



**Department for International Development**

# **Departmental Report 2006**

Presented to Parliament by the  
Secretary of State for International Development  
and the  
Chief Secretary to the Treasury  
by Command of Her Majesty  
May 2006

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# About this report

The Departmental Report is intended to provide Parliament, members of the public, our development partners and others interested in development issues with a comprehensive account of how we have been spending, and plan to spend, public funds. The report focuses primarily on DFID's work and key developments from April 2005 to March 2006. It explains our approach to working as part of a wider international effort to tackle poverty in poor countries, collaborating with many organisations, including other UK Government Departments, other donors, multilateral development agencies, the Governments of developing and transition countries, civil society, business and academia. It does not contain information about policy that is already set out in other DFID publications.

The report is structured around DFID's Public Service Agreement (PSA) for the period 2005–08.

**Chapter 1** provides an introduction to DFID's work to reduce poverty in developing countries, outlines the significance of the year 2005 to the international effort to achieve the Millennium Development Goals (MDGs) and describes the efforts we are making to enhance understanding of development within the UK.

**Chapters 2 to 6** focus on DFID's five PSA objectives: our work to reduce poverty in Africa, in Asia, and in Europe, the Middle East and the Americas (Chapters 2,3 and 4 respectively); our efforts to improve the effectiveness of the multilateral system (including our work with the European Union, the World Bank and United Nations agencies), our involvement with civil society, and how we address debt relief, international trade, conflict prevention, post-conflict reconstruction and humanitarian crises (Chapter 5); and the development of policy (Chapter 6). **Chapter 7** explains how DFID is organised and structured to deliver its objectives efficiently; and also reports on the PSA target on 90% of bilateral aid going to low income countries and project portfolio quality.

**Annex 1** sets out DFID's current and planned financial allocations. **Annex 2** sets out the Millennium Development Goals, including targets and indicators. **Annex 3** provides details of DFID's achievements against the 2005–08 Public Service Agreement (PSA). **Annex 4** outlines the PSA for 2003–06 and **Annex 5** shows how the two PSA agreements link together. **Annex 6** explains progress towards MDG 8 and **Annex 7** explains the limitations of the available data in measuring progress against our PSA and the efforts which DFID is making to address these limitations. **Annex 8** outlines DFID's efficiency programme and shows the progress which has been made to date. **Annex 9** shows how DFID is organised. **Annex 10** lists the reports, policy papers, country and regional assistance plans and other documents that DFID has published in 2005/06. A glossary of the most commonly used acronyms, abbreviations and development terms is given in **Annex 11**. **Annex 12** provides a comprehensive index.

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# Foreword

**by the Rt Hon Hilary Benn MP**  
**Secretary of State for International Development**



In July 2005 – just before the G8 Summit – I went on the ‘Make Poverty History’ march in Edinburgh. 200,000 people – the biggest demonstration the city has ever seen – came together because of a shared concern for Africa and for the fight against poverty around the world. They called for action from global leaders – not charity, but justice.

How was all this possible? Because people thought that the fight against poverty could be won, and that politics could help change things for the better.

At the summit, G8 leaders, led by the Prime Minister, agreed to double aid by 2010 – an additional US\$50 billion globally.

They agreed that by 2015 all children should have access to education and basic health care, free where a country chooses to provide it.

They agreed that we should get as close as possible to universal access to HIV/AIDS treatment by 2010.

And they agreed that we should cancel the multilateral debts owed by the poorest countries to the IMF, the World Bank and the African Development Bank. Once implemented, this deal will release over US\$55 billion for poor countries to help raise people out of poverty.

Ten months on we are grappling with the challenge of how to make all of this happen. Expectations are high – not just in the UK but also in developing countries where people live in abject poverty or in fear of conflict. The 315 million people in sub Saharan Africa who live on less than US\$1 a day, the 100 million children around the world who aren’t in school, the 1.2 billion people in the world who do not have any clean water to drink. These are the people for whom we are trying to bring about change for the better.

On current progress, Africa will not meet the MDGs by 2015 unless there is dramatic change. Indeed in the case of some of the goals, they will not be achieved until 2165 – 150 years too late. And that is why we have to act, so that last year is remembered for the difference it made, and not for the promises we failed to keep.

We have already made progress. The UN Millennium Summit in September put reducing poverty at the heart of the international system. Nineteen countries are already benefiting from additional debt relief. The International Finance Facility for Immunisation (IFFIm) will shortly start, demonstrating that raising innovative finance for development can work in practice; IFFIm has the potential to save 5 million lives.

But there is much, much more to do. We must do better on trade, to allow developing countries to earn their way out of poverty. The Hong Kong meeting was not good enough; concluding the WTO Doha talks in 2006 will be a crucial test of the international community's commitment to fair and open trade.

We must also start work now on increasing poor people's access to basic services by helping to build effective states which can deliver for their people and by funding long-term plans to get children into school and improve health services. We must tackle corruption and its causes. We must ensure the international system works effectively, especially in responding to humanitarian emergencies.

And now more than ever the link between encouraging development, ensuring security and tackling conflict is clear. We live in an independent world where no state can stand wholly alone. We all need to eliminate poverty if we are to have a safe and secure world in future.

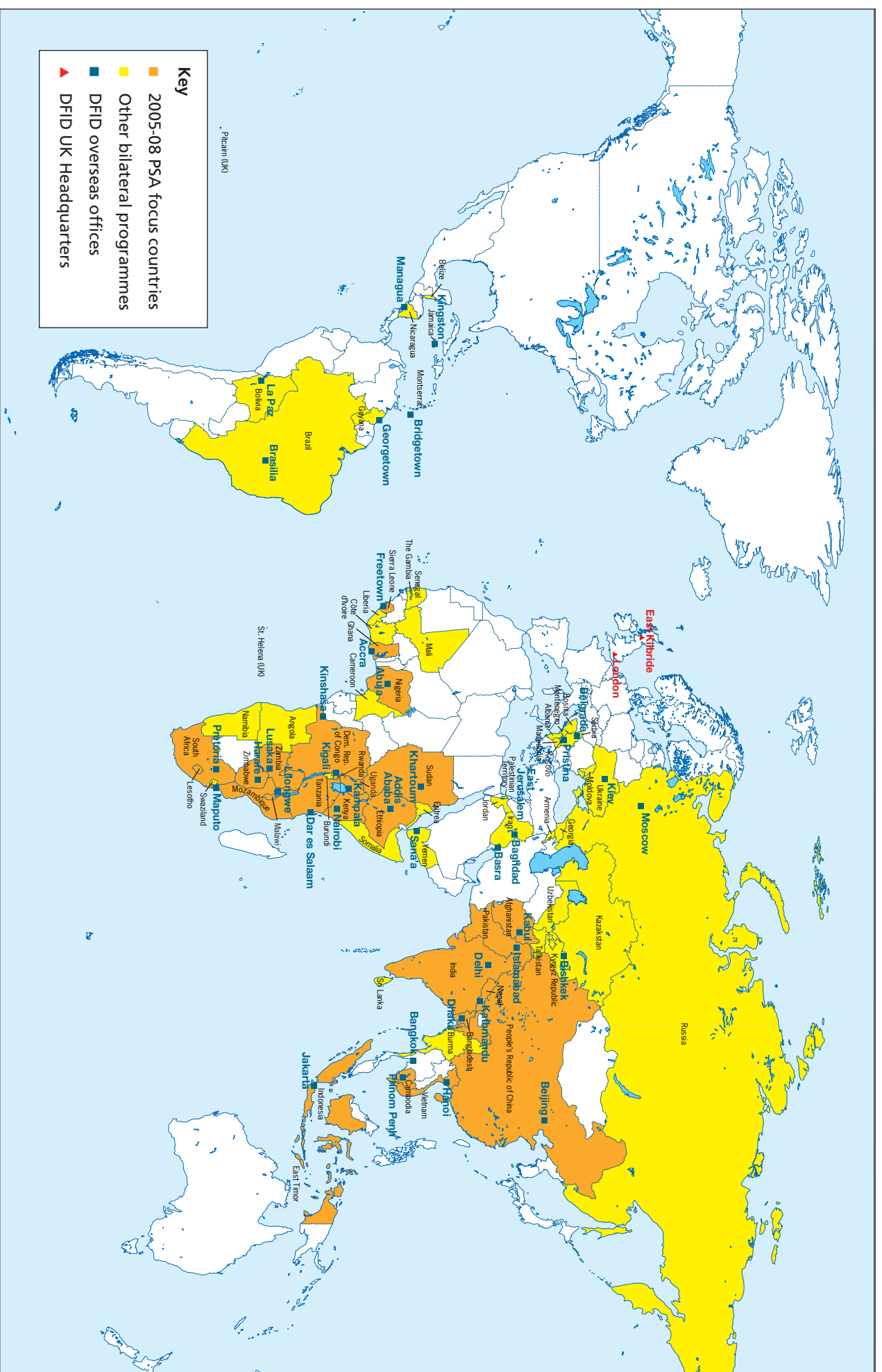
DFID is already working on a new set of ideas to help ensure that we meet our 2005 commitments. These will be published in a White Paper this summer, and will form the basis of DFID's work over the next decade.

There is an old African proverb: "When a mountain is in your path, do not sit at its foot and cry. Get up and climb it". We happen to be the generation on whom this responsibility has fallen. If we are to help our fellow human beings change their own lives for the better we do indeed have a mountain to climb, but together, we are taking steps on that journey.

A handwritten signature in black ink, appearing to read 'H. Benn', written in a cursive style.

Hilary Benn  
May 2006

# DFID's work around the world (2005/06)



# Summary

## **DFID's commitment to reducing poverty**

The Department for International Development (DFID) is the UK Government Department with lead responsibility for international development. DFID's aim is to reduce poverty in poorer countries; in particular through achieving the Millennium Development Goals. In 2005, our Public Service Agreement (PSA) contains objectives and targets by which we measure our progress towards this aim.

## **Where DFID works**

The world map on the opposite page and the maps at the start of Chapters 2,3 and 4 show where DFID works around the world. The "bilateral programme countries" are all those that receive significant bilateral funding from DFID. In total, 25 countries – 16 in Africa and 9 in Asia – form part of our Public Service Agreement (PSA). Progress in these 25 countries is at the core of the PSA. DFID also has an important additional role in building support for development within the UK. We work from two UK headquarters, in London and East Kilbride, and from 67 overseas offices.

## **Why was 2005 significant?**

2005 was a very important year for development. The UK held the Presidencies of both the G8 (from January to December) and the European Union (from July to December). The Government used this unique opportunity to put reducing poverty, especially in Africa, at the heart of international debate. The result was a series of agreements both to increase the volume of aid and to improve its effectiveness, which together we hope will increase the chances of achieving the MDGs. We are now working to put those agreements into practice.

## **Africa**

The proportion of people living in poverty in Africa has fallen over the last three years as the pace of economic growth has quickened. But too many people continue to live desperately hard lives, battered by conflict, afflicted by sickness and unable to go to school. Faster progress can and should be made.

Over the last year the Commission for Africa (CfA) and UK Presidencies of the G8 and EU have helped to clarify what needs to be done and secured substantial additional funding for Africa. Sustained commitment is now needed on the part of both donor countries and African leaders to turn their promises into real improvements in the lives of poor people.

- **G8 commitment to Africa in 2005.** The UK put Africa at the centre of its 2005 G8 and EU Presidencies. In July, at the G8 Summit in Gleneagles, leaders agreed a comprehensive package to support Africa's development.
- **Progress towards the Millennium Development Goals.** There has been good progress in reducing the numbers of people in poverty, increasing economic growth, getting more children into school and reducing child deaths. HIV is also falling or stabilising in some countries. However, much more needs to be done particularly on maternal mortality, girls' education and HIV.
- **Working flexibly.** DFID works with countries and other donors to help make sure our joint efforts are targeted well. We channel aid in a variety of ways, depending on what will have the greatest impact for the poor in a particular country. For example, we provide direct financial support to the Government of Tanzania's budget, finance education in Kenya, and we provide all our aid to Zimbabwe through the United Nations and civil society.
- **Helping countries in greater need.** Poor people matter wherever they are. But we are making the most of UK aid by putting more into the large and very poor countries which are sometimes neglected by other donors.
- **Helping Africa to lead its own development.** A fundamental conclusion of the Commission for Africa, fully supported by the UK, was that Africa must lead its own development. We are providing support to strengthen African institutions and supporting countries in drawing up their own plans to reduce poverty.

## Asia

Much of Asia is a success story in terms of economic growth. Yet Asia still contains millions of poor people and many more than in Africa. Aid is generally less significant to national budgets in Asia than it is in Africa, so the way in which development assistance is provided must also be appropriate.

- **Progress towards the Millennium Development Goals.** Income poverty is falling across Asia. The number of children dying before their 5th birthday is decreasing and the number of people being cured from tuberculosis is increasing. However, more progress is needed if all the MDGs are to be met by 2015, particularly on gender equity.
- **Asia 2015 Conference.** DFID, the World Bank and the Asian Development Bank co-hosted the Asia 2015 conference in London in March 2006. The conference highlighted Asian successes, with the aim of sharing experiences of what works. Its conclusions will inform the 2006 Annual meetings of the Asian Development Bank and the World Bank.

- **Afghanistan.** The London Conference on Afghanistan in January 2006 launched the Afghanistan Compact and the Interim Afghanistan National Development Strategy. The UK pledged £500 million, of which £330 million will come from DFID under a new 10 year Development Partnership Agreement signed by the Prime Minister and President Karzai. The UK is now the second largest donor to Afghanistan.
- **Pakistan earthquake.** Over 73,000 people were killed and 2.5 million made homeless by the massive earthquake in northern Pakistan in October 2005. The UK's total contribution of £128 million (including emergency relief) makes us the 4th largest donor to the earthquake response.
- **Tsunami.** DFID committed £75 million for immediate humanitarian relief following the tsunami in December 2004. We have since focused on reconstruction, committing a further £65 million in 2005. We continue to work with Governments, donor partners and NGOs to rebuild homes, restore livelihoods and get children back into school.

## Europe, Middle East, North Africa and the Americas

Considerable challenges face the region in reducing poverty. Economic growth is fundamental, but many countries still have ineffective public financial management, a high burden of regulation and poor infrastructure that discourages private sector investment. Many countries are small and vulnerable to economic and natural shocks, particularly in the Caribbean and the Overseas Territories. HIV/AIDS also threatens to undermine progress, and places an additional burden on health services. We work closely with the rest of the UK Government to support countries at particular risk of instability or emerging from conflict.

- **Progress towards the Millennium Development Goals.** Over 80 million people in the region still live on less than US\$1 per day, with some 300 million on less than US\$2. While economic growth and social progress are bringing down the proportion of the population living in absolute poverty, it is not yet fast enough to meet the 2015 target in some countries.
- **Focusing our effort to make the most impact.** We have technical assistance programmes across the region which aim to make a real difference in areas such as governance, promoting economic growth that benefits the poor and assisting countries' progress towards entry into the European Union.
- **Working with multilateral institutions.** We have a specific objective to improve the effectiveness of multilateral institutions in reducing poverty. These include the European Commission and the multilateral development banks.
- **Delivering the conditions for effective development in fragile states.** We work closely with other parts of the British Government, in particular the Foreign and Commonwealth Office and the Ministry of Defence to deliver the conditions for effective development in fragile states; for example in the Palestinian Territories, Iraq and Jamaica.

- **Countries achieving self reliance.** Success means doing ourselves out of a job, as partners in middle income countries become increasingly self reliant. In 2005/06, we were able to move beyond bilateral funding in Kazakhstan, Jordan, and Macedonia, although we continue to support these countries through our contributions to multilateral development agencies.

## Working with international agencies and civil society, and responding to conflict and humanitarian crises

A wide range of international and multilateral bodies contribute to fighting poverty, both directly through funding (for example UN agencies, the World Bank and the EU development programmes), and indirectly by establishing the conditions in which developing countries can reduce poverty (for example the World Trade Organisation). An important part of our work is therefore to ensure that these organisations work as effectively and efficiently as they can. Around 39% of DFID's budget last year was channelled through international and multilateral organisations.

- **Cancelling multilateral debt.** The Government used the UK's G8 Presidency to get agreement on two ground-breaking proposals – over US\$50 billion in multilateral debt cancellation for the most heavily indebted poor countries and a deal to resolve Nigeria's US\$30 billion debt – the largest ever single debt package in Africa.
- **Improving the effectiveness of EU aid.** Under the UK Presidency of the EU, 25 member states agreed to double their collective aid to over £45 billion in 2010; and draw up a common vision for EU development policy.
- **Supporting UN reform.** We supported the establishment in February 2006 of the UN Secretary General's Panel on reform of the UN development system.
- **Improving trading prospects for developing countries.** DFID is helping poor countries to work more effectively in international trade negotiations. The UK will treble aid for trade to £100 million by 2010.
- **Humanitarian reform.** Following proposals launched by the Secretary of State, a new 'Central Emergency Response Fund' was established in March 2006 to allow the UN and its partners to respond quickly to urgent crises. Over US\$257 million has already been pledged by 36 donors and the UK has contributed US\$70 million.

## Develop, support and promote policy that assists poverty reduction and the achievement of the MDGs

The work we do on development policy is at the heart of our drive to improve the lives of poor people in developing countries. We promote new thinking on the most effective policies to reduce poverty and try to change what happens in practice, and this draws on the experience of DFID country programmes and of our research programme. Policies are implemented by our country programmes, which work with Governments and other donors, as well as through DFID's relationship

with the international community (e.g. the UN) and civil society. In doing this we learn valuable lessons about what works and what can be improved. We work with other Government Departments to find solutions to issues such as climate change and migration that need a joined up approach from the UK Government.

- **Working to promote international agreement on more and better aid.** During 2005, donors agreed to make their aid more effective by supporting partner countries' own plans and systems.
- **Making our approach to aid conditionality more consistent and increasing transparency about the conditions that we use.** We launched a new policy on conditionality and issued practical guidance on how to implement it.
- **Working with international partners to improve the effectiveness of funding for the fight against HIV and AIDS.** We used a series of multi-donor meetings to improve country level coordination and disentangle overlaps and duplications in the international system.
- **Responding to the global threat of climate change. The UK put climate change high on the G8 agenda in 2005.** The G8 agreed a plan of action to improve developing country access to low carbon energy and their resilience to the effects of climate change.
- **Doing more on social protection.** We brought together the evidence on the impact of social transfers – such as child benefits and old age pensions – on poverty and have worked with our development partners to gain a greater acceptance of social protection as an effective means of tackling poverty and promoting growth.

## Building an effective organisation

DFID's remit and operations have grown substantially since it was created in 1997. The Spending Review Settlement in 2004 gave us a significant increase in financial resources up from £4.5 billion in 2005/06 and £5.3 billion in 2007/08. This will contribute significantly towards the Government's commitment to reach an ODA/GNI ratio of 0.7% by 2013. In order to ensure that this increase in resources is used well, DFID continually works to improve its effectiveness.

- **Delivering efficiency.** We aim to make £420 million of efficiency gains over the PSA period 2005–08.
- **Managing risk.** DFID's work requires us to combine innovation, appropriate risk taking and the effective management of risk. We have systems in place to identify, mitigate and manage risks.
- **Improving corporate systems.** Catalyst is our programme of business change which aims to streamline DFID's operations. During 2005, new systems were introduced to improve knowledge sharing and information management, as well as streamlined procedures for programme management.

- **Evaluation is central to evidence based policy development.** The UK is leading a joint study of general budget support on behalf of the OECD Development Assistance Committee which will be published in May 2006.
- **Human resources.** DFID's most important resource is the skills of the people who work for it. We aim to make DFID more effective by building up the professional skills of staff, while maintaining progress to meet our Home Civil Service head count targets.

