

PSA Delivery Agreement 29:

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

October 2007

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VISION

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

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

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

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

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

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

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

³ See also PSA 27.

⁴ See also PSA 30.

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

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

Working through its bilateral development programme

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

Working through its multilateral development programme

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

Influencing the international system

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

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

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

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

2

MEASUREMENT

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

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

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

² UN official MDG progress assessment in 2006.

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

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

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

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

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

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

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

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

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

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

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

3

DELIVERY STRATEGY

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

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

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

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

I. WORKING THROUGH THE BILATERAL DEVELOPMENT PROGRAMME

Sub-Saharan Africa and South Asia

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

Fragile states

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

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

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

³ See also PSA 30.

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

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

3.7 The key actions are:

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

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

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

2. WORKING THROUGH THE MULTILATERAL DEVELOPMENT PROGRAMME

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

The United Nations

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

3.11 The key actions are:

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

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

3.13 The key actions are:

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

The World Bank

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

