



House of Commons
International Development
Committee

**DFID Annual Report
2008: Government
Response to the
Committee's Second
Report of Session
2008–09**

**Second Special Report of Session
2008–09**

*Ordered by The House of Commons
to be printed 29 April 2009*

HC 440
Published on 7 May 2009
by authority of the House of Commons
London: The Stationery Office Limited
£0.00

International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Department for International Development and its associated public bodies.

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The staff of the Committee are Carol Oxborough (Clerk), Ben Williams (Assistant Clerk), Anna Dickson (Committee Specialist), Chlöe Challender (Committee Specialist), Ian Hook (Senior Committee Assistant), Vanessa Hallinan (Committee Assistant), Shane Pathmanathan (Committee Support Assistant) and Alex Paterson (Media Officer).

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Second Special Report

On 19 February 2009 the International Development Committee published its Second Report of Session 2008-09, *DFID Annual Report 2008*, HC 220-I. On 22 April 2009 we received the Government's Response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

Appendix: Government Response

The Department for International Development (DFID) welcomes this report by the International Development Committee, which examines DFID's work as described in its Annual Report 2008. The Department is pleased that the Committee has recognised the UK Government's, and in particular DFID's, efforts to reinvigorate momentum towards the Millennium Development Goals through our involvement with the MDG Call to Action campaign and the UN High Level event, resulting in concrete pledges to do more on poverty reduction. We have recently published provisional UK Official Development Assistance (ODA) figures for 2008 that show a substantial rise in our financial support for development, and underline the UK Government's commitment to meet the international targets for ODA as a proportion of gross national income.

The Department recognises however that with a rising aid budget, against difficult economic circumstances in the UK and worldwide, it is vital that we demonstrate that every pound spent delivers results, not least so that public support can be maintained. We plan to set out more clearly in DFID's Annual Report 2009 the results we have achieved in 2008-09. Our agenda and priorities going forward into the future will be set out in our forthcoming White Paper.

Progress on specific Millennium Development Goals

[Paragraph 20] We welcome the pledges DFID has made to support the Global Action Plan on Malaria. We agree with DFID that this is a "wonderful investment" which will make a real difference to people's lives by using simple techniques such as bed nets and spraying to prevent unnecessary loss of life. We request regular updates from DFID on the impact of the Plan as it is implemented. We recommend that the outcome focused approach adopted in relation to the Malaria Action Plan be followed in other DFID initiatives of this kind.

DFID will provide updates of progress on the Global Action Plan on Malaria (GMAP) in its Annual and Autumn Performance reports. This will be based on progress reported to us by the Roll Back Malaria partnership—the partnership that will lead in monitoring progress of GMAP. The GMAP contains a malaria monitoring and evaluation framework which is intended to contribute to reinforcement and strengthening of health information systems more generally.

We agree with the need to be outcome focused. The GMAP was developed by the Roll Back Malaria partnership (RBM) which has a wide variety of partners including malaria endemic countries, donors, nongovernmental organisations and multilateral organisations. DFID will continue to emphasise the need for outcome focused plans in other areas.

[Paragraph 26] We have highlighted before our concerns about the lack of progress on maternal health. The Taskforce on Innovative Financing for Health Systems seems to offer a new opportunity for making progress on all the health Millennium Development Goals. It would be regrettable if time was wasted in negotiations about funding mechanisms rather than ensuring that money started reaching health systems in developing countries and producing the change which is needed. The Prime Minister is the co-chair of the Taskforce which gives the UK significant leverage to secure rapid progress. We recommend that the UK use the full weight of this influence to ensure the Taskforce starts to have a tangible impact early in 2009.

The Taskforce is working to a very tight timetable to secure support for concrete action that will rapidly deliver support for health systems, and so will be delivering its final recommendations to the G8 Summit in July, before taking these forward to the UN General Assembly in September 2009. DFID is pressing for a few mechanisms, existing and new, that will attract the necessary political and financial support for implementation. DFID has been clear that the final Taskforce recommendations need to: be strongly supported by all members; gain broader support from other countries and organisations; and be implemented rapidly to deliver additional and more effective financing for health systems.

Stronger health systems are critical to saving lives and making progress on the health Millennium Development Goals. Much more money is needed from domestic and external resources to ensure that rapid progress is made towards the health MDGs. The Taskforce's independent working group is currently estimating the financing gap for health systems to be \$30 billion per year by 2015. The Taskforce is focused on rapidly raising more money to help meet this gap, and contribute to an additional 1 million health workers and saving an additional 10 million women and children's lives. Mobilising more resources in the face of a global economic downturn, when the poor and most vulnerable are likely to suffer most, makes the work of the Taskforce even more urgent. As traditional budgets are under significant pressure, it is vital that all potential mechanisms are being utilised to their full potential. Without that, it will be even more challenging to make progress in delivering the right level of resources for health systems in developing countries. That is why it is right to consider innovative financing mechanisms, as they have a key role to play in helping to deliver and bring forward the financing urgently needed.

It is also vital that resources are used as effectively as possible to achieve strong results. This is necessary to attract the additional funding for health systems strengthening that is so urgently needed. DFID is focused on improving channelling of funding and the efficiency of the global health architecture at both the international and country level (and in line with the principles of the International Health Partnership) to ensure that new and existing health financing can deliver the desired outcomes and help to accelerate progress to all the health MDGs.

[Paragraph 32] We agree with the Secretary of State that identifying the specific barriers to universal primary education in different local areas is central to finding solutions and that the initiative must therefore be tailored to local needs. Rapid progress on the Class of 2015 initiative is, however, vital. Its aim is for all children to complete primary education by 2015 which means that they have to be in education by 2010. This leaves very little time for delivering on the pledges and ensuring swift implementation. We recommend that DFID work with its international partners to develop targets tightly linked to timescales so that progress can be measured towards the 2010 deadline.

Following its launch, on 25 September 2008, DFID has been working with the Global Campaign for Education to support the Class of 2015 Partnership's efforts to build the political will to achieve universal primary education by 2015. The UK is hosting the next meeting of the Class of 2015 Strand Leaders, in May 2009, to help ensure that progress is monitored. The meeting will follow up on progress with commitments announced at the launch and actions being taken by the Strands to accelerate progress in getting more children into school.

The international community has not set interim targets for getting children into school by 2010. Nevertheless, the UK, with France, have agreed to each help support 8 million children in school in Africa by the time of the 2010 FIFA World Cup in South Africa, and the European Union has agreed an Agenda for Action that aims to increase its support to education by €4.3 billion by 2010 of which approximately €3.2 billion would go to Africa. Of the UK's long-term funding commitment of £8.5 billion to 2015/16, we have set a target of achieving an annual spend of £1 billion by 2010. Annual monitoring of progress towards Universal Primary Education is reported through the UNESCO Education for All Global Monitoring Report, for which the UK is a significant financial contributor. The 2010 Global Monitoring Report will have a special focus on teaching and reaching the marginalised.

We are also working with international partners to replenish funding for the Education for All Fast Track Initiative, which has shown a 52% enrolment increase in Fast Track Initiative countries in Africa. The UK is leading a Task Team to present recommendations at the April meeting of the Fast Track Initiative in April on the process and timing for a major new replenishment of funding, initially for 2009/2010.

[Paragraph 35] Progress on the Millennium Development Goals will not be made unless tackling gender inequality is given the necessary political priority and leadership. We welcome the Secretary of State's demonstration of his commitment to progress by taking on responsibility for gender equality within DFID. We recommend that the UK Government takes every opportunity to press international partners, including developing countries themselves, to put a high priority on tackling the barriers which prevent women achieving equality. This should include a particular focus on gender issues that are not represented by specific MDG targets, such as women's access to land and violence against women.

DFID's Gender Equality Action Plan (2007-2010) sets out how we will meet our commitments to further incorporate gender equality issues across our development programmes, and contribute to wider international efforts to do more to support gender

equality and empower women. This includes work in areas which are not explicitly recognised within the MDG framework but are nevertheless critical to the overall goal of gender equality and to the achievement of the MDGs.

Violence and lack of security prevents women (and girls) from benefiting fully from health, education and other services; increases the risk of maternal death, and vulnerability to HIV; and makes women more vulnerable to exploitation. The need to tackle violence against women is therefore an implicit part of work towards the MDGs. DFID is supporting work relating to violence against women (VAW) in over 20 countries worldwide in both conflict and non-conflict situations. For example: we provide support to the Centre for Domestic Violence Prevention (CEDOVIP) in Uganda. And we are contributing up to £3.4 million to a UNIFEM programme to support women's engagement in peace-building and reduction of gender violence in conflict and post-conflict situations. This programme is working in Afghanistan, Haiti, Liberia, Rwanda, Timor Leste and Uganda.

We are also working to improve women's access to economic opportunities and their ownership of productive assets such as land. For example, DFID is supporting access to land titles for women in Rwanda. DFID has spent over £3 million supporting the policy, legal and procedural preparations for land tenure regularisation since 2002, including trials in four districts. We are now planning, with other donors, to help the Government extend the process nationwide, at a total cost of around £35 million.

[Paragraph 37] We recommend that, as part of its renewed emphasis on nutrition, DFID re-examine our earlier proposal that it should include an indicator for hunger and nutrition in its monitoring of Millennium Development Goal 1 on poverty reduction. We welcome the Secretary of State's confirmation that DFID will produce a nutrition strategy in the coming months, which we will examine when it is published.

Eight internationally agreed indicators—one for each Millennium Development Goal (MDG)—have been selected as the basis for measuring DFID's performance against its Public Service Agreement (PSA). These indicators have been set for 2008-11. For MDG 1, the income poverty indicator has been chosen which provides consistency with a similar measure used in the previous PSA period. We recognise that a nutrition indicator is not included among the eight indicators for the PSA, but we do monitor trends in child nutrition as part of our general work on agriculture, food security and nutrition, and in our country programmes.

DFID is accelerating action on food security and nutrition issues. In response to the food crises we have pressed for coordinated action through a Global Partnership for Agriculture, Food Security and Nutrition (GPAFSN)—this partnership was adopted and formally launched by the international community at the Madrid Food Security Conference in January 2009. DFID will be pushing to ensure that as part of GPAFSN work, hunger and nutrition objectives are measured.

DFID's expenditure on development assistance

[Paragraph 41] It is essential that DFID provides clear, up-to-date and unambiguous information about development expenditure in its Annual Reports. We accept the potential difficulty which can arise when other reporting bodies, notably the OECD Development Assistance Committee, work to calendar rather than financial years and thus new statistics become available shortly after DFID's Annual Report is published. However it is important for our scrutiny of DFID's expenditure that we are given robust information on which to base our evaluation.

Provisional UK Official Development Assistance (ODA) figures for 2008 were published on the DFID website on 23rd March 2009 in advance of the global figures being reported by the OECD Development Assistance Committee on 30 March. UK ODA in 2008 is estimated at £6,306 million or 0.43% of gross national income (GNI) in 2008. This was made up of:

- £5,553 million DFID ODA
- £280 million debt relief,
- £166 million net CDC investments,
- £145 million Foreign and Commonwealth Office ODA
- £161million other non-DFID sources

Further information is available at :

<http://www.dfid.gov.uk/news/files/pressreleases/statsrelease-2009.asp>.

DFID's 2009 Annual Report, including more detail on recent ODA spending, will be published simultaneously with its Resource Accounts. This will further improve the consistency and transparency of the reporting of UK development expenditure.

Evaluating aid impact

[Paragraph 55] We agree with the Independent Advisory Committee on Development Impact that, if evaluation is to be carried out effectively within DFID, sufficient administrative and financial resources need to be allocated to this function. We accept that increases have been made in the financial and staffing resources available for evaluation but these remain tiny as a proportion of DFID's overall and increasing budget. We believe that an objective and independent assessment is required to determine the appropriate level of resources. We therefore recommend that IACDI's future role should include advising on the budget and staffing requirements of DFID's Evaluation Department.

The Secretary of State is aware of IACDI's interest in this issue and values their expert advice, within their agreed terms of reference. In his response to the IACDI chair's annual letter he also made it clear that he is happy to consult IACDI on future resourcing decisions for evaluation in DFID and will keep these issues under review as part of implementation of DFID's new evaluation policy. He has also made it clear that resourcing

decisions for the various functions in DFID are for Ministers to decide, in consultation with DFID's Permanent Secretary and Management Board and that evidence on effectiveness and value for money are key to any decisions.

In thanking the committee for their advice this year, the Secretary of State underlined the Government's commitment to ensuring that the UK's development budget is used effectively and wholeheartedly supported the importance of high quality and independent evaluation. DFID's Evaluation Department has nearly doubled in size since 2004 and its resources have increased from £3.6m in 2007/08 to £5.1m for 2009/10.

[Paragraph 67] We are very pleased to see that budget support has been included on the shortlist of possible topics for evaluation as part of DFID's current consultation on its evaluation policy. We recommend that evaluation of the impact of budget support be given a high priority and be undertaken as early as possible in the new three-year evaluation period which begins in 2009–10.

We note the conclusions of the Public Accounts Committee (PAC) on budget support to which the IDC refer, and whilst we have acknowledged that quantification of some types of benefits of budget support is challenging in our response to the PAC, we have also highlighted that the benefits of budget support have been demonstrated in many areas and quantified in some in a subsequent written response.

IACDI in consultation with DFID's Evaluation Department are currently considering the list of topics to be included in the Evaluation Department's three year workplan, and an EC-led evaluation is on the list of topics being considered. We will ensure that the IDC's recommendation on budget support is fed into the ongoing discussions of the workplan.

DFID's analysis of its impact on poverty reduction

[Paragraph 76] Our inquiries have shown that the rather bald claim made in the Annual Report, that DFID lifts three million people out of poverty each year, can be substantiated but we would caution that statistics should be used accurately and with proper evidence. Our investigations have shown that this claim is possibly an underestimate of the Department's true contribution to poverty reduction. We might have been assisted in coming to a judgement if we had been given the information we requested. In its response to this Report, we call again for the Department to provide the detailed calculation for its assessment of the number of people it lifts out of poverty each year. In addition, we intend to examine in detail the results of DFID's planned further research on its impact on poverty reduction.

As outlined in DFID's memorandum in response to the IDC's written questions on the Annual Report 2008, DFID estimates the number of people our aid helps to lift out of poverty using a model based on a methodology developed by Collier and Dollar which explored the link between aid, economic growth and poverty reduction in over a hundred developing countries using data from the 1970s to 1990s. Their research suggests that donors can affect growth through their allocation of aid, and that growth in turn will typically lead to poverty reduction in low-income countries. It further suggests that if donors wish to use their aid to maximise the reduction in poverty, aid should be allocated to countries that have large amounts of poverty and good policy.

DFID uses estimates of the effect that aid has on growth (and therefore poverty reduction) drawn from Collier and Dollar's research to estimate the total number of people DFID helps lift out of poverty, given our allocation of aid across countries.

The statistic that DFID helps lift an estimated 3 million people out of poverty every year was generated in 2006, by using the approach set out above. It was based on aid allocations that were, at the time, our estimated bilateral and multilateral allocations for 2007/08. The model suggested that DFID's allocations in this year would help to lift 3.45 million people out of poverty. This was rounded down to 3 million for simplification and to help ensure that our estimate remained conservative.

Table 1 shows how aid allocated to individual countries contributes to the 3 million total. We used this methodology to estimate DFID's aggregate impact in all countries in which we deliver aid, but we do not use the country breakdown of the estimate to infer any estimate of impact in any individual countries. This is because estimates are subject to statistical margins of error. Also the model is based on an assumption that other influences on growth rates (except aid) remain constant. While this is a common assumption in economic analysis, and a necessary assumption to allow estimation of the impact of aid on growth, it does mean that individual country estimates will not always be borne out.

In late 2008 the World Bank published re-based Purchasing Power Parity (PPP) data. We have begun to update our model with this information, and, although we are still finalising this work, initial indications are that the three million estimate remains conservative.

While this methodology is a reasonable way of estimating the impact of DFID's aid on poverty reduction, we are keen to supplement estimates based on econometric modelling with estimates drawn from the impact of specific DFID investments. We are therefore looking for new ways of standardising and aggregating the results of our individual projects to help get better estimates of our aggregate impact.

DFID staffing levels

[Paragraph 81] The impact of staff reductions on DFID's ability to deliver its objectives has been a recurrent theme in our reports. We have consistently praised DFID staff for the dedication and professionalism which they bring to their work and this has not changed. We are, however, alarmed that even the Permanent Secretary is now prepared to acknowledge that the Department is struggling to fulfil its commitments. It would be perverse if the administrative savings achieved by reducing staff numbers led to DFID's rising budget being spent less effectively and with less accountability. We have previously accepted that DFID cannot be exempt from Government efficiency targets but we believe the situation has changed. Our concern now is that DFID no longer has sufficient staff in place to ensure its increasing budget is used most effectively in support of poverty reduction and achieving the Millennium Development Goals. We recommend that the Government urgently reassess the staffing level DFID requires to deliver the objectives which it has assigned to the Department under its Public Service Agreements.

Table 1: Breakdown of DFID's estimate that we help lift at least 3 million people out of poverty each year.

| Country | Av. Efficiency (CD Base) | Allocations*, 2007/08 (£m) | | | Estimated no. people lifted out of poverty** |
|---------------|-----------------------------|----------------------------|---------------|---------------|--|
| | | Bilateral | Multilateral | Total | |
| Country 1 | 979.92 | 130 | 75 | 205 | 370000 |
| Country 2 | 961.23 | 120 | 67 | 187 | 330000 |
| Country 3 | 440.04 | 300 | 59 | 359 | 290000 |
| Country 4 | 1420.10 | 70 | 24 | 94 | 245000 |
| Country 5 | 1086.23 | 100 | 20 | 120 | 240000 |
| Country 6 | 532.18 | 126 | 85 | 211 | 205000 |
| Country 7 | 917.24 | 70 | 48 | 118 | 200000 |
| Country 8 | 550.61 | 120 | 55 | 175 | 175000 |
| Country 9 | 543.85 | 70 | 65 | 135 | 135000 |
| Country 10 | 770.60 | 40 | 39 | 79 | 110000 |
| Country 11 | 685.90 | 50 | 34 | 84 | 105000 |
| Country 12 | 1150.60 | 0 | 48 | 48 | 100000 |
| Country 13 | 420.31 | 70 | 42 | 112 | 85000 |
| Country 14 | 690.31 | 46 | 20 | 66 | 85000 |
| Country 15 | 437.98 | 50 | 51 | 101 | 80000 |
| Country 16 | 361.28 | 60 | 55 | 115 | 75000 |
| Country 17 | 980.31 | 5 | 32 | 37 | 65000 |
| Country 18 | 728.77 | 27 | 13 | 40 | 55000 |
| Country 19 | 938.35 | 10 | 16 | 26 | 45000 |
| Country 20 | 833.13 | 0 | 29 | 29 | 45000 |
| Country 21 | 799.87 | 0 | 30 | 30 | 45000 |
| Country 22 | 770.32 | 0 | 22 | 22 | 30000 |
| Country 23 | 474.71 | 12.5 | 17 | 30 | 25000 |
| Country 24 | 495.39 | 0 | 26 | 26 | 25000 |
| Country 25 | 788.81 | 0 | 15 | 15 | 20000 |
| Country 26 | 296.00 | 3 | 31 | 34 | 20000 |
| Country 27 | 164.26 | 35 | 26 | 61 | 20000 |
| Country 28 | 274.50 | 4 | 28 | 32 | 15000 |
| Country 29 | 209.79 | 20 | 17 | 37 | 15000 |
| Country 30 | 307.09 | 0 | 21 | 21 | 10000 |
| Country 31 | 382.11 | 6.5 | 10 | 16 | 10000 |
| Country 32 | 356.41 | 6.5 | 8 | 15 | 10000 |
| Country 33 | 492.45 | 3 | 6 | 9 | 10000 |
| Country 34 | 679.94 | 0 | 6 | 6 | 10000 |
| Country 35 | 303.38 | 5 | 9 | 14 | 10000 |
| Country 36 | 281.83 | 0 | 14 | 14 | 5000 |
| Country 37 | 546.29 | 0 | 7 | 7 | 5000 |
| Country 38 | 201.35 | 0 | 18 | 18 | 5000 |
| Country 39 | 142.48 | 0 | 24 | 24 | 5000 |
| Country 40 | 179.85 | 0 | 19 | 19 | 5000 |
| Country 41 | 326.57 | 0 | 10 | 10 | 5000 |
| Country 42 | 252.01 | 0 | 13 | 13 | 5000 |
| Country 43 | 250.27 | 0 | 13 | 13 | 5000 |
| Country 44 | 50.46 | 0 | 62 | 62 | 5000 |
| Country 45 | 167.56 | 0 | 18 | 18 | 5000 |
| Country 46 | 392.89 | 0 | 7 | 7 | 5000 |
| Country 47 | 142.46 | 3 | 16 | 19 | 5000 |
| Country 48 | 283.63 | 3 | 5 | 8 | 5000 |
| Country 49 | 54.43 | 20 | 24 | 44 | 5000 |
| Country 50 | 122.03 | 3 | 13 | 16 | 5000 |
| Country 51 | 45.58 | 0 | 33 | 33 | 5000 |
| Country 52 | 79.57 | 3 | 15 | 18 | 5000 |
| TOTALS | | 1988 | 2292.3 | 4280.3 | 3400000 |

* as used in the original calculations; ** rounded to the nearest 5000, less than 5000 being excluded

We agree that the work of DFID staff is crucial for maximising the support of our programme spend. Our staff design, monitor and evaluate our programme, as well as providing policy expertise to partners.

DFID, like all Government Departments, is committed to delivering increased efficiency and effectiveness. We are therefore taking steps to ensure that we make the best possible use of our declining administration costs budget—for example by closing some of our smaller programmes overseas, by using IT more effectively and by reducing our use of office space in London.

It is also vital to ensure that our declining workforce has the right skills and knowledge to deliver DFID's changing agenda. As part of a changing, more flexible and effective workforce, DFID expects to see an increased demand for more professional and specialist skills: in economics, governance, evaluation, conflict, environment and climate change, human resources and finance. We are also making improvements to our systems and simplifying processes to free staff time to deliver our priorities, through an organisational change programme "Making it Happen" launched by the Permanent Secretary in April 2008.

Middle-income countries

[Paragraph 88] DFID allocates only 10% of its bilateral funding to middle-income countries. We believe that this focus on low-income countries remains valid and that the 90:10 split should continue. However, 10% of bilateral funding is a substantial sum of money. It is as important that money spent in middle-income countries is used effectively in support of poverty reduction as funding allocated to poorer countries. We were disappointed that the DFID Minister was unable, in oral evidence, to provide any information on what would replace the now expired 2005-08 Middle-Income Country Strategy. The brief note we subsequently received setting out DFID's general approach to middle-income countries is no replacement for a properly articulated and publicly available strategy. We believe that this is evidence of a lack of clarity within the Department on how to take forward its engagement with middle-income countries. We recommend that DFID clarify and publish its policy for engagement with middle-income countries as a matter of urgency.

We agree that, while DFID's poverty reduction goal justifies our focus on low income countries, our work with and in middle income countries is also extremely important. As part of our work on the new White Paper we are considering how best to address this group of countries. There is no doubt that middle income countries are among our key partners in working on all of the global challenges Britain faces, including climate change, reform of the multilateral system and responding to the financial crisis. But each of these countries is different and it is not clear that a single strategy can any longer adequately reflect the specific agendas we have with each of them. Equally, there are a range of issues for the Government to consider in deciding whether to maintain or establish programmes in middle income countries which continue to have high levels of poverty, and we need to test further whether a single strategy can reflect these.

[Paragraph 92] We agree with the Permanent Secretary's assessment that determining the nature of DFID's relationship with India after 2010-11, as it moves towards middle-

income status, will pose “a huge challenge” for the Department. We welcome the focus in the new India country programme on the key areas of health, education, nutrition and governance. However, it is vital that DFID is clear about the longer term objectives for its work in India and how these will contribute to the overriding aim of poverty reduction. We are not convinced that this clarity of purpose has yet been achieved. We expect DFID to provide us with more detail on the criteria it will use to determine its assistance programme in India after 2010-11 in response to this Report.

India is DFID's largest bilateral country programme, scheduled to spend £270 million, £275 million, and £280 million in the three financial years to March 2011. India has one of the fastest growth rates in the world, but it also has the largest number of poor people in the world. With 456 million living on less than \$1.25 a day, India has 19% more poor people than all African countries combined. Even with the most optimistic growth projections, India will continue to top the poverty list for at least another decade.

DFID's forward plan for India was laid out in the India Country Business Plan, agreed in June 2008, and this continues to be the key statement of our intended approach until 2015. Criteria for further funding decisions will depend on the outcome of the new White Paper, currently in draft. It is likely, however, that the decision will need to take account of the following issues:

- The number of people below the international poverty line;
- Projected growth rates, taking account of the global economic slowdown, and the expected impact of growth on poverty;
- The projected impact of climate change on poverty in India;
- Considerations of aid effectiveness—for example, how much impact does bilateral assistance have, where can it be spent effectively, the comparative impact of financial aid and technical assistance;
- The role of aid in shaping India's impact on global public goods: global trade, food production and consumption, energy and climate security, medical research, investments in Africa, etc.
- The activity levels of other donors, and availability in general of foreign investment to the Indian economy;
- The plans and projections of the Government of India in its 12th five-year plan, which will begin in 2012, and the extent to which the Government of India is seeking external assistance to deliver them;
- The changing nature of the overall UK-India bilateral relationship, and particularly the activities of other parts of Government such as UK Trade and Industry, the UK Research Councils, the Department of Energy and Climate Change, etc.

Governance and parliamentary strengthening

[Paragraph 96] It was unfortunate that DFID took longer than originally planned to implement the Governance and Transparency Fund. The important issue now is to

ensure that the funding is used effectively and that the expenditure is rigorously audited. We intend to request an update on the operation of the Fund in our scrutiny of the DFID Annual Report 2009.

The most recent update of progress on the Governance and Transparency Fund (GTF) is as follows:

- All GTF grantees have now received an initial advance payment which has allowed them to progress with project 'set up' activities such as contracting appropriate staff and providing initial advances to partners in country;
- Inception reports are due by 31 March 2009 and first annual reports are due by 30 June 2009. Both inception and annual reports will be appraised and grantees given feedback.

As project activities are just beginning under the GTF we do not expect grant holders to be able to produce reports which show potential impact until they have completed their second annual report in March 2010. That means that the 2010 Departmental Report is more likely to show the emerging impact of the activities of the GTF.

[Paragraph 100] We welcome DFID's acknowledgement that it has neglected parliamentary strengthening in the past and its plans for increasing its work on building parliamentary capacity. We recommend that this is accompanied by a significant increase in the proportion of governance funding which is allocated to parliamentary work. We request that, in response to this Report, DFID sets out its planned expenditure on parliamentary strengthening over the next three years with an indication of the proportion this represents of the total governance budget in each year.

DFID is currently one of the leading donor agencies in the parliamentary strengthening field. A recent mapping exercise indicated we have ongoing, planned or recently completed parliamentary initiatives in 23 countries worldwide. While some of these are bilateral projects, the increasing trend is for joint support with other donors as part of broader "deepening democracy" programmes. These seek to link support to parliaments with a wider set of accountability institutions (e.g. political parties, the media, and civil society).

While it may be the case that there was some under-emphasis on parliaments in the past, that is not the situation today. The Country Governance Analysis, which was introduced as a mandatory part of the country planning process in 2007, explicitly asks country offices to consider dimensions of accountability and responsiveness in their overall assessment of governance, as well as the implications for programming. This has resulted in several country offices increasing their investments in parliamentary work. Major programmes have begun recently in Uganda, Tanzania and Rwanda, and are currently under development in Bangladesh, Nigeria, Malawi and Sierra Leone.

At the international policy level, we are increasingly working with the UN, World Bank and other bilateral donors to develop more co-ordinated approaches, better information sharing and improved delivery on the ground. At the end of last year, we hosted a donor co-ordination event involving key donors in the field to share lessons learned and emerging best practice. We also organised a major conference on parliamentary strengthening at Wilton Park, including practitioners, academics and parliamentarians

from around the world. Following on from this, we are supporting the emerging workstream in the OECD-DAC around “Aid and Accountability” which includes a substantial parliamentary component.

While we are increasing our engagement with parliamentary strengthening work at all levels, we do not agree that DFID should specify a certain amount or percentage of governance spend for future parliamentary programmes. Decisions about all aspects of governance programming are made at the country level, drawing on our analysis of the situation on the ground and taking into account what other support is already being provided. While some countries are increasing resources for parliamentary strengthening work, in others there may be lack of political incentives for parliamentary reform or limited absorptive capacity, particularly in fragile states. Spending figures alone do not fully reflect the level or intensity of engagement with parliaments at the country level. Relatively modest amounts of targeted technical assistance can have a major impact in helping legislatures to fulfil their representational, law-making and oversight functions. That said, we fully expect our support to parliaments to remain on an upward trajectory over the next three years.