

BILATERAL AID REVIEW: TECHNICAL REPORT

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Contents

Bilateral Aid Review Technical Report.....	3
Introduction	3
Aim	3
Governance.....	4
External engagement	4
Timetable	5
Better targeting of UK aid	5
Focusing on results	8
Thematic results offered through the BAR	10
Wealth Creation	10
Governance and Security	10
MDGs: Health	11
MDGs: Education.....	11
MDGs: Poverty, Hunger and Vulnerability	11
MDGs: Water and Sanitation	11
Climate Change	12
Allocating resources	12
Next Steps.....	13
Conclusions.....	14
Annex A: Civil Society and the Bilateral Aid Review	16
Annex B: Countries in Order of their Position in the Need-Effectiveness Index	19
Annex C: Bilateral Aid Review Results Offer Template.....	22
Annex D: UK Bilateral Aid Programme: Expected Country Priorities	26
Annex E: UK Bilateral Aid Programme: Countries Contributing To Priority Pillars.....	31
Annex F: Indicative Budgets by County/Region	33

Bilateral Aid Review Technical Report

Introduction

1. DFID country and regional programmes aim to increase access to the basics (clean water, sanitation, health care and education), prevent and tackle conflict and climate change and put in place the building blocks of wealth creation (property rights, effective public services, stability and the rule of law). The Bilateral Aid Review ('the Review') was designed to improve the allocation of UK aid to ensure that these objectives are achieved in the most cost-effective manner possible, maximising value for money, and based on a solid understanding of what works and what does not.

2. In previous years resources were allocated by the centre to country and regional programmes through a top-down process focused on money, using a formula based on country need and the likely effectiveness of assistance. The Review was designed to introduce an entirely new approach: identifying and scrutinising from the bottom-up the results that UK assistance could achieve in each country. This will enable DFID to better align budgets and objectives and allocate resources based on the results which can be delivered.

3. The Review was the first stage of a process to embed this new approach to results and value for money. Subsequent stages will include the development of Operational Plans for countries and regions and consideration of the business case for individual interventions. All new projects will be subject to a rigorous investment appraisal process prior to approval which will test the evidence underlying the intervention and its value for money more thoroughly.

Aim

4. The aim of the Review was to:
- (i) Identify a clear rationale for DFID country allocations and establish: countries in which we should retain and increase DFID presence, programmes and offices which we should close and graduation strategies when closing.
 - (ii) Establish which results we should prioritise in each country and how to factor in performance to aid allocations.

- (iii) Establish levels of spending for each country for 2011/12-2014/15, including where to potentially scale up investment to achieve DFID's objectives.
- (iv) Set out clear strategic choices for the delivery mechanisms for bilateral aid.
- (v) Provide guidance on preparation of country Operational Plans.

Governance

5. DFID established a small team of 4 civil servants to take forward the Review, co-ordinating inputs from across the Department. The Review was supervised by the Director General (DG) for Country Programmes, reporting to the Secretary of State.

6. A Bilateral Aid Review Steering Group was established, chaired by DG Country Programmes and attended by Directors. This met fortnightly. The Review team met with the DG Country Programmes on a weekly basis, and monthly with the Secretary of State. The relevant Ministers each had at least two discussions with each of the focus countries and regions to discuss their approach and results offer.

External engagement

7. The Review team held individual meetings with key Whitehall Departments to discuss their interests. The Secretary of State led Ministerial consultations across Government through the course of the Review.

8. Three meetings were held with civil society organisations in London between September and November. Formal written submissions were also invited, and twenty were received. A summary of the issues raised is attached at Annex A.

Timetable

9. Key milestones in the Review are set out in the table below:

May 2010	Launch of Bilateral Aid Review
June 2010	Piloting of Review process Focus on DFID bilateral footprint
July-September 2010	Development of “results offers”
July 2010	First set of Ministerial discussions on country and regional programmes
September 2010	Internal technical review of results offers External Scrutiny Panel discussions
November 2010	Second set of Ministerial discussions
November 2010	Aggregation of results offers
December 2010	Ministerial decisions on take up of results offers Indicative budgets agreed Operational Plans commissioned from country and regional teams

Better targeting of UK aid

10. In 2008/09, 140 countries received some form of UK bilateral aid. This included 18 countries where DFID only provided pension payments¹, and 35 countries in which the only bilateral aid was provided by other UK Government Departments and bodies.

11. DFID alone had delivered aid in 87 countries. In many of these the only DFID programme was debt relief; solely or predominantly a response to humanitarian emergencies; or funding from centrally-managed civil society programmes. 43 were significant bilateral programmes and 3 were assistance to aid-dependent Overseas Territories.

12. The Review sought to refocus DFID’s priority bilateral expenditure on fewer places where we could have the greatest impact. The Secretary of State announced prior to the Review that DFID assistance to China and Russia would end.

13. The remaining countries were considered in terms of development need, the likely effectiveness of assistance and strategic fit with UK government priorities. This identified countries where DFID was not well placed to have a long term significant impact (such as Niger and the Gambia) because of limited UK comparative advantage. It also highlighted locations

¹ In fulfilment of DFID’s statutory responsibility to pay the pensions of former colonial civil servants and their dependents. This obligation applies in 103 countries. From 2009/2010 onward pension payments have been reclassified as other UK official sources in UK aid statistics.

where economic growth meant that aid programmes were no longer required. This latter 'graduation' category included Vietnam.

14. Ministers decided that by 2016 DFID should close its bilateral programmes in: Angola, Bosnia, Burundi, Cameroon, Cambodia, China, the Gambia, Indonesia, Iraq, Kosovo, Lesotho, Moldova, Niger, Russia, Serbia and Vietnam.

15. They also decided that DFID should focus on 27 countries, 3 aid dependent Overseas Territories and 3 regional programmes:

- at most 27 country programmes: Afghanistan, Bangladesh, Burma, DR Congo, Ethiopia, Ghana, India, Kenya, Kyrgyzstan, Liberia, Malawi, Mozambique, Nepal, Nigeria, Occupied Palestinian Territories, Pakistan, Rwanda, Sierra Leone, Somalia, South Africa, Sudan, Tajikistan, Tanzania, Uganda, Yemen, Zambia and Zimbabwe.
- Three aid dependent Overseas Territories: St Helena and dependencies, Montserrat and Pitcairn and support to other UK Overseas Territories that require UK government assistance.
- Three regional programmes in Africa, Asia and the Caribbean which will complement our country programmes through cross-border strategic interventions.

16. In all cases where DFID's bilateral programme is closing, the process will be managed in a phased way, ensuring that DFID honours its existing commitments. For example, DFID will exit Vietnam in 2016 as it is now a non-aid dependent middle income country and a vibrant emerging economy. Until then we will continue to help Vietnam achieve the MDGs in primary education, HIV/Aids prevention and sanitation and ensure Vietnam's impressive record on poverty reduction is sustainable.

17. In low-income countries such as Niger other donors are better placed to continue working bilaterally. DFID has no staff in country in Niger, and scaling up would therefore not have been cost-effective. The UK will provide support to Niger through our increasing share of contributions to multilateral organisations including the World Bank, African Development Bank and European Commission². We will also maintain our readiness to respond to future humanitarian crises, and are working with other donors to address longer-term drivers of recurring humanitarian emergencies in the Sahel.

18. In Burundi, a large scale up would have been required to show a significant impact and therefore demonstrate better value for money. Achieving this in the short term would have been difficult given capacity constraints in country. Better value for money and results could be delivered through our larger existing programmes. DFID's bilateral programme will close in 2012, but we will continue to support Burundi's integration into the

² In 2008/09 this amounted to £29.5 million

East African Community from Rwanda and Kenya, as we believe this will be a critical factor in the country's medium term growth. All of DFID's regional integration work is managed by TradeMark East Africa (TMEA), which has established an office in Bujumbura.

19. The proposed DFID footprint was compared against a poverty focus model used in DFID's Multilateral Aid Review (MAR). This model ranks countries according to development need and the potential for aid to be effective. Combined these two factors help to identify where aid is likely to have the biggest possible impact on poverty reduction.

20. A table listing countries against this need-effectiveness index is attached at Annex B. In this approach, 'need' is based on the number of people living under \$2 a day, the country's score on the UN's Human Development Index³, and a measure of the country's fragility. The effectiveness part of the index is based on the World Bank's Country Policy and Institutional Assessment (CPIA). Further detail on how the index was constructed is contained in Annex B.

21. Comparing this with the list of proposed DFID priority countries validates the results of the BAR⁴: 19 of DFID's 27 countries are in the top quartile of the index (where aid has the potential to be most well used), and 2 in the second quartile. The remaining 6 countries (Tajikistan, Kyrgyzstan, Zimbabwe, the Occupied Palestinian Territories, Somalia and South Africa) all face substantial development challenges and are ones in which Ministers believe a distinctive British bilateral aid programme can make a significant impact.

22. The process of narrowing DFID's country focus also took into account the activities of other donors, and in particular noted which countries were receiving high and low levels of aid in per capita terms.

23. Whilst focusing our development efforts in the priority countries set out above, DFID will continue to consider the case for a UK response to sudden onset emergencies wherever they occur. Our future approach to humanitarian assistance is being considered through the Humanitarian and Emergency Response Review, which is due to report at the end of March 2011.

³ This reflects a country's GDP per capita, life expectancy, gross enrolment rates in education and adult literacy rates

⁴ This comparison did not involve matching DFID's proposed financial allocations against the MAR model and is therefore not comparing or ranking the UK with multilateral agencies. It was used merely to check whether DFID was targeting the same countries that had been identified as high need in the MAR.

Focusing on results

24. Once the focus countries and regions had been identified, the relevant DFID teams were then asked to develop a “results offer” setting out the results that could be realistically achieved in their country/region over the four years from April 2011 – March 2015, what this would cost, and what delivering these results would represent in terms of value for money. Each graduating country team developed a results offer setting out their graduation and exit plans.

25. Results were requested against up to 5 pillars reflecting Coalition Government priorities as set out in the DFID Business Plan:

- Wealth creation;
- Direct delivery of the Millennium Development Goals (MDGs): health; education; poverty, hunger and vulnerability, and water and sanitation;
- Governance and security;
- Climate change; and
- Humanitarian assistance.

26. All offers had to be underpinned by an assessment of the evidence base, contain a strong focus on girls and women and seek to be innovative. A copy of the results offer template sent to focus country and regional teams to complete is attached at Annex C. To assist with the offer process, guidance was issued to teams on:

Choosing results – providing an analysis of where DFID would need to focus its activity to deliver maximum results against the pillars, as well as other commitments in DFID’s Business Plan. For example, analysis was provided on countries that could make a significant contribution to addressing global malaria deaths or access to water and sanitation. Teams were encouraged to explain their rationale for not developing an offer in particular sectors – which in some cases was related to division of labour and strong performance of other donors in this area.

Choosing indicators – including a list of possible output and outcome indicators by pillar. Indicators were illustrative and not intended to be comprehensive.

Innovation – providing examples of innovative ways to: support the empowerment of individuals and communities to do development for themselves; introduce more choice; and support governments to be more responsive, transparent and accountable.

Value for money – setting out how offices should (i) specify baseline needs; (ii) consider the strength of research, evidence, evaluation, or economic appraisals available that indicate the approach proposed represents value for money; (iii) provide a clear statement of impact and the logic of each intervention, and (iv) report on the unit cost metrics, explore the availability of value for money comparators for each of these unit cost metrics, consider qualitative assessments of difficult to quantify issues, and address (where possible/appropriate) issues of scale. Guidance on identifying unit costs was provided, along with some data on unit costs for health, education, water and sanitation and nutrition interventions.

27. The results offers were developed between July and September 2010. Country and regional teams put together over £18 billion of offers, which comfortably exceeded the level of programme resources expected to be available under the Spending Review.

28. The offers then went through a number of layers of challenge and scrutiny:

- Each offer was reviewed anonymously by a team of over 100 DFID technical advisers.
- Their assessments were then delivered to a panel of independent experts who scrutinised the offers, including through detailed face to face discussion with each country and regional team. Each team appeared before this Scrutiny Panel to present their offer and answer questions on policy, value for money and results. The Panel weighed the results offered against the estimated need in countries and considered the extent to which the proposed results were realistic. It also considered risks and probed in more detail how some of the results would be delivered. The Panel passed its reflections on each offer to the country/regional teams, and also to Ministers.
- Ministers then held meetings with each country office and regional team to discuss their offers. Ministers tested offers against the counterfactual of DFID not being present bilaterally in the country or region, and also asked what could be achieved if teams had 20% more or less resources than they estimated would be required to deliver their results offer. Ministers then indicated which results they wished to take up.

29. In parallel the offers were aggregated through a thematic lens. This was done in order to assess the level of ambition across the organisation against each of the pillars, and to check whether offers were sufficient to achieve Coalition Government commitments in areas such as reproductive and maternal health and malaria. This process also established in which pillars the evidence and value for money calculations supporting the offers were particularly compelling and identified where innovation might be found across the portfolio.

30. The process of aggregating results by theme also took into account the results which could be achieved via DFID's support to multilateral organisations. These results had been developed by DFID's central teams as part of the Multilateral Aid Review. For further information on this process see the Technical Note on the Multilateral Aid Review (available at: www.dfid.gov.uk).

Thematic results offered through the BAR

31. The section below details the types of results offered within each pillar, and identifies particular cross-cutting strengths and themes.

Wealth Creation

32. Offers under the wealth creation pillar were highly ambitious, and contained a strong focus on growth, jobs and economic opportunities as sustainable ways to reduce poverty. Strong offers included:

- Increasing access to financial services and investment climate reform;
- Promotion of trade agreements that should benefit the poor, including support for African free trade and support for trade facilitation;
- Support to increased agricultural productivity through better access to inputs and making markets work better.

Governance and Security

33. All priority country and regional teams offered results under this pillar. These offers focused on, among other things, addressing conflict and insecurity, strengthening local democratic institutions including the media, improving accountability, and on giving poor people more power over how aid is spent. Offers included:

- Reinforcing citizens' demand for good governance and their oversight of basic service provision;
- Supporting the development of local democratic institutions (including more representative Parliaments), civil society groups, the media and enterprise, and giving women a stronger role in decision making;
- Increasing access to security and justice for poor people;
- Piloting new approaches to reduce violence against women.

MDGs: Health

34. Offers on health demonstrated a high level of ambition, strong value for money and a good balance between innovation and proven interventions. Strong offers included:

- Promotion of women's choice over whether and when to have children;
- Increased focus on child mortality, malaria and infectious diseases;
- Support to health systems strengthening.

MDGs: Education

35. Education offers were ambitious, with strong results chains. They were concentrated on large out of school populations (fundamental to MDG progress) and fragile countries. All highlighted access to and quality of education, gender equality and completion rates. Good offers included:

- A significant increase in girls' education and improved learning outcomes;
- Addressing teacher absenteeism;
- Improving performance management;
- Supporting incentives for teachers to work in challenging environments.

MDGs: Poverty, Hunger and Vulnerability

36. Offers in this area were good, with a balance between innovation and tried and tested interventions. Proposed results related to:

- Support to cash transfers;
- Direct nutrition interventions;
- Efforts to support household food security.

MDGs: Water and Sanitation

37. Offers were ambitious and innovative, with results chains demonstrating the potential impacts on the burden of waterborne diseases and on gender (particularly in terms of reduced time spent by women and girls on water collection). Offers included:

- Increased access to clean water and sanitation;
- Using community-led approaches and hygiene awareness to generate demand for sanitation.

Climate Change

38. Climate change offers concentrated on enhancing low carbon private sector led growth, adaptation, forestry and on strengthening institutions to implement ambitious climate change strategies. Strong offers included:

- New programmes to improve forest management and tackle illegal logging in order to reduce deforestation;
- Supporting developing countries' resilience and adaptation to climate change;
- Increasing access to clean energy services;
- Support to help poor countries develop in a low carbon way.

Humanitarian

39. Humanitarian offers showed DFID's readiness to continue responding to humanitarian emergencies, as well as to support the transition away from relief to development in long standing crises.

Allocating resources

40. Once Ministers had considered the total offers through both the country and the thematic lens they agreed to take up a set of costed offers for each regional and country programme. This process generated provisional budgets for each programme.

41. Ministers' decisions took into account relevant results offered via multilateral institutions. The offers taken up put us on track to meet the Government's commitment in the Strategic Defence and Security Review (SDSR) to spend at least 30 percent of aid in fragile and conflict-affected states by 2014/15. Our bilateral programmes will also contribute to low carbon and climate resilient development within the cross-Whitehall framework set out in the Spending Review. All significant climate spending will be subject to the approval of the International Climate Finance Board.

42. Illustrative results in the prioritised countries and regions and resources allocated to achieve them are set out in "UKaid: changing lives, delivering results". Through our country and regional programmes we will:

- Make a major contribution towards global progress on infant and maternal mortality, malaria, education and water and sanitation through increased efforts in large conflict affected and fragile states such as Nigeria, Ethiopia, DRC and Bangladesh.

- Support improved peace and security, government transparency and accountability, access to basic services, wealth creation and employment opportunities in other fragile and conflict affected states such as Burma, Kenya, Mozambique, Nepal, Rwanda, Sierra Leone, Uganda and Zimbabwe.
- Focus our efforts on essential services and peace, security and stability in Afghanistan and Pakistan, contribute to the UK objective of reducing the risk of state failure in Yemen, and provide humanitarian aid, support essential services and target the underlying causes of instability in Somalia.
- Support countries such as Ghana, Zambia and South Africa on the path towards graduation from aid by helping them to manage their growing revenues effectively, leverage private sector investment and address outstanding MDG challenges.
- Focus on addressing the outstanding MDG challenges and support private sector development as an engine for growth in countries such as Malawi and Tanzania.
- Make a significant investment in the Middle East Peace Process by helping to build the economy and institutions of a future Palestinian state.
- Increase the Asia and Africa regional programmes and maintain the Caribbean regional programme. These will complement country programmes through targeted strategic interventions focused on cross-border issues including trade and climate change, as well maximising the opportunities at the regional level to deliver results on governance, health (Asia and Africa) and hunger (Asia).
- Continue to support the three aid dependent Overseas Territories (St Helena and dependencies, Montserrat and Pitcairn) to achieve self-sufficiency and graduation from aid.

43. More detail is set out in the Annexes. Annex D sets out for each country the thematic pillars in which results will be delivered. Annex E details the countries that will contribute to results for each thematic pillar. Provisional budgets for each country for April 2011 to March 2015 are set out in Annex F. These budgets will be conditional upon performance and sensitive to political and economic circumstances.

Next Steps

44. Country and regional teams will develop Operational Plans to set out in more detail how the results Ministers have prioritised will be delivered

between April 2011 and March 2015 using the resources allocated to them. The Plans will cover: a summary of the country or regional context; DFID's vision; how financial and human resources will be organised to deliver the results specified, and the strategies teams have developed to implement DFID's agenda on value for money, evaluation and transparency.

45. All Operational Plans will be published in the Spring of 2011, and will be reviewed annually to check that expected progress is being achieved and to adjust for changes in country or regional circumstances.

46. From January 2011 approval of all new projects is subject to the development of a detailed Business Case, requiring rigorous assessment of the strategic case for the intervention, its value for money, commercial viability, affordability and how results will be delivered, monitored and evaluated. Particular attention will be paid to the evaluation components of innovative interventions.

47. £1.5 billion has been retained for allocation in the later years of the Spending Review period. This will provide flexibility to develop: stronger proposals where existing offers do not meet desired level of ambition and additional capacity might be required; to respond to new opportunities or policy priorities; and to maintain strong incentives for innovation. We estimated resources would be needed to meet the SDSR target and priorities on climate change, the latter in partnership with the Department of Environment and Climate Change (DECC). In both cases allocations will be determined on the strength of the offers and their ability to deliver results in particular. Spend on climate change will be subject to approval by the International Climate Finance board.

Conclusions

48. From a top-down allocation process focused on money we have moved to a value for money driven, bottom-up scrutiny of what results we can achieve through each country programme. We are now clearer about the aggregate impact of our country programmes and their relative contributions and we can more clearly manage budgets according to results and performance.

49. As a result of the Review, we have refocused:

- a) Our efforts where the need is greatest. Our priority countries account for three quarters of global maternal mortality and nearly three quarters of global malaria deaths;
- b) Our impact on fragile or conflict affected states, ensuring that upstream conflict prevention and efforts to tackle poverty are built into our programmes in a coherent and mutually reinforcing way;

- c) On the poor wherever they live. We will continue to work in both middle income and lower income countries to target those with the greatest need.

50. DFID's bilateral programmes will support peace and security, tackle conflict and help transform the lives of millions of poor people across the world: more women will be able to choose whether and when to have a child, a generation of girls and boys will be better nourished, will enter and complete primary and in some cases secondary education, and live longer. As a direct result of UKaid, millions more poor people will have access to assets and cash, creating opportunities for trade, employment and growth. Communities will be better able to hold their Governments to account and will be better prepared to respond and adapt to climate change.

Annex A: Civil Society and the Bilateral Aid Review

DFID received 20 written Bilateral Aid Review submissions, from a range of organisations – Save the Children, CAFOD, Christian Aid, Oxfam, BOND, VSO, WaterAid, LGA, Trocaire, Global Witness, Health Poverty Action, TUC, HIV/AIDS Alliance, Iraq Advisory Group, Tearfund, Homeless International, ONE, One World Action, UK Gender and Development Network and WWF.

Officials met with civil society organisations periodically to discuss the Review.

Key issues raised in civil society submissions are summarised and grouped by theme below.

Retaining poverty as the strategic goal of UK aid

- A strong call to keep the focus on poverty reduction and the Millennium Development Goals (MDGs).
- A reminder to focus on poor people, not just poor countries (the majority of the poor now live in Lower Middle Income Countries).
- A call that where DFID would be withdrawing funding from Middle Income Countries, this be done over a timescale that allows for adjustments and does not undermine progress made to date.

Fragile states, ‘securitisation’ of aid and UK ODA

- Strong support for bilateral aid to be directed towards fragile and conflict affected states, as these make up three quarters of the total MDG deficit.
- Call for UK Government Official Development Assistance (ODA) to still be overwhelmingly managed by DFID.
- Related concerns about the “securitisation of aid” – or that aid may be subsumed by foreign policy.
- Call for transparency in the allocation of aid between fragile and non-fragile states.

Value for money and results

- General welcome of the Review and its results-based focus, and desire for DFID to raise its game on monitoring and results.

- Concern that a Value for Money focus (while welcome) will lead DFID to avoid the complex and the challenging environments in favour of more stable ones. A call to strike a good balance between long-term challenging results and 'quick wins'.

Aid effectiveness

- A call to continue to work towards the targets set out in the Paris Declaration and Accra Agenda. It was felt that ownership, alignment, harmonisation, results and mutual accountability must be at the heart of all DFID's bilateral spending.

Consultation

- A strong call for accountability, transparency and involvement of civil society organisations – in particular for DFID to be clearer about methodology of the review and involve stakeholders meaningfully in the ongoing process, particularly at country level.

Wealth Creation

- A call to focus on property rights, microfinance, small and medium enterprises and investment climate reform, targeting the poorest and most marginalised for growth to be pro-poor and drive down inequality.
- Some called for DFID to promote pro-development trade agreements and to increase support for regional economic integration.

Governance and Security

- Call for DFID to increase support to local governments to ensure that local government becomes more effective and less aid dependent.

Climate Change

- Call for climate change funding to be additional to ODA and channelled through the UN Framework Convention on Climate Change or another neutral body.
- Strong support for the 'Advocacy Fund' aimed at helping the poorest countries participate in climate negotiations.
- Suggestion that at least half of climate finance should be for adaptations and not mitigation, and a call for DFID to take the lead on pro-poor approaches to adaptation and low carbon development.
- Suggestion that DFID focus on renewable energy programmes, forest management and tackling illegal logging.

Humanitarian

- Concern that humanitarian policy and funding decisions may be based on defence, security or political considerations rather than on the basis of humanitarian need.

Direct delivery of the MDGs

Education

- A request for DFID to continue with the strategy set out in *Learning for All*, and a recommendation that DFID focus on: strengthening education management systems and increasing the number of girls completing primary and secondary education.

Health

- A welcome for DFID's commitment to malaria and maternal and child health, but concern about the lack of an explicit reference to tackling HIV and Tuberculosis.
- On **maternal and child health**, some advocated for the power of informed choice on security and reproductive health rights and the training and paying of a new generation of midwives. Others recommended an expansion of free health services for all women and children.
- On **malaria**, some recommended prevention as the best value for money approach, including an increase in health education.

Water and sanitation

- A call for an increased focus on water and sanitation due to it falling behind other areas of development despite evidence of its positive effect on all other MDGs. Some called for DFID to lead on water, sanitation and hygiene internationally, and to increase the number of countries with DFID water, sanitation and hygiene programmes.
- Some called for DFID to embed water, sanitation and hygiene in health and education programmes.

Poverty and vulnerability

- A call for DFID to increase support to social protection initiatives, and to prioritise marginalised groups such as indigenous people and ethnic minorities.
- Emphasis was placed on how poverty and vulnerability is exacerbated by a lack of access to education and health care.

Annex B: Countries in Order of their Position in the Need-Effectiveness Index

The table below orders countries according to how the “need-effectiveness” index assesses their level of poverty (for need) and the quality of their institutional environments (definitions explained below the table)⁵. Although we have divided the index into quartiles for presentation purposes, broadly speaking the countries in quartile 1 are those where aid has the potential to be used most well used and those in quartile 4 are those where it is least likely to be well used.

DFID focus countries are highlighted in bold.

	Quartile 1 ⁶	Quartile 2	Quartile 3	Quartile 4
5% of countries with highest scores	India	Cameroon	Sri Lanka	El Salvador
	Nigeria	Guinea	Tajikistan	Mongolia
	Ethiopia	Benin	Kyrgyz Republic	Tunisia
	Bangladesh	Madagascar	Djibouti	Iran
	Pakistan	Nepal	Colombia	Solomon Islands
Next 5% of highest scoring countries	Uganda	Haiti	Swaziland	Kazakhstan
	DRC	Chad	Zimbabwe	Azerbaijan
	Afghanistan	Liberia	Thailand	Dominican Republic
	Tanzania	Angola	Bhutan	Jordan
	Burkina Faso	Iraq	Georgia	Cape Verde
	Niger	Vietnam	Guatemala	Ukraine
	Kenya	Cambodia	Bolivia	Paraguay
	Burundi	Central African Republic	Occupied Palestinian Territories	Guyana
	Mozambique	Uzbekistan	Brazil	Sao Tome and Principe
	Rwanda	Togo	Timor-Leste	Jamaica
	Mali	Mauritania	Honduras	Maldives
Burma	Egypt	Algeria	Ecuador	
Sierra Leone	Papua New Guinea	Somalia	Albania	

⁵ This index was designed as part of the Multilateral Aid Review in order to assess how well targeted multilaterals country spending is.

⁶ Quartile 1 corresponds to the 25% of countries with the highest need-effectiveness score based on the formula on page 21. The 11 countries highlighted in Q1 collectively make up the 10% of countries (out of a total of 106 developing countries) that had the highest scores. By contrast Q4 countries are comprised of the 25% of countries with the lowest scores.

Quartile 1 ⁷	Quartile 2	Quartile 3	Quartile 4
Indonesia	Laos	Nicaragua	Bosnia & Herzegovina
Yemen	Philippines	Syria	Equatorial Guinea
Senegal	Gambia	Moldova	Samoa
Ghana	Guinea-Bissau	Namibia	Turkmenistan
China	Morocco	Armenia	Fiji
Sudan	Lesotho	Peru	Cuba
Côte d'Ivoire	Congo, Republic	Serbia	Macedonia
Malawi	Eritrea	Comoros	Suriname
Zambia			Belarus

Constructing the Index:

We divided the index into two parts – one part focusing on need and one part focusing on the potential of aid to be effective in a country. The need side of the index relates to the aid need of a country – a country with higher numbers of poor people will need more aid than one with lower numbers of poor people. This side of the index includes three distinct parts. Firstly it includes the number of people living under \$2 a day. Secondly it includes the country's score on the Human Development Index – this reflects a country's GDP per capita, life expectancy, gross enrolment rates and adult literacy rates. The idea here is that in a country that has a low GDP per capita, a low life expectancy, low enrolment rates and low adult literacy, there is a greater need for aid. Finally we have included an index that measures a country's fragility – the theory being that more fragile states have a greater aid need.

The effectiveness part of the index has one component only – the World Bank's CPIA scores which measures the quality of a country's institutional and policy framework. The effectiveness side of the index balances out the fragility part of the need index somewhat (as fragile states tend to have low CPIA scores).

We have combined these two parts to come up with an overall need-effectiveness index where countries highest on this index are characterised by high poverty and strong institutional environments. The components of the index, its workings and the data are explained in more detail below:

⁷ Quartile 1 corresponds to the 25% of countries with the highest need-effectiveness score based on the formula on page 21 of this annex. The 11 countries highlighted in Q1 collectively make up the 10% of countries (out of a total of 106 developing countries) that had the highest scores. By contrast Q4 countries are comprised of the 25% of countries with the lowest scores.

The need index is built through two stages.

i) To capture need:

- The Human Development Index⁸ is inverted so that the neediest countries are close to 1 (2 year average)
- A fragility index is constructed from the Foreign Policy - Failed and Fragile States indicator (CIFP-FFS)⁹
- Number of people living under \$2 dollar a day¹⁰

ii) To capture Effectiveness:

- CPIA scores¹¹

Only Low Income Countries (LICs) and Low Middle Income Countries (LMICs)¹² are included in this analysis.

The Model's Formula:

To obtain each country's "need-effectiveness" score, the two elements of the index are combined as follows:

HDI * CIFP-FFS * Population living under \$2 a day^{0.2} * CPIA



The main driver of the model is HDI and population under \$2 a day followed by CPIA. Population under \$2 day has an exponent of 0.2, this ensures that population does not dominate the entire model and lead to extreme solutions, where highly populous countries such as India and China get very high scores, irrespective of their scores on the other components¹³.

For further information on methodology see Appendix 2 of Annex 1 of the MAR Report: *'Methodology Note: Construction of Focus on Poor Countries Component'*.

⁸ The HDI includes life expectancy at birth, the adult literacy rate & gross enrolment rate (primary, secondary & tertiary) and GDP per capita.

⁹ The index comes from Carleton University and includes authority, legitimacy, capacity, governance, economics, security and crime, human development, demography, environment and gender. Human development, economics and demography have been excluded to avoid double counting with the HDI. The index takes the following form: index score = (x – xlower) / (x upper – xlower). Xupper and xlower were set above and below the maximum and minimum values in the series. The upper and lower bounds used in the index are 7 and 2.

¹⁰ This is taken from the World Bank development indicators.

¹¹ The scores are based on the 2009 IDA Resource Allocation Index (IRAI). These scores were then converted into an index in a similar way as the fragility index above.

¹² Using the DAC list of ODA recipients by income (GNI per capita)

¹³ If we leave the power on population under \$2 a day unchanged, its impact on the model is 5 times as large as the nearest component (which is HDI). In the current model, HDI and population under \$2 a day have the largest impact followed by CPIA and finally fragility. It is worth noting that even after making this adjustment many populous MICs with large numbers of poor, still fall under the 1st quartile of "needy" countries.

Annex C: Bilateral Aid Review Results Offer Template

Overview

1. Can you summarise how the offer will transform the lives of poor people? Include reference to overall results; costs and the synergies between the pillars.

(300 words)

2. You are not expected to complete all templates. Please indicate which of the 8 templates you have completed.

[country name] Headline results offer:	
Template	Yes/No
Wealth Creation	
Climate Change	
Governance and Security	
Direct action to deliver MDGs:	
Education	
Health	
Water and Sanitation	
Poverty, Hunger and Vulnerability	
Humanitarian	

3. Briefly explain rationale for excluding work in particular areas if your office is listed in Annex A (max 100 words).

4. **Country level risk (or regional level risk for regional programmes) should be assessed for probability and impact. Please assess whether risk to delivery is high, medium or low by both impact and probability. Please mark the relevant box of the risk matrix.**

Impact	Probability		
	Low	Medium	High
High			
Medium			
Low			

5. **Please confirm that your Results Offers reflects the steers given in Minister's country BAR discussions. Yes/No**

6. **What will be the implications of implementing this offer?**

- What will be the key changes to your operating model?
- What are the implications for staff resources and professional skills?
- What are the key constraints and risks in the operating environment (including absorption, availability and willingness of delivery partners)?
- How will this offer change the way DFID leverages across the donor community, and the UK's burden share?
- How does this offer reflect wider HMG priorities (including NSC)?

(maximum 500 words)

7. **What current work will be stopped? How much did you spend on this work in 2010/11?**

--

Complete one template per PILLAR: for Climate Change, Governance and Security, Wealth Creation.

For the MDG pillar only complete one template per STRATEGIC PRIORITY: [Education; Health; Water and Sanitation; Poverty, Hunger and Vulnerability; Humanitarian]

1. **CONTEXT: What is the problem which needs to be addressed?**

BASELINE NEED		
brief narrative to set context [100 words]		
	<i>Country</i>	
Country data 1		
Country data 2		
Country data 3		

2. **OFFER: What results can you offer?**

Outcome

Outcome 1 (Purpose):	Outcome Statement
----------------------	-------------------

Outcome 1 Indicator 1	
Outcome 1 Indicator 1 (numbers)	
Outcome 1 Indicator 2	
Outcome 1 Indicator 2 (numbers)	

Probability of achieving Outcome 1:	<i>High / Medium / Low</i>
-------------------------------------	----------------------------

Outputs for Outcome 1 (maximum 4 per outcome)

Output X:	Output Statement
-----------	------------------

Output X Indicator A	
Output X Indicator A (numbers)	
Output X Indicator B	
Output X Indicator B (numbers)	

Probability of achieving Output X:	<i>High / Medium / Low</i>
------------------------------------	----------------------------

[if further Outcome required]

Outcome 2

Outputs for Outcome 2

3. OFFER: What interventions are you proposing?

Proposed interventions Description	Impact Statement including rationale and intervention logic [100 words with reference to key supporting analysis if required]
	Impact on women and girls [50 words]
	How innovative is your offer against this strategic priority? [50 words]

4. COSTS: What inputs are required?

Programme Cost (for delivery of results offer)	
Of which currently committed	

Value for Money considerations

[200 words]

Qualitative judgement of vfm:

vfm metrics (including cost-benefit measures):

Unit costs:

Scalability:

Comparators:

Overall VfM RAG rating: red/amber/green:

5. EVIDENCE:

The availability of good evidence underpinning results in this area is **high/ medium/ low** (delete as appropriate)

Summarise the strengths and limitations of the evidence base you have used to determine your results offer and VfM assessment and implications for achievability of results.

(max 500 words)

Annex D: UK Bilateral Aid Programme: Expected Country Priorities

Partner countries/ regions	Priority pillars ¹⁴
Afghanistan	<ul style="list-style-type: none"> • Wealth creation • Governance and security • MDG: education • Humanitarian
Africa Regional	<ul style="list-style-type: none"> • Wealth creation • Climate change • Humanitarian • MDG: health • Governance and security
Asia Regional	<ul style="list-style-type: none"> • MDG: health • Wealth creation • Climate change • MDG: poverty, hunger and vulnerability • Governance and security
Bangladesh	<ul style="list-style-type: none"> • MDG: education • MDG: health • MDG: poverty, hunger and vulnerability • Climate change • Governance and security • Wealth creation • MDG: water and sanitation
Burma	<ul style="list-style-type: none"> • MDG: health • MDG: poverty, hunger and vulnerability • Humanitarian • Governance and security • Wealth creation • MDG: education
Caribbean	<ul style="list-style-type: none"> • Wealth creation • Governance and security • Climate change

¹⁴ These are taken from DFID's Business Plan. Girls and women are dealt with across all pillars.

Central Asia¹⁵	<ul style="list-style-type: none"> • Governance and security • Wealth creation • MDG: health • MDGS: water and sanitation
DRC	<ul style="list-style-type: none"> • MDG: health • Wealth creation • Humanitarian • Governance and security • MDG: poverty, hunger and vulnerability • MDG: education • MDG: water and sanitation
Ethiopia	<ul style="list-style-type: none"> • MDG: health • MDG: education • MDG: poverty, hunger and vulnerability • Governance and security • MDG: water and sanitation • Humanitarian • Wealth creation • Climate change
Ghana	<ul style="list-style-type: none"> • MDG: education • MDG: health • Wealth creation • MDG: poverty, hunger and vulnerability • Governance and security
India	<ul style="list-style-type: none"> • MDG: health • MDG: education • Wealth creation • Governance and security • MDG: poverty, hunger and vulnerability • Climate change • MDG: water and sanitation
Kenya	<ul style="list-style-type: none"> • MDG: health • MDG: education • MDG: poverty, hunger and vulnerability • Wealth creation • Governance and security • Humanitarian • Climate change
Liberia	<ul style="list-style-type: none"> • MDG: health • MDG: water and sanitation • Wealth creation

¹⁵ For the purposes of this table 'Central Asia' refers to DFID's programmes in Tajikistan and Kyrgyzstan

Malawi	<ul style="list-style-type: none"> • MDG: education • MDG: health • Wealth creation • MDG: poverty, hunger and vulnerability • Governance and security • MDG: water and sanitation
Mozambique	<ul style="list-style-type: none"> • Wealth creation • MDG: education • MDG: health • Governance and security • MDG: poverty, hunger and vulnerability • MDG: water and sanitation
Nepal	<ul style="list-style-type: none"> • Governance and security • Wealth creation • MDG: health • Climate change • MDG: education • MDG: water and sanitation
Nigeria	<ul style="list-style-type: none"> • MDG: health • Wealth creation • Governance and security • MDG: education • MDG: water and sanitation • MDG: poverty, hunger and vulnerability
Occupied Palestinian Territories	<ul style="list-style-type: none"> • MDG: education • MDG: poverty, hunger and vulnerability • Governance and security • Wealth creation • MDG: health
Pakistan	<ul style="list-style-type: none"> • MDG: education • MDG: health • Governance and security • MDG: poverty, hunger and vulnerability • Humanitarian • Wealth creation
Rwanda	<ul style="list-style-type: none"> • Wealth creation • MDG: education • Governance and security • MDG: poverty, hunger and vulnerability • MDG: health • Climate change

Sierra Leone	<ul style="list-style-type: none"> • MDG: health • Governance and security • MDG: water and sanitation • Wealth creation • MDG: education
Somalia	<ul style="list-style-type: none"> • Governance and security • Humanitarian • MDG: health • Wealth creation
South Africa	<ul style="list-style-type: none"> • MDG: health • Wealth creation • Climate change • Governance and security
Sudan	<ul style="list-style-type: none"> • Governance and security • MDG: poverty, hunger and vulnerability • MDG: education • MDG: water and sanitation • Humanitarian • MDG: health
Tanzania	<ul style="list-style-type: none"> • Wealth creation • MDG: education • Governance and security • MDG: health • MDG: water and sanitation • MDG: poverty, hunger and vulnerability • Climate change
Uganda	<ul style="list-style-type: none"> • MDG: health • Wealth creation • Governance and security • MDG: poverty, hunger and vulnerability • Humanitarian • Climate change
Yemen	<ul style="list-style-type: none"> • MDG: poverty, hunger and vulnerability • Governance and security • Wealth creation
Zambia	<ul style="list-style-type: none"> • MDG: health • Wealth creation • Governance and security • MDG: poverty, hunger and vulnerability • MDG: education • MDG: water and sanitation

Zimbabwe	<ul style="list-style-type: none">• MDG: health• MDG: poverty, hunger and vulnerability• Governance and security• MDG: education• Wealth creation• MDG: water and sanitation
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Annex E: UK Bilateral Aid Programme: Countries Contributing To Priority Pillars

HEALTH	Africa Regional, Asia Regional, Bangladesh, Burma, Central Asia ¹⁶ , DRC, Ethiopia, Ghana, India, Kenya, Liberia, Malawi, Mozambique, Nepal, Nigeria, OPTs ¹⁷ , Pakistan, Rwanda, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Uganda, Zambia, Zimbabwe.
WEALTH CREATION (INCLUDING TRADE, AGRICULTURE, INFRASTRUCTURE, FINANCIAL SECTOR DEVELOPMENT, BUSINESS ENVIRONMENT)	Afghanistan, Africa Regional, Asia Regional, Bangladesh, Burma, Caribbean, Central Asia, DRC, Ethiopia, Ghana, India, Kenya, Malawi, Mozambique, Nepal, Nigeria, OPTs, Pakistan, Rwanda, Sierra Leone, Somalia, South Africa, Tanzania, Uganda, Yemen, Zambia, Zimbabwe.
GOVERNANCE AND SECURITY	Afghanistan, Africa Regional, Asia Regional, Bangladesh, Burma, Caribbean, Central Asia, DRC, Ethiopia, Ghana, India, Kenya, Malawi, Mozambique, Nepal, Nigeria, OPTs, Pakistan, Rwanda, Sierra Leone, Somalia, South Africa, Sudan, Tanzania, Uganda, Yemen, Zambia, Zimbabwe.
EDUCATION	Afghanistan, Bangladesh, Burma, DRC, Ethiopia, Ghana, India, Kenya, Malawi, Mozambique, Nepal, Nigeria, OPTs, Pakistan, Rwanda, Sierra Leone, Sudan, Tanzania, Zambia, Zimbabwe.
HUMANITARIAN	Afghanistan, Africa Regional, Burma, DRC, Ethiopia, Kenya, Pakistan, Somalia, Sudan, Uganda.
POVERTY, HUNGER AND VULNERABILITY	Asia Regional, Bangladesh, Burma, DRC, Ethiopia, Ghana, India, Kenya, Malawi, Mozambique, Nigeria, OPTs, Pakistan, Rwanda, Sudan, Tanzania, Uganda, Yemen, Zambia, Zimbabwe.

¹⁶ For the purposes of this table 'Central Asia' refers to DFID's programmes in Tajikistan and Kyrgyzstan

¹⁷ Occupied Palestinian Territories

WATER AND SANITATION	Bangladesh, Central Asia, DRC, Ethiopia, India, Malawi, Mozambique, Nepal, Nigeria, Sierra Leone, Tanzania, Zambia, Zimbabwe.
CLIMATE CHANGE¹⁸	Africa Regional, Asia Regional, Bangladesh, Caribbean, Ethiopia, India, Kenya, Nepal, Rwanda, South Africa, Tanzania, Uganda.

¹⁸ We will work with other Government departments to identify the top priorities for Britain's response to climate change. Through the joint International Climate Fund we will make sure we focus our aid to effectively tackle climate change. These priorities will be agreed by summer 2011

Annex F: Indicative Budgets by County/Region

All budgets for future years are subject to performance and sensitive to political and economic circumstances. Figures are rounded to the nearest million.

	2010/11 ¹⁹	2011/12	2012/13	2013/14	2014/15	TOTAL 2011/12 – 2014/15
Country						
Afghanistan	178	178	178	178	178	710
Africa Regional	150	180	195	218	220	813
Asia Regional	8	15	15	15	15	60
Bangladesh	157	200	210	290	300	1000
Burma	32	36	36	55	58	185
Burundi	12	10	0	0	0	10
Cambodia	16	10	9	4	0	23
Caribbean	20	19	19	19	19	75
Central Asia	15	14	14	14	14	56
DRC	133	147	165	220	258	790
Ethiopia	241	290	300	345	390	1325
Ghana	85	85	90	100	100	375
India	274	280	280	280	280	1120
Indonesia	9	10	20	15	5	50
Iraq	10	5	0	0	0	5
Kenya	86	100	110	150	150	510
Liberia²⁰	10	8	8	8	0	25
Malawi	72	90	90	95	98	373
Mozambique	88	80	80	85	85	330
Nepal	57	60	60	100	103	323
Nigeria	141	180	210	305	305	1000
OPTs	74	85	85	85	88	343
Overseas Territories	59	43	93	92	92	320
Pakistan	215	267	267	412	446	1392
Rwanda	70	75	80	85	90	330
Sierra Leone	54	58	58	77	77	270
Somalia	26	44	46	80	80	250

¹⁹ Afghanistan 2010/11 allocation was increased in-year from £126m. Please note that final outturns for all countries may differ from allocations

²⁰ The Liberia programme will be reviewed after the elections in 2012

	2010/11	2011/12	2012/13	2013/14	2014/15	TOTAL 2011/12 – 2014/15
South Africa	17	19	19	19	19	76
Sudan	132	140	140	140	140	560
Tanzania	150	150	160	165	168	643
Uganda	90	100	105	95	90	390
Vietnam	50	28	21	14	7	70
Yemen	50	65	70	80	90	305
Zambia	53	55	55	62	63	235
Zimbabwe	70	80	84	94	95	353
	2,904	3,206	3,372	3,996	4,122	14,695

What is international development?

International development is about helping people fight poverty. Thanks to the efforts of governments and people around the world, there are 500 million fewer people living in poverty today than there were 25 years ago. But there is still much more to do.

1.4 billion people still live on less than \$1.25 a day. More needs to happen to increase incomes, settle conflicts, increase opportunities for trade, tackle climate change, improve people's health and their chances to get an education.

Why is the UK government involved?

Each year the UK government helps three million people to lift themselves out of poverty. Ridding the world of poverty is not just morally right, it will make the world a better place for everyone. Problems faced by poor countries affect all of us, including the UK. Britain's fastest growing export markets are in poor countries. Weak government and social exclusion can cause conflict, threatening peace and security around the world. All countries of the world face dangerous climate change together.

What is the Department for International Development?

The Department for International Development (DFID) leads the UK government's fight against world poverty. DFID has helped more than 250 million people lift themselves from poverty and helped 40 million more children to go to primary school. But there is still much to do to help make a fair, safe and sustainable world for all. Through its network of offices throughout the world, DFID works with governments of developing countries, charities, nongovernment organisations, businesses and international organisations, like the United Nations, European Commission and the World Bank, to eliminate global poverty and its causes. DFID also responds to overseas emergencies. DFID's work forms part of a global promise, the eight UN Millennium Development Goals, for tackling elements of global poverty by 2015.

What is UKaid?

UKaid is the logo DFID uses to demonstrate how the UK government's development work is improving the lives of the world's poorest people.

Department for International Development

1 Palace Street
London SW1E 5HE
UK

and at:

Abercrombie House
Eaglesham Road
East Kilbride
Glasgow G75 8EA
UK

Tel: +44 (0)20 7023 0000
Fax: +44 (0)20 7023 0016
Website: www.dfid.gov.uk
Email: enquiry@dfid.gov.uk
Public enquiry point: 0845 3004100
or +44 1355 84 3132 (if you are calling from abroad)

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