

The 2007 Comprehensive Spending Review (2007 CSR) will deliver an annual average growth rate of 11 per cent a year in real terms to the Department for International Development's (DFID) budget over the CSR07 period. DFID's total budget will rise from £5.4 billion to £7.9 billion a year by 2010-11. This increase in funding, together with value for money reforms generating net cash-releasing savings of £492 million per year by 2010-11, will enable:

- **total UK Official Development Assistance (ODA) to reach over £9.1 billion a year by 2010-11**, which is equal to 0.56 per cent of Gross National Income (GNI), in line with the European Union's (EU) collective commitment. This puts the UK on track to spend 0.7 per cent of GNI on ODA by 2013, two years ahead of the EU target;
- **DFID to more than double its bilateral and multilateral aid to Africa between 2004 and 2010 from £1.3 billion to at least £2.6 billion;**
- **long-term commitments to support the achievement of the Millennium Development Goals**, including in education (where DFID has committed to spend £8.5 billion by 2015); and health (where DFID has committed £1 billion between 2007 and 2015 to the Global Fund for AIDS, tuberculosis and malaria); and
- **DFID to increase its contributions to cross-government efforts to tackle global development challenges**, including providing, jointly with the Department for the Environment, Food and Rural Affairs, £800 million through the international element of the Environmental Transformation Fund, and contributing to the reformed conflict stabilisation and prevention arrangements.

Achievements so far **DIO.1** The Government is committed to reducing international poverty. Many developing countries have made substantial progress over the last ten years. The economies in 20 countries in Africa have grown at over 5 per cent a year for a decade. Since 1999, an additional 38 million African children have enrolled in primary school. Immunisation rates, access to protection and treatment against malaria, and the numbers of people receiving effective treatment for HIV/AIDS have all increased dramatically. The Government is at the forefront of global efforts to promote quicker progress towards the internationally agreed Millennium Development Goals (MDGs), and the UK has led the way in increasing both the volume and effectiveness of aid. DFID estimates that UK development assistance is helping to permanently reduce the number of people living in poverty by 3 million per year.

Responding to challenges ahead **DIO.2** However, having reached the midway point between the setting of the MDGs in 2000 and their delivery date of 2015, with one in six people still living in extreme poverty, an even more ambitious effort is required to meet the MDGs, as set out in the Prime Minister's Call to Action in July 2007. DFID will retain its focus on improving the effectiveness of bilateral and multilateral aid, using its influence to encourage contributions from other donors while working to reform the multilateral development system. To improve the conditions for sustainable poverty reduction in the poorest countries, DFID will work to facilitate economic growth, and strengthen its capacity beyond traditional aid programmes in areas such as managing climate change and promoting conflict prevention. **Delivery of these priorities will be driven by the Departmental Strategic Objectives to:**

- **promote good governance, economic growth, trade and access to basic services;**

- promote climate change mitigation and adaptation measures and ensure environmental sustainability;
- respond effectively to conflict and humanitarian crises and support peace in order to reduce poverty;
- develop a global partnership for development (beyond aid);
- make all bilateral and multilateral donors more effective;
- deliver high quality and effective bilateral development assistance; and
- improve the efficiency and effectiveness of the organisation.

DI0.3 Achievement of these objectives will help DFID lead delivery of the cross-government Public Service Agreement (PSA) to reduce poverty in poorer countries through quicker progress towards the Millennium Development Goals.

RESOURCES AND REFORM

UK aid budget **DI0.4** The 2007 CSR increases DFID's total budget from £5.4 million in 2007-08 to more than £7.9 billion a year by 2010-11, an average annual increase of 11 per cent in real terms over the CSR07 period. This builds on average annual real growth of 6.2, 8.1 and 9.2 per cent over the last three spending review periods.

Official development assistance **DI0.5** This strong growth in DFID's budget underpins the Government's focus on international development. UK Official Development Assistance (ODA) also includes support channelled through other departments, net investments by CDC Group and debt relief provided by the UK Government. **The 2007 CSR puts the UK on track to spend 0.56 per cent of Gross National Income (GNI) on ODA in 2010-11, above a straight line to 0.7 per cent – the UN's recommended level – in 2013,¹ two years ahead of the EU's target.**

Aid effectiveness **DI0.6** The UK has a development model that has been commended by aid practitioners and fellow donors,² and the recent DFID Capability Review³ identified areas for DFID to further improve the high quality of UK aid. Building on these recommendations, and in the context of the rising resources delivered by the 2007 CSR, DFID will continue to take steps to increase the effectiveness of bilateral and multilateral aid, in line with the commitments in the Paris Declaration on Aid Effectiveness. This will be supported by an ambitious value for money programme, which will generate annual net cash-releasing savings of £492 million per year by 2010-11.

DI0.7 At the core of DFID's value for money programme will be £414 million savings by 2010-11 realised by targeting resources where they deliver greatest benefit. Research has shown that the poverty reduction impact of aid on a particular country is significantly influenced by the amount of aid, the level of poverty, the country's population size, and the quality of policies. During the CSR07 period DFID will ensure that aid is increasingly focused on countries where it can have the greatest impact, so that more people are lifted out of poverty for every pound spent.

¹ 2013 refers to calendar year 2013, which is the basis on which ODA is accounted for by the Organisation for Economic Cooperation and Development's Development Assistance Committee.

² Organisation for Economic Cooperation and Development's Development Assistance Committee Peer Review (2006): *Review of the Development Cooperation Policies and Programmes of the United Kingdom*.

³ Available at www.civilservice.gov.uk.

MAXIMISING IMPACT ON DEVELOPMENT

- Targeted development assistance** **DIO.8** During the CSR07 period DFID will seek to maximise the impact of its bilateral aid, by enhanced targeting development assistance on those countries with the largest concentration of poor people, and on fragile states, especially those vulnerable to conflict. In particular, the Government will therefore **more than double spending to Africa through bilateral and multilateral channels between 2004 and 2010, from £1.3 billion to at least £2.6 billion.**
- Growth, governance and the MDGs** **DIO.9** DFID will use both bilateral and multilateral aid to support partner countries in increasing the trend rate of economic growth, for example by increasing aid for trade to £409 million a year by 2010-11; strengthen governance, including by supporting public financial management reform programmes in at least 24 countries; and delivering basic services. To provide predictable resources for achieving the MDGs, DFID will make long-term commitments to partner countries to support education, where DFID has committed to spend £8.5 billion over the period to 2015; health, where DFID has committed £1 billion between 2007 and 2015 to the Global Fund for AIDS, tuberculosis and malaria; and water and sanitation, where DFID has committed to more than doubling assistance in Africa from £95 million a year in 2007-08 to £200 million a year by 2010-11. The UK will continue to be a leader in seeking innovative financing mechanisms for development, building on its £1.4 billion commitment to the International Finance Facility for Immunisation, which will save 5 million children's lives by 2015.
- Contributions to multilateral organisations** **DIO.10** DFID attaches great importance to its role within the multilateral system, and this settlement provides DFID with the resources to increase substantially UK contributions to multilateral development organisations, including, at forthcoming replenishments, the International Development Association (IDA) and the African Development Bank (AfDB). The UK will use its resources and influence to encourage contributions from others, increasing overall aid flows, and to secure an intensified poverty focus for multilateral aid, so that resources delivered through these channels are increasingly effective. It is expected that, as a result, the proportion of the UK's multilateral aid flowing to the poorest countries, and in particular to Africa, will increase. Working with international partners, the UK will also seek to reform the multilateral development system, so that it minimises duplication and transaction costs, reflects the interests of developing countries and allows them to lead their own development, and holds donor and recipient countries to account for their commitments. As a signal of this intention, in September 2007 the Prime Minister launched the International Health Partnership through which the UK will work with partners to coordinate aid for health.
- Sustainable economic growth** **DIO.11** The lesson from the last 50 years is that inclusive economic growth is the most powerful way of lifting people out of poverty and equipping developing countries to sustain themselves in the future. DFID will continue to support developing countries to create the conditions for economic growth, for example through improved governance, increased participation in world trade and better access to financial services. DFID will increase its finance for investment in infrastructure, through the AfDB, IDA and bilateral programmes.
- Research and innovation** **DIO.12** The 2007 CSR provides DFID with the resources to double its research budget between 2005-06 and 2010, to over £200 million per year, strengthening the UK's leadership in this field. The Government believes that new technologies and knowledge have the power to increase significantly the impact of international efforts to tackle poverty. These additional resources will help the UK establish a strong evidence-base to maximise the effectiveness of development policies, particularly in the priority areas of sustainable agriculture, life-threatening diseases, good governance and climate change technology. Alongside this, the UK will continue to support innovative financing mechanisms such as the Advanced Market

Commitment which strengthen the incentives for the development of technologies to save lives in developing countries.

Environmental Transformation Fund **DI0.13** The 2007 CSR finances a new Environmental Transformation Fund (worth over £1.1 billion in total), with an international element which provides £800 million to advance poverty reduction through environmental protection. The international element of this fund, managed and funded jointly by DFID and Defra, will support adaptation to climate change, provide access to clean energy and help tackle unsustainable deforestation.

Debt relief **DI0.14** The UK will continue to be a leader on debt relief, which provides long-term, predictable resources for countries to spend on poverty reduction. The 2007 CSR identifies the resources for the UK's contribution to anticipated debt relief between 2008 and 2011. Through the Heavily Indebted Poor Countries (HIPC) initiative and Multilateral Debt Relief Initiative, the debt burden of the world's poorest countries is being reduced over time by some US\$100 billion. Estimates suggest that debt relief is having an immediate effect on progress towards the MDGs with, on average, 65 per cent of the resources freed up by HIPC debt relief spent on health and education. In Tanzania, for example, savings from debt relief of over \$6.5 billion have helped to increase the number of children in primary schools by over 50 per cent, build almost 2,500 new primary schools, and recruit 28,000 extra teachers, while Uganda has been able to remove user fees for healthcare thanks to debt relief of nearly \$5.4 billion since 2000.

Table CI6: International Development baseline and additions

	£ million			
	Baseline	Additions		
	2007-08	2008-09	2009-10	2010-11
Resource DEL	4,662	259	840	1,724
of which near-cash	4,594	238	813	1,694
of which administration	168	-4	-8	-12
Capital DEL	716	175	650	840
Total DEL¹	5,354	436	1,489	2,563

¹ Includes the Conflict Prevention Pool and DFID's share of the international element of the Environmental Transformation Fund.

² Full resource budgeting basis, net of depreciation.

Table DI7: Official Development Assistance

	£ million			
	Estimate	Projections		
	2007-08	2008-09	2009-10	2010-11
Total UK Official Development Assistance (ODA)	5,291	6,392	7,477	9,140
ODA as a proportion of Gross National Income (per cent)	0.37	0.43	0.48	0.56

¹ ODA projections are underpinned by the increases in DFID's aid budget and include ODA spending by other government departments, CDC net investments, and debt relief provided by the UK Government. The Government is committed to reaching ODA of 0.7 per cent of GNI in 2013 and will keep the delivery of DFID's aid budget and non-DFID ODA under review.