

# THE UK'S CONTRIBUTION TO ACHIEVING THE MILLENNIUM DEVELOPMENT GOALS



## ABOUT THIS REPORT

This report has been produced as part of the EU's preparation for the review of the Millennium Declaration due to take place in 2005. The report shows how the UK has contributed towards achieving the Millennium Development Goals (MDGs) and identifies priorities for the international community over the next 10 years leading up to 2015, the target date for achievement of many of the MDGs.

### Chapters 1-6

**Chapter 1** explains what the MDGs are and sets this UK report in its European Context.

**Chapter 2** outlines UK development policy and how various UK government departments work together on the development agenda. It also discusses issues of aid effectiveness.

**Chapter 3** summarises the UK government's contributions towards achieving MDGs 1-7 in developing countries and the challenges that remain.

**Chapter 4** focuses on progress towards the parts of MDGs 7 and 8 where the onus is on developed countries. This considers UK progress towards environmental sustainability under MDG 7 and issues of aid, trade and debt under MDG 8.

**Chapter 5** lists priority actions if the MDGs are to be met.

**Chapter 6** draws final conclusions.

### Annexes 1-3

**Annex 1** sets out the Millennium Development Goals, including targets and indicators.

**Annex 2** summarises DFID's 2003-2006 and 2005-2008 Public Service Agreement, highlighting targets shared with other government departments.

**Annex 3** contains a glossary of development terms and abbreviations used in the report.



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# FOREWORD

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The Millennium Development Goals (MDGs) were agreed at the United Nations Millennium Summit of September 2000. The aim was to set specific targets for reducing poverty and improving the lives of the poorest people in the world. For this reason, the Goals are at the heart of the work of the UK's Department for International Development and of the wider UK government. This report sets out what we are doing to contribute towards their achievement.

For the first time, the UK is also reporting on our progress towards the 8th Millennium Development Goal, which asks developed countries to make progress on things like aid volumes, trade barriers and debt relief. Accountability for this is important, and we are committed to reporting on it in the future.

Much remains to be done if the MDGs are to be achieved by the 2015 target date. The world is not making enough progress, and this report highlights the areas where we believe action must be taken over the next 10 years if we are going to help many of our fellow human beings to change their lives for the better.

We cannot afford to miss this chance.



Hilary Benn  
Secretary of State for International Development

# CHAPTER 1

## INTRODUCTION

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1.1 The Millennium Development Goals (MDGs) represent a shared vision to rid the world of poverty. At a time when many have abundant wealth, there are still over 800 million people in the world without enough food to eat and **over 1 billion without access to safe water**. Around 7 million children are dying every year before they reach their fifth birthdays, largely from avoidable diseases and over 850 million adults are unable to read or write. At the same time, the resources necessary to support human development are under pressure and some are being rapidly degraded.

1.2 **The Millennium Declaration, adopted by 189 nations in September 2000, recognised that the responsibility for addressing this falls to both developed and developing countries. It agreed a set of eight mutually reinforcing goals as the focus for the global development agenda, with 18 associated targets and 48 indicators against which to measure progress. Although the MDGs were agreed in 2000, in 2004 we are actually just over half way through the period in which the majority are to be achieved – since in general the targets seek progress by 2015, based on a 1990 baseline. A full list of the goals, targets and indicators is provided at Annex 1.**

### Box 1: The Millennium Development Goals

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

1.3 Each year since the Millennium Declaration the UN has produced a report outlining global progress against the MDG indicators. Many developing countries have also produced reports looking at their own progress towards the MDGs.

1.4 In 2005 there will be an international stock-take of progress and assessment of the further actions needed if the MDGs are to be achieved. In preparation for this 'Millennium Declaration Review Summit', EU member states are producing a report setting out European contributions towards achievement of the MDGs. Member states' own individual reports will feed into this synthesis.

1.5 The UK Government is working to accelerate progress towards the MDGs through:

- Substantially increasing the overseas development assistance budget and calling for an immediate increase in resources through the International Finance Facility
- activity at country level;
- influencing multilateral agencies;
- support to the EC; and
- partnerships with other bilateral donors.

## CHAPTER 2

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# DEVELOPMENT POLICY AND MEANS FOR ACHIEVING THE MDGS

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### OVERALL DEVELOPMENT POLICY

2.1 The UK Government is committed to the reduction of poverty worldwide through international partnership. Our development policy is focused around efforts to accelerate progress towards achievement of the MDGs. Increasing the volume and effectiveness of aid is a key part of this strategy.

2.2 The Department for International Development (DFID) is the UK Government department with prime responsibility for overseas development and therefore delivering on the MDGs. However, it is not an exclusive role, and DFID works jointly with a number of other UK Government departments, including those with responsibility for:

- the economy – Her Majesty's Treasury (HMT);
- foreign affairs and diplomacy – the Foreign and Commonwealth Office (FCO);
- defence, conflict prevention and post-conflict reconstruction – the Ministry of Defence (MOD);
- the promotion of international trade, enterprise and innovation – Department of Trade and Industry (DTI);
- the pursuit of sustainable development – the Department for Environment, Food and Rural Affairs (DEFRA).

2.3 The UK strives for policy coherence across government as a whole, and achievement of the MDGs and sustainable development are considered in the policy decisions of many Departments. The UK is also actively engaged with the wider international community of bilateral and multilateral donors and believes that partnership working will maximise its contribution to the achievement of the MDGs.

### Development policy framework

2.4 Much of UK policy, including development, is shaped by what happens in Europe. The European Commission's (EC) overarching objective for development assistance is consistent with the UK's: the reduction and elimination of poverty. The European Union (EU) also has a growing mandate in areas related to development including trade, environment, migration and Common Foreign Security Policy.

2.5 Within the UK, policy on development is set out in a series of White Papers and through the International Development Act. In 1997, the new Government's first White Paper on international development, *Eliminating World Poverty: A Challenge for the 21st Century*, committed the UK Government to contributing towards the achievement of the International Development Targets by 2015. This was followed by a second White Paper in 2000, *Making Globalisation Work for the Poor*, which reaffirmed the UK's commitment and also set out new challenges and opportunities for those working to reduce global poverty.

2.6 The International Development Act, which came into force in June 2002, established the legal basis for UK development assistance. The Secretary of State for International Development has to be satisfied that the assistance provided under the Act contributes to poverty reduction and promotes sustainable development. Under the restrictions of the Act, aid cannot be 'tied' to the purchase of British goods or services. This gives partner countries a better deal, allowing them to spend development funds on the most competitive goods and services and thus it also makes our aid more effective.

2.7 In July 2004 the UK Government published a Trade and Investment White Paper *Making Globalisation a force for good*, setting out how trade reform, particularly in the current Doha Development Agenda negotiations of the World Trade Organisation (WTO), can further development.

2.8 The UK is currently revising its national Sustainable Development Strategy, to be published in 2005. This will set increasingly stretching UK targets and strengthen the alignment of domestic and international activities around sustainable development, building on the MDGs and other international agreements, such as commitments made at the World Summit on Sustainable Development in Johannesburg in 2002.

2.9 The UK is an influential voice in the international arena – for example within the G7 and on the Boards of the IMF and World Bank. We spend a substantial amount of our development assistance through multilateral agencies such as the EC, UN agencies and international financial institutions. There are a number of areas, such as aid financing and policy coherence, where we are particularly keen to work within the EU to promote improvements.

## Implementing development policy

2.10 Each UK Government department has a Public Service Agreement (PSA), which sets out the targets against which the Department's performance is assessed. DFID's PSA is focused on achievement of the MDGs and several of the targets are shared with other UK Government departments, reflecting areas of joint work, such as trade, debt relief, conflict prevention and post-conflict reconstruction and sustainable development. The current PSA covers the Spending Review period from 2003-2006 and a new PSA for the period 2005-2008 has just been produced. Summaries of both can be found at Annex 2.

2.11 The PSA objectives set out clear measurable targets that drive delivery. We report to the UK Parliament on progress towards these targets twice a year. The PSA maps directly onto DFID's organisational structure and assigns clear areas of personal responsibility for performance at all levels of the organisation.

2.12 Each of the targets is owned by one of DFID's eight directors who are individually responsible for delivery through their Directors' Delivery Plans (DDP). These are rolling plans that set out how the resources allocated by the Secretary of State and the Management Board will be used to deliver on the PSA targets. They include indicators of success and an analysis of the risks that may affect progress.

2.13 The Directors' Delivery Plans are implemented through Country Assistance Plans (CAP), Institutional Strategies (IS) and department plans. CAPs guide DFID's work at country level. They set out strategies for country based programmes. ISs cover DFID's objectives for, and joint areas of work with, multilateral organisations. Our focus on the MDGs directs our work at every level.

## DFID's Planning and Performance Framework



## Making progress towards the MDGs at country level

2.14 DFID recognises that national stakeholders are best placed to determine their own strategies and priorities for achieving and sustaining the MDGs. Poverty Reduction Strategy Papers (PRSP) and national poverty plans provide the operational framework for making progress towards the MDGs at country level. Priorities for poverty reduction are identified, agreed and monitored through participatory processes. There is a strong focus on strengthening accountability for results and recognition that poverty reduction is a long-term process. PRSPs and national plans include targets focused on achieving the MDGs in areas such as health, education, HIV and AIDS and water. The UK is committed to supporting and strengthening country-led approaches to poverty reduction. In practice this means:

- working with other development partners to ensure development assistance reflects country owned priorities;
- supporting development of country systems to ensure ambitious poverty reduction targets can be realised;
- using government systems to deliver development assistance;
- harmonising donor support to reduce the high transaction costs of aid; and
- assessing progress on the basis of targets and indicators agreed at country level.

## MAKING AID EFFECTIVE

2.15 Achieving the MDGs requires concerted efforts by developed and developing country governments. The Financing for Development meeting in Monterrey in 2002 saw widespread agreement for the view that aid plays an essential role in providing finance for development. This is particularly the case in countries with the least capacity to attract private investment funds. At the present time, global development assistance is declining, and the proportion of aid going to the poorest countries is also being reduced. The UK is committed to reversing this trend and allocating more funds to development, with at least 90% of resources being focused on the poorest countries.

### The case for increasing aid volumes and for the IFF

2.16 It is estimated that an additional \$50 billion a year is needed in global aid if the MDGs are to be met, approximately a doubling of aid from current levels<sup>1</sup>.

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<sup>1</sup> United Nations, "Report of the High Level Panel on Financing for Development" ("Zedillo Report"), 2001; Unleashing Entrepreneurship: Making Business Work for the poor: Commission on the private sector and development: Report to the Secretary-General of the United Nations.

2.17 Some have argued that developing countries would not be able to absorb these increased aid levels. The UK does not agree. Aid is currently well below the levels of a decade ago and a \$23 billion increase would be needed to provide the same amount of aid per person in recipient countries as in 1990. Although there is evidence that the benefits of aid eventually reduce once aid reaches 25-50% of gross domestic product (GDP), most countries currently have aid receipts substantially below this level. Also, some countries have achieved high economic growth rates and dramatic reductions in poverty with very high levels of aid. In Mozambique, for example, aid reached 40% of GDP while economic growth averaged 7-8% per year.

2.18 Since 1970 the UN has had a target that developed countries should provide 0.7% of their gross national income (GNI) as official development assistance (ODA). The EU has a lower, but time-bound target. This states that the EU ODA average should reach 0.39% GNI by 2006, with each member state reaching a minimum of 0.33%. The UK believes that a more ambitious EU target should be set and is committed to achieving the UN target. Our own aid flows have increased steadily over recent years, with the latest spending review covering the period 2005/06 to 2007/08 putting us on a trajectory that if continued, would mean that total ODA would reach the UN target of 0.7% by 2013.

2.19 The UK is also encouraging other donors to increase their aid more immediately. However, we understand that some donors have fiscal constraints which will not allow them to increase aid quickly enough in the short to medium term. For this reason, the UK has proposed an International Finance Facility (IFF) – a temporary financing mechanism which would provide an additional \$50 billion per year in development assistance between now and 2015. It would do this by frontloading the commitments donors made at Monterrey in 2002. Donor governments would make long-term commitments to pay a certain amount each year to the IFF; on the basis of these commitments, the IFF would raise immediate resources by issuing bonds on the international capital markets. The IFF would be in existence for around 10 years, with repayments on its borrowing stretching over around 30 years. The IFF would be a means of providing much-needed aid to developing countries before 2015; it could also lead to a step-change in aid effectiveness. By locking in donors' commitments, it would provide recipient countries with predictable, stable and coordinated aid flows.

### Building good relationships for effective aid

2.20 The UK believes that a good working relationship between donor and developing country is central to aid effectiveness.

2.21 Many evaluations and academic studies of recent years – for example, evaluations of the Poverty Reduction Strategy (PRS) process, or terms and conditions attached to aid – conditionality – have stressed the importance of country ownership

of the development process. Countries which have made a success of development over the last 40 years – such as South Korea, China and, recently, Uganda – have all benefited from strong leadership in favour of poor people. Donors therefore need to allow developing countries themselves to take the lead.

## Harmonisation and alignment

**2.22** Alignment means ensuring a fit between donor policies, procedures and practices, and developing country strategies, institutions and processes. Harmonisation refers to donors working together to agree common strategies, procedures and practices.

**2.23** Without harmonisation, managing individual donor projects and dealing with different procedures imposed by donors can be very time-consuming for developing countries. This undermines a developing country's ability to lead the development process and means that scarce resources are used in the administration of aid rather than on MDG priorities.

**2.24** Harmonisation of donor activities is easiest to achieve where donors can align behind a national development strategy. Wherever possible the UK believes that donors should be accelerating process on alignment. However the focus on harmonisation and alignment will vary according to country context, depending on their capacity and political commitment to poverty reduction.

**2.25** The UK has been at the forefront of advocating harmonisation and alignment by testing out new approaches and working collectively with others such as the Nordic+ group to change international ways of working. The UK chaired the Task Force on Donor Practices of the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD-DAC), which produced six good practice papers that now form the internationally agreed basis for donor harmonisation. The UK actively participates in the DAC Task Team on harmonisation and Alignment and the ad hoc EU Working Group on Harmonisation and chairs the Environment Network which is a forum for harmonisation on poverty and environment. The UK is also working in the context of the DAC on harmonisation in difficult environments.

**2.26** At the country level, the UK has reduced the number of its projects and focuses increasingly on sector based approaches and Poverty Reduction Budget Support (PRBS). We work to ensure our Country Assistance Plans are based on national Poverty Reduction Strategies (PRSs) or equivalent country-led strategies. We are currently examining the possibility of carrying out Joint Assistance Strategies with other key donors in a number of African countries. In many counties we continue to provide support to sectors, for example to education in Uganda, as part of country-led sector development programmes. The UK increasingly offers PRBS which explicitly

links the provision of financial aid to the partner government's commitment to poverty reduction ensuring aid is fully aligned with national priorities. In a number of countries, Tanzania, Mozambique and Uganda, this is our principal form of development assistance.

**2.27** Despite recognition of the importance of harmonisation, progress with implementation has been gradual. Donors have not yet substantially reduced the numbers of projects, multiple strategies, missions and complex procedures. The high transaction costs of aid continue to limit the overall impact of development assistance. Analysis of the 14 country DAC Survey on Harmonisation and Alignment will be completed in 2004. DFID facilitated this process in Vietnam, Ethiopia and Mozambique and it should provide further information on progress and areas for improvement. The recent IMF and World Bank evaluations of PRSs highlighted slow progress on harmonisation and alignment. DFID is reviewing the implications of this with the Bank and the Fund. The UK is encouraging a strong focus on harmonisation and alignment as part of the 2005 PRS Progress Review and negotiations for the next (fourteenth) round of World Bank loans through the International Development Association (IDA 14). DFID is leading work on incentives for harmonisation within the DAC and is planning to develop a medium term Action Plan which identifies how the UK will make faster progress on harmonisation and alignment.

**2.28** The aim of our internal and international work on harmonisation and alignment is to identify action that DFID and others can take to move this agenda forward. This will improve the efficiency and effectiveness of UK and other donors' aid thereby improving our impact on poverty reduction. We are working towards firm agreements at the DAC High Level Meeting on Harmonisation scheduled for March 2005.

### Aid instruments

**2.29** The relationship between a donor and developing country may be supported by a number of different aid instruments, including projects, Technical Assistance, PRBS and Global Funds. The UK believes that, when circumstances are appropriate, PRBS is the aid instrument most likely to support a relationship between donor and developing country partners which will help to build the accountability and capability of the state.

**2.30** Channelling aid through budget support is likely to contribute to a better relationship between donor and developing country, which in turn should accelerate progress towards the MDGs. A switch to budget support increases the proportion of external funds that are subject to the national budget process. This should ensure that aid is more aligned with national goals, strategies and systems, thereby leading to greater ownership of the development process. Existing experiences with budget support demonstrate other benefits including improved policy dialogue, increased donor harmonisation, lower transaction costs, improvements in service delivery and improved democratic accountability. The UK has provided an increasing share of its

resources through budget support and has encouraged other donors to do likewise. DFID's PRBS has averaged £250 million per year (15% of bilateral expenditure) over the last 3 years in 20 countries. PRBS is planned to increase significantly (to around 25% of bilateral aid) by 2005/06.

2.31 It is worth noting that experience of PRBS is still at an early stage and the UK will continue to assess its effectiveness in comparison with other aid instruments.

### Aid conditionality

2.32 Our understanding of what makes aid effective is changing. Evidence and experience have challenged traditional approaches to 'conditionality', where each donor frequently attached conditions to its aid in order to promote particular policies in the partner country.

2.33 In October 2004 the UK Government launched a consultation paper on the issue of conditionality 'Partnerships for poverty reduction: changing aid conditionality'. This paper sets out a new approach to building a successful partnership for poverty reduction. We believe that developing countries must have room to determine their own policies for meeting the Millennium Development Goals (MDGs), and can use aid most effectively if they can predictably rely on it as part of their long-term budget plans.

2.34 The consultation paper seeks to clarify the UK's position on the use of conditions:

- Aid terms and conditions must not 'buy' reform. The terms and conditions of aid will be strongly linked to benchmarks, which both partners agree are critical for tracking progress on poverty reduction.
- A major purpose of setting terms and conditions will be to demonstrate to UK citizens and parliament that overseas aid is well spent.
- In sensitive policy areas such as privatisation, the UK will only use conditions to back reforms where partner governments have been able to debate the full range of policy options, and have made their own decision informed by clear evidence of the benefits to poor people. The UK strongly supports the use of poverty and social impact analysis (PSIA) for such purposes.
- The UK will continue to attach 'process conditions' to improve the quality and effectiveness of aid. For example, we will use conditions that strengthen participation by poor people in decision-making.
- The UK will seek to make aid more predictable by being clear about the basis on which funds might be reduced or stopped.
- The UK will work with other donors to improve harmonisation and limit the burden of 'conditionality'.

2.35 Comments on the draft policy paper are currently being sought and in early 2005 new guidelines will be produced to help put the new approach into practice. Further work will consider the appropriate use of conditionality in 'fragile states' and will also explore the potential to link aid to outcomes rather than a partner government's policies.

2.36 Following a call by the UK Secretary of State for Development, the World Bank has agreed to review its own policy and practice on conditionality and will report back next year. The UK will continue to press the World Bank, IMF and other bilateral donors to monitor and streamline the conditions they attach to aid.

### Predictability

2.37 A recent study<sup>2</sup> found that as a percentage of GDP, aid is four times more volatile than domestic revenues. The UK believes that it is therefore vital to improve aid predictability.

2.38 Ways of improving aid predictability include making long-term funding commitments and making transparent the circumstances under which aid might be withdrawn and how this would happen. When aid is withdrawn, particularly when it is directly supporting the government budget, it should be done through reducing future commitments rather than suspending disbursements within the budget year.

2.39 Predictability of aid flows has been identified as a priority area and the UK is a strong contributor to work on this area in the OECD-DAC.

### Aid untying

2.40 There is a strong case to suggest that untied aid is more effective than tied aid, and leads to better relationships with developing countries. Research<sup>3</sup> indicates that untying aid lowers the cost of many goods and services by 15-30%. Untied aid leads to goods and services that focus on developing countries' own priorities and specifications. It also leads to new opportunities for the private sectors of developing countries – companies from South Africa, India and Uganda are just a few of those which won UK government contracts last year. Finally, untied aid decreases administrative burdens on both donors and developing countries.

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2 Bulir and Hamann, "How volatile and unpredictable are aid flows, and what are the policy implications?", IMF Working Paper WP/01/167, 2001.

3 cited on OECD website in July 2001 Policy Brief entitled "Untying aid to the least developed countries".

## MAKING POLICY COHERENT

2.41 The UK recognises that progress towards the MDGs will be affected by many UK Government policies, not just those focused on development. Policies on trade, farming, investment and migration – including those we support within the EU may have more of an influence on achievement of the MDGs than policies directly addressing issues of aid. Close collaboration between Government departments is important to ensure that policies do not have a negative impact on UK development efforts, and to seek opportunities for reinforcing efforts to achieve the MDGs. There are many examples of policy coherence, some key examples are highlighted below.

### Trade

2.42 Trade policy makes a significant contribution to economic growth and subsequent poverty reduction in poor countries. Reducing barriers to trade is therefore vital, but it is important that trade and development policies are complementary. Consequently the UK recognises the importance of developing countries being able to design and sequence trade policy and reform within their own PRS processes.

2.43 UK Government departments work together closely to ensure wider considerations, such as environmental and social impacts, are taken into account when developing trade policy. For example, DFID, DEFRA, the FCO and DTI work together to combat illegal logging. This aims to ensure that UK consumers are not unwittingly undermining efforts to improve natural resource management in developing countries, while allowing developing country governments to obtain legitimate revenue from their resources.

2.44 The UK is also working to develop further the EU's Agriculture, Trade and Development Network of member states, and has strongly endorsed a more joined-up approach to EU policies relating to development, trade, agriculture and the environment. DFID, DEFRA, DTI, FCO and HMT work together closely to develop an appropriate and effective policy position on the reduction of trade barriers and to understand and address the implications.

2.45 DFID is working with the UK Food Standards Agency and with DEFRA on food safety and animal health respectively, to explore how policies in these areas can take account of their development impacts.

### Reducing and preventing unsustainable debt burdens

2.46 In many of the world's poorest countries the burden of servicing long-standing debt reduces the resources available for tackling poverty and outweighs the benefits of aid. The UK's policy to cancel 100% of all bilateral debt to HIPC countries when

they qualify for the HIPC initiative and to hold in trust any payments received by HIPC countries that have not yet qualified is an example of very positive coherence with our development objectives. The UK's commitment to debt relief has brought our debt policy fully in line with the development agenda. With close collaboration between DFID and the Treasury, the UK has been at the forefront of international efforts to deliver the maximum debt reduction to the poorest countries through the HIPC initiative. The UK has also led the way on 100% multilateral debt relief by announcing that we will provide our share of the debt service to the World Bank and African Development Bank on behalf of eligible low-income countries, and calling for further debt relief from the IMF to be funded through better use of IMF gold resources.

2.47 There has also been important work on UK policy relating to insurance and guarantees for UK private sector activity in developing countries. DFID works closely with the Treasury and the Export Credits Guarantee Department (ECGD) on the UK's 'Productive Expenditure' policy. ECGD will now only provide guarantees or insurance for exports and investments in certain eligible poor countries on the condition that they assist in the social and economic development of that country. This policy will help to prevent inappropriate exports or investments that do not fund productive expenditure in developing countries, and so help to directly promote development and ensure that countries do not develop new unsustainable debt burdens.

### Extractive Industries Transparency Initiative

2.48 Revenues from oil, gas and mining companies, in the form of taxes, royalties, signature bonuses and other payments are an important engine for economic growth in developing countries. However, lack of accountability and transparency in these revenues can lead to corruption, conflict and poverty.

2.49 The Extractive Industries Transparency Initiative (EITI), launched by the UK's Prime Minister at the 2002 World Summit on Sustainable Development, aims to provide transparency over payments by companies to governments and government-linked bodies, as well as over the revenues of host country governments. DFID, HMT, FCO, DEFRA, DTI and the Cabinet Office collaborated on the development of the EITI, which ensures that the activities of UK companies working in these sectors in poor countries contribute to development objectives, rather than undermining them. Benefits for implementing countries include an improved investment climate, strengthened accountability and good governance, as well as greater economic and political stability.

2.50 The UK aims to pursue the internationalisation of EITI, transforming it from a UK initiative into standard international best practice for the extractives sector. An EITI multi-stakeholder summit will be held in London in 2005, and the UK will work to ensure that lessons from EITI feed into other work streams, including the Commission for Africa, security and development, and work on failing states.

## Human resources

2.51 The migration of skilled workers from developing to developed countries may have implications for the economic growth and stability of the developing countries affected. However, there are also gains in the transfer of knowledge and expertise back to developing countries when migrants return to their country of origin. The UK Government is seeking to raise awareness of the negative impacts of a 'brain drain' from developing countries.

2.52 Health is one area where the UK, along with other developed countries faces a serious long-term shortage of key workers. Recruiting staff from developing countries has been seen as a potential solution to this domestic problem. The UK has an international health worker recruitment code which promotes best practice in international recruitment and discourages practices that could harm other countries' health care systems. This was updated in 2003 and is currently being further revised. It states that there should be no active recruitment of healthcare personnel, including crucial skilled midwives and obstetricians, from developing countries except with the agreement of the government concerned. The UK is working with the international community to strengthen professions such as midwifery and obstetrics in developing countries and chairs the Commonwealth Health Ministers Steering Committee for Nursing and Midwifery, which co-ordinates workshops, exchanges and short-term placements.

## Access to medicines and intellectual property

2.53 The World Health Organisation (WHO) estimates that around one third of the world's population lacks regular access to medicines and that addressing this could save up to 10 million lives a year. Access to medicines is critical to the achievement of health related MDGs. Developed country policies on research priorities and patenting of pharmaceuticals can affect the affordability of medicines in the developing world, the development of new medicines relevant to developing countries, and actions within developing countries to build effective health services.

2.54 In 2002 the high level UK Working Group on Increasing Access to Essential Medicines in the Developing World reported. It emphasised the importance of differential pricing of medicines in developing countries and the need for increased research and development into diseases disproportionately affecting developing countries. Nine UK Government departments have collaborated to take forward the Group's recommendations. This has resulted in the introduction of tax relief for vaccines research, and financial support for public private partnerships working on diseases affecting developing countries.

2.55 The nine Departments jointly published *Increasing Access to Essential Medicines in the Developing World: UK Government policy and plans* in June 2004, and a framework for good practice for the pharmaceutical industry will be published in November 2004. The UK will also continue to support developing countries' understanding and use of the flexibilities within WTO rules governing intellectual property.

### Anti-corruption activity

2.56 Corruption impedes economic development, increases inequalities, corrodes accountability, endangers public safety, damages prospects for future generations and fuels conflict and instability.

2.57 UK agencies have collaborated to help developing countries create national systems aimed at stamping out corruption. This has included implementing the recommendations of the Financial Action Task Force on Anti Money Laundering. The UK has also helped build capacity for implementation and advocacy in the public, private and NGO sectors of developing countries, and has promoted international conventions and standards covering anti-corruption, anti-bribery, anti-money laundering, corporate social responsibility, and financial and auditing standards. In 2002 the UK passed a law that allows the prosecution of UK businesses that bribe public officials in other countries, and UK Government departments are collaborating for the effective implementation of this law.

### Conflict

2.58 Violent conflict disrupts lives and livelihoods, destroys societies and economies, and reduces people's access to basic services. It tends to undermine or destroy the physical, socio-economic and institutional infrastructure required for successful longer-term development. A reduction in the incidence, duration and destructiveness of armed conflict is therefore an essential precondition for achieving the MDGs.

2.59 The UK Government's Africa and Global Conflict Prevention Pools bring together the expertise and resources of DFID, the FCO and MOD, to improve the UK's conflict prevention policy and effectiveness through joint analysis, long-term strategies, and improved coordination with international partners. The UK's tripartite Security Sector Reform strategy has brought together the security and development aspects of conflict prevention. Closer working between Departments has led to development planning occurring earlier in peace processes and should generate better policy in relation to new challenges such as Afghanistan, post-war Iraq, and the former Soviet states.

2.60 The Pool mechanism has also allowed the UK to respond rapidly and effectively in support of African Peacekeeping and Monitoring missions; most recently the UK provided early support to African Union military observers in Darfur, Western Sudan.

### Arms export policy

2.61 Irresponsible arms transfers can impact negatively on a country's prosperity, by diverting resources from social expenditure and fuelling conflict, which exacerbates poverty and hampers development activities.

2.62 The UK enforces very strict controls of defence equipment exports. All applications for arms export licences are assessed against the Consolidated EU and National Arms Export Licensing Criteria, which include assessment of human rights, internal and regional stability, and sustainable development issues. The UK Government is one of the few countries that consult their development Ministry when making licensing decisions – DFID has the right to see and comment on any export licence application. The UK is the only country with an agreed methodology on bringing sustainable development issues into arms exports decisions, and has promoted cross-EU work to produce guidance on this.

### HIV and AIDS

2.63 HIV and AIDS is one of the greatest threats to eradicating poverty and to achieving the Millennium Development Goals (MDGs). In sub-Saharan Africa, it is the leading cause of death. In Asia and Eastern Europe, there is a risk of a generalised epidemic unless action is taken now. Women and young people – including the rising numbers of children orphaned by AIDS in Africa – are particularly vulnerable. In December 2003 the UK published a 'Call for Action' on HIV and AIDS and a cross-Whitehall working group comprising DH, FCO, HMT, DFID, DTI, MOD, the Home Office, and the Department for Education and Skills has been formed to ensure that policy across Government is more joined up. The need for this arises from the fact that different departments currently lead on issues such as the relationship with the WHO, engaging with funders such as the IMF, work to improve access to medicines and efforts to tackle the epidemic in the UK and developing world.

2.64 The Call for Action challenges the international community to intensify its efforts to tackle the epidemic and to achieve real progress towards the internationally agreed targets. In July 2004 we published "Taking Action – the UK's Strategy for tackling HIV and AIDS in the developing world" which reports progress against these commitments and the further steps we will take to meet the challenge. Key HIV and AIDS targets for the UK Government are:

- 25% fewer young people in Africa infected with HIV by 2005 and globally by 2010.

- Increased access to sexual and reproductive health services for women and girls by 2005.
- Three million people, including two million in Africa, receiving treatment by the end of 2005, at least half of whom should be women and children.
- National plans in place to meet the needs of orphans and children made vulnerable by HIV and AIDS by 2005.
- Rapid implementation of the 'Three Ones', linking donor help to national priorities.
- Increased global investment in HIV and AIDS research, addressing the needs of the poor, women and children.
- On track to slow the progress of HIV and AIDS by 2015.

### Commission for Africa

2.65 As Africa is the poorest region of the world, it is particularly important that all UK – and international – policy towards Africa is coherent. The benefits of aid can easily be undermined by the negative effect of an unfair trade regime; subsidies and domestic support to EU farmers; the migration of skilled workers; lack of access to vital medicines; corruption; irresponsible arms exports; and other consequences of international policy towards Africa.

2.66 The Commission for Africa was established by the Prime Minister earlier this year precisely to look at the whole breadth of international policy towards Africa and to determine what international actions are most urgently needed to support Africa's development. The Commission is looking at six broad areas – culture and inclusion; governance; peace and security; human development; opportunity and growth, and aid and debt relief – and seeks to understand how actions in each area can work together towards real improvements in the lives of Africans. The Commission for Africa report will be published in March 2005, and its recommendations will focus particularly on key actions to be taken by the Group of eight leading industrialised nations (G8) and EU.

## CHAPTER 3

# THE UK'S CONTRIBUTIONS TO MEETING THE MDGs IN DEVELOPING COUNTRIES

3.1 This section looks at what the UK is doing to support progress towards each of the MDGs. It focuses on support and interventions designed to achieve direct impact on national development outcomes in developing countries.

3.2 In any consideration of the MDGs it is important to recognise their interdependence. Although the Goals contain discrete objectives, progress towards any one goal can be dependent on, and contribute to, progress towards other MDGs.

3.3 An educated mother living in a clean environment is more likely to have healthy, well-nourished children and a healthy child is more likely to attend school. A healthy, well-educated population is the basis for the faster economic growth that lifts increasing numbers out of income poverty. Increased government revenue as a result of faster economic growth can be used to improve social services. Natural resources such as forests and water are needed to support economic growth and rural livelihoods, while economic growth also allows governments the opportunity to invest in more environmentally sound policies.

3.4 The UK embraces a holistic definition of poverty and recognises the interdependencies between the Goals. We also pay specific attention to the enabling environment – the governance structures, economic stability and growth, peace and security, cultural and social attitudes and practices, physical infrastructure and the natural resource base – which underpin all development efforts.

3.5 The MDG targets are colour-coded to show our assessment of progress.

|        |   |
|--------|---|
| GREEN  | ON TRACK TO MEET THE TARGET   |
| YELLOW | MAKING PROGRESS TOWARDS THE TARGET AND MAY MEET IT OR PARTIALLY MEET IT WITH FURTHER PROGRESS |
| RED    | OFF TRACK FOR MEETING THE TARGET  |
| GREY   | INSUFFICIENT DATA TO JUDGE  |

3.6 DFID's expenditure is shown for each goal, derived from markers which identify whether projects were planned to have a 'principal' or 'significant' impact on each of the MDGs. Funds can be recorded as having more than one aim and consequently may be recorded against several of the MDGs. Only projects with a commitment value of more than £100,000 are included in the expenditure figures.

# MDG1

## ERADICATE EXTREME POVERTY AND HUNGER

**TARGET 1 – HALVE, BETWEEN 1990 AND 2015, THE PROPORTION OF PEOPLE WHOSE INCOME IS LESS THAN ONE DOLLAR A DAY**

**TARGET 2 – HALVE, BETWEEN 1990 AND 2015, THE PROPORTION OF PEOPLE WHO SUFFER FROM HUNGER**

Globally the income target is likely to be met whereas the MDG target for the proportion of hungry people in the world will only be achieved by 2030 based on current rates of progress. Growth is known to reduce hunger through a number of channels, including by facilitating investment in areas that impact directly on nutritional status; such as health, environment quality and national food availability. At the same time, hunger hinders the ability of poor people to participate in productive activities which contribute to growth and affects the extent to which growth is pro-poor. Therefore, progress on Targets 1 and 2 are mutually reinforcing.

### UK CONTRIBUTION TO PROGRESS

**In 2003/04 DFID committed £903 million to eliminate income poverty and hunger<sup>4</sup>.**

Appropriate government policies in a range of sectors, allied with overall good governance, are critical for creating an environment in which people can obtain enough food. Poverty reduction frameworks are a way of linking food and poverty analysis with public policies and actions, and as such DFID supports countries' poverty reduction strategies.

DFID is collaborating with key partners to provide better advice to governments and donor agencies on policies that facilitate the participation of poor people in the growth process and increase the impact of growth on poverty reduction. For example, DFID is working with five other donors to produce 14 country case studies and a synthesis report on How to Operationalise Pro-Poor Growth. DFID has also been working with the OECD DAC to produce a Practitioner's Primer on Accelerating Pro-Poor Growth through Support for Private Sector Development. This tackles the need to: provide incentives for entrepreneurship and investment; increase productivity through competition and innovation; harness international economic linkages; improve market access and functioning; and reduce risk and vulnerability. DFID has also established a Working Group on Inequality and Social Exclusion, to help understand the role of inequalities in slowing progress towards both the income and non-income MDGs. The work programme includes support for dialogue between regional institutions in Africa, Asia and Latin America for the development of innovative policy and interventions to achieve the MDGs in those regions.

### FOOD AID AND FOOD SECURITY IN ETHIOPIA

In Ethiopia, DFID is helping to design and fund a food safety net programme that will provide food to people in a reliable and predictable way before they become destitute, making it easier for them to plan for the future. In addition, DFID spent £32.3 million in 2002/03 on providing humanitarian assistance to Ethiopia, including food aid.

### CHALLENGES AHEAD

Hunger hinders economic growth in favour of poor people. Decreasing the vulnerability of the poorest to debilitating levels of hunger reduces the long-term damage that malnutrition causes and can also help poor people start to contribute to economic growth. Effective safety nets and social protection schemes to promote growth are essential to progress. For many countries, particularly in sub-Saharan Africa, the challenge is to kick start growth and to provide social protection for the poorest. Prevention of conflict, political commitment to improve living standards, and competent and effective public administrations are essential. Governments should broaden access to assets and markets in order to harness the labour and initiative of a larger proportion of their countries' populations. Provision of widespread schooling of good quality, increasing access to primary health care, and diffusing transport and communication services to remote areas can help ensure that the majority can contribute to and benefit from growth. An enabling environment for investment requires that doing business is not too costly or risky – effective enforcement of property rights, predictable and transparent business regulations and avoidance of arbitrary or unanticipated taxation will reduce investor risk.

<sup>4</sup> This comprises new bilateral programmes/projects with a commitment of £100,000 or more created during 2003/04 and all other changes in commitment levels during the year.

## MDG2

# ACHIEVE UNIVERSAL PRIMARY EDUCATION

### TARGET 3 – ENSURE THAT, BY 2015, CHILDREN EVERYWHERE, BOYS AND GIRLS ALIKE, WILL BE ABLE TO COMPLETE A FULL COURSE OF PRIMARY SCHOOLING

Global enrolment in primary education increased from 596 million in 1990, to 648 million children in 2000. But there are still an estimated 100 million children worldwide who are not in school, more than half of whom are girls.

#### UK CONTRIBUTION TO PROGRESS

**In 2003/04 DFID committed £412 million to promote effective universal primary education<sup>5</sup>.**

The UK is providing support to education programmes in over 30 developing countries, mostly in sub-Saharan Africa and South Asia. DFID is increasing its expenditure on education related programmes to over £1 billion over the next four years. The focus is on girls' education and making the Fast Track Initiative work more effectively. The Initiative is a global partnership aimed at increasing the level of support to education in developing countries and accelerating progress towards the education goal. The UK is also pressing for improvements in the international coordination mechanisms for education – in particular through UNESCO and the UN Girls' Education Initiative.

#### HARNESSING INFORMATION AND COMMUNICATION TECHNOLOGIES (ICTS) TO DELIVER EDUCATION

Imfundo is a UK initiative to use ICTs innovatively and creatively to help deliver gender equality and universal primary education in Africa. It focuses particularly on the key area of teacher training, but is also developing activities to show how ICTs can be used in Africa to support learning environments for street children and those with special educational needs, thereby helping to deliver on the goal of education for all.

#### INCREASING ENROLMENT IN KENYA

The Government of Kenya recently abolished primary school fees. This has brought a dramatic rise in the number of children going to school – over one million extra children. We are supporting the Kenyan Government to provide enough school places to keep up with demand and to ensure that quality is sustained.

#### PROVIDING BASIC EDUCATION IN WESTERN CHINA

Alongside a World Bank loan of £55 million DFID is giving a £24.5 million grant to provide basic education for children in five poor western provinces in China. The project is focused on increasing access to and completion of affordable, quality, basic education for all girls and boys with a special focus on minorities and out of school children.

#### CHALLENGES AHEAD

There is a need for significant increased investment to increase access and to reduce the direct and indirect costs of schooling. The annual education financing gap worldwide is estimated to be in excess of US\$5 billion per year, while current annual external financing for basic education is only around US\$1.5 billion.

Additional finance needs to be invested within the framework of an overall poverty reduction strategy and to be tied to a coherent sector wide approach to developing education systems. There is also a need to give more attention and support to non-state providers of education including religious organisations and the private sector.

Particular emphasis should be given to increasing access to education for girls, as there is strong evidence to show that this brings greater long-term benefits for both girls and boys in the education system.

The impact of HIV/AIDS on the education system, through loss of trained staff and the effect on households of children being orphaned, needs to be addressed. Conversely, the potential of education to help control the spread of HIV infection through increased knowledge and awareness should be harnessed.

<sup>5</sup> This comprises new bilateral programmes/projects with a commitment of £100,000 or more created during 2003/04 and all other changes in commitment levels during the year.

## MDG3

# PROMOTE GENDER EQUALITY AND EMPOWER WOMEN

### TARGET 4 – ELIMINATE GENDER DISPARITY IN PRIMARY AND SECONDARY EDUCATION PREFERABLY BY 2005 AND IN ALL LEVELS OF EDUCATION NO LATER THAN 2015

The goal of gender equality and the empowerment of women is a cross-cutting issue relevant to the achievement of all the MDGs. For example in many African countries, women aged 15-49 are 50% more likely to be infected with HIV than men of the same age. Death in childbirth has much to do with women's poverty and powerlessness to obtain adequate services. Although there is only one target related to gender equality, there are four MDG indicators which take a broader view of gender equality and include literacy, employment and the number of women in parliament. There have been significant improvements in gender parity over the last decade, but gender inequalities within education systems remain. Almost 60% of the 128 countries with reported data in UNESCO's Education For All Global Monitoring Report appear unlikely to achieve gender parity in both primary and secondary education by 2005, based on past trends.

### UK CONTRIBUTION TO PROGRESS

#### **In 2003/04 DFID committed £297 million to promote gender equality and empowering women<sup>6</sup>.**

As a precondition for reducing poverty and achieving all the MDGs, the UK seeks to address gender issues in the mainstream of all its international development activities. This work also focuses on implementation of the Beijing Platform for Action agreed at the 4th World Conference on Women in 1995 and the Convention on the Elimination of All Forms of Discrimination Against Women. DFID is also developing a gender strategy as a means of sharing best practice and learning across the organisation.

In addition to mainstreaming gender issues, the UK also supports gender specific activities to promote the rights of women and girls.

#### **ACCELERATING GIRLS' EDUCATION IN 25 COUNTRIES**

DFID is supporting UNICEF's Accelerated Girls' Education strategy aimed at ending gender disparities in 25 countries where the gap is the widest.

#### **IDENTIFYING OBSTACLES TO GIRLS' EDUCATION IN NIGERIA**

DFID is participating in a broad-based partnership, including the World Bank and UNICEF, to develop sustainable strategies for out-of-school children. In Nigeria, for example, a number of workshops have been organised to help participants develop regional action plans. The obstacles to girls' education are also being exhaustively researched so that measures can be introduced to overcome them.

#### **IMPROVING POLITICAL PARTICIPATION FOR WOMEN IN IRAQ**

The UK continues to support Iraqi women, for example by supporting the UN in its work to secure at least 25% representation of women in the 2005 elections.

#### **ELIMINATING DISCRIMINATION IN THE WORKPLACE IN INDIA**

The UK supports the ILO in its work on Elimination of Discrimination in the workplace for women, for example through support to home based workers in India.

### CHALLENGES AHEAD

Gender equality in education reduces rates of fertility, maternal mortality and malnutrition. Girls' education also prevents the transmission of HIV/AIDS and delays early marriage and sexual activity. Failure to achieve the gender parity target by 2005 will directly influence our ability to reach other MDGs by 2015. Increasing the participation of girls in education means: the abolition of fees; adequate public resourcing of direct and indirect costs of schooling for the poorest households; appropriate budget allocations between primary, secondary and tertiary education; strengthened capacity at all levels of the education system to develop and deliver gender responsive education policies; and improved quality of education.

Further work is needed to tackle the continued discrimination which makes it harder for women to enter formal employment and harder for them to stay employed.

Women's participation in political decision-making is constrained by prejudice, caring responsibilities, lack of family support mechanisms and unfriendly hours and conditions. These wider ranging issues will need to be addressed if the goal of empowering women is to be met.

<sup>6</sup> This comprises new bilateral programmes/projects with a commitment of £100,000 or more created during 2003/04 and all other changes in commitment levels during the year.

# MDG4

## REDUCE CHILD MORTALITY

### TARGET 5 – REDUCE BY TWO-THIRDS, BETWEEN 1990 AND 2015, THE UNDER-FIVE MORTALITY RATE

The developing world is not on track to meet the MDG target for under-five mortality. Globally there has been no real change in the proportion of children immunised against measles, diphtheria, tetanus and pertussis (whooping cough) in the last 10 years.

### UK CONTRIBUTION TO PROGRESS

#### In 2003/04 DFID committed £465 million to reduce child mortality<sup>7</sup>.

DFID promotes child health through its support of health systems, including institutional capacity building. DFID has spent £1.5 billion on national health systems since 1997. DFID is also working on the broader reasons for child survival such as female education. The UK supports the Global Alliance for Vaccines and Immunisation (GAVI), including grants of £35 million to a five-year programme. We are exploring with GAVI and other donors whether funding can be increased in the near-term through employing the front-loading principles of the proposed International Finance Facility. The UK also supports a number of international initiatives specifically targeting diseases that disproportionately affect children, such as Roll Back Malaria. We are also funding the Medical Research Council to carry out research in malaria control and health care support in sub-Saharan Africa. Support to UNICEF and UNFPA also impacts on child health.

#### INTEGRATED MANAGEMENT OF CHILDHOOD ILLNESS INITIATIVE

DFID is supporting the implementation of the Integrated Management of Childhood Illness Initiative with partners from the United Nations International Children's Fund, the World Health Organization (WHO), the World Bank and the United States Agency for International Development (USAID). This initiative is building the quality and quantity of child healthcare within countries.

#### IMPROVING MATERNAL AND NEWBORN HEALTH IN PAKISTAN

Maternal and child health is an important component of the PRSP in Pakistan and DFID is supporting a £60 million programme to improve maternal and newborn health for poor people in Punjab and North West Frontier Province. The programme is designed to increase access to essential maternal and newborn care for poor people.

### CHALLENGES AHEAD

The MDG targets for child mortality are ambitious, and their achievement will depend on a dynamic and concerted response from the international community and national governments. This will include efforts to increase the coverage and use of interventions to prevent and treat childhood diseases, and greater attention to address the broader determinants of child health. The global target on child health will not be reached unless neonatal deaths are reduced. This is intrinsically linked with maternal health and care in pregnancy and labour, including access to tetanus immunisation. Child spacing and youth pregnancy have an impact on maternal, neonatal and child health. Sexual and reproductive rights and health services are essential for progress on both child and maternal health. Other challenges to making faster progress include the high rates of child mortality in countries in or emerging from conflict. The increasing incidence of Mother to Child Transmission of the HIV virus in countries with high prevalence rates of HIV, and the associated re-emergence of tuberculosis and increased resistance to treatment are also relevant.

National and international leadership is needed to ensure child health is given due attention and resources in development plans. Increased resources are needed in support of national policies, which recognise the very broad range of different factors that affect child health and respond to local profiles of child deaths. Wherever possible, external support should be harmonised and aligned behind country-led plans and strategies.

<sup>7</sup> This comprises new bilateral programmes/projects with a commitment of £100,000 or more created during 2003/04 and all other changes in commitment levels during the year.

# MDG5

## IMPROVE MATERNAL HEALTH

### TARGET 6 – REDUCE BY THREE QUARTERS, BETWEEN 1990 AND 2015, THE MATERNAL MORTALITY RATIO

The maternal mortality ratio in developing countries has barely changed in the past 15 years, so this MDG target is not on track to be met.

#### UK CONTRIBUTION TO PROGRESS

##### **In 2003/04 DFID committed £324 million to improve maternal health<sup>8</sup>.**

In 2004, DFID produced a Sexual and Reproductive Health (SRH) and Rights position paper and a strategy, Reducing Maternal Deaths: Evidence and Action. Many of DFID's CAPs commit support to tackle maternal mortality, contributing to achievement of PSA targets and MDG 5. DFID has increased bilateral spending that specifically addresses maternal mortality from £40.3 million in 1998/9 to £198 million in 2003/04, excluding PRBS and will continue this trend. Support to broader SRH services and reproductive rights, including HIV and AIDS that are vital to maternal health, has also been increasing from £56 million in 1997/98 to £324 million in 2003/04.

DFID makes significant contributions to the maternal health programmes of the EC, the World Bank and international and national civil society groups. We also fund and collaborate with the health and development agencies of the United Nations system, particularly the WHO, the UN Children's Fund and the UN Population Fund (UNFPA). DFID supports a number of research programmes to improve the evidence base on effective interventions to reduce maternal mortality including the Initiative for Maternal Mortality Programme Assessment with the Gates Foundation, USAID and the EC.

The UK Government supports programmes in Africa and Asia that work to improve maternal health through strengthening equitable access to health services. DFID also works with governments to find ways of prioritising maternal health within sectoral and budget support. At the international level DFID is a partner of the Safe Motherhood and Neonatal Health Partnership in order to improve coordination and harmonisation.

#### IMPROVING HEALTH OUTCOMES IN GHANA

In Ghana DFID has worked to ensure that the sector wide approach process promotes maternal and SRH activities within the health sector strategy. The Ghana health service has subsequently initiated the development of a national plan for improved reproductive, maternal and newborn health.

#### REDUCING MATERNAL DEATHS IN NEPAL

DFID has recently agreed to contribute a further £20 million for the Nepal Government's National Safer Motherhood Programme. This works with Nepal's Ministry of Health to reduce maternal deaths by improving the quality of public maternity services and enabling more women to use such services, by working with local groups.

#### CHALLENGES AHEAD

If the maternal health indicators are to be improved, an increased effort in Africa and Asia is required. Priorities are:

- raising awareness and political commitment; better coordinated aid flows targeted at policy priorities;
- accelerating action to raise standards in health service delivery and increase coverage;
- developing adequate referral and communication systems;
- recruitment, training and retention of health workers;
- addressing wider demand-side barriers to maternal health, particularly women's status; and using a rights based approach to maternal health;
- generating and using knowledge about approaches which work, can be sustained and are comparable between countries.

<sup>8</sup> This comprises new bilateral programmes/projects with a commitment of £100,000 or more created during 2003/04 and all other changes in commitment levels during the year.

## MDG6

# COMBAT HIV/AIDS, MALARIA AND OTHER DISEASES

TARGET 7: BY 2015 TO HAVE HALTED AND BEGUN TO REVERSE THE SPREAD OF HIV/AIDS

TARGET 8: BY 2015 TO HAVE HALTED AND BEGUN TO REVERSE THE INCIDENCE OF MALARIA AND OTHER MAJOR DISEASES

Levels of HIV, TB and malaria have all increased so these targets are unlikely to be met. Achieving MDG 6 is inextricably linked to the success of other MDGs, especially education.

### UK CONTRIBUTION TO PROGRESS

**In 2003/04 DFID committed £525 million to combat HIV/ AIDS and reduce malaria, TB and other diseases<sup>9</sup>.**

In 2004 DFID led the development of a UK Government-wide strategy for accelerated action against HIV/AIDS that promises: increased resources of £1.5 billion over the next three years; significant efforts to achieve an improved and coordinated international response to the epidemic; action to strengthen political leadership; support for better programmes that go beyond health sector responses; and specific attention to the neglected problem of orphans and vulnerable children.

The UK provides substantial support to specific global health partnerships that target major diseases, notably the Global Fund to fight HIV/AIDS, TB and Malaria, STOP TB and Roll Back Malaria, and also substantial support to WHO, UNAIDS, UNFPA and UNICEF. The UK Government supports a large programme to increase access to medicines, including research and development of drugs, diagnostics and vaccines, fair pricing and effective use. DFID's support for sexual and reproductive health and rights is also a critical element of action to prevent HIV and AIDS. Support for research on the three diseases includes funding for the Medical Research Council, the International Microbicides Partnership, the Medicines for Malaria Venture and the International AIDS Vaccine Initiative. DFID country programmes provide substantial investment to strengthen health systems to deliver essential health services with specific programmes against these three diseases.

#### MULTI-SECTORAL HIV/AIDS PROGRAMME IN ZAMBIA

The Zambian Government is intensifying its response to HIV/AIDS and has produced a National Strategic Framework. DFID is supporting this with a £20 million multi-sectoral HIV/AIDS programme which aims to: strengthen the capacity of the National AIDS Council; provide supplies such as condoms and education materials; fund civil society to change behaviour; reduce the impact of HIV/AIDS on those most affected; protect human rights; and support the expansion of private sector workplace activities.

#### IMPROVING TB SERVICES FOR POOR PEOPLE IN INDIA

DFID is providing £20 million to support the introduction of the WHO recommended Revised National Tuberculosis Control Programme which will help improve TB services in Andhra Pradesh. The aim of the programme is to increase the number of people being cured of TB by ensuring they complete their course of medication and to reach more people, particularly women, with improved outreach services.

### CHALLENGES AHEAD

Despite the poor progress, the profile of all three diseases is now higher than ever. There has been a significant increase in resources, there is a clear strategy for action for each disease, and proven cost effective interventions are available. A number of poor countries have delivered impressive results in reducing the impact of HIV/AIDS; in increasing use of DOTS (directly observed treatment – short course – the accepted best practice for TB treatment and control) and in achieving high rates of use of insecticide impregnated bed nets in malaria areas. Yet effective interventions against the three diseases remain massively underused. Addressing this requires greater political commitment, a step change in funding from donors and countries themselves, and more effective targeting of resources to those in most need. Effective responses will also require an integrated approach across society, and this needs to be the priority for all parts of government and society.

Investment in new generations of drugs to combat increasing resistance, including AIDS treatments for children, diagnostics and particularly vaccines is also required. An effective microbicide offers huge potential in relation to HIV prevention.

<sup>9</sup> This comprises new bilateral programmes/projects with a commitment of £100,000 or more created during 2003/04 and all other changes in commitment levels during the year.

## MDG7

# ENSURE ENVIRONMENTAL SUSTAINABILITY

**TARGET 9 – INTEGRATE THE PRINCIPLES OF SUSTAINABLE DEVELOPMENT INTO COUNTRY POLICIES AND PROGRAMMES AND REVERSE THE LOSS OF ENVIRONMENTAL RESOURCES**

**TARGET 10 – HALVE, BY 2015, THE PROPORTION OF PEOPLE WITHOUT SUSTAINABLE ACCESS TO SAFE DRINKING WATER AND BASIC SANITATION**

**TARGET 11 – BY 2020, TO HAVE ACHIEVED A SIGNIFICANT IMPROVEMENT IN THE LIVES OF AT LEAST 100 MILLION SLUM DWELLERS**

The water supply target is on track globally, but although some progress has been made the global sanitation target will be missed by half a billion people. Integration of environmental issues into country PRSPs and national plans remains a challenge. The slum dwellers target is also unlikely to be met.

### UK CONTRIBUTION TO PROGRESS

**In 2003/04 DFID committed £605 million to promote environmental sustainability in developing countries<sup>10</sup>.**

The UK is working with countries to ensure environmental opportunities, as well as risks, are reflected in PRSPs and national poverty plans. The UK provides some 5% of the global aid total for water and sanitation services. This represents around 6% of our total bilateral aid. Partnerships have been developed with UNICEF, the World Bank Water and Sanitation Programme and WaterAid to help improve delivery of water and sanitation services to the rural and urban poor. The UK is the single largest donor to UNEP's Environment Fund, giving over £4 million per year in 2003 and 2004. We are also major contributors to the Montreal Protocol Fund, Global Environment Facility, UN Convention to Combat Desertification and UN Forum on Forests.

The UK is working on upgrading slums and building the capacity of municipal governments in India, and has provided £1 million for the City Community Challenge Fund in Zambia and Uganda, to build links between civil society and local government to reduce urban poverty. We are also providing financial support to a range of international initiatives including the Community-Led Infrastructure Financing Facility; the Cities Alliance and various World Bank projects aimed at reducing urban poverty. The UK also works closely with UN-HABITAT.

#### ENVIRONMENTAL GOVERNANCE PROGRAMME IN KENYA

The UK supports a £2.2 million programme that supports people to allow them to benefit from better access to resources, manage them more sustainably, and realise their full value.

#### CALCUTTA ENVIRONMENTAL IMPROVEMENT PROJECT

The UK supports a £21 million urban waste management project in Calcutta, aimed at producing a sustained improvement in the environmental health for poor communities.

#### RESEARCH ON CLIMATE CHANGE

The UK is helping the Indian Ministry of Environment and Forests to assess the impacts of climate change on sea level variability, water resources, forests, agriculture, health, energy, industry and transport infrastructure. Work in China is looking at the impact on agriculture.

### CHALLENGES AHEAD

Growth and environment are often still viewed as competing objectives and since many ecosystems cross national boundaries, international agreements and enforcement as well as local or national policies are crucial to promote equitable access to and protection of natural resources. Ensuring the poor are enabled to participate in decision-making through rights and access to information is a key challenge.

Water and sanitation are often given a low priority in PRSPs leading to underfunding. Donors need to work with countries to prioritise sustainable water and sanitation provision and ensure that governments have the support they need to address issues of environmental sustainability in their PRSPs. Focused holistic plans at local, regional, national and international levels are needed with increased funds targeted towards the poorest. In many countries, policy makers and planners are unable to keep up with rapid urbanisation processes, in terms of planning for shelter and basic service provision. Slum-dwellers are often ignored, although they make a significant economic contribution through their work in the informal and formal sectors.

<sup>10</sup> This comprises new bilateral programmes/projects with a commitment of £100,000 or more created during 2003/04 and all other changes in commitment levels during the year.

# MDG8

## DEVELOP A GLOBAL PARTNERSHIP FOR DEVELOPMENT

### TARGET 17 – IN COOPERATION WITH PHARMACEUTICAL COMPANIES, PROVIDE ACCESS TO AFFORDABLE, ESSENTIAL DRUGS IN DEVELOPING COUNTRIES

Access to affordable, essential drugs in developing countries has been improving.

#### UK CONTRIBUTION TO PROGRESS AGAINST TARGET 17

Following the establishment of a high-level Working Group in 2001, June 2004 saw publication of **Increasing access to essential medicines in the developing world: UK Government policy and plans**.

The UK has worked closely with pharmaceutical companies, industry associations, research institutes, investors and NGOs to encourage:

- more widespread differential pricing of existing medicines to increase affordability in developing countries;
- enhanced corporate impact on access to medicines in developing countries, including through corporate social responsibility; and
- greater investment in the research and development of medicines to treat diseases disproportionately affecting the developing world.

#### EXPANDING ACCESS TO AFFORDABLE MEDICINES

The UK was central to the G8 commitment made on access to medicines last year, and the resolution of outstanding issues within the Trade-Related Aspects of Intellectual Property Rights (TRIPS) agreement which allows countries with no, or insufficient, pharmaceutical manufacturing capacity to import copies of patented medicines.

#### CHALLENGES AHEAD

The TRIPS agreement should help to increase supply and availability of patented medicines and the option to use compulsory licensing provides countries with a useful bargaining tool for negotiating prices with suppliers of patented medicines. These should reduce prices.

### TARGET 18 – IN CO-OPERATION WITH THE PRIVATE SECTOR, MAKE AVAILABLE THE BENEFITS OF NEW TECHNOLOGIES, ESPECIALLY INFORMATION AND COMMUNICATIONS.

Good progress is also being made in bringing the benefits of information and communication technologies (ICTs) to developing countries.

#### THE UK'S CONTRIBUTIONS TO PROGRESS AGAINST TARGET 18

Between 2001/02 and 2005/06 we expect DFID to have committed some £40 million on programmes and activities directly focused on ICT for Development. ICTs also play an increasingly important role in many of DFID's mainstream development programmes focused on the other MDGs. The private sector plays a crucial role in this area through direct investment, innovation and rolling out the information infrastructure. DFID is working in partnership with the private sector in this area.

#### EXPANDING DIGITAL OPPORTUNITIES IN DEVELOPING COUNTRIES

- Commonwealth Development Corporation (100% owned by DFID) is a significant investor in telecommunications companies in developing countries.
- Catalysing Access to ICTs in Africa aims to significantly increase affordable access to ICTs across Africa; act as a strong catalyst for a positive reform process; and catalyse a thriving exchange of local Africa content.
- The Open Knowledge Network aims to facilitate and expand the creation of local content on a range of media and encourage its exchange within developing countries.

#### CHALLENGES AHEAD

There are opportunities to expand the use of ICTs, but this will involve thinking creatively and being able to work with a wide range of partners in new ways.

## CROSS-CUTTING CHALLENGES TO ACHIEVING THE MDGs IN DEVELOPING COUNTRIES

3.7 We are making progress towards the MDGs. There is less poverty in the world now than in 1990. There are over 100 million fewer people living in absolute poverty in the developing world, despite significant population growth, and 20 million fewer people going hungry. Roughly 1 billion people have gained access to an improved water source and sanitation services. The world is on track to achieve the global headline target of halving absolute poverty between 1990 and 2015. But the current rate of progress is not enough to realise the challenging but achievable 2015 targets. The UK believes there are central underlying challenges that must be addressed if we are to achieve the targets for the MDGs.

### Strengthening government – better policy making and commitment

3.8 A key determinant of development progress is the effectiveness and commitment of governments. Genuine political commitment and ownership of poverty reduction policies and aid programmes is critical. National policy frameworks have strengthened in the last decade, but still need further work. Increased political accountability and more robust legal frameworks would increase incentives to improve services and to invest, and therefore to reduce, poverty. Strategies could be improved by broadening and deepening the involvement of all the main stakeholders, including the poor, in their design, implementation and monitoring.

3.9 Because the goals are inter-related, the response of governments needs to be integrated. Better and more co-ordinated working across governments, especially between sector ministries, would improve policy coherence and allow a more holistic approach to poverty reduction. The country led approach to Poverty Reduction Strategies is designed to achieve this and needs to be complemented by renewed efforts to increase capacity and capability of both public and private service providers. This approach, linked with direct budget support, is also the best guarantor of longer-term sustainability

### Creating an enabling environment

3.10 In addition to the capacity of government, there are many social, cultural, environmental and physical barriers which can hamper successful reforms and policies. Some of the international and domestic actions promoted by the UK, such as tackling corruption, encouraging responsible business, and the Extractive Industries Transparency Initiative, also have direct benefits in partner countries. They help improve the local investment climate, strengthen the integrity of business and government transactions, and achieve a more equitable share of the benefits of investment amongst all groups of the population.

3.11 Improved transport infrastructure and communications would provide access to services and internal and external markets. Integrated water resource management is central to ensuring water demands from industry, commercial agriculture, and poor farmers can all be met. Better economic information and business regulations would promote external investment and private sector growth. Some cultural and social practices, such as gender discrimination, violence against women and children, and child labour reinforce inequalities and exclusion.

3.12 Measures to ensure effective social protection for the poorest and most vulnerable sections of the population have an important role to play in ensuring social cohesion and equity. In particular, social protection is one of the key and most cost-effective ways to reach the MDGs, particularly MDG 1 on reducing extreme poverty, MDG 2 on education and MDGs 4 and 5 on child and maternal mortality, by ensuring that all sections of the community have a minimum entitlement to share in development progress.

3.13 Information can be a valuable driver of change, fostering awareness and understanding of social injustices. The provision of timely and appropriate performance and financial monitoring information is central to supporting the ability of government to manage and deliver its services effectively, and for society to hold it to account. This requires effective statistical and accounting systems, effective analytical capacity, and appropriate dissemination mechanisms.

### Increasing resources and capacity

3.14 Nine out of the eleven targets covered in MDGs 1-6 are directly dependent on adequate health, education, water and sanitation services. Meeting the MDGs will require major reforms and a significant increase in these services. This cannot be delivered without strengthening the capacity of governments and civil society. This will include improving government financial management, strengthening management and reporting structures, improving incentives and increasing the motivation of staff, tackling corruption, and enhancing monitoring and statistical systems. Each of these need to be addressed at both the national and sectoral level.

3.15 The extra financial resources required need to be properly targeted and spent effectively. Health services are particularly complex and in some countries buckling under the strain of HIV and AIDS. There needs to be a rapid expansion in the provision and utilisation of the basic cost-effective health interventions that will prevent a significant number of deaths. General reproductive health services, which directly underpin the gender and health goals, need to be included. A major problem will be to find the increase in health and education professionals required.

### Environmental sustainability

3.16 Economic growth and poverty reduction will not be sustained if they are achieved at the expense of our environment and stock of natural resources. At worst, this will lead to greater levels of poverty for future generations. Natural resources such as forests, water, and mineral resources can boost economic growth, increase food security and improve health. But if they are not replenished as they are extracted, or if the process of extraction damages other resources, then the potential revenues will not be fully realised. Improving understanding of climate variability and trends could contribute to a reduction in the vulnerability of the poor to external shocks, such as flooding, drought or landslides.

3.17 It is essential to the future of the developed as well as the developing world that our approach to meeting the MDGs is not at the expense of the environment. Equally, developed countries must also address the wider global impacts of their own policies.

3.18 Ultimately national governments must lead the way, but designing and implementing environmentally sound development policies is a challenge in many under resourced developing countries. For environmental sustainability to be addressed within PRSs and national plans, the government departments responsible for designing these strategies will often require intensified capacity building for national governments and active engagement of non-governmental stakeholders, including poor people, who often have a better understanding of natural resource issues.

### Promoting development in fragile states

3.19 Fragile states constitute perhaps the biggest challenge to our ability to achieve the MDGs. It is estimated that they contain 343 million people living on less than \$1 a day. Fragile states are also associated to varying degrees with conflict and they account for approximately 41% of all child mortality and 33% of all maternal deaths in the world. The concentration of the poor in fragile states is one of the main reasons why the world is not on track to meet the MDG targets by 2015. It is important that the international community engages with these countries and promotes more effective states.

3.20 Engagement in fragile states needs to take place in a consistent way over a long-term period, building knowledge of the political and institutional environment and investing in data creation and improvement. Ad hoc engagement or withdrawal can also impede aid effectiveness once the situation begins to improve. Improving donor coordination is central to making aid more effective in fragile states where fuller harmonisation is problematic and alignment behind a clearly defined PRS is difficult.

3.21 Evidence shows that aid flows to fragile states are highly volatile and unpredictable. This places a heavy burden on the government in managing the economy. We have to get better at managing aid flows and provide them when needed. Timing is a particular concern for aid allocations to post-conflict countries. Finally, we need to understand better which approaches work best at improving service delivery in fragile states.

## CHAPTER 4

# IMPLEMENTATION OF THE UK'S MDG 7 AND 8 COMMITMENTS

4.1 Progress towards some elements of the MDGs requires developed country action. This includes issues of aid, trade and debt and moves to promote environmental sustainability.

### OFFICIAL AID FLOWS

UK progress towards the MDG indicators on aid

| INDICATORS   | 1990 | 1995 | 2000 | 2002 | 2003 |
|--|------|------|------|------|------|
| • Net ODA, total, as a percentage of gross national income   | 0.27 | 0.29 | 0.32 | 0.31 | 0.34 |
| • Net ODA to LDCs as a percentage of gross national income   | 0.09 | 0.07 | 0.10 | 0.08 | 0.12 |
| • Percentage of total bilateral, sector-allocable ODA to basic social services (basic education, primary health care, nutrition, safe water and sanitation*) | 24.4 | 21.1 | 24.1 | 29.9 | n.a  |
| • Percentage of ODA to landlocked countries  | 15.3 | 19.1 | 18.6 | 15.7 | 18.2 |
| • Percentage of ODA to small island developing states  | 3.9  | 2.5  | 2.6  | 2.7  | 1.2  |
| • Proportion of multilateral ODA (% of total net ODA)  | 44.1 | 46.4 | 39.8 | 28.8 | 38.5 |
| • Proportion of bilateral aid that is untied (%)   | n.a  | 86.2 | 91.5 | 100  | 100* |

\* Calculated on a 2-year average basis, for 1995-96, 1997-98, 1999-2000 and 2001-02

### Overall aid volumes

4.2 If the MDGs are to be met there is a clear case for increasing the volume of development assistance going to developing countries, targeting assistance at the poorest countries, and doing more to increase its effectiveness. The UK Government is fully committed to increasing aid flows and under the terms of the Spending Review 2004, total UK official development assistance (ODA) will rise from £4.1 billion in 2004/05 to almost £6.5 billion by 2007/08, representing a real terms increase of 140% since 1997.

4.3 As a whole the international donor community needs to live up to the financial commitments made at Monterrey in 2002. The World Bank, among others, has estimated that there is a need for an additional \$50 billion a year up to 2015 if the MDGs are to be met. The International Finance Facility, proposed by the UK Government, would bridge the funding between the sum needed and that already pledged by the international community.

#### Aid as a proportion of gross national income

4.4 The UK is making progress towards the United Nations 0.7% target for ODA as a proportion of gross national income (GNI). Figures for 2003 expenditure indicate that the UK reached an ODA/GNI ratio of 0.34%. On current plans this will rise to 0.39% in 2005/06 and 0.47% in 2007/08. The Government wishes to continue to raise UK ODA at the rate of growth achieved in 2007/08, which would mean that total ODA would reach the UN target of 0.7% by 2013. If the proposed International Finance Facility were accepted, the UK could expect to reach the equivalent of 0.7% by 2008/09.

#### Multilateral official development assistance

4.5 The UK Government attaches great importance to its role within the multilateral system and contributes significant resources to poverty reduction through multilateral channels. The largest parts of this are the UK's share of European Community (EC) development expenditure and contributions to the World Bank, Regional Development Banks and UN Agencies.

4.6 About a quarter of DFID expenditure on international development, excluding debt relief, is spent through EC programmes, about £970 million in 2003/04. However, although the EC allocates a high volume of aid, the UK is keen to see a greater poverty focus and more effective use of the aid. In 2002, only 42% of the EC's external assistance was directed to low-income countries and the UK continues to lobby the EC to increase the poverty focus in line with the UK Government target of 70% of EC ODA to be spent in low-income countries by 2008.

4.7 The World Bank and the International Monetary Fund are important development partners due to the scale of their resources, the global reach of their operations and the professionalism and expertise of their staff. DFID, working with the Treasury is keen to encourage improved working by the World Bank and the IMF in the poorest countries; including a move towards more predictable and medium term financing, reduced conditionality and closer working with developing country priorities. DFID expects the Bretton Woods Institutions to work closely with the UN family to set in place more ambitious financing strategies for the poorest countries and to ensure that higher aid levels are well managed. The UK is currently the fourth largest donor to IDA, which it believes provides some of the most effective

development assistance and which is well aligned with UK objectives. In the last replenishment round (IDA 13), the UK contributed £1 billion to IDA and is committed to a significant increase to that sum for IDA 14.

**4.8** Regional Development Banks are also important partners for the UK Government and we will continue to work with them to improve their contribution to the reduction of poverty in their regions.

**4.9** DFID remains concerned about the overall effectiveness of all of the multilateral system and works closely with other member countries and board members to push for deeper reforms. DFID appreciates the significant management reforms that have been instituted in many organisations but is pushing for these to be embedded faster and more robustly at country level. The multilateral system as a whole remains too patchy and inconsistent in the quality of country programming. We are working closely with other partners to step up our monitoring of multilateral performance, including partnership behaviour. And we are tracking through our PSA the effectiveness of 14 agencies – with three headline targets for improvements in each organisation.

**4.10** DFID currently contributes around £380 million each year to UN development and humanitarian efforts, divided roughly equally between core contributions to the regular budget and non-core contributions for thematic or country specific programmes. Funds are allocated across the UN development system against a range of criteria including assessments of each agency's effectiveness on the ground, its potential importance to the achievement of the MDGs (particularly those proving hardest to reach), and the potential impact of changes in the UK's core contribution. Where possible multi-year commitments are made to match the time-frame of each agency's strategic plan. Overall funding of the humanitarian agencies, and some individual agency allocations are more variable, reflecting variations over time in the scale of humanitarian needs.

### Bilateral aid untied

**4.11** All UK bilateral aid is now untied. Under the main power of the International Development Act of 2002, the sole purpose for which development assistance can be provided is to promote sustainable development and improve the welfare of poor people. The restrictions in the Act over how funds voted by Parliament can be used mean that aid cannot be tied to the purchase of British goods or services.

### Targeting aid at the poorest countries

**4.12** The UK Government is committed to spending 90% of its bilateral programme resources, excluding humanitarian assistance, in low-income countries (LICs). To ensure that aid will contribute most effectively to meeting the MDGs, it must be

focused on the world's poorest countries where it is needed most. The UK does not use the Least Developed Countries category as a criterion for decisions on funding or assistance, since not all poor countries are classified as Least Developed and UK assistance is given on the basis of governance and poverty. The UK also has a specific target of £1 billion to be spent in sub-Saharan Africa in 2005/06, rising to at least £1.25 billion by 2007/08.

### Targeting aid at basic social services

4.13 The UK Government aims to work closely with partner governments in developing countries to align development assistance with PRSs or other national plans. Just under a third – 29.9% in 2002 – of development resources are specifically allocated to basic social services such as healthcare, education, nutrition and safer water and sanitation. DFID's PSA has targets relating to improvements in provision of primary healthcare and increases in school enrolments in Asia and Africa. Spending on health care has more than doubled since 1998/99 to around £298 million in 2002/03 and the UK Government has also specifically allocated £1.5 billion to be spent over the next three years on bilateral and international efforts to combat HIV and AIDS. Significant funds have however been allocated to education through multilateral channels such as the World Bank and the UN. In addition, an increasing proportion of funds is disbursed as PRBS which directly contributes to the partner governments' spending in the social sectors.

### Targeting aid at landlocked countries and small island developing states

4.14 The UK does not focus specifically on allocating development assistance to landlocked countries or small island developing states. The UK Government is however committed to providing for the assistance needs of the British Overseas Territories. The small island Territories that receive our development assistance are Anguilla, Montserrat, Pitcairn, St Helena, Tristan da Cunha and the Turks and Caicos Islands, and this currently amounts to around £25 million a year. Many of the Territories are geographically isolated and our objectives are to maximise economic growth, to meet basic needs on the way to self-sufficiency, and to support good governance.

## NON-OFFICIAL AID FLOWS

4.15 While aid flows are extremely important for development, remittances from migrants and Foreign Direct Investment through the private sector actually exceed the financial income provided by official development assistance and other official flows to most developing countries. Grants from Private Voluntary Organisations or Non-Governmental Organisations and Foundations add volume and a significant poverty focus to these non-official aid flows. In looking at ways to bring about achievement of the MDGs, it is thus important to consider such flows.

## UK progress on key indicators related to non-official aid flows

| INDICATORS  | 1990  | 1995  | 2000   | 2002  | 2003 |
|---|-------|-------|--------|-------|------|
| • Volume of remittances by migrants (US\$ million)                                  | n.a   | 496   | 595    | n.a   | n.a  |
| • Volume of Foreign Direct Investment to developing countries (US\$ million)*       | 3,718 | 6,311 | 11,196 | 2,612 | n.a  |
| • Foreign Direct Investment to developing countries as a percentage of GNI*         | 0.40  | 0.57  | 0.81   | 0.16  | n.a  |
| • Grants by Private Voluntary Organisations/NGOs/Foundations as a percentage of GNI | 0.03  | 0.04  | 0.04   | 0.02  | 0.02 |

Source: IMF, OECD

\* Calculated on a 3-year average basis, for 1989-91, 1994-96, 1997-99 and 2001-03

## Foreign direct investment

4.16 Foreign direct investment (FDI) is an increasingly important source of funding for many developing countries. It grew rapidly throughout the 1990s and now dwarfs ODA to developing countries as a whole, although ODA is still higher than FDI for the poorest countries. Public investment in infrastructure and skills – including through ODA – can play a crucial role in attracting private investment, but FDI is still not reaching the countries that need it most. In 2001 the ten largest developing countries received three-quarters of total FDI flows to developing countries, yet the least developed countries received only 2% of these flows. Much of the FDI in Africa has been concentrated in the mineral and petroleum producing countries.

4.17 FDI can contribute significantly to economic growth and can also generate non-financial benefits:

- transfer of managerial know-how;
- integration into world markets;
- a more competitive business environment; and
- improvements in technology, skills and innovation.

4.18 However these benefits are not automatic and there may also be adverse impacts. FDI has been criticised for:

- crowding out domestic investment, particularly small enterprises;
- building insufficient linkages with the domestic economy;

- creating foreign monopolies in host markets;
- having adverse environmental impacts; and
- causing social disruptions as a result of accelerated commercialisation.

4.19 Developing country governments have an important role in creating the right enabling environment for foreign and domestic investment and influencing the extent to which the growth it generates contributes to poverty reduction. There is also a clear business case for private companies investing in developing countries to adopt higher levels of corporate social responsibility than in the past. Within the UK, as set out in *Business and Society – Corporate Social Responsibility Report 2002*, the Government aims to achieve an integrated, socially responsible business environment by working in partnership with business and community organisations and to introduce intelligent regulatory and financial frameworks that encourage corporate social responsibility.

4.20 The UK has worked to enhance the developmental benefits of FDI for developing countries through support for capacity building: appropriate regulatory frameworks to minimise costs and maximise benefits of FDI; formulation and enforcement of competition law and policy; increase in governments' ability to participate and negotiate effectively at the WTO. The UK has also funded the attendance of developing country expertise at UNCTAD expert group meetings on investment.

4.21 A UK priority is to help developing countries improve the business environment in order to promote greater flows of both foreign and domestic private investment. Internationally, the UK has supported international institutions to promote improvements in the investment climate, a crucial factor in enabling countries to attract FDI and maximise its benefits. This has included UK funding for the World Bank's Foreign Investment Advisory Service and its Investment Climate assessments in IDA countries, the Public Private Infrastructure Advisory Facility, and the Emerging Africa Infrastructure Fund.

### Remittances from migrants

4.22 Remittances are an important source of income for poor countries. They are often the most stable source of income for poor households who use them for the purchase of basic services. They differ from aid or private investment since they are transferred directly to the recipients, who retain control over how they are spent.

4.23 The UK is keen to enhance the volume and impact of remittances, to improve the participation of migrant communities in our domestic financial systems, and to promote competition among financial service providers. Over recent years remittances have been closely scrutinised as part of the international community's efforts to control immigration, money-laundering and combat terrorism. However policies on migration and terrorist financing can impact significantly on the developmental gains offered through remittances. The UK Government is aiming to improve mechanisms for remitting legitimate funds to developing countries by:

- improving transparency and competition in the financial services industry;
- introducing appropriate regulation and modifying current laws;
- improving the quality of data; and
- extending access to remittance services to rural populations.

4.24 UK Government departments have collaborated with the National Criminal Intelligence Service and the Financial Services Authority to lower costs and improve access to facilities for sending and receiving remittances, and to provide safer mechanisms for recipients to save money. These have been achieved through:

- high-level dialogue with the UK private sector to bring down remittance costs and improve access;
- monitoring of remittance sending agencies;
- provision of technical assistance to developing country governments in complying with recommendations of the Financial Action Task Force; and
- development of partnerships, initially with Nigeria and Bangladesh, to remove barriers to the flow of remittances.

4.25 The UK has also stimulated international action on this policy area. After holding a seminal conference on remittances in 2003, DFID now co-chairs the Inter-Agency Remittances Task Force with the World Bank.

### Civil society

4.26 The UK Government recognises the important role that civil society plays in development and the elimination of poverty. The total amount officially spent overseas by UK non-governmental organisations (NGOs) is around £500 million a year, with half of this being privately funded. However the overall size of the UK international NGO sector, including money spent overseas and in the UK, is estimated by the British Overseas NGOs for Development at £1.457 billion.

4.27 Since 1996 DFID's support for UK civil society organisations has increased by 32% to £223 million in 2002/03. It works with more than 120 organisations including those whose main focus is overseas development and a wide range of bodies within the UK that share the Government's commitment to poverty reduction.

4.28 The UK Government will increase its central funding through UK aid agencies by almost 28% in 2005/06. Funds available to larger NGOs will increase by £9 million through Partnership Programme Agreements (PPAs) offering reliable long term funding on the basis of shared poverty reduction objectives. A further £7 million has been allocated specifically for work by UK NGOs in Latin America and the Caribbean through partnership programme agreements (PPAs). Smaller NGOs will see a 40% increase in their funding through Civil Society Challenge Fund projects which supports UK NGO funding for civil society groups in developing countries. A new initiative, Strategic Grant Agreements, was set up in 2002 to build broader support for international development in UK civil society.

4.29 The UK Government recognises the importance of developing informed public support and understanding on issues relating to poverty reduction and overseas development. The 1997 White Paper calls for increased public understanding of our global mutual dependence and the need for international development. DFID works with organisations across UK Civil Society to build support by increasing understanding of development issues through school-based education programmes and a range of partnership publications with faith groups.

## TRADE AND SUBSIDIES

4.30 Increased trading opportunities for developing countries offer great potential for poverty elimination. However, in 1999, the world's poorest 49 countries together accounted for just 0.4% of world trade. The World Bank has estimated that the annual gains from eliminating trade barriers range from £160 billion to £395 billion and that up to half of these gains would accrue to developing countries. In 2002, almost three quarters of the imports into developing countries came from developed countries, while just a quarter of the imports into developed countries came from developing countries (IMF 2002). Within the EU, 18% of imports were from developing countries.

## UK progress on key indicators related to trade

| INDICATORS   | 1990  | 1995               | 2000                | 2002  | 2003 |
|--|-------|--------------------|---------------------|-------|------|
| • Percentage of UK imports (by value and excluding arms and oil) from developing countries, admitted free of duties (% of duty free trade) | n.a   | 31 <sup>(96)</sup> | 55                  | 60    | n.a  |
| • Percentage of EU* imports (by value and excluding arms and oil) from LDCs, admitted free of duties (% of duty free trade)                | n.a   | 94 <sup>(96)</sup> | 98                  | 97    | n.a  |
| • Average tariffs imposed by EU* on  |       |                    |                     |       |      |
| a) agricultural products   | n.a   | 13                 | 12                  | 11    | n.a  |
| b) textile products  | n.a   | 7                  | 6                   | 5     | n.a  |
| c) clothing products   | n.a   | 11                 | 10                  | 10    | n.a  |
| from developing countries (%)  |       |                    |                     |       |      |
| • Agricultural support estimate for the EU* as percentage of GDP   | 2.2   | 1.7                | 1.3                 | 1.3   | n.a  |
| • Agricultural support estimate for the EU* in volume (US\$ billion)   | 132.8 | 145.9              | 100.1               | 112.6 | n.a  |
| • Proportion of total bilateral, sector-allocable ODA provided to help build trade policy and regulations capacity**                       | n.a   | n.a                | 0.7 <sup>(01)</sup> | 0.8   | 1.4  |
| • Proportion of total bilateral, sector-allocable ODA provided to help build trade development capacity**                                  | n.a   | n.a                | 2.7 <sup>(01)</sup> | 1.5   | 1.7  |

Source: OECD, WTO

\*global data for the whole European Union

\*\*series available as from 2001

### Developing an open, rule-based, predictable, non discriminatory trading and financial system

4.31 The UK strongly supported the Doha Development Agenda of World Trade Organisation (WTO) negotiations on world trade launched in November 2001. These talks put developing country concerns at the heart of the WTO work plan with the aim of:

- opening rich country markets to developing country exports;
- providing effective special treatment for individual countries to meet their development needs;

- tackling trade distorting domestic support for agricultural trade; and
- ensuring that rules on intellectual property rights are flexible enough to allow developing countries to tackle public health problems.

4.32 WTO members reconfirmed their commitment to comprehensive negotiations aimed at opening their markets and significantly reducing trade-distorting subsidies, including moving towards phasing out all forms of export subsidies. There was also commitment to more effective 'Special & Differential Treatment measures' for developing countries. Average tariffs imposed and trade distorting domestic support should fall as a result of the successful conclusion of the Doha Round. It is also encouraging that developing countries have found a clearer voice within the negotiations – both through the G20+ group, which comprises mostly more advanced and industrialised developing countries and the G90, which includes 62 largely Least Developed Countries.

4.33 Although the agenda and commitments have been made, subsequent progress on the Doha round has been somewhat slow. Talks at the Ministerial Meeting in Cancún in September 2003 broke down, however August 2004 saw a step forward with a Framework Agreement agreed in Geneva setting out the general principles of a final agreement. As we set out in the UK's White Paper *Making Globalisation a Force for Good*, making progress on the Doha Agenda remains our priority, in particular those areas which affect developing countries most; Agriculture, Non-Agricultural Market Access and Special and Differential Treatment to help poorer countries move towards more open markets under the banner of 'same destination, different speeds'. The UK recognises that developing countries must have the space to carefully design and sequence trade policy and reform into their own broader plans for development and poverty reduction. For example, more open markets are subject to greater competition from foreign providers of goods and services. While this itself can drive productivity gains, it also means that structures need to be put in place to help people adapt to a more competitive environment and to prevent environmental degradation. This includes access to skills development and training programmes, or social protection measures to protect the most vulnerable through change. The White Paper also emphasises the need to move away from a 'mercantilist' approach to trade negotiations. In particular developed countries should not use the prospect of opening their markets to developing countries to extract concessions from developing countries. We will be working to ensure an early conclusion to the round.

4.34 Agricultural support as a percentage of GDP has been falling in Europe since 1990 to 1.3% in 2002. The recent reform of the Common Agricultural Policy in 2003 marked a further step along this path – although much remains to be done. The decoupling of subsidies from production connects European farmers much more closely to the market and will reduce excessive production, which can result in

agricultural commodities being 'dumped' – sold very cheaply – on world markets, so harming the incomes of other producers in developing countries. The Government will continue to be at the forefront of those pushing for further reform of the EU's agricultural policy. We will be working to get a good development outcome from reform of the EU's Sugar Regime, building on research DFID has commissioned. This will include ensuring that appropriate and adequate transitional arrangements are put in place to allow African Caribbean and Pacific (ACP) countries the opportunity to make the essential adjustments to their economies in a managed way.

### Tariff and quota free access for least developed countries' exports

4.35 The European Union 'Everything But Arms' (EBA) Agreement was introduced in February 2001 as part of the Generalised System of Preferences arrangements. This offers the LDCs duty and quota free access to the EU market for all sectors with the exception of arms and munitions.

4.36 Take-up preferences under EBA have so far been quite low. In part, this is because a good number of exports to the EU do not attract a tariff already, and ACP countries enjoy near to tariff-free access under the 2000 Cotonou Agreement. There remain, however, a number of restrictions to exports from LDCs, including complicated administrative procedures, overly complex and restrictive rules of origin, that determine the provenance of products and hence their eligibility for preferences and tight EU sanitary and health standards. The UK Government is working with the EC to simplify rules of origin and customs procedures and supports developing countries in developing their ability to use preference schemes. As tariffs are reduced through the WTO process, the value of preference schemes, in terms of the competitive advantage it gives to developing country exports, is being eroded. Whilst the impact of such preference erosion is focused on a few key products, the impact on the developing countries involved should not be underestimated. The UK Government is working with other governments, donors and multilateral agencies to address this challenge.

### Trade related capacity building

4.37 In order for the benefits of trade related economic growth to be passed on to the poor, trade issues need to be carefully integrated into Poverty Reduction Strategies or national development plans. Recognising that developing countries may have limited capacity to produce appropriate goods in the quantities required, the UK Government supports countries in focusing on policies which will assist in trade and build supply capacity. These may include policies which generate investment in infrastructure such as roads, ports and utilities, health and education systems that can deliver skilled and flexible work forces and institutions that support and oversee growth and trade.

4.38 Since 1998 DFID has committed over £174 million to assist in trade related capacity building. The UK Government will continue to assist developing countries towards sustainable and competitive production. Just under 2% of total bilateral ODA was targeted on such activities in 2002. Work has focused on three areas:

- Helping countries to develop their own trade policies;
- Helping to negotiate appropriate agreements in regional or multilateral trade discussions, and;
- Helping to exploit the opportunities brought about by increased trade opening.

4.39 The multi donor and agency Integrated Framework for trade-related technical assistance for LDCs was also re-launched in 2001 and the United Kingdom is one of the largest contributors. This helps to coordinate the growing proportion of total bilateral, sector-allocable ODA provided to help build trade policy and regulations capacity.

DFID, DTI and FCO share a 2003-06 PSA target to secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for developing countries. Although this is not explicitly WTO specific, the slow progress of the Doha agenda means that this target is currently not on track to be met. The conclusion of a framework in Geneva on 1st August 2004 however marks a significant step forward, albeit later than originally planned.

## DEBT

4.40 In many of the world's poorest countries the heavy burden of servicing debt reduces the resources available for tackling poverty and offsets the benefits of development assistance. The UK has been at the forefront of international efforts to deliver substantial debt reduction to the poorest countries and has consistently pushed for maximisation of debt relief under the Heavily Indebted Poor Countries (HIPC) initiative. More recently the UK has taken the lead in pushing for relief beyond HIPC through the new multilateral debt initiative announced by the Chancellor.

## UK progress towards indicators related to MDG 8 Target 15

| INDICATORS  | 1990 | 1995 | 2000 | 2002 | 2003 | 2004  |
|---|------|------|------|------|------|-------|
| • Number of countries that have reached their HIPC decision point (of which number that have reached completion points) | n.a  | n.a  | 22/1 | 26/6 |      | 27/15 |
| • Debt forgiveness as a percentage of ODA   | 1.8  | 4.1  | 2.5  | 13.1 | 2.6  | n.a   |
| • Debt relief committed under HIPC initiative (US\$ billion)  | 0    | 0    | 21   | 25   | 31** | n.a   |
| • HIPC debt relief as a percentage of net ODA   | n.a  | n.a  | 8.5* | 3.8  | 1.7  | n.a   |
| • Proportion of grants (% of total gross ODA)   | 98   | 97   | 96   | 95   | 93   | n.a   |

Source: IMF and OECD

\*2001

\*\*The costs for the 27 countries that have already entered the Initiative are \$31 billion in Net Present Value (NPV) terms, which equates to about \$51 billion in nominal terms. If debt relief given in traditional (Paris Club) terms and additional bilateral assistance are included, this figure rises to around \$70 billion.

4.41 Initial progress towards this target was hampered by the lack of a multilateral approach to debt relief for the world's poorest countries in the early part of the 1990s. National efforts to deal with debt problems in developing countries were sporadic and uncoordinated. In 1996 major donors, the IMF and World Bank, came together to create the HIPC Initiative – which aims to reduce the level of official debt held by eligible countries to a sustainable level. In 1999 the Initiative was enhanced, making it more generous in terms of the level of debt relief to be provided, and theoretically easier to complete through the streamlining of conditionality attached to relief.

4.42 To date, 15 Countries have already reached Completion Point of the enhanced HIPC Initiative which means they receive irrevocable debt relief: Benin, Bolivia, Burkina Faso, Ethiopia, Ghana, Guyana, Mali, Madagascar, Mauritania, Mozambique, Nicaragua, Niger, Senegal, Tanzania and Uganda. A further 12 countries have reached Decision Point, the interim stage are working towards Completion Point.

4.43 HIPC relief committed to the 27 countries that have reached their Decision or Completion Points represents a two-thirds reduction of the overall debt stock of these countries. One of the indicators related to target 15 is debt service as a percentage of exports of goods and services. Compared with the 1998-99 averages,

debt-service payments relative to exports have declined in these 27 countries from an average of about 16% to an average of around 10% in 2003. These ratios are projected to decline further to less than half of the 1998-99 average by 2006.

4.44 Savings from lower debt-service payments have contributed to a substantial increase in poverty-reducing expenditures in indebted countries. For example, Uganda has increased social expenditure by over 40% from \$401 million in 2000 to \$569 million in 2002. It is expected to be spending \$633 million annually by 2005. Guinea has increased annual social expenditure from \$85 million to \$158 million, almost doubling social spending in relation to GDP (from 2.5% to 4.5%); and Madagascar has increased annual social spending by 60%, from \$190 million to \$300 million) with an expected increase to \$460 million per year by 2005.

4.45 While progress against the targets on debt relief has been good, challenges remain. In particular, policy slippages can derail the provision of debt relief under the HIPC Initiative. Maintaining in-country commitment to the required reform agenda – particularly if faced with external shocks – has seen some countries take longer to progress through the Initiative and receive debt relief than originally anticipated. Some countries have also experienced delays in reaching the Completion Point due to the outbreak of civil conflict.

#### UK debt relief committed under the HIPC initiative

4.46 The UK is committed to providing up to £2.4 billion of debt relief under the HIPC Initiative. The UK is also the second largest bilateral contributor to the HIPC Trust Fund and has pledged a further \$479 million to finance the multilateral institutions' participation in the Initiative. The UK goes further than required under the Initiative, and provides 100% relief on all debts owed by HIPCs. Total HIPC debt written off by the UK's Export Credit Guarantees Department up to June 2004 is £989 million.

4.47 A UK Government target has been set for irrevocable debt relief to be provided by end 2008 to 90% of all eligible HIPC countries committed to poverty reduction that reach Decision Point by end 2005. The UK is working to promote further multilateral debt relief; to ensure countries get appropriate debt relief from their official bilateral creditors, a group known as the Paris Club; and to address long-term debt sustainability in all low-income countries.

4.48 For those conflict affected countries that are eligible for the HIPC Initiative but have not yet reached Decision Point due to conflict, the UK holds all debt servicing payments received in trust to be reimbursed when they can be used to fund Poverty Reduction Strategies.

4.49 While the 27 countries at or beyond Decision Point are already receiving debt relief, there are 11 potentially eligible countries yet to enter the Initiative. As such, the extension of the Initiative beyond end-2004 will be essential if they are to benefit from relief. Ensuring the Initiative is fully and securely financed will also be essential. The UK is working with other donors – including the G7 – to ensure these challenges are met.

4.50 The UK is determined to work towards a firm international commitment to provide even more generous debt relief to the world's poorest countries, both through improving the HIPC Initiative within its current framework, and through more forward-looking measures to address debt sustainability. At the recent Sea Island Summit, the G8 agreed to work together to ensure completion of the HIPC Initiative. We also secured agreement, however, that more needs to be done if we are to deliver a truly sustainable exit from unpayable debts for the world's poorest countries. At present, many bilateral donors have joined with the UK in providing 100% relief to HIPCs. Multilateral institutions currently only provide relief at around half this level. The UK has therefore committed to providing its share of IDA and African Development Fund debt for IDA-only low-income countries with sufficiently robust public expenditure management systems to ensure that the savings from debt relief are spent on reaching the MDGs.

4.51 The UK will continue to seek agreement with our partners in the international community to follow suit and increase the quantity of debt relief being delivered to the world's poorest countries. The key will be to devise a way of providing further debt relief in a way that is predictable, flexible, rewards good performers, and above all, helps the poorest countries in the world to make progress towards the MDGs. In particular the UK will be pressing for further cancellation of debts owed by the poorest countries to the IMF, to be funded by making better use of the IMF's gold stocks.

DFID and HMT share the 2003-06 PSA target to ensure that 75% of all eligible HIPC countries committed to poverty reduction receive irrevocable debt relief by 2006. Progress in countries reaching the Completion Point (the point where countries receive full relief) has not been as rapid as previously projected. This is mostly due to policy slippages and delays in implementing key reforms, which has led some countries to go off-track with their IMF supported programmes. Nonetheless, by October 2004, six further countries had already reached Completion Point, taking the total number to 15 (or over 50% of all eligible HIPC countries) and more are expected in early 2005. We therefore still expect the target to be achieved by 2006. This target has been rolled over into the 2005-08 PSA to ensure that 90% of countries that have reached decision point by end of 2005, receive this relief by 2008.

## ENSURING ENVIRONMENTAL SUSTAINABILITY

4.52 Environmental sustainability is a central pillar of sustainable development, together with achieving a fair and just society and long-term economic viability and stability. There are three MDG targets relating to the goal of achieving environmental sustainability. Targets 10 and 11 focus on improving water, sanitation and the lives of slum dwellers and UK contributions towards achieving these targets in developing countries are covered in Chapter 3. Target 9 seeks integration of the principles of sustainable development into country policies and programmes and here domestic assessment is relevant for developed countries.

### UK Progress towards MDG 7, target 9

| INDICATORS  | 1990 | 1995 | 2000 | 2002                  | 2003 |
|---|------|------|------|-----------------------|------|
| • Percentage of land area covered by forest                                 | 10.9 | n.a  | 11.6 | n.a                   | n.a  |
| • Percentage of surface area protected to maintain biological diversity     | n.a  | 0.21 | 0.21 | 0.22                  | 0.23 |
| • Energy use (kg oil equivalent) per \$ GDP (Purchasing Power Parity – PPP) | 4.4  | 5.1  | 6.0  | n.a                   | n.a  |
| • Carbon dioxide emissions (metric ton per capita)                          | 10.4 | 9.6  | 9.4  | 9.6 <sup>(2001)</sup> | n.a  |
| • Consumption of ozone -depleting CFCs (thousand ODP tons)                  | 58.1 | 4.0  | 0    | 0                     | 0    |

Source: FAO, UNEP, World Bank, UNFCCC, UNSD

### Integrating the principles of sustainable development into country policies and programmes

4.53 In 1999, the UK Government published its second sustainable development strategy, *A better quality of life*, together with 15 headline indicators of progress. While much has been done to protect and enhance the environment, we still face big challenges ahead domestically and globally: from tackling climate change to reversing the loss of biodiversity. Success will depend on long-term political commitment, strong co-operation between UK Government departments and well-targeted resources. To reflect these challenges, the UK will launch a new Sustainable Development Strategy in 2005. This will incorporate international commitments from the World Summit on Sustainable Development (WSSD) in 2002 and take account of changes in the UK since devolution in Scotland and Wales. The Strategy is being developed with assistance from a Ministerial Sustainable Development Task Force.

4.54 A decade on from the Rio Earth Summit, the World Summit on Sustainable Development (WSSD) was held in September 2002. The main outcome of the summit was the Johannesburg Programme of Implementation which sets out actions needed to ensure that development is sustainable. This is complemented by over 200 multi-stakeholder partnerships involving business, civil society and other NGOs, and a Declaration by Heads of State and Government emphasising the importance of delivering the commitments made. The DEFRA PSA for 2005-08 has no specific targets tied to progress towards meeting the MDGs, but does incorporate delivery of WSSD commitments.

4.55 A number of bodies, both within the UK Government and independent of it, have a role to ensure that sustainable development is integrated into Government policy and decision-making:

- The Sustainable Development Commission is the Government's independent advisory body – identifying obstacles to achieving sustainable development and highlighting opportunities;
- Parliament's Environmental Audit Committee considers to what extent the policies and programmes of UK Government departments and Non-Departmental Public Bodies contribute to environmental protection and sustainable development and audits their performance and reports to Parliament;
- The Cabinet Sub-Committee of Green Ministers aims to consider the impact on sustainable development of government policies and improve the performance of Departments.

4.56 Within the UK, the environmental impacts of plans and programmes for agriculture, forestry, fisheries, energy, industry, transport, waste management, tourism, telecommunications, town and country planning and land use are all considered. Since July 2004, this falls under the EC 'Strategic Environment Assessment' Directive.

4.57 From April 2004 all policies and proposals that will have a substantial impact on the public sector come under the Regulatory Impact Assessment (RIA) regime. In completing RIAs, Departments are now required explicitly to identify any significant environmental and social costs and benefits, as well as economic costs and benefits.

### Climate change and energy use

4.58 Climate change is recognised as one of the most serious environmental problems – with economic and social consequences – that the world faces. The adverse effects of climate change are projected to affect much of the world, with less developed regions being especially vulnerable.

4.59 The UK ratified the Kyoto Protocol along with its EU partners in May 2002 and accepted a legally binding commitment to a 12.5% reduction in emissions of greenhouse gases on 1990 levels by 2008-12. The UK's Climate Change Programme, published in 2000, sets out the policy framework to deliver the UK's Kyoto target and move towards its domestic goal to reduce emissions of CO<sub>2</sub> by 20% below 1990 levels by 2010.

4.60 The UK is currently on track to meet its Kyoto target. In 2002, emissions of greenhouse gases were estimated to be 14-15% below 1990 levels and emissions of CO<sub>2</sub> estimated to be 8-9% below 1990 levels. Moving towards a low carbon economy is also at the heart of the Energy White Paper published in February 2003. The long-term strategy outlined in this Paper has as a key aim the reduction of CO<sub>2</sub> emissions by some 60% from current levels by 2050, with real progress demonstrated by 2020.

4.61 As indicated in the table of MDG indicators there has been an increase in UK energy consumption between 1990 and 2000. A number of factors have contributed to this, including an increase in the number of households in the UK, increasing comfort standards (households and businesses heating more rooms to higher temperatures) and an increase in the number of appliances, particularly those used for entertainment.

4.62 The UK Government is committed to working with business and the public on communicating the reality of climate change and creating sustainable demand for low carbon solutions. In April 2004 we launched an Energy Efficiency Action Plan containing a package of measures designed to increase the annual rate of energy efficiency improvement across the economy. These measures are expected to achieve annual savings of over 12 million tonnes of carbon, lead to a net decrease in energy consumption, and save businesses and households over £3 billion per year on their energy bills. We have also introduced an ambitious Renewables Obligation to stimulate the market for renewable energy sources. This requires energy suppliers to source a certain percentage of the power they sell from renewable sources, rising by around 1% per annum to just over 15% by 2015. Although the principal focus to date has been on wind power, the Government is also seeking to stimulate other sources such as biofuels, tidal and wave power and solar technologies. The UK is engaged in the world's largest programme of offshore wind development.

### Biodiversity

4.63 The UK National Forest Programme was published in January 2003 and includes standards for sustainable forestry. The success of the UK's programme of woodland expansion can be seen in figures showing the percentage of land area covered by forests. The National Inventory of Woodland and Trees for 2003 found 65,000 hectares of new woodlands have been created in the UK since 1999. Forty per cent of UK woodland has been independently certified as sustainably managed. Our

efforts now focus on supporting greater uptake by private growers and stimulating consumer demand for sustainably produced wood products. UK Government contracts require that timber felled to provide goods, services and construction works shall be from verified legal sources.

4.64 The proportion of land area which is protected has increased in the UK in recent years- from 0.21% to 0.23%. The UK Government recently undertook a national audit of habitats and landscape features, published as the 'Countryside Survey 2000'. This found improvements in river water quality and a halting of hedgerow loss. However plant diversity had declined during the 1990s. The results are being used to assess the success of England's Biodiversity Strategy, the Sustainable Food and Farming Strategy and to assess changes in countryside quality as required by the Rural White Paper. In order to reverse the declines in species and habitats the UK is adopting Biodiversity Action Plans.

4.65 The UK is integrating WSSD commitments on marine biodiversity and sustainable global fisheries into Government policy. Further developments in UK fisheries and marine environmental policy are expected following a UK review of Marine Nature Conservation, and the report of the Prime Minister's Strategy Unit 'Net Benefits' on the options for a sustainable and profitable future for UK fishing. The UK needs to make further progress on identifying appropriate management measures to establish a network of marine protected areas.

4.66 The Common Fisheries Policy (CFP) was revised in 2002 and now provides a strong framework for policies and decisions which are more environmentally and economically sustainable. Part of the reformed CFP is a new framework for EU fisheries agreements with third countries (many of which are developing countries). This framework stresses the need for Community contribution towards strategies for the sustainable management of fisheries as defined by the coastal state, in particular taking account of the need to ensure improved consistency with European and other international development programmes and policies. Building on the CFP reform and developing the EU's Marine Thematic Strategy will be a UK priority over the next few years.

### The quality of air and water

4.67 Air pollution does not respect national boundaries and emissions can affect air quality elsewhere in the world. The UK is committed to meeting the stringent air quality standards set for the whole of the EU<sup>11</sup>, and has a national Air Quality Strategy<sup>12</sup> with targets for improvements in air quality that go beyond these obligations. The UK is signatory to agreements for concerted action through the auspices of the United Nations Economic Commission for Europe<sup>13</sup> to improve air quality at national level and beyond.

11 [www.europa.eu.int/comm/environment/air/index](http://www.europa.eu.int/comm/environment/air/index)

12 [www.defra.gov.uk/environment/airquality/index](http://www.defra.gov.uk/environment/airquality/index)

13 [www.unece.org/env/lrtap/welcome](http://www.unece.org/env/lrtap/welcome)

4.68 *'Directing the flow – Priorities for Future Water Policy'* sets out the UK's strategic aims for this vital natural resource, covering water resources, management and sewerage systems. It takes a long-term view, looking at the next 20 years and beyond.

### Sustainable patterns of consumption and production

4.69 Developed countries are major resource users and need to lead a shift to more sustainable patterns of consumption and production (SCP). The WSSD secured developed country agreement with this agenda, in order to bring development within the carrying capacity of ecosystems and reverse the trend in natural resource loss. *Changing Patterns*, the UK framework for Sustainable Consumption and Production, was published in September 2003, together with a consultation paper on SCP indicators. The Framework is the first major statement by a national Government since the WSSD and outlines how the Government will continue to develop and implement SCP policy further.

4.70 From November 2003, all new central UK Government department procurement contracts must apply minimum environmental standards when purchasing certain types of products including food and timber. These cover aspects such as energy efficiency, recycled content and biodegradability. The UK is also actively engaged in a number of inter-related EU initiatives including the development of thematic strategies under the 6th Environmental Action programme, Integrated Product Policy, the Environmental Technology Action plan.

## CHAPTER 5

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# PRIORITIES AND ACTIONS ON THE WAY TOWARDS 2015

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5.1 The Millennium Declaration recognised that responsibility for addressing issues of avoidable poverty, hunger, mortality, gender inequality and environmental degradation falls to both developed and developing countries. The UK has identified priorities for reaching the MDGs by 2015 and will work to support other EU countries and the broader international community to reach these targets.

5.2 We have six priorities:

1. Increased financing for development
2. More effective development assistance
3. Strengthening the international enabling environment
4. Supporting weaker states
5. Africa
6. Environment and climate change

### INCREASED FINANCING FOR DEVELOPMENT

#### Increased official resources – aid and debt relief

5.3 The MDGs will not be achieved without additional resources for low-income countries. In addition to increasing domestic revenue and external investment, a substantial increase in both aid and debt relief is needed. This needs to be secure, predictable, and sustained up to 2015 and beyond. Support for mechanisms to secure increases in development assistance such as the International Finance Facility and renewed commitments to achieve the UN target of 0.7% ODA/GNI will be required.

5.4 The UK has been at the forefront of international efforts to deliver substantial debt reduction to the poorest countries and while progress against the targets on debt relief has been good, challenges remain. Debt relief can have a direct impact on achievement of the MDGs, freeing up developing country resources to focus on poverty-reduction.

5.5 The UK will:

- Continue to make progress towards its commitment to 0.7% ODA/GNI target.
- Continue to develop and promote the International Finance Facility (IFF) as a means of delivering the immediate additional funds needed.

- Continue to work with other development agencies to advance a sound understanding of how countries can best absorb large amounts of additional funds to support sustainable development programmes.
- Continue to provide 100% relief on all debts owed by Heavily Indebted Poor Countries eligible for debt relief, to ensure that the poorest countries have a sustainable exit from debt. We will work to a target for irrevocable debt relief to be provided by end 2008 to 90% of all eligible HIPC countries committed to poverty reduction that reach Decision Point by end 2005.
- Provide our share of IDA and African Development Fund debt for IDA-only low income countries where the savings from debt relief are likely to be spent on reaching the MDGs and press our international partners to join us in this initiative and to consider options for financing further relief on IMF debt.
- Work within the EU to secure an increase in the proportion of EC aid allocated to low-income countries, given that the EC represents 20% of EU ODA.

#### 5.6 We will actively encourage all donors to:

- Support the IFF.
- Support IFF for Immunisation, that the Global Alliance for Vaccines and Immunisation has been developing, as a means to investigate and assess the feasibility and impact of frontloading resources for development.
- Commit to achieving the 0.7% ODA/GNI target and set targets for the proportion of aid going to low-income countries. In particular, the EU should set a new ODA/GNI target to follow the expiry of the existing commitment to reach 0.39% ODA/GNI by 2006 to demonstrate commitment towards the 0.7% target.
- Provide additional resources to finance up to 100% multilateral debt relief for the world's poorest countries.

#### Non-aid funds for development

5.7 Remittances from migrants and Foreign Direct Investment through the private sector far exceed the financial income provided by official development assistance, official aid and other official flows to most developing countries. Creating an environment in which countries are able to make the most of such funds is therefore important in promoting achievement of the MDGs.

#### 5.8 The UK will:

- Help developing countries improve the business-enabling environment to promote greater flows of both foreign and domestic private investment.
- Support and undertake research on tax and competition policy.

- Address regulatory barriers and improve remittance services through the UK Remittances Working Group, with high-level private sector participation.
- Develop core remittance principles for regulators and financial institutions, through the Inter-Agency Task Force.
- Contribute research on how remittances which support development can be encouraged, such as surveys of remittance products, and surveys of migrants to better understand their remittance-sending behaviour and how best to improve their access to low cost remittance services.

#### 5.9 We will encourage others to:

- Improve remittance services from their countries including by utilising core remittance principles from the Inter-Agency Task Force.

## MORE EFFECTIVE DEVELOPMENT ASSISTANCE

### Allowing countries to take genuine ownership of their development

5.10 The evidence suggests that major gains in living standards and social indicators are possible where there is a high level of domestic political commitment to reform, with donors supporting a country's own plan which is driven by demand and domestic accountability. In many low-income countries, the Poverty Reduction Strategy (PRS) initiative has resulted in a sharper focus on poverty reduction, a more open participatory process and greater attention to monitoring poverty-related outcomes. The coverage of MDG topics in PRSPs is improving. Governments' policies are more poverty focused and links between planning and budgeting have been strengthened. Poverty-oriented expenditures, such as health and education budgets, have increased. Poverty monitoring systems have been developed which will help to track progress over time, and provide a sounder basis for improved management of services and programme design in the future.

5.11 Donors now need to allow governments to take genuine ownership of the design and monitoring of PRSPs and provide more long-term aid through government systems.

#### 5.12 The UK will:

- Continue to ensure its Country Assistance Plans are based on national or other country led strategies, where these exist.
- Continue to work with development partners to build government institutions and frameworks needed to deliver PRSPs, and strengthen civil society and parliamentary participation.

- Provide aid directly to government budgets when the circumstances are appropriate.
- Continue to provide support to regional approaches where appropriate, and to local or community led programmes where these can supplement actions by government.
- Implement a new approach to aid conditionality.

#### 5.13 We will actively encourage all donors to:

- Support development of PRSPs or equivalent national planning processes which promote environmental sustainability, growth and poverty reduction; work with governments to mainstream poverty and social impact analysis; and strengthen links between planning and delivering budgeting processes.
- Support the World Bank and IMF to improve the architecture and design of PRSPs – including adapting the approach for different country contexts such as weak and failing states.
- Deliver more aid through government budgets and systems when the circumstances are appropriate.
- Increase support to building the capacity of government institutions to take control of and deliver PRSPs.
- Review their approach to aid conditionality.

#### Making harmonisation happen on the ground

5.14 Harmonisation is crucially important for developing countries. Although the 2003 Rome declaration gathered the political will to move ahead, implementation has stalled in translating commitments into progress on the ground.

#### 5.15 The UK will work with other donors to:

- Turn the Rome commitments to improve harmonisation and to monitor progress into concrete action. This should include strengthening incentives for harmonisation in development organisations.
- Increase joint donor programmes and promote greater selectivity across countries and sectors.
- Agree to carry out joint reviews of progress at country level, based on the PRSP objectives. These should increasingly be led by partner governments to establish mutual accountability between the government, domestic stakeholders and the donor community as a whole.
- Support governments in taking the lead in managing the harmonisation of donors.

- Move towards greater harmonisation and alignment through the EU High Level Working Party on Harmonisation and Co-ordination.

### Improving the predictability of aid and changing aid conditions

5.16 Improving aid predictability is vital. Countries cannot properly plan public policies if they do not know how much external finance they will receive. In the past, terms and conditions attached to aid have been burdensome to developing countries and it has not always been evident that they have benefited poor people.

#### 5.17 The UK will:

- Be clear about the basis on which funds will be reduced or stopped and allow for a period of dialogue with the developing country if agreed conditions are not met. This will include building greater certainty and transparency into budget support arrangements.
- Ensure that aid terms and conditions are linked to benchmarks set by governments agreed as critical for achieving progress on poverty reduction.
- Use conditions to back reforms in sensitive areas, only where partner governments have been able to debate the full range of policy options, and have made their own decision informed by clear evidence of the benefits to poor people.

#### 5.18 We will actively encourage all donors to:

- Make long-term agreements with developing countries, which set out the commitments and expectations on both sides, designed to achieve long term development strategies.
- Limit, streamline, and harmonise the number of conditions associated with aid programmes, including for the World Bank and IMF, and monitor their effects.
- Increase the use of Poverty and Social Impact Analysis and integrate Risk and Vulnerability Assessments in existing national level assessments to help stop any increase in extreme levels of poverty, and ensure that policy decisions work in favour of poor people.
- Untie their aid, including for food aid and technical co-operation. Our focus will concentrate on working within the EU.

## STRENGTHENING THE INTERNATIONAL ENABLING ENVIRONMENT

### Trade reform

5.19 Development focussed trade reforms can significantly contribute to growth and poverty reduction, particularly in Africa whose share of world trade has more than

halved over the past decade, despite globalisation and rapid growth in global trade. The current WTO round and living up to the commitments made at Doha will be critical. Flexibility and political commitment is needed from all WTO members to ensure developmental gains and to move negotiations forward. Negotiating groups, particularly the G20 and G90, need to have developed positions that enable them to respond quickly and coherently to the proposals for action.

#### 5.20 The UK will:

- Continue to influence WTO and EU positions to ensure an outcome to the Doha trade round that benefits developing countries and ensures coherence between countries' development, trade and environment policies.
- Continue working with the EU's Agriculture, Trade and Development Network of member states and pressing for reform of the EU's agricultural policy and implementation of reforms already agreed. All reforms should include transition arrangements for ACP countries.
- Continue to support trade-related capacity building in developing countries.
- Use our EU and G8 presidencies in 2005 to help progress this agenda.

#### 5.20 We will actively encourage all donors who are WTO members to:

- Deliver on commitments made at Doha: to increase market access; to reduce trade-distorting agricultural subsidies; and to phase out all forms of export subsidies.
- Make Special & Differential Treatment measures for developing countries more effective.
- Encourage development ministers within the EU to engage more with their Trade and Agriculture counterparts to widen the constituency pushing for real development gains from further CAP reform.

### Access to medicines and intellectual property rights

5.21 Action is needed to increase developing country access to affordable medicines in the short term and to provide a more secure long-term framework for the development of future medicines and vaccines of benefit to the health needs of the poor in developing countries.

#### 5.22 The UK will:

- Support global health funds and partnerships which are poverty focused effective aid instruments in order to increase the access of the poor to medicines and appropriate treatment.

- Support the Global Fund to fight AIDS, Tuberculosis and Malaria, and other partnerships, to monitor prices of relevant commodities, and make this information freely available.
- Implement strategies such as the IFF to frontload programmes such as GAVI to stimulate increased production and accelerate new investments by vaccine manufacturers.
- Work within the WTO and the EU to amend agreements on intellectual property rights to facilitate access in developing countries to copies of patented medicines.
- Work with the pharmaceutical industry to increase affordability of existing medicines in developing countries through more widespread differential pricing of existing medicines.
- Stimulate greater investment in research and development of medicines to treat diseases which disproportionately affect the developing world through the provision of strategic financial and analytical support for the development of new tools and methodologies.

### 5.23 The UK will encourage other donors to:

- Amend agreements on intellectual property rights to facilitate access in developing countries to copies of patented medicines.

### Other actions to strengthen the international enabling environment

#### 5.24 The UK will work alone and with others to:

- Monitor the UK's progress towards greater policy coherence.
- Continue to work with the DAC and others to share lessons and take forward ideas for how we can improve our own practice.
- Continue to work with EU partners on the development of a Europe-wide methodology for the application of development criteria in assessing arms export licenses.
- Promote stronger small arms transfer controls around the world, particularly among developing countries, with the aim of securing global agreement at a UN conference in 2006.
- Revise our international health worker recruitment code and look to monitor the effect of UK recruitment practices on human resources.
- Seek effective implementation of a new law that allows the prosecution of UK businesses that bribe public officials in other countries.
- Contribute to the development of international anti-corruption conventions and standards and seek effective methods of monitoring and enforcement over time.

- Broaden and consolidate the work of the Extractive Industries Transparency Initiative to provide transparency over payments by companies to governments and government-linked entities, as well as over the revenues of host country governments.

## SUPPORTING WEAKER STATES

5.25 Around 340 million poor people live in weak and failing states. Since this is one third of the world's poor, the MDGs cannot be met globally without progress being made in these countries. At its most extreme, weaker states are actually in conflict. This situation is likely to give rise to the most severe poverty and present the most difficult challenge in securing improvement.

5.26 But many states are failing to provide basic services to poor people because they are unwilling or unable to do so. Weak and failing states are associated to varying degrees with conflict and humanitarian crises, human rights violations, natural resource degradation, global security and health threats, organised crime, reduced global prosperity, and weakened international systems. In addition to efforts to manage conflict, and to support post-conflict reconstruction, there is a need to invest in preventing weak countries from collapsing in the first place. Stopping ruling elites from capturing resources or giving them incentives to change their behaviour so that it is more in line with poverty reduction may also be required. These will require more coordination and focus on prevention, and better integration of military, diplomatic, humanitarian and development interventions. We will also need a new international framework for donor engagement in weak and failing states.

### 5.27 The UK will:

- Continue to put policy coherence into practice, by ensuring that government departments respond collectively to weak and failing states.
- Contribute to improving understanding of how to make aid more effective in these states.
- Seek to translate a joint understanding of any conflict situation into joint conflict prevention objectives.
- Try and ensure genuinely strategic conflict prevention programmes.
- Utilise the UK's Conflict Pools to mobilise and integrate a more co-ordinated international effort on conflict prevention, including closer working with EU mechanisms.
- Support an African Peace Initiative which would build the capacity of regional institutions to play a vital role in development and peace keeping.

**5.28 We will encourage all donors to:**

- Provide timely and predictable assistance for weak states. Evidence shows that in post-conflict countries, for example, aid has the highest impact just at the point when most donors start reducing their aid budget.
- Continue to remain engaged with weak and failing states, including through diplomatic dialogue, support for development etc. as appropriate. The challenges of weak states are part of international development, not a distraction from it and the cost of neglect is too high.
- Consider new and reformed international frameworks to improve coherence between defence, diplomatic, development, trade and other policies.

**AFRICA**

**5.29** Almost all of the MDG indicators are off track in sub-Saharan Africa. This means that global progress on many of the hard to reach MDGs depends on making significant progress in Africa on these goals.

**5.30** Significantly increased economic growth is required, but this will be insufficient by itself to achieve the necessary progress, particularly on the hard to reach goals in health, education, and hunger. Also required are:

- more responsive and accountable governance, improved services, and better designed social protection measures that protect and promote poor people's livelihoods;
- prevention and management of conflict;
- increased and more effective aid;
- more open trade markets;
- sustainable solutions to unmanageable debt; and
- significant progress against HIV and AIDS.

**5.31 The UK will:**

- Play a leading role in securing sustained support for Africa through support for the Commission for Africa and our presidencies of the G8 and the EU.
- Increase spending in Sub-Saharan Africa from £0.7bn in 2003/04 to £1.25bn by 2007/08. We will meet the commitment made at the G8 Kananaskis Summit that half of the additional bilateral finance promised at Monterrey will be channelled to sub-Saharan Africa.
- Support the African Peer Review Mechanism as a means of improving political and economic governance.

- Work closely with others to strengthen regional institutions including the African Union and NEPAD, the UN Economic Commission for Africa and the African Development Bank.
- Undertake a joint review of international support for climate monitoring, analysis, modelling and interpretation in Africa, as a first step in identifying how to use existing knowledge and resources better, and to building additional effort to meet Africa's needs in the longer term.

### 5.32 We encourage all donors to:

- Significantly increase the amount of aid going to Africa.
- Address conflict through building African capacity for conflict prevention, management, and post-conflict reconstruction.
- Adopt improved rules of origin in preference schemes available to Africa and continue ongoing reform of developed country agriculture support policies to provide improved trade conditions for African producers.
- Step up their response to HIV and AIDS, and increase harmonisation and alignment behind country strategies and systems. The objective is to have 2 million people in Africa receiving treatment by the end of 2005.
- Provide more harmonised support for strengthened and sustainable health and education systems and infrastructure. Particular attention should be paid to sexual and reproductive health and rights, women's rights and gender relations.
- Provide support to national social protection policies and schemes to ensure that the poorest share in progress being made towards the MDGs.

## ENVIRONMENT AND CLIMATE CHANGE

5.33 For economic growth and poverty reduction to be sustainable, development policy must take account of associated environmental opportunities and limits. Without this, resources will be degraded and polluted, limiting their future ability to support economic growth and social development. We need to integrate environmental considerations more effectively into current initiatives and activities and redouble our efforts, focusing on Africa in the immediate term, to bring progress back on track to meet the goal. The UK is confident that this can best be achieved through a country-led approach, supported by development of appropriate tools, adoption of best practices, building awareness of the problems and capacity to tackle them. A key aspect of this will be governmental capacity building and stakeholder engagement that enables environmental demands to be articulated and consequently addressed in national Poverty Reduction Strategies and budgets.

5.34 Substantial cuts in greenhouse gas emissions will be needed to stabilise concentrations of greenhouse gases in the atmosphere. The Kyoto Protocol provides a framework for international action to tackle a global problem, but it is only a first step. Even if we significantly reduce greenhouse gas emissions over the next century, some degree of climate change is unavoidable due to historic and current emissions. As a result, developing countries in particular will need support to take action to reduce their vulnerability to climate change.

5.35 Developing countries, particularly the poorest and the most vulnerable people within those countries, will be the most severely affected by the adverse impacts of climate change. These impacts will exacerbate global problems such as drought, famine, disease, vulnerability, insecurity, and population displacements, and seriously impede poor countries' efforts to develop sustainably and tackle poverty. Without serious action to mitigate climate change and to integrate its consideration into all areas of policy, action to achieve the Millennium Development Goals and Johannesburg commitments will be in jeopardy.

5.36 The UK has already agreed to reduce its emissions by 12.5% below 1990 levels between 2008-2012 under the Kyoto protocol. The UK has also adopted a more ambitious goal of reducing CO<sub>2</sub> emissions by 20% by 2010, and set a target to put the economy on a pathway to reduce CO<sub>2</sub> emissions by 60% by 2050.

**5.37 The UK will:**

- Step up efforts to encourage developing countries to take environmental issues, including climate change, into account in their Poverty Reduction and National Development Plans helping provide tools and best practices and assisting the participation of civil society.
- Intensify work with developing countries to prioritise sustainable water and sanitation provision.
- Prioritise African cities as they house the highest proportion of slum-dwellers in the world. There must be increased recognition by governments and donors of the potential benefits of urbanisation for economic growth, providing the process is planned for and managed in terms of service provision and affordable shelter to avoid rising urban poverty.
- Engender the principles of sustainability in ALL national and sectoral policies and programmes, for example by encouraging countries to develop Integrated Water Resources Management Plans to meet water and sanitation targets while ensuring that environmental resources are maintained.
- Work with others to reinvigorate the international climate change policy process, including developing a clearer long-term vision. This will be as a priority for our G8 and EU Presidencies.

- Develop, with other partners, tools for development investments to screen for and manage climate change related risks to safeguard development assistance from the impacts of climate change.
- Seek to promote more effective integration of environmental considerations, including climate change, into the policy, programmes and projects of the international finance institutions.
- Support international dialogues, which reinforce and strengthen the capacity of developing countries to prepare for, and participate in, negotiations on future actions under the United Nations Framework Convention on Climate Change and the Kyoto Protocol.
- Support research that strengthens the evidence basis for developing strategies and measures to tackle climate change, which also allow poor countries to meet their development needs.

**5.38 We will encourage donors to:**

- Screen their development investments for risks related to long-term sustainability, particularly climate change, and to manage these risks to ensure the investments deliver the desired outcomes.
- Support developing countries in:
  - Building long-term capacity to react to and develop their own proposals on future actions to address environmental sustainability and climate change, and to ensure these countries are fully prepared to promote their interests in future negotiations.
  - Successfully integrating policies to ensure environmental sustainability and measures to tackle climate change into their development plans.
  - Building the factual basis for defining an acceptable low-carbon development path, and identifying complementary adaptation responses.

## CHAPTER 6

# CONCLUSION

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6.1 The general picture is that, while the world has made some progress since 1990, this progress is patchy and some of the MDG targets will not be met by 2015 on current rates of progress. It is late, but not too late, to change tack and take action now for the targets to be met by 2015. The review of progress during 2005, culminating in the Millennium Declaration Review Summit in September presents a last chance for the international community to come together and agree to take the necessary action. Failure to do so at this stage will not only be a lost opportunity but also almost guarantee that the off track 2015 targets will not be met.

6.2 Sub-Saharan Africa presents a particular challenge, where virtually all targets are off track. However, it is important to recognise that this is based on considering the period since 1990 as a whole. There are more encouraging recent developments in Africa, which give optimism that foundations for better progress in the future may be being laid. It is in this light that the UK Prime Minister has convened the Commission for Africa, which is due to report in 2005.

6.3 One key theme in this report has been the centrality of national poverty reduction plans and the importance of the UK and all donors aligning their support behind these. Long-term sustainable development depends on strengthening governance, and donors working in partnership with developing country governments to strengthen their capacity, systems and processes. While patience, and maintaining a focus on the longer-term goal, may often be required, the UK and others believe this is the only realistic route to ensuring that development gains are real and maintained.

6.4 Chapter 5 has set out the priorities for action for the UK and the international community to accelerate progress towards the MDGs. These are presented as a framework for a programme of concerted action over a ten-year period. The events of 2005 present a unique opportunity and challenge, and the UK has identified some particular priorities for its international efforts next year.

6.5 Firstly, the UK will hold the presidency of the G8 during 2005, and will be using the opportunity to promote two key priorities – Africa and climate change. Secondly, the report of the Commission for Africa will be presented to the G8 Summit in July 2005, which will have the opportunity to set the tone for the UN summit and beyond. Third, the UK will hold the EU Presidency during the period of the Summit.

6.6 The UN Millennium Declaration Review Summit in September will be a major international event for development. The review covers the whole Declaration, and therefore will include security, conflict, and UN reform as well as development. The UK will be striving overall for a stronger international consensus on the relationship between security threats and development.

6.7 Within the development strand, we will be seeking agreement for:

- **Reaffirmation of international commitment to the MDGs** and related Summits, including climate change and environmental sustainability and other relevant broader issues (eg women's rights) as essential components of sustainable development.
- **More resources to implement the MDGs**, through conventional and innovative (IFF) financing, debt relief and more effective multilateral and bilateral donor efforts.
- Making faster progress on the **Doha development round** and, more generally, to promoting international policies that support the interests of poor countries, including on climate change.

# ANNEXES

## ANNEX 1 – THE MILLENNIUM DEVELOPMENT GOALS, TARGETS AND INDICATORS

| Millennium Development Goals (MDGs)  |  |
|--|--|
| Goals and Targets<br>(from the Millennium Declaration)   | Indicators for monitoring progress   |
| Goal 1: Eradicate extreme poverty and hunger   |  |
| Target 1: Halve, between 1990 and 2015, the proportion of people whose income is less than one dollar a day                                    | <ol style="list-style-type: none"> <li>1. Proportion of population below \$1 (PPP) per day<sup>a</sup></li> <li>2. Poverty gap ratio [incidence x depth of poverty]</li> <li>3. Share of poorest quintile in national consumption</li> </ol>   |
| Target 2: Halve, between 1990 and 2015, the proportion of people who suffer from hunger  | <ol style="list-style-type: none"> <li>4. Prevalence of underweight children under five years of age</li> <li>5. Proportion of population below minimum level of dietary energy consumption</li> </ol>   |
| Goal 2: Achieve universal primary education  |  |
| Target 3: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling         | <ol style="list-style-type: none"> <li>6. Net enrolment ratio in primary education</li> <li>7. Proportion of pupils starting grade 1 who reach grade 5<sup>b</sup></li> <li>8. Literacy rate of 15-24 year-olds</li> </ol>   |
| Goal 3: Promote gender equality and empower women  |  |
| Target 4: Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015 | <ol style="list-style-type: none"> <li>9. Ratios of girls to boys in primary, secondary and tertiary education</li> <li>10. Ratio of literate women to men, 15-24 year-olds</li> <li>11. Share of women in wage employment in the non-agricultural sector</li> <li>12. Proportion of seats held by women in national parliament</li> </ol> |

**Millennium Development Goals (MDGs) *continued***

| Goals and Targets<br>(from the Millennium Declaration)                                  | Indicators for monitoring progress  |
|---|---|
| Goal 4: Reduce child mortality  |   |
| Target 5: Reduce by two-thirds, between 1990 and 2015, the under-five mortality rate    | 13. Under-five mortality rate<br>14. Infant mortality rate<br>15. Proportion of 1 year-old children immunised against measles   |
| Goal 5: Improve maternal health   |   |
| Target 6: Reduce by three-quarters, between 1990 and 2015, the maternal mortality ratio | 16. Maternal mortality ratio<br>17. Proportion of births attended by skilled health personnel   |
| Goal 6: Combat HIV/AIDS, malaria and other diseases                                     |   |
| Target 7: Have halted by 2015 and begun to reverse the spread of HIV/AIDS               | 18. HIV prevalence among pregnant women aged 15-24 years<br>19. Condom use rate of the contraceptive prevalence rate <sup>c</sup><br>19a. Condom use at last high-risk sex<br>19b. Percentage of population aged 15-24 years with comprehensive correct knowledge of HIV/AIDS<br>19c. Contraceptive prevalence rate<br>20. Ratio of school attendance of orphans to school attendance of non-orphans aged 10-14 years |

| <b>Millennium Development Goals (MDGs) <i>continued</i></b>  |   |
|--|---|
| <b>Goals and Targets<br/>(from the Millennium Declaration)</b>   | <b>Indicators for monitoring progress</b>   |
| <b>Goal 6: Combat HIV/AIDS, malaria and other diseases (<i>continued</i>)</b>  |   |
| Target 8: Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases   | 21. Prevalence and death rates associated with malaria<br>22. Proportion of population in malaria risk areas using effective malaria prevention and treatment measures <sup>d</sup><br>23. Prevalence and death rates associated with tuberculosis<br>24. Proportion of tuberculosis cases detected and cured under directly observed treatment short course DOTS (internationally recommended TB control strategy) |
| <b>Goal 7: Ensure environmental sustainability</b>   |   |
| Target 9: Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources | 25. Proportion of land area covered by forest<br>26. Ratio of area protected to maintain biological diversity to surface area<br>27. Energy use (kg oil equivalent) per \$1 GDP (PPP)<br>28. Carbon dioxide emissions per capita and consumption of ozone-depleting CFCs (ODP tons)<br>29. Proportion of population using solid fuels   |
| Target 10: Halve, by 2015, the proportion of people without sustainable access to safe drinking water and basic sanitation                         | 30. Proportion of population with sustainable access to an improved water source, urban and rural<br>31. Proportion of population with access to improved sanitation, urban and rural   |

**Millennium Development Goals (MDGs) *continued***

| Goals and Targets<br>(from the Millennium Declaration)  | Indicators for monitoring progress   |
|---|--|
| Goal 7: Ensure environmental sustainability ( <i>continued</i> )  |  |
| Target 11: By 2020, to have achieved a significant improvement in the lives of at least 100 million slum dwellers   | 32. Proportion of households with access to secure tenure  |
| Goal 8: Develop a global partnership for development  |  |
| Target 12: Develop further an open, rule-based, predictable, non-discriminatory trading and financial system<br>Includes a commitment to good governance, development and poverty reduction – both nationally and internationally   | <i>Some of the indicators listed below are monitored separately for the least developed countries (LDCs), Africa, landlocked developing countries and small island developing states.</i><br><b>Official development assistance (ODA)</b>  |
| Target 13: Address the special needs of the least developed countries Includes: tariff and quota free access for the least developed countries' exports; enhanced programme of debt relief for heavily indebted poor countries (HIPC) and cancellation of official bilateral debt; and more generous ODA for countries committed to poverty reduction | 33. Net ODA, total and to the least developed countries, as percentage of OECD/DAC donors' gross national income<br>34. Proportion of total bilateral, sector-allocable ODA of OECD/DAC donors to basic social services (basic education, primary health care, nutrition, safe water and sanitation)<br>35. Proportion of bilateral ODA of OECD/DAC donors that is untied<br>36. ODA received in landlocked developing countries as a proportion of their gross national incomes |
| Target 14: Address the special needs of landlocked developing countries and small island developing states (through the Programme of Action for the Sustainable Development of Small Island Developing States and the outcome of the twenty-second special session of the General Assembly)   | 37. ODA received in small island developing states as a proportion of their gross national incomes<br><b>Market access</b><br>38. Proportion of total developed country imports (by value and excluding arms) from developing countries and least developed countries, admitted free of duty   |

| <b>Millennium Development Goals (MDGs) <i>continued</i></b>   |  |
|---|--|
| <b>Goals and Targets<br/>(from the Millennium Declaration)</b>  | <b>Indicators for monitoring progress</b>  |
| <b>Goal 8: Develop a global partnership for development (<i>continued</i>)</b>  |  |
| Target 15: Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term | <p>39. Average tariffs imposed by developed countries on agricultural products and textiles and clothing from developing countries</p> <p>40. Agricultural support estimate for OECD countries as a percentage of their gross domestic product</p> <p>41. Proportion of ODA provided to help build trade capacity</p> <p><b>Debt sustainability</b></p> <p>42. Total number of countries that have reached their HIPC decision points and number that have reached their HIPC completion points (cumulative)</p> <p>43. Debt relief committed under HIPC Initiative</p> <p>44. Debt service as a percentage of exports of goods and services</p> |
| Target 16: In cooperation with developing countries, develop and implement strategies for decent and productive work for youth  | 45. Unemployment rate of young people aged 15-24 years, each sex and total <sup>e</sup>  |
| Target 17: In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries   | 46. Proportion of population with access to affordable essential drugs on a sustainable basis  |

## The UK's contribution to achieving the millennium development goals

### Millennium Development Goals (MDGs) *continued*

| Goals and Targets<br>(from the Millennium Declaration)  | Indicators for monitoring progress   |
|---|--|
| Goal 8: Develop a global partnership for development ( <i>continued</i> )   |  |
| Target 18: In cooperation with the private sector, make available the benefits of new technologies, especially information and communications | 47. Telephone lines and cellular subscribers per 100 population<br>48. Personal computers in use per 100 population<br>Internet users per 100 population |

The Millennium Development Goals and targets come from the Millennium Declaration, signed by 189 countries, including 147 heads of State and Government, in September 2000 (<http://www.un.org/millennium/declaration/ares552e.htm>). The goals and targets are interrelated and should be seen as a whole. They represent a partnership between the developed countries and the developing countries "to create an environment – at the national and global levels alike – which is conducive to development and the elimination of poverty".

Note: Goals, targets and indicators effective 8 September 2003.

- a For monitoring country poverty trends, indicators based on national poverty lines should be used, where available.
- b An alternative indicator under development is "primary completion rate".
- c Amongst contraceptive methods, only condoms are effective in preventing HIV transmission. Since the condom use rate is only measured among women in union, it is supplemented by an indicator on condom use in high-risk situations (indicator 19a) and an indicator on HIV/AIDS knowledge (indicator 19b). Indicator 19c (contraceptive prevalence rate) is also useful in tracking progress in other health, gender and poverty goals.
- d Prevention to be measured by the percentage of children under five sleeping under insecticide-treated bednets; treatment to be measured by percentage of children under five who are appropriately treated.
- e An improved measure of the target for future years is under development by the International Labour Organization.

## ANNEX 2 – DFID’S 2003-06 & 2005-08 PSAS

### DFIDs 2003-06 PSA

|   |  |
|---|--|
| <b>Aim</b>  | <b>Eliminate poverty in poorer countries in particular through achievement by 2015 of the Millennium Development Goals</b>   |
| <b>Objective 1</b>  | <b>Reduce poverty in sub-Saharan Africa</b>  |
| <b>Target 1</b><br>(Conflict prevention joint with FCO and MOD) | <b>Progress towards the MDGs in 16 key countries in Africa</b><br>Measured by progress against indicators on: income poverty, primary school enrolment, under-5 mortality rates, maternal mortality, HIV , prevalence conflict prevention and implementation of the G8 Action Plan<br>Focus countries: Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, South Africa, Sudan, Tanzania, Uganda, Zambia, Zimbabwe |
| <b>Objective 2</b>  | <b>Reduce poverty in Asia</b>  |
| <b>Target 2</b>   | <b>Progress towards the MDGs in 4 key countries in Asia</b><br>Measured by progress against indicators on: income poverty, primary school enrolment, under-5 mortality rates, maternal mortality, HIV prevalence and TB detection & cure rates<br>Focus countries: Bangladesh, China, India, Pakistan  |
| <b>Objective 3</b>  | <b>Reduce poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East &amp; North Africa</b>  |
| <b>Objective 4</b>  | <b>Increase the impact of key multilateral agencies in reducing poverty &amp; effective response to conflict &amp; humanitarian crises</b>   |
| <b>Target 3</b><br>(debt relief joint with HM Treasury)         | <b>Improved effectiveness of the international system</b><br>Measured by progress against indicators on: proportion of EC oda going to LICs, debt relief, commitment to PRS processes and the effectiveness of EC development assistance and multilateral agencies   |
| <b>Target 4</b><br>(joint target with DTI and FCO)              | <b>Secure agreement by 2005 to a significant reduction in trade barriers leading to improved trading opportunities for developing countries</b>  |
| <b>Objective 5</b>  | <b>Develop evidence-based, innovative approaches to international development</b>  |
| <b>Value for Money</b>  |  |
| <b>Target 5</b>   | <b>Increase the proportion of DFID’s bilateral programme going to low-income countries from 78% to 90% and a sustained increase in the index of DFID’s bilateral projects evaluated as successful</b>  |

DFID's 2005-08 PSA

|   |  |
|---|--|
| <b>Aim</b>  | <b>Eliminate poverty in poorer countries in particular through achievement by 2015 of the Millennium Development Goals</b>   |
| <b>Objective 1</b>                                | <b>Reduce poverty in sub-Saharan Africa</b>  |
| <b>Target 1</b>                                   | <p><b>Progress towards the MDGs in 16 key countries in Africa</b><br/>                     Measured by progress against indicators on: income poverty, primary school enrolment, under-5 mortality rates, maternal mortality, HIV prevalence and country and regional partnerships<br/>                     Focus countries: Democratic Republic of Congo, Ethiopia, Ghana, Kenya, Lesotho, Malawi, Mozambique, Nigeria, Rwanda, Sierra Leone, South Africa, Sudan, Tanzania, Uganda, Zambia, Zimbabwe</p> |
| <b>Objective 2</b>                                | <b>Reduce poverty in Asia</b>  |
| <b>Target 2</b>                                   | <p><b>Progress towards the MDGs in 9 key countries in Asia</b><br/>                     Measured by progress against indicators on: income poverty, primary school enrolment, under-5 mortality rates, maternal mortality, HIV prevalence and TB detection &amp; cure rates<br/>                     Focus countries: Afghanistan, Bangladesh, Cambodia, China, India, Indonesia, Nepal, Pakistan, Vietnam</p>   |
| <b>Objective 3</b>                                | <b>Reduce poverty in Europe, Central Asia, Latin America, the Caribbean, the Middle East &amp; North Africa</b>  |
| <b>Objective 4</b>                                | <b>Increase the impact of the international system in reducing poverty, preventing conflict and responding effectively to conflict and humanitarian crises</b>   |
| <b>Target 3</b><br>(some aspects shared with HMT) | <p><b>Improved effectiveness of the multilateral system</b><br/>                     Measured by progress against indicators on: proportion of EC oda going to LICs, debt relief and the effectiveness of EC development assistance and multilateral agencies</p>  |
| <b>Target 4</b><br>(Joint with DTI)               | <p><b>Ensure that the EU secures significant reductions in EU and World trade barriers by 2008 leading to improved opportunities for developing countries and a more competitive Europe</b></p>  |
| <b>Target 5</b><br>(Joint with FCO and MOD)       | <p><b>By 2007/08, improved effectiveness of UK and international support for conflict prevention, through addressing long-term structural causes of conflict, managing regional and national tension and violence, and supporting post-conflict reconstruction, where the UK can make a significant contribution, in particular Africa, Asia, the Balkans and the Middle East</b></p>  |
| <b>Objective 5</b>                                | <b>Develop, support and promote policy that assists poverty reduction and the achievement of the MDGs</b>  |
| <b>Objective 6</b>                                | <b>Improve the impact and effectiveness of DFID's bilateral programme</b>  |
| <b>Target 6</b>                                   | <p><b>Ensure that the proportion of DFID's bilateral programme going to low-income countries is at least 90% and achieve a sustained increase in the index of DFID's bilateral projects evaluated as successful</b></p>  |

## ANNEX 3: GLOSSARY AND ABBREVIATIONS

### **Aid untying**

The ending of the practice of most donors to insist that aid is spent on goods and services from the donor country in favour of giving unrestricted access to those who can compete best on price, quality and service.

### **Bilateral aid**

Bilateral aid is provided to developing countries and countries in transition of the Development Assistance Committee List on a country-to-country basis, and to institutions, normally in Britain, working in fields related to these countries.

### **Civil society organisations**

All Civic Organisations, associations and networks, which occupy the 'social space' between the family and the State who come together to advocate their common interests through collective action. It includes volunteer and charity groups, parents and teachers associations, senior citizens groups, sports clubs, arts and culture groups, faith-based groups, workers clubs and trade unions, non-profit think-tanks and 'issue-based' activist groups.

### **Country Assistance Papers**

DFID has produced or is producing Country Assistance Papers for all countries where we provide development assistance programmes of more than £20 million a year. These papers, produced in consultation with governments, business, civil society, and others within the country concerned and within the UK, set out how we aim to contribute to achieving the international development targets in the country in question. Country Assistance Plans are normally intended to cover a 3-4 year period. For some groups of countries a Regional Assistance Plan is produced.

### **Debt relief**

Debt relief may take the form of cancellation, rescheduling, refinancing or re-organisation. Interest and principal foregone from debt cancellation forms part of DFID programme expenditure whilst other debt relief is funded from other official sources.

- a. Debt cancellation (or Retrospective Terms Adjustment) is relief from the burden of repaying both the principal and interest on past loans.
- b. Debt rescheduling is a form of relief by which the dates on which principal or interest payments are due are delayed or rearranged.
- c. Official bilateral debts are re-organised in the Paris Club of official bilateral creditors, in which the UK plays its full part. The Paris Club has devised increasingly generous arrangements for reducing and rescheduling the debt of the poorest countries; most recently agreeing new terms for the enhanced Heavily Indebted Poor Countries Initiative.

### **Developing Countries (see Development Assistance Committee: List of Aid Recipients below)**

#### **Development Assistance Committee**

The Development Assistance Committee of the Organisation for Economic Co-operation and Development is a forum for consultation among 22 donor countries and the European Commission, on how to increase the level and effectiveness of aid flows to all aid recipient countries. The member countries are Australia, Austria, Belgium, Canada, Denmark, European Commission, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, UK and United States.

### **Development Assistance Committee: List of Aid Recipients**

This list is in two parts. Part I shows developing countries and territories eligible to receive official development assistance. Part II shows countries and territories eligible to receive official aid. The list is designed for statistical purposes and not as guidance for aid or other preferential treatment.

#### **Part I: Developing Countries and Territories**

The list comprises all countries and territories: in Africa; in America except the United States, Canada, Bahamas, Bermuda, Cayman Islands and Falkland Islands; in Asia except Japan, Brunei, Hong Kong, Israel, Kuwait, Qatar, Singapore, Taiwan and United Arab Emirates; in the Pacific except Australia and New Zealand; plus Albania, Armenia, Azerbaijan, Georgia, Gibraltar, Malta, Moldova, Turkey and the states of former Yugoslavia in Europe.

#### **Part II: Countries and Territories in Transition**

The list comprises Belarus, Bulgaria, Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Russia, Slovakia and Ukraine, plus the more advanced developing countries which have moved from Part I of the List, namely Bahamas, Bermuda, Brunei, Cayman Islands, Cyprus, Falkland Islands, Hong Kong, Israel, Kuwait, Qatar, Singapore, Taiwan and United Arab Emirates. Note that Moldova moved to Part I of the List on 1 January 1997.

### **European Community**

The 25 member states and the common institutions, notably the European Commission, co-operating on a range of economic and other issues in supra-national integration.

### **European Union**

Created by the Treaty of Maastricht 1992, which enhanced the integration of the European Community but also enabled the member states to co-operate together in an inter-governmental, not supra-national, way in the areas of Common Foreign and Security Policy Justice and Home Affairs.

### **Globalisation**

The growing interdependence and interconnectedness of the modern world through increased flows of goods, services, capital, people and information. The process is driven by technological advances and reductions in the costs of integrated transactions, which spread technology and ideas, raise the share of trade in world production and increase the mobility of capital.

### **Global Fund to fight AIDS, tuberculosis and malaria**

The Global Fund was created in 2002 to finance a dramatic turn-around in the fight against AIDS, tuberculosis and malaria. The Global Fund is not an implementing agency, but represents an innovative approach to international health financing.

### **Gross Domestic Product**

The total value of goods and services produced within a country.

### **Gross National Income**

Previously known as Gross National Product, Gross National Income (GNI) comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries.

### **Heavily Indebted Poor Countries Initiative**

An initiative launched by the International Monetary Fund and the World Bank in 1996 to provide debt relief to the poorest countries. Revised in 1999 to deliver twice as much debt relief as the original initiative.

### **Humanitarian assistance**

Humanitarian assistance comprises disaster relief, food aid, refugee relief and disaster preparedness. It generally involves the provision of material aid (including food, medical care and personnel) and finance and advice to save and preserve lives during emergency situations and in the immediate post-emergency rehabilitation phase; and to cope with short and longer-term population displacements arising out of emergencies.

### **Income groups**

The classification of aid recipient countries by income groups is based on GNI per capita figures in 2001 according to the thresholds set out below. These thresholds are identical to those used by the World Bank as follows:

- Low-income group: countries with a GNI per capita in 2001 of below \$746;
- Lower middle-income group: countries with a GNI per capita in 2001 of \$746 or above but not exceeding \$2975;
- Upper middle-income group: countries with a GNI per capita in 2001 of \$2976 or above but not exceeding \$9205;
- High-income group: countries with a GNP per capita in 2001 of \$9206 or above.

It should be noted however that there is a range of circumstances affecting each country and a large number of poor people live in middle-income countries.

### **Institutional Strategy Papers**

Institutional Strategy Papers are designed to set our partnerships with multilateral development institutions in a strategic framework. The papers are prepared in consultation with that institution and other interested parties and set out the objectives for our partnership with that institution. Institutional Strategy Papers have been or are being prepared for our main partner institutions and will normally be produced every 3–4 years.

### **Intellectual Property Rights**

National and international systems provide for the protection and enforcement of intellectual property rights. Intellectual property constitutes private property rights over ideas and inventions. The principal Intellectual Property Rights are copyrights (material which can be reproduced only with permission of the owner, who can charge for it), patents (product designs or processes which can be used only with permission of the owner, who can charge for it), trademarks (registered marks that exclusively identify a product or economic entity, which cannot be used by others), and industrial designs.

### **International Development Association**

Part of the World Bank Group that makes loans to countries at concessional rates (i.e. below market rates) of interest.

### **International Finance Facility**

The founding principle of the IFF is long-term funding guaranteed to the poorest countries by the richest countries, in order to achieve the Millennium Development Goals (MDGs). The IFF proposal is aimed at doubling levels of aid for the world's poorest countries, from just over \$50 billion a year today to \$100 billion a year in the years to 2015. It provides an important opportunity for donor countries to improve the predictability and stability of aid to the poorest countries. This would allow countries to invest in medium-term programmes such as the development of education and health systems effectively and efficiently.

### **Least Developed Countries (LDC)**

In the mid 1960s, 24 developing countries were identified as having particularly severe long-term constraints on development. They were assessed on three criteria: per capita GDP, manufacturing base and literacy. Inclusion on the list of LDCs is now assessed on two main criteria: economic diversity and quality of life. The total number of LDCs at 31 March 2004 was 49 and they are identified on pages 215-217.

### **Low-Income Countries**

Countries in the Low-Income Group, as defined in Income Groups.

### **Middle-Income Countries**

Countries in the lower middle and upper middle-income groups, as defined in Income Groups.

### **Millennium Development Goals**

A set of eight international development goals for 2015, adopted by the international community in the UN Millennium Declaration in September 2000, and endorsed by the IMF, World Bank and OECD. These are set out in full in Annex 1.

### **Multilateral aid**

Aid channelled through international bodies for use in or on behalf of aid recipient countries. Aid channelled through multilateral agencies is regarded as bilateral where DFID specifies the use and destination of the funds.

### **Non-governmental organisations**

They are private non-profit making bodies, which are active in development work. To qualify for official support UK non-governmental organisations must be registered charities.

### **Nordic Plus Group**

The Nordic Plus group consists of Aid Agency Director Generals from Norway, Sweden, Denmark, Finland, Iceland, the Netherlands, Ireland and the UK.

### **Official aid**

This is the equivalent, for countries on Part II of the Development Assistance Committee List, of official development assistance to countries on Part I of the Development Assistance List (i.e. developing countries). To qualify as official aid, resource flows should have the same concessional and qualitative features as official development assistance.

### **Official development assistance**

Official development assistance is defined as those flows to developing countries and multilateral institutions provided by official agencies or by their executive agencies, which meet the following tests:

- a. It is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
- b. It is concessional in character and conveys a grant element of at least 25%.

Only aid to countries on Part I of the Development Assistance Committee List is eligible to be recorded as official development assistance.

### **Organisation for Economic Co-operation and Development (OECD)**

A group of major industrial countries promoting growth and high employment among its members, fostering international trade and contributing to global economic development.

### **Poverty Reduction Budget Support**

Poverty Reduction Budget Support is a form of programmatic aid in which:

- a. Funds are provided in support of a government programme that focuses on growth and poverty reduction, and transforming institutions, especially budgetary.
- b. The funds are provided to a partner government to spend using its own financial management, procurement and accountability systems.

It can take the form of **General Budget Support**, which is a contribution to the overall budget, or **Sector Budget Support**, which is financial aid, earmarked to a discrete sector.

### **Poverty Reduction Strategy Papers**

Poverty Reduction Strategy Papers are prepared by the member country government in collaboration with the World Bank and International Monetary Fund as well as civil society and development partners. These documents describe the country's macroeconomic, structural and social policies and programmes to promote growth and reduce poverty, as well as associated external financing needs and major sources of financing.

### **Public Private Partnership**

A Public Private Partnership brings public and private sectors together in partnership for mutual benefit. The term Public Private Partnership covers a wide range of different partnerships, including the introduction of private sector ownership into businesses that are currently state-owned, the Private Finance Initiative, and selling Government services into wider markets.

### **Public Service Agreement**

A set of measurable targets for the Department's work, as required by the White Paper *Public Services for the Future: Modernisation, Reform, Accountability* (CM4181). See Annex 2 for DFID's Public Service Agreement.

### **Regional Development Banks**

International Development Banks, which serve particular regions, for example the African Development Bank, the Asian Development Bank, or the European Bank for Reconstruction and Development.

### **Sector Wide Approaches or sector investment programmes**

A Sector Wide Approach is a process that entails all significant donor funding for a sector supporting a single, comprehensive sector policy and expenditure programme, consistent with a sound macro-economic framework, under government leadership. Donor support for a Sector Wide Approach can take any form – project aid, technical assistance or budgetary support – although there should be a commitment to progressive reliance on government procedures to disburse and account for all funds as these procedures are strengthened.

### **Security sector**

The security sector is defined as those who are, or should be, responsible for protecting the state and communities within the state. This includes military, paramilitary, intelligence and police services as well as those civilian structures responsible for oversight and control of the security forces and for the administration of justice.

### **Spending review**

A fundamental re-evaluation of priorities, objectives and targets by the UK Government, which establishes a three-year planning cycle, including spending plans, for all departments. The 2000 Spending Review runs from 2003/04 – 2005/06. The 2004 Spending Review runs from 2004/05 – 2007/08.

### **Technical Co-operation/Technical Assistance**

Technical co-operation is the provision of advice and/or skills, in the form of specialist personnel, training and scholarship, grants for research and associated costs.

### **World Bank**

The term World Bank is commonly used to refer to the International Bank for Reconstruction and Development and the International Development Association. Three other agencies are also part of the World Bank, the International Finance Corporation, the Multilateral Investment Guarantee Agency and the International Centre for Settlement of Investment Disputes. Together these organisations are referred to as the World Bank Group.

### **World Trade Organisation**

The World Trade Organisation exists to ensure that trade between nations flows as smoothly, predictably and freely as possible. To achieve this, the World Trade Organisation provides and regulates the legal framework that governs world trade. Decisions in the World Trade Organisation are typically taken by consensus among the 147 member countries and are ratified by members' parliaments.

## **ABBREVIATIONS**

|             |  |
|-------------|--|
| <b>ACP</b>  | Africa, Caribbean and Pacific (group of countries)   |
| <b>AIDS</b> | Acquired Immune Deficiency Syndrome  |
| <b>CAPS</b> | Country Assistance Plans   |
| <b>DAC</b>  | Development Assistance Committee of the Organisation for Economic Co-operation and Development |
| <b>DFID</b> | Department for International Development   |
| <b>DTI</b>  | Department of Trade and Industry   |
| <b>EBA</b>  | Everything But Arms  |
| <b>EC</b>   | European Commission  |
| <b>EITI</b> | Extractive Industries Transparency Initiative  |
| <b>EU</b>   | European Union   |
| <b>FAO</b>  | Food and Agriculture Organization of the United Nations  |
| <b>FCO</b>  | Foreign and Commonwealth Office  |
| <b>FDI</b>  | Foreign Direct Investment  |
| <b>G7/8</b> | Group of seven/eight leading industrialised nations  |
| <b>G20</b>  | Group of twenty leading industrialised nations   |
| <b>G90</b>  | Group of ninety nations, which includes 62 largely Least Developed Countries                   |
| <b>GAVI</b> | Global Alliance for Vaccines and Immunisation  |
| <b>GDP</b>  | Gross Domestic Product   |

## Annexes

|               |  |
|---------------|--|
| <b>GNI</b>    | Gross National Income                                  |
| <b>HIPC</b>   | Heavily Indebted Poor Countries                        |
| <b>HIV</b>    | Human Immunodeficiency Virus                           |
| <b>HMT</b>    | Her Majesty's Treasury                                 |
| <b>ICT</b>    | Information Communication Technologies                 |
| <b>IDA</b>    | International Development Association                  |
| <b>IFF</b>    | International Finance Facility                         |
| <b>IMF</b>    | International Monetary Fund                            |
| <b>ISP</b>    | Institutional Strategy Paper                           |
| <b>LDC</b>    | Least Developed Countries                              |
| <b>LIC</b>    | Low-Income Countries                                   |
| <b>MIC</b>    | Middle-Income Countries                                |
| <b>MOD</b>    | Ministry of Defence                                    |
| <b>NEPAD</b>  | New Partnership for Africa's Development               |
| <b>NGO</b>    | Non-Governmental Organisation                          |
| <b>ODA</b>    | Official Development Assistance                        |
| <b>OECD</b>   | Organisation for Economic Co-operation and Development |
| <b>PPA</b>    | Partnership Programme Agreements                       |
| <b>PPP</b>    | Purchasing Power Parity                                |
| <b>PRBS</b>   | Poverty Reduction Budget Support                       |
| <b>PRSP</b>   | Poverty Reduction Strategy Paper                       |
| <b>PSA</b>    | Public Service Agreement                               |
| <b>PSIA</b>   | Poverty and Social Impact Analysis                     |
| <b>RIA</b>    | Regulatory Impact Analysis                             |
| <b>SCP</b>    | Sustainable patterns of Consumption and Production     |
| <b>SRH</b>    | Sexual and Reproductive Health                         |
| <b>TB</b>     | Tuberculosis   |
| <b>TRIPS</b>  | Trade-Related Aspects of International Property Rights |
| <b>UK</b>     | United Kingdom of Great Britain and Northern Ireland   |
| <b>UN</b>     | United Nations   |
| <b>UNAIDS</b> | Joint United Nations Programme on HIV/AIDS             |
| <b>UNCTAD</b> | United Nations Conference on Trade and Development     |

## The UK's contribution to achieving the millennium development goals

|                   |  |
|-------------------|--|
| <b>UNEP</b>       | United Nations Environment Programme                             |
| <b>UNESCO</b>     | United Nations Educational, Scientific and Cultural Organization |
| <b>UNFCCC</b>     | United Nations Framework Convention on Climate Change            |
| <b>UNFPA</b>      | United Nations Population Fund                                   |
| <b>UN-HABITAT</b> | United Nations Human Settlement Programme                        |
| <b>UNICEF</b>     | United Nations Children's Fund                                   |
| <b>UNSD</b>       | United Nations Statistics Division                               |
| <b>USAID</b>      | United States of America Agency for International Development    |
| <b>WHO</b>        | World Health Organization  |
| <b>WSSD</b>       | World Summit on Sustainable Development                          |
| <b>WTO</b>        | World Trade Organization   |

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