



# Departmental Report 2002

The Government's Expenditure Plans  
2002–2003 to 2003–2004



## HOW TO CONTACT US

DFID's Public Enquiry Point is dedicated to answering your questions  
Contact:

**By telephone:**  
UK local rate call: 0845 3004100  
From outside the UK: +44 1355 84 3132

**By fax:**  
From the UK: 01355 843632  
From outside the UK: +44 1355 84 3632

**By e-mail:**  
[enquiry@dfid.gov.uk](mailto:enquiry@dfid.gov.uk)

**By post:**  
Public Enquiry Point  
DFID  
Abercrombie House  
Eaglesham Road  
East Kilbride  
Glasgow  
G75 8EA  
UK

Alternatively, you can access our website: [www.dfid.gov.uk](http://www.dfid.gov.uk)



**Front cover pictures:**

**Top: Forestry project, Mali. Giacomo Pirozzi/Panos Pictures**

**Bottom: Road building, India. Jeremy Horner/Panos Pictures**

This is part of a series of departmental reports which, along with the Main Estimates and the document Public Expenditure: Statistical Analyses 2002/03, present the Government's expenditure plans for 2002–2004.

The complete series is also available as a set at a discounted price.

© Crown Copyright 2002

The text in this document (excluding the Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any enquiries relating to the copyright in this document should be addressed to The Licensing Division, HMSO, St. Clements House, 2-16 Colegate, Norwich NR3 1BQ.  
Fax: 01603-723000 or e-mail: [copyright@hmso.gov.uk](mailto:copyright@hmso.gov.uk)





Department for International Development

# Departmental Report 2002

**The Government's Expenditure Plans  
2002/03 to 2003/04**

**Presented to Parliament by the  
Secretary of State for International Development  
and the  
Chief Secretary to the Treasury  
by Command of Her Majesty  
April 2002**

# Contents

<b>Foreword by the Secretary of State</b>	<b>4</b>
<b>How to use this report</b>	<b>6</b>
<b>Chapter 1 Who we are: The responsibilities of the Department for International Development</b>	<b>7</b>
<b>Chapter 2 How we work: Partnerships to reduce poverty</b>	<b>13</b>
Maximising impact	14
Poverty reduction strategies	14
Tackling poverty in difficult policy environments	15
Middle income countries	16
Maximising the effectiveness of development assistance	17
Direct budget support	18
Untying	21
Making the international system work better for poor people	22
Trade and investment	23
Debt and financing development	24
Reducing conflict	25
Humanitarian assistance	28
Building informed support for development	29
Working with the other development agencies	30
Knowledge and research	32
Measuring and monitoring progress	33
<b>Chapter 3 What we do: Addressing the causes of poverty</b>	<b>35</b>
Improving livelihoods	36
Primary education	38
Better health for poor people	41
Creating economic opportunities	45
Effective governments	48
Human Rights based approach to development	50
Mainstreaming sustainability into national development	51
<b>Chapter 4 How we are doing: Moving towards the Millennium Development Goals</b>	<b>55</b>
Achievements in 2001/02	58
Sub-Saharan Africa	58
Asia and Pacific	65
Eastern Europe and Central Asia	71
Middle East and North Africa	75
Latin America and the Caribbean	76
Overseas Territories	78

<b>Chapter 5</b>	<b>What we spend our money on: Investing to tackle poverty</b>	<b>79</b>
	Focusing on low income countries	81
	Changes to expenditure plans	84
<b>Chapter 6</b>	<b>How we are organised to deliver: Committed to people, improving the way we work</b>	<b>87</b>
	Improving ways of working	88
	Staffing, organisation and management	89
	Managing DFID's environmental impact	93
	Overseas Pensions	94
<b>Annexes</b>		
	Annex 1: Analysis of Departmental Expenditure Plans	98
	Annex 2: Achievements against DFID's Public Service Agreements	115
	Annex 3: The Millennium Development Goals	121
	Annex 4: Publications	123
	Annex 5: Glossary and Abbreviations	127
	Annex 6: Index	134

# Foreword

By Clare Short, Secretary of State for International Development



*Rt Hon Clare Short MP  
Secretary of State for International Development*

Eliminating poverty is an urgent task. It is a moral duty and essential to the sustainability of the planet. It means helping millions of poor people escape the daily grind of abject poverty and have longer, safer and healthier lives. Our task is to ensure that the international community work together to achieve the Millennium Development Goals, including halving the proportion of people living in abject poverty by 2015 and getting all children into primary school by the same date.

Media images cause many people to believe that international development is a hopeless enterprise, but in fact aid works and is lifting large numbers of people out of poverty, permanently. In the words of Kofi Annan, the UN Secretary General, “There is abundant evidence that aid does work. Aid brings spectacular improvements in literacy, and spectacular declines in infant mortality, when it is channelled to countries with enlightened leaders and efficient institutions.”

This year we have made important steps in improving the effectiveness of the international system. The World Trade Organisation’s Ministerial meeting at Doha in November laid the foundations for a round of negotiations focused on making the international trade system fairer to developing countries. At the Financing for Development conference in Monterrey, all countries agreed a reform agenda focused on achieving the Millennium Development Goals, and the European Union and the

United States made commitments which will increase development assistance by \$12 billion a year by 2006. We will work to consolidate and strengthen these achievements at the World Summit for Sustainable Development in Johannesburg later this year.

But aid works only when developing countries themselves drive the reform agenda. We continue to strongly support the Poverty Reduction Strategy process which puts developing countries in the lead with development agencies collaborating to support the reform effort. We are also strongly supportive of the New Partnership for Africa's Development – an African-led initiative to end conflict and improve economic and social development across the continent. We are increasingly providing direct budget support to governments committed to tackling poverty because this helps to strengthen local institutions and to speed up development.

The Department continues to respond flexibly and rapidly to humanitarian disasters. We will continue to work to support the Interim Administration in Afghanistan, so that the Afghan people are able to rebuild their country. An enormous effort to accelerate progress is needed if Africa is to meet the Millennium Development Goals. We will continue to work to improve the poverty focus of the EU development budget which absorbs a quarter of UK development assistance, but spends an ever-declining percentage of its budget in poor countries. And we will remain focused on implementation of the commitments made at Doha.

The International Development Act, which received Royal Assent in February, establishes in law that the primary aim of UK development assistance is poverty reduction. This clarity of purpose is one of DFID's great strengths. My Department will continue to focus single-mindedly on improving the effectiveness of the international development effort so that the 1.2 billion people who are living in absolute poverty have a fairer chance in life and to ensure that we hand on a more just and sustainable planet to our grandchildren.



**CLARE SHORT**

April 2002

# How to use this report

This Departmental Report is intended to provide Parliament, members of the public, our development partners and others interested in development issues with a comprehensive account of how we have been spending, and plan to spend, public funds. The report focuses primarily on DFID's work and key developments in 2001/02. It does not replicate policy information which is set out in other DFID publications. The report refers to key publications where interested readers can find further information on DFID policy. Further information about our work is also available on the DFID website at [www.dfid.gov.uk](http://www.dfid.gov.uk).

## Chapters One to Six

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

## Annexes One, Two and Three

Annex One sets out DFID's current and planned allocations, as well as providing a summary of bilateral and multilateral expenditure. Annex Two provides details of DFID's achievements against its Public Service Agreements. Annex Three sets out the Millennium Development Goals.

## Publications, glossary and abbreviations

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

# Chapter 1

TOM LEARNMOUTH/PANOS PICTURES



## Who we are

8

The Responsibilities of the Department for  
International Development

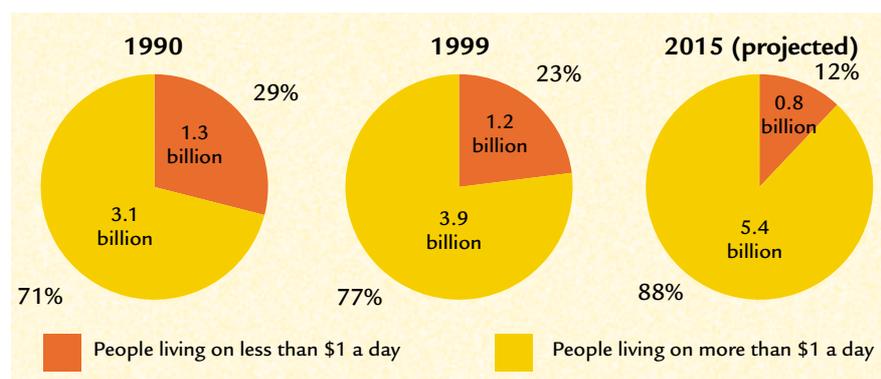
# Chapter 1: Who we are: The Responsibilities of the Department for International Development

“... the events of September 11 and their aftermath illustrate dramatically that the security of each of us depends on the prosperity of us all.”

Prime Minister Tony Blair,  
Abeya, Nigeria, February 2002

- 1.1** One in five of the world’s people lives in abject poverty. 1.2 billion people survive on less than \$1 a day. More than 100 million children around the world of primary school age are not in school, and one child in every four drops out before completing five years of basic education. This level of human suffering and wasted potential demands a response from those of us who enjoy almost incomparable material wealth and opportunities. Tackling poverty is a moral obligation.
- 1.2** But eliminating poverty is also in our self-interest. We are becoming increasingly inter-dependent with people in far away countries. We trade more and more goods and services with people all round the world. This trade can be affected by currency crises or other shocks in other countries. The media brings to our homes images of conflicts in the remotest locations. And refugees, fleeing these conflicts, seek shelter in other countries, including the UK.
- 1.3** Our prosperity and that of people throughout the world are inextricably linked. This is graphically illustrated by an assessment by the World Bank that 10 million more people will remain poor next year due to the economic impact of the terrorist attacks in New York and Washington. The economic slowdown over the last year has reduced growth across all regions of the world. Yet despite this the conditions for rapid reductions in poverty have never been better. There is unprecedented international consensus around not just the objective of eliminating poverty, but also the measures needed to achieve this aim. With sufficient effort, the complete elimination of extreme poverty is possible within a human lifespan.

**Box 1.a: Numbers and proportion of people in developing countries living on less than \$1 a day (From Global Economic Prospects 2002 (98))**



**1.4** The Department for International Development (DFID) is responsible for leading the UK Government's contribution to promoting development and the reduction of poverty. The overall objective of DFID is the elimination of world poverty. This objective was set out in the 1997 White Paper "Eliminating World Poverty: A Challenge for the 21st Century" (1). The 1997 White Paper committed the Government to contributing to a set of poverty reduction targets, called the International Development Targets. These targets included halving the proportion of people in developing countries living on less than \$1 a day, getting all children into primary school, and substantial reductions in child and maternal mortality by 2015.



The 2015 targets for poverty reduction include a two-thirds reduction in child mortality: Health worker talking to mother, Zambia

PANOS PICTURES

**1.5** The 2000 White Paper "Eliminating World Poverty: Making Globalisation Work for the Poor" (2) reaffirmed the Government's commitment to achieving the 2015 targets and set out proposals for managing the process of globalisation in a way that increases opportunities for the world's poor.

**1.6** The primacy of poverty reduction as the objective of UK development assistance is now established in law. In January 2002, a new International Development Act completed its passage through Parliament. It received Royal Assent in February and is expected to enter into force in June 2002. The new International Development Act replaces the 1980 Overseas Development Act. Box 1.b outlines the main features of the new act.

#### Box 1.b: The International Development Act

The International Development Act sets out more clearly than the previous legislation the purposes of our development assistance, while widening the range of means available to achieve them. It establishes that the overarching aim of UK development assistance is the reduction of poverty through furthering sustainable development and promoting the welfare of people. It would not be possible under the new Act to reintroduce a policy of tying aid to UK exports because the purpose would not then meet these criteria. The Act provides additional powers to support development awareness and advocacy work, and to use a wider range of financial instruments including securities and guarantees. It also ensures that the UK can continue giving assistance to its Overseas Territories and providing humanitarian assistance around the world in the way we currently do.

**1.7** Since 1997, DFID has been working to establish the 2015 poverty reduction targets as the central objective of the development effort of the entire international community. These efforts received a huge boost in September 2000 when the United Nations Millennium Summit, attended by 149 Heads of State, endorsed the Millennium Development Goals (see Box 1.c). The Millennium Development Goals correlate closely with the International Development Targets. The UK, and DFID in particular, worked hard to achieve this outcome from the Millennium Summit.

**Box 1.c: The Millennium Development Goals<sup>1</sup>**

Goal 1. Eradicate extreme poverty and hunger
Goal 2. Achieve universal primary education
Goal 3. Promote gender equality and empower women
Goal 4. Reduce child mortality
Goal 5. Improve maternal health
Goal 6. Combat HIV/AIDS, malaria and other diseases
Goal 7. Ensure environmental sustainability
Goal 8. Develop a Global Partnership for Development

**1.8** A range of indicators has been set to measure progress in achieving the Millennium Development Goals. These include reducing the proportion of people living on less than a dollar a day, increasing primary school enrolment, increasing access to safe water, reducing the spread of HIV/AIDS and other diseases, and improving the life of slum dwellers. See annex 3 for a complete list of the indicators which will measure progress towards the Millennium Development Goals. Goal 8 “Developing a Global Partnership for Development” includes targets for improving the way the international system works to support achievement of the goals.

**1.9** This report sets out what DFID has done over the last year to contribute towards achieving the Millennium Development Goals. It explains our approach to working as part of a wider international effort, engaging with many organisations including other UK Government Departments, international development agencies, Governments of developing and transition countries, civil society, business and academia.

**1.10** The report explains what we have done to try to maximise the impact of development assistance on poverty: by focusing our assistance more in the poorest countries; by untying development spending from contracts for donor country suppliers; and by moving away from stand-alone, donor-driven projects

<sup>1</sup>A full list of the targets and indicators for the Millennium Development Goals can be found in annex 3.



Helping poor people improve their livelihoods is central to reaching the Millennium Development Goals: Farmers of Issenye, Tanzania

SEAN SPRAGUE/PANOS PICTURES

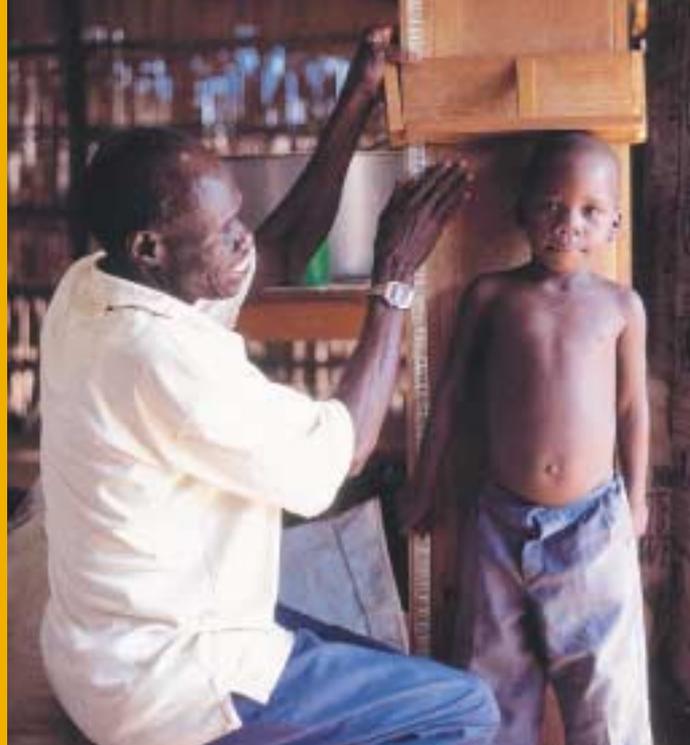
to support for the implementation of developing country-led poverty reduction strategies. It also describes our work to enhance the focus and effectiveness of the main multilateral agencies through which we channel funding.

- 1.11** However, development assistance is only a part of the picture. Developed countries need to ensure that national and international policies complement and are consistent with our agreed goal of eliminating poverty. The report details progress made on making policies on debt, trade, investment, global environment and conflict work to increase opportunities for developing countries and support poverty reduction.
- 1.12** We also have a responsibility to help those who are victims of natural or man-made disasters. The report details how DFID’s humanitarian assistance has been used to try to save lives, relieve suffering and protect livelihoods. And the report explains what we have done to increase awareness and promote understanding among the UK public of development issues.
- 1.13** In reviewing progress over the last year the report explains how we have modified planned spending as we have sought to implement policy flexibility, adapting to unforeseen circumstances, but always with a clear focus on achieving the Millennium Development Goals.



# Chapter 2

GIACOMO PIROZZI/PANOS PICTURES



How we work	14
Partnerships to reduce poverty	
Maximising impact	14
Poverty reduction strategies	14
Tackling poverty in difficult policy environments	15
Middle income countries	16
Maximising the effectiveness of development assistance	17
Direct budget support	18
Untying	21
Making the international system work better for poor people	22
Trade and investment	23
Debt and financing development	24
Reducing conflict	25
Humanitarian assistance	28
Building informed support for development	29
Working with the other development agencies	30
Knowledge and research	32
Measuring and monitoring progress	33

## Chapter 2: How we work: Partnerships to reduce poverty

- 2.1** Achieving the Millennium Development Goals is possible, if the international system is committed to work together and use available resources effectively. DFID is working to build an effective response by the international system to support developing countries in reducing poverty and achieving those Development Goals.

### Maximising impact

#### Poverty reduction strategies

- 2.2** The 2000 White Paper (2) sets out how we seek to focus the efforts of all development agencies on supporting the development and implementation of nationally owned and led poverty reduction strategies. This is vital to improving the effectiveness of development assistance. These strategies, initially a requirement for countries receiving debt relief under the Heavily Indebted Poor Countries initiative, are now being produced for all countries receiving concessional lending assistance from the World Bank and International Monetary Fund.
- 2.3** A Poverty Reduction Strategy Paper sets out a strategic overview for poverty reduction and a medium term framework for putting in place pro-poor policies. They usually set out a framework for monitoring progress. Poverty reduction strategies are not static documents, and generally are updated every three years, with annual reports on progress. The primary long-term value of the poverty reduction strategy process is in changing the way policy is made, to bring together economic and social policy to meet the needs of poor people, increasing the involvement of civil society, the private sector and poor people, and establishing clear accountability of government for delivery. The World Bank has set out six principles for poverty reduction strategies and the process for producing them (see box 2a).

Poverty reduction strategy papers set out a framework for improving health, education and livelihoods of poor people: Health session with nurse, Burkino Faso



CAROLINE PENN/PANOS PICTURES

### Box 2.a: Six principles for poverty reduction strategies

Poverty reduction strategies should be:

- **Owned and driven** by developing countries, involving broad-based participation by civil society and the private sector throughout the process;
- **focused on outcomes** that benefit the poor;
- **comprehensive** in recognising the multidimensional nature of poverty;
- **prioritised** and realistic so that implementation is feasible, in terms of both finance and capacity of institutions to deliver;
- **involving co-ordinated participation** of development partners (bilateral and multilateral donor agencies, and non-governmental organisations);
- based on a **long-term perspective** for poverty reduction.

**Want  
to know  
more?**

Completed poverty reduction strategy papers and background information are available from the World Bank website, [www.worldbank.org](http://www.worldbank.org)

**2.4** During the past year six countries completed poverty reduction strategy papers, bringing the total to ten. Another 35 countries have produced interim poverty reduction strategy papers through a wide consultation involving civil society and business. Some sub-national administrations, such as the Indian state Government of Andhra Pradesh, have comprehensive poverty reduction strategies comparable with national Poverty Reduction Strategy Papers.

**2.5** Poverty reduction strategies are an important opportunity to reform the nature of the relationship between donors and developing countries. Donors have been rightly criticised for imposing competing priorities, tied aid conditions, and multiple and incompatible procedures for financial planning and accounting. DFID is committed to building development partnerships based on a shared agenda set by a credible poverty reduction strategy. The partnership should set out clear obligations for donor agencies and the partner government, and mutual accountability with partners holding each other to account for their progress in meeting their obligations, possibly facilitated by a neutral third party.

**2.6** DFID has fed lessons from our experience into a World Bank review of the poverty reduction strategy approach and an International Monetary Fund review of the Poverty Reduction Growth Facility, a financial instrument for Fund lending to poor countries in support of poverty reduction strategies.

### Tackling poverty in difficult policy environments

**2.7** The policy environment, and the capacity and commitment of government to tackle poverty, varies from country to country. In some countries, due to conflict or lack of political will, there is little prospect of sustainable poverty reduction.

These countries are home to some of the poorest people in the world who cannot be abandoned. However, the nature of our engagement and our objectives will be different from that in countries with governments committed to poverty reduction. This may include political efforts or targeted programmes which seek to promote the demand for change, efforts to tackle conflict, or humanitarian programmes to reduce suffering or save lives (see box 2.b).

#### Box 2.b: DFID assistance to Sudan

The long-running war in Sudan is a tragedy for all its people. DFID supports international Non-Governmental Organisations and agencies to help those in the greatest need. In 2001/2, we gave £6m and since 1991, over £200m. Peace will allow the development Sudan so badly needs. The UK is encouraging international pressure on the parties to bring an early end to the conflict. In February 2002, the Prime Minister appointed a former Ambassador, Alan Gouly, as UK Special Representative for the Sudan to head up a joint Foreign and Commonwealth Office/DFID Sudan Unit in London, which will focus on galvanising the efforts for peace.

**Want to know more?**

about DFID's approach to working with middle income countries to eliminate poverty?

See our paper 'Eliminating Global Poverty: The Middle-Income Countries' [43]. See annex 4 for details of how to obtain this and other DFID publications.

#### Middle income countries

- 2.8** In November 2001, DFID published a paper setting out its approach to poverty in middle income countries (see box 2.c). As well as focusing its support to middle income countries in line with this strategy, DFID is phasing out support to better off countries (see paragraph 5.6). However, we are encouraging middle income countries receiving international assistance to apply the principles outlined in box 2.a to national processes for planning and policy making for poverty reduction.

#### Box 2.c: DFID's approach to poverty in middle income countries

Nearly 140 million people in middle-income countries live on less than \$1 a day and a further 455 million live on less than \$2 a day. The governments of these countries must lead the fight against poverty in their nations. The main effort of the international community should be directed towards supporting policy reform to reduce inequality and exclusion, reducing barriers to trade and the risk of financial crises. Because these countries, are able to raise substantial domestic resources and secure private investment, development assistance should be focused on support for policy reform rather than large financial transfers.

## Maximising the effectiveness of development assistance

- 2.9** In 1999, developed country governments provided over \$50 billion in official development assistance to developing countries. Evidence shows that aid works and is getting better. DFID has published a joint note with the Treasury to gather together some of the evidence which shows the poverty reducing effectiveness of aid. (See box 2.d). Increased development assistance was pledged by the European Union and United States at the United Nations Conference on Financing for Development at Monterrey, Mexico (see paragraph 2.21). But improvements in the quality of aid would increase the effectiveness of existing funds by 50%. Aid needs to be focused on where there are large numbers of poor people and on backing reformers and thus achieve greater impact and help more poor people escape from poverty. In addition aid should be used to strengthen local institutions.

### Box 2.d: Highlights from “the case for aid for the poorest countries” (61)

Aid Effectiveness is improving. Recent studies suggest that in 1990, \$1 billion of aid raised some 105,000 people out of extreme poverty, permanently. In 1997, \$1 billion raised 284,000 people out of poverty, permanently.

Aid is seen as effective through three routes:

- **Finance** is vital for countries with very low resources of their own such as Uganda or Mozambique;
- Aid provides **ideas**. It can help a country generate and modify ideas to suit local circumstances;
- Aid can help to **ease the cost of adopting good policies**.

Development aid has at times been a spectacular success. Tanzania is using debt relief and substantial aid to provide free primary education. In just two years net enrolment increased by 8% to 65% in 2001. Uganda managed to reduce HIV/AIDS prevalence by half in urban areas and a third nationally.

- 2.10** Where possible DFID seeks to channel its assistance through the administrative systems of partner Governments. This focuses efforts on strengthening government systems for planning, financial management and accounting, rather than setting up parallel systems (see box 2.e). Channelling assistance through government also ensures that donor funds are visible in the government’s budget, increasing transparency and accountability.

**Want to know more?**

about the effectiveness of aid. See the joint DFID/Treasury paper ‘The Case for Aid for the Poorest Countries’ (61). See annex 4 for details of how to obtain this and other DFID publications.

### Box 2.e: Example of the benefits of moving assistance ‘on-budget’

Mozambique is a highly aid-dependent country that receives annual external assistance equivalent to some 17% of its Gross Domestic Product. High aid volumes, combined with sound policies, have enabled Mozambique to stabilise and adjust while breaking the cycle of low savings and low growth. However, much of this aid has been spent outside the Government budget which has imposed a significant burden on Government in co-ordinating a large array of donor and Non Governmental Organisations activity.

DFID is providing direct budget support to Mozambique which has helped the Government accommodate an increase in priority spending, notably in health and education, as identified in the agreed Mozambique Poverty Reduction Strategy Paper. The budget support programme, funded by DFID and 10 other bilateral donors, is changing the nature of the aid relationship in Mozambique. There is now a more focused and joined up dialogue on a range of critical macro economic and poverty monitoring issues directly linked to the Poverty Reduction Strategy Paper. For example, in May 2001, donors were better able to establish a joint position and influence Government in its handling of major problems in the banking sector. The Mozambique Government has asked donors to channel a greater share of aid directly through the budget to ensure joint dialogue around the Poverty Reduction Strategy Paper and improved financing of a pro-poor budget.

### Direct budget support

- 2.11** DFID is committed to shifting from supporting individual projects to providing support directly to recipient government budgets in support of the implementation of an agreed poverty reduction strategy and better financial management. This type of support, often called ‘direct budget support’ will be linked to recipient governments reaching agreed milestones for poverty reduction. It is important that the systems of governments receiving direct budget support can provide reasonable assurance that the funds are being spent for the purpose intended. DFID has, working with the National Audit Office, developed guidance for staff on how to manage the financial risks of working through partner government systems (see box 2.f).

### Box 2.f: Managing financial risks when providing direct budget support

Before providing direct budget support, DFID must assess the effectiveness of the recipient government's systems and the risk and benefits of each proposal. DFID may provide direct budget support provided:

- a thorough evaluation of public expenditure and accountability systems, and associated risks, has been carried out;
- the government has a credible programme to improve the standards of these systems;
- the potential developmental benefits justify the risk, taking account of any safeguards that can be put in place to buttress and develop these systems;
- these assessments are explicitly recorded as part of the process for deciding whether to provide direct budget support.

DFID must balance the financial and other risks against the potential developmental benefits. Where the risks cannot be mitigated sufficiently, DFID should not normally enter into direct budget support arrangements at that time.



DFID is providing budget support to the Government of Andhra Pradesh (India) in support of pro-poor reforms: Woman learning carpentry, Andhra Pradesh

R. LOKANADHAM/DFID

- 2.12** During the past year, DFID has spent over £250 million as direct budget support. In federal countries we may provide direct budget support to sub-national tiers of governments. For example, in March 2002, we made our first transfer of direct budget support to the Government of the Indian state of Andhra Pradesh in support of their strategy for eliminating poverty by 2020 (see box 2.g).

**Box 2.g: Direct support to the Government of Andhra Pradesh in India**

DFID is jointly funding a programme with the World Bank to support the Indian state Government of Andhra Pradesh in undertaking pro-poor reforms for eliminating poverty. Following the completion by the Government of Andhra Pradesh of a set of agreed actions, DFID has provided £65 million as direct budget support and the World Bank is providing \$250 million. The steps taken by the Government of Andhra Pradesh include:

- increased budget allocations for primary education and primary health;
- improving budget processes and making government financial decision making more transparent;
- governance reforms, including improved service delivery, tackling corruption and promoting private sector growth.

- 2.13** Direct budget support frequently contributes to multiple objectives. This makes it difficult to attribute spending on direct budget support against individual policy objectives for DFID's expenditure statistics. We are currently reviewing how expenditure on direct budget support will be reported in the future and will include data on this in the next Departmental Report.
- 2.14** Moving to direct budget support is one way of addressing problems with aid delivery mechanisms. The UK, with others, is seeking other ways to reduce the burden that the many different donor procedures impose on developing countries. The UK has chaired a Task Force on Donor Practices in the Development Assistance Committee of the Organisation for Economic Co-operation and Development. This Task Force was established for a two-year period in January 2001 to strengthen partner countries' ownership by harmonising donor procedures. It will set the foundations for producing best practice guidance to reduce the transaction costs to developing countries of managing donor assistance programmes. Three subgroups have been established – Financial Management and Accountability, Reporting and Monitoring, Pre-implementation Phase – to examine specific areas of interest, including developing countries' concerns.

## Untying

**2.15** Too much aid is tied to purchasing donor country exports. Untying aid increases the effective value and impact of development assistance by 10–20%. Following the commitment in the 2000 White Paper (2), DFID untied all of its development assistance from 1 April 2001. Box 2.h describes some of the early results. Although it may be several years before the full impact of untying is felt, early experience suggests that untying is already resulting in higher quality and better value for goods and services purchased from the development budget.

### Box 2.h: Untying UK development assistance

Early indications of the benefits of untying include:

- untying has encouraged the formation of strong multi-national supplier consortiums including developing country suppliers, offering DFID and our partners better value for money;
- developing countries have welcomed the option of using experts from any country which increases their to access the most appropriate advice;
- DFID’s improved transparency and emphasis on open international competition is seen internationally as an example of good practice;
- the market for supplying goods and services to the development programme has widened significantly – around 10% of high value contracts have been awarded to non UK suppliers since April 2001.

**2.16** DFID has continued to play a leading role in efforts to promote untying by all donor Governments. In April 2001 donor Government members of the Development Assistance Committee of the Organisation for Economic Co-operation and Development agreed to a Recommendation on Untying Official Development Assistance to Least Developed Countries. This commits them to untying financial assistance to least developed countries from 1 January 2002. As the first ever multilateral agreement on untying development assistance, this recommendation is an important step towards increasing the overall effectiveness of development assistance. However, the recommendation is limited to certain types of aid to one group of countries and covers only 12% of total OECD bilateral aid. The UN conference on Financing for Development held in Monterrey, Mexico in March 2002 pledge further efforts to enhance initiatives for greater effectiveness and we will work with the European Commission, EU member states and other donor governments towards the goal of full untying of all aid.

“The United Kingdom has played a key role in promoting and supporting multilateral efforts for the untying of aid, notably the recommendation on untying to least developed countries adopted by the Development Assistance Committee in April 2001”

Development Assistance Committee Peer Review of the United Kingdom (99), October 2001.

## Making the international system work better for poor people

**2.17** DFID is seeking to ensure that the entire international system works to remove obstacles to progress and increase opportunities for developing countries and poor people. This involves maximising the effectiveness of international institutions such as the United Nations, the International Monetary Fund and the World Trade Organisation. It also means ensuring policies of developed countries and groupings such as the G8 and the European Union support the objective of reducing poverty. Box 2.i shows some key achievements in 2001/02 against the qualitative target in our Public Service Agreement 1999/2000 – 2001/02 (7) of increasing the effectiveness of the international system.

**Box 2.i: Public Service Agreement 1999/2000 – 2001/02:  
Effectiveness of the international system**

### **Target**

Effectiveness of the international system in promoting sustainable development (no specific target set)

### **Achievements**

Key achievements this year:

- Agreement at Doha to launch a new trade round included significant progress on key concerns of developing countries.
- UN Conference on Financing for Development produced consensus on measures needed to tackle poverty by developed and developing countries. Commitments made at the conference by the European Union and United States will deliver an extra \$12 billion a year in aid by 2006.
- OECD Development Assistance Committee Recommendation on untying aid to least developed countries.
- In 2001/02, a further four countries have started to receive debt relief under the Heavily Indebted Poor Countries initiative, and three more completed the process and received their final irrevocable debt relief. This brings the total number of countries benefiting from this initiative to 26.
- Ten countries have completed full Poverty Reduction Strategy Papers of which six completed them in 2001/02. Another 35 have completed Interim Poverty Reduction Strategy Papers, of which nine were in 2001/02.

## Trade and investment

**2.18** The World Bank estimates that reforms in international trade rules to provide improved trading opportunities for developing countries could lift an additional 300 million people out of poverty. DFID has continued to work with the Department of Trade and Industry to both increase the opportunities for developing countries created by international trade and minimise costs. The UK Government worked successfully to promote the launch of a new trade round ahead of the World Trade Organisation Ministerial meeting in Doha in November 2001. Agreements at Doha for this new trade round set in train a process of negotiations on a range of new trade agreements which could bring significant benefits to developing countries (see box 2.j).

### Box 2.j: Outcomes from the World Trade Organisation Ministerial meeting in Doha, November 2001

The Doha Ministerial meeting reached agreement on a number of measures relevant to developing countries:

- A commitment to negotiations on **agriculture** aimed at substantial improvements in market access, reducing, with a view to phasing out, export subsidies, and substantial reductions in trade-distorting domestic support. For example, the World Bank estimates that developing countries' gains from a 50% cut in tariffs, by both developed and developing countries, would be in the order of \$150 billion – around three times what they receive in aid.
- Continuing negotiations on **services**, where full liberalisation among developing countries would bring them benefits worth at least \$900 billion.
- Declaration on **Trade Related Aspects of Intellectual Property Rights** recognising the need for a flexible interpretation of these intellectual property rights agreements to enable developing countries to protect public health.
- Systematic attention to **building the capacity** of developing countries to represent their interests in trade negotiations.
- A commitment to the objective of duty and quota free market access for **least-developed countries**.

**2.19** A notable feature of the discussions at Doha was the stronger voice of developing countries which are reflected in the outcomes which address many of the key main concerns of developing countries (see box 2.k). The Doha Ministerial agreement commits developed countries to supporting the efforts of developing countries to increase their capacity to represent their interests in trade negotiations.

**Want to know more?**

about the importance of trade for poverty reduction.

See DFID's 'Trade Matters' information pack (88).

See annex 4 for details of how to obtain this and other DFID publications.

## Box 2.k: Developing country participation at Doha

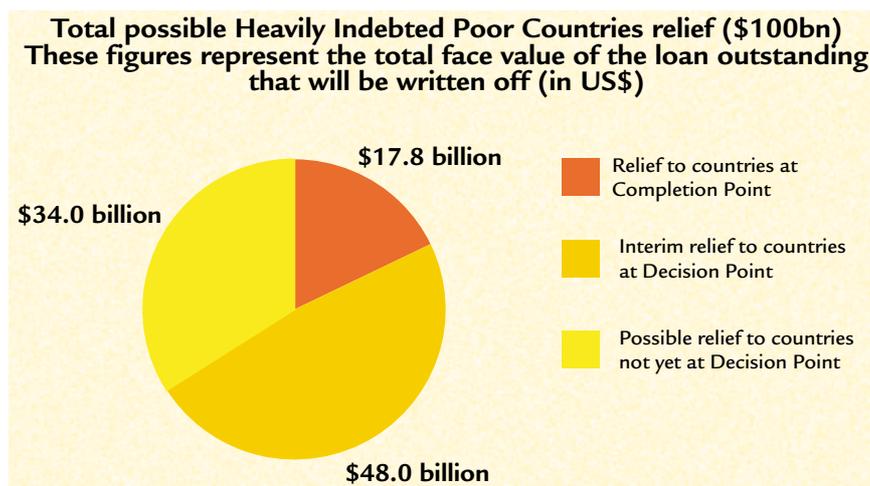
Developing countries made more of an impact at Doha than ever before in the long history of international trade negotiations. The World Trade Organisation, conscious of the need to make this a development round, organised the process to provide an opportunity for developing countries. For their part, developing countries arrived with the knowledge and will to seize this opportunity – individually and above all, collectively. Groups such as the ‘Africa, Caribbean and Pacific’ countries, the ‘Africa Group’ and the ‘Least Developed Countries’ worked successfully together, and their voices were heard.

- 2.20** Over the last year, DFID has actively sought to ensure that agreements on investment and competition were included in the Doha Declaration. Developing countries have begun more effective networking on competition policy issues as a result of our technical support. Many have also achieved a greater understanding of what motivates foreign and domestic private investors.

### Debt and financing development

- 2.21** A report prepared by Mexico’s former president, Ernesto Zedillo, for the Secretary General of the United Nations in June 2001 (92) estimated that achieving the Millennium Development Goals will require an extra \$50 billion a year of official development assistance. The World Bank has produced similar figures. The UN conference on Financing for Development in Monterrey, Mexico, in March 2002 provided an important opportunity to consider how the international community would respond to this challenge.
- 2.22** The UK worked hard to encourage a positive European Union position for Financing for Development. In particular, the UK worked strongly to win support for the proposal by the European Commission which was agreed at the Barcelona Summit in March 2002 that the European Union will increase the proportion of its wealth devoted to Official Development Assistance from 0.32% to 0.39% by 2006. This will generate an additional \$7 billion a year for health, education and poverty reduction from 2006. At the Financing for Development conference, the United States announced that it would increase its aid by \$5 billion a year by 2006.
- 2.23** The UK continues to play a leading role in supporting qualifying countries to secure debt relief under the Heavily Indebted Poor Countries initiative and related schemes. This initiative has now led to the cancelling of over \$60 billion in debt and helped to release \$1.7 billion this year for social expenditures and poverty reduction in benefiting countries (see box 2.1).

## Box 2.1: Debt relief under the Heavily Indebted Poor Countries initiative



- 2.24** Countries are relieved from repayments against outstanding debt once they qualify to start the debt relief process under the Heavily Indebted Poor Countries initiative. The debts are irrevocably cancelled when a country completes this process. In 2001, two countries, Chad and Ethiopia, qualified for debt relief, and so far in 2002 two more, Ghana and Sierra Leone, have qualified, making 26 countries benefiting from the Heavily Indebted Poor Countries initiative. In 2001, three of these countries, Bolivia, Mozambique and Tanzania, completed the debt relief process making a total of four that have received their final, irrevocable relief. Burkina Faso completed the process in March 2002.
- 2.25** It is essential that the international financial system has safeguards in place to ensure that future borrowing by developing countries is on a sustainable basis. We remain concerned that countries may exit the debt relief process with debt levels that are unsustainable. The UK, has raised this issue with G8 partners and it has now been agreed that debt sustainability will be reassessed when countries exit the debt relief process. If a country is assessed as having unsustainable debt, additional debt relief can be provided.

## Reducing conflict

- 2.26** Violent conflict remains one of the great obstacles to reducing poverty. DFID supports conflict prevention and peace building both through our work in developing countries and also with two conflict prevention pools. These are jointly managed by DFID, the Ministry of Defence and the Foreign and Commonwealth Office: the Africa Conflict Prevention Pool, on which DFID lead and the Global Conflict Prevention Pool (outside Africa) by the Foreign and Commonwealth Office. We also support conflict prevention through work at regional and international levels and through contributions to multilateral agencies, including the United Nations and the European Union.
- 2.27** DFID has developed a methodology to help development agencies assess how they might be involved in countries at risk of violent conflict. This methodology

has been endorsed and picked up by other donor agencies in their conflict prevention work, via, amongst other channels, the OECD Development Assistance Committee Network on Conflict, Peace and Development Co-operation.

**2.28** We also worked with the Foreign and Commonwealth Office and Ministry of Defence to ensure that a comprehensive and useful Programme of Action was adopted at the UN Conference on the Illicit Trade in Small Arms and Light Weapons in All Its Aspects in July 2001. The conference was important in focusing international attention and highlighting the relationship between the uncontrolled proliferation of small arms and light weapons and underdevelopment. The Programme of Action commits governments to implement a number of measures for controlling the availability of small arms and light weapons. The UK is assisting partner countries to implement these through the Global Conflict Prevention Pool's three-year £19.5m Small Arms Strategy.

DFID is supporting demobilisation, disarmament and reintegration of ex-combatants in Sierra Leone: Ex-combatants building a pig pen



NICOLA JENNS

**2.29** In Africa, DFID has focused particular attention on securing peace and stability in Sierra Leone (see box 2.m), and contributing to the establishment of lasting solutions to the conflicts affecting the Great Lakes and Sudan. Work on building inclusive and accountable governance, strengthening state institutions and improving people's livelihoods all contribute to conflict prevention and peace building.

**Box 2.m: Reducing conflict in Sierra Leone**

The UK has played a pivotal role in helping to re-establish stability in Sierra Leone, and in getting wide international support for the peace process. This has resulted in a UN peace-keeping force of 17,500 being deployed, the largest in the world.

Activities funded from the Africa conflict pool have focused on support for the demobilisation, disarmament and reintegration of ex-combatants. Over 50,000 ex-combatants have disarmed since May 2001. We are providing support to help reform the security sector, strengthen civilian control of the Sierra Leonean Ministry of Defence and make it more accountable. We are also providing long-term support to the Sierra Leone police. Such assistance complements our regular development programme, which works to improve standards of governance and reduce corruption.

- 2.30** The Africa Conflict Prevention Pool is headed by a Ministerial Committee, chaired by the Secretary of State for International Development. Improved inter-departmental working as a result of the pool has led to higher quality policy analyses and strategies for tackling conflicts in Africa. Ministers have agreed geographical and thematic priorities for the Pool. DFID worked with the Foreign and Commonwealth Office and Ministry of Defence to produce a framework paper on the 'Causes of Conflict in Sub-Saharan Africa' (72). The paper, finalised in October 2001, contributed to increased international focus and policy discussions on conflict in Africa. This co-ordination has increased the effectiveness of the UK approach, for example in support of the Special Protection Force in Burundi.
- 2.31** As well as contributing to efforts to reduce conflict worldwide it is important that the export of arms do not undermine sustainable development in poor countries. DFID provides advice to the Department for Trade and Industry on assessing arms export licence applications to poor countries against the Consolidated European Union and national arms export licensing criteria. The UK Government has presented an Export Control Bill to Parliament which is likely to receive Royal Assent before the 2002 summer recess. This underlines the Government's continuing commitment to sustainable development in the arms export licensing process. While there may occasionally be difficult decisions to make, this legislation will make it a requirement for this and all future Governments to issue guidance on how they propose to consider sustainable development and other important considerations, like human rights, when exercising their arms export licensing powers.

## Humanitarian assistance

- 2.32** In 2001/2002, DFID provided timely and effective response to a number of major natural disasters, including earthquakes in Gujarat, El Salvador and Peru, flooding in Nigeria, Mozambique and Orissa, blizzards in Inner Mongolia, droughts in Central Asia and Central America, and two hurricanes in the Caribbean region. We played a significant part in the international response to the crisis in Afghanistan (see paragraphs 4.30–4.32) and managed an effective emergency response to the conflict in Macedonia working closely with international organisations. We also provided effective support to meet immediate needs during the recent crises in the Democratic People's Republic of North Korea, the North Caucasus and in Burma.
- 2.33** The safety and well being of expatriate and local staff employed by humanitarian agencies is a major concern to DFID. We are supporting the efforts of international agencies and non-governmental organisations to improve the security of their programmes and safety of their staff, through sharing information on practical threats, training, and co-operation over security arrangements in the field. We have also developed procedures for joint military–civil co-operation in humanitarian and peace-support operations to facilitate an appropriate, efficient response to both natural and complex emergencies. These procedures were used, for example, in the rapid deployment of search and rescue teams to the Gujarat earthquake and similarly, in the secondment of DFID humanitarian advisers to support the planning operations during the crises in both Macedonia and Afghanistan.
- 2.34** DFID has continued to make a substantial investment in helping to strengthen the multilateral humanitarian system through our global institutional partnerships and bilaterally through our regional departments. The effectiveness of recent international relief efforts and the strategic approach adopted by key organisations in the UN system, the Red Cross/Red Crescent system and other international agencies, demonstrates the progress that is being made in the provision of humanitarian assistance and crisis management.
- 2.35** We have also continued to support the disaster reduction programmes of international and regional organisations and networks including the Pan American Health Organisation, World Bank and the United Nations Development Programme. There is some evidence that some governments of countries in Latin America are taking increasing responsibility for effective disaster management.
- 2.36** A co-ordinated international framework for effective humanitarian mines action is crucial, and the UN is the central player here. We have agreed our mine action strategy, including multi-year funding, with the Geneva International

Centre for Humanitarian De-mining, the United Nations Development Programme and the United Nations Mine-Action Service. The channelling of funds through UN agencies is leading to a more systematic approach to the prioritisation and co-ordination of mine action programmes, as well as the adoption of common standards and practices.

## Building informed support for development

**2.37** DFID works with many groups across the UK to promote public understanding of the importance of international development to the sustainability of the world and the importance, for all of us, of achieving the reduction and eventual elimination of extreme poverty. Public attitude monitoring surveys indicate consistently high levels of concern about poverty in developing countries. (see box 2.n).

**2.38** We have continued to work with schools, education ministers and others to enhance the global dimension of formal education, through guidance, training and support to schools to help raise understanding by young people. Since April 2001, we have launched two new schemes designed to strengthen television coverage of global issues. We are also strengthening our work with other groups within society, and we have launched initiatives working with Jewish, Muslim, Sikh and Christian faith groups to raise awareness of development issues.

### Box 2.n: Public attitudes towards poverty in developing countries

Highlights from the results of the June 2001 public attitude monitoring survey.

- Around 70% of respondents express concern about poverty in developing countries, with an increase in the proportion who feel ‘very concerned’ from 17% in 1999 to 25% in 2001.
- The proportion who agree that extreme poverty globally may damage the interests of the UK, is around 60%.
- There is increasing – though still limited – recognition of the role of the United Nations, as well as that of the Governments of developing countries themselves in reducing poverty.

**2.39** A third round of Development Policy Forums started in February 2002. This series of public events aims to promote debate and dialogue on current development issues. The forums are a two-way process which enable the public to meet Ministers and officials face-to-face. The issues for discussion at this round of forums are the environment, trade and investment.

**2.40** We also continue to support, and strengthen our links with, civil society in the UK which is an important partner in our work and in maximising progress towards the Millennium Development Goals. We are currently completing a second round of Partnership Programme Agreements, under which we provide long term strategic support to key development agencies. We have been developing ways of supporting work relevant to poverty reduction by organisations whose primary purpose is not development, such as trade unions or professional organisations.

## Working with other development agencies

**2.41** Achieving the Millennium Development Goals will require increased effort across the international community. While the UK cannot work in every country bilaterally, multilateral agencies can and do. Faster progress towards the elimination of poverty requires a more effective and coherent response from the whole international system. The UK spends nearly half of its international development funds, around £1.3 billion a year, through multilateral development agencies (see chapter 5 for more details). In addition to many operational links with different organisations, we also focus on the overall effectiveness and governance of those organisations we contribute to.

**2.42** Around a quarter of UK expenditure on international development in 2000/01 was spent through European Community programmes (see chapter 6). These programmes are currently not meeting their potential. The European Community does not devote enough of its resources to the poorest countries and the quality and timeliness of its interventions are frequently deficient (see chapter 5).

**2.43** DFID has worked hard to push for a strong European Commission reform agenda. In 2000 the European Commission initiated major reforms to the way it manages its development programmes which are now beginning to yield improvements. The new Europe Aid Co-operation Office has been established with responsibility for identification and implementation of European Community development programmes. In January the European Commission published its first ever Annual Report on its overseas programmes (89). It is now essential to carry these reforms through by streamlining procedures, delegating more responsibility to Commission offices overseas and implementing the European Community Development Policy in all its programmes in developing countries.

**2.44** The European Commission has committed itself to taking a more strategic and collaborative approach at country level and working more closely with other donors. This approach is being reflected in new European Community Country Strategy Papers, including new papers for Africa, Caribbean and Pacific

countries. In December 2001, the UK fulfilled its obligation to ratify the Cotonou Agreement, one of the first EU countries to do so. The Agreement replaces the Lomé Convention and governs the development, trade and political relationship between the EU and the countries of Africa, the Caribbean and the Pacific.

**2.45** The World Bank has a unique role to play in development. Evaluations of International Development Association financing, the concessional lending arm of the World Bank, have concluded that it has a high impact on poverty. The negotiations of the thirteenth replenishment of the International Development Association are underway. The Secretary of State has announced that the UK is willing to substantially increase our contribution to the International Development Association, subject to satisfactory resolution of a disagreement amongst donors on the appropriate proportion of funds which should be provided as grants. DFID believes that very long term (40 year), highly concessional lending (70% grant) is a very effective development instrument which complements the grant funds provided by bi-lateral agencies. The UK's annual contributions to the International Development Association are £178 million out of our £3 billion annual spend. In addition providing substantial International Development Association funds as grants would threaten the long term liquidity of the Bank without enhancing its effectiveness at reducing poverty. Concessional lending plays an important role in helping poor countries establish a track record of financial management which provides a stepping stone to accessing private finance. There are already many grant donors such as bilateral agencies, the United Nations and the European Union. This issue has delayed agreement to the replenishment and the UK is seeking early and satisfactory resolution of the issue.

**2.46** Regional Development Banks are able to play an important role in responding to the particular needs, circumstances and priorities of their regional members. Negotiations on replenishment of concessional resources for the Caribbean and African Development Banks were also concluded during the past year. The UK agreed to provide £25 million over 4 years to a total replenishment of £125 million for the Caribbean Development Bank. Negotiations on the ninth replenishment of the African Development Bank's concessional window, the African Development Fund, have yet to be concluded. They are being held up by the continuing delay in negotiations for the replenishment of the International Development Association. We have supported the Asian Development Bank's efforts to restructure itself in order to deliver better against its poverty reduction objective. We are seeking to enhance its contribution to the Millennium Development Goals through the secondment of experts, the provision of trust fund resources and joint working on programmes.

**Want  
to know  
more?**

about DFID's work with other development agencies. See our Institutional Strategy Papers setting out objectives for engagement with the major multilateral organisations we contribute to. See annex 4 for details of how to obtain these and other DFID publications.

**2.47** The United Nations is the only global organisation with a near universal membership and remit to support and achieve major advances in international development. This gives the United Nations a unique moral authority. But the large numbers of different UN agencies has led to overlap and duplication. DFID has strongly supported the efforts of the UN Secretary General, Kofi Annan, to eliminate duplication and enhance the effectiveness of the UN system. We have provided technical support to the UN Development Office in New York to implement the UN Development Framework which provides a mechanism for improved co-ordination and prioritisation by UN agencies. DFID has also pressed the UN to ensure that its efforts feed into, and do not duplicate, national Poverty Reduction Strategy processes.

**2.48** The United Nations Development Programme plans to take a leadership role in assessing progress in individual countries against the targets set out in the Millennium Development Goals. The United Nations Development Programme announced plans to focus its work on six sectors:

- Democratic Governance
- Poverty Reduction
- Crisis Prevention and Recovery
- Energy and Environment
- Information and Communications Technology
- HIV/AIDS

The UN Development Programme has launched an ambitious reform agenda which we support and expect to deliver significant improvements in its effectiveness.

**2.49** We are also encouraging reform in other agencies. In April 2001 the UN Educational, Scientific and Cultural Organisation agreed to give top priority to achieving Education for All.

## Knowledge and research

**2.50** The generation and appropriate dissemination of information and knowledge are a vital part of efforts to eliminate poverty. DFID continues to invest substantial funds in knowledge and research, in all areas of our work (see chapter 3 for examples of achievements from DFID-funded research programmes). We have supported a successful pilot phase of an internet-based initiative to strengthen southern research capacity and, following a review in Spring 2001, we agreed to support the main phase.

- 2.51** Work has started on a review of DFID's research policy which will assess how research can best contribute to achieving the Millennium Development Goals. The review will consider the appropriate level of DFID-funded research, assess priorities and consider DFID's role in research capacity building.

## Measuring and monitoring progress

- 2.52** Accurate data is vital to measure progress in reducing poverty, including progress towards the Millennium Development Goals. Without good data, decision makers in developing countries lack the information they require to plan and implement effective policies and civil society lacks the information needed to hold government to account. In most poor countries, collecting reliable data for indicators such as primary school enrolment or births and deaths is a major challenge and data may be of variable quality. In countries affected by conflict, systems for collecting data of all kinds may have ceased to function at all. DFID is working with other development agencies to help build the capacity in developing countries to collect and use statistical data.
- 2.53** The main focus of collaboration by international development agencies on statistical issues, is a programme called 'Partnerships in Statistics for Development in the 21st Century'. Over the past year this programme has organised a number of regional workshops covering some 40 countries on advocacy, indicators of statistical capacity, statistical strategic planning and population censuses. These workshops have encouraged cooperation and dialogue between users and producers of statistics in developing countries. The workshops have also increased political support and capacity for monitoring Poverty Reduction Strategy Papers in many countries in Africa and elsewhere.

- 2.54** Helping developing countries improve the availability and quality of statistical information is an important part of DFID's programmes in many countries and is becoming increasingly important to our work to support implementation of Poverty Reduction Strategy Papers (see box 2.p).

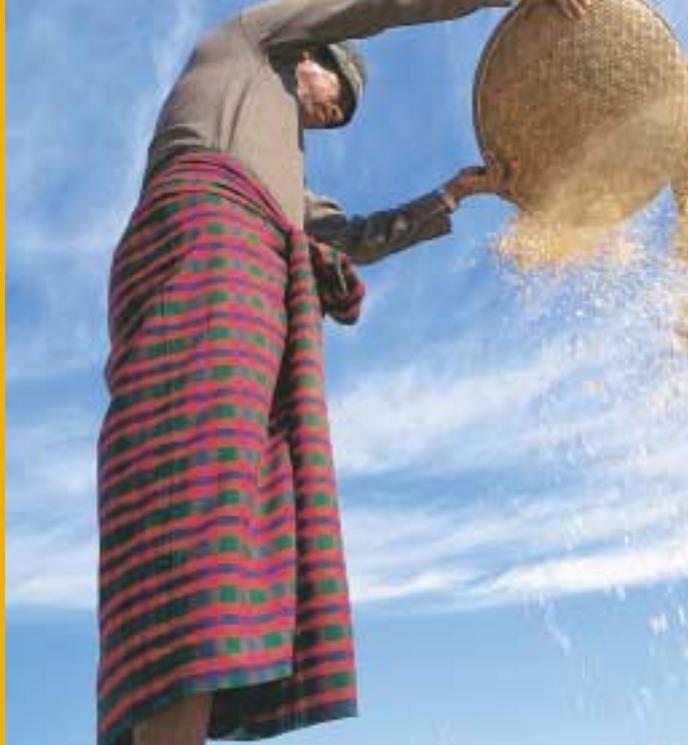
**Box 2.p: Strengthening statistical capacity in Uganda.**

In Uganda DFID has been helping to strengthen the capacity of Government to produce good quality data to monitor the implementation of its Poverty Reduction Strategy Paper. The impacts of this work during the past year include:

- DFID supported a Government-led participatory poverty assessment which identified that cost sharing for health services was a major barrier for the poor. This led to cost sharing being abolished. The numbers of poor people accessing health services has risen substantially as a result and budget allocations to the health sector have also increased.
- DFID supported annual studies that have been used to improve the tracking of funds from Treasury to schools. The proportion of funds that can be tracked in this way has increased from 30% in 1996 to 90% in 2001.
- An Education Management Information System has been established for the first time in Uganda with DFID support. The availability of data on all schools has enabled the Government to assess the impact of its policies and programmes and to prepare better strategies for future reforms.

# Chapter 3

JEAN-LEO DUGAST/PANOS PICTURES



<b>What we do</b>	<b>36</b>
Addressing the causes of poverty	
Improving livelihoods	36
Primary education	38
Better health for poor people	41
Creating economic opportunities	45
Effective governments	48
Human Rights based approach to development	50
Mainstreaming sustainability into national development	51

## Chapter 3:

# What we do: Addressing the causes of poverty

### Want to know more?

DFID has published nine strategy papers examining action needed to meet the 2015 targets. See annex 4 for details of how to obtain these and other DFID publications

- 3.1** Poverty is complex, with different and interrelated causes and impacts. For example, lack of education and poor health are both causes and consequences of poverty. There is no single solution. Achieving the Millennium Development Goals will require progress in many areas to tackle the underlying causes of poverty and create the conditions which enable poor people to improve their lives. DFID cannot work in every sector in every developing country. Wherever possible, DFID is seeking to determine its priorities according to countries' nationally owned and led poverty reduction strategy papers. (See chapter 2).

## Improving livelihoods

- 3.2** Putting the livelihoods of poor people at the centre of efforts to sustainably reduce poverty is vital to achieving the Millennium Development Goals. DFID supports a substantial programme of research aimed at improving income-earning opportunities for the millions of poor people in developing countries whose livelihoods critically depend on their natural resources (see box 3.a).

Millions of poor people depend on natural resources for their livelihoods: Women making honey in Cameroon.



GIACOMO PIROZZI/PANOS PICTURES

- 3.3** Fisheries are an important livelihood resource for many poor people. DFID is working to ensure that EU policies support these livelihoods and have made a presentation to the European Parliament about the need to ensure that fisheries policy is consistent with poverty reduction objectives.

**Box 3.a: DFID’s Renewable Natural Resources Research programme**

Some examples of achievements in research in 2001/02 that are now being applied to reduce poverty and contribute to people’s livelihoods options:

- 7 million sweet potato growers, from mostly poor households in Shandong Province, China, have increased their incomes from sweet potato production by 3–4%. These increases have been achieved from the introduction of a new method of propagating virus-free sweet potato seed roots and vines developed by the International Potato Center with support from DFID.
- 200 million poor people in Africa are at risk of crop failure and hunger due to disease affecting cassava, their staple crop. DFID and other donors have invested £3m over the last 10 years to combat the disease with a gross monetary benefit of £80m. Resistant varieties have produced significant yield increases in cassava. New investment is extending this work to other countries in East Africa and investigating other approaches to managing the disease.
- Fruit harvest losses have been reduced by 60% for large numbers of poor households in Pakistan with bait spots in which a protein (needed by the flies to mature their eggs) is mixed with a very small quantity of insecticide. The new control method has been adopted by the Pakistani provincial extension services, backed by Swiss funds, and the pesticide industry plans early registration of bait with duty-free import status. The results have potential global application and are currently being taken to India.

- 3.4** The Millennium Development Goals include improving the lives of at least 100 million slum dwellers by 2020. Over the past three years DFID has contributed both staff and funding to strengthen the capacity of the UN Centre for Human Settlements (Habitat) to contribute to achieving this goal. We are also supporting the work of the Cities Alliance (see box 3.b).

### Box 3.b: Cities Alliance and Nelson Mandela's Cities Without Slums initiative

DFID has supported the creation and work of the Cities Alliance as an organisation to help co-ordinate the urban poverty reduction work of different donor agencies, in helping municipalities develop City Development Strategies and slum up-grading programmes. Nelson Mandela is patron of the initiative called "Cities Without Slums". The coherent approach offered by Cities Alliance encourages new ways of funding urban poverty reduction programmes on a collective basis, and with the private sector.

### Primary education

- 3.5** Education is a basic human right. It is also fundamental to social and economic development. Mobilising the international community to achieve universal primary education by 2015 remains DFID's priority. In October 2001 we published a paper "Children out of school" (40) which identifies the different circumstances of children who are not in school and proposes an eight-point plan of international action for accelerating progress towards the 2015 goal.
- 3.6** The paper takes forward DFID's January 2001 education strategy paper, "The Challenge of Universal Primary Education" (19), which set out our three-fold strategy for achieving the education millennium development goals. When presenting this latest paper to the Education for All High-Level Group meeting in Paris in October 2001, the Secretary of State urged more energy, finance, coordination and monitoring of the universal primary education goal. The Group agreed that an annual report should be produced to monitor progress towards Education for All. The paper has also influenced major universal primary education initiatives currently under development by the World Bank and the G8 and we will continue to promote its proposals.
- 3.7** DFID's Public Service Agreement 1999/2000–2001/02 (7) set targets for increasing enrolment rates for primary school children and achieving gender equity in education in DFID's top 30 development partners (see box 3.c). For example in Tanzania, DFID is now assisting the Government to provide additional resources to the education sector. Primary school enrolment has already jumped from 57% in 1999 to 65% in 2001. Enrolment of seven year olds in primary school has also increased dramatically, and is approaching 95%.

### Box 3.c: Public Service Agreement 1999/2000–2001/02: Enrolment in primary education and gender disparity in secondary education

#### Target

Percentage children in primary education up from 81% to 91% in top 30 UK development partners by 2002.

#### Achievement

**No new data.** We reported a figure of 89% in last year's Departmental Report. However, the World Bank (who publish the data) have subsequently reported concerns about the quality of this data and have not updated it in 2001. We expect new data will be available in the April 2002 publication World Development Indicators (97).

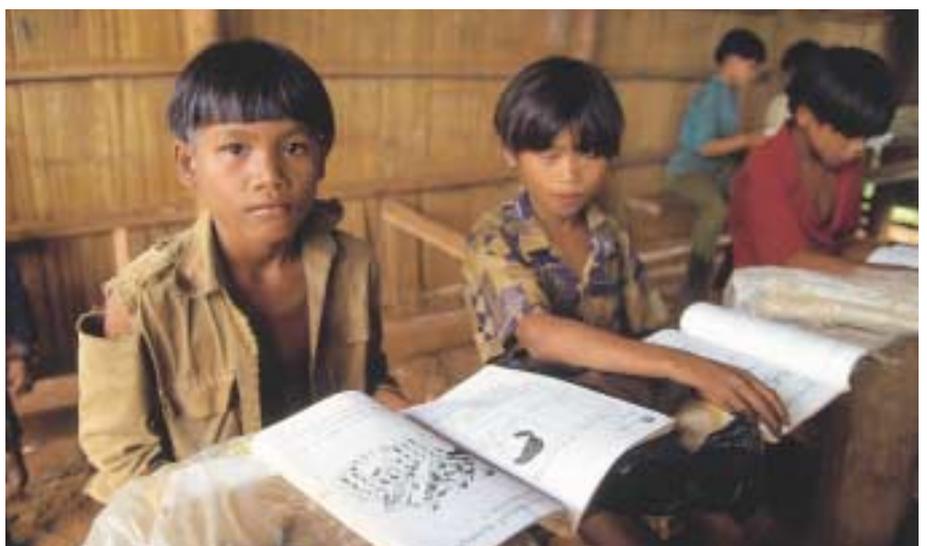
#### Target

Gender disparity in secondary education (girls as percentage of boys) in top 30 UK development partners (population weighted).

#### Achievement

**No new data.** We reported a figure of 87% in last year's Departmental Report. However, the Statistical Institute of the UN Educational Scientific Cultural Organisation (who compile this data) have subsequently raised concerns about the quality of this data. We expect the Institute to be able to provide updated data by June.

- 3.8** With DFID support, the Kenyan Ministry of Education, Science and Technology, has joined forces with a commercial auditing company to audit primary school finances for the first time. Prior to this, auditing was strictly carried out by government. This represents a significant shift to allowing greater public scrutiny of education financing and management. The contract will allow for capacity building in the Kenyan Government at both central and local government, and school levels.



DFID is working internationally to accelerate progress towards the goal of universal primary education: Ting Yi School, Cambodia

- 3.9** HIV/AIDS presents a growing and significant challenge to the achievement of Universal Primary Education. Countries most at risk are overwhelmingly in Sub-Saharan Africa and include some of DFID's main partners. DFID is working with Governments to assist them in responding to the impact of HIV/AIDS on the education sector. For example, DFID collaborated with the World Bank at the West Africa Conference on HIV/AIDS and Education held at Elmina, Ghana, to train Education planners from Ghana, Nigeria and Gambia in assessing the impact of HIV/AIDS on supply of and demand for education. This is now being followed up in Nigeria through the Universal Basic Education Project. In Rwanda and Zambia DFID has supported the development of strategic planning for HIV/AIDS and education. In Zimbabwe DFID funding has supported an HIV/AIDS impact study on the education sector.
- 3.10** Achieving gender equity in education is vital, not only to achieving universal primary education, but to achieving all of the Millennium Development Goals. Gender equality requires more intensive action to address the social, cultural and financial barriers that limit educational opportunities. In our country programmes and dialogue with international agencies, we continue to argue that girls' education should not be seen as a separate topic, but set firmly in the mainstream of sector development. (see box 3.d).

#### Box 3.d: Education in India

In India, DFID has committed over £200 million to primary education, as part of a collective effort involving the government of India and the states and other donors. Our support is making a difference, notably because it is long term and responds to specific needs of the poorest and most excluded particularly girls, children from disadvantaged caste and tribal communities and those who migrate to find work and escape hunger. Across India, there is growing evidence that our joint efforts can break the cycle of generations of exclusion from educational opportunities for girls and the poor. The Census 2001 indicates that there have been significant improvements in literacy in some states including Andhra Pradesh Madhya Pradesh and Rajasthan.

- 3.11** The development of literacy skills is an essential part of DFID's commitment to education for all. Improving literacy practice continues to be an integral part of many different programmes such as transport, water, health, small business development, environment, livelihoods, and governance. Literacy skills, including reading, writing and numeracy, can improve people's lives, for example by giving them access to information about health and education. These skills can also help to transform the ways in which poor people communicate, participate in decisions that can affect them, as well as opening up more livelihood opportunities.

- 3.12** The Literacy for Empowerment Conference held in Harare in September 2001 involved a wide range of participants from a number of African countries. It provided a chance to reflect on lessons learned, and develop a set of core principles to underpin good practice for addressing literacy tasks in future programmes.

### Better health for poor people

- 3.13** Poor people suffer disproportionately from avoidable illness and death. The suffering, lost time for work, and other costs imposes a major burden on individuals, households and countries. DFID provided financial support to the Commission on Macroeconomics and Health, chaired by Jeffrey Sachs. Its report, completed in December 2001, showed that the impact of health on development, poverty and economic growth was as much as ten times greater than had previously been thought (see box 3.e).

#### Box 3.e: Summary of the findings of the Independent Commission on Macroeconomics and Health

- Life expectancy at birth is 52 years in the world's least-developed countries, compared to 78 in the high-income countries.
- The deaths of millions of people every year – many of them children under 5 – can be prevented by extending the coverage of health interventions to the world's poor.
- By 2010, around 8 million deaths per year in developing countries due to infectious diseases and maternal conditions could be prevented, at cost of \$34 per person per year. Current actual spending on health in the least developed countries is around \$13 per person per year.
- The report calculates that to meet the Millennium Development Goals in health would require a total additional annual expenditure in health of \$57 billion by 2007 and \$94 billion by 2015.

- 3.14** Strong, effective systems for providing basic healthcare are vital for achieving major reductions in child and maternal mortality. DFID's Public Service Agreement 1999/2000–2001/02 (7) set targets for reducing under-5 and maternal mortality in our top 30 development partners (see box 3.f). DFID is shifting towards longer-term commitments in support of reform across health sectors. For example, we are supporting reform programmes in Tanzania, Zambia, Ghana and Bangladesh, with funding for up to 7 years.

Box 3.f: Public Service Agreement 1999/2000–2001/02: Child and maternal mortality

**Target**

Under-5 mortality down from 74 to 70 per 1000 live births in top 30 UK development partners.

**Achievement**

**Met.** Under-5 mortality figure for DFID's top 30 development partners in 1999 was 68 per 1000 live births.

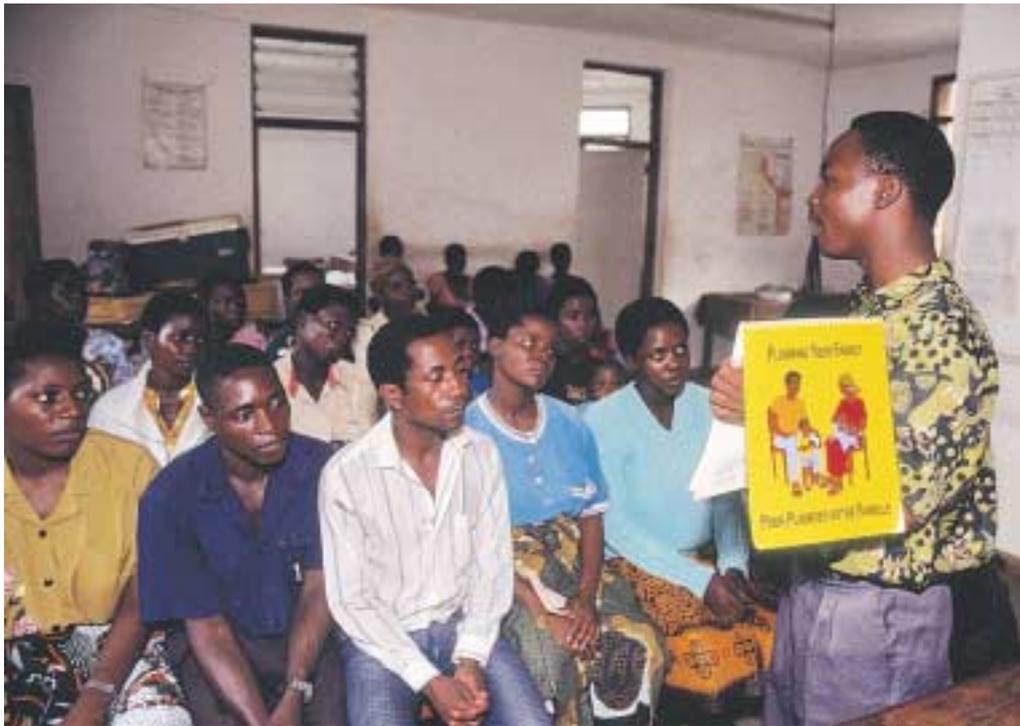
**Target**

Maternal mortality down from 324 to 240 per 100,000 live births by 2002.

**Achievement**

**Not met.** Maternal mortality figure for DFID's top 30 development partners was 270 per 100,000 live births (various years). To achieve substantial reductions in maternal mortality, a well functioning health system must be in place. We are working to strengthen health systems in our partner countries.

- 3.15** During 2001, significant steps have been taken to increase the effectiveness of the international effort to tackle communicable and non-communicable diseases. The UK played a leading role in securing commitment from G8 countries in June 2001 to a Global Fund to fight HIV/AIDS, Tuberculosis and Malaria. The Global Fund was established in December 2001 and will focus on working through partnerships at country level in the poorest and worst affected countries. To date, the Global Fund has received pledges of around \$2 billion over 5 years of which the UK has pledged \$200 million. First applications for financing have now been received, and the Fund's Board will take its first funding decisions in late April. See chapter 4 for more details of DFID's work to tackle HIV/AIDS.
- 3.16** During 2001 the number of polio endemic countries decreased from 20 to 12 and the Western Pacific Region was certified polio free. DFID continues to provide flexible funding support to the global polio eradication programme at global and country level focussing on the remaining high-risk polio endemic countries. We allocated £10 million this year to the World Health Organisation to support efforts to eradicate polio. The Roll Back Malaria Programme has successfully increased the political commitment and finance for global malaria control activities. A recent external evaluation highlighted ways to develop the



DFID is supporting the efforts of partner countries to promote reproductive health: Health educator at family planning clinic, Malawi

GIACOMO PIROZZI/PANOS PICTURES

existing global partnership and proposed strategies to accelerate country owned actions which increase access to cost effective interventions to tackle malaria.

- 3.17** During 2001/02, DFID support to the United Nations Population Fund helped secure the availability of reproductive health commodities, such as condoms, for 80 countries which may otherwise have faced shortages.
- 3.18** Millions of poor people lack access to safe drinking water or adequate sanitation resulting in increased ill health and death. Pressure on regional water resources can reduce water availability for irrigation and other uses, and also reduce poor people's livelihood opportunities. DFID is working with developing countries to help address these challenges and to achieve the Millennium Development Goal of halving the proportion of people without access to safe water by 2015. Increasing the proportion of people with access to safe water in DFID's top development partners was a target in DFID's Public Service Agreement 1999/2000–2001/02 (7) (see box 3.g). For example DFID has also been supporting the transformation of the water sector in South Africa. In 2001 this led to the implementation of the National Sanitation Programme and institutional capacity building in water resources management. We are also helping increase access to safe water in Guyana (see box 3.h)

Box 3.g: Public Service Agreement 1999/2000–2001/02: Safe water

**Target**

Percentage of population with access to safe water in top 30 UK development partners (population weighted). Baseline: 72% (various years).

**Achievement**

**No new data.** The international data series for this indicator was ended in 2000 with the figure of 77% (various years) which was reported in last year’s Departmental Report. This data series has been replaced with a series for ‘access to an improved water source’. The new series shows an increase from 73% in 1990 to 79% in 2000.

Box 3.h: Guyana Water Sector Programme

In Guyana water was identified as a high priority for poor people during the consultation process to develop the Poverty Reduction Strategy Paper. DFID has, with other donors, supported a sector-wide programme to increase access to safe water. Work in 2001 focused on policy, legal and regulatory issues. Achievements include:

- approval in principle by the Cabinet for new water sector legislation;
- agreement on an incentive-based, five-year management contract for a private operator to manage the new utility;
- government commitment to tariff and cost recovery policies for the next five years.

**3.19** The Millennium Development Goals include an objective of halving the proportion of people suffering from hunger by 2015. In February 2002, the Secretary of State launched a paper “Eliminating Hunger: DFID food security strategy and priorities for action” (44). It emphasises that the fundamental cause of hunger is poverty, not insufficient food production. And it sets out measures the international community should take to ensure that all people have access to the food and nutrition needed for healthy lives. We have started a consultation process with governments, development agencies and civil society on the challenge of hunger. This will help share our thinking on the diverse issues that must be tackled to prevent hunger – from promoting trade reforms that strengthen the food security of poor people, to developing better response to drought, conflict and emergencies.

## Creating economic opportunities

**3.20** A dynamic and competitive private sector is vital to creating economic opportunities for poor people. Governments have a key role to play in creating stable enabling environments for private investment, entrepreneurship and economic growth, above all by reducing risks. This requires the elimination of conflict, reducing corruption, enforcing laws of property and contract, and implementing sound and consistent macro economic policies. It also requires improvements in the level and quality of economic infrastructure – electric power, transport and telecommunications. Governments need to put in place policies which both enable poor people to participate in growth and promote economic and physical security. DFID's Public Service Agreement 1999/2000/02 – 2001/02 (7) set targets for increasing economic growth in our partner countries (see box 3.i).

### Box 3.i: Public Service Agreement 1999/2000–2001/02: Gross Domestic Product of top 30 UK development partners

#### Target

Annual 1.5% real Gross Domestic Product per capita growth in top 30 UK development partners (population weighted).  
Baseline: 4.33% in 1995/96.

#### Achievement

**Met.** Growth in per capital real Gross Domestic product in the top 30 UK partners in 1998/99 (lastest available data), was 3.6%. The figure for 1997/98 of –0.2% quoted in last year's report was incorrect. The correct figure for 1997/98 is 1.4%.

#### Target

Increase of share of Gross Domestic Product of poorest 20% of population in top 30 UK development partners (population weighted). Baseline: 7.1%.

#### Achievement

**Not met.** 7.1% (various years) Income inequality changes slowly. Surveys used to monitor this indicator are normally only carried out every five years or so, making year on year trends very difficult to monitor. Only five countries have supplied new data during the last year, and three-quarters during the Public Agreement period. For these reasons, this target has not been carried over to the Public Service Agreement 2001/02–2003/04.

**3.21** Increasing investment in infrastructure is also important to promoting economic development. In December 2001, the Emerging Africa Infrastructure Fund was launched with the aim of increasing private finance for investment in African infrastructure (see box 3.j).

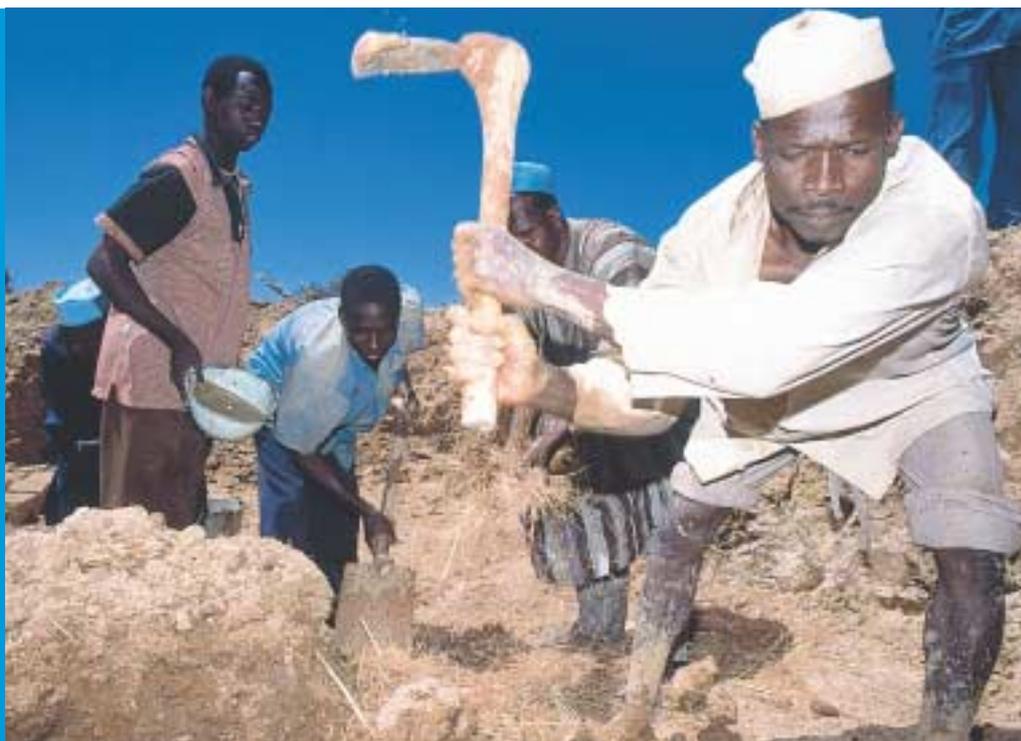
### Box 3.j: Emerging Africa Infrastructure Fund

The Emerging Africa Infrastructure Fund seeks to facilitate economic growth in Sub-Saharan Africa by increasing the amount of private sector investment in essential infrastructure provision (e.g. water and power supplies; roads, ports and airports; telecommunications; etc.). The Fund will help to significantly reduce the risk of lending by offering competitive lending terms over a 15-year period to infrastructure companies.

DFID launched the facility in January 2002 with initial seed capital of \$100m. This has already brought in a further \$200m from private banks and is expected to eventually mobilise around \$2 billion of private sector money for African infrastructure.

- 3.22** In the infrastructure sector, DFID is providing an extra £15m to support a further phase of assistance to the Public-Private Infrastructure Advisory Facility. This is a multi-donor technical assistance initiative, launched by the UK and Japan, which aims to help developing countries improve the quality of their infrastructure through private sector involvement. In the last year, funding has been approved for activities including establishing a regulatory framework for introducing private participation in the Lagos State water utility, and preparing a legal framework to support private participation in the gas sector in Bosnia and Herzegovina.
- 3.23** DFID is supporting the provision of a better policy and legal frameworks whereby financial and business services can expand opportunities for small enterprise. In Kenya, DFID supported policy dialogue between government and the private sector, strengthening the poverty reduction strategy paper and

Investing in infrastructure is essential for social and economic development: Building a community medical centre, Nigeria.



MARCUS ROSE/PANOS PICTURES

enhancing prospects for business growth. In Vietnam and the Balkans, we are working with the International Finance Corporation and Commercial bank, to support the development of finance, and management training for small and medium-scale enterprise. DFID supported the launch in 2001 of AfriCap, Africa's first equity investment fund for micro-finance institutions. New DFID programmes in Zambia and Malawi last year increased household incomes for more than 20,000 poor families.

**3.24** Transport is an important component of economic activity in developing countries. It facilitates trade and supports livelihoods by providing access to employment, education, healthcare and other services, as well as to productive opportunities and social contact. DFID is supporting work on transport for the poor in collaboration with the World Bank, African Development Bank and other organisations. However, in many developing countries, total pedestrian and non-motorised transport, which is of particular importance to poor people, exceeds that of motor vehicles. Poor and vulnerable people suffer disproportionately from road crashes with pedestrians being the largest group of fatalities. According to the Transport Research Laboratory and the World Health Organization, in addition to the tragic human cost, the economic cost of road crashes exceeds \$65 billion annually. DFID is working jointly with the Global Road Safety Partnership to reduce the impact of this major social and health problem to improve the environment particularly for poor people in rural and urban areas (see box 3.k).

#### **Box 3.k: Partnership for safer roads**

About a million people are killed in road crashes each year, with at least 30 million suffering significant injuries. 80 per cent of the fatalities and injuries occur in developing countries and the numbers are increasing rapidly as the use of motor transport expands in those countries.

DFID is supporting the work of the Global Road Safety Partnership which is an innovative engagement between business, civil society and governments to promote an appropriate national environment for combating road crashes through public awareness, socially responsible behaviour in the transport industry and supportive public policies. This year the partnership has become firmly established with an active membership from a variety of multi-national interests. Programmes are being implemented in collaboration with partners in ten representative countries (Ghana, South Africa, India, Thailand, Vietnam, Costa Rica, Brazil, Poland, Rumania and Hungary). A website is helping to make experience of good practice in partnerships widely available.

**Want to know more?**

See the report on the significance of information and communication technologies for reducing poverty (82). See annex 4 for details of how to obtain this and other DFID publications.

**3.25** The availability of information and communication services is vital to effective and competitive markets, transparent and accountable governments, and reducing corruption. During 2001/02, DFID has worked closely with other development agencies in a co-ordinated approach to tackling poverty, through the opportunities offered by information and communication technologies. The programme jointly funded by DFID and its Dutch counterpart, “Building Digital Opportunities”, aims to identify and help remove some of the key barriers and develop genuine opportunities for information and communication technologies for development. It supports five partner organisations involved in strategic activities from community radio to telecommunications policy and the Internet. This co-ordinated approach has proved very effective and other development agencies are now keen to join the partnership. DFID has also sought to increase the coherence of the international community’s approach by taking a proactive role in the key international processes on information and communication technologies and development, most notably the G8 Digital Opportunities Task Force and United Nations Information and Communications Technologies Task Force, both of which have drawn together public, private and civil society organisations active in this area. In January 2002, DFID launched a study on the significance of information and communication technologies for reducing poverty (82). The report makes recommendations for DFID on the appropriate use of information and communication technologies as tools for development.

### Effective governments

**3.26** In September 2001, DFID published a strategy paper “Making government work for poor people: building state capacity” (15). This paper analyses the measures needed by the international community and DFID to help developing countries improve governance in order to achieve the 2015 targets for halving poverty.

**3.27** Political systems need to provide opportunities for poor and disadvantaged people, to influence government policy and practice. In Cambodia, DFID is contributing to a multi-donor programme to help build capacity of local government and its accountability to support local democratic structures. A joint UK/Swedish evaluation in April 2001 concluded that this programme provides an opportunity for meeting needs of communities and strengthening the process of decentralisation. During the past year, DFID has been promoting a debate about the political economy of development both internally and with other development agencies on the basis of a discussion paper on understanding pro-poor change (see box 3.1).

### Box 3.1: Understanding pro-poor change

The discussion paper looked at historical processes of social, economic and political change which have benefited poor people. It focused on the development of more effective and responsive states in the North, and considered the prospects for political development in very different circumstances in countries in the South recognising the challenges they face in building new institutions within much shorter timescales. The paper examined the alternative factors that might drive pro-poor change and emphasised the need for a long term approach. Consideration was also given to the implications for donors, including the crucial importance of local leadership of change, and the need to understand the social and economic structures that underpin formal institutions, and shape the opportunities and incentives for political actors and policy makers.

- 3.28** The past year has also seen increased recognition that effective management of public finances is essential for achieving the Millennium Development Goals. Incremental improvements in the management of governments' own resources can, potentially, have a far bigger impact than external financing. A review of public financial management in the 25 Heavily Indebted Poor Countries during 2001, demonstrated that there is huge scope for improvement in this area. African countries have identified public finance as a key priority for reform, as part of the New Partnership for African Development (see chapter 4).
- 3.29** DFID supports a wide range of financial management reforms, which boost aid effectiveness. For example, much government expenditure management and aid money is used to fund procurement. In Ghana, a project to review large government tenders has helped government to identify over \$6m dollars in direct savings, repaying the cost of the project many times over.
- 3.30** DFID continues to promote reform of taxation systems in developing countries, helping to create broad based, progressive tax systems which are fairly administered and which offer the prospect of reducing dependence on aid. In 2001 Value Added Tax was introduced in Rwanda with help from DFID. And during its first year of operation, the Value Added Tax collection target was exceeded. This has helped the government to achieve its overall revenue target agreed with the International Monetary Fund, after several years of disappointing revenue performance.
- 3.31** Surveys of the views of poor people, including the World Bank's "Voices of the Poor" (94, 95, 96), the first major consultation of its kind, show that personal security is an important concern for poor people. In 2001/02, implementation of a £35m sector-wide initiative to improve safety, security and access to justice

was initiated in Malawi. In the Balkans, DFID is working with other government departments to implement a conflict prevention strategy that includes community safety and dispute resolution elements. In Nigeria, a £30m programme will support reforms in the justice sector. Countries where consultations on new initiatives is underway include Ghana, South Africa, Lesotho and India.

**3.32** Developing countries have legitimate defence and security concerns that require proportionate investment of public funds. It is important that the international community recognises that developing country Governments need support to meet their legitimate security needs through increasing the accountability and transparency of their security sectors. This support could include the tightening of financial management and budget discipline, including reducing off-budget defence expenditure, and the acceptance of a role for civil society in security matters. In February 2002, the Secretary of State launched a report funded by DFID on off-Budget military expenditure (98).

**3.33** Corruption has many negative effects on investment, economic growth and the effectiveness of government and poor people carry the biggest burden. In January 2002, DFID established a resource centre with Germany, Norway and the Netherlands to advise on anti-corruption issues. The Anti-corruption commission in Sierra Leone, established with DFID support, has investigated almost 200 cases. DFID has also been a major partner with the OECD and Asian Development Bank in the launch in November 2001 of an anti-corruption initiative in the Asia region, involving initially 17 countries.

**3.34** The Anti-terrorism, Crime and Security Act enacted in December 2001 puts beyond doubt that UK anti-bribery law applies to acts involving foreign public officials, including Ministers, MPs and judges. Under the Act, a British national can be prosecuted in the UK courts even if the offence is committed overseas. These provisions entered into force on 14 February 2002.

### **Human Rights based approach to development**

**3.35** DFID seeks to take a rights perspective throughout our work. This means incorporating the empowerment of poor people into our approach to tackling poverty, ensuring their participation in decision-making processes, promoting equal access to services and resources, and strengthening government institutions and policies so that the rights of poor people are recognised and protected.

**3.36** Eliminating discrimination against women is crucial to reaching all of the Millennium Development Goals. DFID is working to secure a commitment in countries' policies to address different forms of discrimination, and secure the rights of vulnerable groups including children and people with disabilities. For instance, DFID is supporting work by the Uganda Society for Disabled Children to ensure the rights of disabled children are included in District level Government planning processes. DFID is also supporting the UN Children's Fund in addressing child rights in its programmes. With DFID support the European Commission is now including a gender analysis and gender targets in all Country Strategy Papers.

### Mainstreaming sustainability into national development

**3.37** The poor suffer most from depletion of natural resources and environmental degradation. DFID has supported the UN in the formulation of the Millennium Development Goal of ensuring environmental sustainability and the associated target 'to integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources' (see box 3.m).

#### Box 3.m: Public Service Agreement 1999/2000–2001/02: Sustainable development

##### Target

Agreement of national strategies for sustainable development in top 30 UK development partners.

##### Achievement

**Met.** DFID has been working within the OECD Development Assistance Committee and the UN to reach international agreement to the characteristics of national strategies for sustainable development. The High Level Meeting of the Development Assistance Committee agreed guidelines on principles of strategic planning for sustainable development. These principles have been discussed in the UN in the preparatory process for the World Summit for Sustainable Development. An important outcome of this work has been the conclusion that good Poverty Reduction Strategies contain the elements necessary for strategic planning for sustainable development and fulfil the role of national strategies for sustainable development.



DFID supports local people's participation in decision making about use of national resources. Parliamentary Under Secretary of State Hilary Benn, talking to local community about management of the forest, Indonesia.

DFID

- 3.38** DFID has worked with the World Bank, the UN Development Programme and the European Commission on a joint analysis of the linkages between environment and poverty (91). This report also aims to contribute to the preparatory process for the World Summit on Sustainable Development in September 2002.
- 3.39** Involving local people in decision-making about natural resources is essential to protect their interests and to the sustainable use of resources for everyone's benefit. One example is the DFID supported coastal livelihoods programme with the Government of South Africa. This is based around the sustainable and equitable use of the significant resources in South Africa's coastal areas. The programme integrates community development and planning programmes with local and national systems, private sector interests and an understanding of the environment and ecosystem on which development depends. Another example is the DFID programme with local communities and Government in Cameroon (see box 3.n).
- 3.40** DFID works with other Government Departments, particularly the Department for Environment, Food and Rural Affairs to promote progress on global environmental issues, such as climate change, which is of critical importance to the livelihoods of the poor. DFID is also working to enable developing countries to represent their interests and perspectives more fully in international negotiations on global environmental issues. This is a commitment identified in the recent White Paper on globalisation and poverty. During the negotiations

for the third replenishment of the Global Environment Facility, the UK has pushed for an increased budget than the last, in line with the increasing demands on funds from the facility to address issues such as persistent organic pollutants and land degradation.

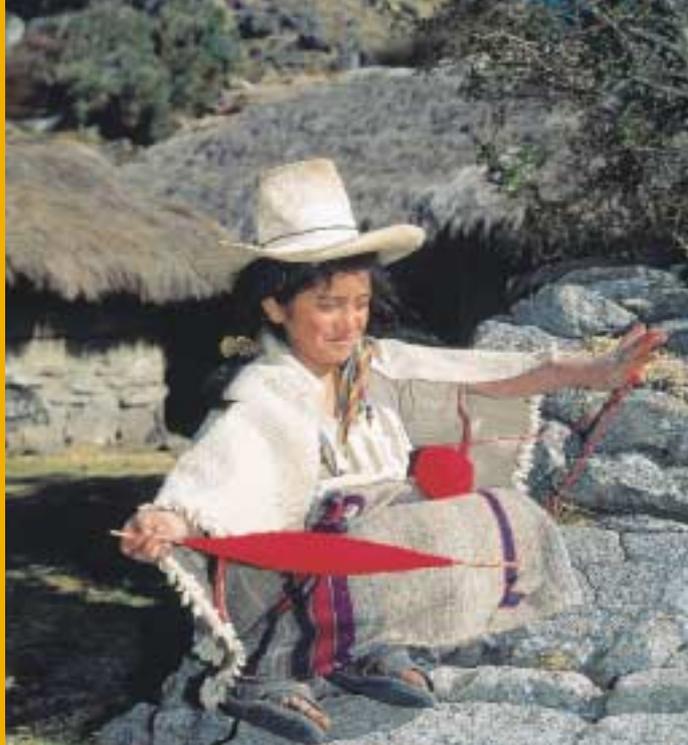
### **Box 3.n: Community Forestry and Democracy in Cameroon**

In Cameroon communities have seen little benefit from commercial logging in their forest until a recent forest law established a system to redistribute logging royalties to communities via the communes. The trouble was that nobody in the communities knew how much their communes were supposed to be getting on their behalf, and the money was disappearing without trace. With DFID support, a transparent system has been introduced so that each time payments are due the commune's elected mayor is invited, by radio and press, to come to Yaounde to pick up the specified royalties due to his/her commune. The community can now see how much they are due (which amounts to tens of thousands of pounds sterling per quarter) and can hold the elected mayor accountable for what he/she does with the money. As a result, and with additional help from DFID-funded community forest management systems, communities are beginning to regard the forest as valuable and something to be looked after.



# Chapter 4

ARABELLA CECIL/PANOS PICTURES



## How we are doing 56

### Moving towards the Millennium Development Goals

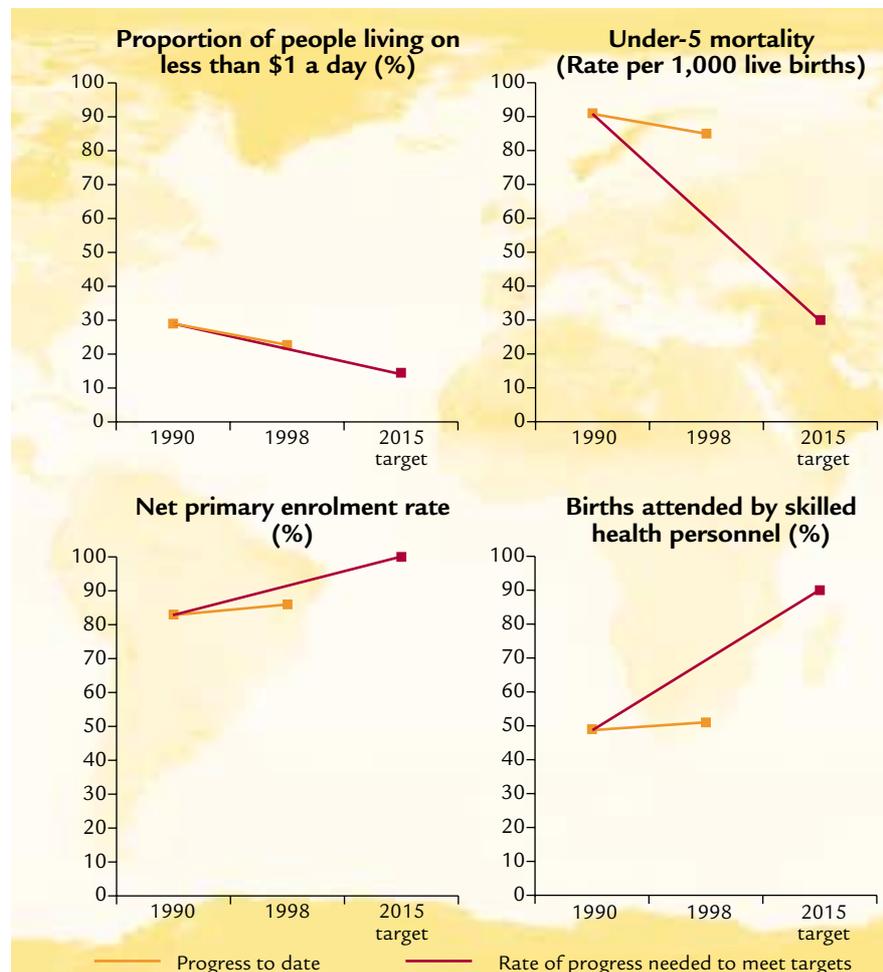
Achievements in 2001/02	58
Sub-Saharan Africa	58
Asia and Pacific	65
Eastern Europe and Central Asia	71
Middle East and North Africa	75
Latin America and the Caribbean	76
Overseas Territories	78

# Chapter 4: How we are doing: Moving towards the Millennium Development Goals

**4.1** The Millennium Development Goals set out milestones against which the international community can judge global progress in tackling poverty. DFID is committed to working with developing countries and the international community to reach these goals, which though ambitious, are achievable. The Millennium Development Goals set the overall framework against which DFID measures progress while our Public Service Agreement targets (see Annex 2) set interim targets towards them. A full list of Goals, and associated targets and indicators is contained in Annex 3.

**4.2** The range of goals reflects the multi-dimensional nature of poverty. Eliminating poverty depends on overall progress against all the Millennium Development Goals. Box 4.a shows progress against some key indicators used for measuring progress towards the Millennium Development Goals.

**Box 4.a: Progress towards some of the Millennium Development Goals for all developing countries (World Bank data)**



- 4.3.** The income poverty target is on course to be met due to progress in large countries in Asia, particularly China. However, the graphs in box 4.a show that progress against the targets for improving education and health outcomes and gender equity are not yet at the rate required to ensure that they are met by 2015.
- 4.4** The spread of HIV/AIDS is a major threat to achieving the Millennium Development Goals (see box 4.b). The United Nations has estimated that annual economic growth may be up to 2% lower where HIV/AIDS prevalence rises to 20% or more. HIV/AIDS can also have an enormous impact on government services, threatening progress in improving health and universal primary education. In May 2001 DFID published its strategy setting out how it will contribute to tackling HIV/AIDS (47).

### Want to know more?

about DFID's approach to tackling HIV/AIDS. See our HIV/AIDS Strategy (47). See annex 4 for details of how to obtain this and other DFID publications.

**Box 4.b: Global incidence of HIV/AIDS by country (HIV/AIDS prevalence in 15–49 year olds in 1999. Data from UNAIDS)**



**Halting the spread of HIV/AIDS is vital to making progress in reducing poverty: high risk clinic, Kenya**

BETTY PRESS/PANOS PICTURES

“Among Members of the OECD’s Development Assistance Committee, the United Kingdom has taken a leading role in promoting the development partnership strategy and in mobilising the international development community to work towards achieving the international development targets.”

Conclusions of the Development Assistance Committee Peer Review team, October 2001 (99)

## Achievements in 2001/02

- 4.5** The Development Assistance Committee of the OECD undertakes peer reviews of the bilateral development programmes of each member state. A peer review team consisting of representatives from Australia, the European Commission and the Development Assistance Committee Secretariat completed their review of the UK development programme in October 2001. Box 4.c. summaries some highlights from the report of the peer review.

### Box 4.c: Highlights from the OECD Development Assistance Committee Peer Review of the UK (99)

The Development Assistance Committee peer review of the UK development programme concluded in October 2001. The Peer Review team welcomed the substantial changes which have been made since the last peer review in 1997, commenting that these “reinforce the United Kingdom’s reputation as a leading donor within the international development community”.

The peer review team noted that “The United Kingdom’s approach demonstrates that bilateral aid agencies can continue to add value by providing constructive and informed contributions to international policy debates, by providing an additional source of independently commissioned research and by monitoring the implementation of international undertakings”.

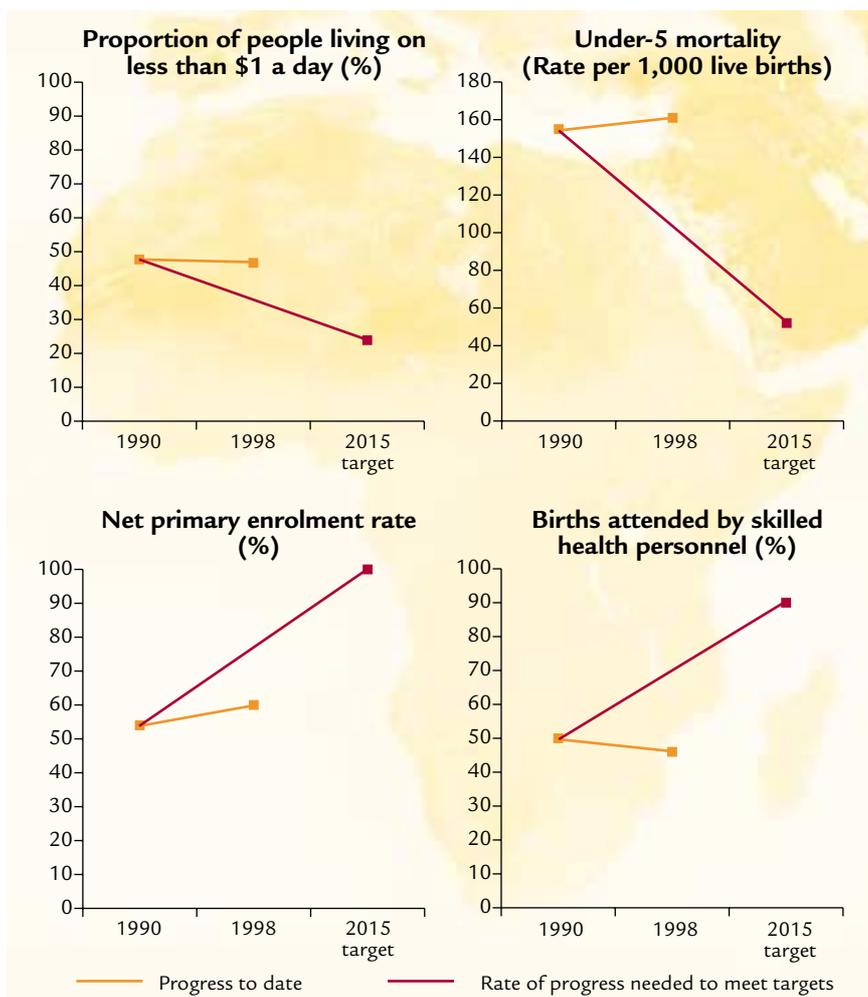
The peer review team made a number of recommendations to the UK including:

- increase development resources and continue to focus on the poorest;
- continue to support the efforts of partners to develop Poverty Reduction Strategy Papers;
- deepen collaboration with other donors;
- enhance monitoring, evaluation and knowledge management.

## Sub-Saharan Africa

- 4.6** Progress towards the Millennium Development Goals is slowest in Sub-Saharan Africa (see box 4.d). On current trends, the region as a whole is unlikely to meet any of the Goals. With a few exceptions, economic growth remains below the level needed to make significant inroads into poverty. Conflict, HIV/AIDS, weak governance, poor economic policies and insufficient investment in health and education all hamper progress.

Box 4.d: Progress towards some of the Millennium Development Goals in Sub-Saharan Africa (World Bank data)



**4.7** Conflict is a critical challenge with some 20% of Africans affected. The UK Government is providing political support to the Lusaka and Arusha peace processes which seek to end the conflicts in the Democratic Republic of Congo and Burundi. Prospects for peace are also improving in both Angola and Sudan. The Secretary of State has taken a close personal interest and has driven forward several aspects of the peace processes, including moves towards disarmament in the Democratic Republic of Congo, and deployment of UN forces to the east of the country to help make that region more secure. Following her visit to Sudan in January 2002, the Prime Minister has appointed a UK Peace Envoy for Sudan. The Secretary of State has also helped defuse tensions between Uganda and Rwanda, hosting a meeting in London between President Kagame of Rwanda and President Museveni of Uganda in November 2001 which led to a Memorandum of Understanding between the two countries setting out action to address causes of tension. DFID facilitated a further meeting between the Presidents in February 2002 at which progress against the agreements was reviewed. DFID is also providing support for grass-roots peace activities, with funding from the Africa conflict pool and bilateral programmes. These activities

include, for example, strengthening the efforts of Parliamentarians in the Great Lakes Region to support peace efforts and work on community level conflict prevention in East Africa.

- 4.8** Sub-Saharan Africa is a key priority for DFID, accounting for some 48% of bilateral spending. DFID is strongly committed to supporting reforming African governments that are working to meet the Millennium Development Goals. DFID's work has been part of a coordinated international effort to help build effective and accountable states which can deliver the Millennium Development Goals. In reforming countries, DFID has channelled assistance through government budgets where this supports implementation of effective country-led Poverty Reduction Strategies (the top twelve beneficiaries of DFID bilateral aid in Sub-Saharan Africa received some 50% of their resources in this way). It has been at the forefront of efforts to coordinate donor inputs through budget support. Moving away from projects to budget support increases aid efficiency through coordination. Just as importantly, it helps build local systems and institutions and encourages governments to be accountable primarily to their own people rather than donors. Simultaneous support to governance reforms has provided the reassurance necessary that such resource transfers are effective. These changes have been accompanied by an increasingly effective dialogue with governments on key policy issues (for example, recent discussions on governance issues in Malawi and on problems with the banking system in Mozambique).
- 4.9** Performance in the last year has been mixed. Several partner countries have continued to make important progress towards the Millennium Development Goals. In a few cases DFID disbursements were delayed pending discussion of policy issues.
- 4.10** The ceasefire and demobilisation effort in Sierra Leone has progressed satisfactorily and the country has entered a post-conflict phase. The elections scheduled for May will be crucial. DFID has worked hard to maintain international support for the peace process. The Disarmament Demobilisation and Rehabilitation programme has made good progress with over 50,000 former fighters having surrendered their weapons since last May. DFID has provided logistical support and has funded a large scale pilot programme to reintegrate ex-combatants into civilian society. The government has made good progress with its Interim Poverty Reduction Strategy Paper and DFID has set support for governance reform on a firmer footing.
- 4.11** In Ghana, a new government was democratically elected in December 2000. It has inherited a precarious economic situation and has taken a number of positive steps to stabilise the economy. The Interim Poverty Reduction Strategy Paper has been approved, the currency has stabilised and inflation is falling.

However, there has been little progress on private sector development and the management of public expenditure needs to be strengthened. Both of these issues will be areas of focus for DFID in the year to come. We are also taking forward a range of programmes supporting Ghana's poverty reduction strategy including HIV/AIDS and in key areas of service delivery. DFID has made considerable strides in working with civil society. A full country office will open later this year.

**4.12** Uganda has maintained macro-economic stability with low inflation and growth of 5%. The poverty head count continues to fall (from 44% in 1997 to 35% in 2000), but inequality is rising and people in the north are getting poorer. Very impressive progress has been made with regard to HIV/AIDS – with a prevalence rate of more than 20% reduced to 8.3% in 1999 and, according to national surveillance estimates, down to 6.1% in 2000. Uganda's poverty reduction strategy continues to be implemented effectively. The major concerns remain conflict, defence spending, democratisation and corruption. The poverty reduction strategy is very focused on the Millennium Development Goals and DFID's key instrument for delivery of the outcomes is budget support, supported by technical assistance. DFID is focusing on four outcome areas covering the enabling environment; improved incomes of the poor; and better health and education outcomes.

**4.13** DFID is now the major bilateral donor to Rwanda, which continues to make encouraging progress in recovering from the 1994 genocide. Our long-term partnership with obligations on both sides has been seen as a model for development partnership. In November, following an extensive in-country consultation exercise, the government published its Poverty Reduction Strategy Paper which reflects a clear commitment to poverty reduction goals. Rwanda nonetheless continues to face major challenges in post-conflict reconciliation between the main ethnic groups, in producing a comprehensive new constitutional framework for democratic elections in 2003, and in overcoming the major skill and capacity shortages resulting from the genocide and subsequent conflict. Sustainable progress and prosperity will only be achieved once there is an end to the wider conflict in the Great Lakes region.

**4.14** Tanzania has maintained macro-economic stability, combining low inflation with growth of around 5%. Tanzania completed the debt relief process under the Heavily Indebted Poor Countries initiative in November 2001.



**DFID is providing support for primary education in Uganda: Doing homework, Kampala.**

CAROLINE PENN/DFID

**Want  
to know  
more?**

DFID produces Country Strategy Papers, agreed with Governments of the countries concerned, which set out how we will contribute to reducing poverty in the countries where we work. See annex 4 for details of how to obtain these and other DFID publications.

Good progress continues to be made in implementing the Poverty Reduction Strategy Paper with measurable impact on service delivery indicators but not yet on social outcomes. Plans and institutions to tackle corruption have been established but these need to be followed by more aggressive implementation of anti-corruption measures. DFID's work in Tanzania has focused on helping the Government to implement its poverty reduction strategy through a long-term commitment to budget support supplemented by technical assistance to: strengthen capacity for economic management and delivery of public services; support private sector development and pro-poor growth; and strengthen the demand for government accountability from civil society.

- 4.15** Mozambique continues to recover from the devastating floods of 2000 and to make sound economic progress, with growth of over 10%. Major achievements in 2001/2 have included completion of the Poverty Reduction Strategy Paper highlighting corruption, justice sector reform, local planning and service delivery, and the need to sustain high rates of growth. It is providing a stronger basis for donor co-ordination. In particular, eleven donors are now participating in a co-ordinated budget support programme in which DFID is playing a key role. Other new areas of involvement linked to the poverty reduction strategy process include public service reform, tax reform, poverty monitoring and HIV prevention.
  
- 4.16** Malawi is well on the way to having a donor-supported poverty reduction strategy. But it is struggling to contain public expenditure and to bring inflation down. DFID is closely involved with efforts to improve the planning and accountability of public expenditure. One of the major obstacles to achieving poverty eradication targets is poor capacity in the public service, exacerbated by HIV/AIDS. DFID is working as the major donor in education, health and agriculture to promote sector policy frameworks and more coherent approaches among donors which will use available capacity to best effect.
  
- 4.17** Zambia's economic performance improved in 2001 but inequality remains high and social indicators very poor. A new Government was installed in January 2002 following a controversial election. It was faced immediately with the withdrawal of the major investor in Zambia's newly privatised copper industry, which provides 70% of Zambia's export earnings. DFID has concentrated in the last year on helping to improve the quality of public expenditure on health and basic education, to raise revenue collection levels and to build capacity to combat corruption. Further moves to support public expenditure reform and provide budget support will depend on the policy choices of the new Government.
  
- 4.18** Although most of the countries of Southern Africa are middle-income countries they are still tackling huge problems of poverty and inequality arising from the legacy of the apartheid system. They are also very severely affected by HIV/AIDS. Over the last year, DFID has reviewed its strategy for working in

Botswana, Lesotho, Namibia, South Africa and Swaziland. As well as building on our successful support for public sector reform, we will give more emphasis to private sector development, and take a more regional approach, reflecting the strong linkages between the five countries.

- 4.19** The year ended with emerging concerns about hunger and food availability in parts of Southern Africa. In addition to major import needs in Zimbabwe, Malawi, southern Mozambique and southern Zambia all suffered food shortages at the end of the 2001/2 season and are likely to need continuing assistance in the coming year. Box 4 e describes how DFID has responded to events in Zimbabwe.

#### Box 4.e: DFID's work in Zimbabwe

During the past year, the policy environment in Zimbabwe has deteriorated steadily. DFID maintained an on-going review of policy and the effectiveness of its programmes as the crisis deepened, and withdrew from working with the government on public sector reform and capacity building projects that could not achieve their objectives in the changed environment. We maintained our commitment to supporting pro-poor and orderly land reform, but the nature of Zimbabwe's land reform programme ruled out any new co-operation.

The Commonwealth Observer Group at the Presidential election of March 2002 concluded, in common with a number of other observer groups, that it did not reflect the freely expressed will of the people of Zimbabwe. Zimbabwe faces a period of severe shortage of food and other basic supplies as a result of drought and economic mismanagement. DFID had already redirected assistance toward humanitarian programmes, including food for vulnerable populations and essential health supplies, and continues to support HIV/AIDS prevention, through support for condom supply and behaviour change activities.

- 4.20** Nigeria is now into its third year of democratic government. The government's reform effort has been disappointing. Corruption remains endemic, the economy is under-performing and services are not being delivered to poor people. Nigeria's programme with the International Monetary Fund has lapsed. Outbreaks of communal conflict over resources, often expressed as religious tensions, have increased in number and frequency. However, there are pockets of reform and the establishment of a DFID office in Abuja has strengthened our ability to identify and support these reformers. HIV/AIDS is becoming a major threat and we have made action in this area a main plank of the programme.



PA PHOTOS

The Prime Minister has made clear his personal commitment to tackling poverty in Africa. Prime Minister Tony Blair and Secretary of State Clare Short meeting cocoa farmers, February 2002, Ghana

“...the New Partnership for Africa’s Development offers a historic opportunity for the developed countries of the world to enter into a genuine partnership with Africa, based on mutual interest, shared commitments and binding agreements.”

Conclusion of African leaders represented in the New Partnership for Africa’s Development, Abuja, Nigeria, October 2001.

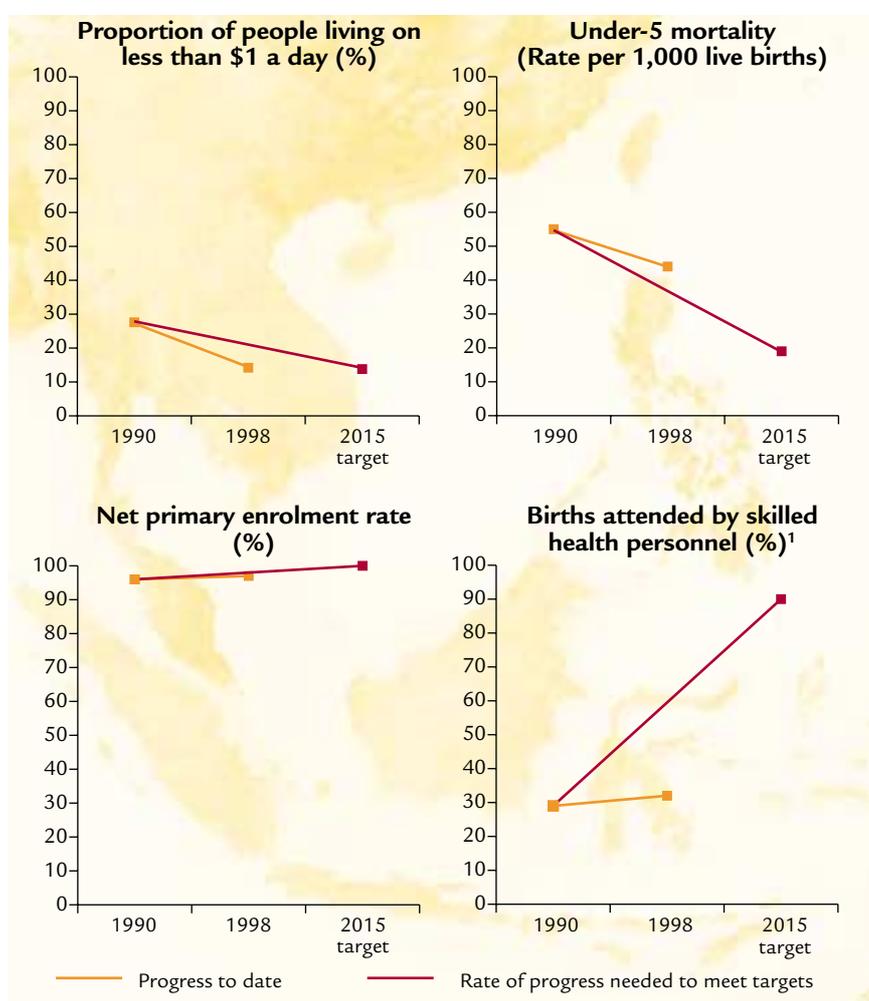
- 4.21** 2001 has been a difficult year for Kenya. All development indicators are deteriorating, its programmes with the World Bank and International Monetary Fund remain off- track, and DFID budget support is suspended. Nonetheless, a Poverty Reduction Strategy Paper was published in June 2001 following an open and inclusive process, although activities are not yet adequately prioritised. DFID’s financing of primary school textbooks has led to increased Government spending on books and has improved financial management and procurement.
- 4.22** At the regional level, the New Partnership for Africa’s Development was launched in October 2001 following agreement at the Organisation of African Unity Summit in July. The Partnership sets out a bold vision for Africa’s development. Its central principle is that it is Africa’s responsibility to advance African development, in particular through efforts to promote peace and security and good governance. Unlike many previous strategies, it is African-led, with African peer review as a key element to promote lesson learning and recognise good performance. It therefore represents an important step forward which could help catalyse more substantial and sustained progress towards the Millennium Development Goals.
- 4.23** The Prime Minister has made clear that development in Africa is a major priority for his second term. Following his lead, the G8 has agreed to prioritise the New Partnership for Africa’s Development and each country has nominated a representative to develop an action plan to be agreed at the Summit in Canada in June. Baroness Amos, Minister for Africa at the Foreign and Commonwealth Office, is the UK representative and is supported by a DFID led team. The UK effort is focused on encouraging the G8 to work to make progress on reducing conflict, where there are now important opportunities to promote peace in Angola, Sudan and the Democratic Republic of the Congo;

encouraging greater trade and market access; improving aid effectiveness to complement the pledged increase in aid volume at Monterrey; and supporting African efforts to improve political and economic governance.

## Asia and Pacific

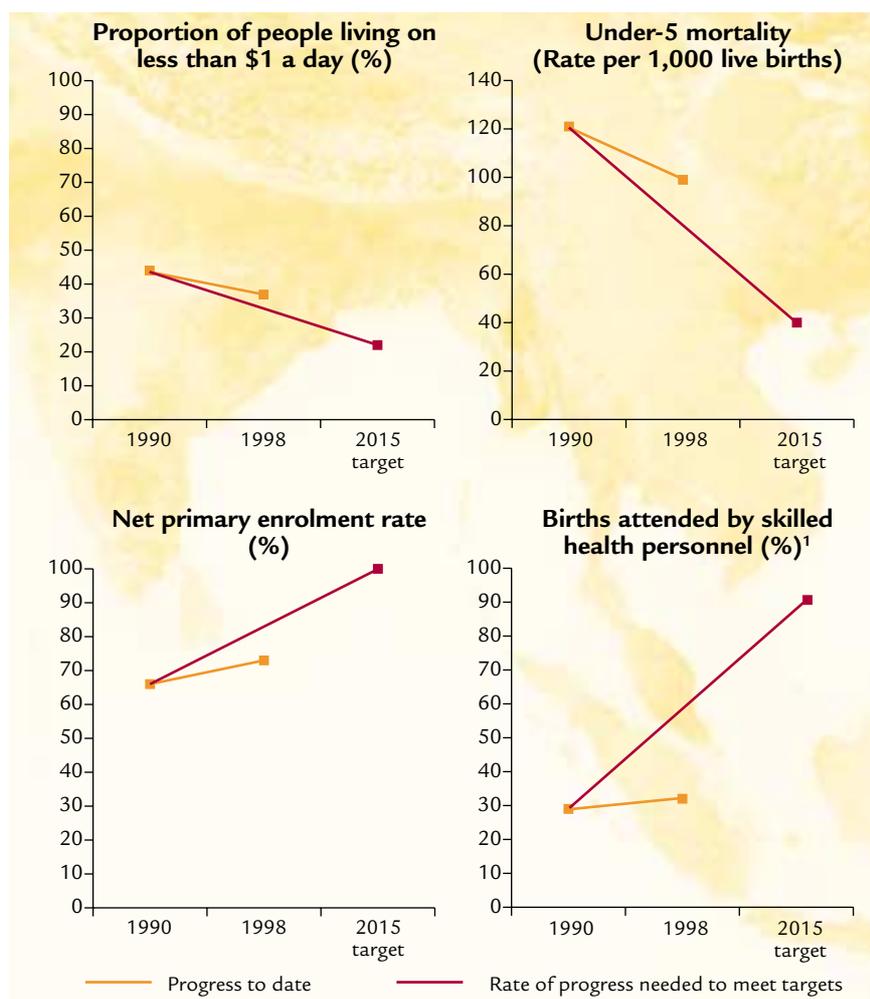
**4.24** East Asia and the Pacific has made rapid progress in reducing poverty and should be able to achieve the Millennium Development Goals (see box 4.g). Progress has also been made, but at a slower rate, in South Asia (see box 4.h). Accelerating progress in South Asia towards the Millennium Development Goals is crucial to global progress with eliminating poverty.

**Box 4.g: Progress towards towards some of the Millennium Development Goals in East Asia and the Pacific (World Bank data)**



<sup>1</sup> Figure for births attended by skilled health personnel are for Asia as a whole excluding India and China.

Box 4.h: Progress towards some of the Millennium Development Goals in South Asia (World Bank data)



<sup>1</sup> Figure for births attended by skilled health personnel are for Asia as a whole, excluding India and China.

**4.25** Huge numbers of people are at risk from HIV/AIDS in Asia where urgent measures are also needed to halt the spread of this disease. In Asia, DFID is taking a regional approach to helping to respond to the threat HIV/AIDS poses (see box 4.i).

**Box 4.i: DFID HIV/AIDS strategy for Asia**

Seven million people in Asia are infected with HIV. Successful efforts to tackle HIV/AIDS in Thailand and Cambodia show the need for:

- high levels of political commitment;
- an environment which promotes behavioural change;
- adequate financial resources;
- a focus on the most vulnerable groups, particularly commercial sex workers, their clients, and intravenous drug users;
- quality epidemiology and behavioural surveillance.

DFID is supporting HIV/AIDS interventions in seven countries in Asia (India, China, Vietnam, Bangladesh, Cambodia, Nepal and Pakistan). We are also working regionally to tackle cross-border issues.

- 4.26** The Asia and Pacific region is home to two thirds of the poorest people in the world. Between 1970 and 1995 it has achieved the most rapid reduction in poverty that the world has ever seen – particularly in China and South East Asia. Following the setback of the Asia Financial crisis in 1997, Asia has seen a return to growth over the past two years, but with concerns about rising inequality in some countries.
- 4.27** The accession of China to the World Trade Organisation in November 2001 will have a positive impact on China and the region as a whole. The agreement to launch a new global trade round provides an opportunity for enhanced growth and will require many countries to reassess their trade policies. But conflict continues to be an important constraint to development in many parts of the region. The international response to support development in Afghanistan provides hope for future progress, but conflict has worsened significantly in Nepal.
- 4.28** Countries in Asia that are eligible for lending on concessional terms from the World Bank have started to prepare Poverty Reduction Strategy Papers.<sup>1</sup> They are less advanced than in Africa where the Poverty Reduction Strategy process was driven forward by the debt relief initiative. However many Asian countries have long established experience of producing national development plans. These provide a basis for poverty focused development planning.

<sup>1</sup> These countries are: Cambodia, Indonesia, People's Democratic Republic of Lao, Mongolia, Vietnam, Nepal, Pakistan, Sri Lanka, Armenia, Azerbaijan, Georgia, Kyrgyz Republic, Moldova and Tajikistan.

DFID responded quickly to events in Afghanistan this year, supporting the international humanitarian operation: Red Cross delivering, food and medical supplies to Afghanistan.



**4.29** DFID has continued to develop innovative approaches in working with partners in the region. These have included the “blending” of DFID grant funds with World Bank loans in China in order to provide concessional lending for poverty reduction. We have developed a Trust Fund to support the Asian Development Bank’s enhanced emphasis on poverty reduction and also provided substantial budgetary support to Pakistan.

**4.30** Over the last year the world’s eyes have been on Afghanistan. DFID was providing humanitarian assistance prior to September 2001 for people suffering from the severe drought affecting the country since 1998. DFID was therefore able to move quickly to provide support to UN and other agencies engaged in humanitarian programmes in Afghanistan. We allocated £60 million for UN agencies, the Red Cross movement and NGOs for their humanitarian and recovery programmes, including the provision of technical personnel, logistical and other material support. The humanitarian operation mounted by the international community in Afghanistan was extensive, and effective (see box 4.j).

**4.31** The collapse of Taliban authority, ended a brutal and repressive regime. The establishment of the Interim Administration offers an important opportunity to bring peace and stability back to Afghanistan, and to promote development and sustainable poverty reduction. The UK is providing political, military, humanitarian and development support to the Interim Administration and the people of Afghanistan.

**Box 4.j: Impact humanitarian assistance to Afghanistan**

Some two thirds of Afghanistan's population received some benefits from the international humanitarian relief effort during the recent crisis, with most inputs being concentrated on the 6 million most vulnerable people. Over 116,000 tonnes of food were delivered in December alone. The impact has been clear: there were no major epidemics or outbreaks of disease; no major refugee outflows destabilising neighbouring countries or clusters of reports of people dying of cold or exposure. Malnutrition levels did not get worse and almost everyone received something to eat, with the targeted most vulnerable receiving particular attention. Pockets of unmet need undoubtedly exist due to lack of security and access in remote areas, but the occasional media and Non Governmental Organisation reports of starvation have been mostly discounted.

- 4.32** We have also worked with the UN, World Bank and Asian Development Bank to begin long-term reconstruction efforts, focusing on developing Afghan institutions to rebuild government capacity and help the shattered economy to recover. The International Conference on Reconstruction Assistance to Afghanistan in Tokyo in January 2002 was an important part of the process of agreeing long term support by the international community for reconstruction in Afghanistan. DFID pledged £200 million over 5 years.
- 4.33** Events in Afghanistan continue to have a major impact on the region. DFID's commitment to the humanitarian response has included support for refugees and communities in neighbouring countries. In Pakistan, we provided an additional £11 million for immediate short-term support to the poorer communities of Pakistan, especially those most directly affected by the influx of refugees from Afghanistan.
- 4.34** We have renewed our support for Pakistan's long term efforts to promote reform and reduce poverty. Pakistan completed an Interim Poverty Reduction Strategy Paper in November 2001 and concluded an International Monetary Fund programme for the first time in September. In recognition of Pakistan's reform progress to date, and to support the new three-year Poverty Reduction and Growth Facility agreed with the International Monetary Fund, DFID has allocated a further £20 million for budgetary aid this financial year, and plans to allocate £85 million over the two subsequent years.
- 4.35** In India, our programme has grown rapidly. Over the last year, we have renewed the emphasis of our work at the national level; a new challenge fund has been launched to help support Indian civil society organisations to address poverty in the poorest areas of the country. We have been working closely with the

Government of India on a new strategy and programmes relating to human development and other key areas of central government reform. Work has also continued with our four partner states (Andhra Pradesh, Madhya Pradesh, Orissa and West Bengal). In 2002, we agreed a programme of budgetary support for the Andhra Pradesh Government's economic and governance reform programme, which addresses key constraints to poverty reduction (see paragraph 2.12). During his visit to India in January 2002, the Prime Minister opened the Government of Andhra's new Governance Centre, which will help identify and implement reforms needed to enable the government to be more responsive, transparent and accountable.

**4.36** A new Government was elected in Bangladesh in October 2001 with a large Parliamentary majority. The election was peaceful and internationally regarded as free and fair but the new Government faces a rapidly deteriorating economic situation and the security situation has also worsened. Recent data reveals that the rate of poverty reduction has slowed in the last few years. The new Government is advancing the preparation of a Poverty Reduction Strategy Paper which could form a focus for a comprehensive strategy of economic and social reform. DFID's programme is being re-orientated to provide a stronger emphasis on improving governance and delivery of services to poor people.

**4.37** The impact of the Maoist insurgency on development prospects in Nepal has worsened during the past year. In response, DFID has introduced a short-term programme to deliver development benefits to communities affected by the conflict. We have also focused our efforts in support of the Government's Poverty Reduction Strategy on measures designed to improve service delivery in rural areas and to reduce corruption in order to help address the root causes of the conflict. DFID is working with other Whitehall Departments to build international support for sustainable peace and development in Nepal.

**4.38** We have continued to support China's key priorities for poverty reduction through pilot programmes and new partnerships. These include support to systemic reforms in education, healthcare, water and state-owned enterprise reform and challenges such as HIV/AIDS. To maximise our impact and leverage resources, we are developing innovative funding arrangements with the World Bank and Chinese government in the control of tuberculosis, basic education and integrated poverty reduction.



DFID is working with the World Bank and Asian Development Bank to tackle poverty in Vietnam: Irrigation of paddy fields.

China launched its tenth five-year plan in 2001 and it highlighted the importance of poverty reduction. We are developing partnerships with the Chinese government and donors to respond to the poverty reduction challenges outlined in the plan. We are supporting a research project led by the World Bank to deepen understanding of the development impacts of accession to the World Trade Organisation.

**4.39** In Vietnam we have focused our efforts on enhancing the contribution of multilateral agencies to poverty reduction. We have done this by forming partnerships with other agencies, particularly the World Bank. The World Bank and Asian Development Banks see DFID as a valued and flexible partner in Vietnam, highlighting our contribution in helping focus on poverty reduction and poverty analysis. The Government completed an Interim Poverty Reduction Strategy Paper and is committed to producing a full strategy paper in May 2002. These strategies are backed up by a Poverty Reduction Growth Facility which has been agreed with the International Monetary Fund and a Poverty Reduction Strategy Credit which DFID and other bilateral donors are co-financing.

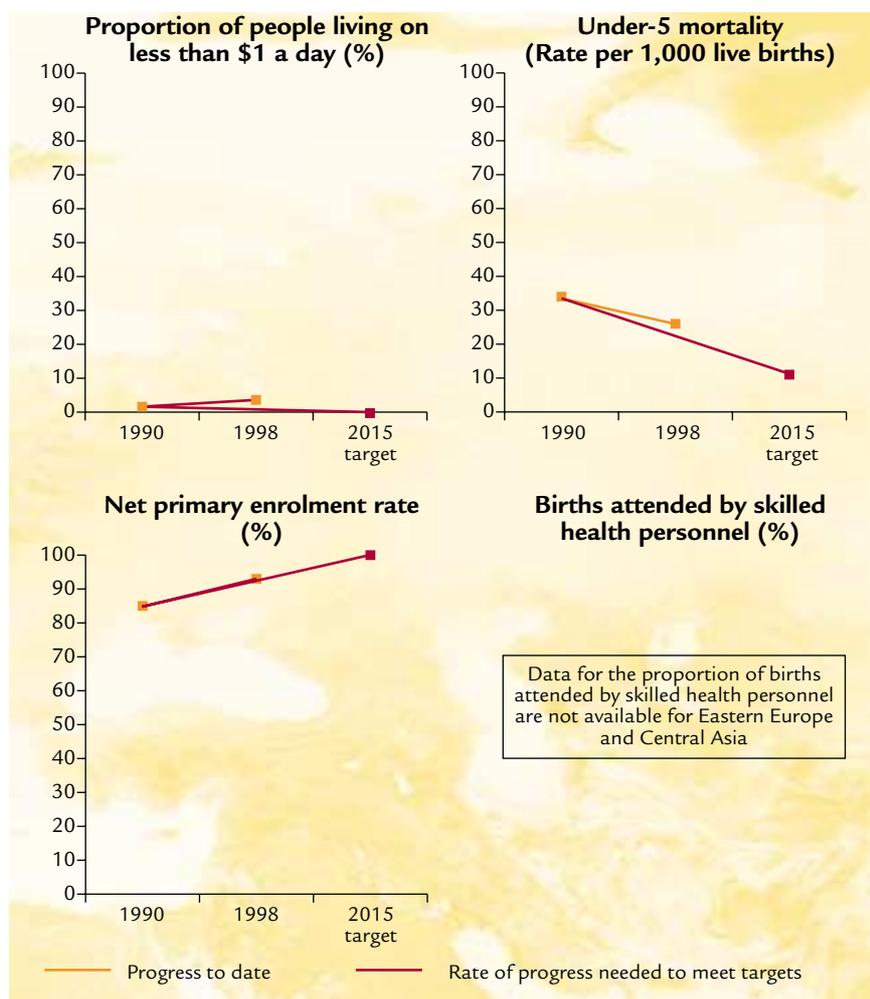
**4.40** DFID has encouraged the Pacific Forum Education Ministers to focus on basic education needs. This has led to the production of a Pacific-wide Education For All Action Plan, endorsed by all member countries. With DFID Pacific technical assistance, the European Union is now preparing to take the lead funding role to facilitate implementation of the Plan.

**4.41** East Timor is set to become independent in May 2002. Following a weak start, the interim UN administration has become increasingly effective and UN peace-keeping operations have provided a strong deterrent to insurgencies by militias based in West Timor. Recent agreement with Australia over sharing revenues from offshore gas production in the Timor Gap has enhanced the medium term economic outlook. DFID has been a major contributor to UN and World Bank administered trust funds for capacity building and reconstruction.

## **Eastern Europe and Central Asia**

**4.42** The countries of Eastern Europe and Central Asia have made good progress against the Millennium Development Goals for education and health (see box 4.k). However, economic growth remains uneven and many countries of the former Soviet Union have experienced negative growth and an increase in poverty. Achieving the income poverty target will be a major challenge.

Box 4.k: Progress towards some of the Millennium Development Goals in Eastern Europe and Central Asia (World Bank data)



**4.43** We have focused our work in Central Asia and Eastern Europe on working with the World Bank, European Bank for Reconstruction and Development and the European Commission. In addition to bilateral assistance, we provide significant resources through our share of European Commission budgets. Bilateral programmes are focused on complementing and strengthening the impact of the programmes of these multilateral agencies. These efforts have contributed to wider agreement on the central importance of a capable and effective public service, reflected in annual European Community progress reports.

**4.44** The European Bank for Reconstruction and Development promotes transition towards open-market orientated economies in former communist countries by providing finance for investment projects. In April 2001 we published an Institutional Strategy Paper for the Bank, with the broad aim of maximizing its impact on sustainable economic development and poverty reduction. During 2001/02 we supported the Bank's plans to increase the volume of its investments in countries where transition is at an early stage and worked with the Bank to increase understanding of the social aspects of transition.



Man growing food in Georgia which is irrigated by DFID project.

JOHN SPALL/DFID

During the year, the Bank commenced operations in the Federal Republic of Yugoslavia, increased its activities in Russia, supported countries in preparing for EU accession, and explored opportunities for increasing work in the low-income countries of the Caucasus and Central Asia.

- 4.45** In February, DFID organised an international conference to consider the development challenges faced by the low income countries of the Commonwealth of Independent States, and to develop a more effective response by the international community. The conference brought together donor agencies and representatives from the countries themselves. The conference was successful in raising awareness of the challenges these countries face.
- 4.46** We have provided support to the Governments of Georgia, Armenia and the Kyrgyz Republic for the production of their Poverty Reduction Strategies. Our support has focused on increasing participation, and helping the governments consider the resource implications of implementing the strategies. We have worked closely with the World Bank to help the Government of Albania develop a poverty reduction strategy paper which was launched in November.
- 4.47** We launched a new Country Strategy Paper for Russia in the summer of 2001. We have focused our work in Russia on partnership with two oblasts with specific targets for poverty reduction. We developed plans for helping the Russian authorities respond to the threat of HIV/AIDS, and minimise the spread of the disease to poorer neighbouring countries.

**4.48** During the last year, the Balkans has seen some improvement in both economic growth and regional stability, and a reduction in the number of displaced people. The economies of Albania and Croatia are growing strongly (7% and 5% respectively), and a reformist government is now in place in Serbia. Although the economy has weakened, major civil war has been avoided in Macedonia with a Framework Agreement for Peace ratified by their Parliament. Bosnia Herzegovina remains both economically vulnerable and politically unstable.

**4.49** UK assistance has been central in supporting an international aid effort in the Balkans that has had an impact in stabilising the region, helping to meet immediate needs and laying the foundations for longer-term development.

**4.50** We were active in the formulation of the EU's political, economic and social policy towards the Balkans. European Commission country strategy papers now reflect essential issues for achieving sustained development, including poverty reduction, conflict prevention, lesson learning, evaluation, risk analysis and co-ordination with other donors, especially the International Financial Institutions. We also provided the essential technical analysis on which EU markets were opened up unilaterally to Balkan countries and directly facilitated an agreement signed between the countries on measures to liberalise regional trade.



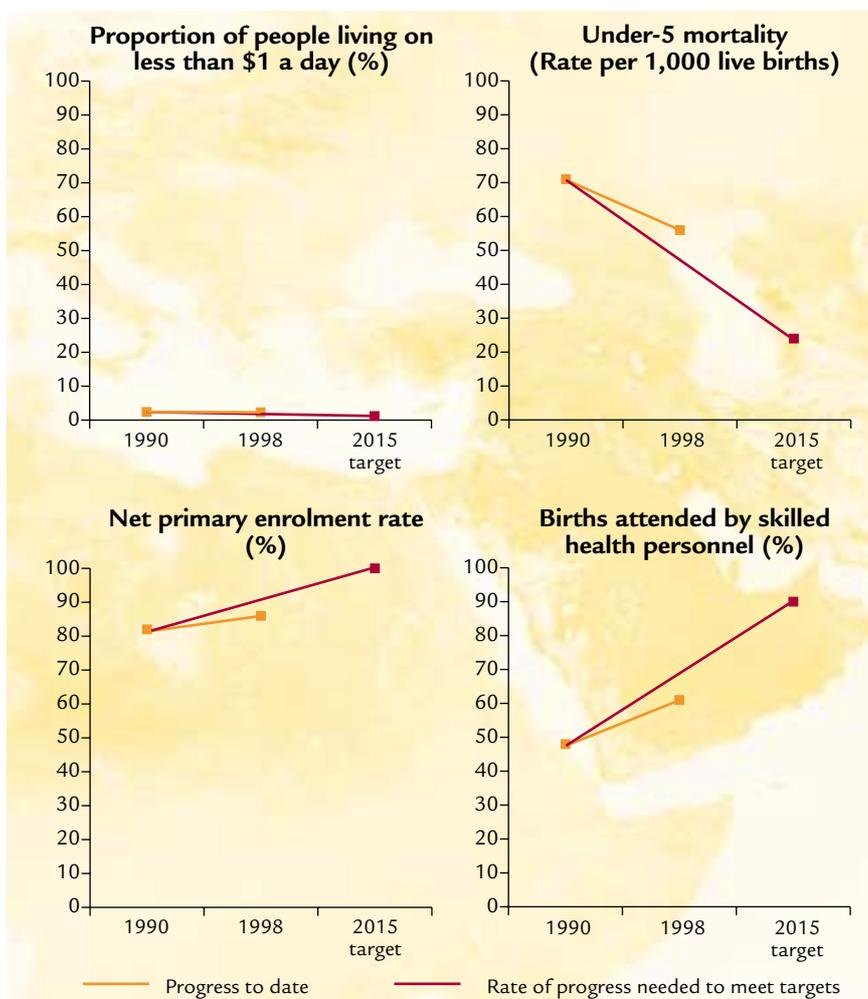
**DFID is working with international partners to promote stability and encourage long-term development in the Balkans. Main referral hospital, Kosovo**

MORRIS CARPENTER/PANOS PICTURES

## Middle East and North Africa

**4.51** The mostly middle income countries of the Middle East and North Africa are broadly on course to reach the Millennium Development Goals (see box 4.1).

**Box 4.1:** Progress towards some of the Millennium Development Goals in the Middle East and North Africa (World Bank data)



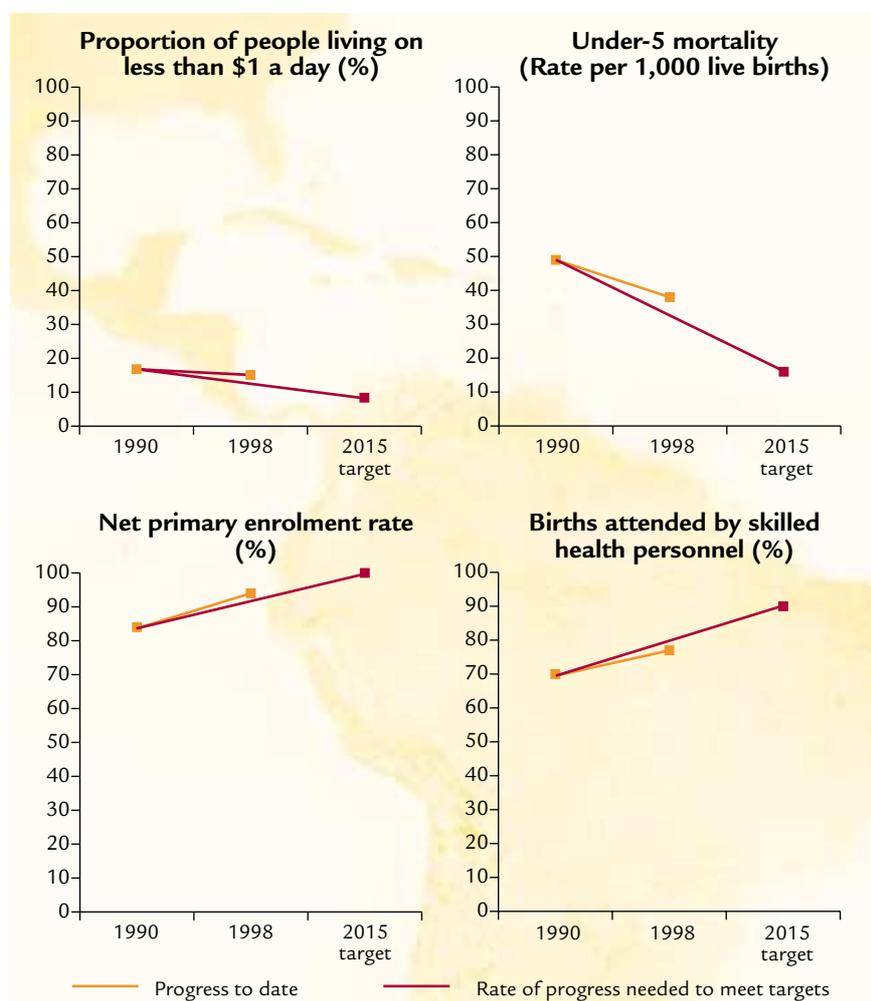
**4.52** However, the situation in the Middle East has become steadily more tense during the year. We are working closely with the World Bank, European Commission and International Monetary Fund to face the challenge of providing effective support during the deepening crisis. DFID has increased support for the Palestinian Authority and to the UN Relief and Works Agency for Palestinian Refugees. The UK has encouraged efforts to reform the sanctions regime imposed by the UN on Iraq, in order to bring more effective delivery of the Oil for Food programme to improve the lives of the Iraqi people. We have also directly supported a number of humanitarian activities being carried out by the International Committee of the Red Cross and international non-governmental organisations in both northern and central/southern Iraq.

**4.53** We are focusing our efforts in Egypt and Jordan on complementing and increasing the effectiveness of the large European Commission programme.

### Latin America and the Caribbean

**4.54** The countries of Latin America and the Caribbean have made good progress towards several of the Millennium Development Goals, in particular those for education, gender equity and child mortality (see box 4.m). However, the number of people living on less than a dollar a day is falling only slowly in the region. HIV/AIDS is a significant concern in the Caribbean which has the highest prevalence levels after Africa.

**Box 4.m: Progress towards some of the Millennium Development Goals in Latin America and the Caribbean (World Bank data)**



**4.55** Latin America's economic growth has slowed substantially over the last year, following similar trends in its main trading partners, especially the United States. This could bring economic growth down to below population growth implying static or growing poverty. The recent crisis in Argentina has resulted in greater hardship for Argentinians, and had an economic impact on close neighbours, where Argentina is a significant trading partner and a source of

remittances for migrant workers. Improved transparency and information availability in financial markets have helped to avoid the crisis spreading to neighbouring countries.

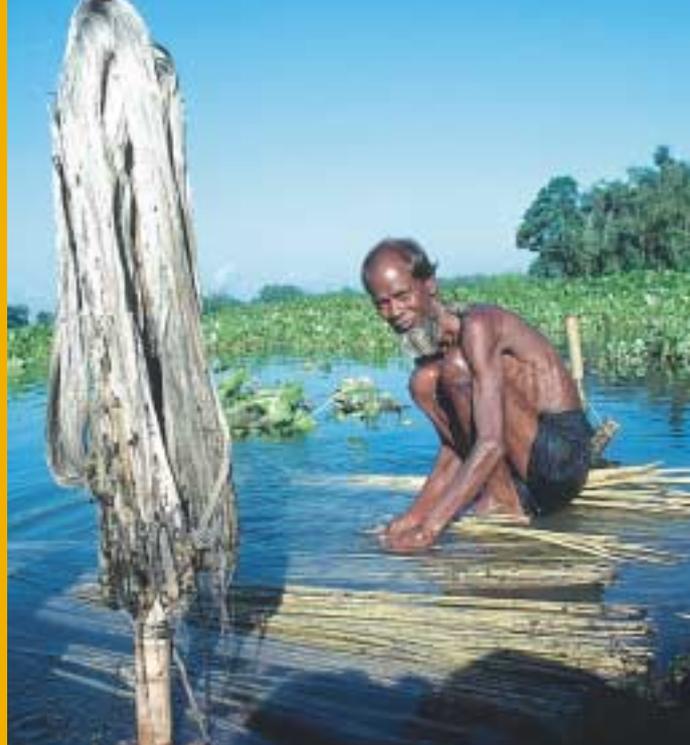
- 4.56** DFID's work in Latin America is concentrated in Brazil, Bolivia, Peru and Central America. We have made considerable progress during the year at reorienting our programmes to focus on our strategic objectives of support for producing and implementing Poverty Reduction Strategy Papers, and particularly helping Governments to increase responsiveness to the poor and excluded. We supported the production of Bolivia's Poverty Reduction Strategy Papers which was completed in July 2001. The Government of Bolivia's National Dialogue identified more transparent and equitable mechanisms for the allocation of public resources to municipalities. A new Dialogue Law commits the Government to greater decentralisation and poverty-linked distribution of public resources through local government.
- 4.57** In the Caribbean, our key objective is to eliminate poverty and in particular to help Caribbean countries meet the challenges of globalisation. DFID's efforts are focused on enhancing the effectiveness of multilateral work to eliminate poverty and reduce vulnerability and exclusion across the region. We have provided technical support to both the European Commission and the Caribbean Development Bank to strengthen their capacity to analyse and address poverty and exclusion issues.
- 4.58** At a country level we are supporting the Government of Guyana's efforts to develop a Poverty Reduction Strategy Paper. In particular, we have been supporting a Government led process of extensive national consultations on the content and priorities for the strategy. The consultation process in Guyana has been highlighted by the International Financial Institutions as a particularly positive aspect of the Poverty Reduction Strategy Papers' development. In addition, the contribution of the World Bank to the Poverty Reduction Strategy Papers process has been enhanced by a DFID secondment to a newly established World Bank office. In Jamaica we are supporting Government efforts to develop national social policy and strengthening Government capacity to positively impact on issues relating to crime and poverty. We are also engaged with Government on urban renewal initiatives and in public sector reform. In the Windward Islands we are working alongside other partners in public sector reform and education. We are working to enhance the effectiveness of European Commission resources available for addressing social fallout as a result of declining banana export opportunities following changes to the EU preference regime.

## Overseas Territories

- 4.59** The Government is committed to meeting the reasonable needs of the British Overseas Territories. DFID is responsible for development aspects of this obligation, for which some £40 million is currently committed annually. The Territories that still need our assistance are Anguilla, Montserrat, Pitcairn, St Helena, Tristan da Cunha and Turks and Caicos Islands.
- 4.60** During the past year, DFID has made progress in promoting economic growth and self-determination in the Overseas Territories. Greater responsibility for management of its own financial affairs, within the framework of a defined package of DFID financial support, was agreed for Montserrat. A participatory poverty assessment and a new strategy for promoting private sector development should help form a better basis for future planning by the Montserratian authorities, and we have helped to set in place a final phase in the island's housing development strategy. Also, work has started on developing a new airstrip, to replace the airport lost to the volcanic crisis.
- 4.61** For St Helena, we have made a commitment to maintaining future physical access. Publication in August of a detailed analysis has been followed by a period of intensive public consultation on the options, including the possibility of air access.
- 4.62** Anguilla and Turks and Caicos Islands have largely graduated from financial aid. But both continued to receive technical assistance, especially to help maintain standards of governance and to improve delivery of basic social services – such as health and education. A new 5-Year Education Plan has been established in Anguilla.

# Chapter 5

TRYGVO BOLSTAD/PANOS PICTURES



## What we spend our money on 80

Investing to tackle poverty

Focusing on low income countries 81

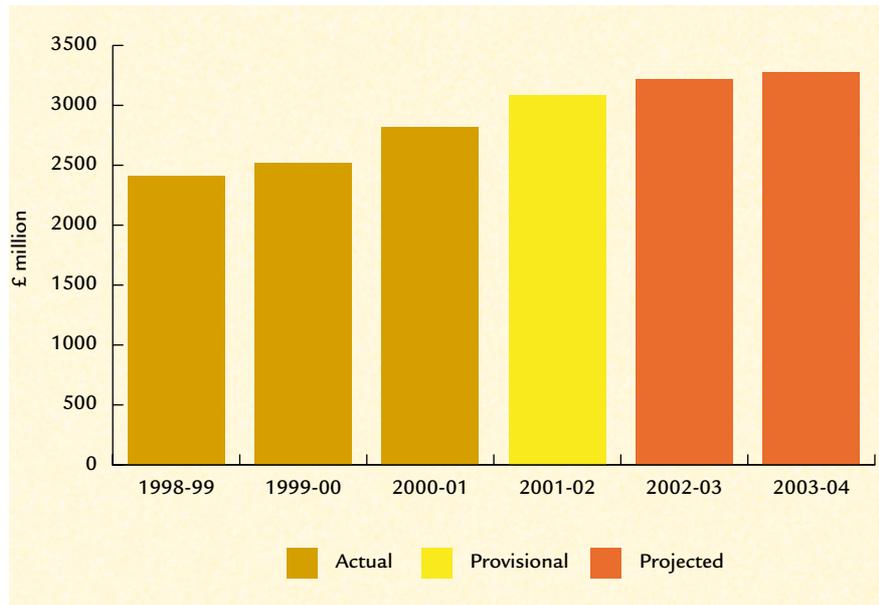
Changes to expenditure plans 84

# Chapter 5: What we spend our money on: Investing to tackle poverty

**5.1** DFID seeks to use both human and financial resources to maximise its contribution to poverty reduction, and also that of the whole international system. The Department uses its finances to meet the diverse challenges which achieving the Millennium Development Goals presents – including generation and dissemination of research, advocacy, capacity building, provision of expertise and financial resources.

**5.2** Every two years the Government holds a Spending Review and allocates resources to each Department for three financial years. The 2000 Spending Review allocating resources for the financial years 2001/02, 2002/03 and 2003/04, resulted in substantially increased resources for DFID (see box 5.a). This reflects the Government’s continued commitment to international development.

**Box 5.a: DFID Development Budget 1998/99–2003/04 (Constant 2000/01 Prices)**



**5.3** DFID allocates resources within the organisation on an annual basis, setting planning figures for the financial years up to the end of the agreed Spending Review period. Box 5.b summarises DFID’s expenditure and spending plans between 1999/2000 and 2003/04. Responding to changes in circumstance and performance by our partners is an integral part of our work. The figures for future years are plans and are subject to change. See annex 1 for full details of DFID’s expenditure and plans from 1998/99 to 2003/04.

## Box 5.b: Summary of DFID expenditure and cash plans

£ million

	1998/99 outturn	1999/00 outturn	2000/01 outturn	2001/02 estimated	2002/03 plans	2003/4 plans
<b>Total DFID resources</b>	<b>2,485</b>	<b>2,653</b>	<b>2,952</b>	<b>3,266</b>	<b>3,510</b>	<b>3,655</b>
Less: Overseas Superannuation and Gibraltar Social Insurance Fund	142	151	131	131	132	132
<b>Total development budget</b>	<b>2,343</b>	<b>2,502</b>	<b>2,821</b>	<b>3,135</b>	<b>3,378</b>	<b>3,523</b>
Other Adjustments	+6	-6	-50	-76	+85	+81
<b>Available for Allocation</b>	<b>2,349</b>	<b>2,496</b>	<b>2,771</b>	<b>3,059</b>	<b>3,463</b>	<b>3,604</b>
<b>Bilateral Expenditure by Region</b>						
Sub-Saharan Africa	395	399	584	528	654	635
Middle East and North Africa	22	36	45	58	41	39
South Asia	192	201	212	319	437	423
East Asia and Pacific (including Asia Regional)	86	69	79	93	136	119
Latin America and Caribbean	83	85	82	96	81	70
Eastern Europe and Central Asia	76	77	83	93	81	69
Other Bilateral	270	412	358	445	383	353
<b>Sub-total</b>	<b>1,123</b>	<b>1,278</b>	<b>1,443</b>	<b>1,633</b>	<b>1,812</b>	<b>1,708</b>
<b>Multilateral Expenditure</b>						
European Community	734	733	761	765	964	1,024
World Bank and Regional Banks	265	287	317	331	377	435
United Nations and Commonwealth	88	121	132	140	126	135
Other Multilateral (including conflict and humanitarian assistance)	77	72	118	109	126	138
<b>Sub-total</b>	<b>1,165</b>	<b>1,212</b>	<b>1,328</b>	<b>1,345</b>	<b>1,593</b>	<b>1,732</b>
Unallocated/Contingency Reserve	0	0	0	0	50	120

Totals may not sum due to rounding.

## Focusing on low income countries

**5.4** DFID is committed to increasing the proportion of its bilateral assistance that goes to low income countries. The figure for 2000/01 was 76%, exceeding the target in our Public Service Agreement 1999/2000–2001/02 (see box 5.c). This was due to substantially increased expenditure in Asia and sub-Saharan Africa, and decreases in middle income countries of Eastern Europe. DFID's Public Service Agreement also includes a target for increasing the proportion of DFID's bilateral projects that meet their objectives (see box 5.d).

**Want  
to know  
more?**

about UK expenditure  
on international  
development.  
See "Statistics  
on International  
Development  
1996/97–2000/01" (6).

Box 5.c: Public Service Agreement 1999/2000–2001/02: bilateral resources allocated to low income countries

**Target**

Percentage of bilateral country programme resources allocated to low income countries increased from 65% (in 1996/97) to 75% by 2002.

**Achievement**

**Met.** In 2000/01 76% of bilateral country programme resources were allocated to low income countries.

Box 5.d: Public Service Agreement 1999/2000–2001/02: bilateral projects likely to fully or largely meet their objectives

**Target**

Percentage of relevant bilateral projects likely to fully or largely meet their objectives up from 64% to 75% by 2002.

**Achievement**

**Met.** Project Completion Reports submitted in financial years 1999/2000, 2000/01 and 2001/02 indicate that 75% of relevant projects fully or largely achieved their objectives.

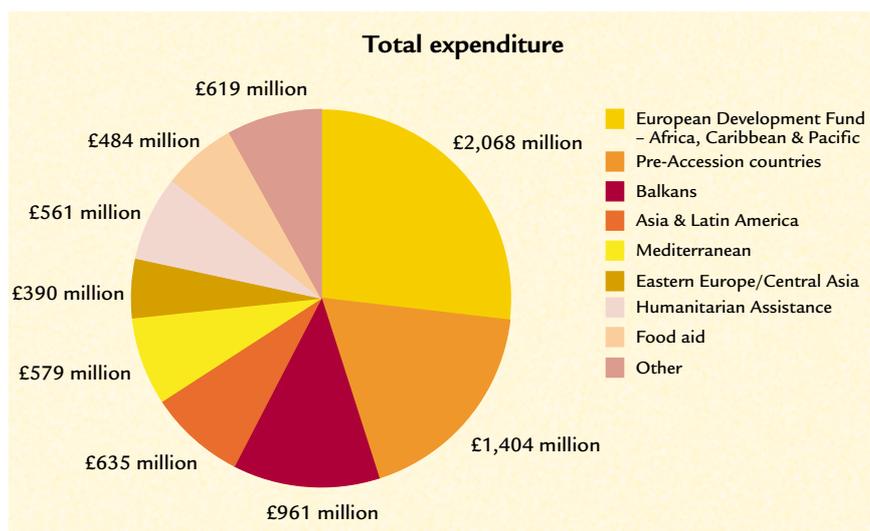
DFID is focusing its bilateral resources on low income countries such as Bangladesh



JIM HOLMES/PANOS PICTURES

- 5.5** DFID is focusing its support for middle income countries on providing technical assistance to help governments work with the international community to tackle poverty (see paragraph 2.8). We are being selective in supporting bilateral programmes, and phasing out bilateral support for the better off. For example, we are phasing out support to eight countries<sup>1</sup> in Central and Eastern Europe which are negotiating the final stages of accession to the European Union.
- 5.6** Nearly half of DFID's resources are spent through multilateral agencies. The largest parts of this are the UK's share of European Community development expenditure, and contributions to the World Bank, Regional Development Banks and the United Nations.
- 5.7** The UK's share of European Community 2001 development programmes is expected to be nearly £800 million, 25% of DFID's budget, and is set to rise further. Box 5.e provides a breakdown of the European Commission's expenditure.

**Box 5.e: Summary of European Commission aid expenditure in 2001**



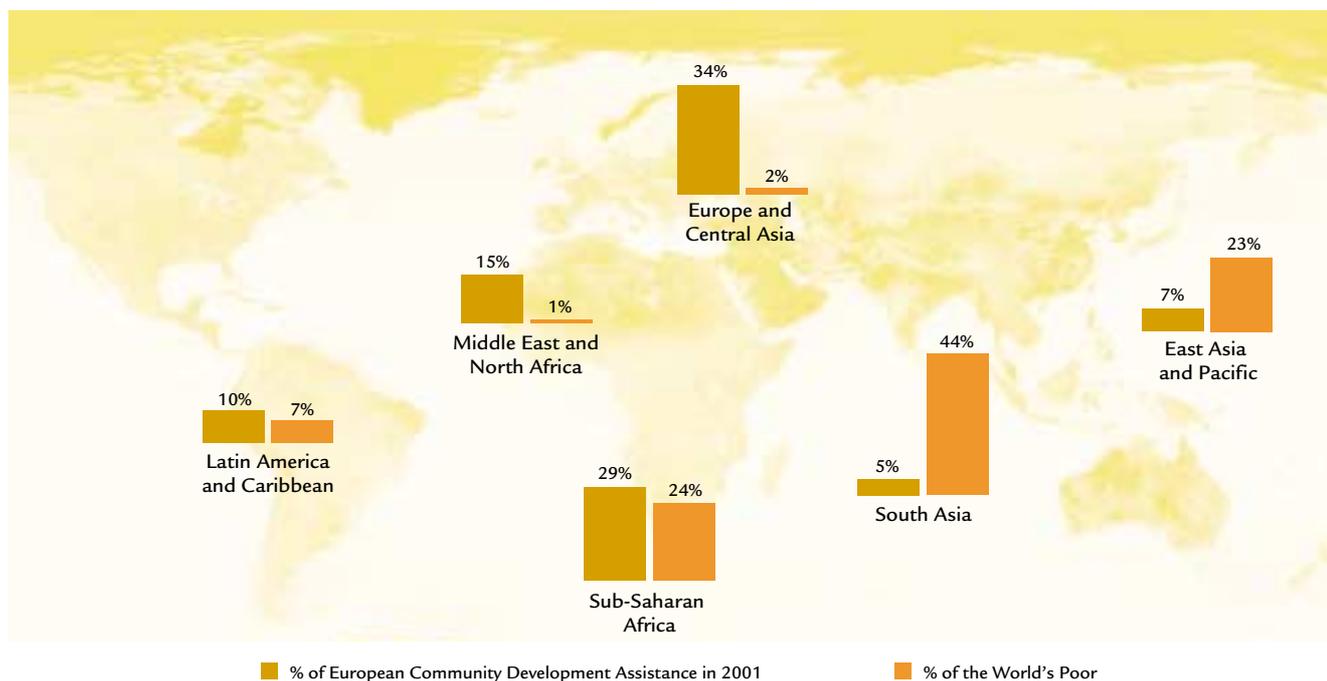
- 5.8** The share of European Community official development assistance going to low income countries fell further from 52% in 1999 to 38% in 2000. This fall was exacerbated in 2000 because Bosnia graduated from low income country status and because of a low point in spending by the European Development Fund. Even taking these into account, the share of the European Community aid going to low income countries is falling. Box 5.f compares the allocation of European Commission resources with the distribution of poor people. According to a recent study (100) this poor allocation of assistance makes the European Community's development assistance much less effective at lifting people out of poverty than the average donor's.

**Want to know more?**

about European Commission development programmes. See the Annual Report on the Implementation of the European Commission's External Assistance 2000

<sup>1</sup>Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Slovakia and Slovenia

### Box 5.f: Comparing the allocation of European Community development funds in 2001 with the distribution of poor people



## Changes to expenditure plans

**5.9** Lower than anticipated expenditure by the European Development Fund, which funds European Community development programmes in Africa, Caribbean and Pacific countries, resulted in reduced expenditure by DFID of £20 million. DFID also spent £26 million less this financial year on supporting the participation of multilateral development agencies in the Heavily Indebted Poor Countries initiative. This was due to slower than expected requests for reimbursement from Regional Development Banks.

**5.10** It is essential for DFID to maintain the flexibility to respond to unforeseen opportunities and obstacles. There will always be variation between planning figures and actual expenditure. DFID reacted quickly to support the international humanitarian effort in Afghanistan, allocating £60 million for UN agencies, the Red Cross movement and NGOs for their humanitarian and recovery programmes (see paragraphs 4.32–4.34). Events in Afghanistan have also had a major regional impact and we committed £11 million for immediate short-term support to the poorer communities of Pakistan, especially those most directly affected by the influx of refugees from Afghanistan. DFID has also increased support for programmes in West Bank and Gaza in response to the increase in conflict there, including substantial additional funds for the UN Relief and Works Agency.

**5.11** DFID is increasingly providing assistance to partner governments to support key policy reforms and poverty reduction milestones. This includes being prepared to increase assistance to governments who take significant steps needed to tackle poverty. In 2001/02, DFID provided increased funding to the Governments of Bolivia, Pakistan and India (Andhra Pradesh), in recognition of significant progress or key reforms (see box 5.g). DFID has also delayed release of funds where governments have not yet taken agreed steps or met agreed milestones. In 2001/02 DFID has withheld a portion of its assistance to, for example, Kenya, Zambia and Malawi in response to slow, or absent, progress with agreed reforms or poverty reduction milestones.

#### Box 5.g: Support for pro-poor reform in Bolivia

In August 2001, the new government in Bolivia acted swiftly to tackle the serious problems the country had experienced in previous years by developing a 12-month action plan, set within the longer-term framework of the Poverty Reduction Strategy, to address Bolivia's economic, social and political crises. The new President held a political summit with the main opposition party, successfully gaining their support of the action plan including approval for progressing the national Institutional Reform process, which had stalled under the previous government, and general acceptance that the corrupt practices of the previous government would no longer be tolerated. In view of these significant changes, DFID responded positively to the Bolivian Government's request to the international community to provide extra resources to reduce the impact of regional economic recession on the poor by providing extra funds for co-financing budgetary support with the Inter-American Development Bank, linked to the achievement of poverty reduction strategy benchmarks.

**5.12** DFID has three policy and performance funds for Asia, Africa and work with international agencies to provide flexible funds for allocation during the financial year. The International Policy and Performance Fund was given an allocation of £5 million this year. Of this, £3.8 million was allocated to support reform in the UN Development Programme and the UN Educational, Scientific and Cultural Organisation, and the remaining £1.2 million to support improvements in the work of international humanitarian agencies.

**5.13** The Asia fund was used to provide increased support to the State Government of Andhra Pradesh and for programmes in the West Bank and Gaza, including support to the UN Relief and Works Agency. There were no significant payments from the Africa Fund in 2001/02.



DFID has provided increased funds to support poverty reduction in Andhra Pradesh, India: Rickshaw refuse collector

R. LOKANADHAM/DFID

- 5.14** During 2001/02, DFID's administration costs are expected to be £84.6 million (see Annex 1, table 6). The modest increase in administration expenditure reflects additional staff required to implement DFID's expanding programme including increased engagement with international partners, expanding engagement on policy issues, and deepening our engagement with developing countries.
- 5.15** In 2001/02 DFID's administrative capital spending was dominated by the need to prepare new London offices at 1 Palace Street, following the expiry of the lease on our former premises. Other costs include refurbishing part of the office in East Kilbride and investment in information systems, notably enhanced communication links with overseas offices.
- 5.16** Government accounts for 2000/01 are the last ones which are being prepared on a parallel cash and resource basis. All future accounts will be on a resource basis only. DFID's Resource Accounts (10) were published in January 2002 and agreed without qualification by the National Audit Office.

# Chapter 6

DOMINIC D'ANGELO/DFID



## How we are organised to deliver

88

Committed to people, improving the way we work

Improving ways of working

88

Staffing, organisation and management

89

Managing DFID's environmental impact

93

Overseas Pensions

94

## Chapter 6: How we are organised to deliver: Committed to people, improving the way we work

- 6.1** During the last year DFID has continued to seek ways to increase its organisational effectiveness. Improvements in 2001/02 to ways of working, from organisational structure and staff management to office infrastructure, are all expected to enhance our contribution to reducing poverty. DFID's Public Service Agreement 1999/2000 – 2001/02 (7) set targets for improving departmental productivity (see box 6.a).

### Box 6.a: Public Service Agreement 1999/2000–2001/02: Departmental productivity

24 Targets were set for increasing the productivity of operations, information systems, staff management, accounting and fraud prevention, procurement and raising public awareness of development issues.

19 of these targets were met and, in many cases, significantly exceeded. 5 targets were not fully met. Full details of DFID's achievements against these targets can be found in Annex 2.

### Improving ways of working

- 6.2** Information and knowledge are an essential outputs of DFID's work and form an integral part of our work to achieve the Millennium Development Goals. DFID has continued to invest in increasing our capacity for sharing information and knowledge internally and with others. A redesign of our intranet site has enhanced its use as a tool for internal knowledge sharing while a redesign of our Internet site makes it more accessible for visitors.
- 6.3** DFID has reorganised its arrangements for planning information systems to ensure that the need of users are matched by system, development. In August 2001, DFID revised its e-Business Strategy (78).
- 6.4** As part of the Modernising Government agenda we are implementing a Diversity Action Plan covering a wide range of activities on which we regularly report to our Management Board. An adviser was appointed in August to help the department improve its systems and practices in order to create a more diverse organisation. In October diversity training was introduced as an integral part of DFID's core management training. This training is being provided to all staff. Key activities this year include the formation of two advisory groups, with a wide representation of DFID staff, to contribute proactively to the development, implementation and communication of employment policy and procedure.

- 6.5** We supported the Windsor Fellowship, a scheme aimed at talented Black and Asian undergraduates and for the second year running, sponsored two Fellows in 2001. We have continued our link with the National Mentoring Consortium to offer mentoring to undergraduates from a range of universities. During 2001 the Department took part in recruitment fairs in London and Glasgow aimed at attracting ethnic minority graduates and undergraduates into the Civil Service.
- 6.6** In February 2002 DFID issued an HIV/AIDS Employment Policy which has been developed in consultation with the Foreign and Commonwealth Office. The policy provides HIV/AIDS awareness training which is available to all staff. DFID is arranging access to full medical treatment for all HIV/AIDS-related conditions, (including Anti-Retroviral Therapy) for staff appointed by overseas offices and their long term partners.

### Staffing, organisation and management

- 6.7** DFID has 2 headquarters, located in London and East Kilbride, and some 25 country and regional offices located overseas. The total number of staff employed by the Department in December 2001, including UK based staff working in headquarters and overseas and locally appointed staff working in our overseas offices, was 2695.



DFID staff outside New Delhi office

SONAL BHATT/DFID

### Box 6.b: Numbers of DFID staff by location and gender

	Female	Male
Home civil service staff in London office	391	453
Home civil service staff in East Kilbride office	301	229
Staff appointed in UK on fixed-term contracts for development assistance projects	48	27
<i>DFID staff in UK</i>	<i>740</i>	<i>709</i>
Home civil service staff based in overseas offices	85	139
Staff appointed in country by overseas offices	410	329
Staff appointed overseas on fixed term contracts for development assistance projects	87	196
<i>DFID staff overseas</i>	<i>582</i>	<i>664</i>
<b>Total DFID staff</b>	<b>1322</b>	<b>1373</b>

6.8 The ethnicity and gender representation in DFID of UK-based staff on the payroll as of December 2001 is shown in box 6.c. There are currently 22 UK-based staff who have declared they have a disability under the Disability Discrimination Act 1995.

### Box 6.c: Results of diversity monitoring for DFID UK-appointed staff

	Female %	Male %	White %	Ethnic minority %
Senior civil service	16	84	92	8
Band A1	26	74	87	13
Band A2	38	62	86	14
Band A3	51	48	92	8
Band B1	40	60	93	7
Band B2	52	48	92	8
Band C1	70	30	90	10
Band C2	51	49	88	12
Band B1(D)	64	36	95	5

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

### Box 6.d: Staff salaries for DFID permanent Home Civil Service staff in UK and overseas offices

Grade	Salary range £	Female	Male
Senior civil service	40,000-129,999	9	49
A1	36,264-58,520	39	110
A2	31,000-48,300	100	164
A3	25,000-34,000	54	51
B1	19,500-28,000	82	124
B2	15,500-23,000	150	141
C1	12,500-19,000	249	106
C2	10,000-16,000	60	57
B1(D)	16,300-32,500	34	19

- 6.10** The Department’s recruitment practices conform to the requirements of the Civil Service Commissioner’s Code. DFID made one permitted exception to fair and open competition in 2001 for a fixed-term Home Civil Service appointment where specialised skills were required. The numbers of UK based appointments filled in 2001 are set out in Box 6.e.

**Box 6.e: Permanent UK-based appointments filled in 2001**

Grade	Total	Female	Ethnic Minorities
Senior civil service	2	1	–
A1	15	5	–
A2	30	14	1
A3	14	8	–
Fast Stream – B1(D)	8	5	–
B1	36	18	2
B2	52	28	3
C1	44	31	1
C2	33	20	–
<b>Total</b>	<b>234</b>	<b>130</b>	<b>7</b>
<b>% of total</b>	<b>100</b>	<b>56</b>	<b>3</b>

- 6.11** DFID’s Ministerial and Parliamentary Team is shown in box 6.f. In February 2002 Suma Chakrabarti was appointed as DFID’s Permanent Secretary in succession to Sir John Vereker.

**Box 6.f: DFID’s Ministerial and Parliamentary Team**

	
<p><b>Rt Hon Clare Short MP</b> Secretary of State for International Development.</p>	<p><b>Hilary Benn MP</b> Parliamentary Under Secretary of State.</p>
	
<p><b>Baroness Amos</b> Spokesperson in the House of Lords.</p>	<p><b>Dennis Turner</b> Parliamentary Private Secretary.</p>

- 6.12** During the last year DFID has made a number of changes to its organisational structure and internal management arrangements to enhance our capacity and effectiveness. An up-to-date organisational chart for DFID is available on our website ([www.dfid.gov.uk](http://www.dfid.gov.uk)). We have restructured our regional divisions to enhance the delivery of our development agenda. We have reduced the size of our Management Board from 13 people to 6, comprising the Permanent Secretary, three Director Generals and two non-executive members. The Management Board is supported by committees, for human resources, knowledge, communications, development policy, and finance and audit.
- 6.13** DFID is committed to continuous improvement of the management and the development of its staff. DFID has embarked on a series of on-going Investors in People assessments in individual departments of the organisation to help maintain progress.
- 6.14** A new performance management system has been developed following wide consultation with DFID staff, for introduction in 2002. This provides for a stronger focus on continuous personal development to make the best use of the talents and potential of all staff and a more determined approach to managing less effective performance. The new system sets out a revised competence framework based on behaviours, skills and knowledge, to be used for recruitment, development and assessment processes.
- 6.15** These initiatives will complement a programme using feedback from peers, junior and senior staff to help enhance performance for Senior Civil Service and Band A1 staff, beginning in 2002. A revised pay system introduced from August 2001.
- 6.16** Three inter-linked reviews about DFID's future staffing arrangements were completed in December 2001. They consider the changes in skills requirements, number and deployment of staff to meet the Department's evolving agenda; arrangements for postings promotions and career management; and the recruitment of junior professionals.
- 6.17** A set of five departmental values was agreed in October 2001, following a consultation process involving staff across the organisation (see box 6.g).

**Box 6.g: DFID values**

- Ambition and determination to eliminate poverty.
- Diversity and the need to balance work and private life.
- Ability to work effectively with others.
- Desire to listen, learn and be creative.
- Professionalism and knowledge.

DFID's values stand alongside the values for the Civil Service.

**6.18** DFID has introduced new guidelines for staff on flexible working to help staff to strike an appropriate balance between work and non-work life. DFID operates an equal opportunities policy in respect of all aspects of its recruitment and employment practices. Processes are monitored by gender, ethnic origin and disability. During 2001 there were no equal opportunities complaints which remained unresolved by March 2002.

**6.19** At the end of 2001, DFID transferred its main London office from 94 Victoria Street to a refitted office at 1 Palace Street, following the expiry of our lease on the previous building. The new building provides better communication links such as video-conferencing and improved information systems. Improvements have also begun to DFID's Headquarters office in East Kilbride in order to enhance the working space environment for staff.

**Managing DFID's environmental impact**

**6.20** The move of DFID's London office to a new building following the expiry of the lease on our old premises has provided an opportunity to reduce the environmental impact of our operations. The new building has been fitted with a number of features designed to minimise resource use and pollution. These include automatic sensors instead of light switches, energy-efficient boilers, carpets and ceiling tiles made from recycled materials and improved facilities for cyclists. The new building received a favourable rating under the Building Research Establishment Environmental Assessment Measure. New waste contractors have been engaged for the London office who sort all waste received and recycle approximately 90%. The office paper contract has been changed to supply recycled paper. DFID continues to develop its environmental management system to meet international standards.

## Overseas Pensions

**6.21** DFID's Overseas Pensions Department is responsible for calculation and payment of colonial service and dependants' pensions. During 2000/01, 54,000 pensions and supplements were paid to about 15,000 service pensioners and 10,000 dependants. Almost 259,000 individual payments were made, to a total value of £131 million. DFID again exceeded all of the targets set for 2000/01 in its Service Level Agreement. Unit costs per pensioner and per pension fell by 1.4% and 2.6% respectively. DFID met its targets in the Public Service Agreement 1999/2000 – 2001/02 (7) for increasing the efficiency of the administration of overseas pensions (see box 6.h).

**Box 6.h: Public Service Agreement 1999/2000–2001/02: overseas pensions**

### Target

Unit cost of administration per pensioner, per pension and per payment maintained at inflation or below annually.  
Baseline: 1997/98, £47.07 per pensioner, £22.22 per pension, £4.45 per payment.

### Achievement

**Met.** In 2000/01:

- Unit cost per pensioner was £43.82 (1.39% reduction on 1999/2000).
- Unit cost per pensioner was £20.46 (2.57% reduction on 1999/2000).
- Unit cost per payment was £4.29 (0.69% increase on 1999/2000 but below target of £4.32 for 2000/01).

### Target

Performance against other targets contained in Overseas Pensions Service Level Agreement.

### Achievement

**Met.** Performance in 2000/01 exceeded all Service Level Agreement targets.

**6.22** Overseas Pensions Department received a total of 44 complaints during the year, of which 10 were deemed by our Complaints Officer to have valid criticism of OPD. The others were in the main to do with delays in the postal system. One pensioner also sought help from the Parliamentary Ombudsman in his claim that we had failed to assess properly his entitlement to a war disability pension. The Ombudsman took the view that the actions taken by DFID were right and proper and no further action was required. All new customers are sent a customer service questionnaire six months after their first payment. Some 424 forms were issued in 2000/01, of which 286 (67%) were returned. 99% of those who responded rated DFID's performance on overseas pensions as either "very good" or "good", the same percentage as the previous year. Box 6.i summarises DFID's performance against pensions service standards in 2000/01.

**Box 6.i: Performance against pensions service standards.**

Standard, 2000/2001	Target %	Achieved %
Accuracy of initial calculation of new and revised awards	95.00	98.75
Accuracy of initial payment calculation	97.50	99.96
Number of new awards put into payment within two weeks	97.50	99.41
Timeliness of payments within due date	99.00	99.99
Response to enquiries within two weeks of receipt	97.50	99.88
Initial response to complaints within two weeks, and a more detailed reply, if one is needed, within five weeks	95.00	97.73





Published by The Stationery Office Limited  
and available from:

**The Stationery Office**

(Mail, telephone and fax orders only)

PO Box 29, Norwich NR3 1GN

General enquiries 0870 600 5522

Order through the Parliamentary Hotline *Lo-call* 0845 7 023474

Fax orders 0870 600 5533

Email [book.orders@tso.co.uk](mailto:book.orders@tso.co.uk)

Internet <http://www.tso.co.uk>

**The Stationery Office Bookshops**

123 Kingsway, London WC2B 6PQ

020 7242 6393 Fax 020 7242 6394

68-69 Bull Street, Birmingham B4 6AD

0121 236 9696 Fax 0121 236 9699

33 Wine Street, Bristol BS1 2BQ

0117 9264306 Fax 0117 9294515

9-21 Princess Street, Manchester M60 8AS

0161 834 7201 Fax 0161 833 0634

16 Arthur Street, Belfast BT1 4GD

028 9023 8451 Fax 028 9023 5401

The Stationery Office Oriel Bookshop

18-19 High Street, Cardiff CF1 2BZ

029 2039 5548 Fax 029 2038 4347

71 Lothian Road, Edinburgh EH3 9AZ

0870 606 5566 Fax 0870 606 5588

**Accredited Agents**

(See Yellow Pages)

and through good booksellers

ISBN 0-10-154142-2



9 780101 541428