



House of Commons
International Development
Committee

**Department for
International
Development:
Departmental Report
2003**

Eighth Report of Session 2002–03



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*Report and formal minutes, together with oral
and written evidence*

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The International Development Committee

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Committee staff

The current staff of the Committee are Alistair Doherty (Clerk), Sarah Hartwell (Second Clerk), Alan Hudson (Committee Specialist), Katie Phelan (Committee Assistant) and Wanda Wilson (Secretary).

Contacts

All correspondence should be addressed to the Clerk of the International Development Committee, House of Commons, 7 Millbank, London SW1P 3JA. The telephone number for general enquiries is 020 7219 1223; the Committee's email address is indcom@parliament.uk

Footnotes

In the footnotes of this Report, references to oral evidence are indicated by 'Q' followed by the question number. References to written evidence are indicated by the page number as in 'Ev 12'.

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Summary

In this report, we scrutinise the performance of the Department for International Development (DFID). Examining DFID's 2003 Departmental Report, we analyse how it manages, measures and reports its performance against its own targets, as well as carrying out more detailed studies of some of DFID's policies.

Although we commend many aspects of DFID's work and conclude that the structure of DFID's report and its presentation of information are better than in previous years, the Committee raises concerns about specific policy areas. In particular, Sexual and Reproductive Health (SRH) and Agriculture.

In terms of performance reporting, the Department must ensure that it reports on the full range of its activities and not just those that are related to Public Service Agreement (PSA) targets. DFID also needs to report on how it is working to tackle underperformance instead of merely identifying where underperformance occurs. The report highlights the importance of having clear and consistent financial reporting and suggests that DFID provides more information about risk management and financial flexibility, revealing the processes that allow it to respond to global crises.

In later chapters we commend DFID's commitment to directly supporting government budgets in aid-receiving countries and welcome the development of mechanisms to evaluate this type of assistance. The report looks specifically at DFID's approach to Poverty Reduction Strategies (PRSs) through which it supports and rewards countries that can show evidence of "good governance". Although this helps to ensure that development assistance is well targeted, we stress that "poor performers" should not be neglected. There should be more on offer to "failing states" than just humanitarian assistance and DFID must find ways of engaging with these countries.

We also identify a need for greater communication between donors and recipients: the commitments and expectations of both sides must be clearer. It would help aid-receiving countries if donors were open about their expectations and the conditions under which they will withdraw their support. Recipient governments also need a clear understanding of a donor's priorities and conditions and if they are to be surer about the predictability of aid flows. DFID has strengths in the area of donor-recipient communication and we encourage the pioneering use it has made of Memoranda of Understanding (MoU), greater use of which could improve both understanding between donors and recipients.

The Committee is concerned about what it sees as DFID's lack of a coherent strategy for agriculture and calls on DFID to do more than simply seek to create an "enabling" environment in which agriculture may flourish. We consider that DFID should aim to boost smallholder production, arguing that helping small farmers to produce more food is a more cost-effective policy than food aid.

On Sexual and Reproductive Health, we believe that the Departmental Report should include additional data in relation to the Millennium Development Goal (MDG) on Maternal Health. We argue DFID should demonstrate how it gives priority to SRH and contend that the existence of a MDG relating to HIV/AIDS should not be allowed to cause a shift in focus and funding away from broader SRH issues.

1 Introduction

1. This report is the outcome of our annual scrutiny exercise in which the Committee considers the Departmental Report produced by the Department for International Development (DFID). As part of this exercise we took evidence from Suma Chakrabati, DFID's Permanent Secretary, Mark Lowcock, Director General for Corporate Performance and Knowledge Sharing and Susanna Moorehead, Deputy Director, Policy Division. We also sent a number of written questions to the Department. DFID's responses are published along with the report. Examination of DFID's annual Departmental Report is a significant task. It is not feasible to examine in detail every aspect of the report and of DFID's work programme. We have concentrated therefore on certain areas of DFID's work and followed up themes and issues which have been raised in previous examinations of DFID's Departmental Reports.

2. Our report consists of eight chapters. Chapter two examines the way DFID manages, measures and reports on its performance, and comments on DFID's new Public Service Agreement (PSA). It aims to give a broad overview of how DFID has performed against its targets; by contrast, subsequent chapters focus on specific policy issues in more detail. Chapter three continues a theme from last year's report, the nature of DFID's engagement with aid-receiving countries. It examines developments in the shift towards budget support and the conditions under which such support is appropriate, as well as the need for capacity-building and technical assistance. Following on from this, chapter four looks at Poverty Reduction Strategies and, in particular, investigates the interface between local ownership and donor influence. Chapters five, six and seven all concentrate on distinct policy areas: sexual and reproductive health (SRH), gender and agriculture. The impact of the external policy environment and the attempt to "mainstream" both SRH and gender are considered in chapters five and six. Chapter seven highlights what we see as a lack of emphasis on agriculture in DFID's poverty reduction policy.

Developments since 2002

3. The DFID Departmental Report 2003 comes after some significant developments and expansion. As part of the Spending Review 2002 DFID's objectives and targets were rewritten and now align more closely with the Department's structure. The Department initiated a programme of organisational and management change over the past year which is focussed on ensuring that DFID is organised and managed in ways to maximise effectiveness.¹ DFID continues to grow, having secured significant additional funding to increase the budget from £3.4 billion in 2002-03 to nearly £4.6 billion in 2005-06.²

4. The Departmental Report is intended to provide Parliament, members of the public and other stakeholders with a comprehensive account of DFID's performance during 2002-03, and its plans for the future. DFID has adopted recommendations on the Report's format which we made last year. These include explicitly stating its objectives in Chapter 1, providing an organogram to demonstrate departmental organisation and the insertion of a

1 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003, paragraph 6.1, page 112.

2 HM Treasury, *Spending Review 2002*, Cm5507, July 2002, page 101

whole chapter devoted to “How we are organised to deliver”.³ It shows performance against the 2001-2004 Public Service Agreement (PSA) targets, progress towards the Millennium Development Goals, details of activity in general areas such as HIV/AIDS, reproductive health and primary education and how DFID is working with partners to reduce poverty, as well as tables of past and planned expenditure. **We welcome the changes to the report made in consequence of our recommendations last year. We also welcome the fact that this year the report provides links and references to further information where there is not the space to address these issues in detail.**

3 International Development Committee, Sixth Report, 2001-02, *Department for International Development: Departmental Report 2002*, HC964. DFID, *Departmental Report 2003*, Cm5914, May 2003, Chapter 1 and Annex 5.

2 Performance: managing, measuring and reporting

The 2001-2004 Public Service Agreement

5. Annex 2 of the Departmental Report 2003 provides a record of progress against each of the targets contained within the Department's 2001-2004 Public Service Agreement. Performance is stated as being 'Below target' for six of the 26 targets. But whilst explanations have been provided as to why underperformance has occurred there is insufficient information about how the Department is addressing this underperformance. We looked at two of these missed targets in more detail during our examination: **debt relief** and **primary school enrolment**.

6. DFID shares a target with the Treasury on debt relief (target 2(a)) but the annual report does not tell the reader which part of this DFID is responsible for achieving. The Department told us that it was working on producing joint delivery plans for all joint targets⁴ and then outlined how work on the debt relief target was shared with the Treasury.⁵ This, plus a separate memorandum,⁶ gave a much clearer sense of how the Department is working with others and dealing with underperformance than the Departmental report itself does. For instance, DFID told us that there is a joint team of DFID and Treasury officials in the World Bank and IMF, and there is an ongoing dialogue between the DFID team, other donors, including the international institutions, and the specific country concerned.⁷ Target 4(a) is to increase primary school enrolment. Underperformance is attributed to the use of an artificially high baseline of school enrolment rates.⁸ Within the report the Department has commented mainly on how data problems have affected performance measurement, and has not provided sufficient information about the steps it is taking to address the underperformance and increase primary school enrolment rates in the countries concerned. In response to our written questions we were informed that steps are being taken in three countries, Zambia, Tanzania and Ghana, in particular to improve enrolment rates, including through significant education spending commitments.⁹

7. We recommend that the Department aim to include more information within future annual reports about how it is pursuing its objectives. In particular there should be more information about what steps it is taking towards the achievement of joint targets, and then what specific contribution it has made to performance against these. Explanations for underperformance against targets are essential but the Department must do more to ensure that these do not become a substitute for adequate descriptions of actual performance. Equally, it must be clear what specific steps are being taken to

4 Q3

5 Q3

6 Ev 45: response to written Q12

7 Q3

8 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003, paragraph 1, page 135. See also Q21

9 Ev 45: response to written Q12

remedy underperformance. In particular explanations must be included, as addenda to each relevant PSA target, of how problems with data have affected the measurement of performance and how these problems are being addressed.

8. Finally, the Department notes that from 1 April 2003 it will only report progress against the new Public Service Agreement targets.¹⁰ We do not regard this as a sensible or helpful move. It is essential that the Department remains accountable for any outstanding targets from previous Public Service Agreements, rather than just dropping them with each Spending Review. Continued reporting against outstanding targets is also a requirement of the Treasury¹¹. **There will come a point where old PSAs need to be relinquished. However, for the present we recommend that DFID continues to report progress against any targets or sub-targets which are outstanding from previous Public Service Agreements until they have been met or until the target deadline has expired.**

The 2003-2006 Public Service Agreement

9. DFID's new Public Service Agreement (PSA) contains no targets for Objective 3: Reduce Poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East and North Africa. In addition, the PSA targets supporting each objective do not cover the full range of DFID's activities under that objective. This is consistent with a move across government to pare down the number of PSA targets, and a move within DFID to focus on how to demonstrate its own performance in moving towards the 2015 Millennium Development Goals.¹²

10. The Department assured us that in areas not covered by specific PSA targets there were the same internal reporting and accountability arrangements. This is through Directors' Delivery Plans which underpin each objective and include 'lower-level' performance targets.¹³ Progress is reported annually against these to the management board,¹⁴ which should provide them with a balanced picture of performance. It is important that in next year's annual report the Department presents a balanced picture of performance which covers not only the PSA targets but also the other areas of activity which underpin each objective. **We welcome the suggestion by the Department that the 2004 Departmental Report be structured around DFID's objectives. Next year's report should present a comprehensive account of activity and performance under each objective including the reporting of progress against internal targets in areas not covered by specific PSA targets. As a matter of good practice this further performance reporting should follow the same format as that concerning the PSA targets.**

10 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003, paragraph 1, page 139

11 HM Treasury, *Public Expenditure System paper*, PES (2002) 29, deposited paper 03/722, November 2002, paragraph 14

12 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003, paragraph 1.15, page 15

13 Ev 38: response to written Q8

14 *Ibid.*

Resources and Budget

11. In the 2002 Spending Review the Government announced that DFID's budget will increase to nearly £4.6 billion by 2005-06, compared to £3.4 billion in 2003-04.¹⁵ The Spending Review makes the commitment that DFID's spending should result in demonstrable improvements to the lives of the poorest people¹⁶ and the Department considers that the new PSA has added greater transparency to the budget allocation process.¹⁷ But neither the annual report nor the Spending Review makes explicit the linkages between the additional funding secured and the assessment of the increase in key deliverables. **We would suggest, in future reports, 'joined up' reporting between the Spending Review and the Departmental Report to demonstrate the links between funds secured and commitments made in the Spending Review and the performance recorded in the Departmental Report.**

12. In response to our recommendation in last year's report DFID have simplified their tables of resource allocation for 2002-03, which now show information on resources allocated by objective.¹⁸ Although improved from previous years, the financial tables in the Departmental Report remain confusing and do not offer a sound basis for readers to track financial developments. In particular, it was only after additional questioning of the Department that we learnt more about the basis for the figures and cleared up significant confusion with reference to expenditure figures for specific countries. For example, we queried the swings in spend on the Ethiopia programme line¹⁹ and found out that the 2002-03 country programme figure includes £24.8 million for humanitarian aid but that the future allocations are not divided between forms of aid.²⁰ It was clear that spending on humanitarian assistance, for a lot of the countries listed, was included in either the country's programme line or a separate 'humanitarian assistance' line,²¹ causing significant fluctuations in past and planned expenditure on the country programme lines. The Department told us that significant restructuring has also affected the figures shown,²² causing similar discontinuities elsewhere in the tables. For example, programmes appearing under the heading 'Innovative Approaches to Development' up to 2002-03 have now been transferred to the heading 'Improving the Effectiveness of Multilateral Aid'. The end result is that it is virtually impossible to identify the reasons for the large changes in spending; often the Department did not seek to explain these.

13. Finally, the financial tables did not fully reconcile to one another. Up until 2002-03 spending is recorded in cash terms but from 2003-04 onwards it is in resource terms. This adds further difficulties to tracking progress and also gives the Department the excuse of 'resource adjustments' rather than properly explaining errant numbers or significant changes. **We would like to see clear, consistent and transparent reporting of DFID's**

15 HM Treasury, *Spending Review 2002*, Cm5507, July 2002, paragraph 14.1

16 *Ibid.* Paragraph 14.2

17 Ev 38: response to written Q7

18 HC (2001-02) 964

19 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003, table 4, page 126

20 Ev 37: response to written Q2

21 *Ibid.*

22 Ev 37: response to written Q5

past spending and future plans in a way which facilitates tracking progress and demonstrating changes in policies and priorities. We recommend that the Department ensure that in future years financial tables are stated in equivalent terms and that more complete and fuller explanations are provided for year-on-year variations.

14. Because DFID make three year, or longer, financial commitments to many countries we wanted to know the extent to which DFID's future spending is already committed to medium-term development assistance. However, we could not assess from the financial tables the levels of 'free' resources available to the Department. Because of this lack of information we were unable to assess fully their ability to respond flexibly to unexpected changes in direction or events. **It would assist understanding of the report if the Department identified the extent to which expenditure plans represent funds already committed to country programmes and projects, as well as providing a full breakdown of direct budget support expenditure and plans.**

Flexibility

15. Financial flexibility is key to the Department's strategy of rewarding good performers and sanctioning countries who are not committed to reducing poverty. A DFID paper reviewing their resource allocation process²³ suggests that, whilst the Department is adept at using this flexibility to finance unexpected humanitarian events and respond to economic shocks, there was potential to expand the use of financial flexibility as a means of responding to changes in performance.²⁴ This is supported by comments in DFID's Development Effectiveness Report that "there is scope for DFID to be more consistent in balancing need and likely performance in resource allocation" and that contributions to multilaterals should be more performance-orientated and "based on a more objective and explicit measure of the organisational and development effectiveness of the multilateral institutions themselves".²⁵ Nevertheless the Department already has examples of how it has responded to changes in performance and commitment levels. Within a three year budgeting framework there is discretion to change investment levels quickly.²⁶ For example, in Bangladesh the country team were able to move swiftly to support the government's sudden reform programme in the area of jute mills without coming back to headquarters for approval.²⁷ At a national level this flexibility can also be seen. For instance, in Tanzania budget support was cut after the government decided to purchase a \$40 million air traffic support system,²⁸ and the Department also provided other examples.²⁹ **We were pleased to learn that the Department is committed to making use of financial flexibility in order to link funds with performance. However we would welcome more information (and acknowledgement) in the annual report about how this process**

23 Department for International Development, *Strategic Review of Resource Allocation Priorities*, January 2003

24 *Ibid.* Annex 1

25 *Ibid.* Paragraph 2.2.2

26 Q6

27 Q7

28 Q30, See also Defence, Foreign Affairs, International Development and Trade and Industry Committees First Joint Report, Session 2001-02, *Strategic Export Controls: Annual Report for 2000, Licensing Policy and Prior Parliamentary Scrutiny*, for further information on issues surrounding the decision of the Tanzanian Government to purchase a new air traffic control system.

29 Q30

works. There is still work to do in order to make contributions to multilaterals more performance-oriented. We attach a high priority to the Department securing good value for money for these contributions, and demonstrating that it has done so.

16. Flexibility is also essential in an environment where risks as well as opportunities arise which the Department must respond to, but is not generally in a position to control or even influence, such as when dealing with humanitarian crises. The Department realises this and has increased the unallocated portion of financial resources. The resource allocation process now involves looking explicitly at the opportunity costs of allocating money to one area or reallocating it elsewhere; the implications of these decisions are communicated to Ministers.³⁰ We welcome the Department's explicit appreciation of the difficult aid choices which must be made and the fact that this is communicated internally. There is a continuing challenge for the Department in both handling risk and communicating how it does so. **We consider that the annual report could be more explicit about the choices that the Department has to make and how it addresses new risks and opportunities, by providing examples related to specific countries and programmes. Although there is much information on DFID's risk management processes available elsewhere, there is very little within the report itself. Communication of what risks the Department faces and how it is handling them is central to managing the expectations of the public and Parliament. We would also like therefore to see a brief overview of the Department's risk management processes within this report. Finally, we would welcome more information on staff flexibility, and in particular what happens to staff when responding to sudden crises or changes in policy priorities.**

Validation and evaluation

17. The continued movement towards budget support will require new methods of evaluating aid outcomes. Often it will no longer be just a particular project which is assessed, but rather a whole series of measures which underpin the Poverty Reduction Strategy, or conditions placed upon direct budget support. This has profound financial implications, as poor performance by an aid recipient carries with it the consequence that its government budget could be slashed if donors withdraw their support. The shift to budget support gives donors greater leverage for influencing policies within a country, and places much greater responsibilities upon donors to monitor aid outcomes. Currently, DFID often acts in concert with other donors and shares the responsibility for assessing aid outcomes and performance. Some of these issues are discussed in more detail in chapter three.

18. There are several processes in place for evaluating the effectiveness of direct budget support and Poverty Reduction Strategies (PRSs). We were told that once a country has developed a full PRS, it is then expected to produce an annual progress report. The Boards of the World Bank and IMF discuss these, "as the basis for continued World Bank and IMF assistance".³¹ More general reviews are taking place. For instance, the Operations Evaluation Department of the World Bank is undertaking an "independent review of

30 Q4

31 Ev 38: response to written Q6

overall progress in PRS implementation”.³² The impact of funds spent through budget support is currently evaluated in a similar way—joint review work by the World Bank and IMF, within each major country.³³ DFID has also commissioned a study aimed at evaluating direct budget support. This is examined in greater detail in the next chapter. **We welcome the work being undertaken to evaluate the success of these new methods of disbursing aid. It would have been relatively easy for the Department to commit funds and then sit back for three years, but instead they have chosen to engage fully and monitor the effectiveness of the aid and commitment of the recipient government to poverty reduction. We will continue to follow this closely and will be looking for evidence that DFID, even when acting in concert with other donors, continues to take hard decisions when UK aid objectives are not being met. Other donors’ own objectives may not necessarily fit with those of the UK.**

19. The obvious problem, acknowledged by the Department, with this shift in how aid is disbursed is the fact that many developing countries do not have robust statistical bases. This places limitations on effective performance measurement. DFID noted that “poor quality data is characteristic of poor countries generally” but DFID is working hard to strengthen data collection in a number of countries within the framework of a commitment to locally defined indicators and data wherever possible.³⁴ This was an issue we addressed last year as well. **We believe that the Department should continue to attach a high priority to building statistical capacity in the countries in which it operates. Obviously this process will take time, therefore in the interim we would expect a frank summary of the limitations of the performance measurement system as it relates to the Department’s Public Service Agreement, and what validation has taken place. This should include any findings from forthcoming NAO work to validate the PSA data systems.**

20. Throughout the annual report DFID claims credit for making key impacts upon global development policy and programmes. For instance:

- “DFID has played an important role in moving forward the global agenda on untying and harmonisation.”³⁵
- “In 2003/03 DFID successfully campaigned for five countries with particularly large numbers of children out of school ... to be eligible for fast track support.”³⁶
- “DFID worked to secure international commitment at Monterrey to the principle that developing countries should have a greater say in shaping the policies of bilateral and multilateral donors.”³⁷

32 *Ibid.*

33 Q28

34 Q21 and Department for International Development, *Departmental Report 2003*, Cm5914, May 2003, paragraph 2.54

35 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. Paragraph 2.63

36 *Ibid.*, paragraph 3.20

37 *Ibid.*, paragraph 2.58

However, whilst there is a robust framework for reporting progress against policy targets which are PSA targets this is not the case for these internal policy targets. **We consider that improvements could be made in how these policy achievements are reported upon, in order to satisfy a sceptical reader who may not necessarily accept that these positive policy outcomes are as a direct result of the Department's work. One way would be to include more details about the original policy target, the timeframe to achieve this, actions taken and other partners.**

EC Development Funding

21. The Department have provided details of DFID's resource allocation by objective (Table 2), a significant development from the previous year. However, EC Development Programmes funding, estimated at £865 million or 23% of the resource budget in 2003-04, appears as a separate line with no objective or targets indicated. For such a significant sum it is important for the Department and taxpayers to be clear whether and how this money delivers the government's development objectives. With more volatile exchange rates the £Sterling equivalent of the €Euro amount attributed to the UK can vary significantly year-on-year. Because the total DFID budget is set inclusive of the EU element, this means that adverse exchange rate movements have to be funded out of the remainder of the Department's budget. This is essentially "top-slicing" and reduces the resources the Department can direct to priority areas. **We would welcome DFID's view on how it protects its priority budgets against the risk of currency fluctuations.**

22. The Department told us that whilst poverty reduction is now at the centre of EC policy, "question marks remain as to how widely the policy has been applied" and that only 44% of EC funding had gone to low income countries in 2001.³⁸ The EU's record in terms of the share of aid reserved for poor countries remains substantially worse than that of individual member states. DFID also told us that they are "working to produce a framework to measure the effectiveness of multilaterals" and that a key objective is to increase the poverty focus of this EC development expenditure.³⁹ The enlargement of the EU may pose a new challenge for achieving DFID's objective. The accession countries have small aid programmes and also have understandable interests in their own immediate regions.⁴⁰ DFID will need to find ways of ensuring that the accession of the "ten" does not reinforce the tendency for the EU to focus on the "near abroad".

23. The relative weight of the EU in member states' aid programmes has changed significantly in the last decade. The Overseas Development Institute (ODI), in analysing DAC data to show the share of member states' aid channelled through the EU in 1992 and 2001, has identified an increase in the number of countries which provide more than 20% of their aid through the EU.⁴¹ Whatever the reasons behind this shift it provides for the possibility of more countries showing greater interest in the quality of the aid provided through the EU. As the ODI pointed out, the constituency for reform may be larger and

38 Ev 37: response to written Q4

39 *Ibid.*

40 European Development Cooperation to 2010, Overseas Development Institute Working Paper 219, *Overseas Development Institute*, May 2003

41 *Ibid.*

more determined than has been the case to date. The European Commission produces an annual report on EC development policy and the implementation of external assistance. We reviewed the 2001 report. This was a year of reform for EC external assistance and the annual report was detailed and comprehensive. This annual report does not, however, provide a succinct assessment of how the EU external assistance meets the UK's development objectives. That is what is required in DFID's annual report. **In order for DFID to meet its own objectives we consider it essential that the issue of reforming EC development issues and developing systems to monitor the effectiveness of this multilateral aid continues to be given a high priority within the Department. In addition, we would like to see more information in the departmental report about how these funds are used, the framework for distributing EC development funds, current shortcomings and limitations in this, including in measuring aid outcomes and DFID's own efforts in this area.**

3 The nature of engagement

24. In our report on DFID's Departmental Report 2002 we commented on DFID's portfolio of countries, method of country selection and the move towards greater use of direct budget support.⁴² This year we return to the issue of how DFID engages with its partners and discuss DFID's policy of focussing on countries with 'good governance' and high poverty. We have also returned, briefly, to an examination of the various methods of assistance, such as direct budget support, capacity building and technical assistance. We discuss in this chapter, in more detail, a number of issues mentioned earlier such as the evaluation of direct budget support and the problems of evaluation in developing countries without robust statistical bases.

High Poverty / Good Policy

25. Since the late 1990s there has been a tendency to see aid as most effective in those poor countries which offer a good policy environment.⁴³ DFID has followed a policy of targeting "high poverty/good policy" countries. As we said last year we are broadly convinced of the logic of this policy, particularly the emphasis on targeting the poorest countries. However, in many cases, the poorest countries are those affected by conflict, crisis or lack of good governance. This begs the question: "What is on offer for the poor performers?". DFID increasingly emphasises the importance of focussing primarily on high poverty, which is a welcome change.⁴⁴ Nevertheless, "good governance" remains a key criteria influencing decisions about how aid is allocated.

26. The high poverty/good policy criteria extends to programmes such as Heavily Indebted Poor Countries (HIPC). The Departmental Report notes, 11 HIPC countries that have not been able to obtain debt relief because they have failed to meet the good governance criteria. DFID told us that it is providing technical assistance to these countries via the HIPC Capacity Building Project and that repayments from these countries would be returned to them once they qualify for debt relief.⁴⁵ But it is essential that something is on offer for poor performers to provide an incentive to move to better policy and governance. Suma Chakrabati, DFID's Permanent Secretary, recognised the issue in oral evidence and highlighted the evolution in DFID's policy which indicates this recognition: "Does this mean we should stand back and just say that when they have their act together we will go and help them? Or does this mean we try to influence and engage? The Government has gone for the latter strategy".⁴⁶

27. We welcome DFID's indication that it is seeking to influence and engage with poorer performers, but this is not an easy task. As was highlighted in oral evidence, it is necessary to seek new and innovative ways of encouraging reform. Suma Chakrabati stated: "We do not have a very good toolkit, in my view and the view of the Department, on how to work

42 HC (2001-02) 964

43 Assessing Aid: what works and what doesn't, *World Bank*, 1998

44 Q26

45 Ev 52: response to written Q8

46 Q26

with poor performers”.⁴⁷ Working with civil society and NGOs can certainly help to address the needs within poorly performing states. As the Deputy Director of DFID’s Policy Division’s told us, supporting large and effective NGOs and connecting them to government, can lead to useful input into Government policy.⁴⁸ But in some cases, such as Zimbabwe, DFID has decided: “there is nothing we can do right now”.⁴⁹

28. In countries affected by conflict or crisis, the task of providing assistance is in some ways more straightforward as they are eligible for humanitarian assistance. In the current political climate there is increasing interest in crisis prevention and control. DFID’s humanitarian budget has greatly increased from £2.5 million in 2001/02 to £33.8 million in 2002/03, rising to £40 million by 2005-6.⁵⁰ **The trend seems to be towards providing development aid for good performers and humanitarian assistance for crisis countries. But provision of humanitarian assistance alone will not help to encourage reform. It can only be a stop gap measure rather than a real push along the road to development. The choice between getting the best development return for your money and not wanting to abandon “failed states” is a difficult one.**⁵¹ Recent experiences in Afghanistan, Sierra Leone, Sudan and the Democratic Republic of Congo have highlighted the inadequacies of a policy of humanitarian assistance only for poor performers. Identification of potential future problem states is essential for avoidance of the failed states dilemma. We were reassured by DFID’s Deputy Director of Policy’s comment: “The new policy division will be doing a lot more work on trying to spot the future Zimbabwe so that we can better prepare our response and prevent conflict and governance breakdown”.⁵²

Direct Budget Support

29. In our report on DFID’s Departmental Report 2002 we drew attention to the benefits of directly supporting the budgets of countries receiving aid and supported the Department’s move towards spending more of its budget in this way.⁵³ We still agree that direct budget support (DBS) can be a highly effective method of reducing poverty, reducing transaction costs and helping to build capacity in recipient countries. DBS only represents a small portion of DFID spending, accounting for approximately 15% of the bilateral programme,⁵⁴ and in some ways it is too early to tell what the impact of this move towards DBS has been.⁵⁵ Nevertheless, the Department has, as we have noted, undertaken work to evaluate this method of disbursing aid.⁵⁶ It has commissioned an evaluation study which has demonstrated that many of the assumed benefits associated with DBS are delivered.⁵⁷

47 Q26

48 Q26

49 Q26

50 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. Annex 1, table 4, p 126

51 Q14

52 Q18

53 HC (2001-02) 964

54 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p107

55 Q28

56 See paragraph 18

57 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p108

DFID's Director general for Corporate Performance and Knowledge Sharing identified Uganda as one of the DBS success stories:

“Uganda has massively increased its expenditure through public funds on primary education, water, things to increase the growth rate, things to massively reduce the instances of HIV AIDS. That has been financed largely by three sources: firstly, growth in the economy; secondly, debt relief (which is a form of budget support actually); thirdly, budget support of a direct sort from people like us. The early evidence we have is on the whole encouraging and reassuring...”.⁵⁸

Phase two of this evaluation study will seek to further develop a framework for measuring the impact of DBS.⁵⁹

30. But despite these bold moves towards developing a framework for measurement of the impact of DBS, existing monitoring mechanisms remain insufficient. As the Department recognised, Poverty Reduction Strategy monitoring systems are currently too weak to be used for this purpose.⁶⁰ However, as we noted in our report last year, DBS carries with it a greater than usual fiduciary risk because of the difficulties in monitoring exactly how money is being spent once it is given over to a recipient government. **It is vital that DFID assists countries in developing financial management and tracking systems and we commend the work that DFID is doing in conjunction with the National Audit Office in this respect. We also support the Department's emphasis on statistical capacity building to help developing countries entrench more effective monitoring. This will permit an evaluation of the success of DBS, and the measurement of progress in implementation of Poverty Reduction Strategies.**⁶¹ We agree with DFID that aid-receiving countries should not be overburdened with evaluation mechanisms through donor requirements for parallel reporting systems.⁶² This emphasises the need to enhance recipient governments' performance management, accountability and PRS monitoring systems as these are the key mechanisms that DFID uses for measuring the impact of DBS.⁶³ **The assumed benefits of DBS may justify the associated risks, but careful monitoring and evaluation to minimise these risks and maximise the benefits is crucial.**

31. The Departmental report refers to "loyalty", "voice" and "exit" in relation to budget support.⁶⁴ DFID characterised DBS as “multi-stakeholder club” rather than as a partnership and states that in supporting the budget, donors are lending their "loyalty" to the government's entire policy programme. In exchange for loyalty, donors are granted a formal "voice" in policy dialogue, debate and influence. But although the Departmental report clearly states that DBS is not a method of buying policy reform as it is not based on traditional conditionality, there seems to be nothing to stop donors withdrawing DBS if

58 Q28

59 Ev 61: para 8

60 Ev 52: response to written Q8

61 See also paragraph 19 of this report

62 Ev 61:para 4

63 *Ibid.*

64 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. Box 5f (page 108)

their conditions are not met. **DBS is intended to provide greater predictability of aid flows for recipient governments. It is, however, unclear how a recipient country could achieve this or restrict donor exit from the DBS club unless it sticks strictly to conditions imposed upon it.** This has been the case in countries such as Malawi and Kenya where DBS has been withdrawn or suspended. DBS is not a blank cheque. However, as DFID itself has recognised: “the freezing or withdrawal of budget support can have longer term damaging consequences on economic and social stability of a country that could undermine poverty reduction”.⁶⁵ **We support the Department’s intention to develop consistent principles and practices that take account of the risks and benefits of withdrawing budget support. We would like to see, in future Departmental reports, greater information and discussion of the way in which DFID uses DBS as a lever for influencing government policy in recipient countries.**

32. DFID works closely with other donors in its assessments in respect of DBS and also Poverty Reduction Strategies. Indeed, in four of the five cases where DBS has been withdrawn, the cause was recipient countries “going off track with the IMF and World Bank on their public expenditure plans”.⁶⁶ In particular, it seems that there is a strong connection between International Financial Institutions’ assessment of a country and DFID’s own assessment of whether to withdraw or re-instate DBS. In fact, it seems that DFID looks to the International Financial Institutions (IFIs) for approval before re-instating DBS. In the past donors have been well coordinated in their approach as was the case when DBS was withdrawn from Kenya: here DFID, the EC, the World Bank and the IMF acted “in concert”.⁶⁷ **While such effective donor coordination is commendable, DFID still needs to make independent assessments and evaluations, not least because donors’ goals and objectives are not identical.**

33. Many NGOs perceive a move towards DBS as implying that there is less money available for project work carried out by NGOs. Although we understand NGO concerns, the potential long term benefit of DBS is considerable. NGOs themselves need to find innovative ways of working with DFID’s shift towards using DBS as a method for disbursing aid. DFID’s Permanent Secretary, Suma Chakrabati, addressed this issue during oral evidence and emphasised that NGOs should re-direct their lobbying efforts towards governments in recipient countries (where capacity is, in any case, weak): “there is the whole argument about whether NGOs get squeezed out by budget support... I think if more NGOs actually persuaded the governments that they were an effective delivery channel then they would end up receiving the funds anyway”.⁶⁸ **We agree that NGOs should focus on communicating their service delivery potential to the governments of aid-receiving countries.**

Capacity and Institution Building

34. Capacity and institution-building is crucial to long-term development. Lack of capacity is sometimes the greatest obstacle to development. A vicious circle exists because

65 Ev 61: para 8

66 Q30

67 Q30

68 Q20

countries with severe capacity deficiencies may be unable to produce a Poverty Reduction Strategy (PRS), without which there is little hope of budget support. The Department does a significant amount of work on capacity-building, giving concentrated capacity-building to HIPC countries who have not qualified for debt relief.⁶⁹ DFID has also told us of the work that it is doing to build capacity to produce Poverty Reduction Strategies: “Most offices provide capacity-building support to national and sectoral planning and budgeting activities linked to the PRSP. Strengthening poverty data, poverty analysis, monitoring and evaluation are also key areas of support”.⁷⁰ The Departmental Report also documents DFID’s efforts to build statistical capacity in developing countries in order to support the PRS monitoring process.⁷¹ **It is commendable that the Department has maintained its financial and political support for the UNDP’s Millennium Development Goals Support Programme and highlighted the importance of linking this to Poverty Reduction Strategies and to the need to build statistical capacity. We welcome the work that DFID is undertaking in statistical capacity building relating to monitoring PRSs. We also support DFID’s efforts in building statistical capacity of developing countries to allow more effective monitoring of progress towards the MDGs, as we recommended in our report last year.**⁷² However, it is also essential to ensure that DFID target countries currently without a PRS can benefit from development assistance, which is increasingly given in support of such strategies.

Technical Assistance

35. Technical assistance as a mode of development assistance has, it seems, gone out of fashion. This is largely because it was generally a donor-imposed method of aid delivery and was often seen as resulting in the neglect of local knowledge. Technical assistance can also be inefficient and unsustainable if there is no adequate transfer of skills from the consultants and secondees to the permanent staff in that country. However, the untying of aid has meant that technical assistance no longer has to come from the UK. It could come instead from local sources, or at least from nearby countries which may have better insight into the situation in a recipient country. The untying of aid means that the range of options available to donors and recipient countries has broadened.⁷³ Even so, DFID needs to find ways of putting a value on exactly what it is that local ownership adds.

36. Despite some donor reluctance to provide technical assistance, we suspect that some aid-receiving countries, particularly those with a lack of skills and capacity within government ministries, would like to receive technical assistance. This is particularly so in those African countries which have suffered a massive loss of human capital or capacity amongst the most economically active groups as a result of HIV and AIDS. Malawi is a notable example of such a country where the AIDS epidemic has had a devastating effect on the middle ranking civil service. We raised this with DFID during oral evidence and understand its concerns about earlier models of technical assistance which were generally

69 Ev 49

70 DFID’S engagement with national PRSP processes, Synthesis note 2, *Overseas Development Institute*, February 2002

71 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p38

72 HC (2001-02) 964

73 Q34

donor-imposed.⁷⁴ Suma Chakrabati told the Committee: “I think in a case like Malawi you can say to their government, here is our budget support (provided they are back on track) and you can use part of that to purchase your technical assistance” .⁷⁵

37. However, budget support represents only 15% of DFID’s bilateral allocations and so this method of obtaining technical assistance is only available to a limited number of countries. Furthermore, budget support can be withdrawn or, as is the case in Malawi, suspended, which would have obvious implications for the country’s ability to purchase or continue paying for technical assistance. The suggestion that countries which need technical assistance because of very low capacity “purchase technical assistance on the open market and manage it” is impractical precisely because they may lack the capacity to do this.⁷⁶ **We believe that DFID should re-examine its policy on technical assistance in those countries with large skills gaps—particularly those affected by AIDS and HIV. The level at which technical assistance is provided is significant. Providing technical assistance at middle-ranking civil service level may be more helpful and less divisive than merely targeting the highest levels of administration. One particularly interesting suggestion came from Dr Bingu Wa Mutharika, Malawi’s Minister for Economic Planning. In common with many sub-Saharan African countries, Malawi loses many of its skilled and professional workers to the lure of higher wages in the developed world. Dr Bingu suggested maintaining a database of skilled Malawians working abroad and encouraging them to return to Malawi on sabbaticals to provide capacity where needed. Donors could play a useful role in funding such sabbaticals from the African diaspora as a form of technical assistance. The Committee will shortly be starting an inquiry into migration and development and will investigate such ideas further.**

74 Q33

75 Q33

76 Q33

4 Poverty Reduction and Poverty Reduction Strategies

38. Poverty Reduction Strategies (PRSs) are strategies which are produced and owned by the government of an aid-receiving country and set out what it intends to do to reduce poverty. PRSs provide the basis for all World Bank and IMF concessional lending and for debt relief under the enhanced Heavily Indebted Poor Countries (HIPC) Initiative. Furthermore, DFID provides aid on the basis of PRSs and the Departmental Report states: “Aid is provided in support of these Poverty Reduction Strategies and is conditional on governments staying on course with the reform agenda they have agreed with their citizens”.⁷⁷ There is not precise blueprint for the production of a PRS. The process of production will reflect a country’s circumstances and characteristics. However, a PRS should usually contain a description of the process of consultation with civil society, comprehensive poverty diagnostics (identifying the poor), clearly presented and costed priorities for macroeconomic, structural, and social policies and appropriate targets, indicators, and systems for monitoring and evaluating progress. International Financial Institutions carry out Joint Staff assessments of PRSs and the Boards of the World Bank and IMF then decide whether a PRS provides a sound basis on which to proceed with assistance and debt relief. PRSs have become an integral part of the development assistance system as most donors provide funding specifically to support PRSs.

39. Twenty-six countries now have a PRS and twenty-three have an interim PRS.⁷⁸ Sometimes an interim PRS is produced to avoid delays in receiving assistance. These have to include a stocktake of existing poverty reduction strategies and set out plans for development of a full PRS. Countries without a PRS are now likely to receive only humanitarian relief and capacity development to assist them in preparing a PRS. DFID is involved in capacity-building in countries without PRSs and in some cases has provided technical assistance in respect of policy formulation in PRSs.⁷⁹ DFID highlights that country offices provide capacity-building support to national and sectoral planning and budgeting activities linked to the PRSP.⁸⁰ The Poverty Reduction Strategy Trust Fund (PRSTF) exists to support capacity building in low income countries undertaking PRSs and is mainly funded by the Netherlands and Japan. DFID does not contribute to the PRSTF as it has: “decided that support for capacity building could best be delivered directly at country level, through our bilateral programmes”.⁸¹

40. A frequently heard criticism of the PRS process concerns the lack of participation by civil society and business stakeholders in the drawing up of PRSs. As World Vision’s evidence highlights, in most developing countries, “partner governments often do not have the mechanism nor the political will to adopt a more inclusive involvement of civil society

77 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p36

78 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p 36

79 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p134, progress against targets – target g

80 Ev 50-51: response to written Q5

81 *Ibid.*

or wider stakeholders in the [PRS] process”.⁸² Some governments appear to have started the PRSP process with little understanding of participation as a principle, nor expectations of it beyond satisfying the IFI’s requirements⁸³. Where there is participation, it may be politicised, and civil society groups invited to participate at the discretion of government.⁸⁴ DFID has emphasised that most of its country offices “engage with national PRS processes through support for official processes (Government participation) and through direct support for civil society”.⁸⁵ An ODI paper assessing participation in the PRS process suggests “it is not clear that the potential of civil society participation has been adequately exploited” and identifies methods of improvement.⁸⁶ We would also add that **parliamentary participation in the process has to date been slight and needs to be increased. It is essential that the PRS process does not merely become a box-ticking exercise for aid receiving countries. Genuine participation requires an early engagement with parliaments, civil society, and multi-stakeholder groups, even before a PRS is drafted.**

41. The assessment of PRSs by the International Financial Institutions and the subsequent use of PRSs as the basis of all lending and assistance may be seen as excessively influencing the process of PRS production. Governments producing PRSs will surely have IFI assessment in mind when doing so. It is worrying that that PRSs, rather than being the country-owned strategies that they were intended to be, may instead become a wish list of the Washington Institutions. DFID has stressed that PRSs are not a mechanism for bringing about IFI-driven trade liberalisation or structural adjustment:

“there is no formal requirement for Poverty Reduction Strategies to contain trade liberalisation components. This is a decision for the developing country in question to make as part of its overall poverty reduction strategy. The Poverty Reduction Strategy then becomes the source from which loan conditionality is drawn”.⁸⁷

DFID and the IFIs are at pains to stress that PRSs are country-owned and that donors do not influence their content. However, this is clearly not the case, nor is it always desirable.

42. Donor emphasis on country ownership of PRSs is based on the belief that local knowledge and understanding will produce the most effective policies. We do not dispute the importance of local knowledge and of local ownership of PRSs, but the benefit of local ownership should not be automatically assumed. Examination of the added value brought by local ownership is important to ensure that a weak locally-owned policy is not automatically judged as superior to policy which has a proven track record elsewhere. In some cases it may be both sensible and legitimate for donors to seek to influence policy in recipient countries based on expertise and experience. In particular, it may be useful for donors to highlight the importance of areas crucial to poverty reduction, such as gender,

82 Ev 70

83 Assessing Participation in PRSPs in sub-Saharan Africa, Synthesis note 3, PRSP monitoring and synthesis project, *Overseas Development Institute*, February 2002

84 Ev 70

85 Ev 50-51: response to written Q5

86 Assessing Participation in PRSPs in sub-Saharan Africa, Synthesis note 3, PRSP monitoring and synthesis project, *Overseas Development Institute*, February 2002

87 Ev 58

that are often neglected in a PRS. In its response to written questions DFID has recognised, that there is a dialogue between donors and recipient countries but stressed that ultimately country ownership must be respected. **We agree with the importance placed on country ownership of PRSs but think that donors should be more explicit about the influence they have over the content of PRSs. Furthermore, donors should explain how they seek to balance the need for country ownership and the need for good policy, wherever that policy originates.**

43. DFID told us that it, along with other donors, has: “a continuous dialogue with development partners about the design, implementation and monitoring of their Poverty Reduction Strategies”.⁸⁸ Current mechanisms for such dialogue seem to be ad hoc and informal. However, DFID has pioneered country-level Memoranda of Understanding (MoUs) with a small number of countries, including Ethiopia and Sierra Leone, “as a framework for shaping the overall medium and long-term relationship with a partner government”.⁸⁹ The MoU approach is based on mutual accountability, with MoUs intended to set out the obligations of both donor and recipient. DFID aims to relate MoUs explicitly to the PRS or similar national process and highlight that MoUs: “are open and explicit about our conditionality and expectations” and “indicate mechanisms for reviewing progress on an annual basis”.⁹⁰ **We welcome the development of these frameworks for working with partner governments and the links with the other national processes DFID is operating. We would welcome further information and details on progress within next year’s annual report.**

44. DFID emphasised to us that: “Memoranda of Understanding are not principally a mechanism for setting out what DFID would like to see in Poverty Reduction Strategies although they do allow for a dialogue on issues which may not currently be well covered there”.⁹¹ While we support the principle of country ownership of PRSs, we consider that there are ways in which donor expertise and guidance could enhance PRSs and make them more effective mechanisms for reducing poverty. Countries preparing PRSs will inevitably be influenced by what they think donors, including IFIs, want. **Donors should explicitly recognise the influence they exert of the content of PRSs and the donor-recipient dialogue on PRS content should be formalised, possibly using MoUs. This may be useful to countries preparing PRSs and would allow donors to identify important but sometimes neglected issues such as gender or trade capacity building.** DFID have recognised that some areas are often neglected in PRSs and have, along with IFIs, considered the setting of standards for PRSs. But they report that countries with PRSs feel that imposition of global standards or guidelines would undermine country ownership.⁹² Identifying examples of good practice are seen as a more useful aid to countries developing PRSs.

45. The role of donors in influencing policy should also be considered in relation to the targets that donors set for themselves. The Department sometimes sets indicators to

88 Ev 51

89 Ev 37: response to written Q5

90 Ev 38: response to written Q5

91 Ev 51: response to written Q6

92 Ev 51

measure progress against objectives over which it has little control. For example, the proportion of ODA spent on trade capacity building is an indicator of progress towards achieving MDG 8 (a global partnership for development), but in theory at least, it is a recipient country who decides on its spending priorities.⁹³ **DFID needs to use realistic indicators, that reflect what its work can achieve, and measure progress towards meeting its objectives. As we stressed in our report last year, DFID should explicitly analyse the relationship between its need to achieve its own objectives, and its support for locally-owned development strategies.**

46. Governments with PRSs are expected to produce Annual Progress Reports outlining progress in implementation and intentions for policy/programme reform. These are discussed at IMF and World Bank Boards as the basis of continued lending and assistance.⁹⁴ There is no fixed format for annual progress reports, in line with the principle of country ownership.⁹⁵ DFID has also informed us of an independent review being prepared by the World Bank which will assess overall progress in PRS implementation.⁹⁶ PRSs should also specify indicators that can be used to assess progress. However, DFID has highlighted that in many cases the lack of statistical capacity in a recipient country means that there is a lack of good quality and readily available data required to make an assessment.⁹⁷ DFID is involved in statistical capacity building projects in countries including Uganda, Malawi, Pakistan, Tanzania and Ghana. DFID have rightly stressed the importance of not creating an unnecessary burden on recipient countries through monitoring or reporting requirements.⁹⁸ A recent paper commissioned by DFID identifies some key principles for the development of PRS reporting and monitoring systems such as building on existing national and local institutions and linking in with other national policy and budget processes. **We encourage DFID to push for adoption of reporting and monitoring systems along these lines so that it can better demonstrate the effectiveness of assistance provided in support of PRSs.**

93 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p 142 indicator 41

94 Ev 38: response to written Q6

95 Ev 52: response to Q7

96 Ev 38: response to written Q6

97 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p38

98 Ev 52: response to written Q7

5 Sexual and Reproductive Health

47. The Department recognises that improving sexual and reproductive health (SRH) is integral to achieving the MDGs and reductions in global poverty to which it is committed.⁹⁹ The international policy climate around SRH however, has become increasingly difficult. This is reflected by the failure to secure international consensus on the inclusion of an MDG relating to the target of universal access to reproductive health by 2015, agreed by the International Conference on Population and Development (ICPD) in 1994. We echo the concern of DFID regarding the stance of the present US Administration which often equates SRH with the promotion of abortion.¹⁰⁰ Objections to condom programmes, the removal of funding from the UN Population Fund (UNFPA) by the US Agency for International Development (USAID) and calls for ‘abstinence only’ policies to combat HIV/AIDS risk undermining international progress on reproductive rights secured at the ICPD.¹⁰¹ **We encourage DFID’s efforts to influence the international policy environment and to defend the policies agreed at the ICPD as complementary to progress towards the MDGs.**

48. The Departmental Annual Report shows DFID’s annual expenditure by country and region. DFID spent over £220 million, in cash terms, on SRH in 2001/2. Unfortunately this figure is not clearly set out in the annual report, nor is it possible to tell how much of the total was spent on HIV/AIDS. This lack of sectoral accounting makes it impossible to identify the relative funding priorities for DFID’s sexual health objectives, how they have changed over time or are projected to shift in the future. Although it is, in many cases, impossible to separate HIV/AIDS from SRH, there are several aspects of SRH work that are distinct. For example, work around maternal health which relates to MDG 5. It would be helpful to be able to distinguish how the total allocation of funding to SRH and the proportion of this total dedicated to HIV/AIDS programmes breaks down and has changed over time. **While we welcome the proposal to structure future reports according to DFID’s objectives, it would be useful if they could also present key financial data with respect to SRH. In addition, the importance of adequately explaining instances of ‘flexible financial management’ within future reports is underlined by the confusion surrounding the reporting of variations in the UNFPA’s core grant allocation since 2000/2001.**

49. We consider the inclusion of a specific section on Reproductive Health within the Departmental Annual Report as further evidence that DFID affords priority to this sector. But the recent restructuring of the Department and the creation of a new Policy Division have entailed the loss of the SRH team within the Health and Population Division at DFID. SRH issues will now be addressed by three separate teams, namely those with responsibility for HIV/AIDS, MDGs and Reproductive Health and Service Delivery. As a result it does not appear that there is any one person with sole responsibility for overseeing SRH within DFID. Despite DFID’s Deputy Director of Policy’s assurance that “reproductive health will be on everybody’s radar now” we remain concerned that Departmental restructuring

99 Department for International Development, *Departmental Report 2003*, Cm5914, May 2003. p.52

100 *Ibid.*

101 Ev 34

should not result in SRH being given a lower priority.¹⁰² **If the intention is to ‘mainstream’ SRH within DFID, we would like to hear more in future reports about the mechanisms by which this will be achieved. We would also like to see information detailing how, since its restructuring, DFID has continued to prioritise the full range of SRH issues (including gender-based violence, unsafe abortion and young people’s access to SRH information and services), not just those which are more easily identified within the MDGs.**

50. With the introduction of the MDGs, DFID has increasingly shifted away from its historical support for bilateral programmes and towards supporting Sector-wide approaches (SWAs), providing general budget support and contributing to multi-lateral programmes.¹⁰³ In this funding environment, an increased responsibility falls on NGOs to lobby developing country governments on SRH service delivery. DFID continues to support individual NGOs, predominantly through the Civil Society Challenge Fund,¹⁰⁴ but the change in funding methods has to some extent reduced the funding available from DFID for NGOs and other civil society organisations. There is a danger that overly prescriptive requirements on grants from the Civil Society Challenge Fund may reduce the advantages of flexibility and innovation which characterise the non-governmental sector. The expertise of “Southern” SRH NGOs is in particular danger of erosion in this funding environment, particularly where these organisations face barriers to participation in the formulation of national level strategies (including PRSs and Global Fund for HIV, TB and Malaria applications).¹⁰⁵ **In future reports we would like to see evidence of how these funding strategies have supported DFID’s objectives in relation to SRH, with particular attention paid to the participation of “Southern” NGOs.**

51. Health Sector reform in many developing countries has negatively affected the provision of SRH services, particularly where reform has involved decentralisation. This has often led to insufficient supplies of sexual and reproductive healthcare commodities, the introduction of cost recovery and user fees and, in some cases, the exclusion of sexual and reproductive health services from local portfolios.¹⁰⁶ With the shift towards Sector Wide Approaches (SWAs) and general budget support DFID needs to find ways of ensuring that SRH continues to be included in country programmes at local and regional as well as at national levels.

52. We welcome recent funding commitments to HIV/AIDS from the US and DFID. However we **remain concerned that the existence of MDG relating to HIV/AIDS should not be allowed to cause a shift in Departmental focus and funding away from broader issues of SRH**, as has occurred in the health sector more widely.

102 Q35

103 Ev 24

104 Individual NGOs can also be funded through country programmes as part of their overall strategy or through Partnership Programme Agreements (PPAs) with DFID (Ev24). Some NGOs expressed concern however that there are currently no reproductive health NGOs in PPAs with DFID (Ev 31, Ev 34).

105 These include many developing country government’s reluctance or inexperience in working with NGOs (and vice versa) and the very sensitive nature of reproductive health related programmes (particularly those relating to youth sexuality, commercial sex work or abortion) (Ev 34).

106 Ev 17. Paragraph 3.1.1

6 Gender

53. The Department acknowledged to us the unsatisfactory nature of the indicators used to reflect DFID's progress towards the promotion of gender equality.¹⁰⁷ DFID witnesses told us that the Department's gender analysts have become more heavily engaged in the PRSP process, describing it as "an area where we are concerned that gender tends to become rather invisible."¹⁰⁸ **We would like to see evidence of the steps DFID is taking to develop a broader analytical approach to the power relations between men and women across all sectors of their work. In future reports we would also like to see more detailed information on the nature and operation of gender budgets and how they can assist in analysis of the gender impacts of public expenditure. As with SRH, we are concerned that the diffusion of responsibility associated with mainstreaming gender equality should not result in its invisibility.**

54. Primary education has positive development effects, as recognised by the MDGs and DFID's corresponding PSA targets. DFID sees the promotion of universal primary education for both girls and boys as a key strategy to reduce high levels of illiteracy in the developing world. The Department however has identified several difficulties with fast-tracking all women through to secondary, further and higher education.¹⁰⁹ We feel that such fast-tracking would constitute an important strategy to support attempts to improve the ratio of women in senior positions in developing countries. Despite the difficulties involved **we support the proposal that the new 'scoping' team established within DFID's Policy Division should examine the Department's strategy for engagement in post-primary education and training, including the achievement of gender equity in higher education.**

107 Q43

108 Q43

109 Ev 59-60

7 Agriculture

55. The Departmental Report 2003 makes little specific reference to agriculture. On the face of it this seems surprising, given that the overwhelming majority of the world's poor live in rural areas and are dependent on agriculture for their livelihood. DFID's own issues paper cites a correlation between a 1 per cent increase in agricultural productivity and a reduction by between 0.6 and 1.2 per cent in the proportion of people living on less than \$1 a day.¹¹⁰ The paper goes on to state that no equivalent relationship, on this scale, has been found for manufacturing and services, in either rural or urban areas. At least in sub-Saharan Africa and south Asia, agricultural growth is pro-poor growth. But whereas agricultural growth has reduced poverty in south Asia, in sub-Saharan Africa agricultural growth has stagnated or been reversed. There are some signs of improvement in parts of eastern Africa but overall DFID believes that much effort and investment has been ineffective owing to poor governance, poor public sector performance, declining terms of trade, HIV/AIDS and conflict.¹¹¹

56. Suma Chakrabarti accepted that there was a need to improve agriculture if the required poverty reduction targets were to be achieved. But agriculture has had to bear the burden of too many past failures as a development intervention, particularly as regards state involvement and subsidies which served to undermine farm production. Perhaps understandably, in the face of such failures DFID has moved on to a different approach—the livelihoods approach. This is “a more holistic package”¹¹² which aims to look at poor people's needs in the round in terms of their needs in the rural sector. In addition, DFID has been trying to heighten the profile of agriculture within PRSPs. Since PRSPs are nationally-owned and are not sectoralised, DFID can argue with some justification that it no longer spends bilaterally on agriculture (or any other sector) but instead contributes increasingly through direct budget support and follows the priorities set out in each country's PRSP.

57. PRSPs may be locally-owned but they nevertheless tend to reflect donor concerns and priorities. As Suma Chakrabarti told us “as part of the PRSP process what we are trying to do is get the (partner) governments concerned to focus much more on sorting out—for the great day when the CAP is reformed—how they would get their agricultural sectors to perform better”.¹¹³ PRSPs are continually evolving and we were pleased to be told by DFID that agriculture has regained a high profile in African PRSPs. However, PRSPs need to demonstrate more than a rhetorical commitment to agriculture. DFID themselves cautioned that “strong statements [in PRSPs] about the importance of agriculture to growth and poverty reduction are not yet followed up with coherent plans and policy reforms linking agriculture, infrastructure, trade and rural development”.¹¹⁴

110 “Better livelihoods for poor people: The role of agriculture”, para 10, DFID, August 2002

111 Ev 53

112 Q48

113 Q49

114 Ev 54

58. DFID has an historical strength in agriculture, so we were encouraged to be told by DFID that it had created an agriculture policy team to work on broader agricultural development, trade and investment issues.¹¹⁵ The team will develop and feed practical ideas to those working on PRS papers. We hope that these ideas will extend beyond the usual wish list of improved research, marketing and extension, all underpinned by a commitment to market-based approaches to the supply of inputs to resource poor farmers. To be fair to national governments, if donors are not willing to invest directly in agriculture, there is little that PRSPs can do except enumerate a list of vague minimalist interventions that do not require a heavy commitment of (scarce to non-existent) public resources.

59. DFID argues that it is seeking to create a climate that encourages private sector investment in agriculture. But the question remains of how this can be done in poor countries that are unattractive to investors? What if that investment fails to materialise? When we took evidence from CDC Capital Partners in July 2002 they saw little role for commercial investment in agriculture in Africa—at least until the CAP was changed—but they did see a role for grant aid to fill the gap that the private investor could not be expected to fill.¹¹⁶ Access to various markets—for inputs, produce (sales), and food (purchases)—is a crucial determinant of poverty and vulnerability. Parastatal marketing boards have in the past contributed to agriculture’s problems in many ways, including: under-payment, and late payment of farmers; and subsidising food prices for urban consumers which has undermined incentives to food producers. The challenge now is to find ways of achieving the important food security goals that parastatals were set up to achieve, without the heavy costs and negative consequences associated with parastatals and subsidies. Governments and donors need to address ways of supporting private sector development within countries to reduce the problem of profiteering or neglect of poor isolated communities that has followed the removal or commercialisation of agricultural parastatals. And in such contexts, how can a private-sector driven approach be “supportive of pro-poor outcomes”?¹¹⁷ Because DFID’s approach offers few answers to these scenarios, the potential for this ‘hands off’ approach to deepen household food insecurity is alarmingly high.

60. Poor farmers need access to markets, and inputs. That means markets must function effectively and inputs must be affordable. DFID maintain that their support these days is not directed at raising agricultural/food production, but instead at creating an enabling environment for agriculture to flourish, by which they mean such actions as liberalising markets, building farmers’ associations, improving roads, and supporting the emergence of private trader networks. So, in Ethiopia for example, DFID is financing rural road expansion rather than the long-term development of agriculture as such. In the light of the chronic food crisis in many areas of sub-Saharan Africa, DFID needs to evaluate how effective this strategy has been to date, and for how long they plan to persist with it. While the amount of food aid increases, agricultural productivity in sub-Saharan Africa continues to decline. We believe that it may be more cost-effective to assist smallholders to produce more food and other crops. This requirement is not being adequately addressed by the

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116 Minutes of Evidence taken from CDC Capital Partners, 2 July 2002, Q40-1, HC 194 of Session 2002-03.

117 “Better livelihoods for poor people: The role of agriculture”, para 64, DFID, August 2002.

range of policy instruments currently deployed by national governments and international donors. **We hope that the establishment of the agricultural policy team will mark a change in DFID’s emphasis. Its work should not be restricted merely to creating an enabling framework for agriculture, but should encompass specific measures to boost smallholder production. It is important that the team is built up to deal with Renewable Natural Resources (RNR) as a whole, and should make use of the experience already available among RNR advisers.**

61. In their response to our Southern Africa report DFID recognized that “agriculture is a key component of rural livelihoods in Africa and central to poverty reduction efforts”.¹¹⁸ Unfortunately, the response then repeatedly distanced DFID from a policy of direct support to agriculture: “DFID does not support the development of a DFID-specific agricultural strategy for Africa”.¹¹⁹ DFID appears willing to embrace many of the constituent parts of an agriculture policy, provided it can re-brand it. DFID describes the Targeted Inputs Programme (TIP) in Malawi as a social safety net programme, not an agriculture project because DFID doesn’t “do” agriculture projects any more -- they just finance TIP and inputs for work. So DFID agrees with—and supports—increased agricultural investment, the Targeted Inputs Programme, inputs for work, seed multiplication, cash crop production, irrigation, and microfinance to farmers associations—but it disagrees with the Committee’s recommendation “to make affordable fertiliser available to smallholders in southern Africa”¹²⁰. This all appears to add up to a *de facto* DFID agriculture strategy for southern Africa, but because it does not form part of an overall strategy it remains piece-meal and incoherent, and even internally inconsistent. DFID is in effect intervening (through fertiliser subsidies and inputs for work) while insisting that this is not their objective and that they favour private sector development rather than direct government and donor intervention in agriculture.

62. The question arises as to whether it matters that DFID is providing *de facto* support to agriculture without pursuing a specific agriculture policy. We believe that it does. Contradictory messages are sent to farmers and traders if donors are on the one hand encouraging the development of private sector actors in agriculture production and marketing but are simultaneously intervening by distributing thousands of tons of fertilisers and seeds through “social safety net projects”. Secondly, there is a concern about sustainability. If the World Bank and USAID consistently challenge free inputs distribution programmes, or if personnel changes within DFID country teams reduce the enthusiasm for targeted inputs then that source of input will be turned off, leaving no well-developed input marketing system for farmers to turn to instead. Farmers need to have choices about which inputs to acquire, and when. A top-down discretionary handout is all very well, but no farmer can plan on the basis of inputs that might or might not be provided in the coming season. The issue is which interventions in the agriculture sector are most appropriate and consonant with the long-term goal of raising agricultural yields sustainably. **The establishment of an agricultural policy team in DFID should provide an opportunity for serious thinking about alternative routes to agricultural**

118 Fourth Special Report of Session 2002-03, Humanitarian Crisis in southern Africa: Government Response to the Committee’s Third Report of Session 2002-03, HC 690, para 25

119 *Ibid*, para 24

120 *Ibid*, para 38

development that are sustainable, give farmers choices, promote rather than confuse private sector actors, and have an exit strategy for donors like DFID.

8 Conclusion

63. DFID's 2003 Departmental Report provides a reasonably clear statement of the Department's objectives and how it plans to set about meeting them. Significant improvements have been made to the format and content of the Report since last year, particularly in the provision of information about the Department's organisation and how this is linked to delivery. There are still some areas in which the Departmental Report could improve the way it presents information on performance. It should report on the full range of DFID activities and not just those relating to meeting PSA targets. It would be useful if the Department Report also gave information about how underperformance is being addressed. Over the next few years, DFID's budget will grow by over £1 billion. DFID needs to demonstrate the links between what this extra money is expected to deliver, and the performance which it reports in the Departmental Report. Presentation of information in the Departmental Report's financial tables could also be improved. At present it is difficult to track how spending changes each year; information is not presented consistently, and figures are distorted by the unexplained inclusion or omission of large sums. More information could also be given about DFID's risk management and financial flexibility. DFID's impressive record in responding to crises around the world would be emphasised if the Department provided more information about its financial flexibility.

64. DFID is right to focus on poverty and on ensuring that partner governments are the main drivers of measures to reduce poverty. But difficult balances have to be struck between rewarding good governance and helping the poorest nations, as well as between emphasising recipient country ownership of policies and influencing policy to ensure it is effective. DFID and other donors should not shy away from being explicit about the donor-recipient relationship: expectations and obligations on both sides should be clear. Memoranda of Understanding provide a useful mechanism for such communication. Donors inevitably seek to influence recipient governments and in many cases this is entirely appropriate. It might occur, for example, where a donor stresses the importance of gender or trade capacity building for poverty reduction. Honesty and openness in and about the donor-recipient relationship may better ensure that legitimate influence is heard and fears of undue influence or pressure are allayed.

65. We hope that the recent restructuring of the Department's policy section will help in policy formation. In this report we have flagged up some of the policy areas, which we think are in need of attention. DFID has an excellent reputation for its work on gender and must ensure that "mainstreaming" does not imply dilution or neglect. We would also like to see more information about how the department is working in the area of Sexual and Reproductive Health, and in particular how it is working towards Millennium Development Goal 5 to improve maternal health. We have made a number of comments on DFID's approach to agriculture and wish to see the department develop a strategy for agriculture. DFID has recognised the importance of agriculture to poverty reduction and does in practice support agriculture. But it does not do so in a coherent way and this risks undermining the work it and its predecessor have achieved over many years. We hope that the new agricultural policy team will develop a strategy that considers sustainability, private sector development and the need for development coherence.

Abbreviations and acronyms

DBS	Direct Budget Support
DFID	Department for International Development
HIPC	Heavily Indebted Poor Countries Initiative
ICPD	International Conference on Population and Development
IFI	International Financial Institutions
IMF	International Monetary Fund
MDG	Millennium Development Goals
MoU	Memorandum of Understanding
NAO	National Audit Office
NGO	Non-governmental Organisation
ODI	Overseas Development Institute
PRS/PRSP	Poverty Reduction Strategy/Poverty Reduction Strategy Paper
PSA	Public Service Agreement
RNR	Renewable Natural Resources
SRH	Sexual and Reproductive Health
UNPFA	United Nations Population Fund
USAID	United States Agency for International Development
TIP	Targeted Inputs Programme
WB	World Bank

Conclusions and recommendations

1. We welcome the changes to the report made in consequence of our recommendations last year. We also welcome the fact that this year the report provides links and references to further information where there is not the space to address these issues in detail. (Paragraph 4)
2. We recommend that the Department aim to include more information within future annual reports about how it is pursuing its objectives. In particular there should be more information about what steps it is taking towards the achievement of joint targets, and then what specific contribution it has made to performance against these. Explanations for underperformance against targets are essential but the Department must do more to ensure that these do not become a substitute for adequate descriptions of actual performance. Equally, it must be clear what specific steps are being taken to remedy underperformance. In particular explanations must be included, as addenda to each relevant PSA target, of how problems with data have affected the measurement of performance and how these problems are being addressed. (Paragraph 7)
3. There will come a point where old PSAs need to be relinquished. However, for the present we recommend that DFID continues to report progress against any targets or sub-targets which are outstanding from previous Public Service Agreements until they have been met or until the target deadline has expired. (Paragraph 8)
4. We welcome the suggestion by the Department that the 2004 Departmental Report be structured around DFID's objectives. Next year's report should present a comprehensive account of activity and performance under each objective including the reporting of progress against internal targets in areas not covered by specific PSA targets. As a matter of good practice this further performance reporting should follow the same format as that concerning the PSA targets. (Paragraph 10)
5. We would suggest, in future reports, 'joined up' reporting between the Spending Review and the Departmental Report to demonstrate the links between funds secured and commitments made in the Spending Review and the performance recorded in the Departmental Report. (Paragraph 11)
6. We would like to see clear, consistent and transparent reporting of DFID's past spending and future plans in a way which facilitates tracking progress and demonstrating changes in policies and priorities. We recommend that the Department ensure that in future years financial tables are stated in equivalent terms and that more complete and fuller explanations are provided for year-on-year variations (Paragraph 13)
7. It would assist understanding of the report if the Department identified the extent to which expenditure plans represent funds already committed to country programmes and projects, as well as providing a full breakdown of direct budget support expenditure and plans. (Paragraph 14)

8. We were pleased to learn that the Department is committed to making use of financial flexibility in order to link funds with performance. However we would welcome more information (and acknowledgement) in the annual report about how this process works. There is still work to do in order to make contributions to multilaterals more performance-oriented. We attach a high priority to the Department securing good value for money for these contributions, and demonstrating that it has done so. (Paragraph 15)
9. We consider that the annual report could be more explicit about the choices that the Department has to make and how it addresses new risks and opportunities, by providing examples related to specific countries and programmes. Although there is much information on DFID's risk management processes available elsewhere, there is very little within the report itself. Communication of what risks the Department faces and how it is handling them is central to managing the expectations of the public and Parliament. We would also like therefore to see a brief overview of the Department's risk management processes within this report. Finally, we would welcome more information on staff flexibility, and in particular what happens to staff when responding to sudden crises or changes in policy priorities. (Paragraph 16)
10. We welcome the work being undertaken to evaluate the success of these new methods of disbursing aid. It would have been relatively easy for the Department to commit funds and then sit back for three years, but instead they have chosen to engage fully and monitor the effectiveness of the aid and commitment of the recipient government to poverty reduction. We will continue to follow this closely and will be looking for evidence that DFID, even when acting in concert with other donors, continues to take hard decisions when UK aid objectives are not being met. Other donors' own objectives may not necessarily fit with those of the UK. (Paragraph 18)
11. We believe that the Department should continue to attach a high priority to building statistical capacity in the countries in which it operates. Obviously this process will take time, therefore in the interim we would expect a frank summary of the limitations of the performance measurement system as it relates to the Department's Public Service Agreement, and what validation has taken place. This should include any findings from forthcoming NAO work to validate the PSA data systems. (Paragraph 19)
12. We consider that improvements could be made in how these policy achievements are reported upon, in order to satisfy a sceptical reader who may not necessarily accept that these positive policy outcomes are as a direct result of the Department's work. One way would be to include more details about the original policy target, the timeframe to achieve this, actions taken and other partners. (Paragraph 20)
13. We would welcome DFID's view on how it protects its priority budgets against the risk of currency fluctuations. (Paragraph 21)
14. In order for DFID to meet its own objectives we consider it essential that the issue of reforming EC development issues and developing systems to monitor the effectiveness of this multilateral aid continues to be given a high priority within the

Department. In addition, we would like to see more information in the departmental report about how these funds are used, the framework for distributing EC development funds, current shortcomings and limitations in this, including in measuring aid outcomes and DFID's own efforts in this area. (Paragraph 23)

15. The trend seems to be towards providing development aid for good performers and humanitarian assistance for crisis countries. But provision of humanitarian assistance alone will not help to encourage reform. It can only be a stop gap measure rather than a real push along the road to development. The choice between getting the best development return for your money and not wanting to abandon "failed states" is a difficult one. Recent experiences in Afghanistan, Sierra Leone, Sudan and the Democratic Republic of Congo have highlighted the inadequacies of a policy of humanitarian assistance only for poor performers. Identification of potential future problem states is essential for avoidance of the failed states dilemma. We were reassured by DFID's Deputy Director of Policy's comment: "The new policy division will be doing a lot more work on trying to spot the future Zimbabwe so that we can better prepare our response and prevent conflict and governance breakdown". (Paragraph 28)
16. It is vital that DFID assists countries in developing financial management and tracking systems, and we commend the work that DFID is doing in conjunction with the National Audit Office in this respect. We also support the Department's emphasis on statistical capacity building to help developing countries entrench more effective monitoring. This will permit an evaluation of the success of direct budgetary support, and the measurement of progress in implementation of Poverty Reduction Strategies. We agree with DFID that aid-receiving countries should not be overburdened with evaluation mechanisms through donor requirements for parallel reporting systems. This emphasises the need to enhance recipient governments' performance management, accountability and PRS monitoring systems as these are the key mechanisms that DFID uses for measuring the impact of DBS. The assumed benefits of DBS may justify the associated risks, but careful monitoring and evaluation to minimise these risks and maximise the benefits is crucial. (Paragraph 30)
17. Direct budgetary support is intended to provide greater predictability of aid flows for recipient governments. It is, however, unclear how a recipient country could achieve this or restrict donor exit from the DBS club unless it sticks strictly to conditions imposed upon it.We support the Department's intention to develop consistent principles and practices that take account of the risks and benefits of withdrawing budget support. We would like to see, in future Departmental reports, greater information and discussion of the way in which DFID uses DBS as a lever for influencing government policy in recipient countries. (Paragraph 31)
18. While such effective donor coordination is commendable, DFID still needs to make independent assessments and evaluations, not least because donors' goals and objectives are not identical. (Paragraph 32)
19. We agree that NGOs should focus on communicating their service delivery potential to the governments of aid-receiving countries. (Paragraph 33)

20. It is commendable that the Department has maintained its financial and political support for the UNDP's Millennium Development Goals Support Programme and highlighted the importance of linking this to Poverty Reduction Strategies and to the need to build statistical capacity. We welcome the work that DFID is undertaking in statistical capacity building relating to monitoring PRSs. We also support DFID's efforts in building statistical capacity of developing countries to allow more effective monitoring of progress towards the MDGs, as we recommended in our report last year. However, it is also essential to ensure that DFID target countries currently without a PRS can benefit from development assistance, which is increasingly given in support of such strategies. (Paragraph 34)
21. We believe that DFID should re-examine its policy on technical assistance in those countries with large skills gaps—particularly those affected by AIDS and HIV. The level at which technical assistance is provided is significant. Providing technical assistance at middle-ranking civil service level may be more helpful and less divisive than merely targeting the highest levels of administration. One particularly interesting suggestion came from Dr Bingu Wa Mutharika, Malawi's Minister for Economic Planning. In common with many sub-Saharan African countries, Malawi loses many of its skilled and professional workers to the lure of higher wages in the developed world. Dr Bingu suggested maintaining a database of skilled Malawians working abroad and encouraging them to return to Malawi on sabbaticals to provide capacity where needed. Donors could play a useful role in funding such sabbaticals from the African diaspora as a form of technical assistance. The Committee will shortly be starting an inquiry into migration and development and will investigate such ideas further. (Paragraph 37)
22. Parliamentary participation in the process has to date been slight and needs to be increased. It is essential that the PRS process does not merely become a box-ticking exercise for aid-receiving countries. Genuine participation requires an early engagement with parliaments, civil society, and multi-stakeholder groups, even before a PRS is drafted. (Paragraph 40)
23. We agree with the importance placed on country ownership of PRSs but think that donors should be more explicit about the influence they have over the content of PRSs. Furthermore, donors should explain how they seek to balance the need for country ownership and the need for good policy, wherever that policy originates. (Paragraph 42)
24. We welcome the development of these frameworks for working with partner governments and the links with the other national processes DFID is operating. We would welcome further information and details on progress within next year's annual report. (Paragraph 43)
25. Donors should explicitly recognise the influence they exert on the content of PRSs and the donor-recipient dialogue on PRS content should be formalised, possibly using MoUs. This may be useful to countries preparing PRSs and would allow donors to identify important but sometimes neglected issues such as gender or trade capacity building. (Paragraph 44)

26. DFID needs to use realistic indicators, that reflect what its work can achieve, and measure progress towards meeting its objectives. As we stressed in our report last year, DFID should explicitly analyse the relationship between its need to achieve its own objectives, and its support for locally-owned development strategies. (Paragraph 45)
27. We encourage DFID to push for adoption of reporting and monitoring systems along these lines so that it can better demonstrate the effectiveness of assistance provided in support of PRSs. (Paragraph 46)
28. We encourage DFID's efforts to influence the international policy environment and to defend the policies agreed at the ICPD as complementary to progress towards the MDGs. (Paragraph 47)
29. While we welcome the proposal to structure future reports according to DFID's objectives, it would be useful if they could also present key financial data with respect to SRH. In addition, the importance of adequately explaining instances of 'flexible financial management' within future reports is underlined by the confusion surrounding the reporting of variations in the UNFPA's core grant allocation since 2000/2001. (Paragraph 48)
30. If the intention is to 'mainstream' SRH within DFID, we would like to hear more in future reports about the mechanisms by which this will be achieved. We would also like to see information detailing how, since its restructuring, DFID has continued to prioritise the full range of SRH issues (including gender-based violence, unsafe abortion and young people's access to SRH information and services), not just those which are more easily identified within the MDGs. (Paragraph 49)
31. In future reports we would like to see evidence of how these funding strategies have supported DFID's objectives in relation to SRH, with particular attention paid to the participation of "Southern" NGOs. (Paragraph 50)
32. We remain concerned that the existence of MDG relating to HIV/AIDS should not be allowed to cause a shift in Departmental focus and funding away from broader issues of SRH. (Paragraph 52)
33. We would like to see evidence of the steps DFID is taking to develop a broader analytical approach to the power relations between men and women across all sectors of their work. In future reports we would also like to see more detailed information on the nature and operation of gender budgets and how they can assist in analysis of the gender impacts of public expenditure. As with SRH, we are concerned that the diffusion of responsibility associated with mainstreaming gender equality should not result in its invisibility. (Paragraph 53)
34. We support the proposal that the new 'scoping' team established within DFID's Policy Division should examine the Department's strategy for engagement in post-primary education and training, including the achievement of gender equity in higher education. (Paragraph 54)

35. We hope that the establishment of the agricultural policy team will mark a change in DFID's emphasis. Its work should not be restricted merely to creating an enabling framework for agriculture, but should encompass specific measures to boost smallholder production. It is important that the team is built up to deal with Renewable Natural Resources (RNR) as a whole, and should make use of the experience already available among RNR advisers. (Paragraph 60)
36. The establishment of an agricultural policy team in DFID should provide an opportunity for serious thinking about alternative routes to agricultural development that are sustainable, give farmers choices, promote rather than confuse private sector actors, and have an exit strategy for donors like DFID. (Paragraph 62)

Formal minutes

Thursday 16 October 2003

Members present:

Tony Baldry, in the Chair

Mr John Battle

Mr Piara S. Khabra

Alistair Burt

Mr Robert Walter

Tony Colman

The Committee deliberated.

Draft Report (Department for International Development: Departmental Report 2003), proposed by the Chairman, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraph entitled 'Summary' read and postponed.

Paragraphs 1 to 65 read, amended and agreed to.

Postponed paragraph entitled 'Summary' read again and agreed to.

Resolved, That the Report be the Eighth Report of the Committee to the House.

Ordered, That the Chairman do make the report to the House.

Ordered, That the Appendices to the Minutes of Evidence taken before the Committee be reported to the House.—(*The Chairman*)

Several Memoranda were ordered to be reported to the House.

[Adjourned till Tuesday 28 October at 2.15 pm]

Witnesses

Tuesday 17 June 2003

Page

Mr Suma Chakrabarti, Permanent Secretary, **Mr Mark Lowcock**, Director General for Corporate Performance and Knowledge Sharing, and **Ms Susanna Moorehead**, Deputy Director, Policy Division, Department for International Development

Ev 1

List of written evidence

Sexual and Reproductive Health

UK Network on Sexual and Reproductive Health and Rights	Ev 17; Ev 31
Department for International Development	Ev 24
Marie Stopes International	Ev 34

Other written evidence

Department for International Development	Ev 37; Ev 42; Ev 49; Ev 58; Ev 60
British Geological Survey	Ev 61
International Institute for Environment and Development	Ev 63
UK Gender and Development Network	Ev 65
World Vision	Ev 70

List of unprinted written evidence

Additional papers have been received from the following and have been reported to the House but to save printing costs they have not been printed and copies have been placed in the House of Commons library where they may be inspected by members. Other copies are in the Record Office, House of Lords and are available to the public for inspection. Requests for inspection should be addressed to the Record Office, House of Lords, London SW1. (Tel 020 7219 3074) hours of inspection are from 9:30am to 5:00pm on Mondays to Fridays.

Letter from the Rt Hon Hilary Benn MP, former Minister of State (now Secretary of State), DFID, to WOMANKIND Worldwide, concerning the submission to the Committee by the UK Gender and Development Network

Annexes to a memorandum submitted by DFID: Executive Summary, Synthesis Note 2, *DFID's Engagement with National PRSP Processes*, February 2002; Synthesis Note 3, *Assessing Participation in PRSPs in sub-Saharan Africa*, February 2002; Briefing Note 2, *Reporting and Monitoring: Post-full PRSP Challenges*, March 2002

Reports from the International Development Committee since 2001

The Government Responses to International Development Committee reports are listed here in brackets by the HC (or Cm) No. after the report they relate to.

Session 2002-03

First Report	Afghanistan: the transition from humanitarian relief to reconstruction and development assistance	HC 84 (HC 621)
Second Report	International Development Committee: Annual Report 2002	HC 331
Third Report	The humanitarian crisis in southern Africa	HC 116-I and -II (HC 690)
Fourth Report	Preparing for the humanitarian consequences of possible military action against Iraq	HC 444-I and -II (HC 561)
Fifth Report (First Joint Report)	The Government's proposals for secondary legislation under the Export Control Act	HC 620
Sixth Report (Second Joint Report)	Strategic Export Controls Annual Report for 2001, Licensing Policy and Parliamentary Scrutiny	HC 474 (Cm 5943)
Seventh Report	Trade and Development at the WTO: Issues for Cancún	HC 400-I and II (HC 1093)

Session 2001-02

First Report	The humanitarian crisis in Afghanistan and the Surrounding Region	HC 300-I and -II (HC 633)
Second Report	The Effectiveness of the Reforms of European Development Assistance	HC 417-I and -II (HC 1027)
Third Report	Global Climate Change and Sustainable Development	HC 519-I and -II (HC 1270)
Fourth Report (First Joint Report)	Strategic Export Controls: Annual Report for 2000, Licensing Policy and Prior Parliamentary Scrutiny	HC 718 (CM 5629)
Fifth Report	Financing for Development: Finding the Money to Eliminate World Poverty	HC 785-I and -II (HC 1269)
Sixth Report	Department for International Development: Departmental Report 2002	HC 964 (HC 357, Session 2002-03)