

# Departmental Report 2003



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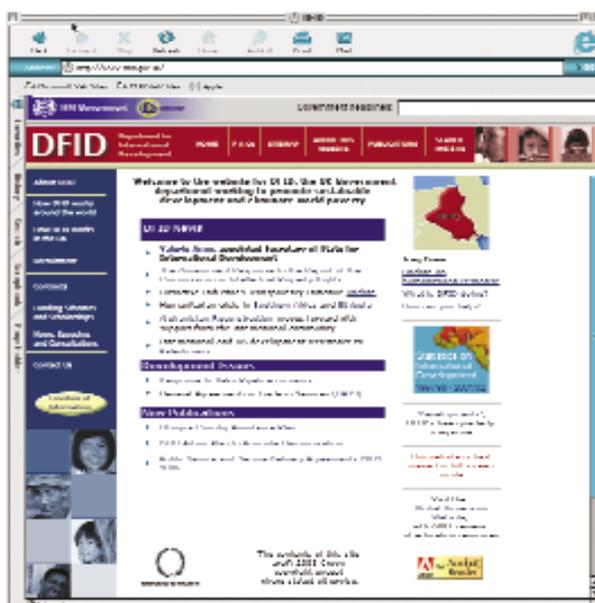
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**By post:**  
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Abercrombie House  
Eaglesham Road  
East Kilbride  
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**Front cover pictures:**

**Left:** South Africa. Housing project in Philippi township. Most of the construction work is done by local women donating their labour. Eric Miller/Panos Pictures

**Right:** Rwanda. Washing hands under a precious clean water supply. Giacomo Pirozzi/Panos Pictures

This document is part of a series of Departmental Reports (Cm 5901 to 5931) which, along with the Main Estimates 2003–04, the document Public Expenditure Statistical Analyses 2003, and the Supplementary Budgetary Information 2003–04, present the Government's expenditure plans for 2003–2006.

The complete series of Departmental Reports and Public Expenditure Statistical Analyses 2003 is also available as a set at a discounted price.



Department for International Development

# Departmental Report

# 2003

Presented to Parliament by the  
Secretary of State for International Development  
and the  
Chief Secretary to the Treasury  
by Command of Her Majesty  
May 2003

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# Foreword

by Baroness Amos  
Secretary of State for International Development



I am delighted and honoured to have been appointed Secretary of State for International Development. My aim is to take forward the Government's policy agenda set out in the two White Papers and our Public Service Agreement in order to contribute to the achievement of the Millennium Development Goals. I do not underestimate the scale of the task ahead but know that I will be strongly supported by the Department for International Development which is widely recognised to be one of the most effective development agencies in the international system. I am looking forward to the challenge.

This annual report looks back over the last year, but also forward to the period ahead.

International development usually hits the headlines at times of emergencies. At the moment, the crisis in Iraq is in the forefront of all our minds. We are determined to provide humanitarian assistance and support for development so that the people of Iraq can look forward to a better future. Images of war, famine or natural disasters provoke public sympathy. DFID is one of the fastest and most effective agencies in responding to such crises. UK taxpayers are entitled to take pride in the early and significant contributions we make to all such emergencies. Additional charitable contributions are very welcome but they are far outweighed by the speed, scale and flexibility of taxpayers' contributions.

But of course international development is not just about emergency response to specific crises. In fact, this takes up about ten percent of our work. The elimination of abject poverty is a long-term goal. Our central task is to work with the international community to halve world poverty and achieve the other UN Millennium Development Goals by 2015.

Great strides have been made. We have demonstrated that when aid is well-used it has brought sustained improvements to peoples' lives. This was recognised at a series of international conferences over the past few years, culminating in the World Summit on Sustainable Development in Johannesburg in September 2002. The world is now united – on an agenda for which DFID has worked hard – on an unprecedented consensus focused on the systematic reduction of poverty. This provides a great opportunity to make real progress. The UK is in a position to make a very important contribution to this agenda.

But much remains to be done to turn this vision into reality. Kofi Annan, the UN Secretary-General, presented his first report on progress towards the Millennium Development Goals in September last year. In it he warned that there has been some progress towards meeting the Goals, but in most places it is too slow. A step-change is needed.

UK support for international development has never been stronger. The International Development Act, which entered into force in July 2002, outlaws the use of British aid for any other purpose than poverty reduction. In last year's Spending Review, the UK aid budget was increased by £1.5 billion. My department's budget will increase to reach nearly £4.6 billion a year by 2005/06. This includes a commitment to spend 90% of our aid in the poorest countries – and a total of £1 billion per annum to reduce poverty in Africa. This is the first time our spending has reached such levels in that continent. The UK's aid budget will have almost doubled in real terms since 1997, and aid as a proportion of our national income will have reached its highest level in over 20 years.

But we must continue to make progress to our goal of reaching the UN aid target of 0.7% of gross national income. Development spending in all OECD countries is a tiny proportion of overall public expenditure. There is currently \$52 billion available internationally and it is estimated that \$100 billion is needed to meet the Millennium Development Goals. Gordon Brown's proposals for an International Financing Facility are designed to meet this shortfall.

Obviously UK aid alone is not enough. A major focus of our efforts is to ensure the whole of the international community - donors, international organisations such as the EC and the World Bank, rule-making bodies like the World Trade Organisation, and developing countries themselves – all work together to reduce poverty and to create an international system which supports development. We have continued over the past year to increasingly support developing countries' own plans to reduce poverty, designed in consultation with their people. And we have worked with other OECD donors to agree ways to harmonise our efforts and so increase effectiveness and reduce wasteful duplication.

This Report sets out some of our achievements over the past financial year. Poverty levels remain unacceptably high around the world, and millions suffer unnecessarily. But I believe the people of the UK are entitled to take pride in the contribution they are making to building a more just world.



**VALERIE AMOS**

May 2003

# How to use this report

This Departmental Report is intended to provide Parliament, members of the public, our development partners and others interested in development issues with a comprehensive account of how we have been spending, and plan to spend, public funds. The report focuses primarily on DFID's work and key developments in 2002/03. It does not replicate policy information which is set out in other DFID publications. The report refers to key publications where interested readers can find further information on DFID policy. Further information about our work is also available on the DFID website at [www.dfid.gov.uk](http://www.dfid.gov.uk).

## Chapters One to Six

Chapter One summarises DFID's objectives. Chapter Two looks at DFID's progress in improving its effectiveness and impact, and that of the wider international system. Chapter Three looks at different approaches to tackling the multiple causes of poverty. Chapter Four details our achievements in the main regions where we work. Chapter Five explains what we spend our money on. Chapter Six explains how we are improving the way we work as an organisation.

## Annexes One to Five

Annex One sets out DFID's current and planned allocations. Annex Two provides details of DFID's achievements against our 2001-04 Public Service Agreement. Annex Three sets out our 2003-06 Public Service Agreement. Annex Four lists the Millennium Development Goals. Annex Five gives an up-to-date organisational chart for DFID.

## Publications, glossary and abbreviations

All publications mentioned are followed by a number in brackets, which indicates where to find them in the list of publications (in Annex Six) – for example: Eliminating World Poverty: A Challenge for the 21st Century (1). Annex Six also explains how copies of all DFID publications can be obtained. We have sought to avoid, where possible, abbreviations, acronyms and development jargon. A list of the most commonly used acronyms, abbreviations and development terms is listed in Annex Seven. Annex Eight provides a comprehensive index.

# Chapter 1

The responsibilities of the Department for International Development



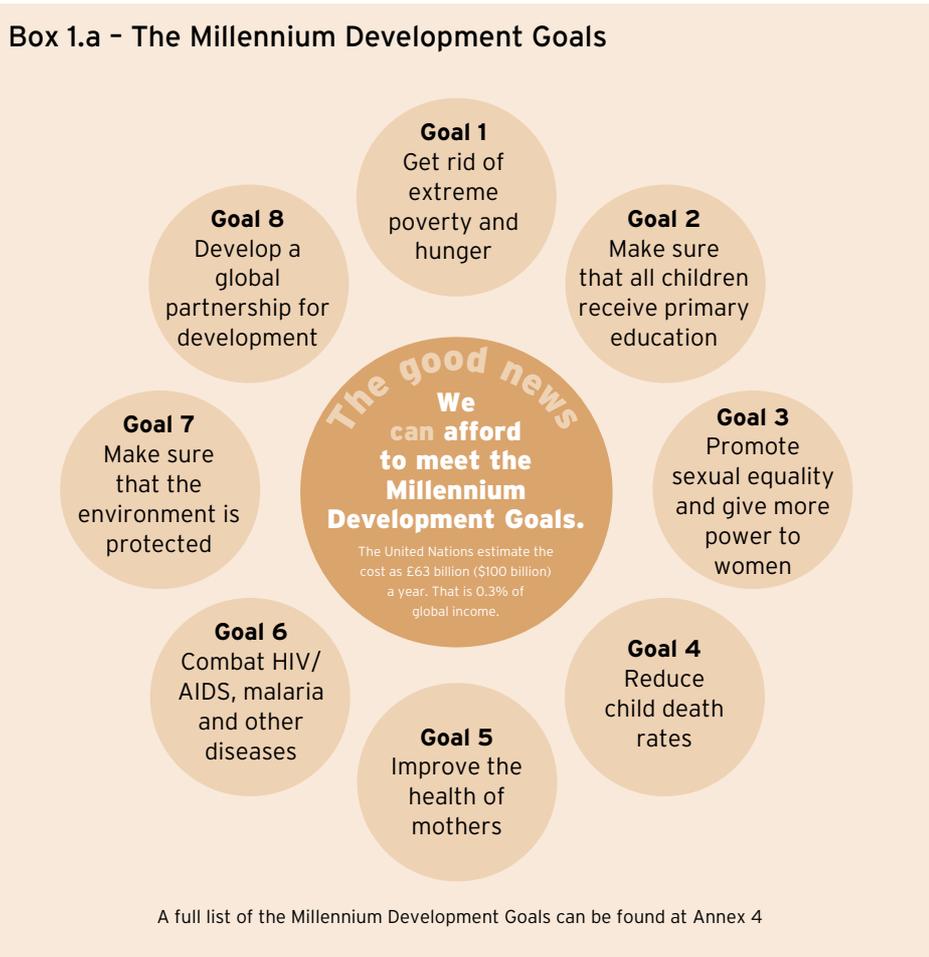
# 1

## The responsibilities of the Department for International Development

Tackling the appalling poverty that afflicts nearly a half of the world's population ... is the best investment in its own future the developed world could make. For the developing world, Britain should be their champions.

From *Britain in the World*. Speech by the Prime Minister to the Foreign Office Conference, London, January 2003

- 1.1** Major progress has been made in fighting poverty. Income poverty across the globe has fallen faster in the past 50 years than in the previous 50 decades. Life expectancy has increased in developing countries by 10 years between the 1970s and the end of the 1990s and child mortality has fallen by a third. Illiteracy has halved since the 1960s.
- 1.2** Nevertheless, one in five of the world's population still lives in abject poverty and 1.2 billion people survive on less than \$1 a day. Millions of children do not receive even a basic education, millions of mothers die or suffer injury or disability through childbirth, and millions of families do not have access to water supplies or basic sanitation. It is our moral duty to act.
- 1.3** But poverty is not just something that affects people in other parts of the world. We ourselves cannot escape its impact, as events over the past year have continued to show. We have to improve the lives of people around the world if we are to live free from war and disease, or if we wish to address the causes of environmental degradation, illegal migration or the trade in illicit drugs, or take advantage of the economic benefits increased demand in the developing world would create for workers in the UK.
- 1.4** The Department for International Development (DFID) is responsible for leading the UK Government's contribution to eliminating poverty. We have published two White Papers (1 & 2) that set out our approach to supporting the global effort to reduce poverty. The first committed the UK to contribute to achieving the Millennium Development Goals by 2015 (Box 1.a). The second reaffirmed this commitment and set out the challenges to and opportunities for development presented by the process of globalisation.



**1.5** The commitment to poverty elimination is now enshrined in British law. The International Development Act, which came into effect in June 2002, established poverty reduction as the over-arching purpose of British development assistance. It is now illegal for any UK development assistance to be given unless it fulfils two key conditions:

- a) Assistance is provided for the purpose of furthering sustainable development or improving the welfare of poor people;
- b) DFID is satisfied that the assistance will be likely to contribute to the reduction of poverty.

**1.6** In addition to our legal commitment, the UK has made a strong financial commitment to development. Following the 2002 Spending Review, UK official development assistance will increase by £1.5 billion. The Department's budget will reach nearly £4.6 billion a year by 2005/06, an average increase of 8.1% a year in real terms (see Chapter 5).

**DFID works to support the Millennium Development Goal to promote sexual equality and give more power to women.**



Giacomo Pirozzi/Panos Pictures

- 1.7** DFID has played a significant role in promoting adoption by the international community of the Millennium Development Goals. For the first time, we have a united global vision of the importance of eliminating poverty and an unprecedented consensus on what practical steps are needed to deliver this. This has been further strengthened by renewed commitments made at a series of international conferences over the past 18 months in Doha (the World Trade Organisation), Monterrey (Financing for Development) and Johannesburg (the World Summit for Sustainable Development).
- 1.8** However, although the vision has been universally embraced, it is a long way from being realised. Conception is ahead of willingness to reform and to deliver. The challenge now is to drive change through the international system. We must ensure people realise the enormity of the problems that will face the world if we fail.
- 1.9** This report sets out what DFID has done over the past year (April 2002 – March 2003) to make change happen. It explains our approach to working as part of a wider international effort, engaging with many organisations, including other UK government departments, international development agencies, Governments of developing and transition countries, civil society, business and academia.
- 1.10** The report explains how we have worked to maximize the impact of development assistance on poverty. We have done so by focusing our assistance more in the poorest countries; by increasing the predictability of our assistance through agreeing longer-term commitments based on mutual accountability; and by continuing to move away from stand-alone, donor-driven projects to support the implementation of poverty reduction strategies led by developing countries themselves. It also describes our efforts to improve the work of the multilateral agencies through which we channel funding.
- 1.11** Aid is essential to invest in building capacity in developing countries to enable them to grow their economies and provide basic services for their people. However, no amount of aid will help if governments have to give back more in debt repayments, or if farmers in developing countries cannot sell their produce. This report sets out our work to

ensure that policies on debt, trade, investment, the global environment and conflict increase opportunities for poor countries.

- 1.12** We also have a responsibility to help those who are the victims of natural or man-made disasters. The report details how DFID's humanitarian assistance has been used to try to save lives, relieve suffering and protect livelihoods. And the report explains what we have done to build British public support for achievement of the Millennium Development Goals.
- 1.13** The report explains how we have modified planned spending as we have sought to implement policy flexibly. We have adapted to unforeseen circumstances, but always with a clear focus on ensuring value for money and on achieving the Millennium Development Goals.

### ***Want to Know More...***

About DFID's work?

See the *Quick guide to the Department for International Development*. (43)

*Annex 6 has details of how to obtain this and other DFID publications*

## **Performance Management**

- 1.14** In April 2002 the National Audit Office published a review of DFID's performance management (81) – the systems, processes and organisational arrangements that measure our impact and improve our performance. This review, which was examined by the Public Accounts Select Committee (82), identified a number of strengths – but also weaknesses, which we have taken steps to address over the past year.
- 1.15** One way in which we have strengthened our approach to performance management is by clarifying the link between our high-level aims – the Millennium Development Goals – and our day-to-day work. Our own contribution to making progress towards the Goals over the next three years is set out in our 2003-06 Public Service Agreement (Annex 3), agreed as part of the 2002 Spending Review. This lists objectives and targets – linked to the Millennium Development Goals – against which we can measure the impact we (and the international community) are having on poverty up to 2006.
- 1.16** The Public Service Agreement targets help us improve our performance by focusing on what we have achieved – and what else needs to be done. Most importantly, it sets targets for DFID as a whole and for each division, each department, each team – and then each individual. Every member of DFID's staff can see their contribution to the global effort to eliminate poverty (Box 1.b). Chapter 6 explains this in greater detail.

### Box 1.b - The PSA and Me: one member of staff identifies his contribution...



George Otoo has worked in DFID's Procurement Department since October 1999. George explains how his work will contribute to achievement of DFID's PSA.

"One of my personal objectives is to support joint procurement assessments with other donors. My particular focus is Africa. Through this,

I contribute to delivery of my department's objective of strengthening the procurement capacity of DFID's partner governments receiving budget support. This directly supports DFID's Finance Director in his efforts to deliver DFID's PSA objective to achieve value for money by ensuring that we manage our programmes and spend public money well.

In the same way, this will improve the effectiveness of our programmes in Africa by ensuring that as little as possible of our development assistance to the poor is lost through inefficient or corrupt practices. My work supports DFID's Africa Director to deliver his PSA target "To make progress towards the MDGs in 16 key African countries" and his related target of improving public financial management and accountability systems. So, although I do not have a specific PSA target relating to my work, other departments rely on me to support delivery of their targets and objectives."

# Chapter 2

## Partnerships to reduce poverty

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# 2

## Partnerships to Reduce poverty

We asked officials in host nations how they assessed DFID's approach to development assistance. The majority thought that DFID were leaders in developing partnerships, and in building on host nation ideas rather than simply substituting their own view of development prospects. We also found a similar picture when discussing DFID's approach with other donor organisations.

NAO review of DFID's performance management (81), p41

- 2.1** The Millennium Development Goals represent a united global vision of the importance of poverty elimination and how it can be achieved. Eliminating poverty requires a more effective international system, whose policies support development and whose institutions work coherently, with greater resources and more effectively. This is why DFID attaches such priority to working as part of the international system rather than simply as a bilateral donor.

### Making the international system work better for poor people

- 2.2** Strengthening the international system means ensuring that the policies and programmes of all parts of the system work coherently to support the objective of poverty reduction, from international institutions such as the World Bank, the United Nations and the World Trade Organisation, to developed country groupings such as the Group of Eight industrialised nations (the 'G8') and the European Union (EU). Box 2.a summarises some of our key achievements over the past year in increasing the effectiveness of the international system.
- 2.3** The World Summit on Sustainable Development in August 2002 marked the culmination of a series of meetings that have established a clear international consensus on the action needed to reduce poverty and achieve sustainable development. The Summit, held in Johannesburg, South Africa, followed the Doha meeting of the World Trade Organisation in November 2001 and the UN Conference on Financing for Development in Monterrey, Mexico, in March 2002. It marked ten years since the 1992 UN Conference on Environment and Development in Rio de Janeiro, where agreements on the plan of action, 'Agenda 21' and global environmental issues were signed. Whereas Rio focused largely on global environmental issues, the

Johannesburg summit balanced this with more emphasis on how we can collectively address issues of global poverty and development in a sustainable way.

### Box 2.a - Progress against DFID's 2001/04 Public Service Agreement: effectiveness of the international system

#### → Targets

- Increase DFID's focus on poor countries; and
- promote sustainable development through co-ordinated UK and international action.

#### ✓ Key Achievements in 2002/03

##### ON COURSE

- 78% of DFID's bilateral assistance went to low-income countries.
- To date, 26 countries have completed full Poverty Reduction Strategy Papers. Another 20 have completed Interim Poverty Reduction Strategy Papers. These are the key strategies for delivering sustainable development.
- The World Summit on Sustainable Development reaffirmed international commitment to the Millennium Development Goals and sustainable development, and established a new target on increasing access to sanitation.
- The OECD Development Assistance Committee agreed ways in which donors would harmonise their support and so make aid more effective at reducing poverty.
- 4 more countries completed the debt relief process under the Heavily Indebted Poor Countries Initiative. Eight countries in total have now had their debt irrevocably cancelled. Debt relief worth over \$60 billion has been agreed so far.

Full details of progress against our 2001-04 Public Service Agreement can be found at Annex 2.

#### 2.4 The UK was influential in securing important achievements at the Summit:

- A reaffirmation of the importance of the Millennium Development Goals;
- The integration of environmental sustainability as a central part of poverty reduction; and
- The addition of some important new targets – particularly the target to halve the proportion of people without access to basic sanitation by 2015 (see Chapter 3 below).



Jeremy Horner/Panos Pictures

**Sustainable development is central to reaching the Millennium Development Goals: Family harvesting wheat in Uttar Pradesh, India.**

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The priority over the coming year will be to ensure that the international community delivers on the promises it has made.

## Trade and investment

- 2.5** In 1999 the world's 49 poorest countries together accounted for just 0.40% of world trade, half the level twenty years previously (0.80% in 1980). Increased trading opportunities for developing countries offer enormous potential for poverty elimination. The World Bank has estimated that the annual gains from eliminating barriers to trade range from US\$250 billion to \$620 billion (£160 billion to £395 billion). Up to half of these gains would accrue to developing countries. In terms of poverty reduction, this could lift over 300 million people out of poverty by 2015. Since 1997 DFID has worked to secure greater opportunities for developing countries in the international trading system. Our 2000 White Paper (2) sets out our approach in more detail.
- 2.6** DFID worked hard to call for and support the launch of a 'Development Round' of global trade negotiations in Doha in November 2001 and we believe this to be a key opportunity to address developing countries' needs. We are closely engaged in supporting key partners' negotiating positions to get the best results for developing countries and make this a true 'Development Round'. For example, we worked closely with other government departments and our European partners to secure an EU position on the public health aspects of the World Trade Organisation rules on intellectual property rights that ensures developing countries can access affordable drugs to treat priority diseases.

**2.7** The World Bank and IMF estimate that liberalisation of agricultural trade would boost developing country exports by at least US\$30 billion a year and possibly by as much as US\$100 billion (£19 billion and £64 billion respectively). In Africa this could mean an increase of nearly 1% growth in GDP annually across the continent. However, developing countries are concerned that an agreement on agricultural liberalisation would reduce the price that small-scale farmers are paid for their produce and undermine their ability to buy food. DFID commissioned two influential independent reports (83 & 84) that argued for a number of measures to address this concern, including a special safeguard to protect developing countries from unpredictable surges in food imports. The findings were disseminated through two DFID-organised seminars for developing country negotiators in Geneva and another in Brussels at the request of European Commission officials. The EU later produced a negotiating proposal which argues that any agreement on agriculture should include a special safeguard mechanism for developing countries.

### *Want to Know More...*

About DFID's support for trade?  
See the *Trade Matters* background briefings (23-36) on a range of trade and development issues.

*Annex 6 has details of how to obtain these and other DFID publications*

- 2.8** Intellectual property rights, for instance copyright or patent protection, are also very important. These provide an incentive for private investment in research and development, especially in medicine and agriculture, where research can be costly and long-term, and the results uncertain. Developing countries have an interest in establishing these rights at some stage in the development process, but there are associated costs. For example, patenting regimes may restrict the availability or increase the cost of essential drugs, seeds or technological processes, and reduce poor people's access to them.
- 2.9** In April 2001, DFID established an independent Commission on Intellectual Property Rights to look at how intellectual property rights might work better for poor people and developing countries. The Commission's report *Integrating Intellectual Property Rights and Development Policy* (85), published in September 2002, made a number of recommendations as to how the potential costs of intellectual property rights regimes could be minimised in developing countries in line with their international obligations. It also suggested that developed countries and international institutions should adjust their approach to take greater account of the interests of developing countries in making policy and in providing technical assistance.

### **Box 2.b - UK Government response to the CIPR report, March 2003**

The UK Government welcomes the report of the Commission on Intellectual Property Rights (CIPR) as a valuable contribution to the debate on some complex issues.

We agree with the Commission that Intellectual Property Rights regimes can and should be tailored to take into account individual country's circumstances within the framework of international agreements such as the Agreement on Trade-Related aspects of Intellectual Property Rights (TRIPS). The Commission also raises the important issue of how technical assistance from developed countries and international organisations such as the World Intellectual Property Organisation can be provided so as to ensure that developing countries fully understand how to create an effective intellectual property system appropriate to their needs. The Government is committed to this goal, both in its own technical assistance programmes and in influencing those of international organisations.

- 2.10** Reforming the rules that govern international trade is of little use, however, if developing countries cannot take advantage of new opportunities. DFID has continued its work to ensure that developing countries are properly equipped to benefit from trade.
- 2.11** The Integrated Framework was set up in 1997 by six multilateral agencies including the World Bank, the World Trade Organisation and the UN. Its purpose is to build the capacity of least developed countries to design trade policies that contribute to poverty reduction. Over the past year the Integrated Framework had helped 14 countries. We have increased our support in 2002/03 by £1 million. This brings our commitment to trade-related capacity building to £38 million since 1997 – well on the way to the target of £45 million set in the Government's 2000 White Paper (2).
- 2.12** Enhanced development requires increased domestic and foreign direct investment in poor countries, which creates economic opportunities for people and revenue for governments. Currently 40% of Africa's savings leave the continent and only 4% of foreign investment in developing countries went to low-income countries in 2000. DFID works at various levels to address this. We continue to support negotiations on a multilateral agreement on investment in the World Trade Organisation (WTO) and to work closely with the WTO and the UN to strengthen the capacity of developing countries to participate in the negotiations.

### **Box 2.c - Helping developing countries attract more investment: World Bank country studies**

To attract greater investment, it is essential that developing country governments identify the constraints facing potential investors. To support this, DFID has worked over the past year with a range of partners, including the World Bank, on a series of country-level investment climate assessments. The results will help policymakers address constraints to productivity and income growth in each country. As the surveys are repeated regularly, it is possible to track changes over time within each country and to establish benchmarks for comparisons across countries.

In December 2002, the preliminary findings of the China survey were presented at a national conference in Beijing. One conclusion was that only 12% of working capital is provided by bank loans, compared to 24% in Indonesia and 26% in Thailand. This is less than in any other Asian country surveyed so far, pointing to the possibility of credit constraints that may impair firm growth.

- 2.13** As well as identifying obstacles to investment (see Box 2.c), DFID has worked over the past year to help governments, business and civil society tackle them. Our competition policy work with the Consumer Unity and Trust Society (Box 2.d) is an example of this. So is our support, since July 2002, for the work of the Bangladesh Enterprise Institute to strengthen corporate governance in Bangladesh, drawing on the experience of three other South Asian countries.

### **Box 2.d - Supporting consumers and business in developing countries - the '7-Up' project**

Globalisation has increased the importance of competition policy. All countries need competition laws to ensure that big firms don't abuse their market power, and that competitors don't collude to stop consumers benefiting from lower prices and more varied products.

Many developing countries are adopting competition regimes. DFID is supporting a two-year research and advocacy project on competition policy ("7-Up") led by the Consumer Unity and Trust Society, an Indian NGO. It is the first ever in-depth study of developing country competition regimes.

7-Up has brought together partners in four Sub-Saharan African countries (Kenya, South Africa, Tanzania and Zambia) and three from South Asia (India, Pakistan and Sri Lanka). It compared their differing competition policy requirements, looked at ways to build their national capacity and discussed how to increase awareness of competition issues. Experiences were shared, and common problems and possible solutions identified.

The project has created an international network of competition experts who are contributing to the discussion about negotiations on a possible international competition agreement under the WTO.

- 2.14** Another important way in which DFID contributes to increased investment flows is through the CDC (formerly the Commonwealth Development Corporation). CDC aims to maximise the creation and long-term growth of businesses in poorer developing countries, where the shortage of private capital and management expertise is a constraint on private sector growth.
- 2.15** CDC has made good progress in implementing the Investment Policy agreed in 1999 and in raising private capital in some of the most difficult market and economic conditions for many years. We are planning to reorganise CDC's operations into an investment company and a management company with a family of investment Funds. These will include new Funds for Africa, South Asia, the power sector and small & medium enterprises, and will look to use a mix of public and private capital. The purpose of the re-organisation is to strengthen CDC's ability to mobilise third party capital to match that provided by DFID in order to increase responsible investment in poorer countries – and to demonstrate that such investment can be profitable. Through continued investment of its own funds and by attracting additional private capital, and through its demonstration effect, CDC will contribute to the growth of viable businesses in poorer countries.

### Debt and financing development

- 2.16** One of DFID's aims at the Financing for Development Conference in Monterrey in March 2002 was to encourage pledges for significant increases in development assistance. As a result of the Conference it is estimated that pledges will increase from \$55 billion in 2003 to at least \$67 billion a year by 2006 (£35 billion to £43 million). DFID is cooperating with partners in the EU and OECD to monitor delivery against these pledges.
- 2.17** The UK has worked since 1997 to secure international recognition that the debt burden of the world's poorest, most indebted countries has to be tackled if they are to set themselves on a path of sustainable growth, development and poverty reduction. We pushed at the Group of Eight industrialised nations (G8) Summit in Canada in June 2002 for reaffirmation of G8 commitment to full financing of the revised Heavily Indebted Poor Countries Initiative (HIPC) by providing an additional US\$1 billion (£630 million) for the HIPC Trust Fund. By October, contributions totalling US\$850 million (£533 million) in new resources had been made, with some countries still to make pledges to meet the agreed G8 target. The UK announced a further bilateral contribution of US\$95 million (£60 million), plus our share of any further contribution by the European Development Fund; this is in addition to the US\$ 306 million (£192 million) that we have already committed.

#### *Want to Know More...*

About the UK's work on debt?  
See the DFID background briefing: *Debt Relief for Poverty Reduction*. (21)

*Annex 6 has details of how to obtain this and other DFID publications*



J. Etahart/Exile Images

**Financial stability and a more equal trading system are as important as aid to reduce poverty. Women in Bolivia protest against the debt crisis.**

### Box 2.e - Debt Relief under the Heavily Indebted Poor Countries Initiative

At the G7 Summit in 1999, the existing Heavily Indebted Poor Countries (HIPC) Initiative was revised and relaunched as part of a debt relief package worth US\$100 billion (£63 billion), which also covered traditional debt relief arrangements and aid debt cancellation. Debt relief worth over \$60 billion (£38 billion) has been agreed so far. Last year, this helped to release US\$2 billion (£1.3 billion) for social expenditure and poverty reduction.

Under the HIPC initiative a country receives interim debt relief on payments due when it reaches Decision Point. The debt is then irrevocably cancelled at Completion Point. Of the 42 countries classified as HIPCs 4 are currently expected to have a sustainable burden of debt after traditional debt relief, and 1 has, so far, not opted to apply for debt relief. Of the remaining 37 countries, 26 have now reached Decision Point with \$62 billion in debt relief committed. Eight of these countries, Bolivia, Mozambique, Tanzania, Uganda, Burkina Faso, Benin, Mali and Mauritania have reached Completion Point (the last 4 in 2002/03) and have had the totality of their debts irrevocably cancelled.

Of the 11 HIPC countries with an unsustainable debt burden that have yet to qualify for debt relief, most are affected by conflict or suffer serious governance problems.

The challenge is to assist more countries to implement their poverty reduction strategies, and complete the actions they have agreed are needed before irrevocable debt relief is given.

## Conflict

- 2.18** Violent conflict remains one of the great obstacles to development. Most of the victims of conflict are poor people, and most of those killed, disabled and displaced are civilians. Conflict also destroys infrastructure, regional trade and economic development. One in five Africans is living under conditions of conflict. More effective efforts to resolve and prevent conflict are essential to the achievement of the Millennium Development Goals.

### Box 2.f - Progress against DFID's 2001-04 Public Service Agreement: conflict

#### → Target

A reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution.

(Joint target with Foreign and Commonwealth Office and Ministry of Defence)

#### ✓ Key Achievements

##### ON COURSE

- The number of conflict-related deaths decreased significantly in 2001 (the latest year for which figures are available) in DR Congo, Angola and Sierra Leone. However, 2001 saw no significant decrease in numbers of refugees or Internally Displaced Persons as conflict continued in our target countries.
- Departmental joint working has produced an improved UK Conflict Prevention strategy in Africa, contributing to a more effective approach in securing peace in Sierra Leone, the Great Lakes, Sudan and Angola.
- The UK contributed to ensuring that conflict prevention received a high priority within the G8 and the New Partnership for Africa's Development.

Full details of progress against our 2001-04 Public Service Agreement can be found at Annex 2.

- 2.19** The UK has over the last year played a pivotal role in helping to re-establish stability in Sierra Leone, and supported efforts to promote peace in Angola, Sudan and the Democratic Republic of Congo. The former Secretary of State played a leading personal role in reducing tensions between Rwanda and Uganda and attended the signing of a peace treaty between the Democratic Republic of Congo and Rwanda in July 2002. DFID has also allocated £100 million since September 11 2001 to UN agencies, the Red Cross and other multilateral agencies to help rebuild Afghanistan and supported efforts to promote peace in Nepal and Sri Lanka. Further details of our work in individual countries are set out in Chapter 4.



Fredrick Naumann/Panos Pictures

**A man casts his vote at a school in Freetown, Sierra Leone. Elections held six months after the end of the civil war passed peacefully.**

- 2.20** DFID continues to work at a number of different levels within the international system to strengthen the collective response to conflict. In the past year and we have been working closely with the Foreign and Commonwealth Office and the Ministry of Defence to develop a capacity-building programme for the UN Department of Peacekeeping Operations to enable it to mount more effective peace support operations. We have been leading a multi-donor project to identify lessons from UN operations in Afghanistan, East Timor, Kosovo and Sierra Leone. In March 2003 the project made recommendations to the UN Secretariat and member states for improving the design, management and coordination of UN operations. We are now discussing with the UN and member states how best to take forward these recommendations.
- 2.21** Reform of the security sector – making armies, police and other providers of security less corrupt, democratically accountable, transparent, effective and more respectful of the rights of the citizens they serve – is a key element in reducing the causes of future conflicts. DFID has provided a senior governance adviser to the UK Defence Advisory Team to ensure that important issues such as democratic control of the armed forces and defence expenditure are included in the advice and training provided by the Team. In November 2002 we established a Global Facilitation Network at Cranfield University to increase the capacity of civil society to engage on security sector issues.

### *Want to Know More...*

About DFID's work to support security sector reform?  
See the DFID issues paper *Understanding and Supporting Security Sector Reform* (58)

*Annex 6 has details of how to obtain this and other DFID publications*

- 2.22** Over the past year DFID has provided advice and support to UNDP's Small Arms and Demobilisation Unit. This has developed arms reduction and peacebuilding projects in 15 countries and regions where illicit guns and ammunition have been collected and destroyed (including the Great Lakes region of Africa, Albania, Brazil, Sierra Leone and Yugoslavia). Training programmes for law enforcement officials have been carried out and ex-combatants have been re-integrated into communities after they have surrendered their weapons. For example, in the Republic of Congo more than 2600 micro-enterprises were set up by ex-combatants. The UK's financial support to the Unit has totalled £3.1 million since November 2001.
- 2.23** DFID has also pioneered the development in Tanzania of the first ever Action Plan to combat the proliferation and illicit trafficking of small arms and light weapons. We propose to undertake similar initiatives in Kenya, Uganda and Mozambique, helping to establish effective controls to reduce the cross border flow of small arms in the region.
- 2.24** The war in Iraq requires a major humanitarian and reconstruction effort as did the conflicts in Bosnia, Kosovo, East Timor and Afghanistan. DFID is working with other UK government departments and as part of the international system to provide timely and comprehensive humanitarian assistance to those affected by the conflict. We will also play our role alongside the International Financial Institutions and the UN to support the reconstruction and development effort needed to provide the people of Iraq with a better future.

### Humanitarian assistance

- 2.25** DFID has provided over £95 million of bilateral support in response to the deep and complex humanitarian crisis in Southern Africa. Our efforts have helped save lives by supporting UN agencies and non-governmental organisations to deliver food to starving people. We have also been working with the UN and with governments in the region to develop a strategy for long-term food security (see Chapter 4).
- 2.26** In Ethiopia, DFID provided over £32 million directly and in addition provided 20% of the EC contribution in 2002 to help tackle the underlying causes of food insecurity and reduce the vulnerability of the poor to the drought (see also 4.17–18 below). We also provided help to 100,000 people affected by flash floods in China, 25,000 left homeless after an earthquake in Iran and are providing support to help control the spread and impact of a meningitis outbreak in Burkina Faso.
- 2.27** DFID has continued to strengthen UNICEF's capacity to respond to emergency situations. We have already seen results: a greater focus on protecting children in emergency situations, better trained staff and generally improved capacity to address issues relating to children affected by armed conflict. UNICEF's landmine risk education work has also developed through the programme. £3.3 million has been spent in total by DFID on capacity-building since April 2002.



R.Chalasani/Exile Images

**DFID provides humanitarian assistance to emergencies around the world, including to Ethiopia which has recently experienced its worst drought in two decades.**

## Working with other development agencies

- 2.28** Just under half of DFID's funds were channelled through multilateral agencies in 2001/02 (see Chapter 5). Our strategies for engaging with multilateral partners to increase their poverty focus and effectiveness are set out in a series of Institutional Strategy Papers. Since 1997, a major focus of DFID's partnerships with the multilateral institutions has been to support their own reform processes as they have sought to prioritise poverty reduction and the achievement of the Millennium Development Goals.
- 2.29** Over the past year DFID has also focused on measuring and monitoring the impact multilateral agencies are having on poverty reduction. This will allow us to see whether they are using our resources cost-effectively and working to their own comparative strengths. We have worked with other bilateral donors as part of the Multilateral Organisations' Performance Assessment Network to develop a common methodology to assess the effectiveness of the impact these agencies are having in the countries in which they work. Over the coming year, we will be piloting this methodology by undertaking joint assessments in a number of countries.

## The European Community

- 2.30** Around a quarter of UK expenditure on international development is spent through **European Community (EC)** programmes. In 2001, the EC was the largest single multilateral donor providing grants to developing countries. However, although the *volume* of EC assistance is high, its *quality* – both in poverty focus and effectiveness – is poor. For example, in 2001 only 44% of the EC's external assistance was directed to low income countries (see also Box 5.e).

- 2.31** DFID has worked over the past year to increase the poverty focus of EC assistance in a number of ways. We have worked with the European Parliament, the Commission and other member states to influence the annual budget process and to achieve agreement on a new regulation to govern EC programmes in Asia and Latin America. We will also seek more money for low income countries in the negotiation of the EC's new financial perspective for 2007 – 2013 and in the replenishment in 2005 of the European Development Fund, which provides assistance to the countries of Africa, the Caribbean and the Pacific regions.
- 2.32** As well as pushing for reform in the poverty focus of EC spend, DFID has pushed for reform of how it delivers its assistance. The revised Financial Regulations for the EU budget, which entered into force on 1 January 2003, and the European Development Fund (being finalised) have introduced more flexibility and facilitated the use of various forms of budget aid, sector-wide support and co-funding. We are seeing evidence of a gradual shift towards these funding instruments in the new generation of the EC's country strategies.
- 2.33** Over the past year, the EC has continued to delegate programme management responsibilities to its offices in-country, a process known as 'deconcentration'. This should improve the quality and speed of delivery in the field. 21 EC delegations now operate in this way, and 56 more are expected by the end of 2003. Over the past year, the EC has also introduced:
- A more coherent policy framework;
  - Simplified and harmonised administrative and financial procedures for managing its development assistance; and
  - Enhanced monitoring and evaluation procedures.
- 2.34** DFID has been actively involved in assisting the EC to develop a harmonised approach to measuring the impact of its country programmes in 2002/03. This has included the use of outcome indicators to show progress against the Millennium Development Goals that can be used to assess developing country performance without overburdening those countries' own data systems.
- 2.35** These are encouraging signs but there is still a long way to go in reforming EC development efforts. The EC needs to reform the full range of its policies towards developing countries, not just its development programmes. This is particularly important in trade. The Common Agricultural Policy, which maintains barriers against developing country agricultural exports to the European market, is due to be reformed by 2005. DFID has worked with other government departments to press for reform that takes full account of the needs of developing countries. We have also continued to provide support to strengthen the capacity of developing country policymakers and negotiators to participate effectively in trade negotiations – by convening meetings of

trade and agriculture experts, commissioning specialist analytical work and recruiting a specialist adviser to support developing country negotiators.

## Working with other multilateral partners

- 2.36** DFID is working to ensure that the **World Bank** and the **International Monetary Fund** support poverty reduction through their programmes. These institutions' strengths lie in the scale of their lending, their operations across the globe, the degree of influence they bring to bear on the policies and priorities of borrowing member countries, and their capacity to exercise intellectual leadership on global issues. Among the multilateral development institutions, they play a lead role in setting and pursuing the international development agenda.

### Box 2.g - Vietnam: Working in partnership with the World Bank

DFID does not have a bilateral programme in Vietnam, though we are opening a country office there this year. Instead we co-finance other donors' programmes, mostly those of the World Bank. We have also seconded three staff to the World Bank office in Hanoi and one World Bank Vietnamese staff member is currently working for DFID.

This way of working has a number of benefits. DFID has been able to draw on the World Bank's experience and expertise while we are still establishing ourself in the country. Co-financing programmes, provision of trust fund resources and seconding staff have all strengthened the poverty focus of World Bank operations and have influenced Government processes as reflected in Vietnam's Comprehensive Poverty Reduction and Growth Strategy. The administrative burden placed on the Vietnamese Government by having to accommodate different donor arrangements has been reduced, and DFID staff have been free to play a major role in promoting closer working between donors.

This model is warmly welcomed in the World Bank and is pivotal to DFID's efforts to mainstream poverty. We are, however, conscious of the need to build partnerships beyond the World Bank and are working with other multilateral and bilateral donors.

- 2.37** In July 2002, negotiations were concluded on the 13th replenishment of IDA, the arm of the World Bank which provides concessional loans to the poorest countries. A key issue was a US proposal that 50% of IDA resources should be provided on grant terms. The UK opposed a wholesale move to grants because it would undermine World Bank finances and the need to harmonise support to poverty reduction strategies provided through the Bank's long-term concessional lending and grants provided by bilateral donors. Donors finally agreed that 18–21% of IDA-13 resources would be available as grants. The grant categories are mainly focused on the very poorest countries, particularly those with debt sustainability problems.

- 2.38** The UK will contribute £900 million to IDA over 2002-05. This represents a near doubling from the last replenishment, reflecting the high importance we attach to IDA as one of the most effective channels for reducing poverty in the poorest countries.

### **Box 2.h - Streamlining conditionality**

During the past year DFID has continued to work closely with HM Treasury to encourage the IMF and World Bank to reduce the number of conditions attached to their loans. In addition, we continue to argue for conditions which reflect developing countries' policies as outlined in agreed national Poverty Reduction Strategies.

The IMF and World Bank have been moving towards reduced and more focused conditions over the past few years. In September 2002 new "conditionality" guidelines were approved by the IMF Board; these emphasise the need to limit the number and scope of conditionality and to make any conditions more thoroughly "owned" by borrower countries. The World Bank has also substantially reduced the number of conditions attached to its programmes in recent years. It has also agreed to ensure that its conditions are coordinated with those of the IMF, and with country poverty reduction strategies.

We will continue to monitor the use of conditionality by these institutions in an effort to ensure that conditions are as helpful as possible in encouraging policies which promote growth and poverty reduction.

- 2.39** DFID, in collaboration with the World Bank and the IMF, is developing practical approaches to carrying out Poverty and Social Impact Analyses of policies supported by World Bank and IMF lending programmes. These can help developing countries make informed choices by identifying the probable impact on poverty of different policy options. In 2002/03 DFID began pilot studies with national partners in Honduras, Mozambique, Rwanda, Uganda, Armenia and Indonesia, and supported related work in Orissa State, India (see Box 2.i for further details). These Analyses are increasingly recognised as an important means to improve policy design.

### **Box 2.i - Some examples of DFID support for Poverty and Social Impact Analyses**

In **Ghana**, DFID supported the Government to convene a national PSIA workshop in February 2003 that brought together all relevant stakeholders for the joint development of a nationally owned, prioritised agenda for research. The workshop means the PSIA will be a central part of the national poverty reduction strategy (PRS) process, and feed into the Government's programme of PRS monitoring.

In **Rwanda**, DFID worked in collaboration with the Ministry of Finance to commission a pilot PSIA of the macroeconomic programme. The Rwanda PSIA was presented at a national workshop in November 2002 and has served to open up debate about the levels of public expenditure necessary for progress in poverty reduction.

In **Uganda**, DFID collaborated with the Government in supporting a PSIA study that looked at the link between the Government's Strategic Export Initiative (STRATEX) for coffee and for fish. The study has led the Government to rethink the gender implications of the STRATEX policy and especially the incentives for women producers to expand coffee production.

In **Armenia**, DFID supported a PSIA study on reform in municipal and irrigation water supply, undertaken before the PRS was finalised. The Government has explicitly recognised that the PSIA added value to the process of PRS policy development and is taking steps to institutionalize capacity for PSIA within government and to support PSIA capacity among academic and civil society institutions.

- 2.40** **Regional Development Banks** are important partners for DFID and play a significant role in responding to the particular needs of their regional members. Our support to their poverty reduction efforts is set out in Chapter 4. Negotiations on the ninth replenishment of the African Development Bank's concessional window – the African Development Fund – were concluded in September 2002. Total resources for 2002–04 are expected to be around US\$3.5 billion (£2.2 billion), of which about 20% would take the form of grants. The UK has pledged £122 million to the replenishment.
- 2.41** The **United Nations** is the only organization with a near universal membership and remit to support and achieve major advances in international development. This gives it a unique moral authority. However, the UN's most difficult challenge is to weld together its many different development organisations into a single, effective presence in developing countries. Over the past year DFID has provided technical expertise, political support and financial resources to the UN to strengthen coherence between its programme activities, the poverty reduction strategies of developing countries and the efforts of other donors, particularly the multilateral organisations. Future funding will be linked to helping the UN to achieve improved and more coherent performance in developing countries. Our support for other, specialised programmes of the UN is set out in Chapter 3.

## Working with other bilateral donors

- 2.42** In addition to working with our multilateral partners, DFID works closely with other bilateral donors – including through the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD). At a High Level Forum in Rome in February 2003, the DAC endorsed a series of Good Practice Papers on “Harmonisation of Donor Practices for Effective Aid Delivery” (88), together with good practice work undertaken by the Multilateral Development Banks. Over the next year, we will work to ensure donors implement these good practice principles. This will lead to significant improvements in the effectiveness of donor assistance programmes in developing countries.
- 2.43** In October 2002, DFID hosted a senior level meeting of UK and US government officials, representing a number of government departments on each side. The meeting produced practical suggestions to strengthen joint working to improve the poverty impact of our assistance and to address specific issues such as conflict and corruption. We have also explored opportunities for closer engagement with France on development and conflict reduction in Africa, and to ensure development is on the agenda for the 2003 G8 Summit, which France is chairing. With Japan, we have focused on strengthening mutual understanding and practical cooperation in Africa and Asia.
- 2.44** DFID works closely with other like-minded bilateral donors in many developing countries to provide more effective assistance through harmonised processes such as direct budget support linked to developing countries’ own poverty reduction strategies (Box 2.j). Specific examples of collaboration include, in Malawi, an agreement with the Netherlands (which has no presence there) to channel £18 million of their funding to education projects through DFID’s programme; and, also in Malawi, an agreement to use DFID funds to complete 24 primary schools after the Danish Government withdrew from the country.

### Box 2.j - Working with other donors: the G11 in Mozambique

In Mozambique, the main donors - including DFID - providing budget support (see Chapter 5) and operate as a group (“the G11”), in support of a Joint Programme for Macro-Financial Support agreed in November 2000. The key features of this innovative arrangement are:

- Long-term objectives are explicitly stated as consolidating economic growth and providing increased funding for priority areas for poverty reduction;
- Regular dialogue between Government and donors with a particular focus on poverty reduction, domestic resource mobilisation, and public financial management;
- Annual review of the programme, followed by provisional pledges of general budget support based on continued commitment to reform;
- Common disbursement arrangements;

- Policy conditionality is non-specific, requiring Government to implement its own poverty reduction programme. At present, donors are free to add policy conditions outside the main agreement, though discussions are underway to achieve a common donor position on what conditions should apply; and
- the World Bank and the IMF attend meetings as observers.

Both Government and the donors regard the co-ordination arrangements as successful. Dealing with the donors as a group has reduced the burden of meetings and simplified dialogue, while greater clarity on the amount and timing of donor disbursements has been welcomed. Government would like this to go further, with multi year commitments and with improved predictability by ensuring a consistent approach to conditionality. The G11 is currently discussing how a new performance assessment framework might meet those needs.

## Working with non-governmental organisations (NGOs)

**2.45** DFID works closely with development NGOs and other elements of UK civil society, as well as with civil society in developing countries. In 2001/02, DFID provided £191 million to UK NGOs (Box 2.k). The main instrument for engaging with major UK NGOs, such as Oxfam, Save the Children, VSO and Christian Aid, is the Partnership Programme Agreement (PPA). PPAs provide funding for 3 to 5 years and are based on agreed outcomes which contribute to DFID's overall objectives.

**2.46** Since the first of these agreements was signed in 2000, they have increasingly focused on shared objectives. DFID has worked closely with PPA agencies to review performance against agreed objectives. As a result, we will be able to increase or decrease our allocations to UK NGOs on the basis of their performance and, ultimately, contribution to the Millennium Development Goals.

### Box 2.k - Working with UK NGOs

In 2001/02 the £191 million DFID channelled through UK NGOs was provided for the following areas:

- £54 million was spent on 'Partnership Programme Agreements'.
- £69 million was provided to UK NGOs to respond to humanitarian emergencies.
- £54 million was provided to UK NGOs through DFID country programmes.
- £7 million was provided for projects submitted under the Civil Society Challenge Fund (CSCF) where UK NGOs work through civil society groups in developing countries to empower poor people to engage in decisions that affect their lives.
- £7 million was spent on projects still being completed under the Joint Funding Scheme - the predecessor of the CSCF.

## Maximising the effectiveness of development assistance

### Support to Poverty Reduction Strategies

- 2.47** There has been a significant shift in DFID's approach away from stand-alone projects towards creating institutions and policies required to build accountable and effective states. We believe that international development assistance is more effective at reducing poverty when it is used to support a shared agenda set by a credible Poverty Reduction Strategy. This approach – to which donors committed themselves at Monterrey – provides the right framework for hard policy choices and for governments to agree the priorities for policy reform and expenditure together with their citizens, including the private sector. Aid is provided in support of these Poverty Reduction Strategies and is conditional on governments staying on course with the reform agenda they have agreed with their citizens. At the same time we are agreeing mutual commitments for which our partners can hold us accountable (see 2.58 below).
- 2.48** Substantial progress has been made on this approach. Twenty-six countries (Albania, Bolivia, Benin, Burkina Faso, Cambodia, Ethiopia, Gambia, Guinea, Guyana, Honduras, Kyrgyz Republic, Malawi, Mali, Mauritania, Mozambique, Nicaragua, Niger, Rwanda, Senegal, Sri Lanka, Tajikistan, Tanzania, Uganda, Vietnam, Zambia and Yemen) have now completed a Poverty Reduction Strategy and twenty-three countries have produced an interim Strategy. Details of DFID's support for these Strategies are set out in Chapter 4.
- 2.49** DFID fed lessons from our experience of Poverty Reduction Strategies into a joint World Bank and IMF Review of the Poverty Reduction Strategy approach (86). This drew on contributions from low-income countries, development partners, and civil



Gwen Torfimm/Panos Pictures

**DFID works through the international system to support poor countries' own efforts to reduce poverty. National Immunisation Day, Congo.**

society organizations. Its findings, which were disseminated at Monterrey, have since been widely distributed in several languages. Key conclusions are set out in Box 2.1.

### **Box 2.1 - Main messages from the Joint Staff Review of the PRS Approach, September 2002**

The Review found general agreement on four key achievements of the Poverty Reduction Strategy approach:

- Most governments feel a growing sense of ownership of their Poverty Reduction Strategies;
- There is a more open dialogue within governments, and with at least some parts of civil society;
- Poverty reduction has been given a more prominent place in policy debates. This extends beyond the social sector to focus on reducing income poverty through higher growth that is more broadly shared; and
- PRS have led to more systematic data collection, analysis, and monitoring of outcomes.

The key remaining challenges include:

- Alignment by partners, including the World Bank and IMF, to support implementation of Poverty Reduction Strategies;
- To go beyond questions about process, to the content and implementation of PRS, and to develop greater understanding of the linkages between policies and poverty outcomes; and
- Realism in the setting of goals and targets, as well as in managing expectations, both within countries and among their development partners.

## **Measuring and monitoring progress**

**2.50** The Millennium Development Goals provide an inspiration and a focus for the work of DFID and the international community – and an internationally agreed framework for assessing the overall effectiveness of the development effort. To maintain commitment to the Goals, it is essential that we are able to demonstrate where progress has been made – and where further efforts are needed. Since 1997 DFID has been at the forefront of supporting international initiatives to improve the quality and availability of development statistics.

**2.51** At Monterrey, DFID supported the establishment by UNDP of a comprehensive Millennium Development Goals Support Programme. This is designed to help integrate the Goals into decision-making by developing countries and put them at the centre of global campaigning for development. It will develop strategies to meet each Goal, help each developing country to monitor progress and feed results into the UN Secretary-

General's annual report to the General Assembly on progress against the Goals (see Chapter 4) and link up national and global level campaigning in support of them.

- 2.52** DFID has stressed the importance of the Programme's integration into Poverty Reduction Strategies and the need to build statistical capacity in developing countries. At DFID's suggestion, UNDP convened a reference group in February 2003 to help steer the Programme. This group reaffirmed high-level commitment from the UN agencies and donors; stressed the need for Bank-UN cooperation at the country level; and agreed the need for further work on increasing the involvement of developing countries, civil society and the private sector. In September 2002, the UK became the biggest financial contributor to the UN Programme (£3.5 million over 3 years).
- 2.53** DFID was influential this year in finalising a working set of forty-eight indicators against which to measure progress against the Millennium Development Goals – including appropriate indicators for monitoring Goal 8 (“To develop a global partnership for development” – see Annex 4). These indicators provided a baseline for the UN Secretary-General's report on progress towards the Goals.
- 2.54** Poverty Reduction Strategies set out a monitoring framework which specifies the indicators that the government and donors will use to assess progress. These frameworks have focused attention on the poor quality and availability of existing data and have encouraged government and donor support to build capacity to collect the information required. DFID is supporting the Poverty Reduction Strategy monitoring process in many countries, including Uganda, Malawi, Pakistan, Tanzania and Ghana, both directly and indirectly by helping to build general statistical capacity (see also Box 2.m). Within our partner countries we are committed to using locally defined indicators and data whenever possible to monitor progress. This minimises additional demands for information on countries and allows us to strengthen country statistical systems at the same time as improving data for measuring our own effectiveness.

### Box 2.m - Support to statistical capacity-building in Tanzania

DFID is one of a small group of donors who have worked with the Government of Tanzania on preparations for the **National Population and Housing Census**. The Plan was launched in early 2001 and enumeration was achieved on target in August 2002 (fourteen years since the last Census).

The Government completed the first **Household Budget Survey** in Tanzania for ten years. It was the largest ever carried out in Sub-Saharan Africa and enables Tanzania to give regional as well as national information on poverty levels and service delivery. DFID was the largest of eight donor contributors to the survey, and provided technical assistance to build capacity and ensure quality.

Tanzania established a **National Poverty Monitoring System** which enabled the first ever Tanzanian Poverty and Human Development Report (PHDR). This provides analytical information about progress on poverty reduction strategy targets, geographic diversity (and ranking) of regions by poverty status, and linkages between policies and poverty. It also contains the first information for ten years about urban poverty. DFID provided both technical and financial support for the establishment of the poverty monitoring system and the studies that led to the PHDR.

- 2.55** DFID has continued to provide technical and financial support to a number of multilateral statistical initiatives – including the Partnership In Statistics for Development in the 21st Century (PARIS21) Initiative, the IMF’s General Data Dissemination System project and the World Bank Trust Fund for Statistical Capacity. And we have contributed to the development of EC guidelines for good practice in donor reporting and monitoring which emphasise greater harmonisation among donors and strengthening country data systems. Over the past year, DFID has changed its own internal reporting systems to mirror more closely the Millennium Development Goals.

### New approach to planning our country-level assistance

- 2.56** This year DFID has reformed the way we plan our bilateral (i.e. country to country) programmes of assistance. Our previous planning process had weaknesses, including insufficient linkage between DFID’s activities and poverty reduction outcomes; lack of indicators against which to assess progress; and insufficient attention to identifying and managing the key risks to achievement.
- 2.57** Our new ‘Country Assistance Plans’ start from the basis of our partner countries’ own poverty reduction strategies and set out in detail how DFID will work to support these as part of the international development effort. Each of our Plans must report annually on progress against national poverty indicators and against related targets set out in DFID’s Public Service Agreement (Annex 3). Plans will also include a section on how DFID manages the risks in and the assumptions behind our engagements and require country teams to assess a country’s potential for political, social, and economic change. These reforms allow us to make a clearer linkage between how DFID’s plans and actions contribute to the achievement of poor countries’ own poverty strategy outcomes, and to monitor performance.

### Country-level Memoranda of Understanding

- 2.58** DFID worked to secure international commitment at Monterrey to the principle that developing countries should have a greater say in shaping the policies of bilateral and multilateral donors. It is essential that the poverty reduction partnerships between national governments and the international community set out responsibilities and obligations for each party, and that partners are able to hold each other to account for their progress.

**2.59** DFID pioneered the approach based on mutual accountability, when in 1999 we signed a 10 year Memorandum of Understanding – the first of its kind – governing our bilateral partnership with the Government of Rwanda. Over the past year we have developed guidelines and a series of further such agreements with Ethiopia and Sierra Leone (Box 2.n) based on the same principles:

- Reaffirming the centrality of the Millennium Development Goals and of the partner government's own poverty plans to the partnership;
- Committing DFID to a longer-term engagement (providing more predictable support);
- Detailing the terms of our support and the commitments we have undertaken and for which our partners can hold us accountable; and
- Enabling us to engage in dialogue on a wide range of other issues.

#### **Box 2.n - DFID's Memorandum of Understanding with the Government of Sierra Leone**

In November 2002, we concluded a Memorandum of Understanding with the Government of Sierra Leone (76). This commits us to 10 years of support, and £120 million of assistance over the first 3 years, in exchange for commitments by the Government of Sierra Leone to widespread reform. These include action on corruption, strengthening security, improving public financial management and developing a full Poverty Reduction Strategy.

### **Middle income countries**

**2.60** About 140 million people, or 12% of the world's poor, live in middle income countries. These countries represent a huge range, from 'only just above poor' to 'almost rich'. Some middle income countries are delivering poverty reduction through growth, others are failing to make progress due to deep inequality, weak institutions, economic vulnerability and conflict. In these countries, DFID works through the multilateral system to try to improve the effectiveness of development efforts.

**2.61** DFID has worked hard to advance the debate about the role of development assistance in middle income countries. In November 2002, cooperating closely with Spanish counterparts, we brought together senior figures from middle income countries, donor organisations, multilateral development banks, and the UN system. We discussed how to reform the delivery of development assistance to maximize poverty reduction and reduce inefficiencies. We are working with counterparts to follow up the conclusions (Box 2.o). In particular, we are working to encourage such countries to put in place plans for poverty reduction and for greater coordination of donor activities in support of such plans.



Jon Spaul/Paros Pictures

**There are many poor and marginalised people in middle income countries. DFID works to ensure they receive support. Children in Kazakhstan.**

### **Box 2.o - How we will support middle income countries - conclusions of the Anglo-Spanish conference, November 2002**

Participants agreed that action was needed by middle-income country (MIC) governments and donors to improve the impact of their efforts.

MIC governments are responsible for:

- Maintenance of sound macro-economic policies;
- Open and accountable institutions;
- Personal safety and access to justice for all; and
- Protection of vulnerable groups in periods of economic slowdown.

Donors should:

- Meet any future commitments on harmonising their work;
- Improve the design, implementation, monitoring and evaluation of their aid;
- Target aid to help MICs achieve the basic capacities for poverty reduction and good government; and
- Help improve multilateral frameworks for the resolution of debt crises.

Given the importance of trade and investment as an instrument of growth and poverty reduction, participants agreed the need for: a successful conclusion to the 'Development Round' of WTO trade negotiations launched at Doha; additional support on economic governance to avoid crises; and a better understanding of the impact of migration and how it may be used to promote development.

Participants also agreed to work together to combat the effects of environmental degradation, HIV/AIDS and other global threats, and reaffirmed the importance of a co-ordinated approach to co-operation with MICs. Lessons could be learned from the Poverty Reduction Strategy process, for example, through increasing the participation of civil society. It was agreed that this debate should be taken to regional fora; the OECD-DAC committee; the institutions of the EU; and the international financial institutions, regional development banks and other donors.

## Untying aid

- 2.62** UK aid has been ‘untied’ (not limited to buying goods and services from the UK but ensuring purchase from the most suitable global source) since April 2001. This increases development impact through competitive pricing and reduced transaction costs. Tying aid protects donor exporters from international competition for contracts, leading to higher costs and reduced impact on poverty elimination.
- 2.63** Non-UK suppliers won 10% of DFID’s contract work for “advisory services” in the last year (see Box 2.p for an example of one of these). Building on the successful UK experience, DFID has played an important role in moving forward the global agenda on untying and harmonisation. We are pressing for Europe to give a lead by early agreement of the European Commission’s proposal to untie all EC development instruments, including food aid. And we are supporting an initiative by the Development Assistance Committee (DAC) of the OECD to help partner countries build their procurement capacity, to make effective use of the opportunities presented by the DAC Recommendation on Untying Official Development Assistance to Least Developed Countries (which has been operational since 1 January 2002).

### Box 2.p - The benefits of ‘untying’ aid: an example from South Africa

DFID is working with the South African Department of Water Affairs and Forestry to support the decentralisation of water services delivery to local government. This aims to provide sustainable water and sanitation services to poor and marginalised people, and to support the management of water resources in South Africa.

Following an international competitive process to provide the required expert assistance, a South African firm (RDC Prescient Consulting (Pty) Ltd) was engaged to provide technical support at a cost of £1 million, offering local skills and knowledge and ensuring value for money for the development programme.

## Building informed support for development

- 2.64** DFID's development education programme aims to raise public understanding of, and support for, the reduction of global poverty. To achieve this we need to go beyond attitudes to development based on charity, and to establish a stronger commitment to justice and a greater understanding of the increasing fragility and interdependence of the modern world. We need to strengthen public knowledge of development in order to increase public support for the policies necessary to build a more just and sustainable world order.
- 2.65** DFID works with many different groups in order to strengthen the international commitment to achieving the Millennium Development Goals by 2015. For example, in January 2003 we established a Strategic Grant Agreement with the Trades Union Congress which will increase the latter's engagement with international development issues, as well as its capacity, and that of its affiliates, to influence policy nationally and globally. This will lead to a better-informed UK trade union movement, able to make a more strategic contribution to international development.

### Want to Know More...

About DFID's partnership with the Trades Union Congress?  
See the joint DFID/TUC publication *Target 2015: Halving World Poverty* (77)

*Annex 6 has details of how to obtain this and other DFID publications*

- 2.66** DFID's vision of the elimination of world poverty strikes a chord with the public. British people are increasingly taking pride in DFID's work and the contribution they make. We conduct regular public attitude monitoring surveys which reveal consistently high levels of concern and support for development. Our 2002/03 study showed an increase in public understanding that poverty in developing countries affects the UK at both a personal and national level, and that paying taxes to provide development assistance is one of the three most effective ways individuals can help reduce global poverty and secure sustainable international development.

# Chapter 3

## Addressing the causes of poverty

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# 3

## Addressing the causes of poverty

Development is complex... For poverty elimination to be achieved, and for development to be sustainable - that is, secured without sacrificing future resources - there must be a dynamic balance between policies and actions... That means establishing a pattern of economic growth that benefits all sections of society; targeting scarce resources so that poor people have the education, health care and opportunities they need and ensuring that men and women enjoy equal benefits. It also requires proper stewardship of the natural resources so that the needs of both present and future generations can be met.

1997 White Paper on International Development (p22)

- 3.1** The Millennium Development Goals provide a shared vision of how to make progress towards poverty reduction. They reflect the complexity and interdependence of the many causes and impacts of poverty. This chapter describes how we have worked as part of the international system over the past year to support the delivery of the Millennium Development Goals.

### Better health for poor people

- 3.2** Poor people suffer disproportionately from avoidable illness and death. The suffering, lost time for work and other costs imposes a major burden on individuals, households and countries. Recent research has shown that ill-health traps people in poverty by constantly undermining their efforts to improve the lives of their families.
- 3.3** The international community's efforts to improve global health are focused, through the Millennium Development Goals, on reducing child and maternal mortality. Halting the spread of communicable diseases, particularly HIV/AIDS, is another key target. The UN Secretary-General's progress report on the Millennium Development Goals (see Chapter 4) shows that, of all the Goals, those relating to health are the most challenging. Improving health – in particular by supporting strong, effective systems for providing basic healthcare – is a key priority for DFID.

### Box 3.a - Progress against DFID's 2001-04 Public Service Agreement: health

#### → Target

A decrease in the average under-5 mortality rate from 132 in 1997 to 103.

#### ✓ Achievement

##### BELOW TARGET

- Since last year the average under 5 mortality rate in our top 10 development partners has remained static at **128**. The reasons for this lack of progress include the HIV/AIDS epidemic and poorly functioning health systems as a result of under-investment. We are working to strengthen health systems in our partner countries and to tackle the causes and impacts of HIV/AIDS.

#### → Target

An increase in the proportion of births assisted by skilled attendants from 43% to 50%.

#### ✓ Achievement

##### AHEAD

- The average proportion of births assisted by skilled attendants in our top 10 development partners increased to 52%.

#### → Target

Improved access to reproductive health care (from a baseline of 32% of couples using contraception) in our top 10 development partners.

#### ✓ Achievement

##### AHEAD

- Steady progress (**39%** contraceptive prevalence) has been made in improving access to reproductive health care.

Full details of progress against our 2001-04 Public Service Agreement can be found at Annex 2.

- 3.4** The Millennium Development Goals and developing countries' own national poverty reduction strategies set the framework for DFID's action in health. DFID seeks where possible to strengthen partner government health systems (rather than fund stand-alone projects) and to provide support directly to national health budgets where appropriate (see Chapter 5). In this way, our support is more effective at strengthening

health systems and addressing key issues such as staffing, commodity supply, service delivery and financing.

- 3.5** At the international level, DFID has played an active role in the establishment of a number of global initiatives, for example the Global Fund to Fight AIDS, TB and Malaria (see 3.12 below). In September 2002, the former Secretary of State launched DFID's partnership strategy for working with the World Health Organisation (15). This sets out DFID's four year strategy to support the Organisation's reform process, including strengthened performance indicators and a stronger country focus.

### **Box 3.b - Addressing maternal mortality In Asia**

Currently, over half a million mothers die each year in Asia from treatable complications associated with childbirth. Many more are disabled. This incidence of maternal mortality is amongst the highest in the world. The Millennium Development Goal to reduce it by three-quarters by 2015 will not be achieved unless there is substantial progress in Asia.

For example, a Nepalese woman faces between a 1:12 and 1:31 lifetime risk of dying as a result of pregnancy or childbirth, compared to 1:6,000 in Northern Europe. DFID has been supporting a Safe Motherhood Project in Nepal to improve services and increase access to midwifery and obstetric care. A further programme (£20 million over five years) will build on this project and provide support to current health sector development initiatives and Nepal's National Safe Motherhood Plan to reduce maternal and neonatal mortality.

At the same time, DFID works to promote recognition that although health issues are critical to an effective response to maternal mortality, real progress can only be sustained if much broader issues are dealt with, for example, the low status of women and poor nutrition, water, sanitation etc.

DFID established a Maternal Mortality Task Force in March 2002 bringing together staff from a variety of technical disciplines. This produced recommendations for ways that DFID, particularly in Asia, could increase its contribution to reducing the incidence of maternal mortality. We are already seeing greater attention to this critical issue in both policy and planning documents, and new support is being considered in a number of countries.

- 3.6** The health of the poor could be much improved by increasing access to basic healthcare and medicines. Over the past year, the former Secretary of State chaired a UK High Level Working Group that brought together industry, government and others to agree a voluntary framework for actions leading to increased access to essential medicines. This will see:
- Drugs being supplied at close to cost price to all least developed countries and sub Saharan Africa;

- Measures put in place to prevent re-importation of drugs to richer markets and to ensure a transparent pricing regime;
- Elimination of developing country tariffs on differentially priced medicines; and
- Increased spending by donors and developing countries on strengthening health systems to deliver medicines to those who need them.



Barbara Klass/Panos Pictures

**DFID works to reduce the number of mothers who die as a result of childbirth. Skilled birth assistant in Bangladesh.**

- 3.7** The Prime Minister launched the Group's report (74) in November 2002. DFID will focus over the coming year on obtaining international support and on implementing the framework in pilot countries to demonstrate its effectiveness.

### *Want to Know More...*

About how poor countries can benefit from global advances in medicine?

See *Increasing Access to Essential Medicines in the Developing World*. (74)

*Annex 6 has details of how to obtain this and other DFID publications*

- 3.8** In addition, DFID will continue to work through the Global Alliance for Vaccines and Immunisation, a public-private alliance dedicated to increasing immunisation and introducing new vaccines in poor countries. The Secretary of State is a member of the Alliance's Board and, after DFID's five-year commitment of £35 million in December 2001, we instigated an independent review of the Alliance's global-level structure and

functions to improve its effectiveness. The recommendations were used by the Board to ensure that all Alliance members were clear on their roles and responsibilities and to improve planning.

### **HIV/AIDS and communicable diseases**

- 3.9** HIV/AIDS is particularly prevalent among the poorest and represents one of the key obstacles to achieving the Millennium Development Goals. There are 42 million people living with HIV/AIDS in the world – and the number of new infections continues to grow. This is especially true in Africa, where HIV/AIDS has killed around 14 million people, including an estimated 2.4 million in 2002 alone. The epidemic also slows economic growth, threatens national security and prevents the proper functioning of public services and the private sector. Its effects are, in some places, reversing development gains made over the past thirty years.
- 3.10** DFID's response to the epidemic ranges from prevention to care and impact mitigation. Our considerable investments so far have focused on: health information and empowerment, especially for young people; ready access to condoms; treatment and management of sexual infection; voluntary counselling and testing; and safe blood transfusion. Chapter 4 describes how we are tackling the disease in our country programmes.
- 3.11** DFID has actively promoted effective new HIV prevention products, particularly the development of new microbicides, chemical compounds that block infections from entering the body through sexual intercourse. In February 2002, DFID agreed a new £16 million grant for the Medical Research Council's Microbicides Development Programme to support research and development into new female-controlled HIV prevention products. And in May 2002 DFID was one of the first donor agencies to support the International Partnership for Microbicides, an initiative to hasten the availability of new microbicide products. We are also supporting research work into improving access of poor people to anti-retroviral therapy.
- 3.12** The UK supported the establishment of a new Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria in January 2002. This is a public – private partnership to provide funding to make more drugs and commodities available for the prevention and treatment of malaria, TB and HIV/AIDS in the poorest countries. The UK pledged US\$200 million (£125 million) to the Fund over 5 years and has helped to make sure it supports nationally-developed strategies. The Fund approved its first round of grants last year, \$616 million (£387 million) over two years, and the first projects to be supported started in late 2002.

### Box 3.c - Fighting HIV/AIDS: DFID support in Latin America

Latin America has unique levels of experience and technical capacity to combat HIV/AIDS. DFID is harnessing this resource by supporting technical collaboration on HIV/AIDS between Latin American countries and beyond.

One initiative is the supply of Brazilian expertise to the Bolivian National AIDS programme. The range of expertise provided covers access to clinical services and anti-retroviral drugs, epidemiological surveillance and the role of civil society. Plans are underway for similar support to the Peruvian National AIDS programme.

In partnership with UNAIDS, DFID is also supporting the Latin American Horizontal Technical Collaborating Group. This provides technical assistance, disseminates good practice in the region, and carries out political advocacy for effective national HIV/AIDS policies and resources to implement them.

Beyond Latin America, DFID is supporting technical collaboration between the Brazilian and Russian National AIDS programmes. Russia, which has the world's second fastest growing AIDS epidemic, wishes to draw on Brazilian expertise in successfully controlling the HIV/AIDS epidemic. Collaboration focuses on: management of a national programme; access to clinical services including anti-retroviral drugs; the role of non-governmental organisations; and harm reduction programmes for intravenous drug users.

- 3.13** The UK Government remains committed to the global eradication of polio by 2005. We have already committed over \$385 million (£242 million) towards this goal. At the 2002 G8 Summit in Canada, the UK worked to secure a G8 pledge to provide the financial resources necessary to eradicate polio – and we committed a further \$25million (£16 million). Good progress is being made towards eradication but there remain small pockets of high incidence which are the focus of intensive effort. In India, for example,



Giacomo Pirozzi/Panos Pictures

**The poor suffer disproportionately from avoidable illness. Mother and child under mosquito net to protect from malaria, Zambia.**

which has the greatest incidence of polio in any single country, we have a £98 million programme on polio eradication, bringing our total bilateral commitment in that country to over £180 million to date.

## Reproductive health

- 3.14** Much of the burden of poverty and ill-health falls on women and is directly associated with their lack of control over sex and reproduction. More than 100 million women lack access to reproductive health services and contraception. They have no choice in childbearing nor, too often, the ability to protect themselves from sexually transmitted infection. Reproductive health and rights remain high among DFID's priorities because poor women have most to gain from better reproductive and sexual health, yet have the least access to good quality information and services. Progress on reproductive health is essential if the Millennium Development Goals on HIV/AIDS, and maternal and child mortality are to be achieved.
- 3.15** DFID has worked in partnership with a wide range of national governments, donors and NGOs over the past year to defend and promote advances in sexual and reproductive health secured at the 1994 International Conference on Population and Development. We remain concerned that the conservative stance of groups seeking to undermine reproductive rights, including the current US administration, could be very damaging to the reproductive health of the poor. In particular, we believe we cannot make progress on HIV/AIDS without making progress on access to reproductive health care. Access to reproductive health care is vital also to lowering maternal mortality and promoting the rights of women to have reproductive choice.
- 3.16** In 2001/02 (the last year for which figures are available), DFID invested over £220 million bilaterally in sexual and reproductive health (including HIV/AIDS). We also made significant contributions to multilateral agencies covering sexual and reproductive health, including the UN Population Fund, the World Health Organisation, the World Bank and the European Community.

### Box 3.d - DFID support for sexual and reproductive health in Malawi

DFID is supporting the Government of Malawi's sexual and reproductive health programme (SRHP). This aims to increase access to, and utilisation of, cost effective sexually transmitted infection (STI) treatment and prevention and family planning services. Activities include provision of condoms and other contraceptives, STI treatment drugs, HIV and STI lab test kits, development and dissemination of information materials. We are also supporting:

- Banja La Mtsogolo (Malawi's largest Reproductive Health NGO, in partnership with Marie Stopes International), to improve utilisation of reproductive health services and adoption of safer sexual practices by young people and poor and marginalised groups.

- The Malawi Safe Motherhood Project which supports the Government of Malawi to help ensure the utilisation of high quality care and to reduce maternal mortality and morbidity.

Total DFID support for the SRHP in Malawi amounts to over £46 million.

## Primary education

- 3.17** At the April 2000 World Education Forum in Dakar in Senegal, DFID joined with other donors in an international commitment to achieve education for “every citizen in every society”. We worked to ensure that this commitment – in the shape of the Education for All initiative – received unprecedented focus at major international meetings in 2002. This has led to an important breakthrough in attracting international interest in reaching the education Millennium Development Goals. Our priority now is to convert this interest into action and funding in support of national, poverty-focused Education for All and gender equity strategies.

### Box 3.e - Progress against DFID’s 2001-04 Public Service Agreement: education

#### → Target

An average increase in primary school enrolment from 75% to 81%.

#### ✓ Achievement

##### BELOW TARGET

- The latest primary school enrolment data gives an average for DFID’s top ten development partners of **76%**. The apparent lack of progress since both the baseline and the last report (which gave the latest figure as **86%**) can mainly be explained by better data availability and more accurate reporting.

#### → Target

Improvements in gender equality in education, particularly primary education in our top 10 development partners (baseline for gender equality is 86%).

#### ✓ Achievement

##### AHEAD

- The latest figure is **91%**. On current progress, we are on course to meet the 2015 target (100%) in target countries.

Full details of progress against our 2001-04 Public Service Agreement can be found at Annex 2.

- 3.18** DFID financial support made possible the publication in November 2002 of an authoritative, global annual report on progress towards Education for All, aimed at guiding and influencing international support for the initiative (Box 3.f).

### **Box 3.f - The first Education for All (EFA) Global Monitoring Report**

At the World Education Forum in Dakar in April 2000, national governments agreed to dedicate themselves to achieving six major goals, including:

- Achievement of universal primary education;
- Elimination of gender disparity in education; and
- Halving levels of adult illiteracy by 2015

International agencies pledged that no country committed to these goals would be prevented from achieving them by a lack of resources. It was agreed that one of the instruments for ensuring greater accountability for these pledges would be an annual Global Monitoring Report. The first was published in November 2002. Its main conclusions are:

- 83 countries have already achieved the three quantitative EFA goals (net primary school enrolment, adult literacy and gender parity in gross school enrolment);
- 43 countries are at risk of not achieving at least one of the goals;
- 28 countries are at high risk of not achieving any of these goals;
- 41 countries have been moving backwards.

The report also assessed progress in establishing national EFA policies and plans, costs of achieving EFA goals and the availability of resources to secure them. DFID has seconded an Education Adviser as Deputy Director of the Report Team in Paris, and a Statistician to UNESCO's Institute of Statistics in Montreal to supervise monitoring, collection and analysis of EFA data from member states.

- 3.19** DFID has been actively involved with the development of the World Bank's Action Plan for accelerating progress towards Education for All. This 'Fast Track Initiative' offers support for countries willing to prioritise primary education for all children and to embrace policies that improve their primary education systems. Over the past year we have worked to ensure that:

- The initiative focuses on the need to increase commitment in the countries where most of the out-of-school children live;
- It complements existing national policies and initiatives in primary education;

- Proposals put forward by partner Governments are rigorously reviewed by local groups and address capacity issues as much as financing requirements; and
- The whole process has a greater gender focus.



Giacomo Pirozzi/Panos Pictures

**Educating girls is a key means of tackling poverty. Girls in a Koranic school, Chad.**

- 3.20** In 2002/03 DFID successfully pressed for five countries with particularly large numbers of children out of school (India, Pakistan, Bangladesh, Nigeria and the Democratic Republic of Congo) to be eligible for fast-track support. These five were in addition to the eighteen countries already included in the Initiative.
- 3.21** Achieving the education Millennium Development Goals depends on an adequate supply of trained teachers. In December 2002, the DFID-funded Multi Site Teacher Education Project completed an extensive programme of research on primary teacher education in five countries: Ghana, Lesotho, Malawi, South Africa, and Trinidad and Tobago. In four of these, lack of teachers is becoming the main constraint on improving access to quality education. The research has resulted in a higher priority in these countries for teacher education, increased research to inform policy, and the establishment of National Task Forces on Teacher Education and local research teams to undertake further development work.
- 3.22** Education systems in Africa are under enormous pressure to deliver better quality education at a time when HIV/AIDS is having a major impact on the availability of teachers. Open and distance-based approaches to learning, using new technologies, can help to make the best of precious teaching resources. Box 3.g gives an example.

### Box 3.g - Imfundo: Partnership for IT in education

The provision of quality education for young people in Africa is one of the most important tasks for the international community. Working together with African governments and teachers, we can help to provide relevant and high quality training and knowledge for future generations. But this requires considerable investment and commitment. The Imfundo initiative is specifically designed to help make such resources available to African countries.

Since its inception in 2000, Imfundo has gained some 40 partners from the private sector, civil society, global organisations and academic institutions, all committed to supporting the aim of using new technology to deliver gender equality and universal primary education in Africa. In 2002/03, Imfundo has made important contributions to the development of educational activities in South Africa, Ghana, Mozambique and Ethiopia. An international workshop held in April 2002 brought together educationalists, government officials and Information and Communication Technology specialists from Latin America, South Asia and Africa to identify the best ways to deliver new technology policies in practice. Further details on Imfundo can be found at the new information website ([www.imfundo.org](http://www.imfundo.org)) launched in October 2002.

## Creating economic opportunities

- 3.23** One of the important achievements at Monterrey was a consensus among all countries that a dynamic and competitive private sector is vital to creating economic opportunities for poor people. Governments have a key role to play in creating the right environment for private investment, entrepreneurship and economic growth by eliminating conflict, reducing corruption, enforcing laws of property and contract and implementing sound and consistent macro-economic policies. Creating the right environment also requires improvements in the level and quality of economic infrastructure – such as electric power, transport and telecommunications.
- 3.24** Over the past year DFID has worked with a range of partners to help develop small and medium enterprises. These play a vital role in distributing the benefits of economic growth to the poor in developing countries, through job creation and by acting as a link between larger businesses and micro-enterprises. In Sichuan Province in China, for example, DFID is working with the International Finance Corporation to strengthen the local financial sector through training for bank staff, and to improve the provision of business support services through business advice centres and consultancy firms. We have also worked with governments to ensure that support for the local private sector is reflected in national poverty reduction strategies.

- 3.25** Financial services for the poor are important not only to increase incomes but also for tackling other dimensions of poverty – for example to assist with the financial costs of sending children to school and of medical care; and to give women greater access to financial capital. Over the past year, DFID has supported the Consultative Group to Assist the Poorest, a World Bank affiliated organisation that provides support to microfinance institutions around the world. In particular, we have participated in a series of peer reviews to share lessons and improve practice amongst donors funding microfinance programmes. This is also a focus for our country programmes. In South Africa we have supported since April 2002 an initiative entitled Making Financial Markets Work for the Poor. We expect this to substantially increase access to financial services (savings, transaction accounts, credit, insurance) by poor people in the region.
- 3.26** Banking crises in developing countries during the 1980s and 1990s are estimated to have cost US\$1 trillion, roughly equal to all the foreign aid provided to developing countries since 1950. DFID made a significant contribution to strengthening the banking sector in poor countries by securing the support of six other donors for the Financial Sector Reform and Strengthening ('FIRST') Initiative launched in April 2002. This initiative will support economic growth and poverty reduction and contribute to a more stable international financial system.
- 3.27** Investment in infrastructure is key to promoting economic development. DFID has been influential since 1997 in raising international awareness of the link between investment in national infrastructure and provision of local services for poor people. Our approach is set out in *Making Connections* (52), a paper published in September 2002. An example of our work is in Box 3.h.



Caroline Penn/Panos Pictures

**DFID works with the international community to support small businesses in developing countries, such as this clothing workshop in Soweto, South Africa.**

### Box 3.h - Providing essential services to the urban poor

The world is rapidly urbanising. The global urban population is approaching 2.5 billion and in developing countries nearly as many people now live in conurbations as in rural areas. As urbanisation increases so does urban poverty. This accelerating rate of growth far outstrips the ability of municipal governments to provide essential services to people who live in cities.

In October 2002 DFID, the Swedish government and the international NGO, Homeless International, helped the Cities Alliance to establish the Community Led Infrastructure Financing Facility. This helps urban slum dwellers in developing countries to improve their access to public and private finance for housing and associated infrastructure services (water, sanitation etc). It will help such communities develop business plans for the funding and cost recovery for locally initiated housing and associated infrastructure. It will help them take these business plans to local banks or development finance institutions and provide a guarantee against repayment from revenues, helping to establish a sustainable service. The first programme is already underway in Mumbai in India and initial results are very encouraging.

- 3.28** The Emerging Africa Infrastructure Fund, which is supported by a £62.5 million commitment from DFID, started operations in August 2002 and is now involved in negotiations for loans to a number of private sector funded projects in Africa. DFID has also been influential in the formation of the Private Infrastructure Development Group, which seeks to bring together donors to support initiatives relating to private funding of infrastructure. Holland, Sweden, and Switzerland have joined this venture.
- 3.29** DFID has been working in partnership with other like-minded donors to create innovative approaches to attract private sector investment in infrastructure in developing countries. For example, we are working with others to develop a Local Currency Guarantee Facility (to help leverage local currency private sector investment) and a Project Development Facility (to increase investment opportunities). Both are planned to become operational over the coming year.
- 3.30** 2.4 billion people – half the world’s population – do not have acceptable means of sanitation. This results in 3.3 million deaths – of which 2.2 million are children under the age of five – every year due to diarrhoeal disease. This could be reduced by better hygiene practices, safer water supplies and provision of sanitation. The UK successfully pressed for the target agreed at the World Summit for Sustainable Development “to reduce by 50% by 2015 the proportion of people who do not have access to appropriate sanitation”. Over the next year DFID will focus on support for multilateral efforts to implement this commitment.

- 3.31** In January 2003 the National Audit Office published *Maximising Impact in the Water Sector*, its review of DFID's work in the water sector (87). The Public Accounts Committee discussed this in February 2003. Some of the main conclusions of the review are highlighted in Box 3.i.

### Box 3.i - Maximising our impact in the water sector

In launching the National Audit Office report, Sir John Bourn, the Comptroller and Auditor General, said:

"The achievement of the targets to improve access to water and sanitation remains a huge task. It is clearly important that DFID makes an effective contribution to addressing global water needs. At the international, national and local levels, DFID can point to success in its work in the water sector and new initiatives to improve its performance".

The report concluded, amongst other things, that DFID's projects to improve access to water and sanitation in developing countries have been largely successful and that DFID plays a highly influential role within the international development community in raising the profile of water and sanitation issues. This includes pushing successfully for the adoption at the World Summit on Sustainable Development of the target to halve by 2015 the proportion of people without access to basic sanitation.

The report also made recommendations aimed at strengthening DFID's work, for example on evaluation.

## Effective governments

- 3.32** Building the institutions of an effective, democratic, modern state is essential to sustainable development. Governments work better when citizens have an influence on the state's actions. In the last year DFID has supported electoral processes (including voter education and provision of electoral materials) in Pakistan, Cambodia, Nigeria and Bolivia. In May 2002 we helped the National Electoral Commission in Sierra Leone to hold Presidential and Parliamentary elections in collaboration with USAID, the Commonwealth Secretariat and the EC. A major focus of our work has been to provide longer-term support for construction of democratic states in countries where conflicts have been resolved (see Chapter 4 for details).
- 3.33** Over the past year we have supported two Development Research Centres working on governance issues. One explores the relationship between poor people and the state, civil society and the market institutions that affect their lives; its work this year included collaboration with the Municipal Health Council in São Paulo, Brazil, on implementation of their new Family Health Programme. The other has explored the underlying historical, political and social reasons why some governments are unable to exercise authority over much of their territories and populations, and why power is concentrated in relatively few hands while large populations – the poor, women, and particular regional, ethnic or

linguistic groups – are politically excluded. DFID also supports related activities in our country programmes; for example, our work over the past year with local government in Kenya has led to increased participation by citizens in decisions on council expenditure plans and more effective use of the 5% of central government revenues that go to local authorities.

**3.34** In addition to transparent and representative political processes, effective management of public finances is essential to achieving the Millennium Development Goals. Domestic taxpayers and external donors need to be confident that resources are being used in an accountable and transparent fashion. Over the past year DFID has led work on an initiative within the Development Assistance Committee of the OECD on developing a framework to measure progress in this area. Further work on this is now being taken up in collaboration with the EU and the World Bank through the Public Expenditure and Financial Accountability programme. The objective is to develop a clear set of criteria by which to assess progress in public financial management on an annual basis.

**3.35** The poor suffer most from corruption. There is a need for action by developing and developed countries, particularly on prevention through strengthening management systems and accountability in developing countries, on money laundering, and on tracking, seizing and returning corruptly acquired assets. Over the past year, DFID has been helping to build strong anti-money laundering systems in 14 eastern and southern African countries and in south-east Asia. In Malawi, Pakistan, Sierra Leone, Uganda and Zambia, UK financial and technical assistance to anti-corruption bodies has strengthened their capacity to investigate and prosecute corruption cases. DFID has also been leading the development of the Extractive Industries Transparency Initiative (Box 3.j).

### **Box 3.j - Extractive Industries Transparency Initiative**

The Prime Minister announced the Extractive Industries Transparency Initiative at the Johannesburg World Summit on Sustainable Development (see Chapter 2).

The Initiative aims to increase transparency (i.e. accountability) in the oil, gas and mining industries. These industries are important in over 50 developing countries that are home to 3.5 billion people. The revenues from them should be an important engine for economic growth and social development.

However, there is a close correlation between the countries rich in natural resources and the countries with high levels of poverty. The lack of accountability and transparency in these revenues can exacerbate poor governance and lead to corruption, conflict and, ultimately, the failure to use the wealth from resources extraction to reduce poverty. Increasing transparency and knowledge of revenues will empower citizens and institutions to hold governments to account and make mismanagement or diversion of funds away from sustainable development purposes more difficult. DFID is working with other UK government departments, partner governments, companies, international organisations and NGOs to raise awareness of the benefits of transparency and work up a framework for increasing transparency.

## Improving livelihoods

- 3.36** Putting the livelihoods of poor people at the centre of efforts to sustainably reduce poverty is vital to achieving the Millennium Development Goals. DFID's approach to this was set out in a paper *Better Livelihoods for Poor People: The Role of Agriculture* (45) published in August 2002 for the World Summit on Sustainable Development (see Chapter 2). This focused on agriculture's role in poverty elimination and providing better livelihoods for poor people and explores what role the international community and development agencies can play.
- 3.37** DFID also published *Eliminating Hunger* (44) for the World Food Summit in May 2002. It set out the causes of food insecurity and hunger and the priorities for addressing these and has provided a platform for improving the effectiveness of UN agencies such as the World Food Programme and the Food and Agricultural Organisation. The paper has broadened international debate and understanding within DFID of hunger and food insecurity and has increased awareness of this important Millennium Development Goal. We have used the paper to build a departmental action plan for addressing the causes.
- 3.38** DFID supports a substantial programme of research aimed at improving income-earning opportunities for the millions of poor people in developing countries whose livelihoods critically depend on their natural resources (see Box 3.k).



International Crops Research Institute  
for the Semi-Arid Tropics, India

**DFID-funded research on disease resistant crops has improved the livelihoods of poor people. Indian family prepares chickpeas.**

### Box 3.k - DFID support to enhancing productive livelihoods

These are some examples of achievements of DFID's support to poor people's livelihoods options:

- Almost one billion people living in developing countries are malnourished, many of them children. New maize varieties contain nearly twice as much usable protein as other maize grown in the tropics and include two essential amino acids needed to prevent malnutrition, not previously available in high maize diets. The new maize varieties developed with DFID support by scientists at the Maize and Wheat improvement Center in **Mexico** are now grown on more than a million hectares worldwide and yield 10% more grain.
- Water shortage is one of the main causes of income poverty in rural areas. In **Tanzania**, DFID has been supporting work on rainwater harvesting technology in semi-arid areas since 1992. This has been very successful: in one district alone some 28,000 households are now using such systems for rice production, domestic use and livestock watering. Provision of this technology is now a priority in the government's poverty reduction strategy.
- As part of our strategy to promote child health and survival by alleviating vitamin A deficiency, DFID is supporting research by the International Potato Center to breed sweetpotato varieties with a high beta-carotene content for use in large areas of Eastern and Southern Africa. Significant progress has been made in the last year. In **Kenya, Uganda** and **Tanzania** at least 35 million cuttings of sweetpotato varieties rich in vitamin A have been multiplied and distributed, covering about 10% of the growing area
- In Andhra Pradesh in **India**, DFID-supported research by the International Crops Research Institute for the Semi-Arid Tropics has led to wide adoption of disease resistant varieties of chickpea and the use of natural insecticides in place of chemicals. A nine-fold increase in chickpea production has added an estimated £29 million to farm incomes;
- In response to an approach from NGOs in **Mozambique**, DFID is supporting work leading to the adoption of improved varieties of cassava. This is helping 1.6 million farmers turn wastelands into fertile farms and helping to provide these people with the means and skills to feed themselves.

**3.39** Illegal logging denies a livelihood to many poor people and robs governments of billions of dollars. It is a consequence of corruption and poor governance at national and international levels. Details of DFID's influential work on this issue over the past year is set out in Box 3.l.

### Box 3.1 - DFID support to combat illegal logging

A UK expert group on forest law enforcement and governance made recommendations on countering illegal logging to the G8 Summit in Canada in June 2002. Other achievements over the past year include:

- In April 2002 the UK and Indonesia signed an agreement - the first of its kind - to combat illegal logging and associated trade between the two countries. Government departments, the private sector and NGOs in both countries helped shape the agreement and the plan to implement it. Indonesia has since signed a similar agreement with China and is negotiating agreements with other major trading partners.
- We have worked with the European Commission on its action plan on forest governance and trade. This will cover systems to guarantee legal origin, government procurement policy, corporate social responsibility and development cooperation.
- In 2002 the UK Timber Trade Federation, to which DFID has seconded a member of staff, adopted a Code of Conduct that commits members to source their timber and timber products from legal and well-managed forests. The Code was the first of its kind internationally and has already influenced trade federations in other countries.

## Ensuring environmental sustainability

**3.40** Action to address global environmental issues is central to the fight against poverty, as the poor suffer most from environmental degradation. But reversing environmental decline is expensive. The Global Environment Facility helps developing countries to meet the additional costs to their economies of addressing global environmental issues such as climate change, biodiversity, ozone depletion and desertification and land degradation. In line with the Government's 2000 White Paper (2) commitment, DFID secured in August 2002 a 50% increase in resources – an extra £3 billion – for the third replenishment of the Facility from 2002 to 2006. The UK's core contribution will be £103 million over the next four years. We will provide an additional £15 million as a signal of our commitment to addressing global environmental problems. The UK is now the fourth largest donor to the Facility.

**3.41** Protection of the environment has often been seen as an end in itself. Over the past year, DFID has worked to change the terms of the global debate on the links between poverty, the environment and sustainable development, with the aim of increasing understanding of the benefits that better environmental management can offer to poor people. Following four months of consultation involving 1000 people in 84 countries, DFID launched a paper (59) jointly with the European Commission, UNDP and the World Bank on "Linking Poverty Reduction and Environment Management" at the World Summit on Sustainable Development (see Chapter 2). All four agencies are

now focusing on taking forward the paper's recommendations through the Poverty Environment Partnership – an informal group of over 15 bilateral and multilateral development agencies working on poverty-environment issues. Following this successful venture, DFID in conjunction with 9 other agencies is preparing a publication exploring the link between climate change and poverty.

### **Box 3.m - Poverty and the environment: China**

In China, many poor people depend on environmental resources. Access to, and use of water and land, are central to their livelihoods. DFID is supporting national and provincial governments to reduce rural poverty through improved and sustainable management of those natural resources. In the poor western province of Yunnan we are supporting the provincial government to better integrate environment and poverty programmes and involve local people in the development and implementation of those programmes. We are helping the Ministry of Water Resources to develop better approaches to water resource management and improved access by poor people to rural water supply and sanitation. DFID also funded provision of advice to support the Government in revision of China's National Water Law, introducing new emphasis on conservation measures, water use associations and river basin organisations.

## **Human rights based approach to development**

- 3.42** DFID seeks to incorporate the empowerment of poor people – and most of them are women and children – into our approach to tackling poverty. This means ensuring their participation in decision-making processes, promoting equal access to services and resources and strengthening government institutions and policies so that the rights of poor people are recognised and protected.
- 3.43** Over the past year, DFID has developed participatory methods for assessing poor people's views and local approaches for incorporating them into public policy. For example, DFID Bangladesh has provided support for organisations that advocate for people's rights and empowerment. In Peru, we are supporting initiatives that enable poor people to realise their human rights, supported by civil society, government and the international community. In Pakistan, the DFID-supported family protection project seeks to address issues of violence against women.
- 3.44** Gender equality is essential to poverty elimination since 70% of the poor are women and people in their households. There is a growing and compelling body of evidence that women not only bear the brunt of poverty but that women's empowerment is a central precondition for its elimination. Research has shown that investing in education for girls is one of the most effective ways of reducing poverty.

- 3.45** The September 2002 joint DFID-World Bank review of poverty reduction strategies (Box 2.1) concluded that the majority of strategies address girls' education only in terms of primary education. Even when they do feature, gender goals are generally not budgeted for and are set out in broad terms rather than as specific outcomes that can be assessed or measured. Over the past year, DFID has worked to develop gender-sensitive budgeting initiatives that help to analyse public spending according to how benefits will be shared between men and women and the impact of budgets on gender equality. Gender budgets have now been introduced in India and Tanzania.
- 3.46** Another example of DFID's efforts to strengthen gender analysis in all development programmes is our recent work to support the government and the Women's Parliamentary Forum in Rwanda to integrate gender perspectives within the constitutional process. Internally, we have reviewed staff training and produced in April 2002 a Gender Manual (48) to enhance our capacity to strengthen gender perspectives.
- 3.47** DFID has continued its commitment to stronger collaboration with multilateral institutions to achieve human rights and gender equality goals. We have increased our core annual support to UNIFEM (the UN's Development Fund for Women) from £150,000 in the mid-1990s to £3 million in 2002 to strengthen its work on promoting gender issues and its contribution to achieving the Millennium Development Goals. This partnership was reviewed in December 2002, concluding that UNIFEM has by and large achieved its strategic and management objectives.
- 3.48** Tackling child poverty is a key part of our commitment to halve the proportion of people living in absolute poverty by the year 2015. To measure progress against the target we need to have accurate and comprehensive data about how children born



Trygve Bolstad/Panos Pictures

**The drive for equality of opportunity, and a fair share for women of the benefits of development, lies at the heart of DFID's international development strategy. Women brickworkers' hands, Bangladesh.**

into poverty are affected by global and local forces, and domestic policies throughout their lives. Box 3n gives details of one way DFID is addressing this.

### **Box 3.n - Supporting children's rights: the Young Lives project**

Since 2001, DFID has been funding a research programme called **Young Lives**, which will examine the lives of thousands of children born into poverty in the new millennium. This focuses on children in four developing countries - Ethiopia, Peru, Vietnam and India - following their lives from infancy to adulthood. The programme has been designed to produce good quality long-term information about the changing nature of the lives of poor children. We will use the data we gather to examine how children and their families are affected by major policies.

The first surveys started in Spring 2002, and analysis of preliminary data has now started. The process is being well documented through photography and film so **Young Lives** can also serve to build research capacity in the future. Events over the past year have included an awards ceremony in Peru for the best piece of journalism on childhood poverty in the national media, a radio discussion panel in Ethiopia on childhood poverty and the implications of the local poverty reduction strategy, the public screening of the Young Lives video in Vietnam, the publication of a series of thematic briefs for the general reader in India, and the development of a radio documentary in the UK. Further information on this work can be found at [www.younglives.org.uk](http://www.younglives.org.uk).

- 3.49** The UK is committed to securing core labour standards – freedom of association and the effective recognition of the rights to collective bargaining, and the elimination of child labour, forced labour, and discrimination in respect of employment or occupation. DFID has continued our £15 million four-year partnership agreement with the International Labour Organisation to support the realisation of these standards. And in February 2003 we issued, for consultation, a paper on Labour Standards and Poverty Reduction (50) that aims to show how the realisation of workers' rights – particularly core labour standards – can contribute to global poverty reduction. The paper (Box 3.o) suggests ways in which the global development community can help increase respect for core labour standards without undermining the livelihood opportunities of poor workers.

### **Want to Know More...**

About DFID's support to combat child labour?  
See DFID paper *Liberating children – combating hidden and harmful child labour* (49)

*Annex 6 has details of how to obtain this and other DFID publications*

### Box 3.o - Labour standards and poverty reduction - an agenda for change

This consultation paper (50) argues that a positive agenda for promoting workers' rights and labour standards can be built on the following elements:

- **Policy dialogue.** New and powerful instruments of development cooperation, such as budget support and poverty reduction strategy processes, offer mechanisms to promote core labour standards.
- **Technical assistance and capacity building.** Supporting developing countries to set and monitor labour standards, and improving access to the justice system will strengthen poor workers ability to claim their rights.
- **Alliances between workers in the formal sector and those not traditionally protected by labour institutions.** The labour movement needs to promote and protect the rights of the most vulnerable workers - those in the informal economy, home-workers, migrants.
- **Stronger international political and legal mechanisms to address states that persistently abuse human rights.** Instead of pursuing trade sanctions through the WTO, the global community needs to support efforts in the UN (including the International Labour Organisation) to strengthen the international legal frameworks for addressing human rights violations.
- **A broader global coalition for poverty reduction.** This will require the international development community to give greater emphasis to workers' rights, and the international labour movement to engage more actively with the challenges of global poverty elimination.

## Global migration and asylum-seeking

**3.50** The movement of people to escape poverty, human rights abuse and conflict, and to better their lives has hit the headlines in many contexts during the past year, but it is not a recent phenomenon. Historically, migration has been a way for populations to escape poverty or persecution, and many millions of people around the world rely on remittances from abroad. DFID is strengthening its engagement with this important issue in order to address its impact and consequences for the elimination of poverty. In December 2002, DFID established a Development Research Centre to explore the impact of migration on poverty, led by the University of Sussex and including four institutes in developing countries. Over the next five years its research will inform policy recommendations.

## Developing knowledge and using research

- 3.51** DFID tries to ensure that we are continually learning. We use research and knowledge-generation to inform our work. In addition to our partnerships with developing countries and other development agencies in the international system, we commission research worth an estimated £100 million annually (see Box 3.k for examples). To improve the coherence and impact of our work, we have undertaken over the past year a major review of our research policy (Box 3.p).

### **Box 3.p - DFID's research policy: how can we use this more effectively to contribute to poverty reduction?**

In December 2002, an independent review of DFID's research recommended ways in which research funded by DFID could be made more relevant to the needs of the poor and have a greater impact on the ground. Recommendations included:

- Giving the intended users of the research a greater say in its planning;
- Doing more to strengthen the capacity of developing countries to acquire, use and generate knowledge;
- Continuing to increase the uptake of our research results by the poor;
- Obtaining the most effective research expertise, whether it be from the UK or elsewhere and ensuring that DFID-funded research forms part of the collective international effort to remove constraints and create opportunities to reduce poverty; and
- Ensuring that DFID-funded research is fully integrated into the work of the Department.

The report also recommended that DFID should produce a single research strategy designed to help achieve these aims and a single central research group to implement the strategy. This is now being taken forward as part of an overall reorganisation of DFID's Policy Division (see Chapter 6).

# Chapter 4

## Moving towards the Millennium Development Goals

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# 4

## Moving towards the Millennium Development Goals

We confront a world divided between rich and poor as never before in human history. Around one sixth of humanity has achieved levels of well-being that were impossible to contemplate even a few decades back. At the same time, another one sixth of humanity struggles for daily survival, in a life-and-death battle against disease, hunger and environmental catastrophe. In between are around four billion people in developing countries who no longer live right on the cliff-edge of disaster, but who remain very far from the security, capabilities and material well-being enjoyed by the peoples of the developed world.

UN Secretary-General's Report on the Implementation of the United Nations Millennium Declaration, October 2002

- 4.1** The United Nations Secretary-General has overall responsibility for monitoring and reporting global progress against the Millennium Development Goals. He presented the first annual progress report to the UN General Assembly in September 2002 (available at [www.un.org/millenniumgoals](http://www.un.org/millenniumgoals)). Key conclusions of the report are set out in Box 4.a.

### **Box 4.a - Progress against the Millennium Development Goals (MDGs). Key conclusions from the UN Secretary-General's first annual global progress report, September 2002**

Prospects for meeting the MDGs are mixed. For the developing world as a whole, progress in reducing extreme poverty indicates that the target of halving the poverty rate by 2015 is likely to be met. This is largely due to significant progress in Asia and in particular in China. All other regions are currently falling short of the target and in sub-Saharan Africa the poverty rate hardly changed in the 1990s.

Almost all regions have made some progress towards achieving universal primary education but the rates of improvement are too slow in many countries to meet this goal. In addition, gender inequalities at all levels of education continue to hinder development.

Progress towards the target of reducing under-five mortality rates by two-thirds between 1990 and 2015 has been extremely slow. While many countries have made some progress, the current trend is only for a reduction of a quarter - rather than the three-quarters set in the target. In Africa the change has been barely perceptible and death rates remain extremely high, reflecting the resurgence of malaria and the HIV/AIDS and tuberculosis pandemics. A similar picture emerges for maternal mortality, with the two regions with the highest rates, sub-Saharan Africa and South Central Asia, making insufficient progress to meet the target.

With 12 years to go to the target date, virtually all parts of the world still have the chance to meet the Goals. But these will only be reached if the right national and international conditions are achieved. The international community needs to redouble its efforts to ensure that progress is made across the world.

## ACHIEVEMENTS IN 2002/03

### Sub-Saharan Africa

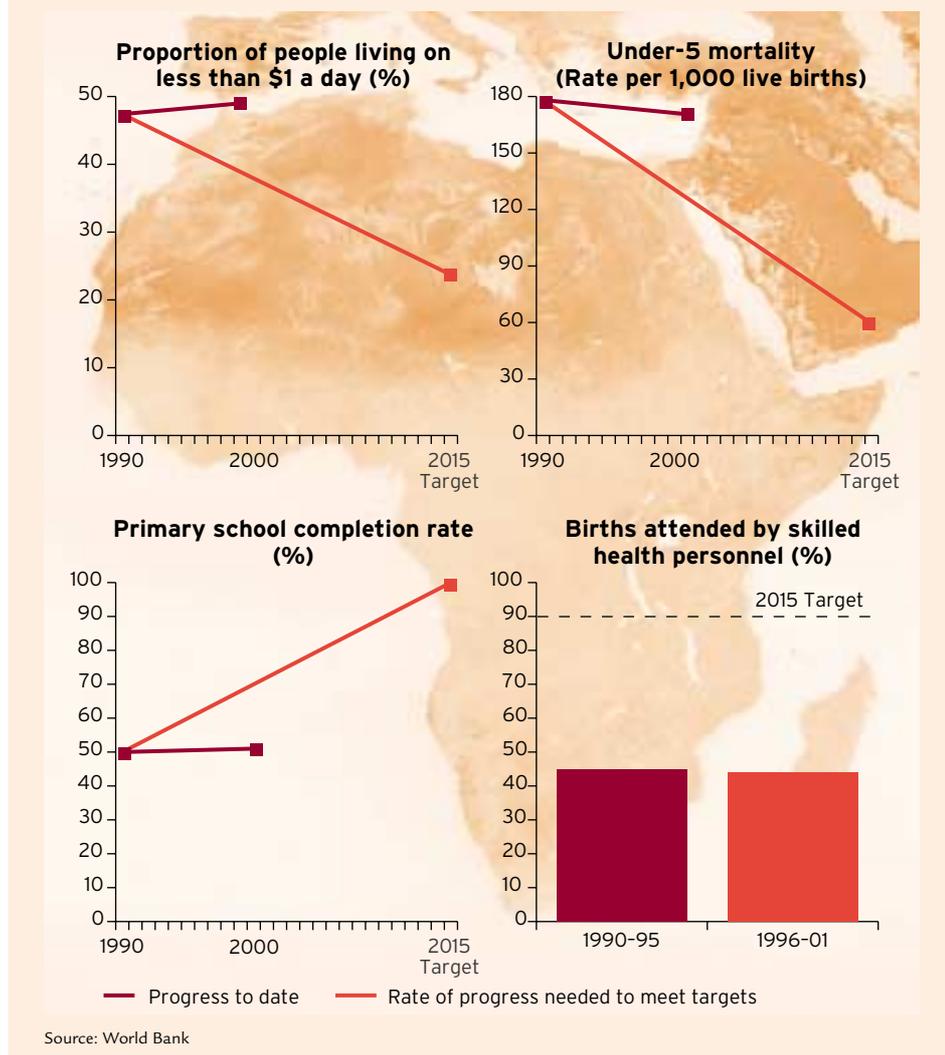
- 4.2** Progress towards the Millennium Development Goals is slowest in sub-Saharan Africa (see Box 4.b). The proportion of people living on less than \$1 a day in the region has remained at about 50% of its total population over the last decade, so the absolute number is growing. Growth of at least 7% per year is needed to meet the income poverty target, but average growth (3%) has barely kept pace with population increases. Conflict, HIV/AIDS, weak governance, poor economic policies and insufficient investment in health and education all hamper progress.



Clive Shirley/Panos Pictures

**Half the population of sub-Saharan Africa lives in extreme poverty. The region is therefore a priority for DFID. Women preparing fields for the coming rain, Senegal.**

### Box 4.b - Progress towards some of the Millennium Development Goals in sub-Saharan Africa



**4.3** Nevertheless, significant progress is being made in a number of countries, for example Mozambique, Tanzania, Uganda, Ghana and Rwanda. Several others are emerging from conflict with the prospect of major development gains. Building on these successes requires a coherent and coordinated approach from the international community to provide sustained support for African efforts. The Group of Eight industrialised nations (the “G8”) agreed in June 2002 a joint approach to supporting the New Partnership for Africa’s Development (NEPAD) – a commitment by African leaders to take action together to tackle development challenges (see Box 4.c).

### Box 4.c - NEPAD - the G8 response

The main result of the June 2002 Group of Eight industrialised nations (G8) Summit in Canada was the Africa Action Plan, the Group's response to NEPAD. The Plan includes commitments on: promoting peace and security in Africa; spending half the additional aid promised at Monterrey on Africa; providing up to \$1 billion extra funding for debt relief; supporting countries with credible plans to achieve universal primary education; undertaking further work on access to affordable medicines and providing the resources to eliminate polio by 2005. Further details of the Action Plan can be found in a DFID Background Briefing (22) - See Annex 6.

In his statement to the Commons after the Summit, the Prime Minister undertook that the UK would contribute its share of the additional resources required to implement the Plan and said, "we expect UK bilateral spending on Africa to rise from around £650 million a year now to £1 billion by 2006".

- 4.4** For the better performing countries, DFID's assistance has been – and will continue to be – in support of nationally-owned poverty reduction strategies (see Box 4.d), with an increasing proportion of assistance provided directly through national budgets (see Chapter 5). Where conditions allow, DFID has provided predictable budget support jointly with other donors (see Box 2.j for an example of this in Mozambique).
- 4.5** Poorer performers, and those in conflict, have not been neglected but the scale and nature of the engagement has been different. In these countries we have placed a greater emphasis on humanitarian assistance, dialogue and capacity building to create an environment where financial resources can be used more effectively in the future.

### Box 4.d - DFID support to poverty reduction strategies in Africa

Support for poverty reduction strategies (PRS) has been the keystone of our activities in sub-Saharan Africa over the past year - and will continue to guide our work. Chapter 2 gives further details of how we have been influential in securing international commitment to this approach.

DFID and World Bank Africa staff met in January 2003 and agreed to collaborate more closely on a range of issues including the development of our respective country assistance plans to support PRS. A programme of action has been drawn up against which progress will be reviewed.

At the **country level** DFID has focused on those areas that are critical for the successful operation of the PRS framework, including:

- Development of **PRS review cycles** that serve the needs of government, citizens and donors;
- Development of reliable **PRS monitoring systems** that serve to build national accountability of government to citizens;

- Support to national efforts to undertake **Poverty and Social Impact Analysis** (see Chapter 2);
- Adoption of systems of simple indicators for monitoring progress in **donor alignment** behind the national PRS;
- Strengthening the **Medium Term Expenditure Framework** process in-country and developing fiscal frameworks to assess financing requirements that are based on the PRS; and
- Strengthening **citizen engagement** in national policy processes associated with the PRS, with special focus on the budget process.

At the **regional level**, we will continue to share good practice on PRS and to encourage other donors to align behind them. We will build support for PRS in the international system, for example in the DAC Working Party on Aid Effectiveness, and the Strategic Partnership with Africa.

- 4.6** We have continued to work through regional and international fora, in particular the Strategic Partnership with Africa (SPA), to encourage donors to align their support more directly behind country-led poverty reduction strategies and to make themselves more accountable to partners. With EC and African counterparts, DFID led SPA missions to Ethiopia, Rwanda and Senegal in 2002/03 to help identify concrete steps to improve donor practice. DFID has been successful in focusing the future work programme of the SPA on practical issues of how to align donor support behind national poverty reduction strategies and on monitoring the quality and volume of aid flows to Africa.
- 4.7** Under the 2002 Spending Review in July (see Chapter 5), the UK committed to provide £1 billion of development assistance to Africa by 2005/06. This puts us in a strong position to support poverty reduction through our programmes in the region. However, whilst significant resource transfers are essential to supporting poverty reduction in Africa, as great a challenge is to increase the region's share in global trade (see Box 4.e).

**Box 4.e - DFID support to trade in Africa**

Africa accounts for only 2% of world trade. It is still heavily dependent on the production of primary commodities and faces declining terms of trade: average export prices declined 23% between 1995 and 2000. At the same time, agricultural subsidies in the developed world totalled \$300 billion (£192 billion) in 2001, almost equal to sub-Saharan Africa's GDP.

DFID's work on trade over the past year has focused on three areas:

**Influencing Policy**

- Ensuring the G8 Africa Action Plan (see Box 4.c) referred explicitly to Africa's increased engagement in and benefits from trade.
- Establishing a cross government group (the 'cross-Whitehall Group on African Trade') to take forward G8 Action Plan commitments.

**Trade-related capacity building**

- Supporting technical assistance programmes in Kenya, Uganda, Tanzania and Malawi to build government, private sector and civil society capacity to engage in international trade negotiations.
- Reviews of trade programmes in Malawi and Ghana to share best practice.

**Increasing understanding of how trade links to poverty**

- Production and dissemination of a review of the linkages between trade liberalisation, poverty and livelihoods in Africa.
- Increased engagement of DFID country staff with partner governments on trade and poverty linkages.

**4.8** Conflict affects more than one in five Africans, and reduces economic growth across the continent by at least 2% per year. We need to reduce conflict to make a sustained impact on poverty reduction. There has been progress: Sierra Leone and Angola are now at peace, and Sudan and the Democratic Republic of Congo have ceasefires. But a new civil war has erupted in Ivory Coast and there are simmering conflicts in the Central African Republic and Burundi – demonstrating the challenges that need to be overcome.

**4.9** In addition to our work to strengthen the international community's response to conflicts around the world (see Chapter 2), DFID works jointly with the Foreign Office and the Ministry of Defence to increase the UK's ability to play an effective role in conflict prevention and resolution in Africa. This joined-up approach by the UK ensured conflict received a high priority in the G8's new Africa Action Plan (Box 4.c), for which the UK drafted the peace and security components. UK bilateral coordination with G8, European and African partners has also improved, creating



Peter Barber/Panos Pictures

**Trade is essential to Africa's development. Market in Dar-es-Salaam, Tanzania.**

focused international support for specific initiatives such as the Kofi Annan Peace Support Training Centre – a West African regional peacekeeping training centre of excellence.

- 4.10** Support for democratic elections in **Sierra Leone** in May 2002 helped to consolidate peace. The UK military presence was scaled back in July and disarmament and demobilisation has been completed. DFID-supported reintegration of ex-combatants into civil society is due to be completed by the end of 2003. In the short term we will support the key processes of decentralisation, reform of the armed forces and strengthening of the police, access to justice and capacity building for service delivery. Our longer-term assistance will be governed by the recently concluded Memorandum of Understanding (see Box 2.n) and through the development of a full poverty reduction strategy. This will be an important indication of Sierra Leone's transition from post conflict reconstruction to long-term commitment to growth and poverty reduction in what is currently the poorest country in the world.
- 4.11** In November 2002, a limited but important cessation of hostilities between the Government of **Sudan** and the Sudan People's Liberation Movement was agreed. There is now a realistic possibility of a comprehensive peace agreement in 2003. A joint DFID-Foreign Office team works as part of a group of international observers to keep the parties on track for peace. DFID has committed over £10 million to humanitarian and peace building work in Sudan in 2002/03. We are now planning, with others in the international community, for the hard work of rehabilitation and reconstruction when there is peace.

- 4.12** UK support for a World Bank Multi-Donor Trust Fund in 2002/03 helped to secure peace in the **Great Lakes** region, where the former Secretary of State played a leading personal role. This included, at the Lancaster House summit in London in November 2002, reducing tensions between Rwanda and Uganda by mediating between them and urging progress on confidence-building measures.
- 4.13** In **Rwanda**, where the 1994 genocide prompted the collapse of the state and the economy, DFID is working to help rebuild state institutions and support economic and social development. DFID successfully mediated negotiations on a new IMF loan in 2002/03. Non-agreement would have resulted in significant cuts in public spending on health and education, and risked macro-economic instability and social disruption. We have provided support to the Government to establish a Medium Term Expenditure Framework, which will increase the effectiveness of the Government's budgetary process. We also agreed to help manage an additional £2.3 million of budgetary support for education offered by the Government of Sweden.
- 4.14** DFID was active with others throughout 2002/03 in pushing for a settlement to the long-running conflict in the **Democratic Republic of Congo**. International efforts helped achieve significant progress. The Pretoria Agreement between the DR Congo and Rwandan governments in July 2002 led to the withdrawal of Rwandan forces from the country. This was followed, in December, by agreement on an inclusive DR Congo transitional government. DFID has committed itself to establishing a significant development programme in the DR Congo to support the transitional Government in the major task of national reconstruction and reconciliation.
- 4.15** **Uganda** has achieved significant success in reducing poverty. The proportion of its population living in poverty fell from 56% in 1992 to 35% in 2000, primary school enrolment doubled between 1996 and 1998 and the incidence of HIV/AIDS fell from 14% in 1995 to 7% in 2000. Donor support has helped the country to make further progress over the past year. In the health sector, for example, there has been an increase in the flow of funds to districts. This has improved drug supply and led to an expansion in outpatient attendance (up 40% between July 2001 and June 2002) and immunisation coverage (from 48% to 63% by June 2002). Nevertheless, there remain significant challenges, not least those posed by continued internal conflict. DFID remains committed to providing budget support (see Chapter 5) and to focusing on successful implementation of the Government's Poverty Eradication Action Plan. Areas for focus include health, public sector reform, private sector development, decentralisation and conflict prevention.

- 4.16** After the successful election in **Kenya** in December 2002, the new Government has committed itself to tackling corruption, reviving the economy and improving public services including immediate free and compulsory universal primary education. DFID will enhance its partnership with Kenya and work to support the new government to implement its commitment to reform. In doing so we will build on our existing support in key areas including local government reform, a strengthened and more transparent financial management system, support to tackle HIV/AIDS and malaria, primary school book provision and private sector development.
- 4.17** The current humanitarian situation in **Ethiopia** is a matter of deep concern, and prospects for the coming year are potentially very serious. In December 2002, a joint Government-UN appeal identified 11.3 million people as needing more than 1.4 million metric tonnes of food assistance and placed a further 3 million under close monitoring. Such massive need has resulted from the impact of widespread drought on a highly vulnerable population with little capacity to cope with shocks.
- 4.18** DFID has provided £32.3 million bilaterally for humanitarian assistance to Ethiopia in 2002/03 and has also funded nearly 20% of EC support. In October 2002, the European Commission made available £15 million for 97,000 tonnes of food aid. The European Commission Humanitarian Aid Office committed £1.7 million of humanitarian support for the country earlier in the year and has a further £2.8 million programme of humanitarian support under preparation.
- 4.19** There is a strong case for building a longer-term development partnership with Ethiopia, based on the scale of poverty and the evidence that a fruitful partnership can be established. In July 2002, the Government of Ethiopia produced a Sustainable



Caroline Penn/Panos Pictures

**DFID works with the Government of Uganda to build on its success in reducing poverty. Primary school enrolment in the country doubled in the late 1990s.**

Development and Poverty Reduction Programme. To support this, DFID agreed a 10-year Memorandum of Understanding with the Government in January 2003 (see Chapter 2) and published a Country Assistance Plan in March 2003 (8), following identification with the Government of three focal areas: food security (including rural transportation); education; and HIV/AIDS.

- 4.20** **Tanzania** remains one of the poorest nations in the world with one third of its 37 million population living in abject poverty. Because of the large number of poor people and the government's commitment to poverty reduction, DFID's programme of support to Tanzania is set to become our largest in the region (increasing from £65 million in 2001/02 to a planned £80 million in 2003/04). We agreed a £135 million three year programme of budget support with the Government of Tanzania in September 2002, linked to satisfactory implementation of the Government's poverty reduction strategy, and we are currently negotiating a six year Memorandum of Understanding (see Chapter 2) to consolidate this support.
- 4.21** DFID has provided technical and financial support to the development of Tanzania's innovative poverty monitoring system over the past year. We have provided practical support for the government's policy to remove primary school fees – net primary school enrolment rose from 65% in 2001 to 99% in 2002. And we have supported the national strategy to combat malaria, which is on track to increase the proportion of under-5s sleeping under a bed net from 23% in 1999 to 80% by 2007. Insecticide treatment of nets is targeted to increase from less than 10% to 70% over the same period.
- 4.22** Drought, combined with bad government and conflict, has created desperate food shortages affecting 14 million people in Malawi, Zambia, Zimbabwe, Mozambique, Swaziland, Lesotho, and Angola. The AIDS pandemic makes the situation uniquely threatening: in a region where up to one in three adults are affected by the virus, people's ability to deal with food shortage is very weak and the risk of large scale loss of life is great. DFID's response is set out in Box 4.f.

#### **Box 4.f - Response to the food shortages in Southern Africa**

In October 2002, DFID set up a Southern African Humanitarian Crisis Unit in Johannesburg to work more effectively with the regional offices of the UN, Red Cross, NGOs and donors in South Africa.

In **Mozambique**, DFID has continued to support institutional reform of the Ministry of Agriculture and Rural Development. As a result, the Ministry moved early to mitigate the effects of the regional drought, distributing drought resistant seeds and planting materials to over 50,000 families in partnership with NGOs.

In **Zambia**, DFID was the first to pledge support to World Food Programme operations, and is supporting NGO and government relief and recovery initiatives. The Zambian Government's rejection of genetically modified food relief complicated these efforts.

In **Malawi**, we have helped establish the National Task Force on Food Security, which brings together government, donors, civil society and private sector to deal with the crisis. In addition, support through the National Safety Nets Strategy bolstered both winter and summer crop production for up to 2 million farmers.

The regional Vulnerability Assessment Committee estimates that at its peak, half the population in **Zimbabwe** needed humanitarian assistance (6.7 million people). This is largely caused by gross mismanagement. Vulnerability is heightened by the high rates of HIV infection (35% of adults in 2000) and limited ability of public systems to cope. DFID committed £33.3 million in 2002/03 to Zimbabwe, of which £7 million was provided to the World Food Programme and £19 million directly through NGOs to feed 1.5 million people, mostly children. DFID also helped strengthen the World Health Organization's ability to respond to disease outbreaks such as cholera. We are also looking beyond relief to development with a £5 million programme to support agricultural recovery in communal areas.

See DFID's Background Briefing (22) for further details of our support to the food crisis in Southern Africa.

- 4.23** The countries of **Southern Africa** have achieved significant success in expanding delivery of basic services such as education and water. DFID's strategy for the region, published in October 2002 (12), outlines a new approach both to our work on regional issues in Southern Africa and to our programmes in Botswana, Lesotho, Namibia, South Africa and Swaziland. We will over time reduce our support for expanding access to basic services and work increasingly on continental and regional issues affecting poverty in Southern Africa (such as conflict and trade), on promoting growth and employment, and on combating HIV/AIDS.
- 4.24** Over the past year, we have provided support to the New Partnership for Africa's Development (NEPAD (16)) Secretariat based in South Africa, and have joined with other donors in offering support for the restructuring of the Southern African Development Community. In Lesotho, the only low income country in the South Africa sub-region, we have continued to work closely with others in supporting the development of the poverty reduction strategy. We plan to provide significant financial support for this strategy in due course.
- 4.25** The food crisis has been a dominant issue in **Zambia**, overshadowing modest progress elsewhere. DFID has provided support through the World Food Programme. However, Zambia is the only country in Southern Africa that has refused to accept grain containing genetically modified material. This has made it considerably more difficult for the World Food Programme to meet emergency needs in the country.

- 4.26** The Government of Zambia published its poverty reduction strategy in May 2002, following successful lobbying by DFID to encourage civil society participation. Since then, DFID has provided support to develop joint donor monitoring systems and to improve donor coordination around implementation. Other focus areas over the past year have been supporting the government's anti-corruption programme, mitigating the effects of the copper-crisis and stepping up support for health (including a £20 million HIV/AIDS programme) and education.
- 4.27** **Mozambique** is one of the poorest and most aid-dependent countries in the world. In 1999, 7 out of 10 Mozambiquans were living on less than \$1 a day. HIV/AIDS and growing crime and corruption compound the development challenge. Yet there are reasons to be optimistic, including a decade of peace, a developing democratic system, 8% average annual economic growth over the past ten years and early qualification for debt relief. DFID has increased its support to Mozambique from £21 million in 1999/00 to a planned £35 million in 2003/04 focusing on the national poverty reduction strategy. We have played a lead role in a joint donor programme of budget support (see Box 2.) and continue to support major health, transport and livelihoods programmes as part of the reconstruction of the country following the floods of 2000.
- 4.28** Poverty in **Malawi** is amongst the worst in Africa. The country suffers from poor policy management and weak service delivery; and the government has been slow to respond to the needs of its citizens. DFID's support has been based around implementation of Malawi's poverty reduction strategy, which was agreed in April 2002. We have supported the development of the Government's Medium Term Expenditure Framework, which will improve the productivity of public expenditure. Other support has focused on trade, governance and livelihoods, including programmes to support land reform and helping government to maximise benefits from commercial forestry plantations.



Future Harvest

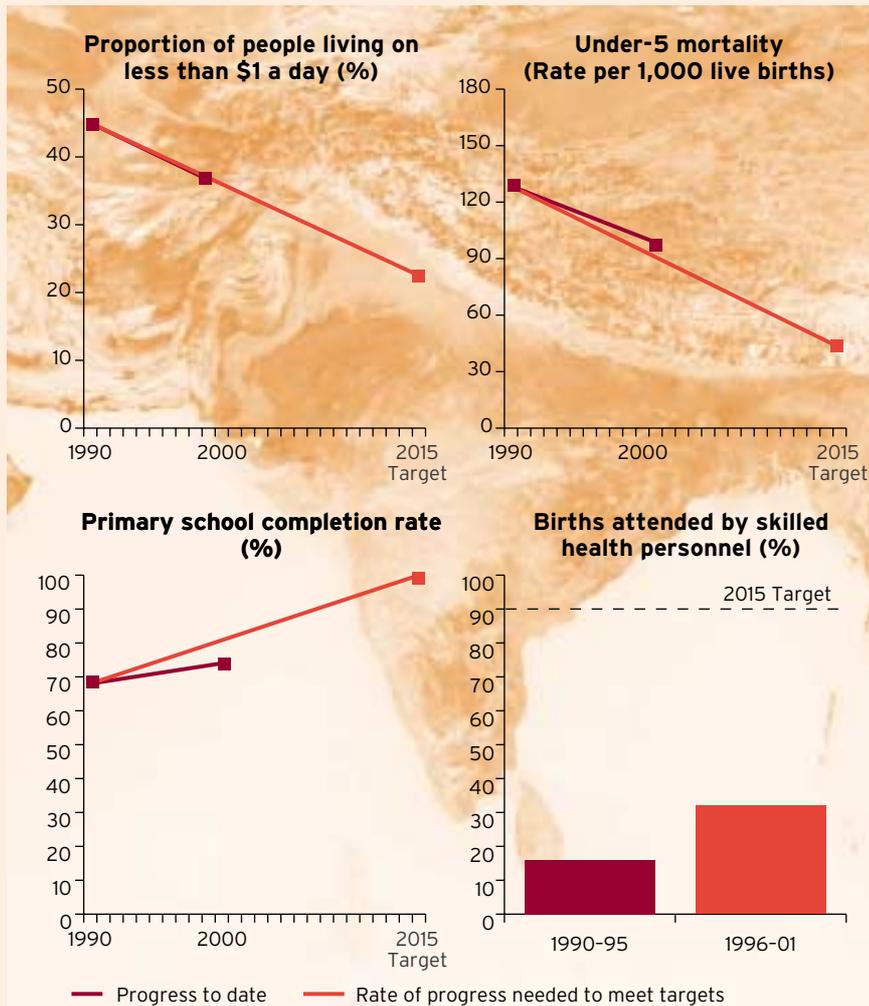
**DFID supports the international community's efforts to increase food security in Africa.**

- 4.29** The economic and political situation in **Zimbabwe** has continued to deteriorate. GDP has fallen by around 25% over the last three years, and the government shows little sign of reversing its gross misgovernment and destructive economic policies. DFID has provided, and will continue to provide, significant levels of humanitarian support (see Box 4.f above). We have maintained our ongoing HIV/AIDS programme, which has ensured that vulnerable people have continued access to contraception and to programmes of care and impact mitigation.
- 4.30** Progress to tackle poverty in **Nigeria** is essential if Africa is to meet the Millennium Development Goals. However, 70% of the 130 million people in this oil rich country are desperately poor. Progress has been disappointing since the return to democracy and there has been minimal commitment to poverty reduction. Progress following elections in April 2003 will be critical. DFID has supported the political process, working both with the independent electoral commission and civil society. Other areas of focus have included justice, water and sanitation, privatisation and health, where DFID and USAID are co-financing one of the largest HIV and reproductive health initiatives in Africa (collectively at least £93 million over 7 years). The programme is supplying over 80% of the condoms and contraceptives used in the country.
- 4.31** **Ghana** has experienced one of the fastest rates of poverty reduction in Africa. Income poverty declined from over 50% in 1991/92 to just under 40% in 1998/99 and in the same period the proportion living in extreme poverty fell from over a third to just over a quarter. To build on this success DFID will centre its support on implementation of the Ghana Poverty Reduction Strategy, agreed in April 2002. We expect to move an increasing proportion of our resources into multi-donor budget support. Over the past year we have worked to help the Government translate its Strategy into budget plans and to develop monitoring systems. Other focus areas have been private sector development, access to justice, livelihoods, health and education. DFID opened a country office in Ghana in July 2002.

## Asia

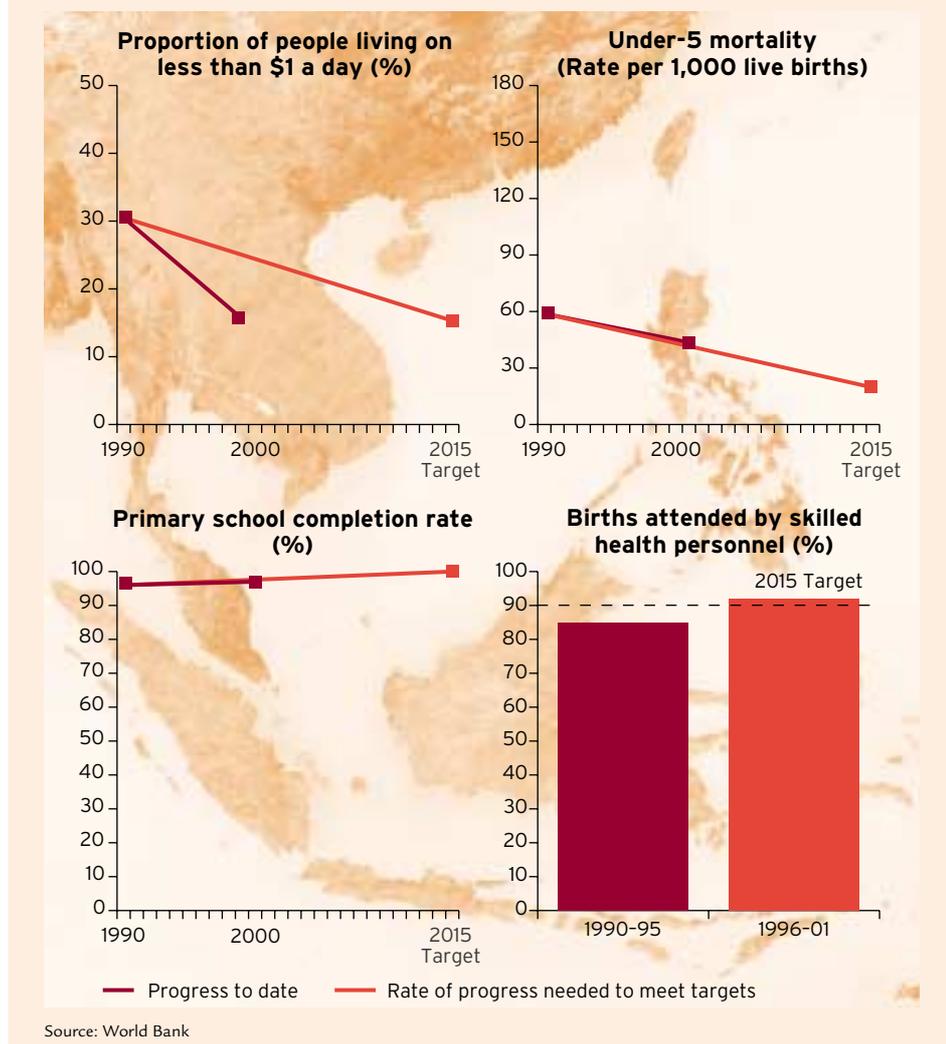
**4.32** Two-thirds of the world's poor live in Asia. Although great strides have been made (see boxes 4.g and 4.h), continued progress to reduce poverty across the region is needed if the Millennium Development Goals are to be met. Regional as well as national solutions are necessary. Working bilaterally and through multilateral channels, DFID uses a range of aid instruments and approaches in support of nationally-owned poverty reduction strategies where these exist, or their equivalents at sub-national level.

**Box 4.g - Progress towards some of the Millennium Development Goals in South Asia**



Source: World Bank

### Box 4.h - Progress towards some of the Millennium Development Goals in East Asia



**4.33** Non-income barriers to poverty reduction, such as exclusion based on caste, gender and ethnic minority status, seriously impede development in Asia, as do governments that are not committed to reducing poverty. Conflict and HIV/AIDS compound the problem. To increase success in Asia we must identify, understand and support people and processes that can bring about change, tackle social exclusion, and link high-level policies to improving the livelihoods of the poor.

**4.34** Our success in contributing to poverty reduction in Asia will depend on the impact we have on the policies and activities of partner governments and other bilateral and multilateral agencies. In 2002/03, for example, we have worked to help the Asian Development Bank deliver poverty reduction (Box 4.i).

### Box 4.i - Asian Development Bank Poverty Reduction Fund

The Poverty Reduction Co-operation Fund was established in mid-2002 to support the Asian Development Bank (AsDB) in its stated objective of poverty reduction in Asia. DFID has financed it to a value of £40 million over three years. The Fund offers Bank staff the chance to innovate and develop new ways of working that directly affect existing or planned loans and technical assistance to make them more poverty-focused. Approved projects include initiatives to strengthen the AsDB's country offices through the employment of poverty reduction experts, to strengthen ways of working and methodologies (such as through developing a Social Development Index) and to improve access of the poor to the benefits of AsDB interventions such as road construction and power sector infrastructure. Some small pilot projects have also been agreed, such as an HIV/AIDS education and prevention project to accompany a major road construction project in southern China.

- 4.35** Since September 11 2001, we have contributed over £110 million to support the reconstruction of **Afghanistan**. This was initially provided through multilateral agencies (such as UN agencies, the Red Cross and NGOs) to address immediate humanitarian needs and refugee assistance, especially for the most vulnerable groups such as the elderly, women and children. We also provided £4.8 million specifically for de-mining activities. Since June 2002, we have provided funds direct to the new Transitional Administration through the Afghanistan Reconstruction Trust Fund, and £12 million to help to clear Afghanistan's historical arrears to the International Development Banks, releasing up to \$1billion (£628 million) in highly concessional loans to support development over the next two and a half years.
- 4.36** Significant progress was made in Afghanistan in 2002/03. Three million children returned to school and a further one and a half million are expected to start the new school year in 2003. Nine million children have been vaccinated against measles, preventing an estimated 30,000 deaths. Polio has almost been eradicated. At the same time, the Transitional Administration has made progress in rebuilding the central financial functions of government, collecting \$80 million (£50 million) in customs revenues, introducing a new currency and starting to establish a formal payments system and payroll. It has also set out a broad National Development Framework for Afghanistan to help to co-ordinate donor efforts.



Clive Shirley/Panos Pictures

**DFID supports the reconstruction of Afghanistan. Refugees return and earn money by making stoves.**

- 4.37** Lack of security remains a major obstacle to Afghanistan's development. DFID has worked closely with the UK military, the Ministry of Defence and the Foreign Office to support comprehensive reform of the security sector (including £18 million of financial support). DFID support included the secondment of an adviser to the UN and the Afghan Defence Ministry to support the disarmament, demobilisation and reintegration of ex-combatants. DFID also intends to second an adviser to any UK-led joint civil-military Provincial Reconstruction Teams which aim to extend the international security presence in Afghanistan beyond Kabul.
- 4.38** In the past year, the security situation in **Nepal** has deteriorated, exacerbating poverty and social unrest. With other UK government departments, DFID has encouraged international support for an integrated conflict resolution strategy for Nepal, covering reform and development, political action, and a security campaign conducted with strict attention to human rights. The development aspects of this strategy have achieved some progress, with immediate actions prioritising development expenditures, transferring the management of schools and health posts to communities, and putting in place measures to combat corruption. Next year, this work will be expanded to include specific actions to address issues of social, economic and political exclusion.
- 4.39** The impact of conflict continues to ravage the country, however. DFID will continue to adapt its programme to the conflict situation, working strategically with other government departments and development partners and seeking opportunities to bring rapid benefits to affected communities and to address the underlying causes.

- 4.40** Talks between the government and the Liberation Tigers of Tamil Eelam (the armed Tamil separatist movement) have made real progress towards peace in **Sri Lanka**. As part of the international community's support for peace and development in Sri Lanka, DFID has increased its development assistance (subject to continual engagement in formal peace talks by both sides) in order to help poor people in conflict-affected areas to rebuild their lives and to re-establish essential services.
- 4.41** DFID's largest country programme (around £180 million) is in **India**, where 4 in 10 of the country's population of over 1 billion are classified as poor. Despite high levels of poverty, continued economic growth and a stronger pro-poor policy environment are expected to result in the income-poverty Millennium Development Goal being met. However, progress towards the achievement of the other Goals, notably maternal and child mortality, is less certain.
- 4.42** DFID has continued to develop partnerships at both the national level and with four states. At the national level, we are supporting the expansion of interventions to prevent HIV/AIDS, as well as reproductive and child health programmes. At state-level, DFID has provided technical assistance in all partner states to help develop health sector strategies to strengthen service provision. We are also increasing civil society's ability to tackle key poverty constraints in some of the poorest districts in India.
- 4.43** Poor Indians depend upon state governments to provide basic services and access to local markets. DFID is developing partnerships in states where the high levels of poverty and pro-poor policies provide the best opportunities for effective assistance.
- In **Andhra Pradesh**, we have been supporting the modernising Government with a programme to improve access to financial services for poor people, and also working with the International Labour Organisation to eradicate the problem of child labour.
  - In **Orissa**, where reformers are striving to break free of fiscal and governance constraints, we have been supporting the state government's wide-ranging efforts to raise standards in those areas.
  - We are supporting the Government of **Madhya Pradesh's** radical, decentralised governance reforms with assistance for rural livelihoods, a state-wide district health programme, and power and public enterprise reform.
  - And in **West Bengal**, where decentralisation has a long history, we are supporting public enterprise reform, and have begun a programme to help strengthen the ability of a range of Government departments to take into account the social and economic needs of scheduled castes and tribal groups when setting their policies.

**4.44 Pakistan** continues to face huge challenges in tackling poverty and inequality. DFID has supported the Government of Pakistan in developing the monitoring framework for its poverty reduction strategy. This is essential to show how the benefits of adjustment and reform policies result in poverty reduction, especially through improvements in health and education indicators. One important achievement over the past year has been DFID support for a government evaluation of the work of 70,000 'Lady Health Workers', who provide healthcare and advice (including on family planning) at the doorstep in rural and poor urban areas. This has led to improved healthcare resources for poor women and their families.

**4.45 Bangladesh** has made steady progress in reducing poverty over the last 15 years. Income poverty has fallen by about 1% per annum and most human development indicators such as life expectancy, maternal and child mortality and school enrolment have significantly improved. The country should achieve many of the Millennium Development Goal targets by 2015.

**4.46** Nevertheless, Bangladesh continues to be a difficult environment for effective development partnerships. Our approach is set out in Box 4.j. Efforts to reach the poorest communities have been strengthened over the past year by the start of a major programme with Bangladesh's biggest NGO, BRAC, helping to establish income-generating activities and to enhance the skills of very poor people, especially women. We have also supported the innovative design of a major new programme to work in the Chors, the unstable sand islands in the rivers that are home to some of the most vulnerable families.



DFID Bangladesh

**DFID support in Bangladesh helps establish income generating activities for the poorest. Woman breeding tilapia.**

**Box 4.j - Working in difficult policy environments: Bangladesh**

In June 2002, DFID completed a major new study entitled "Supporting the Drivers of Pro Poor Change" (79). It has been influential in helping us and other donors think through ways of providing more effective development assistance. The report emphasised the importance of good governance and long-term commitments for development partners and the need for new ways of supporting 'agents for change' in Bangladesh, be they government, civil society or private sector.

The report also stressed that only citizens of Bangladesh themselves can ensure positive development, including substantial poverty reduction, economic growth and improved conditions for all its citizens. Donors can provide assistance to that process through support to drivers for changes within most sectors and spheres of society.

- 4.47** In the past year, we have agreed a £10 million programme for HIV/AIDS prevention in **Burma**, to be provided over 3 years from 2002/03. This is in recognition of the grave threat that HIV/AIDS poses to development in that country. Not only will the programme prevent many new HIV infections amongst high risk groups, it will ensure a more coherent donor response, by establishing a common framework for support. DFID does not work directly with the Government of Burma because of its lack of accountability and transparency.
- 4.48** Since reform began in 1978, **China** has made impressive progress in reducing poverty. In 1978, 80% of the population lived on less than \$1 a day, while in 1999 the figure stood at 17%. The illiteracy rate has fallen from 33% of the population to 17% over the same period. Despite this progress, over 200 million people still live on less than \$1 a day. The regressive system of fiscal transfers between localities has redistributed funds in favour of richer areas and exacerbated regional disparities, leading to increased inequality and vulnerability.
- 4.49** DFID has agreed a multi-year programme of activities with the World Bank and the Ministry of Finance as part of our effort to deepen our partnership for poverty reduction with the Government of China. This should increase our impact in China and achieve greater value for money, as grant funds from DFID are mixed with World Bank loans encouraging a sharper focus on poverty reduction. In the last year we have approved a tuberculosis control programme and have continued to develop basic education and integrated rural poverty interventions. Aside from the partnership, support to mitigate the social impact of the economic reform programme through the restructuring of state-owned enterprises will continue to be a focus, together with further action to combat the spread of HIV/AIDS.
- 4.50** China has recognised that it could have 1 million HIV infections and that more needs to be done, urgently, to strengthen its response to HIV/AIDS. Working with the Government and multilateral partners, we will focus over the next year on increasing the capacity of national, provincial and local authorities to design and implement good quality and accessible interventions to support this. Following the SARS outbreak DFID has been in contact with the Chinese government to help tackle the crisis.

**4.51** Cambodia enjoyed a third year of relative peace and stability – the longest such period since the 1960s. After so many years of conflict and instability, weak government capacity continues to constrain pro-poor development. Finding solutions is a long-term process. DFID worked with other donors to support the inaugural commune council elections in 2002. Many of Cambodia’s rural communes can now begin to meet needs that central government has neglected for decades. DFID is also working with others to support implementation of a broad health sector strategy. At the same time, a joint DFID/USAID programme to reduce HIV transmission, particularly in the commercial sex industry, has helped HIV-prevalence fall to 2.6% in 2002, compared with 3.5% 4 years ago.

**4.52** Vietnam has an impressive track record of economic growth and poverty reduction. Between 1990 and 1997 GDP grew at an average of 8% per annum before falling to around 4.5% during the Asia economic crisis. It has since rebounded to 6% in 2001. Poverty fell from 58% of the population in 1993 to around 37% in 1998. Nevertheless, about 25 million people remain poor and the vulnerability of the ‘near poor’ and growing inequality are significant issues. In May 2002, the Vietnamese Prime Minister approved the Comprehensive Poverty Reduction and Growth Strategy – effectively the first national poverty reduction strategy in Asia. DFID’s focus over the past year has been on supporting development of this strategy and joining up donor work to reduce the transaction costs of aid delivery. We supported preparation of Vietnam-specific versions of the Millennium Development Goals for incorporation in the Strategy. Work on a new DFID Country Assistance Plan for Vietnam in line with the strategy is also underway.

**4.53** In 2002/03, DFID helped the Pacific Forum Secretariat, the key regional political body in the Pacific, take account of social and gender issues in its policy advice to Pacific Island countries and other regional organisations. This has helped to increase the participation and inclusion of civil society in discussions at ministerial and official



H. Davies/Exile Images

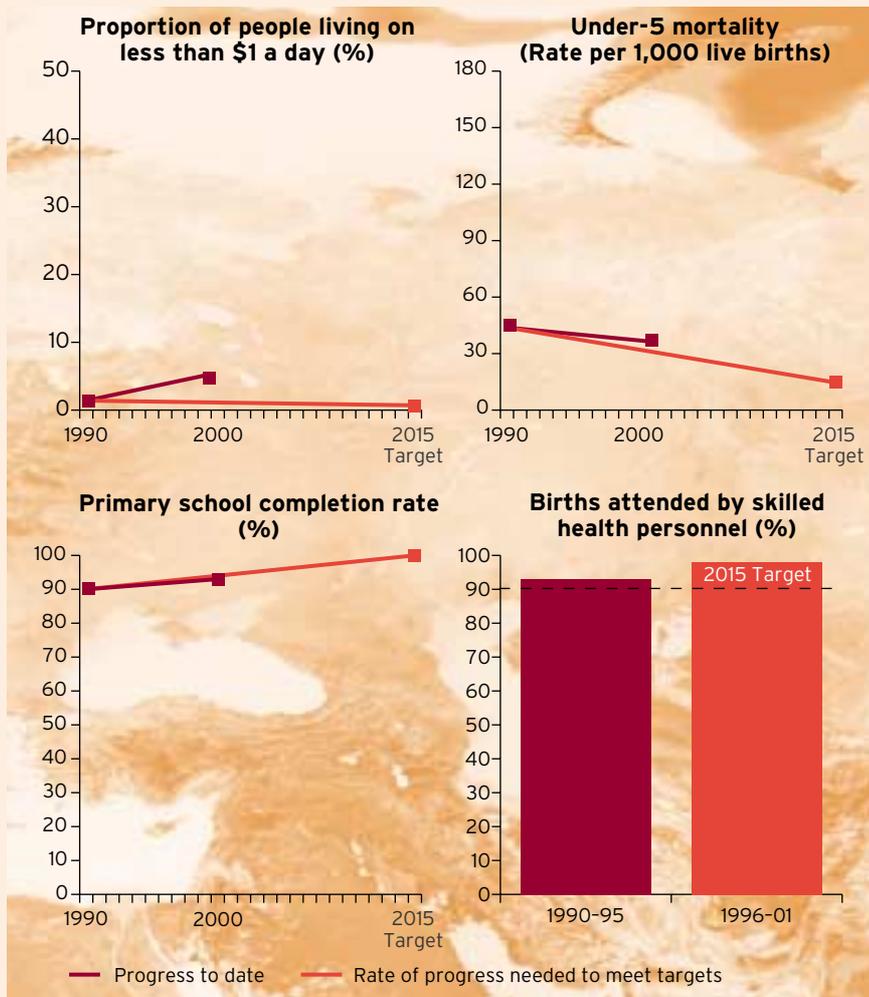
**DFID is working with other donors to ensure peace leads to development in Cambodia. Rice farmers irrigating fields by hand.**

levels on a range of issues affecting the region including HIV/AIDS, disability and education. In 2002, Forum leaders discussed social policy issues for the first time.

### Eastern Europe and Central Asia

**4.54** Overall progress towards the Millennium Development Goals is being made in this region (Box 4.k), but the percentage of the population living on less than \$1 per day actually increased during the 1990s – to 5% in 1999. At the same time, the number of people living on \$2 per day also increased to 20% in 1999. Poverty levels are diverse, ranging from Slovenia (with no absolute poverty) to Tajikistan, where about 70% of people live in poverty. There is also significant inequality: Armenia is one of the most unequal countries in the world. To compound this, Eastern Europe is experiencing the fastest growing HIV/AIDS epidemic in the world, increased by high levels of sexually transmitted infections and injecting drug use among young people.

**Box 4.k - Progress towards some of the Millennium Development Goals in Eastern Europe and Central Asia.**



Source: World Bank

- 4.55** DFID has focused on working closely with the World Bank, the European Bank for Reconstruction and Development and the European Commission in Eastern Europe and Central Asia. Our aim has been to complement and strengthen the impact of these agencies' programmes, for example by pushing for an increase in the proportion of EU TACIS programme resources spent in low income countries (only 53% in 2001).
- 4.56** Over the past year, DFID has supported the preparation of national poverty reduction strategies in **Armenia, Georgia, Kyrgyz Republic** and **Moldova** (see Box 4.1 for lessons we have learned from supporting these strategies in the region). We have worked with others to support the adoption by national governments of pro-poor policies and have also supported active civil society participation in the policy process.
- 4.57** In **Russia**, DFID signed a memorandum of understanding in March 2002 with the World Bank as the basis of our co-operation to support the Federal Government's reform plans. The memorandum sets out the scope of our collaboration and establishes a mechanism for DFID to finance World Bank initiatives. Through our co-operation we have successfully promoted a co-ordinated response by international donors to the Government's Civil Service Reform programme. Our key challenges are to help maintain the momentum for reform in Russia and generate this in **Ukraine**, where we have been supporting a number of pro-poor policy initiatives, including economic regeneration and mitigation of the social impacts of this in the Donbass region. We will devolve our Russia and Ukraine programmes from London to country offices later in 2003.

#### **Box 4.1 - Supporting poverty reduction strategies: some lessons from Central Asia.**

In **Georgia**, the development of the poverty reduction strategy (PRS) was improved by early and consistent donor coordination. In cooperation with a 'donor framework group', DFID provided technical assistance to support the process of consultation with civil society groups. The final Economic Development and Poverty Reduction Strategy for Georgia is a major improvement on the first draft.

In **Kyrgyzstan**, the contribution of civil society is more questionable because of poorer donor coordination and DFID's much later contribution to development of the PRS. The differences between the processes in Georgia and Kyrgyzstan are partly due to differences in donor collaboration and partly due to differences in the socio-political context. Where Georgia enjoys a lively and politicised civil society, the politicisation of civil society in Kyrgyzstan is to some extent hampered by more firmly clan-based interest groups.

**What lessons have we learned?**

- Well-coordinated, timely and appropriate donor interventions are critical. One of the principal areas for technical assistance may be to enable recipient governments to co-ordinate donor activity to ensure this.
- It is important to help governments, especially in low income countries to build capacity for policy making that is evidence-based, costed and prioritised, including the ability to consult widely and effectively.
- Early investments in the technical capacity of Ministries to define where donor inputs can best be used are critical.

**4.58** In the **Balkans**, 2002/03 has seen further economic and social progress with a generally more stable security situation and democratic elections. But major challenges remain: to reduce employment, to promote the private sector, to build effective governments and institutions and to tackle organised crime and corruption. Over the past year, DFID has supported poverty reduction strategy processes in **Bosnia**, the **Federal Republic of Yugoslavia**, **Macedonia** and **Albania**.

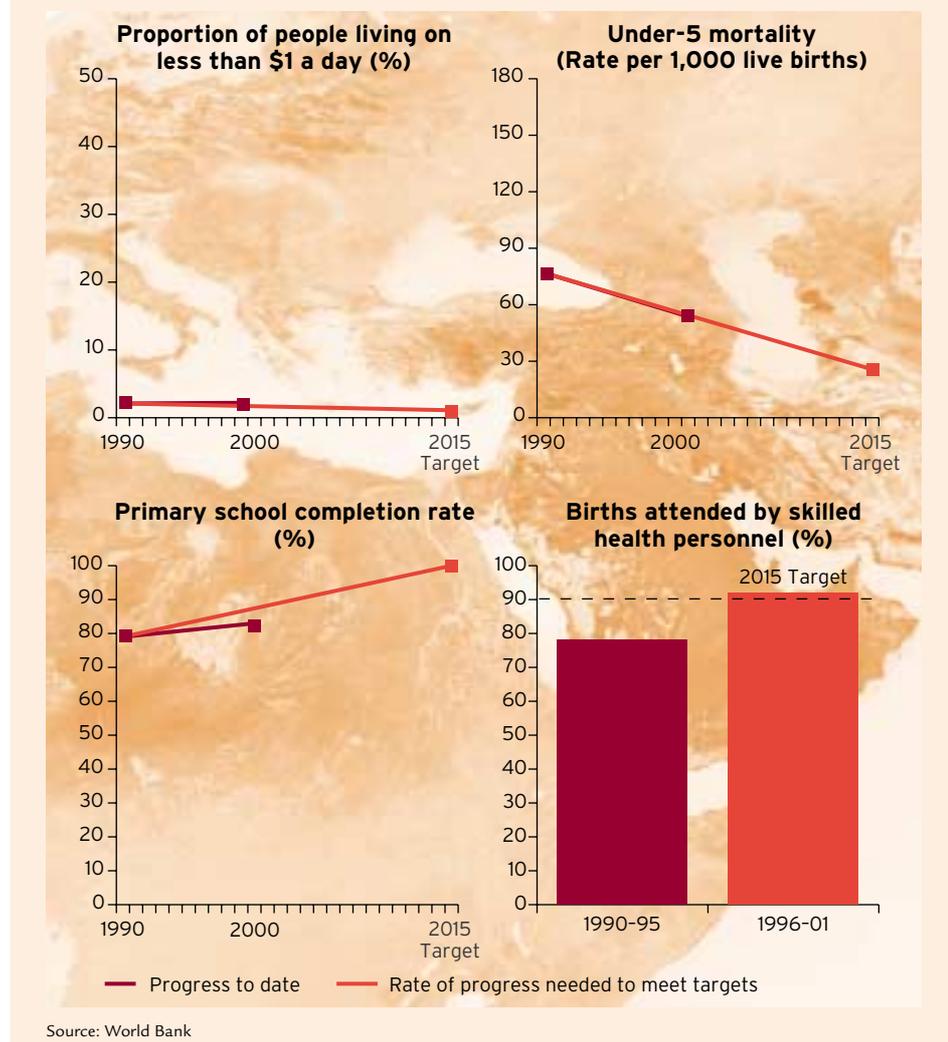


Andrew Testa/Panos Pictures

**DFID is supporting governments' own plans to reduce poverty in the Balkans. Immunisation clinic, Kosovo.**

## Middle East and North Africa

Box 4.m - Progress towards some of the Millennium Development Goals in Middle East and North Africa



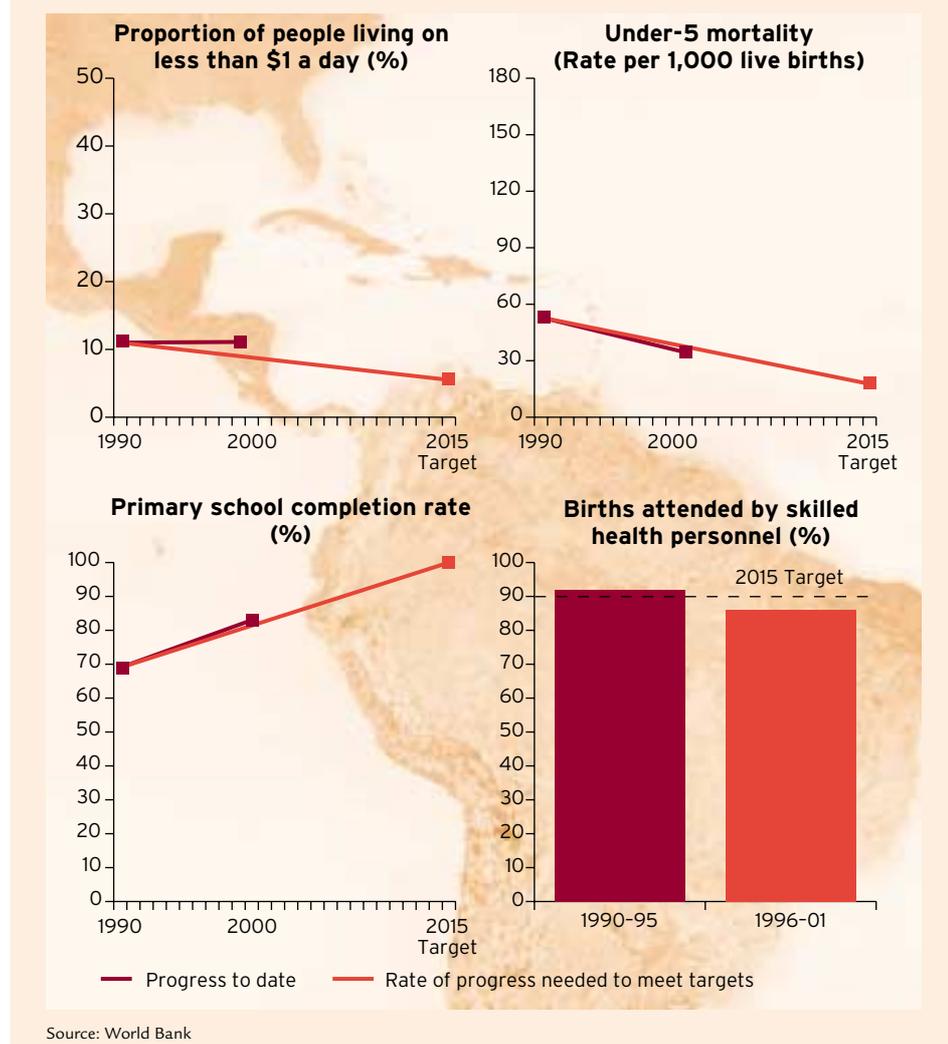
**4.59** There has been continued progress against the Millennium Development Goals in the mostly middle income countries of this region over the past year (Box 4.m). The proportion of the population living on less than \$1 a day in the Middle East and North Africa remained at 2% during the 1990s and the health and education indicators have improved.

- 4.60** However, the political situation in the Middle East has deteriorated further over the past year, which threatens this progress. We work with the international community to ensure effective support during the deepening crisis. In **Palestine** we have worked closely with international and Palestinian partners, notably in the area of civil service reform. The economic and humanitarian impacts of the ongoing conflict have led us to refocus our programme in order to respond to immediate humanitarian needs. Supporting the Palestinian Authority's institutional development continues to be a priority, as does our support to Palestinian refugees through UN Relief and Works Agency.
- 4.61** Until conflict started in **Iraq**, we were working mainly with NGOs in both northern and central/southern Iraq to find ways of enhancing our support for the humanitarian objectives of the UN Oil For Food Programme. Following the outbreak of war in Iraq, we rapidly scaled up our humanitarian efforts. Total DFID funds earmarked for humanitarian work as at 31 March 2003 were £210 million. Of this, DFID has committed £115 million to support immediate work by humanitarian agencies, principally the UN and Red Cross/ Crescent movement.
- 4.62** The UN Security Council voted unanimously on 28 March 2003 for a Resolution to give greater responsibility for the Oil For Food Programme to the UN for an initial period of 45 days. The rapid reinstatement of Oil For Food will be crucial for the 16 million Iraqis who are dependent on it. The UK is actively involved in planning for the reconstruction of Iraq, drawing on lessons from Afghanistan, Kosovo, Sierra Leone and other post-conflict situations. We envisage the UN authorising and playing a central role in this process, supporting the Iraqi people to form representative government structures and create their own vision of development and reform.
- 4.63** DFID's efforts in **Egypt** and **Jordan** continue to focus on increasing the effectiveness of the large European Commission 'MEDA' programme. The Commission is programming approximately £400 – 450 million a year through MEDA over the next four years, of which DFID's attributed share will be approximately £80 million a year. In 2002/03 we reorganised to engage more effectively with the EC in this region. In **Yemen**, the sole low income country in the region and one of the poorest in the world, DFID has developed closer co-operation with the IMF in support of strengthening economic and financial management. We supported the Government's efforts to prepare a poverty reduction strategy, which was agreed in August 2002, and have plans for an enlarged programme in the future.

## Latin America and the Caribbean

**4.64** The percentage of the population in extreme poverty in Latin America and the Caribbean has remained fairly constant over the last decade at around 10–15%. Improvements were made in both regions on most indicators. HIV/AIDS remains a major threat – the Caribbean is, after sub-Saharan Africa, the region most affected by the disease, with prevalence among adults at 2.2%.

### Box 4.n - Progress towards some of the Millennium Development Goals in Latin America and the Caribbean



**4.65** In this region, DFID seeks to improve the poverty focus of other agencies' development efforts. A central aim of our programme is to support national poverty reduction strategies in both Highly Indebted Poor Countries (HIPC) and non-HIPC middle income countries. This year the Inter-American Development Bank – the most important multilateral development bank in the region – made a public commitment to the Millennium Development Goals and we have been contributing to a major review of the Bank's strategy. Our support to the Caribbean Development Bank is set out in Box 4.o. We expect to see an explicit alignment of these two regional development

banks' country strategies with national poverty reduction plans, where they exist, and we will work for greater poverty focus to lending in middle income countries.

- 4.66** **Latin America** has the most unequal income distribution in the world, with levels of inequality significantly greater than countries in other continents with similar income per capita. There is growing recognition within the region that inequality impedes economic growth, development and the reduction of poverty.
- 4.67** DFID focuses on working with governments and key development organizations to enable them to be more responsive to the needs of the poor. In **Brazil**, we have been supporting a number of municipal and state governments to introduce broader consultation in resource allocation decisions. In **Peru**, we have been working with the Inter-American Development Bank to increase community involvement in the allocation of social fund programmes. We are also strengthening the ability of civil society to express the needs of the poor. For example, we are providing funds to civil society organisations in the poorest states to help them better articulate the needs of the poor in allocating resources and delivering services. Our support for the process of developing poverty reduction strategies in **Honduras**, **Nicaragua** and **Bolivia** brings together these two approaches – increasing the ability of government to consult and the ability of the poor to express their needs.
- 4.68** In the **Caribbean**, our key objective is to eliminate poverty and in particular to help Caribbean countries meet the challenges of globalisation, for example by building capacity to trade (Box 4.p). DFID's efforts are focused on enhancing the effectiveness of multilateral work to eliminate poverty and reduce vulnerability and exclusion across the region. We have provided technical support to both the EC and the Caribbean Development Bank (see Box 4.o) to strengthen their capacity to analyse and address poverty and exclusion issues.



Jeremy Horner/Panos Pictures

**DFID works to help reduce inequality and marginalisation of the poorest in Latin America. Textile worker in Peru.**

#### Box 4.o - Improving the poverty focus of the Caribbean Development Bank

In the Caribbean DFID works increasingly with and through a number of regional organisations. One is the Caribbean Development Bank (CDB). We contribute funds for CDB's concessionary lending and sit on the Board; provide support to enhance its poverty focus; and work with CDB staff on joint programmes. In 2002/03, our support has helped CDB:

- Ensure that its soft loan resources are allocated effectively and efficiently within the region;
- Integrate poverty analysis more fully into its strategies and lending;
- Carry out its organisation plans so it can more effectively implement its mandate; and
- Begin broadening its borrowing base to include poorer Caribbean countries such as Haiti.

**4.69** During 2002/03, **Jamaica** was identified as one of the pilot countries for a World Bank-led donor harmonisation initiative and DFID worked closely with the Government, World Bank and other partners to better harmonise external support for public sector modernisation and to improve delivery of public services. DFID has worked closely with other government departments to coordinate support to the Jamaican Government to tackle drug-related violent crime in Kingston. We are also planning to develop with the Jamaican Government a Country Assistance Strategy jointly with the World Bank.

**4.70** In **Guyana**, in 2002/03 DFID was involved in a range of areas – namely in water, education and land reform – central to poverty reduction. These are core elements of the national Poverty Reduction Strategy. We also supported external and domestic efforts to help Guyana break the current political impasse and address security problems, which continue to hinder efforts to tackle poverty.

#### Box 4.p - Trade negotiations in the Caribbean

DFID has been supporting regional efforts in the Caribbean to participate in global trade negotiations, which are critical for the future of the small Caribbean economies. DFID has provided key staff and technical experts, alongside other donor support, to the Caribbean's Regional Negotiating Machinery (RNM). It negotiates with the World Trade Organisation, the European Union and the Free Trade Area of the Americas. DFID support has helped the RNM to:

- Develop negotiating guidelines that were adopted by the ACP Council of Ministers in preparation for the formal launch of ACP-EU Economic Partnership Agreements negotiations in September 2002;

- Determine the Caribbean position on the challenge mounted by Brazil and Australia to the ACP/EU sugar protocol. An initial position has been set out and will feed into the overall ACP response;
- Streamline and prioritise its plans by preparing a Strategic Plan that donors are now supporting; and
- Establish representation in Geneva which strengthens Caribbean negotiating effectiveness in the WTO. This is of particular importance to the Organisation of Eastern Caribbean States, which has no other representation in Geneva.

DFID support for the RNM has increased understanding of trade issues across the region and there is much greater debate and discussion about what is in the Caribbean interest.

## Overseas Territories

- 4.71** The Government is committed to providing for the reasonable needs of the British Overseas Territories. DFID is responsible for the development aspects of this obligation, entailing a present commitment of over £25 million annually. The Territories that still need our assistance are Anguilla, Montserrat, Pitcairn, St Helena, Tristan da Cunha, and the Turks and Caicos Islands.
- 4.72** **Montserrat** has made substantial progress towards reconstruction following the devastating volcanic crisis of the mid-1990s. While still confronting the challenge of continuing volcanic activity, which has left over half of the island inaccessible, the emphasis is now firmly on promoting the private sector, particularly tourism, strengthening public finances, and supporting a new five-year education plan. A similar plan for the health sector is under consideration.
- 4.73** In **St Helena**, our commitments include maintaining physical access to and from this most isolated of island communities in the South Atlantic. **Anguilla** and the **Turks and Caicos Islands** continue to receive technical assistance, especially to help maintain standards of governance, and to improve the delivery of basic social services.
- 4.74** We are also working in conjunction with the Foreign and Commonwealth Office on a number of important issues that affect the Overseas Territories more generally. These include international obligations on human rights and child protection; accounting reform in the public sector; and the prevention of HIV/AIDS.



# Chapter 5

## Investing to tackle poverty

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# 5

## Investing to tackle poverty

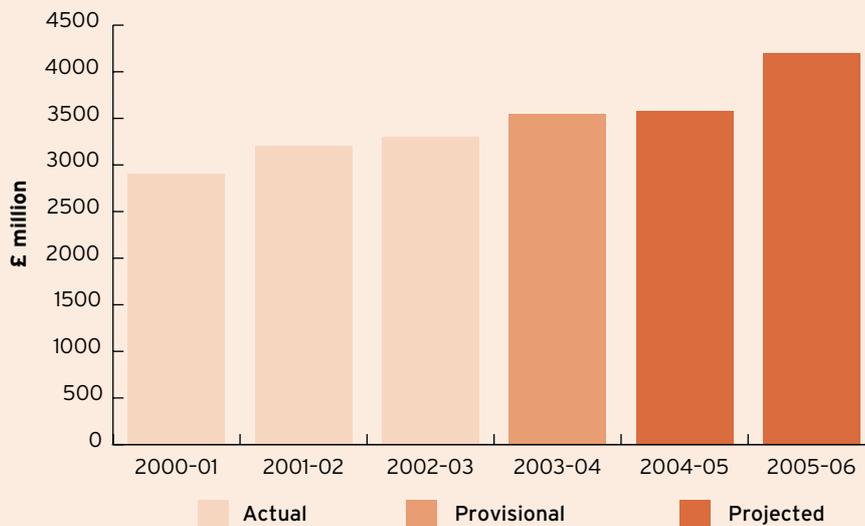
Aid provided to support poor countries' own strategies for tackling poverty, and integrated with their country budgets has a more sustainable effect [on poverty reduction] than supporting stand alone projects.

Public Accounts Committee report on DFID Performance Management (82), p5

- 5.1** DFID seeks to deploy human and financial resources to maximise its contribution to poverty reduction both directly and through our influence on the international system. The Department uses its resources to meet the diverse challenges of the Millennium Development Goals – including advocacy, generation and dissemination of research, capacity building, and the provision of expertise and financial resources.
- 5.2** Every two years, the Government holds a Spending Review and allocates resources to each Department for three financial years. The 2002 Spending Review, concluded in July 2002, allocated resources for the financial years 2003/04, 2004/05 and 2005/06, and resulted in substantial increased resources for DFID (Box 5.a).
- 5.3** Under the 2002 Spending Review, DFID's budget increased by £1.5 billion to reach nearly £4.6 billion a year by 2005/06, including a £1 billion annual bilateral programme for Africa for the first time. Since 1997, the UK development budget will have risen by 93% in real terms.
- 5.4** The UK's level of Official Development Assistance (ODA) will reach 0.40% of gross national income (GNI) by 2005/06. This is the highest UK ODA/GNI level for over twenty years and reflects the Government's commitment to make progress towards meeting the UN target of an ODA/GNI ratio of 0.7%. The increase means the UK's aid ratio will be well ahead of the current DAC average (0.22%). The UK will also have fulfilled the average EU ODA/GNI target (0.39%) pledged by EU member-states in the run up to Monterrey.

**Box 5.a - DFID's development budget 2000/01 to 2005/06**

Constant 2001/02 Prices



- 5.5** In January 2003, the Treasury and DFID launched a proposal to create a new International Financing Facility (Box 5.b). The proposal aims to double global aid flows to around \$100 billion (£63 billion) per annum in the years leading up to 2015, which is the estimate made by the World Bank and former Mexican President Zedillo of the development assistance needed to enable the world to meet the Millennium Development Goals.

**Box 5.b - The International Financing Facility**

The International Financing Facility is designed to generate the extra financial resources needed to meet the internationally agreed Millennium Development Goals (MDGs).

It provides an important opportunity for donor countries to improve the predictability and stability of aid to the poorest countries. The specific aim of the Facility is to double levels of aid for the world's poorest countries to \$100 billion each year up to 2015.

To achieve the MDGs by 2015, extra resources are most needed over the next few years. The Facility would be built on long-term donor commitments to make 'streams' of annual payments to the Facility. On the basis of these long-term donor commitments, the Facility would raise immediate resources for aid by issuing bonds in the international capital markets. This will allow countries to invest in medium-term programmes such as the development of education and health systems.

- 5.6** DFID allocates resources within the organisation on an annual basis, setting planning figures for the financial years up to the Spending Review period. Box 5.c summarises DFID's expenditure and spending plans between 2000/01 and 2005/06. Responding to changes in circumstance and performance by our partners is an integral part of our

work. The figures for future years are plans and are subject to change. See Annex 1 for full details of DFID's expenditure and plans from 2000/01 to 2005/06.

- 5.7** In 2002/03 DFID undertook a Strategic Review of Resource Allocation (80). This aimed to improve DFID's contribution to our Public Service Agreement targets (Annex 3) and the Millennium Development Goals (Annex 4), and to make resource allocation judgements more structured and better informed. The study considered how DFID programme funds might be better allocated between countries and regions, how choices might be made between allocations to developing country governments and other intermediaries (multilaterals or other partners), and how to make choices between investing in international public goods and funds available for other programmes. This study has informed resource allocations for 2003/04 to 2005/06, and the main conclusions were shared with other OECD–DAC donors in March 2003.

### Box 5.c - Summary of DFID expenditure and cash plans £ million

	2000/01 outturn	2001/02 outturn	2002/03 estimated outturn	2003/04 plans	2004/05 plans	2005/06 plans
<b>Total DFID Resources</b>	<b>2,952</b>	<b>3,271</b>	<b>3,573</b>	<b>3,809</b>	<b>3,806</b>	<b>4,549</b>
Less: Overseas Superannuation and Gibraltar Social Insurance Fund	135	131	126	68	65	62
<b>Total Development Budget</b>	<b>2,817</b>	<b>3,140</b>	<b>3,447</b>	<b>3,741</b>	<b>3,741</b>	<b>4,487</b>
Other Adjustments	-46	-76	-53	-134	-117	-106
<b>Available for Allocation</b>	<b>2,771</b>	<b>3,064</b>	<b>3,394</b>	<b>3,607</b>	<b>3,624</b>	<b>4,381</b>
<b>Expenditure by area of activity:</b>						
Africa	584	497	655	683	851	1,041
Asia	291	397	443	545	717	841
Europe, Middle East and Americas	221	247	237	201	194	196
International	1,309	1,393	1,555	1,820	1,425	1,815
of which: European Community	708	767	928	1,070	831	836
World Bank and Regional Banks	310	323	351	290	290	655
United Nations	136	144	131	139	168	180
Other	155	160	145	321	136	143
Policy	217	219	289	252	266	300
Information and Civil Society	69	74	82	82	87	104
Private Sector Initiatives and Commonwealth Development Corporation	9	33	27	26	42	46
Other	13	12	12	1	2	2
<b>Sub-total</b>	<b>2,712</b>	<b>2,873</b>	<b>3,301</b>	<b>3,610</b>	<b>3,584</b>	<b>4,345</b>
Contingency Reserve	-	-	-	25	100	100

In this table, the figures up to and including 2002/03 are on a cash basis, while from 2003/04 onwards allocations are set in resource budgeting terms. They are not directly comparable, therefore.

### Want to Know More...

About how DFID allocates its resources?  
See the *Strategic Review of Resource Allocation (80)*.

*Annex 6 has details of how to obtain this and other DFID publications*

## Focusing on low-income countries

- 5.8** DFID is committed to increasing the proportion of its bilateral country programme assistance (excluding humanitarian assistance) that goes to low income countries. In 2001/02, 78% of this assistance went to these countries (Box 5.d). We are committed in our 2003-06 Public Service Agreement (Annex 3) to increase this to 90% – in other words, by 31 March 2006 90p in every pound DFID spends on country programmes will go to low income countries.

### Box 5.d - Progress against DFID's 2001-04 Public Service Agreement: Value for money

#### → Target

Increase the proportion of bilateral country programme resources allocated to low income countries from 71% (1998/99) to 80% by 2002/03

#### ✓ Achievement

##### ON COURSE

- In 2001/02, 78% of DFID's bilateral country-specific programme went to low income countries.

#### → Target

Year on year increase in the proportion of bilateral projects likely to fully or partially meet their objectives

#### ✓ Achievement

##### ON COURSE

- Progress against the baseline set in April 2002 (24%, 56% & 81% for high, medium and low risk projects respectively) has been steady with improvement in performance on high and low risk projects, though a slight decrease has occurred on medium risk activities.
- The Value for Money indicator calculated on commitment value gives an index of: **33%** for high risk projects; **52%** for medium risk projects; and **84%** for low risk projects.

Full details of progress against our 2001-04 Public Service Agreement can be found at Annex 2.

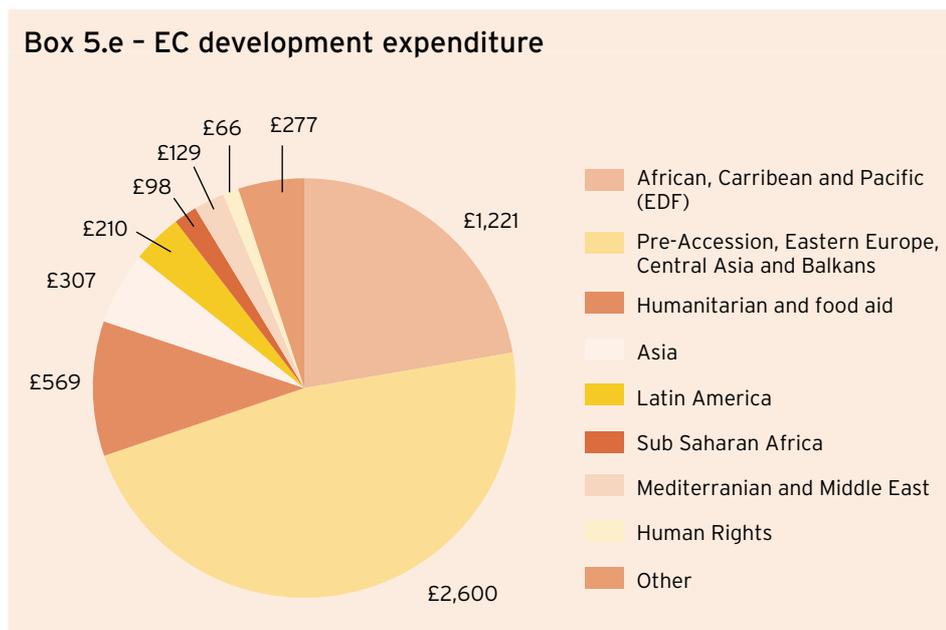
- 5.9** DFID is focusing its support for middle income countries mainly on providing technical assistance to help governments work with the international community to tackle poverty (see Chapter 2). We are being selective in supporting bilateral programmes, and phasing out bilateral support for the better off.



Caroline Penn/Panos Pictures

**DFID aims to spend 90% of its bilateral programme assistance to help poor people in low income countries by 2006. Woman making joss-sticks, Vietnam.**

- 5.10** Nearly half of DFID’s resources are spent through multilateral agencies. The largest parts of this are the UK’s share of European Community development expenditure, and contributions to the World Bank, Regional Development Banks and the UN agencies.
- 5.11** The UK’s share of the European Community 2002/03 development programme is expected to be some £920 million. This is about 27% of DFID’s budget. Box 5.e provides a breakdown of the European Community expected spending on development. The share of EC official development assistance that goes to low income countries rose from 38% in 2000 to 44% in 2001. This can be explained by a reduction in spending in the Balkans.



## Budget support

- 5.12** DFID remains committed to moving its development assistance away from individual projects to providing assistance directly to partner government budgets in support of the implementation of a credible poverty reduction strategy and better financial management. Over the past three financial years, budget support and other forms of programme aid have accounted for about 15% of DFID's bilateral aid programme (approximately £250 million per year on average). We have worked with Parliament, the National Audit Office and other donors over the last year to improve understanding of the case for budget support and guidance on how to determine when it is appropriate and how to monitor its effectiveness.
- 5.13** The Public Accounts Committee and the International Development Select Committee both recognised in reports during 2002/03 that the integration of development assistance with a partner country's own systems is more likely to achieve sustainable poverty reduction than individual projects as long as three criteria are met:
- The country has high poverty levels;
  - The government demonstrates a genuine commitment to poverty reduction; and
  - DFID is satisfied that the risks are acceptable given expected benefits.
- 5.14** DFID has been working with the National Audit Office to identify ways in which guidance to DFID programme managers should be improved to ensure that risks have been adequately assessed before a decision to provide budget support. This improved guidance will be completed during 2003/04. We have also played a leading role in ensuring that the OECD Development Assistance Committee's Good Practice Papers (88) reflect key guiding principles in the provision of budget support. Together with the European Commission we led the work of the Strategic Partnership with Africa on developing more detailed guidance on how to align budget support with a partner country's poverty reduction strategy and its budget cycle (see Chapter 4).
- 5.15** A primary motivation for the provision of budget support is that it will help to transform a partner government's public financial management and accountability. A DFID-funded evaluation study (89) in December 2002 identified indicators with which to measure such success and applied these to our experience in Uganda, Mozambique and Andhra Pradesh (Box 5.f). The study highlighted the importance of setting clear operating rules for donors' assessment of partner government performance and the link to donors' disbursement.

### Box 5.f - General budget support - a DFID evaluation

The evaluation study (89) explored whether General Budget Support (GBS) builds a government that is capable of managing resources for the reduction of poverty. It treated GBS as including funds, policy dialogue and technical assistance. It linked these inputs to perceived outputs and outcomes. In the short term these were considered to be mainly institutional, related to both government systems (e.g. improved public financial management) as well as improved donor relations (e.g. greater efficiency in the management and use of aid resources).

The study concluded that GBS can:

- Empower government, particularly in relation to donors and the use of external resources;
- Reduce transaction costs in the management and delivery of aid, and increases the predictability and efficient use of donor resources;
- Increase the effectiveness of the state, particularly its ability to manage and plan for the delivery of social services; and
- Lead to greater democratic accountability.

For better results, donors need to recognize that GBS is not based on traditional conditionality (i.e. one of buying policy reform), nor is it pure "partnership". Instead it should be seen as a "multi-stakeholder club", based on interdependency of "loyalty", "voice" and "exit". In supporting the budget, donors are lending their loyalty to the government's entire policy programme. In exchange for loyalty, donors are granted a formal "voice" in policy dialogue, debate and influence. But ease of "exit" from the club would need to be restricted by government to achieve more predictable donor flows. Donors would need to more carefully assess the risk involved in entering the club and lending their loyalty to the government's political agenda. Before choosing to select a country for GBS, donors needed a more thorough assessment of the political economy, of the systems of governance, of donor co-ordination and of the ability to influence government policy.

- 5.16** Most budget support is provided as general support to a government's budget, provided that donors consider this budget to be consistent with a credible poverty reduction strategy. It is not earmarked to a particular sector. However, to reflect the fact that this assistance will, at the margin, make a difference to particular sectors, DFID introduced a system in October 2002 to nominally allocate general budget support by sector. Figures for 2003/04 onwards will be published annually in DFID's Statistics on International Development.

## Changes to expenditure plans

- 5.17** As in past years, DFID has sought to respond flexibly to new opportunities and challenges in its funding allocations, so spending patterns have differed from published planning figures. In 2002/03, DFID increased support for Central and Southern Africa in response to the humanitarian crisis created by drought and poor governance. Countries in the Horn of Africa have also suffered food shortages, and DFID has provided extra assistance to Ethiopia. Increased funding has been provided for Angola, the Democratic Republic of Congo and Sudan to respond to new opportunities. And DFID has responded to the continuing crises in Afghanistan, the West Bank, Gaza and Iraq with increased support.
- 5.18** As part of the 2002 Spending Review, we produced a new Departmental Investment Strategy, covering the period 2003/04 to 2005/06. Our asset base consists of:
- Shareholdings in international financial institutions, valued at £1.7 billion at 31 March 2002;
  - Ownership of CDC Capital Partners (investment and loans valued at £0.25 billion and £0.9 billion respectively); and
  - Tangible and intangible fixed assets, mostly accommodation and IT systems (net book value £67 million).
- 5.19** During the next 3 years we expect to make new investments of about £140 million. This will include a further £60 million in the international financial institutions, in particular to help build up the capital of the European Bank for Reconstruction and Development; some £11 million to complete the upgrading of our offices in East Kilbride; and around £60 million in our information, communication and management systems. No new public investment in CDC is planned over the period.
- 5.20** A new definition of administration costs was agreed with the Treasury in 2002/03, and we will use it from 2003/04 onwards. The new regime is much broader than before, and will include costs hitherto charged to the programme for staff, consultancy and other recurrent items, particularly in DFID's overseas offices. This will allow DFID to manage its administration costs more efficiently and give a more comprehensive picture of the costs of our operations. The tables in Annex 1 reflect the change in definition. Figures for 2003/04 onwards are not directly comparable with those for earlier years.
- 5.21** DFID has introduced a system of resource accounting and we are in the process of moving to resource budgeting internally. Our accounts were produced two and a half months earlier than last year, and we were among the first government departments to complete the process. Our accounts were unqualified and spending was within the limits voted by Parliament.

**5.22** The presentation of both DFID's Parliamentary Estimates and our Resource Accounts is being changed to reflect the 2003–06 Public Service Agreement (Annex 3). They will show planned and actual resource and capital expenditure against each individual Public Service Agreement objective. The new structure will be introduced in the Main Estimates for 2003/04, and in the Resource Accounts from 2001/02. The new format is used in the tables in Annex 1 of this report.



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# Annex 1:

## Analysis of departmental expenditure

1. The tables in this annex are intended to bring out the way the Department is budgeted to support its activities and functions. A number of changes have been made to the tables for the 2003 Departmental Report to show how the Department's expenditure relates to its new Public Service Agreement (PSA) objectives. As last year, the Main Estimates for 2003/04 relating to DFID will be presented to Parliament by the Treasury and are not included in this report.
2. Along with other Government Departments, DFID will move to fully resource-based budgeting and accounting from 2003/04. This means that our non-cash costs such as depreciation charges, the cost of capital and provisions for future expenditure will be included within our Departmental Expenditure Limit. The expenditure information in this Report has been converted to a resource basis wherever possible. The move to resource based accounting will allow DFID to measure more accurately the costs of its activities and will improve transparency in how money is spent.
3. All of the tables, with the exception of Tables 4 and 5, cover the period from 1998/99, the first year for which resource accounting and budgeting data is available, to 2005/06, the last year covered by the 2002 Spending Review. As in previous years, Tables are included showing key information on administration costs and staff numbers.

### Table 1 DFID public spending

4. Table 1 provides a summary of all Government spending in the area of the Department's responsibility. The spending figures are divided between resource consumption and capital expenditure – resource consumption is in turn divided between Overseas Superannuation, which is the subject of a separate Parliamentary Vote, Conflict Prevention, which is voted to DFID from the inter-departmental Conflict Prevention Pools established in 2001/02, and International Development expenditure.

Table 1: Total public spending for the Department for International Development £ million

	1998/99 Outturn	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Consumption of resources:</b>								
<b>Eliminating Poverty in Poorer Countries</b>	2,445	2,743	3,000	3,152	3,545	3,594	3,692	4,442
<b>Conflict Prevention</b>				22	47	45	60	60
<b>Overseas Superannuation</b>	132	58	81	59	56	60	57	54
<b>Total Resource Budget</b>	<b>2,577</b>	<b>2,801</b>	<b>3,081</b>	<b>3,233</b>	<b>3,648</b>	<b>3,699</b>	<b>3,809</b>	<b>4,556</b>
of which:								
Resource (DEL) <sup>(1, 2)</sup>	2,445	2,743	3,000	3,174	3,592	3,639	3,752	4,502
<b>Capital spending</b>								
<b>Eliminating Poverty in Poorer Countries</b>	-22	25	-16	24	13	11	18	14
<b>Total Capital Budget</b>	<b>-22</b>	<b>25</b>	<b>-16</b>	<b>24</b>	<b>13</b>	<b>11</b>	<b>18</b>	<b>14</b>
of which:								
Capital (DEL) <sup>(1)</sup>	-22	25	-16	24	13	11	18	14
<b>Total Public Spending<sup>(3)</sup></b>	<b>2,551</b>	<b>2,821</b>	<b>3,060</b>	<b>3,247</b>	<b>3,644</b>	<b>3,689</b>	<b>3,806</b>	<b>4,549</b>

<sup>1</sup> Departmental Expenditure Limits, set as part of the 2002 Spending Review

<sup>2</sup> of which, resource "near-cash" DEL 2,012 2,528 2,732 3,168 3,390 3,630 3,712 4,481

<sup>3</sup> Total public spending calculated as the total of the resource budget plus the capital budget, less depreciation

## Tables 2 and 3 - DFID resource budget and capital budget

5. Tables 2 and 3 provide details of the resource consumption and capital expenditure figures in Table 1. In a change from last year's table, most of our resource consumption is split between headings that reflect the five main objectives of the new PSA. Additionally, administration costs are now included under each heading in the resource budget, rather than featuring as a separate line as in previous years. Capital Expenditure is divided between the same headings – some of the figures are negative as they include loan repayments and other non-operating receipts as well as expenditure.

Table 2: Resource budget for the Department for International Development

£ million

	1998/99 Outturn	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Consumption of resources by activity:</b>								
<b>Eliminating Poverty in Poorer Countries</b>	<b>2,445</b>	<b>2,743</b>	<b>3,000</b>	<b>3,152</b>	<b>3,545</b>	<b>3,594</b>	<b>3,692</b>	<b>4,442</b>
of which:								
Reducing Poverty in sub-Saharan Africa	382	375	527	537	621	664	792	1,044
Reducing Poverty in Asia	290	282	285	507	467	551	665	745
Reducing Poverty in the Rest of the World	168	241	226	201	215	195	210	215
Improving the Effectiveness of Multilateral Aid	730	867	869	721	791	770	819	1,193
Innovative Approaches to Development	238	306	385	333	456	228	259	280
Programmes Contributing to Multiple Objectives	65	72	71	92	73	139	173	183
Central Departments	42	58	53	82	110	73	75	77
EC Development Programmes	518	517	573	670	804	865	589	595
Retrospective Terms Adjustment - RTA	2	4	2	2		2	2	2
Gibraltar Social Insurance Fund Contributions	8	21	8	7	8	8	8	8
Unallocated Reserve						100	100	100
<b>Conflict Prevention</b>				<b>22</b>	<b>47</b>	<b>45</b>	<b>60</b>	<b>60</b>
of which:								
Unallocated Provision	-	-	-	-	-	7	60	60
Sub-Saharan Africa	-	-	-	14	25	22		
Global	-	-	-	8	21	16		
<b>Overseas Superannuation</b>	<b>132</b>	<b>58</b>	<b>81</b>	<b>59</b>	<b>56</b>	<b>60</b>	<b>57</b>	<b>54</b>
<b>Total resource budget</b>	<b>2,577</b>	<b>2,801</b>	<b>3,081</b>	<b>3,233</b>	<b>3,648</b>	<b>3,699</b>	<b>3,809</b>	<b>4,556</b>

Table 3: Capital budget for the Department for International Development

£ million

	1998/99 Outturn	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Consumption of resources by activity:</b>								
<b>Eliminating Poverty in Poorer Countries</b>	<b>-22</b>	<b>25</b>	<b>-16</b>	<b>24</b>	<b>13</b>	<b>11</b>	<b>18</b>	<b>14</b>
of which:								
Reducing Poverty in sub-Saharan Africa	-7	-2	-3	-7	-6	-4	-5	-6
Reducing Poverty in Asia	-7	-2	-2	-7	-6	-5	-6	-6
Reducing Poverty in the Rest of the World	-14	-5	-7	-14	-12	-10	-12	-13
Improving the Effectiveness of Multilateral Aid	2	29	-17	-1	14	4	4	2
Innovative Approaches to Development	-	-	-	-	-	-	-	-
Programmes Contributing to Multiple Objectives	-	-	-	-	-	-	-	-
Central Departments	4	5	14	52	24	25	36	36
Crown Agents Loan Repayment								
<b>Total capital budget</b>	<b>-22</b>	<b>25</b>	<b>-16</b>	<b>24</b>	<b>13</b>	<b>11</b>	<b>18</b>	<b>14</b>

Figures are rounded to the nearest unit, therefore they may not add exactly to the rounded totals.

## Table 4 - DFID allocation by programme

6. DFID's available resources are allocated to specific programmes in an annual Resource Allocation Round. This establishes an Aid Framework, approved by the Secretary of State, which provides Divisions within DFID with planning figures for the current Spending Review period.
7. This year the Aid Framework has been substantially condensed and restructured, and the proportion of unallocated resources increased for the outer years. The aim is both to enhance understanding, by making the Table less complicated, and to allow increased flexibility to reward countries that demonstrate commitment to reform. In this Table the figures up to and including 2002/03 represent cash spending, while from 2003/04 onwards allocations are set in resource budgeting terms.

Table 4: DFID allocation by programme

£000

	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>COUNTRY AND REGIONAL PROGRAMMES</b>						
<b>Africa (1, 2)</b>						
DR Congo	3,096	5,558	12,900	16,000	16,000	16,000
Ethiopia	15,445	11,390	40,800	19,000	42,000	57,000
Ghana	69,550	51,615	57,000	63,000	63,000	63,000
Kenya	47,359	24,925	31,310	29,000	29,000	29,000
Lesotho	2,139	2,900	3,300	5,000	5,000	5,000
Malawi	56,010	42,058	52,033	47,000	47,000	47,000
Mozambique	29,902	38,567	28,000	35,000	40,000	48,000
Nigeria	15,815	19,725	28,700	35,000	35,000	35,000
Rwanda	32,764	26,891	36,132	37,000	42,000	47,000
Sierra Leone	35,059	34,408	36,000	40,000	40,000	40,000
South and Southern Africa (3)	36,905	29,619	39,700	42,000	42,000	42,000
Sudan	4,587	5,286	16,700	14,000	14,000	14,000
Tanzania	67,042	63,254	75,000	80,000	95,000	110,000
Uganda	83,345	66,665	68,500	65,000	65,000	65,000
Zambia	52,101	39,113	39,000	25,000	26,000	28,000
Zimbabwe	10,578	14,699	29,460	25,000	12,000	12,000
Central & Eastern Africa Other (4)	9,103	7,236	8,000	19,000	23,000	26,000
West Africa Other (5)	6,555	5,713	4,300	7,000	13,000	17,000
Humanitarian Assistance (6)	2,255	2,597	33,800	34,400	40,000	40,000
Africa Region Programmes (7)	3,940	4,665	14,000	11,000	11,000	11,000
Africa Performance Fund/DG reserve (8)	0	0	0	35,000	151,000	289,000
Africa - ATP (9)	181	-24	100	0	0	0
<b>Total</b>	<b>583,731</b>	<b>496,860</b>	<b>654,742</b>	<b>683,400</b>	<b>851,000</b>	<b>1,041,000</b>
<b>South and East Asia and Pacific</b>						
Afghanistan (10)	116	216	25,500	50,000	50,000	60,000
Bangladesh	70,791	60,313	70,400	80,000	80,000	80,000
China	18,624	23,247	34,735	38,000	60,000	55,000
India	105,383	180,524	155,000	205,000	250,000	280,000
Nepal	17,185	20,471	24,800	22,000	25,000	32,000
Pakistan	12,810	42,690	39,405	65,000	70,000	74,000
Asia Directorate (11)	7,155	5,801	9,761	13,000	15,000	15,000
Asia Other (12)	32,695	38,227	58,310	72,000	102,000	115,000
Asia Performance Fund/DG Reserve (13)	0	0	5,500	0	65,000	130,000
Asia - ATP (9)	26,651	25,953	19,925	0	0	0
<b>Total</b>	<b>291,410</b>	<b>397,442</b>	<b>443,336</b>	<b>545,000</b>	<b>717,000</b>	<b>841,000</b>

£000

	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Europe/Central Asia</b>						
EU Accession/Pre-Accession Countries (14)	17,393	18,225	18,110	8,100	6,400	5,400
Balkans (15)	19,280	26,146	19,750	21,100	20,300	19,700
Central Asia, South Caucasus, Moldova (16)	10,785	10,397	11,580	13,600	16,800	21,600
Russia	26,072	22,560	25,920	19,700	17,600	12,400
Ukraine	9,241	8,877	9,500	6,500	6,500	6,500
<b>Total</b>	<b>82,771</b>	<b>86,205</b>	<b>84,860</b>	<b>69,000</b>	<b>67,600</b>	<b>65,600</b>
<b>Americas/Overseas Territories</b>						
Latin America (17)	22,996	31,741	31,020	21,200	21,100	20,100
Caribbean (18)	19,750	19,475	19,230	15,300	14,600	14,300
Overseas Territories (19)	38,846	40,076	36,600	33,200	30,000	28,100
Latin America - ATP (9)	403	314	229	0	0	0
<b>Total</b>	<b>81,995</b>	<b>91,606</b>	<b>87,079</b>	<b>69,700</b>	<b>65,700</b>	<b>62,500</b>
<b>Middle East/North Africa</b>						
Iraq (20)	8,929	7,554	8,688	5,900	5,900	5,900
Palestinian Authority	8,879	14,445	15,000	15,500	11,500	11,500
UNRWA	18,791	25,426	18,500	14,000	15,000	15,000
Yemen	1,215	2,198	2,140	3,900	5,900	9,900
Regional Programmes (21)	6,952	6,344	5,865	6,400	6,400	4,900
<b>Total</b>	<b>44,766</b>	<b>55,967</b>	<b>50,193</b>	<b>45,700</b>	<b>44,700</b>	<b>47,200</b>
<b>Other Regional Programmes</b>						
EBRD Subscription Costs (Capital)	11,286	13,082	15,082	16,000	16,000	16,000
Research/Consultancy/EMAP Regional	0	141	300	300	300	300
DG Reserve (22)	0	0	0	0	0	4,500
<b>Total</b>	<b>11,286</b>	<b>13,223</b>	<b>15,382</b>	<b>16,300</b>	<b>16,300</b>	<b>20,800</b>
<b>TOTAL - COUNTRY/REGIONAL PROGRAMMES</b>	<b>1,095,959</b>	<b>1,141,303</b>	<b>1,335,592</b>	<b>1,429,100</b>	<b>1,762,300</b>	<b>2,078,100</b>
<b>POLICY PROGRAMMES (23)</b>						
Policy: sustainable growth				46,500		
Policy: social and political change				25,000		
Policy: human development				14,300		
Multilateral contributions: environment				37,500	37,800	37,600
Global partnerships: human development				43,000	53,000	55,000
Commonwealth Education Fund				6,500	5,800	5,800
Unallocated: Policy				0	74,700	72,600
Research: economic and social sciences				8,900		
Research: human development				24,900		
Research: infrastructure and urban development				10,500		
Research: rural livelihoods				29,900		
Unallocated: Research				0	74,200	79,000
Responsive policy work				5,000	20,000	50,000
<b>TOTAL - POLICY PROGRAMMES</b>	<b>217,244</b>	<b>219,421</b>	<b>289,250</b>	<b>252,000</b>	<b>265,500</b>	<b>300,000</b>
<b>INTERNATIONAL PROGRAMMES</b>						
<b>Conflict Prevention and Humanitarian</b>						
Humanitarian and Refugee Policy	5,524	6,301	5,957	8,900	8,850	8,800
Humanitarian Response (24)	96,288	87,667	68,728	27,000	29,000	29,400
Iraq emergency assistance (25)	0	0	0	195,000		
Conflict Policy and Projects	2,278	2,650	2,881	4,400	4,350	4,400
International Humanitarian Organisations (26)	47,948	52,081	50,641	57,700	63,300	69,200
Global Conflict Prevention Pool (27)	0	6,778	12,100	21,700	25,000	25,000
<b>Total</b>	<b>152,038</b>	<b>155,477</b>	<b>140,307</b>	<b>314,700</b>	<b>130,500</b>	<b>136,800</b>

£000

	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>European Union</b>						
European Development Fund (Resource)	121,376	91,463	133,208	182,000	204,000	210,000
European Development Fund (Capital) (28)	0	0	0	15,000	15,000	15,000
Other EU Programmes	5,014	5,321	5,078	8,100	7,000	6,600
EC Attribution (29)	581,823	670,000	790,000	865,000	605,000	605,000
<b>Total</b>	<b>708,213</b>	<b>766,784</b>	<b>928,286</b>	<b>1,070,100</b>	<b>831,000</b>	<b>836,600</b>
<b>International Financial Institutions</b>						
IDA 9-12 (30)	233,310	213,850	220,290	0	0	0
IDA 13 (30)	0	0	0	150,000	150,000	400,000
IMF Funds	0	10,500	10,000	8,000	8,000	8,000
African Development Fund (30)	13,190	29,058	34,200	37,500	42,500	
Asian Development Fund (30)	25,851	26,638	26,103	21,200	21,200	
Caribbean Devt Bank Special Devt Fund	981	2,115	5,400	4,400	4,400	4,400
Regional Devt Banks (Capital Subscriptions)	1,257	2,023	2,001	4,000	3,800	2,900
IFI Future Replenishments (31)	0	0	0	0	0	184,000
Technical Cooperation for Development Banks	0	1,638	3,500	3,000	4,000	5,000
World Bank Trust Fund (FIRST)	0	0	0	5,000	5,000	5,000
HIPC Trust Fund Contributions	27,518	23,400	17,855	50,000	50,000	45,000
HIPC 100% Bilateral Policy (32)	4,026	8,457	31,000	6,500		
Other IFI Programmes (33)	3,982	5,606	1,000	600	600	600
<b>Total</b>	<b>310,115</b>	<b>323,285</b>	<b>351,349</b>	<b>290,200</b>	<b>289,500</b>	<b>654,900</b>
<b>UN and Commonwealth</b>						
UN Development Programme	35,000	37,000	37,000	37,000		
UNICEF	2,203	17,000	17,000	17,000		
UNFPA core grant	40,000	24,000	9,000	18,000	18,000	18,000
WHO core grant	9,860	10,400	12,000	10,000	16,000	16,000
UNESCO (Subscription)	12,008	12,182	12,000	12,200	12,200	12,200
FAO (Subscription)	12,400	12,540	11,723	12,200	12,600	13,000
Other UN Institutions (34)	10,916	15,379	11,782	15,100	15,900	16,400
International Fund for Agricultural Development	3,000	2,728	3,000	5,300	7,900	12,000
Technical Cooperation for UN	3,647	5,034	6,400	4,400	6,200	7,200
Commonwealth Programmes (35)	6,562	7,293	7,343	7,600	7,600	7,600
Unallocated Multilateral Contributions (36)	0	0	3,600	0	71,600	77,800
<b>Total</b>	<b>135,596</b>	<b>143,556</b>	<b>130,848</b>	<b>138,800</b>	<b>168,000</b>	<b>180,200</b>
<b>International trade</b>						
Trade-related Technical Cooperation	2,547	4,087	4,260	6,200	6,000	6,500
<b>Total</b>	<b>2,547</b>	<b>4,087</b>	<b>4,260</b>	<b>6,200</b>	<b>6,000</b>	<b>6,500</b>
<b>TOTAL - INTERNATIONAL PROGRAMMES</b>	<b>1,308,509</b>	<b>1,393,189</b>	<b>1,555,050</b>	<b>1,820,000</b>	<b>1,425,000</b>	<b>1,815,000</b>
<b>OTHER PROGRAMMES</b>						
<b>Information</b>						
Partnership Programme Agreements	28,245	53,650	57,266	56,200	56,500	56,700
Civil Society Challenge Fund	3,399	5,744	10,580	10,300	10,300	10,300
Development Awareness	5,580	5,411	6,350	5,000	5,000	5,000
Strategic Grants	535	116	326	1,500	3,000	4,300
Joint Funding Scheme	31,335	7,254	4,220	1,300	500	0
Civil Society Performance Fund	0	0	0	0	4,000	19,000
Information and Communications for Development	270	1,872	2,800	6,500	6,500	7,000
Other Programmes (37)	0	0	0	1,700	1,700	1,700
<b>Total</b>	<b>69,364</b>	<b>74,047</b>	<b>81,542</b>	<b>82,500</b>	<b>87,500</b>	<b>104,000</b>
<b>PSI/CDC &amp; Evaluation Departments</b>						
Evaluation (38)	709	1,063	1,629	600	800	1,000
Promoting Private Sector Initiative (39)	7,911	31,963	25,500	25,000	41,000	45,000
<b>Total</b>	<b>8,620</b>	<b>33,026</b>	<b>27,129</b>	<b>25,600</b>	<b>41,800</b>	<b>46,000</b>

£000

	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Finance and Corporate Performance Division</b>						
Knowledge Development Challenge Fund	730	671	650	700	1,100	1,100
FCPD Other Programmes (38)	537	1,536	2,140	600	600	600
<b>Total</b>	<b>1,267</b>	<b>2,207</b>	<b>2,790</b>	<b>1,300</b>	<b>1,700</b>	<b>1,700</b>
<b>Human Resources Division</b>						
HRD Programmes (38)	3,966	4,776	4,077	0	0	0
Pensions (38)	7,556	5,162	5,402	0	0	0
<b>Total</b>	<b>11,522</b>	<b>9,938</b>	<b>9,479</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL - OTHER PROGRAMMES</b>	<b>90,773</b>	<b>119,218</b>	<b>120,940</b>	<b>109,400</b>	<b>131,000</b>	<b>151,700</b>
<b>TOTAL - ALL PROGRAMMES</b>	<b>2,712,485</b>	<b>2,873,131</b>	<b>3,300,832</b>	<b>3,610,500</b>	<b>3,583,800</b>	<b>4,344,800</b>

- Rising country allocations are made in those cases where we have, or are negotiating, multi annual commitments in support of the country's poverty reduction strategy, underpinned by an increasing proportion of direct budget and sector support. Other country allocations represent continuation of the current level of support. Where countries can make faster progress to the MDGs or where we can have increased confidence in the respective government's commitment to peace and poverty reduction, capacity, and demonstrated progress, additional support will be drawn from the Africa Performance Fund and the DG's reserve.
- Africa Division expenditure includes programmes funded from the inter-departmental Africa Conflict Prevention Pool: this amounted to £14.4m in 2001/02, is estimated at £24.1m for 2002/03, and is planned to be £22.4m in 2003/04, and £30m in 2004/05 and 2005/06.
- Includes some regional interventions benefiting Southern Africa (South Africa, Lesotho, Botswana, Namibia and Swaziland).
- Currently includes assistance to Angola, Eritrea, Burundi, and Somalia.
- Currently includes programmes in Gambia and Cameroon, and regional interventions in West Africa.
- Covers humanitarian assistance to long running complex emergencies and to meet food shortages.
- Covers Africa-wide initiatives on capacity development and knowledge transfer, for example through the Africa Capacity Building Foundation.
- Of these amounts, £63m in 2004/05 and £134m in 2005/06 form part of the Reserve held by the Director-General (Programmes). See notes 1 and 2 above.
- ATP lines record expenditure against earlier agreements to 2002/03. Under resource accounting, only new provisions count against the DEL, hence no expenditure is recorded from 2003/04 onwards.
- Most expenditure in Afghanistan for 2000/01 and 2001/02, and an estimated £37m for 2002/03, is recorded under Conflict Prevention and Humanitarian programmes.
- Covers Regional funds and programmes, including the Pacific regional programme.
- Currently includes development assistance to Indonesia, Sri Lanka, Vietnam, Cambodia, East Timor and Burma.
- The allocations for 2004/05 and 2005/06 form part of the Reserve held by the Director-General (Programmes). Resources will be drawn from this reserve to augment country programmes where this will enhance progress towards the MDGs.
- Currently includes programmes in Bulgaria and Romania.
- Currently includes programmes in countries of the former Yugoslavia, and Albania.
- Currently includes programmes in Kyrgyz Republic, Tajikistan, Uzbekistan, Armenia, Georgia and Moldova.
- Currently includes country programmes in Nicaragua, Honduras, Bolivia, Brazil and Peru, Regional Programmes, and (up to 2002/03) Mexico.
- Covers the Caribbean Community (CARICOM) countries in the independent Caribbean, including Guyana, Jamaica, Belize and the Windward islands.
- Currently includes St Helena, Anguilla, Montserrat, Turks and Caicos, and a Caribbean Dependencies regional programme.
- Funding for emergency assistance to Iraq is included under International Programmes. Figures for 2003/04 onwards are for residual programmes currently under review.
- Currently includes programmes in Egypt and Jordan.
- The allocation for 2005/06 forms part of the Reserve held by the Director-General (Programmes). See note 16 above.
- Policy Division becomes fully operational from April 2003. It is formed from elements of the Advisory Groups, Economics, Business and Statistics Division and Natural Resources Division. The new budget structure and all allocations are provisional. Figures prior to 2003/04 cannot be provided below Divisional level due to the complexity of the structural changes.
- Includes expenditure under the Mines Action Initiative.
- The figure for 2003/04 includes expected transfers from the Treasury Reserve and DFID's own Contingency Reserve.
- Covers expenditure on multilateral partnerships, including UN High Commissioner for Refugees, International Committee of the Red Cross and World Food Programme.
- Actual and anticipated expenditure on programmes funded from the inter-departmental Pool.
- The share of the UK contribution to the EDF which is expected to be transferred to the European Investment Bank. Not recorded separately before 2003/04.
- UK share of EC development programme expenditure. Figures from 2001/02 onwards are estimates/forecasts. Forecasts for 2004/05 and 2005/06 exclude expenditure in countries expected to accede to the EU in 2004.
- Contributions to IDA and the Regional Development Funds are made by Promissory Notes. The figures show PN encashments to 2002/03 and planned PN deposits from 2003/04, in line with resource accounting requirements.
- Funding set aside to cover the UK share of future replenishments of IDA and the Regional Development Funds which have yet to be negotiated.
- The allocation shown for 2003/04 (£6.5m) is the amount which DFID is required to fund from its own resources - any additional amount will be met from the Treasury Reserve. Funding requirements for 2004/05 onwards have yet to be confirmed.
- Includes funding for the International Finance Corporation and (to 2001/02) the Multilateral Investment Guarantee Fund.
- Currently includes funding for UNIDO, UNAIDS, ILO, UNIFEM and UNCHS Habitat.
- Includes contributions to the Commonwealth Fund for Technical Cooperation and other Commonwealth programmes.
- The allocations shown for individual institutions represent agreed commitments. The funding in this line is available for new commitments, or to enhance already agreed funding levels where the institution's performance and needs warrant this.
- Includes funding for External Communications.
- Reductions from 2003/04 in Evaluation, Finance and Corporate Performance, Human Resources and Pensions programmes are due to definitional changes and the switch to Resource Accounting.
- Includes a number of Funds and projects designed to promote Private Sector participation in development.

## Table 5: DFID capital employed

8. Table 5 shows capital employed by the Department, analysed by type of asset.

Table 5: DFID Capital employed

£000

	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Assets on balance sheet at start of year:</b>						
<b>Fixed Assets</b>	<b>2,168,696</b>	<b>2,058,915</b>	<b>2,013,500</b>	<b>2,020,627</b>	<b>2,026,827</b>	<b>2,033,377</b>
<i>of which:</i>						
Lands and buildings	3,835	4,193	13,582	15,582	15,482	15,282
Improvements to leasehold buildings	1,143	31,426	27,150	26,550	25,350	24,100
Vehicles	988	2,779	1,954	1,954	2,454	3,454
Office and domestic furniture and equipment	2,761	6,136	5,227	6,227	7,227	8,227
Information technology equipment and systems	13,427	19,508	23,014	27,014	31,014	35,014
Assets in the course of construction	6,430	3,273	3,273	4,000	6,000	8,000
Investments	2,140,112	1,991,600	1,939,300	1,939,300	1,939,300	1,939,300
<b>Intangible Assets:</b>	<b>627</b>	<b>1,133</b>	<b>1,233</b>	<b>1,342</b>	<b>1,460</b>	<b>1,589</b>
<i>of which:</i>						
Software licences	627	1,133	1,233	1,342	1,460	1,589
<b>Current Assets</b>	<b>1,340,849</b>	<b>1,364,963</b>	<b>1,311,322</b>	<b>1,282,950</b>	<b>1,253,950</b>	<b>1,226,950</b>
<i>of which:</i>						
Long term loans (due after more than one year)	1,047,047	1,028,573	964,854	894,854	826,854	761,854
Debtors and prepayments	275,103	327,371	338,096	377,096	416,096	454,096
Cash at Bank and in hand	18,699	9,019	8,372	11,000	11,000	11,000
<b>Current Liabilities</b>	<b>-428,104</b>	<b>-435,198</b>	<b>-360,000</b>	<b>-344,000</b>	<b>-369,000</b>	<b>-338,000</b>
<i>of which:</i>						
Bank overdraft at Paymaster	-62,932	0	0	0	0	0
Creditors (due within 1 year)	-365,172	-435,198	-360,000	-344,000	-369,000	-338,000
<b>Net Current Assets</b>	<b>912,745</b>	<b>929,765</b>	<b>951,322</b>	<b>938,950</b>	<b>884,950</b>	<b>888,950</b>
<b>Total Assets less Current Liabilities</b>	<b>3,082,068</b>	<b>2,989,813</b>	<b>2,966,055</b>	<b>2,960,919</b>	<b>2,913,237</b>	<b>2,923,916</b>
<b>Creditors (due after 1 year)</b>	<b>-631,230</b>	<b>-512,000</b>	<b>-644,000</b>	<b>-595,000</b>	<b>-521,000</b>	<b>-628,000</b>
<b>Provisions for Liabilities and Charges</b>	<b>-227,386</b>	<b>-170,540</b>	<b>-141,790</b>	<b>-116,040</b>	<b>-93,290</b>	<b>-73,540</b>
<b>Net Assets</b>	<b>2,223,452</b>	<b>2,307,273</b>	<b>2,180,265</b>	<b>2,249,879</b>	<b>2,298,947</b>	<b>2,222,376</b>
Non-Departmental Public Body net assets	-	-	-	-	-	-
Public corporation net assets	-	-	-	-	-	-
<b>Total capital employed in departmental group</b>	<b>2,223,452</b>	<b>2,307,273</b>	<b>2,180,265</b>	<b>2,249,879</b>	<b>2,298,947</b>	<b>2,222,376</b>

### Principal assumptions within table

- 1 Due to changes of accounting treatments for debt provisioning, and promissory notes, the 2000/01 outturn has been restated based on the audited figures contained within the 2001/02 Resource Accounts.
- 2 Fixed assets continue to increase in value due to refurbishments, new software, and general maintenance and enhancement of current operating facilities.
- 3 Incorporation of exchange rate adjustments has been excluded after those estimated for 2002/03.

## Table 6: DFID administration costs

9. Table 6 provides information on the costs of running the Department, split between the new PSA objectives. A new definition of administration costs is being introduced from 2003/04 – this largely accounts for the substantial increase in the figures from this year onwards, as the new definition includes costs for staff, travel, and allowances that were previously paid from the programme budget. The change in definition will allow DFID to manage its administrative costs more effectively and increase transparency.

Table 6: Administration costs for Department for International Development £ million

	1998/99 Outturn	1999/00 Outturn	2000/01 Outturn	2001/02 Outturn	2002/03 Estimated Outturn	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Gross administration costs:</b>								
Other	26	41	35	22	51			
Paybill	37	37	42	63	49			
<b>Total Gross Administration Costs</b>	<b>63</b>	<b>78</b>	<b>77</b>	<b>85</b>	<b>100</b>	<b>213</b>	<b>226</b>	<b>240</b>
Related Administration Costs Receipts	-4	-4	-4	-3	-5	-5	-5	-5
<b>Total Net Administration Costs</b>	<b>60</b>	<b>75</b>	<b>73</b>	<b>82</b>	<b>95</b>	<b>209</b>	<b>222</b>	<b>236</b>
Analysis by Activity:								
Reducing Poverty in sub-Saharan Africa	6	6	7	7	8	38	40	42
Reducing Poverty in Asia	4	4	4	4	4	34	37	39
Reducing Poverty in the Rest of the World	5	6	6	6	7	21	23	25
Improving the Effectiveness of Multilateral Aid	3	3	5	4	4	21	14	16
Innovative Approaches to Development	9	9	9	11	12	26	28	30
Programmes Contributing to Multiple Objectives	3	2	4	3	4	10	11	13
Central Departments	31	45	38	47	56	70	70	72
<b>Total Net Administration Costs</b>	<b>60</b>	<b>75</b>	<b>73</b>	<b>82</b>	<b>95</b>	<b>209</b>	<b>222</b>	<b>236</b>
Total Net Administration Costs Limits on Stage 1 Resource Accounting and Budgeting (RAB)	55	67	67	101	77	186		
Plus Additional Non-Cash Items from Move to full RAB, as part of 2002 Spending Review	4	8	6	-19	19	23		
<b>Total Net Limits for Controlled Areas</b>	<b>60</b>	<b>75</b>	<b>73</b>	<b>82</b>	<b>95</b>	<b>209</b>		

## Table 7: Staff numbers

10. Table 7 shows the number of full-time equivalent Civil Service staff employed by the Department in the UK and overseas, with part-time staff counted according to the percentage of time worked. No distinction is made between permanent and casual staff from 2002/03 onwards, due to changes in contractual arrangements.

Table 7: Staff numbers Staff years

	1998/99 Actual	1999/00 Actual	2000/01 Actual	2001/02 Actual	2002/03 Estimated	2003/04 Plans	2004/05 Plans	2005/06 Plans
<b>Department for International Development</b>								
Civil Service Full Time Employees	1,095	1,280	1,229	1,390	1,620	1,714	1,754	1,754
Overtime	20	20	20	17	20	20	20	20
Casuals	35	25	14	40				
<b>TOTAL</b>	<b>1,150</b>	<b>1,325</b>	<b>1,263</b>	<b>1,447</b>	<b>1,640</b>	<b>1,734</b>	<b>1,774</b>	<b>1,774</b>

## Table 8: Liabilities

11. DFID has a number of liabilities, some of which should accrue at a future date in accordance with agreed schedules and providing the qualifying criteria is met. Some of the payment schedules relating to such liabilities can be set out several years ahead, but it is not unusual for the schedules to be altered during the period or for the qualification criteria to be questioned. Other liabilities are regarded as contingent because they are unlikely to accrue. DFID's policy under resource accounting is to record both of these types of liabilities in the notes to the balance sheet. The tables below identify each type.

### Liabilities accruing over several years

£ million

	Promissory notes	Others	Total
African Development Bank	0.0	5.5	5.5
African Development Fund	145.5	0.0	145.5
Asian Development Bank	2.4	1.0	3.4
Asian Development Fund	73.2	63.5	136.7
Caribbean Development Bank	1.5	0.0	1.5
Caribbean Development Bank Special Development Fund	13.8	0.0	13.8
European Bank for Reconstruction and Development	17.6	58.7	76.3
Inter-American Development Bank	0.7	0.0	0.7
Inter-American Development Bank Fund for Special Operations	0.0	0.0	0.0
International Bank for Reconstruction and Development Global Environment Trust Funds	106.4	0.0	106.4
International Bank for Reconstruction and Development Protocol Multilateral Fund	8.2	0.0	8.2
International Development Association	509.7	0.0	509.7
International Fund for Agricultural Development	12.9	0.0	12.9
Multilateral Investment Guarantee Agency	0.0	0.0	0.0
United Nations Environment Programme	0.0	5.3	5.3
<b>Sub Total</b>	<b>891.9</b>	<b>134.0</b>	<b>1025.9</b>

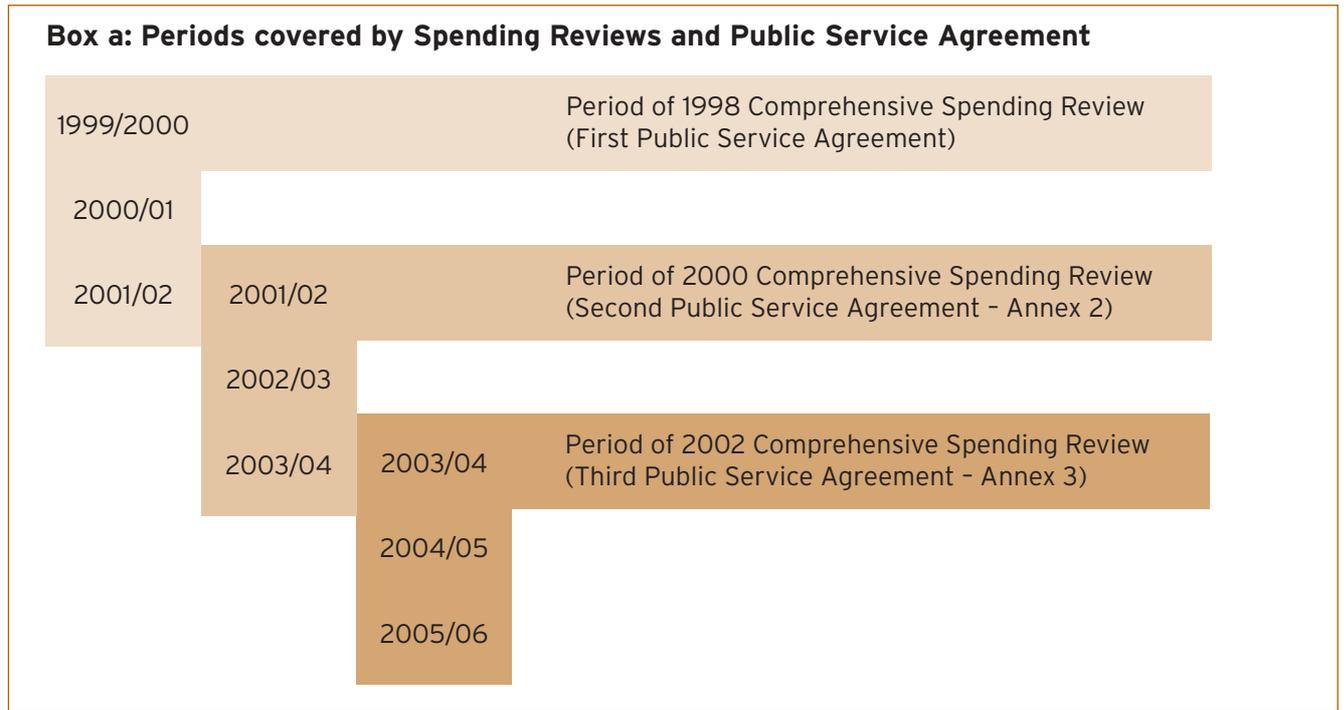
### Contingent liabilities

£ million

The UK's share of the callable capital of the International Bank for Reconstruction and Development	5,500.0
The UK's share of the callable international financial institutions and Government guarantees to those institutions in respect of UK loans made to dependent territories	2,393.8
The UK's share of the guarantees provided collectively by European Union Member States in respect of European Investment Bank lending and national guarantees on European Investment Bank lending in relation to UK dependencies	283.3
The Sterling Safeguard scheme to protect the value of pensions for overseas civil servants in Hong Kong and the dependent territories	81.6
For certain non-departmental public bodies	50.2
Tax indemnities, under Aid and Trade Provision soft loan financing arrangements which are callable only if the Inland Revenue remove concessions	21.0
Indemnities to Natural Resources Institute	unquantifiable
Maintenance value of the capital stock of International Bank for Reconstruction and Development and some of the Regional Development Banks	unquantifiable
A guarantee issued to a company operating on a capital aid project to meet the costs of certain disputed claims	3.0
A guarantee issued to the Bank of Montserrat in respect of a project to make mortgage loans for the construction of new private sector housing	0.4
A guarantee to the National Westminster Bank in respect of a loan made to the Day Chocolate Company for the purposes of marketing a new Fair Trade chocolate bar	0.4
<b>Total</b>	<b>8,333.7</b>

# Annex 2: Achievements against DFID's 2001-04 Public Service Agreement

1. Every two years, the Government holds a Spending Review during which it allocates resources for the following three financial years. A Public Service Agreement is agreed for each Government Department setting measurable targets for the Spending Review period (Box a).



2. DFID's first Public Service Agreement was agreed in the 1998 Comprehensive Spending Review and spanned the period 1999/2000 – 2001/02. Final outturn against this was set out in last year's Departmental Report.
3. DFID's second Public Service Agreement was agreed in the 2000 Comprehensive Spending Review and spanned the period 2001/02 – 2003/04. Full progress against this is set out below. Key achievements are also shown in boxes in the relevant sections of this report.

## Progress against targets in DFID's Public Service Agreement 2001/02-2003/04<sup>1</sup>

Target	Progress
<b>Objective I: to reduce poverty through the provision of more focused and co-ordinated development assistance by the international community to low and middle income countries</b>	
1. <i>An increased focus by DFID on poor countries, particularly those with effective governments pursuing high growth and pro-poor economic and social policies, as demonstrated by:</i>	
(a) an increase in the proportion of DFID's bilateral country specific development aid (excluding humanitarian assistance) going to low income countries from 71% in 1998/99 to 80% in 2002/03.	<b>On course.</b> In 2001/02, <b>78%</b> of DFID's bilateral country-specific programme went to low income countries. These increases reflect substantially increased expenditure in Asia and sub-Saharan Africa, and decreases in middle income countries of Eastern Europe.
(b) an increase in the proportion of DFID's bilateral country specific development aid (excluding humanitarian assistance) going to low income countries pursuing sustainable, pro-poor policies from 50% in 1998/99 to 65% in 2002/03.	<b>Ahead.</b> In 2001/02, <b>75%</b> of DFID's bilateral country-specific programme went to low income countries pursuing sustainable, pro-poor policies.  The list of countries has been updated to reflect the changing policy environment. (Source: <i>International Financial Statistics</i> IMF February 2002).
(c) Establish better organization of EC programme delivery by end-2001.	<b>Met.</b> Significant progress was made in 2001. This included simplifying contracting procedures, establishing a quality support unit, and improving evaluation and monitoring of programmes. Responsibility for programme management was given to the first 21 Delegations in the Commission's deconcentration programme. In addition, the Commission began to roll out its new Country Strategy framework, which should ensure greater focus, coherence and complementarity in approach. One of the first tangible signs of improvement was a 20% increase in payments over 2000 levels.
(d) Gain agreement in the Council of Ministers and the European Commission by 2003 to redirect allocations and spend towards programmes which reduce poverty.	<b>Met.</b> The share of EC spend on the poorest countries increased from 2000 to 2001, but still remains low. Both the 2002 and 2003 budget commitment forecasts show a small shift towards greater poverty focus but they will take time to work through. The systematic application of this policy will be tested in EC country programme mid-term reviews.
(e) an increase in the percentage of EC development assistance going to poor countries from 50% in 1998 to 70% in 2006.	<b>Below target.</b> The share of European Community official development assistance to low income countries increased from 38% in 2000 to <b>43.5%</b> in 2001. This is still below the 1999 figure of 52%.  Budgetary increases for Asia in 2002 show a gradual growing support for a more poverty focused EC aid budget, which will be reflected in future years' data. Nevertheless, improving the poverty-focus of the EC's aid remains a key challenge.
(f) adoption and implementation of effective Poverty Reduction Strategies by 2004 in all countries accessing International Development Association (IDA) high impact or adjustment lending.	<b>Below target.</b> So far <b>26</b> countries have published full Poverty Reduction Strategy Papers and an additional 20 countries have produced I-PRSPs. There are currently some 80 countries borrowing. Although it is too early to say whether all the remainder will produce PRSPs within this timeframe, good progress has been made. PRSPs are on the agenda of around seventy low-income countries around the world. The PRSP process in some IDA countries may be affected by factors such as conflict.
(g) Provide support to at least 12 partner countries by 2004 to develop and implement Poverty Reduction Strategies in co-ordination with other donors.	<b>Ahead.</b> So far DFID is supporting implementation of full PRSPs in <b>13</b> partner-countries and is supporting the production of PRSPs in a further 16.  DFID provides support to the PRSP process in a number of ways, including direct support for PRS consultation processes and technical assistance in the policy formulation in PRSPs. Two thirds of DFID offices are actively supporting the participation process (which underpin PRSPs) and nearly all DFID country offices have provided support for national capacity through a variety of means.
<b>Objective II: to promote sustainable development through co-ordinated UK and international action</b>	
2. <i>To promote the integration of developing countries into the global economy through co-ordinated UK and international action, including by:</i>	
(a) relief of unsustainable debt by 2004 for all Heavily-Indebted Poor Countries (HIPC) committed to poverty reduction, building on the internationally agreed target that three-quarters of eligible HIPCs reach Decision Point by end 2000 ( <b>joint target with Treasury</b> ).	<b>Below target.</b> <b>22</b> countries had reached Decision Point by end-2000. To date, <b>8</b> countries have completed the debt relief process and received final, irrevocable debt relief. The main obstacle to further progress is conflict or severe governance constraints which mean eligible countries cannot start the debt relief process.  Although we report progress as being currently below target, we do expect a further 14 eligible countries to receive full debt relief by 2004.  A full list of HIPCs and their progress in this process can be found at <a href="http://www.imf.org/external/np/exr/facts/hipc.htm">http://www.imf.org/external/np/exr/facts/hipc.htm</a> and at <a href="http://www.worldbank.org/hipc">www.worldbank.org/hipc</a>
(sub-target) DFID and HMT working with the international community to bring 20 countries to Enhanced Heavily Indebted Poor Countries (HIPC II) Decision Points by end 2000 and a further 5 by end 2001.	<b>Met.</b> By April 2002, <b>26</b> countries had qualified for debt relief (i.e. reached Decision Point) under HIPC.
(b)gaining international agreement on the integration of social, economic and environmental aspects of sustainable development into poverty reduction programmes by:	

<sup>1</sup> Some of the targets set out in this table appear in DFID's Service Delivery Agreement or the Technical Note to DFID's PSA. These are all available at [www.dfid.gov.uk](http://www.dfid.gov.uk).

Target	Progress
(sub-target): Secure international endorsement of DAC principles of strategic planning for sustainable development at the World Summit on Sustainable Development by September 2002.	<b>Met.</b> An important conclusion of this work on NSSD guidelines is that effective Poverty Reduction Strategies will exhibit these characteristics and thus fulfil the role of national strategies for sustainable development. This point was emphasised in the preparatory process for the World Summit for Sustainable Development (September 2002) and was contained in the Plan of Implementation agreed there.
(sub-target): Successful integration of the principles of sustainable development into government, multilateral and DFID policies and programmes in 10 key partner countries by April 2004, including agreed approaches to water resource management and capacity-building for environmental management.	<b>On Course.</b> 7 out of 10 focal countries have developed and are implementing comprehensive baselines describing the time and resources being spent on supporting government partners and other donors in appropriate capacity building for the integration of environmental issues into development frameworks. Activities include supporting better environmental governance in Uganda and Kenya, systematic analysis and interpretation of poverty-environment and environment-growth relationships within the Poverty Reduction Strategy Processes of Ghana and the 10th National Development Plan of Nepal, and developing new, integrated approaches to water resource management at provincial level in China. Similar environmental work continues in the remaining three focal countries, but not within a formalised baseline.
(sub-target): Promote increased private sector foreign investment in poor countries by turning CDC into a public-private partnership, when business conditions are right, with majority private capital. CDC: <ul style="list-style-type: none"> <li>is required to make 70% of its new investments in poor developing countries and;</li> <li>seeks to make 50% of its new investments in sub-Saharan African and south Asia.</li> </ul>	<b>Ahead.</b> Investment targets continue to be largely met, although the downturn in the global economy has made CDC's work in emerging markets considerably harder. Although the PPP that was originally planned has proved impracticable due to the prevailing economic conditions, work is going forward on a reorganization of CDC to enable it to mobilise private capital for its investment programme in poorer countries. It is hoped that this can be finalised before the end of 2003. The investment policy, including the 70% and 50% targets, to which CDC has been working, will continue with no fundamental changes.
<b>3. Improved effectiveness of the UK contribution to conflict prevention and management (joint target with Foreign and Commonwealth Office and Ministry of Defence)</b>	
A reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution	<b>On course.</b> The number of conflict-related deaths (according to the International Institute for Strategic Studies) decreased significantly in DR Congo (from 16,000 to 4,000), Angola (6,000 to 1,000) and Sierra Leone (3000 to less than 50). 2001 saw no significant decrease in refugee numbers and Internally Displaced Persons as conflict continued in target countries. Numbers may have declined significantly in 2002 as peace processes are secured in the Great Lakes, Angola and Sudan. Data for 2002 will be available in Autumn 2003.  In the context of the African and Global Conflict Pools, strategies have been agreed for geographical and thematic priorities. Implementation of these is underway. Departmental joint working has produced an improved UK Conflict Prevention Strategy in Africa, contributing to a more effective approach in securing peace in Sierra Leone, the Great Lakes, Sudan and Angola. The UK contributed to ensuring that conflict prevention received a high priority within the G8 and the New Partnership for Africa's Development (NEPAD).  Quantitative assessment of conflict reduction is problematic because of difficulties in isolating the UK's distinct contribution from that of other international actors.
<b>Objective III: improved education outcomes in key countries receiving DFID education support</b>	
<b>4. Improved education systems in our top ten recipients<sup>2</sup> of DFID education support demonstrated by:</b>	
(a) an average increase in primary school enrolment from a baseline established in 2000 of 75% to 81% on the basis of data available in 2004;	<b>Below target.</b> The latest primary school enrolment data gives an average for DFID's top ten development partners of <b>76%</b> . The apparent lack of progress since both the baseline and the last report (which gave the latest figure as <b>86%</b> ) can mainly be explained by better data availability and more accurate reporting.  Several countries, including China and South Africa, have previously had unrealistic enrolment rates of over 100%; these estimates have now been revised downwards to more realistic figures. Ghana has a particularly low enrolment rate and is included in the latest data but was not in previous figures.  A figure based on latest data which is more directly comparable to the baseline can be calculated by excluding Ghana and assuming no change in the enrolment rates in China and South Africa. This produces a figure of 82% which suggests that problems with the data could explain the failure to meet the target, although there are still concerns over the quality of some of the current data.
(sub-target) Development of basic monitoring and evaluation mechanisms and their integration into education sector strategies by 2004 in at least 8 of our top 10 recipients of bilateral education assistance.	<b>Ahead.</b> 9 out of 10 countries have now developed and implemented basic monitoring and evaluation (M&E) mechanisms into their education sector strategies. DFID is supporting Bangladesh's Primary Education Development Programme, through a project which has strengthened M&E systems. The outcomes of this are now being incorporated into the programme.
(sub-target) By 2004, 75% of DFID bilateral commitments for education in our top ten recipients of bilateral education assistance will support multi-donor programmes, implementing government-agreed sector strategies.	<b>Ahead.</b> 75.5% of our commitments in these countries support these programmes.  Countries that lower the overall figure are China, South Africa and Bangladesh. In China, our major project supports a government-agreed strategy, but is not multi-donor. In Bangladesh we expect to be supporting such a programme in 2004. For South Africa our support aims to harmonise donor activity rather than support the implementation of government-agreed sector strategies.
(b) improvements in gender equality in education, particularly primary education. The baseline for gender equality is 86% for 1996 data.	<b>Ahead.</b> The latest figure is <b>91%</b> . On current progress, we are on course to meet the 2015 target (100%) in target countries. However, this target needs to be seen in the context of primary school enrolment, e.g. Tanzania has 100% gender equity but only 47% enrolment. It is possible that as enrolment increases, equity may decrease. DFID continues to work both at a country level and internationally on translating the international consensus on the need to promote gender equality into action at the country level, including through the UN Girls Education Initiative.

2 The top ten recipients of DFID Education Support are Bangladesh, China, Ghana, India, Malawi, Pakistan, South Africa, Tanzania, Uganda, Zambia. This target group of countries remained fixed over the Public Service Agreement period, 2001-2004.

Target	Progress
(sub-target): Successful adoption and implementation of education sector strategies which include explicit objectives on equitable access for girls and boys by 2004, in at least 8 of our top 10 recipients of bilateral education assistance.	<b>Met.</b> <b>8</b> countries have adopted policies which include specific objectives on equitable access for girls and boys. Progress in Uganda is unclear; Pakistan has not implemented such strategies.
<b>Objective IV: improvements in health outcomes in key countries receiving DFID health care assistance</b>	
5. <i>Improvements in child, maternal and reproductive health in our top ten recipients<sup>3</sup> of DFID health care assistance demonstrated by:</i>	
(a) a decrease in the average under-5 mortality rate from 132 in 1997 to 103 on the basis of data available in 2004.	<b>Below target.</b> Since last year the average under 5 mortality rate in the 10 target countries has remained static at <b>128</b> . The reasons for this lack of progress are as follows: (i) the HIV/AIDS epidemic; (ii) economic decline and persistent poverty and inequity; (iii) poorly functioning health systems resulting in lack of access to quality services; (iv) under-investment in health systems and (v) lack of progress in reducing neonatal mortality. Four of the target countries (Zambia, South Africa, Kenya and Malawi) are amongst those most severely affected by the AIDS epidemic (all with adult prevalence rates above 15%). This will have both direct and indirect impact on child mortality in those countries.
(sub-target): Development and implementation of strategies focused on improving access to safe water and sanitation and reducing levels of child mortality, in at least 8 of the top 10 recipients of bilateral health assistance by 2004.	<b>Below target.</b> There are strategies to improve access to safe water in <b>5</b> of the 10 countries (Bangladesh, India, South Africa, Malawi and Uganda). Although DFID is supporting some activities in Pakistan, there is no overall strategy and the institutional framework is weak. Without ownership the target is therefore unlikely to be met. In 2001, the UNDP/World Bank Water & Sanitation Programme carried out an independent study which found that despite the importance of water supply and sanitation in participatory poverty assessments the sector received inadequate/limited attention in PRSPs. Thus although strategies or policy frameworks may exist in a number of the other countries (including Kenya, Zambia and Tanzania) there are real concerns over meeting the target in most African countries. Even in Uganda which has a progressive water programme, sanitation is receiving little attention and it is through improved sanitation that health benefits are delivered.
(sub-target): Development and implementation of health sector strategies by 2004 in at least 8 of the top 10 recipients of bilateral health assistance which: (a) aim to improve child health outcomes and include actions to strengthen immunisation and prevention, and the treatment of childhood illnesses, including malaria where endemic; and (b) include explicit policy and operational frameworks to strengthen the capacity of health systems, improve the quality and coverage of maternal health care, and ensure universal access to reproductive health services.	<b>On Course.</b> By 2002, <b>8</b> countries were implementing health strategies to improve child and maternal outcomes: Bangladesh, Kenya, India, South Africa, Malawi, Uganda, Tanzania and Zambia. In general health strategies need to be better prioritised, better linked to expenditure frameworks and linked to poverty reduction strategies plans of many countries. Interventions to improve child and maternal health outcomes are a central part of health strategies in the 8 countries but implementation on an adequate scale is problematic in low resource settings. Implementation of poverty reduction strategies provides an important opportunity to prioritise health improvement and health sector strengthening. There is a new international focus on strengthening health systems that offers potential to accelerate progress in countries where the policy and practice environment is right.
(b) an increase in the proportion of births assisted by skilled attendants from a baseline established in 2000 of 43% to 50% on the basis of data available in 2004; and	<b>Ahead.</b> The average proportion of births by skilled attendants in DFID's top 10 partners increased to <b>52%</b> . Most countries have policies and plans in place to combat maternal mortality, but the extent to which these are implemented is variable. Reporting on this target remains constrained by poor data availability. In Zambia for example, training of midwives within the national reproductive health action plan will be a priority. In Malawi the Reproductive Health Coordinating Committee is finalising national policy and strategy for expanding safe motherhood services. At present some 56% of births are attended by trained health personnel. And in Uganda, maternal health is a priority with the Health Sector Plan, but the level of deliveries attended by skilled personnel remains low at around 38%. Bangladesh has developed a comprehensive maternal health strategy that aims to attain a target of 50% skilled attendance at birth by 2010 and to improve the availability and use of services for essential obstetric care. The India National Family Welfare Programme also contains targets for lowering maternal mortality. Efforts to increase numbers of skilled attendants are hampered by the failure to implement key civil service reforms. In a number of countries the number of attendants is further reduced by economic migration, and HIV related mortality.
(c) improved access to reproductive health care (from a baseline of 32%).	<b>Ahead.</b> Steady progress ( <b>39%</b> contraceptive prevalence) has been made in improving access to reproductive health care. Contraceptive use is increasing and all countries have policies and strategies to provide reproductive health services. However, a significant unmet need for contraception and condoms remains. Furthermore, a broader range of reproductive and sexual health services, such as effective treatment for sexually transmitted diseases, remains a significant challenge. It is important that reproductive health continues to receive priority within national health plans.

3 The top ten recipients of DFID health care assistance are Bangladesh, Ghana, India, Kenya, Malawi, Pakistan, South Africa, Tanzania, Uganda, Zambia. This target group of countries remained fixed over the Public Service Agreement period, 2001-2004.

Target	Progress
<p>(sub-target): Strengthened multilateral initiatives to combat HIV/AIDS in Africa (UNAIDS) and Roll Back Malaria (WHO) demonstrated through national strategies, with jointly agreed milestones, in at least five of the top 10 recipients of DFID healthcare assistance</p>	<p><b>On Course.</b></p> <p>International Partnership against Aids in Africa (IPAA) initiatives now underway in <b>3</b> countries (Ethiopia, Rwanda, Burundi). IPAA has strengthened national responses to HIV/AIDS and encouraged multisectoral action. HIV/AIDS remains a major obstacle to improvements in child health.</p> <p>The Roll Back Malaria (RBM) initiative is now underway in <b>7</b> countries (Ghana, Kenya, South Africa, Uganda, Zambia, Tanzania, Malawi) with partial national strategies in 3 countries (Pakistan, India and Bangladesh.) RBM places action on malaria at the centre of the international health agenda. DFID stimulated the joint external evaluation of RBM, catalysing reforms that increase developing country ownership and responsibility for outcomes at the country level.</p> <p>DFID has influenced the establishment of the Global Fund to fight AIDS, TB and Malaria and pledged US\$ 200 million. The Fund has raised pledges of over US\$ 2 billion in total and is providing support to more than 80 countries. The Fund will support country led plans. The bulk of Fund investments are in Africa.</p>
<p><b>Value for Money</b></p>	
<p>6. Improved value for money and effectiveness of projects in DFID's bilateral programme, as demonstrated by a year on year improvement in the index of their evaluated success.</p>	<p><b>On course.</b></p> <p>Up to the end of February 2003, annual performance scores and current risk assessments have been entered into DFID's Performance Reporting Information System for Management (PRISM) for 56% of the 531 bilateral projects included in the value for money baseline. There is the likelihood that the compliance rate may increase by the end of this financial year as departments input more scoring data, and as a spending block will be introduced from 1 October 2003 on eligible projects which have not been scored in the previous 12 months. There is a strong possibility that this will increase compliance rates significantly over the next 6 months.</p> <p>Roll out of PRISM to departments which manage approximately 90% of bilateral spend was achieved in May 2001. The remaining 10% have been given access to PRISM during this year and will be included in the index from the start of the 2003/04 financial year.</p> <p>Progress against the baseline set in April 2002 (24%, 56% &amp; 81% for high, medium and low risk projects respectively) has been steady with improvement in performance on high and low risk projects, though a slight decrease has occurred on medium risk activities.</p> <p>The Value for Money indicator calculated on commitment value gives an index of:</p> <ul style="list-style-type: none"> <li>● <b>33%</b> for high risk projects;</li> <li>● <b>52%</b> for medium risk projects; and</li> <li>● <b>84%</b> for low risk projects</li> </ul>

**DFID has a number of other targets in its Public Service Agreement relating to improving our performance. Progress against these is set out below:**

Target	Performance
<b>Procurement</b>	
<ul style="list-style-type: none"> <li>Within one year of Office of Government Commerce conducting a successful pilot, to adopt e-tendering from its HQ offices.</li> <li>Following the trial use of procurement cards by DFID in the UK, to develop a strategy for procurement of low value items by DFID world-wide.</li> </ul>	<p>We have been operating a pilot scheme to use the Government Procurement Card to reduce the administration costs of procurement and will roll out the use of the cards in headquarters departments over the course of this year. We place all contact advertisements electronically and participated in an e-tendering pilot scheme organised by the Office of Government Commerce which has not yet produced an agreed programme for implementation by departments. The share of our purchasing transactions done electronically is still very small and the target was over-ambitious. Significant progress will require a practical system for e-tendering and e-invoicing.</p>
<ul style="list-style-type: none"> <li>By March 2002, to manage each of DFID's ten most strategic suppliers by a named procurement specialist.</li> <li>By March 2004, close supplier management will be in place wherever it is appropriate to the achievement of value for money.</li> </ul>	<p>DFID appointed Supplier Liaison officers for our top eight strategic suppliers. We are currently reviewing the lessons from that initiative and will reconsider the level of contact and determining factors for supplier selection.</p>
<ul style="list-style-type: none"> <li>By March 2002, to define all grade A3 and above posts in Procurement Department as key designated posts; these staff should either hold or be studying for MCIPS. Furthermore, 20% of Procurement Department staff should hold procurement qualifications to at least Certificate of Competence level.</li> </ul>	<p>All 'Key Designated' posts within the department either hold or are studying towards MCIPS. The 20% target for staff holding a procurement qualification to at least certificate of competence level, has been met but will continue to fluctuate due to staff losses. Implemented training regimes should allow the department to cater for future staff losses and maintain or exceed this target for the next two to three years.</p>
<b>Consumer focus: Prompt handling of correspondence</b>	
<ul style="list-style-type: none"> <li>Reply to 100% of all ministerial correspondence relating to the full range of DFID activity within 15 days of receipt.</li> </ul>	<p>In calendar year 2002, DFID responded to 96% of ministerial correspondence within 15 days. 98% of ministerial correspondence had been answered within 15 days in the first quarter of 2003.</p>
<ul style="list-style-type: none"> <li>Provide an initial response, as a minimum, to all queries received on overseas pensions within 2 weeks</li> </ul>	<p>Between April 2002 - February 2003, DFID responded to 27,468 of 27,489 queries within two weeks - a success rate of 99.92%.</p>
<ul style="list-style-type: none"> <li>reply to 95% of all written enquires (letter and email) to the Public Enquiry Point within 15 working days;</li> <li>give full (or, if necessary, interim) replies to telephone enquiries within 2 days.</li> </ul>	<p>Between April 2002 - March 2003, DFID responded to 96% of e-mails and letters within 15 working days.</p> <p>Between April 2002 - March 2003, DFID responded to 97% of telephone enquiries within 2 working days.</p>
<b>Managing People: Civil Service Reform</b>	
<p>i) To increase diversity in the Department by March 2005. Targets contained in DFID's Diversity Action Plan are disaggregated by location and staff grade. A key indicator will be an improvement in diversity in the Senior Civil Service (SCS):</p> <ol style="list-style-type: none"> <li>to have 30% of SCS posts filled by women;</li> <li>to have 8.3% of SCS posts filled by staff with an ethnic minority background;</li> <li>to have 3.3% of SCS posts filled by staff with disabilities.</li> </ol>	<p>As at 1 April 2003, the position is:</p> <p>21.4% of SCS posts filled by women;</p> <p>8.9% of SCS posts filled by staff with an ethnic minority background</p> <p>1.8% of SCS posts filled by staff with disabilities</p>
<p>ii) To maintain DFID's high level of interchange in the SCS at least at current levels (82% with experience outside the Department and 66% with experience outside Whitehall).</p>	<p>Current data is not immediately available but low rates of turnover in the SCS suggest that there has been no significant variation in the figure.</p>
<p>iii) To deliver a comprehensive programme of management development training for all staff with management responsibilities and preparation for management training for more junior staff by the end of March 2002.</p>	<p>DFID's Management Development Programme (MDP) continues to be rolled out to staff on a regular basis across the organisation; the training now incorporates Diversity Awareness as well as the Managing Relationships element.</p> <p>The programme has so far been delivered to around 1900 staff, and the roll-out will continue until all staff have been given the opportunity to attend. With the addition of the diversity element to the MDP in August 2001 those staff who attended prior to this date are required to attend stand-alone diversity training. This continues to be offered regularly in addition to the full MDP.</p> <p>Band B and C Leadership Training has been available to staff who want to extend their understanding and skills in preparation for moving to Band B. This programme is voluntary and follows attendance at a full Band C MDP.</p>
<p>iv) to improve the quality of leadership through internal benchmarking (quantitative targets to be established by September 2001 following a first year baseline exercise).</p>	<p>DFID's Management Survey has been run annually since September 2001. The initial response rates were not high enough to provide baseline targets - but the rate of response has been improved through the electronic delivery of the Survey. The results of the 2003 Survey have yet to be considered by DFID's Human Resources Committee.</p>
<b>Sickness absence and ill health retirement</b>	
<p>17. DFID will seek to:</p> <ol style="list-style-type: none"> <li>reduce sickness absence to 6.4 days per staff year (a 23.8% reduction) by 2003, based on measures advocated in Managing Attendance;</li> <li>reduce ill-health retirements to 3.72 per 1000 staff by 2005 (from 3.86 in 1999/00).</li> </ol>	<p>Sickness absence fell to 6.2 days per staff year in 2000, but, mainly due to improved recording systems, rose again to 8.3 days per staff year in 2001. We have introduced a revised policy and procedures on attendance management and will continue to monitor progress. We do not yet have figures for 2002.</p> <p>Ill-health retirements have been less than 1 per 1000 staff in 2002 and 2003 (i.e. less than 0.1%).</p>

# Annex 3:

## DFID's 2003-06 Public Service Agreement

- 1.** From 1 April 2003, DFID will only report progress against the targets in our third Public Service Agreement, which was agreed in the July 2002 Spending Review and which covers the period 2003/04 – 2005/06.
- 2.** The 2003-06 PSA is accompanied by a separate document known as the Service Delivery Agreement, which sets out what DFID will do to achieve the targets listed in the PSA. A Technical Note to the PSA provides greater detail on individual targets and sets out how we will measure progress. These two documents are available at [www.dfid.gov.uk](http://www.dfid.gov.uk)
- 3.** We report progress against the PSA and SDA to HM Treasury on a regular basis. Some data to measure progress is only published annually and so will only be updated once each year. Progress against each target is available at [www.hm-treasury.gov.uk](http://www.hm-treasury.gov.uk). We publish more detailed progress reports every six months – in an 'Autumn Performance Report' and in our Departmental Report, published every Spring.

## DFID's 2003-06 Public Service Agreement

**Aim: Eliminate poverty in poorer countries in particular through achievement by 2015 of the Millennium Development Goals:**

- a. Eradication of extreme poverty and hunger
- b. Achievement of universal primary education
- c. Promotion of gender equality and empowerment of women
- d. Reduced child mortality
- e. Improved maternal health
- f. Combating HIV/AIDS, malaria and other diseases
- g. Ensuring environmental sustainability
- h. A global partnership for development

**Objective I: Reduce poverty in Sub Saharan Africa**

**Target 1: Progress towards the MDGs in 16 key countries demonstrated by:**

- a sustainable reduction in the proportion of people living in poverty from 48% across the entire region;
- an increase in primary school enrolment from 58% to 72% and an increase in the ratio of girls to boys enrolled in primary school from 89% to 96%;
- a reduction in under-5 mortality rates for girls and boys from 158 per 1000 live births to 139 per 1000; and an increase in the proportion of births assisted by skilled birth attendants from 49% to 67%; a reduction in the proportion of 15-24 year old pregnant women with HIV from 16%;
- improved effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution. (Joint Target with FCO and MOD); and
- effective implementation of the G8 Action Plan for Africa in support of enhanced partnership at the regional and country level.

**Objective II: Reduce Poverty in Asia**

**Target 2: Progress towards the MDGs in 4 key countries demonstrated by:**

- a sustainable reduction in the proportion of people living in poverty from 15% to 10% in East Asia and the Pacific and 40% to 32% in South Asia;
- an increase in gross primary school enrolment from 95% to 100% and an increase in the ratio of girls to boys enrolled in primary school from 87% to 94%;
- a reduction in under 5 mortality rates for girls and boys from 92 per 1000 live births to 68 per 1000; and an increase in proportion of births assisted by skilled birth attendants from 39% to 57%; and
- prevalence rates of HIV infection in vulnerable groups being below 5%; and a tuberculosis case detection rate above 70% and cure treatment rate greater than 85% are achieved.

**Objective III: Reduce poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East and North Africa.**

**Objective IV: Increase the impact of key multilateral agencies in reducing poverty and effective response to conflict and humanitarian crises.**

**Target 3: Improved effectiveness of international system as demonstrated by:**

- a greater impact of EC external programmes on poverty reduction, including through working for agreement to increase the proportion of EC oda to low income countries from 38% to 70%; and
- ensuring that three-quarters of all eligible HIPC countries committed to poverty reduction receive irrevocable debt relief by 2006 and work with international partners to make progress towards the United Nations 2015 Millennium Development Goals by 2006. (Joint target with HMT);

**Target 4: Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for developing countries. (Joint target with DTI & FCO)**

**Objective V: Develop evidence based, innovative approaches to international development.**

**Value for money.**

**Target 5: Increase the proportion of DFID's bilateral programme going to low income countries from 78% to 90% and a sustained increase in the index of DFID's bilateral projects evaluated as successful.**

## Who is responsible for delivery?

The Secretary of State for International Development is responsible for the delivery of this PSA. The Secretary of State for International Development is jointly responsible for a number of targets in the PSA: with the Foreign Secretary and Secretary of State for Defence for the target on conflict prevention; with the Foreign Secretary and the Secretary of State for Trade and Industry for the target on trade; and with the Chancellor of the Exchequer for the debt relief and Millennium Development Goals element of target 3, who also shares responsibility for agreed measures to improve the effectiveness of the EC external programmes.

# Annex 4:

## The Millennium Development Goals

Goals and Targets (from the Millennium Declaration)	Indicators for monitoring progress
<b>GOAL 1: ERADICATE EXTREME POVERTY AND HUNGER</b>	
<b>Target 1:</b> Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day	1. Proportion of population below \$1 (PPP) per day <sup>1</sup> 2. Poverty gap ratio (incidence depth of poverty) 3. Share of poorest quintile in national consumption
<b>Target 2:</b> Halve, between 1990 and 2015, the proportion of people who suffer from hunger	4. Prevalence of underweight children under five years of age 5. Proportion of population below minimum level of dietary energy consumption
<b>GOAL 2: ACHIEVE UNIVERSAL PRIMARY EDUCATION</b>	
<b>Target 3:</b> Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling	6. Net enrolment ratio in primary education 7. Proportion of pupils starting grade 1 who reach grade 5 8. Literacy rate of 15-24 year olds
<b>GOAL 3: PROMOTE GENDER EQUALITY AND EMPOWER WOMEN</b>	
<b>Target 4:</b> Eliminate gender disparity in primary and secondary education preferably by 2005 and to all levels of education no later than 2015	9. Ratios of girls to boys in primary, secondary and tertiary education 10. Ratio of literate females to males of 15-24 year olds 11. Share of women in wage employment in the non-agricultural sector 12. Proportion of seats held by women in national parliament
<b>GOAL 4: REDUCE CHILD MORTALITY</b>	
<b>Target 5:</b> Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate	13. Under-five mortality rate 14. Infant mortality rate 15. Proportion of 1 year old children immunised against measles
<b>GOAL 5: IMPROVE MATERNAL HEALTH</b>	
<b>Target 6:</b> Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio	16. Maternal mortality ratio 17. Proportion of births attended by skilled health personnel
<b>GOAL 6: COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES</b>	
<b>Target 7:</b> Have halted by 2015, and begun to reverse, the spread of HIV/AIDS	18. HIV prevalence among 15-24 year old pregnant women 19. Condom use rate of the contraceptive prevalence rate <sup>2</sup> 20. Number of children orphaned by HIV/AIDS <sup>3</sup>
<b>Target 8:</b> Have halted by 2015, and begun to reverse, the incidence of malaria and other major diseases	21. Prevalence and death rates associated with malaria 22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures <sup>4</sup> 23. Prevalence and death rates associated with tuberculosis 24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course (DOTS)

<sup>1</sup> For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.

<sup>2</sup> Amongst contraceptive methods, only condoms are effective in preventing HIV transmission. The contraceptive prevalence rate is also useful in tracking progress in other health, gender and poverty goals. Because the condom use rate is only measured amongst women in union, it will be supplemented by an indicator on condom use in high risk situations. These indicators will be augmented with an indicator of knowledge and misconceptions regarding HIV/AIDS by 15-24 year-olds (UNICEF - WHO).

<sup>3</sup> To be measured by the ratio of proportion of orphans to non-orphans aged 10-14 who are attending school.

<sup>4</sup> Prevention to be measured by the % of under 5s sleeping under insecticide treated bednets; treatment to be measured by % of under 5s who are appropriately treated.

Goals and Targets	Indicators
<b>GOAL 7: ENSURE ENVIRONMENTAL SUSTAINABILITY</b>	
<b>Target 9:</b> Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources	25. Proportion of land area covered by forest 26. Ratio of area protected to maintain biological diversity to surface area 27. Energy use (kg oil equivalent) per \$1 GDP (PPP) 28. Carbon dioxide emissions (per capita) and consumption of ozone-depleting CFCs (ODP tons) 29. Proportion of population using solid fuels
<b>Target 10:</b> Halve, by 2015, the proportion of people without sustainable access to safe drinking water	30. Proportion of population with sustainable access to an improved water source
<b>Target 11:</b> By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers	31. Proportion of urban population with access to improved sanitation 32. Proportion of households with access to secure tenure (owned or rented)
<b>GOAL 8: DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT</b>	
<b>Target 12:</b> Develop further an open, rule-based, predictable, non-discriminatory trading and financial system  Includes a commitment to good governance, development, and poverty reduction - both nationally and internationally  <b>Target 13:</b> Address the special needs of the least developed countries  Includes: tariff and quota free access for least developed countries exports; enhanced programme of debt relief for HIPC and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction  <b>Target 14:</b> Address the special needs of landlocked countries and small island developing states  (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second session of the General Assembly)  <b>Target 15:</b> Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term	<p><b>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked countries and small island developing states.</b></p> <p><b>Official Development Assistance</b></p> 33. Net ODA, total and to LDCs, as percentage of OECD/DAC donors' gross national income 34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation) 35. Proportion of bilateral ODA of OECD/DAC donors that is untied 36. ODA received in landlocked countries as proportion of their GNIs 37. ODA received in small island developing states as proportion of their GNIs  <p><b>Market Access</b></p> 38. Proportion of total developed country imports (by value and excluding arms) from developing countries and LDCs, admitted free of duties 39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries 40. Agricultural support estimate for OECD countries as percentage of their GDP 41. Proportion of ODA provided to help build trade capacity <sup>5</sup>  <p><b>Debt Sustainability</b></p> 42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative) 43. Debt relief committed under HIPC initiative, US\$ 44. Debt service as a percentage of exports of goods and services
<b>Target 16:</b> In cooperation with developing countries, develop and implement strategies for decent and productive work for youth	45. Unemployment rate of 15-24 year-olds, each sex and total <sup>6</sup>
<b>Target 17:</b> In cooperation with pharmaceutical companies, provide access to affordable, essential drugs in developing countries	46. Proportion of population with access to affordable essential drugs on a sustainable basis
<b>Target 18:</b> In cooperation with the private sector, make available the benefits of new technologies, especially information and communications	47. Telephone lines and cellular subscribers per 100 population 48. Personal computers in use per 100 population and Internet users per 100 population
The Millennium Development Goals and targets come from the Millennium Declaration signed by 189 countries, including 147 Heads of State, in September 2000 <a href="http://www.un.org/documents/ga/res/55/a55r002.pdf">www.un.org/documents/ga/res/55/a55r002.pdf</a> - A/RES/55/2). The goals and targets are inter-related and should be seen as a whole. They represent a partnership between the developed countries and the developing countries determined, as the Declaration states, "to create an environment - at the national and global levels alike - which is conducive to development and the elimination of poverty."	

<sup>5</sup> OECD and WTO are collecting data that will be available from 2001 onwards.

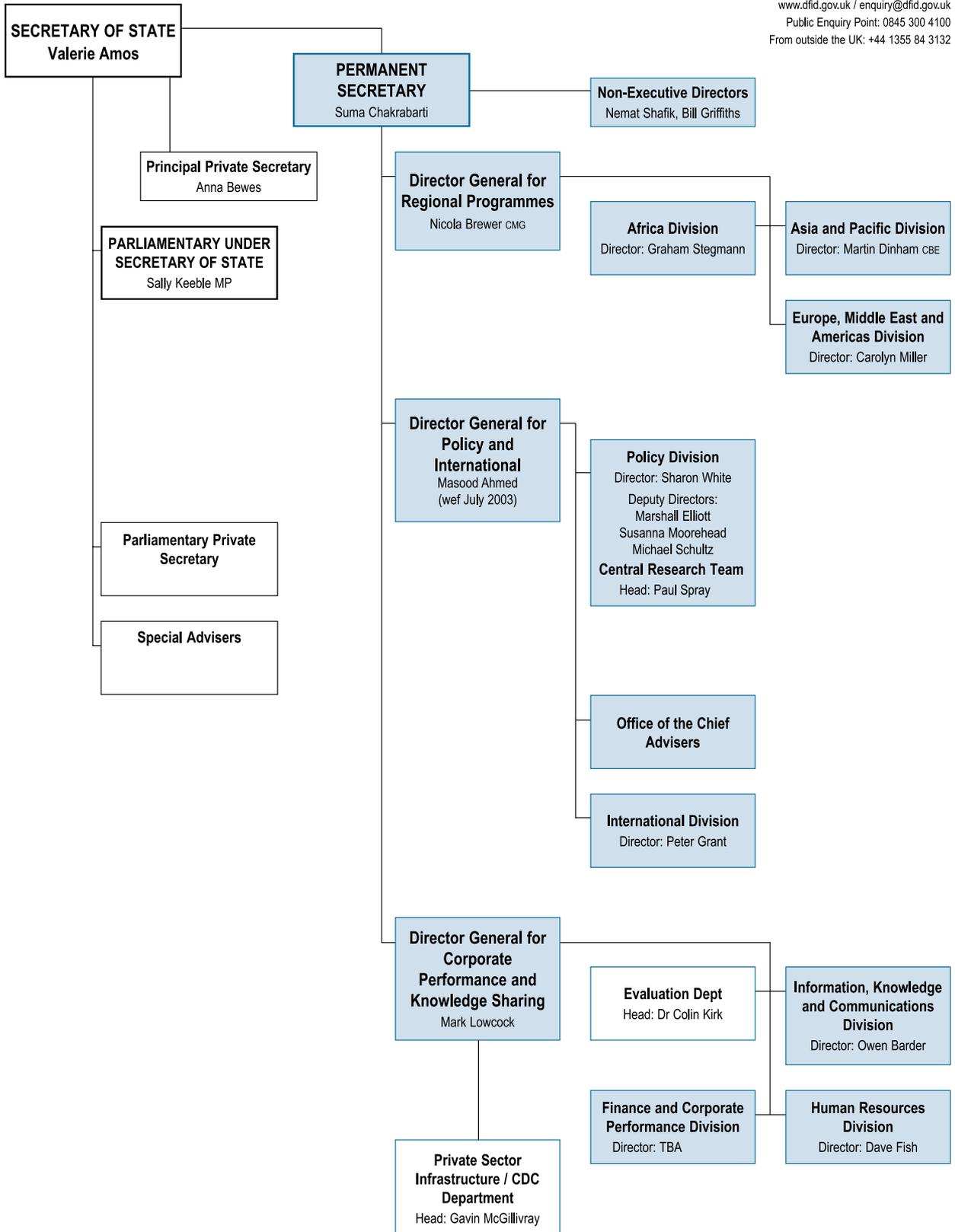
<sup>6</sup> An improved measure of the target is under development by ILO for future years.

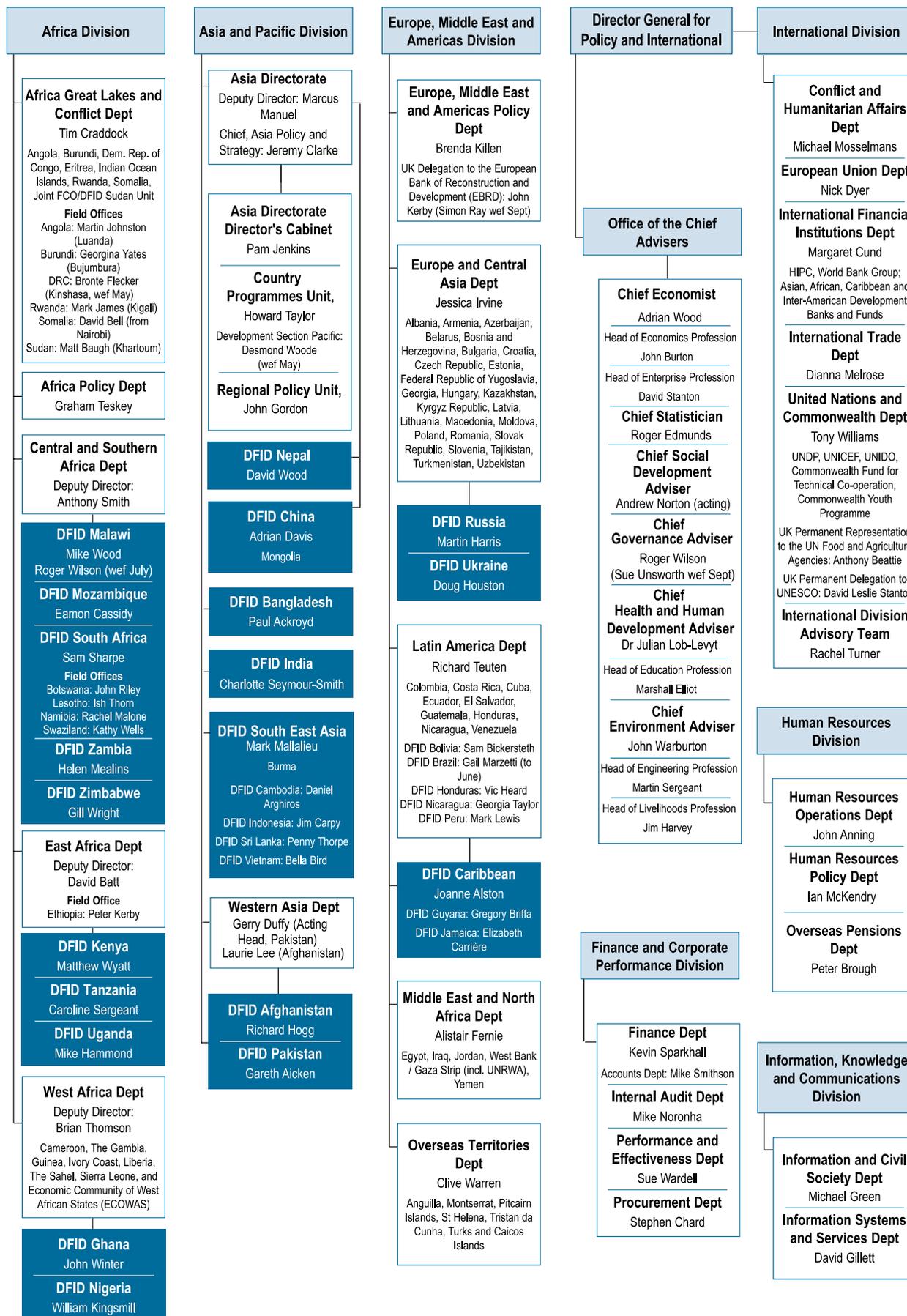
# Annex 5: DFID Organisational chart

## SIMPLIFIED ORGANISATION CHART As at 12 May 2003



www.dfid.gov.uk / enquiry@dfid.gov.uk  
Public Enquiry Point: 0845 300 4100  
From outside the UK: +44 1355 84 3132





# Annex 6:

## Publications

This Annex provides a list of the main DFID publications issued in 2002/03 and details of other publications referred to in the Report. All are published by DFID unless otherwise stated.

### DFID Publications

DFID produces a range of publications aimed at both general and specialist audiences. Principal publications are included in the DFID Publications Catalogue, which can itself be ordered from the DFID Public Enquiry Point at enquiry@dfid.gov.uk or 0845 300 4100.

DFID's own publications are provided free of charge. Many are available to order or download from the DFID website at www.dfid.gov.uk. Where specialist or technical documents are not available online, they may be ordered from the Public Enquiry Point.

#### White Papers on International Development

- 1 Eliminating World Poverty: A Challenge for the 21st Century – White Paper on International Development (full version) 1997 £9.85
- 2 Eliminating World Poverty: Making Globalisation Work for the Poor – White Paper on International Development (full version) December 2000 £11.80

#### White Paper Introduction

- 3 Eliminating World Poverty: A Challenge for the 21st Century – A Summary of the White Paper on International Development 1997
- 4 Making Globalisation Work for the World's Poor. An Introduction to the UK Government's White Paper on International Development. December 2000.

#### Annual Reports

- 5 DFID's Departmental Report 2002. The government's expenditure plans 2002–2003 to 2003–2004 £17.00
- 6 Working to reduce poverty. Highlights from DFID's departmental report 2002
- 7 Statistics on International Development 1997/98–2000/01. November 2002

#### Country Assistance Plans

- 8 Ethiopia Country Assistance Plan. March 2003

#### Country Strategy Papers

- 9 Bangladesh Country Strategy Review 1998-2002. August 2002
- 10 Bolivia Country Strategy Paper 2002. October 2002
- 11 China Country Strategy Paper 2002-2005. October 2002
- 12 Southern Africa Regional Strategy Paper. October 2002

## **Institutional Strategy Papers**

- 13** International Federation of Red Cross and Red Crescent Societies 2002-2006. August 2002
- 14** The United Nations High Commissioner for Refugees (UNHCR). July 2002
- 15** The World Health Organisation. August 2002

## **Background Briefings**

- 16** New Partnership for Africa's Development (NEPAD). April 2002
- 17** Southern Africa Food Crisis. May 2002
- 18** The UK's Development partnership with the People's Republic of China – A summary. May 2002
- 19** The Reconstruction of Afghanistan. September 2002
- 20** G8 Africa Action Plan: Towards the 2003 summit. November 2002
- 21** Debt Relief for Poverty Reduction. November 2002
- 22** Southern Africa Food Crisis . November 2002

## **Trade Matters Background Briefings revised editions (all March 2003)**

- 23** The Doha Development Agenda.
- 24** Agricultural and Fisheries Trade, Developing Countries and the WTO
- 25** Industrial Tariffs, Developing Countries and the WTO.
- 26** TRIPS and Development.
- 27** Services and Developing Countries.
- 28** Building Capacity for Trade.
- 29** Standards as Barriers to Trade: Issues for Development.
- 30** Trade, Development and Protecting the Environment.
- 31** Trade, Development and Labour Standards.
- 32** Anti-Dumping and Developing Countries.
- 33** Investment and Developing Countries.
- 34** Competition Policy, Law and Developing Countries.
- 35** Trade and Poverty.
- 36** Key facts about International Trade and Development.

## **Speeches by the former Secretary of State**

- 37** Can Africa halve poverty by 2015? The challenge to the New Partnership for Africa's Development. 4 April 2002
- 38** Bushmeat and Poverty. 28 May 2002
- 39** Poverty Reduction and Sustainable Development: The challenge for Johannesburg. 20 June 2002
- 40** Water – a key to sustainable development. 31 October 2002
- 41** The Danger to Doha – the risks of failure in the Trade Round 25 March 2003

## **Fact Sheets**

- 42** Development Counts 2002. July 2002
- 43** What are we doing to tackle global poverty? A quick guide to DFID. March 2003

## **Issues Papers**

- 44** Eliminating Hunger: Strategy for achieving the Millennium Development Goal on hunger. May 2002
- 45** Better livelihoods for poor people: The role of agriculture. August 2002

- 46** Breaking the cycle of child poverty. May 2002
- 47** Energy for the poor: Underpinning the Millennium Development Goals. August 2002
- 48** Gender Manual: A practical guide for Development policy makers and practitioners. April 2002
- 49** Liberating Children: combating hidden and harmful child labour. May 2002
- 50** Labour standards and poverty reduction. Consultation document. February 2003
- 51** The macroeconomic effects of aid. December 2002
- 52** Making Connections. Infrastructure for poverty reduction. September 2002
- 53** Making sense of the world: a joint BBC News – DFID study of television news coverage of developing countries. October 2002
- 54** Managing fiduciary risk when providing direct budgetary support. May 2002
- 55** Promoting Institutional & Organisational development guidelines. March 2003
- 56** Promoting Institutional & Organisational development: a source book of tools and techniques. March 2003
- 57** Safety, security and accessible justice: putting policy into practice. July 2002
- 58** Understanding Security sector reform. June 2002
- 59** Linking Poverty Reduction and Environmental Management: Policy Challenges and Opportunities. July 2002  
Department for International Development  
Directorate-General for Development, European Commission  
United Nations Development Programme  
The World Bank

### **Partnership Programme Agreements (PPAs)**

- 60** VSO PPA. January 2001
- 61** BESO PPA. May 2002
- 62** CAFOD PPA. May 2002
- 63** CIIR PPA. May 2002
- 64** International Service PPA. May 2002
- 65** Oxfam GB PPA. May 2002
- 66** Save The Children PPA. May 2002
- 67** Skillshare International PPA. May 2002
- 68** WWF UK PPA. May 2002

### **Other DFID publications**

- 69** Action plan to promote harmonisation. February 2003
- 70** Advance News (DFID Press Office) bi-monthly
- 71** Developments. The international development magazine. quarterly
- 72** DFID Publications Catalogue December 2002 bi-yearly
- 73** Enabling Effective Support. Responding to the challenges of the global society: A strategy of support for the global dimension in education. January 2003
- 74** Report to the Prime Minister of the UK working group on increasing access to essential medicines in the developing world. December 2002
- 75** Rural Livelihoods publications catalogue. February 2003
- 76** Sierra Leone: A long-term partnership for development between the government of the United Kingdom of Great Britain and Northern Ireland and the Government of the Republic of Sierra Leone. February 2003
- 77** “Target 2015: Halving World Poverty” in association with the Trade Unions Congress. August 2002

- 78** World Commission on Dams Report – Towards a UK position consultation draft in association with The Department of Trade and Industry, The Department for Environment, Food and Rural Affairs, The UK Export credit Guarantees Department (ECGD), and The Foreign and Commonwealth Office. August 2002

### **Non-DFID publications**

- 79** *Bangladesh: Supporting the drivers of pro-poor change*. A. Duncan, I Sharif, P. Landell-Mills, D. Julme, J. Roy, June 2002
- 80** *Strategic Review of Resource Allocation*, January 2003
- 81** *Department for International Development: Performance Management – Helping to Reduce World Poverty*. Report by the Comptroller and Auditor-General, HC 739 Session 2001-2002: 12 April 2002.
- 82** *Department for International Development: Performance Management – Helping to Reduce World Poverty*. Forty-eighth Report of the Public Accounts Select Committee, 1 August 2002, HC 793 ISBN 0 21 500499 X
- 83** *Development box proposals and their potential effect on developing countries*, by Tim Ruffer, Stephen Jones and Stephen Akroyd, Oxford Policy Management, April 2002
- 84** *An agricultural safeguard mechanism for developing countries* by Tim Ruffer of Oxford Policy Management and Paolo Vergano of O'Connor and Company, August 2002
- 85** *Integrating Intellectual Property Rights and Development Policy* Report of the Commission on Intellectual Property Rights, London available at [www.iprcommission.org](http://www.iprcommission.org). September 2002
- 86** *PRSPs: Progress in Implementation* Joint Staffs of the World Bank and International Monetary Fund. September 2002
- 87** *Department for International Development: Maximising impact in the water sector*. Report by the Comptroller and Auditor-General, HC 251 Session 2002-2003: 31 January 2003
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# Annex 7:

## Glossary and abbreviations

For more information on statistical terms please see Statistics on International Development (7).

### **Accession Countries**

Countries in the process of joining the European Union.

### **Administrative Costs**

DFID administrative costs include the running costs of DFID Headquarters, overseas costs of staff in agreed diplomatic posts concerned with full time aid administration, including Staff Appointed in Country employed by DFID; expenditure in respect of residual rent liability on the Chatham Maritime site arising from the terms agreed for the privatisation of DFID's former next steps agency, the Natural Resources Institute; and those elements of Foreign and Commonwealth Office and CDC Capital Partners, formerly known as Commonwealth Development Corporation, administration costs which are related to aid delivery.

### **Aid Untying**

The ending of the practice of most donors to insist that aid is spent on goods and services from the donor country in favour of giving unrestricted access to those who can compete best on price, quality and service.

### **Bilateral Aid**

Bilateral aid is provided to developing countries and countries in transition on the Development Assistance Committee List on a country to country basis, and to institutions, normally in Britain, working in fields related to these countries.

### **Budgetary assistance or Budget Support**

Budget Support is a form of programmatic aid in which:

- a. Funds are provided in support of a government programme that focuses on growth and poverty reduction, and transforming institutions, especially budgetary.
- b. The funds are provided to a partner government to spend using its own financial management and accountability systems.

### **Civil Society Organisations**

All Civic Organisations, associations and networks which occupy the "Social space" between the family and the State who come together to advocate their common interests through collective action. It includes volunteer and charity groups, parents and teachers associations, senior citizens groups, sports clubs, arts and culture groups, faith-based groups, workers clubs and trade unions, non-profit think-tanks and "issue-based" activist groups.

### **Concessional Resources**

Development assistance with a grant element normally greater than 35%.

### **Countries in transition**

Term used to describe former Soviet countries in Eastern Europe and the former Soviet Union, and China, Mongolia and Vietnam.

### **Country Assistance Plans**

DFID has produced or is producing Country Assistance Plans for all countries where we provide development assistance programmes. These plans, produced in consultation with governments, business, civil society, and others within the country concerned and within the UK, set out how we aim to contribute to achieving the Millennium Development Goals in the country in question. Country Assistance Plans are normally intended to cover a 3-4 year period. For some groups of countries a Regional Strategy Paper is produced.

### **Debt Relief**

Debt Relief may take the form of cancellation, rescheduling, refinancing or re-organisation. Interest and principal foregone from debt cancellation forms part of DFID programme expenditure whilst other debt relief is funded from other official sources.

- a. Debt cancellation (or Retrospective Terms Adjustment) is relief from the burden of repaying both the principal and interest on past loans.
- b. Debt rescheduling is a form of relief by which the dates on which principal or interest payments are due are delayed or rearranged.
- c. Official bilateral debts are re-organised in the Paris Club of official bilateral creditors, in which the UK plays its full part. The Paris Club has devised increasing generous arrangements for reducing and rescheduling the debt of the poorest countries; most recently agreeing new terms for the enhanced Heavily Indebted Poor Countries Initiative.

### **Developing Countries (see Development Assistance Committee: List of Aid Recipients below)**

#### **Development Assistance Committee (DAC)**

The Development Assistance Committee of the Organisation for Economic Co-operation and Development is a forum for consultation among 22 donor countries and the European Commission, on how to increase the level and effectiveness of aid flows to all aid recipient countries. The member countries are Australia, Austria, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and United States.

#### **Development Assistance Committee: List of Aid Recipients**

This list is in two parts. Part I shows developing countries and territories eligible to receive official development assistance. Part II shows countries and territories eligible to receive official aid. The list is designed for statistical purposes and not as guidance for aid or other preferential treatment.

##### **Part I: Developing Countries and Territories**

The list comprises all countries and territories: in Africa; in America except the United States, Canada, Bahamas, Bermuda, Cayman Islands and Falkland Islands; in Asia except Japan, Brunei, Hong Kong, Israel, Kuwait, Qatar, Singapore, Taiwan and United Arab Emirates; in the Pacific except Australia and New Zealand; plus Albania, Armenia, Azerbaijan, Georgia, Gibraltar, Malta, Moldova, Turkey and the states of former Yugoslavia in Europe.

##### **Part II: Countries and Territories in Transition**

The list comprises Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia and Ukraine, plus the more advanced developing countries which have moved from Part I of the List, namely Bahamas, Bermuda, Brunei, Cayman Islands, Cyprus, Falkland Islands, Hong Kong, Israel, Kuwait, Qatar, Singapore, Taiwan and United Arab Emirates. Note that Moldova moved to Part I of the List on 1 January 1997.

### **Direct Budget Support (See Budgetary Assistance or Budget Support)**

#### **European Community**

The 15 member states and the common institutions, notably the European Commission, co-operating on a range of economic and other issues in supra-national integration.

#### **European Development Fund**

The European Development Fund is the main route through which EC funds committed to the countries of Africa, the Caribbean and the Pacific under the Cotonou Convention are channelled.

#### **European Union**

Created by the Treaty of Maastricht 1992, which enhanced the integration of the European Community but also enabled the member states to co-operate together in an inter-governmental, not supra-national, way in the areas of Common Foreign and Security Policy Justice and Home Affairs.

#### **Financial Aid**

Financial Aid in the wider sense is defined as a grant or loan of money which is the subject of a formal agreement with the recipient government or institution. In practice it is all bilateral aid except technical co-operation and administrative costs.

**General Budget Support (see Budgetary Assistance or Budget Support)****Globalisation**

The growing independence and interconnectedness of the modern world through increased flows of goods, services, capital, people and information. The process is driven by technological advances and reductions in the costs of integrated transactions, which spread technology and ideas, raise the share of trade in world production and increase the mobility of capital.

**Gross Domestic Product**

The total value of goods and services produced within a country.

**Gross National Income**

Previously known as Gross National Product, Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries.

**G7/G8 Group**

The G7 Group of major industrialised democracies comprises Canada, France, Germany, Italy, Japan, the UK and the United States. The Group of Eight (G8) includes Russia. Their Heads of Government meet annually at the G7/G8 Summit to discuss areas of global concern.

**Heavily Indebted Poor Countries Initiative**

An initiative launched by the International Monetary Fund and the World Bank in 1996 to provide debt relief to the poorest countries. Revised in 1999 to deliver twice as much debt relief as the original initiative.

**Humanitarian Assistance**

Humanitarian Assistance comprises disaster relief, food aid, refugee relief and disaster preparedness. It generally involves the provision of material aid (including food, medical care and personnel) and finance and advice to save and preserve lives during emergency situations and in the immediate post-emergency rehabilitation phase; and to cope with short and longer term population displacements arising out of emergencies.

**Income Groups**

The classification of aid recipient countries by income groups is based on Gross National Income per capita figures in 1998 according to the thresholds set out below.

low income group: countries with a Gross National Income per capita in 1998 of below \$760;

lower middle income group: countries with a Gross National Income per capita in 1998 of \$761 – \$3030;

upper middle income group: countries with a Gross National Income per capita in 1998 of \$3031 – \$9360;

high income group: countries with a Gross National Income per capita in 1998 of \$9361 or above.

**Institutional Strategy Papers**

Institutional Strategy Papers are designed to set DFID's partnerships with multilateral development institutions in a strategic framework. The papers are prepared in consultation with that institution and other interested parties and set out the objectives for our partnership with that institution. Institutional Strategy Papers have been or are being prepared for our main partner institutions and will normally be produced every 3–4 years.

**Intellectual Property Rights**

National and international systems provide for the protection and enforcement of intellectual property rights. Intellectual property constitutes private property rights over ideas and inventions. The principal Intellectual Property Rights are copyrights (material which can be reproduced only with permission of the owner, who can charge for it), patents (product designs or processes which can be used only with permission of the owner, who can charge for it), trademarks (registered marks that exclusively identify a product or economic entity, which cannot be used by others), and industrial designs.

### **International Development Association**

Part of the World Bank Group which makes loans to countries at concessional rates (i.e. below market rates) of interest.

### **International Monetary Fund**

The International Monetary Fund aims to promote international monetary cooperation, exchange stability, and orderly exchange arrangements; to foster economic growth and high levels of employment; and to provide temporary financial assistance to countries to help ease balance of payments adjustment.

### **Least Developed Country**

Least Developed Countries are those assessed as having particularly severe long-term constraints to development. Inclusion on the list of Least Developed Countries is now assessed on two main criteria: economic diversity and quality of life.

### **Low Income Countries**

Countries in the Low Income Group, as defined in Income Groups.

### **Middle Income Countries**

Countries in the lower middle and upper middle income groups (see Income Groups).

### **Millennium Development Goals**

A set of eight international development goals for 2015, adopted by the international community in the UN Millennium Declaration in September 2000, and endorsed by IMF, World Bank and OECD. These are set out in full in Annex 4.

### **Multilateral Aid**

Aid channeled through international bodies for use in or on behalf of aid recipient countries. Aid channeled through multilateral agencies is regarded as bilateral where DFID specifies the use and destination of the funds.

### **Non governmental organisations**

These are private non-profit making bodies which are active in development work. To qualify for official support UK non governmental organizations must be registered charities.

### **Official Aid**

This is the equivalent, for countries on Part II of the Development Assistance Committee List, of official development assistance to countries on Part I of the Development Assistance List (i.e. developing countries). To qualify as official aid, resource flows should have the same concessional and qualitative features as official development assistance.

### **Official Development Assistance**

Official development assistance is defined as those flows to developing countries and multilateral institutions provided by official agencies or by their executive agencies, which meet the following tests:

- a. it is administered with the promotion of the economic development and welfare of developing countries as its main objective;and
- b. it is concessional in character and conveys a grant element of at least 25 per cent.

Only aid to countries on Part I of the Development Assistance Committee List is eligible to be recorded as official development assistance.

### **Organisation for Economic Co-operation and Development (OECD)**

A group of 30 industrial countries promoting growth and high employment among its members, fostering international trade and contributing to global economic development.

### **Poverty Reduction Strategies**

Poverty Reduction Strategies are prepared by developing country governments in collaboration with the World Bank and International Monetary Fund as well as civil society and development partners. These documents describe the country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs and major sources of financing.

**Programme Aid**

Programme aid is financial assistance specifically to fund (i) a range of imports, or (ii) an integrated programme of support for a particular sector, or (iii) discrete elements of a recipient's budgetary expenditure. In most cases, support is provided as part of a World Bank/International Monetary Fund co-ordinated structural adjustment programme.

**Public Private Partnership**

A Public/Private Partnership brings public and private sectors together in partnership for mutual benefit. The term Public Private Partnership covers a wide range of different partnerships, including the introduction of private sector ownership into businesses that are currently state-owned, the Private Finance Initiative, and selling Government services into wider markets.

**Public Service Agreement**

A set of measurable targets for the Department's work, as required by the White Paper *Public Services for the Future: Modernisation, Reform, Accountability* (CM4181). See Annexes 2 & 3 for DFID's Public Service Agreement.

**Regional Development Banks**

International Development Banks which serve particular regions, for example the African Development Bank or the European Bank for Reconstruction and Development.

**Sector wide approaches or sector investment programmes**

A sector wide approach is a process that entails all significant donor funding for a sector supporting a single, comprehensive sector policy and expenditure programme, consistent with a sound macro-economic framework, under recipient government leadership. Donor support for a sector wide approach can take any form – project aid, technical assistance or budgetary support – although there should be a commitment to progressive reliance on government procedures to disburse and account for all funds as these procedures are strengthened.

**Security Sector**

The security sector is defined as those who are, or should be, responsible for protecting the state and communities within the state. This includes military, paramilitary, intelligence and police services as well as those civilian structures responsible for oversight and control of the security forces and for the administration of justice.

**Service Delivery Agreement**

A document which defines the outputs and subsidiary targets which will contribute towards delivery of the targets in the Public Service Agreement.

**Spending Review**

A fundamental re-evaluation of priorities, objectives and targets by the UK Government, which establishes a three year planning cycle, including spending plans, for all departments. The 2000 Spending Review runs from 2003/04 – 2005/06.

**Strategies for Achieving the International Development Targets (or Target Strategy Papers)**

These DFID papers set out the key development challenges to be addressed in order to achieve the Millennium Development Goals. The papers also explore the action needed by the international community, developing country governments, civil society, the private sector and others in order to achieve the targets. Finally the papers explain what DFID will do to contribute to that effort.

**Technical Co-operation/Technical Assistance**

Technical co-operation is the provision of advice and/or skills, in the form of specialist personnel, training and scholarship, grants for research and associated costs.

**World Bank**

The term World Bank is commonly used to refer to the International Bank for Reconstruction and Development and the International Development Association. Three other agencies are also part of the World Bank, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes. Together these organizations are referred to as the World Bank Group.

### **World Trade Organisation**

The World Trade Organisation exists to ensure that trade between nations flows as smoothly, predictably and freely as possible. To achieve this, the World Trade Organisation provides and regulates the legal framework which governs world trade. Decisions in the World Trade Organisation are typically taken by consensus among the 146 member countries and are ratified by members' parliaments.

## **Abbreviations**

<b>AIDS</b>	Acquired Immune Deficiency Syndrome
<b>DAC</b>	Development Assistance Committee (of the OECD)
<b>EC</b>	European Community
<b>GDP</b>	Gross Domestic Product
<b>G7/8</b>	Group of Seven/Eight Leading Industrialised Nations
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>IMF</b>	International Monetary Fund
<b>HIV</b>	Human Immunodeficiency Virus
<b>NGO</b>	Non-governmental organisation
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>WTO</b>	World Trade Organisation

# Annex 8:

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A photograph of two women in traditional Indian attire. They are carrying large, round, reddish-brown clay pots balanced on their heads. The woman on the left is wearing a yellow and purple patterned top and a purple sari. The woman on the right is wearing a brown patterned top and a brown sari. They are walking outdoors, and the background is a bright, hazy sky. The text 'Chapter 6' is overlaid in a white box on the left side of the image.

# Chapter 6

## How we are organised to deliver

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# 6

## How we are organised to deliver

Good business planning is not about filling in forms, producing glossy documents or creating a planning industry. It is about deciding what results you want and making sure everyone in your organisation is focused on delivering those results

**Your Delivery Strategy** Guidance to Departments (p4)

- 6.1** During the last year DFID has initiated a programme of organisational and management change that will enhance the way we carry out our business. The programme, “Going from Strength to Strength” (Box 6.a), recognises that we have to ensure a tighter fit between our mission, structures, systems and staff in order to deliver on our highly challenging objectives.

### Box 6.a - “Going from Strength to Strength”

‘Strength to Strength’ sets out a comprehensive departmental change programme to enhance DFID’s effectiveness. It is focused on ensuring DFID is organised and managed in ways that best meet our business needs and so work towards achievement of the Millennium Development Goals.

The new management agenda:

- Take forward our mission through the new Public Service and Service Delivery Agreements
- Be proactive in managing our performance
- Ensure our rules and procedures work for us and not against us
- Prioritise and focus on our strengths
- Extend partnership working to improve effectiveness of aid
- Better lesson learning and knowledge sharing including with our partners
- Clear organisational structure
- Workable and transparent governance structures and systems that ensure decisions are taken at the right level, lessons are learned and transaction costs lowered
- More strategic use of financial resources
- Be a valued UK government department with a diverse workforce
- Ensure we attract the right staff, and encourage and support them to work effectively

- Make good use of flexible working
- Ensure we have good systems for improved communication and knowledge sharing

## Giving force to our mission - the new Public Service Agreement

- 6.2** DFID has a clear mission – the elimination of poverty in poorer countries through achievement of the Millennium Development Goals. Over the last year we have developed our corporate management and reporting systems to strengthen our focus on delivery. The changes were informed by the National Audit Office review (81) of DFID's performance management systems (see Chapter 1). They included ensuring our 2003–06 Public Service Agreement (PSA – Annex 3) is directly aligned to our mission and maps onto the organisational structure. Individual Directors have been given responsibility for PSA targets and objectives providing for direct accountability for delivery. Directors have produced Divisional Plans in which they set out how they will use their resources to deliver their objectives and how they will delegate responsibility through their Divisions to assist them in this. DFID's Management Board reviews these Plans annually.
- 6.3** The Directors' Plans have been translated into departmental plans, which are then cascaded down into team and individuals' annual work plans. In this way DFID has sought to ensure that everyone in the organisation has a clear line of sight from their individual personal objectives and forward work programmes up to delivery of the Millennium Development Goals (Box 6.b).

### Box 6.b - How the Millennium Development Goals relate to DFID's work



\*Country Assistance Plans/Institutional Papers/Service Level Agreements

- 6.4** To embed this new system throughout the Department we undertook a DFID-wide launch of the PSA. This included a video of a 'Question-Time' panel taking direct questions from DFID staff on what the PSA means to them; interactive discussions between members of the Management Board and staff in both our UK headquarters sites linking in a number of overseas offices to join the debate by satellite; and production of a package of accessible reference support materials.
- 6.5** The clearer focus of our performance management system on our mission has assisted with prioritisation, whilst at the same time retaining the flexibility to enable Directors to respond to emerging needs and changing circumstances.

### Sharing knowledge and learning lessons

- 6.6** DFID's work is spread over 65 locations. The overall impact of our work is closely linked to how we share knowledge and expertise among our staff and partners, and learn lessons from our experience. DFID introduced a new staff competency framework in 2002/03 to develop staff skills, including in managing knowledge and information. We also created a new Director of Information post to bring focus and coherence to knowledge-sharing and lesson-learning across DFID, and develop first-rate IT systems to support this.
- 6.7** DFID made progress in developing our intranet as a high-quality information resource for staff. Communication links with 23 of our overseas offices have been improved which allow good access to the intranet, including webcasts, that are proving to be a popular and effective way of rapidly communicating key messages. 98% of DFID staff now have on-line access to the intranet. There has been a rapid increase in the demand for use of our video conferencing facility. A new remote working system was introduced



**The Permanent Secretary Suma Chakrabarti launches DFID's 2003-06 PSA in our East Kilbride headquarters and, via satellite link-up, to some of our overseas' offices.**

in August 2002 with improved facilities for home-working which will allow access to all DFID systems in coming months.

- 6.8** DFID began a major review to develop an e-Business Strategy in 2002/03. This aims to use the benefits of modern technology to streamline our administrative processes and to consolidate a number of important information system developments. These are at various stages of development and include:
- our programme of electronic document and records management (QUEST – Box 6.c);
  - the Activities, Reporting and Information e-System (ARIES), which will enable us to produce better management information more easily and rapidly; and
  - the Performance Reporting Information System for Management (PRISM).
- 6.9** A review of DFID's information systems security was also undertaken in conjunction with the Foreign and Commonwealth Office to consider access to secure systems overseas. DFID's Knowledge and Communications Committee are considering the recommendations. A recent benchmarking study of DFID's information systems by Cranfield Management School and a related knowledge sharing study with the World Bank and British Council will help inform our future strategies for knowledge and systems management.

#### **Box 6.c - QUEST**

The QUEST Programme will aim to improve DFID's ability to make efficient and effective use of its knowledge and resources by managing its documents and records electronically. The new facilities will provide an opportunity for IT enabled business change by allowing staff to work on and retrieve documents and records held across the organisation on a corporate electronic system. QUEST will make it much easier to share information with external partners, other donors and members of the public; as well as help DFID meet its statutory requirements under the Freedom of Information and Data Protection legislation. Another benefit of less paper filing will be to save storage space.

- 6.10** In our continued drive to become more effective as an organisation, DFID has renewed its emphasis on staff management and performance. We are in the process of re-organising aspects of our Human Resources function to help ensure that the Department has quality, skilled staff to enable DFID to meet our objectives. Measures include:
- improved arrangements for staffing forecasts from all parts of the Department;
  - the introduction of new posting and promotion arrangements geared to corporate priorities;
  - a new performance management system;

- the introduction in 2003 of a new, integrated, HR database and payroll system; and
- the benchmarking of a wide spectrum of HR functions to evaluate the quality, relevance and efficiency of our HR services against those in relevant external organisations and to provide information to help us improve our performance.

## Staffing, organisation and management

**6.11** DFID has two headquarters, located in London and East Kilbride, and some 36 country and regional offices located overseas. The total number of staff employed by the Department in December 2002, including UK-based staff working in headquarters and overseas and locally appointed staff working in our overseas offices, was 2807 (Box 6.d).

Box 6d - Numbers of DFID staff by location and gender, Dec 2002		
	Female	Male
Home Civil Service staff in London office	404	491
Home Civil Service staff in East Kilbride office	313	225
Staff appointed in UK on fixed-term contracts for development assistance projects	39	21
<b>DFID staff in UK</b>	<b>756</b>	<b>737</b>
Home Civil Service staff based in overseas offices	95	146
Staff appointed in country by overseas offices	501	373
Staff appointed overseas on fixed term contracts for development assistance projects	63	136
<b>DFID staff overseas</b>	<b>659</b>	<b>655</b>
<b>Total</b>	<b>1415</b>	<b>1392</b>

**6.12** The ethnicity and gender representation in DFID of UK-based staff on the payroll as of December 2002 is shown in Box 6.e. There are currently 25 UK-based staff who have declared they have a condition which may amount to a disability within the meaning of the Disability Discrimination Act 1995.

Box 6e - Results of diversity monitoring for DFID UK-appointed staff (NOTE: Ethnicity details are based on returns where ethnicity was declared), Dec 2002				
	Female %	Male %	White %	Ethnic Minority %
Senior Civil Service	19%	81%	74%	6%
Band A1	23%	77%	79%	7%
Band A2	40%	60%	81%	6%
Band A3	53%	47%	75%	10%
Band B1	41%	59%	72%	10%
Band B2	53%	47%	76%	12%
Band C1	68%	32%	71%	16%
Band C2	58%	42%	73%	9%
Band B1(D)	56%	44%	69%	11%

**6.13** The numbers and levels of remuneration of the Department's permanent Home Civil Service staff in London, East Kilbride and overseas offices are shown in Box 6.f. Pay ranges and grade structures for staff appointed in UK and overseas on fixed-term contracts, plus Staff Appointed in Country overseas, cannot be readily produced in summary form.

<b>Box 6.f - Staff salaries for DFID permanent Home Civil Service staff in UK and overseas offices</b>			
<b>Grade</b>	<b>Salary range</b>	<b>Female</b>	<b>Male</b>
Senior Civil Service	£51,250 - £184,500	12	50
Band A1	£39,018 - £59,105	37	125
Band A2	£33,078 - £48,783	123	185
Band A3	£25,250 - £34,340	63	55
Band B1	£19,695 - £28,280	90	128
Band B2	£15,655 - £23,230	154	135
Band C1	£12,625 - £19,190	234	110
Band C2	£10,100 - £16,160	60	43
Band B1(D)	£18,231 - £32,825	39	31

**6.14** The Department's recruitment practices conform to the requirements of the Civil Service Commissioner's Code. DFID made 5 permitted exceptions to fair and open competition in 2002/03. Two of these were for fixed-term Home Civil Service appointments where specialised skills and experience were required. A further two were for fixed-term Home Civil Service appointments where continuity was essential and the individuals were uniquely qualified. The remaining permitted exception was for a Home Civil Service appointment for a re-appointed civil servant. The numbers of UK based appointments filled in 2002/03 are set out in Box 6.g.

<b>Box 6.g - Permanent UK-based appointments filled in 2002/03</b>			
<b>Grade</b>	<b>Total</b>	<b>Female</b>	<b>Ethnic Minorities</b>
Senior Civil Service	2	1	0
Band A1	17	2	1
Band A2	53	17	2
Band A3	20	15	4
Band B1	12	6	1
Band B2	16	10	1
Band C1	15	10	5
Band C2	18	12	0
Band B1(D)	15	6	2
<b>Total</b>	<b>168</b>	<b>79</b>	<b>16</b>
<b>% of total</b>	<b>100%</b>	<b>47%</b>	<b>10%</b>

**6.15** DFID's Ministerial and Parliamentary Team is shown in Box 6.h. An organisational chart for DFID is available at Annex 5. In May 2002, Sally Keeble MP was appointed as DFID's Parliamentary Under Secretary of State in succession to Hilary Benn MP.

**Box 6.h - DFID's Ministerial and Parliamentary team**



**Baroness Amos**  
Secretary of State for  
International Development.



**Sally Keeble MP**  
Parliamentary Under Secretary  
of State.

**Progress against the Modernising Government agenda**

- 6.16** Our staff are our most valued resource and we are committed to supporting them. DFID is an accredited Investor in People (IiP) and is due to be re-assessed in September 2003. Since receiving the award in December 2000, DFID has, in addition to maintaining good practice, introduced improved processes for induction and management of staff (including managing and benefiting from the inherent diversity within the Department) and evaluating the training and development of DFID staff. A series of reviews of individual departments, both in the UK and overseas, have been held to monitor DFID's continuing performance against the IiP indicators. The results have provided information about areas for further improvement.
- 6.17** In the last year DFID has undertaken a diversity audit covering a number of areas within our management and human resources function. Some recommendations from the audit have already been implemented and others are being progressed on a longer-term basis. For example, we have improved information for staff on working practices by issuing booklets on flexible and remote working, and support for staff with disabilities. Other priorities include completion of an equal pay audit, the production of an annual report on diversity focusing on statistics, trends and best practice, and recruitment of a full-time diversity adviser. These recommendations have been subsumed into an ongoing diversity action plan, which is considered regularly by senior management.
- 6.18** DFID continued to offer diversity training and Management Development Programmes in 2002/03 – about 1800 staff have attended these courses. We will shortly be evaluating the impact of the Management Programme on the work of the department and the results will be published. DFID also launched a programme on challenging and harnessing performance, the aim of which is to equip managers with the necessary skills to optimise staff performance. A new performance management system was introduced in May 2002. This enables all staff below Senior Civil Service level to be assessed against clear and agreed objectives, core behaviours and corporate values designed to

enhance skills and knowledge. The new system will be monitored in the course of 2003 to ensure all staff are being treated fairly, and for continuous improvement. A set of five departmental values was agreed in October 2001 (Box 6.i). Work to embed those values into DFID processes and procedures continues.

#### **Box 6.i - DFID core values**

In DFID we value:

- our ambition and determination to eliminate poverty
- our ability to work effectively with others
- our desire to listen, learn and be creative
- our staff, their diversity and their need to balance work and private life
- our professionalism and knowledge

- 6.19** An on-going programme to help enhance performance for Band A1 staff using feedback from peers, junior and senior staff was reviewed in November 2002 by the Department's Management Board Committee on Human Resources. The outcomes will help us to improve future management development. The programme is being extended to include the Senior Civil Service and all Band A staff, and will ultimately cover all managers.
- 6.20** For the third year running, DFID supported the Windsor Fellowship, a scheme aimed at talented Black and Asian undergraduates. In 2002/03 we sponsored two Fellows under the scheme. We have also continued our link with the National Mentoring Consortium to offer mentoring to undergraduates from a range of universities.
- 6.21** DFID took part in the Cabinet Office Summer Development Programme for the first time in 2002/03 and successfully placed 3 candidates. This initiative provides experience in government departments during the summer vacation for potential applicants to the Fast Stream from within ethnic minority communities. The purpose of the placements is generally to expose candidates to the way the civil service works – the challenges, the constraints, the variety of tasks – as well as gain an insight into the work of DFID.
- 6.22** DFID operates an equal opportunities policy in all aspects of its recruitment and employment practices. Processes are monitored by gender, ethnic origin and disability. During 2002/03 there was one equal opportunities complaint which remained unresolved by March 2003.
- 6.23** We are in the process of developing the framework for a new junior professional scheme, which will operate initially alongside the administrative and Economist and Statistician Fast Stream schemes. Our target is to have proposals ready to present to the Human Resources Committee by summer 2003. Proposals are being considered for a more strategic

approach to staff interchange and secondment. Implementation of these arrangements will depend on the establishment, later this year, of a small interchange unit within DFID's Human Resources Department. Over the last year, we have introduced a more open recruitment process which has included involving junior staff on promotion boards and outside professionals for top management appointments.

- 6.24** DFID's HIV/AIDS Employment Policy was enhanced in late 2002 by producing for all our staff booklets that aim to raise awareness of the main health and employment issues around HIV/AIDS. These booklets were developed in consultation with the Foreign and Commonwealth Office and the British Council.
- 6.25** In May 2002, DFID published a Race Equality Scheme outlining our general responsibilities as an employer under the Race Relations Amendment Act 2000 and detailing our plans to comply with the legal obligations it places on us. The Act aims to raise standards in public service and requires us to monitor a significant range of Human Resources processes by ethnicity (including recruitment, postings, promotions, training, leavers, and the grievance and disciplinary procedures), to ensure that our policies and practices allow fair treatment of our staff and customers. The Race Equality Scheme highlights every member of staff's individual responsibility to promote equality of opportunity and good race relations, and coverage is now included in all core training courses. The Scheme also outlines how our three main service Departments (Procurement, Information and Civil Society, and Overseas Pensions) plan to monitor and assess relevant policies to ensure they allow fair and open access to the UK public.
- 6.26** Since May 2002, DFID has been developing systems to collect all of the required data on diversity monitoring and enable meaningful analysis. We hope to publish the results of our monitoring in an Annual Report to our Management Board by the end of 2003.
- 6.27** DFID's Policy Division has been extensively re-organised in the last year, following a 12-month consultation process with staff across the Department. A key aim of the new Policy Division is to be more responsive to DFID's business needs including ensuring better prioritisation within the wider policy agenda. Full details of the new Division will be given in next year's Departmental Report.
- 6.28** Our new 6-member Management Board comprises:
- the Permanent Secretary: Suma Chakrabarti (who is Chair);
  - three Directors-General: Nicola Brewer (appointed in 2002 through open competition, who is also DFID's Diversity Champion), Masood Ahmed, former Deputy-Director at the IMF and Mark Lowcock (both appointed in 2003, again through open competition); and
  - two non-executive Directors: Nemat Shafik and Bill Griffiths (also selected in 2002 by open competition from outside DFID).

**6.29** Committees for Human Resources, Knowledge and Communications, Development Policy and Finance and Audit support the Management Board. The new structure has helped to sharpen the Board's focus on strategic issues including the direction of the Department and accountability for organisational performance. Staff are given the opportunity to observe Board meetings to improve their understanding of DFID.

## Health and safety

**6.30** DFID has a comprehensive health and safety policy in place which is implemented in active partnership with the trade unions. No problems of any significance were reported in 2002/03. We also have in place an active and on-going programme of risk assessments and inspections.

## Managing DFID's environmental impact

**6.31** DFID has continued to look at ways to minimise the environmental impact of our offices in 2002/03. With the move to a new London Office, there is no longer any staff car parking. The office has switched to the GCS Green Cab service for official taxi bookings, and uses Liquid Petroleum Gas vehicles for the three Ministerial and Senior Official vehicles. Enhanced monitoring procedures have been put in place to measure energy and water use and enable new benchmarks to be set. We switched electricity suppliers in July 2002, with the new contract providing 10% 'green' electricity, and we continue to use a waste disposal company who sort on receipt and recycle approximately 90%. Surplus obsolete computer equipment has been donated to Computer Aid for reuse in developing countries.

**6.32** Extension and refurbishment of our East Kilbride office commenced during 2002, and as with the new London office a number of 'green' features and good practices were incorporated in the works. Surplus obsolete furniture was offered to people who could make use of it, thus minimising disposal to landfill. The office has joined the Watermark project to check water usage and examine ways of reducing it. In the autumn, we engaged new waste contractors who recycle a higher proportion of waste than their predecessors. In addition, initial studies have begun on the feasibility of installing a wind turbine on the site.

**6.33** Work on the development of an Environmental Management System continued throughout 2002/03, and will be extended to include DFID's overseas offices. We have continued to raise staff awareness of 'green' issues through the dedicated staff intranet site and local in-office publicity. DFID's response to the Government initiative "Framework for Sustainable Development on the Government Estate" is published on our website, along with other environmental information.

## Overseas pensions

- 6.34** DFID's Overseas Pensions Department is responsible for the calculation and payment of colonial service and dependants' pensions. During 2001/02, some 52,000 pensions and supplements were paid to about 14,000 service pensioners and 10,000 dependants. Over 226,000 individual payments were made, to a total value of £126 million. Overseas Pensions Department again exceeded all of the targets set for 2001/02 in its Service Level Agreement. Although the unit costs per pensioner and per pension increased by 0.87% and 1% to £44.20 and £20.67 respectively, they remained below the targets set for 2001/02 of £44.38 and £20.72 respectively.
- 6.35** Overseas Pensions Department received a total of 35 complaints during 2001/02, of which 6 were deemed valid by our Complaints officer. The others were mainly to do with delays in the postal system. No cases were submitted to the Parliamentary Ombudsman. All new customers are sent a customer service questionnaire six months after their first payment. 421 forms were issued in 2001/02, of which 276 (66%) were returned. For the third year running, 99% of those who responded rated DFID's performance on overseas pensions as either "very good" or "good". Box 6.j summarises DFID's performance against pensions service standards in 2001/02.

Box 6.j - Performance against pension service standards		
Standard, 2001/02	Target %	Achieved %
Accuracy of initial calculation of new and revised awards	95.00	95.83
Accuracy of initial payment calculation	97.50	99.95
Number of new awards put into payment within two weeks	97.50	99.90
Timeliness of payments by the due date	99.00	99.99
Response to enquiries within two weeks of receipt	97.50	99.96
Initial response to complaints within two weeks, and a more detailed reply, if one is needed, within five weeks	95.00	100.00