



Department
for International
Development

Operational Plan 2011-2016

Overseas Territories Department

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Introduction

In 2013 the UK became the first G7 country to meet the United Nations target of spending 0.7% of gross national income on international development. The Department for International Development (DFID) uses that investment to help countries to lift themselves out of poverty and leave poverty behind. Operational plans set out to the public how we plan to deliver results across policy areas and for every country we work in. These plans clearly explain why, and how, DFID is targeting its resources and what we expect to achieve; covering the period up until March 2016.

DFID is focused on spending in the right ways, on the right things, in the right places. The portfolio of our projects is already shifting to deliver a more coherent, focused and ambitious approach to economic development. We are helping to build strong and investable business environments in developing countries and improving access to finance for entrepreneurs.

Improving the prospects for girls and women in developing countries is a priority. Investing in girls and women is the smart thing to do, as well as the right thing to do. By unleashing their potential, we see returns for girls and women themselves, their families and communities, and for their economies and countries. No country can successfully develop if it leaves half its population behind.

Life-saving humanitarian assistance remains one of DFID's most fundamental responsibilities. When disaster strikes or conflict erupts we are first on the ground to support the most vulnerable people. We are also increasing our efforts to help those countries that are at higher risk of natural disasters to become more resilient in the first place.

DFID continues to drive value for money in everything we do on behalf of the British taxpayer. We have improved our procurement and programme management, increased our internal audit oversight and we are ensuring that staff have the skills to deliver the Department's priorities.

On the international stage we are working hard to agree a new set of global development goals to replace the Millennium Development Goals when they expire next year. We are determined to secure a clear and inspiring set of goals for the post 2015 development framework that leave no one behind.

Increasingly we will take new and innovative approaches and we will work with new partners. This will include businesses who are increasingly major development players. During the secretary of State's time as co-chair of the Global Partnership for Effective Development Cooperation, DFID played a key role in encouraging different development actors to work together and use internationally agreed principles for aid and development effectiveness.

3 As our operational plans set out, our approach to international development is ambitious and innovative. We are determined to ensure that every pound DFID spends has the biggest possible impact on the ground. Ultimately by investing in developing countries, we can end aid dependency for good and build a better, more prosperous world for us all.

Context

The 14 Overseas Territories (OTs) have a constitutional relationship with the UK, and their citizens have a right to British citizenship. The UK Government is obliged under the UN Charter “*to promote to the utmost... the well-being of the inhabitants of these territories*”. The constitutional relationship and UN Charter obligation mean that the UK Government has the ultimate liability for the OTs.

The Foreign Office (FCO) is the lead Department co-ordinating UK Government policy for the OTs, but the territories are a UK Government wide responsibility. The FCO is working with all government departments to implement a new strategy to underpin this government’s approach to the Overseas Territories, which was approved by the National Security Council in 2011. A new White Paper “The Overseas Territories: Security, Success and Sustainability” was published in June 2012.

Successive White Papers since the 1970s, have committed the UK Government to meet the “reasonable assistance needs” of the OTs as a “first call” on the aid budget. DFID’s role was clarified in the 2012 Overseas Territories White Paper, in which Secretary of State Andrew Mitchell stated that “the government remains committed to meeting the reasonable assistance needs of Territories where financial self-sufficiency is not possible, as a first call on the aid budget”. In such circumstances, DFID’s support to the Territories is not discretionary.

The International Development Act 2002 specifically exempts aid to the OTs from the poverty reduction criteria that apply to the rest of the DFID aid budget. Most of the OTs have achieved the Millennium Development Goals (MDGs). Three OTs have long term financial dependency, with chronic budget deficits due to a combination of physical inaccessibility, undiversified economies, declining populations (for example the Montserrat volcanic eruptions of 1995 to 1997 reduced the population by about two thirds) and other severe problems (such as Pitcairn sex abuse cases). Two others, Turks and Caicos Islands (TCI) and Anguilla, graduated from financial support as recently as 2003 but have suffered acute short term fiscal crises since the global economic downturn. We are part-way through a five year financial relationship with TCI which guarantees commercial bank lending.

Three other EU member states (France, Netherlands and Denmark) have Overseas Countries and Territories (OCTs), and all but the wealthier OCTs have access to specifically earmarked European Development Fund (EDF) support. With the exception of the EU, the UK Government is the only source of grant funding for our OTs. OTs in the Caribbean region can borrow from the Caribbean Development Bank, but the OTs are not members of the International Monetary Fund (IMF) or World Bank and are ineligible for any other multilateral funding, such as UN climate funds.

The government’s ambitions for the OTs are set out in the White Paper, which conveys the Government’s aspirations to see the OTs as flourishing assets that are proud of their British heritage and connections. It stresses three objectives: economic growth and development; sound management of public finances; and stronger technical support, drawing on the full range of Whitehall Departments. For DFID, Ministers have signalled a willingness to “spend to save” in OTs where conditions are right. This means considering investments that have the best chance of stimulating private sector led growth in the Territories. Any significant capital investments that are made in the Overseas Territories will be based on a hard headed assessment of the costs and benefits to the British taxpayer. In return for any major investment, OT Governments will be expected to do everything they can to reduce and eventually eliminate their dependence on UK subsidies. This thinking has informed the Government’s decision to build an airport on St. Helena and will drive future decisions on investment in other Territories.

The UK Government also carries the risk of contingent liability in other, currently unaided OTs. The liability could be crystallised through natural disaster (Caribbean Territories are prone to hurricanes, and Montserrat’s volcano remains active), as well as global events (the global economic downturn has weakened the economies of some OTs). These can lead to requests for aid from Overseas Territories that are not oda-eligible.

Limited human capacity in the small populations of many OTs presents a significant challenge, and the UK Government is increasingly called upon to supplement this. However ultimate operating risk is considerably lower in the OTs than in DFID aided countries. OT Governments are headed by a Governor recruited by FCO.

Vision

The Coalition Government has a vision for the Territories: of flourishing communities, proudly retaining aspects of their British identity and creating new opportunities for young and future generations; of natural environments protected and managed to the highest international standards (White Paper 2012). The standard DFID Bilateral Aid Review pillars do not apply to the OTs. Instead, the priorities are as follows.

- Pillar 1: To meet the “reasonable assistance needs” of OT citizens cost effectively

Interventions will maintain physical access to the islands, strengthen human capacity to deliver public services effectively, including health and education provision, and produce efficiency savings. We will help to reduce fiduciary risk and increase transparency and accountability of all our support.

- Pillar 2: To accelerate aid-dependent OTs towards self-sufficiency

Future interventions, if approved, will provide the physical and human capital to create an economic and social hub for Montserrat and improved access for St Helena, enabling private sector-driven economic growth which will reduce aid dependency over time. Such strategic investments, which go beyond simply meeting reasonable needs, are unlikely to be appropriate for a small OT such as Pitcairn with little prospect of self-sufficiency.

- Pillar 3: To contribute to the UK Government’s management of the financial liability for non-aided Caribbean OTs in crisis

DFID will work with the FCO in the non-aided Caribbean OTs to improve fiscal management; strengthen public financial management and administration capacity and systems; and reduce the risk of future fiscal crises. With the exception of emergency humanitarian responses, DFID will only engage with other non aided Overseas Territories if substantial negative changes to their circumstances lead to significant contingent liabilities on the aid budget.

We will minimise the cost of our OT obligations. Options include whether or not to make a large upfront investment as described above. In St Helena and Montserrat the upfront option may make sense. In Pitcairn, which has limited revenue potential, we will continue to meet the islanders’ annual reasonable needs cost effectively, focussing our support on sea access and key workers. We will seek to broaden support OTs receive: from within UK Government, the Caribbean region and the EU.

Gender can be an important factor in OT development. Montserrat shares many of the gender differences that exist elsewhere in the Caribbean such as boys’ underachievement in formal education and an increasing economic and social burden on women. There is a high level of female-headed households on St Helena as a result of labour migration which has split up families. Currently around 25% of children living in St Helena have one or more parents living abroad. Gender inequalities are also a likely factor in the sexual exploitation of children on Pitcairn. Our child protection work in Pitcairn and other OTs is about a fundamental shift in gender related social norms and behaviour.

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Alignment to DFID and wider UK Government priorities

A major priority in the DFID Structural Reform Plan 2011-2015 is to *deliver on obligations to the Overseas Territories: help to provide an improved environment for economic and social development and promote self-sustainability*. The new UK Government strategy, designed to reinvigorate the relationship towards the OTs, was approved by the National Security Council (NSC) in July 2011. A White Paper was published in June 2012. DFID will work with the FCO to manage its contingent liabilities in the Territories effectively, drawing on residual powers where necessary.

What we will stop doing: With airport construction well underway, we aim to move to a longer term partnership with St Helena. To reflect a more strategic approach to budget and policy planning, we will negotiate budget aid settlements on a 2-3 year rolling basis, rather than annually as at present. Annual budget negotiations will continue with the Government of Montserrat until plans for strategic capital investments are clearer. This will give the OTs more flexibility and control over their budgets.

Results 2011/12-2015/16

Pillar / Strategic Priority	Indicator	Baseline	Progress towards results (including year)	Expected Results (end year included)
To meet the "reasonable assistance needs" of OT citizens cost effectively	DFID Contribution of total Government Revenue Local revenue as a % of the recurrent budget.	2010/11: Montserrat 60% St Helena 58 % Pitcairn >95% 2014/15: St Helena 50% Montserrat: 60.3%	Montserrat - In 2012 the "roadmap" target was abandoned as its underpinning economic assumptions were no longer applicable (as confirmed by the IMF Article IV report) - notably lower than expected public infrastructure investment and weaker global conditions. St Helena: is ahead of target, having achieved 50% in 2013/14. Pitcairn: on track	2014/15: Montserrat: Less than the baseline * St Helena 50% Pitcairn <= baseline 2015/16 St Helena >=50% Montserrat >60%
To meet the "reasonable assistance needs" of OT citizens cost effectively	% of students in Montserrat passing 5 CXC - CSEC subjects (grades 1-III), including English and Maths New Indicator: % of students in St Helena gaining 5 GCSEs (A* - C grades) including English and Maths	2011: 26% 2011: 14% (boys 8%, girls 20%)	23% passed 5 CXC – CSEC subjects (grades I-III), including English and Maths – 17% boys; 29% girls (Aug. 2012), down from 26% in August 2011. Decline was blamed on 3% fall within the Caribbean region in English results. Results rose in 2013 to 26% (24% boys, 29% girls) but failed to meet the target of 30% overall. The overall result remains similar in 2014 at 25.5% (27% boys and 24% girls). Overall the results are flat with significant increase in boys' attainment. In St Helena, there has been steady improvement over time with 14% students gaining at least five GCSEs (A*-C grades) including English and Maths in 2011, rising to 19% in 2012 (boys 13%; girls 25%); to 30% in 2013 (boys 37%; girls 22%); and to 49% in 2014 (boys 33%; girls 57%), which exceeds the target of 40% in 2014. <i>This indicator has been added to provide consistency with</i>	2012: 29% (24% boys, 32% girls) 2013: 30% (25% boys, 35% girls) 2014: 35% (35% boys, 35% girls) 2015: 40% 2012: 30% 2013: 35% 2014: 40% 2015: 55% 2016: 65%

Pillar / Strategic Priority	Indicator	Baseline	Progress towards results (including year)	Expected Results (end year included)
			<i>Montserrat</i>	
To meet the “reasonable assistance needs” of OT citizens cost effectively	<p>% of diabetes patients with blood glucose levels under control (HBA1C ≤ 7.5) St Helena.</p> <p>New Indicator: % of diabetes patients with blood glucose levels under control (HBA1C ≤ 7.5) Montserrat</p>	<p>2010/11: 56%</p> <p>2013/14: 23%</p>	<p>Good progress was made in 2012/13, with 63% achieved against a target of 51%. However, the situation deteriorated in 2013/14 with a significant fall to 38%, lower than the baseline year. Staffing constraints are largely to blame. Progress being monitored regularly by SHG</p> <p>This indicator has been added to provide consistency with St Helena.</p>	<p>2012/13: 51%</p> <p>2013/14: 65%</p> <p>2014/15: 65%</p> <p>2015/16: 65% (tbc)</p> <p>2014/15: 40%</p> <p>2015/16: TBC</p>
To accelerate aid-dependent OTs towards self-sufficiency	St Helena: Construction of an airport	<p>2010/11: Four conditions to be met before a contract can be awarded.</p> <p>(1) an acceptable contract price is achieved;</p> <p>(2) the risk of cost and time overruns after the award of the contract is addressed;</p> <p>(3) the airport design using Engineered Material Arresting System (EMAS) is approved by Air Safety Support International;</p> <p>(4) the St Helena Government undertake to</p>	<p>On track: Conditions (1), (2) and (3) were met in 2011 prior to signing of the airport construction contract in November 2011. Condition (4) was sufficiently met to progress with the contract however this requires regular review.</p> <p>Mobilisation complete and main works now well underway. Project on time and to budget.</p>	<p>2014/15 Airport embankment complete; terminal building 80% complete</p> <p>Airport service provider contracted March 2015</p> <p>Airport Buildings complete March 2015</p> <p>Airport receives certification September 2015</p> <p>Airport opens: Feb 2016</p>

Pillar / Strategic Priority	Indicator	Baseline	Progress towards results (including year)	Expected Results (end year included)
		implement the reforms needed to open the island's economy to inward investment and increased tourism		
To accelerate aid-dependent OTs towards self-sufficiency	Montserrat: New town and port facilities at Little Bay and Carr's Bay. Geothermal energy available for domestic consumption.	2010/11: Way forward on town and port developments, and geothermal, unclear	<p>DFID remains committed to provide other growth related investments including improved access.</p> <p>Testing underway to proceed with a 3rd Geothermal Well which will enable island to meet its current power demand.</p>	<p>Port development considered in depth but not taken forward due to the lack of private sector investment.</p> <p>2014/15 Completion of Geothermal drilling and long term testing of Wells 1 and 2. Designation of Site for Well 3.</p> <p>2015/16 Completion of drilling and testing of 3rd Geothermal Well. Commencement and construction of Geothermal Plant and Transmission Line.</p> <p>DFID remains committed to supporting the Strategic Growth Plan and will discuss with the new Government how this is taken forward.</p>

Pillar / Strategic Priority	Indicator	Baseline	Progress towards results (including year)	Expected Results (end year included)
To ensure that DFID's \$260m guarantee for TCI Government borrowing has no cost for the UK taxpayer and ends in 2016.	TCI operating deficit/surplus. (Deficits bracketed)	2010/11: TCI US\$ (59.4m) / £(39.6m)	Operating surplus in 2013/14 was US\$30.7m and exceeded the budget forecast of \$23.3m.	2014/15: \$18.8m/ £11.4m 2015/16: TCI Government meets its financing needs without a DFID guarantee
To manage the UK Government's contingent financial liability for non-aided Caribbean OTs in crisis	Resolution of Anguilla's two indigenous banks	2013/14: Anguilla's indigenous banks in conservatorship under the ECCB	IMF/World Bank providing TA to the ECCB (funded by DFIDC) to strengthen the financial system and regulation in Anguilla and elsewhere in the region.	2014/15: A plan is in place for resolving the banks 2015/16: The banks are out of conservatorship
<p>* Under review: A more marked reduction in the medium term (such as contained in the initial "roadmap" target) is dependent on catalytic infrastructure investment. New targets will be agreed in-year once there is greater clarity on the investment projects currently being considered and once the GoM Chief Economist is in place.</p>				

Headline Results

Budget Aid in Montserrat and St Helena is likely to continue into the future but our ambition is that it will reduce over time in tandem with increased economic development and revenue. We recognise that reducing Budget Aid to Pitcairn is unlikely to be appropriate as there is little prospect of self-sufficiency.

DFID's support to Montserrat's recurrent budget has been consistently below the baseline of 60%. Whilst this has been successful in terms of meeting targets, it could have been further improved by a more robust and accountable system of tax collection. The lack of macro-economic capacity within the government of Montserrat (GoM) has made the setting of revenue targets and their monitoring difficult. DFID is supporting GoM in the recruitment of a Chief Economist.

In line with the GoM's Strategic Growth Plan, DFID has agreed to fund the drilling of a third geothermal well following positive results from wells 1 and 2. DFID has also commissioned economic appraisals to explore potential investments in a new ferry and on fibre optics. A lack of private sector investment meant DFID was unable to explore funding of a large scale port development.

In Montserrat a diabetes related indicator has been added to provide consistency with reporting on St Helena. The indicator (% of diabetes patients with blood glucose levels under control ($HBA1C \leq 7.5$)) is tracked through the budget aid logframe and policy discussions. DFID will support the government of Montserrat in developing a workplan to improve diabetic care and will, through this process, help GoM to set realistic targets.

In Montserrat, the percentage of the final year secondary school students achieving five good passes in the CSEC subject examinations, including English and Maths, has fluctuated slightly in the last four years, between 23% and 26%. There has been no consistent trend of improvement over time, although there has been a narrowing of the gap in attainment between boys and girls.

DFID will engage with the new government to discuss their priorities going forward including the potential for a second MoU following the success of the first.

DFID provided £18.06m in budget aid to the St Helena government (SHG) for 2014/15. This is £893k less than the 2013/14 package, reflecting SHG's steadily improving financial position, as construction of the airport begins to increase its revenue streams, and reduced costs of RMS operations. This budget aid settlement is ahead of the target figure set for this Operational Plan.

Airport construction works are progressing on time and to budget. During August 2014 the contractor completed the main rockfill embankment for the airport; this involved the movement and compaction of 8 million m³ of material. The runway apron and taxiway are also complete. The Airport Buildings are terminal building 80% complete with an expected completion date of March 2015. Work has started on the runway.

St Helena's diabetes targets have been stretching. The result in 2013/14 (38%) fell short of the target (65%). This followed initial improvements in 2012/13 when 63% was achieved. The results partly reflect staffing constraints in community and hospital nursing and the need for strengthened diabetes management practices. DFID has been working with SHG to improve staffing levels and training, with support provided through technical cooperation. DFID is also supporting the development of a Diabetic Care and Support Action Plan.

In St Helena, an education related indicator has been added to provide consistency with reporting on Montserrat. There has been steady improvement in education over time with 49% of the students gaining at least five GCSEs (A*-C grades) including English and Maths in 2014 (boys 33%; girls 57%).

There is strong evidence that DFID's engagement in **TCI** has reduced its outstanding financial liability in that Territory. DFID funded executive and advisory technical assistance has helped improve public financial management, increase revenues and reduce wasteful and inefficient expenditures. The resulting improved fiscal trajectory increases the probability that TCIG will be able to sustainably refinance its public sector debts without UK Government support from 2016.

Evidence supporting results

The Overseas Territories have minimal statistical capacity, with very limited qualitative and quantitative data available. The data systems of both Monserrat and St Helena are relatively weak, with Montserrat in particular, exhibiting problems in establishing robust data management systems. DFID supports capacity development through technical assistance in both OTs, with additional support for Montserrat this year to improve overall M&E systems.

In budget aid negotiations to Montserrat, St Helena and Pitcairn, DFID and its partners will consider the following evidence to underpin its support: statement of progress in the implementation of strategic plans; the budget outturn for the three prior financial years; macroeconomic and social statistics (GDP, GNP, Inflation), remittance data and the findings of recent Household Income Expenditure Surveys; data on public sector remuneration (likely to include supporting evidence such as pay and grading analysis, review of staffing levels, key posts and potential skills gaps); tax and non tax data (tax base, tax receipts, sea access income, expenditure and balance).

Evidence suggests that St Helena has been suffering economic and social decline, with increasing levels of outwards migration. The airport should to bring new financial opportunities to the island, not least an increase in tourist.. Supporting evidence includes: Atkins Feasibility Study (2004); Catherine Leech St Helena Tourism Development Plan 2010-2015 (2009); Economic Appraisal of Access Options (2010) [Reviewed 2013] This evidence base helped to inform the International Development Secretary's approval for St Helena Government to sign a contract in November 2011 with Basil Read (Pty) Ltd for the Design, Construction and Operation of the airport. The Airport Project has a contracted Project Management Unit (PMU) on island to ensure the construction programme delivers the quality expected and the programme remains on time and to budget. The PMU produce weekly and monthly reports on progress. The information provided informs the papers presented to the Airport Board, the group of Senior Officials from UK Government and St Helena government with overall responsibility for delivering the project.

A raft of evidence underpins DFID's investments in Montserrat's Strategic Growth Plan. These include for Geothermal: PKF's Feasibility Study into Montserrat Geothermal Energy [2012], which led to the drilling of two exploratory geothermal wells. The resulting Short Term Well Tests (2014) undertaken by EGS and an Updated Economic Appraisal by Mid Century Design (2014) paved the way for the decision to fund a third well because the anticipated Geothermal resource from 3 wells would meet the islands energy requirements. In anticipation of a potential implementation phase of geothermal energy we commissioned the following studies: MMI's Assessment of Underground Cable verses Overhead Line (2013) and Montserrat Geothermal Power Plant Options (Mid Century Design 2014). To ensure good oversight of the Geothermal Project we plan to recruit an on-island project manager.

⇒ Our proposed investment in a new ferry for Montserrat is due to the clear evidence that poor sea access is a barrier to economic growth: Government of Montserrat Access Strategy (Hippolyte 2011) and Economic Appraisal of Access Strategy Investments (Noakes 2012). There is also clear evidence that an improved ferry service will boost the number of visitors to the island: Tourism Analysis and Projects for Montserrat 2013-2038 (Oxford Economics 2012) and Economic Appraisal of Access Strategy Investments (Noakes 2014). The economic appraisal also highlighted the potential from increased trade and export freighting of Montserrat goods.

Diabetes is a key health problem in St Helena and Montserrat. Both OTs have therefore set targets to improve the management of diabetes in their respective health plans and track it on an annual basis. The indicator used to assess good diabetes management is a standard health indicator related to the control of blood glucose levels.

Education indicators: GCSE (St Helena) and CSECs (the Caribbean equivalent in Montserrat) are easy to collect and report on at the local level, and compare to the UK as an evidence measure of education quality and results.

Delivery and Resources

DFID is committed to helping aid dependent territories, wherever possible, achieve self sufficiency and graduation from aid. Montserrat, St Helena and Pitcairn need aid to balance their budgets, guarantee reliable access to the islands and develop their economies. Public financial mismanagement and the global economic downturn threaten the fiscal stability of other Caribbean OTs including TCI and Anguilla. The geographical spread (Caribbean, South Atlantic and South Pacific) and the size of the Overseas Territories portfolio does not justify programmes being managed from the islands themselves. OTD's internal programme structure is built around three programme teams: Southern Oceans; Montserrat; and Caribbean Overseas Territories At Risk, with advisory staff providing specialist inputs across the whole programme.

Instruments of delivery

DFID's **programme funding** to the aid dependent OTs is largely delivered as **budget aid** to help balance their budgets. This is currently negotiated annually, based on a DFID assessment of reasonable assistance needs. In addition, DFID provides **technical assistance** to improve governance and public financial management, improve the quality of basic services such as health and education, foster economic growth and address critical staffing gaps. The constrained labour markets and limited human capacity in the OTs present a significant challenge, and OTD continues to explore innovative ways to broaden the resource pool from which our partners can draw. The proposed capital investments in Montserrat and St Helena in particular – and to a lesser extent the governance reforms in the Caribbean OTs - will require considerable imported human capital. Our current **capital funding** is provided for maintenance and expansion of essential infrastructure, including roads, water, power, waste and buildings. We have traditionally provided capital funding in the form of **discrete projects**. This includes the construction of an airport on St Helena. However we recently agreed with St Helena Government to provide capital funding through **budget aid** to give them greater flexibility and control to deliver their strategic infrastructure plan. We intend to do the same in Montserrat: a 10 year physical development plan, funded by DFID, was published recently (March 2013).

The UK Government carries the risk of contingent liability in all OTs. This can lead to unexpected requests for support from high income OTs that are not oda-eligible, for instance if they experience a fiscal or financial crisis. DFID has limited non-ODA programme resources and these are fully committed. In the 2012 Overseas Territories White Paper the Secretary of State was very clear that reasonable assistance needs applied only where financial self-sufficiency was not possible.

Other Delivery Mechanisms and Partners

The European Union (EU) is another important financier of capital projects in both the ODA and non ODA eligible OTs, through funds specifically earmarked within the European Development Fund (EDF).

We will engage with partners to broaden the support OTs can receive. We will: strengthen the OT involvement of regional bodies such as the IMF-funded Caribbean Regional Technical Assistance Centre (CARTAC), the East Caribbean Central Bank and the Caribbean Development Bank; and ensure that UKOTs are accessing EDF monies in line with the revised Overseas Association Decision (2013). Where OTs are ineligible for international funding (for example for climate change) due to their constitutional relationship with the UK, we will ensure they receive appropriate UK assistance, including access to the Defra/ FCO/ DFID funded Darwin Plus Initiative.

Maximising the impact of our people

We have launched a major refresh of our approach to delivering excellence in corporate compliance. This is one of three strands of work (along with policy and people) on which we are seeking to establish OTD as a model of good practice. The drive to raise standards of programme management involves both internal action in OTD, our links with other parts of DFID, and work with the Territory Governments, who are our principle development partners.

Accordingly we have increased our capacity on corporate and programme management.

Planned Programme Spend

Pillar/Strategic	2011/12		2012/13		2013/14		2014/15		2015/16 (provisional*)
	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Total Resource and Capital £'000
Non Pillar/multiple Specific	46,493	51,182	43,282	91,215	45,498	71,306	48,973	58,820	
Combined totals		100,675		134,497		116,804		107,793	102,000

*Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements

Planned Operating Costs

	2011/12	2012/13	2013/14	2014/15	2015/16 (provisional*)
	£'000	£'000	£'000	£'000	£'000
Frontline Delivery Costs – Pay	1,388	1,745	1,756	2,056	
Frontline Delivery Costs – Non Pay	342	262	376	325	
Administrative costs – Pay	189	100	123	42	
Administrative costs – Non Pay	125	23	9	3	
totals	2,044	2,130	2,264	2,426	2,288

* Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements

Delivering Value for Money

A rigorous consideration of how to ensure Value for Money (VfM) is built into every programme we fund in the Overseas Territories. However these programme level assessments need to be drawn together to articulate how we approach VfM across the territories as a whole.

Drawing on our own skills & expertise, and that available centrally within the Division, in economics, procurement, results & statistics, we will develop a comprehensive VfM strategy for DFID's work across the Overseas Territories. This will record and build on good practice at programme level.

There are some notable areas of VfM good practice.

In TCI we have developed what is, for DFID, a highly innovative approach to getting VfM. Instead of providing a grant we have guaranteed bank lending. We have therefore kept TCIG in touch with commercial borrowing markets to which they will be able to return once they have a sustainable fiscal surplus. This innovative approach tackles the problem of a potential dependency relationship and could save the UK taxpayer £160m or more.

The fixed price airport contract included an innovative capped 'risk mechanism' which provided the contractor with a level of cover against specific major risks which would otherwise have been included in the base price. This resulted in a lower contract price allowing St Helena Government to reduce its financial liability for construction risks to the project. The mechanism incorporates benefit sharing providing the contractor with an incentive to employ effective risk management.

On more than one occasion, the Project Team and the contractor have agreed to the use of value engineering to find solutions to construction issues. Savings have been used to introduce benefits to the project that would otherwise have resulted in increased costs. Collaborative working has kept the number of claims under the contract to a minimum.

The project has used the presence of a major international contractor on the island to negotiate a significantly lower price for a permanent wharf that could have been obtained through a stand-alone project. The price of approximately £16 million compares with feasibility estimates of more than £20 million in the 1990s for similar work.

Significant cost savings were achieved on both the construction and operations phases on the contract through a negotiation process prior to the start of the contract.

Building our own capacity for VfM delivery

We will harness Corporate and Divisional financial improvement strategies and tools to ensure we have the correct systems, procedures and practice in place to drive continued improvement in financial management. This will include the DFO and Corporate Manager working more closely with the divisional accountant, ensuring programme managers and advisers are involved in setting quality base forecast and monthly budget discussions with programme managers and HoD.

We also have a process in train which will:

- Identify VfM roles, related core skills and individual skills deficits across the OTD teams.
- Identify tailored VfM training as appropriate for staff according to role and skill gaps.
- Identify VfM success criteria, according to role, that can be used in staff performance management forms.
- Conduct a VfM review and forward look annually.

Strengthen our VfM analysis

OTD will continue to structure its VfM analysis around the Treasury's and National Audit Office's concept of the "3 Es" – Economy, Efficiency and Effectiveness

- **Economy** – ensuring that we source inputs at the lowest possible price. We are ensuring that capital project inputs of the correct specification and quality are procured at the lowest possible price. For instance, the St Helena Airport Project has been the subject an OGC Gateway Review. Amongst other areas, this looked at the procurement plan, and suggested some improvements.
- **Efficiency** – ensuring that the ratio between inputs and outputs is as low as possible. OTD's project preparation is already delivering efficiency indicators that can be used for monitoring purposes during project implementation. In addition, we are working on a standard set of social and cost indicators to ensure the "reasonable needs" of OT citizens are being met at least cost to UK taxpayers.
- **Effectiveness** – the relationship between inputs and the achievement of desired impacts. Although external influences mean that OTD does not have direct control over the achievement of its strategic objectives, OTD's careful use of option, design and risk appraisal during project conception and preparation mean that the chance of successfully achieving ultimate value for money is greater, and that the generated benefits justify their costs. OTD is ensuring that its economists have the required appraisal skills, and where necessary, is requiring their attendance on DFID's appraisal course. Furthermore, OTD is spreading awareness of appraisal to admin and non-economist advisers through seminars and on-the-job training. The link with evidence generated by post-project evaluation evidence is essential in influencing maximum effectiveness. As more evaluation becomes available, OTD will be careful to feed it back into subsequent appraisals.

Promote VfM when working with others

OTD will continue to partner with organisations that have procurement expertise to deliver VfM. A strategic partnership with the Caribbean Development Bank is in place for the financing and procurement of new power generation capacity for Montserrat to get the best VfM on the overall funding package.

Monitoring and Evaluation

Monitoring

How – The OTD Operational Plan and Results Framework is aligned to strategic projects in OTD for budget aid and economic development and will be monitored through our programme monitoring and evaluation systems. Each programme has a logical framework with robust quantifiable indicators and targets which are sex-disaggregated where appropriate. We will design an overarching framework to capture all of the key results in one place. This will enable more efficient oversight and monitoring under the Head of Department, allocating ownership of monitoring accordingly amongst staff.

Who – Responsibility for monitoring lies with OTD staff and programme partners, sourcing independent reviewers for our larger and more complex programmes. To facilitate lesson learning we will ensure teams undertaking reviews of projects over £1 million include at least one member from another OT team to build structured lesson learning. We will also seek participation in project reviews from other staff across the Division.

When – Programme level monitoring will be through continuous annual reviews.

What action results – Poorly performing projects (scoring C or in some cases B) will continue to have an improvement plan in place within 8 weeks of review. Projects with consecutive scores of C will be considered for closure. All reviews will be published on the DFID website. A strategic programme review in 2010 assessed the extent to which current OTD investments are at risk from climate change; these recommendations are being turned into actions including access to the Defra/ FCO/ DFID funded Darwin Initiative.

Evaluation

Drawing on our own skills & expertise, and that available centrally within the Division, in economics, social development, evaluation, results & statistics, we will develop a comprehensive Evaluation Plan in line with the new Evaluation Strategy for DFID published in June 2014. Our departmental plan will be aligned to DFID's annual plan in due course. We will up-skill staff in the use of the new evaluation decision tool. Once available we will use that tool to determine a prioritised programme of evaluations. Through the use of the decision tool we will establish a systematic decision making process and agree criteria to determine priorities with an indicative schedule and funding. We will evaluate the St Helena airport and will allocate funding for this. We will also apply the decision tool to consider evaluation of:

- Our major commitments in Montserrat.
- An OTD wide evaluation of budget aid (50% of our expenditure), or a joint evaluation with our partner governments of the efficiency and effectiveness of public expenditure as a whole.
- Thematic evaluations of OTD Education, Health and Public Sector Reform portfolios to strengthen the evidence of their effectiveness in meeting reasonable needs and improving public service delivery.
- The programmatic approach to infrastructure maintenance that we introduced in St Helena in 2009/10 and which we replicate this in Montserrat.
- Our overall support to Pitcairn
- Our regional programmes on a case by case basis, perhaps jointly with our implementing partners.

Building capacity of partners

We will work with partner OTs to develop their capacity in monitoring and evaluation, informed by a needs assessment. This will include offering technical assistance and training where needed. We will continue to use and support the development of M & E systems within the territories to plan and implement our evaluations as joint exercises – making all results publicly available. We will consider establishing a partnership with the University of the West Indies to provide a platform for technical assistance, training and support to OTs in the region, and seek other ways to pool lesson learning and encourage knowledge transfer between the South Atlantic territories

Transparency

Transparency is one of the top priorities for the UK Government. It helps people see where money is going and for what purpose. It helps improve value for money and makes governments everywhere more accountable to their citizens. DFID is a world leader in aid transparency and has an ambitious vision for both DFID and its partners. We will ensure that we play our part in continuing to work towards that vision – set out in a suite of commitments including the Aid Transparency Guarantee (ATG), Aid Transparency Challenge (ATC) and DFID's Open Data Strategy.

Actions to ensure DFID meets its commitments in the UK Aid Transparency Guarantee

Publication of information

We will meet the commitments made by DFID in the UK Aid Transparency Guarantee by publishing detailed information of all new programmes on the DFID website, as well as details of all programme and admin spend over the £500 threshold.

We will ensure that all project performance reviews and evaluations are published on the GOV.UK website from 1 April 2011, except where there is a compelling reason to withhold it (for example the St Helena Airport Project was highly commercially sensitive during the tender period). In the latter case we will find other forms of independent verification, such as the NAO, to satisfy the government's transparency commitments

We will ensure that all information in the public domain is comprehensive, accessible, accurate and timely.

Supporting transparency in our work

We will increase opportunities for those directly affected by our projects to provide feedback on the performance of those programmes. We will do this through the project review process.

Supporting transparency in others

We will work with Overseas Territory partner governments and implementing partners of co-funded projects to improve their standards of transparency in continuation of the objectives of the Aid Transparency Guarantee.

We will influence Territory governments, through our engagement on public financial management, to provide their citizens with a greater range of budget documents in a more timely and user-friendly manner, including the publication of programme-based budgets linked to medium-term policy and planning documents.

We will also encourage and support Territory governments to:

- meet their own commitments for delivering greater transparency in procurement, through full advertising, declarations of interest and publication of contracts awarded;
- support production of timely and published audit reports, including value for money audits;
- promote strengthening integrity systems, for example declaration of assets;
- encourage, where appropriate, compliance with international standards on tax transparency.

St Helena Airport

In preparation for the construction of an airport for St Helena, DFID and the St Helena Government agreed a Memorandum of Understanding (MoU) in December 2010 setting out reforms required to open up St Helena's economy and increase tourism. Key to this are: (i) increased transparency in land development, immigration and investment policies and procedures; and (ii) improved communications and information sharing with the public and private sectors on proposed reforms and the benefits of air access and economic growth. DFID agreed through the Memorandum of Understanding to support the St Helena government to deliver these commitments. In September 2011, we judged that significant progress had been made. In 2012/13 and beyond, DFID technical co-operation will continue to support this transparency agenda.

Annex A: Changes to Operational Plan

Page Number	Change made to operational Plan	Reason for change
8 - 9	Headline results and evidence supporting	More narrative on results being achieved across the OTs (SGP activities etc)
11	Indicator changed for managing contingent liabilities in Caribbean OTs in crisis	Previous indicator no longer relevant to work of the department.
11	New indicators reflecting Health targets (Montserrat) and education (St Helena) introduced.	To bring the Operational Plan into line with our tracking of these indicators in relation to budget aid settlements, where the same indicators are tracked for both St Helena and Montserrat. This also reflects the OTs' human development priority areas and the indicators are taken from their own strategic health and education plans.
16	VFM section updated	More information regarding VFM measures being taken (e.g. airport) included

Annex B: Human Rights Assessment

Human Rights Context: The protection and promotion of human rights in each of the permanently inhabited UK Overseas Territories (OTs) is primarily the devolved responsibility of the OT government. However, the UK Government, through the FCO, is responsible under international law for ensuring that the OTs comply with international human rights conventions that have been extended to them. The UK and OT governments are committed to further extending human rights conventions to which the UK has already subscribed. The FCO's Annual Report on Human Rights includes progress in the OTs.

Civil and political rights: Most OTs have had the following core conventions extended to them: the European Convention on Human Rights (ECHR), the International Covenant on Civil and Political Rights (ICCPR), the International Covenant on Economic, Social and Cultural Rights (ICESCR), the International Convention on Elimination of all forms of Racial Discrimination (ICERD), the Convention Against Torture and Other Cruel, Inhuman and Degrading Treatment or Punishment (UNCAT), and the Convention on the Rights of the Child (CRC). The OTs are subject to all reservations to Conventions that apply to UKG.

Economic and social rights: The OTs are not ranked in the Human Development Index nor the Gender Inequality Index because of lack of data. No OTs are perceived to be under-performing against MDG expected norms, where data is available to compare. Three OTs receive Official Development Assistance from DFID (Montserrat, Pitcairn and St Helena). This supports reasonable assistance needs to maintain public services, including education, health and social protection.

Direction of Travel

- Civil, political, social and economic rights are on a forward trajectory in all the OTs. Since 1999, the UKG has been supporting a process of modernising OT constitutions. This has included new or strengthened human rights chapters that reflect the ECHR and the ICCPR. The ICCPR has been extended to all apart from Anguilla but the process is moving forward. The UK Government agrees with the two Universal Periodic Review (2012) recommendations with respect to the OTs that the provisions of the ICCPR and the CAT should be fully implemented in the Territories and that the UK should continue to support OTs to abide with basic human rights protection for all.
- In the 2012 White Paper on the OTs the UKG confirmed that it expected the OTs to abide by the same basic standards of human rights as the UK. Territory governments have a duty to ensure local law complies with the relevant conventions and court judgements and is non-discriminatory. The UKG expects Territories to take action, including legislating where necessary, in any areas of disparity to reach full compliance.
- In May 2013 the UK submitted its fifth UNCRC periodic review to the UN Committee. The UN will issue conclusions on progress and further recommendations within 12-18 months.
- Bermuda updated its Human Rights Act in 2013 to prohibit discrimination on the basis of age or sexual orientation. Montserrat's Status of Children Act 2012 came into force, abolishing the legal distinction between children born within and outside of marriage, and providing for equal status for all children. Montserrat is currently finalising a Child Protection Bill. Montserrat's Penal Code was updated (Aug 2014) to increase sentences for unlawful sexual intercourse with a minor from two to ten years.

Challenges: Though not equally applicable to all OT governments, remaining challenges include the need for: (i) improved regulatory frameworks; (ii) political commitment, public awareness and implementation of human rights in practice; (iii) improving social protection systems and equal access to public services; (iv) strengthening access to justice (especially for vulnerable groups e.g. juveniles, indigents, immigrants); (v) removing any remaining forms of discrimination

DFID Approach and focus

- DFID's OT wide project on Human Rights came to an end in 2013. However DFID will continue to collaborate with the FCO, providing advisory support to the aided OTs where appropriate. DFID's prior project work helped to prepare Montserrat, St Helena, Ascension and Tristan da Cunha for extension of the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW). The UK Gender Equality Office (GEO) is now working with these OTs to identify remaining requirements. Bermuda, Gibraltar and the Cayman Islands have requested that CEDAW be extended and this is being examined by the GEO.
- In 2013 DFID launched a new Safeguarding Children in the Overseas Territories (SCOT) project and through this will continue to provide strong support to improve political commitment, policy and professional practice in this area.. This will build on the landmark Joint Ministerial Council commitment to zero tolerance of child abuse by all OT leaders in 2012.

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