

Poverty Reduction Budget Support

A DFID policy paper

May 2004

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Summary

DFID's mission is to eliminate world poverty and support the achievement of the Millennium Development Goals (MDGs). Many of the things that need to be done to achieve the MDGs (such as improvements to education and health services) depend on public spending in developing countries. Public spending is managed through the government budget. The case for providing aid directly to the budgets of developing countries is that this can increase the resources available for public spending to achieve the MDGs, and provide a means to improve the effectiveness with which overall budgetary resources are managed. Working with the budget of a country also provides an important avenue for dialogue with its government on development policies and public spending choices.

DFID believes that, when circumstances are appropriate, Poverty Reduction Budget Support (PRBS) (also known as Direct Budget Support) is the aid instrument most likely to support a relationship between donor and developing country partners which will help to build the accountability and capability of the state. To assess the appropriateness of circumstances, one should consider:

- the country's planned budget priorities in support of poverty reduction;
- the status of administrative, technical and financial systems; and
- the specific costs / benefits of PRBS against other types of aid.

Provision of PRBS is not an end in itself. Our choices of types and combinations of aid instruments will reflect country circumstances and the evolution of our relationship with the partner country. In most partner countries, the provision of PRBS will generally be complemented with other aid instruments.

As with all aid instruments, PRBS carries some risks. For developing country partners, these include the impact of fiscal adjustments if PRBS is stopped; and for donors, they include fiduciary and political concerns.

Preliminary comparison of actual outcomes of PRBS with its anticipated benefits and risks suggests that:

- Some of the benefits are medium term, rather than immediate. These include increased allocative efficiency and lower transaction costs for recipient governments. Some benefits are even longer term, such as more effective local institutions and stronger domestic accountability.
- Few of the expected benefits (local ownership; alignment; harmonisation) are automatic. Complementary measures (appropriate technical assistance and policy dialogue) are needed.
- Donors are pursuing a variety of objectives through budget support. Improved coordination would improve impact.
- Our initial experience of PRBS shows that it is less predictable than expected. But we believe that predictability can be improved with clearer operating rules. Donors and partner governments have joint responsibility for providing predictable resources, which will be used to reduce poverty based on country-owned strategies.

Experience of PRBS is still at an early stage. DFID will continue to work with its development partners – both developing countries and other donors – to assess the effectiveness of this instrument and to review our own practices in the light of what we learn.

1 Purpose of this policy paper

1.1 The objective of this paper is to summarise DFID's policy on the provision of Poverty Reduction Budget Support (PRBS).

1.2 More specifically, the purposes of the paper are to:

- inform our partners, both developing countries and other development agencies, of our policy on poverty reduction budget support;
- increase consistency in the implementation of poverty reduction budget support in country programmes;
- outline some of the benefits and risks associated with the provision of poverty reduction budget support, based on our initial experience.

2 What is Poverty Reduction Budget Support?

2.1 **Poverty Reduction Budget Support** (PRBS)¹ is a form of financial aid in which funds are provided:

- in support of a government programme typically focussing on growth, poverty reduction, fiscal adjustment, and strengthening institutions, especially budgetary processes; and
- directly to a partner government's central exchequer, to spend using its own financial management, procurement and accountability systems.
- PRBS is also commonly known as Direct Budget Support.

2.2 PRBS can take the form of:

- a general contribution to the overall budget, often referred to as **General Budget Support** (GBS)¹, or
- financial aid earmarked to a discrete sector (with any conditionality relating to these sectors), often referred to as **Sector Budget Support**.

2.3 Financial aid as a contribution to the overall budget has been used in a variety of forms over the last fifty years. During the 1970s and 1980s, this took the form of "balance of payments support" to help countries in managing an external financing constraint. During the 1990s, the emphasis shifted towards enabling countries to relieve internal (fiscal) constraints to help address poverty reduction.

2.4 The Sector Wide Approach (SWAp), where major donors provide support within an agreed sector framework, coordinated by the government, emerged in the mid-1990s in recognition of the weaknesses of stand-alone projects. SWAps can encompass a wide range of instruments, from a set of coordinated projects to the provision of sector budget support.

2.5 More importantly, the 1990s saw a major shift towards increased country ownership of development programmes based on a set of core Poverty Reduction Strategy (PRS) principles. This led to increased concern to provide assistance that: enhances government ownership of the reform programme and its accountability to its own people; develops sustainable capacity; provides transparency and predictability of resource flows; and is provided in a way that maximises value for money and minimises transaction costs.

2.6 DFID now uses PRBS explicitly to link the provision of financial aid to the partner government's commitment to poverty reduction. When circumstances are appropriate (see section 3), PRBS is the aid instrument most likely to support a relationship between donor and partner that helps to build the accountability and capability of the state.

¹ Within this category, funds may be notionally accounted for against specific sectors, but there is no formal limitation on where funds may actually be spent.

3 What is DFID's current policy?

3.1 DFID's policy was set out in the UK Government's 2000 White Paper "Eliminating World Poverty: Making Globalisation Work for the Poor".

"The UK Government will work with other donors to channel more of our support through developing country budgetary systems, where governments have a strong commitment to poverty reduction, and help strengthen their planning, financial and procurement systems to make this possible" (p.98)

3.2 DFID supports developing country government budgets in order to help implement the government's poverty reduction strategies, or similar national development strategies. Where countries have clear strategies to prioritise pro-poor expenditure, additional support through the budget can accelerate progress towards the Millennium Development Goals. Particularly in aid dependent countries, gains can be achieved by moving the aid onto the budget (either through bringing projects on-budget or through supporting the budget directly with PRBS).

3.3 Provision of PRBS is not an end in itself. PRBS is one of a range of instruments (financial aid, technical assistance, projects, global funds) used by DFID to promote poverty reduction. DFID's decisions on the types and combinations of aid instrument to use, and the levels of government (national and/or sub-national²) at which to engage, will reflect country circumstances. We do not have a fixed target for the percentage of UK bilateral aid that will be given in PRBS.

3.4 We will use PRBS, and will encourage other donors also to use budget support, when circumstances are appropriate. To assess whether the circumstances are appropriate, we have to consider whether:

- (1) the partner government's planned budget priorities support poverty reduction;
- (2) there is commitment to making the administrative, technical and financial systems robust and reliable, so that funds help to reduce poverty effectively; and
- (3) provision of PRBS will produce significant benefits relative to other forms of aid delivery (such as better

coordination of support to a more coherent policy and expenditure programme, and lower aid management costs).

3.5 Exceptionally, DFID may also consider using financial transfers in emergency, post-conflict situations to support interim budgetary systems established and managed jointly with the donor community. These funds are often managed through a multilateral trust fund.

Assessing the planned budget priorities

3.6 In order for us to judge that sufficient commitment to poverty reduction exists, there must be a formal strategic framework and review process between the government in question (usually the central budget authority – the Ministry of Finance) and the donor community. The strategic framework should embody the principles of a good Poverty Reduction Strategy³.

3.7 As well as agreement over the forward policy framework, revenue and expenditure priorities, there should be a track record of government implementing its stated policies.

Assessing the administrative, technical and financial systems

3.8 Internal guidance, agreed with the National Audit Office, requires that, before provision of Poverty Reduction Budget Support:

- i. a thorough evaluation of public financial management and accountability systems, and associated risks, has been carried out;
- ii. the government must have a credible programme to improve the standards of these systems;
- iii. potential development benefits justify the fiduciary risks⁴;
- iv. these assessments are explicitly recorded as part of the decision-making process to provide assistance.

3.9 We do not provide PRBS if there is a high level of fiduciary risk which is unlikely to be reduced during the intended

² Both General Budget Support and Sector Budget Support can be delivered at different levels of government, e.g. national or state; federal or provincial.

³ The six core PRS principles: country-driven, results-orientated, comprehensive in analysis, prioritised in implementation, partnership-orientated and based on a long-term perspective.

⁴ Fiduciary risk is used here to refer to the risk that expenditure will not: (a) be properly accounted for; (b) be used for its intended purpose; and (c) represent value for money.

period of support. Guidance on how the public expenditure management elements of fiduciary risk should be assessed and managed is given in "Managing Fiduciary Risk When Providing Direct Budget Support" (March 2002).

Assessing the specific costs/benefits of PRBS against other types of aid

3.10 As noted above, an advantage of PRBS is the reduction of the high reporting and management costs in countries where aid is delivered through a large number of projects. However, **benefits need to be assessed rather than assumed.**

3.11 In particular, there may be high costs of negotiating and maintaining budget support policy agreements, especially where there is a lack of consensus on policy within and between Government and the donor community. On the other hand, given the ease of disbursement of budget support, the marginal costs of expanding budget support once established are potentially lower than the marginal costs of expanding project finance. This becomes particularly relevant in the context of substantial increases in aid to meet the Millennium Development Goals.

Assessing the balance of PRBS and other aid instruments

3.12 Even in countries where ODA can account for as much as 50% of the budget, PRBS is likely to remain as one instrument among many. "Projects" can perform a number of important functions beyond the reach of PRBS; they can be strategic (changing the wider institutional environment); they can act as policy experiments; they can demonstrate alternatives; they can transfer skills; and they can assist the non-state sector. However, such projects should contribute to the country's strategic framework for poverty reduction and not be donor-driven. Donors also have a parallel responsibility to align their procedures in order to take full advantage of the potential to reduce transaction costs for countries.

3.13 In most countries DFID uses a mix of aid instruments. Judgements in each country have to be made on the appropriate mix to ensure that the instruments work in a complementary manner. As well as consideration of the areas outlined above, this depends on what other donors are doing, where the gaps are, the government's policy preferences and capacity to provide what is needed. The country programme documents should make explicit the reasoning and analysis underlying the choice of aid instruments.

3.14 In poor policy environments (where the policy framework or its implementation and/or financial managements systems are weak), if we are able to give financial assistance, we will use projects to support the development of PRS processes and financial management reform. Once the country circumstances are judged favourable for provision of budget support, we will seek, in consultation with the partner government, to give a greater proportion of our assistance as budget support as performance improves.

4 What are the expected and emerging benefits and risks of PRBS?

4.1 Over the last three financial years, DFID has provided an average of approximately £250 million per year as PRBS (including sector budget support) in 20 countries (see Table 1). This was about 15% of our total bilateral expenditure.

4.2 Our evaluation efforts to date have focused on General Budget Support as a specific component of Poverty Reduction Budget Support. Sector Budget Support can be expected to have many of the same benefits and risks, but will differ in important ways depending on the nature of earmarking and associated fungibility.

4.3 In 2001 DFID commissioned a General Budget Support Evaluability Study⁵ to establish a conceptual framework of the impact of GBS on poverty. The study drew on the early experiences of Uganda, Mozambique and Andhra Pradesh, India to strengthen the framework and to gather emerging lessons from experience. In addition, we carried out an internal review of our General Budget Support programme in Asia. These reviews have provided useful information on the anticipated benefits and risks of general budget support. As some of the benefits involve institutional change, which can only be expected over the medium to long term, the following analysis distinguishes between the short and medium-term benefits. These benefits and risks require more comprehensive evaluation. DFID is currently leading a joint OECD-DAC evaluation of GBS building on the Evaluation Framework⁶.

Expected short-term benefits

4.4 In the short term, budget support should provide increased ownership of budgets and policy process, improved policy dialogue and greater donor harmonisation, all of which are key factors for improvements in service delivery and development outcomes.

Increased ownership and empowerment

4.5 A switch to budget support increases the proportion of external funds that are subject to the national budget process. This should ensure that aid is more aligned with national goals, strategies and systems, thereby:

- strengthening local control of the planning process, as there is less risk that local priorities are undermined by excessive influence of donors in identifying and choosing projects;
- avoiding the potential distortions created by “project implementation units”, which often take the best local staff (paying them higher salaries) and establish parallel systems, thus undermining national systems and causing resentment among the remaining civil servants;
- allowing flexibility in the use of aid, so that governments have more room for manoeuvre in

Table 1: Poverty Reduction Budget Support by Region 2000/01 - 2002/03 (£ million)

Region	Countries	Total amount * 2000/01 – 2002/03
Africa	Ethiopia, Ghana, Kenya, Malawi, Mozambique, Rwanda, Sierra Leone, St. Helena, Tanzania, Uganda, Zambia	559.0
Asia	Afghanistan, East Timor, India, Pakistan, Vietnam	145.7
South America & Caribbean	Bolivia, Montserrat	28.5
Europe	Macedonia, Serbia	13.4
Total		746.6

Source: Statistics on International Development (SID) figures on Programme Aid; and PED data.

* Note that SID figures for programme aid may also include some sector support and/or balance of payments support in forms which are not strictly PRBS. The next edition of SID will clarify these definitions in order to improve the consistency of the data.

5 *General Budget Support Evaluability Study: Phase 1*, Oxford Policy Management and Overseas Development Institute, 20 December 2002

6 *Framework for country-level case studies*, Europe Aid and ODI, February 2004

implementing policy reforms and can fund both capital and recurrent expenditure.

4.6 Experience so far on the realisation of these benefits has been mixed. In Uganda there is emerging evidence that the government is being empowered in its relations with donors. The evidence shows greater government control over externally funded activities and resources, with a relative strengthening of the Ministry of Finance (MFPED), the Cabinet and Parliament as drivers of public resource allocation. A key change is in the way line ministries relate to MFPED, as the guardian of the budget process, on the one hand, and to donors on the other.

4.7 In Andhra Pradesh, GBS has not necessarily increased ownership of the budget and policy process compared to the non-GBS scenario; ownership was already strong. There is recognition, however, that GBS helps to strengthen the influence of the Department of Finance, which is one of the main drivers of the reform process.

Improved policy dialogue

4.8 Budget support allows a policy dialogue between donors and governments on the key public expenditure priorities and the measures and processes needed to implement them.

4.9 In Uganda, donors have been able to focus much of their dialogue with the government not on specific aid-funded interventions and the conditions of their effectiveness, but on the ways and means of implementing the Government of Uganda's Poverty Eradication Action Plan (PEAP).

4.10 In Asia, the review assessing DFID's experience concluded that the main benefits of using budget support have been supporting and giving incentives for reforms, and providing a basis for broader policy dialogue, rather than resource transfer. Complementary technical assistance was important in supporting the reform process.

Increased donor harmonisation

4.11 Budget support helps to increase harmonisation of donor activities in the country (especially in respect of consistency in setting benchmarks, reporting requirements and synchronising missions) and it can reduce the proliferation of donor conditions. The contribution made by GBS to donor harmonisation, reduction in transaction costs and alignment with government systems has been more limited where it has

not been the preferred mode of resource transfer of either Governments or other donors, such as in India, Vietnam and Pakistan. However, progress is being made (e.g. around the Poverty Reduction Support Credit in Vietnam and Health Sector Support in Pakistan).

Expected medium-term benefits

4.12 Over the medium term, budget support is expected to increase the predictability of aid, increase the efficiency and pro-poor allocation of public expenditure, and lower the transaction costs of aid delivery. As transparency and predictability in the budgetary process improves, and as increasing government capacity to deliver improved services starts to change public expectations, there may also be a positive influence on democratic accountability.

Increased predictability

4.13 Budget support should enable donors to provide governments with greater certainty about donor flows over the medium term, which, in turn, gives governments the assurances needed to plan service delivery improvements. However, the fact that budget support is both high-profile aid and highly flexible from the donor's perspective makes it more of a challenge to deliver with predictability. As noted in paras 4.21-4.23, there is evidence that, in the short term, aid has become less predictable.

Lower transaction costs

4.14 Although the transaction costs of budget support are likely to be **higher in the short term**, as new ways of working between governments and donors are established, net transaction costs should be **lowered over the medium term**. This is because donors should be using the government's own reporting and accounting systems to monitor progress, rather than negotiating, managing and monitoring literally thousands of projects.

4.15 Preliminary evidence from Uganda indicates that transaction costs may have increased in the short run, as donors have yet to embed new ways of interacting with each other and with Government. However, there are reasonable prospects of a reduction in the medium term.

Improvements in service delivery and development outcomes

4.16 Efficiency of public expenditure should be enhanced as budget support provides greater incentives for both donors and partner governments to strengthen the effectiveness of government systems (see Box 1), including expanded provision of services and stronger delivery institutions.

4.17 Experience in Uganda suggests grounds for both optimism and caution. Some significant changes were noted in the way sectors and multi-sectoral stakeholder groups were encouraged to make and improve policies within the Medium Term Expenditure Framework (MTEF) process. Budget allocations reflect Government priorities more closely (but this does not automatically mean that budgets are more pro-poor); the chances of gross misallocations have been reduced, especially as compared with the heyday of projects; and processes have been created that will, in due course, encourage learning from experience about what does and does not produce results. Improvements in outcomes for poor people are further off, but some of the preconditions have been met.

4.18 We recognise that it may be difficult to assess the direct impact of PRBS on poverty reduction and improved development outcomes, especially in countries where PRBS is a low proportion of the total government budget. This can result from weaknesses in the statistical data systems, and also the fact that it takes time for improved outcomes to show through in the data. This highlights the importance of accompanying PRBS with appropriate support to improve the capacity of governments to track expenditures and demonstrate outcomes for poor people. The latter will be particularly important in explaining the benefits of the PRBS approach.

Increased democratic accountability

4.19 Over the medium to longer-term, improvements in the predictability and transparency of the planning and budgetary process can start to change expectations and provide incentives and opportunities for different groups to mobilise. This could in turn start to change the basis of accountability of governments to their people. The hypothesis underlying this process, and how short and medium-term benefits contribute to it, is outlined in Box 1. As can be seen from the explanation, the process is complex and the political economy of each particular country will affect this process in different ways.

4.20 The Evaluability Study gives an upbeat but cautious finding on democratic accountability. This is a matter of relative improvement, as the evidence on aid dependency generally is pessimistic about domestic accountability. Ugandan experience suggests that incremental improvements in the role of Parliament, public audit functions and the media are occurring (for reasons that are independent of donor policies); but that the absolute weight of Government accountability to donors may well have increased as a result of general budget support.

Box 1. An Underlying Hypothesis for Budget Support

Stronger, more rules-based, more effective institutions for public financial management and service delivery are the great prize of PRBS, and are what ultimately justifies the increased fiduciary risk. But this involves very fundamental processes of social and political change and means that PRBS is a long-term project.

The underlying hypothesis is that more predictable funding, together with more sustained and coordinated policy dialogue, in support of a poverty reduction strategy (or similar national development strategy) and a Medium Term Expenditure Framework, together with some targeted technical assistance, might start to make planning processes more meaningful and perhaps objective. Budget allocations could in turn be more reliable, transparent and pro-poor.

If budget allocations feed through into expenditure, and there are accompanying systems to track spending and provide accessible information to the public and their social and political representatives, that might start to change expectations. People might start to believe that government was able to deliver certain public services of a reasonable quality on the basis of rights. So, for example, parents might find it worth the time and risks involved in organising to demand improvements in primary education, and new forms of collective action (e.g. school committees) could put pressure on bureaucrats to improve delivery. This could also start to change incentives of elected representatives, political parties and activist NGOs.

Over time this might mean that MPs or locally elected officials started to see their prospects of re-election resting less on their ability to satisfy very tangible, local needs of constituents, and more on whether their party was perceived as being able to deliver public services on a predictable, universal basis (a move from seeing supporters as clients to be satisfied by hand-outs, to citizens with rights). This might start to give the Public Accounts Committee some teeth - especially if tax reform meant more people paying tax (stimulated by a belief that government could do something socially useful with their money); and that taxpayers groups started to count politically.

Clearly how all this plays out in a specific context depends on a whole range of structural and institutional factors. Increasingly, decisions about whether to provide budget support will be informed by political economy and social analysis.

Box 2. Predictability: ensuring that it's a benefit, not a risk

Predictability can be improved by greater certainty and transparency in the cycle of budget support. This requires:

- Transparency in the design of the budget support instrument, in terms of period covered, amounts, disbursement dates and mutual expectations.
- An agreed process for setting and monitoring performance-related triggers for disbursement. These will include a wide range of economic and sectoral benchmarks and targets, which form the basis for budget support dialogue and are usually linked to the budget cycle of the partner government.
- Ensuring that performance-related triggers do not undermine the predictability of in-year disbursements.
- Transparency in the arrangements for review and renewal of the PRBS instrument, in consultation with the partner government and other donors.
- Clarity over the arrangements for discussion / action with the partner government in cases of donor concern over dimensions of political governance.

Specific risks

Volatility

4.21 Its ease of disbursement means that budget support can be stopped more quickly than other aid instruments. Events, such as an incident of human rights abuse or increased military spending, can raise political or public opinion concerns about providing general support to a partner government's budget. This has sometimes led to DFID delaying, cancelling or reducing budget support tranches and programmes. Partner governments have raised concerns on the predictability of budget support and the impact of fiscal adjustments if it is stopped or reduced.

4.22 The Evaluability Study showed that predictability of funding is not considered to have increased in Uganda, Andhra Pradesh and Mozambique. In Pakistan and Vietnam, it has not been possible to provide medium-term predictability of GBS disbursements. In the absence of multi-donor budget support mechanisms, DFID disbursements in these countries have been linked to one-year support instruments of the IMF or World Bank. In Afghanistan a multi-donor budget support mechanism exists, but without agreed disbursement schedules.

4.23 A key lesson from experience so far is that the present method of implementation of budget support has not made aid more predictable. DFID is developing guidance to ensure that the risks of programme disruption from political governance events are better managed. A preliminary outline is shown in Box 2. However, it would be unrealistic to assume that the tension between accountability and predictability of aid can be completely eliminated.

General risks

4.24 In addition to the preceding specific risk for PRBS, there are other risks applicable to all aid instruments:

Fiduciary risk

4.25 In countries where there is a significant degree of fiduciary risk (albeit declining), or significant doubts about the transparency of the financial system, provision of PRBS could lead to criticism that aid has been wasted (including through corruption).

Reinforcing the status quo

4.26 Where there is a lack of momentum in the reform programme and slow progress towards improving public financial management and accounting systems, PRBS by itself will not change them. Indeed, there is some evidence of a risk that it can reinforce the status quo and make transformational change more difficult. This highlights the need to make a careful assessment of the political economy of the country before using PRBS.

Funding of prestige projects

4.27 Where PRBS is used to support large increases in aid allocations, there is an increased risk that money may be spent on prestige projects.

5 Conclusion

5.1 The key conclusion of this Policy Paper is that decisions on the use of PRBS will depend on a careful assessment of country circumstances (including political and institutional analysis) and the nature of our relationship with the partner country. When circumstances are appropriate, DFID believes that PRBS is the instrument most likely to support improvements in the accountability and capability of the state. It is often appropriate for PRBS to be accompanied by other instruments, to enable the full benefits for poverty reduction to be realised.

5.2 It is still too early to assess properly the medium term impact of PRBS on the lives of poor people. Nevertheless, in a few countries (such as Uganda) real gains have been made - scaling up the delivery of basic health and education services, increasing the focus on the budget, and giving people confidence to claim their rights.

5.3 Such benefits have not yet been realised in all countries, and we are still learning about the ways in which implementation of PRBS can be improved. DFID's experience to date indicates that:

- The transfer of financial resources alone does not automatically generate policy, institutional and governance improvements: appropriate technical assistance and policy dialogue are also needed. There is limited evidence yet of reduced transaction costs, and nor would we expect this in the short term.
- Donors are pursuing a wide variety of objectives through budget support. If greater consistency could be established over objectives, and hence over management mechanisms, then it seems likely that the impact would be greater.

5.4 The shift towards PRBS involves a significant change in the way donors work with governments. This should be recognised as a major change process that will only happen over a period of time. Donors have a responsibility to align their procedures in order to take full advantage of the potential to reduce transaction costs for countries. Donors should provide predictable support within an agreed time frame, minimising and making clear any conditions under which their support might be modified or withdrawn.

5.5 Provision of PRBS requires a measure of trust on all sides. Governments need to trust donors to provide funds with a degree of predictability. Donors need to trust governments to pursue their poverty reduction agenda in an inclusive and accountable manner. Both sides of the partnership have to be confident that objectives are shared; and that they are able to influence the common agenda through policy dialogue. Operational tools, such as Memoranda of Understanding⁷, which set out the 'rules of the game' for Poverty Reduction Budget Support, need to reflect this framework of mutual obligations.

5.6 It is clear that the experience of PRBS is still at an early stage, and that more evidence-based analysis is needed, especially on its impact on outcomes for poor people. DFID will continue to work with its development partners – both developing countries and other OECD DAC donors – to assess the effectiveness of this instrument and to review our own practices in the light of what we learn.

⁷ Uganda's revised 'Partnership Principles' (Sept 2003) presents a clear statement of Government's intention to move to budget support and to adopt mechanisms that protect Government ownership. The principles have been developed through a structured process of dialogue with donors, which have been actively managed by GoU, starting with a statement to the 1999 Stockholm conference on 'Making Partnerships Work'.

Department for International Development

The Department for International Development (DFID) is the UK Government department responsible for promoting sustainable development and reducing poverty. The central focus of the Government's policy, based on the 1997 and 2000 White Papers on International Development, is a commitment to the internationally agreed Millennium Development Goals, to be achieved by 2015.

These seek to:

- Eradicate extreme poverty and hunger
- Achieve universal primary education
- Promote gender equality and empower women
- Reduce child mortality
- Improve maternal health
- Combat HIV/AIDS, malaria and other diseases
- Ensure environmental sustainability
- Develop a global partnership for development

DFID's assistance is concentrated in the poorest countries of sub-Saharan Africa and Asia, but also contributes to poverty reduction and sustainable development in middle-income countries, including those in Latin America and Eastern Europe.

DFID works in partnership with governments committed to the Millennium Development Goals, with civil society, the private sector and the research community. It also works with multilateral institutions, including the World Bank, United Nations agencies, and the European Commission.

DFID has headquarters in London and East Kilbride, offices in many developing countries, and staff based in British embassies and high commissions around the world.

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