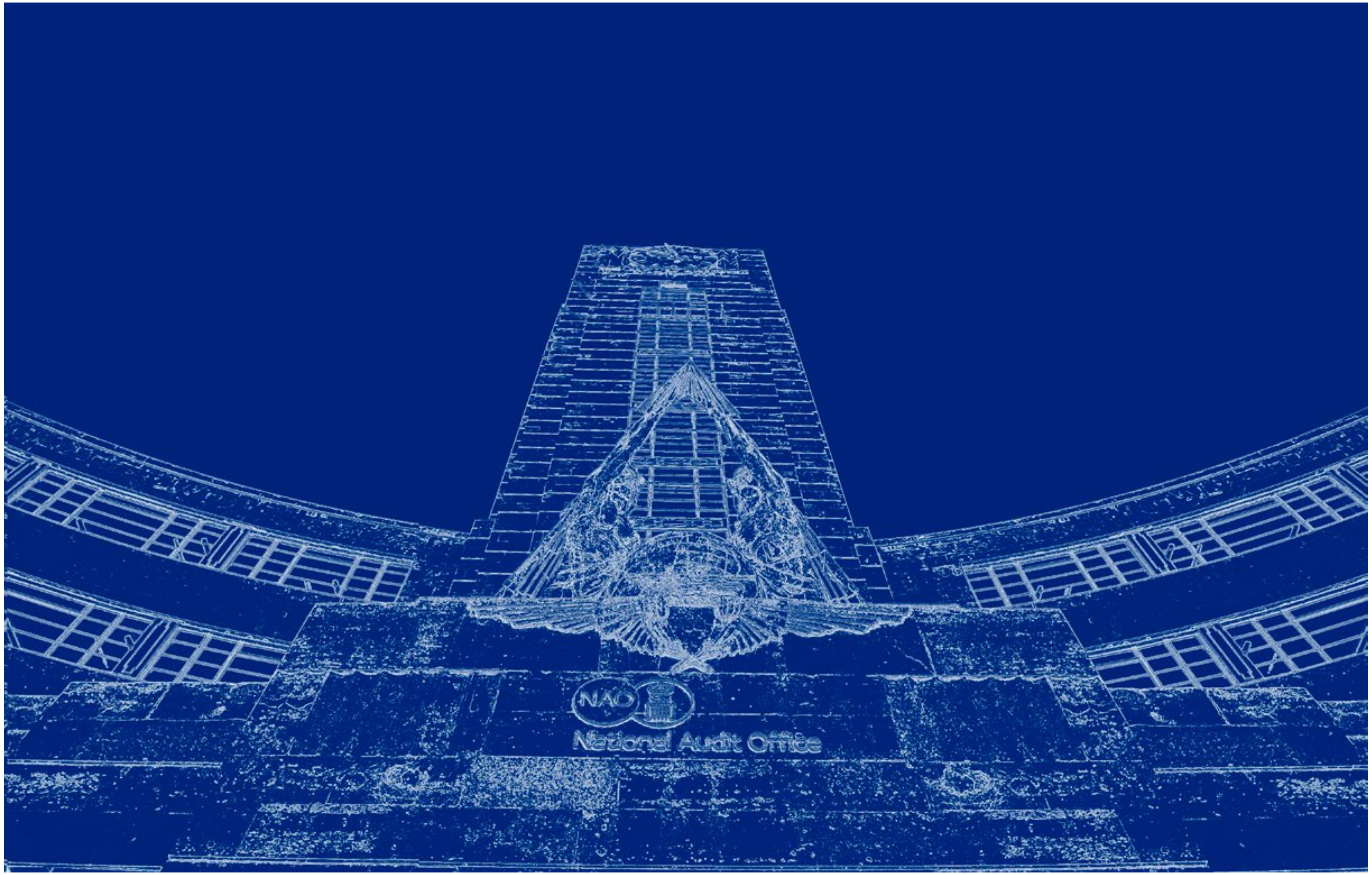
Departmental Overview 2015-16

National Audit Office

Department for International Development

November 2016



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Executive summary

This Departmental Overview summarises how the Department for International Development (the Department) spent its money in 2015-16, its 2015 Spending Review settlement, our audit findings and future developments.

Part One sets out some **facts about the Department and how it spends its money.**

- In 2015-16, the Department spent £9,886 million against a budget of £10,145 million; 96% of the spend was on development and aid programmes.
- 62% of its spending on programmes was earmarked for a specific country, region or project (known as bilateral aid); 38% was allocated to the Department's central teams to fund, for example, multilateral organisations and humanitarian interventions.
- In June 2015, the UK enshrined in law a commitment to spend 0.7% of gross national income on Official Development Assistance (ODA).
- In November 2015, the government published a new aid strategy. The strategy proposed that the Department would remain the UK's primary channel for aid, but a greater proportion of aid would be administered by other government departments and through cross-government funds.

Part Two sets out our **findings from our work on the Department.**

- The C&AG issued an unqualified audit opinion on the Department's 2015-16 financial accounts.
- The Department spent almost three times as much on humanitarian interventions in 2014-15 than it had four years earlier. It was well positioned to respond to sudden onset crises, but management of more fluid and protracted crises was not as mature.
- The Department met the target to spend 0.7% of gross national income on international aid for the first time in 2013 (and in 2014), and took positive steps to prepare for the 33% increase in its budget in 2013-14. To achieve the target, the Department had to reschedule activities within and payments for programmes between 2013 and 2014, making it more difficult to achieve value for money.
- The Department's workforce increased between 2009 and 2014, in response to the increasing overseas aid budget. The Department placed more staff in its offices overseas to deliver its programmes, and fewer staff delivering back-office functions in the UK.

Part Three **looks ahead to the coming year**.

- The Prime Minister appointed the Rt Hon Priti Patel MP as the new Secretary of State for International Development in July 2016.
- The UK will remain a member of the European Union until exit negotiations are complete. The Department currently provides funding through the EU and European Commission, and delivers projects in partnership with other EU countries. These arrangements will have to be reconsidered.
- In line with the new aid strategy, the Department plans to spend at least 50% of its budget in fragile and conflict affected states. The Department also expects to implement the outcomes of its Multilateral Aid Review and Bilateral Aid Review. Originally due to be published earlier this year, they are now being considered by the new Secretary of State.

Key facts

0.7%

Official Development Assistance spending in 2014 as a percentage of the UK's gross national income – a target it reached for the first time in 2013, and also expects to meet again in 2015 (provisional data).

2,852 staff

Average number of staff employed by the Department in 2015-16 (compared with 2,991 in 2014-15).

70%

The Department's score for employee engagement – a measure of an employee attachment to their employer (59% is the civil service average).

£9.9 billion

Amount that the Department spent in 2015-16.

50%

Percentage of the Department's budget that will be allocated to fragile and conflict affected states and regions.

£16.3 billion

Amount the UK expects to spend on Official Development Assistance by 2020.

28

Number of priority countries in which the Department works.

£102 million

The Department's administration costs (such as staff, leases and depreciation) in 2015-16.

About the Department for International Development

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.

The Department prioritises its interventions to focus on the poorest countries around the world and works through a range of partners including multilateral institutions, civil society organisations and the private sector.

Key developments in 2015-16

In **June 2015**, the 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 adopted the **17 Sustainable Development Goals** (known as Global Goals) agreed at the UN Sustainable Development Summit in **September 2015**.

The Global Goals aim to "leave no-one behind and to eradicate extreme poverty by 2030".

The Global Goals build on the Millennium Development Goals – eight anti-poverty targets the world committed to achieve by 2015. The Department reported that significant progress was made under the MDGs in many areas, but many fragile and conflict affected states are still struggling to meet the goals.

In **November 2015**, the government published a **new aid strategy** – UK Aid: tackling global challenges in the national interest. The **strategy has four main objectives.**

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

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

Source: Global Goals

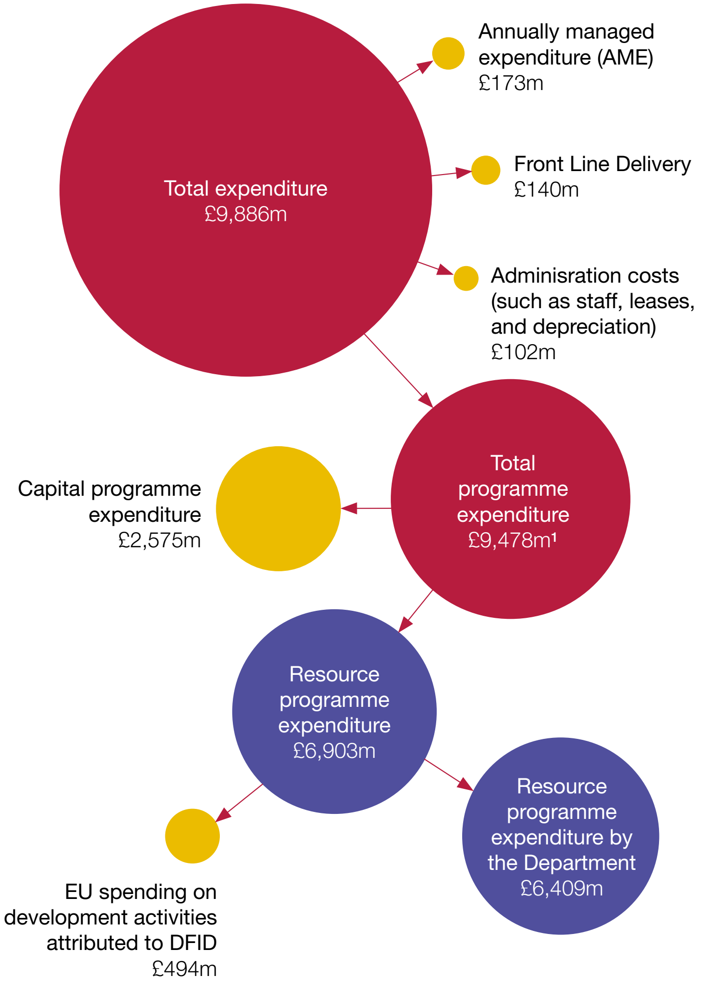
The Department's expenditure – an overview

In 2015-16 the Department **spent £9,886 million** against **a budget of £10,145 million** – an **underspend of £259 million**. The majority – £9,478 million (96%) – was spent on **development and aid programmes**. The remaining 4% was attributed to **administration expenditure, front line delivery, and annually managed expenditure**.

The **Department's overall expenditure has increased** by £109 million (1.1%) compared to 2014-15.

The **Department reduced its administration costs** from £110 million in 2014-15 to £102 million in 2015-16:

- Under the **one HMG overseas initiative**, the Foreign and Commonwealth Office (FCO) has consolidated the Department's overseas corporate services into its overseas operations. As part of this initiative, the Department has also transferred £40.4 million of tangible assets to the FCO.



Total expenditure
£9,886m

Annually managed expenditure (AME)
£173m

Front Line Delivery
£140m

Adminisration costs (such as staff, leases, and depreciation)
£102m

Total programme expenditure
£9,478m[1]

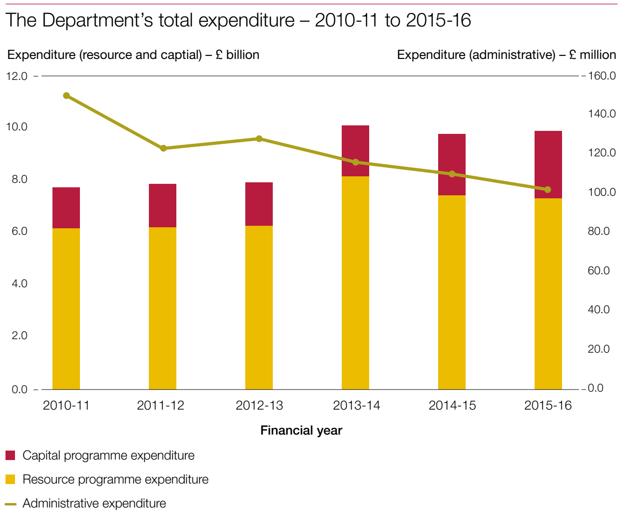
Capital programme expenditure
£2,575m

Resource programme expenditure
£6,903m

EU spending on development activities attributed to DFID
£494m

Resource programme expenditure by the Department
£6,409m

Zoom In+



The Department's total expenditure – 2010-11 to 2015-16

Notes

1 This figure includes £8 million income for administrative capital.

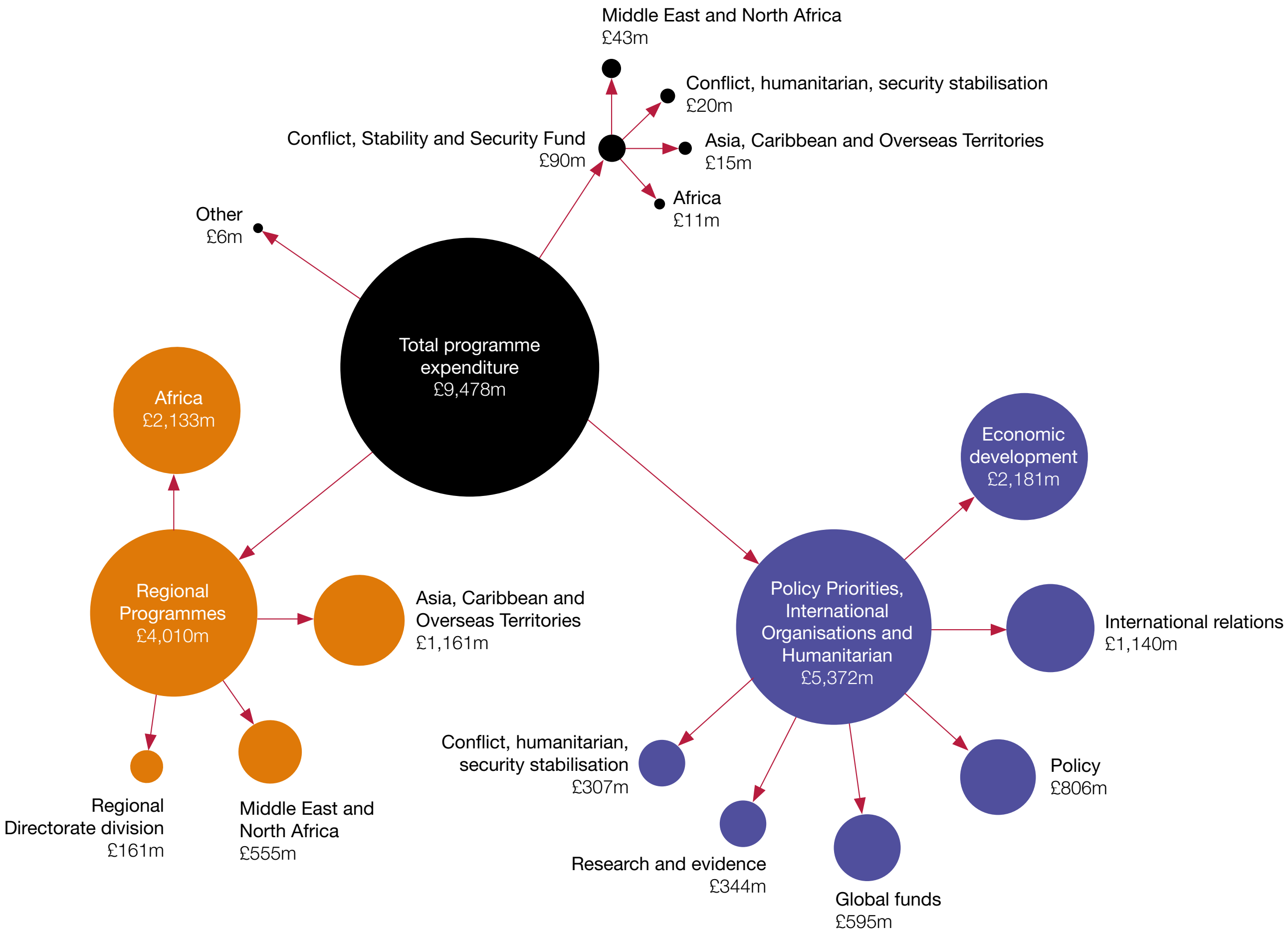
2 Figures do not sum due to rounding.

The Department's spending on programmes explained

The Department allocates the funding it has available for its programmes (as opposed to administration) to either its **country and regional offices** or to **central departments** whose programmes cover a range of countries or regions.

Of the Department's **£9,478 million programme expenditure** (see previous page), **£4,010 million** (42%) was spent by teams **managing country and regional programmes**, with just over half in Africa (£2,133 million).

The remaining **£5,372 million** (57%) was allocated to central teams to fund **multilateral, humanitarian and other policy priorities such as economic development**.



Note

1 Figures do not sum due to rounding.

The Department's expenditure – by funding stream

The Department's **programme expenditure** is via **two main channels**.

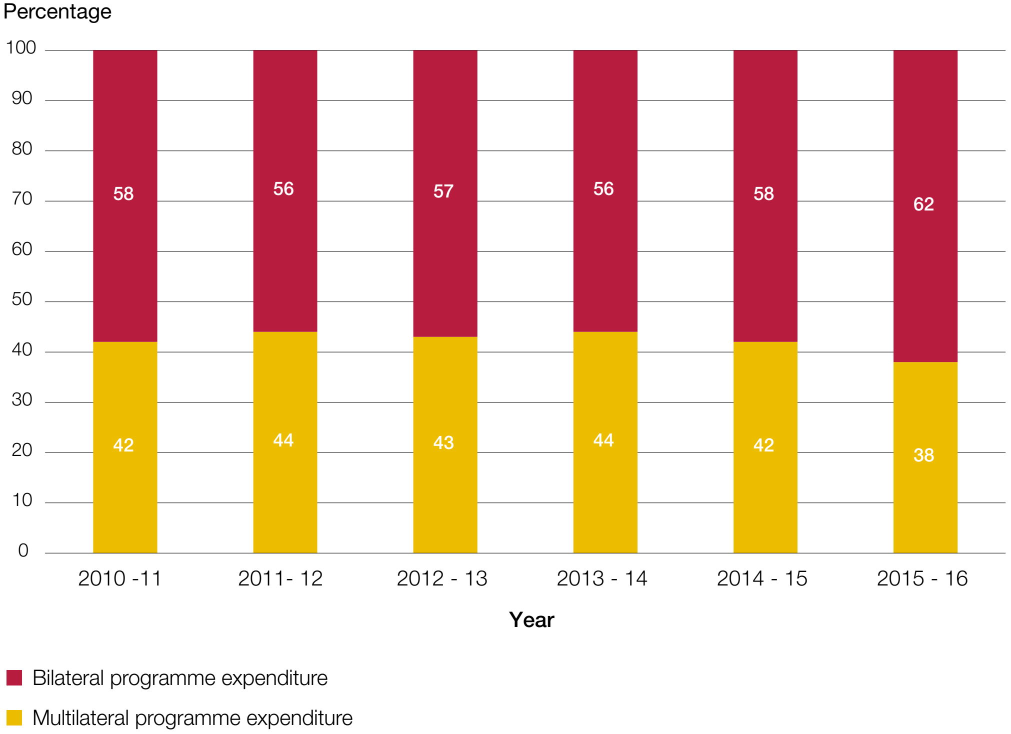
Bilateral – spending the Department has **earmarked for a specific country, region, or project**. It is a mix of development and humanitarian spending. In **2015-16**, **62%** of the Department's programme expenditure was **bilateral**, up four percentage points from 2010-11.

- The Department's **spending on humanitarian assistance** grew by 145% in the two years to 2013-14, reaching £866 million. Over the same period, its bilateral **development assistance** grew by 21% to £4,658 million.

Multilateral – money **allocated to multilateral organisations, either as core funding (to be used for purposes in line with the organisation's mandate**) or **as funding pooled with other donors for specific purposes**. The proportion of aid allocated in this way has decreased over the past five years as bilateral aid has steadily increased. However, some bilateral aid is also distributed through multilateral organisations.

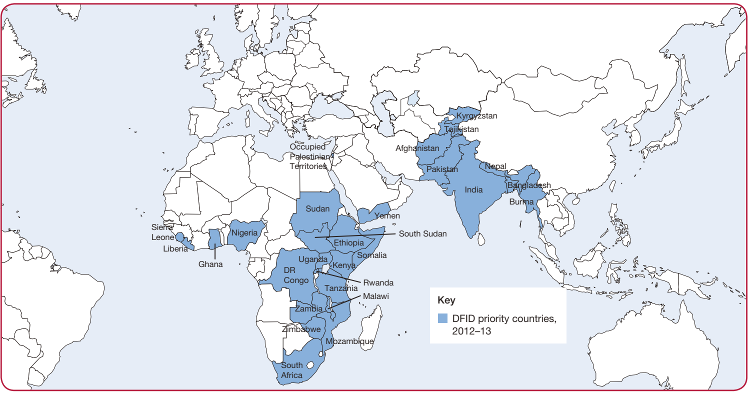
- In 2014, **80% of the Department's multilateral funding** went to the World Bank, United Nations, European Union, Global Fund to Fight Aids, Tuberculosis and Malaria, and regional development banks.

The Department's programme expenditure by funding stream



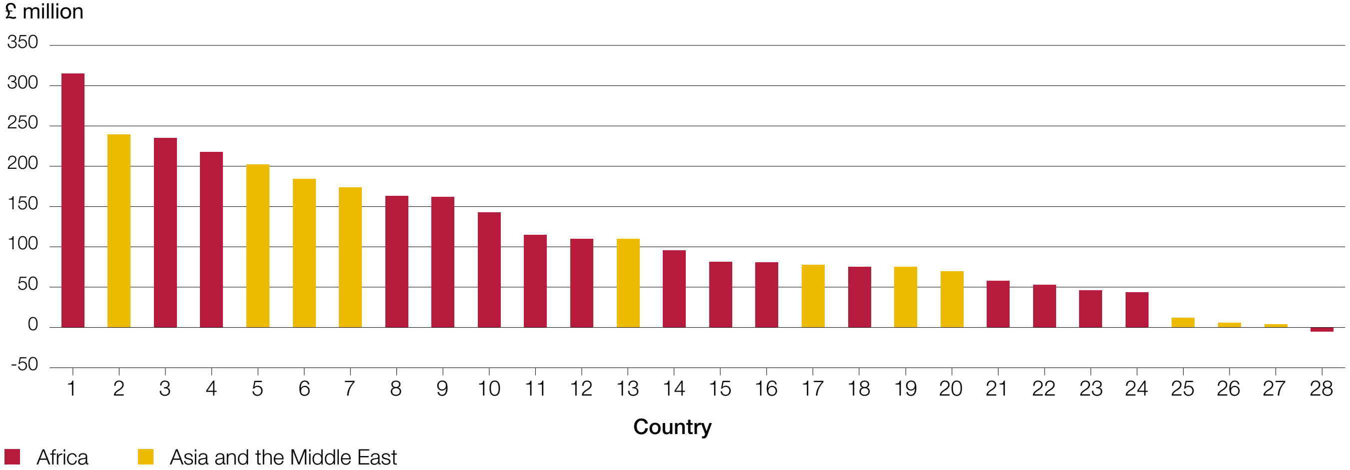
The Department's expenditure – by priority country

- The Department's bilateral programme **prioritises support to 28 developing countries** in Africa, Asia and the Middle East. Of the 28 priority countries, **21 are deemed 'fragile and conflict affected'**, a key area of focus for the government's new aid strategy.
- **17 out of 28** priority countries are located in **Africa**.
- In 2014, the **28 countries accounted for £3.2 billion** (32%) of the Department's total spending on Official Development Assistance. **Africa accounted for £2 billion**, 21% of the total.



- The Department ended its traditional aid programme to **India** in March 2015, based on an assessment of the progress it had made economically. The Department's support to India is now only in the form of technical assistance (high-level advice) and development capital (investments in the form of returnable capital). The Department's most recent business plan for its work in India states that it is "entirely focused on working with other UK government departments to deliver agreed National Security Council commitments".
- The Department projects that its spending on technical assistance to India will decrease from £30 million in 2016-17 to £17 million in 2019-20; spending on development capital will reduce from £40 million to £4 million over the same period.

The Department's net spending on Official Development Assistance in 2014 by priority country



1 Ethiopia, 2 Pakistan, 3 Sierra Leone, 4 Nigeria, 5 Bangladesh, 6 India, 7 Afghanistan, 8 Democratic Republic of the Congo, 9 South Sudan, 10 Tanzania, 11 Kenya, 12 Somalia, 13 Nepal, 14 Zimbabwe, 15 Mozambique, 16 Zambia, 17 Yemen, 18 Uganda, 19 Occupied Palestinian Territories, 20 Burma, 21 Ghana, 22 Malawi, 23 Rwanda, 24 Sudan, 25 Tajikistan, 26 Liberia, 27 Kyrgyzstan, 28 South Africa.

Note

1 The Department's net spend in South Africa is negative, due to returns from ODA-eligible investments and programmes.

Trends in Official Development Assistance (ODA) spending

Official Development Assistance (ODA) is defined as "government aid to promote the economic development and welfare of developing countries". ODA is the internationally agreed definition of aid spending and is measured for a calendar year.

Total UK ODA **rose by 3% in 2014** to **£11,726 million** (representing 0.7% of gross national income), from **£11,424 million** in **2013** (again, representing 0.7%).

The Department estimates that total **ODA for 2015 will be £12,239 million** (0.71% of gross national income based on provisional figures), an increase of 4.4% compared to 2014. Actual figures should be finalised in November 2016.

Between 2009 and 2013, the **Department's share of total UK ODA** ranged from **87% to 90%**.

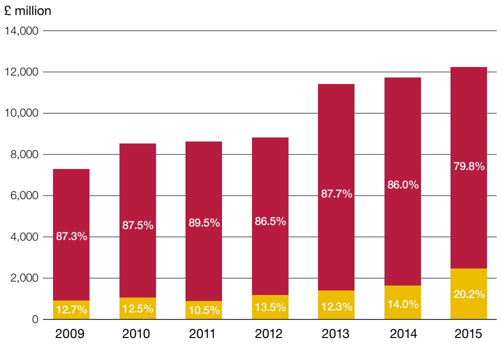
In 2014, 86% **(£10,084 million)** of the UK's total spending on ODA was by the Department, down from **88% in 2013** because of changes in the way the **UK's contribution to European Union (EU) development spending** was allocated to UK government departments' budgets.

There were 4 main sources of non-Departmental ODA in 2015. Non-Departmental ODA **totalled £2,472 million in 2015 (provisional figure)**. Around two-thirds of this was accounted for by the UK share of the EU aid budget (£537 million), the Foreign & Commonwealth Office (£408 million), the Department of Energy & Climate Change (£336 million) and the Conflict Pool (£356 million), now known as the **Conflict, Stability and Security Fund**.

In 2014, **more than 60%** of all the ODA spending was **routed through multilateral organisations**, either as core funding, or to be distributed by the multilateral as bilateral aid.

Zoom In+

Total UK ODA and the split between the Department's and other department's ODA



	2009	2010	2011	2012	2013	2014	2015
🟥 The Department's Official Development Assistance (ODA)	6,374	7,463	7,722	7,618	10,016	10,084	9,767
🟨 Non-Departmental Official Development Assistance (ODA)	927	1,066	906	1,184	1,409	1,642	2,472

The Department's Spending Review settlement 2015

Spending Review 2015 – an overview of the Department's 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 Department is expected to spend £14.2 billion in 2019-20, almost all of which will contribute to ODA.

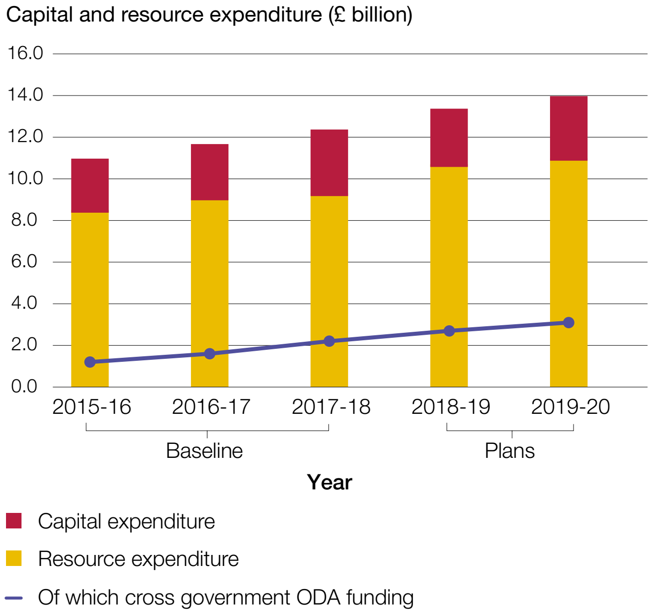
UK aid will be spent in line with a **new aid strategy** to "support poverty reduction and align aid spending with the UK's national interest", published at the same time as the Spending Review.

The Department will remain **the UK's primary channel for aid**, but more aid will now be administered by **other government departments**.

Highlights from the Department's settlement

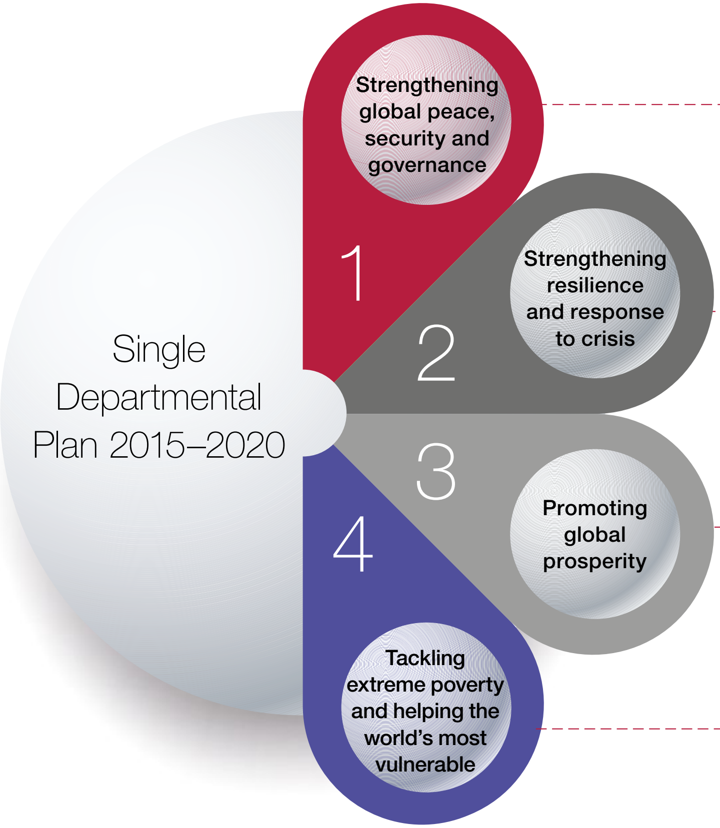
- **50%** of the Department's budget will be allocated to **fragile or conflict affected states and regions** in every year of the Parliament (mainly in the regions of Middle East, South Asia and Africa).
- A new **£500 million Official Development Assistance crisis reserve**, to support cross-government **responses to crises** as they happen.
- A **new £1 billion fund** (allocated to the Department and the Department of Health) over the next five years for research and development of products for infectious diseases.
- **Efficiency savings** of more than **£400 million** by 2019-20.
- An **increase in aid spending for the Syrian crisis and the related region** (in addition to the Department's own spending, £460 million of Official Development Assistance will be spent resettling 20,000 Syrian refugees overseen by the Home Office and Department for Communities and Local Government).
- **Expanding the cross-government Conflict, Security and Stabilisation Fund** from £1 billion in 2015-16 to **£1.3 billion** in 2019-20 (not all of which is aid spending).

The Department's Spending Review settlement 2015



Single Departmental Plan 2015–2020

The Department's Single Departmental Plan for 2015–2020 focuses on four objectives. Summarised below are extracts from the Plan for each objective.



Single Departmental Plan 2015–2020

1 Strengthening global peace, security and governance

The Department has committed to:

- help men, women and children who have fled violence in Syria;
- continue to work with partners across government for peace, stability and an inclusive settlement in Syria; and
- spend at least 50% of its budget on fragile states and regions in every year of the current Parliament, including increasing funding to deal with the causes and impacts of the Syrian crisis.

2 Strengthening resilience and response to crisis

The Department has committed to:

- continue to lead the response to humanitarian emergencies, and establish a means to respond rapidly to crises; and
- work to prevent climate change and assist the poorest in adapting to it. The government has committed to increase climate funding by 50% to at least £5.8 billion over the next five years (£3.6 billion coming from the Department's budget).

3 Promoting global prosperity

The Department has committed to:

- boost growth and jobs, making it easier for people to start up businesses and trade freely with each other;
- help people in the UK give or lend money directly to individuals and entrepreneurs around the world; and
- work to increase the global economic empowerment of women and girls.

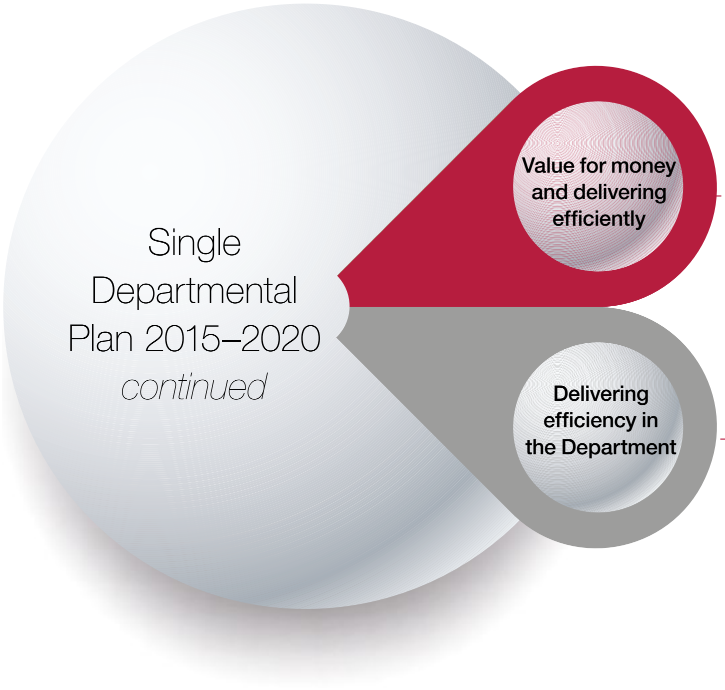
4 Tackling extreme poverty and helping the world's most vulnerable

The Department has committed to:

- save 1.4 million children's lives, by immunising 76 million children against killer diseases by 2020;
- help at least 11 million children in the poorest countries gain a decent education; and
- improve nutrition for at least 50 million children under five, women of child-bearing age and adolescent girls by 2020.

Single Departmental Plan 2015–2020 *continued*

Its Single Departmental Plan for 2015–2020 also includes sections on 'Value for money and delivering efficiently' and 'Delivering efficiency in the Department'.



The Department has committed to:

- continue to meet the target of allocating 0.7% of gross national income (GNI) as Official Development Assistance (ODA);
- support other departments in assessing whether spending proposals meet the Organisation for Economic Co-operation and Development (OECD). ODA rules and in sharing best practice on aid delivery; and
- continue to be responsible for reporting all ODA spending to the OECD on an annual basis, and for reporting to Parliament on the government's performance against the 0.7% GNI target.

The Department has committed to:

- continue to review our activities to ensure it delivers aid to tackle global challenges such as the root causes of mass migration and disease, the threat of terrorism and global climate change;
- work with its delivery partners to maximise the impact of expenditure; and
- work more closely with other UK government departments to address increasingly complex global challenges, using cross-government funds to tackle instability, drive prosperity and invest in research and development.

The Department's annual report and accounts – an overview

The Comptroller and Auditor General's opinion

The C&AG issued **an unqualified audit opinion** without modification on the Department's 2015-16 financial accounts. This means that the C&AG found that the Department's financial statements were "**true and fair**" (free from material misstatement and comply with the relevant reporting requirements) and "**regular**" (the transactions recorded are in accordance with Parliamentary or other authority).

The Department's Governance Statement

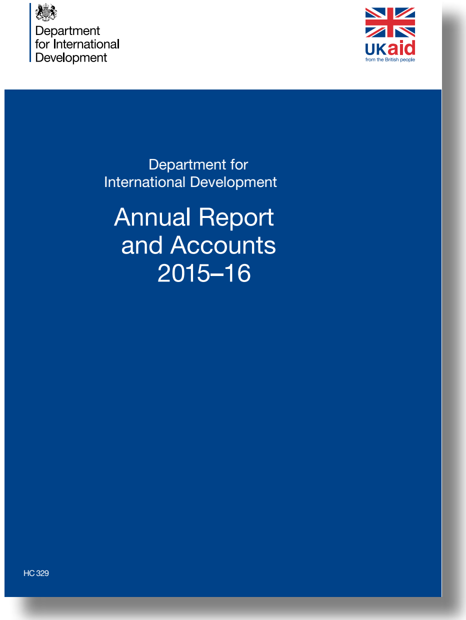
The inclusion of a Governance Statement in the Annual Report and Accounts is a HM Treasury requirement. The Statement is signed by the Permanent Secretary and reviewed by the C&AG as part of the annual audit of the accounts.

The Governance Statement for 2015-16 highlighted **significant challenges** the Department faced during the year.

- Leading the international response to the **Ebola outbreak in Sierra Leone**. After two years, the World Health Organization declared that the pandemic outbreak was over on 14 January 2016.
- Handling an **unusually large number of international crises**, alongside the delivery of on-going international development commitments. These included the ongoing humanitarian crisis in Syria, instability in Yemen, a major earthquake in Nepal, and the food crisis in South Sudan.
- The growing **global refugee crisis**.

The Department's Governance Statement for 2015-16 highlights the **key risks it needs to manage in the year ahead**.

- Making sure the outcomes of **the Multilateral and Bilateral Aid reviews** enable the Department to maintain its development impact globally.
- Monitoring the **risk of fraud and corruption**, and ensuring delivery partners understand the Department's zero-tolerance approach.
- Making sure the Department has **the right people with the right skills** in the right place to deliver its objectives.
- Monitoring **engagement with other government departments** to ensure money they spend as ODA meets the objectives of the UK aid strategy.



Department for International Development

UKaid from the British people

Department for International Development

Annual Report and Accounts 2015–16

HC 329

The Department's annual report and accounts – areas of interest

Use of novel financial instruments

The Department is **increasing its investments in non-fiscal development capital funding mechanisms**.

Recapitalisation of CDC – in 2015-16, the Department acquired a further 450 million shares in CDC Group plc for £450 million, through a promissory note.

Market risk – some investments are in currencies other than sterling, meaning the Department is exposed to currency risk. Net exposure to foreign currency risk is £3.6 billion.

	Development Capital £000	International Financial Institutions £000	CDC Group plc £000	Total £000
At 1 April 2015	63,254	3,362,104	3,369,100	6,794,458
Additions	33,463	29,478	450,000	512,941
Revaluations	(27,999)	132,339	82,100	186,440
Financing cost[1]	6,348	–	–	6,348
At 31 March 2016	75,066	3,523,921	3,901,200	7,500,187
At 1 April 2014	26,005	3,254,344	2,948,900	6,229,249
Additions	45,038	37,905	–	82,943
Revaluations	1,606	69,855	420,200	491,661
Impairment	(10,000)	–	–	(10,000)
Financing cost[1]	605	–	–	605
At 31 March 2015	63,254	3,362,104	3,369,100	6,794,458

Note

1 Financing cost is the release of discounting on returnable grants.

Source: Department for International Development Annual Report and Accounts 2015-16, p 103

The Department's annual report and accounts – areas of interest *continued*

Promissory notes

Promissory notes are a commitment to pay a certain amount of money to the recipient, **recognised as an expense in the accounts at the time at which the note is deposited**. They are then **payable on demand** by the recipient.

As at 31 March 2016, the Department was committed to pay **£5.6 billion in promissory notes – an increase of 19%** on 31 March 2015.

Of the total £5.6 billion, **£2.3 billion is expected to be 'cashed in' within one year**, and the remaining £3.2 billion after one year based on non-legally binding encashment schedules.

Promissory notes payable: by institution	At 31 March 2016 £000	At 31 March 2015 £000
International Development Association	2,539,619	2,367,963
Global Fund to Fight Aids, TB and Malaria	800,000	700,000
Climate Investment Funds (CIFs) formally Environmental Transformation Fund (ETF)	582,088	541,088
African Development Fund	546,220	525,059
CDC	450,000	–
Green Climate Fund	160,000	–
International Fund for Agricultural Development	137,523	154,568
Global Environment Fund	96,360	145,164
Asian Development Fund	95,138	98,879
Private Infrastructure Development Group	41,989	19,000
German Development Corporation	35,425	37,495
Asia Climate Partnership Fund	23,277	24,380
Other capital notes (Caribbean Development Bank and Asia Development Bank)	22,517	28,227
KfW Group	21,943	10,000
Caribbean Development Bank	10,000	7,000
IFC Catalyst Fund	7,812	8,744
Multilateral Investment Guarantee Agency	3,098	–
Total	**5,573,009**	**4,667,567**

Source: Department for International Development Annual Reports and Accounts 2015-16, p 113

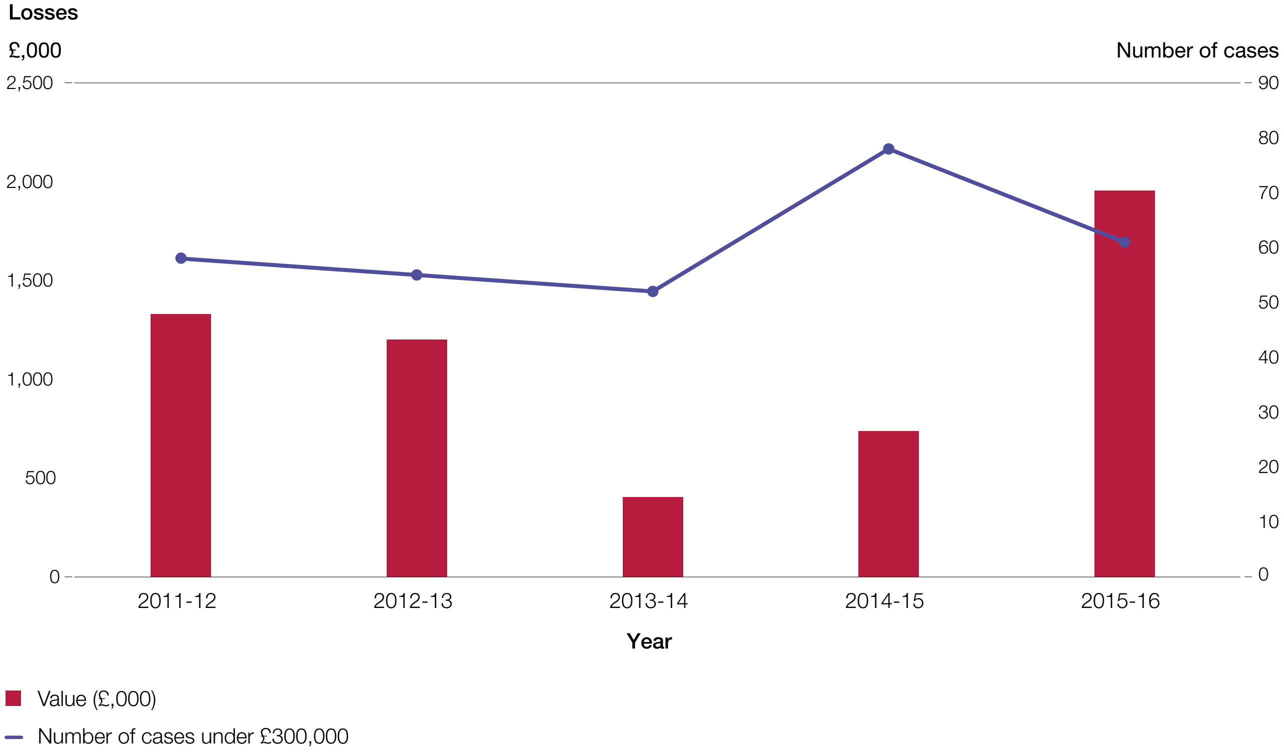
The Department's annual report and accounts – areas of interest *continued*

Risk of fraud and corruption

The Department operates in a **number of countries where there are acknowledged high levels of corruption**, and where there are **capacity and governance issues**.

The Department reported **61 losses** during 2015-16, with a total value of £1,955,000. The Department did not disclose the nature of any of the losses, or how many were attributable to fraudulent activity, as none of the individual losses exceeded the £300,000 threshold which requires separate disclosure in the Annual Report.

In 2013-14, the Department included information in its accounts on proven fraud losses by country. There were no similar disclosures in 2014-15 or 2015-16.



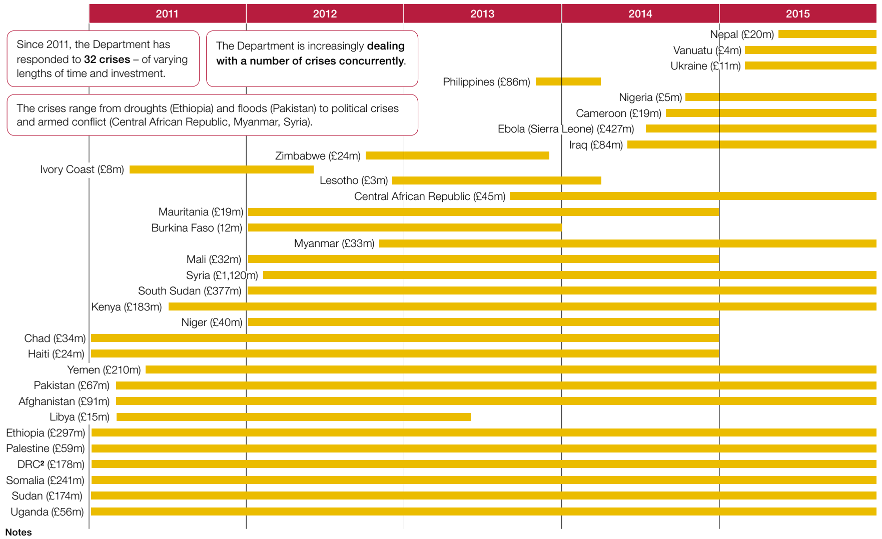
Responding to crises

Responding to crises (January 2016)

Our report focused on the **Department's overall approach to responding to crises**, drawing on **five individual responses**: Syria, Yemen, Nepal, the Horn of Africa, and Sierra Leone. Securing value for money in the context of responding to crises in complex and dynamic environments is inherently challenging for the Department.

Zoom In+

The Department has responded to 32 crises since 2011



Notes

1 The values shown have been compiled from a combination of sources. Where possible, public announcements by the Department and official UN data have been used. These reflect the amounts contributed and committed to each crisis as of December 2015. In the remaining three cases of Ethiopia, Kenya and Uganda, values have been taken from the Department's internal financial system and represent amount spent by December 2015. Where official UN data has been used, sums have been converted from US dollars to GB sterling at the average 2015 exchange rate.

2 DRC = Democratic Republic of the Congo.

Source: National Audit Office summary of the Department for International Development's publicly available documents, internal financial information and official UN data

We reported that the Department:

- spent almost three times as much on humanitarian interventions in 2014-15 (£1.3 billion, representing 14% of its budget) than it had four years earlier;
- was well positioned to identify and respond quickly to sudden-onset crises and has established longer-term interventions for protracted ones, but its management of more fluid and protracted crises, however, has yet to reach a similar level of maturity;
- was choosing to respond to an increasing number of crises – 32 since 2011;
- had not identified whether it was deploying the most cost-effective combination of internal resources and skills;
- had forged good working relationships with other government departments such as the Foreign & Commonwealth Office and the Ministry of Defence;
- could do more to manage the risk to value for money from working through partners; and
- lacks a comprehensive set of criteria which underpin whether, and then when and how, to exit from crises.

The Committee of Public Accounts took evidence from the Department in February 2016.

St. Helena airport

Realising the benefits of St Helena airport (July 2016)

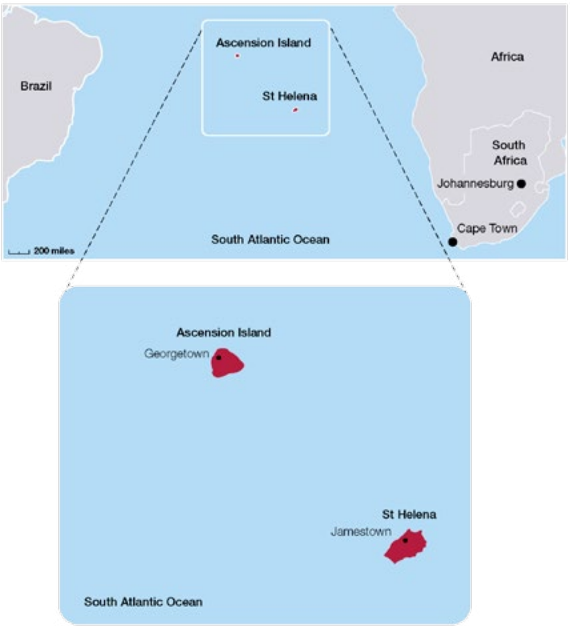
St Helena is a small self-governing UK Overseas Territory. This investigation looks at the key assumptions in the Department for International Development's cost-benefit analysis to support its investment in the airport. It also considers the Department's ability, in partnership with the St Helena Government, to realise the benefits from improved access to the island that they expect the airport will provide.

The airport has not yet become operational for scheduled commercial flights due to the impact of wind conditions on safe landing.

We reported that:

- the Department supported St Helena financially through subsidies and other funding;
- the Department had clear objectives for its investment in an airport on St Helena, as well as a business case which considered a number of different sea and air access options;
- the Department forecast it would stop paying its annual subsidy to the St Helena Government in 2043, assuming the airport opened in 2016;
- the Department's estimates showed that the subsidy to the St Helena Government it would pay once the airport was built and operational was less than if it decided to replace the RMS St Helena;
- the Department's cost-benefit model was particularly sensitive to two assumptions – the number of tourists who will visit the island once the airport opens and the amount that they will spend;
- the Department agreed to finance the airport subject to the St Helena Government implementing reforms to open the island to inward investment and increased tourism; and
- the Department could incur additional costs as a result of the delays to the airport's opening for scheduled commercial flights.

The Department and the St Helena Government are considering the options for addressing the impact of difficult wind conditions on landing commercial aircraft safely.



Managing Official Development Assistance (ODA)

Managing the Official Development Assistance target (January 2015)

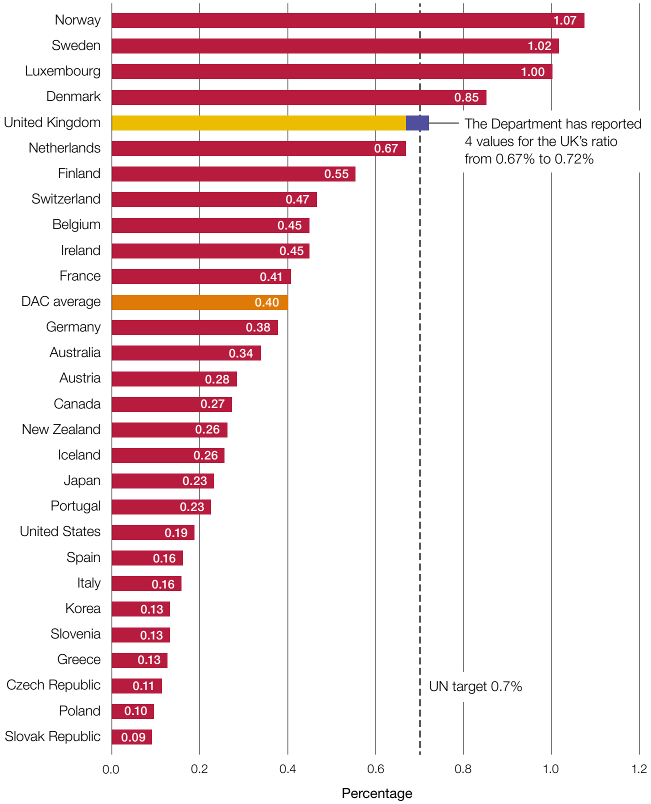
This report supported the International Development Committee's inquiry into the Department's 2013-14 Annual Report and Accounts. It explained how the Department responded to the challenges it faced in meeting the ODA target and covered the Department's management of the ODA target and of the increase in its budget.

We reported that:

- the Department met the 2013 ODA target when judged against its original assumptions;
- assessing whether the Department has met the target is made more difficult by changes in the calculation of gross national income, and the government's specification of its aid target and international reporting rules present the Department with challenges for managing its budget and spending;
- the Department's spending forecasts for 2013 had weaknesses, making it more difficult for the Department to manage delivery of the ODA target;
- to achieve the target and manage its budget the Department had to quickly add some activities to its 2013 plans but delay others set for 2014, making it more difficult to achieve value for money;
- the limited flexibility in the target led to the Department rescheduling payments in 2013, first to increase outturn, and then to reduce it;
- the Department took positive steps to prepare for the 33% increase in its budget in 2013-14;
- it was not until 2014 that the Department had sufficient project proposals to provide choice, leaving less opportunity to consider value for money;
- the Department has embarked on a radical set of changes to improve its project management performance; and
- in 2011, the Committee of Public Accounts warned that the Department's multilateral aid might increase because it did not have the capacity to manage bilateral aid.

In 2013, the UK was fifth in the ranking of donor countries by aid spending as a proportion of gross national income

ODA as a percentage of gross national income for members of the OECD's Development Assistance Committee (DAC), 2013



Notes

1 See Figure 4 in the National Audit Office report for an explanation of the different values reported for the UK ratio.

2 There are 29 members of the Development Assistance Committee including the EU. The value shown for the DAC average is an unweighted average for the 28 national members.

3 Ratios are provisional.

Source: National Audit Office presentation of Departmental data

Findings from cross-government reports 2015-16

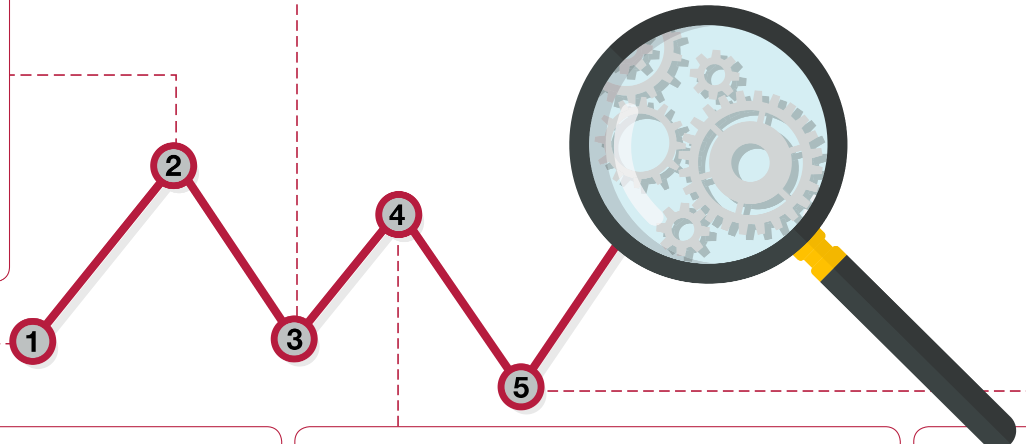
Each year, we publish a number of **reports on issues relevant to all departments**, including the Department for International Development.

Report

Outcome-based payment schemes: government's use of payment by results (June 2015)

Extracts relevant to the Department

The Department's use of payment by results to deliver international aid (19 projects) was one of the programmes examined in a report on lessons on the selection and implementation of payment by results to deliver public services.



Report

Use of consultants and temporary staff (January 2016)

Extracts relevant to the Department

The Department was the lowest spending department, with temporary staff making up only 1% of total staff, compared to an average of 6% to 8% across the civil service.

Report

Central government staff costs (June 2015)

Extracts relevant to the Department

The Department was one of four case studies in the report. The Department's work force had grown between 2009 and 2014 in response to an increasing overseas aid budget. The Department had changed its operating model, increasing the numbers of staff overseas where it delivers its programmes, with fewer staff delivering back-office functions in the UK. The Department's operations in increasingly fragile and volatile states have recruitment and deployment implications.

Report

Investigation into the acceptance of gifts and hospitality (February 2016)

Extracts relevant to the Department

The Department was one of the lower spending departments in terms of senior staff hospitality. For example, senior officials accepted hospitality on 20 occasions between April 2012 and January 2016 – the lowest number of all government departments.

Report

Government's spending with Small and Medium Enterprises (March 2016)

Extracts relevant to the Department

The Department performs comparatively well in meeting the target to contract with small and medium enterprises – in 2014-15, 29% of its spending was through SMEs, exceeding the May 2015 and 2020 targets of 25% and 33%.

The year ahead for the Department

The EU referendum

The **EU referendum** took place on 23 June 2016, after the reporting date for the 2015-16 accounts. The Department states in its Annual Report and Accounts for 2015-16 that "until exit negotiations are completed, the **UK remains a full member of the European Union, and all the rights and obligations of EU membership remain in force**. During this period, the Government will continue to negotiate, implement and apply EU legislation."

The Department provides multilateral aid through the European Union and the European Commission (£494 million in 2015-16 for EU spending on development activities funded by the UK's contribution to the EU's main budget and attributed to the Department, and £1,382 million multilateral ODA through the European Commission).

The Department also undertakes **projects in partnership with other European countries**. This work will continue in 2016-17.

The Department holds **some assets in foreign currencies** and their value will fluctuate according to any changes in the value of Sterling following the referendum result and during the subsequent negotiations.

Any changes in gross national income as a consequence of leaving the EU will have an impact on the amount of spending required by government departments to meet the 0.7% ODA target.

New Ministerial team

On 14 July 2016, the Prime Minister announced a new Ministerial Team for the Department.

- **The Rt Hon Priti Patel MP** was appointed as the Secretary of State for International Development.
- **Rory Stewart MP OBE** as Minister of State.
- **James Wharton MP** as Parliamentary Under Secretary of State.
- **Rt Hon Baroness Anelay**, Minister of State at the Foreign and Commonwealth Office (FCO), was appointed as Minister of State for the Department, alongside her existing responsibilities as a Minister of State at the FCO.

The year ahead for the Department

Outcome of the Multilateral and Bilateral Aid Reviews

The Department expects to implement the outcomes of the two reviews it has been carrying out on its **key funding streams** – bilateral and multilateral aid.

The **Bilateral Aid Review** aims to review spending, delivery channels and geographical footprint, to see whether its overall bilateral programme is affordable and in line with the Department's objectives.

The **Multilateral Aid Review** aims to assess the value for money the Department secures from more than £1 million in core funding through 38 multilateral organisations, and to ensure this funding has the greatest possible impact on the lives of the poorest.

The Department originally expected to publish the reviews in Spring 2016. They are now being considered by the new Secretary of State.

The Department last completed **Multilateral and Bilateral Aid Reviews in 2011**. Our 2012 report on the Multilateral Aid Review found that it was valuable for providing **accountability to taxpayers** and for **promoting reform** in the multilateral organisations to which the Department distributed money. The Department **updated** its **Multilateral Aid Review** in 2013, looking at the improvements organisations had made since 2011.

Progress against the new aid strategy

The UK is committed to **spend 0.7%** of its Gross National Income on Overseas Development Assistance. A key priority for the Department in 2016-17 will be the **implementation of the new UK aid strategy**.

The strategy will see **more funding going to fragile and conflict affected states**, and the **Department has committed to spend at least 50% of its budget in these areas**. In its Strategic Risk Register, the Department recognises it **must continue to monitor the risk of fraud and corruption**.

More UK aid will be delivered through cross-government funds and by other government departments. The Department spent 85% of ODA in the last Parliament, and this will fall to 72% in the next Parliament.

The Department will need to **work more closely with the other departments** to make sure the aid strategy is implemented effectively and robust controls are in place over the UK aid budget.

Official Development Assistance (ODA) spending by other government Departments

Our report Trends in Official Development Assistance found that in 2014, **86% (£10,084 million) of the United Kingdom's total spending on ODA** (£11,726 million) **was by the Department** (down from 88% in 2013).

Other departments spent £1,642 million (14%) of ODA in 2014. Provisional figures for 2015 indicate that around **20% of ODA will be spent by other departments** (£2,472 million out of a total of £12,239 million).

66% of this is accounted for by the **EU** (£537million), the **Foreign & Commonwealth Office** (£408 million), the (then) **Department of Energy & Climate Change** (£336 million) and the **Conflict, Stability and Security Fund**, formerly known as the **Conflict Pool** (£356 million).

Of the other elements, the majority went to the **Home Office** (£218 million) and to the former **Department for Business, Industry & Skills** (£194 million).

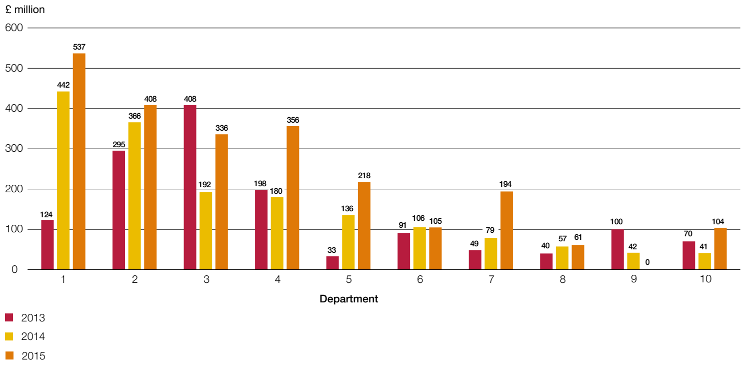
Departments receiving an increase in ODA funding include the Home Office. Our recent report Syrian Vulnerable Persons Resettlement Programme highlighted that a total of £421 million had been allocated from the ODA budget to fund all refugees' costs for their first year in the UK, up to 2021.

The November 2015 Spending Review and Aid Strategy stated that achieving the UK's development goals will require a cross-government approach. The Department will remain responsible for reporting all ODA spend to the Organisation for Economic Co-operation and Development (OECD), but more ODA will be administered by other departments. For example:

- increasing funding to the BBC World Service by £34 million in 2016-17 and £85 million in the following years (some of which will be ODA), as part of the UK's approach to strengthening democratic accountability and governance.
- The UK's increased investment in tackling climate change (an increase of at least 50% over the next five years compared to 2011-16) will include expanded investments in, for example, Department for Business, Energy & Industrial Strategy programmes.

Zoom In+

Composition of non-Departmental ODA



Notes

1 1 EU Attribution (non - DFID); 2 Foreign & Commonwealth Office; 3 Department of Energy & Climate Change; 4 Conflict, Stability and Security Fund/Conflict Pool; 5 Home Office; 6 Gift Aid; 7 Department for Business Innovation & Skills; 8 Department for Environment Food & Rural Affairs; 9 CDC Capital Partners PLC; 10 Other.

Cross-government funds – Conflict, Stability and Security Fund and the Prosperity Fund

Conflict, Stability and Security Fund (CSSF)

The Conflict, Stability and Security Fund (CSSF) was announced in the 2013 Spending Round and launched in April 2015, replacing the Conflict Pool. The National Security Adviser is the CSSF's Senior Responsible Officer.

The CSSF looks to fund programmes that tackle conflict and build stability overseas, especially in fragile states and regions. For example, community security and peacebuilding, and countering violent extremism.

Ministers, through the National Security Council (NSC), set the CSSF's strategic direction. All NSC departments are eligible to bid for funds.

The CSSF's budget was £1.0 billion in 2015-16, supported by money from the Department, the Ministry of Defence and the Foreign & Commonwealth Office, under the direction of the NSC. The budget will increase to £1.3 billion by 2019-20.

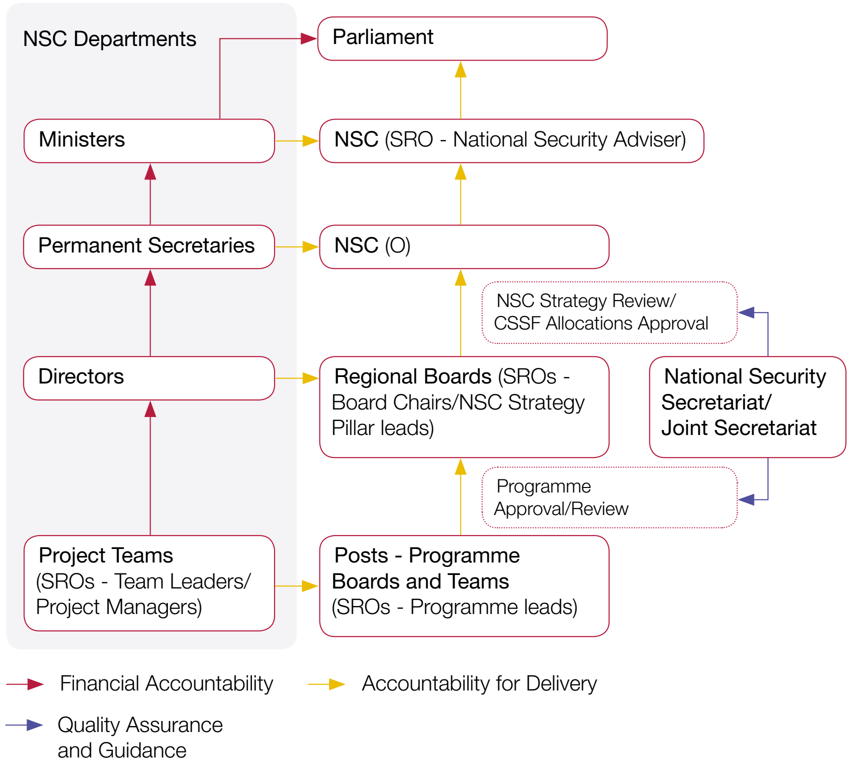
Prosperity Fund

The cross-government Prosperity Fund was launched on 1 April 2016, replacing the Foreign & Commonwealth Office's Prosperity Fund that started in 2011. The fund is now under the strategic direction of the NSC. The Prosperity Fund, which has a budget of £1.3 billion over five years, aims to fund projects that support economic development in ODA-eligible countries. £33 million of non-ODA funding is also available for use in both ODA and non-ODA countries. The Funds aims to achieve the following in partner countries:

- Promote economic reforms and remove barriers to trade;
- Strengthen policy capacity and build strong institutions; and
- Develop sectors which support growth, such as infrastructure, energy, finance, education and healthcare.

All government departments can bid into the Fund for particular objectives, both individually and as part of cross-Whitehall bids involving a number of departments. The way programmes are then delivered will vary, depending on the nature and scale of the programme.

CSSF accountability structure



Development capital

What is development capital?

The Department defines development capital as **public investment in the private sector** to achieve development impacts. It uses such investments to encourage investments that benefit poor people – seeking a "modest financial return alongside significant development impact".

The Department believes that development capital benefits poor people in two ways.

- **Through the investment itself** – for example, by creating jobs, improving infrastructure, or improving access to services.
- **By demonstrating success to commercial investors** – for example, commercial investors can see that investing private capital in particular geographical areas and sectors is 'feasible' (ie, it can generate financial returns).

How much does the Department spend on development capital?

The Department has a **portfolio of development capital investments**.

- **Its own development capital investments** – investments (equity investments, debt instruments and other returnable grant investments) made by the Department to achieve defined development objectives and retaining a recoverable interest in the asset. Examples include the Department's investment in the Asia Climate Partners Fund and the International Finance Corporation's Catalyst Fund. In 2015-16, the Department invested an additional £33 million in its own development capital.
- **Its investment in CDC** – the Department, on behalf of the government, owns 100% of the issued ordinary share capital of CDC Group plc, an investment company that invests in private sector businesses in developing countries. In 2015-16, the Department agreed a capital increase for CDC of £735 million to fund its growth. It made the first payment of two - £450 million – in the same year.

	Development capital	CDC
Additional investment in 2015-16 (£ million)	£33	£450
Value of investments at the end of 2015-16 (£ million)	£75	£3,900

Note

1 The value of investments at year-end takes account of additional investments in the year, revaluations, and financing costs.

The Department's administrative expenditure

Administration expenditure

In 2015-16, the Department spent £9,886 million, an increase of £108 million compared to 2014-15.

Within the overall increase in expenditure, administrative costs reduced from £110 million in 2014-15 to £102 million in 2015-16, continuing a trend – administrative expenditure has fallen as a percentage of the Department's overall spend from 2% in 2010-11 to 1% in 2015-16.

Staff numbers

The average number of full-time equivalent staff employed by the Department fell by 4.6% in 2015-16 (2,853 full-time in 2015-16, compared with 2,991 in 2014-15). Of these staff, 1,484 were employed in the UK (52%) and 1,369 overseas (48%). This followed a period of four years where staff numbers increased overall.

One HMG overseas

The Foreign & Commonwealth Office-led One HMG Overseas programme will consolidate activity overseas by different government departments into single country offices. Our March 2015 briefing on the programme found that the bodies involved had made good or reasonable progress with three of the five main strands of work (co-location, regionalisation, consolidation) but more limited progress with the remaining two (collaboration, harmonisation).

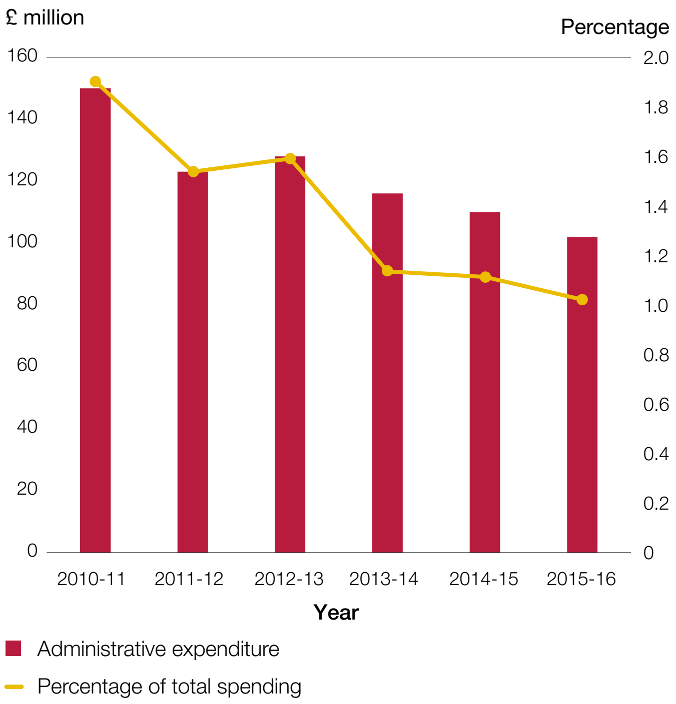
The Department will transfer its overseas corporate service functions to the Foreign & Commonwealth Office and expects to make £5 million of savings in staff costs over the five years of the programme.

During 2015-16, a number of the Department's staff appointed with country roles and responsibilities transferred to the Foreign & Commonwealth Office under One HMG Overseas. The Department also transferred £40.4 million of assets to the Foreign & Commonwealth Office.

Future savings

The November 2015 Spending Review commits the Department to making further efficiency savings of more than £400 million through improved contract management and the use of digital platforms and technology.

Administrative expenditure



Exiting countries

Bilateral Aid Review

The 2011 Bilateral Aid Review recommended that the Department focus its spend on country and regional programmes in **27 countries** (prior to the review it had significant bilateral aid programmes in 43 countries). This subsequently increased to **28 countries** with the formation of South Sudan.

It should also continue to provide bilateral funding to three Overseas Territories and to three regional programmes (see next paragraph).

The Department should close its bilateral programmes in a number of countries: **Angola, Bosnia, Burundi, Cameroon, Cambodia, China, the Gambia, Indonesia, Iraq, Kosovo, Lesotho, Moldova, Niger, Russia, Serbia and Vietnam**. The Department would honour its existing commitments, and would manage the withdrawal from these countries in a phased way.

In November 2012, the then Secretary of State announced that the Department would also cease to fund financial aid programmes to **India** in 2015, and in April 2013 a similar announcement was made for **South Africa**.

The Department's current bilateral aid programmes

Country Programmes: Afghanistan, Bangladesh, Burma, Democratic Republic of the Congo, Ethiopia, Ghana, India, Kenya, Nepal, Kyrgyzstan, Liberia, Malawi, Mozambique, Nepal, Nigeria, Occupied Palestinian Territories, Pakistan, Rwanda, Sierra Leone, Somalia, South Africa (ended in 2015-16), Sudan, South Sudan, Tajikistan, Tanzania, Uganda, Yemen, Zambia and Zimbabwe.

Three aid-dependent Overseas Territories: St Helena and dependencies, Montserrat and Pitcairn, and support to other UK Overseas Territories that require UK government assistance.

Three regional programmes in Africa, Asia and the Caribbean, which will complement country programmes through cross-border strategic interventions.

2015-16 update on closure of bilateral programmes

The Department no longer has country programmes in any of the countries identified for closure in the 2011 Bilateral Aid Review.

It **has now closed its country programme in Vietnam** – it spent £3.7 million in 2015-16 but has no further spend forecast in future years.

The Department **ended its traditional aid programme to South Africa** in 2015-16.

The Department spent £135 million in **India** in 2015-16. It **ended its traditional aid programme to India in December 2015**, in line with a changing approach to the country, where it will focus on economic development. DFID India is forecast to spend £80 million in 2016-17, and £70 million in 2017-18, in the form of technical assistance (high-level advice) and development capital (investments in the form of returnable capital).

The Department will also no longer have any programme spend in **Ukraine** from 2016-17, but UK aid will continue to go to Ukraine through the Good Governance Fund (funded by the CSSF).

Staff attitudes and engagement

In the 2015 Civil Service People Survey (carried out annually for the past five years), the **Department's employee engagement index was 70% – the 6th highest** across 98 departments and other central government bodies which participated, and **12% points higher than the Civil Service average**.

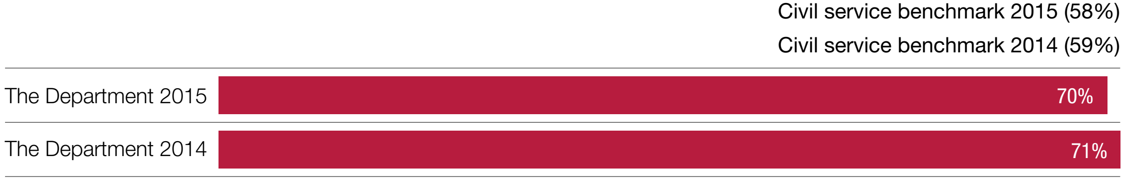
Attitudes of staff in 2015 compared with 2014 – Department for International Development

Key

- ■ Results in 2015
- 🟩 Increase since 2014
- 🟥 Decrease since 2014
- 🟨 No change

My work	80%	No change	Civil service average	75%
Organisational objectives and purpose	90%	-2	Civil service average	82%
My manager	71%	No change	Civil service average	68%
My team	80%	+1	Civil service average	80%
Learning and development	52%	-7	Civil service average	49%
Inclusion and fair treatment	78%	No change	Civil service average	75%
Resources and workload	74%	-2	Civil service average	73%
Pay and benefits	36%	-1	Civil service average	29%
Leadership and managing change	50%	No change	Civil service average	43%

Engagement index 2015 and 2014



Sources: Civil Service People Survey 2015 and 2014

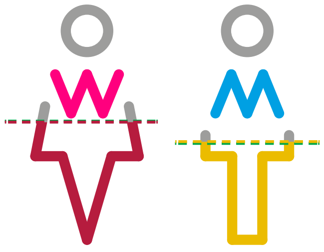
Staff breakdown

The Department **employed, on average during 2015-16, 2,852 whole time equivalent staff** (1,484 in the UK and 1,369 overseas). This is a **reduction of 139 from 2014-15** (2,991 staff). The number of the Department's staff appointed in-country fell in 2015-16 under the one HMG overseas initiative consolidation in country offices.

Workforce in DFID 2014-15

Staff gender

🟩 Civil service average

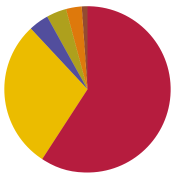


🟥 Women	53%	53%
🟨 Men	47%	46%

The Department's employment of women as a proportion of the total workforce is in line with the average across the civil service (53%).

Ethnicity

England and Wales average

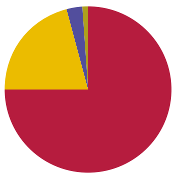


🟥 White	60%	90%
🟨 Not declared/unknown	29%	-%
🟪 Other	4%	2%
🟩 Asian or Asian British	4%	5%
🟧 Black or Black British	3%	3%
🟫 Prefer not to say	1%	-%

Black and Minority Ethnic (BME) representation in the Department, at 11% (combined), is above the average for the civil service (10% in 2014)

Disability

England and Wales average

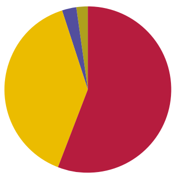


🟥 Not declared	75%	-%
🟨 No disability	21%	91%
🟪 Disability	3%	9%
🟩 Preferred not to say	1%	-%

Of those who declared their status in the wider civil service, almost 9% had a disability.

Sexual orientation

England and Wales average



🟥 Not declared	56%	-%
🟨 Straight/Heterosexual	39%	-%
🟧 Prefer not to say	3%	-%
🟪 Gay/Lesbian/ Bisexual/Other	2%	-%

In 2012 the Integrated Household Survey set out that 1.5% of people identify as being gay, lesbian or bisexual.

Source: Department for International Development Diversity and inclusion – Annual Report 2014-15

Links to published reports 2015-16

A Short Guide to the
Department for International Development
July 2015

NAO National Audit Office

A Short Guide to the Department for International Development National Audit Office, July 2015

Information about the Department

Annual Report and Accounts 2015-16

Statistics on International Development

Results of Civil Service People Survey (the Department for International Development)

DFID Diversity and Inclusion Annual Report 2014-15

Provisional UK Official Development Assistance as a Proportion of Gross National Income 2015

Other NAO reports

Fraud landscape review

Realising the benefits of the St Helena Airport project

Trends in total UK Official Development Assistance and the Department for International Development's expenditure

Responding to crises

Managing the Official Development Assistance target

Oversight of the Private Infrastructure Development Group