of other partners;
- Reduced use of blunt conditionality, with a greater focus on shared objectives and shared monitoring arrangements;
- Attempts to draw partners into a more holistic approach to trade issues development aid and debt relief; and
- A move away from traditional sectoral approaches, with the use of multi-faceted conceptual models of development processes, e.g. sustainable rural livelihoods approach and rights-based approaches.

DFID initiates major organisational changes

DFID's global strategy cascades from the International Development White Papers (1997, 2000, 2006) encompassing the MDGs through the Public Service Agreement (PSA) and Directors Delivery Plans down to the level of country offices.

While the first White Paper (1997) marked the most significant policy change, it was by no means the only change. Indeed, the period since 1997 has been marked by a near continuous process of policy, strategy, organisational and system change. They include decentralisation to country offices, the introduction of the Public Service Agreement and Service Delivery Agreement, and the reorganisation of Policy Division. Country-level strategic planning and review procedures have also changed significantly. Country Strategy Papers and Policy and Resource Plans were replaced by Country Assistance Plans. Annual Plan and Performance Reviews were replaced by annual CAP reviews.

These and many other changes have meant that DFID country teams have had to continuously adapt to the changing priorities and procedures of DFID, while at the same time trying to adapt to the changing country context. (DFID Ev652, page 10).

These organisational changes did not take place without a series of problems and heated internal discussions, in particular, it was reported, in the early 2000s, between the 'old school' of natural resources advisers and the new leadership. There was real trench warfare", a "big power struggle" at the top of DFID, a "battle of generations and of intellectual schools". It was "very nasty", "messy" and "very personal". These were "very unpleasant times", and "policy-making suffered a lot". (Interviews)

A number of senior advisers retired and there is a fear that DFID lost important capabilities and knowledge in the areas relevant to agricultural development. "I did not like the new approach, disconnected from the grassroots, and decided to leave. DFID decided to stop working with people in the field, and to work with governments and NGOs".

Traditional approaches to agriculture and rural development are largely abandoned

In this period, DFID approach to agriculture and rural development was radically changed. DFID basically abandons the 'traditional' approaches, which focused on research, natural resources and technologies, and makes a general shift away from previously strong focus on agriculture.

"(…) in recent years donors have shifted away from their previously strong focus on this sector" (IDC, 2004, page 8).

"There was a switch towards budget support and an anti-science approach. Research was harnessed." (Interview)

Agriculture is notoriously absent from the White Papers (13 instances in 1997, 11 instances in 2000). Trade and changes in the international trade regime are seen as a way to bypass agricultural growth as a driver of development.

In fact, it is fair to say that for a few years DFID did not have a proper 'strategy' specific to the development of agriculture. The focus was on poverty reduction, and old aid modalities and approaches were perceived as having largely failed.

However, there was also some continuity: while traditional approaches are largely discarded, the strong commitment to the sustainable livelihoods approach (across sectors, not only in the rural areas) was re-affirmed.

Renewed commitment to the sustainable livelihoods approach

The enhanced focus on poverty established by the incoming government in 1997 led the Natural Resources Department (NRD) to review the relevance of the SAS. What was needed was an approach with a more explicit focus on poverty elimination and the livelihoods of the poor. In this way, the SAS was absorbed into the sustainable livelihoods approach from 1997.

"The 1997 White Paper's new policy priorities did not map neatly onto the existing pattern of policy responsibilities or professional competences within DFID. Nor was there seemingly any impetus from the top of DFID to reorganise around them. The political endorsement of the sustainable livelihoods approach (SLA) in the White Paper was a necessary but not a sufficient condition for change in DFID's programmes. It was in this context that the then Natural Resources Policy and Advisory Department, and its Head, Michael Scott, saw an opportunity to reorient its work towards DFID's new commitment to sustainable livelihoods. Michael Scott was finding their traditional approaches, which focused on resources and technologies, less and less convincing in the field. Much of the work was also embedded in rural development programmes which had fallen out of favour politically. He saw SLA as an opportunity to make his team's work more people-centred and to move it into the mainstream of DFID work. This change had a mixed response from DFID natural resource colleagues – some felt it devalued their technical expertise, while others found it intellectually liberating and organisationally empowering. Outsiders from IDS, ODI, UEA and Oxfam were brought into the policy development process." (Solesbury, 2003)

The reasons for these changes

The shift observed at DFID was general among leading donors. In 2001, lending for agricultural projects was the lowest in the World Bank's history. We give below a number of reasons put forward for this shift:

- A new paradigm in international development became dominant (see above);
- Increased competition for resources from other sectors. Some argue that the MDGs and poverty reduction strategies (PRS) have moved attention towards the social sectors and increasingly towards 'rural services', at a potential cost to the productive sectors (Evans et al., 2006);
- Some have argued that agriculture has been dethroned from the donors' agenda not because of any conscious decision of donors but a result of effective NGO pressure to broaden the aid agenda to a point where it is fashionable to say that aid is people-centred, instead of sector or activity-centred. As a result, aid to agriculture has declined, not because the NGO attacked investments in agriculture but because they were successful in making the case for health (HIV/Aids as critical issue), education and the environment (Eicher, 2003);
- The acknowledgement that many of the obstacles to agricultural growth need to be addressed outside the agricultural sector through such areas as energy and transport policy, infrastructure investment, tax regimes, international trade regulation;
- Changing aid modalities and the view amongst some that the new aid modalities not only focus less on agriculture but also work less well in agriculture (Eicher 2003);
- Loss of confidence in the sector due to poor performance of investments in agriculture, poor

management of available resources, and a history of poor returns (Jones and Stockbridge, 2005). Several aid evaluations in the sector have produced unfavourable results with regards to cost effectiveness, impact and sustainability;

- Changes in the global environment for agricultural growth that began in the 1990s raise questions about the future role of agriculture in pro-poor growth ("agro-pessimism") (Byerlee et al, 2005);
- The Washington Consensus was no more the dominant development paradigm;
- There is a declining share of agriculture in developing countries;
- Trade is perceived as a way to bypass agricultural growth and address rural poverty;
- There were rapid changes in rural households livelihoods.

In the evidence submitted to the IDC, a number of witnesses have commented on reasons given for why agriculture dropped from the agenda:

- "There has been a perception of past failure of agricultural projects. Particularly a lot of very high profile, World Bank financed projects have become quite notorious. I think a lot of projects have been tarred with the same brush." (Dr C Peacock, CEO, FARM-Africa)
- "Relative failure of not only projects in Africa and of sector programmes in the mid and late 1990s; one of the reasons being that they found that the agricultural sector is much more diverse, and more mixed in with private interests than, let us say, health and education." (Dr Hubbard, International Development Department, University of Birmingham)
- "I would also cite the absolute focus on the Millennium Development Goals as another possible reason why agriculture has dropped off people's agenda. There is not really an explicit agricultural food production type of goal, a higher level goal, and precedence is given to the very clearly defined health and education millennium targets where there are perhaps much more tangible outcomes from a certain amount of investment. If you put 20 million into primary schools in Tanzania, you know pretty much how many schools you are going to get out at the other end; whereas agriculture has always been a more complex sector that perhaps is not so amenable to that sort of rather simple cause and effect relationship". (Dr C Peacock, CEO, FARM-Africa)
- "There were three reasons.
  - The first was that there was a sense that we had beaten the world food problem back in the late 1980s/early 1990s, that in the rich countries like this one we had plenty of food to give away.
  - At the same time the agenda broadened. Environmental concerns became very important in the 1990s. Agriculture was bad suddenly because it was environmentally destructive. The environmentalists were very powerful in shifting the agenda. There was concern about human rights, about poverty, about women's rights. There was a lot of mission creep in the international agenda which meant that there was less money for agriculture but it was not just agriculture that disappeared. It was economic growth generally. Growth slipped from the World Bank's agenda where I used to work, and also from the agenda of several other important donor agencies.
  - I think third and probably least was the sense of failure. There had not really been that much failure. Foreign assistance in Asia had been dramatically successful in the sixties, seventies and eighties. We transformed Asia. (…) The sense of failure was more in Africa where we tried in many ways to bring the Asia solution to Africa and it did not work and we did have a lot of failure, particularly in the big irrigation investments, the farm credit and so on." (Dr Peter Hazell, Director of the Development Strategy and Governance Division of the International Food Policy Research Institute)

Searching for a new role for agriculture

DFID started however a process of re-defining its approach to agriculture, probably aware that the abandonment of traditional approaches had been too radical and that, after all, there was a critical need to have a coherent agricultural strategy.

This was required because, while poverty reduction strategy (PRS) processes in developing countries identified the importance of agriculture, many PRS papers did not tell donors how to make it perform better. In addition, recent studies, including by DFID, highlighted the crucial role agriculture has the potential to play in promoting pro-poor economic growth, better livelihoods and sustainability.

The 2002 Issues Paper "Better Livelihoods for Poor People: the Role of Agriculture" focuses on agriculture's role in poverty elimination and providing better livelihoods for poor people. The paper asks what lessons have been learned and what the challenges are for DFID. It suggests roles for the international community and development agencies, including DFID and outlines ideas. Quite revealingly, it says that "this paper is not a strategy: agriculture is too diverse a subject to be amenable to such an approach".

It also identifies opportunities and challenges to developing agriculture in a managed and sustainable way and looks at the roles of governments and the international community in supporting agriculture. It proposes that DFID and other development agencies should adopt a new role: "one that emphasises realising rights through creating opportunities for the poor, especially women. This involves reshaping the political economy and reforming policy and regulatory environments for agriculture, both nationally and internationally." (The Bangladesh most recent Country Assistance Plan, "Women and Girls First", is a good illustration of this emphasis on the role of girls and women, see appendix 6.)

These reports were 'leading indicators' of a re-engagement by DFID (and other donors) with agricultural development.

4.2.4 From mid 2000s: a 'new agriculture agenda'

The 'poverty first' approach that has characterised most donors' thinking from the mid 1990s has by no means run its course. However, the growing interest in globalisation (and its impact on developing countries) has stimulated more interest in the broader question of economic growth. It is no longer just academics, for example, who ask why Africa has failed to perform as well as low income Asian countries (and why some African countries have done better than others), and why rural poverty still persist in many parts of the world. Almost inevitably, there is renewed interest in what can be done to promote agriculture as a means of addressing rural poverty.

DFID re-engages with agricultural development

In the early to mid 2000s, there is a renewed interest in agriculture by donors, including DFID:

"The Committee welcomed DFID's re-engagement with agricultural development, marked by the launch of the consultation process on its new policy" (IDC, 2004, page 7).

"DFID has been working on policy options to harness renewed interest in agriculture by developing-country governments and international agencies" (Dr Wadsworth, Rice Today, April 2004)

"Yes, there is a revival of agriculture, including in research. Maybe the revival appears less clearly in forestry and fisheries, but I am unsure. It seems that H Benn has said that DFID had to do more on agriculture, recognizing that countries like Malawi have nothing else!" (Interview)

The reasons for this re-engagement

There are a number of factors driving this re-engagement by DFID.

- There is a strong realisation that growth is a necessary but not sufficient condition to reduce rural poverty, and that the 'trickle down' effects of growth are limited. "Since 1970, largely due to technical advances made by agricultural research organizations throughout the world, global food production outstripped population growth, but the average figures disguise big regional disparities. In Southeast

Asia, Green Revolution technology saved millions of lives and lifted millions out of poverty by providing a platform for diversified economic growth. In contrast, agricultural production declined by 5% in sub-Saharan Africa between 1980 and 2001, and the number of people suffering hunger increased by half. Even in Asia rates of productivity growth are slowing, and many people have never benefited from Green Revolution technology. In India alone some 300 million people still live in extreme poverty." (Dr Wadsworth, Rice Today, April 2004)

- Other leading donors are re-engaging with agriculture. For example, the World Bank and other donors launched an ambitious research programme 'Operationalising Pro-Poor Growth" which has highlighted the importance of agriculture.

- There were strong *political* pressures in the UK, in particular from two Committees of the House of Commons:

  – In 2004, the House of Commons Science and Technology Committee published "The Use of Science in UK International Development Policy" which is very critical of DFID: "We identified a number of serious weaknesses in DFID's approach to the use of science and technology. DFID suffers from a fundamental lack of scientific culture, reflected in its failure to appreciate the cross–cutting nature of science and hence to reap the full benefits offered by the application of science and technology to development." (page 3) "We conclude that DFID has failed to devote sufficient attention to evaluation of research. DFID must ensure that its past deficiencies in evaluation of research are rectified. However, resolving this problem will require a culture change within DFID as well as good intentions and the increased resources already at its disposal." (page 37)

  – In September 2004, The UK Parliamentary International Development Committee (IDC) reported on DFID's programme on Agriculture. The IDC was very critical of DFID retreat from agriculture: "DFID concentrated too narrowly on creating an economy-wide 'enabling environment' to the exclusion the specific challenges of getting smallholder agriculture moving. DFID must now urgently turn its attention to the sustainable provision of the most basic of services to smallholders. (…) We are convinced that some level of state involvement in delivery of these key agricultural services is now necessary. It is time for DFID to work to develop appropriate models for state involvement that recognise the respective benefits, and limits, of the public and private sectors. DFID must also act as an advocate for agriculture with the World Bank, the body which has the main influence on the broader policy environment. DFID and other policy makers need to understand why past policies have failed and address the existing gap in service provision. The world's poor need a mixed strategy that strikes the right balance between state and private sector involvement, as well as an appropriate balance in emphasis on small-, medium- and large-scale farms. Finally, the regional diversity of agriculture requires policy to be sensitive to the local context: a blanket approach will not work."

Evidence of this re-engagement by DFID

In 2003, DFID and the ODI launched a study of pro-poor agricultural growth (PPAG). A report of this programme presents conclusions from (i) a wide ranging literature review examining characteristics of PPAG, conditions necessary for such growth, and its impact and development pathways together with specific reviews of case study countries (Malawi, India and Zimbabwe); (ii) econometric work on the poverty and growth impacts of different kinds of government spending in India over different time periods; and (iii) livelihood, partial and general equilibrium modelling of the effects of different types of change on different categories of poor people in Malawi and Zimbabwe.

In 2003, 25 "like-minded" donor nations (including the UK), development agencies (including DFID) and international finance institutions agreed to establish the Global Donor Platform for Rural Development (GDPRD) to increase overall aid effectiveness in rural development. They believe that the first MDG means above all investing in rural areas to "spearhead dynamic poverty reduction": (i) poverty is mainly rural; (ii) rural areas are driven by agriculture – "the engine of pro-poor growth"; and (iii) investing in rural areas pays off. The members have reached an agreement on the "hot topics", i.e. on common issues of significant global importance.

In December 2003, DIFID published "Agriculture and Poverty Reduction: Unlocking the Potential. A DFID Policy Paper". In this paper, DFID recognizes that there "is a need for new approached to agriculture"

and that “there is a renewed enthusiasm for agriculture amongst development agencies and many developing country governments.” DFID notes that that there is no international consensus on the right mix of policies, or on the role a government should play in the sector. In particular, the paper states that new approaches would: (i) work in situations far less favourable to smallholder farming than those experienced in the first green revolution in Asia; (ii) go beyond the creation of a broad framework of enabling conditions for agriculture; (iii) address the increasing problem of chronic food insecurity and vulnerability, including the impact of HIV/AIDS.

DFID launched a consultation on the role of agriculture in growth and poverty reduction. Six-week broad-based consultation (14 April - 28 May 2004) on the role of agriculture in growth and poverty reduction, a set of working papers on key themes commissioned by DFID and the findings from subsequent consultation processes that followed the preparation of DFID's draft policy paper. These outputs have informed the preparation of the final Agriculture Policy Paper (see below) which will now be used to guide the policy approach that DFID will employ to unlock the potential of agriculture.

2005: Launch of the Agriculture Policy Paper. A new approach?

This paper was requested by the Secretary of State in response to concerns voiced by a number of parties and country offices. In particular “the International Development Select Committee criticised DFID for having no clear approach towards agriculture. The writers asked the Development Committee to consider three main issues; why the need for a written agriculture policy paper, who the paper should be for and the implementation plan and resources needed.” (Minutes of DFID Development Committee meeting of 14 June 2005).

Hilary Benn launched the Draft Agriculture Policy Paper in July 2005 following a year-long process of discussion and debate, and invited feedback invited over the next eight weeks. The final document, “Growth and Poverty Reduction: the Role of Agriculture”, was launched in December 2005 at a meeting of the All Party Parliamentary Group on Overseas Development. In this policy paper, DFID states that “agriculture at the heart of poverty reduction” and is “a key part of DFID’s efforts to reduce global poverty and achieve the Millennium Development Goals”. Building on DFID’s understanding of livelihoods (DFID, 2002), this paper shows why DFID believes that agriculture should be placed at the heart of efforts to reduce poverty. The discussion of agriculture in this paper focuses on crops and livestock: “other areas of natural resource use, including fisheries and forestry, bring in a wider set of issues not dealt with in this paper.”

It proposes principles and priorities to guide DFID work, and to help decision-makers to weigh up the potential growth and poverty impact of agriculture compared with other competing demands on resources (see table below).

Six principles	Seven priority areas
1. Reflect the stage of a country’s development; 2. Give priority to agricultural development in places where significant productivity gains are possible and the potential links to the wider economy are strongest; 3. Give priority to strategies designed to overcome the most significant obstacles to increased productivity and employment; 4. Focus on demand and market opportunities; 5. Make social protection complementary to agricultural growth; and 6. Ensure the sustainable use of the main productive resources such as land and water and minimise any adverse impact of increasing productivity on the environment.	1. Create policies that support agriculture (“a supportive policy framework”); 2. Target public spending more effectively (“better focusing public spending in agriculture”); 3. Tackle market failure (“making markets work better”); 4. Fill/ meet the agricultural finance gap; 5. Spread/ realise the benefits of new technology/ agricultural science and technology; 6. Improve access to land and secure property rights (“improving poor people’s access to land and water”); and 7. Reduce distortions in international agricultural markets.

DFID approach to agriculture is described as “based on the premise that agriculture’s importance to poverty reduction goes far beyond its direct impact on farmers’ incomes. There is a mass of evidence that increasing agricultural productivity has benefited millions through higher incomes, more plentiful and cheaper food, and by generating patterns of development that are employment-intensive and benefit both rural and urban areas. More importantly, it has provided the spur to economic development outside agriculture where growth and job creation are faster and wages higher.”

The paper argues that reversing recent disappointing trends in agriculture’s performance is critical if poor countries are to escape the trap of slow growth and poverty and that n o poor country has ever successfully reduced poverty through agriculture alone, but almost none have achieved it without first increasing agricultural productivity. This is particularly true in sub-Saharan Africa, where growth in agricultural output has barely kept pace with population.

DFID 2006 White Paper

DFID 2006 White Paper “Eliminating World Poverty: Making Globalisation Work for the Poor” makes only 13 mentions of “agriculture” i.e. no more that the 1997 White Paper. However, it does recognise that “agriculture is central to the economies of many poor countries and the lives of many poor people”. It confirms that DFID will be doubling research funding, including “efforts to find better drugs, and new technologies for water treatment, agriculture and to manage climate change”. Other mentions of agriculture are very vague, such as “DFID will promote rapid growth by supporting private sector development and employment, investing in infrastructure and agriculture, and working for international trade rules that maximise the opportunities for the poorest countries.”

4.2.5 What’s next?

Agriculture is making a marked come back at DFID, and across the world of leading donors. However, it is unclear what specific strategies will be adopted and a lot of research is currently taking place.

It is clear that the agenda is looking different from the different from previous approaches (termed the "traditional agenda" in the following table), although some observers have noted that as there is little institutional memory at DFID, one danger is that mistakes of the past will be repeated and that “old wine is being served in new bottles” (Interviews).

On the face of it, there is little that is new in the Agriculture Policy Paper. However, within the broad 'principles' and ‘priority areas’ (see table above), there is clearly a willingness to get back to some of the activities that were common up to the 1980s but then went out of favour. These include intervention to prop up rural financial institutions, to provide incentives for improved input use, some forms of market intervention, increased public spending, placing priority on areas best suited to production increases etc.

Whether this readiness to go back to DFID’s roots in agricultural aid will be translated into aid spending is another matter. It is not clear that the Agriculture Policy Paper enjoys wide support in DFID (see 2006 White Paper discussion below) and DFID may no longer have the staff to re-establish a large agricultural aid programme.

The OECD 2006 report “Promoting Pro-Growth Agriculture” argues that a new response is needed from agriculture, identifies three priority actions at the core of the new agenda that should guide policy formulation, institutional development and investments for and by the poor: (i) enhancing agricultural sector productivity and market opportunities (chapter 2); (ii) promoting diversified livelihoods (chapter 3); and reducing risk and vulnerability (chapter 4). The table below compares the views under the “traditional agenda” with views under the “new agenda”. (OECD 2006, page 21)

Views under the traditional agenda	Views under the new agenda
1. Policies, institutions and investments in agriculture 2. One rural world 3. National markets 4. Production units 5. Agriculture = production 6. One work location 7. Single sector approach 8. Public sector 9. Food crops 10. Growth only 11. Driven by supply 12. Fundamentals* acknowledged	1. Policies, institutions and investments in and for agriculture 2. Multiple rural worlds 3. National, regional and global markets 4. Livelihood units 5. Agriculture = agricultural sector (inputs + production + post-harvest + manufacturing) 6. Multiple work locations 7. Multi-sectoral approaches 8. Public and private sectors 9. Diverse income streams 10. Growth that minimises risk and vulnerability 11. Driven by supply and demand 12. Fundamentals delivered
* The fundamentals are science, technology, infrastructure, land policy and education, extension and training.	

Agriculture will be the main theme of the next World Development Report (WDR), which is a very influential publication by the World Bank. The WDR It will be constructed around three broad sub-themes:

- Seeking new sources of growth for agriculture;
- Making agriculture more effective for poverty reduction; and
- Managing the transition that accompany the transformation of agriculture as economies develop.

According to the World Bank, many of the themes treated by the WDR will require "recognition of the strong interactions between the farm and nonfarm sectors, within a broader rural livelihoods approach". The main message is expected to be: "There is a silent revolution in agriculture – eg new actors such as agribusiness and mass retailing, rapid advances in science - that offers new opportunities and new threats for growth and poverty reduction."

It is still unclear how DFID approach to rural development will be transformed following the political re-engagement at senior level, and the explosion of research and initiatives in this area.

Based on the two case studies (reported in appendix 6) and on our review of recent research literature and policy papers, we have identified a number of recent trends:

- Livelihoods approaches are not going away and have become mainstream (for example, this framework was adopted by the OECD Task Force on Agriculture);
- An increasing number of proposed SWAps in the agriculture and rural development sectors (eg DFID programme in Kenya);
- DFID have also "discovered differentiation among the poor", so the chronic poor are now being targeted and safety net types of intervention are being advocated. (There is a programme at Manchester University's IDPM on chronic poverty.)
- A return to social protection and safety nets. Research on the synergy between social protection and livelihood promotion in agriculture (Farrington et al 2004) argues that social protection aspects can be given a growth-promoting dimension, and that agriculture initiatives can be designed in ways aiming to reduce risk and vulnerability. There have been a number of recent publications on the use of cash

transfers (Tabor, 2002; Smith and Subbarao, 2003; Harvey et al, 2005; Oxfam, 2006).

- DFID have also gone back in a sense to integrated development programmes (see our case studies) because its advocacy of understanding rural livelihoods means that projects that include attention to generating off-farm employment, income from migration etc are included in rural development programmes.

4.3 Conclusions

4.3.1 Three phases

We distinguish between three periods in agriculture and rural development:

- Up to mid 1990s: this period – 'putting production first - is characterised by efforts to transform peasant agriculture through technological innovation, initially through a commodity focus but later through multi-sector area based approaches. Towards the end of this period, more attention was paid to agricultural sector policy reform (under structural adjustment policies) and to environmental conservation (after Rio) but the focus remained upon technological improvement within agriculture.

- Mid 1990s to early 2000s: a new development paradigm – 'putting poverty first' - is dominant, in which agriculture as a sector is neglected.

- From mid-2000s: DFID (and other donors) re-engage with agriculture. A new policy is emerging, more pragmatic and more inclusive. We named this period 'the new agriculture agenda '.

4.3.2 The struggle to find the best approach to rural poverty reduction

In a highly critical review paper of fifty years of international aid to African agriculture, Eicher (2003) argues that "after fifty years of experience, most donors remain confused about how to package, coordinate and deliver aid to accelerate agricultural and rural development in Africa."

DFID, like other donors, has had a long history of struggling with 'best approaches' to rural poverty reduction, and there is a feeling that such efforts have not yet been successful. There seems to be a lack of confidence in 'what works' and a pattern of 'innovations' and changing priorities. Still, it is to DFID's credit that it is willing to try and learn and to be flexible.

4.3.3 Two main approaches

When the integrated rural development projects were held to be unsustainable and generally ineffective in the late eighties, rural development approaches generally went in two broad directions:

- A *systemic (or macro) approach*, which tends to be favoured by economists; and

- A *targeted (or micro) approach*, which tends to be favoured by agriculturalists and social development advisers.

The first direction (systemic or macro approach) was to look at more systemic policy constraints to rural development and poverty reduction. First, the emphasis was upon 'urban bias' and particularly disincentives to rural producers. This fed into structural adjustment programmes, especially ideas of export led growth through exchange rate changes and price decontrol. The impact on rural development would be via producer incomes, rural employment and growth in rural economies. When this failed to have the desired outcomes on rural poverty, especially on the poorest, adjustment programmes took on social investment priorities, so that the current poverty reduction development programmes are a mix of growth oriented policies and reorientation of public spending towards welfare and infrastructure investment to favour the rural poor.

(There has been criticism that poverty reduction development programmes have ignored production, and now DFID is moving back to the sorts of agriculture technology programmes it partly abandoned in favour of integrated rural development projects).

The 'systemic policy reform' approach is still one aspect of rural development programmes, and seen not

only in programme aid and debt relief policy conditions, but also in broad public service reform and sectoral institution building programmes.

The second direction (targeted or micro approach) was to concentrate not on multiple constraints but *specific* constraints on the poor. Thus projects focussed on community based environmental conservation, micro-credit, small enterprise development, women's education, and - more recently - pro-poor market development. There have also been 'civil society' projects to empower the poor - again, the idea is to address a specific constraint (politics in this case).

The arguments over structural adjustment, and especially policy conditionality, have waned in recent years but the fundamental issue of whether to target rural directly through projects or to work on indirect sectoral policies, reform of institutions and public spending re-orientation is still alive. Similarly there are still issues about the amount being provided on budgetary support (with its more implicit *macro*-level policy conditionality) at the expense of what agricultural advisers in particular regard as necessary *micro*-level activities to unlock specific potential opportunities for the rural poor in targeted commodities or services.

Our review reveals that there seems to be a real tension between the view that rural poverty needs to be addressed through understanding specific constraints to increasing the productivity of the poor (and putting in place direct impact projects) and the view that this is not the best use of aid monies and a more productive approach is to provide budgetary support/ programme aid etc and look for changes in the policy environment to reach down to the poor.

4.3.4 Towards a more balanced, eclectic approach?

There is a strong impression that in the last couple of years DFID is, consciously or not, developing a more balanced approach to combat rural poverty. There are signs that a better balance is now being sought between the macro and micro approaches:

“After the mid-2000s in-fighting, the situation is now much better, and has stabilised. Assets-based and rural livelihood approaches are widely accepted. For example, in my discussions with DFID economic advisers in Bangladesh, there is no push-back from economists. There is a real consensus”. (Interview)

“Overall, there is a trend towards integration, convergence between the different approaches, such as rural livelihoods approach, the rights-based approach and the economic growth approach.”

The challenge for DFID is to advance pro-poor growth using a *combination* of aid modalities and instruments – such as advisory support, budget support, pooled resources, SWAps, technical assistance, partnerships - and working closely with key donors such as the EU and World Bank.

4.3.5 Key strengths and weaknesses of different approaches

It is very difficult to rank approaches according to their (cost) effectiveness in tackling rural poverty (or according to any criterion for this matter) for a number of reasons:

- It is difficult to explain differences between approaches when there is so much overlap;
- In some cases the term 'approach' means categories of project - and thus real spending - and it other cases it is a collection of statements of strategy with little to show in terms of actual spending;
- The relative effectiveness of an approach is a function of the context and the country strategy should drive the choice of aid instruments, rather than allowing an aid instrument to dictate how the office will engage in a particular country context, as may have happened in recent years (see for example the conclusions of the 2006 evaluation of the Malawi programme); and
- Effectiveness may often result from the integration of various instruments/ aid modalities. One strong rationale for an eclectic, integrated approach is that there are several categories of poor, and tackling these different types of poverty require a ‘tool kit’ with various instruments.

There is however an important distinction between *direct* or *targeted* actions (ranging from specific crop research to cash transfers) and *indirect* actions (such as policy reform linked to budget support, ditto

sectoral spending re-orientation, institutional strengthening).

We give below an assessment of some of the current main approaches and policies.

'Transforming peasant agriculture' and integrated rural development plans (IRDPs)

Up to the 1960s 'transforming peasant agriculture' (i.e. settlement schemes, improved inputs, commodity schemes, agricultural research etc) was the dominant approach at DFID. The thinking behind this approach was that the major achievements in colonial agriculture in introducing export crops - such as tea, coffee, and sugar - could be replicated in food staples and livestock and therefore many more producers could enter into the commercial mainstream. The reasons for what has been named "peasant conservatism" were much debated, and the general conclusion (including from farming systems research) was that a broader approach was required, involving more than just production constraints.

IRDPs were very ambitious. They were wide-ranging, complex, and expensive. Successive evaluations (by DFID, World Bank among others) of IRDPs concluded that expectations were not realised, and recommended to develop less ambitious projects, more carefully prepared and better focused. For example:

Other criticisms of IRDPs were that they were ultimately unsustainable, creating artificially favourable environments for service delivery, and bypassing the public administration, but at the same time offering terms and conditions that drew talented staff from government, thereby undermining it. (Farrington *et al* 2002).

The Sustainable Agriculture Strategy (SAS)

The Sustainable Agriculture Strategy (SAS) was approved by DFID in 1994 following a specific UK commitment at UN Conference on Environment and Development (UNCED), held in Rio de Janeiro (Brazil) in 1992. The SAS amounted to a broad affirmation of existing approaches towards rural development within DFID. The strategy advocated few revisions to established practice and consolidated the focus on environmental sustainability, albeit within a narrow biophysical definition. Its poverty focus was narrow, with the poor defined as rural producers, rather than as landless labour and urban migrants.

A DFID evaluation of the support given to promoting sustainable agriculture over the period 1994 to 2001 concluded that the strategy was not adequately focused on impact and, consequently, on reducing poverty. The report concluded that insufficient attention was paid to issues such as the role and effectiveness of government service providers and links with national policies, and that sustainable livelihood approaches are addressing many of the shortcomings identified by this evaluation. They include a focus on how poor people secure a living, and attempt to widen debates around natural resource management to include poverty reduction concerns.

Sustainable rural livelihoods

The value of a framework is that it encourages users to take a broad and systematic view of the factors that cause poverty – whether these are shocks and adverse trends, poorly functioning institutions and policies or a basic lack of assets – and to investigate the relations between them. It does not take a `sectoral' view of poverty, but tries to recognise the contribution made by all the sectors to building up the stocks of assets upon which people draw to sustain their livelihoods.

The aim is to do away with pre-conceptions about what exactly people seek and how they are most likely to achieve their goals and to develop an accurate and dynamic picture of how different groups of people operate within their environment. This provides the basis for the identification of constraints to livelihood development and poverty reduction. Such constraints can lie at local level or in the broader economic and policy environment. They may relate to the agricultural sector – the main focus of donor activity in rural areas – or they may be more to do with social conditions, health, education or rural infrastructure.

A recent 'information paper' (Neely et al., 2004) prepared for the Committee on Agriculture (COAG) of by the United Nations FAO for its 19th session on the "impact of sustainable livelihoods approaches on poverty reduction" (held in Rome in April 2005) concludes the evidence gathered from exploring successful examples suggests that effective incorporation of the good principles of development associated with the sustainable livelihoods approaches are required to set the stage for reducing poverty.

The analysis indicates that the sustainable livelihood principles addressing social inclusivity and environmental sustainability need to be kept more to the forefront. Using a livelihoods perspective along with a good developmental tool kit and a proper sense of good sequencing can enhance the quality of a wide range of approaches to improve the lives of the rural poor: “The desk review suggest that sustainable livelihoods approaches can contribute to real poverty reduction if applied effectively”.

Muhumuza and Toner (2002) analyse how a livelihood approach is actually used in a range of development interventions in Uganda. They preliminary conclusions is that sustainable livelihood is “a relatively need concept and as yet unproven” (!), and “what needs to be demonstrated is whether or not it is use actually produces improved outcomes for poor people”.

A report by Cleary (2003) gives a literature review and comparison of types of people-centred approaches, comparing the sustainable livelihoods approach with the ‘gestion de terroirs’ approach, the ‘farming systems’ approach, and some approaches that have been emerging from Latin America, and in particular ‘ordenamiento territorial’.

The table below shows the strengths and weaknesses of the different approaches (we have not given the comparison with the approaches in Latin America, not covered in our review.

	SLA*	GT	IRD	FS
History	Developed in the UK in late-1990s. A change in perspective by researchers from food security to the broader idea of livelihoods; from material to a social emphasis. SLA built on this, using lessons learned from other approaches to rural development.	Mid-1980s: shift from emphasis on technical aspects of rural development in Sahelian West Africa. GT emerged from this, with recognition of wider issues impacting on rural poverty: environmental, economic, demographic, institutional factors.	Emerged from 1960s, at the same time as realisation that the future of rural development lay in small farm agriculture and not in industry. IRD emerged for the practical operationalisation of this recognition and the consequential focus on rural growth linkages, and the central role of the small farmer.	Started from field based experience in the 1970s, as it became obvious that there were clear differences between actual circumstances in the field and those in research stations.
Strengths	Broad analysis of development problems Focus on livelihood outcomes instead of project objectives Analysis of complexity Clear identification of principles Enables a more realistic prediction of potential outcomes and impacts	Establishment of partnerships Local participation is key Institution and capacity-building	Laid the foundations for an integrated perspective of rural development Carried out 'core functions', which are now considered as essential functions of national governments Created an enabling environment for development through the provision of infrastructure	Adapted new technologies to cultural context and resource constraints Led to better understanding of development dynamics Reinforced own strategies Enabled greater farmer flexibility Looked to external factors influencing farmer decisions Inclusion of farmers in action research and practice Supported productive dialogue across disciplines
Weaknesses	Little practical experience Fails to deal with politics and rights Time and money consuming Requires multidisciplinary teams and specialist training Difficult to quantify information on capital assets gathered No defined role for markets/economics	High start-up costs Policy vacuum Gap between rhetoric and reality regarding participation Lack of long-term planning Local elites taking over Failure to include marginal groups, such as nomadic pastoralists.	Failed to achieve transformative objectives it had promised Top-down approach to rural development Lack of success in achieving poverty alleviation No inclusion of the community in development processes	Increasing complexity and proliferation of academic interest has blurred operational practicalities Continuity of traditional hierarchies – top down approach – prevented objectives being reached Not able to change concepts and attitudes necessary

*SLA = sustainable livelihoods approach; GT = 'gestion des terroirs'; IRD = integrated rural development; FS = farming systems.

Budget support

Budget support has become more prominent since the late 1990s, as part of a wider quest to improve the effectiveness of aid. Funds provided through *general* budget support are disbursed through the recipient government's own financial management system and are not earmarked for specific uses. They are accompanied by various understandings and agreements about the government's development strategy.

There has been a recent major evaluation of 'partnership general budget support'[21] (PGBS), carried out by a consortium led by the University of Birmingham, published in May 2006. The main conclusions of the evaluation are given in section 2 of this report.

Sector wide approaches (SWAps)

Gilling et al (2001) examines the relationship between sector wide approaches (SWAps) sustainable livelihoods approaches (SLAs) and rural poverty reduction. They suggest that SLAs provide one means by which SWAps can focus more effectively on poverty reduction, whilst SWAps provide an entry point with which government and donor initiatives can be made supportive of livelihoods of the poor.

Similarly Foster et al (2001) explores why SWAps have performed less well in agriculture than in the social sectors. Many problems stem from the more limited, more contested and shrinking role of the state in the agricultural sector. It is also argued that sector programmes have worked best where the key constraints on sector development are the responsibility of a single ministry, whereas agricultural development requires co-ordinated interventions across sectors. The sector approach may have a limited role in delivering better focused agricultural services, but fundamental policy questions need to be resolved first. This is more likely if support for reforms is channelled through central economic ministries and other bodies outside the agriculture ministry.

A study by Evans et al. (2006) summarises the strengths and weaknesses of SWAp-like approaches. The most noticeable positive changes are:

- Improved policy dialogue between government and donors and between donors themselves;
- Increased government leadership of the policy processes;
- Harmonisation of donor procedures and alignment with public financial management systems; and
- Some progress in service delivery in specific sectors.

Progress has often been slow. Behaviours of donors and recipient governments have been slower to change than anticipated. The authors identified the following most significant issues to address:

- Blueprint prescription irrespective of the context. SWAps are not always the most appropriate approach;
- Institutional capacity constraints. Such problems are often compounded by the sheer complexity of the approach;
- Lack of incentives in the civil service to work cross-sectorally, eg with other ministries and with the privates sector;
- Tendency towards re-centralisation of policy processes and decision-making within national administrations ;
- Disagreement over policy direction and role of the state (SWAps often require a reduced role of the state versus other sectors);

[21] 'New general budget support' and 'poverty reduction general budget support' are equivalent terms.

- Excessive focus on the SWAp process itself rather than on policy outcomes, as the donors tend to stay heavily involved in the details of design, implementation and monitoring; and

- Limited evidence on donor-related transaction costs reduction.

Cash and in-kind transfers

Recently, there has been a renewed interest in cash transfers to reduce poverty among those unable to engage fully in the productive economy (widows, the elderly etc.), to stimulate access to health and education and to access agricultural inputs. A new generation of 'conditional' cash transfer programmes in Latin America specifically target children from poor households – the cash provided being conditional on specific behaviour by recipient households such as school enrolment or regular use of primary healthcare (Tabor, 2002).

A review by Harvey, Slater and Farrington (2005), conclude that overall, the potential of cash transfers for poverty reduction has been underestimated in both relief and development contexts. As the emergent 'give them dollars' school (see e.g. Hanlon 2004) suggests, cash transfers have the added merit of bypassing conventional donor-government relations which may suffer absorptive capacity constraints, chronic rent-seeking, or problems of 'over-specification' of the conditions that government has to put in place for successful poverty reduction. However, even if the local spending power of the poor is increased substantially through cash transfers, this still leaves them facing markets, bureaucracies and political systems which disadvantage them. Cash transfers are therefore not a panacea for poverty reduction: improvement in these larger spheres, carefully negotiated between donors and governments, will also continue to be necessary.

Ravallion (2006) reviews a new body of theory and evidence that offers a new perspective on social protection policies in poor countries, suggesting that there is scope for using these policies to compensate for the market failures that help perpetuate poverty, particularly in high-inequality settings. He found that there have been a number of seemingly successful transfer schemes that reflect such an emphasis but draws attention to a number of caveats. He concludes that, for some purposes of anti-poverty policy - "helping those who cannot help themselves" - there is no obvious alternative to targeted transfers, barring unacceptable neglect, but that, more generally, it is not clear that targeted transfers dominate other options.

An evaluation by Oxfam GB (2006) points to the need to guard against assuming that cash transfers are necessarily appropriate or cost-effective. In particular, it cannot be assumed that cash transfers will be cost-effective in remote rural areas with weak markets. Cost-effectiveness calculations based on plausible assumptions about prices could usefully be a more explicit part of the assessment process, and should probably also feed into decisions about the appropriateness of cash compared to food aid in responding to acute food insecurity. They find there is a huge discrepancy in implementation costs between the two projects (over 30% in Zambia and around 3% in Malawi) suggests that there may be a need to establish guidance for country programmes on what constitutes an acceptable cost range. Arguably, the Zambia programme was expensive, and the Malawi programme probably under-invested in management capacity and monitoring.

A 2006 Poverty Vulnerability Assessment report by the World Bank compares in-kind and cash transfers for the 'ultra-poor' in Malawi and summarises the pro and the cons of cash versus food aid. The advantages of cash are:

- Cost-efficiency: lower costs of delivery for a given level of assistance and faster distribution;

- Less distortion: cash acts as an incentive to local producers and it supports local markets;

- Flexibility to households; cash allows households flexibility in applying the assistance to their specific needs which may not be for more food; and

- Possible price stability: distribution of cash assistance paid around the time of harvest may allow households to sell a smaller share of their crop (when prices are lowest) thus reducing the volatility in maize prices and raising farmer incomes.

The advantages of food aid are:

- Avoid mis-management of cash at the household level;
- Missing markets: In remote areas where households lack access to markets, food aid ensures that households get food; and
- Avoid corruption: that food (or in-kind) assistance might suffer from less corruption among implementing agencies/ agents.

4.3.6 The use of evidence in policy making

The 'evidence' reported here is based on the interviews conducted, and on our review of the literature on rural development, unless stated otherwise. Given the small number of interviews conducted, and that our literature review did not specifically focused on cost effectiveness considerations, our findings can only considered as indicative and tentative, hypotheses more than conclusions. The highlights are that:

- DFID has a culture of evidence-based policy making. The Policy Division, for example, does work closely with leading research institutions and development specialists. This evidence is however primarily of an "academic" (in the words on an interviewee) nature and cost effectiveness considerations do not seem to be given enough consideration in the decision-making process. The adoption of the sustainable livelihoods approach by DFID is a good illustration: this is a successful transfer from research to practice and policy (Solesbury, 2003), but it is not clear whether the relative cost effectiveness versus other approaches was considered in any depth:

  "This is a civil service organisation, so focus is on spending well the money made available, on making an impact, achieving objectives; having balanced, consistent programmes. Effectiveness yes, cost-effectiveness less so: I have never been asked what the cheapest way of achieving something was. However, one has to recognise that it is very difficult to measure value for money and to undertake a proper cost/benefit analysis because of the complexities and time lags involved." (Interview)

- There is a marked global trend towards increased coordination and knowledge sharing among donors, and with recipient governments, which should improve evidence-based policy-making.
- In our discussions with DFID Malawi, we found positive signs that the programme is being re-designed using the latest evidence (eg the 2006 Poverty Vulnerability Assessment by the World Bank). For example, our discussion, and documents subsequently submitted to us, indicate that DFID is 'doing its homework' in designing a new approach to social transfers. For example, it was clear that they were aware of that some governments in Sub-Saharan Africa have been piloting programmes that replace in-kind, food assistance to the ultra-poor with cash (Zambia and Ethiopia, respectively: World Bank, 2005b, and Adams and Kebede, 2005). DFID Malawi and the World Bank are commissioning additional research and DFID is considering a pilot phase. All this is good practice.
- The nature of the evaluations undertaken by DFID do emphasise qualitative and strategic aspects, and we found little evidence that cost effectiveness considerations are systematic. It was reported to us that, in the past, the methodology used for the evaluations commissioned by DFID included a cost effectiveness/ cost-benefit analysis. Such an approach, well suited for projects, has been made difficult with the move away from projects to programmes.
- There is a massive difference between South Asian agriculture performance and the rate of change in the sector over the last 30 odd years and the poor record of Africa. The issue is not how to 'explain' this: the issue for DFID ought to be whether it should have one policy for rural development covering widely different circumstances. There must be some case in value for money terms for saying DFID has less to offer in agriculture in Asia but everything still is to be done in Africa (where it needs a specific programme strategy).
- It is not clear whether DFID has a different strategy for Africa. While field offices have some autonomy ("They are given a 'a la carte' menu, not a 'fixed menu' of options"), it does not seem that DFID has adopted different approaches for in Asia and Africa in systematic way, but "discussions took

place and these are documented", said one interviewee. Another confirmed and added that "in an organisation like DFID, the policy is driven by the centre, and civil servants tend to do what they are told. So policy switches took place more or less at the same time in the two regions".

- Our discussions with rural development experts suggest that there is little credence that DFID policies are moved by evidence. Several interviewees talked about the importance of "personalities", of "fads", of "pits and pendulums". For example, when asked about the factors explaining the switch away from agriculture, one interviewee replied that "DFID is a faddist organisation. They of course like to initiate the fads. New individuals who often means new policies." Another agreed: "DFID is not capable to come with a balanced set of policies, and switches from one policy to the next one, and you are either in or out the policy". Even allowing for the fact that DFID is a government department and so is bound to be subject to 'department politics' just like any other, it is a serious charge against a department tasked with assisting in the long term removal of poverty.

- For example, while the adoption of programme-based aid was based on a very articulated and widely shared set of criticisms of the project-based approach, there is a perception that the switch was made "without much evidence that budget support was going to prove cost-effective". New aid modalities (and budget support in particular) were described as "inefficient and ineffective": "There is no reality check on the ground. In my experience, budget support does not reach the rural areas!" (Interview). Another interviewee added: "Several senior DFID colleagues have told me that they are under pressure to spend at very low transaction cost, and are de facto discouraged to spend wisely. This is the 'running cost syndrome': money is being thrown at problems (eg through budget support). This is not an intelligent use of money."

- It was also observed that DFID seems to have "limited capacity to understand, and therefore work with, the private sector generally and agriculture in particular". In the one sector where private actions of producers, agents, suppliers, traders etc are so dominant – that is, agriculture - DFID is increasingly regarded as "pretty clueless".

- There is also a view that DFID now lacks the staff capacity and experience to achieve much in respect of rural poverty: "There is no critical mass of rural development advisers at DFID". Entry to the Natural Resources 'profession' used to be confined to people with degrees in agricultural or natural sciences normally, often with post-graduate studies in tropical agriculture. When the profession came under attack, "they relabeled themselves as rural livelihoods advisers. One consequence was that entry to the group became more open. It is thus likely that a number of current DFID rural livelihoods advisers are not best qualified to engage with government scientists and agricultural officials on technical matters and, in some cases, not sufficiently experienced enough to assess agricultural development proposals. If DFID really is going to get back into agricultural science as a means of addressing rural poverty, it will have to look carefully at its recruitment and staff retention policies".

5 Analysis of government spending: the case of Uganda

5.1 Introduction

This section provides an analysis of budget information and poverty outcomes in Uganda. The aim of this section is to analyse the following:

- Trends in government expenditure over time, particular at the regional level;
- Breakdown in budget support and trends related to this;
- Spending and output trends for health and education; and
- Correlation between poverty rates, and level of provision of public service (proxied by spend on government infrastructure).

The information is based on budgetary and outcome data published by the government of Uganda. It should be noted that disaggregated spending and outcome data in Uganda is difficult to obtain, especially from outside of Uganda.

This report draws on data produced by the ministries of Health, Education, Local Government and the Ugandan Bureau of Statistics in addition to existing research papers and articles on Uganda. All references for this section are separated listed in appendix 8.

5.2 National poverty and public expenditure trends

5.2.1 Poverty trends

During the 1990s, income poverty fell dramatically. However, since 2000, income poverty has risen, with the proportion of people below the poverty line rising from 35 per cent in 2000 to 38 per cent in 2003. This has been accompanied by a marked increase in inequality, which has been rising since 1997. The Gini coefficient, which measures inequality, rose from 0.35 in 1997/8 to 0.43 in 2003.

The reasons for the recent patterns include a slowdown in agricultural growth during the last three years, declines in farmers' prices reflecting world market conditions, insecurity, high population growth rate and morbidity related to HIV/AIDS. Regional and gender inequalities are wide, with the East suffering a marked decline in living standards in the last three years.

Uganda has experienced strong economic growth averaging 6.5 per cent per annum since 1991/92. At the same time, the structure of the economy has been changing, as the share of agriculture fell from 51 per cent in 1991/2 to 39 per cent in 2002/3. Uganda's growth rate of over this period has been exceptionally high at 46 per cent.

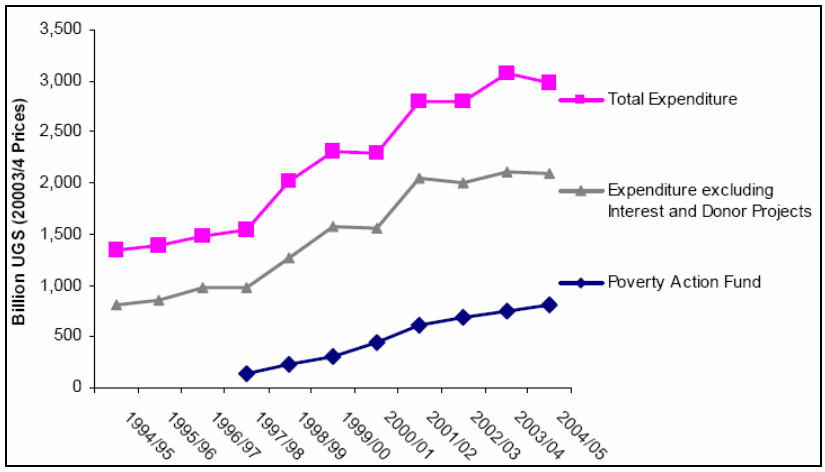
5.2.2 Public expenditure trends

Public expenditure allocation is informed by the Poverty Eradication Action Plan (PEAP), which is the Country's Poverty Reduction Strategy Paper (PRSP) produced by the Ministry of Finance, Planning and

Economic Development. The PEAP guides the formulation of government policy and implementation of programmes through sector wide approaches and a decentralized governance system.

Public expenditure has increased in real terms by 240 per cent from 1994 to 2004, but the increase has been far more rapid since 1998/99, when the expansion averaged 13 per cent a year, until 2003/04, in the context of buoyant aid flows as well as domestic revenues. This was more than double the rate between 1994/95 and 1997/98 at 6 per cent.

Figure 1: Trends in aggregate and poverty action fund expenditures



Source: GoU, Ministry of Finance.

The Poverty Action Fund (PAF) represents Uganda's definition of pro-poor expenditures. It is a virtual poverty fund which represents a subset of public expenditures in the budget which are earmarked for pro-poor expenditures and can be tracked through budget formulation and implementation. The PAF excludes interventions which might indirectly reduce poverty.

The PAF represented 19 per cent of the government budget in 1997/98 compared to nearly 36 per cent of GoU expenditures in 2003/04 (appendix 10). The share of sector budgets being allocated to primary levels of service delivery has increased over this period. This has been particularly noticeable in roads and health. PAF programmes include education, healthcare, water and sanitation, rural roads, district hospitals, adult literacy, wetlands, and the Local Government Development Programme.

Transfers to local governments increased significantly in real terms from UGS 276bn in 1997/98 to UGS 798bn in 2004/05 (2003/04 prices), and as a share of the GoU budget from 30 per cent to 36 per cent over the same period (appendix 10). About three-quarters of these funds are channelled via the PAF as conditional grants earmarked to specific PEAP priority programmes. Recurrent expenditure takes up the major share of the total local government expenditures (81 per cent).

5.2.3 Social sector spending

The composition of government expenditure reflects government spending priorities. The relative spending priorities in Uganda have not changed significantly since the late 1980s. The top three areas of expenditure for Uganda in both the 1980s and 1990s were defence, general public administration, and education with lowest percentages being for agriculture, roads, and social security.

There is a global trend to increase expenditure on education as a share of government expenditure. Uganda is no exception, spending 29 per cent in 2004/05 (appendix 10). Per capita expenditure on education has been constant since the late 1980s (table 1).

In 2004/05, Uganda spent 12 per cent of government expenditure on health (appendix 10), much higher than compared to an African average of 4 per cent.

The share of agriculture spending over total government expenditure is small and declined through the 1990's despite the fact that agriculture is the largest sector in Uganda and that the majority of the poor live in rural areas and are primarily engaged in agriculture. As a share of total government expenditure,

agricultural spending has declined from 4.3 per cent in 1982 to 1 per cent in 1997/98. However spending increased from 1999/00 onwards and in 2004/05 the share was 2.7 per cent.

Uganda has in recent years increased its infrastructure expenditure (road and other transport services) compared to relatively low levels of expenditure during the 1980's. Infrastructure expenditure as a percentage of total budget was 5.0 per cent in 1997/98 rising to 6.1 per cent in 2004/05.

Rebels have been fighting government forces in the north for more than a decade. Consequently, although Uganda is a predominantly agriculture based economy, it routinely spends more on defence than on any productive or social sectors such as education, health, social security and infrastructure. The level of defence expenditure has more than doubled over between 1997/98 to 2004/05 from UGS 146bn to UGS 345bn, although as a share of total government expenditure it is declining slightly (from 12.6 per cent in 1997/98 to 11.4 per cent in 2004/05)).

Table 1: Social sector expenditure, per capita (constant 1995 US$)

Year	Education	Health
1988	6.47	1.91
1989	4.97	1.59
1990	4.3	1.61
1991	6.15	2.15
1992	4.55	1.71
1993	3.75	1.66
1994	4.16	1.59
1995	3.11	1.43
1996	3.73	2.02
1997	3.86	1.75
1998	5.62	1.68
1999	6.59	2.01

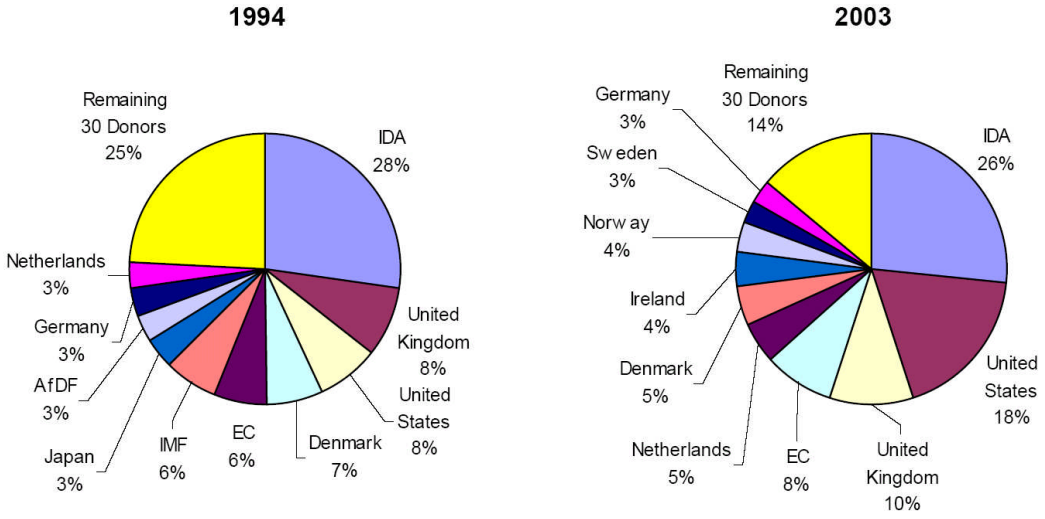
Source: Public expenditure growth and poverty reduction in Uganda, Shenggen Fan, Xiaobo Zhang, and Neetha Rao. Calculated using Statistical Abstract and Background to the Budget, GoU

5.2.4 Donor support

In aggregate terms, revenues and public expenditures are predictable in Uganda, with revenues and donor grants varying an average of 6 per cent from the budget since 2000/01 and expenditures 4 per cent from the budget.

The major donors to Uganda in 1994 and 2003 are detailed in the graph below. The combined increases in programme aid amounted to 31 per cent of the real increases in total public expenditures between 1997/98 and 2003/04, while increases in donor project support contributed only 18 per cent to these increases according to the OECD/DAC evaluation of general budget support. General Budget Support has contributed to a shift in public expenditure towards priority Poverty Eradication Action Plan programmes, via the PAF.

Figure 2: Major donors to Uganda in 1994 and 2003 (per cent overseas development assistance)



Source: OECD DAC.

DFID's bilateral aid to Uganda has risen from £50 million in 2002/03 to £70 million in 2006/07. In 2004/05 and 2005/06 DFID provided £35 million in the form of budget support, to enable the government to deliver the Poverty Eradication Action Plan. In 2006/07 DFID will maintain budget support at £35 million.

5.3 Subnational poverty and public expenditure trends

5.3.1 Poverty trends

The proportion of Ugandans below the national poverty line fell from 56 per cent to 34 per cent of the population in the 1990s, with the majority of these improvements towards the end of the decade; however, this indicator increased to 38 per cent in 2003. There are significant regional variations. Table 2 outlines percentage of population below the poverty line, by region, disaggregated by rural and urban geographies. Poverty is exceptionally high in the conflict affected northern region with 64 per cent of the population below the poverty line in 2002/03. Poverty rates in the central region are the lowest, which is expected given that Kampala with a population of 1.2 million has comparatively low poverty incidence rates. The table clearly highlights that rural populations have considerably higher poverty rates than urban populations.

A comparison of the percentage of the population living in urban areas to the human poverty index for each district is included in appendix 9. The chart broadly indicates that districts with a higher proportion of urban areas have lower poverty rates than rural areas.

Table 2: Headline poverty data 1992/93-2002/3

Percentage below poverty line	92/93	93/94	94/95	95/96	97/98	99/00	02/03
National	**55.5**	**52.2**	**50.1**	**48.5**	**44.0**	**35.2**	**37.7**
Rural	59.4	56.7	54.0	53.0	48.2	39.1	41.1
Urban	28.2	20.6	22.3	19.5	16.3	10.3	12.2
Central	**45.5**	**35.6**	**30.5**	**30.1**	**27.7**	**20.3**	**22.3**
Rural	52.8	43.4	35.9	37.1	34.3	25.7	
Urban	21.5	14.2	14.6	14.5	11.5	7.4	
East	**59.2**	**58.0**	**64.9**	**57.5**	**54.3**	**36.5**	**46.0**
Rural	61.1	60.2	66.8	59.4	56.8	38.4	
Urban	40.6	30.5	41.5	31.8	24.8	15.7	
West	**52.8**	**56.0**	**50.4**	**46.7**	**42.0**	**28.1**	**31.4**
Rural	53.8	57.4	51.6	48.3	43.2	29.5	

Percentage below poverty line	92/93	93/94	94/95	95/96	97/98	99/00	02/03
Urban	29.7	24.9	25.4	16.2	19.9	5.6	
North	**71.3**	**69.2**	**63.5**	**68.0**	**58.8**	**65.8**	**63.6**
Rural	72.2	70.9	65.1	70.3	60.7	67.7	
Urban	52.6	46.2	39.8	39.6	32.6	30.6	
Gini coefficient							
National	0.36	0.35	0.36	0.37	0.35	0.39	0.43

Source: Uganda Bureau of Statistics and PEAP 2004/5-2007/8.

According to the 2002 census, 88 per cent of the population lived in rural areas. Of the 3 million people that live in urban areas 1.2 million (40 per cent) live in Kampala. The population is relatively evenly distributed by region with 27 per cent of the population living in the central region, 26 per cent living in the western region, 25 per cent in the eastern region and 22 per cent in the North. The majority of Uganda's rural districts are in the northern region whereas the majority of the more urban districts are in the central and eastern districts.

Uganda has experienced very high population growth rates over the past two decades. The population increased by 33 per cent from 1980 to 1991 and by a further 46 per cent from 1991 to 2002.

A map showing the 2002 population density by district and the main urban populations is included in appendix 9. This appendix also includes maps of the poverty rate/headcount ratios by district (1999) and total transfers from national governments to districts (2006). These maps confirm that the districts in the northern region have a higher proportion of population below the poverty line and the lowest transfers from national government to districts.

Table 3: Population data 1980, 1991, 2002

	1980	1991	2002	2002
	Million	Million	Million	Percentage of total population
National	**12.6**	**16.7**	**24.4**	**-**
Rural			21.4	87.7
Urban			3.0	12.3
Central	**3.6**	**4.8**	**6.6**	**27.1**
Rural			4.9	20.0
Urban			1.7	7.1
Western	**3.4**	**4.6**	**6.3**	**25.8**
Rural			5.9	24.2
Urban			0.4	1.6
Eastern	**3.2**	**4.1**	**6.2**	**25.4**
Rural			5.8	23.8
Urban			0.4	1.6
Northern	**2.4**	**3.2**	**5.3**	**21.7**
Rural			4.8	19.7
Urban			0.5	2.0

Source: Uganda 2002 Census.

5.3.2 Public expenditure

Data

The local government structure of Uganda has undergone substantial reorganisation in recent years and the number of districts has increased substantially. We have therefore been unable to obtain comprehensive district or regional public expenditure data (either budget or actual) that is comparable year on year. The information we have been able to obtain is as follows:

- Total district expenditure data for years 2001/02 to 2003/04 disaggregated by sector extracted based on annual accounts. This data is incomplete therefore an analysis of regional spending trends over a period of time unreliable. However, we have been able to make use of some of the education data which we have analysed in the next section.

- Total budgeted central government transfers to local government for 2005/06 produced by the Local Government Finance Commission. Health and education data has been analysed in the next two sections of the report. Analysis of this information in total is below.

Trends

A comparison of human poverty index and budgeted transfers per capita is included in Appendix 10. The chart does not show a correlation between poverty rates and public sector spending. Indeed, the correlation coefficient between the two data sets equates to 0.03 thus confirming that there is no correlation.

The composition of district expenditures from 1997/98 to 2002/03 is analysed in table 4. Education is by far the most important sector, constituting between 43 to 50 percent of the expenditures, followed by administration 23 to 36 percent. Administration is broadly defined as the following departments: i) Management Support Services, ii) Finance and Planning, iii) Gender and Community Services and iv) Councils Committees and Boards. The health sector has had an increasing share from 10 percent in 1998/99 to 16 percent in 2002/03. Roads/Water equate to 14 percent of the 2002/03 total expenditure. Agriculture, although slightly increasing in importance, is still a small sector, and constituted only 4 percent of the local government expenditures in 2002/03.

Table 4: Composition of district expenditures (percentage)

Districts	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03
Administration and other areas, including council	36	27	25	23	23	24
Agriculture	1	1	2	3	3	4
Roads + Water	8	19	13	13	12	13
Education	46	43	50	49	47	43
Health	10	9	11	12	15	16
Total	100	100	100	100	100	100

Source: Steffensen, Tidemand and Ssewankambo, 2004.

5.4 Education sector

The Government of Uganda's policy on education in the 1990s focused on increasing access to primary education and economic opportunities for the poor. Furthermore, improving the quality of education was also considered crucial. Since 1991/92, public expenditure on education has shifted towards primary education relative to secondary and tertiary education. However, it should be noted that government are at present looking to implement Universal Secondary Education, which should result in a greater proportion of the budget being allocated to secondary rather than primary education.

The actual and budgeted spending on primary and secondary education is detailed below for years 2001/02 to 2005/06. It should be noted that the district data that informs this table is incomplete. Data is missing for five northern districts, two eastern and central districts and one western district in 2003/04 and; two western and central districts and one eastern and northern district in 2001/02. The decrease in

actual data for 2003/04 is explained by the missing data. Despite this, we can note that just 22 per cent of the budget is allocated to the northern region in 2005/06. The northern region consistently has the lowest expenditure and budget despite having the highest poverty incidence rates.

Table 5: Actual district expenditure for education and sports 2001/02 -2003/04 and budgeted transfers for education from central to local government 2005/06

Region	Actual 2001/02	Actual 2002/03	Actual 2003/04	Budgeted 2005/06
Central	55.2	64.6	68.4	102.2
Eastern	70.3	56.9	70.1	107.8
Northern	20.6	60.3	12.6	89.0
Western	56.8	89.5	82.6	102.6
Total	**202.9**	**271.3**	**233.7**	**401.6**

Note: For 2001/02 and 2003/04 data district source data is incomplete.

Source: Calculated from Ministry of Local Government

Table 6 below indicates that almost one in five of the rural population has had no formal education; this is more than double the proportion of the population living in urban areas (7 per cent). There is significant regional difference with the northern region having 30 per cent of its population that have never had any schooling compared to just 12 per cent in the central region. This variation is to be expected given the conflict that has affected the northern region in recent years. The table also shows that the proportion of the population with post secondary education is significantly higher in urban areas (8 per cent) than in rural areas (1 per cent). Dropout rates for schooling remained high due to lack of facilities or poor health of children.

Table 6: Educational attainment of the population ages 15 years and above (percentage)

	No formal schooling	Some primary	Completed primary	Some secondary	Completed secondary	Post secondary
Total	17	44	14	21	1	2
Residence						
Urban	7	27	16	37	5	8
Rural	19	47	13	18	1	1
Region						
Kampala	4	20	17	40	7	1
Central	12	43	16	25	2	2
Eastern	17	50	12	19	1	1
Northern	30	46	11	12	0	1
Western	19	43	15	21	1	2

Source: Uganda National Household Survey, 2002/03.

5.4.1 Primary education

The levels of education service delivery have increased substantially over the past decade in Uganda both in terms of availability and uptake. This is illustrated in table 7. The number of primary schools and their constituent classrooms and teachers have increased substantially. There has been a simultaneous rise in the uptake of services with a net enrolment rate of 89 per cent for primary education in 2004. The Universal Primary Education (UPE) policy (introduced in 1997) aims at providing free education to four children per family and emphasises gender equity in education. The UPE policy led to a substantial increase in primary school enrolment, from 2.7 million pupils in 1996 to 6.6 million pupils in 1999. A striking feature of this increase was that almost half of this number was female. The introduction of free services in primary education has had a large impact on the uptake of services.

Table 7: Levels and coverage of service delivery – primary education

	2000	2001	2002	2003	2004
Teachers on payroll	82,148	101,818	113,232	121,772	124,137
Number of classrooms	50,370	60,199	69,900	73,104	78,403
Pupil teacher ratio	65	58	56	56	54
Pupil classroom ratio	106	98	94	94	85
Net enrolment rate*	86%	87%	85%	87%	89%
Enrolment growth rate	-	11%	11%	4%	-2%

* Net enrolment rates refers to the proportion of children in a given age bracket attending school. Gross enrolment rate refers to the total number of children attending a given level of school divided by the number of children in the ideal age category for that level.
Source: Ministry of Education, National Service Delivery Survey 2004.

The schooling status of primary school aged children is shown in table 8. The table shows that 29 per cent of children aged 6 years have not attended school. This proportion reduces with increasing age indicating that many children start school after the age of 6. The school non-attendance rate is significantly greater in the northern region (21 per cent) compared to the rest of Uganda. Rural areas have a higher non-attendance rate (11 per cent) compared to urban areas (4 per cent).

The table also shows that a considerable proportion of children aged 6 and 7 are attending pre-primary school rather than primary school.

The ten districts with the lowest budgeted transfers from central to local government are detailed in the table 9 for 2005/06. This is compared to the ten districts with the highest budgeted transfers from central to local government in table 10.

In general the gross enrolment rate is higher in the ten districts with the highest budget allocations, with nine out of the ten districts having a gross enrolment ratio of greater than 100 per cent, compared to only five of the ten lowest budget allocation districts. The percentage of population living in urban areas is evenly balanced between the ten highest and lowest districts.

However, four out of the ten highest budget allocation districts contain municipalities which could mean that these urban areas have prioritised resources are there are no districts that contain municipalities in the ten lowest budget allocation districts.

Five of the ten districts with the lowest budgetary transfer are in the northern region. This is not surprising given the lower institutional capacity to deliver services in this region, however is concerning given the low education enrolment rates in the region and high poverty rates. See appendix 11 for primary education budgetary transfer details for all districts.

Table 8: Schooling status for children Aged 6–12 Years (percentage)

	Never attended	Dropped out	Pre-primary	Attending primary
Total	10	1	3	86
Age				
6	29	1	11	59
7	14	1	7	78
8	6	2	2	90
9	4	1	1	94
10	4	1	1	94
11	3	1	0	96
12	3	2	0	95
Sex				
Male	10	1	4	85
Female	10	1	3	86
Residence				
Rural	11	1	3	85
Urban	4	1	4	90
Region				
Kampala	1	1	5	93
Central	7	1	7	85
Eastern	7	1	1	90
Northern	21	2	0*	77
Western	9	1	3	87

Source: Uganda National Household Survey, 2002/03

Table 9: Central government transfers to local government for primary education 05/06 - bottom 10 districts

District	Budgeted transfers to local government for 05/06*	Transfer per student	Gross enrolment ratio (2004)	Gross student enrolment (2004)	Pupil classroom ratio (2004)	Population in urban areas (2002)
Kalangala	865,659	187.3	44.2%	4,623	33	8.5%
Kotido	1,752,328	32.4	31.7%	54,001	79	7.5%
Adjumani	1,974,408	45.8	75.0%	43,122	58	9.8%
Moroto	2,076,415	107.0	39.9%	19,400	52	3.9%
Moyo	2,134,368	56.1	66.6%	38,017	66	6.2%
Nakasongola	2,875,476	63.3	127.0%	45,443	55	5.1%
Kisoro	3,355,240	50.9	105.2%	65,918	61	5.1%
Kitgum	3,509,614	33.9	126.7%	103,511	110	14.8%
Kabarole	3,756,955	36.6	100.0%	102,584	86	11.5%
Kapchorwa	3,820,891	59.3	116.6%	64,431	69	4.6%

* Recurrent and development budget.

Source: Ministry of Local Government, 2002 Census, 2005 Statistical Abstract.

Table 10: Central government transfers to local government for primary education 05/06 - top10 districts

District	Budgeted transfers to local government for 05/06*	Transfer per student	Gross enrolment ratio (2004)	Gross student enrolment (2004)	Pupil classroom ratio (2004)	Population in urban areas (2002)
Kasese	8,115,521	47.2	113.0%	171,989	92	11.4%
Mukono	9,442,941	45.3	90.4%	208,461	65	17.2%
Kabale	9,959,729	64.4	114.8%	154,586	64	9.0%
Apac	10,209,904	43.8	120.7%	233,075	103	1.5%
Masaka	10,270,095	46.3	101.3%	222,003	70	10.6%
Iganga	10,295,473	42.7	118.0%	241,379	98	5.6%
Bushenyi	11,613,474	52.9	106.4%	219,676	64	5.2%
Lira	11,794,977	44.4	122.8%	265,542	93	10.9%
Arua	12,406,357	34.1	148.9%	363,460	129	8.8%
Mbale	12,462,500	48.7	124.4%	256,070	98	9.9%

* Recurrent and development budget.

Source: Ministry of Local Government, 2002 Census, 2005 Statistical Abstract.

5.4.2 Secondary education

The schooling characteristics of the population aged 13-18 (secondary school age) is shown in table 11. More than half (56%) of all 13-18 year olds in this age range are attending primary school rather than secondary. Only 18% of the population between 13-18 years attends post primary institutions (including secondary schools). The proportion of children that leave school between 13-18 years is greater in rural areas (31%) compared to urban (20%). The regional disparity in the north is again highlighted with 12% of the population aged 13-18 having never attended school compared to only 2% in the other regions.

Table 11: Schooling status of students 13-18 Years

	Never attended	Left school	Attending primary	Attending post-primary
Total	**2**	**21**	**56**	**18**
Age				
13	2	5	89	4
14	3	9	77	10
15	4	15	62	19
16	4	26	45	25
17	5	32	31	32
18	7	49	15	28
Sex				
Male	3	19	59	19
Female	5	23	54	18
Residence				
Rural	2	31	34	33
Urban	4	20	60	16
Region				

	Never attended	Left school	Attending primary	Attending post-primary
Kampala	2	42	20	36
Central	2	24	49	25
Eastern	2	17	63	18
Northern	12	19	64	5
Western	2	20	60	17

Source: Uganda National Household Survey, 2002/03.

The ten districts with the lowest budgeted transfers from central to local government are detailed in the table 12 for 2005/06. This is compared to the ten districts with the highest budgeted transfers from central to local government in table 13. Six of the districts with the lowest budget transfers for secondary education have the lowest transfers for primary education (Kotido, Moroto, Kalanga, Nakasongola, Moyo and Kitgum), with four of these districts in the northern region.

Both gross and net enrolment rates vary considerably between districts. The rates in the top ten districts are generally greater than those in the lower districts. Districts with a higher proportion of the population living in urban areas generally have higher secondary enrolment rates than more rural areas. Student/teacher rations are unaffected by rural and urban geographical differences, this is due to the lower proportion of students as a whole that attend secondary education compared to primary education. Student teacher ratios appear to be unaffected by the amount of budgeted transfer to secondary school when comparing the two tables. (See appendix 11 for secondary education budgetary transfer details for all districts.)

Table 12: Central government transfers to local government for secondary education 05/06 - bottom 10 districts

District	Budgeted transfers to local government for 05/06*	Gross enrolment rate (2004)	Net enrolment rate (2004)	Student teacher ratio (2004)	Student classroom ratio (2004)	Population in urban areas (2002)
Kotido	148,194	1.9%	1.48%	21	66	7.5%
Moroto	154,478	6.9%	5.50%	19	54	3.9%
Kalangala	173,975	8.6%	6.68%	18	32	8.5%
Nakasongola	262,617	22.8%	21.13%	19	58	5.1%
Adjumani	263,421	17.7%	13.23%	22	51	9.8%
Moyo	300,325	16.3%	11.51%	20	48	6.2%
Bundibugyo	314,716	7.5%	6.06%	22	80	6.6%
Sembabule	345,541	10.7%	9.19%	15	45	2.2%
Kiboga	399,349	12.5%	11.12%	16	37	5.2%
Kitgum	514,479	12.2%	10.43%	23	55	14.8%

* Recurrent and development budget.

Source: Ministry of Local Government, 2002 Census, 2005 Statistical Abstract.

Table 13: Central government transfers to local government for secondary education 05/06 – top 10 districts

District	Budgeted transfers to local government for 05/06*	Gross enrolment rate (2004)	Net enrolment rate (2004)	Student teacher ratio (2004)	Student classroom ratio (2004)	Population in urban areas (2002)
Mpigi	2,355,602	29.8%	26.09%	19	54	2.5%
Tororo	2,465,541	19.5%	15.56%	19	54	6.5%
Masaka	2,555,227	18.7%	16.04%	19	46	10.6%

District	Budgeted transfers to local government for 05/06*	Gross enrolment rate (2004)	Net enrolment rate (2004)	Student teacher ratio (2004)	Student classroom ratio (2004)	Population in urban areas (2002)
Jinja	2,683,271	26.3%	22.67%	21	55	22.1%
Arua	3,053,409	17.1%	13.76%	16	56	8.8%
Mukono	3,209,647	17.7%	15.60%	18	44	17.2%
Lira	3,363,006	11.3%	9.81%	17	51	10.9%
Mbale	3,569,523	25.9%	21.29%	21	62	9.9%
Bushenyi	3,725,129	23.2%	18.92%	20	41	5.2%
Kampala	6,025,339	33.9%	27.57%	18	48	100%

* Recurrent and development budget.

Source: Ministry of Local Government, 2002 Census, 2005 Statistical Abstract.

5.4.3 Literacy rates

Over 1991-1999, we have seen an improvement in rural literacy across all regions in Uganda (appendix 11). This success has been a result of a series of government policy reforms in the education sector

Table 14 indicates that literacy rates have increased from 65% to 70% over period 1997 to 2002/03. There is a persistent gender and rural variation with lower literacy rates in female populations and those living in rural areas. The literacy rate of the north is the lowest in 2002/03 at 56%, however the north has achieved highest increase over the period 99/00 to 02/03 in overall literacy rate improving from 47%.

Table 14: Literacy rates for the population 10 years and above (percentage)

	1997			1999/00			2002/03		
	Male	Female	Total	Male	Female	Total	Male	Female	Total
National	**74**	**57**	**65**	**74**	**57**	**65**	**77**	**63**	**70**
Urban	89	79	83	92	82	86	90	84	87
Rural	70	49	59	72	54	62	74	60	67
Kampala	-	-	-	-	-	-	94	91	92
Central	81	74	77	81	74	77	82	74	79
Eastern	72	52	62	72	52	62	72	54	63
Northern	72	38	55	64	33	47	72	42	56
Western	70	51	60	74	61	67	79	69	74

Source: National household survey 2002/03.

5.5 Health sector

The levels of health service delivery have increased substantially over the past decade in Uganda with respect to availability and uptake. This is illustrated in table 15. The supply of health workers and health facilities has increased substantially. There is clear evidence that access by the poor to health services has improved since the abolition of user fees. Outpatient attendance increased by 40% in 2002 when these fees were removed.

However, even after this date the level of uptake continued to rise, indicating a response to the increases in supply of services - by 2004 outpatient attendance had increased a further 30%.

Table 15: Levels and coverage of service delivery – primary healthcare

	2000	2001	2002	2003	2004
Outpatient visits per person	0.40	0.43	0.60	0.72	0.79
% DPT3 coverage (immunization utilisation)	41%	48%	63%	84%	83%
% approved posts filled	33%	40%	42%	66%	68%
% deliveries in health unit	25%	23%	19%	20%	24%

Source: Ministry of Health, National Service Delivery Survey 2004.

Table 16 shows the changes in health indicators over 1980-1999 in Uganda. Although there is a declining trend in infant mortality rate, all other indicators such as death rate and life expectancy have deteriorated over this period. Health indicators also show differences between regions. Child health outcomes, however, did not improve in the 1990s, and HIV/AIDS remains the leading cause of death within the most productive age ranges of 15 - 49. Child nutrition, together with infant and maternal mortality indicators deteriorated between 1995 and 2000, and HIV/AIDS prevalence rates stagnated between 6% and 7%.

The deterioration in health indicators was a result of inefficient health management system. In 1993, the Ministry of Health (MoH) delegated managerial responsibility to district councils for local health care, arguing that these councils are best informed about local situations. Local councils were unable to meet the huge demand for services in rural areas therefore could not effectively deliver needed services to the poor. The government subsequently took action, significantly increasing the budget allocation for primary health care through the Poverty Action Fund with annual protected increases in health the budget (Fan et al 2003).

Table 16: Health indicators

Indicators	1982	1985	1987	1990	1992	1995	1997	1999
Mortality rate, infant (per 1,000 live births)	115.50	115.50	115.50	104.40	97.00	98.20	99.00	88.33
Death rate, crude (per 1,000 people)	17.60	17.60	17.60	17.96	18.20	19.16	19.80	19.40
Birth rate, crude (per 1,000 people)	49.10	49.94	50.50	50.32	50.20	48.82	47.90	46.26
Life expectancy at birth, female (years)	49.10	49.10	49.10	47.12	45.80	43.60	42.14	42.40
Life expectancy at birth, male (years)	47.51	47.57	47.61	46.40	45.60	43.92	42.80	41.90
Life expectancy at birth, total (years)	48.29	48.32	48.34	46.75	45.70	43.77	42.48	42.14

Source: World Bank, 2001.

Uganda has been very successful in containing the incidence of HIV and AIDS. The rate has declined from more than 30% in early 1990s to an estimated 4.1% in 2003. This is due to an aggressive government awareness raising campaign against the disease.

The level of awareness is greater in urban areas than rural (table 17), however while awareness is high, methods of prevention are less.

Table 17: Awareness about HIV/AIDS among the population aged 10

	Male	Female	Total
National	90	90	90
Residence			
Rural	89	89	89
Urban	93	94	93
Region			
Central	89	89	89
Eastern	88	89	89
Northern	89	87	88
Western	91	92	92

Source: National Household Survey 2002/03.

The ten districts with the lowest budgeted health transfers from central to local government are detailed in the table 18 for 2005/06. This is compared to the ten districts with the highest budgeted health transfers from central to local government in table 19. The top ten budget transfer list contains a greater proportion of the population live in urban areas than rural areas. The population per bed reduces significantly the higher the percentage of population in urban areas. For example Kaberamaido has an urban population of 1.8% with a population per bed ratio of 4,097 compared to Kampala that has a totally urban population and a population per bed ratio of 339. Rural areas therefore appear to receive disproportionately lower health budgets than urban districts. This can be partly explained by the high infrastructure costs required for hospitals.

The population per bed is considerably greater in the bottom ten districts than in the top ten districts with the highest budgeted transfers. Only one of the ten districts with the lowest budget transfers for health is from the western region with the remainder spread evenly between the other regions. See appendix 12 for health budgetary transfer details for all districts.

Table 18: Central government budgeted transfers to local government for health 05/06 - bottom 10 districts

District	Budgeted transfers to local government for 05/06*	Population per medical staff (2002)	Population per bed (2002)	Percentage of population in urban areas (2002)
Kalangala	497,211	1931	1,222.03	8.5
Nakasongola	722,903	10589	1,291.72	5.1
Kaberamaido	728,343	26330	4,097.47	1.8
Busia	844,709	14063	1253.742	16.3
Sembabule	855,872	15004	1,980.41	2.2
Nakapiripirit	946,710	14045	5,128.73	1.1
Kamwenge	1,010,316	21978	7,382.83	5.1
Katakwi	1,111,344	14236	3,301.42	2
Hoima	1,124,751	16363	1204.152	9.2
Kotido	1,206,750	19093	1126.9	7.5

Source: Ministry of Local Government, Ministry of Health, 2002 Census, 2005 Statistical Abstract.

Table 19: Central government budgeted transfers to local government for health 05/06 - top 10 districts

District	Budgeted transfers to local government for 05/06*	Population (2002) per medical staff (2004)	Population per bed (2002)	Percentage of population in urban areas (2002)
Tororo	3,281,222	8801	918.76	6.5
Mbale	3,295,665	20521	781.91	9.9
Bushenyi	3,390,098	28130	1266.947	5.2
Iganga	3,413,594	14764	1,105.42	5.6
Mubende	3,417,759	12537	1,824.95	7.3
Kampala	3,457,140	17487	339.19	100
Luwero	3,654,997	7597	720.22	12.3
Rakai	3,904,918	7972	883.53	4.5
Mukono	4,035,083	24103	850.45	17.2
Kasese	4,189,894	12453	963.82	11.4

Source: Ministry of Local Government, Ministry of Health, 2002 Census, 2005 Statistical Abstract

Disaggregated health status by district for 1999/2000 is included in appendix 12. The percentage of population falling sick during the past 30 days is greatest in the eastern region. I n 2004 ill health was found more prevalent in rural areas than in urban areas. For every three sick persons in the rural areas, one person was reported sick in the urban area (2004 National Service Delivery).

5.6 Water and sanitation

The water sector has traditionally been funded mainly from donor project aid. The identification of water and sanitation as a key sector in poverty eradication following the 1998/99 participatory poverty assessment has seen a substantial increase in resource allocation to this sector. The allocation to water and sanitation has increased from UGS 9.5bn in 1997/98, to UGS 103.5 billion in 2004/05.

Levels of water service delivery have improved in recent years. The proportion of rural areas that have access to water has increased from 50 per cent in 2000 to 60 per cent in 2004; this is due to a substantial increase in the number of safe water facilities constructed in rural areas.

Table 20: Levels and coverage of service delivery – water

	2000	2001	2002	2003	2004
Safe Water					
Rural Water Coverage	50%	54%	55%	58%	60%

Source: National Service Delivery Survey 2004.

There is concern over the effectiveness of targeting of investments in water and sanitation and whether decisions over the geographical location of water points are always equitable. There has been a reduction in the average dry-season distance walked to collect water, from 1.5 km in 2000 to 1.1 km in 2004 (National Service Delivery Survey). Access to roads is good with 85 per cent of households reporting that they are within 1 km of a road, and 77 per cent of roads reported to be usable all year round (2004 National Service Delivery Survey).

In water and sanitation although the rural water sub-sector may be maintaining efficiency, the efficiency of water services overall is declining. In 2004/05 only 40 per cent of sector funding was allocated to rural areas, despite the fact that 87 per cent of the population live in them. While over 60 per cent of the GoU's

own resources (i.e. excluding donor projects) were spent on rural water supply in 2004/05, and the majority of that (88 per cent) is channeled directly to districts, donor projects were focused more on the urban sector, where per capita investment costs are far higher.

5.7 Corruption and expenditure tracking

5.7.1 Corruption

Corruption takes many forms, ranging from the "petty corruption" at facility level to "grand corruption" and looting of state resources. Corruption is not necessarily for strictly personal gain: the financing of political parties and election campaigning is expensive and is commonly funded by the misappropriation of state resources.

The evidence on whether corruption is on the increase or decrease is not conclusive; but corruption is undoubtedly high, and Uganda is ranked among the 15 per cent of countries suffering most from corruption (Transparency International 2004).

Table 21: Uganda's ranking in the Transparency International Global Corruption report 2004

Year	Position	Sample size	Ranking from bottom*
1998	73	85	8th
1999	87	99	12th
2000	80	90	10th
2001	88	91	3rd
2002	93	102	9th
2003	113	133	17th

Source: Transparency International Global Corruption report 2004.
*The ranking from the bottom shows the actual position from the bottom in terms of scores, and ignores the fact that there is sometimes more than one country with the same score.

5.7.2 Expenditure tracking

Expenditure tracking and value-for money studies have been performed in the education, health and water sector in Uganda. The aim of these tracking studies is to identify the extent to which resources reach the front line service delivery. Obtaining good quality district level wage and non-wage spending data is difficult due to poor record keeping. Results from these surveys are often qualitative rather than quantitative and firm and comprehensive estimates of leakage can not be produced.

Education

The first tracking study performed in Uganda's education sector in 1995 found that 77 per cent of non-wage funds failed to reach schools. A tracking study performed in 2000 found 90 per cent of all funds intended for expenditure at school level are now reaching their intended schools, though there was uncertainty over how they are used and accounted for at school level. This represents a big improvement on the 1995 tracking study which found long delays and a large share of the funds being held back.

The policy recommendations of the above studies, and particularly that all releases of funds be published in newspapers and on public notice boards, have helped to substantially increase the proportion of funds reaching the intended beneficiaries.

The major issue of concern in the sector has been how to improve the quality of education, especially at the primary level and especially in terms of raising the percentage of children who complete primary school and go on to secondary and vocational institutions. The introduction of UPE significantly increased the number of children seeking a school place. This in turn has had a substantial impact on the capacity of schools to deliver quality education, in terms of the pupil:teacher ratio, classroom space, and other infrastructure. The result is that Uganda now has some of the largest class sizes in the world.

The GoU has been seeking to address these issues through increased funding of primary schools, the construction of more classrooms, the provision of educational materials, and additional training for and recruitment of teachers. This is reflected in the increased allocations for expenditure on education as a share of the national budget. These efforts have yielded significant improvements in key education output indicators as highlighted earlier in this report.

Health

Details and findings from two tracking surveys in the health sector are summarised in the table below.

Table 22: Finding from public expenditure tracking surveys in the health sector

Year	Sample	Leakage	Other findings
1996	100 facilities 19 districts	No firm evidence of leakage in flow of resources to primary health care providers but heavy reliance on in-kind flows and poor record-keeping hampered data collection. Qualitative evidence suggests that funds leakage is limited, however drug supplied by donors or government routinely used as a source of additional income. Drugs supplies leakage estimate ranges from 40 to 94 per cent of the public supply of drugs to the facilities.	Qualitative evidence suggested that main leakage takes place at facility level, rather than in transfer of resources to facilities.
2000	155 facilities	Leakage of specific drugs and supplies estimated at 70% in government, private non-profit facilities studies.	Detailed descriptive data on facility characteristics and performance; overview of accountability arrangements; comparison of government and non-government providers.

The 1996 tracking survey showed low utilisation of a system in which poorly qualified and motivated staff offered few services, while drugs and other materials were diverted to private practice.

The 2000 health sector tracking study found that delays in reporting and hence disbursement of funds, apart from arising from factors such as logistical problems at request and approval stage, also had a bearing on capacity problems within the line ministries. Although the health units provide regular financial activity reports to the supervising entities, it is not done in a timely manner. The quality of the reports is poor, and none of the implementing entities accounted downwards to the people, as evidenced by the failure to display publicly the amount of grants received from the central government or the outputs of the M&E activities.

Water and sanitation

Although the key sector goal to ensure that water was within easy reach of 75 per cent of the rural population by the year 2000 was not been met, there has been substantial progress. The World Bank PER reports that between 1991 and 1995 water coverage doubled from 18 per cent to 36 per cent. The 1999/2000 household survey found that this had further increased, and 57 per cent of all households in Uganda now have access to safe drinking water, of which 51 per cent in rural areas and 87 per cent in urban areas.

An expenditure tracking study was conducted in 2003. It was conducted in ten districts and six urban councils and identified problems related to the delayed release of funds for water. In some districts releases were found to take as much as 84 days to reach the district and urban water authorities. This situation compares badly with the average period of 14 days that it takes universal primary education capitation grants to reach the district accounts. The reasons cited for these delays include a general lack of awareness that delays in the remittance of funds is a cost to service delivery and society in general; inadequate capacity in financial management at the different levels of action; weak monitoring and evaluation mechanisms; and poor enforcement of regulations.

The study also indicated that few of the communities surveyed were satisfied with the services provided. For example, only 50 per cent of respondents felt that they were given full value for money, and 60 per cent were satisfied with the work on and finish of water installations and with service delivery in general. Visits to water sites found that only about 70 per cent were in good condition, and that only 78 per cent of the communities visited had functioning water and a sanitation committee. The water sector operating costs furthermore are high (in part as a result of poorly functioning facilities), and these high costs are transferred *to* the consumers in the form of high prices. The 2004 World Bank PER concludes that the delivery of services in the water sector in conclusion is poor.

The experience with donor project support has been of capacity problems preventing full utilisation of

funds. The requirement for a cash contribution from communities has also been a constraint on scheme implementation, especially in the poorest areas. Expenditure averaged about 60 per cent of the budget for the period 1997 to 1999. In order to overcome this problem, increased use is being made of private sector contractors for drilling boreholes, a practice which has significantly improved on the output compared to the in-house strategy.

5.8 Conclusions

The main findings of this review are as follows:

5.8.1 Trends in government expenditure

Public expenditure has increased in real terms by 240 per cent from 1994 to 2004, but the increase has been far more rapid since 1998/99, when the expansion averaged 13 per cent a year, until 2003/04, in the context of buoyant aid flows as well as domestic revenues. This was more than double the rate between 1994/95 and 1997/98 at 6 per cent.

Pro-poor expenditures (as defined by the GoU Poverty Action Fund) represented 19 per cent of the government budget in 1997/98 compared to nearly 36 per cent of GoU expenditures in 2003/04. Transfers to local governments increased significantly in real terms from UGS 276bn in 1997/98 to UGS 798bn in 2004/05 (2003/04 prices), and as a share of the GoU budget from 30 per cent to 36 per cent over the same period.

5.8.2 Breakdown in budget support and trends

The combined increases in programme aid amounted to 31 per cent of the real increases in total public expenditures between 1997/98 and 2003/04, while increases in donor project support contributed only 18 per cent to these increases.

In 2004/05 and 2005/06 DFID provided £35 million in the form of budget support and a further £15 million of project support to enable the Government of Uganda deliver the Poverty Eradication Action Plan. This represents approximately8-10% of total overseas development assistance. General Budget Support has contributed to a shift in public expenditure towards priority Poverty Eradication Action Plan programmes, via the Poverty Action Fund.

5.8.3 Spending and output trends for health and education

The GoU have made significant achievements in making improved services available to the population, including the poor. Reduction in the poverty and gender bias in primary enrolment is a major achievement, though sustaining this performance will require efforts to raise quality. Access and utilisation of modern health services and of safe water has improved. There are however disparities in these achievements between rural and urban areas. Urban areas generally have higher primary and secondary education enrolment rates.

The rural population in Uganda has considerably higher poverty rates and lower education and health outcomes than urban populations. Poverty rates in the central region are the lowest, which is expected given that Kampala with a population of 1.2 million has comparatively low poverty incidence rates.

However, poverty is exceptionally high in the conflict affected northern region which is also contains the majority of Uganda's rural districts. 64 per cent of the population of the northern region was below the poverty line in 2002/03. The northern region has the lowest primary education enrollment rate, lowest literacy rate, highest school drop-out rates and a high population per bed ratio.

5.8.4 Correlation between poverty rates, and level of provision of public service

From analysis of the 2005/06 budgeted transfer from central government to local government and human poverty index by district there does not appear to be a correlation between poverty rates and the level of public sector spending (which we will use as a proxy for provision of public services). However, based on health and education analysis we the poverty rates in the north are far higher than in any other region but budget allocations to districts in the north appear lower than in the other regions. This is not surprising given that the north has a lower institutional capacity within its district local government institutions to spend larger budgets and deliver services in this region. However this is concerning given the low education enrolment rates and high poverty rates in this region.

Appendix 1 – People consulted

Name	Title and affiliation
Andrew Bennett	Former Chief Natural Resources Adviser (1987-2002) at DFID
John Hansell	Former Natural Resources Adviser at DFID
John Howell	Former Director, Overseas Development Institute (ODI)
Jens-Peter Kamanga Dyrbak	Senior Public Sector Management Adviser, Ministry of Local Government (Danida)
Sharon Kinsley	Deputy Head of Office and Head of Livelihoods, DFID Malawi
Florence Kuteesa	Senior Manager, PwC Africa Central
Christian Layke	Senior Associate, World Resources Institute
Johnny Morris	Former Head of Evaluation at DFID
Peter Oumo	DFID Uganda
Jesper Steffensen	Nordic Consulting Group
Bernabé Sánchez	Economist, DFID Malawi
Michael Scott	Former Head of Rural Livelihoods (1990, 2003) at DFID

Appendix 2 – Abstracts of selected references

Asra, A, Estrada, G Yangseon Kim, and Quibria, MG (March 2005), “Poverty and Foreign Aid. Evidence from Recent Cross-Country Data”, ADB, ERD Working Paper No. 65

Abstract

This paper takes a fresh look, from a macro perspective, at the issue of aid effectiveness. An important point of departure for this study is that it adopts poverty reduction, as contrasted from economic growth, as the metric for measuring aid effectiveness. In conducting the empirical investigation, the paper experiments with a number of different regression equations and uses a new panel dataset on poverty. It shows that aid and aid-squared both have significant coefficients but with different signs (positive for aid and negative for aid-squared). This result suggests that aid is effective when it is relatively moderate but becomes ineffective when the size of aid exceeds the critical value defined by the absorptive capacity. Our results further suggest that while the macro policy environment and the quality of governance have a significant bearing on poverty reduction, aid effectiveness is not critically contingent on them. Aid has on average been effective, our regression results confirm, under a whole variety of circumstances—in terms of policy environments and quality of governance—in a wide diversity of developing countries. It also points to the limited usefulness of using aggregative index of (macroeconomic) policy and governance for policy insights. To derive useful policy insights, one needs to look beyond these aggregates. Hopefully, the present paper, which makes an exploratory first attempt in directly linking poverty reduction (rather than growth) to aid, controlling for a number of macroeconomic policy variables and governance, would inspire further future research efforts.

Alesina, A. and D. Dollar (2000), "Who Gives Foreign Aid to Whom and Why?," Journal of Economic Growth, Vol. 5, No. 1, pp. 33-63

Abstract

This paper studies the pattern of allocation of foreign aid from various donors to receiving countries. We find considerable evidence that the direction of foreign aid is dictated as much by political and strategic considerations, as by the economic needs and policy performance of the recipients. Colonial past and political alliances are major determinants of foreign aid. At the margin, however, countries that democratize receive more aid, ceteris paribus. While foreign aid flows respond to political variables, foreign direct investments are more sensitive to economic incentives, particularly “good policies” and protection of property rights in the receiving countries. We also uncover significant differences in the behaviour of different donors.

Anderson E, de Renzio P and Levy S (March 2006), “The Role of Public Investment in Poverty Reduction: Theories, Evidence and Methods”, ODI, Working Paper 263

Abstract

This paper explores the linkages between public investment, growth and poverty reduction, with the aim of providing an overall view of existing theories, evidence and methods, and of examining ways to provide better guidance to policy-makers in the use of available techniques and information to set priorities for public investment. This is particularly important at present, as we are once again witnessing pressure for substantial increases in public investment in developing countries, because of the slow rates of progress toward the targets contained in the Millennium Development Goals, especially in sub-Saharan African countries. There are several channels through which public investment might affect the economy. We review the theory behind these channels, distinguishing the macro from the micro effects. At a macro level, we discuss the potential impact of public investment on growth, investment and aggregate productivity. We then explore the possible micro-economic effects of public investment, which include a more sectoral approach, at the level of the firm, but also an analysis of household income, poverty and income distribution. We explain the need for a general equilibrium framework to capture the extent to which all these effects might appear and combine. Existing evidence on the poverty impact of public investment is hardly conclusive, but points to a number of interesting issues. The link between public investment and growth is not proven. Although there is more evidence that public capital is productive, in the sense that it complements private capital and

other factors of production, there is a clear need to be careful with the choice of the optimal investment level and allocation across sectors. The case for a rise in public investment needs to be assessed on a country-by-country basis, according to the structure of its economy and its initial physical public capital stock. There is also abundant evidence, although sometimes controversial, on the poverty impact of public investments in areas such as transport and communications, irrigation and agricultural research and development (R&D). Methods for assessing ex-ante the impact of public investment on poverty reduction, and therefore guiding policy decisions, also need to be divided in two categories: those aimed at appraising a specific investment project, and those guiding inter-sectoral allocation decisions. From a technical viewpoint, cost-benefit analysis remains the ideal method of determining the desirability of most types of public investment in any given country. However, resource and informational constraints mean that full cost-benefit analysis cannot always be carried out. Researchers need to continue developing, refining and disseminating less information-intensive alternatives. Such approaches should come with an assessment of the likely magnitudes of error to which they may be subject. For some types of investment cost-benefit analysis is not appropriate. This includes all those investments that provide outputs deemed by society to be basic human needs or rights. In such cases, the benefits of investment are self-evident and do not need to be measured in financial terms. The only relevant consideration in this case is choosing the least-cost method of meeting a given need or right. When inter-sectoral comparisons are necessary, as in the case of assessing alternative investment portfolios, computable general equilibrium (CGE) models can be particularly helpful. These allow for quantitative macroeconomic analysis of a large variety of public investment policies. Government spending can also be decomposed in a way that allows comparisons of different policy choices. The abundance of existing theories, evidence and methods on the poverty impact of public investment, however, clashes with the reality of policy-making processes in poor countries, which are often characterised by limited technical capacity, unavailability of detailed and reliable data, heavy reliance on external assistance, and political interference which undermines a rational approach to assessing policy alternatives. There are four main messages that can be drawn from the overview contained in this paper. Firstly, there is a need to expand current efforts at developing alternative methodologies which are less information-intensive and which require lower technical capacity but can still generate useful insights and inputs for policy-making processes. Secondly, access to existing data and information at country level should be improved, by supporting the creation of repositories of policy-relevant datasets, such as cost-benefit analyses (CBAs) carried out for past investment projects. This should include the design and production of easy-to-access notes and documents to be utilised by policymakers to inform decisions regarding public investment options, highlighting the existing state of knowledge within the country and selected findings from comparable country situations. Thirdly, the use of CGE models should be widened to cover issues such as (a) trade-offs and complementarities (inter-sectoral, inter-temporal, inter-regional, etc.) among different investment portfolios; (b) 'threshold effects' that could affect the effectiveness of different investment choices; and (c) cross-country implications of public investment at the regional level. Finally, there needs to be a better understanding of the dynamics of policy-making processes in poor countries, to make sure that information and methodologies are better suited to providing relevant inputs to policymakers, and enhancing the poverty orientation of public investment choices.

Arvin, M. (1998), "Biases in the Allocation of Canadian Official Development Assistance," Applied Economics Letters, Vol. 5, pp. 773-775.

Abstract

A strong inverse relationship between per capita assistance and population of aid-receiving countries is found in an examination of Canadian bilateral foreign aid to 33 countries over the period 1982-92. However, the middle-income bias present in aid allocation of some other countries is not found in the case of Canada. Instead, there is a bias associated with the recipient's membership to the Commonwealth.

Arvin, B. M. and T. Drewes (2001), "Are There Biases in German Bilateral Aid Allocations?," Applied Economics Letters, Vol. 8, pp. 173-177.

Abstract

This paper presents new evidence on the nature of German bilateral foreign aid allocations. In particular, the paper focuses on the question of whether there are population and middle-income biases present in the disbursement of German assistance. Using data on German bilateral aid to 85 countries from 1973 to 1995 evidence supporting existence of a population bias is found, but no evidence is found of a middle-income bias. A bias, however, associated with a recipient's coverage under the Lome Convention is found.

Asian Development Bank (2004), "Review of the Asian Development Bank's Poverty Reduction Strategy", June

Abstract

The review of the PRS began in May 2003. The review process was undertaken by a task force of ADB staff, guided by a committee of directors general of ADB. The task force reported to the Management. To strengthen this internal process, external advisors comprising eminent development practitioners and academics were consulted periodically. The review followed an extensive process of data collection and analysis, and internal and external consultations. Focus group discussions and individual interviews were organized with different categories of staff. In-country assessments undertaken involved discussions with government officials; civil society, including nongovernmental

organizations (NGOs); academics; and development partners. The assessments were complemented by a workshop in August 2003, attended by representatives of 33 borrowing developing member countries. A progress report and a working paper were posted on ADB's web site to seek comments from the general public. The review also benefited from discussions with members of ADB's Board and Asian Development Fund donors. Chapter II of this report discusses the experience of Asia and the Pacific in reducing poverty. Since the PRS was prepared, considerable new data and research have become available. They are reviewed to ascertain the continued relevance of the PRS framework. Chapter III reviews the experience in implementing the PRS and highlights achievements, weaknesses, and challenges that have emerged in the last four years. Chapter IV draws lessons and suggests possible modifications in the PRS framework and its implementation modalities. The report concludes with recommendations for the Management and the Board. To advance ADB's capacity development interventions, the review proposes that capacity development be added to the PRS's current thematic priorities (environment, gender equity, private sector development, and regional cooperation). The review also underlines two difficulties with the sector and subsector priorities given in the PRS: (i) they do not fully acknowledge the different levels of development across countries and therefore it is difficult to have a standard set of priority subsectors for the region as a whole; (ii) prescribing priority sectors and subsectors tends to narrow the focus of the PRS to isolated interventions rather than to address the binding constraints to poverty reduction. [Note: this document seems to be a draft of the December 2004 policy paper.

Asian Development Bank (2004), "Fighting Poverty in Asia and The Pacific: the Poverty Strategy", [June?]

Abstract

Reduction of poverty is no longer just one of five objectives, it is ADB's overarching goal. To this end, the other strategic objectives (i.e., economic growth, human development, sound environmental management, and improving the status of women) will be pursued in ways that contribute most effectively to poverty reduction. The fundamental shift will affect every aspect and level of ADB's operations. This strategy paper sets out the ways in which these changes will be implemented. The paper identifies three sector priorities: agriculture and rural development; social sectors (education, health and population, social protection, urban development); and infrastructure and finance (transport and communications, energy, and finance). Recognizing that the number of rural poor in most countries continues to grow, that sustained economic growth in rural areas is likely to have a much higher impact on job creation than equivalent urban growth, and that there were low levels of investment in rural development, the ADB states that there is a "compelling reason for ADB to reverse its recent drift away from the rural sector." In particular, ADB will: give greater emphasis to development of agroclimatic areas that have been bypassed by green revolution technology; give greater attention to the social, environmental, and institutional factors necessary to enhance efficiency and productivity in all areas of agricultural production, and associated nonfarm activities; seek new ways to promote private sector activity in rural areas. [Note: contrary to the December policy paper – see below - this document gives a significantly more important place to agriculture – 'agriculture and rural development' is a sector priority.]

Asian Development Bank (2004), "Enhancing the Fight against Poverty in Asia and The Pacific. The Poverty Strategy of the Asian Development Bank", December

Abstract

The Asian Development Bank (ADB) formally adopted poverty reduction as its overarching goal in 1999 and announced its Poverty Reduction Strategy (PRS) to achieve this end. Four years after the adoption of the PRS, a comprehensive review was undertaken to obtain feedback from the implementation experience of the PRS and examine its relevance in the context of the major changes that have occurred both within the region and globally. This process was completed in July 2004. This document summarizes the essential elements of ADB's strategy for poverty reduction today enhanced by feedback from the review. The basic framework for poverty reduction comprising the three pillars—pro-poor, sustainable economic growth; social development; and good governance—has retained its relevance. To achieve greater effectiveness, the review recommends refinements in strategic directions, including a greater focus on individual countries that will align ADB operations with a country's own poverty reduction strategy and the fostering of partnerships around the strategy. It also calls for increased attention to results, monitoring, and evaluation; and greater emphasis on capacity development. Five themes complement the three pillars and are essential elements of the PRS: gender equality, environmental sustainability, private sector development, regional cooperation, and capacity development. [Note: the word "agriculture" does not appear in the document. "Rural" appears only twice, in the context of environment sustainability and of population policy. This document doesn't seem to reflect the statement of the previous ADB document to reverse its recent shift away from the rural sector.]

Barrett, C. et al (February 2006), "Understanding and reducing Persistent Poverty in Africa: Introduction to a Special Issue", Journal of Development Studies, Vol. 42, No. 2, 167-177

Abstract

This paper introduces a special issue exploring persistent poverty in sub-Saharan Africa. As a set, these papers break new ground in exploring the dynamics of structural poverty, integrating qualitative and quantitative methods of analysis and adopting an asset-based approach to the study of changes in well-being, especially in response to a wide range of different (climatic, health, political, and other) shocks. This introductory essay frames these studies, building directly on evolving conceptualisations of poverty in Africa.

Baulch, B., McKay, A. (2004), “How Many Chronically Poor People Are There In The World? Some Preliminary Estimates”, CPRC Working Paper No 45, Chronic Poverty Research Centre

Abstract

This background paper provides some preliminary estimates of the global incidence of chronic poverty for the Chronic Poverty Report 2004-05. We define chronic poverty as remaining below the poverty line for at least five years, with welfare measured in expenditure or income terms. Using the latest estimates on the magnitude of static dollar a day poverty available from the World Bank and panel data estimates of the unconditional probabilities of the currently poor staying poor, we estimate the number of people who are chronically poor by region. This is an inherently imprecise exercise that suffers from both measurement error and the need to make a number of very strong assumptions. Nonetheless, our best “guesstimate” is that there were between 300 and 420m people worldwide living in chronic poverty in the late 1990s.

Bell, C., and P. Hazell., (1980) “Measuring the indirect effects of an agricultural project on its surrounding region,” American Journal of Agricultural Economics, v. 62: 75-86.

Abstract

Agricultural investment projects may generate important downstream benefits for the regions in which they are located. Using a semi-input-output model of the regional economy, an attempt is made to quantify the downstream benefits generated by an irrigation project in Malaysia. In aggregate the project's downstream effects on regional income were of an order similar to its direct effects, but the main beneficiaries of the downstream benefits were the nonfarm households. Each dollar of downstream income probably was supported by just over a dollar of additional investment in the local economy.

Beynon, J., (2003), “Poverty Efficient Aid Allocations - Collier/Dollar Revisited”, Economics and Statistics Analysis Unit Working Paper 2, Overseas Development Institute, London

Abstract

What makes aid effective and what are the implications of this analysis for aid allocations? Recent World Bank research has stimulated a major debate around these issues. There is growing consensus among donors that ‘good’ policy is a key factor for aid effectiveness and should therefore be a criteria for allocation. This paper from the Economics and Statistics Analysis Unit of the Overseas Development Institute re-examines the evidence on which those arguments are based, and analyses aid efficiency over the 1990s.

Birdsall, N., S. Claessens and I. Diwan (2002), Policy Selectivity Forgone: Debt and Donor Behaviour in Africa, Centre for Global Development Working Paper No. 17, Centre for Global Development, Washington

Abstract

We assess the dynamic behind the high net resource transfers of donors and creditors, IDA, bilaterals, IBRD, IMF and other multilateral creditors to the countries of sub-Saharan Africa in the 1980s and 1990s. Analyzing a panel of 37 recipient countries over the years 1978-98, we find that net transfers were greater in poorer and smaller countries. The quality of countries' policy framework mattered little, however, in determining overall net transfers. For recipient countries with high debt largely owed to multilateral creditors, the donors — especially bilateral — made greater transfers to countries with "bad" policies. This suggests that donors were unable to exercise much selectivity once recipient countries became highly indebted. One implication is that comprehensive debt relief would restore donors' ability to be selective with respect to the quality of countries' policy. Were that ability better exploited going forward, development assistance would be more effective, building the case for greater public support in the donor countries in the longer run.

Boone, P. (1996) “Politics and the Effectiveness of Foreign Aid”, European Economic Review 40:289-329

Abstract

Critics of foreign aid programs have long argued that poverty reflects government failure. In this paper I test predictions for aid effectiveness based on an analytical framework that relates aid effectiveness to political regimes. I find that aid does not significantly increase investment, nor benefit the poor as measured by improvements in human development indicators, but it does increase the size of government. The impact of aid does not vary according to whether recipient governments are liberal democratic or highly repressive. But liberal political regimes and democracies, ceteris paribus, have on average 30% lower infant mortality than the least free regimes. This may be due to greater empowerment of the poor under liberal regimes even though the political elite continues to receive the benefits of aid programs. An implication is that short-term aid targeted to support new liberal regimes *may* be a more successful means of reducing poverty than current programs.

Bravo-Ortega, Claudio, and Daniel Lederman, (2005) "Agriculture and National Welfare around the World: Causality and Heterogeneity since 1960." Policy Research Working Paper 3499, World Bank

Abstract

Calculations of marginal welfare effects suggest that agricultural development has had important positive effects on national welfare, especially in developing countries. Latin American and Caribbean countries have also benefited from agricultural growth, but non-agricultural production has had marginal welfare effects that are greater in magnitude than those provided by agricultural activities. In contrast, the industrialized, high-income countries experienced marginal welfare gains from non-agricultural activities that are much greater than those derived from agriculture, whose impact is actually negative. These calculations of marginal welfare effects across regions depend on econometric estimates of elasticities linking agricultural and non-agricultural economic activities to four elements in a national welfare function: national GDP per capita, average income of the poorest households within countries, environmental outcomes concerning air and water pollution and deforestation, and macroeconomic volatility. The econometric analyses are motivated by theoretical treatments of key issues. The empirical models are estimated with various econometric techniques that deal with issues of causality and international heterogeneity.

Burnside, C., and David Dollar (1998), "Aid, the Incentive Regime, and Poverty Reduction", World Bank Policy Research, Working Paper No. 1937, Washington, DC

Abstract

The primary purpose of this paper is to examine the effect of foreign aid on infant mortality, an issue of interest for two reasons. First, infant mortality is an important social indicator in its own right. Second, changes in infant mortality provide indirect evidence about whether the benefits of development are reaching the broad mass of the population. We begin in the next section by briefly summarizing the main results of our study of aid and growth. In doing this, we provide an intuitive view of the model that underpinned our work on growth. Furthermore, we broaden our indicator of "good policy" to include more micro or institutional dimensions. In the third section of the paper we turn to the issue of aid and infant mortality. We develop a simple model and estimate it with the same panel data used in our growth paper. To address the likely endogeneity of aid we instrument for it in a 2SLS procedure.

Cabral, Lidia (2006), "Poverty Reduction Strategies and the Rural Productive Sectors: What Have We Learnt, What Else Do We Need to Ask?", Natural Resources Perspectives, Number 100, May 2006, ODI

Abstract

Despite the fact that more that 75 per cent of the world's poor live and work in rural areas, five years of experience with Poverty Reduction Strategies (PRSs) show that they have generally not dealt well with rural poverty and the rural economy, owing to: a poor understanding of rural poverty, weak links between poverty assessments and policy formulation, and biases in favour of public spending and against enabling measures for productive sectors. . Often, the implicit pro-poor growth model in PRS is one of 'trickle-down', which tends to treat growth and poverty reduction as one and the same thing, overlooking the connections between the two (Cromwell et al., 2005). This paper reviews existing knowledge on PRS and the rural economy by providing a brief overview of three recent pieces of work: a World Bank literature review of rural development aspects of 32 PRSs (World Bank, 2005), an ODI literature review of 16 PRSs (Shepherd and Fritz, 2005), and an ODI study (Cromwell et al., 2005) of three countries' experiences – Malawi, Nicaragua and Vietnam. This paper argues that significant challenges remain in exploring the potential contribution of the rural productive sectors to growth and poverty reduction. One is to seek consensus over paths to pro-poor economic growth and role of the state in the rural productive sectors. Another concerns the wider political interests that might constrain the engagement with pro-poor policy change. Three policy messages emerge: a stronger rural poverty focus in PRSs is required, the political dimensions of pro-poor policy debates and processes have to be built into the PRS process, and country specific research is needed on the politics of pro-poor policy processes in the rural productive sectors.

Chauvet, L. and P. Guillaumont (2002), “Aid and Growth Revisited: Policy, Economic Vulnerability and Political Instability”, Paper presented at the Annual Bank Conference or Development Economics: Towards Pro-poor Policies, June 2002, Oslo

Abstract

This paper revisits the relationship between aid and growth, adding three new assumptions to the standard Burnside-Dollar model, where aid effectiveness depends only on policy: 1) policy itself depends on aid, which involves a dynamic (re)formulation of the standard model, 2) aid effectiveness (positively) depends on structural economic vulnerability, 3) it depends (negatively) on political instability. An augmented model including these assumptions is estimated on 5-year subperiods from 1975 to 1999 for 53 developing countries, using the Arellano-Bond GMM estimator and new composite indicators of policy, economic vulnerability and political instability. None of the previous assumptions is rejected. It follows that an "efficient" allocation of aid has to consider not only the quality of the present policy, but also its potential improvement, the economic vulnerability faced by the recipient country (more aid needed), and its political instability as well (aid presently less productive).

Clemens Michael A, Radelet Steven, Bhavnani, Rikhil,(2004), “Counting chickens when they hatch: The short-term effect of aid on growth”, International Finance 0407010, EconWPA

Abstract

Past research on aid and growth is flawed because it typically examines the impact of aggregate aid on growth over a short period, usually four years, while significant portions of aid are unlikely to affect growth in such a brief time. We divide aid into three categories: (1) emergency and humanitarian aid (likely to be negatively correlated with growth); (2) aid that affects growth only over the long term, if at all, such as aid to support democracy, the environment, health, or education (likely to have no relationship to growth over four years); and (3) aid that plausibly could stimulate growth in four years, including budget and balance of payments support, investments in infrastructure, and aid for productive sectors such as agriculture and industry. Our focus is on the third group, which accounts for about 45% of all aid flows. We find a positive, causal relationship between this 'short-impact' aid and economic growth (with diminishing returns) over a four-year period. The impact is large: at least two-to-three times larger than in studies using aggregate aid. Even at a conservatively high discount rate, at the mean a $1 increase in short-impact aid raises output (and income) by $8 in present value in the typical country. From a different perspective, we find that higher-than-average short-impact aid to sub-Saharan Africa raised per capita growth rates there by about one percentage point over the growth that would have been achieved by average aid flows. The results are highly statistically significant and stand up to a demanding array of tests, including various specifications, endogeneity structures, and treatment of influential observations. The basic result does not depend crucially on a recipient's level of income or quality of institutions and policies; we find that short-impact aid causes growth, on average, regardless of these characteristics. However, we find some evidence that the impact on growth is somewhat larger in countries with stronger institutions or longer life expectancies (better health). We also find a significant negative relationship between debt repayments and growth. We make no statement on, and do not attempt to measure, any additional long-run effects of aid; four-year panel regressions are not an appropriate tool to examine those relationships.

Collier, P. (1999), “On the Economic Consequences of Civil War”, Oxford Economic Papers, Vol. 51, pp. 168-183

Abstract

A model of the economic effects of civil war and the post-war period is developed. A key feature is the adjustment of the capital stock through capital flight. Post-war this flight can either be reversed or continue, depending partly upon how far the capital stock has adjusted to the war. The model is tested on data for all civil wars since 1960. After long civil wars the economy recovers rapidly, whereas after short wars it continues to decline. We then consider the effect on the composition of economic activity, distinguishing between war-vulnerable and war-safe activities. Evidence for Uganda shows such compositional effects to be substantial.

Collier, Paul and David Dollar, (2001) ‘Can the world cut poverty in half? How policy reform and effective aid can meet international development goals’, World Development, Vol. 29 (11), pp. 1787-1802, 2001

Abstract

Poverty in the developing world will decline by about one-half by 2015 if the trends of the 1990s persist. Most of this poverty reduction will occur in Asia, however, while poverty will decline only slightly in Africa. Effective aid could make a contribution to greater poverty reduction in lagging regions. Even more potent would be significant policy reform in

these countries. We develop a model of efficient aid in which flows respond to policy improvements that create a better environment for poverty reduction and effective aid. We investigate scenarios of policy reform and efficient aid that point the way to how the world can cut poverty in half in every major region.

Collier, P. (2002), "Making Aid Smart: Institutional Incentives Facing Donor Organizations and their Implications for Aid Effectiveness", Forum Series on the Roles of Institutions in Promoting Growth, USAID and IRIS, Washington

Abstract

Resources for foreign aid are scarce, and often face scepticism from tax payers with respect to their effectiveness. In order for aid agencies to continue to do good work, they need both to become more effective and to demonstrate their effectiveness. This paper provides seven suggestions on how to make aid "smarter".

1. We should target aid to countries with good institutional and policy environments.

2. Aid should promote reform, not through conditionality, but through investments in the capacity for self-reform.

3. Aid should finance basic services in the most needy environments, scarred by the deepest poverty.

4. We should target aid to mitigate against price shocks.

5. We should target aid to facilitate post-conflict recovery.

6. We should target aid to prevent conflict.

7. We should use aid as demonstration projects in order to leverage successful programmes.

Although there is good empirical and theoretical support for each of these suggestions, reflections on institutional economics imply that people within aid agencies will not have incentives to take up these suggestions. Therefore, the first challenge is to reconfigure the incentives of workers within the aid agencies themselves so as to enable aid to become more effective.

Collier, Paul and David Dollar (2002) 'Aid allocation and poverty reduction', European Economic Review, Vol. 46 (8), pp. 1475-1500, 2002

Abstract

We have derived a poverty-efficient allocation of aid and compared it with actual aid allocations. The allocation of aid that has the maximum effect on poverty depends on the level of poverty and the quality of policies. Using the headcount, poverty-gap, and squared poverty gap measures of poverty, alternatively, all yield similar poverty-efficient allocations. We find that the actual allocation of aid is radically different from the poverty-efficient allocation. With the present allocation, aid lifts around 10 million people annually out of poverty in our sample of countries. With a poverty-efficient allocation, the productivity of aid would nearly double.

Collier, Paul and Anke Hoeffler (2004) 'Aid, policy and growth in post-conflict countries', The European Economic Review, Vol. 48, pp. 1125-1145, 2004

Abstract

Countries emerging from civil war attract both aid and policy advice. We provide the first systematic empirical analysis of aid and policy reform in the post-conflict growth process. It is based on a comprehensive data set of large civil wars, and covers 17 societies that were in their first decade of post-conflict economic recovery. We investigated whether the absorptive capacity for aid is systematically different in post-conflict countries. We found that during the first 3 post-conflict years absorptive capacity is no greater than normal, but that in the rest of the first decade it is approximately double its normal level. Thus, ideally, aid should phase in during the decade. Historically, aid has not, on average, been higher in post-conflict societies, and indeed it has tended to taper out over the course of the decade. We then investigated whether the contribution of policy to growth is systematically different in post-conflict countries, and in particular, whether particular components of policy are differentially important. For this we used the World Bank policy rating database. We found that growth is more sensitive to policy in post-conflict societies. Comparing the efficacy of different policies, we found that social policies are differentially important relative to macroeconomic policies. However, historically, this does not appear to have been how policy reform has been

prioritized in post-conflict societies.

Conway T, Moser C, Norton A and Farrington J (May 2002) “Rights and Livelihoods Approaches: Exploring Policy Dimensions”, ODI Natural Perspectives Paper, Number 78, May 2002, ODI, London

Abstract

Over the last decade several donors and NGOs (and more recently some developing country governments) have adopted a livelihoods approach to development. More recently, there have also been efforts to approach socio-economic development through the framework of human rights. Drawing on case studies of rights-based approaches to livelihood development, this paper briefly reviews the main features of these two approaches, and the possibility of integrating them. Recent elaboration of rights approaches to livelihood-focused development, informed by a growing body of practical experience, offers promising but realistic conclusions: (i) The international human rights framework provides a powerful tool for focusing state actions on the livelihoods of the poor; (ii) The relationship of rights to sustainability is ambiguous; and (iii) Rights on paper are a necessary but insufficient condition for pro-poor policy.

Cromwell E, Luttrell C, Shepherd and Wiggins S, (2005), “Poverty Reduction Strategies and the Rural Productive Sectors: Insights from Malawi, Nicaragua and Vietnam”, edited by Lidia Cabral, Working Paper 258, December 2005, ODI

Abstract

This paper looks at the treatment of rural productive sectors in Poverty Reduction Strategies (PRSs) – particularly agriculture but also, more briefly, tourism, forestry and fisheries. The following research questions have been addressed by this study: (i) To what extent have PRSs contributed to resolving the critical development policy debate bout the role of the rural productive sectors in poverty reduction and about policy towards them? (ii) What is the place of the PRS in the country’s policy making, with respect to other policy making processes? Is the PRS an adequate tool to address rural poverty reduction and growth? (iii) To what extent is the government, and are the governance bodies of the rural productive sectors in particular, prepared and structured to deliver its part in the poverty reduction strategy? (iv) To what extent have donors been committed and supportive of poverty reduction strategies which take into account the role of rural productive sectors? Three countries have been selected to test the validity of the hypotheses and adequacy of the framework of analysis: Malawi, Nicaragua and Vietnam. These countries were chosen on grounds of information and expertise available, and, most importantly, the diversity of experiences they represent in relation to growth and agricultural development. On the basis of the country work, this study provides ten observations. Regarding the wider debate and policy agenda on the role of the rural productive sectors in pro-poor growth:

(i) There is little consensus over paths to pro-poor economic growth – both internationally and at country levels;

(ii) The state’s role in delivering pro-poor growth is far from clear and there seems to be a bias in government intervention towards spending, and away from the critical ‘enabling’ measures;

(iii) Insufficient progress has been made in enhancing the contribution of the rural productive sectors to pro-poor growth – resulting partly from the public spending bias and from lack of vision, capacity or motivation to perform an ‘enabling’ role.

On the specific contribution of PRSs to the pro-poor growth agenda:

(iv) PRSs are part of a wider configuration of policy instruments and strategies – they are not (or not yet) the overarching framework for pro-poor growth;

(v) The growth model adopted by PRSs tends to be one of ‘trickle down’, with a lack of specific measures to address the particular needs of the rural poor;

(vi) PRSs are biased towards public spending and there is insufficient treatment of rural productive sectors and a failure to explore their potential contribution to pro-poor growth.

On the engagement of the governance bodies of the rural productive sectors in PRS processes:

(vii) The lack of internal capacity, vision and motivation have constrained the engagement of the rural productive sectors;

(viii) The wider political interests are determinant of the type of engagement – vertical patronage politics seem to be a pervasive feature of the rural productive sectors;

(ix) Stronger accountability mechanisms and civil service are key ingredients for improving the terms of the engagement with (and commitment to) poverty reduction.

On the role of aid agencies:

(x) Aid agencies have failed to support the engagement of the governance bodies of the rural productive sectors or indeed the importance of PRS as a policy tool to address pro-poor growth issues, in particular with regards to the role of the rural productive sectors.

DFID-B (2001) “Rural Livelihoods Strategy. A Contribution from the Natural Resources and Fisheries

Programmes", Draft, DFID-Bangladesh, 3 May 2001

Abstract

UK government Development Policy has changed considerably in the last five years with poverty reduction, poor people, human rights and entitlements central within this new approach and a strong commitment to the International Development Targets (see DFID White Paper "Eliminating World Poverty"). DFID is responding to the IDTs through the implementation of its Target Strategy Papers (TSPs). The second UK Government's White Paper, "Making Globalisation work for the Poor", recognises that poor people will need to interact within the ever expanding global environment. DFID Bangladesh over the past 15 years has developed a substantial Natural and Aquatic Resources Programme (NARP). For management reasons, these programmes were developed and implemented separately. There was a predominantly technical focus on production issues and the sustainability of the natural resource base. There is a need for a new strategy for the following reasons: (i) Bangladesh moves to a more urban and industrialised society, the contribution of natural resources to economic development and poverty reduction will still be important but its role will change; (ii) as the NARP evolved, it was clear that high quality, innovative but technically focused NARP projects are not enough if poverty impact on the scale needed in Bangladesh is to be achieved; (iii) the NARP should be set within a broader context, which recognises the changing face of rural livelihoods (migration, diversification, communication etc.), the importance of governance and institutional issues and also the linkages with other sectors (social, human development etc.). DFID-B has therefore decided to move from an output focused to an outcome-focused approach which responds to the increasing complexity and options of the rural poor's livelihood strategies. At the centre of this new strategy is the need for understanding and engagement in the deeper structures and processes that affect the lives of the poorest. Within this context, three things are apparent: (i) separately managed and stand alone NARP projects, cannot by themselves deliver the required livelihood outcomes; (ii) there is a need to develop a Rural Livelihoods Strategy within which natural resources entry points can be identified but also the broader issues to which any outcome is linked. This should provide a clearer understanding of the vulnerability context, assets required and policies institutions and processes that directly affect the livelihood options for the rural poor in Bangladesh. It should provide a broader framework for DFID-B to contribute to rural livelihood outcomes; and (iii) the DFID Sustainable Livelihoods Approach provides a useful framework within which to develop this strategy.

DFID (1999), "Sustainable Livelihoods and Poverty Elimination", Briefing, 9 November 1999

Abstract

This briefing paper explains what is meant by `sustainable livelihoods approaches' to development activity. It also discusses why these have been developed, how they have been used in practice and what DFID has learnt about their application and contribution to poverty elimination. The value of a framework such as this is that it encourages users to take a broad and systematic view of the factors that cause poverty – whether these are shocks and adverse trends, poorly functioning institutions and policies or a basic lack of assets – and to investigate the relations between them. It does not take a `sectoral' view of poverty, but tries to recognise the contribution made by all the sectors to building up the stocks of assets upon which people draw to sustain their livelihoods. The aim is to do away with pre-conceptions about what exactly people seek and how they are most likely to achieve their goals and to develop an accurate and dynamic picture of how different groups of people operate within their environment. This provides the basis for the identification of constraints to livelihood development and poverty reduction. Such constraints can lie at local level or in the broader economic and policy environment. They may relate to the agricultural sector – the main focus of donor activity in rural areas – or they may be more to do with social conditions, health, education or rural infrastructure.

DFID (2002), "Supporting Agriculture. An Evaluation of DFID's Support for Sustainable Agriculture since the Early 1990s", EVSUM EV638

Abstract

This study examined the support given by DFID to promoting sustainable agriculture over the period 1994 to 2001. The Sustainable Agriculture Strategy (SAS) was approved in 1994 following a specific UK commitment at the Rio conference in 1992. The evaluation was undertaken in three stages. Stage 1 examined the SAS itself, its conceptual and developmental contexts, and its general influence on DFID programmes and partners. Stage 2 involved evaluation visits to four countries - Bangladesh, Kenya, Namibia and Botswana - selected as being representative of the range of contexts and sub-sectors (agriculture, livestock and fisheries) within which DFID has implemented SA activities. Within these countries, the experience and performance of 16 projects were reviewed. The review concludes that projects have been largely successful, but the sustainable agriculture strategy itself had little influence on sectoral investments or cross-sectoral working. The review also concludes that 'sustainable livelihood' approaches are addressing many of the shortcomings identified by this evaluation. They include a focus on how poor people secure a living, and attempt to widen debates around natural resource management to include poverty reduction concerns.

DFID (2002), "Better Livelihoods for Poor People: the Role of Agriculture", DFID Issues Paper, London, August 2002

Abstract

This paper focuses on agriculture's role in poverty elimination and providing better livelihoods for poor people. It asks what lessons we have learned and what are the challenges. It suggests roles for the international community and

development agencies, including DFID. And it outlines our ideas on areas where we still need to find answers – working in partnership with countries and others committed to doing so.

“This paper is not a strategy”. Agriculture is too diverse a subject to be amenable to such an approach”. Rather it is an area where developing countries should take the lead in the context of their own poverty reduction, rural development and sectoral strategies. This paper’s aim is to stimulate discussion within and outside DFID. Its purpose is to demonstrate that there is a case for taking specific interest in agriculture as part of the agenda to tackle poverty and to suggest how DFID might contribute to this. DFID is re-defining its approach to agriculture because: (i) Poverty reduction strategy (PRS) processes in developing countries identify the importance of agriculture but many PRS papers do not tell us how to make it perform better; (ii) Recent studies by DFID and others have highlighted the crucial role agriculture has the potential to play in promoting pro-poor economic growth, better livelihoods and sustainability, particularly in Africa and South Asia. We show that agricultural growth can and does reduce poverty and inequality. We outline the several ways in which agriculture can do this, making specific contributions to eradicating poverty as measured by progress towards achieving the Millennium Development Goals (MDGs). We identify opportunities and challenges to developing agriculture in a managed and sustainable way. And we look at the roles of governments and the international community in supporting agriculture and we propose that DFID and other development agencies should adopt a new role: one that emphasises realising rights through creating opportunities for the poor, especially women. This involves reshaping the political economy and reforming policy and regulatory environments for agriculture, both nationally and internationally.

DFID (2005), “Growth and Poverty Reduction: the Role of Agriculture. A DFID Policy Paper”, December 2005

Abstract

The discussion of agriculture in this paper focuses on crops and livestock. Other areas of natural resource use, including fisheries and forestry, bring in a wider set of issues not dealt with in this paper. This paper shows why we believe agriculture is so important for economic growth and poverty reduction. It explains our approach to the sector and its important linkages with the wider economy. It presents principles and priorities that will direct DFID efforts to “unlock its potential”.

The **six principles** are that policy and investment decisions should:

(i) Reflect the stage of a country’s development;

(ii) Give priority to agricultural development in places where significant productivity gains are possible and the potential links to the wider economy are strongest;

(iii) Give priority to strategies designed to overcome the most significant obstacles to increased productivity and employment;

(iv) Focus on demand and market opportunities;

(v) Make social protection complementary to agricultural growth; and

(vi) Ensure the sustainable use of the main productive resources such as land and water and minimise any adverse impact of increasing productivity on the environment.

The **seven priority areas** are:

(i) Create policies that support agriculture (“a supportive policy framework”);

(ii) Target public spending more effectively (“better focusing public spending in agriculture”);

(iii) Tackle market failure (“making markets work better”);

(iv) Fill/ meet the agricultural finance gap;

(v) Spread/ realise the benefits of new technology/ agricultural science and technology;

(vi) Improve access to land and secure property rights (“improving poor people’s access to land and water”); and

(vii) Reduce distortions in international agricultural markets.

Dollar, D., and Pritchett L. (1998) “Assessing Aid. What Works, What Doesn’t and Why”, World Bank, Oxford University Press, New York

Abstract

This report summarises the findings of a research programme on aid effectiveness. A key theme is that aid is a combination of money and ideas. Money has a big impact but only if countries have good economic institutions and policies. The ideas side of aid is critical for helping countries reform and effectively provide public services.

Dollar, D. and A. Kraay.,(2002). “Growth is good for the poor,” Journal of Economic Growth, v. 7(3): 195-225

Abstract

Average incomes of the poorest quintile rise proportionately with average incomes in a sample of 92 countries spanning the last four decades. This is because the share of income of the poorest quintile does not vary systematically with average income. It also does not vary with many of the policies and institutions that explain growth rates of average incomes, nor does it vary with measures of policies intended to benefit the poorest in society. This evidence emphasizes the importance of economic growth for poverty reduction

Dorward, A et al, (September 2004), “Rethinking Agricultural Polices for Pro-Poor Growth”, Natural Resources Perspectives, Number 94, ODI

Abstract

Global experience demonstrates the importance of agricultural growth for poverty reduction in poor rural areas, but also identifies the limitations of agriculture in delivering poverty reduction, and the need for complementary growth in the nonfarm sector. Contrary to the thinking that dominates much of current development policy, subsidies need to play a crucial part in ‘kick starting’ food grain supply chains if increased smallholder productivity is to drive rural non-farm growth. Establishing the base conditions for such subsidies to work, designing and implementing them to be effective, and then phasing them out as soon as they have done their task, are major challenges facing policy makers concerned with reducing poverty in rural areas where most of the world’s poorest people live. This paper reports principal findings from a study of pro-poor agricultural growth (PPAG), presenting conclusions from (a) a wide ranging literature review examining characteristics of PPAG, conditions necessary for such growth, and its impact and development pathways (Dorward et al., 2004) together with specific reviews of case study countries (Malawi, India and Zimbabwe) (Dorward and Kydd 2004; Poulton et al. 2002; Smith and Urey, 2002); (b) econometric work on the poverty and growth impacts of different kinds of government spending in India over different time periods; and (c) livelihood, partial and general equilibrium modelling of the effects of different types of change on different categories of poor people in Malawi and Zimbabwe. [**Figure 2** shows changing poverty reduction impacts of government spending in India in 1960-1990. It shows initially high but then declining poverty reduction impacts from fertiliser subsidies; high benefits from investment in roads, education and agricultural R&D during all periods and varying benefits from credit subsidies over four decades; low impacts from power subsidies; and intermediate impacts from canal irrigation investments.]

Doucouliagos, H., Paldam, M., (2005). Aid effectiveness on growth. A meta study KYKLOS, Vol. 59 – 2006 – No. 2, 227–254

Abstract

The AEL consists of empirical macro studies of the effects of development aid. At the end of 2004 it had reached 103 studies of three families, which we have summarized in one study each using meta-analysis. Studies of the effect on investments show that they rise by 1/4 of the aid – the rest is crowded out by a fall in savings. Studies of the effect on growth show a small positive effect that is insignificant. Studies of the effect on growth, conditional on something else, have till now shown weak results. The Dutch Disease effect of aid has been ignored. The best aggregate estimate is that since its start in the early 1960s aid has increased the standard of living in the poor countries by 20% − this however is based on insignificant evidence.

Durbarry, R., N. Gemmell, and D. Greenaway (1998), “New Evidence on the Impact of Foreign Aid on Economic Growth”, CREDIT Research Paper 98/8, Centre for Research in Economic Development and International Trade, University of Nottingham

Abstract

Foreign aid inflows have grown significantly in the post-war period. Many studies have tried to assess the effectiveness of aid at the micro- and macro-level. While micro-evaluations have found that in most cases aid ‘works’, those at the macro-level are ambiguous. This paper assesses the impact of foreign aid on growth for a large sample of developing countries. We use an augmented Fischer-Easterly type model and estimate this using both cross-section and panel data techniques. The results strongly support the view that foreign aid does have some positive impact on growth, conditional on a stable macroeconomic policy environment. We also find that these results vary according to income level, levels of aid allocation and geographical location.

Easterly, William, (1999), “The Ghost of Financing Gap: Testing the Growth Model Used in the

International Financial Institutions," Journal of Development Economics, Vol. 60 (December), pp. 423–38

Abstract

The Harrod–Domar growth model supposedly died long ago. Still today, economists in the international financial institutions IFIs. apply the Harrod–Domar model to calculate short-run investment requirements for a target growth rate. They then calculate a ''financing gap'' between the required investment and available resources and often fill the ''financing gap'' with foreign aid. The financing gap model has two simple predictions: 1. aid will go into investment one for one, and 2 there will be a fixed linear relationship between growth and investment in the short run. The data soundly reject these two predictions of the financing gap model.

Easterly, W. (2003), "Can Foreign Aid Buy Growth?" Journal of Economic Perspectives 17(3):23–48

Abstract

The widely publicized finding that "aid promotes growth in a good policy environment" is not robust to the inclusion of new data or alternative definitions of "aid", "policy" or "growth". The idea that "aid buys growth" is on shaky ground theoretically and empirically. It doesn't help that aid agencies face poor incentives to deliver results and under invest in enforcing aid conditions and performing scientific evaluations. Aid should set more modest goals, like helping some of the people some of the time, rather than trying to be the catalyst for society-wide transformation.

Ellis, F., and H.A. Freeman, (2002) "Rural livelihoods and poverty reduction strategies in four African countries." Prepared for the Policy Research Programme of the UK Department for International Development (DFID) Overseas Development Group (ODG).

Abstract

This paper compares and contrasts rural livelihoods in Uganda, Kenya, Tanzania and Malawi, with a view to informing rural poverty reduction policies within Poverty Reduction Strategy Plans (PRSPs). Low household incomes in rural areas of all countries are associated with low land and livestock holdings, high reliance on food crop agriculture, and low monetisation of the rural economy. These adverse factors are in some instances made more difficult by land sub-division at inheritance, declining civil security in rural areas, deteriorating access to proper agronomic advice and inputs, and predatory taxation by decentralised district councils. Better off households are distinguished by virtuous spirals of accumulation typically involving diverse livestock ownership, engagement in non-farm self-employment, and diversity of on-farm and non-farm income sources. Lessons for PRSPs centre on the creation of a facilitating, rather than blocking, public sector environment for the multiplication of non-farm enterprises; seeking creative solutions to the spread of technical advice to farmers; and examining critically the necessity for, and impact of, tax revenue collection by district councils on rural incomes and enterprise.

Eicher, C. (2003), "Flashback: Fifty Years of Donor Aid to African Agriculture", revised version of a paper presented at the InWEnt, IFPRI, NEPAD, CTA conference "Successes in African Agriculture", Pretoria December 1-3, 2003

Abstract

This review of a massive amount of raw material on donor aid and African agricultural development has covered a fifty year span from 1953 to 2003. The hallmarks of the 1960s and 1970s were optimism skipping stages of development and the preparation of national development plans and thousands of development projects. But this optimism was followed by Afro-pessimism and a shift to programme aid and policy reform during the eighties. During the 1990s, donors expanded the aid agenda to include politically sensitive issues such as governance corruption and decentralization while they cut both total aid to Africa and aid to agriculture in Africa. Over the past decade, the NGOs has been effective in convincing donors to increase their support for rural development, social services and poverty alleviation. As a result, aid to agriculture has declined not, because the NGO attacked investments in agriculture but because they were successful in making the case for health, education and the environment. It is encouraging that many donors are now reordering their priorities and coming around to the conclusion that rural social services, food aid, post conflict aid may keep people alive but they do not increase crop yields and earnings capacity –the keys to mass poverty alleviation. There is also growing recognition that "food aid subscriptions" can become a way of life. Africa is now facing the same type of long term food deficit problem that India faced in the early 1960s. Without question NEPAD should focus on mobilizing African and donor investment in genetic and agronomic research on Africa's eight major food staples because reducing food prices is the most promising avenues for reducing mass poverty in Africa. Several recent developments in Africa counter "the perils of slipping into an over-generalised habit of despair about Africa's present status and prospects for the future". The report contains a number of other important messages:

(i) There are a number of reasons for optimism about Africa's development prospects;

(ii) The 'Community Driven Development (CDD), 'Community Based Development' (CBD) and poverty alleviation design teams should look into the future with an eye on the past because many of the contemporary models of bottom-up development projects are close to the failed community development models of the 1950s, and while egalitarian in theory, many are thin in substance.

(iii) Donors should examine the impact of the new aid modalities on lending for agriculture. They should also study

whether there is a need to return to “old fashioned” long term agricultural projects for the core investments in the “prime movers” of agricultural development – research, extension and agricultural higher education.

Evans, A, Cabral L and Vadnjal, D (2006), “Sector-Wide Approaches in Agriculture and Rural Development. Phase I: a Desk review of Experience, Issues and Challenges”, April 2006, Supported by the GDPRD

Abstract

The last decade has witnessed a transformation in the architecture of international development assistance driven by commitment to achieving the Millennium Development Goals (MDGs), the introduction of country-led Poverty Reduction Strategies (PRSs) and efforts to bring about increased alignment and harmonization of development assistance behind national development goals. During the period a variety of policy and aid approaches have been used in agriculture and rural development (A&RD) to accelerate progress towards more effective aid delivery and stronger results on the ground. The Sector-Wide Approach (SWAps) is one such approach. SWAps were first developed in the early-to-mid 1990s as a response to lagging performance and rising transactions costs in the social sectors, particularly health and education (Harrold et al 1995). The vast majority of SWAps to date remain in these sectors. Ten years on, however, and SWAps in other sectors, including A&RD, are on the increase. With wide ranging changes in the policy, budgetary and public administration context of A&RD, and increasing attempts by donors and recipient governments to roll out harmonisation and alignment (H&A) initiatives, it is timely to review the lessons learned in the formulation and implementation of SWAps and SWAp-like initiatives. With 2015 approaching, and many low income countries off-track to meet the MDGs, it is also important to examine what principles, approaches and instruments are proving most effective for maximising A&RD’s contribution to sustained growth and poverty reduction. The overall purpose of this study is to examine past, present and future roles of A&RD SWAps within the broader context of changes in development assistance. The specific objectives of this study are: (i) to establish whether, and in what ways, A&RD SWAps are delivering against their stated goals; and (ii) to identify critical lessons about the way in which development assistance currently supports the A&RD sector and what can be done differently to enhance the contribution of A&RD to long term growth and poverty reduction. This study comprises three phases. Phase 1 is a desk review aimed at scoping out the global context for the move to SWAps in A&RD, reviewing lesions learned from the existing literature on the challenges SWAps are seeking to address and their performance record, and elaborating the preliminary conceptual framework with a view to guiding activities in the subsequent phases. This report documents the findings of Phase 1.

Farrington, J. (June 2001), “Sustainable Livelihoods, Rights and the New Architecture of Aid”, Natural Resource Perspectives, Number 69, June 2001, London: ODI

Abstract

A number of new aid vehicles have been introduced recently, mainly by the Washington-based institutions. This paper aims, first, to give an overview of the range and provisions of these, and then to assess how they might relate to existing approaches to development, specifically sustainable livelihoods and rights-based approaches. It concludes that sustainable livelihoods approaches are based on many of the same principles as rights-based approaches, but complement these in being less concerned with what entitlements poor people should have than with how far different groups benefit, what impact this has on their livelihoods, and what can be done to ensure that the poor benefit more in future.

Farrington, J. and Gill, G. (May 2002), “Combining Growth and Social Protection in Weakly Integrated Areas”, Natural Resource Perspectives, Number 79, May 2002, London: ODI

Abstract

Growth-focused strategies, especially for rural Africa, are making a comeback. One important question is what such growth might do to reduce rural poverty, and, increasingly, what potential it offers for reducing the risks of civil strife in neglected areas. For some countries, rural areas will continue to contain the majority of poor for many decades, and the majority of these live in areas weakly integrated into markets, so that the size and timing of impacts from growth in better integrated areas are uncertain. Is social protection (in the form of resource transfers) the only viable strategy for the more remote areas in the meantime, or are there worthwhile interventions for these that promote appropriate agricultural or non-farm growth, perhaps incorporating wider interpretations of social protection? The responses to these questions discussed below are piecemeal and tentative, and some are far from new, but this area of debate is here to stay, and merits more detailed study if the best use is to be made of scarce resources. The paper policy conclusions include: (i) Growth-focused visions have the potential to reinvigorate rural areas, but tend to underestimate the gulf between areas well integrated and weakly integrated into markets, and the small relative size of the former, especially in Africa; (ii) Weakly integrated areas contain the majority of rural poor, and are the most prone to civil strife, especially where they contain ethnic minorities. Frequently they are also the most ecologically fragile; (iii) The impacts of growth in well integrated areas on poverty elsewhere, whether through a ‘trickle-out’ of price or income effects, or through migration into them, will be at best be gradual; (iv) Although social protection measures are an intuitively appealing alternative, they face severe fiscal and implementation constraints and are likely to be limited to those (i.e. the destitute) who cannot readily engage in productive activity; (v) More viable alternatives are those which are growth-oriented but incorporate social protection measures. This paper suggests how these might be pursued in respect of agriculture, indicating how environmental and citizenship perspectives might also be built in; (vi) There is no case for ‘writing off’ agriculture in the more remote areas, nor, at the other

extreme, for assuming that the private sector will 'look after itself' by filling in all the gaps in production chains (which it will not, until adequate infrastructure and enabling conditions are in place, which will take decades in some areas); (vii) To monitor nuanced policies of these kinds will require new knowledge and policy analysis capabilities, and to strengthen these is an urgent requirement.

Farrington, J. *et al* (December 2002), "Do Area Development Projects Have a Future?", Natural Resource Perspectives, Number 82, December 2002, London: ODI

Abstract

Increased donor attention to Poverty Reduction Strategy (PRS) processes and to budgetary support have meant reduced funding for Area Development Projects (ADPs). Does this trend risk throwing the baby out with the bathwater? Specifically, this paper argues that PRS processes have a 'missing middle' – they envisage greater impact on poverty, and propose changes at policy and strategy level in order to achieve this, but are weak on the practical arrangements for delivering poverty-focused initiatives. Drawing general lessons from a study commissioned by Sida, this paper argues that ADPs have considerable potential to inform PRS and similar processes within this 'new architecture' of aid.

Farrington, J., R. Slater and R. Holmes (2004), "Social Protection and Pro-poor Agricultural Growth: What Scope for Synergies?", Natural Resource Perspectives, Number 91, London: ODI

Abstract

Social protection (SP) and livelihood promotion have conventionally been handled by different departments within governments and donor organisations. Taking the example of agriculture, this paper argues that the scope for synergy between them (when narrowly defined as 'making the whole bigger than the sum of its parts') is limited. However, there is substantial unexploited scope for introducing the perspectives of the one into the design and implementation of the other, i.e. for giving aspects of SP more of a growth-promoting dimension, and for designing agriculture initiatives in ways aiming to reduce risk and vulnerability. Conclusions include: (i) With few exceptions, questions of how social protection (SP) and the productive sectors relate to each other have been neglected in policy debates, yet are central to the notion of 'pro-poor growth'; (ii) Examples of synergy between SP and the productive sectors remain rare and, if implementation problems can be overcome, may have wider potential; (iii) Social protection programmes might usefully distinguish among three categories of rural poor households: those well-established in productive activity; those highly vulnerable to risks that may force them to sell productive assets and re-engage (if at all) only as labourers, and those such as the sick or very elderly who are chronically unable to engage in productive activity. Initiatives such as the World Bank's Social Risk Management Framework has mainly been concerned with the first two categories, but is now expanding towards the third; (iv) Transfers to the third category – who are generally among the poorest – can allow them to influence the local agricultural economy as consumers, a role rarely considered hitherto. However, they can also influence production, e.g. where part of formal transfer payments (such as pensions) are invested in production, and where existing informal transfers are 'released' into productive activity (or consumption) as they are replaced by formal ones. Food transfers and cash transfers have very different implications for agriculture, which are rarely considered; (v) Our knowledge on appropriate combinations and sequences of measures remains limited. There are relatively few efforts to develop synergy by relating protection and promotion measures directly to each other. One example is the BRAC Income Generation for Vulnerable Group Development programme, at whose root lies the search for appropriate sequences. It seeks to identify workable trajectories from social protection to support for productive activity. Even in Bangladesh where microfinance is well-developed, there remain problems in engaging those who find it difficult to raise their levels of productivity, or even to participate in productive activity more than peripherally. However, much of the DFID-supported chars programme in Bangladesh is premised on synergistic interaction between protection and promotion, and its implementation is likely to attract considerable interest.

Foster, M.; Fozzard, A.; Naschold, F. and Conway, T. (2003), "How, When and Why does Poverty get Budget Priority: Poverty Reduction Strategy and Public Expenditure in Five African Countries", Working Paper 168, London: ODI

Abstract

The hypotheses we set out to examine in this research can be summarised as follows. In order for public expenditure to better serve the interests of the poor, political will to confront difficult choices is necessary, but not sufficient. It needs to be allied to more effective public expenditure management; macro-economic and budget stability, and budget systems that turn policy analysis into actual cash releases to implement the intended policies. This in turn must be allied to reforms that bring the incentives facing those required to implement expenditure programmes more into line with the objectives of policy. In achieving all of this, we hypothesise that transparent flows of information will be important in keeping Government honest, and that wider publicity on the nature and extent of the problems faced by the poor will help to secure increased focus on improving their lot. Involvement the poor, and advocates on their behalf, in policy dialogue, can reinforce poverty focus, the effect being strongest where the poor are given greatest influence over expenditures intended to benefit them. With increased attention to HIPC debt relief and donor encouragement of poverty reduction strategies, we also considered the extent to which, in our case study countries, the donors have had a positive influence in reinforcing the anti-poverty bias in public expenditure decisions. While the title refers to budget priority, our focus has been largely on the expenditure side of the budget, though we also examined the important poverty issue of user fees.

Gomanee K and Morrissey O (2002) Evaluating Aid Effectiveness Against A Poverty reduction Criterion Prepared for the DESG conference, Nottingham, April 2002

Abstract

Our objective is to test the hypothesis that aid can improve the welfare of the poor. Part of this effect is direct, if aid is targeted on the poor, and part is indirect, via the transmission channel of aid-financed public spending on social services, education and health. This indirect part is represented in an index of pro-poor public expenditures (PPE). As comparative data on poverty levels are scarce, we use two indicators of the welfare of the poor, namely infant mortality and the Human development Index (HDI). We use a residual generated regressor to obtain a coefficient on the aid variable that includes the indirect effects through public expenditure allocation induced by aid. Estimation is based on a pooled panel of 57 countries over the period 1980 to 1998. We obtain results in support of our hypothesis that public expenditure mediates the positive effects of aid on poverty, and we find evidence that aid is associated with increased welfare of the poor.

Guillaumont, Patrick, and Lisa Chauvet (2001), "Aid and Performance: A Reassessment," Journal of Development Studies, Vol. 37 (August) pp. 66–92

Abstract

Two visions of aid effectiveness and allocation are compared. The first, corresponding to the new aid paradigm, argues that aid is only effective if domestic policies are appropriate. The second, in contrast, argues that aid effectiveness depends on the external and climatic environment: the worse this environment, or the more vulnerable the recipient countries, the greater the effectiveness of aid. Cross-sectional econometric tests related to GDP growth on two 12-year pooled periods clearly favour the second view. The two views can be reconciled through the principle of performance-based aid allocation, where performance is defined as outcomes adjusted for the impact of environmental factors. Performance can then be measured in several manners which are subject to comparison. One approach would lead one to allocate more aid the worse the (external) environment is (for a given policy) and the better the policy is (for a given environment).

Gupta, Sanjeev, and others (2003), "Foreign Aid and Revenue Response: Does the composition of Aid Matter?" IMF Working Paper 03/176 (Washington: International Monetary Fund)

Abstract

This paper examines the revenue response to inflows of foreign aid in 107 countries during the period 1970–2000. In particular, it investigates whether the impact of aid on the revenue effort depends on the composition of aid (grants vis-à-vis loans). The results indicate that while concessional loans are associated with higher domestic revenue mobilization, the opposite is true of grants. On average, the dampening effect of grants on the revenue effort is modest. However, for those countries plagued by high levels of corruption, our results suggest that the decline in revenues completely offsets the increase in grants. The results are robust to various specifications.

Hadjimichael, M. T., D. Ghura, M. Mühleisen, R. Nord, and E. M. Uçer, (1995). Sub-Saharan Africa: Growth, Savings and Investment, 1986-93. Occasional Papers 118, International Monetary Fund, Washington, DC

Abstract

This paper assesses the economic performance during 1986-93 of sub-Saharan African countries as a group and of selected analytical subgroups of countries.

Hansen, H. and F. Tarp, 2000. "Aid Effectiveness Disputed." Journal of International Development 12(3):375- 98

Abstract

There is a widespread perception among academic researchers and aid practitioners alike that empirical cross-country analysis fails to and any significant link between aid flows and growth, and that aid is successful only when associated with good policies in the recipient countries. These positions do not stand up to careful scrutiny of existing studies. In this paper, we go over a re-examination of the literature on the aid/savings, aid/investment, and aid/growth relationships, and a comparative appraisal of more recent research contributions. Using an analytic framework for evaluating the empirical work, a coherent and positive picture of the aid/growth link emerges. There is a robust aid/growth link even in countries hampered by an unfavourable policy environment

Hansen, H. and F. Tarp (2001), "Aid and Growth Regressions", Journal of Development Economics 64(2):547-70

Abstract

This paper examines the relationship between foreign aid and growth in real GDP per capita as it emerges from simple augmentations of popular cross-country growth specifications. It is shown that aid in all likelihood increases the growth rate, and this result is not conditional on 'good' policy. There are, however, decreasing returns to aid, and the estimated effectiveness of aid is highly sensitive to the choice of estimator and the set of control variables. When investment and human capital are controlled for, no positive effect of aid is found. Yet, aid continues to impact on growth via investment. We conclude by stressing the need for more theoretical work before this kind of cross-country regression is used for policy purposes.

Harvey P., Slater R, and Farrington J., (March 2005), "Cash Transfers – Mere 'Gadaffi Syndrome', or Serious Potential for Rural Rehabilitation and Development", Natural Resource Perspectives, Number 97, March 2005, London: ODI

Abstract

There has been a stark dichotomy between development approaches concerned with the productive sectors, usually focusing on enhancing the 'supply side', and those concerned with social protection, which have been widely regarded as a drain on public resources. This paper argues that the two are complementary and that social protection is less of a 'drain' than previously thought. Transfers to the poor under social protection have generally been in kind, often taking the form of free or subsidised food. Nevertheless, recent experience in both development and rehabilitation contexts suggests a larger niche for cash transfers than many suppose, sometimes instead of 'in-kind' transfers, at other times, in parallel with them. This paper reviews the evidence, drawing out implications for agriculture and natural resource development. The paper concludes that, overall, the potential of cash transfers for poverty reduction has been underestimated in both relief and development contexts, but that cash transfers are not a panacea for poverty reduction. [Comment: the paper does report on the affordability of cash transfer schemes.]

Hausmann, Ricardo, Pritchett, Lant, Rodrik, Dani, (2005) August 2005, Growth accelerations

Abstract

Unlike most cross-country growth analyses, we focus on turning points in growth performance. We look for instances of rapid acceleration in economic growth that are sustained for at least eight years and identify more than 80 such episodes since the 1950s. Growth accelerations tend to be correlated with increases in investment and trade, and with real exchange rate depreciations. Political-regime changes are statistically significant predictors of growth accelerations. External shocks tend to produce growth accelerations that eventually fizzle out, while economic reform is a statistically significant predictor of growth accelerations that are sustained. However, growth accelerations tend to be highly unpredictable: the vast majority of growth accelerations are unrelated to standard determinants and most instances of economic reform do not produce growth accelerations.

Levy, S., C. Barahona and B. Chinsinga, (2004) "Food Security, Social Protection, Growth And Poverty Reduction Synergies: The Starter Pack Programme In Malawi". ODI Natural Perspectives Paper, ODI, London

Abstract

There is growing evidence that in some countries, acute food crisis takes place against a backdrop of increasingly entrenched chronic food insecurity. Malawi, with its high population density, diminishing farm size, decreasing soil fertility, high cost of imported inputs such as fertiliser, weak service delivery systems and weak governance, is one such country. In settings such as these, the policy options are limited. This paper analyses the performance of a highly innovative intervention in Malawi – the Starter Pack programme – which provided free of charge small packs of improved maize and other seed together with appropriate fertiliser. The paper discusses how the objectives of this programme evolved (but remain complex), its cost-effectiveness, and complementary policy objectives that might be pursued. It considers the different expectations raised by Starter Pack with regard to agricultural growth, poverty reduction, social protection and food security. The paper argues that, while the programme did not meet all the expectations, Starter Pack's main strength is as a tool for combating chronic food insecurity, but there are also important synergies with social protection, growth and poverty reduction. [Comment: this paper contains an analysis of fiscal sustainability of the programme, and compares the cost of implementing the programme with the cost of the alternative policy options, and concludes that the programme "compares extremely well with alternative food crisis prevention measures". There is a forthcoming paper on this issue.]

Lopez, H., (2004). "Pro-poor growth: a review of what we know (and what we don't),"prepared for the PREM Poverty Group (draft September 11), World Bank

Abstract

Over the past few years pro-poor growth has become a very popular topic among development practitioners. This despite the fact that in many cases we do not even know what other people mean by pro-poor growth. Is it growth that leads to income redistribution or instead growth that leads to poverty reduction? More importantly, what do we know (and what we don't) about how we can achieve it? This paper addresses these questions through a survey of the existing literature. To focus the debate, the paper first reviews the different definitions being used in practice. Then it divides contributions to the pro-poor growth literature into three different groups. First, it considers papers that

have explored the relative role played by growth and inequality in reducing poverty. Second, it reviews works that have focused on the growth-inequality relationship paying attention to both directions of causality. The third group of reviewed papers is less related to the mechanics of what Bourguignon (2004) refers to as the poverty-growth-inequality triangle and more to the policies that countries should pursue in a successful poverty reduction strategy.

Lopez, H (2006), "Did Growth Become Less Pro-Poor in the 1990s?", World Bank Policy Research Working Paper 3931, June

Abstract

The author analyzes the stability of the empirical relationship between growth and changes in inequality over time. He concludes that while during the 1970s and 1980s the growth process was not accompanied by increases in inequality, during the 1990s a positive and significant correlation appears in the data. For this decade, he estimates that a 1 per cent growth rate would be associated with an increase in the Gini coefficient of between .3 to .5 per cent. This positive correlation is hidden when one estimates the model without allowing for changes in the relationship over the different decades. The finding is robust to a number of departures from the basic specification including: (1) the use of alternative specifications to isolate decadal shifts; (2) the use of robust estimation techniques that address the potential influence of outliers; (3) restricting the sample to a balanced panel for the 1980s and 1990s to control for changes in the composition of the sample related to the unbalanced nature of the panel; and (4) considering the possibility of fixed effects in the data. The author also explores the impact of this structural change in the rate of poverty reduction and concludes that it is far from negligible.

Masud N. and Yontcheva B (2005), "Does Foreign Aid Reduce Poverty? Empirical Evidence from Nongovernmental and Bilateral Aid", WP/05/100, IMF Working Paper, IMF Institute

Abstract

This paper assesses the effectiveness of foreign aid in reducing poverty through its impact on human development indicators. We use a dataset of both bilateral aid and NGO aid flows. Our results show that NGO aid reduces infant mortality and does so more effectively than official bilateral aid. The impact on illiteracy is less significant. We also test whether foreign aid reduces government efforts in achieving developmental goals and find mixed evidence of a substitution effect.

Mavrotas, G. (2003)"Which types of aid have the most impact" World Institute for Development Economics Research Discussion Paper No 2003/85

Abstract

The paper uses an aid disaggregation approach to examine the impact of different types of aid on the fiscal sector of the aid-recipient country. It uses time-series data on different types of aid (project aid, programme aid, technical assistance and food aid) for Uganda, an important aid recipient in recent years, to estimate a model of fiscal response in the presence of aid which combines aid disaggregation and endogenous aid. The empirical findings clearly suggest the importance of the above approach for delving deeper into aid effectiveness issues since different aid categories have different effects on key fiscal variables—an impact that could not be revealed if a single figure for aid was employed. More precisely, project aid and food aid appear to cause a reduction in public investment whereas programme aid and technical assistance are positively related to public investment. The same applies for government consumption. A negligible impact on government tax and non-tax revenues, and a strong displacement of government borrowing are also found.

McGillivray, M. (2003) Aid Effectiveness and Selectivity Integrating Multiple Objectives into Aid Allocations. The World Institute for Development Economics Research (WIDER), Discussion Paper No. 2003/71

Abstract

This paper surveys recent research on aid and growth. It also provides an overview of research on inter-recipient aid allocation. The overall focus of the paper is on the relevance of these issues for poverty-efficient aid, defined as a pattern of inter-recipient aid allocation which maximises poverty reduction. It identifies a range of poverty reducing criteria on which aid allocation or selectivity might be based, calling for a broader selectivity framework. The paper argues that this framework should be built on a recognition that the effectiveness of aid in increasing growth, and by implication in reducing poverty, is contingent on a range of factors in addition to the quality of recipient country policy regimes. These factors include political stability, democracy, post conflict reconstruction, and economic vulnerability.

McGillivray, M. (2003) "Modelling Aid Allocation Issues, Approaches and Results" World Institute for Development Economics Research Discussion Paper No 2003/49

Abstract

There is a widespread view that political criteria have received less emphasis in aid allocation since the end of the cold war, with a greater share of aid subsequently being based on developmental criteria. An observed increase in aid effectiveness is attributed to this shift. A reasonably large literature on aid allocation supports this view: a number of influential, widely cited studies conclude that developmental criteria played no role in the 1970s and 1980s inter-recipient aid allocation. This paper argues that the shift is not as significant as commonly thought. It points to a

number of methodological weaknesses in the dominant modelling approach used within the literature, showing that more rigorous econometric methods suggest that developmental criteria have had a larger influence on cold war period aid allocation than previously thought. An alternative interpretation of the observed increase in aid effectiveness is provided.

McGillivray, Mark (January 2006), "Aid Allocation and Fragile States", The World Institute for Development Economics Research (WIDER), Discussion Paper No. 2006/01

Abstract

This paper summarises research on aid allocation and effectiveness, highlighting the current findings of recent research on aid allocation to fragile states. Fragile states are defined by the donor community as those with either critically poor policies or poorly performing institutions, or both. The paper examines the research findings in the broader context of research and analysis on how aid should and is being allocated across all developing countries. Various aid allocation models and their implications for aid to fragile states are considered. The paper also looks at types of instruments and their sequencing in fragile states.

McGillivray M and Morrissey O (2001) "Fiscal Effects of Aid" World Institute for Development Economics Research Discussion Paper No 2006/01

Abstract

It is clear from the implications of growth theory that the impact of aid depends on how it affects savings, investment and government behaviour. In respect of low-income countries, which are the principal aid recipients and the economies for which the issue of the impact of aid on growth is most important, it is government that is most important. This paper presents a review of studies that address the impact of aid on government fiscal behaviour. In particular, the focus is on fungibility and fiscal response studies. We argue that fungibility studies have been granted too much attention; these are narrowly focussed on the composition of government spending, and are not sufficiently informative about fiscal behaviour. Fiscal response studies are of greater relevance, as they attempt to address the effects of aid on behaviour regarding total spending, tax revenue and borrowing. Results show that the effects are complex and varied, but that aid tends to be associated with government spending increases in excess of the value of the aid, and can also have effects on tax effort and borrowing.

Mosely,P. and Hudson, P. (2001) "Aid policies and growth: in search of the holy grail" Journal of International Development 13 p 1023-1038

Abstract

In this paper we consider the hypothesis that aid effectiveness can be linked to 'good policies' and thus that aid, if it is to have maximum impact, should be directed at countries following good policies. This is an idea which we have considerable sympathy with in principle and have built upon in the past. Indeed at one level it is almost a truism and yet in practice we find little empirical evidence in support of it when we restrict good policies to mean free market policies. 'Good policies' appear to matter in stimulating growth, but they do not appear to impact on aid effectiveness. Unlike much of other recent work the analysis is of a simultaneous system of equations of which growth is just one. The results suggest a complex interaction between macroeconomic variables and good policies, but it also suggests the need to widen our definition of good policies to increase both the theoretical and empirical relevance of the hypothesis.

Mosley, P, and Suleiman, A. (2005) Aid, agriculture and poverty in developing countries. Sheffield Economic Research Paper Series SERP Number: 2005010

Abstract

We make two contributions to the debate on aid-effectiveness, illustrating that for impact on poverty what matters is not just the level but also the composition and stability of aid. One specific implication of this for aid policy is that aid most effectively reduces poverty if it supports public (and other) expenditures which are supportive of agricultural development – these, our regression analysis confirms, are not only direct expenditure on agriculture, but also education and infrastructure, and military expenditure has a negative impact. Three factors appear to be particularly conducive to the development of stable pro-poor expenditure patterns (and in particular pro-agriculture expenditure patterns). These are expenditure strategies which protect the poor against risk, the development of stable relations between governments and aid donors, and long-term political commitment to pro-poor strategies by government. The argument is pursued partly by panel-data econometric analysis of developing countries as a whole, and partly by case studies of sustained and non-sustained green revolutions in heavily aid-dependent countries in Africa.

Murshed, S. Mansoob, and Somnath Sen, (1995), "Aid Conditionality and Military Expenditure Reduction in Developing Countries: Models of Asymmetric Information," Economic Journal, Vol. 105 (March), pp. 498–509

The paper analyses problems of implementing non-economic conditionality, such as military expenditure reduction, in the granting of foreign aid given the presence of asymmetric information. We present two conceptually separate principal-agent models, to capture the stylised facts of multilateral and bilateral aid negotiations respectively. The first model is an application of the problem of adverse selection when there is more than one type of principal (donor) with varying objectives. The second model extends moral hazard to double moral hazard, where neither principal nor agent (recipient) can fully observe or verify each other's strategies.

OECD (2006), "Promoting Pro-Growth Agriculture

Abstract

This report argues that a new response is needed from agriculture. The report identifies three priority actions at the core of the new agenda that should guide policy formulation, institutional development and investments for and by the poor: (i) enhancing agricultural sector productivity and market opportunities (chapter 2); (ii) promoting diversified livelihoods (chapter 3); and reducing risk and vulnerability (chapter 4).

Papanek (1973) Aid, Foreign Private Investment, savings and Growth in Less Developed Countries The Journal of Political Economy, Vol 81, No.1 (Jan-Feb 1973) pp 120-130

Cross-country regression analysis is applied to thirty-four countries for the 1950s and fifty-one countries for the 1960s. When foreign aid, foreign investment, other inflows and domestic savings are treated as separate independent variables: (*a*) savings and foreign inflows explain over a third of growth; (*b*) foreign aid has a substantially greater effect than the other variables; (*c*) correlation between aid and foreign private investment is not significant; (*d*) only for Asia do the four variables explain much; and (*e*) growth is not correlated with exports, education, per capita income, or country size. Savings are highly correlated with exports and per capita income, not with country size.

Rajan, Raghuram G. and Subramanian, Arvind (June 2005), "What Undermines Aid's Impact on Growth?", IMF Working Paper, WP/05/126, Research Department

Abstract

We examine one of the most important and intriguing puzzles in economics: why it is so hard to find a robust effect of aid on the long-term growth of poor countries, even those with good policies. We look for a possible offset to the beneficial effects of aid, using a methodology that exploits both cross-country and within-country variation. We find that aid inflows have systematic adverse effects on a country's competitiveness, as reflected in a decline in the share of labour intensive and tradable industries in the manufacturing sector. We find evidence suggesting that these effects stem from the real exchange rate overvaluation caused by aid inflows. By contrast, private-to-private flows like remittances do not seem to create these adverse effects. We offer an explanation why and conclude with a discussion of the policy implications of these findings.

Rajan, Raghuram G. and Subramanian, Arvind (June 2005), "Aid and Growth: What Does the Cross-Country Evidence Really Show?", IMF Working Paper, WP/05/127, Research Department

Abstract

We examine the effects of aid on growth-- in cross-sectional and panel data--after correcting for the bias that aid typically goes to poorer countries, or to countries after poor performance. Even after this correction, we find little robust evidence of a positive (or negative) relationship between aid inflows into a country and its economic growth. We also find no evidence that aid works better in better policy or geographical environments, or that certain forms of aid work better than others. Our findings, which relate to the past, do not imply that aid cannot be beneficial in the future. But they do suggest that for aid to be effective in the future, the aid apparatus will have to be rethought. Our findings raise the question: what aspects of aid offset what ought to be the indisputable growth enhancing effects of resource transfers? Thus, our findings support efforts under way at national and international levels to understand and improve aid effectiveness.

Ravallion, M. , (2001) "Growth, inequality, and poverty: Looking beyond averages," World Development, v. 29(11): 1803-15.

Abstract

The available evidence suggests that the poor in developing countries typically do share in the gains from rising aggregate affluence, and in the losses from aggregate contraction. But there are large differences between countries in how much poor people share in growth, and there are diverse impacts amongst the poor in a given country. Cross-

country correlations are clouded in data problems, and undoubtedly hide welfare impacts; they can be deceptive for development policy. There is a need for deeper micro empirical work on growth and distributional change. Only then will we have a firm basis for identifying the specific policies and programmes that are needed to complement growth-oriented policies.

Ravallion, M., (2002) “Externalities in rural development: Evidence for China.” World Bank Policy Research Working Paper 2879, World Bank Development Research Group Poverty Team, World Bank.

Abstract

The paper tests for external effects of local economic activity on consumption and income growth at the farm-household level using panel data from four provinces of post-reform rural China. The tests allow for non-stationary fixed effects in the consumption growth process. Evidence is found of geographic externalities, stemming from spill-over effects of the level and composition of local economic activity and private returns to local human and physical infrastructure endowments. The results suggest an explanation for rural underdevelopment arising from under-investment in certain externality-generating activities, of which agricultural development emerges as the most important.

Ravallion, M. (2004), “Pro-poor growth: A primer.” World Bank Policy Research Working Paper 3242, World Bank.

Abstract

These days it seems that almost everyone in the development community is talking about “pro-poor growth.” What exactly is it, and how can we measure it? Is ordinary economic growth always “pro-poor growth” or is that some special kind of growth? And if it is something special, what makes it happen? Ravallion first reviews alternative approaches to defining and measuring “pro-poor growth.” He then analyzes evidence on whether growth is pro-poor, what factors make it more pro-poor (including the role played by both initial inequality and changing inequality), and whether the factors that make the distribution of the gains from growth pro-poor come at a cost to growth. The author identifies some priorities for future research.

Ravallion, Martin (2006), “Evaluating Anti-Poverty Programs”, World Bank Policy Research Working Paper 3625, revised in June 2006, Development Research Group, World Bank

Abstract

The chapter critically reviews the methods available for the ex-post counterfactual analysis of programs that are assigned exclusively to individuals, households or locations. The discussion covers both experimental and non-experimental methods (including propensity-score matching, discontinuity designs, double and triple differences and instrumental variables). The problems encountered in applying each method to anti-poverty programs in developing countries are reviewed. Two main lessons emerge. Firstly, despite the claims of advocates, no single method dominates; rigorous, policy-relevant evaluations should be open-minded about methodology, adapting to the problem, setting and data constraints. Secondly, future efforts to draw useful lessons from evaluations will call for more policy-relevant data and methods than the classic (“black box”) assessment of impacts on mean outcomes.

Rodrik, D. (2005), “Why We Learn Nothing from Regressing Economic Growth on Policies”, Mimeo, Kennedy School of Government

Abstract

Government use policy to achieve certain outcomes. Sometimes the desired ends are worthwhile, and sometimes they are pernicious. Cross-country regressions have been the tool of choice in assessing the effectiveness of policies and the empirical relevance of these two diametrically opposite views of government behaviour. When government policy responds systematically to economic or political objectives, the standard growth regression in which economic growth (or any other performance indicator) is regressed on policy tells us nothing about the effectiveness of policy and whether government motives are good or bad.

Roodman, D. (2004), “The Anarchy of Numbers: Aid, Development, and Cross-country Empirics”, Development and Comp Systems 0412003, EconWPA

Abstract

Recent literature contains many stories of how foreign aid affects economic growth. All the stories hinge on the statistical significance in cross-country regressions of a quadratic term involving aid. Among the stories are that aid raises growth (on average) 1) in countries where economic policies are good; 2) in countries where policies are good and a civil war recently ended; 3) in all countries, but with diminishing returns; 4) in countries outside the tropics; 5) in countries with difficult economic environments, characterized by declining or volatile terms of trade, natural disasters, or low population; or 6) when aid increases in countries experiencing negative export price shocks. The diversity of results prima facie suggests that many are fragile. Easterly et al. (2004) find the aid-policy story (Burnside and Dollar, 2000) to be fragile in the face of an expansion of the data set in years and countries. The present study expands that analysis by applying more tests, and to more studies. Each test involves altering just one aspect of the regressions.

All 19 tests are derived from sources of variation that are minimally arbitrary. Twelve derive from specification differences between studies, what Leamer (1983) calls “whimsy.” Three derive from doubts about the appropriateness of the definition of one variable in one study. The remaining four derive from the passage of time, which allows sample expansion. This design allows an examination of the role of “whimsy” in the results that are tested while minimizing “whimsy” in the testing itself. Among the stories examined, the aid-policy link proves weakest, while the aid-tropics link is most robust.

Sen, K. and Chinkunda, A. (2002), “Economic Reforms and Rural Livelihoods in Malawi”, LADDER Working Paper No. 20, Draft, July 2002, London and Norwich: Overseas Development Group and University of East Anglia

Abstract

Prior to the 1980s, there has been a strong bias against smallholder agriculture and towards estate agriculture in Malawi’s development strategy. The economic reforms enacted in the 1980s and 1990s attempted to redress this bias by removing most restrictions of pricing, output choice and marketing for smallholder farmers. This paper examines whether the reforms have had the desired effect of providing a supportive environment for smallholder farmers to follow livelihood strategies that would enable them to move out of poverty. The paper finds evidence of a positive supply side impact of reforms on smallholder agriculture, with a significant increase in food crops production in the period 1994-2000, particularly in sweet potatoes, cassava and maize. Coupled with rising real prices of most food crops during this period, this has meant that rural incomes of most smallholder farmers has seen a sustained increase in the post-reform period. However, significant weaknesses remain in the economic environment related to agricultural marketing, cost and provision of inputs, particularly fertilisers, and agricultural credit. This is most evident in the ongoing food crisis in the country, where weather-related shocks to maize production have been exacerbated by weaknesses in marketing and food distribution systems. The paper argues that a comprehensive poverty reduction programme in Malawi will need to emphasise a diversified set of livelihood strategies for rural households that encompass engagement in maize production, engagement in tobacco production and greater involvement in nonfarm economic activities.

Sen, B, Mustafa K. Mujeri, Quazi Shahabuddin (2004), “Operationalizing Pro-Poor Growth: Bangladesh as a Case Study, November 2004

Abstract

The green revolution in Bangladesh was a success. The experience of Bangladesh shows that social and economic achievements are possible even in the face of extreme odds characterized by an extremely high population density, low resource base, high incidence of natural disasters, and persistence socio-political instability, especially during the initial years. Bangladesh has achieved considerable acceleration in the rate of pro-poor growth in the 1990s compared with the 1980s. The faster rate of pro-growth in the 1990s was achieved in the backdrop of rising inequality which stands in sharp contrast to the experience of the 1980s marked by low growth and low inequality. Improved record of the 1990s on account of faster pro-poor growth can be traced back to several policy origins. One factor is that the state also played a crucial role in supporting technological progress in agriculture through investing in agricultural research and extension in the first phase of green revolution and carrying out bold policy reforms by liberalising input and output markets for private investment in the second phase. As a result, there has been a considerable increase in land productivity in crop agriculture and already by the end of the decade the country nearly achieved self sufficiency in rice. Bangladesh’s success in cereal production notwithstanding the earlier agrarian pessimism indicated the possibility that the traditional production relations in agriculture need not be binding and technological progress can be achieved even without radical land redistributive reform.

Smith, J. and Subbarao, K (2003), “What Role for Safety Net Transfers in Very Low Income Countries?”, Social Protection Discussion Paper Series, January 2003, World Bank

Abstract

Smith and Subbarao consider the vexing question of what role safety net transfers should play in very low income countries where a large share of the population lives in absolute poverty and the state has very limited resources to fund transfers. They explore three fundamental constraints, all of which are accentuated in these countries, the availability of accurate information to identify beneficiaries, the administrative capacity to target them, and the fiscal affordability of transfers and assess the implications for program choice and design. They conclude that at expected growth rates the number of people living below minimum acceptable consumption levels will remain so high that some form of safety net intervention is justified, but that to minimize the fiscal trade-off, safety net expenditures should be used to simultaneously finance other investments that contribute to long-run poverty reduction (such as roads or irrigation works under public employment schemes). Second, for pure transfers, governments should be selective of very specific groups—such as orphans—to limit costs and engender political support. Third, to improve the impact per dollar spent on transfers, programs should be selected that have a multiplier effect on incomes (examples include vouchers for small fertilizer packs for the poor), or leveraged by using the small amounts of cash to help households reduce risk or diversify economic activity. Fourth, to get around the information constraint, choose programs that are self targeting, such as public works at a low wage rate or subsidized inferior food goods. Fifth, the judicious timing of transfers is important, for example, during the lean season when the opportunity cost of labour is

lowest, or just before planting time. And finally, programs should be kept as simple as possible to fit with the limited administrative capacity, avoiding multiple, overlapping donor programs in favour of one or two simple nationwide programs that are easily implementable, cost-effective, and fiscally sustainable.

Solesbury, William (June 2003), “Sustainable Livelihoods: a Case Study of the Evolution of DFID Policy”, ODI, Working Paper 217

Abstract

This paper is a case study of the influence of research on a particular shift in policy for the DFID. In the 1997 White Paper on international development, DFID made the ‘sustainable livelihoods approach’ (or SLA), a core principle of its strategy for pro-poor policy making. The concept of SLA had first appeared in research literature in the 1980s, and its inclusion in the White Paper marked its transfer to the policy domain. This Working Paper offers a descriptive narrative of this progression, identifies major events in the story, and analyses this successful transfer from research to practice and policy through the framework of context, evidence and links. The paper forms part of the ODI’s Research and Policy in Development (RAPID) programme, which seeks to learn more about linkages between development research, policy and practice. The main questions addressed are: (i) How did the idea of the SLA approach come to be adopted? (ii) What was the role of research in this process?

Soto, R., and A. Torche. (2004),” Spatial inequality, migration and economic growth in Chile”, Latin American Journal of Economics (Cuadernos de Economía), v. 41: 401-24

Abstract

Soto and Torche analyze the evolution of regional disparities in Chile. The case is important given that, in the past 20 years, Chile has pursued an aggressive strategy of market liberalization, trade opening and other structural transformations, and the literature suggests that growth has not benefited regions equally, while income inequality did not decline and welfare differentials showed high persistence. The paper documents that per capita income and productivity levels either do not seem to be converging towards a common long-run level or the speed of convergence is too slow. Among regions in Chile, poverty and income inequality evolved in dissimilar ways. As expected, in all regions poverty levels declined, but some regions benefited the most while others improved less substantially. Within-region income inequality (measured by Gini indices) remained virtually stagnant in several regions, improved notoriously in other regions and worsened clearly in some others. The authors use a panel conformed by creating five non-overlapping subsamples of 5-year each, covering the entire period of 1975 to 2000 in order to analyze convergence patterns. The results show a negative sign for conditional convergence and that speed of convergence ranges between 3.3% and 4.8% on an annual basis. By including unemployment as a proxy for the business cycle, a negative parameter indicates that regions in the lower part of their activity cycle (recession) tend to grow faster than those in booms. In summary, convergence, if it exists is quite slow. The main hypothesis stated by the authors is that lack of convergence in Chile seems to be largely associated with low levels of regional migration and this might be caused by housing policies.

Svensson, Jakob, (2000), “Foreign Aid and Rent-Seeking,” Journal of International Economics, Vol. 51 (August), pp. 437–61

Abstract

Why has the macroeconomic impact of foreign aid seemingly been so poor? Is there a relationship between the widespread level of corruption and other types of rent-seeking activities and concessional assistance? To answer these questions we provide a simple game-theoretic rent-seeking model. The model has a number of implications. First, under certain circumstances, an increase in government revenue lowers the provision of public goods. Second, the mere expectation of aid may suffice to increase rent dissipation and reduce productive public spending. This result may be reversed, however, if the donor community can enter into a binding policy commitment. We also provide some preliminary empirical evidence in support of the hypothesis that foreign aid and windfalls are on average associated with higher corruption in countries more likely to suffer from competing social groups. We find no evidence that the donors systematically allocate aid to countries with less corruption.

Tsikata T.M. (1998). “Aid Effectiveness: A Survey of the Recent Empirical Literature”. IMF Papers on Policy Analysis and Assessments PPAA/98/1. International Monetary Fund: Washington DC

Abstract

The preponderance of evidence from the empirical literature on aid effectiveness suggests that development aid has not had a significant impact on growth in recipient countries. However, there is some evidence that aid has had positive effects when the policy environment has been conducive to growth. Regarding the relationship between aid and the main channels through which its impact on growth could flow—investment and domestic saving—the evidence is mixed, with some indication that aid has had a positive impact where adjustment efforts have been sustained.

Timmer, P. (2002) "Agriculture and Economic Development." In B.L. Gardner and G.C. Rausser, eds., Handbook of Agricultural Economics, Volume 2A, Amsterdam: North-Holland

Abstract

This chapter takes an analytical look at the potential role of agriculture in contributing to economic growth, and develops a framework for understanding and quantifying this contribution. The framework points to the key areas where positive linkages, not necessarily well-mediated by markets, might exist, and it highlights the empirical difficulties in establishing their quantitative magnitude and direction of impact. Evidence on the impact of investments in rural education and of nutrition on economic growth is reviewed. The policy discussion focuses especially on the role of agricultural growth in poverty alleviation and the nature of the market environment that will stimulate that growth.

Tsangarides, C.G., D. Ghura and C.A. Leite. (2000). "Is growth enough: Macroeconomic policy and poverty reduction." IMF working paper

Abstract

This paper provides an empirical investigation of the poverty-growth nexus and assesses the prospects for poverty alleviation through economic growth. The paper employs a dynamic panel estimator to capture both across- and within-country effects, a novel Bayesian Model Averaging robustness analysis to explicitly account for model uncertainty, and the widest possible set of potential determinants to ensure a comprehensive search for super pro-poor policies. The empirical findings are broadly encouraging. Growth does indeed raise the income of the poor, although this relationship is less than one-to-one, in sharp contrast with previous results. One implication is that simply focusing on economic growth as a strategy to lower poverty may actually leave the poor worse off relative to the average population. More encouraging is the evidence on the existence of a set of policies and conditions which are super pro-poor, namely lower inflation, lower government consumption, higher levels of financial sector development and higher educational status.

Van de Walle, Dominic and Cratty, Dorothyjean (March 2005), "Do Donors Get What They Paid For? Micro Evidence on the Fungibility of Development Project Aid", World Bank Policy Research Working Paper 3542

Abstract

Recipient government responses to development project aid have typically been studied at high levels of aggregation, using cross-country comparisons and/or aggregate time series data. Yet increasingly the relevant decisions are being made at the local level, in response to specific community-level projects. The authors use local-level data to test for fungibility of World Bank financing of rural road rehabilitation targeted to specific geographic areas of Vietnam. A simple double difference estimate suggests that the project's net contribution to rehabilitated road increments is close to zero, suggesting complete displacement of funding. However, with better controls for the endogeneity of project placement the authors find much less evidence of fungibility, with displacement accounting for around one-third of the aid. The results point to the importance of dealing with selection bias in assessing project aid fungibility.

Vu Minh Duc (2006), "Foreign Aid and Economic Growth in the Developing Countries. A Cross-Country Empirical Analysis", The Connexions Project module 13519, March 2006

Abstract

Using cross-country data, the author examines how foreign aid affects economic growth in developing countries over the period from 1975 to 2000. He finds evidence that foreign aid significantly and negatively correlates with growth in developing countries. However, foreign aid to inland countries as well as to South Asian countries during the period of 1992-2000 is found to have a positive impact on growth. In addition, a strong divergence trend is found among countries in the data set. The results suggest that (i) there may be problems in the present aid providing system, where aid hinders growth of developing countries (ii) the successful experience of some inland countries and South Asian nations during the period of 1992-2000 could be a good lesson for other developing countries. Finally, a strong evidence of divergence implies that if the condition is not improved in the least developing countries, there would be a

large income dispersion among developing countries in the future.

Wiggins, S. (2006), “Agricultural Growth and Poverty Reduction: a Scoping Study”, IDRC Working Papers on Globalization, Growth and Poverty, Working Paper Number 2

Abstract

This report, intended to inform the planning of an IDRC programme on globalisation, growth and poverty, sets out a research agenda on agricultural growth and poverty reduction, and outlines the methods and means by which that agenda could be studied. Drawing on a detailed analysis of the environment and factors that influence agricultural development, the report has three sections: setting out the issues considered important to thinking about agricultural growth and poverty reduction; choosing an agenda in the light of what others are doing, the scope for policy leverage, and how it might apply in different contexts; and outlining the methods and means that might be used to implement the research programme. In particular it suggests a focus on rural labour markets ! with linked consideration of migration and the rural non-farm economy that so closely influence the labour markets as well as agricultural input supply, produce marketing and farmer organization in an attempt to understand the institutional changes which might limit market failures.

World Bank (2003), “Reaching the Rural Poor”, Washington DC

Abstract

"From Vision to Action", the Bank's previous rural development strategy launched in 1997, had a decisive influence on global thinking - but disappointing results on the ground. In 2001, lending for agricultural projects was the lowest in the Bank's history. The new strategy is results oriented: "Reaching the Rural Poor" stresses practice, implementation, monitoring, and empowerment of the people it is designed to help. This strategy responds to changes in: the global environment; in client countries; and, in the Bank, starting with the development of regional action plans, and extensive consultations at the regional level. It also reflects, and reinforces the Bank's commitment to the United Nations Millennium Development Goals to increase rural incomes, and broaden opportunities for rural people. The key features of this strategy are to: focus on the rural poor; foster broad-based economic growth; address rural areas comprehensively; forge alliances of all stakeholders; and, address the impact of global developments on client countries. In this capacity, support for better agricultural, and trade policies, should be achieved through increased advocacy for trade liberalization, by mainstreaming agricultural trade liberalization, and trade-capacity development in the Bank's country assistance, and operations; and, by facilitating capacity building through technical assistance in the areas of standards, and sanitary and phytosanitary regulations. The Bank’s approach recognizes that the rural poor are not a homogeneous group and that understanding the needs of such different groups is central to the success of the Bank’s new strategy. The Bank’s strategy makes broad-based economic growth its primary objective, because agriculture is the main source of rural economic growth of the poorest developing countries agriculture. At the same time, the Bank recognizes the importance of nonfarm economic activities in rural development, so their promotion is another key feature. The Bank’s approach is holistic. “Past approaches identified most pieces of the puzzle but failed to put them together in a way that attained objectives.” Sustainable rural development requires multidisciplinary and pluralistic approaches to poverty reduction, social and gender equity, local economic development, natural resource management, and good governance. The Bank is thus moving away from short-term, sector-by-sector approaches and toward coherent cross-sectoral approaches for the sustained reduction of rural poverty.

Appendix 3 – Summary of evaluations of rural development projects funded by multilateral donors

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
World Bank	Sending farmers back to school – the impact of farmer field schools in Indonesia	Feder, Gerson; Murgai, Rinku; Quizon, Jaime B.	2003/4	Indonesia	1991-1999	N/A targeted on specific group	Not assessed -	No since Impact minimal	Very little impact. No evidence that expected environmental and health benefits of programme are significant	NA. Not covered in evaluation

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
World Bank	Does micro-credit empower women : evidence from Bangladesh	Pitt, Mark M.; Khandker, Shahidur R.; Cartwright, Jennifer	2003/03	Bangladesh	1998-99	N/A targeted on specific group	Not assessed	Not assessed	Helped to increase women's empowerment. Credit programme participation leads to women taking a greater role in household decision making, having greater access to financial resources, greater social network. Increase spousal communication about family planning	Not assessed
World Bank	Uttar Pradesh Sodic Lands reclamation project			India	1993-2001	Rated - substantial - project objectives and implementation consistent with world bank	Not assessed	Modest - re-estimated economic return 28% against appraisal estimate of 23%.	Moderately Satisfactory	Seen as unlikely - due to inadequate attention to operation and management of drainage is a critical shortcoming
World Bank	Borgou Region Pilot rural support project		2003	Benin	1998-2002	High - Empowerment of the poor is seen as critical to rights against poverty		Substantial ERR 57%	Outcome-seen as satisfactory. Limited impact on participation of women	Likely if lessons are learned

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
World Bank	Matrouh Resource Management Project		2004	Egypt	1993-2002	Substantial - objectives clearly consistent with strategy	Not assessed	Substantial ERR at 12%, however if benefits fell by 20%, ERR would fall below opportunity cost of capital	Satisfactory - borderline due to questionable efficiency rating	Likely- but concerns whether systems will be maintained
World Bank	Anatolia Watershed Rehabilitation Project		2004	Turkey	1883-2001	Substantial - but questions relevance for whom , and whether households would have chosen so much forest land treatment	Not assessed	Efficiency substantial ERR likely to be about 10% - however difficulty in evaluating due to 1) not sure when environmental impact will become relevant 2) Methodological questions as to when ERR should be permitted to mask wide ranges	Satisfactory - borderline due not sure about relevance	Not able to evaluated - too long term
World Bank	India: Evaluating Bank Assistance for Agricultural and Rural Development	Jack van Holst Pellekaan	2002	India		Moderate - not enough focus on agriculture			Modest relevance to poverty reduction - because most beneficiaries were already those with significant assets rather than those below the poverty line. Bank expanded leading in inadequate policy environment which was over-regulated by government	Serious lack of sustainability

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
IFAD	Kagera Agricultural and Environmental management project	IFAD	2003	Tanzania		High 0 relevance to goal at appraisal was high	Not assessed	Substantial Showed an IRR of 15% compared to the 19% at appraisal	Impact on Rural poverty from 23% to 18%. Positive impact on Physical and Financial Assets. Impact on Human Capital seems as positive Impact on Social capital and empowerment - meaningful impact	Not assessed
IFAD	Swaziland Smallholder Agricultural Development Project- Interim Evaluations	IFAD	2001	Swaziland	1993-2001	Targeting failed - did not take into account regional disparities. Project provide vague guidelines for identifying resource poor households		Not reviewed	Seen as limited	General sustainability seen as poor
IFAD	Ouadis of Kanem Agricultural Development Project	IFAD	2002	CHAD	1995-2002	Not assessed	Not assessed	Not assessed	Projects impact on health and nutrition has still to become fully evident	Conditions necessary in order to ensure sustainability do not exist in practically any area of the project
IFAD	Development Project for Indigenous and Afro-Ecuadorian People	IFAD	2004	Ecuador	2002-2004	Highly relevant in responding to the priorities established in diagnostic assessments of indigenous and	Not assessed	Moderately efficient in establishing mechanisms and instruments to promote lasting development processes	Strengthen of indigenous and Afro-Ecuadorian institutions very effective, Public investment - 95% of priority needs of communities	Sustainability is questionable

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
IFAD	The Rural Finance and Community Initiatives Project	IFAD	2005	Gambia	1999-2004	Objectives were relevant	Failed to target poorest households	Not reviewed	Lack of measurable impact	Only micro-finance institutions with good credit discipline likely to be sustainable. Urgent need for incentives in extension services
IFAD	Upper East Region Land Conservation and Smallholder Rehabilitation Project (LACOPSREP)	IFAD	2005	Ghana	2000-2005	High relevance as targets on poorest farmers	Generally relevant. However effectiveness undermined when training not supported by other input. Little was done to reduce water borne diseases. Some concerns over capacity building	Cost of DAM relatively inexpensive. Administrative costs of lending for participating banks about one third of average group of rural finance. Generally cost-effectiveness it has worked well	Generally effective	Sustainability - responsibility for Dams questionable. Environmental sustainability is possible if techniques are duplicated. Financial sustainability is low, because of high transaction costs, untrained bank staff and insufficient products to serve the population

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
FAD		IFAD	2004	Ghana	1999-2003	Very relevant for poverty reduction	Interim evaluation-too early to say	Relative efficient-resulted in lower consumer prices for root and tuber products	Overall impact modest - mostly in food security - however impact on household incomes- not at the level at which it aspired to	High likely - in areas of food security. However unlikely in impact on social capital and services provided by public sector institutions will be sustained without further support
IFAD		IFAD	2001	India	1991-1999	Relevant to overall objectives	Not assessed	Not reviewed		Dependent on community action
IFAD	Smallholder Livestock Rehabilitation Project	IFAD	1999-2002	Lebanon	199-2002	Generally highly relevant - however slow take up may have diminished the relevance of the dairy intervention for the intended target group	Particularly effective especially for rural women. Good at improving access to information	Incremental benefits likely to be high. However technology introduced may not have been appropriate for many of the small scale farmers who were the intended target group of the project	Impact on human capital - positive (Significant amount of training for beneficiaries). Positive impact on environment as most livestock not grazed	Generally sustainable, if market not undercut by government. Credit not self reliant

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
IFAD	United Mexican States- Rural Development Project of the Mayan communities in the Yucatan Peninsula	IFAD	2005	Mexico	1997-2004	Highly relevant to objectives	Generally effective - led to expansion and improvement of productive activity, increased income of beneficiary families. Local institutions still insufficiently development	High operating costs of rural finance, training activities not sufficiently structured and differentiated, technical assistance that lacked continuity and was not always appropriate	Overall rating 4 - project has had some impact on Yucatan peninsula, helping traditionally exclude and vulnerable population access productive options	Rating 2 - unlikely to be sustainable due to low recovery rate from loans
IFAD	Livestock and Pasture Development Project in the Eastern Project	IFAD	2002	Morocco	1991-2001	Not assessed	Not assessed - interim evaluation	Not assessed interim evaluation	Not sure whether had an impact on rural poverty	41% co-operatives in danger of disappearing if rehabilitation measures are not taken - due to differences in financial viability requires diversification of their income sources
UN FAO	Technical Support to rural Development and Agrarian Reform	UN FAO	2001	Philippines	1997-2001	Highly relevant to objectives	Lacked sense of direction	Generally efficient and cost effective	Good impact involvement of women	Needs follows up to institutionalise
UN FAO	Conservation agriculture for sustainable agriculture and rural development (SARD) and Food security in southern and Eastern Africa (CA -SARD)	UN FAO	2005	Africa	2004-2006	Targeting generally appropriate but implementation was not clear	Not as effective as it could have been due to difficulties in dissemination		Some impact but major challenges remaining	needs to be more mainstream-looking at what needs to be done at a farmer level, suitable approaches for promotion and linkages

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
UN FAO	training of rural families and technical staff to extend proved animal health and livestock production packages	UNFAO	2005	Afghanistan	2004-2006	targeted relevant community	Functional milk collection reaching 1000, farmer families. Increase in diary production.	Generally insufficient capacity of the diary processing plants to ensure further development	Medium impact	Good sustainability - since full cost recovery principle for both diary and poultry
UN FAO	Philippines-Australia technical support for agrarian reform and rural development (PATSARRD)	UN FAO	2006	Philippines	2006	Relevant for community and local economy	Generally effective	Not reviewed	Enhanced good governance	Only limited evidence of economic sustainability of Project activities. However institutional sustainability fairly secure
European Commission	Evaluation of General Budget Support	IDD and Associates	2006	Burkino Faso, Malawi, Mozambique, Nicaragua, Rwanda, Uganda, Vietnam	1994-2004	Generally highly relevant - but political risks often under estimated	Improved planning and budgeting systems	Not reviewed	Generally effective- but Malawi's first effort was a false start. In Nicaragua, significant funds have only recently begun to flow, making it too soon to provide an ex-post assessment. Generally has support pro poor expenditure.	Needs better feedback loops to be sustainable

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
European Commission	Evaluation of European Commission's Support to United Republic of Tanzania	EC	2006	Tanzania	2002-2005	generally quite relevant	Generally effective- but difficult to make the link	Not assessed	Contribution to policy reforms in association with substantial financial support and technical assistance. Removal of bottle necks. Promotion of lessons through exemplary projects	Generally sustainable
European Commission	EC Country Strategy for Ghana	EC	2005	Ghana	2002-2006	Strategy was appropriately designed to contribute to objectives of economic and socially sustainable growth	Interventions in rural development have been effective in increasing access to safe water, limitation, basic economic and social facilities. Less effective in terms of improving agricultural production systems and diversification of the sector. . However	Delays have hampered the efficiency of interventions	RD projects have been less effective in improving productive systems and diversifying the Ghanaian agriculture while impact on productivity and diversification is limited	Sustainability judged to be high in rural development components. In some cases sustainability may conflict with poverty reduction when poor cannot afford full user fees that make interventions sustainable

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
European Commission	Evaluation of EC Regional Strategy for the Caribbean	EC	2005	Caribbean	2005	Strategic approach of the Commission has gradually and continuously supported construction of a regional integrated space	Not assessed	Organisational framework and responsibilities for managing regional programme are insufficiently clear and this impedes efficiency. Insufficient link of individual interventions with the strategic priorities has limited the efficiency of several regional	Created regional identity across sectors. Impact on evolution of regional trade flows and on the regional institutional setting is difficult to assess	Number of institutions still very fragile and depend on foreign assistance to continue delivery of expected services
European Commission	Evaluation of EC's country strategy for Lesotho	EC	2004	Lesotho	1996-2007	Generally good. Road transport had contributed to poverty alleviation objective in board sense	Limited success in promoting sustainable agricultural production in the interests of livelihoods and food security.	Have not contributed significantly to local capacity to assess and address the problems	Limited impact - as individuals still unable to deal with a range of livelihood shocks	Commission natural resource management and conservation based interventions appear to have some impact on improving techniques. However, lasting impacts on food security are uncertain in available institutional support environment
European Commission	Evaluation of EC's country strategy for Ethiopia	EC	2004	Ethiopia	1996-2007	Appropriates for reducing rural poverty	Delays have severely reduced efficiency and effectiveness	50% more cost efficient than food for work or distribution of food relief		

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
European Commission	Evaluation of EC's country strategy for Bangladesh	EC	2003	Bangladesh	1993-2003	Generally relevant. IFADEP-1 and FSVGD very relevant to marginalised women	Effectiveness reduced by bureaucratic and centralised GoB procedures. Proshika VI social development and training programme was high in empowering target groups/ beneficiaries, through a comprehensive, demand based package of assistant programmes	Improving levels of efficiency. Concerns about leakages of 35% in rural development programmes		Sustainability remains a major issue. Heavy dependence on NGOs for implementation
European Commission	Evaluation of EC's country strategy for Malawi	EC	2003	Malawi		Generally relevant for tackling rural poverty	Generally effective and capacity built at village level		Limited impact on gender quality	However not very sustainable would need continued support
European Commission	Evaluation of EC's country's strategy for Namibia	EC	2002	Namibia	1996-2000		Where the EC has assisted interventions, aimed more directly as facilitating increased agricultural production, it has been less successful, reflecting the underlying weakness and a lack of realism in project design	Not assessed	Not sure whether had an impact on rural poverty	Been affected by the difficulty of retaining professionally qualified staff with the public service. High default rate means the assistance to credit has proved unsustainable.

Organisation	Title	Authors	Date	Country	Time period	Relevance	Effectiveness	Efficiency	Impact	Sustainability
European Commission	Evaluation of EC's country's strategy for Uganda	EC	2002	Uganda	1996-2000	Very relevant	Not assessed	Not assessed	Not assessed	Not assessed
European Commission	Evaluation of EC's country's strategy for Mozambique	EC	2001	Mozambique	1996-2000	Highly relevant - but poorly implemented	Not effective due to slow progress because of differing objectives of large number of donors in the sector	Requires greater collaboration and transparency among donors in their policies on salary supplements and greater link between Food Security budget support and EC's structural adjustment support	Impact uncertain	Not assessed
European Commission	Evaluation of EC Food Aid Security Policy, Food Aid Management and Programmes in support of Food Security	EC	1996	Bangladesh, Bolivia, Haiti, Kyrgystan, Liberia and Mozambique	1996-2000	Is relevant	Moved towards provision of food or finance in order to make it more appropriate and cost-effective for recipient country	Considerable delay between allocation and commitment, as well as significant delay in disbursements and implementing contracts	Difficult to assess because too few projects have been fully implemented at moment of evaluation to allow firm conclusions	Difficult to assess because too few projects have been fully implemented at moment of evaluation to allow firm conclusions

Appendix 4 – DFID-funded research reviewed

Appendix 4.1 – DFID directly funded research

Project name	Country	Date	Type of research	Outputs
INNOVA: Strengthening technical innovation systems in potato based agriculture in Bolivia	Bolivia	2005-2006	Promotion of strategies to reduce the impact of pests and stabilise yields of crops in hillsides systems, for the benefit of poor people.	Engage FDTA's, technological innovation service providers' for the PITAS and municipal governments in adapting and using INNOVA´s methods. Capacity of farmer´s groups, chain participants and Municipal Innovation Committees strengthened for developing and managing innovation projects. Poor farmers of three eco-regions in Bolivia, and extensionists of other organisations, using ox and donkey drawn tillage equipment, integrating this technology with others validated and promoted by INNOVA in the past three years.
Rural Non-Farm Economy (RNFE) - Dissemination of project outputs and budget	N/A[22]	2003	To provide international access to the outputs from the three-year action research programme on the Rural Non-Farm Economy (RNFE) and related activities undertaken through the DFID-World Bank collaborative programme in support of wider adoption of policies and interventions which support poverty reducing and diversified rural economies.	A website for the project has been developed that provides access to the RNFE project reports. A paper on Institutional Approaches to the Delivery of Business Development Services has been drafted and will be disseminated at the end of October.

[22] N/A = not applicable

Project name	Country	Date	Type of research	Outputs
The relationship between nutrition and the Millennium Development Goals: A strategic review of the scope for DFID's influencing role	N/A	2003	To produce a review document that identified the links between nutrition and the MDGs; the key players in the nutrition field; institutional mandates and strategies of different organisations in the nutrition field (eg: the UN Standing Committee on Nutrition); and, ultimately, a framework upon which DFID could assess its own role in nutrition policy.	The findings of this report were presented to the DFID Rural Livelihoods Advisers Conference in July 2003. Subsequently, DFID Bangladesh has commissioned IFPRI to roll out the findings in Bangladesh.
Pro-poor sustainable agriculture knowledge centres	N/A	2005	To devise strategies for implementing sustainable agricultural knowledge centres that will enable the rural and peri-urban poor in East Africa to improve farm productivity and profitability.	Documented lessons from use of ICTs in rural information centres in East Africa. Agricultural knowledge centre business models. Project management system installed and operational. Pilot agricultural knowledge centre. Smart practice outreach and dissemination manual for agricultural knowledge centres. Plan for establishment of a network of agricultural knowledge centres.
Participation for Improved Capacity Building in Rural Finance (CABFIN)	N/A	2003	To analyse the nature of the constraints to good rural finance intermediation and identify the eventual gaps between demand for and supply of rural finance capacity building products/ services - project scoping study.	To develop a plan which can be implemented by the CABFIN Partnership in collaboration with institutions in developing countries? Will improve the access of policy makers, institutions and communities concerned with rural financial services to the available knowledge of best practices and to relevant training materials and their ability to use it.
A study of farmers' markets in Tamil Nadu, South India	India	2002	Access to markets, sustainable rural livelihoods and food security for low-income urban groups: a study of farmers' markets in Tamil Nadu, South India.	How the initiative differs from earlier government strategies at national, state and local level, and which factors are likely to affect its long-term sustainability (for example, high level of subsidies and independence from the political will of the party in government; and potential conflict with trade liberalisation).
Marco de Apoyo Estrategio para Fortalacer la Innovation Technologica Pro-Pobre en Bolivia - Facilitating Innovative Technology (FIT)	Bolivia	2006	Pro-poor Bolivian agriculture research, development and technology transfer (RD & TT) system enhanced by coherent DFID support and lessons learned disseminated.	DFID NR research programmes collaborating effectively within the SIBTA demand-led framework, and delivering pro-poor outputs (process and product) and impact.

Project name	Country	Date	Type of research	Outputs
Consultative Group on International Agricultural Research (CGIAR) farmers' dialogue	Global	2004	To enable CGIAR members and centres to hear from key stakeholders, and an opportunity for farmers to come together to share perspectives and experiences on agricultural research and its impact on their livelihoods.	Prior to AGM'04 the CGIAR leadership will brief Mexican farmers' associations about the CGIAR, the AGM'04 and their opportunities for participation during the meeting. The CGIAR plans to host a Farmer's Dialogue during the Stakeholders' Meeting at AGM'04, possibly on the afternoon of Wednesday, October 27. This is both an opportunity for CGIAR Members and Centres to hear from key stakeholders, and an opportunity for farmers to come together to share perspectives and experiences on agricultural research and its impact on their livelihoods. The perspectives from the farmers associations will inform the Business Meeting of the AGM and the task forces on programme and strategic alignment.
Global Food Chains - Constraints and opportunities for smallholders	Global	2004	To establish what the impact of changes in rural and urban areas will be on agriculture in developing countries and on how they affect the rural poor in particular.	The paper ,Global Food Chains - Constraints and Opportunities for Smallholders, and PowerPoint presentation
Agriculture in Kenya - Identifying what shapes the policy environment	Kenya	2004	To understand the factors that shape the policy environment, as well as the drivers and potential drivers of institutional change in the agricultural sector in Kenya.	Contextual factors - long term processes of change in rural livelihoods. Developed a more in-depth understanding of the political economy and drivers of change in a couple of key sub-sectors/commodities - the Kenya seed sub-sector and smallholder dairy sub-sector. Identified and supported the potential demand for policy change in order to support constituencies for change.
Enhancing Rwanda's Mid Term Review	Rwanda	2004	To improve the effectiveness of rural projects in delivering rural poverty outcomes through the adoption of an enhanced mid-term review (MTR) process that has a strong focus on reinforcing intended project's outcomes towards the poverty reduction objectives.	An enhanced M&E system for the Rural Sector Support Project, that is better able to track and assess project effects and poverty outcomes. Recommendations for enhancing positive poverty outcomes of the Rural Sector Support Project in Rwanda. Lessons learnt from this process will feed into an on-going and wider World Bank programme designed to support World Bank investment at the MTR stage through providing recommendations for World Bank instruments to improve poverty orientation in operations.
Feasibility and design of a policy and capacity building support facility for the agricultural sector in Kenya	Kenya	2004	To look further into the feasibility and design of a policy support facility for the agriculture sector in Kenya, in the light of the new Strategy for Revitalisation of Agriculture.	Explored the options for different institutional arrangements and governance mechanisms. Produced a short Options Paper and presented to stakeholders. Feedback on options paper.

Project name	Country	Date	Type of research	Outputs
A review of linkages between social protection and agricultural/rural growth	Global	2003	To review the analytical relationship between social protection instruments and agricultural/rural development.	To outline current knowledge on the issue and leading players in the debate, using the following key questions as a guide *What are the causes of chronic and acute poverty that exclude people from growth processes and agricultural development "How can the potential negative impacts of social protection on agricultural development (eg: disincentives to development, distortion of local markets) be limited? "Are there examples of non-welfarist innovation that minimise intra- and inter-annual variance at household level, and graduate the poor into agricultural and rural growth process using their own assets? Can new welfarist approaches for the most disadvantaged help to engage such people more fully in agricultural markets as consumers? *What are the gaps in knowledge, constraints and good example of programme/policy (including commodity assistance and Targeted Input Programmes) that balance shock prevention, mitigation and coping? *Does current public expenditure - including agricultural technology development and research - achieve
Enhancing rural poverty focus in the Country Assistance Strategy (CAS) process and national processes	Global	2003	To improve understanding of the rationale governing the treatment of rural poverty concerns in Uttar Pradesh and the relative effectiveness of World Bank activities in pursuit of rural poverty reduction objectives.	The project will contribute to future policy and investment for rural development and poverty reduction by the State of Uttar Pradesh and the World Bank. It will also contribute to the development of a country portfolio based component of the wider World Bank programme in enhancing overall impact on rural poverty of World Bank operations.
International assessment of the role of agricultural science and technology in reducing hunger, improving livelihoods and implementing economic growth	Global	2003	To fund meetings in Dakar, Delhi and Beijing which enable a number of stakeholders in each region in the consultative process on the proposed role of agricultural science in reducing hunger, improving livelihoods and stimulating economic growth.	The goals of each regional meeting are to: Assess the value of an assessment of agricultural science and technology. Draft a list of key questions for the proposed assessment, i.e.: define the scope of the assessment, ensuring regional priorities are taken into account. Discuss the advantages and disadvantages of different organizational structures and governing principles and procedures for an assessment.
Regional scoping studies for a programme to assess means and impacts of land and agrarian reform (MILAGRE)	Brazil, South Africa	2003	To hold workshops to assess the programme scope.	*Initial workshops were held with national stakeholders in Recife in April and were followed by the first of three state level workshops (in Ceara) to discuss the scope and methods for participatory monitoring and evaluation of land reforms in the three priority states. DFID Brazil agreed to support the costs of these workshops, and a concluding workshop that was held in July, plus additional time costs for the local consultant not covered in the original budget.

Project name	Country	Date	Type of research	Outputs
A sustainable livelihoods approach to bamboo development	India	2004	To enhance the capacity of poor communities and local organisations sustainably to develop and maintain integrated bamboo based livelihoods.	Building construction capabilities enhanced. Safety of building constructions improved. Awareness of value of urban agriculture increased. Possibilities for urban, peri-urban and rural pedestrian access improved. Possibilities for urban, peri-urban and rural pedestrian access improved. Commercial links established between IPIRTI and potential corrugated mat board manufacturers. Technical capabilities and knowledge base of local organisations (public, private, NGO) expanded.

Appendix 4.2 – DFID-funded research undertaken by IFPRI

Project name	Country	Date	Amount (£)	Type of research funded	Findings
Assessing the impact of the banana bacterial wilt, Xanthomonas campestris pv. musacearum on household livelihoods in East Africa	Uganda	2005	£44,535	Promotion of pro-poor strategies that contribute to reducing the impact of the banana bacterial wilt, improving yield and quality of bananas and reducing pesticide hazards in forest agriculture systems.	Socio-economic impact of BXW on rural communities in Uganda assessed. Key stakeholders in the banana sector informed of the extent of impact of BBW on livelihoods.
The relationship between nutrition and the Millennium Development Goals: A strategic review of the scope for DFID's influencing role	Global	2003	£9,288	To outline the importance and nature of the relationship between nutrition and the MDGs; and to develop a framework to assist DFID in the prioritisation of the potential policy work that it could undertake internationally.	The findings of this report were presented to the DFID Rural Livelihoods Advisers Conference in July 2003. Subsequently, DFID Bangladesh have commissioned IFPRI to roll out the findings in Bangladesh.
Water and Food Challenge Programme	Brazil, Japan, Philippines, Sweden, Uganda, United States of America	2002-2007	£2,500,000	To fund a research programme, extension and capacity building programme that will increase the productivity of water used for agriculture	The CP Water and Food will be put into action using a matrix structure that provides a dual thematic and geographic focus. Five inter-related research themes provide the breadth of scope. They will ensure that the same core of key research topics is addressed in all locations. Themes will serve as the focal point for synthesising results from the various countries and regions, and bring out generic conclusions from the overall research programme .Benchmark basins provide the geographic scope.
Improving the empirical basis for assessing food insecurity in developing countries in Asia	Asia	2006	246,288	To reduce food insecurity in Asian countries and the developing countries as a whole.	Food security profiles for approximately 15 Asian countries. A manual on how to collect, process, and analyse data on food insecurity in household expenditure surveys. Report on the extent and location of food insecurity in the selected Asian countries.

Project name	Country	Date	Amount (£)	Type of research funded	Findings
Influence of international social, health and environmental policy objectives and trade agreements on the livelihoods of livestock-dependent people in developing countries.(SHE-LEAD)	Brazil, India, Philippines, Thailand	2001-2002	£220,000	Improved understanding of how international agreements, trade/SHE (social, health and environmental) policies, consumer behaviour in powerful economies and corporate social responsibility shape domestic policies and social and market structures in the livestock sector of developing countries.	Characterisation and quantification of social and structural changes in the livestock sector. Understanding the mechanisms through which international agreements, trade policies and domestic policies influence change in the livestock sector. Scenarios for how internal and external changes will affect the structure of the livestock sub-sector in each country case over the next decade. Identification of specific domains in need of policy reform and the policy instruments to address SHE objectives
Institutions and economic policies for pro-poor agricultural growth	Global	2001-2002	£298,290	The project aims to gain insights into the components of pro-poor agricultural growth (PPAG) and into policies which can promote such growth.	A desk study based analysis of global experience of the characteristics of pro-poor agricultural growth under different resource, agro-ecological and socio-economic situations, of conditions necessary for pro-poor agricultural growth, and of the effect and development pathways of such growth. Adaptation of SAMs and CGE models of Malawi and Zimbabwe to enhance analysis of poverty and agricultural growth issues. Adaptation of an existing econometric model of the determinants of rural poverty reduction in India, to investigate the effects of state sponsoring of market services and other interventions on growth and poverty reduction. Insights into development trajectories and the matching of intervention and policy priorities to different stages and conditions. Better understanding of interaction between macro, micro and international market conditions in determining the scope for pro-poor agricultural growth strategies. Development of practical policy analysis matching pro-poor agricultural growth strategies to different socio-economic, institutional and agro-ecological conditions.

Project name	Country	Date	Amount (£)	Type of research funded	Findings
DFID/IFPRI Consultation on HIV/AIDS and Rural Livelihood: International Food Policy Research Institute (IFPRI) Washington DC, 8-9 January 2001	Global	2001		Specific themes include: How government policies in the area of food security, nutrition, agriculture and the environment should be altered to better meet the needs of the poor within the context of the HIV/AIDS pandemic. The experience of interventions aimed at reducing livelihood vulnerability through strengthening and supplementing existing coping strategies	A particular focus has been on the impacts on livelihoods, food security and nutrition, and the viability of existing household and community coping strategies. HIV/AIDS is increasingly recognised as a fundamental development problem that requires mainstreaming into the programs and policies supported by many sectors, not just health. IFPRI will shortly be working with the World Food Programme (WFP) on reviewing HIV/AIDS impacts and documenting experience and best practice in relation to food security interventions aimed at mitigating these impacts. Essential first step towards improved information sharing, coordination, reducing duplication of work and hence ensuring a better use of funding. The consultation will enable the key players, particularly those working with involved donors, to discuss the merits of proposed new activities, coordinate their activities more effectively, and develop appropriate partnerships.
IFPRI/SPIA: Impact of agricultural research on poverty reduction: an integrated economic and social analysis - phase 2	Global	2000-2001	£470,000	Contribute to an improved understanding within the CG system and national partners of relationship between agricultural research and poverty reduction.	The impact of CG research on poverty assessed for 14 case studies. Awareness created among CG centres and NARS of the multi-dimensions of poverty and livelihood dynamics. Awareness created among CG centres and NARS of the multi-dimensions of poverty and livelihood dynamics. A conceptual framework for evaluating poverty impacts of agricultural research developed that reflects a multi-disciplinary, livelihoods perspective. Improved tools for CG centres developed to project the poverty impact of different types of existing agricultural research. More informed public opinion about the importance of agricultural research for the poor in developing countries.

Appendix 4.3 – DFID-funded research undertaken by CGIAR

Project name	Country	Date	Amount (£)	Type of research funded	Findings
Process and partnership for pro-poor policy change	Kenya	2004-2006	£134,525	To identify and institutionalise innovative research and development mechanisms and approaches that lead to pro-poor policy outcomes.	As the development community increases pressure for researchers to demonstrate impact at levels from field production to national and international policies, scientists and their partners are beginning to recognize the need to work together in new ways. An extended research paradigm is now being advocated where institutional and technological innovations are the result of interaction among different participants with complementary contributions and become a continuous learning process involving all participants, including biological and social scientists. The number and the quality of the links and communication between individuals and organisations that are 'seeking' to innovate is a key element in the rate of innovation
Review of rice-wheat consortium for the Indo-Gangetic plains	India	2002-2004		To determine the changes in research priorities, organisation and methods that will be required for the RWC to continue to make a significant impact on the livelihoods of those employed in agriculture, on the sustainable management of natural resources in the Indo-Gangetic Plains-Gangetic Plains, and on regional food security.	Research priorities:*Recommendations on the scope of the research agenda of the RWC (too broad? too narrow?).; *An examination of the relevance of the current research themes being pursued by the RWC; *An assessment of the extent to which equity issues, including gender issues, merit increased attention in the RWC research agenda.; *A definition of important gaps in the research programme for each of the five transects within the IGP as identified by the RWC.*A clear statement of what the NARS partners of RWC expect it to achieve in the short, medium and long-term, and whether all stakeholders and partners have a similar vision.
Enhancing livelihoods of poor livestock keepers through increasing use of fodder	Global	2002-2003	£1,360,000	To increase use and adoption of fodder plants for improving livestock productivity, soil fertility and ground cover, and for generating higher incomes as a means of enhancing the livelihoods of rural resource-poor livestock keepers, and the sustainability of their production systems.	Over 20,000 poor farmers in pilot sites facilitated to identify and select fodder innovations to match their asset base and needs for increased livestock feed supply, based on best-bet options and past experience, by mid PY4.Technical and instructional information and planting material for farmer selected forage/feed innovations disseminated and local seed systems strengthened or established at all pilot sites by end PY4.A platform for scaling-up results to a broader recommendation domain established by mid PY6, building upon institutional alliances and experience gained in the project.

Project name	Country	Date	Amount (£)	Type of research funded	Findings
International Rice Research Institute	Global	1973-2002	£12,347,050	To supplement the efforts of the national agricultural research services of the developing countries in improving their agriculture.	Natural resource management for rain fed lowland and upland rice ecosystems: crop and natural resource management practices for improved livelihood in rain fed lowlands developed and evaluated. Crop and natural resource management practices for improved livelihood in upland rice systems developed and evaluated.

Appendix 5 – Chronology of developments in rural development strategy

Overseas Development Administration

Minister of State for Foreign and Commonwealth Affairs and Minister for Overseas Development: Rt Hon Neil Marten (May 1979-Jan 1983); Rt Hon Timothy Raison (Jan 1983-Sept 1986); Rt Hon Christopher Patten (Sept 1986-July 1989); Rt Hon Lynda Chalker (Baroness Chalker of Wallasey from April 1992) (July 1989-May 1997)

Department for International Development

Secretary of State for International Development (Cabinet rank): Rt Hon Clare Short (May 1997-May 2003); Baroness Amos (May 2003-October 2003); Hilary Benn (from October 2003); Minister of State for International Development: Hilary Benn (May 2003 - October 2003)

Parliamentary Under Secretary of State for International Development

George Foulkes (May 1997-Jan 2001); Chris Mullin (Jan-June 2001); Hilary Benn (June 2001-May 2002); Sally Keeble (May 2002-June 2003); Gareth R Thomas (from June 2003)

(Source: DFID)

Year	DFID	Other
Pre-1997	1994: Sustainable Agriculture Strategy (SAS) was approved following a specific UK commitment at UN Conference on Environment and Development (UNCED) 1996: DFID invites proposals for major ESCOR research programme on Sustainable Livelihoods. IDS led consortium wins the main award, with another award to ODG (University of East Anglia, Norwhich)	1987: The World Commission on Environment and Development publishes its report: Our Common Future (the 'Brundtland Commission report') 1988: International Institute for Environment and Development (IIED) publishes papers from its 1987 conference: "The Greening of Aid: Sustainable Livelihoods in Practice " 1990: UNDP publishes the first Human Development Report International Development Targets (IDTs) agreed by OECD 1992: UN Conference on Environment and Development (UNCED), held in Rio de Janeiro (Brazil) 1992: IDS publishes 'Sustainable Rural Livelihoods: Practical concepts for the 21st century' (Chambers and Conway) 1993: Oxfam starts to employ the SL approach in formulating overall aims, improving project strategies and staff training 1994: CARE adopts household livelihoods security as a programming framework in its relief and development work 1995: UN holds World Summit for Social Development 1995: UNDP adopts Employment and Sustainable Livelihoods as one of five priorities in its overall human development mandate
1997	White Paper "Eliminating World Poverty: A Challenge for the 21st Century"	1997: World Bank (1997), "From Vision to Action": World Bank's rural development strategy launched
1998	DFID's Natural Resources Department opens a consultation on sustainable livelihoods and establishes a Rural Livelihoods Advisory Group Natural Resources Advisers annual conference takes Sustainable Livelihoods as its theme and later publishes contributory papers: Sustainable Rural Livelihoods: What Contribution Can We Make? (Carney (ed.), 1998)	
1999	"Sustainable Livelihoods and Poverty Elimination", Briefing, 9 November 1999 DFID creates the Sustainable Livelihoods Support Office DFID publishes the first Sustainable Livelihoods Guidance Sheets DFID establishes the Sustainable Livelihoods Resource Group of researchers/consultants	

Year	DFID	Other
2000	White Paper on International Development, "Eliminating World Poverty: Making Globalisation Work for the Poor" DFID commissions and funds Livelihoods Connect "Sustainable Livelihoods – Current thinking and practice" "Sustainable Livelihoods – Building on Strengths" "Achieving Sustainability: Poverty Elimination and the Environment"	FAO organises an Inter-agency Forum on Operationalising Sustainable Livelihoods Approaches, involving DFID, FAO, WFP, UNDP, and IFAD
2001	DFID commissions research on further development of the SLA framework; practical policy options to support sustainable livelihoods DFID organises SLA review meeting of officials, researchers and practitioners "Rural Livelihoods Strategy. A Contribution from the Natural Resources and Fisheries Programmes", Draft, DFID-Bangladesh	
2002	"Eliminating Hunger: DFID Food Security Strategy and Priorities for Action", DFID Consultation Document, February 2002 "Better livelihoods for Poor People: the Role of Agriculture", DFID Issues Paper, London, August 2002	
2003	Lunch of study of pro-poor agricultural growth (PPAG), DFID/ ODI (2003-4) "Agriculture and Poverty Reduction: Unlocking the Potential. A DFID Policy Paper" "Eliminating Hunger: Strategy for Achieving the Millennium Development Goal on Hunger" "Strategic Review of Resource Allocation Priorities", Discussion Paper	World Bank, "Reaching the Rural Poor" New World Bank's rural strategy, with renewed focus on the rural poor and "broad-based" economic growth Establishment of the Global Donor Platform for Rural Development (GDPRD) to increase overall aid effectiveness in rural development OECD PovNet task force on agriculture, led by the USA, issues a "Draft Framework for Enabling Pro Poor Growth through Agriculture"

Year	DFID	Other
2004	Six-week broad-based consultation (14 April - 28 May 2004) on the role of agriculture in growth and poverty reduction, a set of working papers (14) on key themes commissioned by DFID. Key themes included: Agriculture, Growth and Poverty Reduction; Making Agricultural Markets Work for the Poor; Growth and poverty reduction: the role of agriculture; Making Rural Finance Count for the Poor; Technology and Its Contribution to Pro-Poor Agricultural Development; Land Reform, Agriculture and Poverty Reduction; Recognising and Addressing Risk and Vulnerability Constraints to Pro-Poor Agricultural Growth; Agriculture, Hunger and Food Security; Official Development Assistance to Agriculture; Rethinking Tropical Agricultural Commodities; Agricultural Trade and Poverty Reduction: Opportunity or Threat?; Agricultural sustainability; Agriculture and Poverty Reduction; Concentration in Food Supply and Retail Chains; and Use of Civil Society Organisations to Raise the Voice of the Poor in Agricultural Policy	House of Commons Science and Technology Committee, "The Use of Science in UK International Development Policy", October 2004 The UK Parliamentary International Development Committee reports on DFID's programme on Agriculture 2004 - Operationalising Pro-Poor Growth - a multi-donor programme has highlighted importance of agriculture
2005	"Agriculture and Infrastructure Linkages", Working Paper Discussion of the draft Agriculture Policy Paper by DFID Development Committee, chaired by Minouche Shafik, 14 June 2005 Launch of the Draft Agriculture Policy Paper by Hilary Benn, Secretary of State for International Development, 29 July 2005 "Growth and Poverty Reduction: the Role of Agriculture" "Reducing poverty by tackling social exclusion", policy paper. DFID, London "Social transfers and chronic poverty: emerging evidence and the challenge ahead", Practice Paper	
2006	White Paper on International Development, "Eliminating World Poverty: Making Globalisation Work for the Poor"	

Appendix 6 – Case studies of rural development programmes. Malawi and Bangladesh

Malawi

Poverty analysis

At $230 (2001) per capita income, Malawi's is among the lowest in Africa. Poverty is chronic and widespread. 65% of the population (6.3 million people) were poor; 29% living in extreme poverty. Recent trends point to a deepening of poverty and inequality. The poorest 20% consume only 6% of total goods and services. Poverty is more prevalent in rural areas and there are strong regional variations. Malawi is very unlikely to meet MDG 1 (eradication of extreme poverty and hunger). "In fact little progress has been made in reducing the poverty and ultra-poverty over the past decade", according to a recent World Bank 'Poverty and Vulnerability Assessment' (June 2006).

Main characteristics DFID assistance

- The 1998 Country Strategy Paper (CSP) was produced at a time when the Malawi programme was being run from Harare. The strategy provides much scope but not much pragmatic guidance in meeting the challenges faced by the country office during the time of implementation. Undoubtedly this period proved to be especially challenging, particularly so after 2001, when the team had to establish the DFID office and presence in Malawi, respond to the humanitarian crises, and identify effective means of spending a rapidly expanding budget. CSPs written at the time have insufficient linkages to host government development plans, no clearly stated objectives and no monitorable indicators against which to measure 'success'. Various proposed interventions in the CSP did not come to fruition. Amongst these are Land Reform, Water and Sanitation (now given increasing attention again), Soil Fertility, Civil Society Challenge Fund, Decentralisation (except through health and education programmes) and Private Sector Development.

- Country office established in June 2001, which went through a period of rapid expansion.

- Since 2003, the number of projects being managed has decreased from around 120 to fewer than 40 in 2004 - with more emphasis placed on sector and direct budget support.

- The PRSP (launched in April 2002) is the overarching framework and DFID's core themes (see below) relate directly to the four pillars of the PRSP (i.e. sustainable pro-poor economic growth, human capital development, improved quality of life for the most vulnerable, and good governance). DFID vision in the 2003 country assistance paper (CAP) is to "have made an effective contribution to its implementation" by the end of this CAP period. (The CAP was only partially implemented.)

- The Country Assistance Plan (CAP) 2003-2006 develops many of the themes that began to emerge in the CSP. It is the result of two main driving forces: (i) Malawi's Poverty Reduction Strategy (MPRS) and (ii) what can be termed as DFID's global policy. Much of this emergent thinking is strongly reflected in the CAP, and have been realised in the following strategic choices:

  - A strong CAP-MPRS integration (as discussed above);
  - The CAP being organised around pro-poor outcomes not sectoral inputs;
  - Movement towards budget support;
  - Transition to sector wide programmes;
  - The pursuit of donor harmonisation across the sectors; and
  - Public sector capacity building and the institutionalisation of programmes within government as the preferred exit strategy.

- The PRSP identifies agriculture as the main engine of growth in the medium term. The government plan to bolster the agricultural sector by increasing utilisation of land, intensifying production and shifting to higher value crops. They also plan to develop 'Micro, Small, and Medium Scale Enterprises' (MSMEs) and improve the legal framework within which they operate. It is hoped that key reforms in land and credit markets will allow growth in other areas: natural resources, manufacturing, tourism and small-scale mining.

- DFID programme concentrates in three core areas: (i) Measures to enable sustainable growth and improve livelihoods; (ii) Better service delivery to the poor; and (iii) Pro-poor governance. "We will hope to provide budget support; contribute to harmonised donor approaches (in health, education, rural livelihoods, and Safety Security and Access to Justice); maintain a small number of learning projects; pro-poor governance programmes to support reform of political and economic governance; cross cutting programmes to address HIV/AIDS and environmental sustainability; and strategic partnerships with like minded donors and civil society."

- "Budget support impacts on all core areas and is potentially DFID's primary financial instrument for supporting the PRSP. Harmonised approaches in health and education are aimed at improving service delivery to the poor, and through productivity enhancement should contribute to sustainable growth. Improved livelihoods are linked to growth, especially through land reform; better security to growth and governance. Pro-poor governance programmes and cross-cutting programmes will impact on all core themes."

- "Its composition will shift more rapidly to budget support if risk mitigation measures prove effective." In 2003, DFID planned to increase the proportion of our programme delivered through budget support from 37% in 2002/03 to 50% in 2005/06.

- The existing £75 million (2000-2003) General Budget Support (GBS) agreement with the government is intended as part of a joint donor mechanism (CABS). In early 2003, DFID started preparations for a new budget support agreement. However DFID intends handling future budget support differently. DFID had proposed an approach to poverty expenditure, linking some budget support to performance in key sectors.

- In the short to medium term, "DFID will help to ensure the spectre of food shortage is minimised. Beyond inputs for food production we will contribute to a National Food Security Strategy and continue to provide humanitarian assistance as needed."

- In 2003, the Malawi Economic Growth Strategy (MEGS) was produced – in part to address perceived weaknesses in the MPRS. The purpose was to address the means of economic growth, something that was considered to be necessary for development in the social sectors.

- In terms of programme mix, the DFIDM portfolio has evolved considerably over the CSP/CAP period, with current commitments amounting to approximately one-third budget support (BS), one-third Health SWAp, and one-third other programmes (including humanitarian aid). The following section assesses the content and design issues for each of the main programme areas: health, education, pro-poor growth, governance, and crosscutting issues (gender and HIV/AIDS).

The approach to rural development and tackling poverty in rural areas

- There has seen a significant repositioning of DFIDM (as well as DFID globally), away from sustainable livelihoods towards the agriculture and pro-poor growth.

- While the CAP remains the current strategy until 2005/06 (on paper at least), DFIDM's strategy has in practice followed a very different course. In particular, the past two years or so have been marked by a change in direction with a further rationalisation of projects and an extensive period of 'rethinking and refocusing'. This has recently (April 2005) led to an internal paper entitled, *"Stimulating growth in Malawi and the role of agriculture and social protection: A paper in support of MEGS"* (hereafter referred to as the "Growth Paper"). This new approach follows the formation of the Growth and Social Protection (G&SP) team, currently headed by the deputy head of office.

- "Harmonised sector programmes" were the main mechanism for rationalising DFID project portfolio. There are harmonised approaches in agriculture (MASIP), Forestry (MFSSP) and Land Policy Reform (LPR) (in 2003)

- DFID also supported pilot micro-financial service provision (CUMO), and "pro-poor, environmentally aware infrastructure development and resourcing"

- Major constraints identified: rural insecurity, poor rural infrastructure, limited access to credit and markets, and to take into account the impact of AIDS on subsistence agriculture and the estate sector.

- Therefore within a relatively short period of time, the strategic direction of the CAP 2003 has been largely discarded - following changes in DFID global policy, internal restructuring within the country office, and changes of personnel. In particular, the CAP established a clear strategic direction towards sector programmes, with a shift upstream', the rationalisation of projects, and a commitment to sector programmes in forestry (FSSP), agriculture (MASIP) and safety nets (NSNP). There is now a perception of agriculture and safety nets as 'difficult sectors' not amenable to a smooth transition towards sector-wide approaches. Nonetheless, there has been little analysis by DFIDM of what pre-conditions may still be necessary, and what mix of aid instruments is appropriate.

- The Growth Paper makes a useful contribution to the debate about Malawi's longer-term prospects for growth and the role of agriculture. It does provide strategic direction, but as a strategy to guide DFIDM's work there are significant gaps – some of which may be filled by the forthcoming DFID country strategy. In particular, the paper does not specify DFID's role in support of government or other partners, but rather points to a series of, "Possible positive actions by government". Thus, while it has been useful for internal rethinking, and more recently external debate, it does not provide a clear test of programme fit; the paper contains little firm guidance on what DFIDM will support (or not support), limited prioritization, and no analysis of other donor programmes and where DFIDM might provide joint-support (with TA, pooled funding, etc). There is limited consideration of the legacy effect of existing projects and programmes, and no analysis of human resource and advisory implications. There is no hierarchy of outputs, purpose, goal and structure of objectives, and no clear link made to the main monitoring tools and measures of success.

- Pro-poor growth and social protection are important elements in making progress against the first MDG. DFIDM has moved from a position of spending millions on direct interventions to the poorest farmers (eg TIPS programme), to one of few specific 'interventions' to support pro-poor growth. At present work on cash transfers is the most advanced, with plans to pilot activities (although large-scale cash transfers are of unproven effectiveness within the Malawi context, and not without considerable risks).

- For other aspects in support of pro-poor growth (such as access to credit, markets, inputs, etc and opportunities for off-farm income), progress "has lacked urgency" (DFID, 2006). Within a reducing budget, the challenge will be to advance pro-poor growth using a combination of advisory support, pooled resources, TA, partnerships, etc, and working closely with key donors such as the EU and World Bank. This is also likely to require increased advisory capacity in the G&SP team, as well as renewed engagement with ministries in areas of growth, agriculture and social protection.

- This work is being piloted by DFIDM, building on experiences in Ethiopia and Zambia, and with the

support of DFID PS. The level of investment in G&SP (formerly Livelihoods) has fallen significantly from £24 million in 2002/03, to £15 million in 2003/04 and £10 million in 2004/05 (Source: Finance department, DFID-Malawi). This is set to continue, with significant amounts of future expenditure committed to budget support and the health sector over the next three years.

- The current thinking towards pro-poor growth and social protection (formerly livelihoods) represents a positive step. There are however concerns with the magnitude and urgency of the proposed interventions relative to the level of poverty and food security in Malawi (and progress towards MDG1).

- The Growth and Social Protection portfolio (formerly called the 'Rural Livelihoods' portfolio) covers a range of activities, projects and technical support. Between 2000 and 2005 there were over 30 'projects' or interventions, although several were annual commitments to the distribution of farm inputs through the Starter Pack and Targeted Inputs Programmes (TIPs).

- The progress and effectiveness of sector programmes in agriculture (MASIP) and safety nets (NSNP) have generally had limited success. Under FSSP however, the privatisation of forests does still present a major opportunity (and driver) for public sector reform within the Forestry Department, including the downsizing of implementation and re-orientating the role of government. Furthermore government spending on forestry seems likely to increase. This raises a contradiction in DFID support: on the one-side DFIDM supports national ownership and prioritisation (through budget support), yet in forestry at least, there is a lukewarm commitment to the other side; the organisational reforms deemed necessary to increase the effectiveness of government expenditure.

- Of the many projects implemented over the CAP/CSP period, the Starter Pack and TIPs were the major investments (£53 million from 1998 to 2004). Evidence suggests that the Starter Pack scheme helped raise average household production, increase the supply of maize to the market, and enabled the continuation of traditional support systems in rural communities. The scaled-down TIPs were much less effective at increasing the productivity of smallholder farmers, with limited adoption of new technologies, and weak targeting of the poorest.

- DFID have meanwhile retracted support for the Starter Pack/TIPs on the basis that it does not tackle underlying structural problems associated with poverty, that it will not lead to sustained increases in productivity, and that cash transfers provide a better safety nets option to reach the most vulnerable.

Evaluation and comments

- An independent evaluation of the Malawi country programme commissioned by DFID was undertaken in June and October 2005. The key study conclusions were rather scathing:

  - The strong links between the Country Assistance Plan (CAP) and Malawi Poverty Reduction Strategy (MPRS) undermined the CAP's strategic influence when political commitment to implement the MPRS was insufficient: "the CAP strategy was built on a weak foundation";

  - The country strategy should drive the choice of aid instruments, rather than allowing an aid instrument to dictate how the office will engage in a particular country context;

  - There is a need to retain a balance between interventions on the supply and demand side, especially in terms of promoting good governance;

  - In policy areas without significant budgeted resources nor established sector-wide approaches, DFID Malawi strategy and implementation should be better articulated;

  - When entering into budget support with government there should be greater confidence in a positive direction of change towards enhanced policy dialogue and stronger public financial management: "on budget support, the general consensus is that there is not much to show for the £72 million of support disbursed during the 2000-2003 period" (!);

  - Government capacity constraints and lack of institutional reform is a serious impediment to the development effectiveness of all donor programmes directed through the central government; and

- The transition to sector-wide approaches can be slow, and there should be greater awareness of immediate risks to service delivery during the transition to a SWAP.

- "In short, the massive volume of aid flows and the partnership between donors and the Government of Malawi is failing to achieve significant impact in poverty reduction and in achieving the MDGs. Within this, DFIDM has been instrumental amongst donors to recognise this failure and has made a positive contribution to the search for new strategic directions to address the magnitude and scale of poverty in the country.

- The following conclusions relate to agriculture and rural livelihoods:

  - DFID Malawi's strategy has at times pursued DFID global policy mechanistically and with limited adjustment to local political-economic circumstances. Increasingly, DFID's strategic choices are being drawn towards those sectors where transition to SWAp appears most feasible. As a consequence sectors where there is weaker national strategy (such as livelihoods) are receiving less attention.

  - "Under the (former) livelihoods portfolio, the strategic shift towards sector programmes has had limited success (especially in areas of agriculture and safety nets). The major investments in Starter Packs have been partially successful in reducing food insecurity, whereas the scaled-down Targeted Inputs Programme (TIP) has been far less effective. Furthermore, the year-on-year provision of humanitarian and food aid raises concerns about the failure to address the underlying problems of chronic poverty and food insecurity in the country (including constraints to smallholder production, such as access to markets, credit, inputs, etc and off-farm income).

  - The current thinking in DFID Malawi towards pro-poor growth and social protection represents a positive step, although it is not yet clear what DFIDM will support and how (policy influence, technical assistance, joint-donor interventions, etc). This lack of urgency is a concern given the challenge of addressing poverty and food security in Malawi, as well as the lack of progress against MDG1."

  - Major investments in Starter Packs have been partially successful in raising production and reducing food insecurity – and more so than the scaled-down TIPs. The shift to sector programmes have had limited success, except in the forestry sector (although lack of future support risks undermining the potential gains of reform).

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Bangladesh

Poverty analysis

Bangladesh has experienced 30 years of positive GDP growth, with the rate of growth averaging 5% since 1990. The incidence of poverty fell from around 59 per cent in 1991-92 to approximately 50 per cent in 2000. Furthermore, income poverty in Bangladesh declined by around 1 per cent per year between 1990-2000, faster than most other developing countries. But challenges remain. To attain the first MDG target, Bangladesh must reduce the proportion of its people whose income is less than one US dollar (PPP) a day from 49.6% (in 2005) to 29.4% by 2015, and the proportion of people in extreme poverty from 20% (in 2005) to 14% by 2015. Rising levels of inequality threaten to exclude the poorest 20% of the population (30 million people) from the benefits of national economic growth, and even if the nation achieves the target for poverty reduction in 2015, the total number of poor people would still remain extremely high at some 40-50 million.

Main characteristics of DFID current assistance

- DFID is a significant bilateral donor to Bangladesh, currently (2006/07) providing £125 million. This makes the country programme DFID's second largest (after India).

- Recently, increased joint working, in particular with Asian Development Bank, the World Bank, and the Government of Japan. They agreed "partnership principles", issued a newsletter, prepared a joint 'outcome matrix' and agreed a division of labour ('joint sector coverage matrix') assigning leadership and supporting roles in each sector amongst the four partners. We noted that DFID is taking a (joint) lead in the following relevant areas: poverty monitoring, social protection and livelihoods of the poor, disaster management, while Japan is leading on rural infrastructure and the World Bank on finance in rural areas, agricultural growth, and land administration.

- DFID Bangladesh is made up of three main 'teams': Governance; Human Development; and Pro Poor Growth.

The approach to rural development and tackling poverty in rural areas

- From mid 1980s, DFID Bangladesh developed a substantial Natural and Aquatic Resources Programme (NARP). For management reasons, these programmes were developed and implemented separately. There was a predominantly technical focus on production issues and the sustainability of the natural resource base.

- DFID's Poverty Review in 1998 suggested that the supported programmes did not, in general, reach the extreme poor. The review of the last country strategy concluded that programmes implemented by the NGOs are generally more effective at reaching the most disadvantaged.

- In the early 200s, DFID Bangladesh, recognizing that the UK government Development Policy has changed considerably "in the last five years", initiated a process to develop a new strategy, "a rural livelihoods strategy": "it was clear that high quality, innovative but technically focused NARP projects are not enough if poverty impact on the scale needed in Bangladesh is to be achieved. The NARP should be set within a broader context, which recognises the changing face of rural livelihoods (migration, diversification, communication etc.), the importance of governance and institutional issues and also the linkages with other sectors (social, human development etc.). We therefore need to move from an output focused to an outcome-focused approach which responds to the increasing complexity and options of the rural poor's livelihood strategies. At the centre of this is the need for understanding and engagement in the deeper structures and processes that affect the lives of the poorest. "

- The process to develop the rural livelihoods strategy took on board other DFID-B documents (such as the CSP) and analysed the NARP project experience. In addition, a number of specific background studies were used: DFID-B Programme Poverty Review, DFID-B Programme Gender Review, Participatory Livelihoods and Gender Review, DFID-B Environmental Approach Paper, Livelihoods Assessments - Chars etc. A Rural Livelihoods and Institutional Assessment was commissioned which, included; extensive fieldwork, 14 commissioned papers on specific topics (e.g. migration, gender, local governance etc.), focus discussion groups and seminars. This assessment looked at the changing face of rural Bangladesh trying to understand the dynamics and trends which have significant impact

on the livelihoods of poor people in rural Bangladesh including; economic, institutional, social and vulnerability context.

- The Country Assistance Plan (CAP) published in November 2003 is based on the government of Bangladesh's Poverty Reduction Strategy (PRS). The overall aim of both the PRS and the CAP is to enable Bangladesh to meet the MDGs. The CAP is entitled 'Women and Girls First' to reflect its focus on women and girls as gender inequality in Bangladesh constrains progress towards achieving the MDGs.

- The development challenge is “therefore twofold: to ensure that current progress in growth and poverty reduction continues and preferably accelerates and to ensure that development is fully inclusive”. DFID aims to support the drivers of pro-poor change and to assist in implementing reforms within the five ‘avenues’ for poverty reduction set out in the strategy: Pro-Poor Growth, Human Development, Women’s Advancement, Social Protection and Participatory Governance. We will concentrate on seven priority areas:

  - Support a strengthened enabling environment that assists enterprises to create more and better jobs for the poor, especially women;

  - Support to strengthening delivery and management of land transport at local and national levels;

  - Support a comprehensive rights based approach to maternal mortality reduction;

  - Support improved access for women and girls to food, safe water and hygiene.

  - Support comprehensive and national programmes for Universal Primary Education and Education for All;

  - Support more effective demands by pro-poor groups for resources, services and realisation of rights;

  - Support action to make the public sector more accountable and responsive to the interests of poor people.

- Most DFID plans to focus its activities on rural development and the rural poor. This will take the form of project financing and technical assistance for selected activities, as summarized below: rural electrification; land administration; chars livelihoods; rural livelihoods; economic empowerment of the poor; BRAC Challenging the Frontiers of Poverty Reduction (CFPR); contribution to South Asia Enterprise Development Facility (SEDF); comprehensive disaster management programme; rural markets; rural finance and micro-enterprise.

- Under the heading “Poverty and Hunger”, the 2006 ‘Factsheet’ gives the following programmes:

  - Chars Livelihoods Programme: £50m for an eight-year programme to improve livelihood security and provide employment opportunities for the extreme poor and vulnerable people living on chars (small sand islands) in northern Bangladesh. The programme will benefit 6.5 million of the poorest and most vulnerable people living in the char areas.

  - Challenging the Frontiers of Poverty Reduction: £16.2m over 5 years to the Bangladesh NGO “BRAC” to benefit more than 1.7 million poor people, including an intensive package of support (asset transfer, training, social support and health care) for 425,000 ultra-poor.

  - CARE Rural Livelihoods Programme: £7.2m to improve the livelihood security of men and women living in 221,000 poor and vulnerable rural households.

  - Land Rights: £6.62m to SAMATA, a land rights NGO through which 592,000 people from 114,000 family-households moved above the poverty line as a result of acquiring and redistributing 58,105 acres of Khas (government) land.

- Vulnerable Group Development Programme: £7.5m to support the Government/WFP in providing food and training to 750,000 ultra-poor women per year.

- Disaster Management Programme: £6m for 5 years with the UNDP and the Government to help develop a comprehensive disaster management programme.

The table below shows an overview of the evolution of the strategy of DFID in Bangladesh (DFID, 2006b).

CSP (1998-2002)	CAP (2003-6) "Women and Girls First"	Next CAP (from 2006)
A new agenda at the time: reflecting global DFID policy and 1997 White Paper with an increased emphasis on poverty, sustainable livelihoods, governance and rights No GOB poverty reduction strategy available to build on Maintained a broad portfolio and multiple sectors Natural resources and infrastructure largest subsectors, plus health and education Aim to begin a move from projects to programmes, (health SWAP introduced) Themes of enabling institutions, influencing partners emerged Introduction of PRSP process and MDGs	Linked to the Interim-PRSP + MDGs/IDGs + 'More with Less' + Influencing Inspired by Drivers of Poor-Poor Change Study Explicit gender focus (reflecting DFID corporate agenda) Increased private sector focus though public sector still dominant Greater engagement with Govt. More attention to better partnership strategies? Growing funding; budget support introduced Less livelihoods and infrastructure focus	Closer engagement with PRSP, MoF and MTEF Governance and political strategy take lead Greater account taken of political and economic realities (fragile states arguments applied to Bangladesh) Favour a more subtle, less confrontational approach to governance and corruption, with multiple entry points Joint Strategy with Group of 4 biggest donors (World Bank, ADB, Japan, DFID) Projects to decline from >70 to <25-35 by 2007 Greater competition in NGO support (challenge funds) Cross-Whitehall UK strategy for Bangladesh Climate change on agenda
<u>Similarities</u> Allow existing portfolio to continue : (with exceptions : livelihoods, infrastructure reducing) Broad strategic thrusts remain relevant – Bangladesh has not changed greatly in areas of major concern (governance, poverty) No clear prioritisation continues Weak cause-effect analysis; poor definition of outcomes that link the projects to the strategy. Weak M&E indicators for outcomes, and hence poor monitoring of contribution of programmes to poverty reduction.		

Evaluation and comments

- An evaluation commissioned by DFID and published in (2002) examined the support given by DFID to promoting sustainable agriculture over the period 1994 to 2001. Bangladesh was on the four case studies selected. The review concluded that the projects have been largely successful, but the sustainable agriculture strategy itself had little influence on sectoral investments or cross-sectoral working. The review also concludes that 'sustainable livelihood' approaches are addressing many of the shortcomings identified by this evaluation.

- Bangladesh was also a case study for the operationalizing pro-poor growth programme (Sen et al,

2004). The authors conclude that the green revolution in Bangladesh was a success and that the experience of Bangladesh shows that "social and economic achievements are possible even in the face of extreme odds characterized by an extremely high population density, low resource base, high incidence of natural disasters, and persistence socio-political instability, especially during the initial years". They also conclude that "Bangladesh's success in cereal production notwithstanding the earlier agrarian pessimism indicated the possibility that the traditional production relations in agriculture need not be binding and technological progress can be achieved even without radical land redistributive reform.

- An evaluation of the country programme conducted in 2005 (DFID, 2006b) found that "the portfolio was balanced between sectors, partners and in scale. However, DFID's impact could have been greater had it:
  - Suffered from less staffing issues;
  - Been under less pressure to respond to central policy themes;
  - Had sufficient monitoring and feedback loops in place; and C
  - Chose to build on long-standing partnerships."

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Appendix 7 – The Sustainable Livelihoods Framework

The sustainable livelihoods framework

(Source: DFID)

Sustainable livelihoods (SL) approaches draw on three decades of changing views of poverty (which is now recognised to go well beyond income and to have multi-dimensional characteristics and causes). In particular, participatory approaches to development have highlighted great diversity in the goals to which people aspire, and in the livelihood strategies they adopt to achieve them. Poverty analysis has highlighted the importance of assets, including social capital, in determining well-being. The importance of the policy framework and governance, which have dominated much development thinking since the early 1980s, are also reflected in SL, as is a core focus on the community. Community-level institutions and processes have been a prominent feature of approaches to natural resource management and are strongly emphasised in SL approaches, though in SL the stress is on understanding and facilitating the link through from the micro to the macro, rather than working only at community level.

SL approaches also stem from concerns about the effectiveness of development interventions. While professing a commitment to poverty reduction, the immediate focus of much donor and government effort has been on resources and facilities (water, land, clinics, infrastructure) or on structures that provide services (education ministries, livestock services, NGOs), rather than people themselves. SL approaches place people firmly as the starting point for development activity; the benchmark for success is whether sustainable improvements in people's livelihoods have taken place. It is anticipated that this refocusing on the poor will make a significant difference to the achievement of poverty elimination goals.

Other concerns about development effectiveness that have fed into SL approaches include that: many activities are unsustainable (environmentally, economically and in other ways); isolated sectoral initiatives have limited value while complex cross-sectoral programmes become unmanageable; and success can only be achieved if a good understanding of the household economy is combined with attention to the policy context. It may be ambitious, but SL approaches try to address all these concerns and thereby to improve the effectiveness of development spending.

According to DFID (Briefing, 1999) 'Sustainable Livelihoods' principles hold that poverty-focused development activity should be:

- People-centred: sustainable poverty elimination will be achieved only if external support focuses on what matters to people's lives, understands the differences between people and works with them in a way that is congruent with their current livelihood strategies, social environments and ability to adapt;
- Responsive and participatory: poor people themselves must be key actors in identifying and addressing livelihood priorities, and 'outsiders' need to adopt processes that ensure they listen and respond;
- Multi-level: the scale of the challenge of poverty elimination is enormous, and can only be achieved by working at multiple levels, ensuring that micro level activity informs the development of policy and an effective enabling environment and that macro level structures and processes support people to build

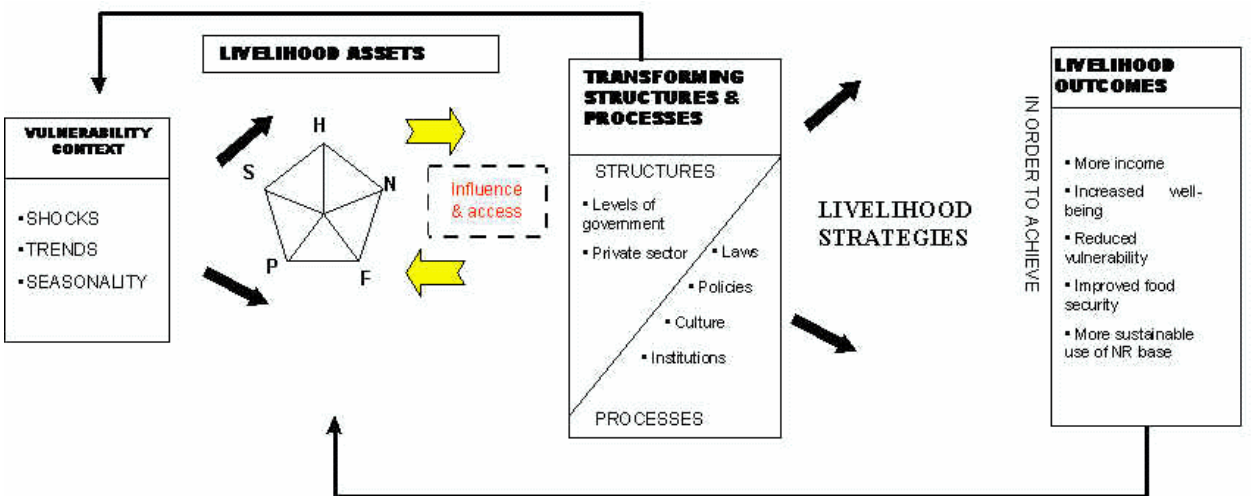
upon their own strengths;

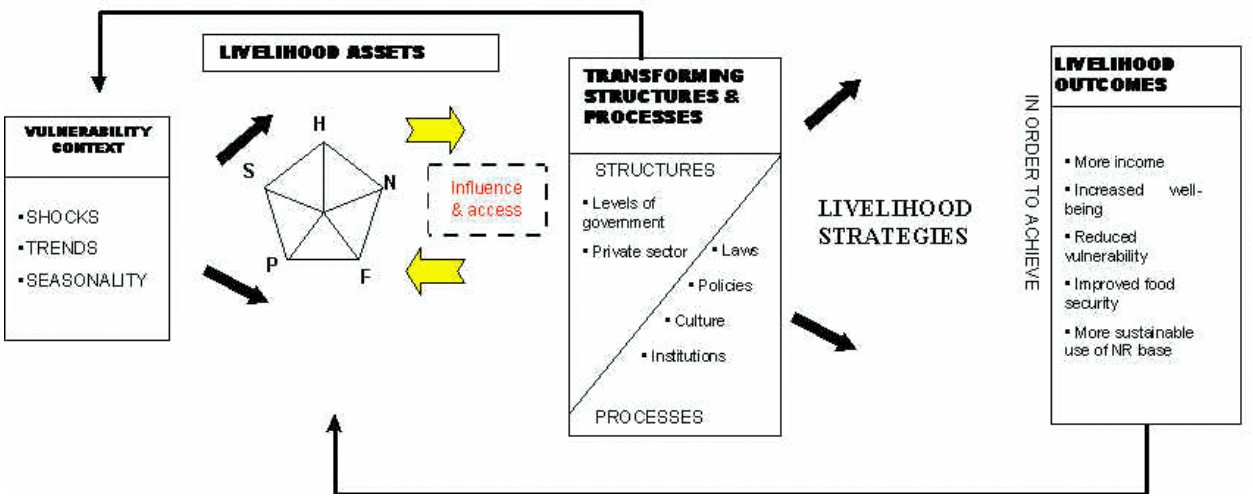
- Conducted in partnership: with both the public and the private sector (including civil society/non-governmental organisations);
- Sustainable: there are four key dimensions to sustainability – economic, institutional, social and environmental sustainability. All are important – a balance must be found between them; and
- Dynamic: external support must recognise the dynamic nature of livelihood strategies, respond flexibly to changes in people's situation, and develop longer-term commitments of support.

DFID's sustainable livelihoods framework which builds on various concept roots provides an analytical structure for building an understanding of livelihoods. It encourages users to think about existing livelihood patterns as a basis for planning development activities and spending.

DFID's SL framework avoids laying down any explicit definition of what exactly poverty is (indeed, the framework is says nothing about poverty per se. It can be used to help understand the livelihoods of both rich and poor.) The `outcomes' in the box below are `suggestions' of the type of objectives that people may be pursuing, but the `real' meaning of poverty remains context-specific, something to be investigated on a case-by-case basis with different groups.

The SL framework helps to 'organise' various factors that constrain or enhance livelihood opportunities, and to show how they relate to each other. It is not intended to be an exact model of reality, but to provide a way of thinking about livelihoods that is representative of a complex, holistic reality, but is also manageable. There is no real beginning, middle or end to the framework. The entire 'picture' endeavours to represent 'whole' livelihood systems, and these do not have a fixed organisational structures but are characterised by repeated patters of connections and influences. Arrows in the framework do not represent any strict causality; the longer ones show important feedback (amongst the multiple feedback loops that occur) while the shorter ones denote an even looser idea (something like `existing within and environment that is influenced by…'). The asset pentagon in the middle represents a graphical way of thinking through combined asset portfolios.





Where:

- 'H' represents *human* capital: the skills, knowledge, ability to labour and good health important to the ability to pursue different livelihood strategies;
- 'P' represents *physical* capital: the basic infrastructure (transport, shelter, water, energy and communications), the production equipment and means that enable people to pursue livelihoods;
- 'S' represents *social* capital: the social resources (networks, membership of groups, relationships of trust, access to wider institutions of society) upon which people draw in pursuit of livelihoods;
- 'F' represents *financial* capital: the financial resources which are available to people (whether savings, supplies of credit or regular remittances or pensions) and which provide them with different livelihood options; and
- 'N' represents *natural* capital: the natural resource stocks from which resource flows useful for livelihoods are derived (e.g. land, water, wildlife, biodiversity and wider environmental resources).

According to the DFID briefing, the value of a framework such as this is that it encourages users to take a broad and systematic view of the factors that cause poverty – whether these are shocks and adverse trends, poorly functioning institutions and policies or a basic lack of assets – and to investigate the relations between them. It does not take a 'sectoral' view of poverty, but tries to recognise the contribution made by all the sectors to building up the stocks of assets upon which people draw to sustain their livelihoods. The aim is to do away with pre-conceptions about what exactly people seek and how they are most likely to achieve their goals and to develop an accurate and dynamic picture of how different groups of people operate within their environment. This provides the basis for the identification of constraints to livelihood development and poverty reduction. Such constraints can lie at local level or in the broader economic and policy environment. They may relate to the agricultural sector – the main focus of donor activity in rural areas – or they may be more to do with social conditions, health, education or rural infrastructure.

According to DFID' Briefing (1999), NGOs such as CARE and Oxfam have explicitly adopted livelihoods approaches as guiding principles of their development activity, and the United Nations Development Programme (UNDP) employs SL approaches as one means of achieving sustainable human development. Discussions with various other NGOs, donors and domestic governments have shown that they are adopting similar approaches, or elements of SL approaches, even if they do not explicitly use the SL terminology.

(Source: DFID)

Evolution of DFID policy

(Source: Solesbury, 2003)

1987

The World Commission on Environment and Development publishes its report: Our Common Future (the 'Brundtland Commission report')

1988

IIED publishes papers from its 1987 conference: The Greening of Aid: Sustainable Livelihoods in Practice (Conroy and Litvinoff, eds., 1988)

1990

UNDP publishes the first Human Development Report

1992

UN holds Conference on Environment and Development

IDS publishes 'Sustainable Rural Livelihoods: Practical concepts for the 21st century' (Chambers and Conway, 1992)

1993

Oxfam starts to employ the SL approach in formulating overall aims, improving project strategies and staff training

1994

CARE adopts household livelihoods security as a programming framework in its relief and development work

1995

UN holds World Summit for Social Development

UNDP adopts Employment and Sustainable Livelihoods as one of five priorities in its overall human development mandate, to serve as both a conceptual and programming framework for poverty reduction

IISD publishes Adaptive Strategies and Sustainable Livelihoods (Singh and Kalala, 1995), the report of a UNDP-funded programme

SID launches project on Sustainable Livelihoods and People's Everyday Economics

1996

Adaptable Livelihoods: coping with food insecurity in the Malian Sahel (Davies, 1996) is published by Macmillan

DFID invites proposals for major ESCOR research programme on Sustainable Livelihoods. IDS led consortium wins the main award, with another award to ODG

IISD publishes Participatory Research for Sustainable Livelihoods: A Guidebook for Field

Projects (Rennie and Singh, 1996)

1997

New Labour administration publishes its first White Paper on international development,

Eliminating World Poverty: A Challenge for the 21st Century

1998

DFID's Natural Resources Department opens a consultation on sustainable livelihoods and establishes a Rural Livelihoods Advisory Group

Natural Resources Advisers annual conference takes Sustainable Livelihoods as its theme and later publishes contributory papers: Sustainable Rural Livelihoods: What Contribution Can We Make? (Carney (ed.), 1998)

SID publishes The Sustainable Livelihoods Approach, General Report of the Sustainable Livelihoods Project 1995–1997 (Amalric, 1998)

UNDP publishes Policy Analysis and Formulation for Sustainable Livelihoods (Roe, 1998)

DFID establishes the SL Virtual Resource Centre and the SL Theme Group

IDS publishes ‘Sustainable rural livelihoods: a framework for analysis’ (Scoones, 1998)

The FAO/UNDP Informal Working Group on Participatory Approaches and Methods to Support

Sustainable Livelihoods and Food Security meets for the first time

1999

DFID creates the Sustainable Livelihoods Support Office and appoints Jane Clark as its Head

DFID publishes the first Sustainable Livelihoods Guidance Sheets (DFID, 1999a); Sustainable

Livelihoods and Poverty Elimination (DFID, 1999b); and Livelihoods Approaches Compared

(Carney et al., 1999)

Presenters at the Natural Resources Advisers’ Conference report progress in implementing SL approaches and DFID later publishes these in Sustainable Livelihoods: Lessons from Early

Experience (Ashley and Carney, 1999)

ODI publishes ‘Sustainable Livelihoods in Practice: early application of concepts in rural areas’ (Farrington et al., 1999)

DFID establishes the Sustainable Livelihoods Resource Group of researchers/consultants Mixing it: Rural livelihoods and diversity in developing countries (Ellis, 2000b) is published

2000

DFID commissions and funds Livelihoods Connect, a website serving as a learning platform for SLA

FAO organises an Inter-agency Forum on Operationalising Sustainable Livelihoods Approaches, involving DFID, FAO, WFP, UNDP, and IFAD

DFID publishes Sustainable Livelihoods – Current thinking and practice (DFID, 2000a); Sustainable Livelihoods – Building on Strengths (DFID, 2000b); Achieving Sustainability: Poverty Elimination and the Environment (DFID, 2000c); and more SL Guidance Sheets

The Sustainable Livelihoods Resource Group establishes a subgroup on PIP (Policy, Institutions and Processes)

IDS publishes ‘Analysing Policy for Sustainable Livelihoods’ (Shankland, 2000), the final report from its ESCOR programme

Oxfam publishes Environments and Livelihoods: Strategies for Sustainability (Neefjes, 2000)

The Government publishes its second White Paper, Eliminating World Poverty: Making Globalisation Work for the Poor (DFID, 2000e)

2001

DFID commissions research on further development of the SLA framework; practical policy options to support sustainable livelihoods

Sustainable Livelihoods: Building on the Wealth of the Poor (Helmore and Singh, 2001) is published

DFID organises SLA review meeting of officials, researchers and practitioners.

Appendix 8 – References

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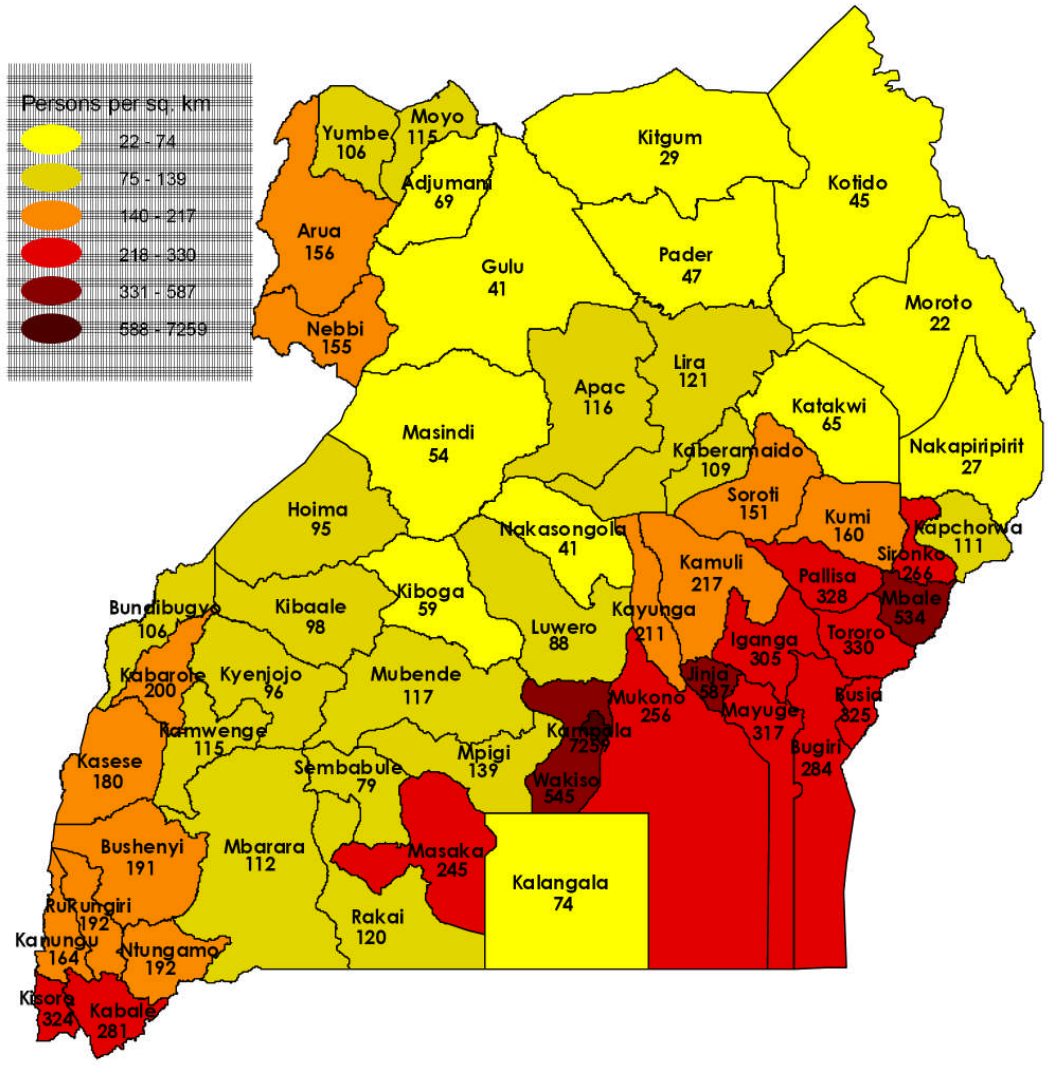
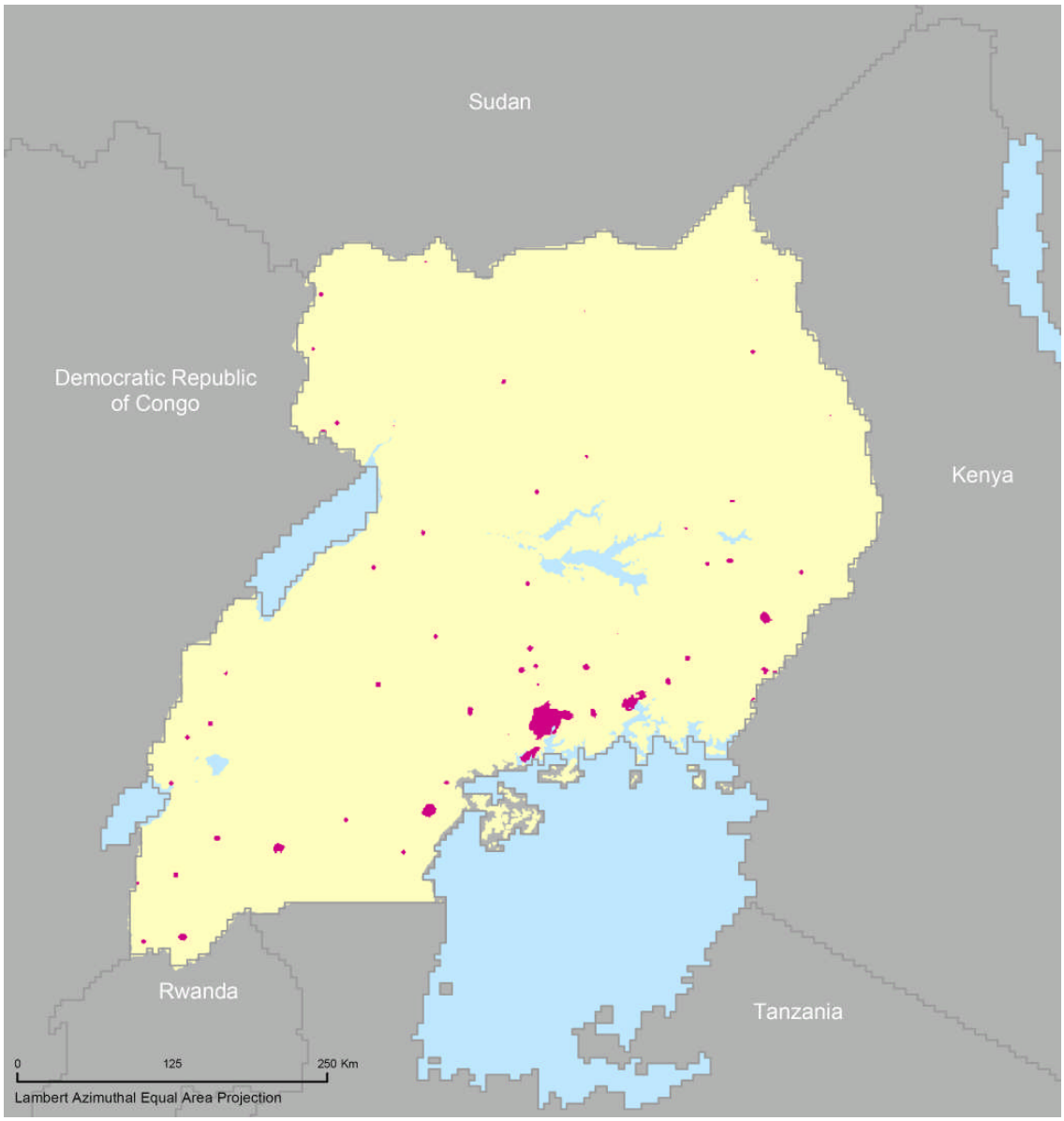
Appendix 9 – Uganda: maps

2002 population density by district



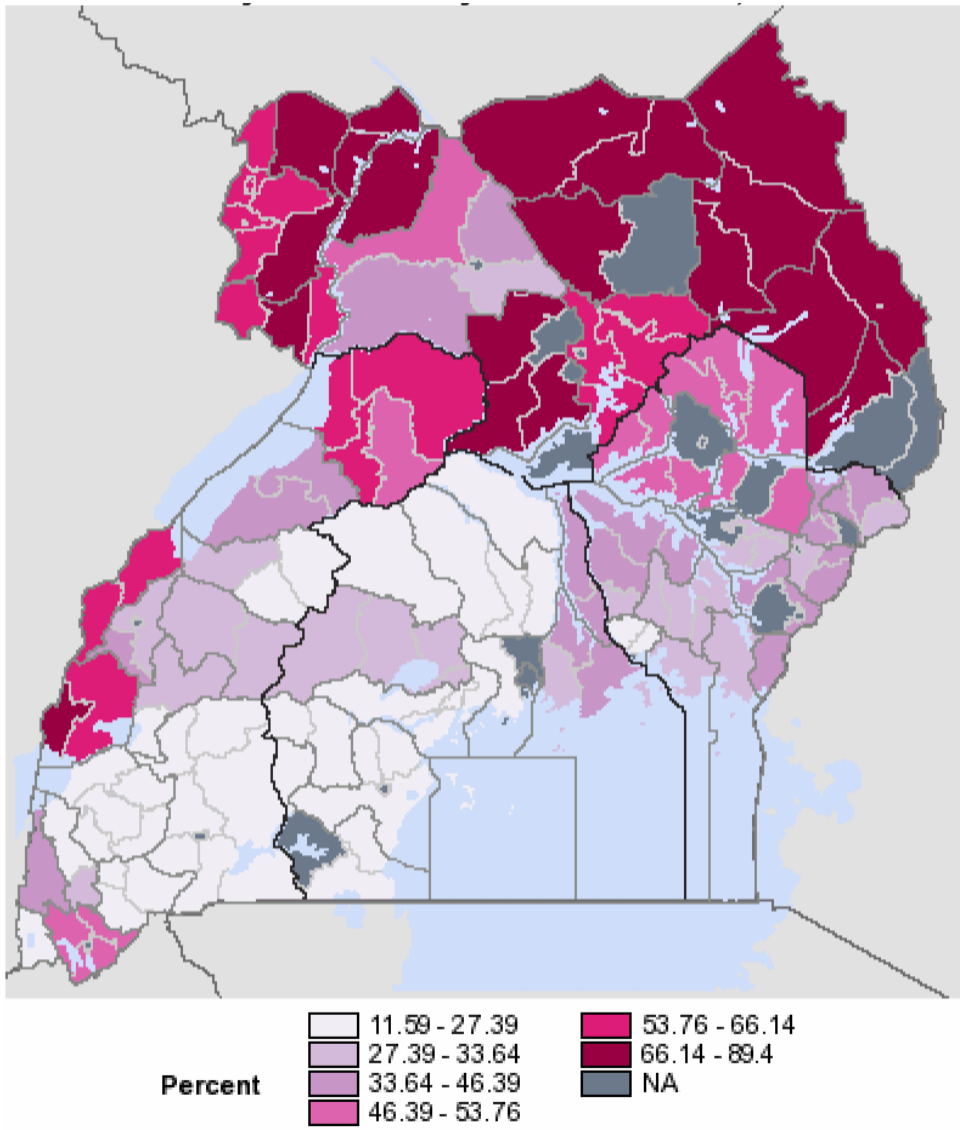
Source: 2002 Census

Main urban populations

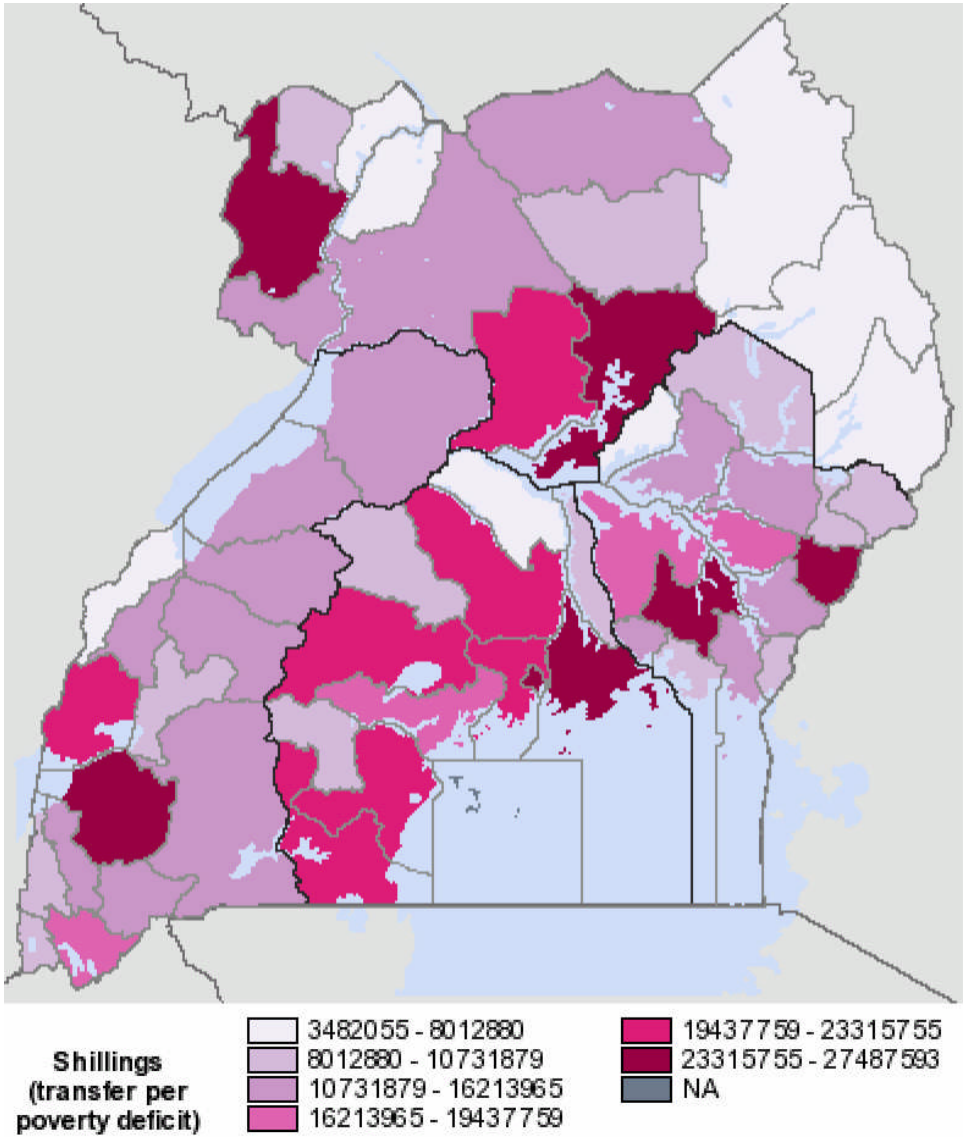


Source: Centre for International Earth Science Information Network (CIESIN)

Poverty rate/headcount ratio, 1999



Total transfers from national government to district, 2006



Source: Funnel the money.org/sidea/map.php

Appendix 10 – Uganda: national data

Sector shares of government expenditure of Uganda, UGS billions 1982-1997

Year	General public administration	Defence affairs & services	Public order & safety affairs	Education affairs	Health affairs	Social services affairs & welfare	Agriculture, road & other		Total
							Veterinary, forestry	Transport. affairs	
1982	57.72	25.31	50.19	50.17	15.71	2.15	9.66	6.95	217.86
1983	95.79	167.00	41.52	126.68	27.08	4.31	20.76	17.45	500.61
1984	178.88	285.30	65.58	223.48	52.77	7.13	42.60	47.24	902.97
1985	142.67	373.16	54.80	191.69	32.09	40.48	27.47	52.40	914.76
1986	173.96	338.82	85.23	135.96	27.63	3.84	46.01	48.55	859.99
1987	137.77	347.88	76.51	257.07	33.90	2.57	38.25	29.66	923.61
1988	138.87	315.41	53.78	150.08	34.46	4.11	31.60	20.45	748.76
1989	134.93	302.69	56.43	108.50	28.84	1.80	17.56	21.75	672.49
1990	268.27	251.06	60.75	105.24	37.23	12.07	23.26	20.30	778.16
1991	663.17	251.29	79.30	177.82	46.26	9.44	26.88	28.08	1282.24
1992	709.96	193.89	61.05	128.01	39.91	4.86	20.88	23.36	1181.92
1993	237.65	191.94	79.23	93.43	35.30	9.87	12.86	28.93	689.21
1994	146.22	133.44	58.02	131.03	41.00	3.41	11.88	12.49	537.50
1995	175.08	123.62	62.53	123.24	37.60	1.76	5.68	8.91	538.43
1996	181.08	143.47	67.93	174.39	42.82	3.81	6.24	13.63	633.37
1997	213.26	136.53	69.98	198.08	50.63	1.32	7.32	15.78	692.90

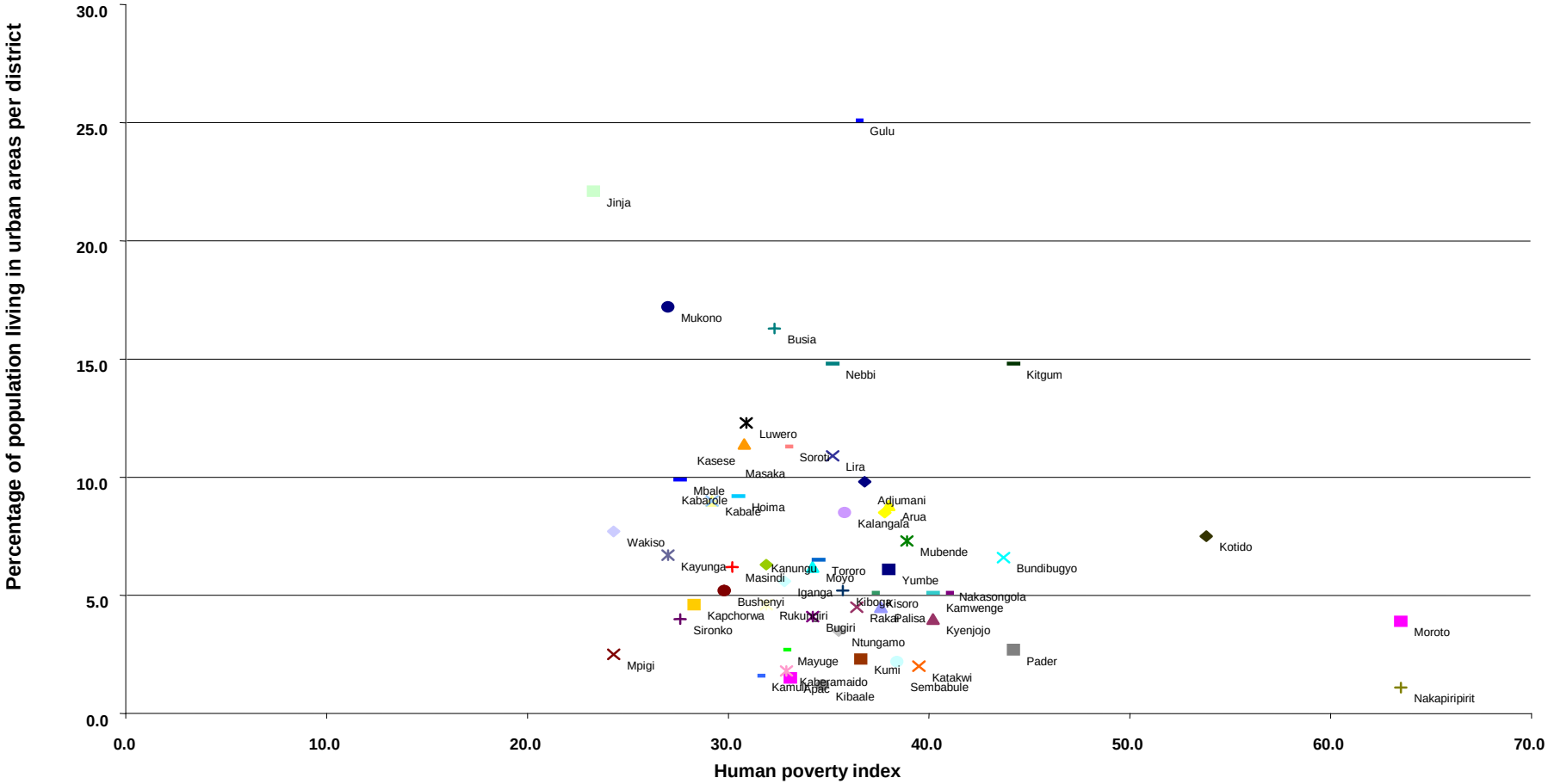
Source: Uganda Bureau of Statistics.
Notes: 1. Expenditures include recurrent and development expenditure at the both central and local levels

Uganda sector and poverty action fund expenditures (excluding donor projects), UGS Billions, 2003/04 prices

Sector expenditure (excl. donor projects)	1997/98	1998/99	1999/00	2000/01	2001/02	2002/03	2003/04	2004/05
Security	145.5	244.2	216.9	226.7	263.9	311.7	335.7	345.1
Roads and works	48.2	75.8	114.3	139.0	173.8	162.7	146.5	149.0
Agriculture	11.1	11.7	20.6	23.7	47.0	51.6	45.9	50.1
Education	256.0	330.7	369.2	405.6	505.8	516.2	517.3	529.9
Health	63.5	79.9	90.7	119.7	180.7	199.3	207.8	202.6
Water	4.8	15.3	20.9	39.6	54.4	57.9	53.2	51.7
Justice, law and order	87.8	88.3	102.8	106.2	141.2	152.9	197.0	164.2
Accountability	4.9	7.5	11.5	17.7	23.8	27.4	80.6	66.6
Economic functions and social services	40.5	33.7	64.6	81.6	135.8	159.5	123.8	108.5
Public administration	245.7	254.8	285.5	328.0	405.8	385.4	371.3	406.9
Interest payments	75.2	86.7	107.6	138.8	170.2	189.8	248.2	204.3
Total sector expenditure	**983.2**	**1,228.6**	**1,404.6**	**1,626.6**	**2,102.4**	**2,214.4**	**2,327.3**	**2,278.9**
o/w central government	553.6	749.2	813.7	858.1	1,079.7	1,194.0	1,178.9	1,158.3
o/w local government	271.4	347.1	389.0	491.9	677.8	687.7	724.2	739.4
Local government as % expenditure (excl. interest)	30%	30%	30%	33%	35%	34%	35%	36%
Interest as % total expenditure	8%	8%	8%	9%	9%	9%	12%	10%
Poverty action fund expenditure	**1997/98**	**1998/99**	**1999/00**	**2000/01**	**2001/02**	**2002/03**	**2003/04**	**2004/05**
Universal primary education	144.9	205.0	240.3	276.5	329.1	335.3	338.0	338.5
Primary health care	5.2	25.0	21.8	62.2	126.6	151.6	153.0	158.8
Safe water and sanitation	4.7	14.8	19.9	38.4	53.6	57.1	53.2	51.8
Agricultural extension and exports	0.7	0.3	5.1	4.4	27.8	30.0	28.6	32.9
Rural roads	10.1	24.3	27.9	33.5	42.1	40.8	45.0	37.0
Accountability	4.5	9.2	12.0	19.1	27.3	30.5	29.4	31.6
Other (land reform, adult literacy, restocking, LGDP)	0.6	1.6	14.2	45.6	73.0	81.4	98.9	102.0
Total poverty action fund expenditure	**170.7**	**280.2**	**341.2**	**479.7**	**679.5**	**726.7**	**746.1**	**752.7**
PAF as % of expenditure less interest payments	19%	25%	26%	32%	35%	36%	36%	36%
PAF as % of total expenditure	17%	23%	24%	29%	32%	33%	32%	33%

Source: Ministry of Finance. Joint Evaluation of General Budget Support, Uganda Country Report

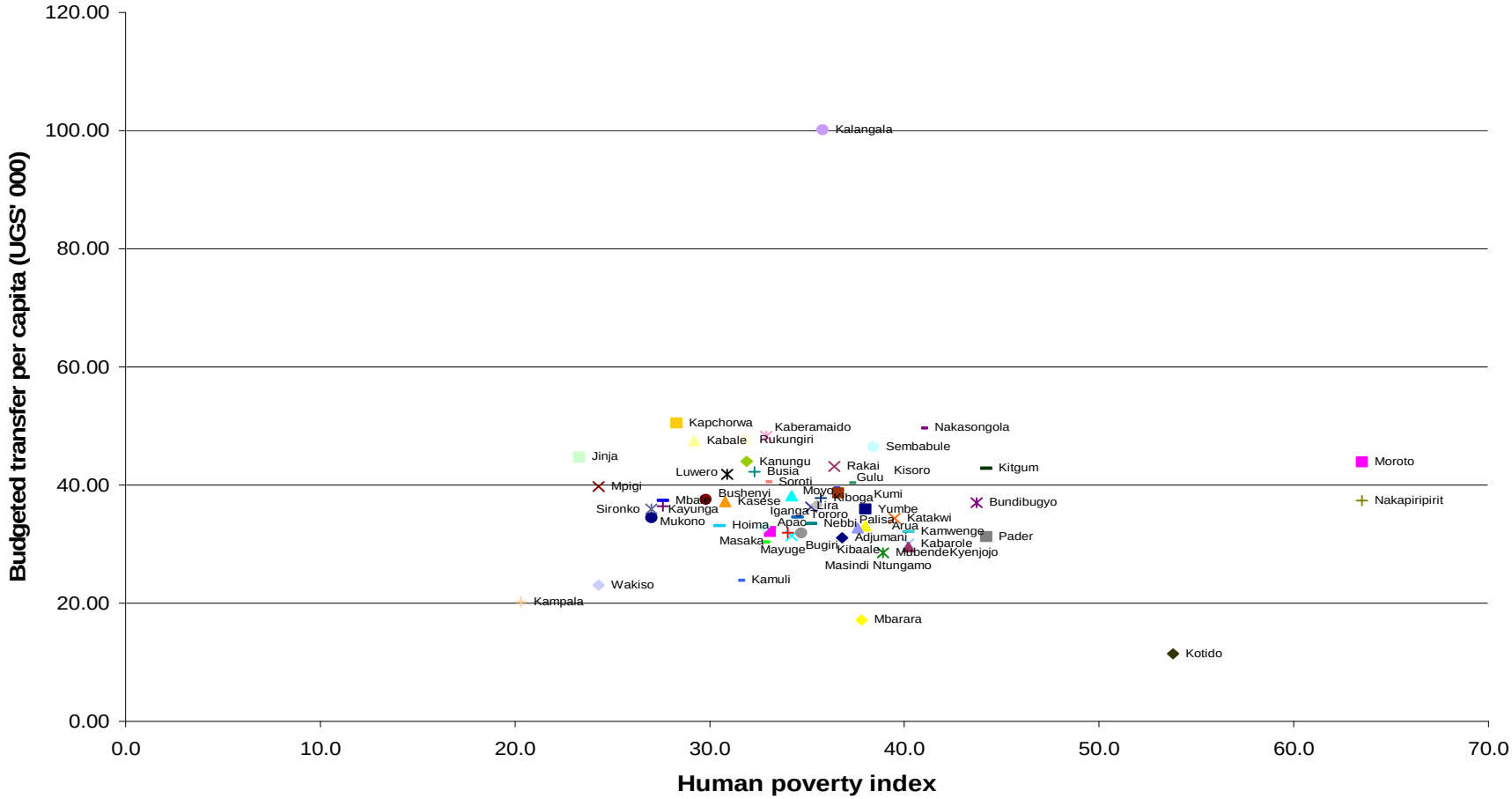
Human poverty index versus percentage of population living in urban areas per district



Note: Kampala not included

Source: Urban population figures from 2002 Census (annex 1), Human Poverty Index provided Local Government Finance Commission

Poverty rate versus budgeted transfer per capita per district



Calculated using budgeted transfers for 2005/06 (source: Local Government Finance Commission), 2002 population figures (2002 Census) and Human Poverty Index data provided by Local Government Finance Commission

Appendix 11 – Uganda: education data

Literacy rate by district in 1991 and 1999/2000

Region	District	1999/2000 Average	1999/2000 Female	1999/2000 Male	1991 Rural	1991 Urban	1991 Average
Central	Kalangala	81.72	81.29	82.2	71	82	72
	Kampala	93.5	90.13	97.3	-	88	88
	Kiboga	66.51	51.41	78.9	54	79	55
	Luwero	78.11	72.86	84.2	58	76	59
	Masaka	78.07	72.73	84.2	60	82	62
	Mpigi	83.01	79.07	87.1	71	87	73
	Mubende	65.64	58.3	73.6	56	83	58
	Mukono	73.78	64.56	84.2	59	78	61
	Nakasongola	70.03	63.88	77			
	Rakai	69.98	61.13	79	53	81	54
	Sembabule	67.27	57.73	77			
Eastern	Bugiri	65.3	52.13	81			
	Busia	60.65	45.53	78.2			
	Iganga	63.5	51.23	78.1	46	71	47
	Jinja	74.08	67.75	80.7	61	83	67
	Kamuli	60.12	47.79	74.3	40	69	41
	Kapchorwa	62.37	48.26	76.8	54	68	54
	Katakwi	48.03	31.52	69.9			
	Kumi	58.65	45.52	76	41	64	42

Region	District	1999/2000 Average	1999/2000 Female	1999/2000 Male	1991 Rural	1991 Urban	1991 Average
	Mbale	65.47	53.56	77.9	54	72	56
	Pallisa	59.14	43.22	76.4	47	62	47
	Soroti	54.28	37.85	73	45	67	47
	Tororo	61.6	46.64	75.7	50	70	53
Northern	Adjumani	59.68	38.09	83.3			
	Apac	69.16	49.41	90.3	53	72	53
	Arua	58.87	38.28	82.3	45	64	46
	Gulu				46	71	49
	Kitgum				38	67	39
	Kotido	13.53	7.05	29.8	10	47	12
	Lira	61.13	36.26	87.9	49	70	50
	Moroto	12.59	7.07	22.2	8	54	11
	Moyo	57.04	36.79	80.7	44	69	45
	Bebbi	54.28	34.59	79.1	46	61	47
Western	Bundibugyo				39	53	40
	Bushenyi	68.69	59.78	78.2	54	77	55
	Hoima	70.2	63.01	77.6	56	79	56
	Kabale	66.31	56.08	77.8	50	71	51
	Kabarole	67.29	56.42	79.6	48	75	49
	Kasese				47	70	50
	Kibaale	70.99	63.91	77.9	50	73	51
	Kisoro	56.49	38.97	74.9	32	48	33
	Masindi	61.45	49.1	74.1	50	83	52
	Mbarara	69.39	59.74	79.3	51	82	53
	Btungamo	69.7	62.52	77.9	47	80	47
	Rukungiri	76.33	66.08	86.7	56	76	57

Sources: Public Expenditure, Growth and Poverty Reduction in Rural Uganda, Shenggen Fan, Xiaobo Zhang, and Neetha Rao. Calculated from 1999/2000 National Household Survey

Primary education transfers and indicators by district

District	Budgeted transfers to local government for 05/06 (UGS)	Transfer per student (UGS)	Gross enrolment ratio (2004)	Gross student enrolment (2004)	Pupil classroom ratio (2004)	Population in urban areas (2002)
Kalangala	865,659	187.3	44.2%	4,623	33	8.5%
Kotido	1,752,328	32.4	31.7%	54,001	79	7.5%
Adjumani	1,974,408	45.8	75.0%	43,122	58	9.8%
Moroto	2,076,415	107.0	39.9%	19,400	52	3.9%
Moyo	2,134,368	56.1	66.6%	38,017	66	6.2%
Nakasongola	2,875,476	63.3	127.0%	45,443	55	5.1%
Kisoro	3,355,240	50.9	105.2%	65,918	61	5.1%
Kitgum	3,509,614	33.9	126.7%	103,511	110	14.8%
Kabarole	3,756,955	36.6	100.0%	102,584	86	11.5%
Kapchorwa	3,820,891	59.3	116.6%	64,431	69	4.6%
Kiboga	3,822,072	49.6	116.5%	77,048	64	5.2%
Hoima	4,117,201	42.6	96.9%	96,595	69	9.2%
Busia	4,222,215	54.9	118.1%	76,942	75	16.3%
Sembabule	4,687,354	54.4	163.8%	86,149	96	2.2%
Kampala	4,692,577	27.5	49.4%	170,500	41	100.0%
Rukungiri	4,793,718	53.5	101.7%	89,639	57	4.6%
Kibale	4,843,192	40.3	101.7%	120,038	75	1.2%
Katakwi	4,963,996	48.8	116.1%	101,748	93	2.0%
Masindi	5,316,836	41.5	95.6%	128,230	89	6.2%
Nebbi	5,442,832	36.0	122.1%	151,060	100	14.8%
Bugiri	5,606,884	39.7	115.9%	141,127	89	4.1%
Jinja	5,891,463	57.0	87.5%	103,432	72	22.1%
Ntungamo	6,024,443	48.8	111.8%	123,495	73	3.5%
Soroti	6,265,752	45.4	130.0%	138,085		11.3%
Mpigi	6,501,474	45.6	120.5%	142,711	69	2.5%
Kumi	6,549,460	50.6	116.9%	129,447	84	2.3%
Gulu	6,883,012	42.3	121.7%	162,688	88	25.1%
Tororo	7,173,155	40.0	112.3%	179,410	94	6.5%
Luwero	7,188,417	41.9	126.5%	171,449	64	12.3%
Mbarara	7,214,897	23.7	98.1%	304,883	69	8.5%
Kamuli	7,315,600	32.0	112.3%	228,347	99	1.6%
Pallisa	7,319,565	43.5	112.9%	168,362	93	4.5%

District	Budgeted transfers to local government for 05/06 (UGS)	Transfer per student (UGS)	Gross enrolment ratio (2004)	Gross student enrolment (2004)	Pupil classroom ratio (2004)	Population in urban areas (2002)
Mubende	7,596,554	44.6	84.4%	170,187	74	7.3
Rakai	8,057,483	57.8	103.4%	139,291	67	4.5
Kasese	8,115,521	47.2	113.0%	171,989	92	11.4
Mukono	9,442,941	45.3	90.4%	208,461	65	17.2
Kabale	9,959,729	64.4	114.8%	154,586	64	9.0
Apac	10,209,904	43.8	120.7%	233,075	103	1.5
Masaka	10,270,095	46.3	101.3%	222,003	70	10.6
Iganga	10,295,473	42.7	118.0%	241,379	98	5.6
Bushenyi	11,613,474	52.9	106.4%	219,676	64	5.2
Lira	11,794,977	44.4	122.8%	265,542	93	10.9
Arua	12,406,357	34.1	148.9%	363,460	129	8.8
Mbale	12,462,500	48.7	124.4%	256,070	98	9.9

Source: Uganda 2002 Census, Uganda 2004 service delivery survey, Uganda national household survey 2002/03

Secondary education transfers and indicators by district

District	Budgeted transfers to local government for 2005/06 UGS	Gross enrolment rate (2004)	Net enrolment rate (2004)	Student teacher ratio (2004)	Student classroom ratio (2004)	Population in urban areas (2002)
Kotido	148,194	1.9%	1.48%	21	66	7.5%
Moroto	154,478	6.9%	5.50%	19	54	3.9%
Kalangala	173,975	8.6%	6.68%	18	32	8.5%
Nakasongola	262,617	22.8%	21.13%	19	58	5.1%
Adjumani	263,421	17.7%	13.23%	22	51	9.8%
Moyo	300,325	16.3%	11.51%	20	48	6.2%
Bundibugyo	314,716	7.5%	6.06%	22	80	
Sembabule	345,541	10.7%	9.19%	15	45	2.2%
Kiboga	399,349	12.5%	11.12%	16	37	5.2%
Kitgum	514,479	12.2%	10.43%	23	55	14.8%
Katakwi	573,167	5.9%	5.32%	17	39	2.0%
Kisoro	609,147	12.9%	11.08%	15	37	5.1%
Bugiri	698,728	16.5%	14.85%	20	46	4.1%
Kabarole	714,924	20.6%	17.77%	18	45	11.5%
Busia	805,063	28.2%	23.76%	23	56	16.3%
Nebbi	845,912	11.1%	8.79%	17	51	14.8%
Kapchorwa	858,744	24.0%	20.71%	20	47	4.6%
Masindi	971,980	11.3%	9.64%	20	47	6.2%
Ntungamo	993,975	12.0%	10.24%	18	43	3.5%
Soroti	1,066,686	17.8%	15.56%	18	46	11.3%
Hoima	1,109,674	14.8%	12.28%	19	70	9.2%
Kumi	1,120,184	13.9%	12.84%	20	56	2.3%
Kamuli	1,367,957	15.3%	13.61%	24	55	1.6%
Pallisa	1,455,019	14.9%	12.97%	23	61	4.5%
Kasese	1,530,797	15.8%	13.07%	18	39	11.4%
Gulu	1,645,987	11.2%	9.84%	22	53	25.1%
Kabale	1,794,030	21.6%	17.59%	18	44	9.0%
Rakai	1,856,842	12.6%	11.46%	20	46	4.5%
Mubende	1,887,515	12.5%	11.06%	17	47	7.3%
Kibale	1,933,128	9.7%	8.26%	19	41	1.2%

District	Budgeted transfers to local government for 2005/06 UGS	Gross enrolment rate (2004)	Net enrolment rate (2004)	Student teacher ratio (2004)	Student classroom ratio (2004)	Population in urban areas (2002)
Rukungiri	1,959,823	20.0%	16.24%	18	43	4.6%
Iganga	2,035,866	16.1%	14.08%	23	59	5.6%
Luwero	2,091,154	18.5%	16.04%	18	54	12.3%
Apac	2,117,646	8.0%	7.20%	19	65	1.5%
Mbarara	2,351,632	13.6%	11.32%	16	39	8.5%
Mpigi	2,355,602	29.8%	26.09%	19	54	2.5%
Tororo	2,465,541	19.5%	15.56%	19	54	6.5%
Masaka	2,555,227	18.7%	16.04%	19	46	10.6%
Jinja	2,683,271	26.3%	22.67%	21	55	22.1%
Arua	3,053,409	17.1%	13.76%	16	56	8.8%
Mukono	3,209,647	17.7%	15.60%	18	44	17.2%
Lira	3,363,006	11.3%	9.81%	17	51	10.9%
Mbale	3,569,523	25.9%	21.29%	21	62	9.9%
Bushenyi	3,725,129	23.2%	18.92%	20	41	5.2%
Kampala	6,025,339	33.9%	27.57%	18	48	100.0%

Source: Uganda 2002 Census, Uganda 2004 service delivery survey, Uganda national household survey 2002/03

Actual district expenditure for education and sports (primary and secondary) from 2001/02 to 2003/04

District	2001/02 UGS	2002/03 UGS	2003/04 UGS
Adjumani	211,813,801	1,937,922,146	
Arua	10,442,949	31,809,914	35,193,563
Bugiri	5,404,936,653	5,510,338,827	6,577,234,380
Bundibugyo	3,125,859,532	4,308,429,904	3,876,000,031
Bushenyi	11,830,639,284	12,964,648,344	14,433,503,094
Busia	4,611,102,109	4,658,205,324	5,068,093,112
Gulu	6,516,318,496	7,717,022,050	6,786,690,980
Hoima	4,603,400,654	4,753,164,164	5,180,702,949
Iganga	10,416,805,617	12,308,058,814	12,471,650,781
Jinja	6,155,988,605	6,883,403,287	5,737,368,246
Kabale	10,112,942,946	10,477,039,299	10,048,299,926
Kabarole	926,725,218	794,191,415	631,849,467
Kalangala	856,466,451	1,144,665,506	1,035,908,929
Kamwenge	1,537,914,212	1,820,179,569	4,311,134,480
Kanungu	32,823,178	3,675,860,499	3,900,715,239
Kapchorwa	3,222,268,786	3,514,287,118	4,345,581,280
Kasese		4,345,114,746	
Katakwi	4,647,449,466	6,081,617,696	5,121,815,703
Kayunga	4,275,398,252	4,908,167,646	
Kibale	4,096,744,294	4,588,413,048	5,419,297,182
Kiboga	4,625,456,418	4,904,491,624	4,780,061,053
Kisoro		3,827,009,137	3,861,596,720
Kotido	2,771,751,161	3,691,106,620	4,415,270,869
Kyenjojo	637,979,908	3,690,445,456	5,360,324,372
Lira	183,275,990	4,602,359,823	
Luwero	7,838,173,739	12,928,734,662	9,824,581,398
Masaka	10,295,676,392	10,956,527,690	10,634,753,453
Masindi	61,005,570	11,584,633,962	762,726,322

District	2001/02 UGS	2002/03 UGS	2003/04 UGS
Mayuge	4,352,875,051	1,523,537,907	
Mbale	11,684,209,059	4,545,868,296	13,679,528,382
Mbarara	14,269,174,383	13,230,179,631	17,706,043,562
Moroto	2,552,626,806	16,166,929,379	
Moyo		2,962,365,378	243,141,249
Mpigi	7,771,608,000	209,768,277	8,151,599,000
Mubende	8,187,919,139	7,780,592,000	9,414,915,096
Mukono		8,480,332,147	11,933,016,119
Nakapiripirit	851,086,041	11,067,171,218	1,082,553,998
Nakasongola	2,349,701,591	1,532,219,031	3,142,872,244
Nebbi	5,044,903,925	2,619,675,265	
Ntungamo	5,565,762,336	2,000,173,408	7,090,442,627
Pallisa		6,109,562,478	2,006,773,645
Rakai		2,327,237,599	
Rukungiri	37,508,972	7,438,879,941	23,846,602
Sironko	4,981,400,659	26,153,845	5,912,720,359
Soroti	6,249,416,042		
Tororo	8,545,263,957	5,784,824,455	9,183,391,783
Wakiso	8,954,791,561	9,381,917,541	9,465,157,000
Yumbe	2,476,492,840	9,505,551,417	

Source: Local Government Finance Commission based on final accounts. Figures include capital and development expenditure

Appendix 12 – Uganda: health data

Actual district expenditure for health and environment from 2001/02 to 2003/04

District	2001/2002 (UGS)	2002/03 (UGS)	2003/04 (UGS)
Adjumani	1,590,261,407	1,653,572,046	
Arua	156,771	3,381,929	6,465,425
Bugiri	1,595,702,376	1,563,207,077	1,958,511,915
Bundibugyo	1,424,848,772	1,620,447,078	1,816,028,596
Bushenyi	2,767,183,718	3,005,793,504	3,264,698,121
Busia	839,520,672	858,913,949	944,682,264
Gulu	2,894,116,831	2,802,564,003	2,567,274,231
Hoima	946,174,840	944,502,669	1,041,294,763
Iganga	2,627,756,870	2,856,256,214	3,319,479,846
Jinja	2,763,095,959	1,631,610,111	1,899,310,990
Kabale	1,916,707,680	2,070,620,999	2,181,880,274
Kabarole	1,267,562,751	1,045,351,904	830,071,754
Kaberamaido	120,678,054		843,788,434
Kalangala	433,795,808	503,520,688	535,397,742
Kamuli		1,650,514,062	
Kamwenge	337,309,634	404,020,645	1,478,236,179
Kanungu	27,877,290	1,107,867,795	1,477,369,657
Kapchorwa	1,255,977,422	1,584,684,224	1,359,514,221
Kasese	16,543,425	2,146,790,278	

District	2001/2002 (UGS)	2002/03 (UGS)	2003/04 (UGS)
Katakwi	889,562,502	1,067,034,083	1,334,847,343
Kayunga	618,397,616	1,352,622,144	
Kibale	151,615,667	1,979,834,743	1,702,375,860
Kiboga	1,521,257,023	1,165,208,261	1,834,189,984
Kisoro	2,335,216,689	1,386,990,423	1,630,332,715
Kotido	2,695,033,405	2,082,714,547	2,688,904,645
Kyenjojo	21,612,171	1,035,660,510	887,506,205
Lira	586,993,574	3,969,508,044	
Luwero	2,469,891,418	3,440,012,941	2,980,458,481
Masaka	3,995,126,777	3,488,787,487	926,146,041
Masindi	553,948,332	567,871,999	1,152,383,182
Mayuge	717,009,396	1,114,458,166	
Mbale	2,666,835,834	2,377,553,914	2,134,743,610
Mbarara	1,976,871,027	2,132,015,000	2,671,609,851
Moroto		1,983,766,032	
Moyo		407,208,794	532,694,087
Mpigi	2,321,774,000	2,401,312,000	2,356,807,000
Mubende	1,429,963,193	2,346,649,138	3,298,773,013
Mukono		3,093,504,654	4,095,331,121
Nakapiripirit			1,332,878,394
Nakasongola	637,976,906	656,360,020	672,632,949
Nebbi	2,210,725,608	117,123,408	
Ntungamo	1,271,723,666	1,528,434,575	2,177,716,775
Pallisa			
Rakai		2,470,176,096	
Rukungiri	27,920,527	16,023,018	18,018,306
Sironko	650,453,368	996,916,972	1,384,805,944
Soroti			
Tororo	2,550,055,880	3,068,809,498	3,667,862,375
Wakiso	3,456,862,450	3,307,709,631	4,088,527,000
Yumbe	719,512,237	1,066,364,783	

Source: Local Government Finance Commission based on final accounts. Figures include capital and development expenditure

Health status by district in 1999/2000

Region	District	Percentage of population falling sick during the past 30 days			Days lost due to illness		
		Total	Female	Male	Total	Female	Male
Central	Kalangala	28.53	35.15	20.75	2.41	3.02	1.68
	Kampala	26.76	28.2	25.28	1.79	2.12	1.46
	Kiboga	26.49	23.87	28.36	2.34	1.91	2.65
	Luwero	21.47	22.85	20.18	1.85	2.2	1.52
	Masaka	17.21	18.64	15.69	1.48	1.57	1.4
	Mpigi	22.01	22.5	21.53	1.84	1.82	1.87
	Mubende	24.73	25.97	23.43	2.39	2.43	2.35
	Mukono	25.19	26.8	23.58	2.21	2.43	1.99
	Nakasongola	21.41	19.85	22.89	1.62	1.47	1.77
	Rakai	16.76	18.47	15.12	1.72	1.81	1.63
	Sembabule	15.87	20.01	12.45	1.42	1.82	1.08
Eastern	Bugiri	37.19	38.29	36.1	2.54	2.91	2.17
	Busia	40.52	45.76	34.72	2.44	2.72	2.13
	Iganga	42.43	44.82	39.78	2.76	2.97	2.53
	Jinja	31.8	32.84	30.73	1.76	1.84	1.67
	Kamuli	45.58	48.87	42.07	3.16	3.32	3
	Kapchorwa	20.76	25.35	16.14	1.51	1.69	1.32
	Katakwi	31.52	35.19	27.87	2.56	2.9	2.22
	Kumi	32.35	33.38	31.26	2.56	2.77	2.34
	Mbale	36.59	38.84	34.36	2.87	3.1	2.64
	Pallisa	30.57	32.65	28.48	2.25	2.53	1.96
	Soroti	33.26	39.19	26.9	2.74	3.63	1.79
	Tororo	34.3	37.86	30.82	2.87	3.18	2.56

Region	District	Percentage of population falling sick during the past 30 days			Days lost due to illness		
		Total	Female	Male	Total	Female	Male
Northern	Adjumani	21.73	26.17	16.43	1.71	2.11	1.23
	Apac	32.35	31.73	32.99	2.95	3.09	2.82
	Arua	25.53	26.64	24.36	2.22	2.28	2.16
	Kotido	19.34	19.48	19.15	1.44	1.62	1.2
	Lira	30.9	33.46	28.49	2.97	3.29	2.67
	Moroto	17.19	21.19	12.63	1.1	1.36	0.79
	Moyo	31.01	34.78	26.59	2.66	2.87	2.42
	Bebbi	29.68	34.93	23.86	2.48	3.04	1.86
Western	Bushenyi	26.22	27.98	24.43	2.82	3.02	2.61
	Hoima	27.02	29.36	24.9	2.13	2.22	2.04
	Kabale	15.04	16.34	13.66	1.61	1.69	1.54
	Kabarole	30.81	33.78	27.71	2.84	3.08	2.59
	Kibaale	30.48	32.07	28.98	2.93	3.08	2.8
	Kisoro	13.52	14.58	12.44	1.63	1.63	1.63
	Masindi	23.59	23.68	23.51	1.97	2.08	1.87
	Mbarara	18.55	20.45	16.6	1.8	2	1.61
	Btungamo	26.72	29.75	23.6	2.77	3.14	2.39
	Rukungiri	24.63	26.41	22.77	2.52	2.82	2.21

Sources: Public Expenditure, Growth and Poverty Reduction in Rural Uganda, Shenggen Fan, Xiaobo Zhang, and Neetha Rao. Calculated from 1999/2000 National Household Survey

Health transfers and indicators by district

District	Central government transfers to local government for 2005/06 (UGS)	Population per medical staff (2002)	Population per bed (2002)	Percentage of population in urban areas (2002)
Adjumani	1,638,741	8795	1221.17	9.8
Apac	2,803,205	16286	1591.162	1.5
Arua	3,272,803	27798	930.4189	8.8
Bugiri	2,090,461	16496	2330.721	4.1
Bundibugyo	1,848,428	11051	1428.752	6.6
Bushenyi	3,390,098	28130	1266.947	5.2
Busia	844,709	14063	1253.742	16.3
Gulu	2,957,288	15331	560.9665	25.1
Hoima	1,124,751	16363	1204.152	9.2
Iganga	3,413,594	14764	1,105.42	5.6
Jinja	2,344,188	10766	481.88	22.1
Kabale	2,315,101	22916	1,089.57	9
Kabarole	1,840,103	16223	394.27	11.5
Kaberamaido	728,343	26330	4,097.47	1.8
Kalangala	497,211	1931	1,222.03	8.5
Kampala	3,457,140	17487	339.19	100
Kamuli	2,540,169	16841	1,190.76	1.6
Kamwenge	1,010,316	21978	7,382.83	5.1
Kanungu	1,743,726	14624	1,367.30	6.3
Kapchorwa	1,707,985	5769	1,201.92	4.6
Kasese	4,189,894	12453	963.82	11.4
Katakwi	1,111,344	14236	3,301.42	2
Kayunga	1,954,566	10522	2,970.81	6.7
Kibaale	1,966,565	11597	2,362.02	1.2
Kiboga	1,475,805	15298	1,412.91	5.2
Kisoro	2,028,108	11595	597.89	5.1
Kitgum	2,198,585	13446	316.16	14.8
Kotido	1,206,750	19093	1126.9	7.5
Kumi	2,849,434	11461	711.95	2.3
Kyenjojo	1,585,397	13470	5,433.74	4
Lira	3,134,390	19506	1,052.45	10.9
Luwero	3,654,997	7597	720.22	12.3
Masaka	3,014,660	20829	666.46	10.6

District	Central government transfers to local government for 2005/06 (UGS)	Population per medical staff (2002)	Population per bed (2002)	Percentage of population in urban areas (2002)
Masindi	3,182,457	12419	1,201.70	6.2
Mayuge	1,215,933	29516	1,991.26	2.7
Mbale	3,295,665	20521	781.91	9.9
Mbarara	1,548,830	32010	1,276.73	8.5
Moroto	2,388,277	13567	385.76	3.9
Moyo	2,003,577	6716	609.49	6.2
Mpigi	2,271,964	13155	424.52	2.5
Mubende	3,417,759	12537	1,824.95	7.3
Mukono	4,035,083	24103	850.45	17.2
Nakapiripirit	946,710	14045	5,128.73	1.1
Nakasongola	722,903	10589	1,291.72	5.1
Nebbi	3,044,854	10619	648.90	14.8
Ntungamo	2,467,768	12666	3,045.79	3.5
Pader	1,315,589	29667	7,342.00	2.7
Pallisa	2,719,767	11076	2,048.05	4.5
Rakai	3,904,918	7972	883.53	4.5
Rukungiri	2,391,445	25015	402.47	4.6
Sembabule	855,872	15004	1,980.41	2.2
Sironko	1,227,651	56618	4,170.10	4
Soroti	1,664,037	23112	837.81	11.3
Tororo	3,281,222	8801	918.76	6.5
Wakiso	2,623,734	16509	3,191.00	7.7
Yumbe	1,579,910	17985	1,688.83	6.1

Source: Uganda 2002 Census, Uganda 2004 service delivery survey, Uganda national household survey 2002/03, 2005 Statistical abstract

Appendix 13 – Uganda: infrastructure data

Distances to different infrastructure (km), 1999/2000

	National	Central		Eastern		Northern		Western	
		Rural	Urban	Rural	Urban	Rural	Urban	Rural	Urban
Only dry season feeder roads	5.4	0.42	0.25	1.51	17.53	3.02	0	14.43	0
All season feeder roads	1.5	0.59	0.05	2.14	0.21	2.45	0	1.72	0.33
Murram roads	3.2	3.51	0.31	2.61	0.82	7.03	0.23	2.37	0.25
Tarred roads	20.8	11.01	0.28	18.93	4.17	41.67	8.69	29.74	16.78
Transport (buses)	11.8	10.02	10.87	12.3	0.68	20.02	0.78	11.31	0.42
Transport (taxi/matatu)	4.9	4.29	0.21	4.97	0.43	9.19	0.78	5.05	0.37
Railway stop	35.7	30.13	16.47	36.22	16.55	51.1	18.75	46.12	31.17
Factory employing at least 10 people	19.6	8.57	2.4	23.84	11.62	38.96	8.39	25.34	4.1
Waterway transport	28.7	23.23	7.74	22.3	21.99	34.24	25.29	45.97	32.94
Truck/pick-up for transporting inputs/produce	9.9	8.34	0.45	11.08	0.83	22.54	0.82	7.29	0.53
Transport with car during emergency	15.6	7.27	0.41	11.56	0.78	26.22	0.89	7.32	0.35
Nearest post office	19.3	12.53	2.03	12.75	1.2	34.99	1.05	15.55	1.35
Telephone call box/booth	25.5	15.41	1.31	17.42	3.93	43.76	1.02	19.38	1.09

Source: Public expenditure growth and poverty reduction in Uganda, Shenggen Fan, Xiaobo Zhang, and Neetha Rao