Department
for International
Development

Operational plan 2011-2016

International Financial Institutions Department

Updated December 2014

Contents

Introduction

In 2013 the UK became the first G7 country to meet the United Nations target of spending 0.7% of gross national income on international development. The Department for International Development (DFID) uses that investment to help countries to lift themselves out of poverty and leave poverty behind. Operational plans set out to the public how we plan to deliver results across policy areas and for every country we work in. These plans clearly explain why, and how, DFID is targeting its resources and what we expect to achieve; covering the period up until March 2016.

DFID is focused on spending in the right ways, on the right things, in the right places. The portfolio of our projects is already shifting to deliver a more coherent, focused and ambitious approach to economic development. We are helping to build strong and investable business environments in developing countries and improving access to finance for entrepreneurs.

Improving the prospects for girls and women in developing countries is a priority. Investing in girls and women is the smart thing to do, as well as the right thing to do. By unleashing their potential, we see returns for girls and women themselves, their families and communities, and for their economies and countries. No country can successfully develop if it leaves half its population behind.

Life-saving humanitarian assistance remains one of DFID's most fundamental responsibilities. When disaster strikes or conflict erupts we are first on the ground to support the most vulnerable people. We are also increasing our efforts to help those countries that are at higher risk of natural disasters to become more resilient in the first place.

DFID continues to drive value for money in everything we do on behalf of the British taxpayer. We have improved our procurement and programme management, increased our internal audit oversight and we are ensuring that staff have the skills to deliver the Department's priorities.

On the international stage we are working hard to agree a new set of global development goals to replace the Millennium Development Goals when they expire next year. We are determined to secure a clear and inspiring set of goals for the post 2015 development framework that leave no one behind.

Increasingly we will take new and innovative approaches and we will work with new partners. This will include businesses who are increasingly major development players. During the Secretary of State's time as co-chair of the Global Partnership for Effective Development Cooperation, DFID played a key role in encouraging different development actors to work together and use internationally agreed principles for aid and development effectiveness.

As our operational plans set out, our approach to international development is ambitious and innovative. We are determined to ensure that every pound DFID spends has the biggest possible impact on the ground. Ultimately by investing in developing countries, we can end aid dependency for good and build a better, more prosperous world for us all.

Context

In January 2014, DFID published the *Economic Development for Shared Prosperity and Poverty Reduction: A Strategic Framework*[1], setting out how we plan to increase our economic development work under the following five pillars:
i) Supporting the enabling environment for growth led by the private sector;
ii) Improving international rules for shared prosperity;
iii) Catalysing capital flows and trade in frontier markets;
iv) Engaging with businesses to maximise the development footprint of their investments; and
v) Ensuring growth is inclusive, and benefits girls and women.

To deliver on this strategic framework, DFID is scaling up financial and staff resources. We have committed to spend £1.8 billion of our bilateral budget on economic development by 2015/16, more than doubling the amount spent in 2012/13. That is on top of substantial indirect funding through our core contributions to multilateral organisations. We have doubled the number of private sector development advisers in DFID over the past two years and recruited a new Director General for Economic Development in June 2014 to help drive forward our policy thinking and influencing, and manage our growing investments. The International Financial Institutions Department (IFID) is part of the new Economic Development Directorate created in April 2014, which is promoting better coherence across all DFID's economic development activities, and will also address other related strategic priorities for DFID such as girls and women, the golden thread, governance for economic development, climate change, the particular needs of fragile and conflict-affected states, and more effective multilateral delivery.

The International Financial Institutions (IFIs) comprise the World Bank Group and the Regional Development Banks (RDBs), together known as the Multilateral Development Banks (MDBs), and the International Monetary Fund (IMF). They have a central role in international efforts to achieve the Millennium Development Goals as well as large scale financial resources, concessional and non-concessional, and extensive expertise to offer in support of developing country priorities. They provide support to governments and to the private sector.

The World Bank Group's convening power remains important in individual countries and globally. Its capacity to work across the whole development agenda, particularly its leading role in enhancing knowledge on many issues, makes it important for many UK development objectives and a preferred partner in a wide range of policy areas and DFID partner countries. The legitimacy of the RDBs, with their regional ownership and character, is valued by their regional partners, making them well placed to address some of the more difficult development challenges such as regional integration. The MDBs' focus on economic growth, especially building infrastructure, is critical for development, and is recognised as such in DFID's Economic Development Strategic Framework (published in January 2014). IFID became part of DFID's new Economic Development Directorate in April 2014, reflecting the centrality of the MDBs to DFID's economic development goals.

The MDBs are also responsible for a significant share of the international community's investment in the social sectors and direct support for poverty reduction: for example, over the period 2002-12 the World Bank's concessional window immunised 496 million children, recruited or trained 3.5 million teachers, and constructed or rehabilitated 116,000 km of roads. The IFIs also provide a critical role in helping developing countries, particularly middle-income countries able to borrow on non-concessional terms, mitigate the impact of shocks in financial flows as occurred in the 2008-09 global financial crisis. Large-scale debt relief through the Heavily Indebted Poor Country (HIPC) Initiative strengthened the resilience of many low income countries (LICs) to the crisis, with only 4 countries left to complete the process. However, rising debt levels of HIPC countries require a new focus on ensuring debt sustainability in developing countries given the increasing levels of lending to LICs.

[1] https://www.gov.uk/government/publications/economic-development-for-shared-prosperity-and-poverty-reduction-a-strategic-framework

Vision

Overview

Our vision is for the MDBs to be making the best possible contribution to poverty reduction, particularly in the poorest countries. We want to see high ambition, with the MDBs continuing to strengthen their focus on delivering results for poor people and providing better Value for Money. As part of this DFID want to see them responding more effectively to some of the more difficult and pressing development challenges – supporting broad-based growth that creates jobs and wealth for the poor, building capable governments in fragile states, meeting the specific needs of girls and women, addressing climate change and integrating African markets.

DFID’s Multilateral Aid Review (MAR), published in 2011, assessed the strengths and weaknesses of each bank and set out an agenda for reform. Some elements were common, with the need for continued effort from the banks to better articulate the results of their work and contribution to the MDGs; to improve their responsiveness to their clients and introduce more flexible instruments to enhance their ability to cooperate with partners and work better in fragile states; and a stronger focus on driving down costs. Greater emphasis to climate change and the needs of girls and women were also important common weaknesses.

DFID will work with HM Treasury (HMT) to encourage the IMF to maintain the greater flexibility in its concessional programmes for LICs that it adopted during the 2008/09 crisis, and over the medium term help LICs restore and embed economic stability and growth. DFID wants to see countries that have received debt relief manage their borrowing well and use savings to invest in poverty reduction. Through our influence in the IFIs, as well as through other international efforts such as the post-2015 agenda, DFID aims to be at the forefront of shaping global governance systems which support countries to avoid reaching unsustainable debt levels or to be at high risk of debt distress.

Alignment to DFID and wider UK government priorities

The IFIs play a critical part of the role that the DFID Business Plan sets for multilateral bodies. IFID’s funding of IFIs underpins 5 of the 6 structural reform pillars in the DFID plan (aid transparency, economic development, governance and security in fragile states, improving the lives of girls and women, and combating climate change). It supports HMT Structural Reform Plan actions on debt.

What we will stop doing

DFID will continue to set our objectives in light of Ministers’ priorities, the resources we have and the opportunities for securing change. DFID will not micro-manage the banks and will focus on the key reforms identified in the MAR and those issues critical to their effectiveness.

Results 2011/12-2015/16

Headline results

For IDA results, the latest results are a 3 year aggregate of results achieved in the last three fiscal years. It is subject to large annual fluctuations due to exit/entry of projects.

Pillar/strategic	Indicator	Baseline	Progress towards results (including year)	Expected (end year included)
Water and sanitation	People with access to improved sanitation facilities, International Development Association (IDA) Results Measure Systems (RMS) People with access to improved water sources, IDA RMS	1.6 million (annual average 2006-09) 3.1 million (total over 2006-2008)	4.4 million (FY13) 32 million (FY13)	4.6-5.6 million by 2017 21-32 million by 2017
Maternal mortality	Pregnant women receiving antenatal care during a visit to a health provider funded, IDA RMS	0.7 million (annual average 2006-09)	59 million (FY13)	53-55 million by 2017
Economic development	Roads constructed or rehabilitated by African Development Bank Group Small and medium enterprise loan accounts opened or end borrowers reached with Asian Development Fund support	16,058 km delivered (2008-2010) 5,800 total 2004-2007)	8,192 km delivered (2011-2013) against a target of 9,127 km 9,700 achieved (2010-2013) 2,900 achieved (2013)	18,904 km (2014-2016) 55,800 (2013-2016)
Climate change*	Discussion of climate change vulnerabilities as part of the development challenges and priorities in the Country Assistance Strategies (CAS) of IDA eligible countries.	Climate in 70% of new CASs (2009)	Climate in 100% of CASs by 2014	Climate in 100% of CASs by 2014 (No further target beyond).
Governance and security	Satisfactory outcomes of WB operations in fragile states (% IEG rating)	71.2% (2013)	73% (2015)**	75% (2014)**
Global partnerships	Progress on the Heavily Indebted Poor Countries Initiative	32 countries at completion point (2010)	35 countries post completion point, 1 country in interim phase (2014)	36 countries at completion point by 2016

* DFID climate change programming is subject to the strategy and allocations of the UK's cross-government International Climate Fund (IFC)

**Data not yet available for fragile states – current data is for all World Bank (WB) operations. This will be updated once data is available.

Evidence supporting results

The results chosen are largely drawn from the MDBs' own results frameworks. They are not comprehensive but rather represent the results that we judge to be critical in ensuring that the banks are making the most effective contribution to the MDGs. Some of these are areas where the banks have a particular comparative advantage, including water and sanitation and roads. Others are areas which DFID considers crucial in meeting the MDGs, including maternal mortality and action on climate change. Our indicator on progress on the Heavily Indebted Poor Country (HIPC) initiative reflects the Coalition Government commitment to ensuring debt relief is provided as speedily as possible to the poorest countries.

DFID judges that the MDBs have the resources and capacity to achieve these results over the SR10 period. IFID's contributions to the MDB replenishments and capital increases are contributing significantly to this. The reform indicators are more stretching.

Value for Money (VfM) rationale

The outcome results chosen are those we think will have the maximum impact on the MDGs and therefore represent good Value for Money. Reform objectives will make the MDBs more effective organisations and therefore increase the VfM of future DFID contributions to them. Given that the MDBs have robust systems and that the UK plays an active role on the board, we judge that the risks to these priorities are manageable.

Delivery and resources

DFID’s levers for achieving these results in the IFIs are:

• Our shareholder function

• Financial resources to the IFIs as replenishments of funds (to enable grants and non-concessional loans), capital (to enable non-concessional borrowing), and in support of debt relief programmes **-** and monitoring the expected outcomes of these inputs (*see Monitoring and Effectiveness section)*

• Dialogue on the development of sectoral and cross-cutting policies

• The strategic use of funding of catalytic technical expertise in the MDBs to develop areas of emerging priorities.

IFID leads in DFID on the shareholder function, working in very close partnership with the UK’s Executive Directors in all 6 MDBs, and in determining DFID’s financial contributions. It is a 20 person department based in London and East Kilbride, headed by a Senior Civil Servant Deputy Director. It also coordinates with other parts of DFID in promoting policy dialogue and the strategic use of the catalytic technical expertise, particularly Policy Division (on climate change, and girls and women), the Regional Divisions, Private Sector Department, Growth and Resilience Department and Global Partnerships Department. It also works closely with HM Treasury, Department of Energy & Climate Change and Foreign & Commonwealth Office.

IFID delivers these roles by undertaking the following activities:

i) Analytical work to gain a better grasp of MDBs use of resources, policies and organisational effectiveness; and their ability to delivery;

ii) Relationship building with the MDBs to hold them to account for delivering on their commitments to reform and to influence future reforms;

iii) Relationship building with borrower shareholders and other stakeholders to understand their concerns about the banks' performance, and with them and other donor shareholders to build like-minded coalitions; and

iv) Networking with other parts of DFID, particularly Policy and Regional Divisions, to ensure the coherence of DFID’s objectives for the IFIs.

Planned programme spend

Pillar/Strategic	2011/12		2012/13		2013/14		2014/15		2015/16 (provisional*)
	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Resource £'000	Capital £'000	Total resource and capital £'000
Economic development	0	0	0	0	0	0	0	0	
Climate change	0	0	0	0	0	0	0	0	
Governance and security	0	0	0	0	0	0	0	0	
Education	0	0	0	0	0	0	0	0	
Reproductive, maternal and newborn health	0	0	0	0	0	0	0	0	
Malaria	0	0	0	0	0	0	0	0	
HIV/Aids	0	0	0	0	0	0	0	0	
Other health									
Water and sanitation	0	0	0	0	0	0	0	0	
Poverty, hunger and vulnerability	0	0	0	0	0	0	0	0	
Humanitarian	0	0	0	0	0	0	0	0	
Other MDGs	0	0	0	0	0	0	0	0	
Global partnerships	393	1,310,299	34,258	1,297,220	9,900	1,369,403	82,996	1,129,209	1,363,000
TOTAL	**393**	**1,310,299**	**34,258**	**1,297,220**	**9,900**	**1,369,403**	**82,996**	**1,129,209**	**1,363,000**

*Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements

Planned operating costs

	2011/12	2012/13	2013/14	2014/15	2015/16 (provisional*)
	£'000	£'000	£'000	£'000	£'000
Frontline delivery costs – pay	0	49	65	113	
Frontline delivery costs – non pay	0	0	3	11	
Administrative costs – pay	996	964	954	1056	
Administrative costs – non pay	129	71	80	78	
Total	1125	1084	1102	1258	1258

*Expenditure figures for 2015/16 are indicative. DFID works in a variety of challenging environments, including fragile and conflict affected areas. Humanitarian work is often reactive and can be scaled up or down. An element of flexibility within funding allocations is necessary to ensure that we can balance the need for long term planning alongside the ability to respond where necessary to changing requirements

Delivering Value for Money (VfM)

IFID seeks to gain Value for Money (VfM) through the MDBs (the World Bank and 5 Regional Development Banks). This involves pursuing VfM in the MDBs directly, as well as engaging with other shareholders to drive effectiveness in bank strategies and operations. In addition, IFID is leading efforts to combine cost and input indicators with results, outcomes, and impact indicators, in order to develop a more coherent and rigorous understanding of cost-effectiveness and VfM of MDBs' spending. IFID will also further encourage MDBs to adopt improved processes in how they monitor and report against a common selection of important VfM indicators. This will allow DFID, other shareholders, and external stakeholders to be more informed and aware about how cost-effective MDBs are in achieving their goals.

The 2013 Multilateral Aid Review (MAR) update assessed all of the multilateral institutions overseen by IFID to have achieved at least 'some' (scored 2 out of 4) progress in increasing their effectiveness since the 2011 MAR.

A number of common challenges remain to improve effectiveness of the MDBs:

- **Results:** All MDBs have some form of results framework. But a deeper analysis of VfM requires management and project staff to focus on the achievement of results (at the outcome and impact levels) rather than measuring performance in terms of input costs or even outputs.
- **Strategies:** The banks work in different environments and must set their policies accordingly. It is important that resources are focused on where they can achieve most and where the need is greatest, particularly in fragile and poorer countries.
- **Cost-effectiveness:** None of the MBDs systematically demonstrate how they provide the most cost-effective solution possible to achieve their borrowers' goals.
- **Administrative costs:** Measures of administrative efficiency vary among MDBs, but in all cases, costs are largely driven by staff salaries and the control of other administrative expenses. We need to be able to compare MDBs in order to identify best practice and to demonstrate how to gain greater VfM.

IFID is supporting bilateral spending departments in achieving better impact and cost-effectiveness in the use of trust funds established with MDBs, particularly with the World Bank. Examples include guidance on negotiating fee rates, providing greater clarity on the division of responsibilities between DFID and the MDB, and a greater emphasis on agreeing results indicators at the outset.

In addition, IFID is in the process of appointing a Senior Responsible Owner for each programme. By January 2015, each SRO will be inducted in the role and clear on their responsibilities, including commercial awareness and VfM. The SRO for each programme (e.g. IDA, PRGT) will have completed the cross-government project leadership programme. Each programme will have a delivery plan including routine monitoring of results, VfM and risks.

Monitoring and evaluation

Monitoring

The MDBs all have established results frameworks, which we will use to monitor and measure progress on both development impact and internal reforms. Those banks with concessional fund replenishments (the African, Asian, Caribbean Development Banks and World Bank) report progress against their results frameworks at the replenishment mid-term reviews, and at the end of the replenishment cycles (which are 3 or 4 years long). All the banks produce annual reports on development effectiveness as well as financial and operational statements. The banks participate in the Multilateral Organization Performance Assessment Network (MOPAN) and the Common Performance Assessment System (COMPAS), which benchmark them against each other and other multilateral organisations on performance and delivery. We will also rely heavily on feedback from UK Delegations (UKDel), and DFID’s network of country offices to monitor the impact and effectiveness of the MDBs’ operations in the field. DFID uses all these sources of evidence to monitor the effectiveness and impact of the MDBs, and uses that evidence as a basis to seek performance improvements through MDB Boards of Directors and Governors.

Evaluation

The MDBs all have independent evaluation bodies or systems that report directly to boards of directors rather than to bank management. They typically spend between one and two per cent of their administration budgets on evaluation. DFID’s Multilateral Aid Review found that the MDBs do act consistently on evaluations and that they are open to changing policies and procedures in response to evaluations recommendations. We will keep under review the case for any increased use by MDBs of impact evaluations, including by providing support (e.g. DFID funded health trust fund on impact evaluations). We will commission independent evaluations of any technical assistance or non-core funding of more than £5 million that IFID provides to the MDBs.

We continue to monitor MDB responses to evaluations and, where appropriate and press bank management to act on their agreed recommendations.

Transparency

Transparency is one of the top priorities for the UK government. We will ensure that we continue to meet our commitments under the UK Aid Transparency Guarantee including publishing detailed information about DFID projects, including programme documents, and we will provide opportunities for those directly affected by our projects to provide feedback.

DFID will continue to encourage full transparency in the MDBs, including through their adoption of the standards of the International Aid Transparency Initiative (IATI). The AfDB, IADB and AsDB all became signatories to IATI during 2011, and are now working on implementation. The World Bank subsequently joined the list of signatories and EBRD has improved its sharing of data and reporting, but recognising that it works directly with private sector which makes commercial confidentiality an issue in regards to transparency.

DFID will use opportunities to encourage MDBs to make available information to local communities on projects that affect them. For example, we will monitor the success of the World Bank's Mapping for Results programme which combines human development data with specific project locations for active Bank- financed projects across a number of pilot countries, in a highly visual intuitive application. The main objectives of the programme are (i) to support the monitoring of results by providing users with an analytical tool to analyse and visualise the geographic location of Bank-funded projects at the sub-national level; (ii) to improve aid effectiveness by enhanced transparency and accountability of donor-funded operations and (iii) to strengthen the participation of multiple stakeholders, including civil society organisations and citizen groups in the Bank's work at the country level. The Inter-American Development Bank also launched their own version in March 2012 called MapAmericas, and the African Development Bank followed suit in 2014 when it launched MapAfrica. We will encourage other MDBs to learn from the experiences of the WB, IADB and AfDB and encourage the expansion of these initiatives.

IFID will ensure full compliance with the UK Aid Transparency Guarantee in its own internal working. DFID have published the MAR assessments relating to the MDBs. We will publish business cases, annual reviews and project summaries, as well as information on all financial transactions over £500. We will ensure that the information on internal systems (Aries) is accurate and comprehensive.

We will also publish an annual report on how DFID works with the World Bank to make progress on our shared objectives.

Annex A: Changes to operational plan

No significant, substantive changes have been made to this operational plan for 2012/13.

Figures for administration, programme spending and budgets have been amended to reflect the most up-to-date data.

Minor amendments have been made to some sections to ensure factual accuracy and provide greater clarity.

Results objectives have been extended from 2014 to 2016 where targets exist. This has not been possible in all cases as some of the indicators are no longer used by the MDB.