



7

Organisation and Management of Delivery

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7 Organisation and Management of Delivery

Government has to become an instrument of empowerment, quick to adapt to new times, working in partnership with others, to deliver outcomes so that the public sees a return on its investment through taxation.

Speech on Civil Service Reform by the Prime Minister, Tony Blair MP, February 2004

Box 7a DFID core values

At DFID we value:

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

7.1 The Department for International Development has grown substantially since its creation in 1997. Compared with its predecessor, the Overseas Development Administration, its remit has expanded and the challenges and risks have increased. However DFID has retained an overriding focus on developing high quality policy and practice that contribute to the achievement of the Millennium Development Goals. In 2002 we initiated a programme of organisational and management change, 'Going from Strength to Strength,' to improve the way we carry out our business. We have continued to build upon this. We have undertaken major changes to our corporate delivery systems and seek to be at the forefront of best practice across our organisation and management agenda.

Organisation and Structure

- 7.2 In October 2003 Hilary Benn MP moved from his position as Minister of State for International Development to take up post as Secretary of State for International Development. This followed a six-month period, from April to October 2003, when Baroness Amos took over from Clare Short as Secretary of State, prior to being appointed Leader of the House of Lords. Gareth Thomas MP has stayed in post as Parliamentary Under Secretary of State.

Box 7b Ministerial team



- 7.3 The Management Board is collectively responsible to Ministers for the delivery of the Public Service Agreement. It provides strategic direction to the management of DFID's operations, staff and finances and ensures the implementation of policies set by the Secretary of State. It also aims to protect and enhance DFID's reputation as an effective international development organisation.
- 7.4 Three Committees support the Management Board:
- Development Committee
 - Finance and Audit Committee
 - Human Resources Committee.

They help to inform DFID's strategic focus by providing a forum for discussion of key policy issues. On occasions these then provide the basis for final analysis and decisions by the Management Board. The Board has also held a number of joint meetings with the Foreign and Commonwealth Office Board and the Chief of Staff from the Ministry of Defence, as part of a more collaborative approach across Government Departments.

Box 7c Management Board

The Management Board comprises six members:

Chair:

Suma Chakrabarti
Permanent Secretary



Two non-Executive Directors:

Nemat Shafik,
Vice-President at the
World Bank



Bill Griffiths,
Director at WRG
Associates



Three Directors-General:

Nicola Brewer
Regional Programmes



Masood Ahmed
Policy and International



Mark Lowcock
Corporate Performance
Knowledge Sharing



- 7.5** Staff are encouraged to attend any Board or Committee meetings as observers and many meetings are also linked by videoconference to overseas offices. This informs the wider work of the Department through increased awareness of discussions and decision-making processes.
- 7.6** Eight **Divisions** take responsibility for our work: Three regional Divisions: Africa, Asia, and Europe, Middle East and Americas; and five further Divisions: International, Policy, Information, Knowledge and Communications, Human Resources and Finance and Corporate Performance. Over the last year, Policy Division, which is responsible for providing much of the evidence base for policy decisions, has been reorganised to increase its responsiveness to demand, prioritise better and be more forward looking. (Further information is available in Chapter 6.)
- 7.7** **Chief Advisers** provide vision and intellectual leadership on issues relating to their professional disciplines across DFID's work – in order to help meet the Public Service Agreement and Service Delivery Agreement targets. They strengthen the knowledge and skills of professional groups within DFID, improve the internal coherence and quality of DFID's work and advise ministers and senior management. They also help the Department build long-term partnerships with other Whitehall Departments, with academia, and with development institutions in the UK and worldwide.

7.8 In line with the current Government-wide move toward **decentralisation**, a further 85 posts, at a variety of grades, are being relocated from London to our East Kilbride office by the end of 2005. This will lead to a more economical use of office space in London and create greater diversification of roles and opportunities for staff in East Kilbride. The process will be carried out in close consultation with staff and there will be no compulsory relocation or redundancies.

7.9 In addition to relocation within the UK, there has been continued decentralisation of country programmes to country offices over the last year, with new offices opening in China, Vietnam, Rwanda and Ethiopia. This takes the total number of overseas offices with fully devolved authority to 27. These are marked on the world map at the start of the report. This will lead to closer working relations with partner governments and other donors in the region.



DFID China

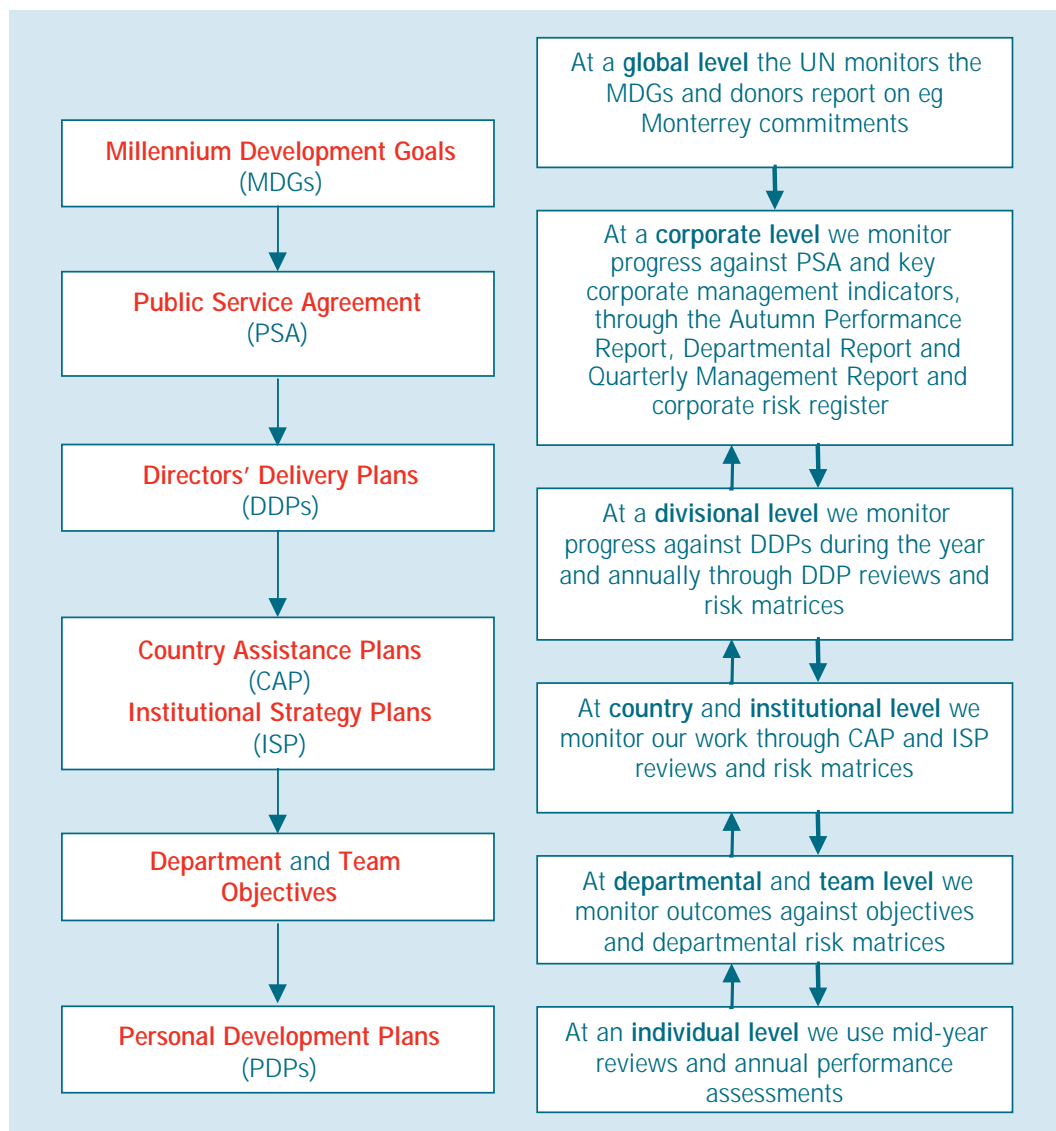
The Prime Minister opened the new DFID Beijing office in July 2003

PSA Value for Money Objective Highlight

- ✓ A further 85 posts will be relocated to our East Kilbride office as part of our process of decentralisation; 4 new overseas offices have opened, in Addis Ababa, Beijing, Hanoi and Kigali.

Corporate Strategy Framework

Box 7d DFID strategy and performance management – how it fits together



Public Service Agreement

- 7.10 DFID has a clear mission – to reduce poverty in developing countries by achieving the Millennium Development Goals. DFID's new Public Service Agreement came into force in April 2003, following the 2002 Spending Review. It sets out objectives and targets for the three years until 2006 based on the Millennium Development Goals. The Public Service Agreement and details of progress made can be found in Annexe 3. The Service Delivery Agreement sets out in detail what DFID needs to do to achieve the Public Service Agreement objectives and targets. It also contains a number of Government-wide targets covering DFID's performance as an organisation. These comprise efficiency targets (including our Service Level Agreements); electronic government; fraud; and diversity. The Technical Note, which accompanies the Public Service Agreement, sets out our reporting mechanisms and sources of information.

PSA Value for Money Objective Highlight

- ✓ DFID is recognised as having one of the strongest Public Service Agreement delivery systems within Whitehall: the cross-Whitehall risk management report to the Prime Minister quoted DFID as reflecting best practice on a number of occasions.

- 7.11 The Public Service Agreement 2003-06 is directly aligned to DFID's mission of achieving the Millennium Development Goals and reflects our organisational structure. While the Secretary of State is publicly accountable for delivery of DFID's Public Service Agreement, the Management Board has collective responsibility for delivery within DFID. Individual Directors are responsible for delivery of particular objectives and their related targets. Divisional, departmental and, ultimately, individual targets and work streams are set in accordance with the objectives of the Public Service Agreement. Staff within DFID can therefore link their own work through to the overall aim of eliminating poverty. Consultation following the launch of the new 2003-06 Public Service Agreement showed that 85% of staff in the UK and overseas were clear about its aims and how this related to their own work.
- 7.12 Each Director produces an annually reviewed Delivery Plan, which provides a direct link between Public Service Agreement targets and individual country programmes or departmental plans. Each Plan sets out how the Director will allocate resources to deliver that Division's Public Service Agreement and Service Delivery Agreement objectives and targets. A thorough risk assessment is included as part of each Delivery Plan.
- 7.13 The first annual review of the Directors' Delivery Plans was carried out in December 2003. It provided an assessment of the overall performance of each Division, set out proposals to deal with underperformance, reviewed the major risks that threatened delivery, agreed the allocation of resources and set internal targets for the coming year. DFID is recognised as having one of the strongest Public Service Agreement delivery systems within Whitehall.

Joint Targets

- 7.14 In line with the Government's commitment to collaborative working, DFID shares responsibility with other departments. We collaborate with the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MOD) for delivery of targets on conflict prevention. On debt relief and reaching the Millennium Development Goals we work with HM Treasury. And we join the Department of Trade and Industry and the FCO to work on reductions in trade barriers. Each Department sets out the details of its intended contribution towards the joint targets in its Service Delivery Agreement. The Departments have developed a joint approach to measurement, analysis and consistency of reporting and this was reflected in the issuing of joint Technical Notes.

Box 7e Joint target on conflict

Public Service Agreement Target: improved effectiveness of the UK contribution to conflict prevention and management as demonstrated by a reduction in the number of people whose lives are affected by violent conflict and a reduction in potential sources of future conflict, where the UK can make a significant contribution.

This target is shared between DFID, the Foreign and Commonwealth Office and the Ministry of Defence.

DFID takes the lead for delivery of the target in relation to sub-Saharan Africa and the associated Africa Conflict Prevention Pool. The FCO takes the lead for delivery of the target in relation to the rest of the world and the associated Global Conflict Prevention Pool.

The target will be pursued through joint FCO/DFID/MOD development and implementation of conflict prevention strategies for target countries; also through help to build peacekeeping capacity in Africa and to tackle the economic and financial causes of conflict.

An external evaluation team will judge the effectiveness and efficiency of the Pools and progress towards the Public Service Agreement target. This is measured against the number of people killed, made refugees or internally displaced as a result of conflict.

For more information

On DFID's Public Service Agreement Technical Notes

See the DFID website at www.dfid.gov.uk

Annexe 6 has details of our website and how to obtain other DFID publications

- 7.15** Below the Directors' Delivery Plans, DFID has a number of mechanisms setting out plans at a lower level. Country Assistance Plans explain how DFID aims to contribute to the achievement of the Millennium Development Goals in specific countries, and they underpin the work of the regional Directors' Delivery Plans. Country Assistance Plans start from the basis of our partner country's Poverty Reduction Strategy, where these exist, and explain in detail how DFID will work as part of the international development effort to support the country's own strategy. 16 individual Country Assistance Plans and two Regional Assistance Plans, for the Middle East and North Africa and the Balkans, have been completed this year and 17 are in the process of completion. Country Assistance Plans are used to identify the resources, technical expertise and influencing capacity that DFID can offer to the partner government in support of its Poverty Reduction Strategy.
- 7.16** A series of Institutional Strategy Papers sets out the framework for how DFID operates as part of the international development community through its engagement with multilateral agencies. Papers published in previous years cover most of the major financial institutions and international organisations. In April 2003 we published a paper on our work with the International Committee of the Red Cross (27).

Performance Measurement

- 7.17** All Government Departments are required to publish progress against their Public Service Agreement twice a year. We do this in the Autumn Performance Report in November and the Departmental Report in April. Electronic reporting also takes place on the DFID website www.dfid.gov.uk and the central Treasury Spending Review site www.hm-treasury.gov.uk. From Autumn 2003, we introduced a traffic light system to highlight more clearly the targets that are on or off-track as well as those where it is too early to judge.
- 7.18** The difficulty of identifying reliable and timely data seriously hampers accurate reporting. We depend upon annual internationally published and verified data from the World Bank's *World Development Indicators* and various United Nations publications. Relying on these data sources raises particular issues. The sets of data are often incomplete and tend to be adjusted for the purposes of comparability, which can mean that the reality in country does not emerge. Given the potential problems of consistency that the international sources raise, DFID also draws on locally available data and analysis from our overseas offices. Further information on data problems can be found in Annexe 3 in the 'Health Warning' preceding the Public Service Agreement reporting.

Box 7f Appearance versus reality: health care in Uganda

The most recent health indicators from Uganda, though poor, date from 2000 and so reflect performance in the late 1990s. During this period national expenditure on health services was both inefficient and inequitable, with the focus on large urban hospitals, little development of primary health care services and low patient demand due to fees levied.

Radical action was required – Uganda embarked on a Sector Wide Approach and requested that DFID provide budget support so that the Government of Uganda could allocate funds appropriately.

Since 2000/01 the Government budget has become the main financing mechanism for the health sector. It has increased the provision of primary health care at district level and abolished patient fees, which has particularly encouraged uptake by poor people. Consumption of basic health care services has soared since 2000 with outpatient attendances up 6.3 million or 68% and immunisation rates up from 41% to 70%.

It will take time for these improved health care figures to translate into better outcome data, for example in child and maternal mortality rates. Therefore, we must treat the 2000 Ugandan health figures as a baseline and rightly expect substantial improvements by 2005.

7.19 In 2003 the National Audit Office undertook a review of the data systems used by DFID to measure performance against the PSA targets. It reached the following broad conclusions.

- The data systems employed are reliable.
- The Technical Note is sufficiently detailed.
- Data quality issues have been considered.
- DFID has not carried out a risk assessment of data systems.
- Data systems do fit the reporting cycle requirements, except for the Millennium Development Goals.
- External data sources are fit for purpose.

Overall the National Audit Office believed that DFID has made substantial progress in implementing a reliable Public Service Agreement reporting system and did not identify any weaknesses that would invalidate reported performance. It felt though that there were areas where supplementary data and analysis would help users' understanding and appreciation of the performance reports. We are working towards providing this information as indicated in Annexe 3.

7.20 In addition to Public Service Agreement reporting, DFID also has performance reporting and measurement systems built into:

- Directors' Delivery Plans
- Country Assistance Plans
- Institutional Strategy Papers
- Project management (see box 7d).

Headline messages are also drawn together for the Management Board every three months through the Quarterly Management Report.

Box 7g Value for Money

In line with all Government Departments, DFID has a Value for Money objective with two indicators. Firstly, we aim to increase the proportion of DFID's bilateral programme, excluding humanitarian assistance, going to low-income countries from 78% to 90%. More detail on this is provided later in the chapter. The second Value for Money indicator focuses on establishing a sustained increase in the number of bilateral projects evaluated as successful. Carefully planned projects that are successful have the greatest impact on the Millennium Development Goal targets. All projects over £1 million in value and over two years old are scored annually, according to risk category. These scores are then entered into our IT-based Performance Reporting Information System for Management. DFID also has a number of Value for Money targets relating to effective quality control and monitoring of our internal systems, which are set out in the Service Delivery Agreement. These are followed up in the Directors' Delivery Plans.

PSA Value for Money Highlight

- ✓ Provisional 2003 expenditure reached an oda/GNI ratio of 0.34%, which would exceed the Government's manifesto commitment of 0.33%.

Box 7h Guide to 'traffic light' assessment in this report



Green: Means we judge we are on course to meet the target/indicator.



Amber: Means we cannot make a judgement on progress against this target/indicator. This may be because performance has not changed in either direction or because progress may have been made in some countries but not others.



Red: Means there has been slippage in progress against this target/indicator.



Grey: Means that progress against this target/indicator cannot be assessed due to unavailable data.







The **circle** superimposed on each assessment gives an indication of *likely* or *anticipated* progress against each target.

Revised baselines are given where more complete and up to date data sets have become available.

A full report of progress against the Public Service Agreement is included in Annexe 3.

Box 7i Progress against Public Service Agreement Target 5

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

Indicator	Progress	
1 Increase the proportion of DFID's bilateral programme going to low-income countries from 78% to 90%	On course The figure for 2002/03 is 80%	
2 Increase in proportion of DFID's high-risk bilateral projects evaluated as successful Baseline: 24%	On course Latest figure is 35%	
3 Increase in proportion of DFID's medium-risk bilateral projects evaluated as successful. Baseline: 56%	Too early to say Latest figure is 57%	
4 Increase in proportion of DFID's low-risk bilateral projects evaluated as successful. Baseline: 81%	Too early to say Latest figure is 75%	

Quality Assurance

- 7.21 In addition to measuring performance against outcomes, the Permanent Secretary has overall responsibility for ensuring the implementation of a sound system of internal control that supports the achievement of DFID's policies, aims and objectives, while safeguarding public funds and departmental assets. The system of internal control is designed to manage risk to a reasonable level, not to eliminate all risk of failure to achieve our goals. The framework has been developed and is maintained by DFID's internal auditors and executive managers and has been commended by the National Audit Office.
- 7.22 Divisional Directors provide an annual statement of assurance, which covers compliance with management and control systems. They include key performance data, an outline of action planned to remedy shortfalls in expected performance, and a reconsideration of delivery risks. Directors' statements are informed by departmental systems on management of performance and by regular monitoring of these systems.

- 7.23 The process of decentralisation and the growth of DFID's programme overseas have increased the need to maintain and improve management standards across the Department. Consistent compliance with prescribed procedures has been further promoted and supported through enhanced guidance, training, Help Desks and central scrutiny. There are clear guidelines for design, appraisal and approval of programme spending proposals, including assessment of risks and their management. All infrastructure and systems development and procurement procedures comply with central Government standards.
- 7.24 In line with all other Government Departments, DFID is required to carry out internal audits. The Internal Audit Department provides an independent and objective opinion of the risk management, control and corporate governance procedures within DFID. Part of its role is to examine the reliability of information provided internally and externally, and of reporting and accountability processes. It also aims to ensure that DFID's assets are safeguarded and that resources are used efficiently and economically, in compliance with the relevant laws and ethical standards within DFID and the Public Service.
- 7.25 The work of the Internal Audit Department also helps assure other bodies such as the Treasury, the Public Accounts Committee and the National Audit Office that we are making the best use of the taxpayers' money. In the light of HM Treasury's newly issued guidance on managing the risks of fraud, DFID has also undertaken a thorough review of its counter-fraud policy and response mechanisms.

PSA Value for Money Objective Highlight

- ✓ DFID's annual accounts were submitted one month earlier than last year and accepted by the National Audit Office without qualification.

- 7.26 DFID works closely with the National Audit Office. In addition to auditing our accounts, they also write reports for the Public Accounts Committee on the economy, efficiency and effectiveness with which public money is spent. This helps us to assess performance against the Value for Money targets in our Public Service Agreement. The National Audit Office has completed two major reports for the Public Accounts Committee in 2003 on Maximising Impact in the Water Sector and Humanitarian Assistance. It has also provided an internal study on the reliability of data systems supporting the Public Service Agreement.

Risk Management

- 7.27 Alongside performance reporting, effective management of risk is also a key element of our corporate performance systems. Risk affects DFID in many ways. The international security environment has become increasingly challenging since 11 September 2001. The bombings in Istanbul in 2003 and the Iraq conflict raised particular issues for DFID. Our offices are spread across 65 countries and staff security is taken very seriously. Over the last year each DFID office

has ensured that they have an up-to-date Business Continuity Plan in place, and we have worked closely with the FCO to put in place additional physical security measures. All new appointees to overseas posts are now given a security briefing at the FCO prior to departure and by the office locally on arrival. Clearer guidance has also been issued on official travel to difficult locations, including approval procedures for such travel. DFID is also a member of the Whitehall Civil Contingencies Team.

- 7.28** DFID is used to working in high-risk environments. While we have a strong tradition of risk management at the programme and project level, over the last year we have identified and addressed areas where risk management might be strengthened. This includes country planning and management; divisional planning and management; and corporate planning and management.



DFID Ghana

The Secretary of State, Hilary Benn, examining cocoa pods in Ghana with local cocoa growers in March 2004

- 7.29** Risk management is now fully integrated into the performance management system. This means that risks are considered and reviewed on at least an annual basis in the country planning process, departmental planning process and the Directors' Delivery Plans. We have also produced additional guidance to improve the consistency of programme and project risk assessment approaches across the organisation.
- 7.30** At the corporate level we now have a risk register agreed by the Management Board. This is reviewed on a quarterly basis with major changes or areas of concern highlighted as part of the Quarterly Management Report to the Board. Like much of the rest of Whitehall, we now have

a Risk Improvement Manager who is responsible for providing the Management Board with relevant and timely information on risk, developing in-house expertise on risk and acting as the DFID contact on risk in Whitehall. Internal Audit Department reviewed the standard of risk management in DFID in 2003/04. The resulting assessment was based upon the risk assessment framework designed by the Risk Support Team at HM Treasury. It showed strong risk management overall, while identifying some areas for improvement. This formed the basis of DFID's input to the cross-Whitehall progress report to the Prime Minister on risk management in Government, in which a number of our approaches were widely quoted as best practice.

Financial Resources

- 7.31** Since 1997, the UK development budget will have risen by 93% in real terms. The UK's level of official development assistance (oda) will reach 0.40% of gross national income (GNI) by 2005/06. This is the highest UK oda/GNI level for over 20 years and reflects the Government's commitment to make progress towards meeting the UN target of an oda/GNI ratio of 0.7%. The increase means the UK's aid ratio will be well ahead of the current Development Assistance Committee average (0.22%). The UK will also have fulfilled the average EU oda/GNI target (0.39%), pledged by EU member-states in the run up to Monterrey.
- 7.32** Provisional figures for 2003 expenditure indicate that we have reached an oda/GNI ratio of 0.34%, exceeding the Government manifesto commitment of 0.33%.
- 7.33** DFID allocates resources within the organisation on an annual basis, setting planning figures for the financial years up to the end of the current Spending Review period. Box 7j summarises DFID's expenditure and spending plans between 2000/01 and 2005/06. Responding to changes in circumstance and performance by our partners is an integral part of our work. The figures for future years are plans and are subject to change. See Annexe 1 for full details of DFID's expenditure and plans from 2000/01 to 2005/06.
- 7.34** DFID budgets adapt to changes in a number of ways. Funds are set aside for each region to support good performance in year. Humanitarian response budgets can provide funds quickly for assistance in emergency situations such as the Iran earthquake. Our contingency reserve, which is equivalent to Departmental Unallocated Provision in other Government Departments, was £100 million for 2003/04. It is in place to supplement plans as appropriate in the light of in-year developments. Often the Contingency reserve is used for further humanitarian assistance, but it can also be used to support other areas of our programmes as required.
- 7.35** This year £75 million of the contingency reserve went to support reconstruction in Iraq. Additional funds from HMT's central reserve and other sources were combined with the contingency reserve funding to provide a total of £207 million for Iraq. Montserrat received £6.5 million from the contingency reserve to cover additional activities following the volcanic eruption.

Box 7j Summary of DFID resource plans

£ million

	2000/01 Outturn	2001/02 Outturn	2002/03 Plans	2003/04 Estimated Outturn	2004/05 Plans	2005/06 Plans
Resources Available						
DFID budget						
Resource budget	3,081	3,196	3,647	3,931	3,842	4,608
Capital budget	-16	24	17	39	18	14
Estimated EC rollover ¹	0	0	0	0	74	105
Estimating Adjustment ²	0	0	0	0	203	219
Total available for allocations	3,065	3,220	3,664	3,970	4,137	4,946
Expenditure:						
Programme allocations						
Africa	584	497	663	647	864	1,100
Asia	291	397	451	514	697	785
Europe, Middle East and Americas	200	239	227	193	164	135
Iraq	9	8	0	207	91	86
International	1,309	1,356	1,464	1,532	1,478	1,881
<i>of which:</i>						
Conflict Prevention and Humanitarian Relief	152	156	144	104	150	157
European Community	656	730	866	976	845	875
World Bank and Regional Banks ³	310	311	336	306	310	662
United Nations & Commonwealth	136	131	127	139	168	180
Other	3	4	3	7	9	12
Policy Division	217	219	282	259	255	250
Information and Civil Society	69	74	80	81	87	111
Private Sector Initiatives and CDC/Actis	8	33	25	19	36	36
Other	13	12	11	1	2	2
Total Programmes	2,648	2,812	3,216	3,454	3,678	4,391
Other expenditure:						
Contingency reserve	0	0	0	0	30	55
Administration	73	82	94	207	222	239
Capital ⁴	-16	24	17	39	34	30
Capital Charges	139	159	132	78	89	89
Superannuation	81	59	51	78	74	72
Other ⁵	140	84	154	114	10	70
Total other expenditure	417	408	448	516	459	555
Total expenditure	3,065	3,220	3,664	3,970	4,137	4,946

¹ Transfer adjusting for the difference between estimated EC attribution and actual expenditure – takes place two years after the event

² Adjustment made to accommodate programme underspend

³ Includes Promissory Notes on an encashment basis until 2003/04

⁴ Includes planned transfers of 16 million from resources in 2004/05 and 2005/06

⁵ Includes movement in provisions, attributed EC underspend, non-voted Africa Conflict Pool (2005/06 only), Gibraltar Social Insurance Fund, Retrospective Terms Adjustment and others

7.36 Around 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 UN Agencies.

7.37 EC funds are disbursed through two key channels. The European Development Fund provides most of the assistance to African, Caribbean and Pacific countries while the external relations heading of the general EC budget provides development funding to all other regions. Regional regulations govern the allocation of funds, and country strategies are agreed between the commission and developing country governments.

7.38 In 2003/04 the UK's share of the European Commission's development and pre-accession programmes is expected to total some £970 million. This is about 25% of DFID's budget. Box 5h in Chapter 5 provides a breakdown of the European Commission's expected spending by region and key thematic lines.

Box 7k Reprioritisation of financial resources

Under our Value for Money objective, 90% of country programme resources, excluding humanitarian assistance, should be provided to low-income countries by 2005/06. This challenge was made more difficult over the past year by the need to support reconstruction in Iraq.

In order to fulfil the commitment to low-income country programmes, changes have been made to planned future programme allocations for middle-income countries. The total effect of these changes will be a reduction in planned bilateral spending in middle-income countries in 2004/05 and 2005/06 of around £100 million.

These changes in planned bilateral allocations will involve bringing forward planned withdrawal from a number of middle-income countries less dependent on UK bilateral aid. Elsewhere we will be continuing with our bilateral programmes, with some reduction in spending levels, and in some cases an adjustment of focus. Our programmes in the Palestinian Authority, Montserrat and St Helena will remain unaffected.

We will continue to provide substantial support to middle-income countries through our contributions to multilateral institutions. In 2001/02 this amounted to some £600 million, of which some £350 million was for middle-income developing countries; and the rest was for middle-income countries in transition.

PSA Value for Money Objective Highlight

- ✓ We have completed work on the restructuring of CDC, formerly the Commonwealth Development Corporation, into an investment company and a fund management company (Actis).

7.39 As part of the 2002 Spending Review, we produced a new Departmental Investment Strategy, covering the period 2003/04 to 2005/06. Our asset base consists of:

- shareholdings in international financial institutions, valued at £1700 million at 31 March 2003;
- ownership of CDC Group plc (investment and loans valued at £250 million and £750 million respectively); and
- tangible and intangible fixed assets, mostly accommodation and IT systems (net book value £71 million).

In 2003/04 our capital expenditure was approximately £65 million. Much of this has been used to build up the capital of International Financial Institutions, in particular the European Investment Bank (£20 million) and the European Bank for Reconstruction and Development (£16 million). Almost £30 million has been invested internally including office buildings in East Kilbride (£8 million) and on developing information, communication and management systems. No new public investment in CDC is planned over the period.

- 7.40 This year we have moved to a new definition of administration costs as agreed with HM Treasury. The new system gives a more comprehensive and realistic picture of the true costs associated with running our operations particularly in overseas offices. We are conducting a review to identify how to assess needs under the new system, and how to allocate funds effectively to improve efficiency. The tables in Annexe 1 reflect the change in definition. Figures for 2003/04 onwards are not directly comparable with those for earlier years.
- 7.41 Last year DFID introduced a system of resource accounting that has now been expanded to include internal resource budgeting. We continue to provide accounts more quickly – this year a month earlier than last. Our accounts were again unqualified and spending was within the limits voted by Parliament.

Business Change

- 7.42 There has been a concerted initiative within DFID in 2003/04 to understand and engage more effectively with the users of our corporate business services. The Smarter Working campaign was launched in April 2003, to support staff across DFID to work more effectively through better use and understanding of information and communication tools. Following extensive staff consultation, a range of more efficient procedures and guidance was issued and ideas have been taken forward as the basis for future projects.

Box 71 Catalyst logo



- 7.43 Catalyst, which was launched in January 2004, is an ambitious programme which aims to streamline and improve business processes. It focuses mainly on internal DFID services and provides a co-ordinated structure for major Information Technology projects, concentrating on:
- management of change, especially communications and training;
 - managing the way projects link together and identifying shortcomings; and
 - realising the benefits by monitoring and measuring take-up and gains in efficiency and effectiveness.

- 7.44 A new Business Transformation Unit was set up to link areas of work across the Information and Civil Society Department and the Information Systems and Services Department in order to focus more closely on users. This now guides all the work on the Catalyst Programme, change management and supports the new DFID Systems User Group.
- 7.45 A high level of Information Technology services has been maintained for DFID staff around the world, despite the worsening international security situation. There have also been a number of Information Technology initiatives over this year designed to improve working processes, including the following.
- Development and implementation of a new internet-based remote working system for 500 users in the UK.
 - Implementation of a confidential network system for DFID users in major overseas offices and in the UK.
 - Implementation of a satellite communications network around the world, in partnership with the Foreign and Commonwealth Office and a public sector organisation, Global Crossing.
 - Installation of a multi-point video conferencing system.

Box 7m Video conferencing

In line with DFID's move towards decentralisation, there has been an increasing need for improved technology to facilitate communication links. In countries hosting some of DFID's overseas offices, telecommunication infrastructure is poor and getting telephone connections is time consuming.

Pilot overseas installations of the video conferencing facilities were successfully implemented in Nairobi and Bangkok in 2003. There are now 77 video conferencing systems installed, 47 within the UK and 30 overseas. These improved facilities have enabled staff to keep in touch between countries, monitor projects and liaise more closely with London and East Kilbride. Video conferencing not only improves communication, but is also more economically efficient.

In October 2003, in conjunction with our main contractor, Carillion, DFID won a prestigious industry award for the best Video Conferencing Project of the Year for key manufacturing sector organisations.

- 7.46 DFID's intranet, inSight, was relaunched in May 2003 with a number of innovative and user-focused changes. Future development plans include the creation of a portal and a personalised view of inSight and its associated applications. Throughout 2003 the library has focused on developing its e-journal section. The e-library now has a large range of full-text journals as well as comprehensive on-line services. Responding to user requests, the Information Systems and Services Help Desk extended its hours to provide full cover from 7am to 7pm Monday to Friday, and it continues to provide an emergency out of hours service. The Knowledge User Group was

set up in early 2003 to gather feedback and suggestions from DFID users on how to develop approaches to knowledge-sharing and to use technology to enable more effective working.

- 7.47 The Prime Minister and the Chancellor of the Exchequer agreed in 2003 to an Efficiency Review covering all public services. A joint team from the Treasury and Cabinet Office is leading the review. Departmental proposals are being included in submissions for the 2004 Spending Review. While details have yet to be agreed, for DFID these are likely to include confirmed savings through our procurement processes, streamlining of our Service Division, and a programme of IT-enabled change. Much of this builds on work already underway through the catalyst programme (see paragraph 7.43).

PSA Value for Money Objective Highlight

- ✓ Our new business change programme, Catalyst, was launched in January 2004; it will streamline all our business processes in order to save both time and money.

Learning Lessons

- 7.48 Evaluations are vital for the production of evidence-based policy – building on the achievements of the past and avoiding pitfalls. They allow us to assess whether development interventions are appropriate, efficient and effective in creating a sustainable impact. They also allows us to challenge those projects that are not. Independent evaluation not only contributes to the knowledge of what works and why, but also helps ensure accountability to stakeholders.
- 7.49 Following the advice of an Internal Audit Report and in order to help develop evidence-based policy more effectively, our Evaluation Department restructured into five teams: People in Development, Macroeconomics and Governance, Evaluation Partnerships, Quality Assurance and Knowledge Sharing.
- 7.50 Over the course of this year evaluations have been carried out in policy areas relating to the treatment of gender in Country Assistance Plans, our contribution to trade policy and a review of HIV/AIDS work. We have also carried out two joint evaluations: on conflict, with the Ministry of Defence and the Foreign and Commonwealth Office, and on General Budget Support, with the Overseas Development Institute and Oxford Policy Management. In order to promote use of evaluation knowledge, the outcomes of consultations have been disseminated across the Development Assistance Committee Network, the Utstein Group of like-minded donor nations and the evaluation services of the EC and EU Member States.

Human Resources

- 7.51 Staff are our most valued resource in striving to meet our Public Service Agreement and Service Delivery Agreement targets. We now employ a total of 2876. This includes UK-based people, working at headquarters and overseas, and locally appointed staff working in our overseas offices.

Box 7n Numbers of DFID staff by location and gender December 2003

	Female	Male	Total
Home Civil Service staff in London office	410	449	859
Home Civil Service staff in East Kilbride office	291	220	511
Staff appointed in UK on fixed term contracts for development assistance projects	19	13	32
DFID staff in UK	720	682	1402
Home Civil Service staff based in overseas offices	167	276	443
Staff appointed in country by overseas offices	460	454	914
Staff appointed overseas on fixed term contracts for development assistance projects	38	79	117
DFID staff overseas	665	809	1474
TOTALS	1385	1491	2876

Diversity

- 7.52 As part of the Modernising Government Agenda DFID continues to implement its Diversity Action plan – this includes the development of a diversity strategy and diversity awareness training for all staff.

Box 7o Progress against diversity strategy

- Appointment of a new Diversity Adviser.
- Completion of an Equal Pay Audit.
- Establishment of a new Employee Assistance Package.
- Successful introduction of a mentoring scheme open to all staff.
- Review of our Ethnic Minority Training Bursary.
- Production of the first Annual Diversity Report.
- Progress towards achieving greater fairness in respect of the terms and conditions of Staff Appointed in Country.
- Wider study on barriers to career progression of ethnic minority staff.

7.53 Our recruitment and employment practices reflect our Equal Opportunities Policy, with processes monitored by gender, ethnic origin, working pattern and disability. The Employment Equality (Sexual Orientation) Regulations 2003 and the Employment Equality (Religion or Belief) Regulations 2003 are now in force. Our existing Equal Opportunities Policy already covered religion and sexual orientation, but specific policies in these areas have now been updated and strengthened. We also strive to seek out good practice and to benchmark our performance on diversity through regular contact with other organisations such as the Department for Culture, Media and Sport, Inland Revenue and HM Customs and Excise.

Box 7p Diversity monitoring January 2004

Some staff did not indicate their ethnic origin, so the White and Ethnic Minority totals do not reach 100%.

	% Female	% Male	% White	% Ethnic Minority Staff
SCS	21%	79%	75%	11%
A1	28%	72%	75%	9%
A2	43%	57%	69%	5%
A3	51%	49%	68%	8%
B1	42%	58%	69%	15%
B1(D)	51%	49%	55%	14%
B2	54%	46%	71%	12%
C1	69%	31%	68%	11%
C2	54%	46%	60%	9%
TOTAL	49%	51%	69%	10%

7.54 We continue our support for a range of development schemes aimed at bringing on talented individuals from underrepresented groups, including the Windsor Fellowships, (a scheme aimed at developing talented Black and Asian undergraduates), the Ethnic minority Bursary Scheme and the Disability Bursary Scheme.

7.55 Further to the publication of DFID’s Race Equality Scheme in 2002, which outlined our obligations under the Race Relations Amendment Act 2000, DFID has taken steps to ensure compliance with its requirements. Our three main service departments – Procurement Department, Information and Civil Society Department and Overseas Pensions Department – have considered ways to engage proactively with different groups in the UK and have reviewed their own policies to ensure fair and equal access to all communities. In July 2003, we undertook further consultation on how other DFID departments interact with the UK public and issued new guidance on good practice. Our human resource processes have also been monitored to ensure no bias on grounds of race. The results were published in January 2004.

Box 7q Permanent UK-based staff appointments filled in 2003

Grade	Total	Female	Ethnic Minorities (where ethnicity is known)
Senior Civil Service	8	2	2
Band A1	18	7	1
Band A2	68	30	7
Band A3	21	14	1
Band B1	22	12	0
Band B2	14	8	0
Band C1	14	8	0
Band C2	13	7	0
Band B1 (D)	19	8	1
TOTAL	197	96	12
% of TOTAL	100%	49%	6%

7.56 We have been supporting the Cabinet Office's Summer Development Placement Scheme for the past two years. This aims to encourage more ethnic minority groups to apply for the Fast Stream. Once again, the experience appears to have been very positive both for the candidates and the host departments.

Human Resource Management

7.57 A new integrated human resources database and payroll system was introduced over the last year. This will deliver more comprehensive, consistent and reliable management information, which is critical to more effective management. *Yoursself*, the self-service database was made available to all staff worldwide by December 2003. The advent of the database, allied to the human resource benchmarking survey, will allow us to measure services and delivery against robust targets.

7.58 A new Managing Attendance module will be set up in the database in April 2004. Prior to this, we will train and equip managers to manage attendance in a sensitive and confidential manner. We continue to work towards reducing absence levels and the latest figures show a continued reduction to eight days for each staff year.

7.59 With effect from September 2003 DFID introduced a counselling service available to all overseas staff (UK appointed and Staff Appointed in Country). This takes the form of an Employee Assistance Programme, provided by Personal Performance Consultants. The service is completely confidential and available 24 hours a day and provides for telephone or face-to-face counselling, arranged locally.

7.60 Our recruitment practices conform to the requirements of the Civil Service Commissioner's Code. We made seven permitted exceptions to fair and open competition in 2003. Two of these were for extensions to short term appointments. A further three were for fixed-term Home Civil Service appointments where specialised skills and experience were required. The remaining two were for re-appointments of former Civil Servants to enable us to realise our investment in them.

Box 7r Benefits of the new posting and promotion system

- Improvements to methods and consistency of promotion decisions
- Greater corporate control to ensure the best fit of staff resources against post requirements
- Greater forward planning of posting requirements and decisions
- Greater career choice opportunities for staff
- More family friendly post take-up dates for staff switching location
- Greater planning time for staff to undertake appropriate training

7.61 A new internal posting and promotion system was introduced in March 2003 for all staff below Senior Civil Service level, which separates decisions on promotions from those of staff postings. Available posts are now advertised internally in twice-yearly clusters. Progress against the Service Delivery Agreement is shown in box 7s.

Box 7s Progress against the Service Delivery Agreement Targets

These targets relate to appointments to Senior Civil Service (SCS) posts

SDA Targets 2004/5	Progress: as at 1 April 2004
30% SCS posts filled by women	23.3% of SCS posts filled by women
8.3% SCS posts filled with staff from an ethnic minority background	9.6% of SCS posts filled by staff from an ethnic minority background
3.3% of SCS posts filled by staff with disabilities	1.4% of SCS posts filled by staff with disabilities

7.62 In partnership with the trade unions, DFID undertook its first equal pay audit in 2003. This produced a positive result, with no evidence of significant pay gaps on gender, ethnicity or disability grounds. The discrepancy between the greater numbers of men than women in senior positions in the Department is an issue of promotion, rather than of equal pay. 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 7t.

Box 7t Staff salaries for DFID permanent Home Civil Service staff in UK and overseas offices

Grade	Salary Range	Female	Male
Senior Civil Service	£52,403 – £188,651	16	66
Band A1	£41,824 – £59,696	55	141
Band A2	£33,408 – £49,271	172	236
Band A3	£25,503 – £34,683	71	68
Band B1	£19,892 – £28,563	101	132
Band B2	£15,812 – £23,462	175	138
Band C1	£12,751 – £19,382	208	96
Band C2	£10,201 – £16,322	30	34
Band B1(D)	£18,413 – £33,153	40	34

- 7.63** We are committed to supporting staff performance and development through strong leadership, good staff management, and high quality training and development. In 2003, we reviewed the new performance management system introduced for staff below the Senior Civil Service in April 2002. The scheme was considered to be an improvement on its predecessor. The adoption of web-based appraisal forms at the end of 2003, with integrated tracking, offer efficiency savings, encourage more timely completion of the process by managers and should support an integrated recruitment, postings and promotion system in 2004.
- 7.64** As an accredited Investor in People we remain committed to continual improvement in the development of our staff. We began an extended Investor in People re-accreditation process in October 2003. We secured re-accreditation in March 2004.

PSA Value for Money Objective Highlight

- ✓ DFID has secured Investors in People re-accreditation for a further three-year period – one of few internationally decentralised operations to gain such recognition for the whole organisation.

Training and Development

- 7.65** The Training and Development Unit continues to provide a range of training and development initiatives to help staff gain the necessary skills and knowledge to contribute to the achievement of the Millennium Development Goals. This has been through a combination of direct training delivery, the sourcing of consultant-led training, advice and guidance and facilitation of events and retreats.
- 7.66** The Management Development Programmes and Diversity Awareness training remained our major focus during the year. Since 1999 over 2,500 staff have had access to personal

development training through the programmes, to help improve the way that relationships and work are managed in the organisation. An independent evaluation process has started to determine what impact this initiative has had on DFID staff. This will inform and direct future training and development activities.

- 7.67** DFID is committed to the continuous improvement of management capability, and has extended the 360-degree feedback process to include all staff with management or supervisory responsibilities. The generic feedback emerging from the process continues to inform the development of all our management training.
- 7.68** Last year we launched a formal mentoring scheme to help staff reach their full potential – whether professionally within their chosen field, or personally through self-development of skills and experience. This complements the responsibility of line managers, and requires partnerships to be formed outside the normal management line. We will review the impact of the scheme in 2004.
- 7.69** A more strategic approach to secondments was adopted over the last year with the establishment of a new Secondments Team in April 2003. More analysis of the corporate and individual benefits and priorities of secondments is planned.
- 7.70** In 2003/04 the Associate Professional Officer Scheme has continued to support 49 training awards in a number of areas including governance, rural livelihoods, infrastructure. No recruitment was carried out in this financial year and the Scheme will therefore be replaced in 2005 with a new Professional Fast Stream of permanent staff to ensure that DFID is able to maintain a properly staffed, in-house advisory resource.



Aloysius Milon/DFID Bangladesh

The Parliamentary Under Secretary of State, Gareth Thomas in Peru in March 2004 visiting a local DFID-funded NGO which gives advice and support on sustainable agriculture

Infrastructure and Procurement

- 7.71** In 2002/03 DFID issued 2,820 contracts, worth £287 million. Since April 2001 British aid is no longer tied to the procurement of British goods and services and DFID is working to influence others to follow suit. In 2003 the EU agreed to untie EC development programmes on a reciprocal basis with other donors.
- 7.72** In line with the Modernising Government agenda, DFID has been looking at how best to streamline its procurement procedures. We are designing a strategy to reduce administration requirements for procurement below £25,000, to increase efficiency. In line with the recommendations of the Government-wide Efficiency Review, we are intending to make more use of the Government Procurement Card, e-catalogues and Government-wide fast track collaborative procurement processes. To expand the base of professional procurement, 28 local contracts officers have been appointed in DFID overseas offices and have received extensive training and mentoring.
- 7.73** Public procurement reform can help make scarce resources go further. The UK public sector has saved £1 billion over the past three years. Similar efforts would significantly increase what developing countries could direct towards poverty eradication – for example, 70% of Tanzanian Government expenditure occurs through procurement. DFID is at the forefront of Development Assistance Committee efforts to harmonise procurement practices, eliminate opportunities for corruption and help developing countries to enhance the effectiveness and efficiency of their purchasing.
- 7.74** DFID has a comprehensive Health and Safety policy in place, actively implemented in partnership with the trade unions. No incidents of any significance were reported in 2003/04. We also have an active programme of risk assessments and inspections.
- 7.75** DFID has continued to try to minimise its environmental impact, in accordance with the Sustainable Development in Government Framework and Targets. The London headquarters now uses an electricity supply that is provided, from 100% renewable sources and the East Kilbride office supply is now 10% renewable – the maximum available locally. A feasibility study is continuing into the installation of a wind turbine at that site. Energy and water consumption are carefully monitored and building management systems are designed to minimise consumption and reduce waste. The London office continues to use a waste contractor who recycles 90% of all office waste received. It has also produced a Sustainable Food Action Plan in line with Government moves to improve overall performance in this area.
- 7.76** The design for extending and refurbishing the East Kilbride office earned an “Excellent” BREEAM rating (Building Research Establishment Environmental Assessment Methodology). Work is now well in hand and incorporates a number of green features, ranging from high-efficiency boilers to natural ventilation for office areas and movement sensors replacing light switches.

7.77 Work is continuing on the development of an Environmental Management System, which is being implemented in the UK and will then be extended to overseas offices. Meanwhile, all offices are being encouraged to adopt best environmental practice, and staff awareness has been raised through the staff intranet, local office publicity and participation in events such as Bike Week. The London office has no staff car parking, and facilities and information for cyclists have been improved in both London and East Kilbride.

Overseas Pensions

7.78 DFID's Overseas Pensions Department is responsible for the administration and payment of pensions and related benefits to former expatriate colonial civil and public servants and their dependants – including those derived from service in a civil or military capacity in former British India and the Sudan public service. During 2002/03, some 49,500 pensions and supplements were paid to about 13,450 service pensioners and 9,700 dependants. Over 220,000 individual payments were made, to a total value of £121.4 million.

7.79 Overseas Pensions Department again exceeded all of the targets set for 2002/03 in its Service Level Agreement. The unit costs per pensioner and per pension fell on average by 7% to £41.15 and £19.26 respectively.

7.80 Overseas Pensions Department received a total of twelve complaints during 2002/03, of which our Complaints Officer deemed four valid. The others were mainly to do with delays in the postal system. No cases were submitted to the Parliamentary or Pensions Ombudsman. All new pensioners are sent a customer service questionnaire six months after their first payment. 390 questionnaires were issued in 2003/04, of which 262 (67%) were returned. 98% of those who responded rated our performance as either 'very good' or 'good'. Box 7u summarises Overseas Pensions Department's performance against pensions service standards in 2002/03.

Box 7u Performance against pension service standards

Standard, 2002/03	Target %	Achieved %
Accuracy of initial calculation of new and revised awards	95.00	96.67
Accuracy of initial payment calculation	97.50	99.97
Number of new awards put into payment within two weeks	97.50	99.89
Timeliness of payments by due date	99.00	99.99
Response to enquiries within two weeks of receipt	97.50	99.92
Initial response to complaints within two weeks, and a more detailed reply, if one is needed, within five weeks	95.00	100.00