National Audit Office

A Short Guide to the

Department for International Development

September 2017

About this guide and contacts

This Short Guide summarises what the Department for International Development does, how much it costs, recent and planned changes and what to look out for across its main business areas and services.

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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. 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 £734 million in 2016.

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Overview

Key facts about the Department for International Development in 2016-17

0.7%
Official Development Assistance (ODA) spending as a percentage of the UK's gross national income in 2015, meeting the OECD target for the third year running

£10.4 billion
The Department's expenditure in 2016-17

11%
Percentage of ODA that was spent via the EU in 2015

£16.3 billion
Amount the UK expects to spend on ODA in 2020

26%
Percentage of ODA spent by other government departments, cross-government funds and other payments in 2016, compared with 13% in 2012

50%
Target for the minimum percentage of the Department's budget to be spent each year in fragile and conflict-affected states and regions

32
Number of countries in which the Department works directly across Africa, Asia and the Middle East

2,985
Number of full time equivalent staff as at 31 March 2017 (compared to 2,818 as at 31 March 2106) – around 45% of whom are based overseas

£1.28 billion
Amount of bilateral ODA spent on humanitarian assistance in 2015, compared with £434 million in 2012

About the Department for International Development

The Department for International Development (the Department) leads the UK government's effort to end extreme poverty, deliver the 17 Sustainable Development Goals (see figure on right) **overseas, and tackle global challenges in line with the government's UK Aid Strategy.**

In **June 2015**, UK enshrined in law a **commitment to spend 0.7%** of gross national income on Official Development Assistance (ODA) – defined as government aid to promote the economic development and welfare of developing countries.

The Department's activities contribute to this commitment and to the **four strategic objectives** in the government's **Aid Strategy** (November 2015):

- strengthening global peace, security and governance;
- strengthening resilience and response to crisis;
- promoting global prosperity; and
- tackling extreme poverty and helping the world's most vulnerable.

The Department is committed to the **17 Sustainable Development Goals** (also known as the Global Goals) agreed at the UN Sustainable Development Summit in **September 2015**. These aim to eradicate extreme poverty by 2030.

The Department **prioritises** its interventions to focus on the **poorest countries** around the world.

The Department works with a **range of partners** including other UK government departments, bilateral development partners and partner countries, multilateral institutions, civil society organisations and the private sector.

In July 2016, the **Rt Hon Priti Patel MP** was appointed Secretary of State for International Development.

Zoom Out

Zoom In +

Key trends

An increasing proportion of the UK's growing overseas aid budget is being spent by other areas of government

The 2015 *UK Aid Strategy* stated the Department "will remain the UK's primary channel for aid, but that, to respond to the changing world, more aid will be administered by other government departments, drawing on their complementary skills".

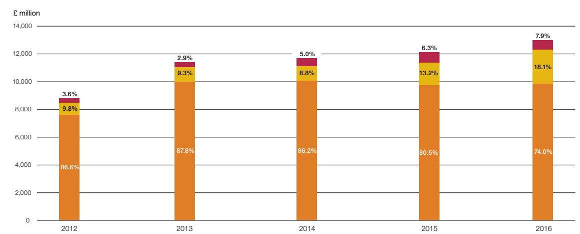
Official Development Assistance expenditure has increased every year since 2012, rising to £13.348 billion in 2016.

The Department remains responsible for the majority of this spend, but the proportion spent by other government departments and cross-government funds and via other payments and attributions has increased from 13% in 2012 to 26% in 2016.

Zoom Out Zoom In +

Official Development Assistance (ODA) expenditure 2012 to 2016

UK ODA is spent predominantly by the Department for International Development, although the proportion is decreasing



	2012	2013	2014	2015	2016
Other ODA	317	329	582	768	1,052
Other government department ODA	861	1,062	1,034	1,602	2,423
Department for International Development ODA	7,624	10,016	10,084	9,767	9,874
Total ODA	**8,802**	**11,407**	**11,700**	**12,138**	**13,348**

Notes

1 Figures are on a calendar year basis.

2 2016 figures are provisional.

3 Some figures do not sum due to rounding.

Source: Department for International Development Statistics on International Development 2016 (Table A), November 2016 and Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016, April 2017

An increase in the Department's expenditure on crises

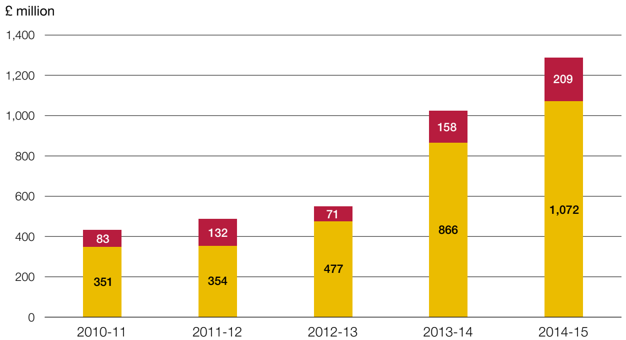
In 2010-11, the Department spent £434 million on humanitarian assistance – a reasonable proxy for its spending on responding to crises. In 2014-15, it spent £1,281 million – an increase of almost 200%.

Much of the increase is accounted for by the Department's recent interventions in the Middle East and other countries where it did not previously have development programmes. Its response to the Ebola outbreak in Sierra Leone also contributed to the increase.

Most of the growth in the Department's spending in this area came through an increase in bilateral spending (earmarked for a particular country, region, or programme).

Zoom Out Zoom In +

The Department's spending on humanitarian assistance 2010-11 to 2014-15



Multilateral aid

Bilateral aid

Source: National Audit Office analysis of the Department for International Development's data

Where the Department spends its money – types of programmes

In 2016-17 the Department spent £10,442 million against a budget of £10,608 million – an underspend of £166 million. The majority – £10,013 million (96%) – was spent on development and humanitarian programmes.

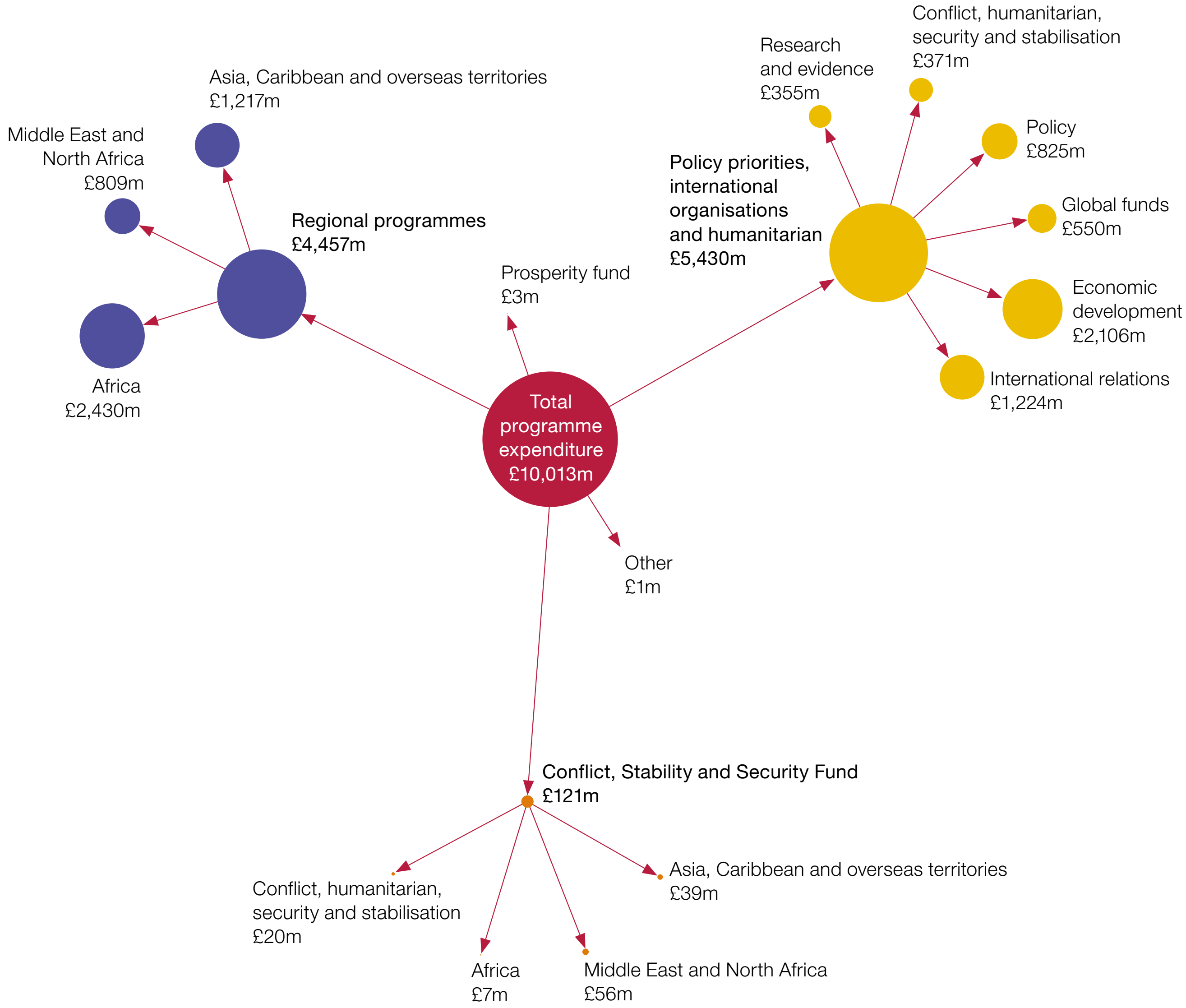
Some **£4,457 million (45%) was spent on the Department's country and regional programmes**. Just over half of these programmes (£2,430 million) are in central, west and east Africa.

Around **£5,430 million (54%) was spent by central teams to fund multilateral, humanitarian and other policy priorities such as economic development**. These programmes cover a range of countries or regions.

The remaining £124 million, 1% of the Department's spend, was allocated to two cross-government funds:

- The **Conflict, Security and Stability Fund** (CSSF) (£121 million) has a budget of around £1 billion a year (funded by contributions from the Foreign & Commonwealth Office and the Ministry of Defence as well as the Department). The CSSF funds programmes which tackle conflict and build stability overseas, particularly in fragile states and regions.

- The **Prosperity Fund** (£3 million) was launched in April 2016, and has a budget of £1.3 billion over five years. It aims to fund projects which support economic development in countries which are eligible for Official Development Assistance support.



Where the Department spends its money – regional and country programmes

In 2016-17, the Department worked directly in **32 countries** across Africa, Asia and the Middle East.

In addition, it worked and funded projects in Sahel (a humanitarian response), Ukraine (a humanitarian response), and Indonesia (a climate change project).

It also has five **regional programmes** covering Africa, Asia, Middle East and North Africa and the Caribbean, and relationships with three aid-dependent **overseas territories**: St Helena, the Pitcairn Islands and Montserrat.

The Department's **largest country programme in 2016-17 was in Pakistan** (£422 million, or 9% of programme expenditure by individual country). The top five countries in 2016-17 (Pakistan, Ethiopia, Nigeria, Syria and Tanzania) represented around 34% (£1.52 billion) of the programme expenditure by individual country.

The Department also distributes funding through multi-country programmes and through contributions to multilateral organisations.

Zoom Out

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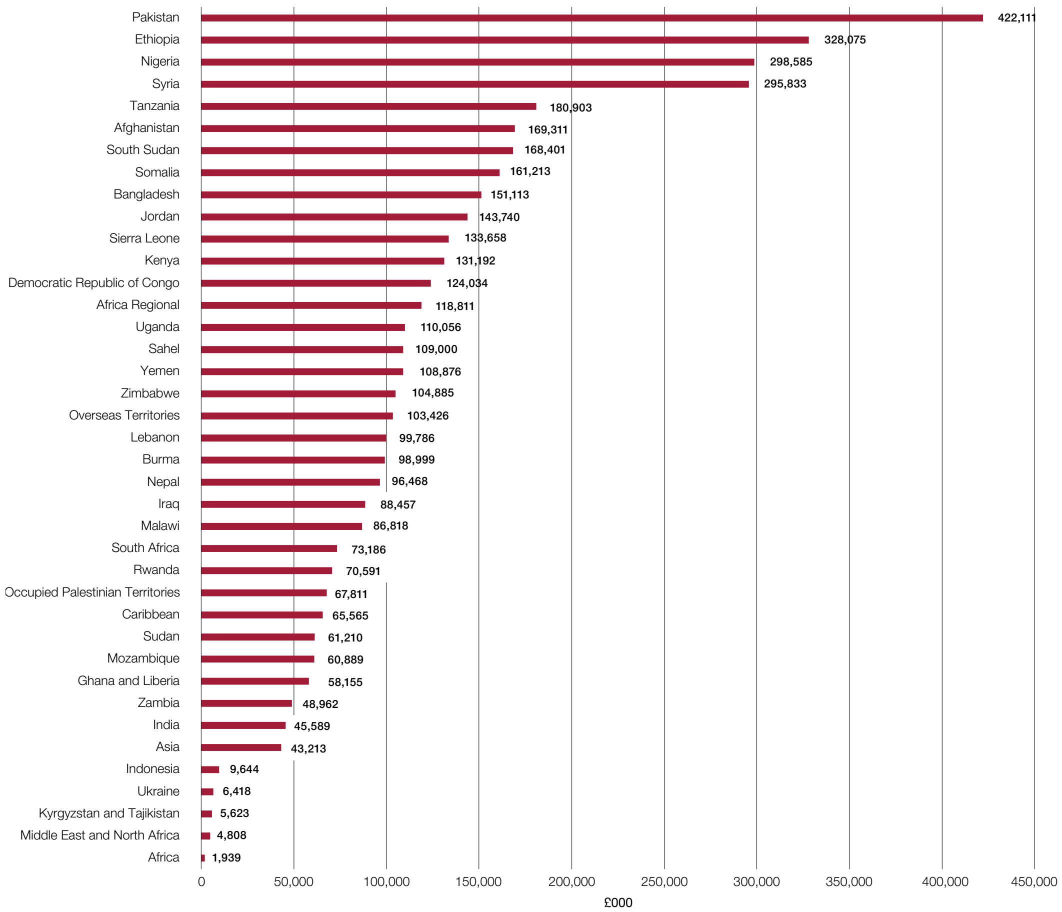
The Department's Regional Programme expenditure 2016-17

Departmental country or regional office



Note

1 Central Asia covers two countries – Kyrgyzstan and Tajikistan.

Spending trends in the Department's expenditure

Since 2010, the Department's budget has been increased significantly to meet the government's commitment to spend 0.7% of gross national income on overseas aid. The Department spent £10.4 billion in 2016-17, compared with £7.7 billion in 2010-11 (an increase of 35%).

Within the overall increase in the Department's expenditure, administrative costs have reduced from £110 million in 2014-15 to £97 million in 2016-17. Administrative costs were less than 1% of the Department's overall spend in 2016-17, compared with 1.9% in 2010-11 (£148 million in 2010-11).

An overview of the Department's 2015 Spending Review settlement

The Spending Review on 25 November 2015 confirmed the government's commitment to spend 0.7% of gross national income on Official Development Assistance (ODA), rising to £16.3 billion by 2020. The commitment to maintain the 0.7% target has been re-affirmed in subsequent Budget settlements.

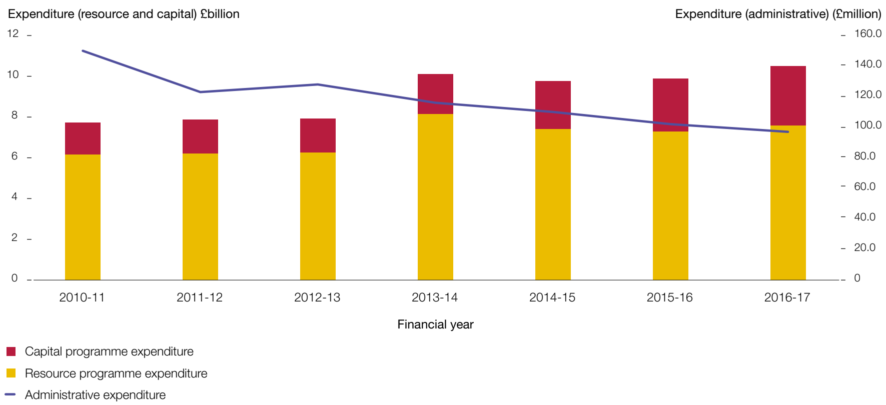
The Spending Review set the Department's expenditure for 2019-20 at £14 billion.

The highlights of the settlement were as follows:

- the Department will remain the UK's primary channel for aid, but more aid will be administered by other government departments;
- 50% of the Department's budget will be allocated to fragile states and regions for every year of the Parliament;
- a new £500 million ODA crisis reserve, to support cross-government responses to crises as they happen;
- an increase in aid spending for the Syrian crisis and the related region (as well as the Department's own spending, £460 million of ODA to be spent resettling 20,000 Syrian refugees in the UK, overseen by the Home Office and the Department for Communities and Local Government); and
- efficiency savings of £400 million by 2019-20 – for example, through changes to its administrative functions including improvements to its central contract management, digital platform and technology.

Zoom Out Zoom In+

The Department's total expenditure: 2010-11 to 2016-17



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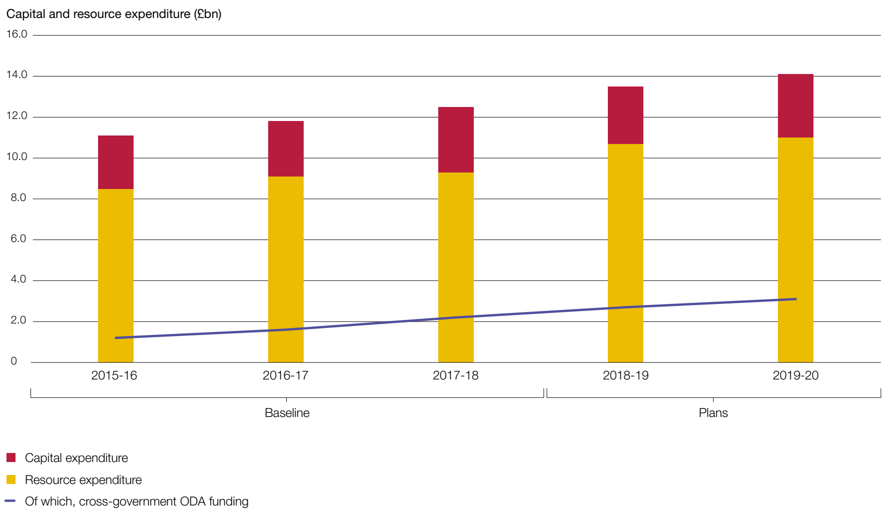
The Department's Spending Review settlement 2015



Major programmes and developments

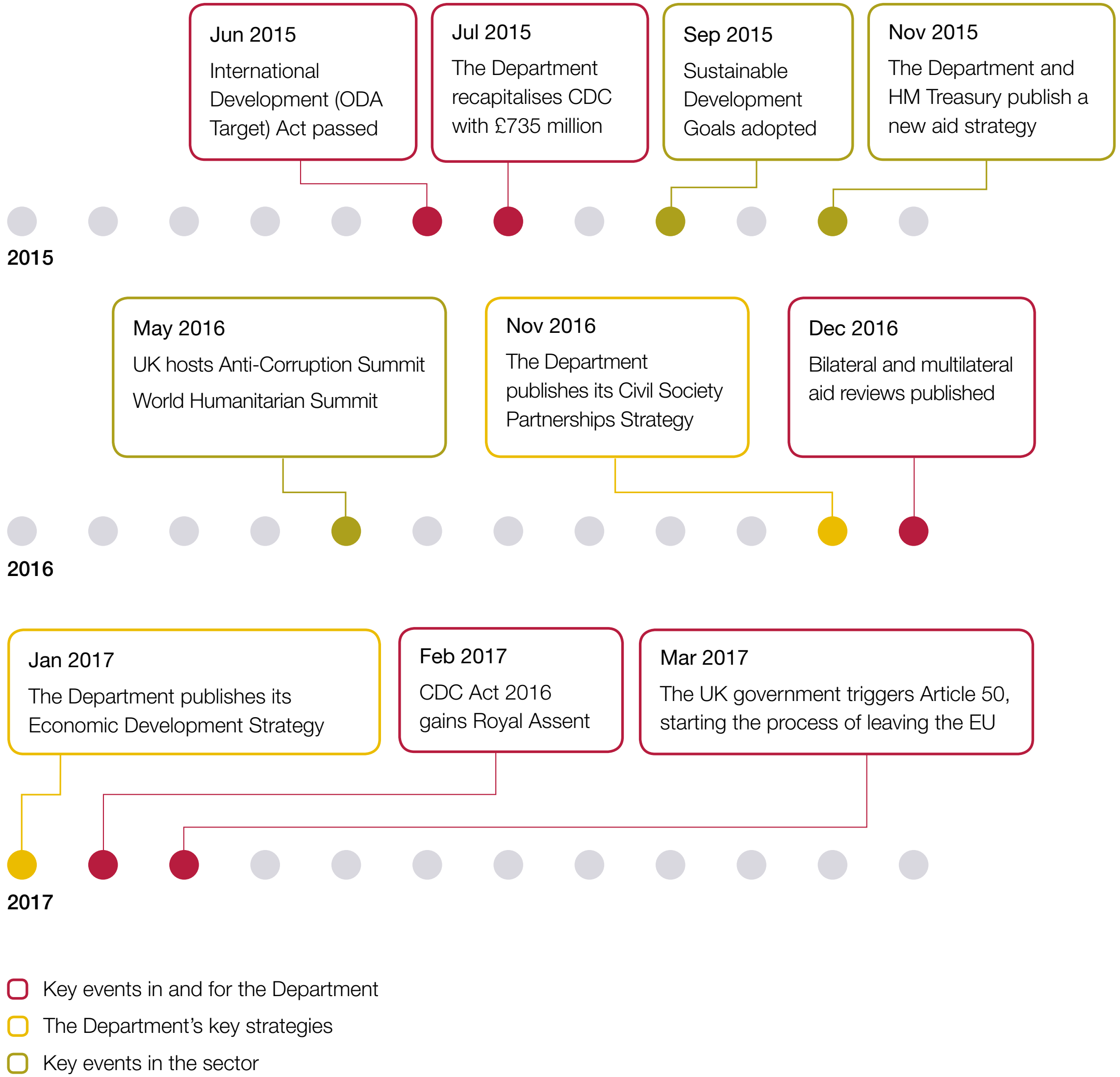
Key changes to UK aid spending

The aid budget is being redistributed across government: by the end of the Spending Review period, more than a quarter of UK aid – as much as £4 billion – will be spent outside the Department.

The mix of aid instruments is changing:

- The Department is preparing for large increases in its **development capital investment portfolio** (loans, guarantees and equity investments which support the building of businesses in poorer countries).
- In July 2015, the Department invested £735 million in **CDC**, the Department's principal mechanism for encouraging private sector investments in developing countries. The CDC Act in 2017 **increased the existing limit of government funding** for CDC, a private company owned by the Secretary of State for International Development, from £1.5 billion to £6 billion.
- Large new **cross-government funds and programmes** have been created to channel investments in global prosperity, scientific and medical research, conflict and instability, and climate change.

The geographical scope of UK aid is shifting: Government has pledged to increase its focus on drivers of instability in the Middle East and North Africa. Through its Prosperity Fund, it is also seeking to promote economic growth in places that offer opportunities for British and international businesses, which is likely to be middle-income countries.



Key themes from NAO reports

Securing value for money in the context of changing demands

Our January 2016 report on Responding to crises found that **the Department was responding to an increasing number of crises, with spending on humanitarian interventions almost trebling between 2010-11 and 2014-15 to reach £1,281 million**. The Department was well placed to secure value for money for sudden-onset crises and more stable protracted crises, but its management of more fluid and protracted crises had yet to reach a similar level of maturity.

Assessing the costs and benefits of major projects

Our June 2016 investigation Realising the benefits of the St Helena Airport project examined the **key assumptions in the Department's business case to support its £286 million investment in an airport on St Helena, and the likelihood of realising the benefits**. The airport is now operational with scheduled commercial flights due to commence in October 2017, following a delay due to the impact of wind conditions on safe landing.

The Department's cost–benefit model for the project was particularly sensitive to two assumptions – the number of tourists who will visit the island once the airport opens and the amount they will spend. The year in which the Department stops paying a subsidy, and the amount paid will depend on whether these assumptions are exceeded or missed.

Measuring the impact of development

In 2015-16, the Department approved a £735 million recapitalisation of CDC Group Plc (CDC) to expand its business. Our November 2016 report Investing through CDC found that **the Department's oversight of CDC had improved**, and it had directed CDC to address weaknesses previously identified to Parliament. The governance arrangements were thorough, but should make explicit the Department's role in investment decisions.

CDC has met the target for financial performance it agreed with the Department. A clearer picture of actual development impact would help to demonstrate the value for money of the Department's investment. The Department and CDC have agreed an expanded approach to monitoring and evaluating development impact as part of CDCs new strategic framework launched in July 2017.

Managing fraud risks

Our February 2017 Investigation into the Department's approach to tackling fraud found that the increase in the Department's spending, plus its commitment to spend 50% of its budget in fragile and conflict-affected states (many of which are among the most corrupt countries), have altered the risk of fraud.

The Department had changed its counter-fraud strategy in response to criticism from external scrutiny bodies. The number of fraud allegations reported to the Department quadrupled between 2010-11 and 2015-16.

The Department lost around 0.03% of its budget to fraud in 2015-16 (£3.2 million). Since 2003, the Department has recovered around two-thirds, by value, of the reported fraud loss.

Accountability to Parliament

1

A clear expression of spending commitments and objectives

The Department leads the UK's development work overseas in line with the government's UK Aid Strategy and its Single Departmental Plan. These set out four strategic objectives:

1. Strengthening global peace, security and governance.
2. Strengthening resilience and response to crises.
3. Promoting global prosperity.
4. Tackling extreme poverty and helping the world's most vulnerable.

The Department's Plan also includes a focus on improving the value for money and transparency of the UK's aid spending.

2

A mechanism or forum to hold to account

The Department is accountable to Parliament primarily through the Committee of Public Accounts and the International Development Committee.

Since 2011 the Independent Commission for Aid Impact (ICAI) has been responsible for the scrutiny of UK aid spending. It reports to the International Development Committee.

The Department published its Accounting Officer System Statement (AOSS), setting out all its accountability relationships and processes, alongside its annual report and accounts. The statement covered issues such as relationships with arm's-length bodies, major contracts and funding of multilaterals.

3

Clear roles and someone to hold to account

The Secretary of State for International Development, Rt Hon Priti Patel MP, sets the overall strategy and direction of the department. She leads the Department's ministerial team, comprising Rory Stewart OBE MP, Lord Bates and Rt Hon Alistair Burt MP.

Since July 2017, Nick Dyer has been the Acting Permanent Secretary and Accounting Officer of the Department, directly accountable to Parliament for spending and providing strategic direction to the management of the Department's operations, staff and financial resources.

4

Robust performance and cost data

In addition to its annual report and accounts, the Department publishes programme information on DevTracker, using the International Aid Transparency Initiative standard.

The Department's business cases and humanitarian submissions are required to provide evidence that due regard has been given to gender equality when providing development or humanitarian assistance, as required by the International Development (Gender Equality) Act 2014.

The International Development (Reporting and Transparency) Act 2006 requires the Department to report annually to Parliament on development policies and programmes, the provision of development assistance, and the way that it is used.

Managing Official Development Assistance (ODA) expenditure

Official Development Assistance is the amount of public money a country spends on overseas aid. The UK committed to spend 0.7% of its national income in this way from 2013, which it has achieved.

While the Department for International Development spends the majority of the UK's ODA, its contribution relative to that of other government departments is declining.

Managing the Official Development Assistance target – background

Managing the Official Development Assistance target – what did we find

Managing the Official Development Assistance target – background

What is Official Development Assistance?

Official Development Assistance (ODA) is the Organisation for Economic Co-operation and Development (OECD)'s **measure of expenditure on overseas aid**.

In 2010, the coalition government committed to spend 0.7% of UK gross national income on ODA from 2013 onwards: 0.7% is the proportion of a nation's income that UN has said developed countries should aim to spend on overseas aid. The 0.7% target was enshrined in legislation in 2015.

In 2015, the third year that the UK met the target, ODA was £12,138 million.

Who spends ODA?

The Department has always spent the majority of the UK's ODA and is the spender of last resort.

In 2015, the government decided that more expenditure would come from departments and cross-government funds, with less in relative terms from the Department for International Development.

The Department is the spender of last resort – it must spend the difference between ODA expenditure by other government departments and the total required to meet the target.

Zoom Out

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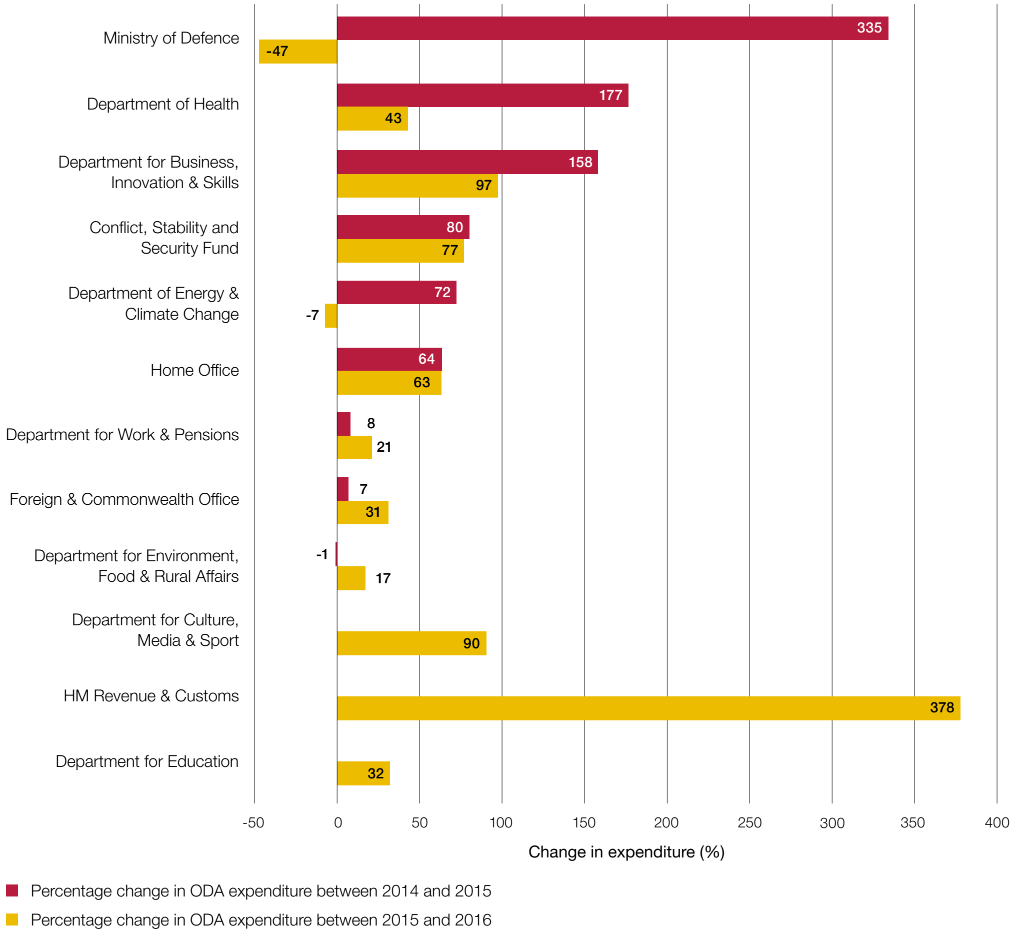
Changes in other government departments' ODA expenditure – 2014 to 2016

Between 2014 and 2016, government departments and cross-government funds saw an increase in their ODA expenditure



Managing the Official Development Assistance target – what did we find?

In our 2017 report **Managing the Official Development Assistance target** we concluded that:

- the UK had **met the ODA target** for 2013, 2014, 2015 and provisionally for 2016 – with sources other than the Department contributing an increasing proportion of total ODA expenditure;
- the Department had **improved its own management** of its ODA expenditure and had provided support to other government departments which had seen their ODA expenditure increase;
- responsibilities for the target are **fragmented across government**;
- despite government's efforts to **coordinate its approach**, we identified **gaps in responsibility and accountability**. For example, **no single part of government** has responsibility for monitoring the overall effectiveness and coherence of ODA expenditure;
- departments took **positive steps to build their capacity** to manage their larger ODA budgets; and
- are **experiencing similar challenges** to those the Department faced in 2013 (when its budget was increased). For example, some departments spent more than 50% of their budget in the final quarter of the 2016 calendar year (see the figure opposite); and some departments also **struggled to spend their ODA** budgets.

Zoom Out

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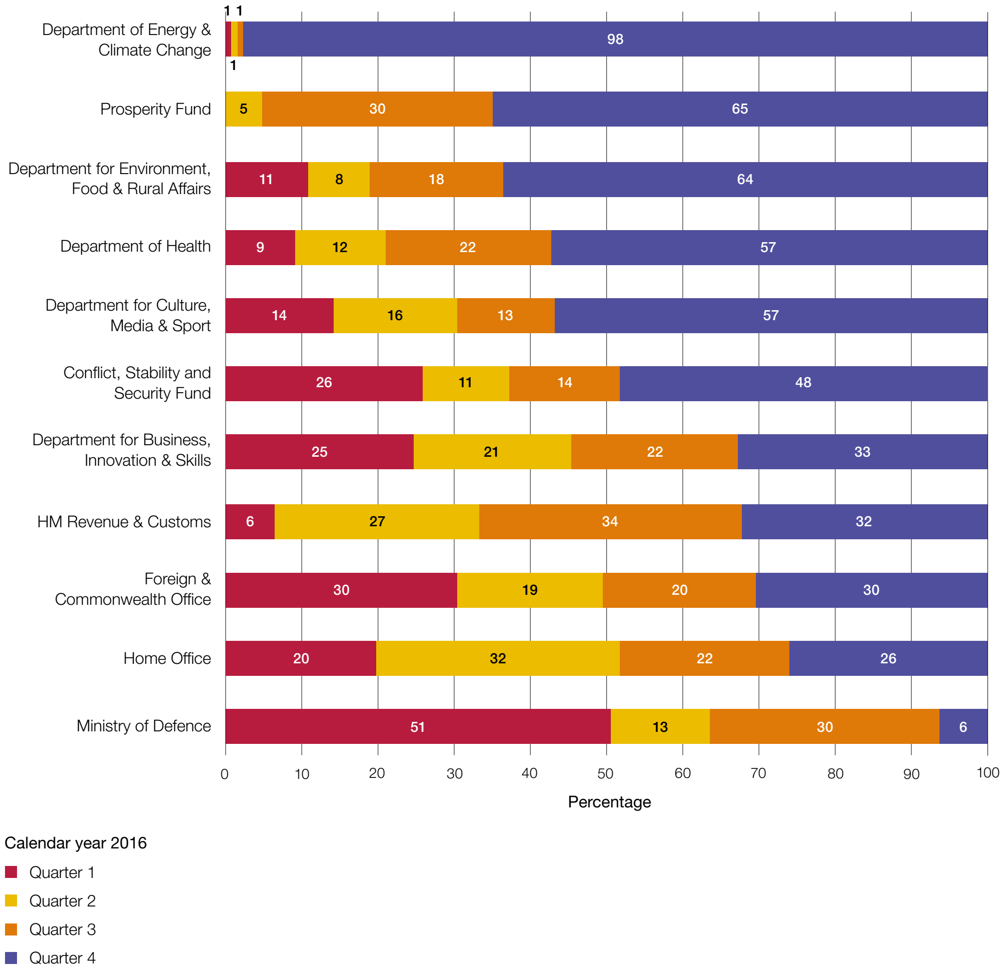
Profile of 2016 ODA expenditure in other government departments and cross-government funds



Responding to humanitarian crises

Responding to humanitarian crises is one of the Department for International Development's key responsibilities. The Department spends more than £1 billion each year providing humanitarian assistance as a result of crises caused by natural disasters, weather events (such as droughts), outbreaks of disease, and conflict. The Department also spends on improving resilience to future crises and tackling climate change.

The Department's response to humanitarian crises

The Department's response to crises – our report

The Department's response to humanitarian crises

The Department aims to **respond rapidly and decisively** to save lives when crises occur. In 2016-17, the Department provided humanitarian assistance in response to a number of crises.

- **Food security crises and famine** caused by conflict and drought – for example, South Sudan (£105 million) and Somalia (£110 million).
- **Conflict-affected countries** – for example, Iraq (£95 million), the Sahel region (£70 million) and the Central African Republic (£20 million).
- **Natural disasters** – such as the El Nino drought (£134 million) and Hurricane Matthew in Haiti in October 2016 (£8 million).

The Department has continued to respond to the ongoing crisis in **Syria** and the surrounding region, and to tackle **migration in the Mediterranean**.

How does the Department respond to crises?

It works with **departments** (for example, Ministry of Defence, Foreign & Commonwealth Office) and **partners** (host country governments, multilateral organisations, non-governmental organisations and private contractors).

It looks to **build resilience** of developing countries through programmes which help them **prepare for a disaster**.

Zoom Out

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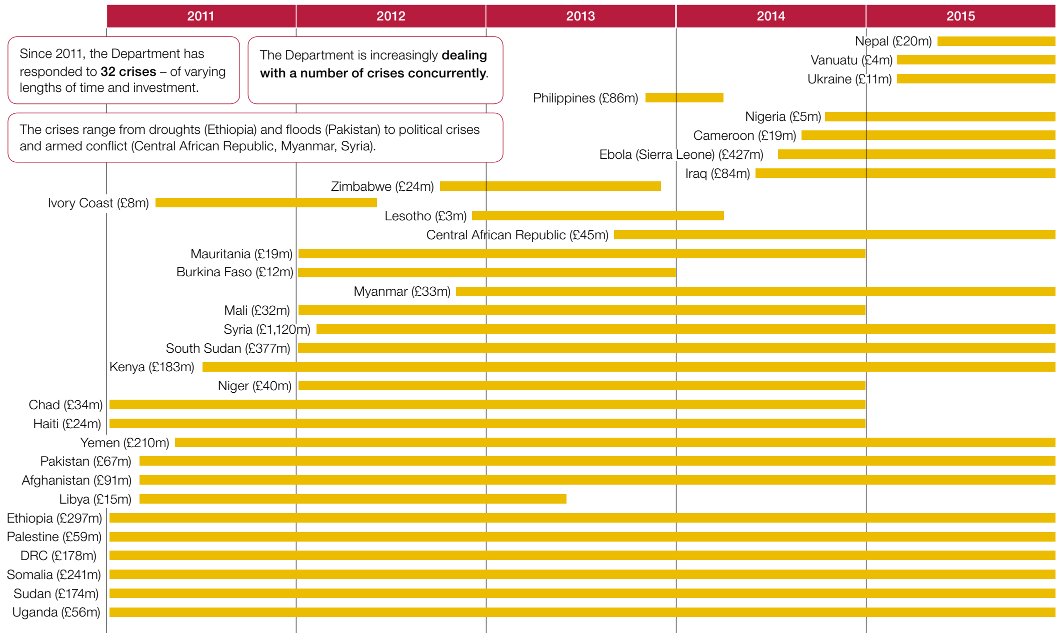
The Department has responded to 32 crises since 2011



DRC = Democratic Republic of Conga

Our work on the Department's response to crises

In 2016 we published our report assessing the Department's response to crises.

We concluded that it had a well developed approach to **monitoring progress**, scaled up its **capacity** to respond to an increasing number of crises, and developed good **working relationships** with other government departments.

It did not, however, have comprehensive criteria to underpin whether, and then when and how, to **exit from crises** and needed to do more to manage the value for money of **working through partners**.

The Department's response to crises – our report

The nature of the crisis

Sierra Leone was one of the **worst-affected countries** of the five-country wide West African Ebola virus epidemic; the World Health Organization reported 3,995 deaths and 14,122 cases as of January 2016.

How did the Department respond to the crisis?

The UK led the international response in Sierra Leone to the Ebola virus epidemic through committing **a £427 million package to help contain, control, treat and defeat the epidemic**. The package also covered short-term activities to help rebuild society following the social and economic damage caused by the outbreak. The Department's response was managed by an Ebola Crisis Unit (primarily based in London) and the country office team.

The Department worked with **a range of partners** – for example, Save the Children, the Ministry of Defence and the NHS, and the UN and Red Cross movement.

Key aspects of the Department-led response included:

- setting up a cross-departmental **task force**;
- constructing and staffing **six treatment centres**;
- constructing **three laboratories** to speed up diagnosis; and
- supporting **prevention and infection control** services.

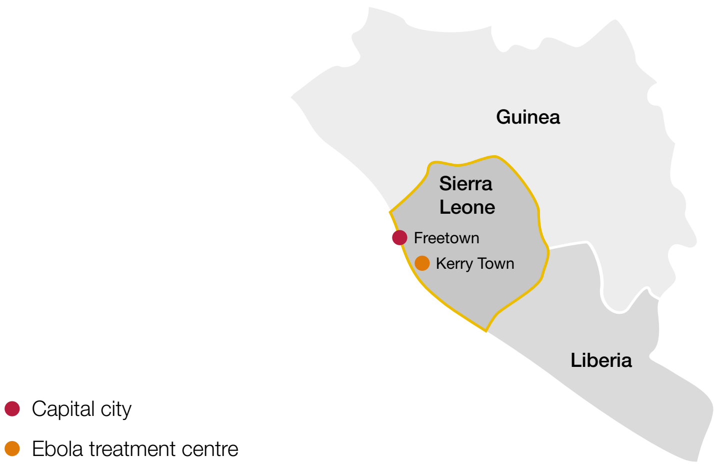
Key issues

The Department's response to the Ebola outbreak in Sierra Leone was **one of five case studies** in our report on the Department's response to crises.

We concluded that:

- the Department worked closely with **other government departments** – in particular, the Ministry of Defence. This was in part due to the commitment of both Secretaries of State and the pre-existing military presence in Sierra Leone;
- the Department **'surged' more than 250 staff** to support its response – it experienced difficulties getting all the right skills available at high speed; and
- the **international system had limited capacity** to respond to the epidemic.

Ebola crisis in Sierra Leone



Review of multilateral and bilateral aid

In December 2016, the Department published reviews of its two main funding streams.

- The Bilateral Development Review assessed where and how the Department delivers UK aid in partner countries.
- The Multilateral Development Review looked at the organisational effectiveness of the multilateral organisations the Department funds and their alignment with its objectives.

The Department's review of multilateral spending

The Department's review of bilateral expenditure

The Department's review of multilateral spending

Multilateral funding (38% of the Department's spending in 2015-16) is money allocated to multilateral organisations as core funding (to be used for purposes in line with the organisation's mandate and pooled with funding from other donors) and for specific purposes.

The Department's review of multilateral spending

In 2016, the Department reviewed the performance of the multilateral system it funded and published the results (Raising the standard: the Multilateral Development Review 2016).

The Department examined **every agency it provided more than £1 million of core funding annually**. It scored each against **two criteria**: how well the agency's own objectives matched with the Department's development and humanitarian objectives and the agency's organisational strengths (see figure on right).

Key findings from the Department's review:

- Most of the international system was performing well with organisations including: the World Bank, the Global Fund to Fight AIDS, TB and Malaria, and Gavi, the Vaccine Alliance, achieving exceptional results.
- A small number of organisations are under-performing – the Department said it was taking action to address these issues.
- The multilateral system as a whole was falling short of its potential because agencies, and the wider UN family, were not working together.

As part of the review the Department **set out more detailed requirements** for multilateral agencies in receipt of the Department's funding, such as increased transparency about management and administration budgets.

Zoom Out Zoom In +

Multilateral Development Review agency scores

Multilateral agency	Match with UK development objectives	Organisational strength
African Development Bank	Good	Good
Asian Development Bank	Good	Very Good
Caribbean Development Bank	Good	Adequate
Central Emergency Response Fund	Very Good	Adequate
Climate Investment Funds	Good	Good
Commonwealth Secretariat	Adequate	Adequate
European Bank for Reconstruction and Development	Good	Good
European Commission development (DCI and EDF)	Very Good	Good
European Commission Humanitarian Aid and Civil Protection	Very Good	Good
Food and Agriculture Organisation	Good	Good
Gavi, the Vaccine Alliance	Very Good	Very Good
Global Environment Facility	Good	Good
Global Facility for Disaster Reduction and Recovery	Adequate	Adequate
Global Fund	Very Good	Very Good
Global Green Growth Institute	Not scored	Not scored
Global Partnership for Education	Very Good	Adequate
Green Climate Fund	Not scored	Not scored
Inter-American Development Bank	Good	Good
International Committee of the Red Cross	Very Good	Good
International Federation of Red Cross and Red Crescent Societies	Very Good	Adequate
International Finance Corporation	Good	Good
International Fund for Agricultural Development	Good	Good
International Organisation for Migration	Good	Adequate
Office of the High Commissioner for Human Rights	Good	Adequate
Private Infrastructure Development Group	Good	Good
UNAIDS	Good	Adequate
UNFPA	Good	Good
UNICEF	Very Good	Good
UNITAID	Very Good	Good
United Nations Development Programme	Good	Good
United Nations Educational, Scientific and Cultural Organisation	Adequate	Weak
United Nations High Commission for Refugees	Good	Adequate
United Nations Office for the Coordination of Humanitarian Affairs	Good	Adequate
United Nations Peacebuilding Fund	Very Good	Adequate
UN Women	Good	Adequate
World Food Programme	Good	Good
World Health Organisation	Very Good	Adequate
World Bank (IDA and IBRD)	Very Good	Very Good

Note

1 A list of organisations which receive multilateral aid, available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/573884/Multilateral-Development-Review-Dec2016.pdf

Source: Department for International Development, Raising the standard: the Multilateral Development Review 2016, December 2016

The Department's review of bilateral expenditure

Bilateral funding (62% in 2015-16) is spending the Department has earmarked for a particular country, region or project, and is a mix of development and humanitarian spending.

The Department's review of its bilateral aid

The Department's review of its bilateral aid assessed the shape of the Department's portfolio, its geographical focus and the mix of delivery channels. It also considered the barriers to poverty reduction and inclusive growth.

The Department concluded that it would:

- **focus support where it is most needed** by continuing to support the world's poorest countries and increasing our focus on more fragile states and regions, including the Middle East and Sahel;
- **intensify its efforts to help countries transition from aid** by growing their economies, strengthening their institutions, enabling them to raise revenues, combat corruption and increasingly finance their own development; and
- **take a more comprehensive approach to each country**, developing a package of support that includes a range of the Department's delivery channels, as well as cross-government funds and UK aid disbursed through international financial institutions and other multilateral organisations.

How does the Department spend its bilateral aid?

Delivery route	2013-14	2014-15
Bilateral development assistance through multilateral organisations	£1.4 billion	£1.3 billion
Bilateral development assistance through non-governmental organisations	£1.0 billion	£1.0 billion
Financial development assistance to recipient governments	£1.2 billion	£0.9 billion
Humanitarian assistance	£0.7 billion	£1.0 billion
Other bilateral assistance	£0.2 billion	£0.2 billion

Economic development

In 2017, the Department published, for the first time, a strategy for its investment in economic development.

CDC – an investment company wholly owned by the Department – is its main mechanism for implementing the strategy.

The Department's approach to economic development – a new strategy

The Department's approach to economic development – investing through CDC

The Department's approach to economic development – a new strategy

In January 2017, the Department published *Economic Development Strategy: prosperity poverty and meeting global challenges*. It sets out how the Department wants to help more countries harness trade, to create jobs and channel investment to the world's poorest countries.

The strategy supports, for example, the Department's **commitments to the UN's global development goals** and a global emphasis on **mobilising private sector finance** and developing countries' domestic resources.

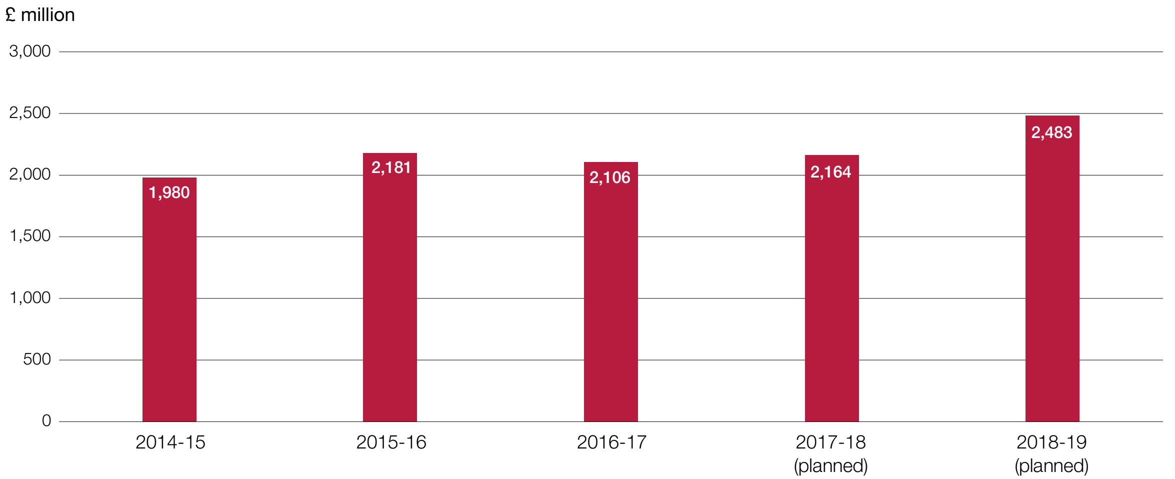
It sets **11 priorities**. For example:

- a focus on trade as an engine for poverty reduction;
- stimulating investment to spur economic growth in developing countries;
- supporting countries to mobilise their own domestic resources, improve their enabling environment for business and reduce reliance on aid;
- making it easier for companies – including from the UK – to enter and invest in markets of the future;
- supporting our partner countries to harness new technologies for growth and look to emerging and innovative economic sectors; and
- focusing on the poorest and most marginalised people, the majority of whom work in the informal sector.

The Department's **principal mechanism** for encouraging private sector investment in developing countries is **CDC Group plc (CDC)**, a private company wholly owned by the Secretary of State for International Development.

Zoom Out | Zoom In+

The Department's actual (2014-15 to 2016-17) and proposed (2017-18 and 2018-19) expenditure on economic development



Source: The Department's Annual Report and Accounts

Between 2014-15 and 2016-17, the Department's annual expenditure on economic development **increased by 6%**. An increase of 14% on 2016-17 is planned by 2018-19.

To support its economic development agenda, the Department established a **dedicated directorate** in 2014.

In 2016-17, **156 of the Department's officials** were responsible for economic development (compared with 142 in 2015-16).

The Department's approach to economic development – investing through CDC

The Department's **principal mechanism** for encouraging private sector investment in developing countries is CDC Group plc (CDC), a private company wholly owned by the Secretary of State for International Development.

CDC's mission is to "support the building of businesses throughout Africa and South Asia to create jobs and make a lasting difference to people's lives in some of the world's poorest areas".

How **CDC works in practice** is shown in the figure opposite (the information relates to 2015).

In 2015, the Secretary of State for International Development approved **a £735 million recapitalisation of CDC**, to enable it to expand the breadth and depth of its business.

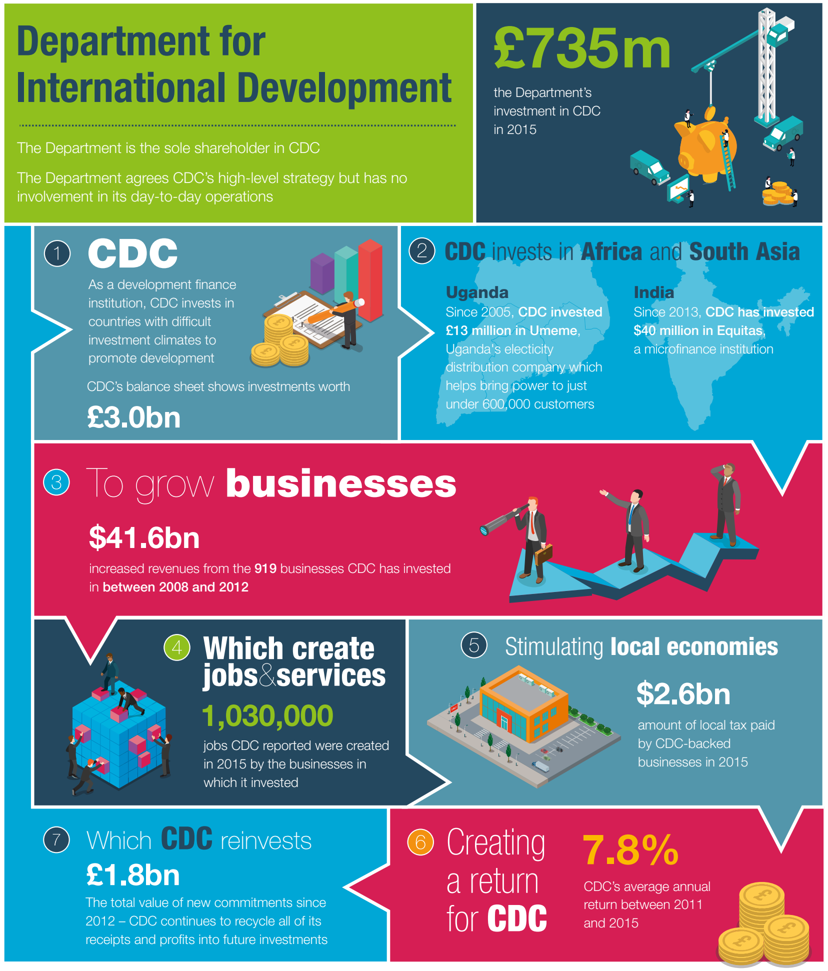
The CDC Act 2017 increased the existing limit of government funding for CDC from £1.5 billion to £6 billion.

The Department maintains **oversight of its investment** in CDC in a number of ways:

- It has established a three-tier **corporate governance framework** to fulfil its duties as CDC's shareholder.
- It has a **team dedicated to the oversight** of CDC, drawing on others' expertise where necessary.
- Through **quarterly shareholder meetings** supported by an information pack with data from CDC on, for example, the performance of investments and progress on environmental and social issues.

Zoom Out
Zoom In +

How CDC works in practice



Source: National Audit Office

Appendices

Appendix One – Exiting the European Union: an overview of the Department's connections with the EU

The European Union is one of the Department's key partners. It contributes funding to EU humanitarian and development programmes. In 2015, the UK spent **£1,327 million of multilateral ODA via the European Commission**. This represented 30% of the UK's total multilateral ODA in 2015 and is made up as follows.

- £935 million – **an attribution of the UK's annual contribution to the European Commission** (£426 million of which is allocated to the Department and £509 million of which is allocated to non-DFID sources). This funds the:
  - **Directorate-General for European Civil Protection and Humanitarian Aid Operations** (DG-ECHO) which focuses on, for example, building resilience and responding to crises.
  - **Directorate-General for International Cooperation and Development** (DG-DEVCO) which focuses on, amongst other things, development policy and aid delivery.
- £392 million – funding for the **European Development Fund** which funds activities focused on, for example, economic, social, and human development in countries in Africa, the Caribbean, and across the Pacific.

The impact of Brexit on the Department

In its Annual Report and Accounts 2016-17 the Department stated that: "Until exit negotiations are concluded the UK remains a full member of the EU and all the rights and obligations of EU membership remain in force. During this period the government will continue to negotiate, influence and work with the EU… It is in the UK's interest that the EU continues to be a strong development partner after we have left, and that we continue to work alongside one another in the countries that matter most to global prosperity, security and development."

In February 2017, the International Development minister, Rory Stewart MP, stated that the UK's commitment to these bodies would form a part of Brexit negotiations.

Appendix One – Exiting the European Union: issues the Committee may wish to explore

If the Committee chooses to examine how the Department is organising itself to deliver a successful Brexit it may wish to explore the following.

Issues common to all departments

Coordination across government

Departments should be clear how and what they are doing aligns with plans across government to deliver a successful Brexit.

Prioritisation of activities

Departments will need to prioritise their activities in response to Brexit. We would expect that this would involve some activities to be stopped or pushed back in time. These activities would need to incorporate a strong emphasis on delivery as well as policy.

Staffing and resources

Departments will need to have assessed what skills and resources are needed to deliver a successful Brexit in the short to medium term. Filling any gaps may mean recruiting staff externally and a movement of staff across government to where they are needed most.

Issues specific to the Department

Leaving the EU will have implications for the UK's spending on aid, for which the Department and government more widely need to plan. For example:

- will the Department be able to continue funding European development institutions?;
- if it can, will the Department choose to continue funding European development institutions?;
- what alternative uses for the current funding of European development institutions has the Department considered?; and
- how will the UK meet the ODA target, in the absence of its annual contribution to EU development institutions?

The Department will have to develop its plans alongside wider decisions about the post-Brexit relationship with the EU.

The Department has yet to make public its policy for international aid from 2019 onwards.

The Government published its Position paper on foreign policy, defence and development on 12 September 2017.

Appendix Two – Staff and pay 2016-17

Staff levels

The Department employed **2,985 staff at 31 March 2017**, a 5.9% increase compared with 31 March 2016 (2,818). The Department's annual report and accounts states that staff numbers increased to provide the necessary skills and capability to effectively manage the commitment to spend 0.7% of gross national income on international development.

Remuneration

The **median salary of the Department's workforce was £52,901 in 2016-17**, a decrease from the previous year's £53,430. The Department's annual report and accounts attributes this to the continued pay restraint it has exercised across all grades and maintenance of the same grade mix/structure as last year.

The ratio of the median total remuneration package for staff compared with the remuneration package of the highest paid members of staff is 3.2, lower than the wider civil service ratio of 11.3.

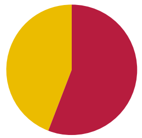
Zoom Out

Zoom In+

Workforce in Department for International Development 2016-17

Staff gender

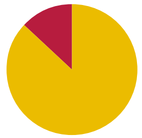
Against civil service average



Female	56% | 54%
Male	44% | 46%

Disability

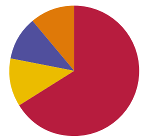
Against the England and Wales average for working age adults



Declared disabled	13% | 16%
Non-disabled	87% | 84%

Ethnicity

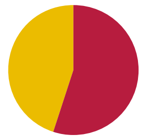
Against England and Wales average



White	67% | 86%
Asian	12% | 8%
Black	11% | 3%
Other	11% | 3%

Staff location

Against civil service average



UK	55% | 99%
Overseas	45% | 1%

Notes

1 Providing diversity data is voluntary.

2 Gender, disability and location data is for 2016-17 and covers the home civil service and the staff appointed in country; ethnicity data is for 2015-16 and covers the home civil service.

Staff employed as at 31 March 2017

	Corporate performance group	Top management group	Policy and global programmes	Country programmes	Economic development	Total
Staff numbers	576	51	709	1,493	156	2,985
Costs (£000)						£166,070

Notes

1 The Department's Annual Report and Accounts 2016-17 does not provide a breakdown of staff costs by area.

2 The Top Management Group includes Ministers and Special Advisers.

Pay multiples 2016-17	**The Department**	**Civil Service**
Ratio	3.2	11.3
Band of highest paid director's total remuneration (£)	165,000–170,000	–
Median total remuneration (£)	52,901	–

Appendix Three – Staff attitudes and engagement

The government has conducted its Civil Service People Survey **annually** for the past six years (most recently during November 2016). The **Department's response rate of 88%** was above the civil service average of 65%.

The **Department's results were above the civil service average** across all indicators. The areas with greatest variance were 'learning and development' – 10%, 'leadership and managing change' – 7% and 'pay and benefits'– 6%. Its highest score was 86% for 'organisational objectives and purpose'.

Results were broadly similar to 2015. The only notable differences are an 8% increase in the 'learning and development' result and a 4% decrease in 'organisational objectives and purpose'.

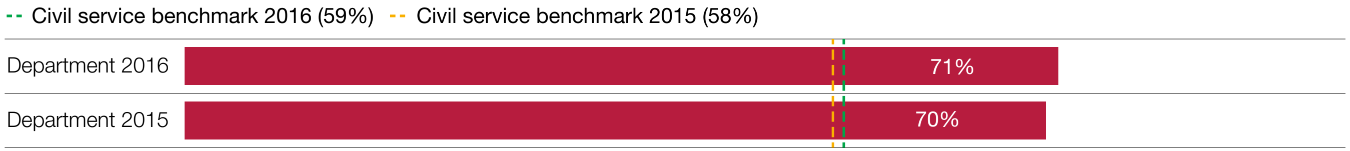
Employee engagement is an overall measure of the individual employee's attachment to the organisation, calculated using a weighted average of the responses to five employee engagement questions. The Department outperformed the civil service average on this measure in 2015 and 2016.

Attitudes of staff in 2016 compared with 2015 – Department for International Development

Key
- Results in 2016
- Increase since 2015
- Decrease since 2015
- No change

	Results in 2016	Change since 2015	Civil service average
My work	80%	0%	75%
Organisational objectives and purpose	86%	-4%	83%
My manager	71%	0%	68%
My team	81%	+1%	80%
Learning and development	60%	+8%	50%
Inclusion and fair treatment	78%	0%	76%
Resources and workload	74%	0%	73%
Pay and benefits	37%	+1%	31%
Leadership and managing change	50%	0%	43%

Engagement index 2016



Sources: Civil Service People Survey 2016 and 2015

Appendix Four – Sponsored public bodies

Links to the website of sponsored bodies/arm's-length bodies, executive agencies and executive non-departmental public bodies

Executive non-departmental public bodies

Commonwealth Scholarship Commission (CSC)
http://cscuk.dfid.gov.uk/

An executive non-departmental public body sponsored by the Department. It awards scholarships and fellowships for postgraduate study and professional development to Commonwealth citizens. Some 900 scholarships and fellowships are awarded each year. The CSC is funded by the Department, the Department for Business, Innovation & Skills and the Scottish Government.

Advisory non-departmental public bodies

Independent Commission for Aid Impact (ICAI)
http://icai.independent.gov.uk/

Established in 2011 as an advisory non-departmental public body to undertake independent scrutiny of UK aid, ICAI is wholly funded by the Department.