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International Development Committee

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Footnotes

In the footnotes for 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

Our inquiry into the Department for International Development's Annual Report enables us to take an overview of DFID's work. This year, we have focused on assessing whether DFID is both efficient and effective. The Comprehensive Spending Review Settlement for 2008–11 continues the trend of increasing of DFID's budget towards the target of 0.7% of Gross National Income to be allocated to Official Development Assistance by 2013. We welcome this. But there is a significant challenge for DFID in using this funding effectively when it is also required to reduce its administrative costs, and therefore staff numbers, at a time when its focus is shifting increasingly towards fragile states where providing assistance is resource-intensive.

We are concerned that DFID continues to emphasise inputs rather than outcomes—it focuses too much on how much it spends on aid rather than measuring the effects of its aid spending on poverty. We believe DFID's new Public Service Agreement Delivery Agreement and the plans to establish the Independent Advisory Committee on Development Impact should make it easier to identify whether DFID's expenditure is effective in reducing poverty in developing countries.

We have also taken the opportunity to examine in more detail a number of significant policy areas where we believe DFID is not yet matching actions to its words:

Gender—We do not doubt DFID's commitment but we are not convinced that it yet has the measures in place to achieve its aim of promoting gender equality across its programmes.

Climate change—It is acknowledged that the impact of climate change will be earlier and more severe for the poorest people in the poorest countries. We welcome the leadership DFID has shown on climate change but believe this has not yet resulted in the necessary change at country office level, which would enable assistance with adaptation and mitigation strategies to be provided.

Governance—We look forward to the positive impact that the Governance and Transparency Fund could bring to developing countries if it is properly targeted. We wish to see DFID doing more to strengthen the capacity of national parliaments to scrutinise recipient governments as part of its overall governance strategy as set out in the 2006 White Paper.

Agriculture—75% of the world's poor live in rural areas. Our view is that promotion of agricultural development is an essential factor in reducing rural poverty. DFID has shifted its focus away from agriculture in recent years and we believe its programmes need to be rebalanced in this respect.

1 Introduction

1. The Department for International Development (DFID)'s Annual Report 2007 was published on 15 May 2007 and sets out DFID's activities and achievements in the year from April 2006 to March 2007. As in previous years, we held a short inquiry into the Annual Report. This gave us the opportunity to assess major developments in the Department's work, to explore particular areas in depth and to assess whether the Annual Report provides an accurate reflection of the Department's performance.

2. In the course of the inquiry, we received written submissions from 18 organisations and individuals. DFID responded to a series of detailed written questions which we sent to them.¹ We took oral evidence from DFID officials on 17 July 2007. These were: Sir Suma Chakrabarti, Permanent Secretary; Mark Lowcock, Director General, Policy and International; Sue Owen, Director General, Corporate Performance; and Nemat Shafik, Director General, Regional Programmes. We are grateful to all those who contributed to our inquiry.

3. This report has two main focuses. First, we set out our assessment of DFID's performance over the twelve months covered by the Annual Report 2007 and indicate our areas of concern as well as highlighting where we think the Department is doing well. We also comment on the implications for DFID of the Comprehensive Spending Review settlement for 2008–11 announced on 9 October.² Secondly, we discuss a number of specific topics which we decided are sufficiently important amongst DFID's activities to merit particular attention. These are: gender; climate change; governance; and policy coherence for development.

4. We would like to place on record at the outset our appreciation of DFID's achievement in producing a very detailed Report which contains features missing from most other departments' Annual Reports. In particular, we welcome the following:

- this year's Report includes a set of tables on the financial values of aid given to each country and region, extended this year to subsume the reporting requirements of the International Development (Reporting and Transparency) Act 2006.³ These are in addition to the Treasury-required 'core tables'.⁴
- the core tables themselves break down budget expenditures according to the Department's main aims and target areas.⁵ The Treasury encourages all Departments to follow this practice, but not all do.

¹ Ev 19-65

² *Meeting the Aspirations of the British People, 2007 Pre-Budget Report and Comprehensive Spending Review*, HM Government, October 2007, Cm 7227

³ DFID Annual Report 2007, Annex 1

⁴ DFID Annual Report 2007, Annex 2

⁵ DFID Annual Report 2007, Annex 2

- the Report contains a dual assessment against Public Service Agreement (PSA) targets, showing not just the currently assessed position but also the Department's forecast for whether the target will be met by the end of the relevant Spending Review period.⁶
- the Report includes a commentary, in one place, identifying and discussing progress on PSA targets which are 'off-track' or have slipped since the preceding Autumn Performance Report.⁷

We will indicate later in this Report the specific areas where we believe the provision of information can be improved.

⁶ DFID Annual Report 2007, p 285

⁷ DFID Annual Report 2007, Annex 5

2 Effectiveness

5. In this chapter we assess DFID's recent performance in using its funding allocation effectively to deliver aid and promote development. We have drawn attention in the past to the problems involved in evaluating the effectiveness of aid spending in that many of DFID's current Public Service Agreement targets are linked to the Millennium Development Goals (MDGs).⁸ The MDGs are internationally agreed targets and progress towards most of them is dependent on the contribution of a large number of donors and on factors affecting the recipient countries themselves. It is therefore very difficult to identify DFID's specific individual contribution.

6. The UK is able to identify its contribution to one of the MDG targets—the UN objective of each country's development expenditure reaching 0.7% of Gross National Income by 2013.⁹ The Capability Review noted that meeting this target, a commitment made in the 2004 Spending Review, 'could entail a doubling of DFID's programme budget'.¹⁰ The 2007 Comprehensive Spending Review (CSR) sets out the Department's expenditure budgets to 2010–11—a significant way towards the 2013 envisaged for this target. Under the CSR settlement DFID's budget will increase to £7.9 billion by 2010–11; a real terms increase averaging 11% a year, or 36% over the three years. Barring even larger budget increases in the next Spending Review, this does not suggest the doubling envisaged by the Capability Review. However, the CSR does appear to keep the UK on track to meet the 0.7% of Gross National Income target by 2013¹¹ because Official Development Assistance (ODA) expenditure is projected to grow in real terms by 17% a year over the CSR period, reaching £9.1 billion by 2010–11,¹² a faster rate of growth than the 11% growth in DFID's budget. It would appear that debt relief and other non-DFID ODA expenditure streams are planned to make up an increasing share of UK ODA.

7. We have expressed our views in previous reports on DFID's Annual Reports on the issues arising from debt relief being included in calculations of Official Development Assistance but we accept that, in doing this, the UK Government is following OECD practice.¹³ DFID now provides a detailed breakdown of ODA in the Annual Report, showing the contributions from debt relief separately.¹⁴ **We very much welcome the increase in DFID's budget over the Comprehensive Spending Review period 2008–11 as a significant step towards the target of 0.7% of Gross National Income being allocated to development assistance by 2013. However, we intend to monitor closely the extent to**

⁸ First Report from the International Development Committee, Session 2006-07, *DFID Departmental Report 2006*, HC 71, paragraphs 62-64

⁹ This is a target under MDG 8: to develop a global partnership for development. See *DFID Annual Report 2007*, p 281

¹⁰ Capability Review of the Department for International Development, Cabinet Office, March 2007, p 14

¹¹ HC Deb 9 October 2007, cols 167-192; HM Treasury/DFID Press Release, 9 October 2007. The 0.19 percentage-point increase in ODA as a proportion of GNI over the 3 years of the CSR (an average of 0.063 percentage-points a year) would, if continued at the same rate of increase, come close to the 0.7% target for 2013 (0.56% in 2010-11 plus another 0.13 percentage-points increase over the subsequent two years, reaching 0.69% in 2013).

¹² Cm 7227, p 240

¹³ First Report from the International Development Committee, Session 2006-07, *DFID Departmental Report 2006*, HC 71, paragraphs 10-12; and the Government Response, Third Special Report of Session 2006-7, p 1.

¹⁴ DFID Annual Report 2007, Annex 1

which this increase in Official Development Assistance is accounted for by real terms increases in DFID's budget and how much comes from non-DFID ODA streams, particularly debt relief.

8. Managing such a large increase in budget and ensuring expenditure remains effective will be a significant challenge for the Department. As demonstrated in the Capability Review, DFID is already a highly effective Department. Of the first 12 Government Departments assessed as part of the Capability Review, DFID was shown to be the “best placed to meet its own future delivery challenges” and was the clear lead department in the capability assessment carried out as part of the review.¹⁵ Nevertheless, the Capability Review emphasised that to ensure that its increasing budget is spent effectively, DFID will need to take some tough decisions on its priorities.¹⁶ DFID recognises this imperative: the Director General, Country Programmes told us “in everything we do we are trying to allocate each incremental pound to maximise poverty reduction”.¹⁷ DFID is planning to set up an investment committee under the Management Board which will assess the relative cost-effectiveness of spending in different countries and in different sectors. However, the quality of data on which to base funding decisions remains a problem.¹⁸

9. To ensure effectiveness, decisions on priorities for expenditure must be evidence-based. DFID is spending £128 million on research in 2007-08.¹⁹ The Capability Review of DFID concluded that:

“DFID has an international reputation for the quality of its analytical skills and its ability to produce and use good-quality evidence. These capabilities are built on a combination of a strong research and policy function and country office knowledge and experience of what works in practice.”²⁰

We sought more information from DFID about the role of research in determining funding choices. In our written questions we asked how much of the current aid programme is under-pinned by DFID-funded and other research and how much is not significantly influenced by recent research. The response was not helpful: “It is difficult to assess empirically how much DFID policies are influenced by DFID's own research”.²¹ When we explored this in more detail in oral evidence, the Permanent Secretary pointed out that each of the DFID White Papers produced over the 10 years of its existence has been “informed by research undertaken either by DFID or others. Research is taken quite seriously in developing the policy positions going forward.”²² The Director General, Policy

¹⁵ *Civil Service Capability Reviews, Tranche 3: Findings and Common Themes; Civil Service – strengths and challenges*, March 2007, p 23

¹⁶ Capability Review of the Department for International Development, Cabinet Office, March 2007, p 21

¹⁷ Q21 [Nemat Shafik]

¹⁸ Q21 [Sir Suma Chakrabarti]

¹⁹ DFID Annual Report, Annex 1, Table 4

²⁰ Capability Review of the Department for International Development, March 2007, p 19

²¹ Ev 25

²² Q32 [Sir Suma Chakrabarti]

and International assured us that research played an important part in seeking to maximise the poverty reduction impact of DFID's funding decisions.²³

10. DFID has announced that its research budget will rise to £220 million in 2010, which represents a doubling since 2005-06. It says that this means that £650 million will be available to fund new research projects in the five years from 2008 to 2013.²⁴ **We welcome DFID's increased research budget but are disappointed that the Department has not been able to give us specific examples of its research directly influencing policy decisions. International development is a rapidly changing field where there will always be competing priorities for funding. It is vital for DFID's effectiveness that it bases its funding decisions on evidence rather than simply responding to the latest trend. We hope that the new Research Strategy which is currently being drawn up will focus on providing an empirical base for the whole of DFID's work.** We discuss the impact of research on DFID's funding policy in more detail in the section on rural poverty (see paragraphs 22 to 31).

Evaluating effectiveness

11. We are concerned that DFID continues to emphasise inputs rather than outcomes—it focuses too much on how much it spends on aid rather than measuring the effects of its aid spending on poverty. The Permanent Secretary told us: “We believe that we are very much about outcomes and do not want to be measured necessarily by the amounts of money going into this, that and the other.”²⁵ However, the Capability Review of the Department earlier this year found that:

“Evaluation of DFID's outcomes is not sufficiently independent. Evaluation of impacts and outcomes needs to be strengthened further to inform future policy making.”²⁶

DFID intends to produce a Results Action Plan which will set out the path to achieving its desired outcomes.²⁷ The Annual Report says that the Action Plan will set out how DFID can strengthen its focus on achieving results and will “identify critical areas of work around incentives and accountability, statistics and evidence, planning and budgeting and evaluation and monitoring”.²⁸ **The merits of establishing a process for sharpening DFID's focus on results are clear. But when we questioned DFID about this issue, the form the process would take remained rather vague. We look forward to seeing the fully worked up Results Action Plan and expect it to represent a real step forward in DFID's ability to assess its own effectiveness.**

²³ Q32 [Mark Lowcock]

²⁴ Public Consultation Document on DFID's Research Strategy 2008-13, Introduction

²⁵ Q30 [Sir Suma Chakrabarti]

²⁶ Civil Service Capability Review of the Department for International Development, March 2007, p 20

²⁷ Q30 [Sir Suma Chakrabarti]

²⁸ DFID Annual Report 2007, Box 5.6 and paragraph 5.26

The Independent Advisory Committee on Development Impact

12. We have visited DFID’s Evaluation Unit based in East Kilbride, which produces reports on the effectiveness of DFID’s programmes. Whilst its work is valuable, its studies do not measure the *cost-effectiveness* of DFID programmes and projects—they do not consider whether the same impact could be achieved at less cost by using an alternative funding mechanism. As the Evaluation Unit is an internal body, it can also be seen as lacking independence, as the Director General, Corporate Performance acknowledged. She also raised the issue of whether the Unit’s findings feed back sufficiently into the policy process.²⁹

13. As a response to these concerns, the then Secretary of State announced in May 2007 that a new independent evaluation body, the Independent Advisory Committee on Development Impact (IACDI) would be established.³⁰ The Committee will have a Chair and six members. The Chair will write an open letter every year to the Secretary of State “providing an overview on lessons learned and giving advice on how evaluation efforts can be improved.” The Committee will choose its own work programme and the minutes of its meetings will be published.³¹ We were told that the Chair of the Committee would be independently selected by a panel headed by the Head of Evaluation at Irish Aid and the Head of the OECD Development Assistance Committee (DAC) evaluation committee.³² DFID believes that IACDI will increase the independence of DFID’s evaluation in three ways:

- By challenging the work programme priorities and suggesting new areas that need to be addressed;
- By chairing steering committees of flagship evaluations so that the scope of the work is determined independently; and
- By independent checks on the follow up being made by DFID to the conclusions of evaluation studies.³³

We welcome the establishment of the Independent Advisory Committee on Development Impact. We plan to invite its Chair to give formal evidence at an early stage to enable us to understand more about how it will operate and what the focus of its work will be in its first year.

Mechanisms to measure effectiveness

14. A specific example of the difficulty DFID has in demonstrating the effectiveness of its spending was brought to our attention by the UK Consortium on AIDS and International Development. When DFID launched its *Taking Action* HIV/AIDS strategy, the Prime Minister announced that at least £150 million would be committed over three years (from

²⁹ Q30 [Sue Owen]

³⁰ Written Ministerial Statement, HC Deb, 9 May 2007, cols 12-14WS

³¹ DFID Press Release, 9 May 2007, *Benn announces new Independent committee to advise on evaluation of UK aid*

³² Qs 30-31 [Sue Owen]

³³ Ev 21

2005–06 to 2007–08) to be spent on programmes to meet the needs of orphans and other children, particularly those in Africa, made vulnerable by HIV and AIDS.³⁴ The Consortium welcomed the global leadership shown by DFID in relation to children and AIDS but was concerned that “it is often not possible to see that resources have reached the children in need”.³⁵

15. We raised this in written questions to DFID and were told in response:

“Although the funding is reaching children affected by AIDS this is not indicated within the monitoring codes attached to the project by DFID because the funding is being channelled at a national level towards civil society and UN agencies and can also be combined with other funding sources (eg the Global Fund and World Bank). The evaluation consultants identified 178 potentially relevant projects and programmes with spending in the first 11 months of 2005/06 of more than £60m. DFID is reviewing the methodology used to track this expenditure building on comments in the evaluation report.”³⁶

It concerns us that DFID can only identify “potentially” relevant projects and programmes which have benefited from this dedicated funding. **It is apparent from this example of funding allocated for children affected by AIDS that DFID cannot always effectively track its expenditure nor provide a guarantee that it has reached its intended recipients. We understand the problems presented when funding is channelled through multilateral agencies but it is unacceptable that DFID cannot demonstrate that dedicated funding targeted at a particular vulnerable group has benefited those for whom it has been allocated. We expect DFID to report back to us, in response to this report, on how it has changed the mechanisms it uses to track project expenditure to ensure funding reaches the intended beneficiaries.**

Assessing progress towards the Millennium Development Goals

16. The Permanent Secretary told us “We exist to achieve the MDGs”.³⁷ 7 July 2007 represented the mid-point in the time set for achieving the Millennium Development Goals by 2015. DFID’s current Public Service Agreement (PSA) targets are specifically linked to progress towards the Millennium Development Goals (MDGs). But, as we have pointed out, this presents a problem in measuring DFID’s effectiveness in that it is not possible to disaggregate DFID’s own contribution from that of other donors in assessing whether progress has been made on an MDG target. DFID has acknowledged the problems arising from linking the PSA to progress on the MDGs:

“Linking outcomes specifically to the UK’s role is challenging. It is important to be realistic about the extent to which partner country results can be attributed to the Government’s work [...] In addition, there are difficulties in realising the impact of

³⁴ HC Deb, 1 February 2005, cols 795-6w; *Taking Action: Summary of the UK’s strategy for tackling HIV and AIDS in the developing world*, DFID, 2004, p 6

³⁵ Letter to the Chairman from the UK Consortium on AIDS and International Development Working Group on Orphans and Vulnerable Children, 23 April 2007, Ev 127

³⁶ Ev 26

³⁷ Q22 [Sir Suma Chakrabarti]

the Government's contribution in a relatively short time scale [...] particularly because progress in many countries will need to be assessed over a longer period and there are time lags in data collection."³⁸

In written evidence, DFID acknowledged that "there remain limitations on the timeliness and accuracy of data".³⁹ The lack of good data has serious implications for the reliability with which progress towards poverty reduction targets can be measured. For example, poverty indicators are drawn from household surveys which, at best, only take place once every five years. It appears that only 57 out of 163 developing countries have counted the number of their poor more than once since 1990 and 92 have not counted them at all.⁴⁰

17. Our predecessors recommended in their Report on the 2004 Departmental Report that, where DFID itself identifies that it is failing to meet its PSA targets, it should specify in its Annual Report what actions it is taking, bilaterally and with others, to get the process back on track.⁴¹ In response, DFID undertook to include this information in future Annual Reports and the 2006 Autumn Performance Report included a chapter on "Tackling Underperformance" where a description of remedial action is given.⁴² For example, in relation to the off-track maternal mortality target, DFID gives examples of the work it is doing in Kenya, Malawi, Uganda and Sudan to improve maternal health.⁴³ We are investigating DFID's progress in tackling the off-track Millennium Development Goal on maternal health in our current inquiry into this subject.

18. The provision of additional information is welcome. But DFID's use of the green, amber and red "traffic light" system to measure performance against its PSA targets indicators is still problematic. The Millennium Development Goals are global targets but the PSA has separate targets for Africa and Asia. For example, target 1, sub-target 1 requires a 4 percentage-point reduction in the proportion of people living in poverty in Africa against a baseline of 46% in 1999.⁴⁴ In the Annual Report, this PSA is classed as red under the traffic-light assessment system meaning that there is major slippage. For Asia, on the other hand, the Department gives itself a green light to indicate sufficient progress is being made to meet the MDG, but against a baseline of only 19%.⁴⁵ DFID's contribution to overall progress towards the MDG is therefore more difficult to assess. Furthermore, some PSA targets were eased in the current Spending Review period (2005-2008) so that, for example, the progress towards the target on infant mortality in Africa is now classified as green (on course) when the same level of mortality (146.8 deaths per 1000) was previously classed as red (slippage) under the 2003-2006 target.⁴⁶

³⁸ PSA Delivery Agreement 29, paragraphs 2.2, 2.3

³⁹ Ev 24

⁴⁰ *Economist*: Briefing on the Millennium Development Goals, 7 July 2007

⁴¹ Eighth Report, Session 2003-04, HC 749, paragraph 66

⁴² 2006 Autumn Performance Report: DFID PSA and Efficiency Programme, December 2006, Chapter 4

⁴³ *ibid*, para 4.16

⁴⁴ DFID Annual Report 2007, p 287

⁴⁵ DFID Annual Report 2007, p 291

⁴⁶ DFID Annual Report 2007, Annex 3, pp 288 and 315

19. Under the 2007 Comprehensive Spending Review, DFID will be the lead department for the new PSA Delivery Agreement 29—to reduce poverty in poorer countries through quicker progress towards the MDGs—which will replace the existing PSAs. Three other departments will support DFID in this: FCO, DEFRA and the Treasury.⁴⁷ In the next Spending Review period, DFID will focus its monitoring on the 22 countries in which it believes it can make ‘most impact in measuring progress towards this PSA’.⁴⁸ The Delivery Agreement identifies the indicators which will be used to measure progress, with one measure for each of the eight MDGs:⁴⁹

PSA 29 TARGETS AND INDICATORS 2008-11

MDG 1: Eradicate extreme poverty and hunger

Indicator: Proportion of population below \$1 (purchasing power parity) per day

MDG 2: Achieve universal primary education

Indicator: Net enrolment ratio in primary education

MDG 3: Promote gender equality and empower women

Indicator: Ratio of girls to boys in primary, secondary and tertiary education

MDG 4: Reduce child mortality

Indicator: Under-five mortality rate

MDG 5: Improve maternal health

Indicator: Maternal mortality ratio

MDG 6: Combat HIV and AIDS, malaria and other diseases

Indicator: HIV prevalence among 15-49 year people

MDG 7: Ensure environmental sustainability

Indicator: Proportion of population with sustainable access to an improved water source

MDG 8: Develop a global partnership for development

Indicator: Value (in nominal terms), and proportion admitted free of duties, of developed country imports (excluding arms and oil) from low income countries

⁴⁷ PSA Delivery Agreement 29, paragraph 3.3

⁴⁸ PSA Delivery Agreement 29, para 2.4. The 22 countries are: Africa: DRC, Ethiopia, Ghana, Kenya, Malawi, Mozambique, Sierra Leone, Nigeria, Rwanda, Sudan, Tanzania, Uganda, Zambia, Zimbabwe; Asia: Afghanistan, Bangladesh, Cambodia, India, Nepal, Pakistan and Vietnam; Middle East: Yemen. The previous PSA focused on 26 countries; those omitted in the new Delivery Agreement are: Lesotho, South Africa, Indonesia and China

⁴⁹ PSA Delivery Agreement 29, p 5

20. As with all departments, the CSR also saw the publication of DFID's Departmental Strategic Objectives (DSOs). Unlike the new PSAs which cut across departments, the DSOs are focused on the performance required of individual departments, to underpin their ability to deliver their contribution to the PSAs. The CSR report lists seven DFID DSOs:

DFID'S NEW DEPARTMENTAL STRATEGIC OBJECTIVES 2008-2011

- promote good governance, economic growth, trade and access to basic services;
- promote climate change mitigation and adaptation measures and ensure environmental sustainability;
- respond effectively to conflict and humanitarian crises and support peace in order to reduce poverty;
- develop a global partnership for development (beyond aid);
- make all bilateral and multilateral donors more effective;
- deliver high quality and effective bilateral development assistance;
- improve the efficiency and effectiveness of the organisation.⁵⁰

While some of these DSOs would clearly support DFID's new PSA Delivery Agreement 29, others appear to support PSAs led by other departments. Delivery Agreements for PSA 3 (controlled and fair migration),⁵¹ PSA 25 (Alcohol and drugs),⁵² PSA 27 (climate change)⁵³ and PSA 30 (conflict impact)⁵⁴ all identify contributions that DFID will be expected to make. There is however, little detail behind the new DSOs in the Comprehensive Spending Review. The Treasury recently told the Treasury Committee that 'supporting information, including indicators, [is] to be published by departments later in the year'.⁵⁵

21. We welcome the new Delivery Agreement for PSA 29 which makes the assessment of DFID's performance more meaningful by seeking to identify more accurately DFID's contribution to progress towards aspects of the Millennium Development Goals. We intend to monitor this over the course of the Comprehensive Spending Review period and to examine how the new Delivery Agreement feeds through into future Annual Reports and Autumn Performance Reports. We also intend to examine the rationale of and performance against the indicators underlying DFID's Departmental Strategic Objectives.

⁵⁰ *Meeting the Aspirations of the British People, 2007 Pre-Budget Report and Comprehensive Spending Review*, HM Government, October 2007, Cm 7227, pp 237-8

⁵¹ PSA Delivery Agreement 3, paragraph 3.13

⁵² PSA Delivery Agreement 25, paragraph 3.23

⁵³ PSA Delivery Agreement 27, paragraphs 3.6-3.9, 3.55

⁵⁴ PSA Delivery Agreement 30, paragraphs 3.7 and 3.48

⁵⁵ Letter to the Chairman of the Treasury Committee from the Permanent Secretary, HM Treasury, 8 October 2007

Tackling rural poverty and the role of agriculture in meeting poverty reduction targets

22. The National Audit Office identified in its recent report *Tackling rural poverty in developing countries* that 75% of the world's poor live in rural areas and this percentage is even higher in the countries DFID targets for assistance.⁵⁶ Our report on DFID's Programme in Vietnam highlighted that people living in rural areas are the ones most likely to be living on less than \$1 a day.⁵⁷ In evidence to the Public Accounts Committee on the NAO report on rural poverty, DFID's Permanent Secretary said:

“We are seeing many developing countries shifting resource allocation toward rural areas, which is why poverty in rural areas has fallen rapidly in the past 10 years in a number of countries. The Department has been a part of that story, because it has been arguing for the right policies to help rural areas, and because it has increasingly tried to shift resource allocation and service delivery capacity to rural areas.”⁵⁸

Rural economies in developing countries remain very heavily dependent on small-scale agriculture. DFID recently told us:

“DFID is very concerned about the plight of the poorest farmers in developing countries and the Government is committed to helping developing country farmers access international markets. However, many of the poorest farmers are unable to grow or buy enough food for their families and without this basic food security, research suggests that they are reluctant to invest in commercial agriculture.”⁵⁹

23. In 2005 DFID produced a policy paper on *Growth and Poverty Reduction: the role of agriculture* which said:

“Agriculture is a key part of DFID's efforts to reduce global poverty and achieve the Millennium Development Goals. It extends into many other areas of development policy and complements our work on issues such as fisheries, forestry, food security, social protection, governance and trade. [...] Improving development assistance to agriculture will require concerted and coordinated efforts from development agencies such as DFID, developing country governments, regional initiatives, civil society (such as churches and charities) and the private sector.”⁶⁰

However, no additional funding was allocated to support this policy, although DFID undertook to work with recipient governments and development agencies to “help to build the capacity and accountability of governments to direct public spending to where it will have the greatest impact on agricultural growth and poverty reduction.” In 2003, a number

⁵⁶ *Department for International Development: Tackling rural poverty in developing countries*, National Audit Office, March 2007, HC 322

⁵⁷ Eighth Report from the International Development Committee, Session 2006-07, *DFID's Programme in Vietnam*, HC 732, paragraph 9

⁵⁸ Minutes of Evidence taken before the Public Accounts Committee, 7 June 2007, Q5

⁵⁹ Eighth Special Report from the International Development Committee, *Government Response to the Committee's Seventh Report of Session 2006-07, Fair Trade and Development*, HC 1047, response to paragraph 103

⁶⁰ *Growth and poverty reduction: the role of agriculture*, DFID, 2005, Executive Summary

of members of the African Union pledged to increase expenditure on agriculture to 10% of national budgets within 5 years (the Maputo Declaration).⁶¹ But written evidence we have received indicates that there has been little significant change in the percentage African countries spend on agriculture.⁶² The Permanent Secretary believes that “10% is probably not enough” but told us that DFID’s main aim is to persuade countries to allocate funding to the poorest people, whether they are in urban or rural areas.⁶³

24. The impact of DFID funding on rural poverty is difficult to assess when so much assistance is given via general budget support. The NAO has pointed out that rural populations are less likely to benefit from general government expenditure including that provided through development assistance.⁶⁴ Nor does DFID target agriculture in the same way as, for example, education and health in its negotiations with recipients on the sectors which should be prioritised for aid received via budget support; and agriculture does not feature as a priority in Country Assistance Plans. DFID’s support to agriculture as a percentage of total aid to Africa declined from 4.72% in 2003–04 to 1.37% in 2005–06.⁶⁵

25. When we challenged the Permanent Secretary about this apparent contradiction between DFID’s stated commitments in relation to agriculture and the decline in funding provided, he told us that “the problem is that for some vested interest groups success will be measured only by a volume of spending which it then certifies is the right level.” His view was that DFID’s strength does not lie in funding, which is the primary responsibility of multilateral bodies, but in policy work and reform and “country offices trying to shift domestic resources in favour of the poor and trade policy work in international agricultural markets.”⁶⁶ The Permanent Secretary was clear that addressing rural poverty should not only involve DFID’s rural livelihoods advisers, but that economists, governance advisers, private sector enterprise advisers and health specialists all had a role to play.⁶⁷

26. DFID officials pointed to the example of Uganda, where rural poverty has fallen from 60% in 1992 to 34% in 2005. They believe that this is at least partly due to improvements in agriculture including the promotion of coffee as a key export crop.⁶⁸ But the Director General, Country Programmes also pointed out that “Africa is the fastest urbanising region in the world and so the whole dynamics of rural poverty are changing over time. We need to be aware of that in our own plans.”⁶⁹ The Comprehensive Spending Review 2007 announced that the Government would “more than double spending to Africa through bilateral and multilateral channels between 2004 and 2010, from £1.3 billion to at least £2.6

⁶¹ Conference of Agriculture Ministers of the African Union, Maputo, Mozambique, 1-2 July 2003. Available at: http://www.donorplatform.org/component/option,com_docman/task,doc_view/gid,432/Itemid,98/

⁶² Ev 74-76

⁶³ Qs 23-24

⁶⁴ Department for International Development: Tackling rural poverty in developing countries, National Audit Office, March 2007, HC 322, Summary, paragraph 2

⁶⁵ Ev 74

⁶⁶ Q25 [Sir Suma Chakrabarti]

⁶⁷ Q26 [Sir Suma Chakrabarti]

⁶⁸ Q23 [Nemat Shafik]

⁶⁹ Q24 [Nemat Shafik]

billion.”⁷⁰ It is vital that this additional funding is used to help the poorest people in the poorest countries.

27. We are pleased to note that the World Bank has recently announced that agriculture will again be prioritised for funding. The President is reported as saying “A greater focus on agriculture will help boost overall economic growth and can offer multiple pathways out of poverty.”⁷¹ We hope that DFID will follow this example.

28. We support DFID’s underlying aim of focusing resources on the poorest people. We accept that urbanisation is a factor which DFID needs to consider in allocating resources but 75% of those living in poverty are in rural areas and this figure is higher in the poorest countries. We are concerned that funding agricultural development has “gone out of fashion” and that DFID has moved its focus to other sectors. We believe that improving the economic return on agriculture remains intrinsic to reducing rural poverty levels, which in turn is necessary to meet the Millennium Development Goal of tackling overall poverty levels. DFID needs to recognise this in its funding allocations, in the priorities it sets in its Country Assistance Programmes and in the agreements in reaches with recipients of budget support for priorities in allocating those funds.

29. The UK Forum on Agricultural Research for Development (UKFARD) points out that agriculture is given scant attention in DFID’s consideration of climate change nor is sufficient account taken of the contribution agricultural improvement could make to progress towards the MDGs.⁷² In our report on *Sanitation and Water*, published in April 2007, we noted our concern that DFID’s water strategy does not sufficiently address agriculture, and equally that DFID’s agriculture strategy makes little mention of water. We recommended that DFID’s focus on achieving the sanitation and water Millennium Development Goal should not ignore the importance of water for agriculture, an essential component of achieving MDG1, which seeks to halve the number of people suffering from hunger.⁷³

30. UKFARD also drew attention to a decline in DFID’s support for the UK science base for agricultural development. In response to recommendations made by our predecessors in their report on the 2003 DFID Departmental Report (and to a 2004 report by the Science and Technology Committee on *The use of science in UK international development policy*⁷⁴) DFID launched a Strategy for Research on Sustainable Agriculture in 2006. The Annual Report 2007 says that DFID is “strengthening the link between technological innovation and international development” but no practical examples are given.⁷⁵ UKFARD believes that such research has not yet been mainstreamed as an integral part of development which would ensure new technologies and other research outcomes are used to assist the poor.

⁷⁰ *Meeting the Aspirations of the British People*, 2007 Pre-Budget Report and Comprehensive Spending Review, Cm 7227, October 2007, paragraph D10.8

⁷¹ “World Bank makes farming priority in drive on poverty” *Financial Times*, 20 October 2007

⁷² Ev 105

⁷³ Sixth Report from the International Development Committee, Session 2006-07, *Sanitation and Water*, HC 126, paragraph 162

⁷⁴ Thirteenth Report from the Science and Technology Committee, Session 2003-04, HC 133-I

⁷⁵ DFID Annual Report 2007, paragraph 9.25

31. DFID's draft Research Strategy for 2008–13 indicates that one of its four priority areas will be sustainable agriculture, especially in Africa.⁷⁶ The Director General, Policy and International explained to us that over the last 30 to 40 years the UK has financed “thousands of technologies and new bits of knowledge related to agriculture, whether it is new seed varieties, new systems of crop protection or a variety of other technologies”. But he told us that “the world as a whole has been much better at creating new technology than promoting its uptake” and that DFID's emphasis in its research strategy was now much more strongly weighted towards uptake.⁷⁷ The Permanent Secretary gave the example of cotton boll worm pest which costs India £1 billion a year in lost output. DFID's country office had worked with the Indian government and researchers to encourage 100,000 farmers to implement research findings, leading to the halving of the use of pesticides, an 11% increase in production and a 75% increase in profits.⁷⁸ **We are encouraged to see from DFID's consultation on its Research Strategy 2008–13 that one of its four priority areas will be sustainable agriculture, especially in Africa. We hope this signals a reprioritising of agricultural research which has the demonstrated potential to bring tangible benefits to poor farmers in developing countries.**

⁷⁶ Public Consultation Document on DFID's Research Strategy 2008-13, paragraph 1.4. Available at <http://www.dfid.gov.uk/pubs/files/research-strategy-consultation.pdf>

⁷⁷ Q27 [Mark Lowcock]

⁷⁸ Q28 [Sir Suma Chakrabarti]

3 Efficiency

32. Government Departments are required to reduce their administrative costs to help meet Government targets for efficiency improvements set following Sir Peter Gershon's review of public sector efficiency published in 2004.⁷⁹ We have previously commented on the particular challenge which DFID faces. It has a budget which is rising each year as the Government seeks to meet the UN target of 0.7% of GNI allocated to Official Development Assistance by 2013, while at the same time it is obliged to reduce its administrative budget, which in practice means cutting the number of staff it employs.⁸⁰ Under the Comprehensive Spending Review 2007 three-year settlement, DFID's budget will increase by an average of 11% a year in real terms, to £7.9 billion by 2010–11. Alongside this rising budget, DFID has agreed with the Treasury a target for administrative cost savings of 5% a year over the period of the CSR.⁸¹

33. DFID's performance to date in making efficiency savings is impressive. The Annual Report indicates that, against a target delivering £420 million of sustainable efficiencies by 2007–08, DFID had already achieved savings of £434 million by 2006–07 and that it expects to exceed its target for 2007–08.⁸² The Treasury published information with the CSR which showed that DFID's efficiency savings had reached £515 million as of June 2007.⁸³ We explored with DFID in written questions what proportion of the efficiency savings were cashable—tangible, clearly identifiable savings—and how much was represented by non-cashable savings. The latter are more difficult to quantify and validate because they depend on indirect measures of outputs (for example the proportion of bilateral aid moved onto a programme-based approach, or the proportion of EC aid allocated to low income countries) and assumptions about the financial benefit that would result from those output changes (for example that for each £1 of EC aid going to low income countries twice the number of people are lifted out of poverty).⁸⁴

34. The overall 2005–2008 Gershon efficiency target for all government departments indicates that 60% of savings should be cashable.⁸⁵ But only a relatively small proportion of DFID's efficiency savings are cashable. Indeed DFID told us that the cumulative target for their two streams of cashable efficiency targets (administration and procurement costs) over the current three year Spending Review period were only £30 million and £19 million respectively out of a total efficiency savings target of £420 million.⁸⁶ This is only 11.7%. Against that background, the efficiency savings target under the CSR of £492 million a year by 2010–11⁸⁷ will be particularly challenging, perhaps not so much because of its size (6.2%

⁷⁹ *Releasing Resources to the Front Line: Independent Review of Public Sector Efficiency*, Sir Peter Gershon, HMSO, July 2004

⁸⁰ First Report from the International Development Committee, Session 2006–07, *DFID Departmental Report 2006*, HC 71, paragraphs 13–19

⁸¹ Ev 24

⁸² DFID Annual Report 2007, paragraph 10.27–10.28

⁸³ *2004 Spending Review efficiency progress to June 2007*, HM Treasury

⁸⁴ Efficiency Technical Note 2005–2008

⁸⁵ See *The Efficiency Programme: A Second Review of Progress*, National Audit Office, February 2007, Box 1, p 8

⁸⁶ Ev 36

⁸⁷ Cm 7227, p 237

of the £7.9 billion year-three CSR budget) but because, as with all departments, these will be entirely ‘cash-releasing’ and are already subsumed in DFID’s budget.

Impact of Government efficiency targets

35. In order to meet Government efficiency targets, the number of DFID home civil service posts has reduced from 1,907 in March 2004, to 1,719 in March 2006, with a further reduction to 1,610 planned by March 2008. Staff appointed in country have fallen from 1,162 to 865 over the same period (although they are due to increase again to 950 by March 2008).⁸⁸ The DFID Capability Review summarises the position which DFID is in as follows:

“The Department’s programme budget could double between 2006/07 and 2013 whilst running costs are likely to stay flat or fall [...] in the next five to six years DFID will have to face the significantly greater challenge of delivering a much bigger programme at current or lower administrative costs”⁸⁹

36. In his recent book *The Bottom Billion*, which discusses ways in which the situation of the poorest people in the world can be improved, Professor Paul Collier expressed the view that:

“The environments in which [aid] agencies should increasingly be operating are those in which to be effective they will need to spend more on administration, not less”.⁹⁰

He goes on to say that because they should be operating in the most difficult environments “they will need to accept more risk, and so a higher rate of failure.” He believes that public opinion is driving aid agencies in the opposite direction: they cannot risk failure and they have to be “lean” with low administrative costs.⁹¹

37. The Capability Review acknowledges that: “DFID’s mission will increasingly be delivered in more fragile and risky states”.⁹² To address this, one of the two urgent development areas which the Capability Review identified is the need for DFID to “plan, resource and prioritise”.⁹³ In particular, the Capability Review points out that “DFID has not yet taken sufficiently tough choices on country presence, funding mechanisms and sectoral activity to make the best use of resources.”⁹⁴

38. In its Response to our report on *Sanitation and Water* DFID said that it is carrying out a Strategic Workforce Planning process “to determine what resources are available, where the demands are likely to be over the next five years and how best to match resources to

⁸⁸ DFID Annual Report 2007, Table 10.1, p 220

⁸⁹ Capability Review of the Department for International Development, March 2007, p 14

⁹⁰ *The Bottom Billion: why the poorest countries are failing and what can be done about it*, Paul Collier, Oxford University Press, 2007, p 118

⁹¹ *The Bottom Billion: why the poorest countries are failing and what can be done about it*, Paul Collier, Oxford University Press, 2007, p 184

⁹² Capability Review of the Department for International Development, March 2007, p 14

⁹³ Capability Reviews, Tranche 3, Findings and common themes: civil service – strengths and challenges, March 2007, p 13

⁹⁴ Capability Review of DFID, March 2007, p 21

need.”⁹⁵ The Response goes on to say that although headcount reductions will continue in line with Government policy “we recognise there are some advisory specialist gaps to fill in key countries where we need to deliver on sanitation and water specifically”. The Permanent Secretary reinforced this in oral evidence:

“Can we do more to move people, the experts, from the lower priority areas to the higher priority areas? [...] The dialogue we need to have with this Committee, Parliament, ministers and also internally is how to define the higher priorities and to shift staffing to those”.⁹⁶

He went on to say that “with a further increase in the budget, if the headcount shrinks further we shall have to make some choices: possibly whether to operate in fewer countries and whether to do less directly and more by working with multilateral bodies.”⁹⁷ The Director General, Corporate Performance highlighted the decisions that DFID needs to make on reducing staff in countries which are performing well, such as Tanzania, so that staff in more challenging countries, such as the Democratic Republic of Congo, can be increased. However, the cost of deploying a member of staff in a fragile country is double that of a more stable state and in Iraq or Afghanistan it costs four times as much.⁹⁸

39. There may be a case for DFID to offer advice and support for poverty reduction strategies in middle-income countries which could be compromised by DFID staff restrictions. One way round staffing limits is for DFID to fund specialist staff within country budgets thus also helping to strengthen capacity. It would be unfortunate if headcount constraints led to DFID employing more consultants or diverting additional resources for the wrong reasons.

40. We accept that DFID cannot be exempt from efficiency targets set for the whole of Government. The Department has made good progress in reducing administrative costs, albeit predominantly in the less tangible form of non-cashable rather than cashable savings. We are concerned, however, that the need to reduce headcount and to make administrative efficiencies, and under the Comprehensive Spending Review settlement to meet a significantly higher cash-releasing efficiency target, will act as a constraint on DFID working in the parts of the world where its assistance is most needed: the poorest countries, often fragile states, which have so far failed to benefit from the vast volumes of international aid. DFID therefore needs to make some very difficult choices about withdrawing from some countries, or some sectors, so that it can focus development assistance where it will have the greatest effect on poverty reduction. We look forward to contributing to this decision-making process as part of our future work.

⁹⁵ Seventh Special Report, Session 2006-07, HC 854, response to paragraph 112

⁹⁶ Q40

⁹⁷ Qs 41, 50

⁹⁸ Q54

Budget support

41. One of the ways DFID deals with disbursing a growing aid budget with fewer staff is through poverty reduction budget support (PRBS). This funding mechanism enables development assistance to be delivered directly to the governments in recipient countries to be used as part of their general expenditure (general budget support) or for particular sectors, such as health and education (sector budget support). In 2006–07, DFID delivered 28% of its bilateral programme through PRBS to 16 countries.⁹⁹ We commented in our report on last year’s DFID Annual Report on some of the issues this raises.¹⁰⁰

42. We were concerned that there was some confusion in the way DFID defines budget support and whether all funding provided directly to governments was classified as poverty reduction budget support. This arose particularly in relation to DFID’s funding for Afghanistan. In oral evidence DFID officials clarified the position. The funding mechanism DFID uses for Afghanistan is unique. Most of the funding is channelled through the World Bank’s Afghanistan Reconstruction Trust Fund. The Director General, Country Programmes explained that this Fund differs from budget support in two ways: the Afghan government is only allowed to use the funds for specific, predefined categories of expenditure, for example, education or water supply; and is reimbursed on an *ex post* basis —after it has incurred the expenditure rather than the money being provided in advance as with the normal poverty reduction budget support system.¹⁰¹

43. The Director General, Corporate Performance told us that the Trust Fund system “has some appealing qualities for fragile states and it is one that I should like to see tried in other countries”. The Permanent Secretary considered that, as the fiduciary risk from providing conventional budget support in fragile states was high, the Afghanistan Fund merited further evaluation as a possible future model for funding fragile states. It is also the Afghan government’s preferred aid instrument.¹⁰² **We believe that the funding mechanism offered by the Afghanistan Reconstruction Trust Fund is an interesting development, particularly as DFID is increasingly likely to be operating in fragile states of this kind. We will be exploring this in more detail in our inquiry into DFID’s programme in Afghanistan.**

⁹⁹ *Development on the Record*, DFID Annual Report 2007, paragraph 5.12 and table 5.2

¹⁰⁰ First Report from the International Development Committee, Session 2006-07, *DFID Departmental Report 2006*, HC 71, paragraphs 35-47

¹⁰¹ Q36

¹⁰² Q38

4 Gender

44. The UK Gender & Development Network has highlighted that more than two-thirds of those living in extreme poverty are female: women throughout the developing world have less power, money, land, protection from violence and access to healthcare and education.¹⁰³ DFID's Gender Action Plan, published in February 2007, declared progress on gender equality to be a critical factor in achieving all the Millennium Development Goals. The Secretary of State reinforced this view in a speech in Washington on 12 July. He said that:

“I am particularly conscious that the face of poverty in developing countries is overwhelmingly female ... The economic, social and political position of women in many countries is actively preventing us from reducing child and maternal mortality and stopping the spread of HIV/AIDS. Empowering women must be a priority for all of us.”¹⁰⁴

The DFID Parliamentary Under-Secretary of State, Gareth Thomas, told us that making progress on gender equality required “a revolution in attitudes and we are not even close to that yet”.¹⁰⁵ MDG3 specifically commits the international community to promote gender equality and empowerment of women. The Action Plan sees equality and empowerment ‘as a political issue, needing a political response, not a technical one’.¹⁰⁶ We asked the Permanent Secretary what this meant and what practical steps DFID was taking to make progress on gender equality. He acknowledged that DFID needed to “up our game on gender compared with what we have been doing in the past few years” and that how the Action Plan was taken forward would be crucial.¹⁰⁷

45. Part of DFID's new approach to gender has involved moving from having dedicated gender staff to “mainstreaming” gender throughout its programmes. However, some witnesses believe that this has led to it being seen as a purely technical exercise, “another box to be ticked rather than something which requires fundamental rethinking of everything that the organisation does.”¹⁰⁸ Oxfam points out that the Gender Action Plan contains no mention at all of support for women's organisations, which are key stakeholders. They believe DFID also needs to have clear objectives for “building women's active participation and leadership and decision-making processes at all levels.”¹⁰⁹

¹⁰³ Ev 104

¹⁰⁴ Speech by the Secretary of State for International Development at the Council of Foreign Relations, Washington, 12 July 2007

¹⁰⁵ Oral evidence on Northern Uganda, 4 July 2007, Q 11

¹⁰⁶ Gender Action Plan, para 2.3

¹⁰⁷ Q1 (Sir Suma Chakrabarti)

¹⁰⁸ Ev 110

¹⁰⁹ Ev 87

46. We raised concerns about the extent to which gender equality was being rigorously pursued throughout DFID's work in our inquiry into DFID's programme in Vietnam. We found that the Making Markets Work for the Poor projects which DFID supports showed no evidence of a gender dimension and that women were "largely excluded from significant policy input or decision-making in these projects".¹¹⁰ In response DFID told us that it ensures a participatory approach in many of its projects and that it organises specific gender training for programme staff. But DFID also undertook to review all its programmes and projects in Vietnam to see what changes should be made and to report back to us within six months.¹¹¹ We very much welcome this positive response to our concerns.

47. DFID's new PSA Delivery Agreement sets out the targets and indicators against which DFID's performance will be measured during the next spending period 2008–11. It says that:

"DFID and the FCO will work to ensure that the international system performs more effectively to promote gender equality and women's rights and empowerment. [One of the] key actions is: ...to press for gender disaggregated data and equality specific information within the international system."¹¹²

The Delivery Agreement envisages that, in measuring performance against the PSA more generally, indicators for each Millennium Development Goal will also be disaggregated by gender "where possible and meaningful."¹¹³ The UK Gender & Development Network questions the feasibility of using disaggregation of other indicators as a meaningful measure.¹¹⁴ The Permanent Secretary acknowledged the difficulties of disaggregating indicators by gender: "for some of the indicators the data will be there and for some it will not, so where we can do it we shall do it."¹¹⁵ This does not strike us as being an adequate strategy.

48. Written evidence we received from ActionAid also questions whether the commitment to implementing the Gender Action Plan is universally shared across DFID:

"The implementation of the Gender Equality Action Plan is already proving a cause for concern. While responsibility for implementing the Plan lies at a senior level, with Mark Lowcock, Director-General for Policy and International, recent evidence suggests that his commitment is not shared across the Department as a whole."

They point out, for example, that the draft South Asia strategy ignores the issue of gender-based violence.¹¹⁶ It is also worth noting that DFID's 2006 White Paper on Governance

¹¹⁰ Eighth Report from the International Development Committee, Session 2006-07, *DFID's Programme in Vietnam*, HC 732, paragraph 26

¹¹¹ Ninth Special Report from the International Development Committee, Session 2006-07, *DFID's Programme in Vietnam: Government Response to the Eighth Report from the Committee*, Session 2006-07, HC 1062

¹¹² PSA Delivery Agreement 29, paragraphs 3.40-41

¹¹³ PSA Delivery Agreement 29, paragraph 2.1

¹¹⁴ Ev 110

¹¹⁵ Q5

¹¹⁶ Ev 71

contained only three brief mentions of gender in an 83–page document. The DFID Director General, Country Programmes, gave the positive examples of Bangladesh and Zimbabwe where “every [DFID] person who works on those programmes has gender-related objectives in their individual performance objectives”.¹¹⁷ However, the Permanent Secretary acknowledged that, even if DFID is able to improve its own performance in this area, it would not have much of an impact unless multilateral bodies, most importantly the World Bank, the European Commission and the UN, are equally committed to gender equality.¹¹⁸

49. We do not doubt DFID’s commitment to gender equality but translating this from policy to practical implementation at every level is a complex task. We are not convinced that DFID yet has the measures in place to achieve this but, as the Secretary of State has acknowledged, the Millennium Development Goals cannot be achieved without progress on gender equality. We expect DFID to provide us with more information on the practical steps it is taking to “up its game” in promoting gender equality across its programmes in response to this report.

¹¹⁷ Q3

¹¹⁸ Q1

5 Climate Change

50. In the Annual Report 2007, DFID highlights that “Climate change is one of the toughest development challenges we are facing. The poorest people in the poorest countries will suffer earliest and most from the impacts of climate change.”¹¹⁹ DFID says that it is committed “to integrate climate change by 2008 into DFID development activities in climate-sensitive sectors, such as agriculture, water, health infrastructure and energy, to help developing countries adopt low carbon energy technologies and to adapt to climate change.”¹²⁰ In its Response to our report on *Sanitation and Water* DFID says that its “bid under the Comprehensive Spending Review has prioritised climate change both in terms of helping developing countries adapt, and helping them adopt cleaner development processes”.¹²¹ The CSR does not appear to allocate any additional funding specifically for this purpose but simply repeats the commitment announced in the 2007 Budget to allocate £800 million to the Environmental Transformation Fund, which is discussed below.¹²²

51. WWF believe that organisational change is critical for developing an effective response to climate change but point out that this has not yet happened in DFID:

“A number of DFID regional offices have reported to WWF a lack of strategic guidance on how to incorporate climate change into their portfolios of work and have as yet received little guidance or internal support from DFID headquarters. [...] The majority of country offices still don’t have environmental officers or staff with adequate climate change resources and training to mainstream climate change into their work.”¹²³

We raised this with the Permanent Secretary, who told us that DFID was currently engaged in work to “map out exactly the human resources, numbers and also skills, that will be required”.¹²⁴ WWF goes on to say that “DFID needs to change much more profoundly, institutionally, structurally and operationally, to be able to live up to the seriousness of the challenge to poverty reduction in the context of climate change. Bolted on efforts to increase capacity will not be sufficient”.¹²⁵ It is not clear to us from the responses we received from DFID officials that this change is likely to happen. The Permanent Secretary told us that “for some country programmes we shall do a bit more in the area of climate change” but that it will remain the case that most of DFID’s work on climate change is done through multilateral bodies.¹²⁶

52. As part of its new PSA, DFID is required to contribute to PSA Delivery Agreement 27—*Lead the global effort to avoid dangerous climate change*—for which the Department

¹¹⁹ *Development on the Record*, DFID Annual Report 2007, paragraph 8.2

¹²⁰ *Development on the Record*, DFID Annual Report 2007, paragraph 8.12

¹²¹ Seventh Special Report, Session 2006-07, HC 854, response to paragraph 133

¹²² HM Treasury/DFID Press Notice 9 October 2007

¹²³ Ev 116

¹²⁴ Q8 [Sir Suma Chakrabarti]

¹²⁵ Ev 118

¹²⁶ Q6

for Environment, Food and Rural Affairs is the lead department. The Delivery Agreement sets out DFID's role in relation to assisting developing countries with mitigation and adaptation strategies.¹²⁷ It was announced in the 2007 Budget that an £800 million International Environmental Transformation Fund would be established as a joint DFID/DEFRA project "for the purpose of reducing poverty through environmental management and helping developing countries respond to climate change".¹²⁸ The UK's contribution to the World Bank's Clean Energy Investment Framework will come out of the Fund. Climate change was one of the three key issues which the Secretary of State discussed with the new President of the World Bank at their first meeting in July.¹²⁹

53. DFID's Director General, Policy and International told us that, together with the World Bank, DFID was discussing with China how the Environmental Transformation Fund could be used to assist China in "getting on to a cleaner development path" and that it was hoped that this would be one of the "flagship pilots of the Fund."¹³⁰ However, he stressed that the main focus of the Fund was "about trying to leverage billions of dollars which are potentially available on the balance sheets of the IFIs [international financial institutions] but which are currently not being accessed" rather than DFID taking action directly.¹³¹

54. Although DFID has shown welcome leadership in seeking to assist developing countries to deal with climate change, this has not yet resulted in changes at country office level, where the necessary assistance with adaptation and mitigation can be given. The Environmental Transformation Fund is a welcome and useful means of tackling climate change but we are concerned that DFID is relying too heavily on operating through multilateral bodies in implementing its climate change policy, which risks climate change being obscured by the different priorities of other aid agencies. We believe that DFID should demonstrate its commitment to tackling climate change by seeking to ensure as a matter of priority that its country office staff are properly supported and resourced to implement this crucial area of policy.

Research on climate change

55. Officials told us that "DFID is apparently the world's largest financier of research on adaptation to climate change in developing countries" and that this work would increase.¹³² DFID's Research Funding Framework 2005-07 indicated that climate change would become one of four major research themes.¹³³ However, in the Annual Report, the four discrete areas listed as receiving research funding are: human development; growth and livelihoods; social, political and environmental change; and communications.¹³⁴ Climate change is presumably part of the social, political and environmental change category, which received less than half the funding which human development and growth and

¹²⁷ PSA Delivery Agreement 27, paragraphs 3.8-3.9

¹²⁸ Q6

¹²⁹ "Gordon's golden boy swots up on how to change the world", *Observer*, 8 July 2007

¹³⁰ Q8

¹³¹ Q8

¹³² Q9

¹³³ DFID's Research Funding Framework 2005-07, paragraph 5

¹³⁴ DFID Annual Report 2007, p 271

livelihoods research received in 2006–07 (£20.2 million compared to £48.2 and £40.7 million respectively) and is still receiving significantly less than these categories in 2007–08 (£27.5 million compared to £48 million and £45 million).

56. Consultation is under way on a new Research Strategy which will begin in 2008. The consultation document says that DFID’s research budget will increase from £110 million in 2005–06 to £220 million in 2010 which will mean that £650 million will be available to fund new research programmes in the next strategy period, 2008–2013. DFID’s intention is to include in the new research strategy “the impact of climate change on poverty, moving towards research that helps partner countries understand, influence and adapt to changes and future ‘shocks’ more broadly”.¹³⁵

57. In our report on *Sanitation and Water*, we welcomed the leadership DFID had shown through its work on climate change and water resources but stressed that the importance of this work needed to be reflected in the Comprehensive Spending Review settlement.¹³⁶ It was clear to us from the evidence we received during that inquiry that many developing countries have not yet even begun to assess the likely implications for them of climate change and that assistance from DFID and other donors would be vital. DFID’s Director General, Policy and International told us:

“essentially the general issue on adaptation to climate change in developing countries is about the fact that changes in climate dramatically affect the paths to development that are available to them. The sooner that is evidenced and exemplified in particular countries and they are able to plan for the consequences the better in terms of continued economic growth and the achievement of the MDGs.”¹³⁷

58. We agree that assistance to developing countries to adopt mitigation and adaptation strategies to deal with climate change needs to be given sooner rather than later. We therefore recommend that research funding allocated to climate change under the new Research Strategy is set at a level which reflects its urgency as a development issue.

¹³⁵ Public Consultation Document on DFID’s Research Strategy 2008-13 available at <http://www.dfid.gov.uk/pubs/files/research-strategy-consultation.pdf>

¹³⁶ Sixth Report from the Committee, Session 2006-07, *Sanitation and Water*, HC 126-I, paragraph 133

¹³⁷ Q12

6 Governance

59. DFID's White Paper *Eliminating World Poverty: Making Governance Work for the Poor* was published in 2006. In the preface it states:

“Whether states are effective or not—whether they are capable of helping business grow, and of delivering services to their citizens, and are accountable and responsive to them—is the single most important factor that determines whether or not successful development takes place. Good governance requires: capability—the extent to which government has the money, people, will and legitimacy to get things done; responsiveness—the degree to which government listens to what people want and acts on it; and accountability—the process by which people are able to hold government to account.”¹³⁸

A further document, *Governance, Development and Democratic Politics: DFID's work in building more effective states*, was published in May 2007 and sets out in more detail how DFID will implement its governance policy.

60. The White Paper committed the Government to establishing a Governance and Transparency Fund which would:

“support activities aimed at building the capacity and skills of local organisations so that they can be more effective on issues such as campaigning on freedom of information, corruption etc and make them better able to hold their governments to account.”

The Fund was launched in February 2007 with a budget of £100 million over five years to support “civil society, a free media, parliamentarians and trade unions” in developing countries “through a variety of local partnerships and networks”. DFID says in the Annual Report that “We plan to have assessed proposals and allocated the full £100 million budget before the end of 2007.”¹³⁹

61. The Permanent Secretary told us that DFID had been “inundated” by responses to its call for concept notes and had received over 400 from all over the world. Eighty-five per cent of the Fund will be allocated to organisations in developing countries. DFID has appointed KPMG as managing agents to assess the bids against specified criteria and recommend projects for funding, which must be for between £750,000 and £5 million for periods up to five years. In December DFID will select projects for funding, to begin early in 2008.¹⁴⁰ It was too early in July for DFID to tell us in oral evidence what the key themes of the bids for funding were but they subsequently provided us with a breakdown of the categories into which the 293 concept notes which met the criteria and which have been invited to submit full proposals fell.¹⁴¹ The most popular themes for funding are: access to

¹³⁸ *Eliminating World Poverty: Making Governance Work for the Poor*, DFID, 2006

¹³⁹ *Development on the Record*, DFID Annual Report 2007, Box 5.5, p 132

¹⁴⁰ Qs 13-14; Ev 57-58

¹⁴¹ Ev 57-58

justice, safety and security (74 notes); access to public services (51 notes); controlling corruption/increasing transparency (37 notes) and administrative reform (34 notes).¹⁴²

62. DFID has clearly demonstrated in the publication of its 2006 White Paper the importance it attaches to effective governance as a means of tackling poverty. We agree that without proper governance and accountability in developing countries little real progress will be made towards the Millennium Development Goals. The Governance and Transparency Fund offers an opportunity to advance effective governance through small-scale projects in a number of developing countries. This requires projects to be selected against clear and specific criteria which reflect DFID's objectives. We request that DFID supplies further information on the allocations made from the Fund after funding decisions begin to be made in December 2007.

63. Parliamentary scrutiny and accountability are clearly key elements of effective governance and we explored with the Permanent Secretary the potential contribution to strengthening accountability and transparency which might be made if DFID officials were to appear before parliamentarians in countries which receive DFID funding. DFID officials could not recall specific examples of this taking place and this was confirmed in subsequent written evidence.¹⁴³ However, DFID country offices have contributed to parliamentary scrutiny in recipient countries in a number of ways. For example, DFID India has occasionally answered parliamentary questions from the Indian parliament; the DFID Pakistan office has prepared reports on DFID assistance for the National Assembly Standing Committee on Economic Affairs; and DFID Tanzania has made a presentation on budget support in the Tanzanian parliament.¹⁴⁴

64. We believe that DFID should lead by example in working with national parliaments in recipient countries to strengthen parliamentary scrutiny and to promote accountability and transparency in the way DFID funding is allocated and used. We welcome the steps already taken in this area and recommend that DFID country offices actively seek opportunities to contribute to public scrutiny by offering briefings and specific and detailed information to parliamentarians and others in recipient countries.

65. The Department acknowledges that “the 2006 White Paper commits DFID to work more with parliaments in developing countries and to increase their effectiveness”.¹⁴⁵ It has provided us with details of a number of parliamentary development projects which are in the planning phase, including a research programme at the University of Cape Town to build an evidence base for measures of parliamentary effectiveness; and a joint project with the FCO, the Westminster Foundation for Democracy and other Westminster organisations to establish a UK contact group on parliamentary strengthening.¹⁴⁶ However, DFID then cast doubt on its willingness to fulfil this commitment to parliamentary strengthening in telling us “There is little to be gained [...] from ‘stand alone’ programmes with parliaments” because “parliaments and parliamentarians are embedded in a political,

¹⁴² Ev 57-58

¹⁴³ Qs 16-17; Ev 58

¹⁴⁴ Ev 58

¹⁴⁵ Ev 58

¹⁴⁶ Ev 59-60

social and cultural context”.¹⁴⁷ DFID has told us that bilateral expenditure on strengthening parliaments is on “an upward trend”¹⁴⁸ but the current allocation of £14 million seems paltry to us and fails to support the commitments made in the 2006 White Paper on governance.

66. We disagree with DFID’s view that the impact of individual programmes of parliamentary strengthening is limited. Effective accountability and scrutiny and proper transparency of course require contributions from a number of different elements of society but parliaments and parliamentarians are uniquely placed to provide leadership in this area and amongst the various stakeholders in developing countries they are most likely to have the mechanisms and resources available to perform a scrutiny role at the highest levels. We believe that this should be reflected in DFID making an increased level of funding available for parliamentary strengthening.

67. It is also vital, in promoting good governance, to build the capacity of people in developing countries to scrutinise governments and hold them to account. We commented in our report on the DFID Departmental Report 2006 on the impact of the withdrawal of DFID’s funding to Ethiopia through budget support as a result of human rights and political governance concerns arising from the 2006 elections, and its replacement by a new funding mechanism, the Protection of Basic Services Grant.¹⁴⁹ This mechanism requires the Ethiopian Government to make public at local level how much funding is being allocated for specific services and to whom. The Director General, Country Programmes told us that there were two elements to this accountability requirement: to ensure that the way funding was allocated was not politically biased and to strengthen civil society’s capacity to hold the government to account for the quality of service delivery.¹⁵⁰

68. We were able to discuss these new arrangements with local communities during our visit to Ethiopia in February 2007. We saw examples of notices posted on school gates showing how much the government had spent on education in that village. Similarly, local health clinics displayed information giving details of the funding allocation they had received. Indigenous civil society is weak in Ethiopia so this is very much a first step in capacity building of this kind but it is a positive development. In other countries such as Tanzania and Kenya, civil society is more developed and mechanisms for local people to hold governments to account are better-established.¹⁵¹

69. We have observed in Ethiopia the potential benefits to transparency and civil society capacity-building that DFID can bring by incorporating accountability to local people into its funding arrangements. We recommend that DFID continues to promote good governance by ensuring that, as part of funding agreements it makes with recipient countries, information is provided to local people on how much the

¹⁴⁷ Ev 59

¹⁴⁸ Ev 59

¹⁴⁹ First Report from the Committee, Session 2006-07, *Department for International Development Departmental Report 2006*, HC 71, paragraphs 39-47

¹⁵⁰ Q18 [Nemat Shafik]

¹⁵¹ Q18 [Nemat Shafik]

government is spending in their area on essential services such as health, education, and water and sanitation.

7 Policy Coherence For Development

70. Our predecessors asserted in 2004 that “policy coherence for development is achieved when policies across a range of issues support, or at the very least do not undermine, the attainment of development objectives”. They went on to say that “Policies which lack coherence and undermine development are all too easily found” and gave the example that the total volume of aid from OECD countries is dwarfed and undermined by trade-distorting agricultural subsidies.¹⁵² Professor Paul Collier explains policy coherence in this area quite simply: “It is stupid to provide aid with the objective of promoting development and then adopt trade policies that impede that objective.”¹⁵³ The Committee concluded that: “by committing themselves to policy coherence for development, and establishing an administrative process for resolving rather than tolerating policy incoherence where it exists, governments can become more effective and cost-effective and [...] more accountable too.”¹⁵⁴

71. The International Development (Transparency and Reporting) Act 2006 requires DFID to include in its annual report to Parliament an assessment of:

“the effects of policies and programmes pursued by Government departments on (a) the promotion of sustainable development in countries outside the United Kingdom, (b) the reduction of poverty in such countries.”¹⁵⁵

Part I of Chapter 9 of the 2007 DFID Annual Report (“Working with others on policies beyond aid”) sets out how DFID has worked with other government departments on a range of issues in the past year. The “policies beyond aid” include those dealing with such issues as: security, conflict, trade, migration, investment, climate change, debt and corruption.

72. Although the provision of this new information is very welcome, it has limitations. For example, Dr Alan Hudson of the Overseas Development Institute points out in written evidence that DFID says very little about the impact on developing countries of these “policies beyond aid” nor is sufficient account taken of the fact that developing countries are all different and therefore the impact of the UK’s various policies on each of them will also be different.¹⁵⁶ He gives the example of reducing EU agricultural subsidies, which is seen as generally “development friendly” but which is likely to benefit most the large exporting countries such as Brazil, India, China and South Africa rather than the poorer, less developed countries.

73. We welcome the new information contained in the Annual Report on policy coherence for development but believe it could be further enhanced. We appreciate that

¹⁵² First Report from the International Development Committee, Session 2004-05, *The Commission for Africa and Policy Coherence for Development: First do no harm*, HC 123, paragraphs 24-25

¹⁵³ *The Bottom Billion: why the poorest countries are failing and what can be done about it*, Paul Collier, Oxford University Press, 2007, p 160

¹⁵⁴ *ibid*, paragraph 28

¹⁵⁵ The International Development (Transparency and Reporting) Act 2006, Section 5

¹⁵⁶ Ev 78

the Annual Report is already a substantial volume and that adding more detail could result in an unwieldy and less helpful document. But we believe that to be meaningful, the information provided on policy coherence needs to have much more emphasis on the effects of policies beyond aid. It also needs to be more country specific and to reflect the proper participation of developing countries in assessing the effects on them of UK policies.

74. The machinery of government changes in June 2007 gave DFID specific responsibility for trade policy, with a joint minister shared with the new Department for Business, Enterprise and Regulatory Reform. ActionAid point out that DFID is now “in a better position to ensure that all of the Government’s trade policies help efforts to reduce poverty rather than hinder them”.¹⁵⁷ We have commented many times on the impact of trade policy on poverty reduction.¹⁵⁸ We are exploring the implications of DFID’s new role in trade policy in our inquiry into cross-departmental working on development and trade.

¹⁵⁷ Ev 70

¹⁵⁸ See, for example, Fifth Report from the International Development Committee, Session 2006-07, *EU Development and Trade Policies: an update*, HC 271 and Third Report from the Committee, Session 2005-06, *The WTO Hong Kong Ministerial and the Doha Development Agenda*, HC 730-I

8 Conclusion

75. DFID was recognised in the Capability Review as one of the better performing Government Departments and we commend the Department for its continued valuable contribution to development which is reflected in the Annual Report 2007. As we have made clear, the Comprehensive Spending Review settlement provides DFID with welcome opportunities to build on the work it has done over the last 10 years. But there are significant challenges involved in using its increased budget to focus on the fragile states where its assistance is most needed, while at the same time meeting the targets it has been set for reducing its administrative costs. We will continue to monitor how well DFID copes with this challenge, both in our thematic and country-focused inquiries and in our regular assessment of the Department's Annual Reports.

Recommendations

1. We very much welcome the increase in DFID's budget over the Comprehensive Spending Review period 2008–11 as a significant step towards the target of 0.7% of Gross National Income being allocated to development assistance by 2013. However, we intend to monitor closely the extent to which this increase in Official Development Assistance is accounted for by real terms increases in DFID's budget and how much comes from non-DFID ODA streams, particularly debt relief. (Paragraph 7)
2. We welcome DFID's increased research budget but are disappointed that the Department has not been able to give us specific examples of its research directly influencing policy decisions. International development is a rapidly changing field where there will always be competing priorities for funding. It is vital for DFID's effectiveness that it bases its funding decisions on evidence rather than simply responding to the latest trend. We hope that the new Research Strategy which is currently being drawn up will focus on providing an empirical base for the whole of DFID's work. (Paragraph 10)
3. The merits of establishing a process for sharpening DFID's focus on results are clear. But when we questioned DFID about this issue, the form the process would take remained rather vague. We look forward to seeing the fully worked up Results Action Plan and expect it to represent a real step forward in DFID's ability to assess its own effectiveness. (Paragraph 11)
4. We welcome the establishment of the Independent Advisory Committee on Development Impact. We plan to invite its Chair to give formal evidence at an early stage to enable us to understand more about how it will operate and what the focus of its work will be in its first year. (Paragraph 13)
5. It is apparent from the example of funding allocated for children affected by AIDS that DFID cannot always effectively track its expenditure nor provide a guarantee that it has reached its intended recipients. We understand the problems presented when funding is channelled through multilateral agencies but it is unacceptable that DFID cannot demonstrate that dedicated funding targeted at a particular vulnerable group has benefited those for whom it has been allocated. We expect DFID to report back to us, in response to this report, on how it has changed the mechanisms it uses to track project expenditure to ensure funding reaches the intended beneficiaries. (Paragraph 15)
6. We welcome the new Delivery Agreement for Public Service Agreement 29 which makes the assessment of DFID's performance more meaningful by seeking to identify more accurately DFID's contribution to progress towards aspects of the Millennium Development Goals. We intend to monitor this over the course of the Comprehensive Spending Review period and to examine how the new Delivery Agreement feeds through into future Annual Reports and Autumn Performance Reports. We also intend to examine the rationale of and performance against the indicators underlying DFID's Departmental Strategic Objectives. (Paragraph 21)

7. We support DFID's underlying aim of focusing resources on the poorest people. We accept that urbanisation is a factor which DFID needs to consider in allocating resources but 75% of those living in poverty are in rural areas and this figure is higher in the poorest countries. We are concerned that funding agricultural development has "gone out of fashion" and that DFID has moved its focus to other sectors. We believe that improving the economic return on agriculture remains intrinsic to reducing rural poverty levels, which in turn is necessary to meet the Millennium Development Goal of tackling overall poverty levels. DFID needs to recognise this in its funding allocations, in the priorities it sets in its Country Assistance Programmes and in the agreements it reaches with recipients of budget support for priorities in allocating those funds. (Paragraph 28)
8. We are encouraged to see from DFID's consultation on its Research Strategy 2008–13 that one of its four priority areas will be sustainable agriculture, especially in Africa. We hope this signals a reprioritising of agricultural research which has the demonstrated potential to bring tangible benefits to poor farmers in developing countries. (Paragraph 31)
9. We accept that DFID cannot be exempt from efficiency targets set for the whole of Government. The Department has made good progress in reducing administrative costs, albeit predominantly in the less tangible form of non-cashable rather than cashable savings. We are concerned, however, that the need to reduce headcount and to make administrative efficiencies, and under the Comprehensive Spending Review settlement to meet a significantly higher cash-releasing efficiency target, will act as a constraint on DFID working in the parts of the world where its assistance is most needed: the poorest countries, often fragile states, which have so far failed to benefit from the vast volumes of international aid. DFID therefore needs to make some very difficult choices about withdrawing from some countries, or some sectors, so that it can focus development assistance where it will have the greatest effect on poverty reduction. We look forward to contributing to this decision-making process as part of our future work. (Paragraph 40)
10. We believe that the funding mechanism offered by the Afghanistan Reconstruction Trust Fund is an interesting development, particularly as DFID is increasingly likely to be operating in fragile states of this kind. We will be exploring this in more detail in our inquiry into DFID's programme in Afghanistan. (Paragraph 43)
11. We do not doubt DFID's commitment to gender equality but translating this from policy to practical implementation at every level is a complex task. We are not convinced that DFID yet has the measures in place to achieve this but, as the Secretary of State has acknowledged, the Millennium Development Goals cannot be achieved without progress on gender equality. We expect DFID to provide us with more information on the practical steps it is taking to "up its game" in promoting gender equality across its programmes in response to this report. (Paragraph 49)
12. Although DFID has shown welcome leadership in seeking to assist developing countries to deal with climate change, this has not yet resulted in changes at country office level, where the necessary assistance with adaptation and mitigation can be given. The Environmental Transformation Fund is a welcome and useful means of

tackling climate change but we are concerned that DFID is relying too heavily on operating through multilateral bodies in implementing its climate change policy, which risks climate change being obscured by the different priorities of other aid agencies. We believe that DFID should demonstrate its commitment to tackling climate change by seeking to ensure as a matter of priority that its country office staff are properly supported and resourced to implement this crucial area of policy. (Paragraph 54)

13. We agree that assistance to developing countries to adopt mitigation and adaptation strategies to deal with climate change needs to be given sooner rather than later. We therefore recommend that research funding allocated to climate change under the new Research Strategy is set at a level which reflects its urgency as a development issue. (Paragraph 58)
14. DFID has clearly demonstrated in the publication of its 2006 White Paper the importance it attaches to effective governance as a means of tackling poverty. We agree that without proper governance and accountability in developing countries little real progress will be made towards the Millennium Development Goals. The Governance and Transparency Fund offers an opportunity to advance effective governance through small-scale projects in a number of developing countries. This requires projects to be selected against clear and specific criteria which reflect DFID's objectives. We request that DFID supplies further information on the allocations made from the Fund after funding decisions begin to be made in December 2007 (Paragraph 62)
15. We believe that DFID should lead by example in working with national parliaments in recipient countries to strengthen parliamentary scrutiny and to promote accountability and transparency in the way DFID funding is allocated and used. We welcome the steps already taken in this area and recommend that DFID country offices actively seek opportunities to contribute to public scrutiny by offering briefings and specific and detailed information to parliamentarians and others in recipient countries. (Paragraph 64)
16. We disagree with DFID's view that the impact of individual programmes of parliamentary strengthening is limited. Effective accountability and scrutiny and proper transparency of course require contributions from a number of different elements of society but parliaments and parliamentarians are uniquely placed to provide leadership in this area and amongst the various stakeholders in developing countries they are most likely to have the mechanisms and resources available to perform a scrutiny role at the highest levels. We believe that this should be reflected in DFID making an increased level of funding available for parliamentary strengthening. (Paragraph 66)
17. We have observed in Ethiopia the potential benefits to transparency and civil society capacity-building that DFID can bring by incorporating accountability to local people into its funding arrangements. We recommend that DFID continues to promote good governance by ensuring that, as part of funding agreements it makes with recipient countries, information is provided to local people on how much the

government is spending in their area on essential services such as health, education, and water and sanitation. (Paragraph 69)

18. We welcome the new information contained in the Annual Report on policy coherence for development but believe it could be further enhanced. We appreciate that the Annual Report is already a substantial volume and that adding more detail could result in an unwieldy and less helpful document. But we believe that to be meaningful, the information provided on policy coherence needs to have much more emphasis on the effects of policies beyond aid. It also needs to be more country specific and to reflect the proper participation of developing countries in assessing the effects on them of UK policies. (Paragraph 73)

Formal minutes

Tuesday 13 November 2007

Members present:

Malcolm Bruce, in the Chair

John Battle
Hugh Bayley
John Bercow
Richard Burden

Mr Stephen Crabb
James Duddridge
Ann McKechin
Sir Robert Smith

The Committee considered this matter.

Draft Report (Department for International Development Annual Report 2007), proposed by the Chairman, brought up and read.

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

Paragraphs 1 to 75 read and agreed to.

Summary agreed to.

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

Ordered, That the Chairman make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 10 July 2007.

[Adjourned till Thursday 15 November at 10.00 am

Witnesses

Tuesday 17 July 2007 (HC 936-i, Session 2006-07)

Page

Sir Suma Chakrabarti, Permanent Secretary, **Mr Mark Lowcock**, Director General, Policy and International, **Ms Nemat (Minouche) Shafik**, Director General, Country Programmes, and **Ms Sue Owen**, Director General, Corporate Performance, Department for International Development

Ev 1

List of written evidence

Department for International Development (DFID)	Ev 19; Ev 29; Ev 33; Ev 57; Ev 62; Ev 65; Ev 68
ActionAid	Ev 69
Harvesthelp, Farm Africa and Send a Cow	Ev 71
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Dr Alan Hudson	Ev 82
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Leonard Cheshire International	Ev 89
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Hans Peter Ulrich, Civio Public Policy Consulting	Ev 112
WWF-UK	Ev 115
Voice of Dalit International (VODI)	Ev 124
Welcome Trust	Ev 126
UK Consortium on AIDS and International Development Working Group on Orphans and Vulnerable Children	Ev 127

List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2006–07

First Report	DFID Departmental Report 2006	HC 71 (HC 328)
Second Report	HIV/AIDS: Marginalised groups and emerging epidemics	HC 46-I & II (HC 329)
Third Report	Work of the Committee in 2005–06	HC 228
Fourth Report	Development Assistance and the Occupied Palestinian Territories	HC 114-I & II (HC 430)
Fifth Report	EU Development and Trade Policies: An update	HC 271 (HC 622)
Sixth Report	Sanitation and Water	HC 126-I & II (HC 854)
Seventh report	Fair Trade and Development	HC 356-I & II (HC 1047)
Eighth report	Department for International Development's Programme in Vietnam	HC 732 (1062)
Ninth report	Prospects for sustainable peace in Uganda	HC 853 (HC1063)
Tenth report	DFID Assistance to Burmese Internally Displaced People and Refugees on the Thai-Burma Border	HC 645-I & II (HC 1070)

Session 2005–06

First Report	Delivering the Goods: HIV/AIDS and the Provision of Anti-Retrovirals	HC 708-I&II (HC 922)
Second Report	Darfur: The killing continues	HC 657 (HC 1017)
Third Report	The WTO Hong Kong Ministerial and the Doha Development Agenda	HC 730-I&II (HC 1425)
Fourth Report	Private Sector Development	HC 921-I&II (HC 1629)
Fifth Report	Strategic Export Controls: Annual Report for 2004, Quarterly Reports for 2005, Licensing Policy and Parliamentary Scrutiny	HC 873 (Cm 6954)
Sixth Report	Conflict and Development: Peacebuilding and post-conflict reconstruction	HC 923 (HC 172)
Seventh Report	Humanitarian response to natural disasters	HC 1188 (HC 229)