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The *International Development (Reporting and Transparency) Bill*

Bill 19 of Session 2005-06

The *International Development (Reporting and Transparency) Bill* (Bill 19 of Session 2005-06) is sponsored by Tom Clarke MP, who came sixth in the ballot for Private Members' Bills. Second reading of the Bill is due on 20 January 2006.

The Bill seeks to establish a requirement for the Government to lay an annual report before both Houses of Parliament on its international development assistance. Progress towards the target of spending 0.7% of Gross National Income on overseas aid would be included in the report.

Bryn Morgan

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Summary of main points

The *International Development (Reporting and Transparency) Bill* would require the Government to produce an annual report to Parliament giving details of its international development assistance. The report would contain information on expenditure, broken down by region, country and international organisation. It would also include the Secretary of State for International Development's assessment of the effectiveness and transparency of development assistance.

The information required by the Bill is focused on progress towards the Millennium Development Goals (MDGs). Both the quantity and quality of assistance are important for the eight MDGs. The first seven goals cover progress on poverty, health, education, the environment and gender equality in developing countries. The annual report would include details of the impact of the UK's direct development assistance on HIV/AIDS and child mortality (clause 7). Clause 5 would require the inclusion of an assessment of progress on the first seven MDGs as a result of assistance through multilateral organisations.

Millennium Development Goal 8 identifies the actions that donor countries need to take to assist developing countries in achieving the first seven goals. Clause 4 refers directly to MDG 8, but other clauses on the effectiveness and transparency of assistance are also relevant.

The quantity of development assistance, particularly progress towards the UN target of aid expenditure of 0.7% of Gross National Income, is also covered in the Bill. Clause 6 would require figures on this to be published for the latest five years, along with an assessment of when the 0.7% target is expected to be reached.

The Government already publishes some of the information required by the Bill but in a number of different publications. These are listed in Appendix 1. The Bill's sponsor, Tom Clarke, argues that a single annual report, containing all the relevant information, would invite a full and comprehensive debate on development issues and act as essential "progress-chasing".

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I Introduction

A. Overview

The *International Development (Reporting and Transparency) Bill* is sponsored by Tom Clarke MP. Second reading of the Bill is due on 20 January 2006.

The Bill seeks to establish a requirement for the Government to lay an annual report before both Houses of Parliament on its international development assistance. Progress towards the target of spending 0.7% of Gross National Income (GNI) on overseas aid would be included in the report.

The Bill was launched on 30 November 2005 at a meeting of the All Party Parliamentary Group on Overseas Development.[1]

Tom Clarke MP spoke first. He said that the Bill was based around the Millennium Development Goals (MDGs), in particular MDG 8 which made developed countries responsible for ensuring the success of the first seven goals. By requiring an annual report to Parliament, the Bill would increase the accountability of the Government's development policy.

Two of the sponsors of the Bill, Angela Browning MP and John Barrett MP, also spoke at the meeting. Mrs Browning said that a detailed annual report would inform debates in Parliament. She felt that transparency was a very important part of the Bill, particularly because of the great public interest in developing countries which could be undermined if people felt money was not being spent in the right way. John Barrett said that it was important to have an annual report as it would be too late to discover in 2015 that the Government was not on track to spend 0.7% of GNI on aid.

Simon Maxwell of the Overseas Development Institute said that the Bill supported the *International Development Act 2002* which was the framework for the UK's international development assistance and which emphasised that poverty reduction was the objective of that assistance. Although the Department for International Development (DFID) already reported to Parliament, reporting on the 0.7% target would put pressure on the Government to reach it. The Bill would provide a platform for "joined-up thinking" across government on development of the type embodied in Millennium Development Goal 8.

Duncan Green of Oxfam welcomed the fact that the Bill gave developing countries a three year advance warning of aid flows, allowing them to better manage finances, and that it provided for the independent monitoring of aid effectiveness and expenditure.

Peter Grant of Tear Fund said that the future of development depended upon public trust and support and that transparency and coherence were necessary for that support. The Bill would also encourage future governments to keep to existing commitments.

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[1] A report of the meeting, as well as audio files of speakers, is available on the Overseas Development Institute's website at: http://www.odi.org.uk/speeches/apgood_oct05/apgood_nov30/

Benedict Southworth of the World Development Movement (WDM) welcomed the bill. He said that the WDM had long been a proponent of transparency in accountability in the aid budget, and believed the Bill would complement the *International Development Act 2002*.

B. Notes on clauses

Clause 1 requires the Secretary of State for International Development to lay an annual report before Parliament giving details of the UK's expenditure on international development assistance by region, country and organisation, progress towards the target of expenditure on aid of 0.7% of GNI and MDG 8, expenditure in low-income countries and details of the purpose, monitoring and evaluation of development assistance. More detailed specifications for the required contents of the report are given in subsequent clauses.

The report should be published as near as possible to the end of "the relevant period", initially defined in clause 9 as a calendar year. The report may be combined with another report.

Clause 2 adds that the report should contain details of how action taken across government, not just within DFID, is contributing to poverty reduction and sustainable development in developing countries.

Clause 3 sets out the financial details that should be included in the report. Expenditure on bilateral and multilateral assistance for the latest and four preceding years should be published, including these figures as a percentage of GNI. It should also show the value of debt relief included within these totals, and the amount of cancelled export credits included in the debt relief total. The value of assistance to each country should be given, along with the proportion of development assistance going to low-income countries. The report could include revisions to data published in previous annual reports.

MDG 8 is covered in **Clause 4**. The report should include information on progress on trade policy, debt relief and aid effectiveness. Also, clause 4 would require details of expenditure on social services, 'untied' aid and environmental protection. Finally, it should include expenditure on transport in small island states and landlocked developing countries.

Clause 5 requires an assessment of the UK's contribution through multilateral agencies, in particular the European Union, International Development Association and United Nations agencies. The report should include an assessment of the proportion of the multilateral assistance that is 'untied' and how this multilateral assistance contributes to achieving the MDGs.

Clause 6 relates to the target of 0.7% of GNI to be spent on net official development assistance (ODA). It requires publication of figures on net ODA for the latest calendar year and previous four years, also showing the figure as a proportion of GNI. The report should also state when the Secretary of State expects the 0.7% target to be met.

Clause 7 performs a similar role to clause 5 but for bilateral assistance. It requires information on aid effectiveness to be included for the ten countries receiving the most international development assistance and also the effectiveness of aid programmes on poverty reduction. These country assessments of effectiveness should include the effects of assistance on HIV/AIDS, child mortality, good governance, sustainable development, trading opportunities and progress towards that country's own development goals.

Clause 8 covers reporting of the transparency of aid. The report should include an assessment of transparency. In particular, aid levels for the current and next three years for each recipient country should be published, along with the objectives that this expenditure is expected to achieve and how this will be independently monitored.

Clause 9 sets out some definitions. In particular, it defines the "relevant period" for the annual report as the calendar year before the report is published. Definitions of eight other terms should be made by the Secretary of State by a statutory instrument under the negative procedure. The definition of the "relevant period" may be revised by the Secretary of State, as can the definitions of other terms, although this would be under the affirmative procedure.

II Millennium Development Goals

A. What are the Millennium Development Goals?

At the UN Millennium Summit, held in September 2000, leaders of 189 member states unanimously adopted the Millennium Declaration, a "statement of values, principles and objectives for the international agenda for the twenty-first century"[2]. This acknowledged the collective responsibility of world governments to uphold human dignity; recognized equality and equity; and accepted a duty to all people worldwide, including the young and the vulnerable. Leaders pledged to eliminate extreme world poverty. Commitments included an open and non-discriminatory multilateral trading and financial system, good governance at an international level and an enhanced programme of debt relief for Heavily Indebted Poor Countries (HIPCs).[3]

The Millennium Development Goals (MDGs) were established as a way of implementing the promises of the Declaration. The goals were not new, but built on proposals from various UN conferences throughout the years. They were first adopted as targets by the OECD in 1996.[4] Drawing on the Declaration – and the work of governments, the UN, World Trade Organisation (WTO), International Financial Institutions (IFIs)[5] and other experts – the goals were refined and published in 2001.[6] They provided a single blueprint of common, clear targets, the majority of which were to be achieved by 2015, predominantly measured against a baseline of 1990.

Box 1 shows the eight MDGs, along with the 18 targets within them.

Progress is based on assessment of over 40 quantifiable indicators which are listed in the United Nations' *Millennium Development Goal Indicators Database.*[7] The UN's *Millennium Development Goals Report 2005* gives a summary of progress on each goal globally and by region.[8] Information on individual countries is also available from the UN.[9]

2 UN press release, *World leaders adopt 'United Nations Millennium Declaration' at conclusion of extraordinary three-day summit*, 8 September 2000

3 The full Declaration is available at: http://www.un.org/millennium/declaration/ares552e.htm

4 *Shaping the 21st Century: The Contribution of Development Cooperation*, Development Assistance Committee, OECD; see also The Birth of the MDGs, *DAC News*, Sep-Oct 2005

5 Such as the World Bank and International Monetary Fund

6 *Roadmap towards the implementation of the United Nations Millennium Declaration: Report of the Secretary General to the General Assembly*, UN GA A/56/326, September 2001

7 http://millenniumindicators.un.org/unsd/mi/mi_goals.asp

8 *Millennium Development Goals Report 2005*, UN, June 2005. More detailed progress reports are also available at: http://unstats.un.org/unsd/mi/mi_coverfinal.htm

9 available at http://unstats.un.org/unsd/mi/mi_series_list.asp

Box 1: Millennium Development Goals

Goals	Targets *(for 2015 unless stated)*
1. Eradicate extreme poverty and hunger	Halve the proportion of people living on less than a dollar a day and those who suffer from hunger.
2. Achieve universal primary education	Ensure that all boys and girls complete primary school.
3. Promote gender equality and empower women	Eliminate gender disparities in primary and secondary education preferably by 2005, and at all levels by 2015.
4. Reduce child mortality	Reduce by two-thirds the mortality rate among children under five
5. Improve maternal health	Reduce by three-quarters the ratio of women dying in childbirth.
6. Combat HIV/AIDS, malaria and other diseases	Target for 2015: Halt and begin to reverse the spread of HIV/AIDS and the incidence of malaria and other major diseases.
7. Ensure environmental sustainability	• Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources. • By 2015, reduce by half the proportion of people without access to safe drinking water. • By 2020 achieve significant improvement in the lives of at least 100 million slum dwellers.
8. Develop a global partnership for development	• Develop further an open trading and financial system that includes a commitment to good governance, development and poverty reduction – nationally and internationally • Address the least developed countries' special needs, and the special needs of landlocked and small island developing States • Deal comprehensively with developing countries' debt problems • Develop decent and productive work for youth • In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries • In cooperation with the private sector, make available the benefits of new technologies – especially information and communications technologies.

On current trends the MDGs will not all be achieved in all regions. Table 1 gives the latest UN assessment on progress towards the goals by region.

Sub-Saharan Africa is not on track to meet any of these MDG targets. The 2005 *Human Development Report* notes that some countries have registered an extraordinary rate of advance towards the MDGs, often from very low levels of income.[10] However:

> Fifty countries with a combined population of almost 900 million people are going backwards on at least one MDG. Twenty-four of these countries are in Sub-Saharan Africa.

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10 *Human Development Report 2005*, UNDP, September 2005, p 41

Table 1

Progress towards the Millennium Development Goals by region

	Africa		Asia				Oceania	Latin America & Caribbean
	Northern	Sub-Saharan	Eastern	South-Eastern	Southern	Western		
GOAL 1: Eradicate extreme poverty and hunger								
Reduce extreme poverty by half	On target	No progress	Met	Met	On target	Off target	No data	Off target
Reduce hunger by half	On target	Off target	On target	On target	Off target	No progress	Off target	On target
GOAL 2: Achieve universal primary education								
Universal Primary Schooling	On target	Off target	On target	Off target	Off target	Off target	No progress	On target
GOAL 3: Promote gender equality and empower women								
Equal girls' enrolment in primary school	On target	Off target	Met	Met	Off target	Off target	On target	Met
Women's share of paid employment	Off target	Off target	Off target	Off target	Off target	Off target	On target	On target
Women's equal representation in national parliaments	Off target	Off target	No progress	Off target	Off target	Off target	Off target	Off target
GOAL 4: Reduce child mortality								
Reduce mortality of under-five-year olds by two thirds	On target	No progress	Off target	On target	Off target	Off target	Off target	On target
Measles immunisation	Met	No progress	Off target	On target	Off target	On target	No progress	Met
GOAL 5: Improve maternal health								
Reduce maternal mortality by three-quarters	Off target	No progress	On target	Off target	No progress	Off target	Off target	Off target
GOAL 6: Combat HIV/AIDS, malaria and other diseases								
Halt and reverse spread of HIV/AIDS	No data	No progress	No progress	Off target	No progress	No data	No progress	Off target
Halt and reverse spread of malaria	On target	No progress	Off target	Off target	Off target	On target	On target	Off target
Halt and reverse spread of tuberculosis	On target	No progress	Off target	Off target	Off target	On target	Off target	On target
GOAL 7: Ensure environmental sustainability								
Reverse loss of forests	Off target	No progress	Met	No progress	On target	On target	No progress	No progress
Halve proportion without improved drinking water	On target	Off target	On target	On target	On target	On target	No progress	On target
Halve proportion without sanitation	On target	No progress	On target	On target	Off target	No progress	No progress	Off target
Improve the lives of slum-dwellers	On target	No progress	Off target	On target	Off target	No progress	No data	Off target

Source: *UN Millennium Development Goals Report 2005*, UNStats, 2005

Met - Target met or very close to being met
On target - Target is expected to be met by 2015 if prevailing trends continue, or the problem that this target is designed to address is not a serious problem in the region
Off target - Target is not expected to be met by 2015 if prevailing trends continue
No progress - No progress, or a deterioration or reversal
No data - Insufficient data

1. UN World Summit 2005

After the Millennium Declaration of 2000, there was a firm commitment by the UN to reconvene in 5 years' time, a third of the way towards the deadline of 2015, to assess progress and make any necessary mid-course corrections. This meeting took place between 14 and 16 September 2005, at the UN World Summit, which brought together more than 150 heads of state and government. The agenda was based on a set of proposals outlined in March 2005 by Secretary-General Kofi Annan in his report *In*

Larger Freedom.[11] DFID described this summit as the "last chance for the international community to come together and agree to take the necessary action to get the MDGs back on track."[12]

Actions were agreed on:

- Strong and unambiguous commitment by all governments, in donor and developing nations alike, to achieve the Millennium Development Goals by 2015.
- Additional $50 billion a year by 2010 for fighting poverty.
- Commitment by all developing countries to adopt national plans for achieving the Millennium Development Goals by 2006.
- Agreement to provide immediate support for quick impact initiatives to support anti-malaria efforts, education, and healthcare.
- Commitment to innovative sources of financing for development, including efforts by groups of countries to implement an International Finance Facility and other initiatives to finance development projects, in particular in the health sector.
- Agreement to consider additional measures to ensure long-term debt sustainability through increased grant-based financing, cancellation of 100 per cent of the official multilateral and bilateral debt of heavily indebted poor countries (HIPCs). Where appropriate, to consider significant debt relief or restructuring for low and middle income developing countries with unsustainable debt burdens that are not part of the HIPC initiative.
- Commitment to trade liberalization and expeditious work towards implementing the development dimensions of the Doha work programme.[13]

B. The MDGs in the Bill

The MDGs are referred to specifically in clauses 4 and 5 of the Bill and the targets included in clause 7 are also relevant to them. The Government published *The UK's Contribution to Achieving the Millennium Development Goals* as part of the European Union's preparation for the UN World Summit in 2005. The report showed how the UK had contributed towards achieving the Millennium Development Goals (MDGs) and identified priorities for the international community over the next 10 years to 2015, the target date for achievement of many of the MDGs. This report contains much of the information that would be required by the Bill. In addition, progress on the MDGs is included within DFID's Public Service Agreement (PSA); performance against PSA targets is assessed in DFID's *Departmental Annual Report* and *Autumn Performance Report*.

[11] UN Secretary-General, *In Larger Freedom: Towards Security, Development and Human Rights for All*, March 2005

[12] DFID webpage: 2005: *UK leads effort to tackle global poverty*

[13] *2005 World Summit Outcome: Achievements in Brief*, UN Department of Public Information, September 2005. More documents, including the full outcome document, are available at: http://www.un.org/summit2005/documents.html

1. MDG 8

Clause 4 of the Bill covers Millennium Development Goal 8 on creating a global partnership for development. Many of the targets within this goal are already part of DFID's PSA. MDG 8 is key to the achievement of the other MDGs because it sets the framework for development:[14]

> At the heart of the Millennium Development Goals is the understanding that fighting poverty is a collective undertaking and that all countries have a stake in the results. Primary responsibility to achieve the Goals rests with developing countries, but international support is critical, especially for the poorest countries and for countries handicapped by geographical isolation. Moreover, in an interdependent world economy, open avenues for trade, international financial stability and the spread of technology are needed to enable developing countries to seize opportunities for accelerated and sustained development.
>
> The United Nations Millennium Declaration embodies an agreement that developing countries will work to maintain sound economies, to ensure their own development and to address human and social needs. Developed countries, in turn, agree to support poorer countries through aid, trade and debt relief. A meaningful partnership between rich and poor must also address developing countries' need for technology, medicines and jobs for their populations, particularly for the growing ranks of young people.

This was distilled by the Make Poverty History campaign into its three key aims for 2005: trade justice, debt relief and more and better aid.[15]

Progress towards an open trading and financial system is included within Target 4 of DFID's 2003-06 and 2005-08 PSAs. The latest Autumn Performance Report says that is too early to assess progress on this target. This is mainly because it is dependent on progress at the World Trade Organisation, in particular the Doha Development Round of trade talks. These talks are ongoing. The Hong Kong Ministerial in December 2005, left key issues unresolved. Agreement was reached to eliminate agricultural export subsidies by 2013, while a limited 'development' package for the poorest countries was agreed, with the end of 2006 reaffirmed as deadline for completing the Round. Negotiations will continue, with a meeting of trade ministers at the World Economic Forum in Davos in January followed by a second high-level meeting expected in the first quarter of 2006.[16]

MDG 8 is broader than just levels of aid or trade policy. Some of the key issues underlying MDG 8 are also covered by the Bill.

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14 *Millennium Development Goals Report 2005*, UN, June 2005, p36

15 Manifesto of the Make Poverty History campaign, 2004, available at: http://www.makepovertyhistory.org/docs/manifesto.doc

16 For more background on the Doha Development Round, see the article in the December 2005 edition of *Economic Indicators*, Library Research Paper 05/84

a. Policy coherence

In its report on the MDGs, the Government said:

> The UK recognises that progress towards the MDGs will be affected by many UK Government policies, not just those focused on development. Policies on trade, farming, investment and migration – including those we support within the EU may have more of an influence on achievement of the MDGs than policies directly addressing issues of aid. Close collaboration between Government departments is important to ensure that policies do not have a negative impact on UK development efforts, and to seek opportunities for reinforcing efforts to achieve the MDGs.[17]

Clause 2 of the Bill would require details of these government-wide policies to be included within the annual report. The report on the UK's contribution included details of work across government on trade, debt, sustainable development, human resources[18], access to medicines and intellectual property, anti-corruption, conflict prevention, arms exports and HIV/AIDS.

Sweden is often used as an example of a country with strong policy coherence. In 2003 the Swedish Parliament, the Riksdag, passed the government bill *Shared responsibility: Sweden's Policy for Global Development*. This legislation recognises that global development policy is a task for the whole government and not merely a development assistance issue. All policy areas should have a common overall objective for global development policy: to contribute to equitable and sustainable global development. One of the requirements of the legislation is an annual report which shows how the government is implementing a coherent global development policy. The first report was published in 2004.[19]

The International Development Select Committee looked at policy coherence in 2004.[20] The report provided examples of incoherent policy:

> Policies which lack coherence and undermine development are all too easily found. The total volume of aid from OECD countries is dwarfed and undermined by protectionist trade-distorting agricultural subsidies. Support for private sector development and diversification is undermined by systematic tariff escalation which discourages developing countries from processing products and adding value. OECD countries' fishing subsidies amounting to $20 billion per year promote the over-exploitation of a dwindling resource, harm developing countries' coastal fisheries, and undermine the fisheries development projects which the same countries have paid for with aid. Tightened patent protection laws are expected to increase the flow of patent revenues from the developing to the developed world from $10 billion to $60 billion per year, effectively cancelling out the total volume of global aid. The United States' energy policy has major

17 *The UK's Contribution to Achieving the Millennium Development Goals*, HM Government, 2005, p19

18 The report refers to the effects on developing countries of the migration of skilled workers to the UK, particularly health professionals, and the UK's international health worker recruitment code.

19 http://www.sweden.gov.se/content/1/c6/03/72/42/36752e46.pdf

20 International Development Committee, *The Commission for Africa and Policy Coherence for Development: First do no harm*, First Report, HC 123 2004-05, 16 December 2004

> deleterious implications for international security, development and environmental sustainability. In our reports we have highlighted the importance of policy coherence for development on several occasions

The report also referred to the Center for Global Development's "Commitment to Development Index".[21] This index ranks 21 of the world's richest countries on their dedication to policies that benefit people living in poorer nations. It explicitly recognises that policies such as migration, security and environmental policies are also important for development.

In the 2005 index, the UK was ranked 10th overall, with Denmark, the Netherlands and Sweden ranked highest. It scored well on its aid policies but the overall ranking was undermined by poor ranking on security policy (due to the assessment of arms exports) and migration. Overall, the UK was the third most improved country between 2003 and 2005.

b. Tied aid

Clause 5 requires reporting of the proportion of multilateral assistance that is 'untied'. Tied aid is aid where the donor makes assistance dependent on the purchase of goods or services from a particular source, usually the donor country itself. The term is generally used in relation to bilateral assistance. Since April 2001, the UK has a policy that all aid is untied:[22]

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

The same report also gives arguments for untying aid:

> There is a strong case to suggest that untied aid is more effective than tied aid, and leads to better relationships with developing countries. Research indicates that untying aid lowers the cost of many goods and services by 15-30%. Untied aid leads to goods and services that focus on developing countries' own priorities and specifications. It also leads to new opportunities for the private sectors of developing countries – companies from South Africa, India and Uganda are just a few of those which won UK government contracts last year. Finally, untied aid decreases administrative burdens on both donors and developing countries.[23]

In 2001, the OECD's Development Assistance Committee (DAC) adopted a decision to untie aid to the least developed countries (LDCs).[24] However, some other major donor

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[21] available at: http://www.cgdev.org/section/initiatives/_active/cdi

[22] *The UK's Contribution to Achieving the Millennium Development Goals*, HM Government, 2005, para 4.11, p40. More information is given in *Untying Aid*, DFID Background Briefing, September 2001

[23] *ibid.*, para 2.40, p18

[24] *Untying Aid to the Least Developed Countries*, OECD Policy Brief, July 2001

countries, including Australia and Canada, tie more than a fifth of their assistance.[25] Figures for the United States are not available for aid to all developing countries. In 2003 only 29% of US aid to least developed countries was untied.[26]

c. Transparency

Clause 8 of the Bill covers transparency. Proponents of the Bill argued at its launch that transparency was important to maintain public support for international development assistance and to inform debate (see section I.C). The Bill would require publication of planned expenditure to each donor country for the current and three subsequent years. At the launch, Duncan Green from Oxfam argued that this would better help developing countries plan their finances. Currently, because of the timing of the spending review process, expenditure for three future years is not necessarily available; in the 2005 departmental annual report, planned programme expenditure was given up to 2007/08.

DFID gave a commitment to transparency in its 2005 policy statement on aid conditionality:[27]

> 5.37 Both partners – donors and developing country governments – should be committed to transparency. Accountability is enhanced when both make public their decisions and the evidence on which they are based.
>
> 5.38 We are committed to increasing transparency around the process of decision-making on conditions, the conditions themselves, and the process for deciding to reduce or interrupt aid. We will encourage greater involvement of parliaments in the oversight of conditions prior to their agreement, and greater involvement of line ministries, parliamentarians and civil society in the identification of agreed benchmarks. We will also encourage other donors, including the international financial institutions (IFIs), to be more transparent, particularly in relation to the process of agreeing the terms and conditions for their aid.
>
> 5.39 The UK will make our own aid conditions more transparent, by publishing them on DFID's website.

In a joint response to the draft of the conditionality policy statement, a number of prominent UK NGOs argued that there was a need for more transparency in the decision-making processes of the International Financial Institutions:[28]

> We urge DFID to address the issue of IFI disclosure through the board, and press for it to be dealt with as part of the current reviews of Bank and Fund

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25 *2005 Development Co-operation Report: Statistical Annex*, OECD, 2005, Table 23a

26 *Implementing the 2001 DAC Recommendation on Untying ODA to the Least Developed Countries: 2005 Progress Report*, OECD, 2005, p14

27 *Partnerships for poverty reduction: rethinking conditionality: A UK Policy Paper*, DFID/HM Treasury/FCO, March 2005, p16

28 Joint NGO response to HM Government policy paper: Partnerships for Poverty Reduction: changing aid 'conditionality', 19 November 2004
available at: http://www.wdm.org.uk/campaigns/cambriefs/parliamentary/subconditionality_11 04.doc

> conditionality. The transparency of the process by which conditions are identified is at least as important for accountability as disclosure of the final conditions.

The assessment of transparency that would be required by the Bill does not specify that it is for bilateral assistance so it could cover both bilateral and multilateral assistance.

The clause links development objectives with expenditure in a specific country. The Secretary of State should include in the assessment of transparency whether it is possible to specify the objectives that expenditure is expected to achieve in that country.

Also, it proposes the publication of an agreement with the recipient country. DFID already publishes *Country Assistance Plans*. These set out how DFID aims to contribute to the achievement of the MDGs in a particular country. They are based on the recipient country's Poverty Reduction Strategy Paper (PRSP) and set out in detail how DFID will work as part of the international development effort to support a country's strategy for reducing poverty. They include a framework for annual assessment of DFID's performance in implementing the plan.

PRSPs are prepared by governments through a participatory process involving civil society and development partners. According to the World Bank and IMF, PRSPs have helped to increase accountability and participation:[29]

> The PRS approach has contributed to enhancing domestic accountability in many countries in a variety of ways. The PRS process has encouraged countries to prioritize their development goals, and set concrete targets and appropriate intermediate progress indicators.
>
> […]
>
> The PRS process has opened space for stakeholders to engage in a national dialogue on economic policy and poverty reduction. However, participation has often been broad rather than deep, and was initially focused primarily on PRS formulation. While parliaments and poor people were not always fully engaged in the PRS process, parliamentary involvement has been increasing, and countries are taking steps to engage a broader cross-section of the population in the PRS process.

Some NGOs argue that there is significant room for improvement in the PRSP process. For instance, an Oxfam Briefing Paper said:[30]

> On the PRSP process, we recognise the fact that PRSPs have been a step forwards. New spaces for dialogue on policy have been opened up in almost every country. Representatives of civil society have had access to policy debates that were hitherto entirely closed to them. However, the spaces remain very small and are not guaranteed. 'Consultation' is a more appropriate description than 'participation' in almost all cases. Important stakeholders, both powerful ones

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29 *2005 Review of the PRS Approach: Balancing Accountabilities and Scaling Up Results*, World Bank/IMF, 2005, pp3-4

30 *"Donorship" to ownership: Moving Towards PRSP Round Two*, Oxfam Briefing Paper 51, January 2004

> such as elected politicians and powerless ones such as rural women, have rarely been involved.

Clause 8 also refers to independent monitoring and evaluation of the effectiveness of policy. DFID's Evaluation Department currently commissions reports from independent consultants on the country programmes and other aspects of DFID's assistance. The *Country Performance Evaluations* are intended to "help improve performance, contribute to lesson learning and inform the development of future strategy at country level."[31]

d. Small Island Developing States and Landlocked Developing Countries

Clause 4 also includes reporting of expenditure on transport in Small Island Developing States (SIDS) and Landlocked Developing Countries (LLDCs). SIDS are vulnerable to a number of environmental dangers; increases in sea-level are obviously a problem but there are other sustainable development challenges. These include small population, lack of resources, remoteness, susceptibility to natural disasters, excessive dependence on international trade and vulnerability to global developments. In addition, they suffer from lack of economies of scale, high transportation and communication costs, and costly public administration and infrastructure.

The *Global Summit on the Sustainable Development of Small Island Developing States* was held in Bridgetown in 1994. The subsequent Barbados Declaration and associated programme of action set the agenda for SIDS until the Mauritius Strategy of Implementation which followed a meeting in January 2005.

The UN Conference on Trade and Development produced a report in 2004 looking at how SIDS could be helped to participate in global markets.[32] It contrasted the perception of SIDS as island paradises with the reality:

> Indeed, there is a pervasive notion that small islands are privileged to be situated in a heavenly natural environment, and that this is the main determinant of the quality of life of islanders. This convenient vision has been fuelled, not only by the way international tourism has portrayed insular destinations, but also by the fact that a majority of SIDS have demonstrated a relatively enviable socio-economic performance, compared with many continental or large developing countries. Overall, the international community has tended to view island societies as relatively prosperous, and has not been inclined to appreciate the intrinsic reality of "small islandness", which is characterized by environmental and social fragility, and a high degree of economic vulnerability to many possible external shocks beyond domestic control.
>
> Here is where the paradox hurts: the international community recognizes the exceptional disadvantages island societies face, but it has failed to translate this recognition into island-specific support. The vulnerability of SIDS to external factors is not disregarded, but the modest elements of special treatment that would help them become more resilient are not being made available to these

[31] *Guidance on evaluation and review for DFID staff*, DFID, July 2005
[32] *Is a special treatment of small island developing states possible?*, UNCTAD, 2004, p vi

> countries, even though their costs to the international community would be insignificant.

LLDCs are often among the poorest of developing countries. The particular problems of LLDCs were recognised in the Millennium Declaration:[33]

> 18. We recognize the special needs and problems of the landlocked developing countries, and urge both bilateral and multilateral donors to increase financial and technical assistance to this group of countries to meet their special development needs and to help them overcome the impediments of geography by improving their transit transport systems.

In 2001, the UN General Assembly agreed to the establishment of the UN Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and the Small Island Developing States (UN-OHRLLS). The major additional development problem facing LLDCs is high transit costs which reduce the competitiveness of LLDCs both from transport costs and insurance payments. UN-OHRLLS describe the issue as follows:

> Lack of territorial access to the sea, remoteness and isolation from world markets and high transit costs continue to impose serious constraints on the overall socio-economic development of landlocked developing countries. Their sea borne trade unavoidably depends on transit through other countries. Additional border crossings and long distance from the market substantially increase the total expenses for the transport services.
>
> The economic performance of landlocked developing countries reflects the direct and indirect impact of geographical situation on key-economic variables. Landlocked developing countries are generally among the poorest of the developing countries, with the weakest growth rates, and are typically heavily dependent on a very limited number of commodities for their export earnings. Moreover, of 30 landlocked developing countries 16 are classified as least developed.

The UK report on the MDGs shows that 18.2% of bilateral overseas development assistance in 2003 went to LLDCs and 1.2% to SIDS. The report goes on:

> **Targeting aid at landlocked countries and small island developing states**
> 4.14 The UK does not focus specifically on allocating development assistance to landlocked countries or small island developing states. The UK Government is however committed to providing for the assistance needs of the British Overseas Territories. The small island Territories that receive our development assistance are Anguilla, Montserrat, Pitcairn, St Helena, Tristan da Cunha and the Turks and Caicos Islands, and this currently amounts to around £25 million a year. Many of the Territories are geographically isolated and our objectives are to maximise economic growth, to meet basic needs on the way to self-sufficiency, and to support good governance.[34]

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[33] http://www.un.org/millennium/declaration/ares552e.htm

[34] *The UK's Contribution to Achieving the Millennium Development Goals*, HM Government, 2005, p41

However, expenditure on transport in LLDCs and SIDS, as required by the Bill, is not routinely published.

2. Other MDGs

Information on progress towards the other MDGs would be required by clauses 5 and 7. This would both be progress against the indicators and also an assessment of how multilateral (clause 5) and bilateral (clause 7) assistance had helped progress towards the indicators.

Clause 5 refers to the goals generally, while clause 7 would require information on tackling HIV/AIDS and child mortality.

DFID's Public Service Agreement includes targets on progress towards the MDGs in sixteen key countries in Africa and nine in Asia. Target 1 on Africa requires progress on poverty, primary school enrolment, the ratio of girls to boys enrolled in primary school, a reduction in child mortality rates, an increase in the proportion of births assisted by skilled birth attendants and a reduction in the proportion of young pregnant women with HIV. The latest assessment is that only the target on the child mortality rate will be met, and that there the position has worsened on gender equality in primary schools and on skilled birth attendants. Target 2 uses a similar set of indicators for Asia. Progress on poverty in Asia is better, but the latest assessment is that targets on child mortality will not be met.[35]

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35 *2005 Autumn Performance Report*, DFID, December 2005, Cm 6706

III Financial reporting

A. Definitions

There are a number of measures of overseas aid expenditure. Two terms are used in the Bill: international development assistance and official development assistance (ODA).

International development assistance is defined in clause 11 as assistance provided under sections 1 to 3 of the *International Development Act 2002*. This is assistance given to countries outside the United Kingdom for furthering sustainable development or improving the welfare of the population. Except in the case of British Overseas Territories, the Secretary of State must be satisfied that the provision of assistance is likely to contribute to a reduction in poverty. IDA also includes humanitarian assistance to other countries to alleviate the effects of natural or man-made disasters.

ODA is one of a number of technical definitions of overseas aid expenditure. It is defined by the Development Assistance Committee of the OECD and is used to compare aid flows internationally. It is this measure that is used to measure progress towards the 0.7% target. Basically, ODA includes flows to developing countries from official agencies that has the economic development and welfare of recipient countries as its main objective and is concessional.[36] Aid to countries not classed as developing countries by the OECD, mainly some central and eastern European countries, is classed as Official Aid (OA) and is outside the definition of ODA.

Debt relief, technical assistance and 'tied aid' are all included within ODA. This has been controversial with some aid campaigners. In June 2005, ActionAid produced a report in which they claimed that only one-third of aid was real aid, with the remainder being "phantom aid" that does not reach developing countries and does not fight poverty.[37] DFID produced a response to the document, claiming that ActionAid's figures did not add up and arguing that debt relief and technical assistance did help developing countries.[38]

For the UK, ODA figures are generally available for calendar years. Other aid aggregates, in particular Gross Public Expenditure on Development (GPEX) and DFID programme expenditure, are currently published for financial years. The Bill sets the relevant period for publication of figures as a calendar year.

Table 2 shows GPEX broken down into some of the categories required by the Bill for 2000/01 to 2004/05.

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[36] *Is it ODA?*, OECD, DCD/DAC/STAT(2001)8, 2001

[37] *Real Aid: An agenda for making aid work*, ActionAid, 2005

[38] available at: http://www.dfid.gov.uk/news/files/2005/aid-effectiveness.asp

Table 2

Gross Public Expenditure on Development (GPEX): 2000/01 to 2004/05 £ million

	2000/01	2001/02	2002/03	2003/04	2004/05	% of GPEX 2004/05
Bilateral assistance						
DFID bilateral assistance	1,407	1,512	1,791	1,961	2,145	44%
Technical co-operation	*453*	*473*	*558*	*482*	*508*	*11%*
Humanitarian assistance	*220*	*193*	*295*	*308*	*344*	*7%*
DFID debt relief	*20*	*18*	*20*	*16*	*15*	*0%*
Other official sources (a)	351	479	725	637	656	14%
Debt relief	*82*	*252*	*408*	*176*	*282*	*6%*
Total bilateral assistance	1,758	1,991	2,516	2,598	2,800	58%
Multilateral assistance						
European Community	728	757	901	1,086	1,170	24%
World Bank	243	220	222	383	206	4%
UN agencies	245	226	189	210	215	4%
Total multilateral assistance	1,335	1,355	1,476	1,865	1,798	37%
Administration	139	132	155	250	225	5%
Gross public expenditure on development	3,231	3,477	4,147	4,713	4,823	100%
Memo: Total debt relief			475	229	351	7%

Source: *Statistics on International Development,* 2005, DFID, Tables 1-3

B. The 0.7% target

Clause 6 of the Bill would require publication of information on the value of net official development assistance as a proportion of gross national income. It has long been an aim of aid campaigners for this target to be reached and the Make Poverty History campaign called for developed countries to set a timetable for reaching the target.

1. History of the 0.7% target

The target has its origins in a statement from the World Council of Churches in 1958 that argued that 1% of the national income of developed countries should be devoted to aid. There is no record of how this figure was arrived at. In 1960, a resolution was adopted by the UN General Assembly, without a vote, that it "expresses the hope that the flow of international assistance and capital should be increased substantially so as to reach as soon as possible approximately 1% of the combined national incomes of the economically advanced countries".[39]

This 1% figure referred to total capital flows, both public and private sector. The figure of 0.7% of GNI in official development assistance came from the work of the Pearson Commission. In 1968, Lester Pearson, a former Canadian Prime Minister, was asked by Robert S. McNamara, President of the World Bank, and Lord (formerly Reg) Prentice, then UK Minister for International Development, to form a Commission on International

[39] UN General Assembly Resolution 1524(XV), 15 December 1960 available at: http://www.un.org/documents/ga/res/15/ares15.htm

Development. This Commission was to review the previous 20 years of development assistance, assess the results, and make recommendations for the future. The Commission's report, "Partners in Development", published in September 1969, included targets for overall and official aid:

> A much-increased flow of aid will be required if most developing countries are to aim for self-sustaining growth by the end of the century. This means specific aid targets, of which the Commission sets two: total aid should amount to 1% of GNP, and official aid, 0.70% of GNP by 1975.[40]

This figure was then taken up in a UN General Assembly resolution on the 'Second United Nations Development Decade' on 24 October 1970:

> In recognition of the special importance of the role that can be fulfilled only by official development assistance, a major part of financial resource transfers to the developing countries should be provided in the form of official development assistance. Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 percent of its gross national product at market prices by the middle of the decade.[41]

2. Progress towards 0.7%

The setting of the target has not resulted in the hoped-for increase in global aid expenditure. Indeed, after 1970 the ODA/GNI ratio fell (Chart 1). By 1997, for all DAC countries the figure had fallen to 0.22% from 0.33% in 1970, which itself was already below the peak of 0.54% in 1961. Although it has increased in the last two years, the latest figure of 0.25% for 2004 is still below that in 1970.

Despite the lack of progress towards 0.7%, the aspiration has been restated. The 2002 Monterrey Conference on Financing for Development adopted a resolution calling for "concrete efforts towards the target of 0.7% of gross national product as ODA to developing countries."[42]

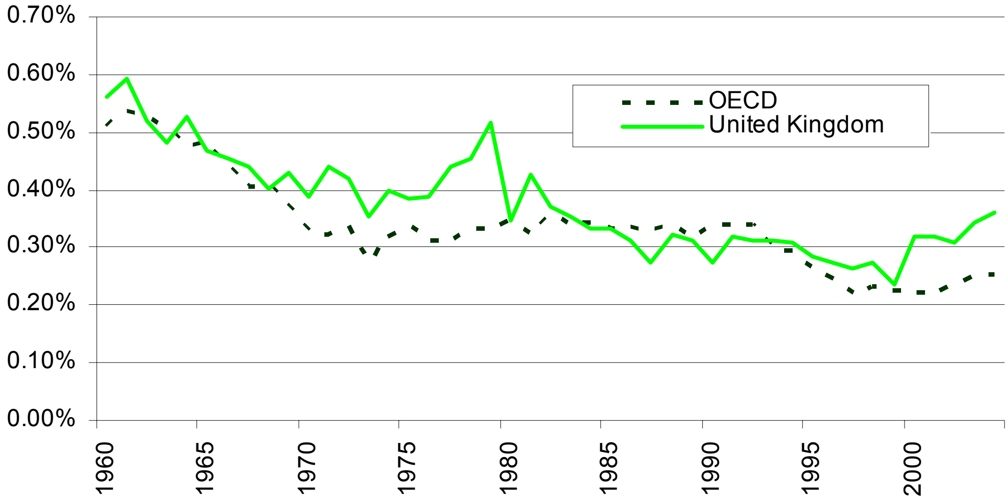
The outcome document of the 2005 World Summit said:[43]

> We welcome the increased resources that will become available as a result of the establishment of timetables by many developed countries to achieve the target of 0.7% of gross national product for official development assistance by 2015 and to reach at least 0.5% of gross national product for official development assistance by 2010 as well as, pursuant to the Brussels Programme of Action for the Least Developed Countries for the Decade 2001-2010,4 0.15% to 0.20% for the least developed countries no later than 2010, and urge those developed countries that

[40] From World Bank website: *Pages from World Bank history: the Pearson Commission* available at www.worldbank.org
[41] UN General Assembly Resolution 2626(XXV), 24 October 1970 available at: http://www.un.org/documents/ga/res/25/ares25.htm
[42] *Report of the International Conference on Financing for Development*, UN, Document A/CONF.198/11
[43] A/RES/60/1

have not yet done so to make concrete efforts in this regard in accordance with their commitments

Chart 1: ODA as % of GNI: OECD and UK: 1960-2004



The UK's performance against this target is also shown in Chart 1 and follows a similar pattern to that for all developed countries. In 1999, the UK spent 0.24% of its GNI on ODA, the lowest figure recorded. However, since then this has increased, reaching 0.36% in 2004.

The 0.7% target is not universally accepted. At the 2005 World Summit, the US Ambassador to the UN, John Bolton, said that the United States had not committed to 0.7%, and argued that it had consistently opposed numerical aid targets since the 1970s.[44] A working paper for the Center for Global Development looked at the economic justification for 0.7%. It argues that if the methodology that had been used to arrive at 0.7% was used today, the target would be around 0.01% of GNI, significantly below current aid expenditure. It does not argue that this is the 'right' amount of aid, just that "this exercise lays bare the folly of the initial method". It also argued that no government had ever agreed in a UN forum to spend 0.7% of GNI on aid, merely to make efforts to move towards the target.[45] A prominent advocate of increased aid expenditure, Professor Jeffrey Sachs, argues that the US did sign up to the commitment at the Monterrey Conference in 2002.[46]

44 "Aspirations and obligations", *The Economist*, 8 September 2005

45 *Ghost of 0.7%: Origins and Relevance of the International Aid Target*, Center for Global Development, Working Paper 68, June 2005. The difference is partly due to increases in rich country GDP but also because of increases in domestic capital in low-income countries. The Working Paper gives detailed calculations.

46 "US leadership may be set to reach a consensus with the world's poorest", *Financial Times*, 13 September 2005, p9. Jeffrey Sachs is Director of the Earth Institute at Colombia University and he headed the Millennium Project which was commissioned by the UN Secretary-General to produce a practical plan to help achieve the MDGs.

Despite some disagreement over the target, many countries have now set timetables to reach 0.7%. By 2004, five countries (Norway, Denmark, Netherlands, Luxembourg and Sweden) already had aid expenditure of more than 0.7% of GNI. The average for all DAC countries was 0.25%, with Italy (0.15%) and the United States (0.16%) having the lowest ratios. In May 2005, EU countries (excluding the 10 new member states) made pledges to increase their aid expenditure to 0.51% of gross national income by 2010 and to reach the 0.7% target by 2015. [47] This increase would give an additional €20 billion in assistance by 2010.[48] Professor Sachs has called this the key breakthrough of 2005.[49]

In its 2004 *Spending Review*, the UK government indicated a desire to reach the 0.7% target. The review included significant increases in aid expenditure, taking the ratio to 0.47% by 2007/08. In the statement on the review, the Chancellor said that the government wished to maintain the rates of growth in the overseas aid ratio announced in the Spending Review, and if this occurred the overseas aid ratio would reach 0.7% by 2013. He added that if the UK's proposal for an *International Finance Facility*[50] was agreed internationally then the target could be reached by 2008/09.[51]

The figures required by clause 6 are already published annually by DFID in *Statistics on International Development*, which is usually published in October. Provisional figures are made available in a statistical release earlier in the year.[52] In addition, the OECD makes available time series of data and more detailed breakdowns for all donor countries on its website.[53]

C. Other financial information

1. Multilateral assistance

Clauses 1, 3 and 5 would all require information to be published on the value or effectiveness of multilateral assistance. Table 2 shows that 37% of Gross Public Expenditure on Development (GPEX) in 2004/05 was given as multilateral assistance through international organisations rather than as bilateral assistance which is provided directly to partner countries.

Almost a quarter of GPEX goes through the European Community, including an attribution for aid expenditure from the overall UK contribution to the EC Budget. The other two multilateral organisations specified in clause 1 are the International

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47 The 10 new accession states have a lower target of 0.17% by 2010 and 0.33% by 2015

48 DFID Press Release, 25 May 2005, *Member States set timetable to reach the UN 0.7% aid target*; *Speeding up progress towards the Millennium Development Goals: The EU's contribution*, European Commission, 12 April 2005

49 "It is time for fine words to give way to meaningful action", *Financial Times*, 27 December 2005, p13

50 The IFF is a proposal for a temporary financing mechanism to provide up to an additional $50 billion a year in worldwide development assistance up to 2015. It would work by "frontloading" donor commitments so that resources promised in the long-term would be invested in tackling the causes rather than the symptoms of poverty today. The IFF would leverage in additional money from the international capital markets by issuing bonds. The IFF, funded by donor countries, would be responsible for repaying bondholders.

51 HC Deb 12 July 2004 c1133

52 *Provisional UK oda/GNI ratio 2004*, DFID Statistical Release, 24 March 2005

53 at http://www.oecd.org/dataoecd/50/16/5037775.htm

Development Association (IDA - the part of the World Bank Group that provides interest-free loans and grants to the poorest developing countries) and United Nations agencies. In 2004/05, expenditure through these organisations each represented 4% of total GPEX.

Clause 3 would require the overall value of multilateral assistance to be published for the latest five calendar years. It would also require a breakdown of multilateral assistance by country. UK multilateral assistance is not always allocated to particular projects or countries. Therefore, these figures would have to be based on the organisation's overall expenditure by country. This is also the case for figures on multilateral assistance to low-income countries required by clause 3(3)(b).

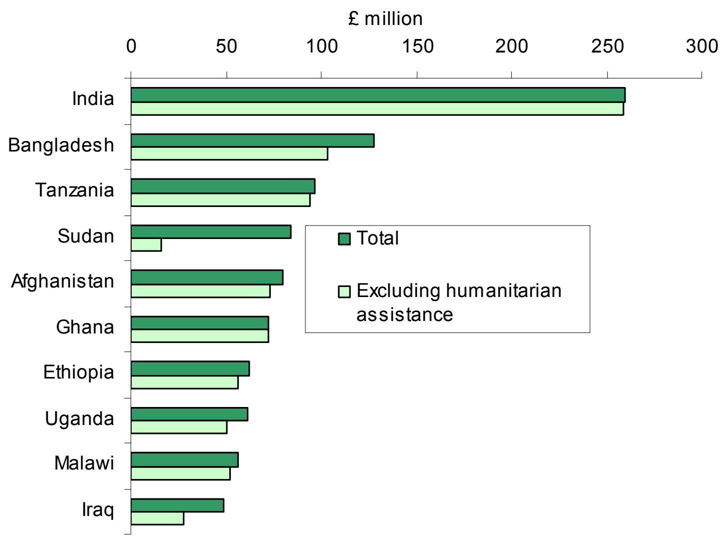
2. Expenditure by country

Clause 3(2) would require publication of figures showing the amount of aid provided to each country over the latest five years. This is already published for bilateral assistance.[54] The Bill would again require a breakdown of multilateral assistance as well. This is not currently published by DFID, although the OECD does include imputed figures in its database.

a. Top 10 countries

Clause 7 would require an assessment of the effectiveness of bilateral assistance in the ten countries receiving the most such assistance. Information on the top recipients of DFID and UK bilateral aid are already published in tables 7 to 10 of *SID*. The top ten recipients of DFID bilateral assistance in 2004/05 are shown in Chart 2.

Chart 2: DFID Bilateral Assistance: 2004/05: Top 10 countries



54 *Statistics on International Development: 2000/01-2004/05,* DFID, October 2005, Tables 12.1-12.4

Of these countries, neither Iraq nor Sudan is in the top ten once humanitarian assistance is excluded. Similar figures are published for calendar years showing bilateral ODA.

b. Low income countries

Clause 3(3) sets out that information should be published on the proportion of bilateral and multilateral international development assistance that is provided to low-income countries for the current and four previous years.

DFID currently follows the World Bank classification of low-income countries as those with a GNI per capita of less than $825. On 2004 figures, there are 59 countries classed as low-income. It is a target within DFID's Public Service Agreement to increase the proportion of bilateral assistance going to low-income countries to 90%.

Table 14 of *Statistics on International Development* already contains information on DFID's country-specific aid by income group. In 2000/01, 75% of aid went to low-income countries. This had increased to 84% by 2004/05. DFID's 2005 *Autumn Performance Report* states that it is on course to reach 90% in 2005/06.

Clause 3(3) also requires that the proportion of multilateral assistance that goes to low-income countries is published in the Report. However, as mentioned above, UK support to multilateral organisations is not always allocated to particular projects, so monitoring of multilateral organisations' expenditure is likely to be on the organisations' total expenditure. DFID does publish figures showing, for the latest available year, a breakdown of expenditure by income group for all DAC donors and many multilateral donors.[55] Comparisons between organisations are not necessarily fair as they will have different missions but, for example, 89% of International Development Association spending is in low-income countries, compared with 83% for the UN Development Programme and 70% for the Office of the UN High Commissioner for Refugees.

It is already a PSA target to increase the proportion of EC ODA that goes to low income countries. The latest figures put this at 55% in 2004, a fall of one percentage point from the previous year but four percentage points up on 2002. The PSA target is for this to reach 70% by 2008.[56]

3. Expenditure by function

Clause 4 would also require information on expenditure on social services to be included. This is one of the indicators under MDG 8.

The UK report on the MDGs comments:[57]

> The UK Government aims to work closely with partner governments in developing countries to align development assistance with PRSs or other national plans. Just

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[55] *Statistics on International Development: 2000/01-2004/05,* DFID, October 2005, Table 15

[56] *2005 Autumn Performance Report*, DFID, December 2005, Cm 6706, p14

[57] *The UK's Contribution to Achieving the Millennium Development Goals*, HM Government, January 2005, p41

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

DFID mark their bilateral projects with 'input sector codes' that can identify the sector of expenditure. The broad sectors are: economic, education, health, governance, social, humanitarian assistance, rural livelihoods and environment. Within each of these is a range of more detailed codes. In 2004/05, 28% of expenditure that could be identified was for economic development. Together, education, health and social expenditure accounted for 37% of the total.[58] Another system, the Policy Information Marker System, allows projects to be allocated to policy areas to show how DFID is targeting resources towards each of the MDGs.[59]

4. Debt relief

Clauses 3(1)(e) and 3(1)(f) would require figures on debt relief to be published. These are currently available in tables 23 and 24 of *SID* for the latest three years. Table 2 shows this expenditure in total and as a proportion of GPEX. The majority of the expenditure is relief on debt owed to the Export Credit Guarantees Department.

The figures in Table 2 do not yet take account the recent Multilateral Debt Relief Initiative agreed at the G8 summit in July 2005, or the UK's separate multilateral initiative which will cover poor countries not eligible under the HIPC initiative.

Debt relief makes up a significant proportion of ODA for some donors. In the UK, in 2004/05, debt relief accounted for around 7% of total GPEX. On OECD figures for 2004, the UK figure of 6.6% of ODA as debt relief was below the DAC average of 8.9%, and well below France (25.0%) and Japan (27.1%).

58 This figure is on a different basis to the 29.9% given in the UK report on the MDGs
59 *op. cit.*, p90

Appendix 1 - Bibliography

UK Government Publications

- *Statistics on International Development: 2000/01-2004/05,* DFID, October 2005 – An annual DFID publication that gives details on expenditure broken down by country or organisation, type of assistance and purpose. [http://www.dfid.gov.uk/pubs/files/sid2005/]

- *DFID Departmental Annual Report* – this gives details of expenditure within DFID's programmes, including outturn figures for previous years and future plans. It also includes details of performance against the Department's Public Service Agreement (PSA) targets, some of which are the same as information required by the Bill, and details of policies. [http://www.dfid.gov.uk/pubs/files/departmental-report/default.asp]

- *2005 Autumn Performance Report*, DFID, December 2005, Cm 6706 – this also covers PSA performance. [http://www.dfid.gov.uk/pubs/files/autumnperfreport05.pdf]

- *The UK's Contribution to Achieving the Millennium Development Goals*, HM Government, January 2005 – this report was published in 2005 as part of the European Union's review of the Millennium Declaration in 2005. There has been no commitment to publish it annually. [http://www.dfid.gov.uk/pubs/files/uk-cont-mdg-report.pdf, also http://www.dfid.gov.uk/mdg/default.asp]

- *A stronger global economy: the UK and the IMF: 2004-05*, HM Treasury, July 2005 – The latest annual report on dealings with International Monetary Fund (IMF). [http://www.hm-treasury.gov.uk/media/2E7/5C/UKandtheIMFreport2004-05_200705.pdf]

- *Partnerships for poverty reduction: rethinking conditionality: A UK Policy Paper*, DFID/HM Treasury/FCO, March 2005 [http://www.dfid.gov.uk/pubs/files/conditionality.pdf]

Progress towards the MDGs

- *Millennium Development Goals Report 2005*, United Nations, June 2005 [http://unstats.un.org/unsd/mi/pdf/MDG%20Book.pdf]

- *Human Development Report 2005,* United Nations Development Programme, September 2005 (and earlier editions) [http://hdr.undp.org/reports/global/2005/]

- World Development Indicators 2005, World Bank, 2005 [http://devdata.worldbank.org/wdi2005/index2.htm]

- *World Economic and Social Survey*, United Nations, Department of Economic and Social Affairs, 2005 [http://www.un.org/esa/policy/wess/]

- *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals*, UN Millennium Project, 2005 [http://www.unmillenniumproject.org/reports/]

Appendix 2 – Abbreviations and glossary

a. List of Abbreviations

DAC	–	Development Assistance Committee (of the OECD)
DFID	–	Department for International Development
EU	–	European Union
GNI/GNP	–	Gross National Income/Gross National Product (see glossary)
HIPC	–	Heavily Indebted Poor Country
ECGD	–	Export Credit Guarantees Department
GPEX	–	Gross Public Expenditure on Development (see part III.A)
IDA	–	International Development Association (part of the World Bank Group)
IFF	–	International Finance Facility
IFIs	–	International Financial Institutions (IMF and World Bank)
IMF	–	International Monetary Fund
LLDCs	–	Landlocked Developing Countries
LDC	–	Least Developed Country
MDG	–	Millennium Development Goal
MDRI	–	Multilateral Debt Relief Initiative
NGO	–	Non-governmental organisation
OA	–	Official Aid (see part III.A)
ODA	–	Official Development Assistance (see part III.A)
OECD	–	Organisation for Economic Co-operation and Development
PIMS	–	Policy Information Marker System
PSA	–	Public Service Agreement
SIDS	–	Small Island Developing States
UN	–	United Nations
WTO	–	World Trade Organisation

b. Glossary of terms

Some terms used in the Bill will be defined by regulations. This glossary gives existing definitions for these terms and others used in the paper.

Bilateral assistance – aid provided on a country to country basis or though a multilateral agency for work in a particular country or region where DFID controls the use and destination of funds (e.g humanitarian assistance).

Gross National Income – previously known as Gross National Product, Gross National Income comprises the total value of goods and services produced within a country (i.e. its Gross Domestic Product), together with its income received from other countries (notably interest and dividends), less similar payments made to other countries. Where GNP was used in the original text of pledges, this has been retained in the paper.

Heavily-Indebted Poor Countries (HIPC) – Countries which have unsustainable debts (a debt to export ratio of 150% or debt to revenue ratio of 250%) and which are only eligible for the highly concessional assistance from the International Development Association. There are currently 38 HIPC countries that could be eligible for relief through the HIPC Initiative on debt relief once certain performance criteria have been met.

International development assistance – assistance given to countries outside the United Kingdom for furthering sustainable development or improving the welfare of the population. Except in the case of British Overseas Territories, the Secretary of State must be satisfied that the provision of assistance is likely to contribute to a reduction in poverty.

Low-income countries – countries with a GNI per capita of less than $825 (on 2004 figures). The list is maintained by the World Bank.

Low-income group – The group of low-income countries.

Least Developed Countries (LDCs) – three criteria are used for the identification of LDCs – low-income, human resource weakness and economic vulnerability. The list of countries is maintained by the Economic and Social Council of the United Nations. More details are available at: http://www.un.org/special-rep/ohrlls/ldc/default.htm

Millennium Development Goals (MDGs) – a set of goals which aim to implement the pledges of the Millennium Declaration (see section II.A)

Multilateral assistance – aid provided through a multilateral organisation where DFID does not control the use and destination of funds

Public Service Agreement (PSA) – DFID's PSA set out the department's aim, objectives and key outcome-based targets. It forms an integral part of the spending plans set out in Spending Reviews.

Official Development Assistance (ODA) – An internationally comparable measure of aid expenditure (see section III.A)

Small Island Developing Countries – the term Small Island Developing States is generally used by the UN. These are small island and low-lying coastal countries that share similar sustainable development challenges. There is no set definition. (see section II.B.1.d)

Social services – defined in indicator 34 under MDG 8 as basic education, primary health care, nutrition, safe water and sanitation

Sustainable development – In the Bill it has the definition as in section 1 of the *International Development Act 2002* which is "any development that is, in the opinion of the Secretary of State, prudent having regard to the likelihood of its generating lasting benefits for the population of the country or countries in relation to which it is provided". More generally, there are over 100 definitions of sustainability and sustainable development; one of the best known is the World Commission on Environment and Development's. This suggests that development is sustainable where it "meets the needs of the present without compromising the ability of future generations to meet their own needs."

Tied/Untied aid – aid is tied when it is dependent on the purchase of particular goods and services, usually from the donor country (see section II.B.2.b)