



**Department for International Development**

# **Annual Report**

# **2007**

Presented to Parliament by the  
Secretary of State for International Development  
pursuant to Section 1 of the International Development  
(Reporting and Transparency) Act 2006.  
May 2007

Ordered by the House of Commons  
to be printed on 15th May 2007.

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# About this report

DFID's Annual 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 2006 to March 2007. 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 2006 to the international effort to achieve the Millennium Development Goals (MDGs) and describes how and where in the Report we are responding to the requirements of the International Development (Reporting and Transparency) Act 2006.

**Chapters 2 to 9** focus on DFID's six PSA objectives: our work to reduce poverty in Africa, in Asia, and in Europe and Central Asia, the Middle East and the Americas (Chapters 2, 3 and 4 respectively); our efforts to make our bilateral aid more effective (Chapter 5) and improve the effectiveness of the multilateral system (including our work with the European Union, the World Bank and United Nations agencies – Chapter 6); what we are doing on conflict prevention, post-conflict reconstruction, humanitarian crises and our focus on Fragile States (Chapter 7); how we are addressing climate change issues and environmental and natural resource management (Chapter 8); and how we address debt relief and international trade and our involvement with civil society (Chapter 9). **Chapter 10** explains how DFID is organised and structured to deliver its objectives efficiently.

**Annex 1** responds to the statistical reporting requirements of the International Development (Reporting and Transparency) Act 2006. **Annex 2** sets out DFID's current and planned financial allocations. **Annex 3** sets out the Millennium Development Goals, including targets and indicators. **Annex 4** provides details of DFID's achievements against both the 2003–06 and 2005–08 Public Service Agreements (PSAs). **Annex 5** outlines progress on the off track PSA targets and **Annex 6** 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 7** outlines DFID's efficiency programme and shows the progress which has been made to date. **Annex 8** shows the Organisational Chart. **Annex 9** lists the reports, policy papers, country and regional assistance plans and other documents that DFID has published in 2006/07 and **Annex 10** contains some useful websites and sources of information. 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**



On 1 May 2007, the Department for International Development celebrated its tenth anniversary. Over the last decade, the fight to eliminate poverty around the world has been right at the heart of government policy. We have increased our official development assistance (ODA) to £6.9 billion in 2006, making the UK the second largest bilateral donor, with ODA at 0.52% of gross national income. We are committed, and on-track, to reach the UN target of 0.7% by 2013. And we have used ideas and politics to reach agreements on debt cancellation, AIDS treatment, financing for vaccinations and aid increases.

This is not just about numbers, however. Our aid has helped to change the lives of millions of people around the world. For example, we have: assisted six million children in Ethiopia and 17 million in Bangladesh to go to primary school; helped provide treatment for people with HIV and AIDS in Africa; protected 170,000 children's lives in Kenya by funding the provision of bednets; brought clean water to nearly two million people in India; and funded the abolition of primary school fees in Tanzania.

I believe that what we are striving for is not only morally right, but the only way to build a safer and more secure world. If governments and civil society work together to make poverty history, we really can ensure that everyone has enough food to eat and water to drink, a roof over their heads, a way of earning a living, a school for their children, and medicine and care when they are sick. We can help give people in the poorest countries the chance to realise their potential which is what development, at its best, is about.

But we have far yet to travel. Over ten million children every year still die before their fifth birthday. Over a billion people still do not have access to safe water and 2.6 billion are without basic sanitation. The world must face up to difficult questions, some new, some old. How can developing countries deal with climate change? How can we reduce conflict around the world and help countries to recover? How can we improve the international system, so that it provides the right help, including by making international trade rules fair? And how can we improve governance in developing countries to ensure that politics works in the interests of poor people? The decisions governments and peoples make on how their countries are run are the single most important factor in determining progress. This is why our White Paper, published in July 2006 was all about governance.

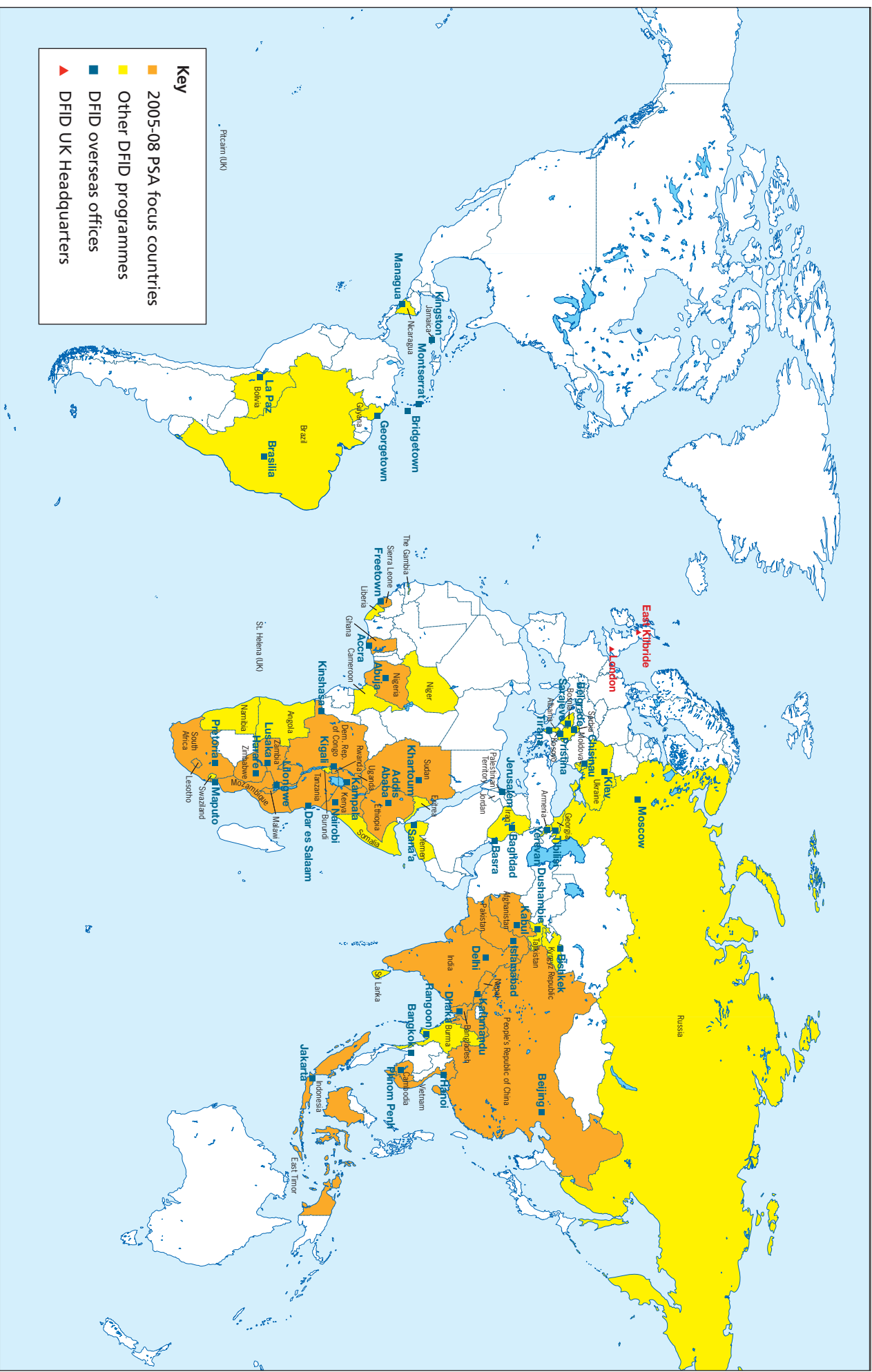
This Annual Report is a record of what DFID did last year, and what has been achieved so far. Although there is much to be done, it illustrates that the effort we put in really can make a difference to people's lives. It also serves as an account of what DFID's incredibly committed and professional staff around the world have achieved. It is a privilege for Gareth Thomas and I to work with them all.

History reminds us that we should not be overwhelmed by the scale of the challenge. Two hundred years ago the Abolition of the Slave Trade Act was passed, something which had seemed impossible just ten or twenty years earlier. For our generation, the challenge is to release a billion people from the slavery of extreme poverty. It can be done – if we show the political will – so let's get on with it.

A handwritten signature in black ink, appearing to read 'H. Benn', with a stylized flourish at the end.

Hilary Benn  
May 2007

# DFID's work around the world (2006/07)



# Summary of DFID's Annual Report 2007

## **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 (MDGs). 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 preceding page and the maps at the start of Chapters 2, 3 and 4 show where DFID works around the world. In total, 25 countries – 16 in Africa and 9 in Asia – form part of our PSA. Progress in these 25 countries is at the core of our PSA commitment. Countries and regions marked on the map as “other DFID programmes” are those that receive significant bilateral funding from DFID. We also have an important role in building support for development within the UK. DFID works from two UK headquarters, in London and East Kilbride, and from over 60 offices overseas.

## **Why 2006 was significant**

Last year was a very important year for development. This report sets out DFID's activities and achievements in the year from April 2006 to March 2007. It was the year in which the UK, and the rest of the world, began work to make good on the promises made in 2005 at the G8 Summit in Gleneagles, under the UK's Presidency of the EU and through the Commission for Africa. To do this, the UK published its third White Paper on international development, which sets out how we intend to respond to the big challenges for international development. The White Paper builds on the work done in the earlier White Papers (1997 and 2000) and sets out what the UK government will do to meet the new global challenges that have emerged and, in particular, how we plan to deliver the ambitious commitments made in 2005.

Also in July 2006, the **International Development (Reporting and Transparency) Act 2006** passed into law. The Act requires the Secretary of State for International Development to report annually on various areas, including expenditure on international aid, progress towards the United Nations' target for Official Development Assistance (ODA) to make up 0.7% of gross national income (GNI) by 2013, and the effectiveness and transparency of aid. To respond to the requirements of the Act, DFID has updated the structure and scope of this report.

## Africa

Africa is a vast and ethnically diverse continent, rich in culture and natural resources, yet it still has the highest proportion of people living in extreme poverty in the world. Progress towards every MDG has been insufficient in sub-Saharan Africa. Despite this bleak projection – and the blight of conflict in Darfur and elsewhere – there are grounds for optimism that the next nine years to 2015 will see improved progress. Many countries in Africa show signs of having turned a corner, with increased political stability and economic growth. Better economic management by African governments has contributed to an average sub-Saharan Africa growth rate that has been above the world average for the fifth year in a row. Fourteen Africa countries had growth rates of over 5% in 2005.

- DFID's bilateral country and regional **programmes in Africa exceeded £1 billion** for the first time in 2006/07, with £1.25 billion planned for 2007/08.
- DFID announced **£150 million for education in Mozambique** up to 2015, which should lead to one million more children completing primary education by 2009 alone and train up to 10,000 new teachers per year; and **£105 million** for Ghana over 10 years to help enable all girls and boys to complete a full course of primary education.
- In October 2006, the **Africa Partnership Forum** presented its first progress reports on delivery of the 2005 Gleneagles commitments. The reports, prepared by the DFID-funded Secretariat, focused on HIV/AIDS, infrastructure and agriculture, and highlighted the need for further sustained action.
- DFID played a key role in establishing the **Investment Climate Facility**, which was launched at the 2006 World Economic Forum in Cape Town. DFID has committed \$30 million (£16 million) and helped to secure a further \$180 million (£98 million) in corporate and donor commitments, which will be used to strengthen Africa's business environment.
- DFID led in establishing the **Infrastructure Consortium for Africa**, which is now fully operational. In the first nine months, consortium members agreed funding for 11 regional infrastructure projects totalling \$765 million (£416 million).
- In 2006, DFID was the leading donor for **new UN Common Humanitarian Funds** in Sudan and Democratic Republic of Congo, through which donors' funds are pooled to strengthen the UN and international response to humanitarian crises.

## Asia

Asia is the most diverse developing region in the world. Recent years have witnessed rapid – but uneven – economic growth and Asia now makes up one-third of the world's economy. But, typically, growth has gone hand in hand with rising inequality, uneven development and increasing numbers of urban poor and migrants as well as continued isolation for rural communities. Despite regional economic progress, two-thirds of the world's poor live in Asia. Sustainable and significant improvements in the lives of the poor in Asia are therefore key to achieving the MDGs globally.

- **Progress towards the MDGs in Asia is mixed.** Income poverty continues to fall. Progress towards increasing the proportion of people with access to safe drinking water is on target across the region. The MDG target on female primary enrolment will be met in most parts of Asia, yet progress on promoting equality and empowering women is less encouraging.
- DFID announced at the **Asia 2015 Conference** that it expects that **UK bilateral aid to Asia will grow by 25%** between 2005 and 2008.
- DFID signed **ten-year Development Partnership Arrangements** (DPAs) with Afghanistan, Pakistan and Vietnam.
- DFID committed £252 million to India's programme to reduce maternal and infant mortality. **Over one million lives will be saved** each year by the programme, and it is the largest ever contribution by DFID to the health sector.
- In China, a new £27 million DFID programme will help **improve quality and access to education** for over five million disadvantaged children.
- In Pakistan, a DFID-funded programme has provided **clean drinking water for 170,000 people and proper sanitation for 225,000 people.**

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

These regions have made good progress in reducing poverty over the last 20 years, but more than 300 million people still live on less than \$2 per day. Most of the countries are likely to miss one or more of the MDGs. 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. DFID works closely with the rest of the UK Government to support countries at particular risk of instability or emerging from conflict. HIV/AIDS also threatens to undermine progress.

- **Progress towards the MDG target of reducing poverty by half has been slow across these regions**, although Guyana and Jamaica are among the few developing countries to have already achieved the target. For the other MDGs, progress has been mixed.

- DFID will scale up its programme in the poorest states of **Yemen**, the **Kyrgyz Republic** and **Tajikistan**.
- DFID teams have been flexible and innovative in delivering aid in difficult environments like **Iraq** and the **Occupied Palestinian Territories**.
- **Water supply has doubled to 100,000 poor homes in Basra** through DFID support.
- We helped secure a **successful deal on the new EU support for Pre-Accession and European Neighbourhood countries** to support economic and social development and political reform.
- In November 2006, the UK hosted a donor conference to encourage an **increase in aid for Yemen**. Over £2.6 billion was pledged including substantial support from Arab donors.
- DFID graduated from its successful bilateral programme in **Russia** at the end of March 2007. We will maintain our partnership with Russia on global development issues with DFID staff based in the British Embassy.

## Making bilateral aid more effective

Aid is more effective when it supports a country's own development strategy and when the partner government and donors are both accountable for the results that it achieves. The Paris Declaration on Aid Effectiveness, signed in 2005, outlined five partnership commitments to improve aid: ownership by partner countries of the development process; alignment by donors to country priorities, institutions and systems; harmonisation of donor support; management for development results to improve decision making and resource management; and mutual accountability of donors and partner governments for development results.

- DFID met or nearly met all targets in the **Paris Declaration on Aid Effectiveness** baseline survey of 21 countries.
- **Long-term partnership arrangements** were signed in four countries, with work progressing on a further seven countries.
- We completed nine **country programme evaluations**, as well as several key thematic evaluations.
- A joint **evaluation of general budget support** shows this leads to better service delivery, strengthened public financial management and reduced costs to partner governments.
- The DAC peer review of DFID was positive and concluded that **DFID is 'a powerful model for development cooperation'**.
- We are looking at ways DFID can further strengthen the **independence of the evaluation** of its impact.

## Making the multilateral system more effective

International organisations play a major role in delivering aid. Three institutions – the European Commission (EC), the World Bank and the United Nations (UN) – already account for around 30% of global aid. In 2005/06, the UK channelled 38% of our aid through multilateral organisations. Much of today's multilateral system – including the UN, the World Bank, the International Monetary Fund (IMF) and the European Union (EU) – was created after the Second World War. These institutions have served the world well, but the challenges we face in the 21st century are very different to those of 60 years ago. The UK government's 2006 White Paper on international development set out the need for an international development system that delivers, amongst other things, increasing levels of development assistance effectively and shows results.

- DFID successfully influenced the World Bank to improve its use of **conditionality** in 2006, further strengthening country ownership.
- Eight countries are piloting the '**One UN**' approach at country level in 2007. The success of these pilots is one of our top priorities.
- DFID has assessed how effective our key multilateral partners are. These **Multilateral Effectiveness Summaries** will be published later in 2007.
- In 2006/07, the UK successfully advocated for the major UN agencies and the World Bank to develop plans to improve their support to **gender equality and women's empowerment**.
- **Central Emergency Response Fund** – the first year since its launch in March 2006 has seen a good response, with over \$399 million (£217 million) being provided to the CERF by 73 donors. The UK is currently the largest contributor, providing £40 million in 2006 and £43 million in 2007. We have pledged to give £40 million a year in 2008 and 2009 which will bring the total UK contribution to £163 million.

## Fragile states, conflict and crises

Around one-third of the world's poor live in fragile states, and every year over 300 million people are affected by conflict and natural disasters. Women and girls are disproportionately targeted in armed conflict and often experience rape, sexual violence, forced pregnancy, kidnap or abuse. Conflict and humanitarian crises not only have an immediate toll on lives and property, but they destroy progress towards economic and social development.

- The new **UN Peacebuilding Fund** was launched in October 2006. The UK committed £30 million over three years to the Fund.
- The UK announced that it will no longer use 'dumb' **cluster munitions** and will support efforts to reach an international agreement which bans them altogether.
- DFID, the Foreign and Commonwealth Office (FCO) and Ministry of Defence (MOD) worked together to secure a **UN General Assembly resolution** leading to negotiations on a legally binding **Arms Trade Treaty**.

- In its first year the **Central Emergency Response Fund** was used to meet humanitarian need through 361 projects in 40 countries in Africa, Asia, the Middle East and Latin America.
- DFID committed over £5 million for the **Indonesian earthquake** in assistance for emergency relief supplies. In **Lebanon**, DFID allocated £9.5 million bilaterally, which contributed to humanitarian relief.
- In **Sudan**, DFID allocated £73 million to the relief effort, £49 million of it through the Common Humanitarian Fund supporting the UN's relief programme for Darfur and the South. We are contributing £47 million over three years to two World Bank managed **Multi Donor Trust Funds**.

## Environment, climate change and natural resources

Climate change is increasing the incidence and intensity of natural disasters and people living in the poorest countries are the worst hit and least able to cope. Good environmental and natural resources management is imperative to achieving long-term and sustainable reduction in poverty in developing countries. Poor countries depend on natural resources to a much greater extent than richer countries. Poor people are particularly vulnerable to environmental shocks and stresses affecting their access to resources which they need to shape their livelihoods. DFID's main focus is on how sound environmental management can contribute to a reduction in poverty which is sustainable in the long term, as measured by progress towards the Millennium Development Goals (MDGs), in particular MDG 7 on environmental sustainability.

- The UK announced an **£800 million international environment fund** for reducing poverty through environmental management and helping developing countries to respond to climate change. An initial contribution of £50 million will help protect the rainforests of the Congo Basin.
- The UK secured G8 agreement that the World Bank should establish a **Clean Energy Investment Framework** (CEIF), with an increasing focus on stimulating private sector investments.
- DFID contributed to the **Stern Review on the Economics of Climate Change**.
- The **Global Climate Observation System** (GCOS) climate for development initiative in Africa was launched.
- The UK increased financial support for the fourth replenishment of the **Global Environment Facility** (GEF).
- DFID provided support for the **Global Action Plan on Water and Sanitation**.
- **Voluntary Partnership Agreements** (VPAs) between key timber producing countries and the European Union were launched, in collaboration with DEFRA.

## Working with others on policies beyond aid

It is important that both the UK government and other developed country governments consider the impact of all policy decisions on developing countries and work in a “joined up” manner to promote international development. The non-aid policies of developed countries can often have a far greater economic and social impact on poor countries and international development than aid. As seen in chapters 7 and 8, climate change, security and conflict policies can have such effects. Trade and migration policies are other examples. International trade rules have a major bearing on the ability of poor countries to earn their way out of poverty, while migration policies have implications both for a country’s workforce and for their income from abroad. The UK government aims to ensure that all of its policies support, or at least do no harm to, sustainable development and poverty reduction in poor countries. DFID works closely with other government departments, including on PSA targets.

- The first bonds for the **International Finance Facility for Immunisation** were issued in 2006. They raised £255 million for immunisation in developing countries by the end of 2006.
- The **International Drug Purchase Facility (UNITAID)**, hosted by the World Health Organization, was launched in 2006 and will fund drugs for Aids, TB and malaria. The UK played an active role in the establishment of the facility and is one of the main contributors to its financing, providing £15 million in 2007.
- In line with the **increased effort to combat corruption** both in the UK and internationally, the UK has recently returned to Nigeria £1.8 million recovered from two former state governors who had embezzled the funds from state finances.
- We secured the support of a number of donors for an **Advance Market Commitment** to facilitate the production and marketing of vaccines vital to public health in developing countries.
- In 2006, DFID worked bilaterally as well as through the **Multilateral Debt Relief Initiative** and the **Debt Sustainability Framework** to ensure that developing countries’ debt remains sustainable.
- The UK is pushing, through the Doha Development Agenda, for a fairer trade system through **ending all forms of export subsidy and substantial reductions in trade-distorting support and agricultural tariffs**.