

A lot of reflection in DFID about its future direction and strategy

- Identifying ‘interventions’ offering the most value for money
- Updating ‘Country Diagnostics’
- Reviewing various ‘Channels’ through which ODA is delivered
- Reviewing its Operating Model
- Agreeing an overall ‘Strategic Direction’..iteratively

Some shifts..

- Continued commitment to Low income countries, Fragile and Conflict Affected states – **but also presence in new countries, including MICs**
- A **‘whole of ODA’** approach with more cross-Government engagement on shared objectives, including with Foreign Office and the Department of Investment and Trade - ‘Fusion Doctrine’, ‘Prosperity for All’
- An intensified effort to work effectively with and through **multilaterals**
- **Mobilising finance and partnerships** from a range of sources, with new instruments to support this
- A rationalisation of various centrally managed programmes into a more easily accessible **‘Platforms’** – ensuring that country offices can draw down on support in key areas, providing space to use their deep contextual knowledge and experience to focus on influencing and engaging with National Governments and local partners
- A renewed ambition to step up on **Climate and Environment crisis**

DFID's appetite for working in partnership with business is intensifying

DFID has over 100 PSD Advisers, many located in Whitehall in Private Sector Department, but also spread across other Departments (eg. Growth and Resilience). Many are also working in country offices predominantly in Sub-Saharan Africa and South Asia.

PSD Advisers are concerned with the different ways in which firms interact with poor people, women and excluded groups and the range of contributions that firms make to development, including through core business, in partnership with the public sector, and through responsible business or inclusive business practices.

PSD Advisers focus on:

- **developing markets** to fully exploit their potential to deliver scalable and sustainable solutions to reduce poverty
- mobilising private sector **investment and finance**, ensuring businesses 'do no harm' as a minimum, but more proactively to maximise social impact and solve development challenges
- Supporting **Investment climate reform** to encourage businesses to invest in promising sectors, products and services for maximum impact on inclusive growth and poverty reduction
- **Promoting trade's role in inclusive economic growth** – supporting trade facilitation, promotion, logistics, standards, infrastructure, trade finance and trade arrangements/agreements to achieve prosperity for all

- Continued focus on building financial markets that are efficient, robust and inclusive, through FSDAfrica - scaling up and in new places, including francophone West Africa and Ghana.
- Mobilising more private and public investment for development, in particular:
 - Addressing gaps in financing for early stage businesses [currently FSD Africa, PIDG, AgdevCo and new CDC higher risk portfolio.] New centrally managed facility will provide smaller amounts of investment for early stage businesses combined with TA, initially in SSA, possibly also Middle East. Country offices will provide eco-system services. [High risk/Low return]
 - Mobilising institutional capital at scale to close the SDG financing gap. New efforts aim to attract institutional investors (asset managers, pension funds, insurers), and make use of short term instruments and other products from the City of London. [Close to commercial return]
 - More capital into multilaterals such as IBRD, IFC..
- Supporting Global Financial Systems – better regulation/supervision, helping countries to raise finance on international capital markets. Initially pan-Africa.



Approach to Investment Climate Reform

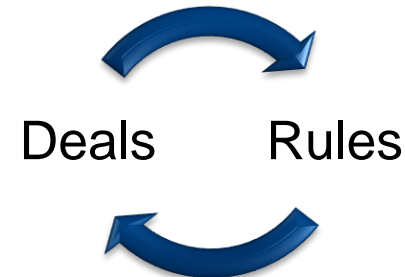
- Focus on improving the Investment Climate continues – but less on broad based investment climate reform (characterised by WB DB priorities)
- Recognition that for investment climate reforms to mobilise investment, they need to be more closely linked to the experiences and activities of investors and businesses (both foreign and domestic).
- A shift towards meeting the specific ‘asks’ of businesses.

Bringing the private sector into the heart of the UK Government’s Investment Climate policy

Building links with the private sector in the following ways:

1. Diagnosing investment climate challenges facing investors and businesses
2. Lobbying government to remove blockages (both legislative and administrative reforms)
3. Holding the government to account to account for the reforms they committed to implement

Investors carry influence when making deals. Special exemptions made to attract specific deals can support the rules by being rolled out to the wider population.



Policy changes result in new investment opportunities

An example of a new 'Platform' - Investment Climate and Economic Transformation Programme

This will aim to unlock economic transformation and boost inclusive growth by targeting barriers to investment and the creation of good quality jobs in productive sectors for the poorest in society.

It will do this through:

1. Coordination and implementation support with a small number of DFID partner countries to test in-depth support to government to target reforms at the sector level that could quickly unlock investment deals and economic transformation
2. Demand-led technical assistance that can be drawn down by country offices or partner governments as required to identify potential barriers, diagnose solutions or implement reforms
3. Promoting global standards through driving improvements in global surveillance products

The Invest Africa programme aims to catalyse **£1.2 billion of new manufacturing investment over ten years**. These investments will work to generate 90,000 jobs, build stability and trigger growth in some of the poorest and most fragile countries while ensuring the investments do not harm through mainstreaming responsible business practices.

It is trialing a new investor-focused approach:

1. **Transaction facilitation** – finding potential manufacturing producers + supporting their investment
2. **Technical Assistance** – make the deal happen + increase its development impact
3. **Coordination** – linking investors to support

9 Sub-Saharan Africa countries plus 1 – 2 more. Exploring similar programme for Asia. (Senegal, Ethiopia, Nigeria posts recruited)

Focus sectors: food and beverage processing; building and construction; textiles and shoes; automotive parts and assembly; health consumables and pharmacy; other light manufacturing



Africa Investment Summit Jan 2020

- HMG aims to mobilise £4bn of private sector investment into the continent, working closely with the City of London to support this
- A key moment in UK's new strategic approach to Africa will be the Africa Investment Summit, bringing together government and business leaders from across Africa and the UK with investors and multilateral organisations



Trade for Development

- Continued focus on Policy, Negotiations, and Programmes (Aid for Trade)
- Close working relationship with Department for International Trade and Foreign Office, with increased emphasis on supporting:
 - UK and Global businesses to trade with and invest more in developing countries
 - Developing country businesses to access UK and Global markets
- Recognition that misperceptions/information gaps put businesses off entering developing markets, and there is insufficient support to identify opportunities, close deals and sustain and thrive in new markets.

The UK is scoping a new cross-Government service, initially focused on frontier African markets, that would -

- Link businesses to the diverse range of support on offer across Government
- Support developing countries find UK investment and joint venture partners
- Support to understand and access new markets
- Support to business in operating responsibly in complex markets



Market Systems Development

- DFID's work on the private sector side has taken a 'systemic approach' – with many country offices delivering MSD programmes, and some centrally managed PSD programmes also adopting the approach (eg. FSDA)
- However, efforts to measure which interventions across the DFID portfolio represent 'Good buys' have come out with a mixed result for MSD programming.
 - Should avoid including interventions in MSD programming that do not deliver value for money – 'bundling' these interventions into an MSD programme does not make them any more effective.
 - Ensure robust M&E of MSD programmes - complementing single programme qualitative approach with quantitative multi-country independent evaluations
- It is unclear how these findings will affect DFID's appetite for MSD programming in the future, and whether adopting the DCED Standard is sufficient to address concerns
- Nevertheless, there is a recognition that we should not gravitate just to interventions for which we can easily measure impacts – we may end up pulling away from hard to measure but potentially transformational systemic reforms
- PSD advisers will continue to promote a systemic approach, but we need to address the evaluation challenge and also ensure our approach to contracting and implementing through private sector contractors leads to the best possible results to deliver DFID's ambitions for economic transformation and sustained poverty reduction at scale