DFID Department for International Development

HM TREASURY

From commitment to action: acting now to improve living standards, health and education for all

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SUMMARY: THE POSITION NOW AND OUR PLAN OF ACTION

1. In September 2000, the world community adopted the Millennium Declaration and committed itself to the Millennium Development Goals (MDGs). If we are to achieve the MDGs by 2015, we must accelerate progress dramatically in the coming decade.

2. This year the European Union (EU) and G8 have committed to greatly increase their support to the MDGs, particularly in Africa. Agreements reached in the EU, and by other major donors at Gleneagles, will increase annual official development assistance (ODA) by $50 billion by 2010. Half of this extra money will go to Africa, thus doubling aid flows to the continent where help is most needed. The G8 has committed to write off immediately the debts of 18 of the world's poorest countries, 14 of them in Africa. This is worth $40 billion now, rising to as much as $55 billion over 40 years as more countries qualify.

3. We believe that by 2015 all children should have access to quality primary education and should receive basic health care. These services should be free in countries that choose to make them free. The international community has also committed to making substantial progress towards universal access to HIV/AIDS treatments by 2010, and to give more support to implementing the G8 water plan agreed at Evian. Economic growth in poor countries and making sure that all citizens benefit from growth is key to making these human development gains fiscally sustainable. This in turn requires effective infrastructure and a better investment climate.

4. Within developing countries, the political commitment to accelerating progress is shared at the highest levels. However, to achieve results, developing countries will have to make their national plans and policies more ambitious. Major investments will be required across the board to deliver improvements in health, education and growth. Higher spending on salaries and other recurrent costs will be necessary, as will implementation of complex policy and institutional reforms to improve governance and public service performance.

5. None of these changes will take place unless developing countries are convinced that donor commitments will be realised and sustained over the long term. Many countries have already prepared ambitious plans but those plans are not fully funded. The credibility of donors' commitments is being put to the test – we need to ensure we deliver. This paper focuses on what we as donors need to do now to enable developing countries to make more ambitious plans, based on their own needs and priorities, to reach the MDGs. The case for more aid has been accepted. What matters now is to save lives, protect people's health, get more children into school and teach them well, and eliminate poverty.

Plan of action

(1) Publish our commitments of aid by type and country over the next three years and provide long-term indications of funding. Although we cannot budget more than a few years ahead, we can give clear long-term indications of the funding we will give countries between now and 2010, based on our stated plans and timetables to reach the UN target of giving aid equivalent to 0.7% of GDP. The Development Assistance Committee (DAC) should address this task when it meets in September. Financing plans should be agreed in time for the Senior Level Meeting of the DAC in December 2005. These plans must reflect country-level needs and include under-aided fragile states.

(2) Fill financing gaps in existing poverty reduction strategies and sector plans, and finance more ambitious future strategies and plans.

The increased aid must be delivered flexibly so it can contribute to priorities determined at the country level and build effective health and education systems over the longer term. Where countries choose to promote universal access to health and education by removing fees and charges, we should provide finance to support this. We must also provide more effective support to build state capacity to deliver improved services.

Education

Total aid for education may need to rise by $15 billion per year by 2010. At least $10 billion may be needed to help all children to access a good-quality primary education. These extra funds include the cost of supporting the elimination of school fees that are a barrier to education and providing targeted financial support to increase demand for education, particularly for girls. We must ensure an extra $3 billion is available by 2006-7 to fund the plans of the 60 countries identified by the Education for All Fast-Track Initiative (FTI) as ready to scale up their primary education provision through realistic and practical plans.

This extra funding for education could deliver real improvements in outcomes, including

- an additional 200 million children in primary schools, including at least 110 million girls;
- moves to eliminate the gender gap in primary enrolments in 50 countries;
- expanded and better quality secondary and higher education in 30 countries, most of them in Africa; and
- improved literacy skills for 550 million adults.

Health

An additional $20-25 billion per year of investment in health in low-income countries would permit a massive expansion in the access to, quality of and responsiveness of services. The extra funds would allow countries to eliminate fees, where they act as a barrier to access.

Improved outcomes could include:

- antenatal care for more than 14 million more women;
- 33 million more births attended by skilled health-care providers;
- 130 million more children treated for acute respiratory infections;
- a million more cases of tuberculosis diagnosed and treated; and
- coverage rates for immunisation against measles and other childhood diseases reaching 73% and 81% respectively.

Infrastructure and economic growth

The World Bank's Africa Action Plan says a further $6-9 billion per year invested in infrastructure would assist in promoting higher levels of economic growth and build capacity to trade effectively. This was also highlighted by the Commission for Africa. We should ensure the Investment Climate Facility and Infrastructure Consortium for Africa are operational by the end of this year. There is a positive relationship between economic growth and increased support for health and education . Economic growth is needed in all low-income countries to sustain expanded services and to reduce poverty. Higher spending on health and education in turn contributes to economic growth and development.

(3) Deliver long-term predictable aid in support of country-led plans. Finance Ministers in developing countries will not be prepared to increase spending on the basis of short-term or unpredictable donor commitments. Specific actions are required.

- **Increase frontloading of assistance through the International Finance Facility** or similar innovative financing mechanisms. We should ensure additional finance is allocated to countries where needs are greatest. Delivery of this aid must support plans and priorities identified at the country level.
- **Secure agreement on 100% multilateral debt relief** which will release long-term, predictable funding which developing countries can invest in poverty-focused measures.
- **Increase the proportion of aid provided in the form of cash financing** so countries can increase spending in key areas with a high poverty impact. Large increases in financing are required to hire an additional 1 million health workers and 4 million teachers in Africa alone. Yet, less than half of development assistance in these sectors is typically spent on strengthening human resources.

- **Improve predictability of aid through long-term financing instruments**. We should build on work being done by the European Commission (EC) and the World Bank on instruments to support long-term financing of core recurrent expenditures. Concrete proposals should be discussed and agreed at the High Level Forum on Health in Paris and the Senior Level Meeting of the DAC in December 2005.

(4) Ensure the international system works effectively to support scaling up.

Specific actions are required.

- Discuss how different agencies (such as the UN, international financial institutions and bilaterals) will support a country-led approach to scaling up and improve overall aid allocation.
- Take action to ensure global funds and partnerships are more closely aligned with country-led processes.
- Implement the commitments on aid effectiveness made in Paris in March 2005.
- Agree a system by December 2005 for monitoring implementation of the Paris Declaration on Aid Effectiveness This monitoring must cover levels of aid as well as indicators of aid effectiveness. Regional and country-level approaches to monitoring donor performance should be strengthened. Independent and country-led reviews of donor performance should be instigated, building on existing best practice (such as that used in Vietnam, Tanzania, and Mozambique).
- Strengthen donor accountability for results and delivery of more and better aid, as proposed by the Development Committee paper on Aid Financing and Aid Effectiveness**.**
- Agree ways to strengthen the Africa Partnership Forum in October to drive forward delivery of commitments on Africa. Ministers should make this meeting a top priority and should ensure the Joint Africa Action Plan is agreed and progress monitored regularly.

INTRODUCTION

6. In September 2000, the world community adopted the Millennium Declaration. Today, we have just ten years in which to take the actions needed for all developing countries to meet the goals agreed at the Millennium Summit. We have already missed one goal – equal access to education for boys and girls by 2005 – but important progress has been made in health, education, and poverty reduction. If we are to achieve our shared goals by 2015, we must scale up results dramatically in the coming decade.

7. Fortunately, the political commitment to achieving these goals, through a closer partnership between developing and richer countries, has never been stronger. The agreements reached in the EU, and by other major donors in the run-up to Gleneagles, will lead to annual official development assistance (ODA) increasing by about $50 billion by 2010 compared with 2004. Half of this increase is to be allocated to Africa, thus doubling aid flows to the continent where help is most needed to accelerate progress towards the MDGs.

8. Discussions also continue on innovative financing mechanisms which could generate further increases in the volume of development financing and accelerate the impact of the commitments we have already made. The International Finance Facility for Immunisation will raise money on the financial markets on the strength of donor pledges. The G8 has agreed to set up a working group to consider implementation of a wider International Finance Facility and a solidarity contribution on plane tickets. The G8 has committed to ambitious goals in the areas of health, education, and infrastructure, and help for developing countries to adapt to climate change and improve the sustainability of investments in development. And for the first time, the G8 has spelled out actions in HIV prevention, treatment and care, with the aim of an AIDS-free generation across the world.

9. The political commitment to do better is shared at the highest levels in the developing world. Leaders of the developing world clearly recognise that they are responsible, first and foremost, for putting in place long-term strategies to deliver accelerated economic growth and real improvements in poverty outcomes, including in health and education. They are committed to address problems of governance and to strengthen the accountability of development programmes to their citizens, including poor people.

10. With the political commitments made, this paper focuses on the action needed to translate these commitments into results on the ground. The focus is on action because we now have, together with the commitment to extra resources, a large and strong body of analysis and evidence showing that faster progress can be made, and what needs to be done to achieve it. The Millennium Project of the UN, reports from the New Partnership for Africa's Development (NEPAD), the report of the Commission for Africa, the World Bank's Africa Action Plan, and many other documents produced over the past year provide practical and coherent recommendations on how countries and donors can accelerate economic growth and improve human development in

our shared pursuit of the MDGs. The reports emphasise the role of economic growth in generating and sustaining human development and poverty reduction, and the contributions of human development to economic growth. They also highlight the fact that investing in water supply and sanitation and environmental sustainability can accelerate progress towards the MDGs.

11. While keeping the focus on the need to rapidly scale up results in health and education, this paper recognises the cross-sectoral nature of poverty reduction. It emphasises the connections between economic growth and human development, and the importance of aid effectiveness. Much has been learned about the importance of policy, governance and institutions, aid allocation and aid quality, and we should use this knowledge to make progress towards the MDGs.

MAKING AID MORE EFFECTIVE

We have a good idea of the resources needed

12. The World Bank, in its Africa Action Plan, has estimated the projected demand for financing, constrained by estimates of the ability of African countries to absorb additional resources. Actual needs will depend on countries' own national strategies and priorities. However, the Africa Action Plan suggests that education sectors can absorb an additional $3-5 billion annually, health sectors can absorb $7-9 billion annually, and infrastructure $6-9 billion. We suspect these figures may turn out to be on the low side, especially for education. Agriculture, environmental sustainability, social protection and other investments can also make effective use of substantial aid increases.

13. The Commission on Macroeconomics and Health estimated the cost of expanding a 'package' of health services at $35 per head in 2001. Recent UNAIDS estimates are that achieving universal coverage of AIDS services alone by 2010 would cost in the region of $10 billion. In the poorest countries, health spending currently averages $8-10 per head each year. The financing gap is significant, but an additional $25 billion invested in health in low-income countries would significantly expand access to health services.

14. Most recent assessments on education suggest that additional annual external funding required to reach universal primary education (UPE) would amount to $10 billion (in 2005 prices). The FTI has estimated that over the next two to three years up to 60 countries – in which 65% of the world's out-of-school children live – will be ready with scaled-up education plans. An estimated minimum of $3-4 billion will be needed from 2006-7 to support these plans. Demand for investment in post-primary, higher education and adult skills programmes will bring the annual additional external financing requirement to approximately $15-16 billion by 2010 (of which half will go to Africa). (Further details on the financing calculations can be found in the background paper on education.)

15. There is increasing evidence that infrastructure investments are critical, both for accelerating economic growth and for meeting the MDGs. For example, better feeder-road links can reduce income poverty (MDG 1) and improve access to schooling (MDG 2), a dependable and good-quality water source reduces under-five mortality (MDG 4), and better sanitation improves girls' participation in schools (MDG 3). Despite these evident benefits, the share of resources allocated to infrastructure fell in many poor countries during the 1990s. In Africa, infrastructure spending fell from more than 4% of GDP around 1980 to less than 2% around 2000. This has led the World Bank to estimate that additional infrastructure investment of $20 billion per year to 2015 is required to support an economic growth rate of 7%.

16. Action is required to ensure that the chronically poor in all poor countries benefit from progress. Hunger and malnutrition persist in all countries and contribute directly to poor health and education outcomes and

lower worker productivity. Agriculture is recognised as improving poor people's nutrition and incomes as well as economic growth. Land rights, irrigation and micro-credit are all effective interventions, and have added value in the context of the extraordinary pace of urbanisation in Africa and Asia, where slums are growing fast.

17. The scaling up of aid provides an opportunity to find fiscal mechanisms that will also have an impact on this hard-to-reach group, including the use of social cash transfers directly delivered to poor households. Social transfers can help poor people with the cost of transport to clinics or paying for medicines after a consultation. They also contribute to nutrition and education outcomes. Many countries use conditional cash transfers to encourage the poorest children to go to school, or remove gender imbalances in school enrolment. There are indications that injections of cash into communities through social transfers stimulate local markets and economic activity.

18. The economic benefits of investing in environmental sustainability (MDG 7) are also significant. For example, estimates by WHO of the rate of return to investments in water and sanitation suggest a benefit-to-cost ratio of 7.5:1, with substantial regional variation about this average (Africa 11:1, America (Central and Latin) 10:1, Eastern Mediterranean 35:1, and South East Asia 3:1). Estimates of the rate of return for comprehensive coverage, inclusive of water treatment and storage, are as high as 14:1. Similarly, measures to control air pollution, manage forests and fisheries, wildlife, wetlands and mangroves can all show high returns on investments. The economic costs of not investing in MDG 7 are also high. For example, the cholera outbreak in Peru in 1991 (caused by poor water and sanitation) cost the economy an estimated $1 billion in lost tourism and agricultural exports in three months.

19. We know that the long-term fiscal sustainability of these plans depends on economic growth. While higher aid flows allow low-income countries to increase expenditure quickly, in the long term such costs will need to be funded from domestic revenues. Economic growth expands a country’s tax base and provides governments with the necessary additional resources to finance health, education and infrastructure investments. Economic growth also raises the incomes of poor people and improves their ability to pay for activities and goods that improve their health and education. This growth will be driven by the private sector, with the family farm the most important of the private-sector firms. Governments must be supported to create the governance and infrastructure and investment climate that will allow rural enterprise to flourish.

Much work has been done to assess the absorptive capacity in developing countries, which depends on policies, institutions and governance, and the quality of aid.

20. **Financing gaps in existing expenditure plans** (such as poverty reduction strategies (PRSs) and sector plans) provides the most obvious opportunity for scaling up support and achieving results.

21. **High-performing, relatively under-aided countries** (such as Vietnam, Tanzania and Ghana) can absorb significant extra aid. There are also opportunities for significant increases in support to countries – such as Nigeria and Ethiopia – that make a big difference to achieving the MDGs globally, and where selected investments can be scaled up. Around 40% of the world's poor people are in South Asia and there are major opportunities in this region to support strong progress towards the MDGs.

22. Although ambitions for scaling up aid flows will be more modest in **fragile states** (such as the Democratic Republic of Congo, Chad and Cambodia), targeted programmes in, for example, education, HIV, security sector reform and infrastructure can offer scope for effective scaling up. Many fragile states and countries emerging from conflict are relatively under-aided – the DAC Watch List on aid flows to fragile states is monitoring this. Fragile states are the countries least likely to achieve the MDGs. People in these countries are less likely to go to school or to receive essential health care. DFID research shows that nearly half of the children who die before the age of five are born in fragile states. Action is needed to make sure that these countries and the poor people in them are not left behind.

23. **Overcoming constrained absorptive capacity.** Most countries will need to overcome some constraints in scaling up aid. In some cases, they may need to manage the potential negative macroeconomic impacts of higher aid flows on the private sector (the so-called 'Dutch disease' effect). A combination of trade and productivity policies can be effective in doing this. At the sector and administrative level, lack of trained health and education workers and weak government systems may constrain the pace of change. National development strategies should identify and address these constraints, and sequence reforms appropriately. Donors can help by providing long-term support to build state capacity, and overcome key constraints on economic growth and public service effectiveness.

How we deliver additional aid will determine whether the MDGs are achieved or not

24. **Real cash for extra national spending.** Scaled-up results in health and education require increased spending on salaries and recurrent costs. Recent World Bank papers on aid financing and aid effectiveness suggest that disbursements of ODA have not translated into significant increases in cash financing for the poorest countries. Much of the increase in ODA has been for special-purpose grants, emergency relief, technical cooperation and administration. This does not provide an effective financing base for scaling up public expenditure or results.

25. **Predictable and longer-term commitments.** Once developing countries have increased spending on recurrent costs, it is extremely difficult and inefficient to 'scale down' expenditure if aid doesn't materialise. This would involve reducing the salaries of civil servants and laying off teachers and health workers. Therefore, for aid to be more effective it must be more predictable, and commitments must be made for the longer term. It does not make sense to ask developing country Finance Ministers to take on long-term spending commitments based on short-term aid flows. These are decisions that governments cannot take lightly. OECD Finance Ministers and donors must find ways to support long-term planning and to deliver long-term finance.

26. **Backing country priorities and systems.** The World Bank's Africa Action Plan flags the importance of keeping countries at the centre of additional resource delivery. Vertical funding mechanisms and parallel donor projects can distort national planning processes and often undermine scarce capacity of governments. Donors must scale up aid in ways that put developing countries in charge of their own futures. Experience shows that this increases aid effectiveness. It is also essential for addressing the cross-sectoral challenges of reaching the MDGs.

27. **Delivering better aid**. Donors must implement the commitments we made in the Paris Declaration on Aid Effectiveness in March 2005, including on providing more predictable, multi-year, untied, harmonised, aligned, and programmatic aid through developing countries' own systems and in support of the priorities they have set out. We should monitor progress against the Paris targets jointly with developing countries to strengthen mutual accountability especially at country level. We should also continue to work in the DAC and the multilateral agencies towards a more balanced result on aid allocations.

Box 1 – Policies and choices to scale up health outcomes

(i) **Taking a multisectoral approach to improving health outcomes.** Results depend on making progress in many areas including economic growth, education, water, social protection, social exclusion and gender equality – any sector strategy must assess these linkages and health must be mainstreamed in country-led plans

(ii) **Real progress depends on strengthening systems to deliver universal access to basic health systems**. In many developing countries diseases can be prevented using known and affordable technologies. A major challenge is to increase access to these services through provision of basic preventive health services in remote areas. In many countries a binding constraint is **shortages of trained health workers**. For sub-Saharan Africa to rise from its current ratio of 1 health worker per 1000 people to a minimum required target of 2.5 the region will need to add the equivalent of 1 million health workers between now and 2015. Investing in human resources for health is a high priority – this requires a comprehensive approach to improving pay, incentives and working conditions as well as a long-term investment in post-primary education and specialised training.

(iii) **Policies should consider options for improving access and equity in health care systems**. No-one should be denied access to essential health services because they are unable to pay for them. Policies should consider how to remove barriers to people accessing services, including financial barriers.

(iv) **Closing the financing gap.** Financing of more ambitious policies should consider the role of increasing domestic financing and the scope for efficiency savings as well as reliance on external donor support. Different financing modalities can potentially be used to increasing financing for health. A number of global funds and programmes exist that are focused on major diseases (such as the Global Fund to Fight AIDS, Tuberculosis and Malaria). These have had major achievements (such as raising awareness and stimulating development of new diagnostics) but have the potential to distort priorities and undermine the capacity of ministries of health for planning and financing. A key challenge is to overcome the volatility and unpredictability of aid for the health sector. Only when donor finance can be used to scale up recurrent expenditure, particularly on personnel, and to provide financing for long-term treatment such as AIDS treatment, will more aid really begin to deliver results.

Box 2 – Policies and choices to scale up education provision

(i) A **multisectoral approach** to achieving education goals is necessary. Education outcomes are not achieved by investment in the education sector alone. Improvements in rural roads, better access to water and sanitation and child health programmes (including AIDS programmes) all have a positive impact on education achievements.

(ii) The priority for policies should continue to be to provide a quality **primary education** for all children – but sustainable expansion and long-term social and economic benefits will be achieved only by taking a **sector-wide approach** to support for education. Increasing investment in secondary, higher and adult education (including literacy programmes) is a growing imperative for many low-income countries.

(iii) Extra effort will be needed to reduce the **disparity between the numbers of girls and boys** at primary and secondary levels – and their achievements. Successful policy measures have included setting specific targets to reduce gender gaps; review of curricula and assessment systems to reduce gender bias; and support for 'girl-friendly' school programmes, including the provision of separate sanitation facilities.

(iv) The introduction of **free primary education** and targeted schemes to reduce the **indirect costs** of education have a significant impact on increasing the demand for education, as do social transfers. Removal of user fees is best done in a rapid but planned approach including measures to compensate schools for lost income.

(v) **Closing the financing gap.** Detailed country-level analysis has been completed of the additional financing required to enable the least-developed countries to achieve the education goals. Many countries have good plans that are ready to be put into action as soon as the finance is available. It is important for donors to respond quickly to the demand, and not to create disillusion and chaos in partner countries. To avoid this, the extra funding should be provided in the form of long-term, predictable financing (including for recurrent costs), channelled through government systems wherever possible and deployed in support of country-led education-sector development plans. The **Education for All Fast-Track Initiative** has demonstrated that it is possible to deliver finance quickly and effectively to support scaled-up country-led plans.

Box 3 – Policies and choices to accelerate progress on economic growth and infrastructure development

(i) Economic growth and poverty reduction are linked. Higher rates of economic growth will improve **health and education outcomes** and vice versa. We must support action to foster **economic growth** in individual countries. We also need action to support the **participation of poor people** in economic growth.

(ii) Sustainable economic growth depends on a dynamic private sector, stronger infrastructure, finance and security, and a **good investment climate**, which avoids onerous and unnecessary bureaucracy. According to the World Bank, 73% of investment is domestic, producing local returns. The World Bank's Africa Action Plan also proposes creating an export push, to support regional integration and to build the skills necessary for economic growth, particularly through expanding post-primary education.

(iii) Countries differ greatly in the extent to which economic growth reduces poverty. This points to the need for policies that facilitate the participation of poor people in economic growth. The Africa Action Plan highlights the importance of better human development outcomes in this context. It also stresses the need for poor people to enjoy **better connections to markets**. In particular, this calls for greater investment in rural roads. Tackling social exclusion and providing better **social protection** will also be important, along with stronger property rights for poor people and access to micro-credit.

(iv) To achieve the 7% economic growth rates needed to halve income poverty, Africa will need **infrastructure investment** of around $20 billion (extra?) per year, twice as much as the region has historically been investing. The Africa Action Plan proposes scaling up financing for infrastructure in sub-Saharan Africa to about $2.4 billion by 2008.

(v) **Trade and regional integration** are also important for economic growth. The Africa Action Plan proposes increasing support for 23 sub-Saharan countries under the Trade Facilitation Initiative to $530 million (from $80 million). Rich country barriers to trade should be lifted through the Doha and Hong Kong process.

(vi) **Progress in agriculture** is another critical consideration in relation to economic growth. This includes improved science and technology, investment in critical infrastructure (such as irrigation, water resource management and rural roads) and better agricultural practices to improve productivity.

Managing the risks of scaling up aid

28. The action outlined above provides a credible way forward for scaling up results in health and education and making progress towards all the MDGs through economic growth and environmental management. However, there are many risks involved in this process. There is the risk that expectations will be raised and aid doesn't arrive. There is the risk that aid will arrive in ways that do not enable developing countries to scale up spending in critical areas. There is the risk that increases in aid dependency will undermine a developing country's sovereignty and independence. There is the risk that dramatic increases in spending may lead to adverse macroeconomic outcomes or undermine private-sector development. There is the risk that aid will be misused by weak or corrupt governments.

29. There is scope to manage all these risks through international and country-level processes. However this requires donors to deliver the right kind of aid on time. They must also create an environment in which developing country governments are empowered to make decisions and given time to build delivery capacity. There needs to be a strong sense of mutual accountability for results and for reaching the poor. Taking on and managing these risks give us a chance of reaching the MDGs. Failing to rise to the challenges of our goals and commitments gives us the certainty of failure.

ANNEX 1: BACKGROUND ON USER FEES IN PRIMARY EDUCATION

There is a significant body of evidence which shows that the tuition fees and other compulsory charges are a very significant barrier to access to primary education for poor children in low-income countries. Therefore, **DFID strongly supports the removal of official tuition fees and compulsory charges in primary schools** and encourages governments to do this.

The removal of fees can often boost primary school enrolment significantly but substantial investment in service provision is normally required if a reasonable minimum quality of education is to be maintained. Very poor quality primary education jeopardizes the achievement of MDGs, for example by causing drop-outs.

In most low-income countries, better off parents will pay more for better quality education even at the primary level. Even the poorest parents face some costs in sending their children to school when compulsory charges have been removed.

- Tuition fees and compulsory charges are a significant barrier to poor children's access to primary school. **Removing these fees and charges will boost access.**

- It is estimated that **$500 million per annum could pay for the removal of fees and charges** plus a limited programme of subsidies targeted at poor households across low-income countries.

- Expanding service delivery in low-income countries so that reasonable quality primary education is available to all is much more expensive. This **"universal access" is estimated to require an additional $10 billion per annum in foreign aid**, in addition to expected normal increases in domestic spending.

Therefore **DFID supports "free primary education for all"** meaning the removal of tuition fees and other compulsory charges and costs, and investment in the expansion of service delivery to maintain or attain adequate quality.

ANNEX 2: BACKGROUND ON USER FEES FOR BASIC HEALTHCARE

Charging poor people fees for service can be a significant barrier to access to basic healthcare. In most low-income countries, there has been little success implementing fee exemptions and waivers for poor people. Therefore, **DFID strongly supports the removal of official health user fees** and encourages governments to do this.

Removal or reductions in charges increase the equity of access to services but major improvements in coverage and access also require an expansion in service delivery and improvements in quality. DFID will assist governments which wish to implement a policy of removing user fees and expanding services by helping to identify alternative sources of finance – including taxation, aid which substitutes for taxation, and various forms of social or private insurance, prepayment and risk-pooling.

In almost all low-income countries, healthcare is financed by some mixture of public and private resources, and delivered by a mixture of public and private providers. Patients pay for 60% of healthcare costs in Africa and 70% in Asia, mostly when they access a service, either public or private. Irrespective of whether or not there are official user fees, there are other fees and charges incurred by patients that serve as significant barriers to access to some, but also amount to a significant source of revenue for service provision. DFID encourages the governments of low-income countries to remove other fees and charges incurred by poor people that prevent their access to basic health services.

- Official user fees are a significant barrier to poor people's access to basic health services. There has been little success implementing fee exemptions and waivers targeted on poor people. **Removing these official fees will boost access.**

- It is estimated that in DFID's PSA countries (excluding China), **removal of official consultation fees would cost less than $100 million** per annum in lost revenue – a small sum compared to overall health financing.

- Removal of official consultation fees, at a cost of $100 million per annum, **should not be equated with provision of "free Services for all".** Progress towards universal access or coverage of basic services requires a much more expensive expansion of service provision – The Commission on Macroeconomics and Health (CMH) suggested that to provide a package of basic services in low-income countries, **an additional $40-52 billion would be required in addition to the substantial public and private financing** that is already put into health.

This means **DFID supports "free services for all"** meaning the removal of official fees and other significant financial barriers to access for poor people, together with investment in service delivery. DFID does not expect all low-income countries to establish health systems in which all services are entirely financed from taxation.