



Department  
for International  
Development



# Economic Development Strategy: prosperity, poverty and meeting global challenges



January 2017

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# Foreword from the Secretary of State

**Britain is redefining and reinforcing its place in the world.** We are seizing new opportunities to be more outward-looking than ever; to strengthen international partnerships; and to build new relationships across the globe. DFID's focus and international leadership on economic development is a vital part of Global Britain - harnessing the potential of new trade relationships, creating jobs and channelling investment to the world's poorest countries.



Throughout history, sustained, job-creating growth has played the greatest role in lifting huge numbers of people out of grinding poverty. This is what developing countries want and is what the international system needs to help deliver. It is how we will achieve the Global Goals and help countries move beyond the need for aid.

The stakes are huge and time is ticking. Over the next decade a billion more young people will enter the job market, mainly in Asia and Sub-Saharan Africa.

Africa's population is set to double by 2050 and as many as 18 million extra jobs a year will be needed. Failure will consign a generation to a future where jobs and opportunities are always out of reach; potentially fuelling instability and mass migration with direct consequences for Britain. Our ambition must be to create an unprecedented increase in the number and quality of jobs in poor countries; enable businesses to grow and prosper; and support better infrastructure, technology, connectivity and a skilled and healthy workforce.

The challenge is formidable. In the world's poorest places, most people still scrape by with no safety net when things go wrong and little prospect of escaping a hand-to-mouth existence. Britain is committed to changing this. As the Prime Minister has underlined, it is time for Britain to rediscover its role as a great, global, trading nation. This includes helping developing countries to harness the formidable power of trade for reducing poverty. We will help build productive, open and dynamic economies and create the millions of jobs needed to defeat poverty for good. We will support stronger, more accountable and more open governance and institutions, tackle corruption and help countries raise their own revenue.

Meeting these challenges is central to Britain's global role and to our future as an outward-oriented, open economy. With DFID's first ever Economic Development Strategy, I am raising the bar on our approach and ambition. It builds on DFID's proud record on economic development, setting out how we will work in the poorest and most fragile places in the world, helping to ensure no one is left behind.

DFID's ambition will be at the heart of the Government's emerging agenda on international trade and investment, led by the Department for International Trade. We will work across Government to agree trade and investment deals that bring the benefits of trade to every corner of the world. And we will use our voice in the World Trade Organization to promote free trade as one of the bedrocks of global prosperity and stability.

We are focusing investment in job creation across manufacturing, infrastructure and commercial agriculture to provide strong foundations for inclusive growth in the developing world. Communities and businesses need electricity, roads, dynamic cities and for rural areas to be connected to markets. We need to transform agriculture to feed and nourish rising populations and enable millions of smallholder farmers to tap into global value chains. We need to enable countries to look to future dynamic sectors of the global economy and use new technologies.

But right now there is a desperate shortage of private and public investment in the world's poorest countries, despite the significant opportunities. The UK will catalyse investment by using innovative financing approaches, as well as helping countries to improve their investment climate. CDC, the UK's development finance institution, will be at the heart of this, alongside our leading role in reshaping the international system.

As one of the world's largest capital markets and a global centre of financial expertise, the UK has a central role to play in channelling private capital to developing economies. The City of London can become a leading financial centre for the developing world, supporting economic growth, job creation and an exit from aid. We will work to ensure that more businesses from developing countries are able to issue bonds in London to raise long term finance in the currency that suits them best. We will draw on the UK's world-class expertise, including expanding access to climate risk insurance so that people are protected in the face of disasters.

Our focus is on economic empowerment to ensure that the poorest and most marginalised benefit from new opportunities. Our work will support the Prime Minister's ambition to end modern slavery and all forms of human exploitation. Critically, we will promote transparency, tackle corruption and confront vested interests that stifle economies and sow instability. This work will complement our investments in health, nutrition and education to help people lead safer, healthier and more prosperous lives.

Wherever you go in the world you find hope, aspiration and a desire to get on in life. This strategy is about helping people find work and earn better incomes – growing economies to fund better schools, hospitals and other vital services. It's about empowering girls and women to determine their own futures; generating jobs and economic opportunities; and addressing defining global challenges such as mass, unmanaged migration and climate change. Ultimately, all of this is not only the right thing to do; it is firmly in Britain's own national interest.

A handwritten signature in black ink that reads "Priti Patel". The signature is fluid and cursive, with the first name "Priti" and the last name "Patel" clearly distinguishable.

**Rt Hon Priti Patel,**  
Secretary of State for International Development

# Key messages of the Strategy

**Advancing economic development in the poorest countries is a hallmark of building Global Britain.** It is an essential part of how Britain is helping make globalisation work for all and furthering our national interests by playing a leading role on the international stage.

**Life-changing progress** comes from growth that transforms economies; that creates productive jobs and private sector investment; and that spreads benefits and opportunities right across society. This is essential to eradicate extreme poverty, deliver the Global Goals that the world adopted in 2015 and end reliance on aid.

**DFID's Economic Development Strategy will help deliver these ambitions by:**

1. **Focusing on trade as an engine for poverty reduction.** We will build the potential for developing countries to trade more with the UK and the rest of the world and integrate into global value chains. Using our voice in the World Trade Organization, we will argue for better and fairer trading rules for developing countries and strengthen our approach to 'aid for trade'.
2. **Stimulating investment to spur economic growth in developing countries.** Investment is vital to create jobs and develop infrastructure but private investors such as pension funds typically hold back from the long-term investment needed. Patient capital investments can demonstrate what is possible in developing countries and pave the way for private investment, ensuring billions of aid translates into trillions of investment. CDC, the UK's development finance institution, will be at the heart of our approach.
3. **Supporting countries to mobilise their own domestic resources, improve their enabling environment for business and reduce reliance on aid.** We will strengthen our approach to tackling corruption; help countries to increase their own domestic revenues; and build open, transparent institutions as the foundation of more prosperous economies. We will focus on tax systems and the wider enabling environment to make it easier and more transparent for companies to do business and invest to reduce poverty.
4. **Focusing our efforts on sectors that can unlock growth.** Our programme portfolio will move strongly to develop sectors that can propel growth - including energy, infrastructure, urban planning, manufacturing, commercial agriculture and financial services.
5. **Making it easier for companies - including from the UK - to enter and invest in markets of the future.** We will work collaboratively with businesses to understand the barriers to accessing these markets and work to make it easier for them to do business that reduces poverty.
6. **Supporting our partner countries to harness new technologies for growth and look to emerging and innovative economic sectors,** such as e-commerce and peer-to-peer business and finance.
7. **Working with, and challenging, the City of London to become the 'development finance hub of choice'.** We will help create stronger capital markets and financial services in our partner countries and we will be a global leader in helping developing countries insure themselves against natural disasters.

8. **Using our country presence, knowledge and expertise to bring economic opportunity to some of the world's most fragile states**, supporting livelihoods even in the hardest and most complex environments.
9. **Building a sharper focus on nutrition, human development and skills for work into our economic development programmes** and helping to build a healthy, educated and productive workforce for the future.
10. **Focusing on the poorest and most marginalised people, the majority of whom work in the informal sector.** We will place the economic empowerment of girls and women at the heart of our approach and help marginalised groups, including people with disabilities, to access productive employment.
11. **Establishing new links both in the UK and internationally with civil society organisations and other innovative partners** to help deliver the ambition in this Strategy.

**These priorities will support economic development overseas whilst benefitting the UK at home.** Our priorities will help build Britain's trading partners of the future, and advance Britain's national security and foreign policy interests. We will assist poor countries to finance their own development, harness their rapidly growing young populations and overcome the need for aid.

# 1. Rising to the challenge

## Why economic development matters

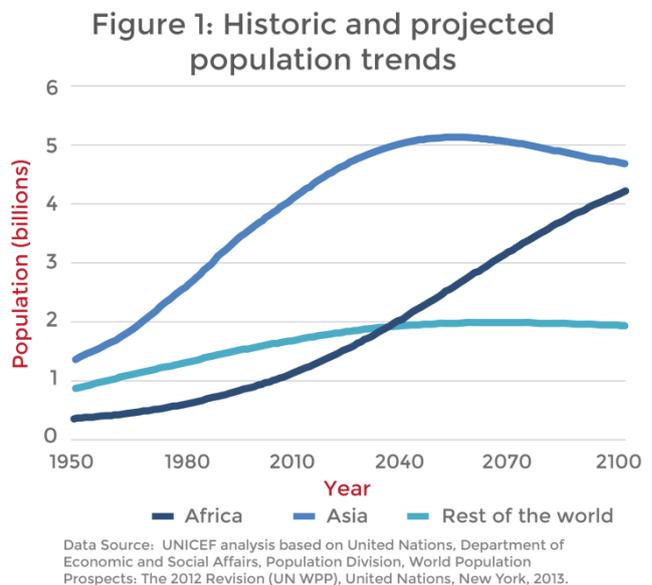
**Economic growth is essential for overcoming poverty and for allowing human potential to flourish.** No country can prosper or move beyond reliance on aid without it. As the Growth Commission puts it, growth 'can spare people *en masse* from poverty and drudgery. Nothing else ever has'.<sup>1</sup> In China high and sustained growth has lifted over 800 million people out of poverty.<sup>2</sup>

**Some poor countries have achieved bouts of fast growth but the challenge runs deeper.** Falls in commodity prices exposed the weak foundations of growth in many developing economies. Fresh approaches are needed to build more resilient economies that generate productive jobs and widespread benefits that improve people's daily lives.

**Time is ticking.** Over the next decade a billion more young people will enter the job market, mainly in Asia and Sub-Saharan Africa.<sup>3</sup> Africa's population is set to double by 2050 and its urban population set to triple.<sup>4</sup> Already in around 40 African countries, over half of the population is under 20 years old.<sup>5</sup> Getting economic development right is crucial to these young people's future, to social stability and to the empowerment of girls and women. There are huge opportunities for a youthful workforce to propel greater prosperity. But if more and better jobs are not created then services such as health and education will suffer, migration pressures will continue to grow and instability could increase.<sup>6</sup>

**This matters for Britain and for the everyday lives of British people.** Extreme poverty is increasingly concentrated in Africa and in fragile and conflict-affected states. Instability, extremism and conflict in the Middle East and Africa have displaced millions of people with global repercussions. UK aid has a huge role to play in creating the jobs and economic opportunities that give people in the world's poorest countries a better alternative than risking the journey to Europe.

**Aid is changing.** The significance of aid alone is decreasing as developing countries marshal their domestic resources and draw on diverse forms of development finance - especially through private sources.<sup>7</sup> Developing countries want to harness trade, growth and investment to enhance prosperity and end poverty.<sup>8</sup>



## Global Britain; global leadership

Britain is shaping the global development agenda. We are going beyond our individual programmes to shape a new global consensus on economic development<sup>9</sup> and press forward with overdue changes to the international system. DFID has contributed to major breakthroughs that set the agenda for sustainable and inclusive growth.



- In September 2015, the world adopted a set of **Global Goals** (the United Nations (UN) Sustainable Development Goals) that have poverty reduction and economic development at their core - setting clear targets for sustainable energy, cities, industry and infrastructure.
- The agreement, in July 2015, of the Addis Ababa Action Agenda changed the landscape of **development finance**, emphasising the importance of mobilising private sector finance and developing countries' domestic resources.
- The World Trade Organization Ministerial Conference in Nairobi in December 2015 overcame a long-standing **trade negotiation** deadlock and eliminated many unfair subsidies for agriculture exports, helping to level the playing field for poorer countries.
- A landmark agreement in December 2016 allows the World Bank's financing arm for the poorest countries to raise finance from capital markets and puts an increased focus on economic development. These breakthroughs will substantially **increase resources for economic transformation, jobs and skills**.

**We have scaled up our work on economic development in recent years. We have:**

- **increased our annual investment in economic development** to £1.8 billion in 2015 to 2016 - more than doubling the amount spent in 2012 to 2013<sup>10</sup>
- **boosted investment to create jobs**, including enabling CDC, the UK's development finance institution, to channel investment capital into promising businesses in Africa and South Asia. In 2015 we capitalised CDC with £735 million, the first injection of new capital in 20 years<sup>11</sup>
- **enhanced our structure and staffing**, establishing DFID's first dedicated directorate for economic development and strengthening staff capacity

**Alongside our wider human development investments, our approach has prioritised girls and women, youth, taxation and migration and has built links with businesses.**

We have:

- **developed partnerships with pioneering small British firms** whilst also collaborating with larger companies
- **ensured that girls and women are at the centre of our economic development work** and that we address gender inequality. Our collaboration with the World Bank means that for the first time the particular challenges faced by women are reflected in the flagship 'Doing Business Index'<sup>12</sup>

- **increased our emphasis on youth**, helping to maximise economic opportunities for young people as part of DFID's wider Youth Agenda<sup>13</sup> for example helping 4,700 young people in Kenya to improve their job prospects and supporting the creation of 1,400 employment opportunities in marginalised Kenyan communities
- **shaped the World Bank's focus on economic development**, including in fragile states (Box 1)
- **committed to double by 2020 our investment in building effective tax systems** to help developing countries better mobilise their own resources for long term prosperity
- **supported refugees to lead a life in dignity** in crises such as Syria with major significance for UK strategic interests

**Above all, we have delivered results in the countries where we work.** DFID has achieved the following results towards its commitments for 2011 to 2015:<sup>14</sup>

- helped 69.5 million people, including 36.4 million women, gain access to financial services
- helped 6.1 million people, including 3 million women, to improve their land and property rights
- improved access to clean energy for 5.2 million people (rising to 6.6 million by September 2016)<sup>15</sup>

**Over one million net new jobs were created by CDC investments** in Africa and South Asia during 2015 alone, with CDC investee companies paying over US\$2.6 billion in local taxes.

**Our work is increasingly about going beyond aid to challenge the international system and harness the full range of UK strengths, relationships and expertise.** This includes our development and diplomatic networks on the ground; our knowledge and relationships spanning Government, business, multilateral bodies and civil society; our links with leading research institutions and our commitment to generating robust data and evidence.

### **Box 1: Multilateral reform and results focus – influencing the World Bank**

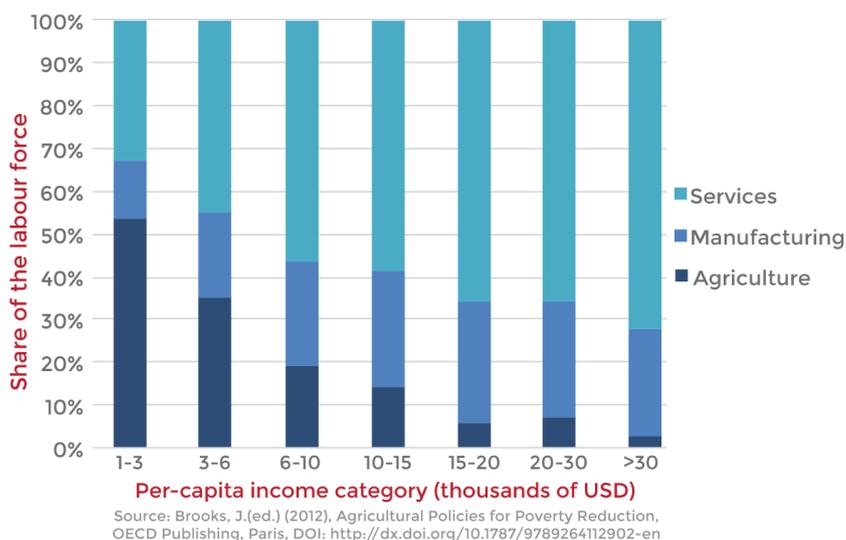
The UK plays a leading role in the multilateral system and has helped secure significant reforms at the World Bank Group. This includes a commitment to allocate more resources to fragile and conflict-affected states and provide better support to countries hosting large refugee populations. The World Bank is stepping up its focus on generating jobs and developing new markets in the poorest and most fragile countries. DFID also played an active part in agreeing indicators for measuring results. With DFID's input, the latest round of support through the International Development Association (IDA) includes renewed emphasis on areas such as economic transformation and productivity, the gender gap in employment, private investment, taxation, and youth employment.<sup>16</sup> We will monitor delivery of these commitments over the coming years and use our leading position to encourage further reform of the international system.

## Our vision for lasting progress

**Our vision seeks to transform economies and ensure that growth delivers for everyone.** Most people in low income countries scrape their living from subsistence agriculture or low productivity activities in the informal sector. Such work provides limited scope to escape poverty. Lasting progress will come from creating productive jobs for women and men that generate rising economic returns and improving working conditions. This means moving into higher productivity sectors such as manufacturing

and boosting productivity within existing sectors such as agriculture to steadily change the structure of economies.<sup>17</sup> And barriers need to come down so that **opportunities from economic development are more fairly distributed - helping ensure growth translates into real improvements for poor people and that no one is left behind.**

Figure 2: Share of the labour force employed in each sector by per-capita income



**There is no recipe for economic development but there are vital ingredients.**<sup>18</sup>

Successful countries have diversified their economies and exported increasingly sophisticated goods. They have harnessed trade opportunities and attracted investment. Manufacturing has been central to this story. Gains have also come through high value services or improving agriculture and by investing in a healthy, skilled and educated workforce over time. **But countries face very different future prospects.** South Sudan, for example, is not poised to emulate the growth path of South Korea. Local politics, conflict and the strength of institutions shape what is feasible together with the regional and international environment (see Chapter 4).

**Our approach is context specific.** We conducted an in-depth assessment of the constraints to inclusive growth in 28 of our partner countries. This helped determine how and where we should focus our efforts. The analysis put a spotlight on jobs and showed, for example, the need to step up efforts on energy, infrastructure, urban development, manufacturing and commercial agriculture (see Chapter 3). It underlined how economic development has to contend with vested interests that block progress; with violence and instability; and with barriers that prevent large parts of society, including girls and women, from economic participation. It also showed the need to avoid an overloaded reform agenda that tries to fix everything at once and instead to focus on what is feasible in each context and will make the greatest difference. Our country-by-country assessment is helping us reshape our programmes and priorities.

# 2. New approaches, finance and partnerships

## Advancing trade and prosperity

**DFID's approach to trade will centre on poverty reduction.** The UK's exit from the European Union (EU) creates a unique opportunity to build up a comprehensive package bringing together UK trade policy, aid that unlocks barriers to trade and investment promotion to reduce poverty. We will help partner countries get the best out of global trade negotiations to benefit from trade access and to reduce trade costs - for example by implementing the Trade Facilitation Agreement agreed at the 2013 World Trade Organization Ministerial Conference - worth US\$10 billion a year to Sub-Saharan Africa.

**Developing countries still face many barriers that hamper their ability to trade.** In addition to tariff barriers, these include burdensome regulations, high transport costs, delays at customs and weak infrastructure. We are building infrastructure for trade, cutting red tape and helping countries access markets. DFID's Trade and Investment Advocacy Fund, for example, will help developing countries to participate in and reap the benefits from international trade and investment deals. It has already supported the negotiations that led to the World Trade Organization's landmark deals on agriculture and development at the 2015 Ministerial Conference, breaking a 14 year deadlock. Such progress is positive for poverty reduction and helps build the UK's trading partners of the future.

**DFID will work closely with the Department for International Trade to deepen our trade relationships with developing countries.** We will continue to open our markets to the world's poorest countries, bringing trade opportunities to those that need it most. And we will encourage others to do the same by using our voice in the World Trade Organization, international institutions such as the World Bank, and the G20 to promote free trade, to keep a strong focus on economic development and to push back on emerging protectionist approaches.

## Development Capital

**DFID will increasingly use Development Capital to create jobs, catalyse private sector investment and build markets in challenging settings.** Long-term patient capital can demonstrate the financial viability of investing in the world's poorest countries, reducing costs and risk for private investors. In this way, DFID-supported investments can draw in multiples of the funds invested and put economic development on a sustainable footing. Development Capital can also build countries' resilience to climate change through innovative investments in the insurance market (see Box 20, p28). Our investment in businesses through Development Capital complements our use of grants for wider DFID priorities.

**As the UK's development finance institution, CDC is our principal partner on Development Capital.** CDC brings much-needed capital to the poorest and most fragile countries to support businesses to thrive. CDC has the right skills and experience. It has made pivotal investments across sectors including finance, mobile telecoms and infrastructure. Providing CDC with further capital will enable it to build on successes to date. CDC is: bringing development benefits alongside financial returns, demonstrating that

investments in challenging environments can be commercially viable and building markets that generate investment opportunities for the long term. CDC is focusing on infrastructure, financial institutions, manufacturing, agribusiness, construction, health and education. We are working to make investments take account of conflict and fragility and to make gender, climate and environment-related considerations more central to our Development Capital work.

### Box 2: CDC and agribusiness

The Export Trading Group (ETG) is a pan-African agribusiness that procures at the 'farm gate' and provides farmers with logistics support, fertilisers and farming equipment. ETG has diversified to also become a processor and distributor of agri-products, providing African farmers with an expanded market for their produce. CDC's investment in ETG has helped the company expand to provide 8,000 jobs in more than 30 African countries. Approximately three million people benefit more widely from ETG, notably smallholder farmers. In many countries women make up 40% of ETG's local workforce.



## Financial sectors, new technology and innovative financing mechanisms

**We will help developing countries finance their own growth by ensuring that financial markets and institutions channel more investment capital to the real economy.** As we develop local financial sectors, we will work closely with the City of London to deepen links with developing countries. As the world's largest capital market, London has a central role to play to develop the high-growth economies of the future. We will help more businesses from more developing countries raise finance in London, including by issuing bonds in the currency that suits them best. We will draw on the UK's world-class expertise in financial regulation, training and support services to increase the depth and breadth of local financial systems - for example removing red tape that prevents access to mobile money so that people can save and transfer money more cheaply and safely. Giving people access to savings or pension products will enable them to save for their futures and help banks lend to businesses that will create jobs and growth.

**We will work with the insurance and risk finance industry to expand access to climate and catastrophic risk insurance,** providing vulnerable developing countries with faster and more reliable funding in the event of shocks such as natural disasters. This can reduce the need for expensive humanitarian relief, reassure private investors and help people rebuild their lives.



## Harnessing financial technology and new financing models:

- We will use innovations in **financial technology** (fintech) to expand affordable access to financial services, in particular remittance flows, which are three times greater than global aid
- We will support the use of **peer-to-peer finance models** to allow small businesses in developing countries to raise investment capital directly from individuals in the UK or elsewhere through crowdfunding websites
- This will build on DFID's use of **crowdfunding platforms** M-Changa, CrowdCube and GlobalGiving to match loans and donations from the public to energy access projects
- We will assess the scope for financing programmes through **development impact bonds** - a mechanism whereby investors are paid back only if the results are delivered

### Box 3: Supporting innovative small and medium-sized enterprises (SMEs) through technology

DFID is partnering with the mobile phone operators' association (GSMA) to help SMEs get the best out of mobile technology. Through the Ecosystem Accelerator Innovation Fund the mobile industry will support entrepreneurs and SMEs in developing countries, helping them to use mobile technology for improvements in areas such as health, agriculture and mobile finance. Start-ups and SMEs will go through a competitive process and those with the best proposals will receive funding, mentoring and technical assistance, allowing them to scale up and reach more people.

## Partnerships with international companies, SMEs and improving the investment climate

**We are supporting developing countries' efforts to mobilise foreign investment by working with international companies, including those from the UK.** In Tanzania, for example, we are co-investing with commercial and not-for-profit partners in four business projects, including new tea and rice plantations, with proven benefits for rural communities. This complements our support for the overall investment climate, our use of Development Capital and our initiatives to help SMEs thrive and expand.

**We will help partner governments to improve their investment climates so they become easier places to do business.** We will focus on reforms that tackle constraints on start-ups, job creation and investment, and on ensuring that reforms change the reality for firms on the ground, not just the rules on paper.<sup>19</sup> This will lead to smarter regulation, fewer barriers for small firms, and more opportunities for more firms to compete on fair terms.

**DFID is partnering with firms to test new business models, scale up existing successes and encourage replication by others.** DFID has established a forum with seven FTSE-100 extractives companies to collaborate on enhancing transparency; bring greater benefits to local workers and suppliers; and build the capacity of governments. Our Water Security Programme is developing nine partnerships in Africa involving 22 companies to promote increased investment in water infrastructure. We partner with a growing number of pioneering UK SMEs (see Box 4). In our partner countries, DFID can act as an honest broker to address problems that simultaneously hamper governments, investors and other stakeholders - for example, cumbersome regulations for setting up a business.

#### Box 4: Collaboration with UK SMEs

DFID is working with a number of cutting edge SMEs from across the UK.

- Every1Mobile in Brighton has received DFID support to create a mobile-based community of duka owners (shopkeepers) in Kenya. The technology-based business model will help duka owners to grow their businesses, provide health information and products to low income communities.
- Just Trading Scotland (JTS) in Paisley facilitates the import and distribution of fairly traded products to the UK. In Malawi, DFID is providing technical advice to JTS and the Kaporo Smallholder Farmers Association to help improve the quantity and quality of their rice crop. Farmers stand to benefit from better market access and JTS will have a better supply of quality rice.
- Africa Water Enterprises (AWE) in Staffordshire received a seed grant through the Mobile for Development Utilities programme in 2015. Operating in Gambia, AWE repair and maintain water systems and enable users to pay with eWATERpay technology, using a contactless, prepaid 'tag' at the water tap. Women entrepreneurs maintain the system and the low cost payments (US\$0.09 per 20 litres) ensure the technology is maintained in working order. To date the technology has reached 20,000 people.

**We will work with the Departments for International Trade, and Business, Energy and Industrial Strategy** to help UK and other businesses have better access to information about new commercial opportunities in developing countries. This includes procurement opportunities within DFID and the UK Government, and opportunities amongst our partners such as UN agencies and multilateral development banks.

**We are encouraging businesses to contribute to economic development in ways that are socially responsible, environmentally sound and help defeat modern slavery.**

We will:

- speak up on corporate governance standards, transparency and corruption
- use our support for codes of conduct, certificates and standards organisations to encourage businesses to be responsible, transparent and accountable across their value chains
- encourage businesses to promote good health and nutrition, recognising how disease and malnutrition reduce workforce productivity and create huge costs for families, businesses and public services

**Maintaining untied aid:** UK aid will remain untied from commercial interests. We will help build open markets in which all companies can compete freely and fairly.

### Working with multilateral institutions

**As set out in DFID's Multilateral Development Review, we will demand more effective support for economic development from international financial institutions.** The UK is a major shareholder in and donor to leading international financial institutions which invest in and advise developing countries. We want these institutions to do more to transform developing countries' economies to become more productive and to generate jobs on a large scale, including for people displaced by crises.

**These institutions need to be able to assist a diverse set of client countries with different needs, levels of wealth and abilities to borrow on the market.** A far higher

share of resources should go to poorer countries and fragile states. The internal rules, systems and incentives within these institutions need to support this shift and to enable greater flexibility - for example in deploying staff - as situations change on the ground.

**We are urging these institutions to:**

- develop and regularly report on indicators relating to jobs; use long-term patient capital to mobilise private finance; and improve productive sectors such as manufacturing
- take higher risks and accept lower returns to deliver in the toughest markets - for example through a new US\$2.5 billion Private Sector Window within the World Bank Group that stands to leverage at least US\$6 to US\$8 billion of private investment
- be more innovative in how they use their balance sheets so that enough resources are allocated to the right places on the right terms. This includes providing new insurance products to attract investment into difficult markets - for example from pension funds
- work more effectively on economic migration and labour markets. This includes going beyond country-by-country approaches to better address cross-border challenges and build labour markets that help people find work in their home countries and regions without falling prey to traffickers
- work with the private sector to encourage the production of low cost, healthy foods – particularly those that can be accessed by women and children
- ensure the businesses they engage with adopt responsible practices in their supply chains and deliver on commitments to scale up climate finance by 2020 and contribute to ending malnutrition by 2030

# 3. Our sector priorities and commitment to inclusion

## Infrastructure, energy and urban development

**No economy can achieve high, sustained growth without the right infrastructure.**<sup>20</sup> Energy blackouts reduce growth rates in Africa by an average of 2.1% per year.<sup>21</sup> Transport, water and communications infrastructure can be equally vital to private sector investment and building competitive businesses. Cities and towns play a crucial role. They produce a significant proportion of gross domestic product (GDP) and stimulate economies by bringing customers closer to suppliers, employees closer to employers and facilitate the clustering of firms to form industries.<sup>22</sup>

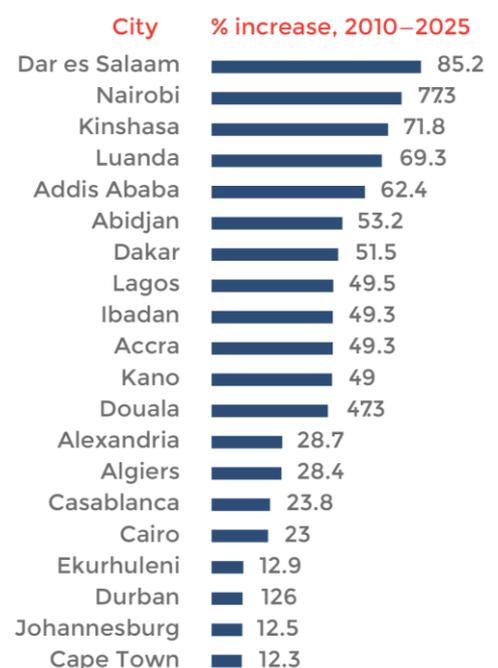
**Our infrastructure work addresses energy, transport, and water and sanitation.**<sup>23</sup> Energy in particular is a growing focus. We are doing more to help meet businesses' rising energy needs; to ensure affordable energy access for the poor; and to enhance environmental sustainability in energy use. For example, with DFID's support, M-Kopa, which uses new technology for energy delivery, has connected more than 400,000 homes in Kenya, Uganda and Tanzania to solar power. This has provided 50 million hours of fume-free lighting a month and created 2,500 jobs.



**We are stepping up our work on cities and urban development** to maximise the economic development potential of urban areas. Our work builds in a focus on economic inclusion (see page 20). It integrates climate and environmental considerations to help 'future proof' investments, so countries and cities can grow sustainably.

**We will support partner governments' policy making, planning and implementation priorities.** This includes collaboration with national, regional and city governments to strengthen capacity for regulation, for brokering private investment, and for managing risk. We will help improve the layout of cities, make urban land use more sustainable, and strengthen water security and property rights. This will help city governments develop economies that can attract firms and support entrepreneurs. It will help create jobs and address precarious living and working conditions in many urban areas - including for the large numbers of people working in the informal sector and living in slums.

Figure 3: Population growth of African cities



Data Source: United Nations Human Settlements Programme (UN-Habitat)

**We will increase investment and mobilise finance, including in the most challenging environments.** Globally, we need to move from ‘billions to trillions’<sup>24</sup> to close the infrastructure financing gap and build new and better cities.<sup>25</sup> In fragile states, we will adapt our approach to meet the added challenges of conflict and instability. We will focus on areas where our investments are additional and reduce the risks borne by early investors. This includes building on lessons from the Private Infrastructure Development Group (PIDG),<sup>26</sup> and increasing the supply of commercially viable projects. PIDG’s Viability Gap Funding facility, for example, blends grant and commercial finance to deliver feasible infrastructure projects that benefit the poorest.

#### **Box 5: Infrastructure, urban, energy**

- The **Cities and Infrastructure for Growth programme** will work with six to eight partner governments from 2017 to put energy priorities into practice and support competitive cities through economic and urban planning, smart industrial policy and municipal finance.
- We are leading **Energy Africa** which partners with governments and the private sector in 14 countries to develop household solar energy markets, helping to reach the 600 million people in Sub-Saharan Africa who lack access to electricity.

#### **Box 6: Infrastructure for trade**

**Our support to improve Tanzania’s main port and regional trade gateway** aims to enhance infrastructure and cargo clearance procedures. The programme will also help pave the way for further major World Bank investment to double port capacity by 2023 and develop the transport corridors that Tanzania and the region need.



## **Agriculture**

**A better approach to agriculture will deliver stronger economic growth and contribute more effectively to ending poverty, hunger and malnutrition.** The right policies and investments could unlock an extra US\$2 trillion in rural growth by 2030.<sup>27</sup> Focusing on commercial agriculture can help meet the challenge of producing 50% more food to feed 9.5 billion people by 2050 whilst developing food systems that ensure safe and nutritious diets. Agriculture supports the livelihoods of 2 billion people in developing countries.<sup>28</sup> In low income African countries, the vast majority of total employment (60 to 80%) remains in the agricultural sector.

**There are signs of progress.** Agriculture markets are expanding and new trade deals are starting to level the playing field for smallholder farmers seeking to access international markets.<sup>29</sup> Population growth in urban areas is expanding domestic agriculture markets whilst investment in agribusiness is creating jobs.<sup>30</sup> Smallholder farmers are increasing their harvests and incomes by using better technologies and practices.

**We will take an increasingly commercial approach to agriculture by:**

- boosting agri-business; financing agriculture infrastructure and promoting commercially-viable agriculture by transferring knowledge and inputs to smallholder farmers and linking them to markets

- helping farmers and their families to have opportunities and jobs outside of their farms, and supporting SMEs in rural areas
- supporting subsistence farmers, without other economic opportunities, to avoid hunger, malnutrition and extreme poverty<sup>31</sup>
- encouraging commercial approaches that reduce the cost of nutritious diets

**Nutritious diets remain beyond reach for many millions of families.** We will encourage use of nutritious crops and support farming, harvesting, storage and processing techniques that preserve nutrients and improve food safety. We will support production, marketing and retail of nutritious foods and drinks so that they are available and affordable to the poor.

**Despite contributing a significant share of agricultural labour, women rarely receive a fair share of the benefits.** Women are held back by unequal access to credit and land as well as gender-specific constraints such as high levels of unpaid care work.<sup>32</sup> Our agriculture programmes seek to empower women and prevent them from being stuck in low return activities.

#### **Box 7: Helping smallholders increase productivity and develop their businesses**

DFID support to the Africa Agriculture Development Company has helped them invest in agriculture businesses in Ghana, Mozambique, Tanzania, Malawi, Uganda, and Zambia. By 2018 our support is expected to have helped over 900,000 people to earn better livings from agriculture.



**We will promote responsible agriculture investments,** for example by supporting globally agreed standards on land tenure<sup>33</sup> and practices that are climate-smart, environmentally sustainable and respect animal welfare. We will help ensure international commitments are honoured - for example the G7 pledge to lift 500 million people out of hunger by 2030.

#### **Box 8: Integrating climate change into agribusiness**

- Climate change is set to reduce agricultural productivity in Africa and South Asia. Maize production in Africa, for example, could decrease by up to 40% by 2100. DFID is supporting the development of new crop varieties including flood tolerant rice and drought resistant maize. These are now reaching millions of farmers. For every £1 invested in these technologies, more than £6 is returned in economic benefits.
- DFID has contributed to agricultural and climate research that has generated economic benefits of US\$2.1 to US\$3.3 billion per year for developing countries.

### Box 9: Commercial agriculture

- We are promoting **regional agriculture markets** that benefit smallholder farmers, for example through our East and Southern Africa Staple Food Markets Programme.
- We are supporting the Global Agriculture and Food Security Programme to connect small and medium agribusinesses to **national and global value chains** and to track the **impact of agribusiness investments on dietary diversity**.
- We are providing the **infrastructure and capital investments** that agriculture needs including through PIDG and Infracore Asia.

## Exports, manufacturing and services

**Manufactured exports help countries cut poverty rapidly.** The growth of manufacturing creates many labour-intensive jobs, raises productivity and incomes, and helps firms to learn how to compete in international markets - creating a basis for lasting growth.<sup>34</sup> For women, manufacturing sectors such as electronics assembly, textiles and garments have enhanced employment and helped tackle gender inequality.<sup>35</sup>



**There are new opportunities for developing countries.** East Asian countries are encouraging manufacturing jobs in locations where wages can be more competitive. The linked nature of world trade means that countries no longer need to develop entire export industries. Instead, they can produce specialised goods or services that feed into a larger international production chain.<sup>36</sup>

**Many poor countries have struggled to develop manufacturing or move into high value services.** In much of Africa, manufacturing as a share of GDP has largely stagnated<sup>37</sup> and provides less than a tenth of all jobs. This has barely changed in the last thirty years. Successful countries have demonstrated that breaking into established global value chains requires policy support and political commitment, particularly for countries requiring reforms at multiple levels. In some DFID partner countries, the overall environment for developing manufacturing and high value services remains challenging.

### Box 10: Ethiopia 'Jobs Compact'

Ethiopia hosts 750,000 refugees, the greatest number in Africa. To assist these refugees and the Ethiopian economy, the UK will provide £80 million in partnership with others to create 100,000 new jobs - up to a third of which will be available to refugees. This will help build two industrial parks and provide training. This will strengthen Ethiopia's manufacturing ambitions, foster growth, and contribute to tackling the global migration crisis.

### Where there are opportunities DFID will:

- promote high quality export strategies, export processing zones and investment that helps move countries up the export value chain with better quality jobs
- address specific constraints that hold back entrepreneurs and the development of sectors with export potential such as manufacturing or tradable services

- facilitate investment and export sourcing from large international companies and bring SMEs into supply chains

We will encourage responsible business practice, treatment of workers and environmental management.

### Box 11: 'Invest Africa'

In October 2016 DFID's Secretary of State Priti Patel launched 'Invest Africa' in Kenya. The programme will link private sector investors, buyers, financiers and governments in several African countries. It will boost manufacturing and create 90,000 or so direct and indirect jobs by encouraging at least £400 million of foreign direct investment over the next decade.

### Box 12: Manufacturing jobs for women and progress on gender equality

Women in Bangladesh often lack opportunities to work outside the home. The growth of the ready-made garment industry is changing this. The new jobs have helped reduce the fertility rate and delay marriage and childbearing. They have also increased girls' school enrolment because attractive manufacturing jobs require basic literacy and numeracy.<sup>38</sup> DFID works closely with the Government of Bangladesh, the International Labour Organisation (ILO) and others to improve working conditions, health and safety in factories and to ensure that the industry continues to raise incomes and expand women's life choices.

## Extractive industries

### Major national oil, gas or mining resources shape a country's development path.

They can propel growth, generate public finance and create jobs in supply chains. But they can also undermine economic management and political accountability; fuel corruption and conflict; damage the environment; and hold back other parts of the economy.

### We are supporting partner countries to capitalise on their extractives resources.

Our portfolio ranges from helping to establish a new independent mining sector regulator in Sierra Leone, to independent auditing of contracts in Afghanistan, to flexible technical assistance in Nigeria to stem revenue losses, map oil spills and curb gas flaring. Our regional programmes promote global standards for extractives transparency as well as skills and employment opportunities.

### Box 13: Building skills in East Africa

DFID has partnered with the oil and gas industry to create Skills for Oil and Gas Africa (SOGA). SOGA promotes skills development for local people so they can access jobs and business opportunities linked to the oil and gas investments in East Africa. Working directly with industry helps ensure a focus on relevant skills, meeting the needs of employers, and building capacity in local communities which will endure beyond individual projects.

**We will continue to improve transparency and help tackle extractives-related corruption and poor governance.** There are no easy technical fixes given the difficult politics surrounding the extractives sector.<sup>39</sup> We will continue to work with partners such as the Extractive Industries Transparency Initiative (EITI), and the Natural Resources Governance Institute as well as mobilising the UK's technical and regulatory expertise.

## Emerging priorities include:

- countering illicit international flows of finance and materials linked to extractives which fuel instability, corruption, organised crime and violent extremism
- maximising the extractives-related potential for job creation and growth in other sectors
- using data and technology to strengthen the voices of citizens and businesses regarding the management of extractives

## Economic inclusion - Leave No One Behind

Greater economic inclusion of the poorest is an essential ingredient of sustained growth.<sup>40</sup>

**Stimulating growth that generates more and better jobs is the most effective and lasting way of ending poverty.** But even when better jobs and opportunities are available, girls and women, people with disabilities, people living with HIV and other groups are routinely excluded.<sup>41</sup> They experience multiple barriers including social discrimination, unfair laws and violence. This blights lives and leads to poorer health and education outcomes that reinforce exclusion. At the national level there is an economic cost through the loss of skills and talent.

Figure 4: The seven primary drivers of women's economic empowerment



Source: Copyright © Secretariat, UN Secretary-General's High-Level Panel on Women's Economic Empowerment 2016.

**We will seek to expand access for the poorest to jobs in high growth-potential sectors with improving working conditions.** In many low-income countries, unemployment is low but under-employment is high. Many jobs are highly unsafe and offer no scope for progression. We need to create more opportunities for the poorest and excluded groups to access improved jobs, labour rights and working conditions, which in turn help address

discrimination. This requires investment in human capital, nutrition, family planning and infrastructure for a healthy and educated population, and better access to assets such as land and finance. We will work to expand job opportunities **for rising youth populations** and will do more to help **people with disabilities** access productive employment (Box 17).

We will tackle the specific barriers faced by **girls and women** such as lower human capital and access to assets; discriminatory behaviours and laws; and the unequal distribution of care work. Countries that empower girls and women gain economically, and better incomes for women lead to greater investments in human capital for the next generation - particularly for girls.

We will build on the recommendations of the UN High Level Panel on Women's Economic Empowerment, to which the UK has been central. **All our economic development work will tackle gender discrimination** and work to deliver safer, more secure and higher-return work for women. Our commitment to increase access to family planning will help women to make their own decisions about when and whether to have children and how many to have - thereby transforming their economic opportunities.

#### **Box 14: Women entrepreneurs in Uganda**

DFID has supported pioneering research on the obstacles that prevent women entrepreneurs from 'crossing over' into more profitable male-dominated sectors. In Uganda, for example, the research on women in metal-working enterprises identified a lack of information about which sectors were most profitable. Male mentors or role models were important whereas factors such as skills, ability or financial capital were less important.<sup>42</sup>

#### **Box 15: Improving women's access to markets**

In the Middle East and North Africa region, DFID is implementing the Arab Women's Enterprise Fund - a market development programme that addresses gender barriers to poor women's access to markets, including discriminatory attitudes.

**We are improving conditions in the sectors where most of the poor currently work** - for example informal micro-enterprises or smallholder and subsistence agriculture. DFID is helping poor people increase returns from their existing work and secure rights over land and other productive assets. This can help people move into more dynamic sectors over time. Our support to **social protection and cash transfers** enables poor and vulnerable households to invest small amounts in productive assets and income-generating activities which can also help improve health and nutrition.<sup>43</sup> We will continue to focus on access to financial services, especially encouraging the use of new technologies to help the hardest to reach, including women, the rural poor and those in fragile states.

**We will work across the UK Government to end modern slavery and child exploitation globally** - supporting the first ever UK Government taskforce on modern slavery, chaired by the Prime Minister. DFID will press the global community to go further and faster to stop modern slavery and child exploitation (see Box 16).

### Box 16: Ending modern slavery and child exploitation

Prime Minister Theresa May has led national and global efforts to eliminate the scourge of modern slavery. As a founding Board member of the Global Partnership to End Violence Against Children, International Development Secretary Priti Patel will ensure DFID presses for international action to end all forms of abuse and exploitation of children. A partnership with ShareAction and Oxfam



brings together some of the biggest institutional investors to encourage the companies they invest in to seek out and tackle modern slavery within their supply chains. This builds on DFID's existing work. We have already reached over 200,000 women in South Asia and the Middle East through the 'Work in Freedom' programme, which trains women in their communities and works with businesses and recruiters to tackle trafficking.

### Box 17: Disability and economic development

A billion people - approximately 15% of the world's population - live with some form of disability and 80% of these people live in developing countries. All too often people living with disabilities are the poorest and most destitute in their communities and in many places they face acute stigma and discrimination. Girls and women with disabilities are more likely to be beaten, raped, trafficked, sexually abused and exploited. The UK is strengthening our work on disability and will establish DFID as the global leader in this neglected and under-prioritised area. This includes ensuring that people with disabilities can access opportunities and secure benefits from economic development. By upholding our commitment to the UN Convention on the Rights of Persons with Disabilities, we will work to ensure people with disabilities are systematically included in economic development programmes and approaches.

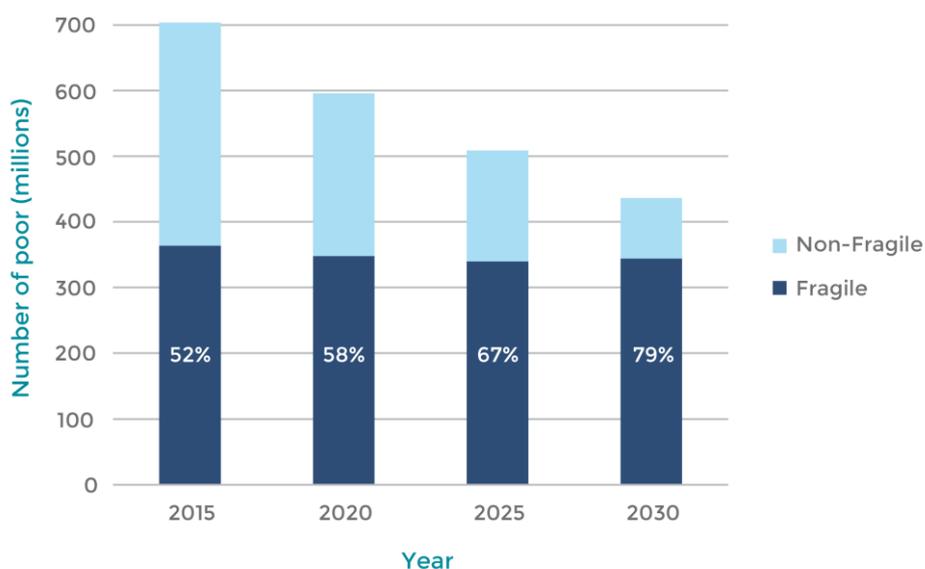


# 4. Stability, governance and sustainability

## Stability, peace and security

DFID's work is increasing in fragile states where the environment for economic development is acutely challenging. Powerful players often use violence to secure privileged access to resources at the expense of the wider population.<sup>44</sup> This deters steady investment and entrepreneurship, deepens poverty and holds back post-conflict recovery. A civil conflict costs a developing country an average 30 years of economic growth.<sup>45</sup>

Figure 5: Projected number and proportion of poor by fragility



Source: Internal DFID analysis, based on World Bank and UNPD population data

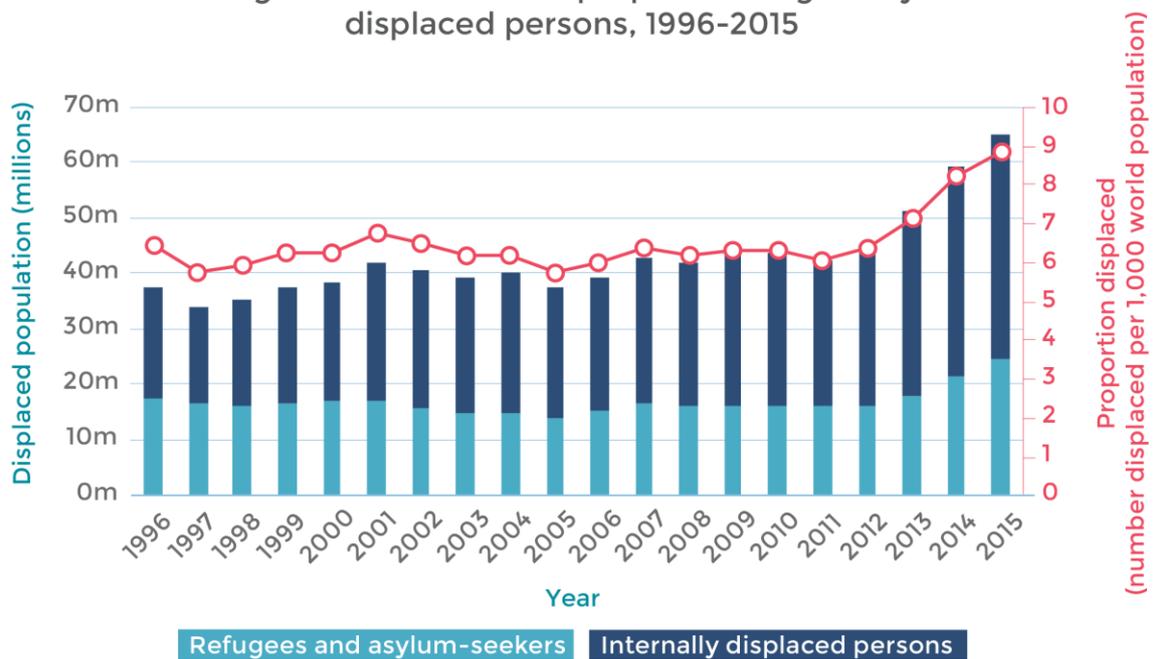
**DFID will spend at least 50% of its annual budget in fragile states and regions** for each year up to 2020. Economic development will be a significant proportion of this investment - including in countries such as Nigeria, Pakistan, Afghanistan and Somalia. As set out in the **National Security Strategy** and Strategic Defence and Security Review, conflict and instability overseas have clear consequences for UK peace, security and prosperity.

**We will build opportunities for economic development in the most difficult environments, helping tackle the causes of instability, insecurity and conflict.**<sup>46</sup> This includes supporting economies to diversify beyond sectors such as oil, gas and mining which can worsen fragility. We will continue to promote stability through regional trade. The TradeMark East Africa programme, for example, supports trade across the East African Community - including fragile states - by developing infrastructure and reducing red tape. Our approach seeks to address incentives for conflict and violence and to curb economies built around narcotics, smuggling and trafficking.<sup>47</sup>

**Mass, unmanaged migration and protracted crises are defining challenges of our time.**

Economic development can expand people’s choices so that they have better prospects at home. Where mass migrations have already occurred, economic development can help address the consequences for displaced populations and host communities. Instead of reinforcing people’s dependence on standard humanitarian aid, we can help link them to markets and stimulate employment and livelihoods (see Box 18). We will also support the economic security of those ‘left behind’ following mass displacements and secondary migration - including women and children, people with disabilities and elderly populations. Our UK Aid Strategy committed us to direct more funding to Syria and other countries in the Middle East and North Africa to address current crises, the root causes of migration, and the threats posed to the UK. Working with partners such as the World Bank Group, we will change the international system to better confront migration challenges, showing what can be done with innovative approaches.

**Figure 6: Number and proportion of globally displaced persons, 1996-2015**



Source: UNHCR, Global Trends 2016

## Box 18: A new approach to protracted crises - Jordan and Lebanon



The Supporting Syria and the Region Conference hosted in London in February 2016 launched a new approach to protracted crises by focusing on economic opportunities for refugees to enable them to live with dignity and increased self-sufficiency; help prepare them for their eventual return to Syria; and provide an economic boost for host communities. The approach also stands to reduce incentives for onward migration. Statements of

intent with host governments set out the deal with the international community to stimulate job creation for refugees and host communities and provide access to the necessary education and training.

### For Jordan, the approach aims to deliver 200,000 jobs through:

- more work permits for refugees
- amendments to the Rules of Origin to improve Jordan's EU trade access
- the development of Special Economic Zones to incentivise private investment
- a commitment to ensure that all children have access to education, and to increase access to vocational and higher education and training
- increased concessional finance to support the Jordanian government's crisis response

### For Lebanon, the approach focuses on:

- reviewing regulations that restrict refugees from obtaining legal residency and working in permitted sectors
- a package of investments to create 300,000 to 350,000 jobs, 60% of which could be for Syrians
- a commitment to ensure that all children have access to education, and to increase access to vocational and higher education and training

This approach has the potential for wider replication to help displaced populations in protracted crises.

## Governance, politics and corruption

**Economic development is shaped by the distribution of power and resources, and by a society's informal social rules** - not just formal laws and policies.<sup>48</sup> It is disruptive, creates new winners and losers and involves difficult trade-offs.

**A capable state and committed political leadership can drive economic transformation** and manage the tensions it presents. This includes providing predictability and transparency; the right business environment and economic infrastructure; and clear direction over trade and investment policies. The state shapes workforce skills and strongly affects the

international competitiveness of firms. More broadly, effective governance and institutions can build the systems of accountability on which sustained progress depends and prevent narrow vested interests capturing economic benefits at the expense of the economy overall. This is vital to ensuring opportunities are spread broadly across society, avoiding economic exclusion and extreme income inequality.<sup>49</sup> Weak governance directly affects UK interests. It can create barriers to UK firms being able to compete and can sustain international criminal networks, illicit financial flows and money laundering.

**DFID is committed to building effective, accountable and transparent institutions. We will:**

- **pursue a politically smart approach to economic development** - basing our work on robust analysis of local politics and conflict risks so that we seize opportunities in difficult environments and stimulate investment that helps countries out of instability
- **better connect our governance and economic development programmes** and engage with the private sector to target governance-related barriers to investment. In Nepal, for example, this approach helped broker £1.4 billion (US\$2 billion) of initial investment in hydropower agreements<sup>50</sup>
- **continue to help civil society groups** question, challenge and collaborate with power-holders on economic development issues that matter to them
- **work with partner governments** to improve the management and transparency of public finances
- **take a whole of UK Government approach to tax** by working with HM Revenue and Customs (HMRC) to: (i) improve the administration of developing country tax authorities; (ii) mobilise revenue for public investment; (iii) develop tax systems that encourage a competitive private sector and stronger economies; and (iv) ensure developing countries can benefit from increased transparency in the international tax system so that they can address tax evasion and avoidance<sup>51</sup>
- **harness UK expertise through the ‘GREAT for Partnership’ initiative** to boost exchanges between UK institutions and their developing country counterparts including through collaboration with the Bank of England, the Financial Conduct Authority and HMRC

**The UK Government will continue to be at the forefront of the global response to corruption.** Corruption hits the world’s poorest people hardest and harms UK interests. At the UK-led international anti-corruption summit in May 2016 the UK announced major measures to tackle the opaque practices used to hide the proceeds of corruption and to pursue and punish the corrupt. We will work to change the incentives and attitudes which allow corruption to persist. We will:

- scale up support for anti-money laundering and asset recovery
- support the proposed Global Beneficial Ownership Register and greater transparency on who ultimately owns or controls companies and transactions
- fund partnerships such as between UK specialist law enforcement units and counterparts in developing countries
- work with Omidyar Network to pilot an innovation hub using new technology
- give further support to EITI to enable partner countries to implement more stringent standards by 2020 whilst upholding UK obligations

DFID has anti-corruption strategies for each country we work in - making anti-corruption central to our bilateral relationships. We will continue to work with the UK police to trace, recover and return assets stolen from developing countries. Since 2006, this work recovered approximately £150 million of stolen assets.

## Sustainability and strengthening resilience

**Climate change is one of the foremost challenges facing humanity and is the biggest global threat to sustained economic development.** Many hundreds of millions of people and thousands of businesses are vulnerable to climate change, pollution, and the unsustainable use of the world's **water, forests, fisheries and soils**. Climate change in fragile and conflict-affected states can exacerbate social upheaval, violent conflict and forced migration.<sup>52</sup>

### **Generating better economic growth requires strong action on climate change.**

Disasters cost an estimated £1.4 trillion (US\$2 trillion) over the period from 1992 to 2012, similar to 25 years of official development assistance (ODA).<sup>53</sup> Making economies and people more resilient will reduce these costs and save lives. The cost of renewables is falling rapidly - for example solar power costs have fallen by 80% over the period 2008 to 2015.<sup>54</sup> Research by the New Climate Economy has shown that it is possible to build lasting economic growth while reducing the risks of climate change.<sup>55</sup>

### **Box 19: Private Infrastructure Development Group**

Private Infrastructure Development Group (PIDG) helps develop and finance infrastructure projects. Renewables account for an increasing percentage of these projects. In Nepal, PIDG provided local currency guarantees so that Nepali banks could fund the construction of a hydropower plant by 2020. Once completed, the plant will add 11% to Nepal's electricity capacity. In Rwanda, PIDG provided a loan to help finance the first large-scale, grid-connected private solar power project in East Africa which became operational in 2015.



We will **strengthen partner governments' capability to deliver on their climate change commitments**, including those set out in their Nationally Determined Contributions from the Paris Agreement on Climate Change. This includes supporting the development of national and sector-specific green growth plans; the evidence base to underpin them; and the financing frameworks to put them into practice. We will **promote a 'climate smart' approach across our economic development work** - including through sustainable energy and the effective economic management of **natural resources and the environment**. We will help countries, communities and individuals, especially girls and women, to **manage risk and build resilience to the impacts of climate change**, for example through insurance and other risk-finance schemes. We will help deliver the G7 commitment to expand access to climate risk insurance for up to 400 million additional poor people by 2020 (see Box 20).

Working with major international companies, we will help reduce the illegal timber trade and promote sustainable supply chains for palm oil.

### **Box 20: African Risk Capacity**

African Risk Capacity (ARC) enables African governments to insure themselves against natural disasters and respond early when their citizens experience harvest failure. Early response is critical to protect lives and livelihoods. ARC was set up using UK Development Capital and it is expanding its country reach. In 2014, Mauritania, Niger and Senegal received US\$26.5 million of insurance after poor rains, which enabled the provision of food to 1.3 million affected people and 600,000 livestock - thereby protecting livelihoods.

# 5. Assessing and reporting progress

DFID’s Single Departmental Plan for 2015 to 2020 sets out our results commitments, including on growth and jobs, increasing our Development Capital investment, and promoting the economic empowerment of girls and women.

**We will track progress in a number of ways.** The table below illustrates the kinds of indicators that DFID will draw on. Such indicators are used alongside further measures of economic inclusion (disaggregated by sex and social group etc.) as well as indicators relating to economic development dimensions of governance, fragility, climate change and resilience. DFID will strive to collect results information by sex, age, disability, socio-economic group, geography and other criteria as appropriate.

Sector	Sample indicators
<b>Jobs and incomes</b>	<ul style="list-style-type: none"> <li>Number of women and men supported to have better jobs or higher incomes</li> </ul>
<b>Infrastructure, energy and urban development</b>	<ul style="list-style-type: none"> <li>Megawatts of energy and clean energy capacity installed</li> <li>Number of women, men or firms with new and/or improved access to energy and clean energy</li> <li>Number of cities with new and/or improved urban economic development strategies</li> <li>Proportion of the target population that has new and/or improved access to public transport</li> </ul>
<b>Agriculture</b>	<ul style="list-style-type: none"> <li>Number of women and men farmers with new and/or improved access to agriculture and livestock markets</li> <li>Value and volume of production (per labour unit as appropriate)</li> <li>Prevalence of food insecurity and/or dietary diversity</li> </ul>
<b>Manufacturing, trade and services</b>	<ul style="list-style-type: none"> <li>Trade logistics performance index</li> <li>Foreign Direct Investment inflows</li> </ul>
<b>Natural resource wealth</b>	<ul style="list-style-type: none"> <li>Actions/activities supported for countries to become/maintain Extractive Industries Transparency Initiative-compliant status</li> <li>Resource Governance Index score</li> </ul>
<b>Insurance and finance</b>	<ul style="list-style-type: none"> <li>Amount of disaster finance delivered through insurance-based systems</li> <li>Number of women with access to financial services</li> <li>Domestic credit to the private sector</li> </ul>
<b>Female economic empowerment</b>	<ul style="list-style-type: none"> <li>Number of women supported to improve their rights to land and property</li> <li>Number of DFID countries with improved performance in the Women, Business and Law data</li> </ul>

For **individual economic development programmes**, performance and results are monitored using tools such as logical frameworks as well as annual reviews and project completion reviews. We will continue to assess value for money throughout the programme cycle, including as part of annual reviews. We will ensure that these measures are not used mechanistically, but pave the way for further analysis to improve the effectiveness of our programmes. Programme documents are published on DFID’s Development Tracker.

**We focus on the results that matter most - even when they are harder to measure.**

The value for money of some policy work and investments can be harder to track and quantify - for example where the path to impact requires many steps over a longer timeframe. However, such work remains vital if we are to support countries to lift themselves

out of poverty. We will continue to use national economic development indicators, such as the percentage of GDP from particular sectors (manufacturing, services and agriculture, etc.) to better understand partner countries' paths towards inclusive economic growth and poverty reduction. We will use the best available disaggregated data to assess what this means for different social groups. All our work will be underpinned by our ongoing commitment to strengthen cutting-edge evidence and data on economic development.

## **Ensuring DFID is fit for purpose and upholding value for money**

**We will continue to ensure we have the right people and that we invest and encourage skills building and lesson learning across the UK Government and with our partners.**

We are scaling up our DFID presence within the Department for International Trade to help shape the UK's future trade arrangements with developing countries. We are expanding our team working on Development Capital to bring in more staff with the relevant investment and private sector skills. We will continue to strengthen our knowledge base and learn from others, including developing more sophisticated ways to measure progress. For example, DFID is supporting the 'Let's Work' partnership which is developing ways of measuring the impact on job creation of private sector and infrastructure interventions.

**We will continue to strengthen programme management.** We have strengthened our programme delivery rules, information management systems and training to help staff and partners make sound decisions and deliver value for money. We recognise that progress comes from locally-driven initiatives to solve context-specific problems and are working to make our programmes more flexible so that they learn, adapt and seize new opportunities in the course of their implementation. We will be selective in what we take forward and take well-judged risks, balancing economic development returns, and will restructure or close down programmes when necessary.

**DFID has a duty to the UK taxpayer and those living in extreme poverty to ensure we do everything we can to maximise value for money.** We are taking further steps to cut waste and subject aid to robust independent scrutiny. We will work with our partners to drive reform of the international aid system to embrace much greater transparency, accountability and value for money. We will ensure aid reaches those who need it most and improves the lives of the poorest people in the world.

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**Foreword:** Secretary of State for International Development, Rt Hon Priti Patel, visits the port of Mombasa Control Tower, where she gains a bird's eye view of the whole port and operations. © Rob Oxley/DFID

**Page 6:** Workers at a cement factory in Dire Dawa, Ethiopia. © Gavin Houtheusen/DFID

**Page 7:** Secretary of State for International Development, Rt Hon Priti Patel, addressing the congregation at a conference on the situation in Yemen.

**Page 11:** A woman employed by the ETG in Malawi, which received investment from CDC in 2012. ETG now employs over 7,000 people. © Ken Clay/CDC

**Page 11:** Dr Eleni Gabre-Madhin, CEO of the Ethiopia Commodity Exchange, at the company's headquarters in Addis Ababa. With support from UK aid the exchange has helped to boost exports and secure a better deal for farmers and consumers. © Pete Lewis/DFID

**Page 15:** An electricity pylon under construction in northern Tanzania. © Russell Watkins/DFID

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**Page 17:** Farmers in Tanzania ploughing a field using a tractor purchased using a loan supplied by Equity for Tanzania with support from AgDevCo. © Ed Hawkesworth/DFID

**Page 18:** Liapeng Mpeke, a textile worker in Lesotho. © ALAFA/Franco Esposito

**Page 22:** Sabina, who was injured when the Rana Plaza building collapsed in April 2013, now has a job with a small local tailor as a result of support from a UK funded ILO vocational skills training programme. © Narayan Debnath/DFID

**Page 22:** Abdullah, a Quality Control Supervisor, welding at the 'House of Hope' run by CBM partner Comprehensive Community Based Rehabilitation of Tanzania. © CBM/Argum/Einberger

**Page 25:** A group of Syrian refugees and Lebanese women knitting fishing nets, a skill which will help them find work in northern Lebanon. © Russell Watkins/DFID

**Page 27:** The PIDG funded Solar power plant in Rwanda is the first utility-scale private solar power project in East Africa and is now generating renewable power for an estimated 60,000 people. © Gigawatt Global

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