HM Government

The Prosperity Fund: Annual Report 2016/17

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Foreword by the National Security Adviser

The Prosperity Fund will help improve lives in the developing world—creating jobs, developing skills, investing in infrastructure, and supporting the technologies of the future. As the UK Aid Strategy 2015 sets out, promoting growth and prosperity in developing countries contributes to poverty reduction and also strengthens UK economic opportunities. As we leave the European Union, an even more outward-looking global Britain investing and trading with the fastest growing markets is good for the UK and good for the world.

The Prosperity Fund is a new and innovative instrument of government policy. This first annual report shows how the Prosperity Fund was set up and how its strategy was developed. Initial projects focused on preparing for future multi-year programmes. Projects included improving the environment for business, access to financial services, urban planning and energy infrastructure. Work is focused on countries with large numbers of people living in poverty, where there is the potential for inclusive growth, and where there is a chance for the UK both to make a real difference and to create opportunities for business.

The report also underlines our commitment to ensuring that the Fund is run in an open and transparent way. In line with that commitment, we are increasing the amount of programme information available on gov.uk.

Mark Sedwill
National Security Adviser

Executive Summary

The UK Aid Strategy 2015 set out how the Government will use Official Development Assistance (ODA) to promote economic development and prosperity in the developing world. This will contribute to a reduction of poverty and create opportunities for international business, including UK companies.

The Prosperity Fund aims to remove barriers to economic growth in order to reduce poverty—the Fund's primary purpose. It supports the United Nation's Sustainable Development Goals, particularly SDG 8, to *"Promote inclusive and sustainable growth, employment and decent work for all".* Removing barriers also creates opportunities for international trade, some of which will be with the UK—a secondary benefit of the Fund.

The Fund ran 395 projects in its first year (2016/17) spending a total of £63 million, of which £5 million was non-ODA. These included technical assistance, capacity building and research on a range of economic policy, trade, business environment, anti-corruption and green growth issues. The projects laid the groundwork for the larger multi-year programmes operating from 2017/18 onwards.

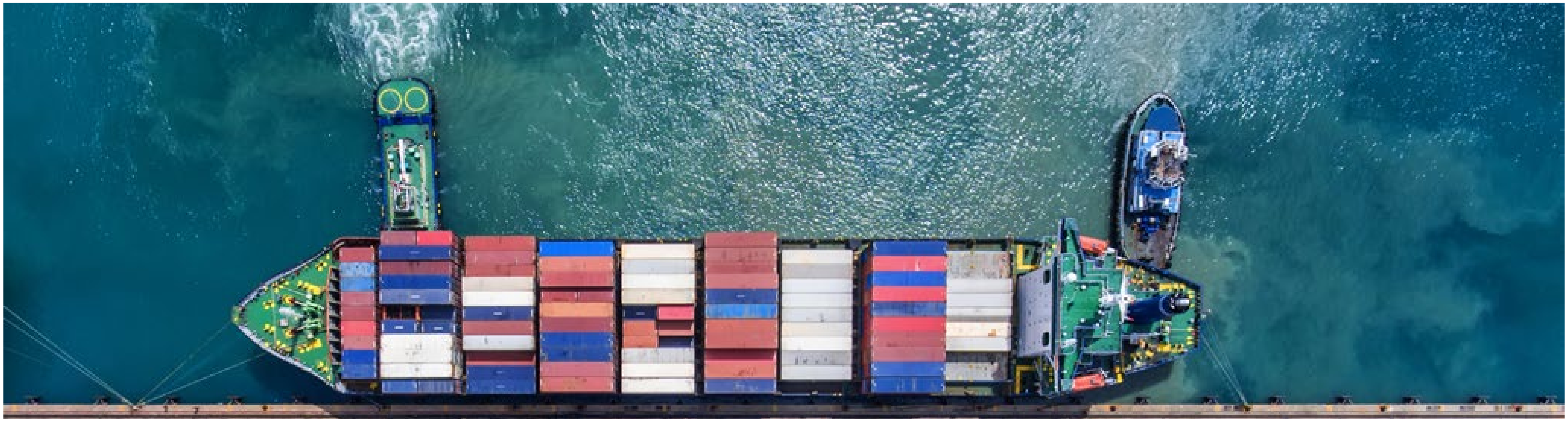
Ministers have directed the Fund to concentrate on countries and sectors with stubborn poverty and development challenges, significant economic potential, and where the UK has comparative strength. Priorities include improving the business climate, competitiveness and operation of markets, energy, financial sector reform and tackling corruption.

Ministers have endorsed 24 multi-year programmes totalling close to £1.3 billion, operating from 2017/18 onwards. These are set to deliver substantial development impact and present economic opportunities for international business. All programmes will consider opportunities for promoting gender equality and inclusion, and the Fund is monitoring and evaluating progress against SDG 5, to *"Achieve gender equality and empower all women and girls"*.

The Independent Commission for Aid Impact (ICAI) and National Audit Office (NAO) jointly reviewed the Fund in February 2017. The recommendations were agreed and have been acted upon.

Further information on the Prosperity Fund is available at:

www.gov.uk/government/publications/cross-government-prosperity-fund-programme



What is the Prosperity Fund?

The Prosperity Fund was announced in the 2015 Strategic Defence and Security Review, and represents a key component of the prosperity pillar of the UK Aid Strategy. It is a cross-government Fund that aims to reduce poverty through inclusive economic growth. It was originally allocated £1.3 billion to deploy. This was subsequently revised to £1.2 billion from 2016/17 to 2021/22 following revisions to HMG aid allocations.

Many developing countries, including middle income countries where around 70%[1] of the world's poor live, still face considerable challenges such as rapid urbanisation, climate change and high and persistent inequality (including gender inequality) which can lower long-term growth prospects. The Prosperity Fund supports the broad-based and inclusive growth needed for poverty reduction.

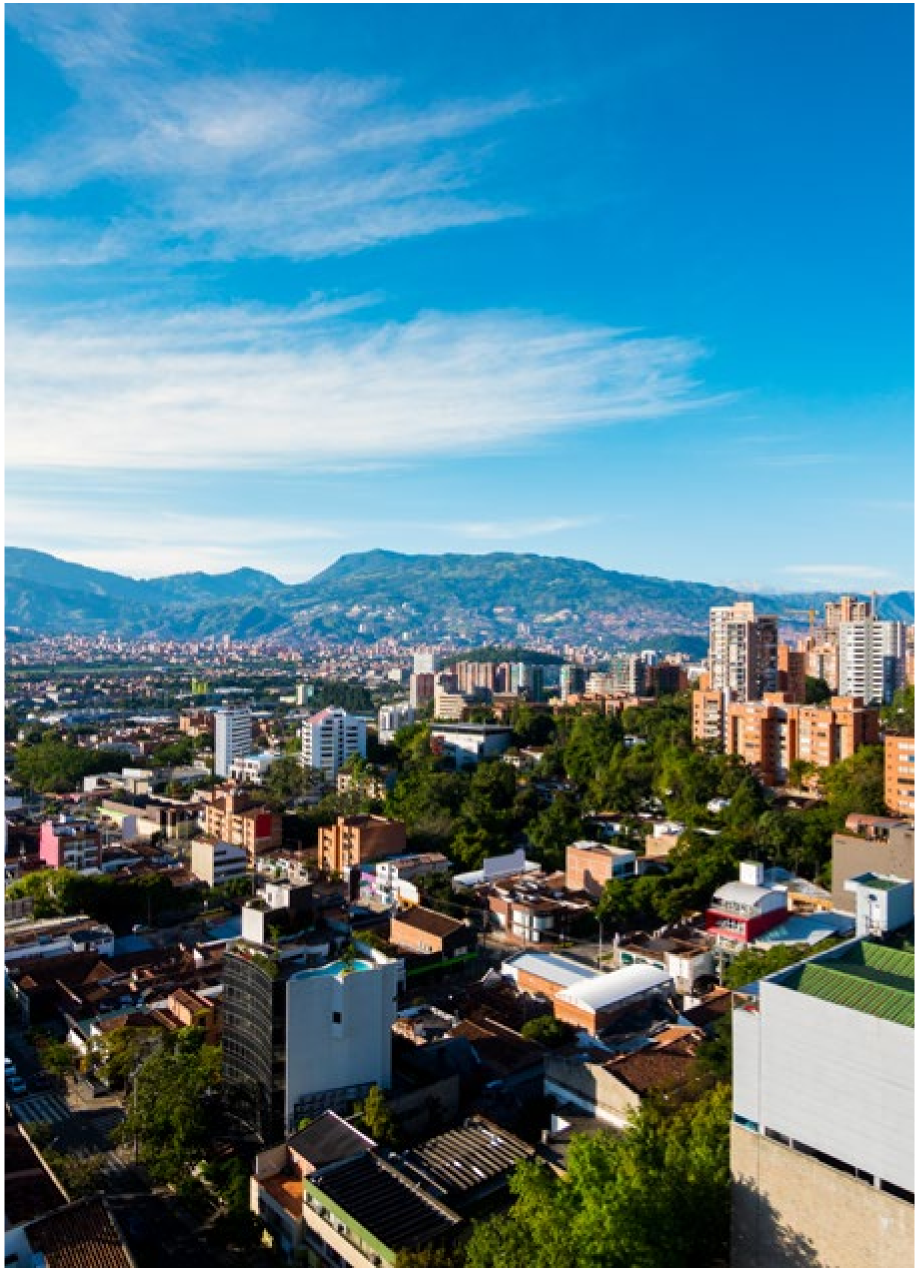
The UK has expertise in a range of sectors that are key for countries as they develop, including education, healthcare, finance and infrastructure. Helping partner countries develop in these areas and improve their business environment will give people and businesses greater opportunities to work in a stronger and more productive economy.

The Fund seeks to improve trade links between partner countries and the rest of the world, including the UK. Higher growth in partner countries offers greater trade opportunities for international and UK business. It is estimated that emerging and developing economies will account for nearly 60% of world GDP by 2030[2].

The Prosperity Fund forms a small but strategic proportion of the UK's total Official Development Assistance (ODA) commitment of 0.7% of Gross National Income (GNI). It represents a strategic shift in the ODA resources spent on assisting countries to grow and develop by focusing on multi-year programmes in middle income countries, which will help to make the world a more prosperous place.

All aid projects and programmes comply with the International Development Act 2002, the International Development (Gender Equality) Act 2014, the OECD Development Assistance Committee (DAC) criteria, and UK Government transparency commitments on ODA spend. All UK ODA is untied.

The Fund looks to support an outward looking, global Britain investing and trading with fast growing markets. There is a small non-ODA allocation through the Fund in order to support the government's ongoing prosperity goals.



What are the objectives of the Prosperity Fund, and how will it deliver change?

Primary Purpose: Poverty reduction and development in partner countries

The focus of the Fund is on reducing poverty in ODA-eligible partner countries. The only long-term solution to this is sustained and inclusive economic growth and development. Economic growth has been one of the key factors in lowering global poverty over the last century. The Fund targets long-term barriers to economic growth, barriers which if not addressed can hold back a country for generations.

Secondary Benefit: Creation of opportunities for business, including UK business

The UK has world-leading expertise in key sectors required for country development such as education, healthcare, infrastructure, financial services and effective regulation. By removing barriers in these sectors, the Fund seeks to encourage inclusive growth and access in these markets, benefiting both the partner countries and its economic partners, including the UK.

Prosperity Fund Theory of Change

The Fund has developed a 'Theory of Change' to identify the key drivers of poverty reduction and ways in which the Prosperity Fund can help to address these. Five types of intervention have been identified: investment in infrastructure and human capital; innovation and knowledge transfer, including low-carbon technology; trade, financial and economic reform; policy and regulatory capacity; and ease of doing business. These five themes, aligned with the Commission for Growth and Development Growth Report (2008)[3], provide the basis for improved growth.

The Theory of Change explains the journey from near-term inputs and activities through to long-term poverty reduction. In-depth evaluations will review how programme activities have fed directly into intermediate outcomes. Beyond intermediate outcomes, economic theory will demonstrate that the Fund contributes positively to the UN Sustainable Development Goals. This approach is typical of large development portfolios and is used by organisations like the World Bank and United Nations.

The Prosperity Fund Theory of Change Model

Impact

SDSR and Export strategy

Growth-promoting relationships

UK businesses are key partners/ service providers in target sectors.

Higher rates of sustainable growth
Improved conditions and reforms promote sustainable economic growth—as per SDG8

Greater investment flows
Improvements in the business environment lead to higher investor confidence and greater investment flows

Greater trade flows
Businesses explore new opportunities in PF economies and internationally

Outcomes

Improved conditions for growth in partner countries

Increased capacity
for trade and economic growth in partner countries

Improved environment
for trade and economic growth in partner countries

Secondary UK benefits

New opportunities and mutually beneficial economic relationships
are developed in sectors where the UK has a comparative advantage.

Partnerships in the delivery of intermediate outomes lead to a greater understanding of sectoral best pratice, UK expertise and opportunities for mutually beneficial economic relationships.

Intermediate outcomes

Investment in infrastructure
Improvements in infrastructure support business growth and facilitate participation in the global economy.

Human capital, innovation and technology
Improvements in human capital, innovation and knowledge transfer drive productivity growth and the adoption of new technologies.

Trade
Reforms bring tangible benefits to the economy and opportunities for trade growth, building the case for further openness.

Financial and economic reform
PF countries have better financial and economic systems, which supports business growth.

Ease of doing business
PF countries are on paper and in practice easier places to do business. Positive experiences of investors and other private sector actors become well known.

Three-pillar understanding of sustainability runs through programming design—green, self-financing and inclusive.

Intermediate outcomes

Investment in infrastructure

Human capital, innovation and technology

Trade

Financial and economic reform

Ease of doing business

Supporting SDG 9 through:
Stronger, more appropriate physical infrastructure based on greater ability to implement infrastructure projects

Supporting SDGs 9&11 through:
Cities supported and developed to meet future needs

Supporting SDG 7 through:
Expanded and more sustainable energy supply

Supporting SDG 3&4 through:
Healthier, better educated and more skilled population/workforce

Supporting SDG 9 through:
Enhanced ability to develop and adopt new technologies

Supporting SDG 12 through:
Preparation for free trade agreements between UK and partner countries

Non-tariff barriers to trade removed by partner country governments

Supporting SDG 16 through:
Strengthened policy and regulatory environment including IP rights and international standards

Increased transparency and reduced corruption

More efficient financial sector and access to finance

Multi-year country projects

Multi-year thematic projects

Prosperity Fund finances a range of projects across different countries and different thematic areas

The Prosperity Fund and the Sustainable Development Goals:

Achieving the UN Sustainable Development Goals is an important aim of the Prosperity Fund.

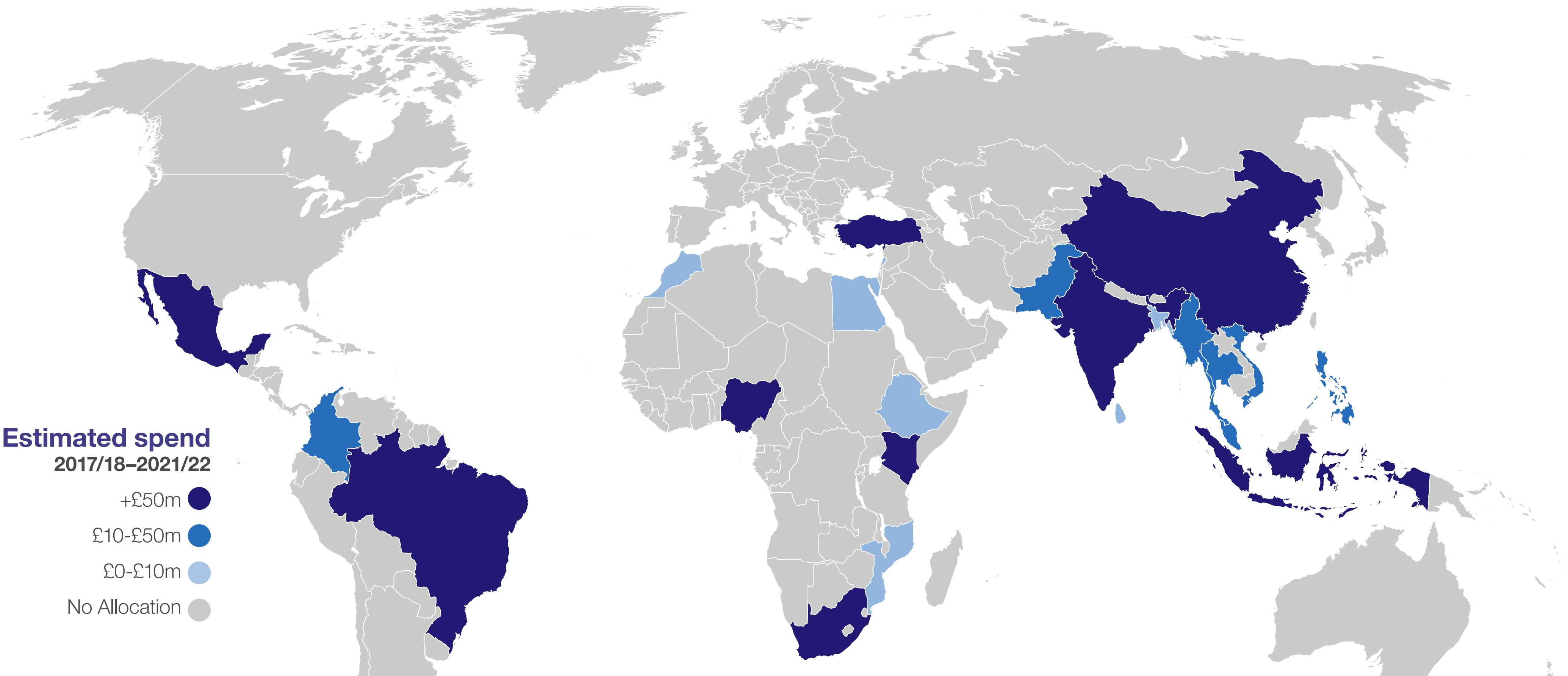
At impact level, the Fund is particularly focused on:

- SDG 8—Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

The Fund also supports other Sustainable Development Goals:

- SDG 3—Ensure healthy lives and promote well-being for all at all ages
- SDG 4—Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
- SDG 5—Achieve gender equality and empower all women and girls
- SDG 7—Ensure access to affordable, reliable, sustainable and modern energy for all
- SDG 9—Build resilient infrastructure, promote inclusive and sustainable industrialisation and foster innovation
- SDG 11—Make cities and human settlements inclusive, safe, resilient and sustainable
- SDG 12—Ensure sustainable consumption and production patterns
- SDG 14—Conserve and sustainably use the oceans, seas and marine resources for sustainable development
- SDG 16—Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

ODA country and sector focus of the Prosperity Fund 2017/18–2021/22



Countries

Bangladesh
Brazil
Burma
China
Colombia
Egypt
Ethiopia
India
Indonesia
Kenya
Lebanon
Malaysia
Mexico
Morocco
Mozambique
Nigeria
Pakistan
Philippines
South Africa
Sri Lanka
Vietnam
Thailand
Turkey

Sectors

Anti-corruption
Business Environment
Digital
Education and Skills
Energy
Financial Services
Future Cities
Healthcare
Infrastructure
Insurance
Regulatory Reform
Trade Reform

The Prosperity Fund's governance, accountability and scrutiny

Governance

The cross-government Fund is accountable to the National Security Council and overseen by a Ministerial Board. Their responsibilities include: setting the strategic direction of the Fund; endorsing programme proposals; reviewing impacts; and ensuring value for money. The Fund's Senior Responsible Owner is the National Security Adviser, Mark Sedwill. A Portfolio Board comprised of senior officials representing stakeholder departments makes decisions on portfolio composition and delivery issues. The Prosperity Fund Management Office provides strategic management and corporate support. Delivery departments are responsible for: designing credible programmes; ensuring effective spend and delivery; financial accountability and reporting on progress. Governance of the Fund may be revised as part of the National Security Capability Review.

The International Development Act and Official Development Assistance

The International Development Act 2002 (IDA), and 2007 amendment provide the legal basis for the Fund. The Act requires that all UK aid money be focused on poverty alleviation and incorporate work to improve gender equality. All Prosperity Fund aid programmes must be IDA-compliant.

The Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) defines ODA as "those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are:

1. provided by official agencies, including state and local governments, or by their executive agencies; and
2. each transaction of which:
   a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
   b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent)."

All Fund programmes are required to meet the DAC definition of ODA in order to contribute to the UK's legal requirement to ensure that 0.7% of Gross National Income is directed towards overseas development, as enshrined in the International Development (Official Development Assistance Target) Act (2015). All Fund programmes must also consider the potential to reduce gender inequality. Design and delivery involve consultation with a range of stakeholders, including businesses and civil society organisations, and consider social and environmental, as well as economic impact.

Evaluation and Oversight

The Fund is periodically reviewed by the *Independent Commission for Aid Impact* (ICAI), which publishes its reports and recommendations. The most recent review, conducted jointly with the National Audit Office (NAO), was in February 2017. The review acknowledged the progress made to date and made constructive recommendations for improvements including: adjusting the planned rate of expenditure; refining the Fund's strategic objectives; improving transparency; and greater clarity on how programmes will deliver both development impact in partner countries (the Fund's primary purpose), and help to promote trade and business opportunities (secondary benefit). The Fund has responded to the recommendations and benefited from the wider guidance of the ICAI Secretariat. These external reviews are helping the new Fund to evolve and incorporate lessons learnt.

Independent evaluations will take place in Years 2017/18 onwards at both portfolio and programme level.

Prosperity Fund evaluations and other documents will be published as part of the commitment to achieve a "good" rating on transparency from the *International Aid Transparency Initiative* (IATI). Transparency is vital for aid to be effective and the Fund is working closely with IATI to ensure we meet this standard.

The Fund is also answerable to Parliament through the cross-party *International Development Committee* Select Committee.

Ministerial Board members

- *Her Majesty's Treasury (HMT):* Chief Secretary to the Treasury (Chair)
- *Foreign & Commonwealth Office (FCO):* Minister of State for Africa (also Minister of State for International Development at DFID)
- *Department for International Development (DFID):* Minister of State for International Development (also Minister of State for the Middle East at the FCO)
- *Department for International Trade (DIT):* Minister of State for Trade and Investment (also Minister for London)
- *Department for Business, Energy & Industrial Strategy (BEIS):* Minister of State at the Department for Business, Energy and Industrial Strategy
- *Department for Digital, Culture, Media & Sport (DCMS)*: Parliamentary Under Secretary of State for the Arts, Heritage and Tourism
- *Department for Environment, Food & Rural Affairs (DEFRA):* Parliamentary Under Secretary of State for the Environment and Rural Life Opportunities
- *Department of Education (DoE):* Minister of State for Universities, Science, Research and Innovation
- *Department of Health (DoH):* Parliamentary Under-Secretary of State for Public Health and Primary Care
- *Home Office:* Minister of State for Security
- *Ministry of Defence (MoD):* Parliamentary Under Secretary of State and Minister for Defence Procurement
- *Cabinet Office:* National Security Adviser (SRO)

National Security Council

↓

Ministerial Board

↓

Senior Responsible Owner
National Security Adviser

↓

Portfolio Board
including Prosperity Fund Management Office support

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Spending Departments
DFID, DIT, FCO, HMT, BEIS, DCMS, DEFRA, DoE, DoH, MoD

The first year of the new Prosperity Fund

The Fund ran 395 programmes globally in 2016/17, falling into four areas of work:

- **Targeted project interventions** to trial new technologies, systems, or methodologies. Evidence gathered from these projects will be used to inform larger interventions in the future.
- **Capability and capacity building** to make government entities, businesses and the labour force more effective. Examples include improved regulation, better deployment of technology and skills training.
- **Research and analysis** to identify opportunities for improvements in industrial sectors or government policy in partner countries, and map out the way to achieve those benefits.
- **Knowledge transfer** to forge partnerships between UK and host country bodies such as regulatory bodies or educational institutions to aid knowledge transfer.

Much of the work in Year 2016/17 was designed to achieve impact and also help form an effective strategy for running programmes from 2017/18 onwards—helping to build productive relationships with key stakeholders in partner countries, and enable the Fund to deploy its resources to the greatest opportunities. The Prosperity Fund 2016/17-2021/22 succeeds a previous project mechanism run by the FCO, also called the Prosperity Fund.

Examples of Prosperity Fund work in 2016/17

Below are some examples of Prosperity Fund work in 2016/17.

Business Environment

Lack of transparency and accountability is a major obstacle to doing business in developing countries. In **Indonesia**, a project trained over 100 government finance officers in public sector accounting and business skills to improve capacity and strengthen business environment regulation. These skills and qualifications are now being built in to local municipality training and development schemes. This will help to support inclusive growth and women's economic empowerment by addressing challenges faced by female small and medium enterprise (SME) owners. Discussions are going on with several Indonesian cities to roll out more comprehensive capacity building programmes.

In **Thailand**, funds were used to develop the country's first Public Procurement Act. The Act, which was approved in December 2016, standardises the system of public procurement and provides greater transparency and integrity. Expected tenders on mass transit and airport expansion mean that international firms, including from the UK, will now compete for £1 billion of business using the new system.

In **India**, funds were used to strengthen anti-money laundering through building the capacity of 60 officials from government and the private sector. The project promoted UK anti-bribery policy and initiated discussions with Indian MPs about passing anticorruption legislation containing features similar to the UK's Bribery Act. The Fund also helped develop a Memorandum of Understanding between India and the UK to share best practice on ease of doing business reforms. This included the first ever UK-India Ease of Doing Business Conference, where UK experts engaged with Indian officials from across the country.

Anti-Corruption Summit in May 2016

Developing countries need to harness trade, growth and investment to enhance prosperity and reduce poverty. Supporting countries to improve their enabling environments for business will make it easier for companies—including from the UK—to enter and invest. The UK-hosted Anti-Corruption Summit in May 2016 was supported by programme funds. It brought together world leaders, business and civil society and agreed measures to reduce corruption, which in turn aim to improve the environment for doing business.

Infrastructure

No economy can achieve high sustained growth without the right infrastructure. Energy, transport, water and communications infrastructure are vital for private sector investment to stimulate economic growth.

Funds were used to improve electricity infrastructure in **South Africa**. One intervention field-tested technology to support the management of the electricity grid. This showed how technology can eradicate the need for widespread load-shedding, increase grid capacity and reduce operational costs. UK companies are now in the process of investing in South Africa and exploring a partnership to deploy the technology in innovative new ways. Another intervention in South Africa introduced 700 small and medium enterprises (SMEs) to a new waste-to-energy business solution which reduces emissions costs and the strain on the national grid.

In **Kenya**, support was provided to the Lamu Port-South Sudan-Ethiopia Transport Corridor project. An integrated planning and investment framework was created to align stakeholders and unlock funding to make the project more viable and sustainable. The Kenyan Government has legally adopted the framework which will help unlock private funding in future. This will provide opportunities for international, including UK businesses, to invest in the construction of a pipeline, roads and railway lines; water and sanitation services; and building resort cities along the corridor. When complete, the project will be Kenya's second major transport corridor, with the potential to contribute significantly to the country's development.

In **India**, funding was used to initiate an India-UK Memorandum of Understanding on energy cooperation. This included activities to support solar energy, energy storage, industrial energy efficiency, and to encourage green leadership by legislators. UK support on green bonds contributed to an Indian public sector company committing US$4 billion to finance clean energy infrastructure in India. This commenced with a first tranche of $300 million worth of green 'masala' bonds issued on the London Stock Exchange. This generated an estimated $2 million of returns to UK financial services providers and will co-finance an estimated $1.2 billion worth of new clean energy projects in India, opening opportunities for companies including from the UK. Indian Minister Piyush Goyal has agreed to accelerate the issuance of $1 billion of green bonds in London by the end of 2017. Since 2016, UK funding to prepare Indian companies for bond issuances has resulted in $950 million worth of bonds being issued on the London Stock Exchange. One billion dollars of bonds are estimated to generate $4 billion of opportunities in clean energy infrastructure projects in India, for which companies can compete to deliver.

In **Brazil**, programming has promoted sustainable alternatives to wastewater treatment and forged research links with Cranfield University, which has started research on an anaerobic wastewater treatment reactor based on Brazilian experience. Building this link will enable knowledge and technology exchange in the future.

Healthcare

Improved healthcare systems make an important contribution to economic progress. Healthy populations live longer and are more productive.

Prosperity funding in **Brazil** has supported work on public health policy related to primary care in Recife, to improve patient care. The project focused on improving access, responsiveness, quality and a range of care services in local communities. It also analysed state telehealth systems, aiming to increase the efficiency and effectiveness of health administration. The project's recommendations were embraced by the local government and are

being built into a four year implementation plan. The partnership has identified areas where the UK can assist Brazil, including: developing indicators to monitor the performance of hospitals and health systems; setting up monitoring and improvement functions; and training on data and performance management.

Another intervention in **Brazil** involved working with the Department of Health of the State of São Paulo and the government's innovation unit. It involved designing a new Health Innovation Policy that promotes and improves cooperation between public, private and civil society organisations. Piloting of the new policy resulted in the launch of a public call for partners to co-develop a new molecular diagnostic kit for tuberculosis. Following international competition, a UK company won the challenge, and is now negotiating a partnership to develop the diagnostic kit to help the state tackle the disease.

Urban planning

There has been a phenomenal shift towards urbanisation globally, with six out of every ten people in the world expected to reside in urban areas by 2030. Over 90% of this growth will take place in Africa, Asia, Latin America, and the Caribbean. Designing cities intelligently gives people better access to services and employment

opportunities and increases economic growth and social development. Improved spatial planning and the creation of safe transport systems also help to drive women's economic participation and therefore support increased levels of prosperity and inclusive growth.

China is experiencing the largest migration of people in history, with large numbers of people moving from rural areas to cities in search of work and a better life. China-UK cooperation has resulted in smart-cities standards being incorporated into China's compulsory and people-centred "Smart Cities Evaluation Indicator". The indicator evaluates cities' performance and guides future development across urban planning, governance, and improved services for ordinary city dwellers. The Indicator will enhance market conditions and opportunities for international trade, including with the UK. Areas of focus include: strategic design, data sharing, smart transport, healthcare, water, sanitation and safe cyber—all areas where the UK is a world leader. According to UK Government estimations, annual investment in China's smart cities market could reach £152 billion by 2030, providing significant commercial opportunities for UK firms.

Financial services

Financial inclusion is necessary to ensure that all households and businesses, regardless of income level, have access to and can effectively use the financial services they need to improve their lives and contribute to sustainable development.

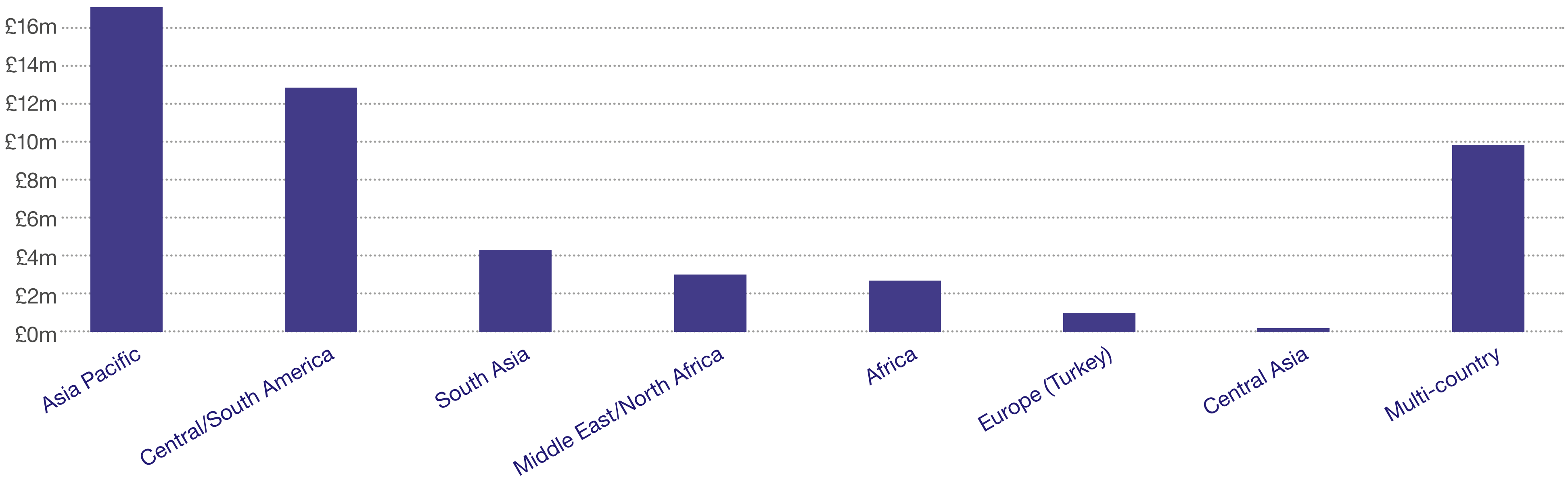
A project in **Mexico**, through a partnership between the UK's Behavioural Insights Team and Mexican partners, worked to pilot financial education for 60,000 economically disadvantaged women. The pilot schemes focused on areas where banking infrastructure is inadequate, and where an increase in awareness and adoption of mobile financial technology would contribute towards poverty alleviation. In addition to education, the pilots gathered vital data required for the roll-out of mobile banking in the future; a mobile banking app is currently under development. Stakeholders want to expand the pilots to up to 3 million marginalised women by the end of 2018. As well as increasing prosperity in Mexico, greater access to financial services will create opportunities for business, including those from the UK.

Low Carbon Energy

Climate change is one of the biggest threats to global sustainable development. Climate funding can help developing countries mitigate and adapt to climate change, enhancing their potential for economic development. Women are disproportionately affected by the impacts of climate change. Programmes that build resilience and mitigate or reduce its impacts can particularly benefit women and support inclusive growth. The promotion of low carbon technology and energy efficiency also offers commercial trade and investment opportunities for business, including in the UK.

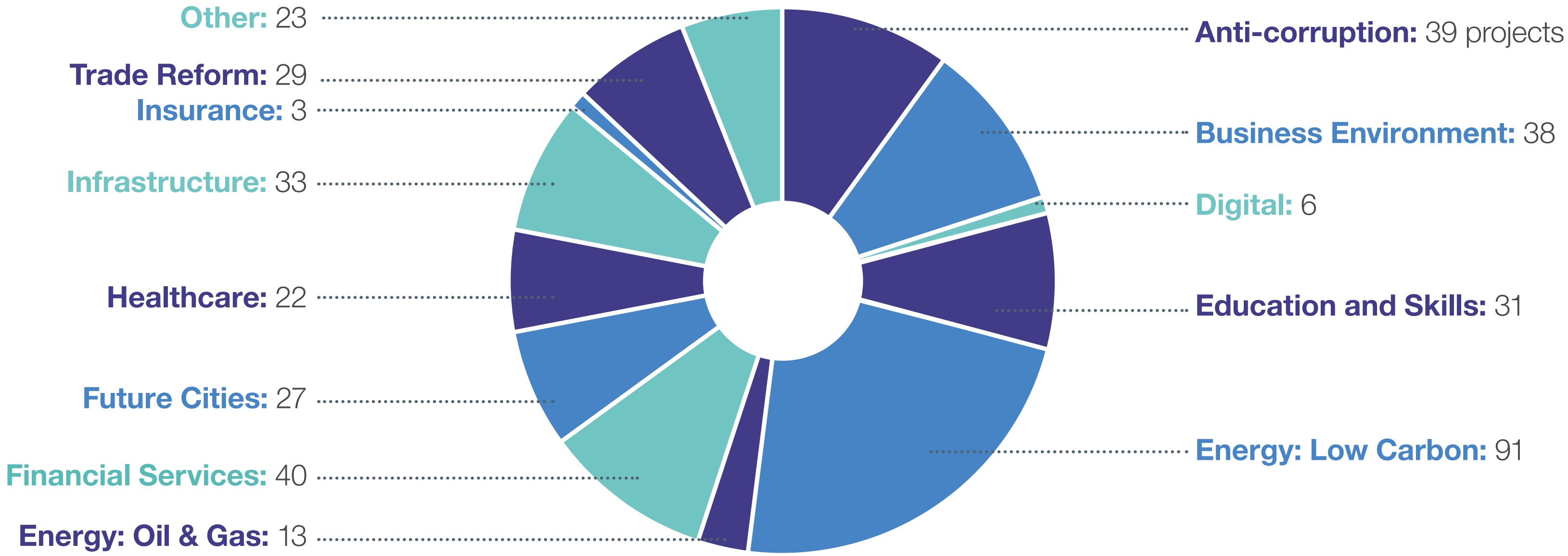
In **Vietnam**, technical support was provided for the implementation of the Vietnam greenhouse gas inventory system which will help the country fulfil its international reporting responsibilities.

Offical Development Assistance spend by region 2016-17



Thematic breakdown of projects in 2016-17

Total no of projects: 395



How the major programmes are being established

The Prosperity Fund seeks to promote systemic changes in partner countries through a number of large programmes from years 2017/18 onwards. In order to build strong foundations for the future portfolio, the first year (2016/17) focused on building operational systems, effective governance, Fund Strategy and developing robust business cases.

The Fund spent £63 million in its first year (2016/17), with £1.2 billion to be spent from 2017/18 until 2021/22. Programmes in future years will focus either on a number of issues within a specific country, or a cross-cutting theme in multiple countries. The Fund is moving from single-year projects to multi-year programmes so that it can target larger opportunities that take more time to achieve, but offer higher benefits.

The Ministerial Board decides the strategy of the Fund. This incorporates research to identify suitable countries whose constraints to poverty reduction are in areas where the UK can contribute most effectively.

Government departments (incorporating overseas UK posts) have a good knowledge of country/sector-specific barriers and solutions which form the basis of programmes. They develop programme ideas which fit with the Fund's "Theory of Change", and submit 'concept notes' to the Fund which outline:

- Strategy and context
- Impact
- Value for money
- Delivery consideration
- How the changes it seeks to generate will be sustained

Concept notes that score well upon review can be developed into a more detailed business case, following the standard UK Government 5-case model (Strategic Case, Appraisal Case, Commercial Case, Financial Case, Management Case). This process involves consultation with external stakeholders, including businesses and civil society organisations.

Combining these approaches helps to contribute to the ambition for large-scale impact. Having ideas submitted from teams with specific sector and country knowledge ensures that a wide variety of ideas and potential programmes are generated. Direction from the overall strategy helps ensure coherence across the portfolio and informs how and where interventions should broadly be targeted.

The Prosperity Fund is implementing a gender strategy which informs programme selection, design, monitoring and evaluation. The multi-year programmes that will run from 2017/18 are required to include an assessment within business cases that demonstrates how programmes will address the issue of gender equality and inclusion. An external monitoring and evaluation mechanism is in place for all programmes that will provide information on the impact of programmes in relation to gender equality.

To date 24 programmes have been endorsed by the Ministerial Board and are now being developed into full business cases by UK Government departments.

Portfolio management

The Fund is adopting an 'active portfolio management' approach. This will use a range of tools, such as monitoring programme milestones, financial spend profiles, output/outcome key performance indicators, and in-depth reviews to monitor and evaluate its programmes. Having flexibility on portfolio allocation will allow the Fund to adapt to changing environments and priorities, move funding from underperforming programmes, and incentivising high performing programmes. This will contribute towards driving high impact and value for money for the Fund. A considered approach will be taken when considering portfolio balance, recognising that it may take varying lengths of time to achieve different types of impact.

Non-ODA

The Prosperity Fund includes a component of non-ODA funding worth £33 million from 2016 to 2022. Ministers have agreed that the Fund's non-ODA monies should be used alongside Prosperity Fund ODA programmes and in support of the government's post-Brexit trade policy ambition.

Ministers have further agreed that any activity must be strategic and impactful, provide value for money, and complement the Department for International Trade and wider government policies.

Notes

1 http://www.worldbank.org/en/country/mic/overview

2 http://www.oecd.org/dev/pgd/economydevelopingcountriessettoaccountfornearly60ofworldgdpby2030accordingtonewestimates.htm

3 Commission on Growth and Development (2008), *The Growth Report: Strategies for Sustained Growth and Inclusive Development*, www.growthcommission.org