National Audit Office

Departmental Overview

# The performance of the Department for International Development 2013-14

DECEMBER 2014

Our vision is to help the nation spend wisely.

Our public audit perspective helps Parliament hold government to account and improve public services.

The National Audit Office scrutinises public spending for Parliament and is independent of government. The Comptroller and Auditor General (C&AG), Sir Amyas Morse KCB, is an Officer of the House of Commons and leads the NAO, which employs some 820 employees. The C&AG certifies the accounts of all government departments and many other public sector bodies. He has statutory authority to examine and report to Parliament on whether departments and the bodies they fund have used their resources efficiently, effectively, and with economy. Our studies evaluate the value for money of public spending, nationally and locally. Our recommendations and reports on good practice help government improve public services, and our work led to audited savings of £1.1 billion in 2013.

# Contents



Links to external websites were valid at the time of publication of this report. The National Audit Office is not responsible for the future validity of the links.

# Introduction

## Aim and scope of this briefing

**1** The primary purpose of this report is to provide the International Development Committee with a summary of the Department for International Development's (the Department's) activity and performance since September 2013, based primarily on published sources, including the Department's own accounts and the work of the National Audit Office (NAO).

**2** Part One focuses on the Department's activity over the past year. Part Two examines developments in this Parliament. Part Three concentrates on NAO analyses of activity over the last year.

**3** The content of the report has been shared with the Department to ensure that the evidence presented is factually accurate.

# Part One

## About the Department

### The Department's responsibilities

**1.1** The Department for International Development (the Department) leads the UK Government's effort to promote stability and sustainable development and to end extreme poverty and aid dependency through growth and jobs. Since our last overview, the Department has changed the description of its role in its *Annual Report and Accounts 2013-14*,[1] to reflect more prominently its increased focus on boosting economic development and creating jobs.

**1.2** The Department's priorities, in its 2014 Business Plan, are to:

- boost economic development by supporting programmes for growth and poverty reduction in developing countries;
- honour international commitments, including to support actions to achieve the Millennium Development Goals (MDGs);[2]
- drive transparency, value for money and open government;
- strengthen governance and security in fragile and conflict-affected countries and make UK humanitarian response more effective;
- lead international action to improve the lives of girls and women; and
- combat climate change.

**1.3** Its other major responsibilities are to: respond to humanitarian disasters; deliver on obligations to the overseas territories;[3] and influence the global development system.

**1.4** The Department also manages the delivery of the government's targets for total UK official development assistance (ODA) spending.[4] In 2013, total provisional UK ODA spending was £11,437 million.

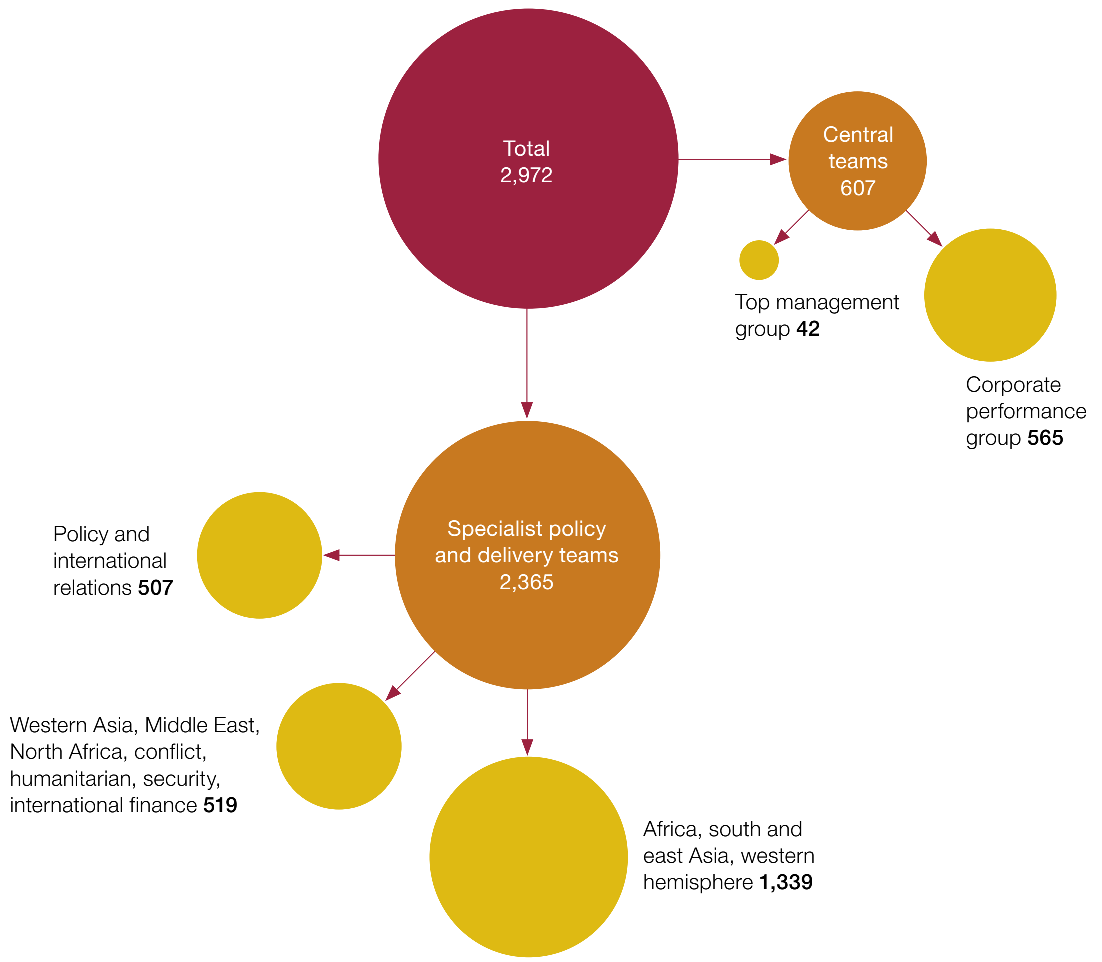
1 Department for International Development, *Annual Report and Accounts 2013-14*, July 2014, p. 12.
2 The Millennium Development Goals (MDGs) are targets for addressing extreme poverty in its many dimensions. The internationally agreed framework of 8 goals and 18 targets (complemented by 48 technical indicators) aims to halve poverty between 1990 and 2015. International negotiations to replace the MDGs by 2015 are continuing and could have important implications for the Department (see paragraph 2.27).
3 British overseas territories govern themselves but are under British jurisdiction and have the Queen as head of state.
4 Official Development Assistance (ODA) is the internationally agreed standard definition of aid as set by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). The definition and detailed criteria for reporting aid as ODA are set by the DAC. The definition states that aid spending should promote economic development and the welfare of developing countries as its main objective, although its definition is drawn quite widely. It includes, for example, the cost of certain peacekeeping activities.

## How the Department is organised

**1.5** The Department's interests are spread across the globe and it delivers resources through a range of partners. In 2013-14, it employed 2,972 (full-time equivalent) staff, with over half working in its 28 priority countries. Its UK staff are based in London and East Kilbride. **Figure 1** shows the number of staff in each of the Department's different areas of work.

**Figure 1**

Average number of full-time equivalent staff by area of work in 2013-14




**Notes**

1 Central teams includes:

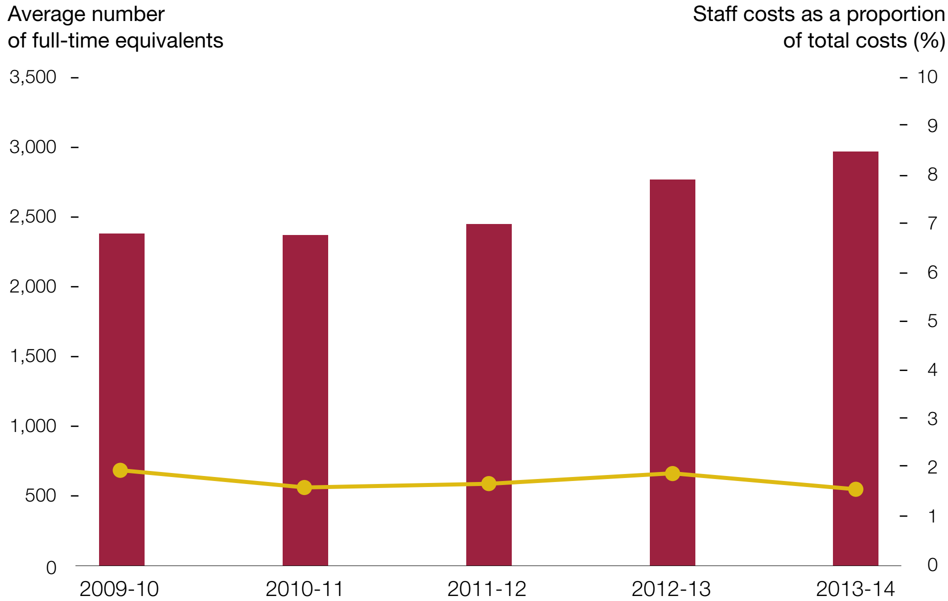
- the top management group, which supports the Departments' ministers, the Permanent Secretary and directors general; and
- the corporate performance group, which includes human resources, finance, procurement and information technology.

2 The Department has changed how it reports staff numbers this year. This chart is not directly comparable to our analysis in the Departmental Overview for 2012-13.

Source: National Audit Office presentation of data from the Department's *Annual Report and Accounts 2013-14*, July 2014, p. 191

**1.6** By 2013-14, the Department had increased its staffing by 25% since 2009-10. However, its staff costs as a percentage of total spending were lower, because the growth in the Department's budget has outpaced the growth in its staffing (see **Figure 2**).

## Figure 2
The Department's staff and staffing costs




| | 2009-10 | 2010-11 | 2011-12 | 2012-13 | 2013-14 |
|---|---|---|---|---|---|
| Total of full-time equivalents | 2,383 | 2,372 | 2,449 | 2,770 | 2,972 |
| Staff costs as percentage total costs (%) | 1.96 | 1.60 | 1.68 | 1.89 | 1.57 |

**Notes**

1 The bars in the chart show that the average number of full-time equivalent staff in 2013-14 exceeded the number at any time in the period from 2009-10. The yellow line shows that staff costs as a proportion of total costs was lower in 2013-14 than in any year since 2009-10.

2 Total costs include the Department's spending on bilateral and multilateral aid programmes; its front-line delivery and administration costs; and funding to non-departmental public bodies. Footnote 12 describes what is meant by 'multilateral' and 'bilateral' aid.

Source: National Audit Office analysis of the Department's *Annual Report and Accounts from 2009-10 to 2013-14*

**1.7** In 2013-14, the Department's governance framework comprised the Departmental board and executive management committee, supported by subcommittees (**Figure 3**).

- **Departmental board**

  The board sets the Department's strategic direction, monitors the implementation of its strategy and policy priorities, and advises on significant risks and remedial actions. The Secretary of State (the Rt Hon Justine Greening MP) chairs the board, which meets quarterly in formal session. It also meets informally as required to review progress against the business plan. Membership includes the Minister of State (the Rt Hon Desmond Swayne TD MP), the Parliamentary Under Secretary of State (Baroness Northover), 4 non-executive members, the Permanent Secretary (Mark Lowcock) and 4 directors general (one of whom, the Director General for Economic Development, was first appointed in June 2014).

- **Executive management committee**

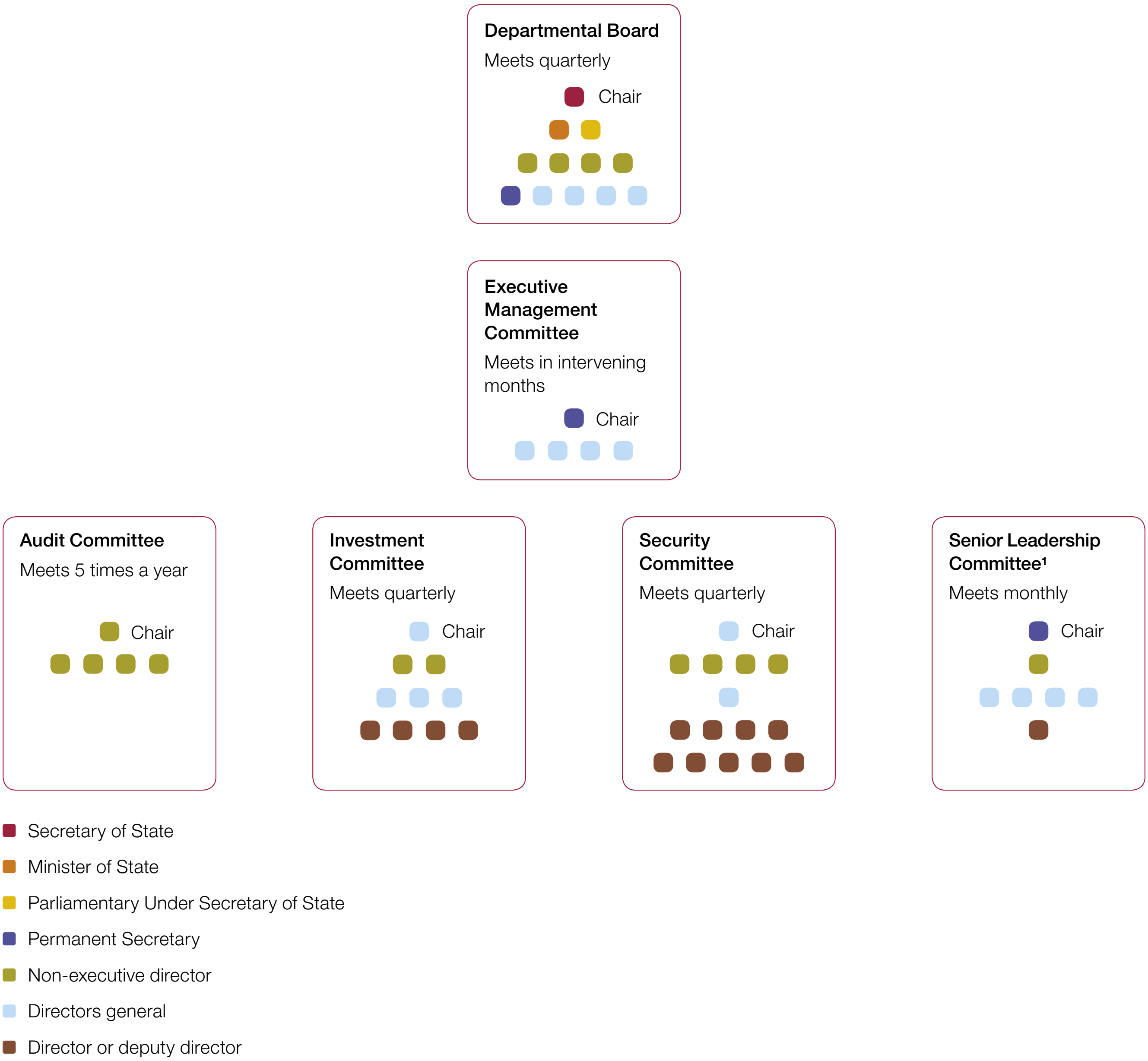
  The committee supports the board. It oversees the Department's day-to-day implementation of its strategic priorities, manages the allocation of resources, monitors Departmental performance and manages risks to delivery. The committee meets every month the board does not meet and is chaired by the Permanent Secretary. In 2013-14, its membership also comprised the non-executive directors (for the first 9 months of the financial year) and directors general.

**1.8** In 2013-14, the Department had 5 supporting subcommittees:

- **Audit committee:** addresses the Department's financial soundness, efficiency, resource use, and adequacy of risk, control and governance.
- **Development policy committee:** is responsible for the scrutiny and delivery of significant new policy proposals.
- **Investment committee:** reviews strategic investment decisions and resource allocation, the investment portfolio and key controls and policies.
- **Security committee:** monitors whether the Department's security globally is adequate and effective.
- **Senior leadership committee:** considers senior civil service (SCS) posts and staffing, talent management, and the Department's SCS pay and performance reward strategy.

## Figure 3

The Department's governance in September 2014




**Note**

1 The non-executive on the Senior Leadership Committee only attends for discussions on annual pay awards.

Source: National Audit Office analysis

**1.9** Following a review of board effectiveness and corporate governance, the Department is changing its governance arrangements in 2014-15:

- The board will meet 6 times a year, rather than quarterly.
- The main point of engagement for non-executive directors will be through the board and subcommittees. Non-executive directors ceased attending the executive management committee from January 2014.
- The audit committee will report to the board.
- The development policy committee will no longer be part of the formal governance structure.
- A new programme cycle committee will oversee the Department's programme management cycle.

**1.10** The Department sponsors 3 bodies (see Appendix One):

- **Commonwealth Scholarship Commission (the Commission)**

  The Commission is an executive non-departmental public body (NDPB), and is included in the Department's accounts. The Department gave the Commission £23.3 million in 2013-14, to fund scholarships and fellowships to citizens of the Commonwealth and developing countries to attend university in the UK and abroad. Other government departments gave the Commission £0.5 million. The Commission spent £24 million in 2013-14. A triennial review of the Commission in 2013 said that it was cost-effective and recommended it stay as an NDPB. However, the review identified some aspects of governance that could be tightened to fully meet NDPB standards. Its suggestions included establishing a reporting framework to enable the Department to assess the Commission's effectiveness, and that the Department consider whether it has enough resources to manage its relationship with the Commission.

- **Independent Commission for Aid Impact (ICAI)**

  ICAI is an advisory NDPB established by the government in May 2011. It is included in the Department's accounts. It focuses on maximising the impact and effectiveness of the UK aid budget for beneficiaries and delivering value for money for taxpayers. It reports directly to Parliament through the International Development Committee. In 2013-14, the Commission spent £3.5 million of its £3.8 million budget. The Department conducted a triennial review of ICAI in 2013, mandated by the Cabinet Office, which concluded that the functions it performed are still required. The review recommended that ICAI focuses on depth of analysis rather than breadth, with a small number of in-depth thematic reviews addressing strategic issues, combined with shorter reports, where needed, on topics of particular interest to stakeholders. The current phase of ICAI will end in May 2015. Plans for phase 2 are under way including the recruitment of new commissioners.

- **CDC Group plc**

  The Department also owns CDC Group plc, formerly the Commonwealth Development Corporation. CDC Group plc, which is not included in the Department's accounts, is the UK's development finance institution and invests in private firms in Africa and South Asia. It finances its activities by recycling its portfolio of investments, and has not received any new government funding since 1995. At the end of 2013-14, CDC had assets of £2.95 billion.

## Where the Department spends its money

**1.11** In 2013-14, the Department's total expenditure was £10,103 million against a budget of £10,631 million.[5] It spent £9,918 million on programmes (98% of total expenditure). **Figure 4** overleaf shows the make up of the Department's total expenditure in 2013-14. This included £672 million of non-voted expenditure that HM Treasury attributed to the Department to reflect the UK's contribution to the EU's spending on development activities.

**1.12** **Figure 5** on page 13 shows the Department's spending, by programme:

- Of the Department's programme expenditure in 2013-14, 45% was spent by teams managing country and regional programmes. The Department's 28 priority countries received £3,349 million (see Appendix Two). Over a third of this went to 5 priority countries: Ethiopia, Nigeria, Bangladesh, Pakistan and Afghanistan. As an example of the nature of this spending, the Department spent £162 million on programmes in the Democratic Republic of Congo, with 25% of this health-related, such as to address child mortality, maternal health, HIV/AIDS and to combat malaria.

- A further 43% of its programme expenditure in 2013-14 went to its international finance and international relations divisions. Most of this went as core funding to multilateral organisations.

5 Department for International Development, *Annual Report and Accounts 2013-14*, July 2014, p. 169. These figures include voted and non-voted expenditure.

## Figure 4
The composition of the Department's spending in 2013-14


**Notes**

1 Annually managed expenditure (AME) is spend which is difficult to predict and the Department cannot always control.

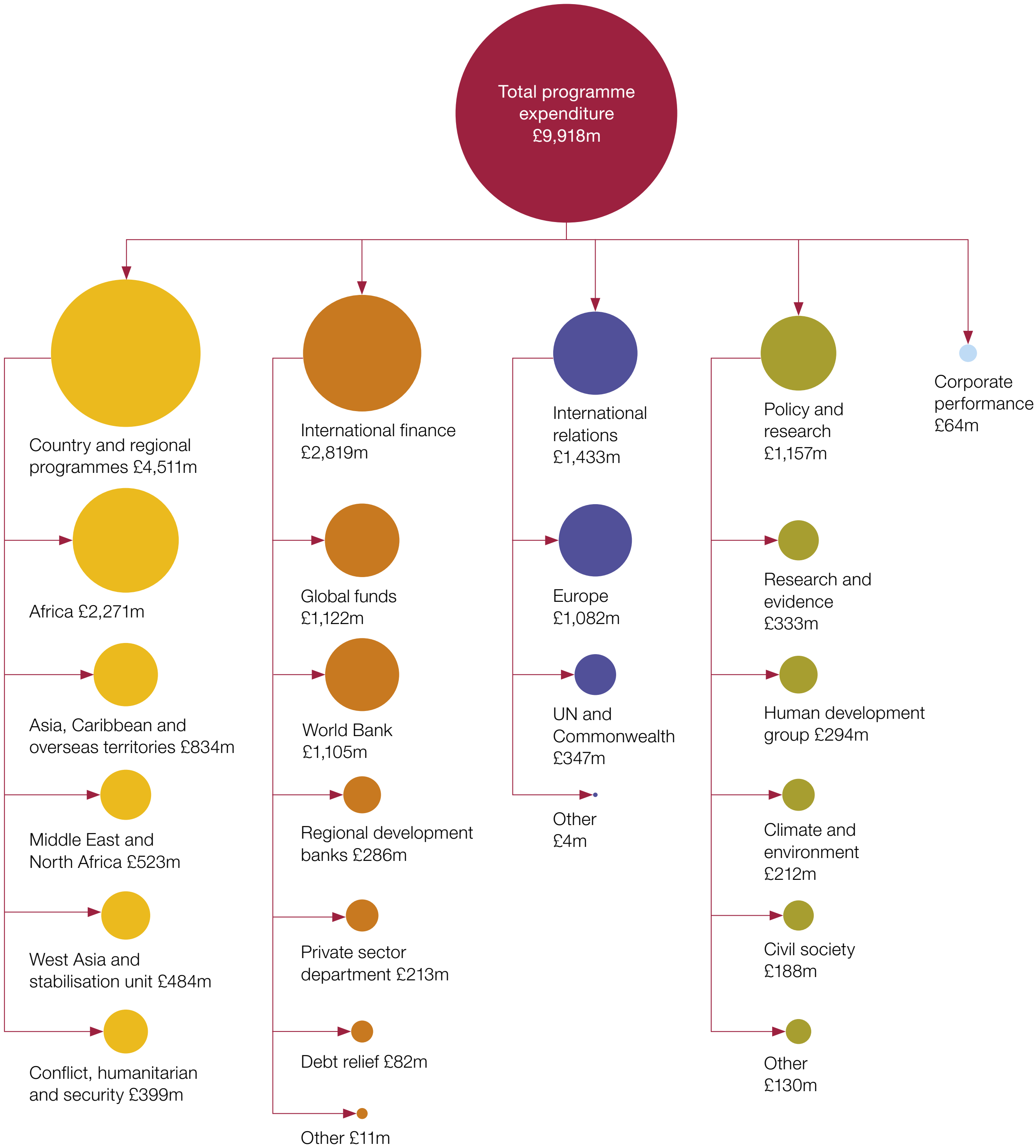
2 Capital expenditure includes the Department's funding for international financial institutions. Resource expenditure covers costs such as pay and procurement and, for example, many of the Department's programmes to provide healthcare, education, and humanitarian aid.

3 Programme expenditure is coloured orange. The Department's resource programme expenditure comprises funds it directly manages and a sum attributed to it by HM Treasury to reflect the UK's contribution to EU spending on relevant development activities. Some £130 million of programme expenditure the Department directly managed in 2013-14 went to meet the costs of front-line operations, including the costs of staff based overseas and overseas offices.

4 The values for individual elements may not sum exactly to the total because of rounding.

Source: National Audit Office analysis of the Department's *Annual Report and Accounts 2013-14,* p. 169

## Figure 5
The Department's spending in 2013-14, by programme




**Note**

1 The total value of the individual components exceeds total programme expenditure by around £67 million. This difference is due to adjustments for central team costs (£64 million), and for certain capital expenditure (£3 million).

Source: National Audit Office analysis of the Department's *Annual Report and Accounts 2013-14*, pp. 233–235.

## Staff attitudes

**1.13** The government has conducted its Civil Service People Survey annually for the past 5 years. The most recent survey was carried out during October 2013. Continuing our practice in past briefings, we summarise here the views of the Department's staff on a number of key issues, and compare them to benchmarks for the civil service as a whole. Detailed results for all departments are reproduced at Appendix Three.

**1.14** As part of the annual survey each department receives an engagement index, assessing the level of staff engagement determined by: the extent to which staff speak positively of the organisation, are emotionally attached and committed to it, and are motivated to do the best for the organisation. The Department's engagement index in 2013 was 71% (unchanged since 2012), the highest of all departments, and thirteen percentage points higher than the civil service benchmark.

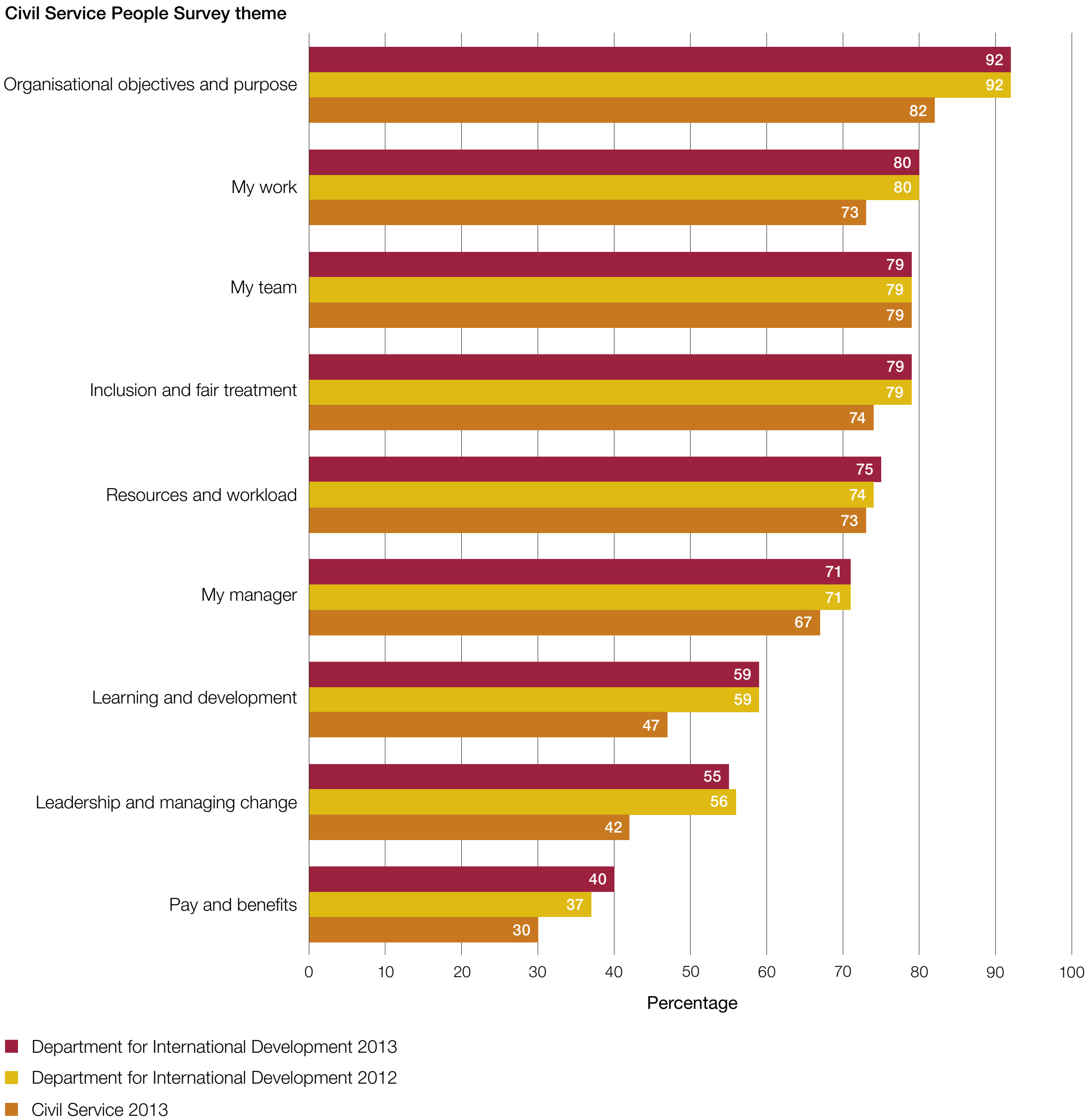
**1.15** The Department equalled or exceeded civil service average scores for 89% of questions in the Civil Service People Survey.[6] It continues to be at or above civil service benchmarks for all of the themes covered (see **Figure 6**).

**1.16** In terms of the themes its management are most able to influence, which are 'leadership and managing change' and 'organisational objectives and purpose', the Department is significantly above the civil service benchmark on both a theme and individual question level. Compared with last year, however, a notable change was a fall in the extent to which the Department exceeds the civil service average in relation to the visibility of senior managers, as well as for staff perceptions of whether the executive management committee has a clear vision for the Department's future (**Figure 7** on page 16).[7] In part this reflected a small improvement in the civil service benchmarks.

6 Of 71 questions the Department scored at or above average for 63. Of the 8 questions where the Department scored below the civil service average, the largest differences related to work-life balance and levels of anxiety.

7 The statement in the 2013 survey differed slightly from that in the 2012 survey. The 2013 survey referred to the 'Executive Management Committee', whereas the 2012 survey had referred to the 'Management Board'.

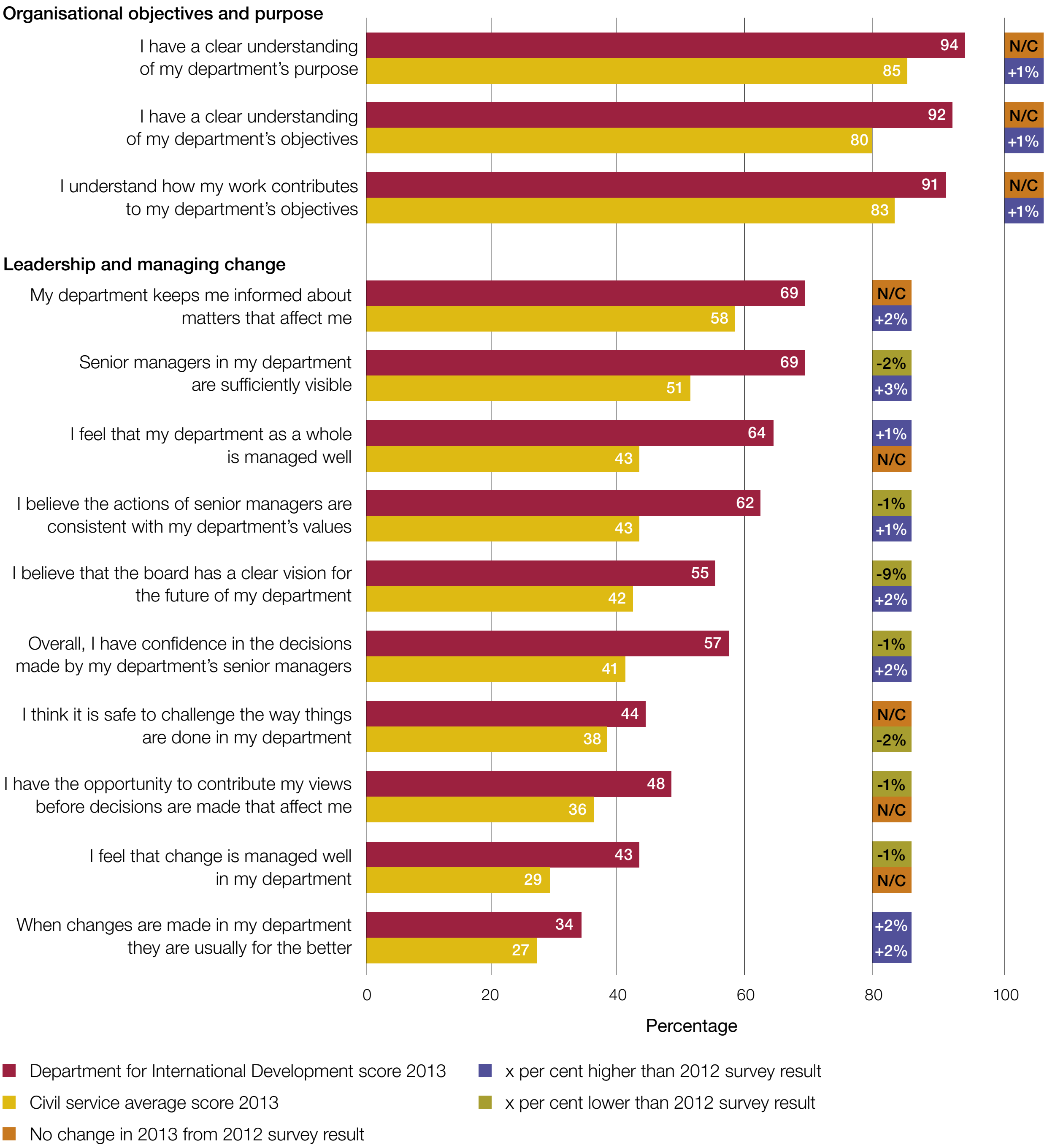
## Figure 6
The Department's staff attitudes by Civil Service People Survey theme




Source: National Audit Office analysis of the Department for International Development *Civil Service People Survey 2013 Results*, February 2014

## Figure 7

Detailed breakdown of the Department's staff attitudes to 'leadership and managing change' and 'organisational objectives and purpose' themes




**Notes**

1 Results shown are for respondents who 'strongly agree' or 'agree' with the statement.

2 Results shown are for the core department only and do not include executive agencies or other bodies the Department funds.

Source: National Audit Office analysis of the Department for International Development *Civil Service People Survey* 2013 results, February 2014 and *Civil Service People Survey 2013* Civil Service benchmark scores, November 2013

**1.17** In August 2014, the Department published its refreshed Improvement Plan, as part of the Civil Service Reform agenda. This considered its performance against its 2013-14 priorities and identified the following areas of focus for 2014-15:

- have flexible and adaptive programming;
- treat economic development as core business;
- have a flexible, planned and skilled workforce;
- improve organisational learning; and
- build a modern operating model.

# Part Two

## Developments in this Parliament

### Changes to the Department's spending since 2010

#### Overall spending

**2.1** In its October 2010 spending review, the government announced that between 2010-11 and 2014-15, the Department's total budget would increase by 38% in real terms.[8] The Department's annual expenditure in 2013-14 was £2,148 million (27%) higher in real terms than in 2010-11.

**2.2** The Department accounts for most of the UK's Official Development Assistance (ODA).[9] The increase in the Department's budget has provisionally enabled the UK to meet the government's target for ODA spending to be 0.7% of gross national income from 2013.[10]

**2.3** While the Department's spending has increased, it has consistently spent less than predicted at the 2010 spending review and in subsequent projections (**Figure 8**). This is because the UK's gross national income grew more slowly than had been expected in the 2010 spending review, and as a result, HM Treasury has cut the Department's budget.

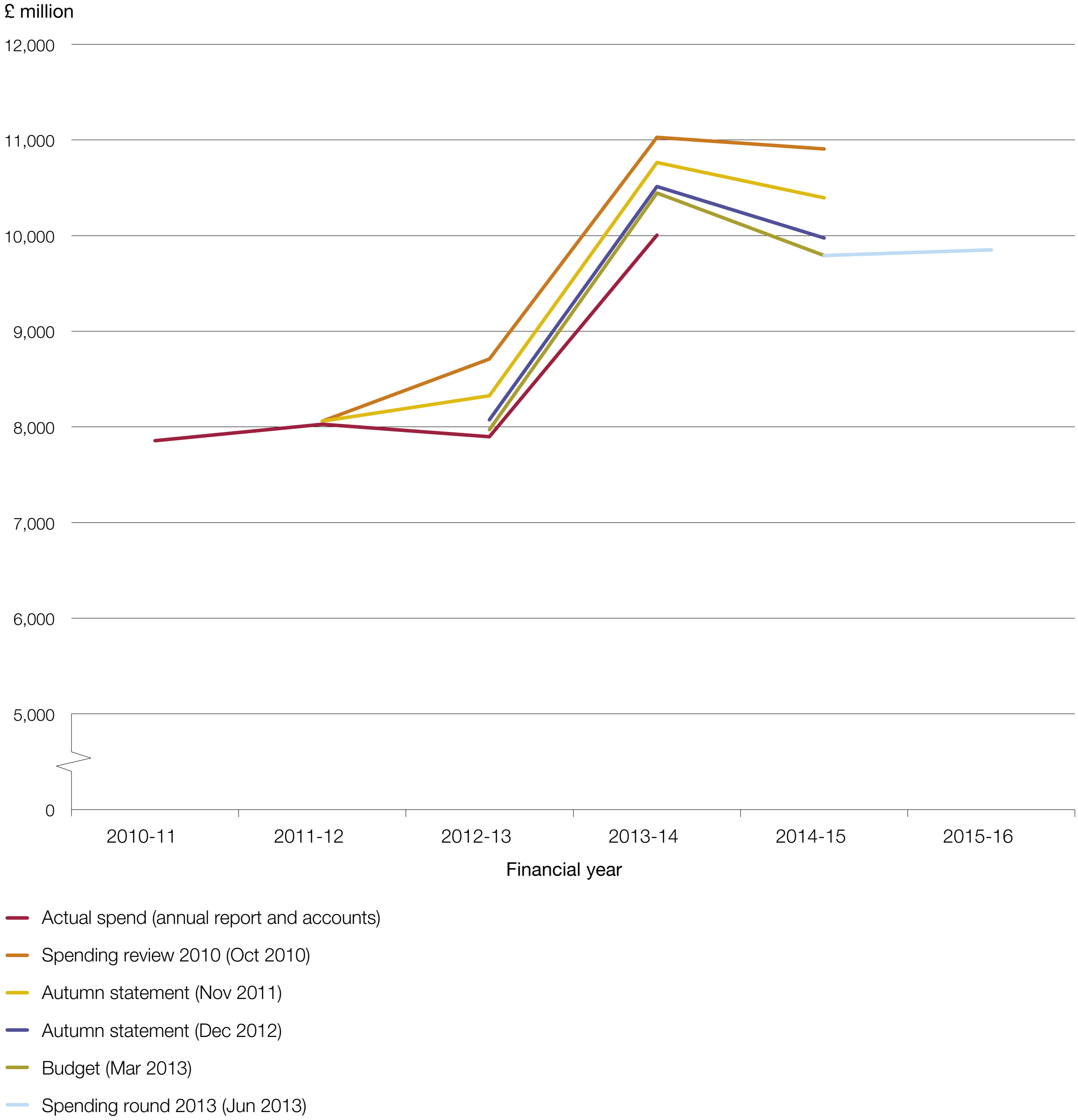
**2.4** The Department's latest budget for 2014-15 is now £9,661 million (in real terms), which is £1,804 million higher than 2010-11 outturn. But it is £1,246 million lower than the budget originally set in the 2010 spending review for 2014-15.

8 Unless otherwise stated, all expenditure in this section is expressed in 2013-14 prices, and all movements expressed in real terms. For this reason not all figures are directly comparable with our Departmental Overview for 2012-13.

9 In 2013, the Department accounted for 88% of UK ODA (see Department for International Development, *Annual Report and Accounts 2013-14*, July 2014, p. 10).

10 Department for International Development, *Annual Report and Accounts 2013-14*, July 2014, p. 5. See also: Department for International Development, *Provisional UK Official Development Assistance as a proportion of Gross National Income 2013*, April 2014. A final estimate was published in October 2014 in 'Statistics on International Development'. Gross national income is a measure of output that values goods and services produced by a country's residents. The Office for National Statistics has announced changes to the methodology which is expected to result in an increase in the level of gross national income – see: ONS, *Content of Blue Book and Pink Book 2014*, November 2013. Our forthcoming study on the Department's management of the ODA target (see paragraph 3.23) will consider these issues.

## Figure 8
The Department's budget and expenditure over the Parliament




**Note**

1 All figures in this chart relate to the Department's planned, controllable expenditure (its departmental expenditure limit) and therefore excludes annually managed expenditure (AME). The figures include the Department's attributed share of central government contributions to the European Union, but exclude its share of the cross-departmental Conflict Pool (see footnote 11) for an explanation of the Conflict Pool).

Source: National Audit Office analysis of published HM Treasury documents and of the Department's Annual Report and Accounts, 2010-11 to 2013-14

## Spending priorities

**2.5** The Department's 2011–2015 Business Plan identified 5 policy priorities, also referred to as 'pillars' (**Figure 9**):

- **Direct delivery of Millennium Development Goals (MDGs).** These include work on health and nutrition; education; health; water and sanitation; humanitarian assistance and food aid.
- **Global partnerships.** Core funding for multilateral organisations, civil society organisations, and research partnerships. Core funding is not earmarked for a specific purpose and, instead, its use is determined by the management and board of the multilateral organisation, within objectives agreed by all members.
- **Wealth creation.** Including generating growth; stimulating trade; and improving infrastructure.
- **Governance and security.** Peace building; conflict prevention; stabilisation and the Conflict Pool;[11] public financial management; and human rights.
- **Climate change.** Mitigating and adapting to the impact of climate change.

**2.6** Since 2010-11, the Department has increased the share of its budget spent on the MDGs, wealth creation and climate change pillars. It has reduced the share of its budget devoted to governance and security, and plans to reduce it for global partnerships.

**2.7** The Department also classifies its spending according to whether it is delivered bilaterally or multilaterally.[12] Compared with 2009-10, the Department is giving more of its budget in core funding to the multilateral organisations it chooses to support and more as bilateral funding to multilateral organisations to deliver specific projects. (**Figure 10** on page 22).

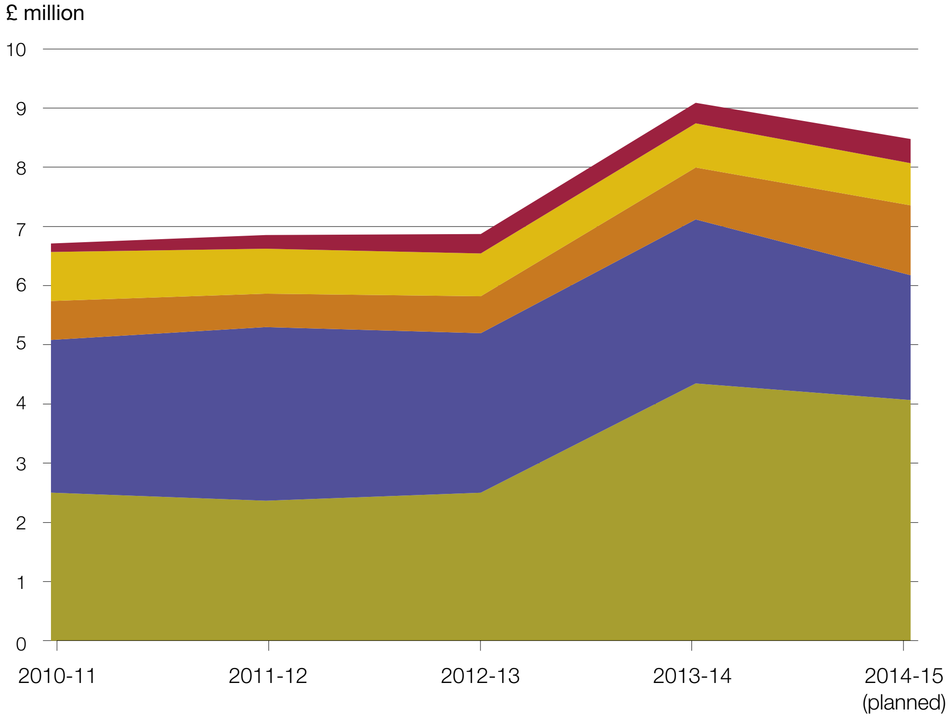
11 The Conflict Pool funds conflict prevention, stabilisation, and peacekeeping activities. It is a joint source of funding used by the Department, the Foreign & Commonwealth Office and the Ministry of Defence. Only the Department's share of Conflict Pool funding is included in Figure 9.

12 Bilateral aid is all aid provided by donor countries when the recipient country, sector, or project is known. For example, this includes the Department's budget support to partner governments, and its funding to international non-governmental organisations (NGOs). Bilateral aid also includes aid channelled through multilateral institutions, if the Department has specified the use and destination of the funds. Multilateral aid covers just core funding to international bodies, such as UN agencies.

## Figure 9

The Department's spend on its 5 pillars over the Parliament

**DFID's 5 policy 'pillars'**




| | 2010-11 | 2011-12 | 2012-13 | 2013-14 | 2014-15 (planned) |
|---|---|---|---|---|---|
| Climate change | 143 | 231 | 328 | 347 | 409 |
| Goverance and security | 829 | 760 | 723 | 747 | 713 |
| Wealth creation | 658 | 565 | 624 | 878 | 1,181 |
| Global partnerships | 2,580 | 2,933 | 2,695 | 2,771 | 2,109 |
| Direct delivery of MDGs | 2,502 | 2,366 | 2,501 | 4,347 | 4,067 |

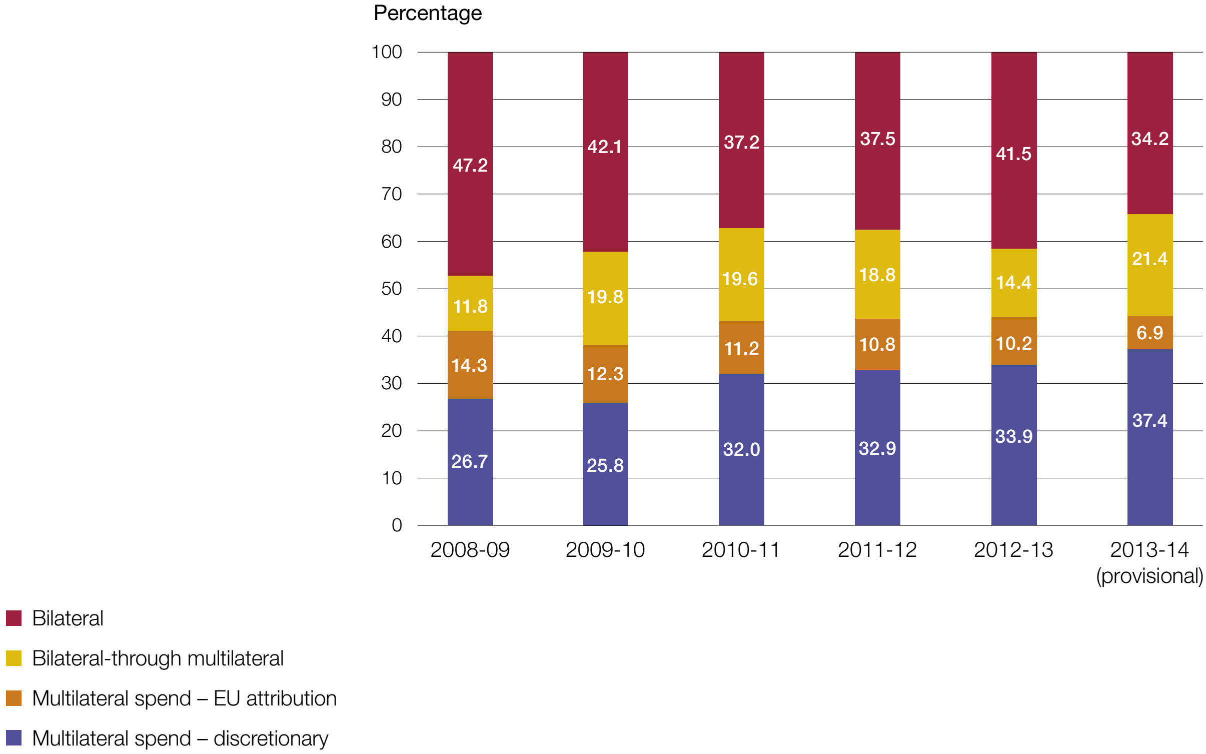
**Note**

1 The total spending shown here is less than the Department's total spending shown in Figure 8, because it excludes some central running costs; contributions to the EU made centrally but attributed to the Department by HM Treasury; the costs of the Independent Commission for Aid Impact (ICAI) and the Commonwealth Scholarship Commission (CSC).

Source: National Audit Office analysis of the Department's Annual Report and Accounts, 2010-11 to 2013-14

## Figure 10

The Department's funding is split between multilateral and bilateral aid




**Notes**

1 Figures may not add up to 100% because of rounding.

2 The above analysis uses the Organisation for Economic Cooperation and Development's (OECD's) official list of multilateral organisations.

3 The EU attribution reflects sums attributed to the Department to reflect EU spending on aid. It is calculated by HM Treasury.

4 'Discretionary' multilateral spending covers core multilateral spending which, unlike the EU attribution, is under the Department's own control.

5 'Bilateral-through-multilateral' covers aid channelled through multilateral organisations for specified purposes in agreed countries and regions. These figures exclude some specialised forms of bilateral expenditure that are channelled through multilateral organisations, such as humanitarian aid and debt relief.

6 Totals exclude administration costs.

7 Total multilateral and bilateral spending data up to 2011-12 is from the Department's publication *Statistics on International Development* and for 2012-13 from the Department's publication *Statistics on UK Gross Public Expenditure (GPEX) on International Development*. Detailed data for 2013-14 will not be available until autumn 2014. We have therefore used data in the Department's *Annual Report and Accounts 2013-14* as a proxy. We also used the Department's annual report and accounts to split out the EU attribution and bilateral-through-multilateral spend.

Source: National Audit Office analysis of the Department's *Annual Report and Accounts 2013-14, Statistics on International Development,* and *Statistics on UK Gross Public Expenditure (GPEX) on International Development*

## Type of spending

**2.8** During this Parliament, HM Treasury's spending controls have required the Department to change the mix of its expenditure:

- In the 2010 spending review, the Department was asked to reduce its administration costs by one third in real terms by 2014-15. By the end of 2013-14, its administration costs had fallen by £33.5 million in real terms, or 25% compared with the 2010-11 baseline set by HM Treasury.[13] In contrast, spend on front-line delivery – such as staff salaries and training, and the cost of overseas offices – is forecast to double over the spending review period.

- HM Treasury requires the Department to decrease its 'fiscal' spending – that is, spending which affects net public sector debt. As a result, the Department is increasing its 'non-fiscal' spending, such as loans and investment programmes, which usually leads to the creation of an asset and, unlike fiscal spending, does not impact on net public sector debt. The Department sees non-fiscal spending as consistent with its new business model, which will involve more programmes that aim for both development results and financial returns.

## Department's forecasts

**2.9** The Department's programme expenditure is subject to 2 year ends – calendar year for the ODA target and financial year for budgeted Departmental spend. This contributes to an uneven spending profile, with the Department spending most of its 2013-14 budget in the first three-quarters of the financial year, leaving a small amount to meet requirements in January to March 2014. In addition, the Department's estimates of the level of spending required to meet the ODA target varies across the year, as forecasts of gross national income change.[14]

**2.10** Previously, we reported that the Department experienced difficulties in accurately forecasting its expenditure (see also paragraphs 3.19 to 3.20). In 2011-12, we noted large variances between the Department's estimated and actual spend on its 5 policy priorities 'pillars'. These discrepancies arose from weaknesses in the Department's estimating process. The Department told us it had improved its budgeting process which should result in more accurate baseline estimates from 2013-14.

**2.11** Evidence on the Department's progress in improving its forecasts is mixed. In 2013-14, it spent £169 million (1.8%) less than budgeted.[15] Its estimates against its 5 policy priorities are more accurate than in 2011-12, although some variances in excess of 15% remain. In 2013-14, the policy priorities with the largest percentage underspends were wealth creation and climate change (**Figure 11** overleaf).

13 This analysis excludes depreciation.

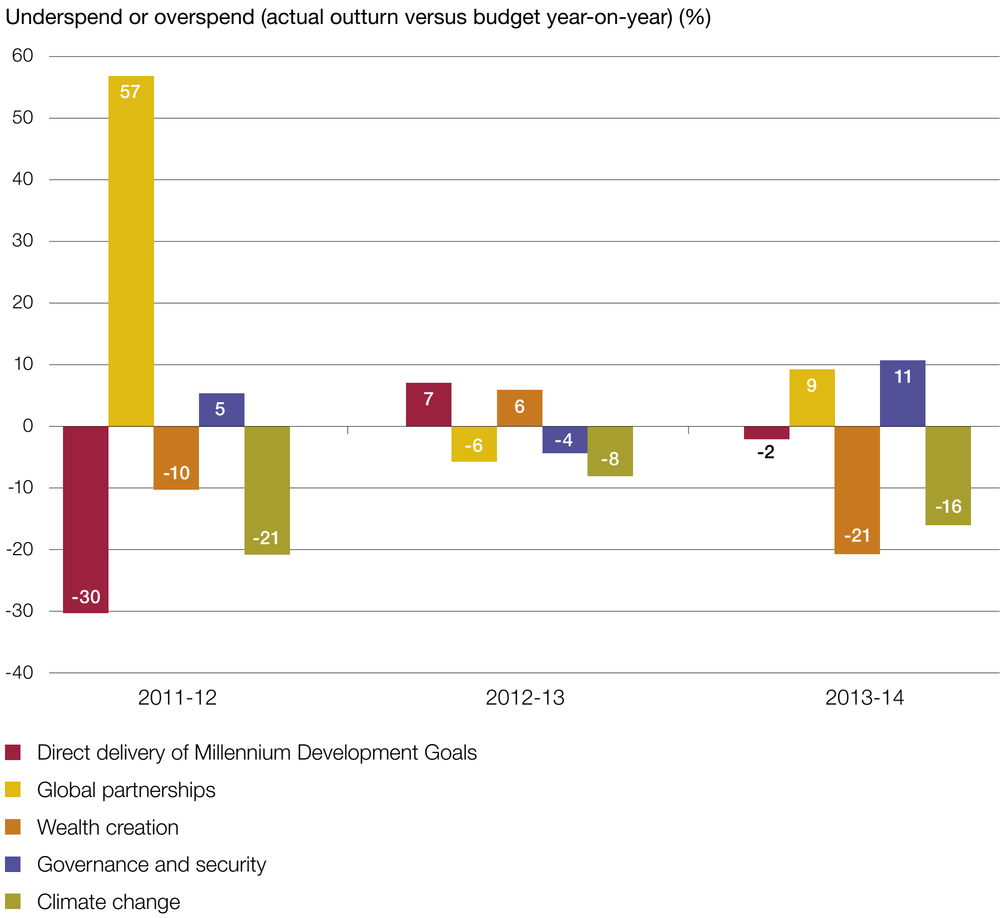
14 Changes to the forecast level of ODA spending by departments other than DFID add further uncertainty to DFID's own spending target.

15 See the Department's *Annual Report and Accounts 2013-14*, statement of parliamentary supply and accompanying notes. This figure excludes the cross-departmental Conflict Pool. It also excludes the Department's attributed share of central government EU contributions. The Department's underspend was £408 million (3.9%) if its attributed EU contributions are included.

## Figure 11

Comparison of estimated and actual spending by policy priority 'pillar'

**The Department's 5 pillars**




Source: National Audit Office analysis of the Department's Annual Report and Accounts, 2011-12 to 2013-14

**2.12** Following its 2011 *Bilateral Aid Review*,[16] the Department published its planned expenditure in each of its 28 priority countries in operational plans. Of these 28 countries, 20 were listed as 'fragile' by the Organisation for Economic Cooperation and Development (OECD).[17] According to the OECD, "a fragile region or state has weak capacity to carry out basic governance functions, and lacks the ability to develop mutually constructive relations with society. Fragile regions or states are also more vulnerable to internal or external shocks such as economic crises or natural disasters."

16 The Bilateral Aid Review, Technical Report, published March 2011, was designed to improve the allocation of UK aid to ensure the Department's objectives are achieved in the most cost-effective manner possible, maximising value for money, and based on a solid understanding of what works and what does not.

17 There is no universally accepted definition of fragile states, so we have used the list in the Organisation for Economic Cooperation and Development report, *Fragile States 2014*. The OECD listed Rwanda as a fragile state in 2012, but not in 2011 when the Department developed its operational plans, nor in 2014. For our analysis we have categorised Rwanda as non-fragile.

**2.13** In most non-fragile states, the Department's 2013-14 expenditure aligned closely with the operational plans it published in 2011.[18] However, in fragile states, where the Department faces a more volatile environment, it spent around 7.5% less in real terms than originally planned (**Figure 12** overleaf). In each of 3 fragile states, Pakistan, Ethiopia and the Democratic Republic of Congo, the Department's 2013-14 spending was over £50 million less than it predicted in 2011.[19] The Department told us that one of the reasons that spend in some of its priority countries had been reprioritised was so that it could fund humanitarian support for Syria (which is not a priority country and therefore is not included in our analysis). It told us funding for Syria was found from a combination of central contingency and reallocation of budget in areas where spending had slipped.

## Policy and delivery: major developments since 2010

**2.14** The most significant development for the Department was the new coalition government's decision to renew the UK's commitment to spend 0.7% of gross national income on overseas aid from 2013. The government announced in its spending review 2010 that the Department's total budget by 2014-15 would be over a third bigger in real terms, when most departmental budgets were cut. The scale and profile of its increased budget as well as the associated rise in external scrutiny, the government's political priorities, and external developments have had a significant impact on the Department's activities during this Parliament (**Figure 13** on pages 28 and 29).

**2.15** To determine its allocation of resources in the Spending Review 2010, the Department reviewed its bilateral and multilateral aid spending, which have shaped its focus since:

- The *Multilateral Aid Review* (MAR) assessed 43 organisations that received 47% of the Department's total aid expenditure in 2011-12, on the basis of their organisational strength and contribution to the UK's development objectives.[20] In 2013, the Department published its MAR update, which assessed the bodies' progress against the reform priorities it had identified for them in its original review. Our report on the MAR concluded that the review was a much improved basis for allocating funding.

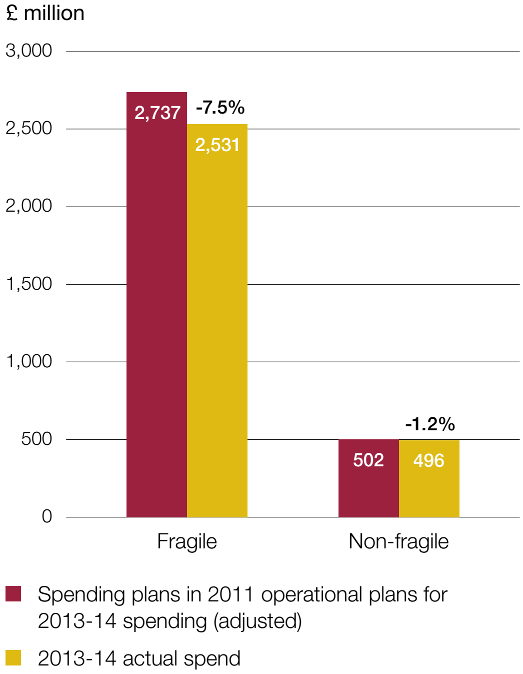
- In its *Bilateral Aid Review* (BAR) the Department's country teams submitted funding bids for the 4 years up to 2014-15. This was accompanied by a top-down review – including consultation with ministers. The review led to the Department ending its aid relationship with 12 countries, including Cambodia, China, Russia, Serbia and Vietnam. During 2012-13, the Department said it would end bilateral funding for India and South Africa by 2015.

18 With the exception of India and South Africa, where the Department changed its policy in 2012, with a view to ending bilateral funding by 2015.

19 We would expect the Department's spending in its priority countries to be lower than originally planned, because the Department's budget grew by less than expected at the start of the spending review period (paragraph 2.3). To allow for this, we adjusted the Department's 2011 plans to reflect the across-the-board reduction in the Department's budget relative to expectations. The figures stated throughout this analysis are therefore 'additional' reductions after accounting for the Department's reduced budget.

20 The Department rated 9 as providing 'very good' value for money for UK aid, 16 'good', 9 'adequate' and 9 'poor'. Following its review the Department announced it would stop funding 4 organisations and gave larger funding increases to those rated as better value for money.

## Figure 12
Spending in fragile and non-fragile states




**Notes**

1 Our analysis excludes front-line delivery costs.

2 We have adjusted the analysis to reduce the planned spend by 5.3% to take into account the Department's reduction of budget during the period covered.

3 There is no universally accepted definition of fragile states, so we have used the list in the Organisation for Economic Cooperation and Development report, *Fragile States 2014*. The OECD listed Rwanda as a fragile state in 2012, but not in 2011 when the Department developed its operational plans, nor in 2014. For our analysis we have categorised Rwanda as non-fragile.

4 For the non-fragile states, we have excluded Tajikistan and Kyrgyzstan, for which there were no specific Operational Plans in 2011. In 2013-14, the Department's total spending for these two countries was £13.5 million.

5 For the non-fragile states, we have also excluded South Africa and India, where the Department decided to change its policy in 2012, with a view to ending bilateral funding by 2015. If these two are included in the analysis, total non-fragile spend reduced from an expected £906.1 million to £715.3 million (21.1% lower).

Source: National Audit Office analysis of the Department's data in operational plans and *Annual Report and Accounts 2013-14*

**2.16** Key Departmental policy developments since 2010 have included:

- **A new humanitarian policy in 2011**, based on its response to the independent Humanitarian Emergency Response Review (HERR). The policy outlined how the government would help build resilience to crises and respond to humanitarian need arising from conflict and natural disasters. As part of its response, the Department committed to embedding disaster resilience in all its country offices by 2015.

- **Prioritising action to improve the lives of women and girls.** This included a package of support to give them greater voice, choice and control over their development. The Department has led a campaign to end female genital mutilation in a generation; and in March 2014, new legislation made it a legal requirement to consider how development assistance will contribute to reducing gender inequality.

- **A commitment to address 'fragile and conflict-affected states'.** As part of its *Building Stability Overseas Strategy*,[21] the government committed to allocating 30% of UK ODA to fragile and conflict-affected states by 2014, and to increase the resources of the Conflict Pool to £1.125 billion in the period to 2015.[22]

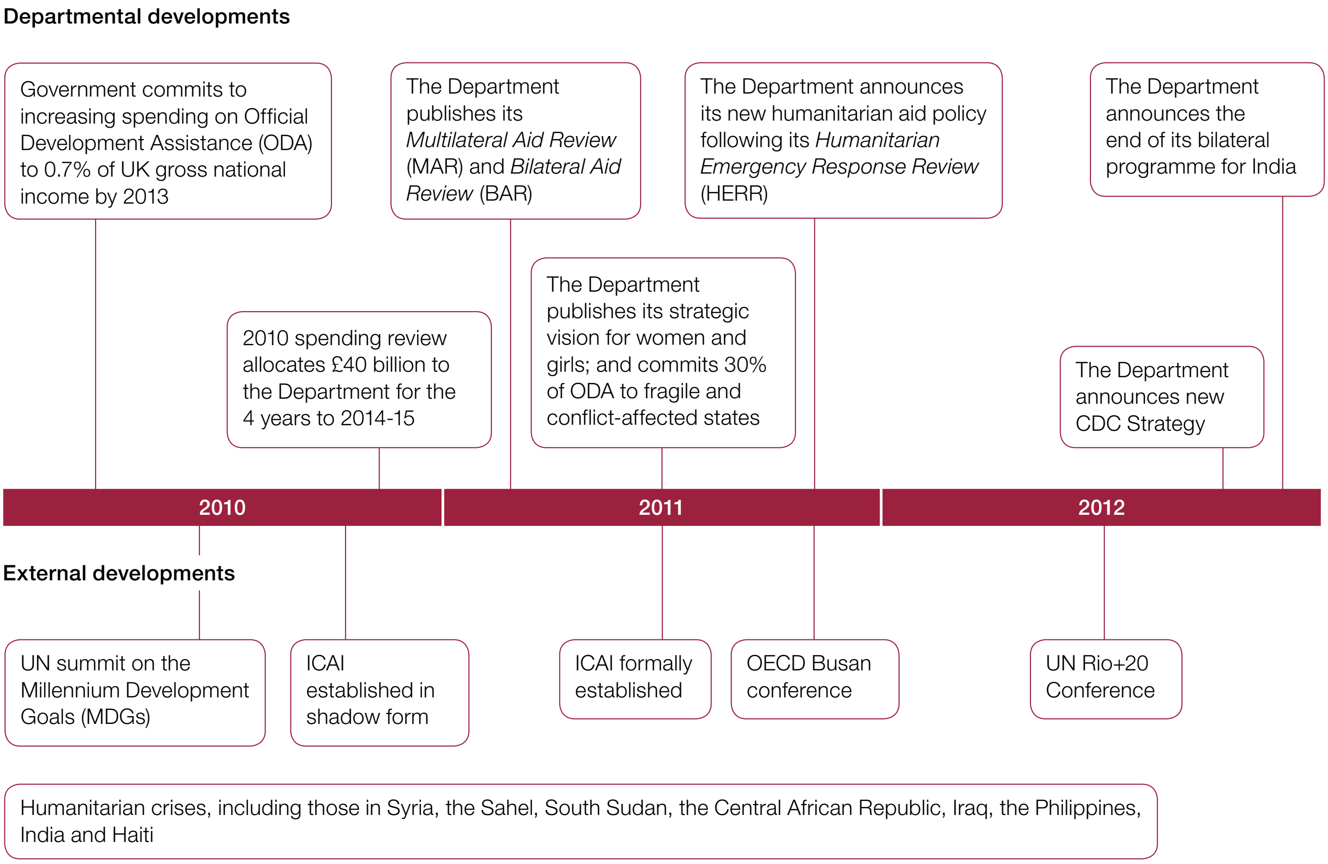
- **An increasing emphasis on economic development since 2012.** This has included recruiting more private sector specialists and a refocusing of CDC's strategy on development impacts. In 2014, the Department produced a strategic framework for economic development, which it views as vital to eradicating poverty, using the private sector as 'the engine of growth'. The strategy announced a dedicated Director General for Economic Development (appointed in June 2014) and a doubling of spending on economic development to £1.8 billion by 2015-16. To meet HM Treasury's requirements for less 'fiscal' spending, the Department also intends to increase 'returnable capital' investments – that is capital investments which generate returns that can be reinvested. The Department has sought to raise commercial awareness and reported meeting a commitment that 50% of all senior civil servants attend commercial training before April 2014, with the intention for the remainder to complete the training during 2014-15.

- **Addressing the government's transparency agenda**, to make more government information publicly available to help improve accountability. In June 2010, the Department launched the UK Aid Transparency Guarantee, which sets out the information it publishes on what happens to UK aid money and who benefits, and in October 2013 it launched an online tool providing information on its investments. In May 2013, the Department set up the International Development Sector Transparency Panel, to challenge, influence and advise it on its transparency. The Department is also a member of the International Aid Transparency Initiative, a voluntary, multi-stakeholder initiative aiming to improve the transparency of aid, development and humanitarian resources.

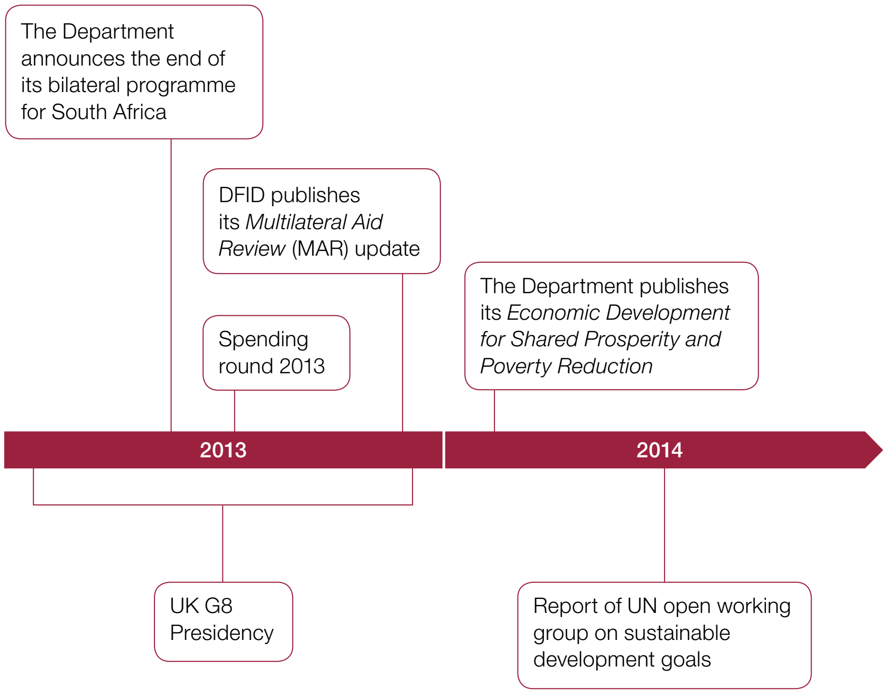
21 The Building Stability Overseas Strategy (BSOS) focuses on how the Government can improve the effectiveness of its efforts in dealing with violent conflicts by strengthening its approach and refining its priorities at a time when resources are limited. BSOS July 2011, p. 4.

22 The cross-departmental Conflict Pool funds conflict prevention, stabilisation and peacekeeping activities. See footnote 11.

## Figure 13
Key developments for the Department since 2010




Source: National Audit Office analysis


The Department announces the end of its bilateral programme for South Africa
DFID publishes its *Multilateral Aid Review* (MAR) update
Spending round 2013
The Department publishes its *Economic Development for Shared Prosperity and Poverty Reduction*
2013
2014
UK G8 Presidency
Report of UN open working group on sustainable development goals

**2.17** The Department also reported changes to how it works on a day-to-day basis, including:

- **Strengthening the evidence base and procedures for project investment decisions.** All proposals must have a business case, with proposals for projects of £40 million and above subject to review through the Department's Quality Assurance Unit.
- **Introducing tighter spending controls.** The threshold for ministerial approval of project business cases was reduced from £40 million to £5 million, with ministers also approving supplier contracts worth more than £1 million.
- **Using 'Payment by Results' more.** Under this approach, the Department makes payments after pre-agreed results are achieved, rather than up front.
- **Launching its development tracker online tool.** To provide more public information on UK development investment in projects.
- **Introducing administrative efficiencies.** Including a new human resources and payroll system, a drive to improve commercial capacity and procurement procedures, working with the Foreign & Commonwealth Office and other departments to streamline how the government operates overseas, and moving to 22–26 Whitehall to reduce longer-term accommodation costs.
- **Reviewing its future business model.** To ensure it is doing "the right things in the right places in the right ways".

**2.18** External events and developments also impacted on the Department, including:

- In May 2011, the Independent Commission for Aid Impact (ICAI) began work, to give additional scrutiny of the Department's spending. By September 2014, ICAI had published 37 reports, of which 34 addressed the Department's work.[23] We consider the Commission's recent reports at paragraphs 2.20 to 2.22.
- The Department is active internationally, contributing at major events. Such as the Rio+20 conference, which set new commitments to tackle poverty, the OECD Busan conference, which agreed principles to make development cooperation more effective, and the UN Open Working Group on Sustainable Development Goals. The Department was also involved during the UK G8 presidency, particularly in relation to nutrition and aid for Syria. It has also hosted conferences such as that for the GAVI Alliance, where international leaders committed to immunise more than 250 million children, and pledged $4.3 billion of additional funding.

23 ICAI had published 36 reports in total by September 2014. One of these did not make recommendations to departments *(ICAI's Approach to Effectiveness and Value for Money*, 2011). One of the remaining 35 reports focused on aid that the Department for International Development did not deliver (*FCO and the British Council's use of aid in response to the Arab Spring*, June 2013).

- The Department has also provided support in several recent, and significant, humanitarian crises. These resulted from conflict (such as in Syria, the Sahel, South Sudan, the Central African Republic and Iraq) and natural disasters (such as Typhoon Haiyan in the Philippines, Cyclone Phailin in India and Hurricane Sandy in Haiti). The UK has allocated £600 million to support people in Syria and the neighbouring region – the largest ever UK response to a humanitarian crisis.

## Independent assessments of the Department's performance

**2.19** In Part Three of this report, we look at the NAO's assessment of the Department's performance in 2013-14. Alongside our work and that of the International Development Committee, however, a number of other bodies regularly produce independent analyses of how the Department is doing and of the challenges it faces. In this section, we look at some of the most notable of these reports published in the last year.

### Independent Commission for Aid Impact (ICAI)

**2.20** The Independent Commission for Aid Impact (ICAI), which the government set up to scrutinise UK aid, produced 12 reports to the International Development Committee in the year to June 2014.[24] These reports use a 4-point scale to give an overall assessment of effectiveness, and to rate 4 supporting guiding criteria (**Figure 14** overleaf).

**2.21** ICAI's 2013-14 Annual Report drew out key findings from its work to date. It said that: "DFID at its best is capable of outstanding performance and is rightly recognised as a global leader on many aspects of development assistance". The report highlighted 2 'excellent' areas of the Department's work with green ratings in 2013-14:

- The Department's health programmes in Burma were appropriately designed to meet significant health needs in a challenging environment.

- The Department was well prepared to act swiftly and decisively in its response to Typhoon Haiyan in the Philippines and that the UK was widely praised for its "speed, flexibility and expertise".

24 Since May 2014, the Independent Commission for Aid Impact has produced one further report, on *DFID's contribution to improving nutrition*, July 2014. This gave the Department a green-amber rating.

## Figure 14

Ratings given by Independent Commission for Aid Impact (ICAI) reports on the Department in the year to June 2014

| | Green | Green-amber | Amber-red | Red |
|---|---|---|---|---|
| Overall score | 2 | 4 | 4 | 1 |
| Objectives | 2 | 5 | 4 | 0 |
| Delivery | 2 | 5 | 3 | 1 |
| Impact | 2 | 5 | 4 | 0 |
| Learning | 0 | 8 | 2 | 1 |

**Notes**

1 Definition of ICAI's ratings:

Green: The programme performs well against ICAI's criteria for effectiveness and value for money. Some improvements are necessary.

Green-amber: The programme performs relatively well against ICAI's criteria for effectiveness and value for money. Improvements should be made.

Amber-red: The programme performs relatively poorly against ICAI's criteria for effectiveness and value for money. Significant improvements should be made.

Red: The programme performs poorly overall against ICAI's criteria for effectiveness and value for money. Immediate and major changes need to be made.

2 ICAI's *Rapid review of DFID's response to Typhoon Haiyan in the Philippines*, which is included in the totals above, used slightly different guiding criteria – preparedness; mobilisation; impact and transition – to align with the humanitarian cycle.

3 The totals above exclude one report, *FCO and the British Council's use of aid in response to the Arab Spring*, as this report focused on aid that the Department did not deliver.

Source: National Audit Office summary of material in *ICAI Annual Report 2013-14*, June 2014, p. 8–9.

**2.22** However, ICAI's reports in 2013-14 also found some areas in need of improvement. For example:

- ICAI issued its first ever red rated-report, on DFID's *Trade Development Work in Southern Africa*. ICAI found "serious deficiencies" in the TradeMark Southern Africa programme, including £67 million funding remaining unused, misreporting of results, and failure to consider properly the impact on the poor. The Department closed TradeMark Southern Africa because of ICAI's findings, and announced measures to better oversee future programmes.

- ICAI's report on *How DFID Learns* found that its staff learn well as individuals. However, the Department was not using its research and experience enough, to improve the impact of UK aid. ICAI also said that the Department's focus on delivering results had discouraged staff from openly discussing failures.

- In its reports on *DFID's Private Sector Development Work* and *DFID's Bilateral Support to Growth and Livelihoods in Afghanistan*, ICAI raised concerns over the coherence of some of the Department's more complex portfolios of projects. ICAI's *Private Sector Development* report concluded that many projects were worthwhile individually, but not well joined-up. And the Department could not show that it had chosen the best package of projects to meet its overall objectives.

### Other external assessments of the Department's work

**2.23** The Brookings Institution and the Center for Global Development published their third report on the quality of Official Development Assistance (ODA) in 2014. This noted that donors, including the UK, were less willing to schedule aid 3 years into the future, given their uncertain budgets. In 2008, the UK had given 3-year forward stipulations for more than 90% of its aid, but by 2012 this had fallen to 54%. However, it also reported that the UK, unlike most donors, had shifted its aid allocation towards poorer countries. And that it was among the donors with the largest percentage increase in aid going to priorities that recipient country respondents had identified as their primary concerns.

**2.24** In 2014, the Department and the Cabinet Office jointly reviewed how the Department uses evidence. While highlighting areas of good practice, it also identified many similar issues to those raised by ICAI in its report *How DFID Learns*.

**2.25** Publish What You Fund, an international campaign for aid transparency, publishes an annual assessment of aid agencies, the Aid Transparency Index. Its latest report, published in October 2014, it stated that DFID "…remains a leader in aid transparency and in its overall approach to open data for development". The Department received the second highest score of all 68 donors assessed and was one of only 7 scored as 'very good'.

## Major developments for the year ahead

**2.26** The Department faces many potential operational and financial challenges from external developments. Recent events in Syria, Iraq, Gaza – as well as Ebola in West Africa – have shown that the Department will have to respond to unpredictable humanitarian crises. The UN will be consulting during the year to finalise its post-2015 framework for disaster risk reduction in March 2015.

**2.27** Other external developments include:

- The result of the May 2015 general election which may lead to strategic policy and spend changes.
- The OECD's Development Assistance Committee (DAC) peer review of the Department scheduled for the autumn of 2014. The last full review was in 2010. A mid-term review in 2012 was positive and identified the UK as a 'global leader'.
- The DAC are also considering options for modernising the measurement of ODA, which may have implications for the government's target as well as the Department's future spending mix.
- International negotiations over replacing the Millennium Development Goals by 2015 will continue, following the May 2013 report of the UN's high level panel and the UN open working group's proposals in July 2014. Depending on the final agreed goals, the Department's spending profile could change significantly if it focuses on different areas of international aid. The Department will need to ensure that it has the mix of skills and capabilities required to match this.

**2.28** The Department will also need to deal with the implications of government policy and its own decisions and planned work. The government is committed to maintaining ODA at 0.7% of UK gross national income. The Department will need to continue to work with other departments to meet this target.[25] The increase in aid spending after the 2010 spending review raised particular issues for the Department. Maintaining this level of spending is also likely to present its own challenges, including:

- The Department will need to adjust its spending profile to increase non-fiscal spend and raise annual spending on economic development to £1.8 billion by 2015-16. The Department's focus on encouraging economic development and investments that have a return also increases its need to have in place sufficient expertise to select and monitor such investment.
- The Department also needs to ensure its risk management and controls reflect the higher spend and increased scrutiny this brings, as well as its greater focus on fragile and conflict-affected states. The Department has recognised the need to enhance its risk management approach and has appointed a senior civil servant to lead on this work.

25 The Department's 2014 business plan includes an action to enshrine in law the 0.7% commitment, as soon as parliamentary time allows. The action has a scheduled end date of March 2015. The 0.7% commitment was not included in the last Queen's speech in June 2014. A private member's bill to enshrine this committment in law received its final reading in the House of Commons in December 2014.

**2.29** In 2014-15, the Department will also be implementing the outcomes of its own reviews or preparing for further internal assessments, including:

- Applying the changes to governance arrangements described in Part One.
- Implementing the outcome of its review of its future business model and the results of its country poverty diagnostic exercises, which will inform resource allocation in the medium term.
- Using new programme management guidance, including new SMART rules intended to encourage teams to focus more on the what and how of delivery and less on the why and rationale, introduce leaner documents and processes and combine information in one place.
- Developing its approach for a full follow-up in 2015 of its 2011 *Multilateral Aid Review*.[26]

26 The Multilateral Aid Review was commissioned to assess the value for money for uk aid funding through mulitlateral organisations, March 2011, p. iii

# Part Three

## Recent NAO findings on the Department

### Our audit of the Department's accounts

**3.1** The NAO's financial audits of government departments and associated bodies are primarily conducted to allow the Comptroller and Auditor General (C&AG) to form an opinion of the truth and fairness of the public accounts. In the course of these audits, the NAO learns a great deal about government bodies' financial management and sometimes this leads to further targeted pieces of work which examine particular issues. In this section, we look at the outcome of our most recent financial audit of the Department's accounts.

**3.2** The C&AG signed the Department's 2013-14 accounts on 9 July 2014, before parliamentary recess, and issued an unqualified audit opinion.

**3.3** The Department reported 52 financial losses with a total value of £404,000 in 2013-14. The Department did not write off any losses greater than £300,000 during the year. Several Department funded assets related to programmes located in South Sudan that were lost because of the conflict that began in December 2013. Ongoing instability there meant that the Department had not quantified the value of the assets involved.

**3.4** From this year, the Department has started to report proven fraud losses by country. For 2013-14, it recorded net losses in 3 countries totalling £207,000, compared with £492,000 total net losses from 6 countries the previous year.[27]

**3.5** The Department's accounts include a governance statement which brings together all disclosures about its governance framework, risk and control. It outlines how the Department manages key risks and discusses internal audit's work during the year.

**3.6** Internal audit assessed the Department's frameworks for governance, risk management and control in 2013-14 as adequate and effective, but noted that risk management was not well designed and needed systems to provide reliably robust risk mitigation.

27 Department for International Development, *Annual Report and Accounts 2013-14*, July 2014, p. 120. The Department reported gross losses of £1,330,000 in 2012-13 and £772,000 in 2013-14. The Department defines 'gross loss' as the initial proven fraud loss and 'net loss' as the final loss to the Department once a recovery has been made. This statement is not covered by our audit opinion.

**3.7** Internal audit had identified control weaknesses in 2012-13, including:

- some weaknesses in programme management at country office level, including lack of robust due diligence and weak oversight;
- a need to strengthen processes for doing annual reviews of projects;
- potential to improve budget planning and forecasting; and
- risk management could be more joined-up and systematic.

**3.8** The Department's annual report for 2013-14 said that it had responded to recommendations on areas including:

- **Programme management:** The Department said it had learned from ICAI's review of the Trade Mark South Africa (TMSA) Programme. It had initiated an end-to-end review of programme management processes and was putting in place reforms intended to streamline rules, with clear roles, responsibilities, accreditation, improved management information and assurance processes.
- **Budgeting and forecasting:** The Department is considering proposals including better management oversight and further staff training.
- **Risk management:** The Department is refreshing its risk register and plans to improve its guidance on risk management for programmes.
- **Fraud and corruption:** The Department published country-specific strategies and revised its whistleblowing policy in 2013-14.

## Our audits of the Department's effectiveness and value for money

**3.9** The NAO's work to test the effectiveness and value for money of government spending in 2013-14 included a number of projects which addressed the Department. The principal findings of these are summarised below.

### Oversight of the Private Infrastructure Development Group

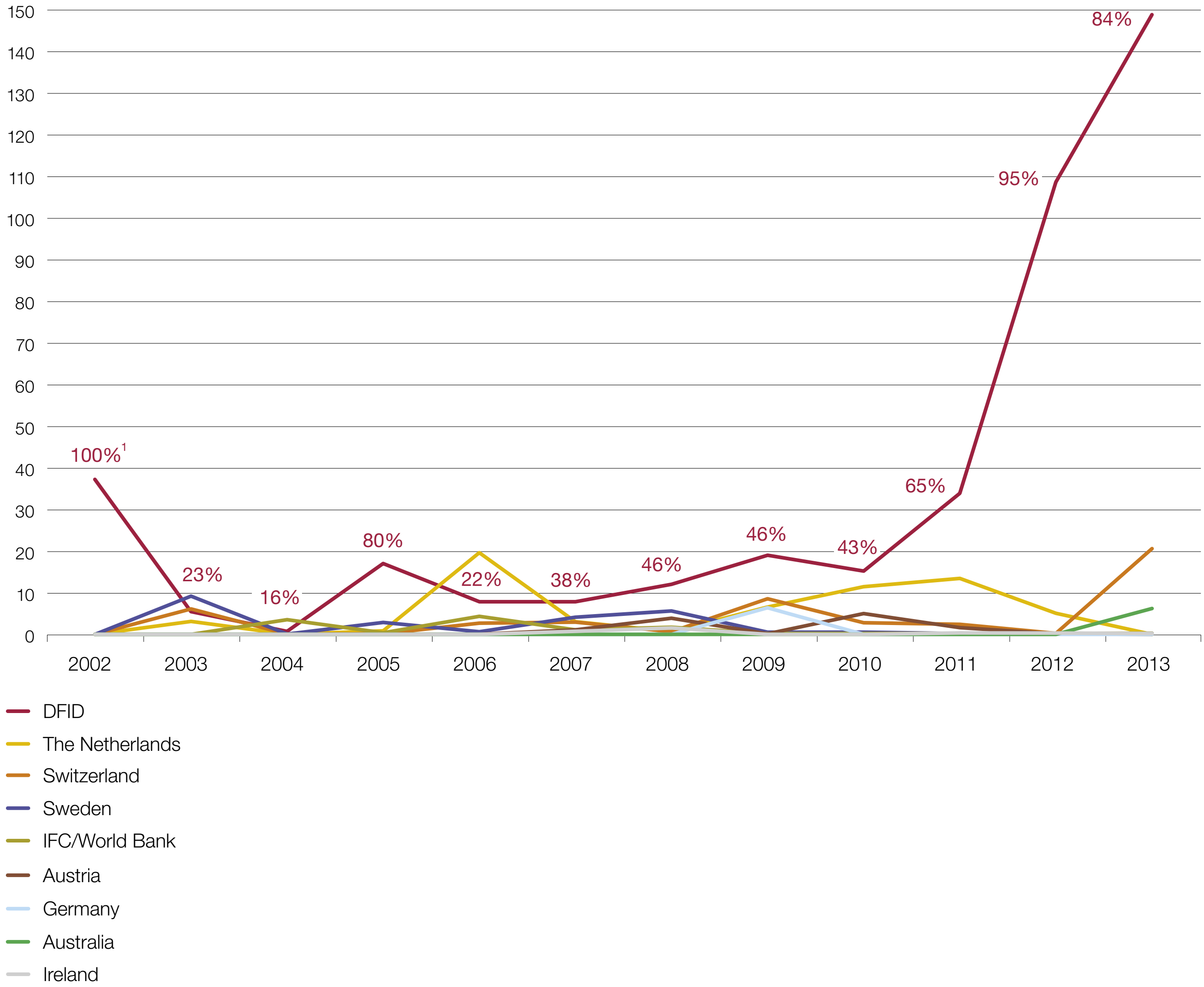
**3.10** In July 2014, we reported on whether the Department's interests in, and oversight of, the Private Infrastructure Development Group (PIDG) deliver value for money and secured benefits for those in poverty.

**3.11** PIDG is a multilateral organisation governed by development agencies from 8 countries and the World Bank. Donors commit funds that PIDG invests through its investment vehicles 'facilities' to mobilise investor capital and expertise for infrastructure investment, to boost growth and combat poverty in developing countries. The Department is the largest contributor to PIDG. It decided in 2011 to substantially increase its funding. By December 2013, its total funding of £414 million represented 70% of all donors' contributions to date (**Figure 15** overleaf).

## Figure 15

The Department's funding of PIDG

Disbursements to the PIDG Trust by PIDG members since 2002 (£m)




**Note**

1 The percentages represent DFID's share of the in-year funding for PIDG.

Source: National Audit Office analysis of PIDG data

**3.12** Gaps in the evidence for how infrastructure affects poverty, and for how investment in infrastructure by public-private partnerships supports growth, mean that it is important to learn lessons from the Department's investment in PIDG. The study team visited PIDG projects in India, Uganda and Nigeria. Many projects looked likely to achieve good development impacts and financial returns, often in difficult environments.

**3.13** The Department has successfully encouraged PIDG to improve its investment targeting and performance reporting, but its oversight of PIDG has overall been insufficient to ensure value for money. The Department lacks sufficiently robust information to demonstrate that investment in PIDG is the best option and its financial control has been lacking. It allowed the PIDG Trust to hold the Department's funding, averaging nearly £27 million since 2012 (**Figure 16** overleaf).

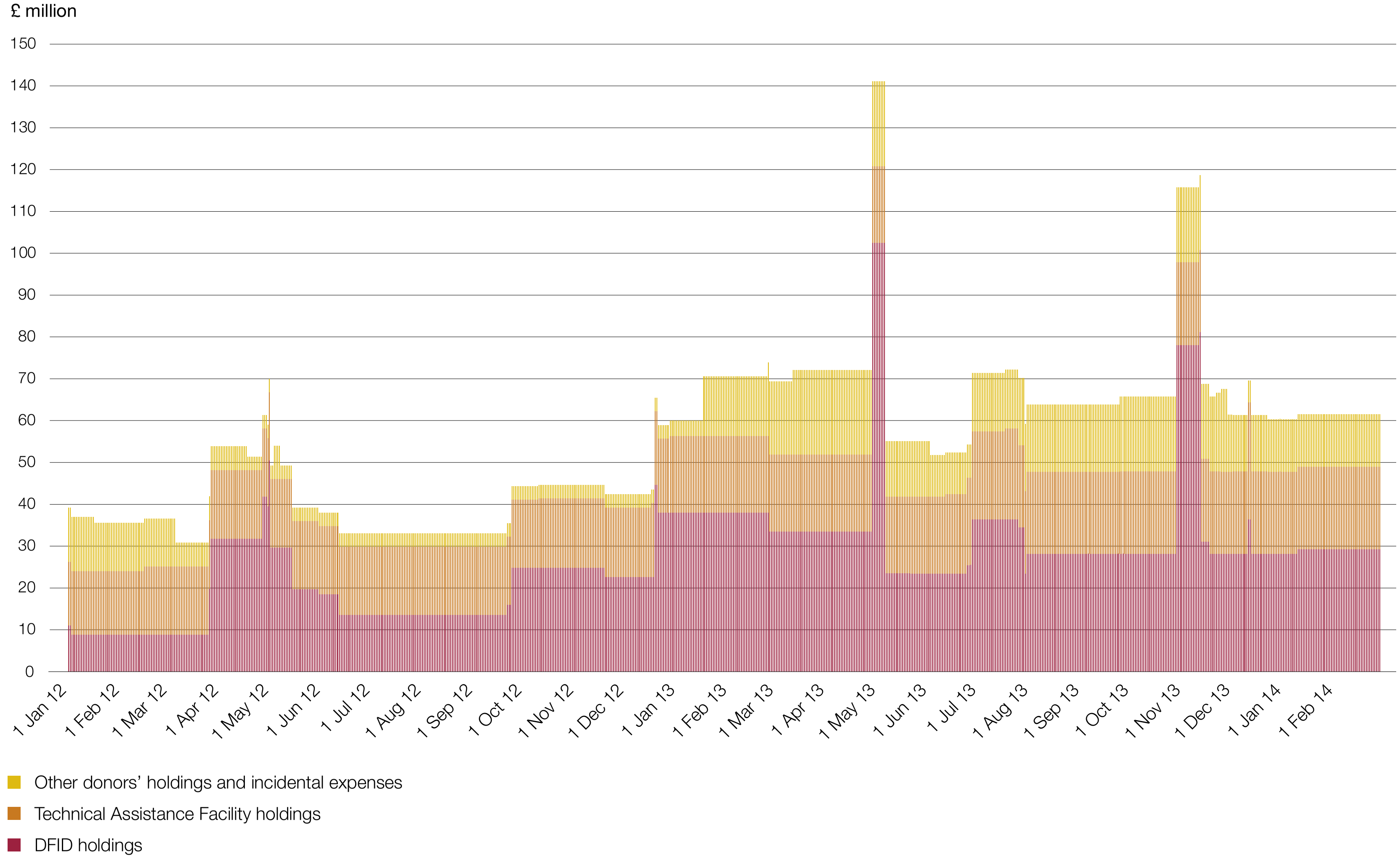
**3.14** The Department has recently made good progress in tackling these issues, which will put it in a better position to achieve value for money. However, it should have taken more action earlier given its decision in 2011 to increase funding for PIDG fivefold. Our recommendations included that the Department should:

- improve how it critically reviews its funding of the activities of multilateral bodies such as PIDG, only releasing funds once there is a clear need;
- promote closer liaison between country teams, other parts of government and PIDG facilities;
- do more to hold PIDG to account at the donors' governing council and promote greater scrutiny of key risks by the council; and
- support rigorous independent evaluations of facilities and projects and an in-depth assessment of PIDG's quality assurance and verification processes.

**Figure 16**

The Department's holdings in the PIDG Trust

**Cash held in the PIDG Trust, 1 January 2012 to 28 February 2014**




Source: National Audit Office analysis

### Malaria

**3.15** In July 2013, we reported on the Department's support for programmes to prevent, detect and treat malaria. In its subsequent report, the Committee of Public Accounts was concerned that the Department's rapid increase in spending to combat malaria, rising to £500 million a year by 2014-15, might outpace its ability to deliver, reducing its ability to get value for money. The Department needed to do further work to make well-informed choices about where and how to best spend money. The Committee also agreed the need for a long-term commitment to combat malaria, but without creating a long-term dependency on UK funding.

**3.16** In its response, the government agreed with all of the Committee's recommendations, including that the Department should do the following:

- Target resources where the need is greatest and expenditure most effective. The Department will use its country-level poverty diagnostic exercise to inform how it allocates resources for 2015-16, including spending on malaria.
- Be able to compare, by the next spending review, cost-effectiveness at country level, to identify scope for further gains in value for money. The Department will work with its partners on the best solutions and disseminate guidance to its country teams on assessing malaria programmes' cost-effectiveness.
- Design programmes that require the governments of recipient countries to contribute, and to seek additional non-UK resources. Through its bilateral support the Department will encourage countries to increase the share of government spending on health.
- Avoid suppressing local commercial markets for 'paid-for' bed nets. The Department will give guidance to country teams on fostering local markets and work with the commercial sector to harness private sector engagement.

## The Department in a cross-government context

**3.17** In addition to our work on individual departments, the NAO increasingly looks at performance across government, to understand how different departments measure up on important issues. Of the cross-government reports we published in the last year, 3 included some coverage of the Department.

## Government grant services

**3.18** Our report on *Government grant services*[28] examined the scale of government grants, and the challenges that government faces in getting value for money. The Department was one of the 3 that gave most grant funding to recipients outside government. We did not seek to draw conclusions about systemic strengths or weaknesses in individual departments. We did, however, note some examples of good practice at the Department. For instance, it gives staff guidance on alternatives to grants, and its online development tracker tool makes information on its grant programmes available to the public.

## Forecasting

**3.19** In January 2014, our report *Forecasting in government*[29] considered departments' work against good practice. We concluded that forecasting is not taken sufficiently seriously across government and is often hampered by poor quality data and unrealistic assumptions driven by policy agendas. Poor forecasting can result in ill-informed decisions, cost overruns, delay and fewer benefits than predicted.

**3.20** Referring to our 2011 report on financial management in the Department, we noted that the Department had historically managed its outturn close to budget. This was largely through its ability to delay or bring forward payments to partner organisations, rather than through effective forecasting. Staff were reluctant to forecast underspends in case unspent funds were lost. Forecasts were often inaccurate and senior managers did not trust them. The Department said it had addressed the subsequent recommendations from the Committee of Public Accounts.

## Evaluation

**3.21** Our report *Evaluation in government*[30] concluded that the government spends significant resources on evaluating the impact and cost-effectiveness of its spending programmes and other activities. However, coverage of evaluation evidence is incomplete, and the rationale for what the government evaluates is unclear. Evaluations are often not robust enough to reliably identify the impact, and the government fails to use effectively the learning from these evaluations to improve impact and cost-effectiveness.

28 Comptroller and Auditor General, Cross-government, *Government grant services*, Session 2014-15, HC 472, National Audit Office, July 2014.

29 Comptroller and Auditor General, Cross-government, *Forecasting in government to achieve value for money*, Session 2013-14, HC 969, National Audit Office, January 2014.

30 *Evaulation in government*, December 2013.

**3.22** The report noted that the Department was among those departments with their own guidance on what to evaluate and how; and one of only 3 to refer to evaluation in its *Open Data Strategy*.[31] The report also identified promising developments that could be shared and built upon across government. For example, the Department ensures its analysts have the necessary skills to oversee and manage, or design and deliver evaluations, with appropriate accreditation schemes. However, it also found that references to evaluation evidence in allocating its bilateral aid expenditure was highly variable between country plans and thematic areas.

## NAO work in progress

**3.23** We have 1 study in progress on the Department. We plan to report in the winter of 2015 on the Department's management of the Official Development Assistance (ODA) target. This work is considering how the Department prepared for the large increase in its budget from 2013; how it managed delivery of the ODA target in 2013; and where and how it spent its larger budget.

**3.24** The Department is also included as a case study in 4 cross-government studies due to be published in 2015. These are:

- **Payment by results** – The study is a wider comparative study looking at the use of payment by result across government. For the Department the study will look at the criteria for the use of payments by results, the data requirements and evaluation of benefits.
- **Central Government staff** – The study will assess the reduction in staff costs to date and, building on previous work, examine the extent to which departments are developing strategic workforce plans to make further efficiencies in the future.
- **Investigation of travel costs** – The study will assess travel costs across government departments. The Department will feature as a case study.
- **One HMG** – A landscape review looking at progress to date on the various elements One HMG, the Foreign & Commonwealth Office vision to establish their platform as the single platform for the UK Government overseas.

31 Department for International Development Open Data Strategy, April 2012 – March 2014, p. 10.

# Appendix One

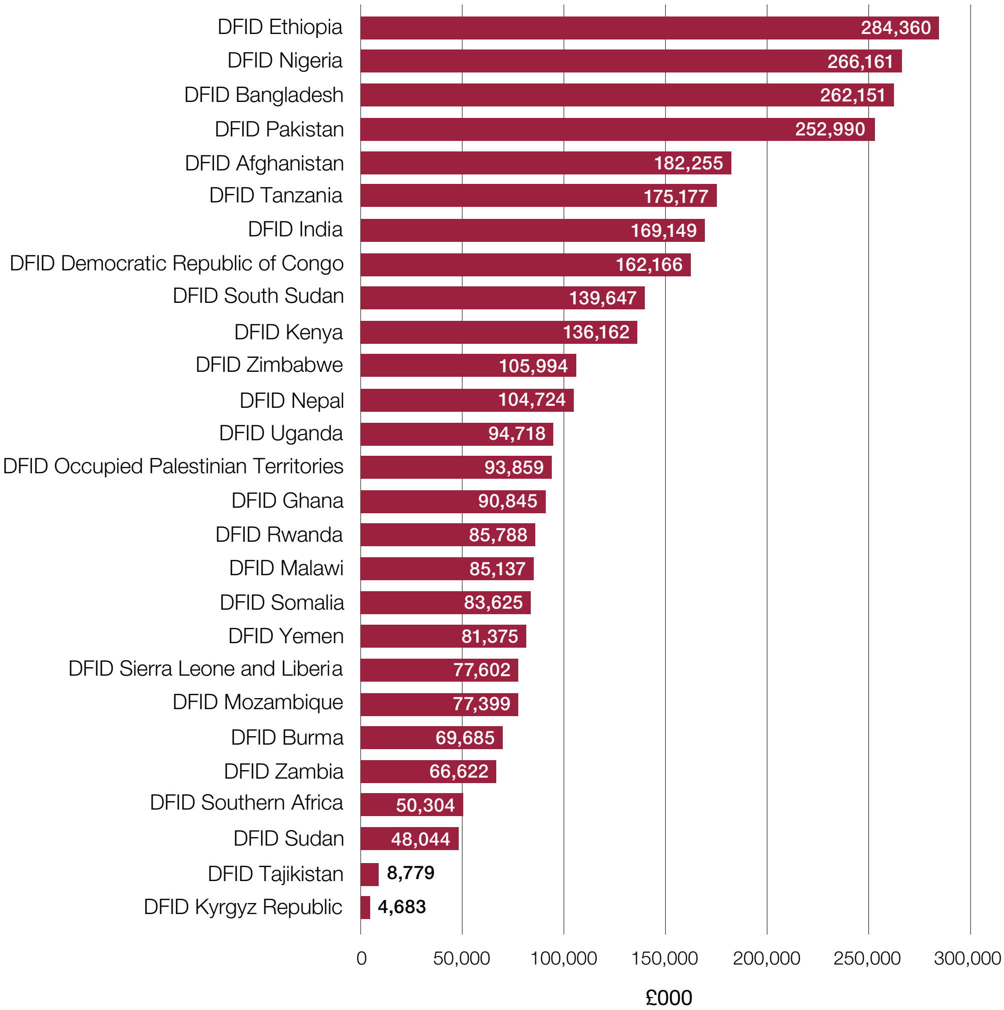
## The Department's sponsored bodies at 1 April 2014

| Name | Other sponsoring bodies | Description | Funding received from the Department in 2013-14 |
|---|---|---|---|
| Independent Commission for Aid Impact | None | The Independent Commission for Aid Impact focuses on maximising the impact and effectiveness of the UK aid budget for intended beneficiaries and the delivery of value for money for the UK taxpayer. | £3.8 million |
| Commonwealth Scholarship Commission | The Foreign & Commonwealth Office and the Department for Business, Innovation & Skills provide some funding. | The Commonwealth Scholarship Commission funds scholarships and fellowships to citizens of Commonwealth and developing countries to attend university in the UK and abroad. | £23.3 million |
| CDC Group plc | None | The Department wholly owns CDC Group plc, formerly the Commonwealth Development Corporation. CDC Group plc is the UK's development finance institution and invests in private firms in developing countries. | CDC Group plc has not had any new government funding since 1995. |

# Appendix Two

## Expenditure in the Department's 28 priority country programmes 2013-14

**Figure 17**
Programme spend 2013-14




**Notes**

1 DFID Sierra Leone and DFID Liberia are combined in this presentation, reflecting the data in Annex A of the Department's Annual Report and Accounts.

2 Total programme expenditure was £3,259 million. This analysis excludes front-line delivery costs.

Source: Department for International Development, *Annual Report and Accounts 2013-14*, July 2014, p. 233

# Appendix Three

## Results of the Civil Service People Survey 2013

| Survey question (% 'strongly agree' or 'agree') | Department for International Development | Civil service benchmark |
|---|---|---|
| Leadership and managing change | | |
| I feel that my department as a whole is managed well | **64** | 43 |
| Senior managers in my department are sufficiently visible | **69** | 51 |
| I believe the actions of senior managers are consistent with my department's values | **62** | 43 |
| I believe that the board has a clear vision for the future of my department | **55** | 42 |
| Overall, I have confidence in the decisions made by my department's senior managers | **57** | 41 |
| I feel that change is managed well in my department | **43** | 29 |
| When changes are made in my department they are usually for the better | **34** | 27 |
| My department keeps me informed about matters that affect me | **69** | 58 |
| I have the opportunity to contribute my views before decisions are made that affect me | **48** | 36 |
| I think it is safe to challenge the way things are done in my department | **44** | 38 |
| Organisational objectives and purpose | | |
| I have a clear understanding of my department's purpose | **94** | 85 |
| I have a clear understanding of my department's objectives | **92** | 80 |
| I understand how my work contributes to my department's objectives | **91** | 83 |

**Notes**

1 These are summary results of the Civil Service People Survey 2013. Not all question scores have been included.

2 The score for a question is the percentage of respondents who strongly agree or agree to that question.

Source: *Civil Service People Survey 2013*, available at: www.civilservice.gov.uk/about/improving/employee-engagement-in-the-civil-service/people-survey-2013, accessed 28 August 2014

| Department for Business, Innovation & Skills (excluding agencies) | Cabinet Office (excluding agencies) | Department for Communities and Local Government (excluding agencies) | Department for Culture, Media & Sport (excluding agencies) | Ministry of Defence (excluding agencies) | Department for Education | Department of Energy & Climate Change | Department for Environment, Food & Rural Affairs (excluding agencies) | Foreign & Commonwealth Office (excluding agencies) | Department of Health (excluding agencies) | HM Revenue & Customs (excluding agencies) | HM Treasury | Home Office (excluding agencies) | Ministry of Justice (excluding agencies) | Department for Transport (excluding agencies) | Department for Work & Pensions (excluding agencies) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 45 | 39 | 43 | 28 | 24 | 32 | 42 | 35 | 57 | 41 | 26 | 67 | 37 | 48 | 41 | 40 |
| 55 | 53 | 53 | 42 | 32 | 41 | 63 | 49 | 60 | 57 | 38 | 75 | 47 | 55 | 57 | 39 |
| 44 | 43 | 42 | 37 | 29 | 35 | 50 | 41 | 57 | 46 | 32 | 63 | 41 | 49 | 45 | 39 |
| 48 | 28 | 39 | 23 | 27 | 29 | 24 | 28 | 53 | 32 | 28 | 54 | 32 | 39 | 34 | 40 |
| 42 | 41 | 39 | 30 | 22 | 30 | 44 | 34 | 51 | 43 | 23 | 64 | 35 | 43 | 37 | 33 |
| 29 | 28 | 29 | 20 | 14 | 21 | 28 | 23 | 40 | 26 | 20 | 47 | 22 | 32 | 25 | 34 |
| 24 | 25 | 20 | 16 | 11 | 16 | 27 | 16 | 35 | 18 | 17 | 40 | 19 | 27 | 21 | 30 |
| 65 | 59 | 60 | 51 | 45 | 53 | 69 | 58 | 62 | 56 | 45 | 70 | 57 | 59 | 60 | 58 |
| 38 | 34 | 41 | 30 | 23 | 29 | 42 | 31 | 44 | 37 | 25 | 48 | 34 | 37 | 33 | 35 |
| 40 | 42 | 39 | 32 | 33 | 31 | 48 | 38 | 46 | 36 | 33 | 58 | 37 | 39 | 40 | 42 |
| 85 | 73 | 75 | 70 | 82 | 83 | 89 | 77 | 84 | 77 | 80 | 93 | 84 | 82 | 80 | 85 |
| 79 | 63 | 72 | 62 | 74 | 77 | 86 | 74 | 81 | 73 | 77 | 88 | 81 | 77 | 75 | 83 |
| 84 | 73 | 78 | 74 | 79 | 81 | 87 | 79 | 84 | 78 | 80 | 88 | 82 | 80 | 79 | 84 |

# Appendix Four

## Publications by the NAO on the Department since April 2013

| Publication date | Report title | HC Number | Parliamentary session | Link to website |
|---|---|---|---|---|
| July 2014 | Oversight of the Private Infrastructure Development Group | HC 265 | 2014-15 | www.nao.org.uk/wp-content/uploads/2014/07/Oversight-of-the-private-infrastructure-development-group.pdf |
| December 2013 | Briefing to support the International Development Committee's inquiry into the Department for International Development's Annual Report and Accounts 2012-13 | N/A | N/A | www.nao.org.uk/wp-content/uploads/2014/01/Revised-brief_7-Jan-tidied.pdf |
| December 2013 | Departmental Overview: The performance of the Department for International Development 2012-13 | N/A | N/A | www.nao.org.uk/wp-content/uploads/2013/12/10323-001-DFID-Departmental-overview.pdf |
| September 2013 | 2012-13 review of the data systems for the Department for International Development | N/A | N/A | www.nao.org.uk/wp-content/uploads/2013/07/009877-010_DFID_Data-summary-sheet.pdf |
| July 2013 | Malaria | HC 534 | 2013-14 | www.nao.org.uk/wp-content/uploads/2013/07/10181-001-Malaria-Book.pdf |
| June 2013 | Briefing to support the International Development Committee's inquiry into the Multilateral Aid Review | N/A | N/A | www.nao.org.uk/wp-content/uploads/2013/Brief-for-IDC-on-MAR_19-06-13.pdf |

# Appendix Five

## Cross-government reports of relevance to the Department

| Publication date | Report title | HC Number | Parliamentary session | Link to website |
|---|---|---|---|---|
| July 2014 | Government grant services | HC 472 | 2014-15 | www.nao.org.uk/wp-content/uploads/2014/07/Government-grant-services.pdf |
| January 2014 | Forecasting in government to achieve value for money | HC 969 | 2013-14 | www.nao.org.uk/wp-content/uploads/2015/01/Forecasting-in-government-to-achieve-value-for-money.pdf |
| December 2013 | Evaluation in government | N/A | N/A | www.nao.org.uk/wp-content/uploads/2013/12/10331-001-Evaluation-in-government_NEW.pdf |

# Where to find out more

The National Audit Office website is
**www.nao.org.uk**

If you would like to know more about the NAO's work on the Department for International Development please contact:

**Tom McDonald**
Director
020 7798 7706
tom.mcdonald@nao.gsi.gov.uk

If you are interested in the NAO's work and support for Parliament more widely, please contact:

**Adrian Jenner**
Director of Parliamentary Relations
020 7798 7461
adrian.jenner@nao.gsi.gov.uk

Twitter: @NAOorguk

© National Audit Office 2014

The material featured in this document is subject to National Audit Office (NAO) copyright. The material may be copied or reproduced for non-commercial purposes only, namely reproduction for research, private study or for limited internal circulation within an organisation for the purpose of review.

Copying for non-commercial purposes is subject to the material being accompanied by a sufficient acknowledgement, reproduced accurately, and not being used in a misleading context. To reproduce NAO copyright material for any other use, you must contact copyright@nao.gsi.gov.uk. Please tell us who you are, the organisation you represent (if any) and how and why you wish to use our material. Please include your full contact details: name, address, telephone number and email.

Please note that the material featured in this document may not be reproduced for commercial gain without the NAO's express and direct permission and that the NAO reserves its right to pursue copyright infringement proceedings against individuals or companies who reproduce material for commercial gain without our permission.

This report has been printed on Evolution Digital Satin and contains material sourced from responsibly managed and sustainable forests certified in accordance with the FSC (Forest Stewardship Council).

The wood pulp is totally recyclable and acid-free. Our printers also have full ISO 14001 environmental accreditation, which ensures that they have effective procedures in place to manage waste and practices that may affect the environment.

National Audit Office

Design and Production by NAO Communications
DP Ref: 10524-001