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# Chapter 7: Transforming our Impact and Ensuring Value for Money

## New challenges, new approach to delivery

**7.1** The development community has often stood accused of making big investments and bigger promises without taking enough care in ensuring they deliver outcomes on the ground.

**7.2** That situation has changed over the last decade. The UK's approach to increasing the flow of aid through developing country governments to better target assistance, coupled with a focus on aid effectiveness and results, has improved the impact of our aid. Reforms like de-linking aid to the purchase of goods from the donor country are estimated to reduce the cost of aid by up to 30%.<sup>134</sup>

**7.3** This is a significant achievement, but the challenges of growth, climate change, conflict, and the rightful concerns of the public require new approaches to delivery.

**7.4** These challenges demand greater efficiency and focus on value for money. At a time when public finances are tight it is even more pressing that the government makes sure that the public both here and in the developing world have the chance to scrutinise where aid goes and ensure that none is wasted.

**7.5** They require a different approach to working with developing country governments that recognises the need to collaborate on the challenges of interdependence, and ensures mutual accountability for our achievements. Many of the countries that have developed the most have seen the capabilities of their states increase. We will need an approach that responds to differences in state capability, applying scrutiny where it is needed.

**7.6** They require deeper and broader partnerships with civil society organisations (CSOs), faith groups, trade unions and the private sector. Many facets of the problems presented by growth, climate change and conflict will require more engagement with non-governmental partners. Civil society can help spread awareness, education and support through the poor communities that will most directly bear the brunt of changes to our environment. The private sector can in some cases provide the innovation and risk-taking necessary to reduce greenhouse gas emissions.

**7.7** And working in some conflict-affected and fragile countries, where the state is ill-equipped to provide services and often lacks legitimacy, will require us to work more with these organisations.

**7.8** It will require a broader base of finance. Aid while necessary will never be sufficient to fund the levels of investment needed, for example, in innovation, new technology and new skills to address problems of climate change and low carbon growth. We will need to find ways of using aid to leverage additional finance if we are to effectively address such global problems.

## Ensuring effectiveness and value for money

**7.9** The government has always taken value for money seriously. But it is now more critical than ever that we do everything we can to ensure that we honour our commitments to scrutinise spending decisions and ensure effectiveness.

### We will:

- **continue to allocate aid based on the principles of country income, population size and confidence that resources will be used effectively.**
- **allocate an amount equivalent to 5% of budget support funding to help build accountability.**
- **support increased aid transparency including leading the International Aid Transparency Initiative and revamping the DFID website.**
- **conduct portfolio reviews of UK aid spending.**

## Allocating UK aid where it has most impact

**7.10** Allocating aid multilaterally or bilaterally involves making choices. The UK believes that these choices should reflect our international development objectives.

**7.11** Decisions on where UK bilateral aid should go are initially guided by three principles: levels of income per person (the poorer the country the higher the aid); population size; and confidence on whether the aid resources will be used effectively (based on assessments of country policy and institutional performance).

**7.12** A strong UK focus on Africa and South Asia will continue. A sufficiently broad country coverage will be maintained to ensure we can learn and transfer lessons from a variety of country experiences.

**7.13** The UK remains committed to this objective led approach but will continue to review the criteria in the light of lessons and international evidence on what works.

**7.14** The government also reaffirms its responsibilities to the overseas territories. It will continue to meet their reasonable assistance needs as a first call on the development programme.

### Transparency, scrutiny and accountability

**7.15** In 2005 the Paris Declaration on Aid Effectiveness set out concrete international commitments on how to make aid more effective. The UK is committed to deliver on the commitments made in Paris and reaffirmed in Accra, ensuring that development is driven by partner countries and helps build capable, accountable, and responsive states.

**7.16** Central to delivering this will be increasing transparency and accountability.

**7.17** This is not just about internal accounting procedures. Accountability to citizens for how and where public money is spent is the bedrock of government legitimacy. Where accountability is good, audit commissions and parliaments work as strong and effective institutions to ensure that governments are responsive to the needs of poor people. The UK has supported over 30 parliamentary strengthening projects since 1998. We also support media and civil society organisations which are important mechanisms for holding government to account.

### The Accra Agenda for Action

In September 2008, the UK helped to secure the 'Accra Agenda for Action'. This set out concrete actions for those giving and receiving aid. Donors committed themselves to:

- making greater use of countries' own financial systems to deliver aid, helping to strengthen those systems and improve accountability to parliaments and citizens.
- working with developing countries to develop stronger mechanisms to hold each other accountable, at both the national and international level.
- working with other donors to improve the division of labour between themselves, helping governments to deal with multiple donors.
- improving the way they deliver aid in fragile states.
- helping recipient governments to plan their use of aid more effectively by informing them in advance about the aid they can expect.
- ensuring that gender equality is recognised as a cornerstone for achieving enduring impact on the lives and potential of poor women, men and children.

**7.18** But, we must go further. The UK will commit to setting aside an amount equivalent to at least 5% of its budget support funds to strengthen mechanisms for making states more accountable to their citizens. This will ensure that citizens groups, local media, parliaments, audit bodies and others are able to monitor how governments use these resources.



DRC, Kinshasa: Congolese Parliament in session. (Panos – Dieter Telemans)

**7.19** Improving transparency will help partner country governments to better plan and manage aid; and citizens in both donor and partner countries to track spending and hold their governments to account.

**7.20** The UK will lead the International Aid Transparency Initiative (IATI) to improve transparency of aid flows by bringing together donors, partner countries, civil society organisations and experts to agree common standards for sharing information about aid.

**7.21** Part of making international aid more transparent is each donor publishing information of the projects they fund. The UK will make information about the projects we fund available to the public both here in the UK, and in the countries we work, through the launch of a new searchable database on the DFID website.

## Improving efficiency

**7.22** As well as improving scrutiny, it is critical that all programmes are chosen and designed so they provide maximum value for money. This involves using the right information, but also that we have the right systems and skills in place to be able to take the decisions necessary. This will lead to a leaner, stronger, and more efficient organisation. The UK will:

- review our aid investments and deliver an additional £155 million of value for money savings by 2010-11. This will be achieved by driving stronger cash management in the multilateral organisations that we fund, focusing our communications efforts, and improving value for money in the research budget. DFID will undertake a series of reviews of its spending portfolio to identify savings.
- build the evidence about what works. The UK is providing up to £1 billion on development research over five years in part to ensure that decision makers have the best evidence of what works.
- integrate gender equality into development policy and practice. A gender and social exclusion analysis assessment tool has been adopted. As part of our approach to tackling social exclusion we will take account of the views of disabled people's organisations.
- Focus our efforts. As we change what we do, we also need to decide what we won't do. As the aid programme grows, we will put a higher proportion of our new resources into multilateral spending as reforms progress (Chapter 6). We will also narrow our country coverage, to focus our efforts where we can have



(Panos – Ami Vitale)

## Using data to improve the opportunities for women and girls

Making gender issues a priority has real results and can change people's lives. Carefully analysing data that separates gender as part of programme preparation can make a real difference. For example, in south Sudan, DFID's support has significantly increased girls' education rates from 14% in 2005 to 36% in 2009, as a proportion of total primary school enrolment<sup>135</sup>.

Women are more vulnerable to poverty than men. Two-thirds of the more than 700 million illiterate people across the world are female; and almost two-thirds of women in developing countries work in vulnerable jobs<sup>136</sup>. We will therefore ensure that all our programmes monitor and report the impact on women and girls, so we can be much clearer about the effect of our work on gender equality.

the biggest possible impact on poverty reduction. Since 1997 we have cut the number of countries we give aid to by over a third, and in the three years to 2010 will have closed nine offices. Our modest aid programme and DFID country office in China will be reviewed in 2010. Around 90% of our country expenditure is now in 23 countries. This allows our

staff and aid budget to focus on where they add most value.

**7.23** A range of voluntary agencies, as well as the devolved administrations and local government, provide support to projects in developing countries and can provide lessons on which to draw.

## A commitment to independent evaluation

**7.24** The UK is stepping up its aid evaluation effort. Identifying the results of our efforts and the lessons of what does and does not work, is important both for accountability and for making the most of future spend.

**7.25** An Independent Advisory Committee (IACDI) on evaluation has been established which reports to the Secretary of State for International Development. Its findings – for example the committee minutes and the Chair’s annual letter – are also shared regularly with the UK Parliament through the International Development Committee and published on the IACDI website.

**7.26** A major new evaluation policy for DFID has been prepared and endorsed by IACDI, setting new standards of quality and independence. DFID will support at least 40 independent evaluations of its country work, policies and sectors over the next four years. This is in addition to regular internal reviews and independent audits. We will respond to and address the concerns raised by our independent evaluators to ensure our aid continues to be used in the most effective ways.

**7.27** DFID is also working internationally to increase rigorous evaluation of international development programmes. The UK has helped establish the International Initiative for Impact Evaluation (3IE), in collaboration with the Gates and Hewlett Foundations. 3IE will channel up to \$100 million from private sector foundations, developing countries and donors into rigorous impact evaluations.

## Changing the way we work with partner countries

### We will:

- **strengthen control and special measures for all our financial aid.**
- **establish a network of development professions in integrated UK government teams working on key G20 economies.**
- **support the strengthening of the UN Development Co-operation Forum.**

**7.28** UK aid is delivered in a variety of ways: direct disbursement in humanitarian support; individual projects working with communities or local government; through third parties, or channelling support direct to government budgets.

**7.29** The challenge ranges from working in countries with governments who are not committed to helping their citizens; countries that are, but have limited capacity to deliver and where risks of corruption and misuse are high; to countries that have a high degree of policy capability and robust systems of control and scrutiny.

**7.30** To meet these contrasting challenges we need an approach that recognises the broadening range of our engagements, rewards sound systems and prevents abuse.

**7.31** The starting point is to assess the degree of risk. To help determine how best to disburse aid an independent assessment is made of the strength of financial institutions and systems of partner countries for all the UK’s large aid programmes.

**7.32** Where the degree of risk is too high, aid will only be provided directly or via third parties.

**7.33** Where the risk is lower, we consider using the government's own systems to deliver and track aid, supported by safeguards which improve the way expenditure is controlled. This includes the option of providing budget support. Safeguards may include tracking how funds are spent and the quality of services that are delivered as a result. The weaker the systems, the more additional measures we use. The stronger the system, the greater flexibility we give to partner countries.

**7.34** We will expand the criteria for evaluating the risk of funds being misspent to include reviewing commitments to international anti-corruption standards and the condition of partner country anti-money laundering systems. We will send our proposals on safeguards for independent review to assess their adequacy. In all cases we will work with other international partners and the government itself to ensure that the action plan setting out such measures is supported.

### Working with emerging powers

**7.35** By 2050, economic projections suggest that the combined size of the seven leading emerging economies (China, India, Brazil, Russia, Indonesia, Mexico and Turkey) will be around 50% larger than the current G7. China is expected to overtake the US as the largest economy in around 2025, whilst Gulf countries are also becoming increasingly important in addressing today's global challenges.<sup>137</sup>

**7.36** We need to work with emerging powers as partners on the world stage. This will require us to work more effectively across government departments to achieve broader ends. The success of integrated teams already established to deal with climate change and trade show that the approach can work.

#### Working with emerging powers: UK Climate Change and Energy Unit

Since January 2009, a cross-government team has led UK work on climate change and energy security in India. The joint Climate Change and Energy Unit brings together staff and resources from the FCO, DFID, DECC and DEFRA.

The creation of the Unit has led to a step change in British engagement on climate change in India, including:

- ensuring all UK development work in India takes account of climate change.
- increasing resources for solar energy for deprived communities and low carbon strategies for cities.
- factoring climate change adaptation into political negotiations and increasing work with the Indian authorities on Copenhagen.

**7.37** The 2009 UK strategy towards China shows the integrated nature of our co-operation. The UK has worked closely with China on sustainable development in Africa, on all aspects of climate change and on the dissemination of lessons to other developing

countries of China's experience in reducing poverty over the last 30 years.



China, Beijing: night view of Chaoyang, the Central Business District. (Panos – Mark Henley)

**7.38** We will now increase our engagement by establishing a network of development professionals working with UK government teams in key emerging economies to address global development issues more effectively. This will be tailored to each country and may include strengthening links with research networks, private sector and civil society.

**7.39** The government will also support a strengthened UN Development Co-operation Forum. This will provide an avenue for stronger engagement with partner countries and emerging powers, and a platform for greater accountability between development partners.

## A new approach to civil society

### We will:

- **double our central support to civil society organisations to £300 million a year by 2013.**
- **expand partnership agreements to organisations based in developing countries and working on new issues.**
- **offer new development innovation funding to support small scale funding for UK individuals and communities activities overseas.**
- **double funding to faith based groups.**
- **expand work with trade unions.**
- **make £50 million of this increased support available from April 2010.**

**7.40** The work of governments alone will never be enough. For lasting change, states must interact with voluntary groups, charities, faith and diaspora groups, trade unions, co-operatives and others. These organisations can and do often deliver basic services where states cannot or will not. They can challenge governments to ensure that policies benefit ordinary people, including the poorest. And they can help citizens hold their states to account.

**7.41** Since 1997 we have significantly increased aid funding to CSOs and expanded our range of partner organisations to include over 300 UK and international CSOs in more than 50 countries worldwide. And we have

agreed performance measures with those that we support.



Disabled People's Organisation campaigning in Ghana. (Action on Disability in Development)

**7.42** This White Paper signals an intensified engagement on issues such as growth, climate change and conflict. That means more work in fragile countries where civil society and faith groups play an important role, providing direct assistance to the poor and tackling poor governance. And the global nature of these issues has the potential to take the power and value of international voice and advocacy to new levels.

**7.43** This requires us to reconsider how we can build a more strategic partnership with civil society. We will consult with the UK Office of the Third Sector and CSOs to define the parameters of a new development "compact" between the UK and civil society organisations.

**7.44** First, this new deal will mean an escalation of funding and support across the spectrum of non-profit organisations. DFID will double its non-humanitarian central support for CSOs to £300 million a year by 2013.

**7.45** Second, it will mean that the UK looks beyond its traditional partners. There are many small UK community groups and individuals with fresh ideas to tackle poverty who struggle to access seed funds. It is also clear that faith groups and trade unions have different yet potentially powerful roles in development. And as civil society grows in strength in partner countries, we should do more to extend trusting relationships towards them.

**7.46** Third, it will mean that our funding allocations to CSOs will be based on more rigorous performance assessments – considering both the capacity of organisations to deliver and their proven impact on poverty.

**7.47** Fourth, it will mean a clearer mutual understanding of rights and responsibilities between DFID and civil society organisations.

**7.48** As part of this expansion, DFID will:

- offer new Development Innovation Funding to help community groups and individuals support small scale, innovative work.
- improve arrangements with CSOs to ensure better performance and results.
- expand partnership agreements by 2013 to include at least five new UK civil society partners and up to ten high performing CSOs rooted in the developing world to help drive global action on priorities such as security and justice, social exclusion and fair trade.

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- double support to faith based groups recognising the unique contribution that they can make in both delivering development on the ground, and connecting with communities here and abroad.
  - develop its work with international trade unions in poor countries to protect decent jobs, labour standards, and prevent exploitation. DFID has been working with the TUC and British trade unions over several years to promote employment and better working conditions in poor countries. DFID country offices also involve trade unions in the preparation of country plans. We greatly value this collaboration. That is why we recently agreed a new £2.4 million programme of work with the TUC. Through this programme and other means, we will be further expanding our support to trade unions in the south.
  - help partner governments to improve the way in which they work with local and international civil society with support from the Charity Commission.

### **Examples of civil society in action**

In Uganda and Tanzania, DFID supports MIFUMI to help protect 15,000 girls and young women from domestic violence, through life skills training in remote areas.

In Afghanistan, DFID funding supports War Child to help 1,000 acutely poor and marginalised children to access basic services, legal support and advice, so they can avoid abuse and drug addiction.

In Sri Lanka DFID is supporting APT Enterprise to help 200 disabled people become economically active. And in Ukraine, we are supporting Age Concern to establish a volunteer advocacy service for older people, giving them a united voice in their dealings with pensions, health, housing and other services. Some 3,000 older people have already benefited.

In South Africa DFID is funding Childhope to ensure that 8,500 children with HIV/AIDS can access their right to education.

**7.49** Recognising the particular challenges CSOs face in the current economic climate £50 million of this increased support will be made available from April 2010 by extending partnership agreements and setting up the development innovation funding.

## Building understanding of global interdependence in the UK

### We will:

- **introduce a new aid logo to be clearer about where UK public resources are being spent.**



**7.50** The UK public remains one of the most active and engaged on global issues in the world. Two in every three people believe that failure to tackle global poverty now will leave future generations facing worse problems.<sup>138</sup>

**7.51** Better communication on global issues and UK involvement is therefore essential, and we are committed to building support for global development issues in the UK. Young people in particular need to be encouraged to think about development issues for themselves and come to their own conclusions. The government will continue to focus on promoting learning about development through the UK education system, seeking to deepen our collaboration with the education departments and institutions that influence schools and teachers in the UK.

**7.52** We also want British people to know that their taxes are being used to tackle global poverty, deal with issues that will affect us all such as climate change, and help some of the most vulnerable people on the planet. We want them to be proud of our development programme, just as they are proud of the BBC and the National Health Service. Our ultimate objective is that Britain meeting its international obligations to provide development aid is seen as central to Britain's sense of identity and part of who we want to be as a nation in the 21st century.

**7.53** DFID is introducing a new logo to be clearer about where UK public resources are being spent. We will work with our partners on the best way to use the logo to deepen understanding of the government's role and the difference we are making.

## Stronger partnerships with the private sector

### We will:

- **launch the Business Innovation Facility to support business and develop new partnerships that create jobs and incomes.**
- **increase support for innovative financing for health.**

**7.54** The private sector is an invaluable part of development.

**7.55** In 2008 the UK launched the Business Call to Action, to mobilise companies to use their core business and skills to create jobs and stimulate growth. More than 60 leading business people committed to take action

and invest in developing countries. The Reuters Market Light service, for example, provides more than 100,000 Indian farmers with weather updates and price information

each day via text message, enabling better business decisions. It will now be scaled up to reach several million small farmers across India and other regions across the world.



## Creating global citizens: linking Govan High School in Scotland and Milonde Secondary School in Malawi

What do children in an inner city school in Glasgow and a rural community in Malawi have in common? It turns out a huge amount.

Children in both schools share a passion for art, are concerned about the environment, and worried about HIV & AIDS. These are just some of the issues that Govan High School and Milonde Secondary School have explored together over the past two years as a result of DFID's Global School Partnerships Programme.

Together they have learned about differences and similarities in each other's countries, and through joint projects on renewable energy, transport and fair trade have looked at the ways each others' lives are interconnected. Pupils have also set up an image gallery for their parents and communities to see what life is like in their two countries.

Children in the UK and 18 partner developing countries are directly learning about each others lives through DFID's Global School Partnerships programme. Joint projects between linked schools mean teachers in any subject area can add a global dimension to their lessons, ensuring children experience development issues first hand.



Former Ghanaian president John Kufour speaks to global business leaders at the Business Call to Action event in London, May 2008. (DFID)

**7.56** We will expand our collaboration with business to widen the number of international and domestic companies taking action, to ensure that developing countries secure a larger percentage of global investment, working in four main areas.

**7.57** First, we will increase our work with private foundations focusing on technological innovation. For instance we are working with the Gates Foundation on areas of common interest, such as improving access to financial services for the poor, developing new agriculture technologies, and strengthening health research and evaluation.

**7.58** Second, we will increase innovation through risk sharing ventures such as challenge funds which offer grants to businesses. DFID launched the Food Retail Industry Challenge Fund which supports projects that aim to get more African products onto UK supermarket shelves. This brings commercial benefits as well as income and employment to thousands of farmers, labourers and their families in developing countries.

**7.59** Third, we will promote responsible business through initiatives to increase transparency, accountability and ethical practices. We support the OECD guidelines for multinational enterprises which provide standards for corporate responsibility. Our support for fair trade makes sure that farmers and workers in poor countries get a fair deal in exchange for their products.

**7.60** Fourth, a new Business Innovation Facility will be launched in early 2010, supporting at least 30 new business initiatives in six pilot countries to boost employment and incomes. This will provide advice, training, and support to business to develop new and profitable ways of working, and brokering partnerships between businesses, governments and NGOs.

### Partnering the private sector for skills and finance

**7.61** The government remains committed to fulfilling its pledge to dedicate 0.7% of gross national income to development by 2013. However, government spending on its own will not be enough. Private funding and entrepreneurship will be needed to tackle problems on the scale of climate change.

**7.62** Our objective is to use innovative ways of working with the private sector to help meet financing gaps and to secure better performance, value for money and investment. A good example is our support to innovative financing in health (Chapter 5) through an expanded International Finance Facility for Immunisation, Advance Market Commitments and voluntary contributions.

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**7.63** We will continue to support the investment of public finance in businesses and attract private investors from rich and poor countries to do the same. Fully owned by the UK government, CDC has since 2004 committed £2.7 billion in the poorer countries of Africa, Asia and Latin America and attracted £2.3 billion of other investors' capital to invest alongside its own. It has invested in some 600 businesses that employ nearly one million people and pay an estimated £250 million in taxes and other charges to developing country governments. In late 2008, the government approved a still more poverty-focused investment policy for CDC through to 2013: on all new funds to which CDC commits, at least half will be in sub-Saharan Africa, three-quarters will be in low income countries, and up to £125 million will be in small and medium enterprise funds in other developing countries.