

PSA Delivery Agreement 29:

Reduce poverty in poorer countries
through quicker progress towards the
Millennium Development Goals

October 2007

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CONTENTS

		Page
Chapter 1	Vision	3
Chapter 2	Measurement	5
Chapter 3	Delivery strategy	9
Annex A	Measurement annex	23

VISION

1.1 The UK will promote accelerated progress towards the Millennium Development Goals (MDGs) by both helping poor countries develop secure and effective states able to sustain economic growth and deliver public services; and by building a global partnership on development policies beyond aid, including by encouraging an increased international focus on gender equality and environmental sustainability.

1.2 The Government's vision for international poverty reduction is set out in the MDGs, which are an internationally agreed set of objectives providing a global framework for development.¹ Developed and developing countries have shared responsibility for delivering these goals by 2015. The MDGs are:

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

1.3 The international community is now midway between the MDG commitments made in 2000 and their delivery date of 2015. The Government know that development works and that the actions of the international community can achieve a better life for people living in poverty. Over the past 40 years the proportion of people in developing countries who can read and write has risen from under half to nearly three-quarters. Average life expectancy has increased by around fifteen years and there are 300 million more children now in school. Yet greater progress must be made. The scale of the challenge is immense. In the world today one in six people still live in absolute poverty and every year half a million women die in childbirth. Overall, the biggest challenge to achieving the MDGs is in Sub-Saharan Africa and South Asia, particularly in fragile states.²

1.4 The challenges facing developing countries are also becoming more complex as we live on an increasingly interconnected planet. In this global environment, international co-operation is also needed on issues that go beyond the delivery of traditional aid programmes: issues such as trade, the environment and climate change³, and conflict and security⁴. The risk of political instability will also increase with growing inequality unless poor people are able to fulfil their potential through economic growth

¹The Millennium Development Goals were supplemented by goals agreed at the 2002 World Summit on Sustainable Development.

² Fragile states account for 9 per cent of the population in developing countries but 27 per cent of the extreme poor. (Global Monitoring Report 2007: *Confronting the challenges of Gender Equality and Fragile State*, World Bank 2007).

³ See also PSA 27.

⁴ See also PSA 30.

and access to basic services such as education, health, water and sanitation, and social protection.

1.5 Over the CSR07 period the Government will focus its effort and resources to support countries' accelerated progress towards the MDGs by:

Working through its bilateral development programme

- concentrating bilateral development assistance in countries with the largest numbers of poor people, particularly in sub-Saharan Africa and South Asia, and ensuring that the proportion of the UK's bilateral programme going to low-income countries⁵ is at least 90 per cent;
- implementing the Paris Declaration and the Government's other commitments, on aid effectiveness⁶ by integrating these principles into our bilateral development programme and encouraging other partners to do the same;
- creating the conditions for economic growth, investment and trade to take place; and
- tackling conflict, building peace and improving governance in insecure, fragile and conflict states, where poverty is highly concentrated.

Working through its multilateral development programme

- working with partners to reform the multilateral development system in order to improve the total impact on poverty reduction; and
- using the UK's resources and influence to leverage contributions from others and to improve the effectiveness of the multilateral agencies.

Influencing the international system

- working with partners to make sure that the 2005 Gleneagles G8 Summit and EU commitments⁷ are met; and
- working with partners to invest in global public goods and policies that go beyond aid, including in particular: trade, creating environments for investment and growth, research and development into health and other sciences relevant to developing countries, mitigating and adapting to climate change and addressing MDG7 on environmental sustainability.

⁵ Low income countries are taken as those defined as such by the World Bank (see: <http://web.worldbank.org/WBSITE/EXTERNAL/DATASTATISTICS/0,,contentMDK:20420458~menuPK:64133156~pagePK:64133150~piPK:64133175~theSitePK:239419,00.html>) as of April 2008.

⁶ For more information on the 2005 Paris OECD Development Assistance Committee (DAC) aid harmonisation commitments go to www.oecd.org. The declaration contains 56 commitments, 21 targets and 12 indicators in 5 broad areas to improve aid effectiveness: country ownership, alignment, harmonisation, managing for results and mutual accountability.

⁷ For more information on the 2005 G8 Gleneagles commitments go to www.g8.gov.uk. For more information on the 2005 EU commitments go to <http://europa.eu/scadplus/leg/en/lvb/r12527.htm>.

2

MEASUREMENT

2.1 Clear targets and indicators to measure progress towards the MDGs have been set for 2015. Progress is monitored annually through the collaborative efforts of agencies and organisations within the United Nations system. The MDGs therefore provide a comprehensive assessment and independent validation of the progress that the international community is making in addressing international poverty reduction.¹ The status of each MDG² and the internationally agreed indicator that will be used to monitor progress is shown below. Indicators will also be disaggregated by gender where possible and meaningful. An explanation for each indicator is at Annex A.

MDG 1	Eradicate extreme poverty and hunger
Indicator 1	Proportion of population below US\$1 (PPP) per day
Status	Globally, poverty rates, led by Asia, are falling. However, poverty rates have barely changed in sub-Saharan Africa where millions more people have sunk deep into poverty and where the poor are getting poorer.
MDG 2	Achieve universal primary education
Indicator 2	Net enrolment ratio in primary education
Status	Whilst progress has been made globally over the past decade, the current pace is too slow to achieve universal primary education by 2015.
MDG 3	Promote gender equality and empower women
Indicator 3	Ratio of girls to boys in primary, secondary and tertiary education
Status	The gender gap is closing – albeit slowly – in primary school enrolment in the developing world. There has been substantial progress in South Asia. However, progress towards gender parity in education is not on track.
MDG 4	Reduce child mortality
Indicator 4	Under-five mortality rate
Status	Death rates in under five year olds have decreased but more than 10 million infants die before their fifth birthday, almost 8 million before their first.
MDG 5	Improve maternal health
Indicator 5	Maternal mortality ratio
Status	Some progress has been made in reducing maternal deaths in the world's developing regions, particularly in Asia. However, in some African countries maternal mortality is increasing and more needs to be done.
MDG 6	Combat HIV and AIDS, malaria and other diseases

¹ Because this PSA is global in scope the Government is dependent on partner countries and international organisations to provide the underlying measurement data. The quality and availability of information relating to MDG progress varies considerably across developing countries.

² UN official MDG progress assessment in 2006.

Indicator 6	HIV prevalence among 15-49 year people
Status	There is an incredible challenge ahead to halt and reverse the incidence of HIV/AIDS, malaria, tuberculosis and other diseases. AIDS has become the leading cause of premature death in sub-Saharan Africa. Malaria and tuberculosis together kill as many people each year as AIDS.
MDG 7	Ensure environmental sustainability
Indicator 7	Proportion of population with sustainable access to an improved water source
Status	Most countries have committed to the principles of sustainable development. But sufficient progress has not been made to reverse the loss of the world's environmental resources. Access to safe drinking water has increased but half the developing world still lacks basic sanitation.
MDG 8	Develop a global partnership for development
Indicator 8	The value (in nominal terms), and proportion admitted free of duties, of developed country imports (excluding arms and oil) from low income countries
Status	The UK wants to ensure that countries currently marginalised from world trade have their concerns addressed.

2.2 Linking outcomes specifically to the UK's role is challenging. It is important to be realistic about the extent to which partner country results can be attributed to the Government's work. The 2002 National Audit Office (NAO) report on managing programme performance in the Department for International Development (DFID)³ recognised that firm attribution of outcomes to DFID's inputs is not possible. Instead it recommended that the Government should be clear about what outcomes the Government wants to achieve and what contribution it can make, and be able to measure the effect of that contribution, in so far as it is possible.

2.3 In addition, there are difficulties in realising the impact of the Government's contribution in a relatively short time scale (2008-2011), particularly because progress in many countries will need to be assessed over a longer period and there are time lags in data collection. The data therefore shows high-level trends over time to give a broad picture of progress over the Comprehensive Spending Review period and the delivery strategy describes the actions that the Government will take in order to accelerate progress towards the outcomes.

2.4 As well as monitoring progress globally, the Government will focus on measuring progress in the 22 countries where it can make the most impact in measuring progress towards this PSA. This choice of countries is based on the numbers of poor people; the size of the UK bilateral programme; the impact of a wider set of multilateral and bilateral programmes and policies; and the overall influence of the UK on policy development. The countries are:

³ *Performance Management – Helping to Reduce World Poverty*, NAO, April 2002. www.nao.org.uk/publications/nao_reports/01-02/0102739es.pdf.

- **Africa:** Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Sierra Leone, Nigeria, Rwanda, Sudan, Tanzania, Uganda, Zambia, Zimbabwe;
- **Asia:** Afghanistan, Bangladesh, Cambodia, India, Nepal, Pakistan, and Vietnam; and
- **Middle East:** Yemen.

2.5 Many developing countries - such as India, China and South Africa - have a growing regional or global impact on development. The Government will continue to work with these countries to help increase their impact on global and regional poverty reduction.

2.6 It will be critical to assess the effectiveness of aid over the next three years and DFID is committed to meeting the Paris Declaration targets on aid effectiveness by 2010 as well as meeting the subsequent EU commitments. In addition, the UK Government has made a further 6 commitments to improve aid effectiveness:

- (1) reform the use of conditionality;⁴
- (2) make longer term aid commitments and give better notice of poverty reduction budget support disbursements;
- (3) provide more than half of country programme support to government as programme based support;
- (4) have more joint offices with other donors;
- (5) keep UK aid untied; and
- (6) improve the allocation of aid with 90 per cent of UK aid going to low income countries from 2005/06. Using our development assistance to leverage and influence reform in the international system, particularly to help create the conditions for economic growth, investment and trade to take place in developing countries.

2.7 See the delivery strategy for details on how DFID measures bilateral aid effectiveness and the effectiveness of multilateral institutions.

⁴ See *Partnerships for poverty reduction: rethinking conditionality*, DFID, March 2005.

3

DELIVERY STRATEGY

3.1 The vision and indicators describe what the Government is trying to achieve. This chapter explains how we intend to achieve it. The strategy is divided into three parts, reflecting the main delivery methods:

1. working through the bilateral development programme;
2. working through the multilateral development programme; and
3. influencing the international system.

3.2 These sections interconnect – for example, in bilateral programmes the Government often works alongside and in partnership with multilateral agencies.

3.3 A range of partners will contribute to delivering this PSA. The delivery strategy sets out the respective roles of these partners, including the Department for International Development (DFID), Foreign and Commonwealth Office (FCO), the Department for Environment, Food and Rural Affairs (Defra) and HM Treasury (HMT). In order to achieve our objectives the Government will also work closely with and through partner country governments, multilateral organisations, other bilateral donors, the private sector and civil society organisations.

I. WORKING THROUGH THE BILATERAL DEVELOPMENT PROGRAMME

Sub-Saharan Africa and South Asia

3.4 In order to accelerate progress towards the MDGs, DFID will focus on sub-Saharan Africa and South Asia, where most of the world's poor people live, providing aid and helping to create the conditions for economic growth, investment and trade to take place. In order to improve the effectiveness of bilateral aid and to help partner country governments plan ahead, DFID will continue to provide aid, where appropriate, in the form of poverty reduction budget support¹ and continue to establish long term development partner arrangements with partner country governments to improve the predictability of our aid. Depending on the circumstances, DFID will also continue to provide bilateral aid through programmes delivered in partnership with partner country governments, multilateral organisations, bilateral donors and / or civil society. We will continue to increase spending on public services – education, health (including HIV and AIDS), water and sanitation and social protection – to at least half of the UK's direct support to developing countries.

Fragile states

3.5 Some research suggests that since the mid 1990s, a stronger donor emphasis on rewarding countries with relatively effective governments has led to fragile states being neglected.² Initiatives in fragile states are often risky and there is no guarantee of results. However, the MDGs in Africa will not be met without progress in fragile states and it is more effective to prevent violent conflict and instability from breaking out than to respond to the damage.³ Making progress in fragile states is also vital to regional stability. The success of DFID's policies and programmes in these countries will be

¹ Poverty reduction budget support is direct financial support provided through a country's own public finance and budgetary systems.

² *The Forgotten States: Aid Volumes and Volatility in Difficult Partnership Countries (2005)*, David Dollar, Victoria Levin.

³ See also PSA 30.

carefully measured against appropriate aims through country assistance plans or the equivalent.

3.6 DFID defines a fragile state as a country where the government cannot or will not deliver core functions to the majority of its people. Using this definition, the following countries where this PSA will be measured are listed as fragile states:⁴ Afghanistan, Cambodia, Democratic Republic of Congo (DRC), Ethiopia, Kenya, Nepal, Nigeria, Sierra Leone, Sudan, Yemen and Zimbabwe.

3.7 The key actions are:

- scale up aid and other assistance to Africa and Asia in line with UK commitments – while maintaining aid programme quality;
- increase the provision, access to and quality of essential services;
- support putting economic growth at the heart of developing countries' own poverty reduction strategies;
- help African and Asian governments and institutions achieve sustained levels of economic growth, promote trade and improve the investment climate;
- overcome persistent poverty among the socially and economically excluded and provide social protection for the most vulnerable groups;
- help improve governance;
- strengthen peace, security and stability in fragile states and address the causes of conflict;
- work closely with established partners (such as the World Bank, African and Asian Development Bank and EU) to accelerate sustainable poverty reduction;
- help countries to adapt to climate change and pursue a low-carbon development path; and
- continue to provide humanitarian aid where it is needed and to support reform of the international humanitarian system.

3.8 DFID will measure bilateral aid effectiveness using the survey process defined by the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC). The DAC held the first survey in 2006 and plans subsequent surveys in 2008 and 2010. In 2009 and 2011 DFID will undertake an internal survey and ensure progress is made on the wider Paris Declaration commitments.

⁴ As defined by the DFID 2005 policy paper 'Why we need to work effectively in fragile states' (2005). This list is subject to revision periodically.

2. WORKING THROUGH THE MULTILATERAL DEVELOPMENT PROGRAMME

3.9 International organisations play a major role in delivering aid. 30 per cent of global aid is currently provided through three institutions – the European Commission (EC), the World Bank and the United Nations (UN). The Government is committed to increase its working through the multilateral system to reduce poverty in developing countries. The Government will use its resources and influence to improve the effectiveness of the multilateral agencies and thereby increase the impact on poverty and strengthen the international system for this purpose. The focus will be on improving the effectiveness of multilateral operations, results management, ensuring that developing countries’ interests are properly reflected and that they are allowed to lead their own development without inappropriate conditionality; and holding countries (whether donors or recipients) to account for commitments made.

The United Nations

3.10 DFID, FCO and DEFRA will work for system wide coherence of the UN system including delivering the “One UN” approach at country level – one leader, one programme, one budget and one office. The Government will also continue to push for reform of the UN’s governance and financial structures.

3.11 The key actions are:

- work closely with the UN Secretary General, heads of UN agencies and other donors to build the case for reform, focus on results and work to encourage a stronger voice for reform from developing countries within the G77 block;
- support the UN ‘Delivering as One’ approach at country level and pooled funding arrangements; and
- work closely with other like minded donors and developing country partners to change the UN institutional structure – notably, by using financial contributions to UN agencies, funds and programmes to drive system-wide coherence. The goal is to move towards a central allocation mechanism to finance operational activities for development as set out by the High Level Panel on UN system wide coherence.

3.12 DFID and the FCO will also work towards an enhanced UN led humanitarian, conflict and security system and improved co-ordination mechanisms. The Government will use its position as a key donor of UN humanitarian agencies to press for reform.

3.13 The key actions are:

- strengthen UN leadership at field level and internationally;
- create the incentives for a coordinated response by more effective financing through the Central Emergency Response Fund and other pooled funding mechanisms; and
- increase the effectiveness of the United Nations Development Programme (UNDP) in crisis prevention and recovery.

The World Bank

3.14 DFID and HMT will work to ensure that the World Bank operates in a coordinated and efficient way that delivers the results needed to achieve the MDGs and gives developing countries a stronger say in Bank decision making. The Government will use its position on the Bank Board, discussions at the Annual and Spring Meetings

and the International Development Association (IDA) replenishment negotiations (“IDA15”) to help achieve this aim.

3.15 The key actions designed to improve the Bank’s overall effectiveness are:

- agree a clear strategy that sets out how the Bank can most effectively help the international community deliver the MDGs;
- ensure the World Bank makes an effective contribution to tackling climate change by leading and facilitating work to implement the Clean Energy Investment Framework effectively, and develop guidance by 2008 to screen all development investments for the effects of climate change;
- agree with the World Bank how its assistance can be delivered more effectively, particularly in fragile states, including by strengthening the results-orientated culture among Bank staff and its partnership behaviour;
- press the World Bank to achieve its own targets to strengthen the number, size, quality and authority of its country offices, especially in Africa;
- make progress on the implementation of the World Bank’s good practice principles on conditionality; and
- implement policy that leadership selection should be merit based.

**The African
Development
Bank**

3.16 DFID and HMT will work to enable the African Development Bank (AfDB) to make a greater contribution to tackling poverty and accelerating growth in Africa. They will use the UK position on the Board of Directors, discussions at the Annual Meetings and the eleventh African Development Fund replenishment negotiations (“ADF-XI”) to bring about change.

3.17 The key actions are:

- help the African Development Bank to increase its profile and status in the international architecture, playing a stronger and more prominent role in addressing Africa’s development challenges, especially in the areas of growth and infrastructure;
- support the implementation of the African Development Bank reform programme, including strengthening the number, size, quality and authority of their country offices, to be more effective in delivering its own assistance and in contributing to country level discussions on how best to address key development issues;
- support the African Development Bank to better assist fragile states and to make a more effective contribution to African integration by highlighting the pan African role of the AfDB, especially in infrastructure; and
- ensure the African Development Bank makes an effective contribution to tackling climate change by leading and facilitating work to implement the Clean Energy Investment Framework effectively, and develop guidance by 2008 to screen all development investments for the effects of climate change.

Regional Development Banks **3.18** DFID and HMT will work to ensure that the other Regional Development Banks (Asian, Inter American and Caribbean) become more effective in reducing poverty. They will use the UK position on the Boards of the Regional Development Banks and funding replenishments to leverage reform.

3.19 The key actions are:

- emphasise the importance of maintaining a focus on poverty reduction across the Regional Development Banks;
- support the implementation of the Regional Development Bank reform programmes to make them more effective institutions;
- help the Regional Development Banks scale up their support in areas of comparative advantage;
- ensure the Regional Development Banks make an effective contribution to tackling climate change by leading and facilitating work to implement the Clean Energy Investment Framework effectively, as well as develop guidance by 2008 to screen all development investments for the effects of climate change; and
- strengthen the number, size, quality and authority of their country offices.

The European Union **3.20** DFID and the FCO will work with European partners to ensure that the EU fulfils its potential to provide enhanced donor support for the MDGs and implement the commitments in the Development Consensus.⁵

3.21 The key actions are:

- work to ensure that EU policies on trade, and initiatives on climate change, migration and security, promote development and address global challenges;
- work to implement the Code of Conduct on Complementarity and Division of Labour;
- work with the EU as the main partner for our development aims in the 'Accession' and 'Neighbourhood' countries, and as an important partner to further development objectives in middle income countries; and
- promote reforms which strengthen the impact of European institutions to provide external assistance through more coherent use of the wide range of EU policy tools.

3.22 In order to monitor the effectiveness of multilateral institutions, DFID will build the evidence base and promote information sharing between donors on multilateral assessment methodologies and results. This will be undertaken through membership of the Multilateral Organisations Performance Assessment Network (MOPAN) of bilateral donors and the OECD-DAC. Through DFID's own Multilateral Development Effectiveness Summaries, MOPAN surveys of donor perceptions, and the Overseas Development Institute (ODI) survey of partner country views, information is being produced which will help DFID make informed choices between organisations and decisions on financial allocations.

⁵ The European Consensus on Development was negotiated during the UK's Presidency, and saw Member States and the EC agree a common vision for development guiding Member States bilateral programmes and our joint efforts through the EC.

Health 3.23 Progress towards the health MDGs will be accelerated through firm implementation of the International Health Partnership (IHP), launched by the Prime Minister and other leaders in September 2007. DFID, FCO, Department of Health (DH) and HMT will support the implementation of the IHP, which is designed to address the weaknesses of the current health financing arrangements – including a serious lack of focus on health systems, the failure to link disease-specific interventions with country-led health plans, and inadequate coordination among partners.

3.24 The roll-out of the IHP over the next 6-12 months will clarify the funding gap and underpin the rationale for additional funding. As the IHP increasingly affects agency and donor behaviour, so at the national level external funding will increasingly flow together with domestic money into a common pool that finances country health plans. The tension between vertical funds and horizontal programmes will become less marked. In the meantime, we will use our influence on the Boards of the major health agencies to support the development of countries' health systems in ways that align them to domestic plans and donor support.

3.25 The key actions are:

- ensure successful implementation of the IHP, including strong buy-in from participating countries, agencies and donors – with additional new partners as appropriate;
- ensure that “good enough” national plans can be used as the basis to access the Global Fund for Aid, Tuberculosis and Malaria⁶ for support;
- launch of a fully funded Advance Market Commitment (AMC) pilot for vaccines against pneumococcal disease⁷;
- explore, with others, the scope for further AMCs for malaria and TB; and
- examine, with others, the scope and potential of a global subsidy for Artemisinin based Combination Therapies financed through the United Nations International Drug Purchasing facility (UNITAID).

Debt relief 3.26 Debt relief frees up long term, predictable resources for poverty reduction. DFID and HMT will continue to work towards the full implementation of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI). They will also continue to promote responsible lending and sustainable debt management to ensure economic stability in the future.

3.27 The key actions are:

- use the UK position on the Boards of the International Financial Institutions (IFIs), at the Paris Club and in other international fora to support the Highly Indebted Poor Countries (HIPC) initiative and the Multilateral Debt Relief Initiative (MDRI) and ensure that these initiatives are delivered promptly and fairly;
- press other donors to ensure that promises on the financing of debt relief are met;

⁶ See <http://www.theglobalfund.org/en/> for more details.

⁷ <http://www.vaccineamc.org/index.html>

- work through the Boards of the IFIs, to secure agreement on a comprehensive framework for arrears clearance; and
- strengthen international co-ordination to ensure that new lending and borrowing is responsible.

3. INFLUENCING THE INTERNATIONAL SYSTEM

3.28 For most developing countries aid is necessary, but it is not sufficient in a globalised economy to deliver the faster progress toward the MDGs which the Government want to see. Making progress on trade and climate change, helping to create the conditions for private sector growth and securing international agreement on how best to promote good governance, environmental sustainability and gender equality are vital for developing countries.

3.29 Achieving these aims requires engagement and commitment by broad set of players and the Prime Minister launched “the MDG Call for Action” in July 2007 to build an international consensus about what needs to be done to meet the 2015 targets. The Government will also continue to use its leverage at G8, EU, OECD-DAC fora, and work with partners in order to ensure that the EU and 2005 Gleneagles G8 Summit aid commitments are met.

Economic growth **3.30** DFID and HMT will continue to work to ensure sustainable and shared economic growth in developing countries. This will require improved policies in developing countries, better policy advice from the international financial institutions and higher quality investment, particularly in infrastructure.

3.31 The key actions are:

- growth diagnostics undertaken in all countries in which DFID operates to understand bottlenecks, constraints to growth and focus assistance in those areas;
- press the international financial institutions to provide developing countries with improved, consistent and balanced policy advice on achieving inclusive growth and employment;
- work with business to maximise the contribution of the private sector to investment, growth and poverty reduction;
- work to ensure that adequate funding is available through the EC, World Bank, African Development Bank and other Regional Development Banks for financing infrastructure;
- help to develop better policy tools to improve the investment climate, including tools for business regulation, competition policy and tax and customs reform;
- help to promote financial inclusion and tackle the barriers that prevent poor people from gaining access to markets;
- increase support to research, science, and technology to promote growth, including through the African Union/the New Partnership for African Development’s Comprehensive Agricultural Development Programme; and

- promote inclusive labour markets, and acquisition of skills and training to facilitate wider employment.

Trade 3.32 Trade has the potential to make a major contribution to poverty reduction as it is often the means by which economic growth takes place. DFID, FCO and Defra, together with the Department for Business, Enterprise and Regulatory Reform (BERR), will work to ensure a freer and fairer international trade system by helping developing countries integrate into the multilateral trading system, and by pressing for the full implementation of the Doha ‘Development’ Trade Round and Economic Partnership Agreements.

3.33 The key actions are:

- press for reform of trade-related rules to increase real market access for developing countries, particularly through the current Doha Development Agenda and Economic Partnership Agreements. The Government will focus particularly on liberalisation of EU rules of origin for developing countries;
- press for the EU to deliver its target of US\$2 billion per annum in aid for trade by 2010, half from the community budget and half directly from member states;
- press for the G8 to deliver its target of at least US\$4 billion per annum in aid for trade by 2010; and
- press for future phases of Common Agricultural Policy (CAP) reform to eliminate its trade distorting effects, especially on poor countries.

Donor accountability 3.34 DFID will push for a stronger role for the OECD-DAC in holding donors to account on their aid commitments and improving the predictability and allocative efficiency of aid. DfID will also use the UK’s our funding and policy leadership to ensure effective implementation of the Paris Declaration.

3.35 The key actions are:

- press for international partners to deliver on their Paris aid effectiveness commitments;
- press for agreement at the Accra High Level Forum in 2008 for an influential and widely owned review of Paris Declaration implementation and follow up;
- ensure that rigorous peer reviews analyse DAC members’ implementation of agreed policies and encourage further reform;
- press for coverage of DAC statistics and Paris Declaration surveys to be extended to include non-DAC donors;
- use UK development assistance to leverage and influence reform in the international system; and
- help to create the conditions for economic growth, investment and trade to take place in developing countries.

Effective states 3.36 Effective states are central to development. They protect people’s rights and provide security, economic growth and services like education and health care. DFID and the FCO will work to promote good governance, uphold human rights, strengthen

public financial management and tackle corruption. They will increase their impact on state capability, accountability and responsiveness in partner countries. At the international level DFID and FCO will tackle global factors that undermine governance, including corruption, irresponsible business practices, money laundering and the illegal trade in natural resources.

3.37 The key actions are:

- produce rigorous Country Governance Analysis to identify and address the critical governance and fragility challenges;
- improve the availability of robust and legitimate governance measurement and assessment tools internationally;
- deliver an effective Governance & Transparency Fund to support work on accountability and democratic politics by Civil Society Organisations;
- sponsor a UN General Assembly Resolution for the Extractive Industries Transparency Initiative (EITI) to become an international standard of good governance and propose the extension of EITI to look at other areas of revenue and spending in the oil, gas and mining sectors;
- implement the Medicines Transparency Alliance, the Construction Sector Transparency Initiative, and the EU Forest Governance & Trade Programme; and
- support UK law enforcement efforts to investigate allegations of foreign bribery and laundering of corruption assets by politically exposed persons; and support the UN Office on Drugs and Crime, International Centre for Asset Recovery and Interpol to establish international systems to help poor countries recover stolen assets.

Climate change and natural resource threats **3.38** DFID, Defra, HMT and FCO will support development and poverty eradication through better environmental management to help developing countries respond to climate change⁸ and other natural resource threats.

3.39 The key actions are:

- help to establish a UK position on an international climate change framework (post-2012) and help developing countries determine what they need from a future framework;
- promote reform of carbon trading systems to assist developing countries;
- help mobilise development agencies to provide technical and financial inputs to tackle climate change;
- strengthen developing country capacity to adapt to a changing climate including disaster risk reduction;
- implement the Environmental Transformation Fund;
- integrate environmental sustainability (for example efforts on water, energy, forestry, biodiversity, and fisheries) into country programme work;

⁸ See also PSA 27.

- support strengthened international environmental governance, in the context of UN reform, to reflect the needs of poor countries;
- maintain support for the Global Environment Facility (GEF); approximately one third of the GEF budget aims to tackle climate change; and
- in accordance with its Call for Global Action, support UN-Water to submit an annual global monitoring report on water and sanitation to the UN Secretary General and participate in an annual high-level meeting.

Gender equality **3.40** DFID and the FCO will work to ensure that the international system performs more effectively to promote gender equality and women's rights and empowerment.

3.41 The key actions are:

- press the World Bank and European Commission in particular, and all other international agencies in general, for increased performance, accountability and capacity for gender equality and women's rights across their organisations;
- work for an effective outcome to UN reform proposals for a stronger organisation for gender equality that can promote good standards and practice across the UN and its member states; and
- press for gender disaggregated data and equality specific information within the international system.

Research strategy **3.42** New science, technologies and ideas are crucial for the achievement of the MDGs, but global research investments are insufficient to match needs and do not focus on the priorities of the poor. DFID is designing a new five-year research strategy which will increase support for the development of innovative technologies, including water and sanitation.

RESPONSIBILITY FOR DELIVERY

3.43 DFID leads the Government's drive to promote international development. DFID's overall aim is to reduce poverty in poorer countries, in particular through helping them to achieve the MDGs. DFID has the lead responsibility for the delivery of the international poverty reduction PSA, and management of the UK aid budget and development programmes.

3.44 The FCO will:

- help build support for UK development objectives through engagement with host governments, international institutions, the private sector and civil society;
- strengthen policy (including country governance analysis) and delivery through political analysis using its overseas and domestic network;
- lead on work to promote human rights and democratic values and principles that DFID recognises as an important component to the promotion of poverty reduction;

3.45 Defra will:

- complement DFID's drive for poverty eradication and environmental sustainability (MDG 7) through its lead on international climate change and international sustainable development policy;
- work closely with DFID on international natural resources issues including forests, fisheries and ecosystems/biodiversity, as well as working for effective international environmental governance and capacity building at country level; and

3.46 HMT will work through finance and economic ministry channels (such as ECOFIN, the G7, IMF and the Paris Club) to support all of the UK development agenda as described in this PSA. In particular, HMT will:

- work with DFID to maintain the focus of donor country finance ministers on international development, including on their plans to meet their 2005 commitments on aid and debt relief;
- work with DFID through the Paris Club, the IMF and the multilateral development banks, as well as with other groups of creditors and with borrowing countries, to promote responsible lending to developing countries and support sustainable debt management in these countries;
- advocate an ongoing, active role for international financial institutions in low income countries, based on country owned poverty reduction strategies and with sufficient flexibility to take account of country circumstances.

3.47 DFID and DBERR have joint responsibility for trade policy and will work together to promote free and fair world markets, for developing countries and the UK.**3.48** The Department of Health will continue to work together with DFID on international health issues.**3.49** The Ministry of Defence will continue to play an important role on conflict prevention and resolution, peace keeping and humanitarian relief.**3.50** The Conflict Prevention Pools will remain an important instrument for the coherence of the Government's policy on long term conflict prevention.**3.51** The Post Conflict Reconstruction Unit⁹ will play a leading role in providing expertise in cross-Government planning and lesson learning. It will also enhance the Government's ability to identify and deploy civilian experts to work in fragile states.

GOVERNANCE AND ACCOUNTABILITY MECHANISMS

3.52 DFID, as the lead department for this PSA, will ensure robust and comprehensive monitoring arrangements are in place through the PSA period. The Secretary of State for International Development is the lead minister for this PSA. The relevant Cabinet Committee/s will drive performance by regularly monitoring progress, holding departments and programmes to account and resolving inter-departmental issues where they arise.

⁹ Which will be renamed the Stabilisation Unit, see PSA 30.

3.53 The Permanent Secretary for DFID is the Senior Responsible Officer with overall accountability for delivery of the PSA and will chair a bi-annual PSA delivery Board to oversee delivery. This Board will include representatives from key government departments. DFID will continue to work with FCO, HMT and Defra at a policy and operational level to deliver the outcomes in the PSA.

USER ENGAGEMENT

3.54 User engagement is a critical part of the development process as delivery, where possible, is through partner country governments' own development strategies. Ownership is key. Delivery partners, including partner country governments, multilateral institutions, bilateral donors and civil society, are consulted on policy formulation. Accountability and strengthening the voice of the poor is also an important component in development.

3.55 User engagement will continue to take place at all levels of the delivery chain; for example, consultation on DFID Country Assistance Plans is mandatory. DFID's engagement with partners is built around the premise that partner countries (including government and civil society) take the lead in formulating their own development therefore there is no standard blueprint for user engagement in the development process. Various examples of user engagement are illustrated below.

User engagement in Pakistan: consultation on the Country Assistance Plan

In November 2006, the Prime Minister announced a doubling of the UK's aid to Pakistan, from £236 million to £480 million over the Comprehensive Spending period. A new Country Assistance Plan is being prepared, and as part of that process DFID is consulting as widely as possible in the UK and Pakistan. There has been considerable interest from NGOs, think tanks, consultants, Muslim leaders, businessmen and students.

At the end of November 2006, the DFID Director for South Asia chaired a London meeting with other government departments, seeking their views and priorities. Subsequently, public events were held in Birmingham, Bradford and Glasgow with support from the Pakistan High Commission. Around 400 people took part, representing many different institutions and there was strong Pakistani diaspora representation throughout.

Consultation also took place in Pakistan with civil society, federal and provincial governments, media and other interested parties helping to ensure a genuinely participatory and inclusive process and reflecting a wide range of views in the Country Assistance Plan.

User engagement in the Democratic Republic of Congo (DRC): support for the development of the Poverty Reduction Strategy Paper (PRSP) – an illustration of grass roots participation

DFID has a strong commitment to the DRC – one of the poorest countries in Africa. DFID's role was to ensure that a comprehensive Participatory Poverty Assessment (PPA) was undertaken to improve the quality and poverty focus of the poverty reduction strategy process. As the momentum behind the process grew, and DFID's relationship with the Ministry of Planning and other donors developed, the scope for engagement increased. Through the PPA, the voices and interests of poor and vulnerable groups, particularly women and children, were brought to the fore. This built a firm foundation for disaggregated poverty data, which enabled sound gender, diversity and social exclusion analysis to inform the PRSP. Further inputs were provided to support mechanisms for participatory monitoring and evaluation of the strategy paper.

DFID support to the poverty reduction strategy process helped set a precedent for a genuinely inclusive policy process and for demonstrating a mechanism for state citizen dialogue in the DRC.

CONSULTATION

3.56 DFID regularly consults external partners, including partner country governments, multilateral institutions, bilateral donors and civil society, on the development of the policies which support this PSA, and this consultation will continue throughout the CSR07 period. For example, the development of this PSA was informed by the White Paper *Eliminating World Poverty: Making Governance Work for the Poor*,¹⁰ which sets out the Government's policy on international development. The paper was developed through an extensive consultation process: the Secretary of State for International Development gave a series of six speeches on issues ranging from providing public services to corruption, and encouraged people to write in with their views on what international development should focus on for the next five years. Over 600 MPs, organisations and people wrote in with their ideas. There were also separate consultation exercises with civil society, Whitehall and other partners to influence policy.

3.57 DFID has also worked closely with key delivery partners in developing this PSA, the indicators and on successive drafts of the Delivery Agreement. DFID has held several meetings with the UK Aid network to invite further comments and suggestions to help shape the PSA.

3.58 DFID also works with many different stakeholder groups, including the formal education sector, media, unions, faith groups and black, minority and ethnic communities, to increase engagement in development issues. It will continue to fund 12 regional development education networks around the UK to embed global issues in the school curriculum and raise the awareness of school children regarding development. Bi-annual meetings are held to exchange information and ensure the views of the regional development education networks are taken into account when formulating policy.

¹⁰ *Eliminating World Poverty: Making Governance Work for the Poor*, DfID, July 2006.

3.59 Following the commitments in *Eliminating World Poverty: Making Governance Work for the Poor*, public consultations have also taken place on how to set up schemes to help other groups – such as faith groups, community groups, local government, business and charitable organisations - to build links with developing countries; as well as how to expand opportunities for young people and diaspora communities to volunteer in developing countries. DFID is now working up the detail on how to implement the schemes. The Government’s “MDG Call to Action”¹¹, launched in July 2007, also aims to develop a global partnership for development by engaging a broad set of players, including governments in the north and south, the private sector, trades unions, faith groups, civil society and cities, to play their part to get on track to meet the MDGs by 2015.

¹¹ PM’s speech at the Dag Hammarskjöld Library, United Nations, New York, 30 July 2007.

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MEASUREMENT ANNEX

Indicator I	Proportion of population below \$1 (purchasing power parity, PPP) per day
Data provider	The indicator is produced by the World Bank Development Research Group.
Data set used	Estimates are generally based on individual countries' Household Survey data or other survey covering income and expenditure.
Baseline	Baseline will be available by April 2008. ¹
Frequency of reporting	National Household Surveys are generally conducted every three to five years. PPP surveys are conducted at infrequent intervals. The PPP data used for this indicator are an extrapolation from the most recent PPP surveys (completed in 1996). Estimates updated annually.
95 per cent confidence interval at last outturn	See note 2 below.
Data Quality Officer	Head of Corporate Performance and Planning Group, DfID.
Minimum movement required for performance assessment	See note 2 below.
Most recent year data available	2004.
Date most recent data published	July 2007.
Next update	2008.

DEFINITIONS OF KEY TERMS

Proportion of population below \$1 (PPP) per day:

- Percentage of the population living on less than \$1.08 a day at 1993 international prices (purchasing power parities (PPPs)).

¹ The baseline for each indicator will consist of outturn data for each country; a status of each country in meeting the particular MDG; and an overall assessment for each indicator, drawing on individual country assessments.

Indicator 2	Net enrolment in primary education
Data provider	The United Nations Educational, Scientific and Cultural Organisation (UNESCO) Institute for Statistics.
Data set used	<p>Data on school enrolment are usually recorded by countries' ministry of education from surveys and censuses. Data on population are usually based on censuses and vital registration statistics.</p> <p>The UNESCO Institute of Statistics (UIS) regularly produces data series on school enrolment based on data reported by education ministries or national statistics offices.</p> <p>For countries for which administrative data are not available, household survey data may be used to access school attendance.</p>
Baseline	Baseline will be available by April 2008.
Frequency of reporting	International data is available annually.
95 per cent confidence interval at last outturn	See note 2 below.
Data Quality Officer	Head of Corporate Performance and Planning Group, DfID.
Minimum movement required for performance assessment	See note 2 below.
Next update	2008.
Data most recent data published	July 2007.
Most recent year data available	2006.

DEFINITIONS OF KEY TERMS

Net enrolment in primary education:

- Ratio of the number of children of official school age (as defined by the national education system) who are enrolled in primary school to the total population of children of official school age.

Indicator 3	Ratio of girls to boys in primary education
Data provider	UNESCO Institute for Statistics.
Data set used	UIS conducts an annual census of education ministries and National Statistics Offices to gather national enrolment data.
Baseline	Baseline will be available by April 2008.
Frequency of reporting	International data is available annually.
95 per cent confidence interval at last outturn	See note 2 below.
Data Quality Officer	Head of Corporate Performance and Planning Group, DfID.
Minimum movement required for performance assessment	See note 2 below.
Next update	2008.
Data most recent data published	July 2007 (two year lag before data published).
Most recent year data available	2006.

DEFINITIONS OF KEY TERMS

Ratio of girls to boys in primary education:

- The ratio of the number of female students enrolled in primary education to the number of male students enrolled in primary education.

Indicator 4	Under 5 mortality ratio
Data provider	UNICEF.
Data set used	National vital registration systems are the preferred data source (when covering at least 90 per cent of vital events). When they are not available or of poor quality, national censuses and national household surveys can be used to derive estimates.
Baseline	Baseline will be available by April 2008.
Frequency of reporting	National vital registration data is usually available annually, national censuses are usually available every ten years and national household surveys are generally available every three to five years. International estimates are updated annually.
95 per cent confidence interval at last outturn	See note 2 below.
Minimum movement required for performance assessment	See note 2 below.
Data Quality Officer	Head of Corporate Performance and Planning Group, DfID.
Next update	2008.
Data most recent data published	July 2007.
Most recent year data available	2005.

DEFINITIONS OF KEY TERMS

Under 5 mortality ratio

- The probability (expressed as a rate per 1,000 live births) of a child born in a specified year dying before reaching the age of five is subject to current age specific mortality rates.

Indicator 5	Maternal mortality ratio (MMR) per 100,000 live births
Data provider	UNICEF.
Data set used	Estimates are based on individual countries' household survey data, vital registrations systems, censuses or other appropriate sources. The data are then adjusted using a methodology developed by UNICEF, the World Health Organisation (WHO) and the United Nations Population Fund (UNFPA) to take account of quality issues.
Baseline	Baseline will be available by April 2008.
Frequency of reporting	Adjusted estimates of MMR are produced every five years.
95 per cent confidence interval at last outturn	See note 2 below.
Data Quality Officer	Head of Corporate Performance and Planning Group, DfID.
Minimum movement required for performance assessment	See note 2 below.
Data most recent data published	December 2006.
Most recent year data available	2000.
Next update	2010.

DEFINITIONS OF KEY TERMS

Maternal mortality ratio per 100,000 live births:

- The number of women who die from any cause related to or aggravated by pregnancy or its management (excluding accidental or incidental causes) during pregnancy and child birth or within 42 days of termination, per 100,000 live births.

Indicator 6	HIV prevalence rate, 15-49 years old, in national based surveys
Data provider	The Joint United Nations Programme on HIV/AIDS(UNAIDS)/WHO.
Data set used	The estimates incorporate a variety of HIV data, including those gathered in household HIV surveys and at antenatal clinics. Antenatal clinic HIV data reflect only HIV in pregnant women who use public antenatal facilities.
Baseline	Baseline will be available by April 2008.
Frequency of reporting	Every two years.
95 per cent confidence interval at last outturn	See note 2 below.
Data Quality Officer	Head of Corporate Performance and Planning Group, DfID.
Minimum movement required for performance assessment	See note 2 below.
Data most recent data published	August 2007.
Most recent year data available	2005.
Next update	July 2008.

DEFINITIONS OF KEY TERMS

HIV prevalence rate, 15-49 years old, in national based surveys:

- The number of adult men and women (15-49 years) living with HIV divided by the national population (15-49 years)

Indicator 7	Proportion of population with sustainable access to an improved water source (urban and rural)
Data provider	WHO/UNICEF.
Data set used	Estimates are based on individual countries' administrative data on new and existing facilities, household survey data and population censuses. These surveys are often funded by donor agencies.
Baseline	Baseline will be available by April 2008.
Frequency of reporting	Administrative data are often available annually, and household surveys are often conducted every three to five years.
95 per cent confidence interval at last outturn	See note 2 below.
Data Quality Officer	Head of Corporate Performance and Planning Group, DfID.
Minimum movement required for performance assessment	See note 2 below.
Data most recent data published	October 2006.
Most recent year data available	2004.
Next update	2008.

DEFINITIONS OF KEY TERMS

Proportion of population with sustainable access to an improved water source (urban and rural):

- Percentage of the population who use any of the following types of water supply for drinking; piped water; public tap; borehole or pump; protected well; protected spring or rain water. The following are not included: vendor-provided water, bottled water, tanked trucks or unprotected wells and springs.

Indicator 8	The value (in nominal terms), and proportion admitted free of duties, of developed country imports (excluding arms and oil) from low income countries
Data provider	The United Nations Conference on Trade and Development (UNCTAD), UN Statistical Division, International Trade Centre.
Data set used	United Nations Commodity Trade Statistics Database (COMTRADE) for trade flows) and TRAINS for duty rates (both UNCTAD) and Market Access Map for duty rates.
Baseline	Baseline will be available by April 2008.
Frequency of reporting	Annually.
95 per cent confidence interval at last outturn	N/A.
Data Quality Officer	Head of International Trade Department, DfID.
Minimum movement required for performance assessment	N/A.
Most recent year data available	Availability varies by country. 2005 for trade flows and 2006 for duty rates.
Data most recent data published	COMTRADE, Market Access Map constantly updates, TRAINS: to be verified.
Next update	See above.

Note 1: Data quality issues

3.60 The data to be used in monitoring these PSA indicators are obtained from the World Bank and agencies of the United Nations, who in turn have obtained data from the countries in question, evaluated its quality, and in some cases made adjustments to try and ensure international consistency.

3.61 Some data are only available every few years and for some countries there may be no new estimates over the PSA period. Data can be interpolated or extrapolated but care must be taken not to make spurious assumptions about long -term trends which can change when new data points become available. There is a time lag between the data being collected and final estimates being available internationally and there can be gaps in data series for some countries. In some cases there may be no data available for some countries for certain indicators or just one data point so interpolation/ extrapolation cannot be used.

3.62 DFID will continue to work with partner countries and the international system to improve both the availability and quality of data.

Note 2: 95 per cent confidence levels and minimum movement required for performance assessment

3.63 Notwithstanding the points raised in Note 1, each indicator is reliant on survey data from each of the 22 countries to be monitored as part of the PSA, which will be subject to different degrees of confidence. Data aggregation across the country set will therefore be based on a traffic light assessment for each country against the MDGs. All country assessments will be published externally.

Measuring and monitoring progress

3.64 The Government is aiming to increase the number of countries which are on-track to deliver their MDGs by 2015 and reduce the number of countries which are off-track or severely off-track. The use of a traffic light system will allow DFID to assess the progress of the relevant MDG targets separately for each country. The status of each indicator at any point in time can be assessed as follows:

Green	On-track: MDG target already met or expected to be met by 2015
Amber	Off-track: MDG target unlikely to be met by 2015 but likely to be met by 2040
Red	Severely off-track: MDG target unlikely to be met by 2040.

3.65 An assessment of each indicator for all 22 PSA countries will be made each year. DFID will measure progress for each indicator by examining changes in traffic lights from the baseline position. This will allow an overall assessment of performance to be made which will draw on movements in the traffic light assessment for each country.

3.66 However, care will be taken when using traffic lights. An unchanged traffic light assessment over the PSA period does not necessarily mean there has been no movement in the underlying data. For example, a country starting from a very low baseline position could be making strong progress but this may not be enough for it to see a change in its traffic light assessment. Similarly small changes around the margins of the traffic lights may mean a change in assessment is triggered even though the change in the underlying data is very small and would not trigger a change if it was in the centre of a traffic light band.

