



House of Commons
International Development
Committee

**DFID's Economic
Development Strategy:
Government response
to the Committee's
Sixth Report of Session
2017-19**

**Eighth Special Report of Session
2017–19**

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The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for International Development and its associated public bodies.

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Powers

The Committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No. 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the [Committee's website](#) and in print by Order of the House. Evidence relating to this Report is published on the relevant [inquiry page](#) of the Committee's website.

Committee staff

The current staff of the Committee are Fergus Reid (Clerk), Rob Page (Second Clerk), Rachael Cox, Rebecca Usden and Louise Whitley (Committee Specialists), Alison Pickard (Senior Committee Assistant), Paul Hampson and Rowena Macdonald (Committee Assistants), and Estelle Currie and Lucy Dargahi (Media Officers).

Contacts

All correspondence should be addressed to the Clerk of the International Development Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 1223; the Committee's email address is indcom@parliament.uk.

Eighth Special Report

On 17 July 2018, the International Development Committee published its Sixth Report of Session 2017–19, on DFID's Economic Development Strategy (HC 941). The Government response was received on 27 September 2018. The response is appended below.

Appendix: Government Response to DFID's Economic Development Strategy

DFID welcomes the opportunity to respond to the first direct parliamentary scrutiny of DFID's Economic Development Strategy. The Committee's report is timely. As the Prime Minister set out during her recent trip to Africa, the UK is committed to building deeper economic partnerships with developing countries. Consistent with the Economic Development Strategy, the Prime Minister set out the UK's commitment to accelerating the inclusive growth needed to lift countries out of poverty for good, and how a focus on mutual prosperity creates opportunities for both the UK and developing countries.

DFID welcomes the largely positive tone of the report, in particular the Committee's recognition that the Department has strengthened its economic development expertise, as well as highlighting positive evolution in DFID's economic development programming and endorsing DFID's approach in response to recommendations from a number of ICAI reports.

The Strategy

- (1) **“We look to DFID to ensure that the responses of individual country teams maintain a focus on wealth creation that includes marginalised groups, takes account of sustainable development and generates revenue for national governments to spend in appropriate ways.”** (Paragraph 10)

DFID response: Agree

- DFID's Economic Development Strategy is clear in its commitment to growth that spreads benefits right across society and to support the poorest and most marginalised to benefit from new opportunities – consistent with the 'leave no one behind' focus of the 2030 Agenda for Sustainable Development.
- The UK Prime Minister emphasised the importance of '*achieving not just growth but inclusive growth*' during her recent trip to Africa and the need for '*inclusive, fair and open rules-based markets*' in her keynote speech at the 2018 Commonwealth Summit. Economic inclusion was central to the 'routes to economic empowerment for people with disabilities' pillar of the recent Global Disability Summit and is embedded in specific programmes such as DFID's new flagship women's economic empowerment programme, Work and Opportunities for Women.
- DFID's country-specific diagnostic and business planning work helps individual country teams to make informed and strategic decisions on economic

development priorities. This includes helping country teams to design strategies and programmes that target marginalised groups and tackle the barriers that prevent them from being able to benefit from and contribute to economic growth.

- The UK has committed to double spend on helping developing countries improve tax collection by 2020. Country teams are taking this forward as demonstrated, for example, by the new tax programme recently launched in Ethiopia to transform the country's tax system and further promote its economic growth potential. The UK is also working with a range of national and international Civil Society Organisations, like the International Budget Partnership and Transparency International to make the process of taxation and revenue use more transparent and equitable.

Past criticisms and responses

- (2) "ICAI recommended improved DFID monitoring to help the Department to understand the impact of individual programmes on the overall transformation of the economy [...] **We expect to hear how this approach is evolving, and its impact, when the Department replies to this report and/or in subsequent ICAI follow-up work.**" (Paragraph 27)

DFID response: Agree

- DFID is taking steps to better track progress and results across our economic development investments; enhance the value of diagnostics processes; and strengthen our approach to generating and applying analysis on the distributional and political economy dimensions of our economic development work. For example:
 - By working closely with the World Bank, African Development Bank, and other partners, DFID is able to access the data and information required to maintain a clear line of sight between DFID's economic development work and the overall transformation of the economies of the countries we work in.
 - DFID's most recent Annual Report and Accounts (2017/18) features a number of new outcome indicators for economic development. This included the number of people supported to have raised incomes or obtain or maintain better jobs or livelihoods.
 - DFID's Inclusive Data Disaggregation Action Plan aims to strengthen DFID's use of disaggregated data and to work with others to influence the wider international development system. At the July 2018 Disability Summit, DFID signed up to the Inclusive Data Charter – launched by the Global Partnership for Sustainable Development Data – which aims to mobilise wide political support to improve the quality, quantity, financing and availability of inclusive and disaggregated data for the benefit of the poorest and most marginalised people.
- (3) **"We were disappointed to see that there had been little progress on taking account of DFID's "comparative advantage relative to other development actors" in prioritising interventions."** (Paragraph 41)

DFID response: *Partially Agree*

- There are a number of ways in which DFID already draws on its strengths relative to other development actors, several of which are highlighted below. However, DFID also acknowledges that its strategic prioritisation could be further strengthened by sharpening the focus on our comparative advantage in these and other areas.
 - DFID country teams are using diagnostics to analyse a country's poverty trends, politics, society, state and economy and review potential interventions in light of the UK's comparative advantage. In doing so, country offices will consider how other donors' approaches complement HMG's approach and objectives and when to take forward UK-specific initiatives versus influencing or working with and through other partners.
 - DFID focuses not just on its comparative advantage but on wider UK strengths. DFID is working closely with other government departments to ensure that HMG's Prosperity and Global Britain agendas have a clear focus on inclusive growth and poverty at the same time as providing benefits to the UK. This is demonstrated most recently through the Prime Minister's visit to Africa, where she set out the UK's ambition to harness its expertise, skills, and resources to build mutually beneficial partnerships with developing countries. For example:
 - As one of the world's largest capital markets and the global centre of financial expertise, the City of London is uniquely positioned to support economic growth, investment and job creation in developing countries. DFID's partnership with the Bank of England is harnessing UK expertise to support central banks in developing countries to develop sustainable financial systems that power local and regional growth, job creation and investment opportunities.
 - The UK is also a global leader on impact investment. That is one reason why last year HMG agreed with CDC that it should increase its risk appetite to ensure maximum impact on the lives of the poorest. CDC's new development impact monitoring and evaluation framework is better capturing, tracking and maximising impact.
 - Part of DFID's comparative advantage lies in our ability to work with others to influence multilaterals and the wider international system. The UK played a key role in securing a new indicator in IDA 18 – the most recent donor meeting to replenish the World Bank's financing arm for the poorest countries – to better monitor how well World Bank programmes target economic transformation.
- (4) “We refer to the partially accepted recommendation above. DFID seemed to accept the importance of striking an appropriate balance between job creation via economic transformation and the development of livelihoods for the poor. However, ICAI had called for central guidance and DFID argued that country offices were best-placed to make their own decisions about the proportions and sequencing of interventions in these areas. **We tend to agree with the Department but DFID should test its confidence in country teams with a programme of review and best practice-sharing.**” (Paragraph 42)

DFID response: Agree

- DFID recognises that interventions to support job creation through economic transformation over the long term need to be balanced with more immediate measures to support the livelihoods of the poorest populations.
- For example, DFID's programmes balance interventions to support existing economic livelihoods in the agricultural sector alongside approaches designed to stimulate new, high productivity jobs in agri-processing and manufacturing. We will continue to monitor a range of results at country and programme levels and periodically assess and review the balance of investments across portfolios.
- As mentioned under the response to recommendation one, country offices periodically carry out diagnostic assessments to help them make country-specific decisions about their economic development approach and programming. This analysis is peer-reviewed internally and best practice is shared to help ensure DFID's country-level portfolios are delivering the optimal balance between different kinds of intervention in different sectors and over different time horizons.