

DFID's Response to the OECD Development Assistance Committee Peer Review of the United Kingdom

11 September 2006

Introduction

1. This document outlines how DFID plans to respond to the 21 recommendations made in the DAC Peer Review. That review was finalised on 31st May 2006 and can be accessed at www.oecd.org/dac. Each of the recommendations is shown in bold and is followed by DFID's response.

Response to Recommendations

(a) **The challenge for UK development co-operation is how to build from its currently strong base. As DFID tries to deliver more, better aid and under more difficult circumstances, it will need to continue to adjust and adapt its model and invest in a steep learning curve at the country level, while ensuring that its political leadership is informed and supportive of these changes.**

2. The Government's new White Paper, *Eliminating World Poverty: Making Governance Work for the Poor*, sets out what that the Government will do to build on the progress that has been achieved in recent years. It outlines actions to: deliver our promises; help to build states that work for poor people; help people have security, incomes and public services; work internationally to tackle climate change; and create an international system fit for the 21st century.

3. We agree that we need to adjust and adapt our model at the country level and the White Paper outlines how we will do this. It says that we will put support for good governance at the centre of what we do, focusing on state capability, responsiveness and accountability. The White Paper was presented to Parliament by the Secretary of State for International Development, and has the full support of the UK Government including the Prime Minister and the Chancellor of the Exchequer.

(b) **As DFID proactively seeks to influence international donors toward common approaches, it needs to strike a balance between its objective of leadership in aid reform and being perceived as promoting its own model. DFID is encouraged to further refine its guidelines to promote broadest possible debate and space for all donors to participate in its pilot efforts on the ground.**

4. We agree that it is very important to work in partnership with other donors and to adapt our approach to country circumstances. We already pool funding with other donors in more than twenty countries, have joint strategies

with other donors in six and joint offices in two. In addition, we are in the process of updating our policies and guidance notes in some core areas (e.g. on Poverty Reduction Budget Support). In revising these, we will promote flexibility and encourage innovation and collaboration at the country level.

(c) Maintaining current high levels of public support for development will be a special challenge. DFID will need to identify and communicate results and “tell the story” to the British public and elected political representatives. Strategically tailored communications will be needed in less clearly understood areas, such as expanding engagement in fragile states or suspending aid in light of serious human rights violations and corruption.

5. We agree that it is important that public support for development is maintained. We also think it is important that people are given the opportunity to get involved in development issues.

6. In light of this, our support to development awareness is increasing. We plan to double our investment in development education, as we seek to give every child in the UK the chance to learn about the issues that shape their world. We also plan to set up a scheme to help other groups – such as faith groups, community groups, local government, business and charitable organisations – build links with developing countries. And we will expand opportunities for young people and diaspora communities to volunteer in developing countries.

7. We are increasing our internal capacity on communications so that we are able produce tailored material for significant announcements on high profile issues and countries. We have already begun to address the need to communicate results and “tell the story”. For example a publication entitled ‘Development Works, 52 Weeks a Year’, has now been produced giving 52 examples of the impact of DFID’s assistance ranging from increasing literacy rates in Zambia to opening up trading opportunities for potters in Vietnam.

(d) The DAC welcomes the commitment to reach the 0.7% ODA/GNI target by 2013 and reinforces the importance of the United Kingdom being seen to deliver on this commitment. It is encouraged to develop a more comprehensive roadmap over time on how increases will be spent, including the geographic priorities, the balance between main areas for intervention, bilateral and multilateral channels and the set of delivery instruments.

(e) The United Kingdom should continue to pursue the geographic concentration of its ODA on poor countries and should build further on its progress in focusing on fewer countries. It should also continue to strengthen its strategic approach through a sector focus that reflects its overarching poverty reduction

objective and its comparative advantage. Complementarity with other donors could be sought more systematically when shaping DFID allocations.

8. The White Paper reaffirmed the UK Government's commitment to increase its development budget to 0.7% of Gross National Income by 2013. The ODA budget for 2008-2011 will be determined by the current UK Government-wide Comprehensive Spending Review, due to conclude in 2007.

9. We aim to build further on our progress in focussing on fewer countries worldwide. We have closed, or plan to close, 27 country offices in the period 2004/05 to 2007/08. We will continue to concentrate our resources on poor countries in sub-Saharan Africa and South Asia. In addition we plan to do more in those fragile states that receive less aid overall in relation to their numbers of poor people, and which are most off-track on the MDGs. We will take other donors' financial allocations into account in making resource allocations.

10. The White Paper sets out our sector priorities. We plan to commit at least half of all future UK direct support for developing countries to public services, to get more children into school, improve healthcare, fight HIV and AIDS, provide more clean water and sanitation, and offer social protection. Where we can, we will agree ten year commitments with developing countries to do this.

11. We believe that there is a strong case for increasing investments through multilateral channels in countries where multilateral agencies are strong (using a variety of instruments such as co-financing, pooled funds, trust funds, contracted management etc.). This should enable us to ensure that any scaled up investment in the multilaterals is spent effectively.

- (f) Building on its comparative advantage and strong technical expertise, DFID needs to promote pro-poor growth and address gender equality as key vectors to attain the MDGs, in its programmes and through advocacy in international fora.**

Pro-Poor Growth

12. Over the next five years we will promote rapid growth by supporting private sector development and employment, investing in infrastructure and agriculture, and working for international trade rules that maximise opportunities for the poorest countries. We will seek to make sure that growth is equitable and that natural resources are used sustainably.

13. We will continue to work with the World Bank and bilateral partners (France, Germany, Switzerland and Sweden) on country level analysis and dissemination of existing work on pro-poor growth. We expect to finalise

funding and operational details for a Shared Growth Diagnostic Facility in late 2006. We will also continue to work with the DAC PovNet network in highlighting the importance of pro-poor growth. DFID's senior management has commissioned work on growth and infrastructure to be completed by the end of 2006. This will highlight ways in which DFID can increase its focus on growth through its country programmes.

Gender Equality

14. Eliminating gender inequality and promoting women's empowerment are essential to the achievement of the Millennium Development Goals. We are working to ensure that gender issues are made a priority across our work, and that developing country partners address gender issues in their national plans. We support specific activities to promote the rights of women and girls, including in the areas of girls' education, maternal mortality and reproductive health.

15. Nevertheless, we agree that there is scope to strengthen our work on gender equality. We are in the process of developing a Gender Action Plan (target completion date November 2006) which will set out steps to be taken across DFID to strengthen our gender commitments. Areas to be looked at include: (i) reinforcing the links between gender equality and other development objectives, including poverty reduction; (ii) the role of management information systems and performance management in supporting gender mainstreaming; (iii) supporting better integration of gender in national policy and results frameworks, consistent with DFID's emphasis on country-led approaches; (iv) identifying the appropriate level of skills and expertise to support gender mainstreaming, and (v) opportunities for strengthened engagement on gender issues at an international level.

(g) In keeping with the Paris Declaration, DFID is encouraged to avoid setting additional aggregate sector and thematic spending targets, so as not to undermine partner country ownership and aid effectiveness.

16. We are committed to working with others to implement the Paris Declaration. We will support country efforts to manage their relationships with donors more actively so that they lead their own development efforts. We will make long-term commitments to partner countries through ten year plans for expanding public services, and will provide predictable and flexible assistance to these plans.

17. We think that it is right that we demonstrate our commitment to particular sectors by increasing the financial support we provide to them. We will do this in ways that are consistent with our emphasis on aid effectiveness.

- (h) The UK should seek to improve strategic tools for the assessment of multilateral performance, such as the MEFF, and to further maximise their use internally and internationally. While developing a strategic vision for funding of core and non-core multilateral budgets, DFID should take care not to distort multilateral principles.**

18. The Multilateral Effectiveness Framework (MEFF) was our first attempt to use a specific tool to assess multilateral performance. It told us a lot about our multilateral partners. We are likely to update this information together with other donors in 2008. We are also developing 'Effectiveness Summaries' for 14 of our key multilateral partners. These will distil information from available sources (including the MEFF) for each multilateral organisation. These summaries, as well as our other ideas on how best to assess multilateral effectiveness, will be shared with other donors and the multilateral organisations themselves.

19. We intend to use the opportunity presented by the DAC 3rd high level Round Table meeting on Managing for Development Results in Vietnam in February 2007 to agree key principles for improving the way we assess multilateral effectiveness, including on better mechanisms for more reliable and consistent self-reporting.

20. Our plans for funding multilateral agencies are being considered as part of the Comprehensive Spending Review. We will ensure that our approach takes multilateral principles into account.

- (i) The UK should articulate a more clearly prioritised action agenda for policy coherence for development. DFID should make judicious use of its significant headquarters and field resources in identifying and working on specific policy inconsistencies.**

21. The White Paper sets out a number of steps the UK Government will take to improve policy coherence. These include taking action to:

- Launch a revamped National Contact Point by September 2006 with the involvement of DFID, the Foreign and Commonwealth Office, the Department of Trade and Industry and independent experts to strengthen our implementation of the OECD Guidelines for Multinational Enterprises
- Ensure, when assessing export licences, that UK arms do not undermine development, for example by endangering human rights or increasing the risk of conflict
- As part of the overall review of strategic arms export licensing laws in 2007, examine how well regulations to control the activities of arms brokers are working and whether these need to be changed or strengthened

- Reduce the impact of UK consumption, production and procurement on the global environment
- Monitor the effect of our migration policy on development, including the points-based approach that the UK announced in March 2006.

(j) Policy coherence actions should be fully integrated into DFID's approach to results monitoring and reporting, if at all possible in concert with other similarly motivated international partners.

22. We agree that it is important to address policy coherence in our monitoring and reporting systems. From 2007 onwards, our annual report to Parliament will include an assessment of the effects of UK Government policies and programmes on poverty reduction and sustainable development in other countries. This is one of the requirements of the new International Development (Reporting and Transparency) Act.

(k) DFID should continue to give close consideration to the implications of the scaling-up of aid and the rapid and continuing increases in productivity required in a context of reduced administrative and human resources. In doing this, DFID should consider how promising innovations linked to the aid effectiveness agenda, such as extensive use of delegated partnerships, will impact upon DFID organisation and management.

23. Managing an increasing aid programme and pursuing a broadening development agenda while staffing levels and administration resources remain constrained is a key challenge for us. We are working to identify ways in which we can improve our efficiency so that we can meet this productivity challenge. We plan to further reduce staff numbers in corporate service functions (such as human resources and finance) and to improve the efficiency and effectiveness of our central policy units. We are considering additional ways to improve our efficiency, including sharing services with other Government Departments or other donors and outsourcing some services.

24. As part of the Comprehensive Spending Review process, we are considering the management and organisational issues that result from greater use of innovative approaches. For example, we are considering the staffing requirements in country offices where we are providing a significant proportion of our funding through Poverty Reduction Budget Support. We have already decided to create a Global Development Effectiveness Division to bring together our work on aid effectiveness and strengthen our cooperation with other donors on these issues.

- (l) **Building on decentralisation, DFID should make full use of available flexibility in applying the programming guidelines and identifying the better mix of aid modalities, particularly in the fragile states. Implementation of its Medium Term Action Plan for aid effectiveness should be seen as one important step in addressing these issues.**

25. DFID's Medium Term Action Plan on Aid Effectiveness was published in August. It will be updated later this year to include country programme targets. Country offices have a high degree of flexibility on how they will implement this Action plan and have freedom to interpret the Paris Declaration commitments in the context of the priorities agreed at the country level by all partners.

26. DFID's Guidance on Aid Instruments was published in July. The Guidance emphasises that donor agencies should use a range of complementary instruments to achieve different outcomes. The Guidance also incorporates findings of a recent internal review of DFID's work in fragile states, stating the importance of (i) using a broader range of instruments in fragile states (ii) making greater use of existing instruments, and (iii) doing more work on designing new instruments in fragile states.

- (m) **As DFID seeks to improve its approach to performance measurement and reporting, it will need to seek solutions which do not add to the burden and complexity of the existing system. DFID is encouraged to more systematically build on existing PRS monitoring and evaluation systems in partner countries. DFID should weigh the benefits and costs of its current system. Because of DFID's stronger focus on fragile states, DFID will need to work with others to develop appropriate performance measurement tools in order to demonstrate results.**

27. We are undertaking work to strengthen our focus on results. The aim of this work is to develop a coherent, simplified and harmonised approach to managing for results across DFID, in our work with partner countries and in our work with other agencies.

28. Within DFID, we continue to look at ways of improving our existing performance management system. At the country level, we will explore how we can strengthen partner countries' capacity to plan and monitor policies and programmes, including PRS monitoring and evaluation systems. Internationally, we will seek to ensure coherence between the approaches of different agencies to managing for development results. The DAC 3rd high level Round Table meeting on Managing for Development Results in Vietnam in February 2007 will be key to this.

29. We do not plan to develop a different system for performance measurement for fragile states, given the importance of having a consistent approach across DFID. We do recognise, however, that as we improve our

overall performance measurement system, it will need to better accommodate and reflect the realities of engagement in fragile states, such as the fact that progress towards the MDGs is likely to be slower and the availability and quality of data is often poor.

- (n) **In a context of significant scaling up of aid and a future agenda of collective donor aid effectiveness, priority emphasis in human resource policy will need to be on implementation, including the extent to which current staff turnover affects continuity and consistency of DFID action in the field. Attention is called to rapidly evolving future staff directions and the need for flexibility and significant advance planning to identify and place critical skills.**

30. We have just completed our Strategic Workforce Plan. This sets out how DFID will respond to changing business needs in terms of staff numbers and skills. We are keen to learn from other donors on the best way to place, manage and develop staff in situations where we are sharing resources. We are undertaking a series of activities which will help us gain a full understanding of the best way to respond to the challenges of placing staff in fragile states. This includes work on rewards and incentives, costs, support to staff, skills needed and behaviours required.

- (o) **The strong role of DFID in supporting international thinking on development is appreciated. DFID is encouraged to develop closer links between its policy work and aid programmes so as to better translate its policies into its decentralised field work and to more strongly integrate the field perspective into central policy design. Such two-way linkages are all the more important to appropriately address the challenges resulting from new aid modalities and scaling up.**

31. We agree that it is important that there are close links between our policy work and our aid programmes. We aim to ensure that all our policies reflect country-level experience and are based on evidence of what works. We will use the process of developing Country Assistance Plans to ensure that country strategies are consistent with central policies and best practice. In addition, we will provide guidance to country teams to help them to translate central policies into their work.

- (p) **The United Kingdom is encouraged to look at the instrument of General Budget Support (GBS) in the context of the complementarity of aid instruments, on the basis of country**

needs, development results, and DFID's comparative advantage, taking full account of the recent joint evaluation of this modality.

32. The findings of the GBS Evaluation informed our new White Paper. During 2006 we will update our budget support policy, building on the findings and recommendations made by the evaluation, and produce updated guidance to staff on key issues identified by the evaluation. For example, we will provide guidance on how to assess the development benefits of budget support, and monitor them throughout the programme. The updated policy will set out the circumstances in which GBS is an appropriate instrument, and the importance of using a mix of aid instruments to achieve multiple objectives. We hope to do further work on complementarity of aid instruments as part of the broader DAC follow up on the GBS evaluation.

(q) DFID is encouraged to further engage levels of government other than central government, and to develop a strategic approach to engaging with and strengthening local civil society. DFID should take steps to keep sight of the grass-roots context as well as to maintain expertise in key sectors.

Civil Society

33. Our policy paper *Civil Society and Development* sets out DFID's strategic approach to working in partnership with civil society. It identifies the key areas in which DFID is working with civil society. We believe civil society organisations have an important role to play in holding governments to account and pressing for better public services. To this end, we plan to set up a new £100 million Governance and Transparency Fund to support civil society and the media. We also plan to provide more support for initiatives that promote international links between civil society groups – such as those promoted by UK trade unions, the Commonwealth Secretariat and the British Council.

Local Government

34. We recognise that local government can have a key role in delivering services and increasing opportunities for poor people. Our approach to working with local government varies from country to country, taking into account the country context and the work of other donors. In many large developing countries (e.g. China, India, Nigeria), much of our programme is focused at the sub-national level. In other countries (e.g. Uganda), we have taken the decision to focus on central government. Each of these decisions has been informed by an analysis of the country context and consideration of the most effective way for DFID to support poverty reduction in that country.

- (r) **In order to promote links in the range of issues covered by work on fragile states, notably the issue of conflict prevention, there is need for a comprehensive mapping on the roles and responsibilities of different policy and operational teams within DFID concerning fragile states.**

35. In September 2006 we will review progress against the commitments made in the January 2005 DFID Policy Paper, "Why we need to work more effectively in fragile states". We will adopt the DAC recommendation and include in the review a mapping and assessment of roles and responsibilities concerning fragile states within DFID.

- (s) **The new humanitarian policy should further strengthen the role of DFID in the provision of needs-based and principled humanitarian aid and improve coherence across Whitehall. Greater clarity regarding objectives and operational priority setting is needed when providing development and humanitarian aid in complex emergencies.**

36. DFID's humanitarian policy was formally launched in June 2006. In implementing the policy we will:

- *Underscore our commitment to humanitarian principles.* These principles provide the starting point for DFID's engagement with other departments across Whitehall.
 - *Strengthen the evidence base for DFID's decision-making.* This will be done by working with international partners to improve the quality and timeliness of data on humanitarian need, in particular on malnutrition, mortality and other selected performance indicators.
 - *Maintain the capacity to invest in new, flexible financing instruments* that enable resources to be allocated according to need. DFID will continue to invest in the Central Emergencies Response Fund and Common Humanitarian Funds.
 - *Improve linkages between humanitarian and developmental approaches in fragile states.* We will develop a more integrated approach to country level planning in fragile states. In 2006, this will focus on two countries, with the aim of identifying lessons to be applied elsewhere in the future.
- (t) **Awareness-raising of the new humanitarian policy framework and on GHD [Global Humanitarian Donorship] at field level should be made a priority.**

37. Throughout 2006/07 country offices and headquarters staff will be briefed on the policy statement and its implications. Training materials will be developed for use by staff worldwide, and a training programme will be rolled out in six country offices by mid-2007. This will be done in close collaboration with those responsible for the implementation of the Disaster Risk Reduction policy.

38. Guidance will be agreed and disseminated to staff through the Blue Book, DFID's procedural guide. In addition, DFID's guidelines for its partners wishing to apply for humanitarian funds are being rewritten to ensure compliance with the core tenets of the policy.

39. As Chair of the Good Humanitarian Donorship Initiative, DFID is placing considerable emphasis on strengthening donor coordination at field level.

(u) Greater operational clarity between FCO, DFID and MOD is needed on how to maximise the protection of civilians and on approaches in fragile states.

40. The UK has a joined up approach to conflict issues, but we recognise that more progress is needed. The actions we are currently taking include:

- drafting a Letter of Understanding between DFID and the Ministry of Defence on the use of military assets in responding to natural disasters;
- preparing for a high-level workshop on political-military cooperation and decision-making in difficult conflict scenarios with MOD, FCO and other NATO and EU nations;
- running workshops with FCO and MOD to identify key areas of common understanding and differences;
- expanding the MOD working group on Security Sector Reform to include DFID and the FCO.

41. We hope that these actions, together with close working in key countries (such as Afghanistan and Iraq) will ensure greater operational clarity and will increase the effectiveness of the UK Government's support to fragile states.

Conclusion

42. The DAC Peer Review process has been a very useful one for DFID. We hope that we have been able to demonstrate that we take its recommendations seriously and will strive to respond to the challenges the review identified.

**UK Department for International Development
September 2006**