



# Department for International Development: Progress and next steps

# Foreword

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The first Capability Reviews were published in July 2006. Their purpose was to give honest and robust assessments of capability to central government departments and to identify the specific measures needed to ensure that the Civil Service is equipped to meet its future challenges. My aim was to develop a culture of excellence and continuous improvement in every part of the organisation and to ensure that the Civil Service was at the heart of the Government's commitment to delivering world-class public services.

Since then, the Capability Reviews Team in the Cabinet Office has reviewed 17 departments and worked with them to address areas highlighted for improvement. The team has worked with more than 100 external reviewers drawn from a wide range of backgrounds in the private, wider public and voluntary sectors, as well as directors general from other government departments. The team members have added a much-welcomed independence to the reviews and have shared their insights and experiences to help departments in their development.

Our progress report and the external validation of the Capability Review process by the Sunningdale Institute in 2007 demonstrated a picture of improvement, often against very challenging internal and external pressures. Our challenge is to sustain this improvement and to build on this to deliver excellence in the Civil Service.

We know that the pace of external change will continue to increase, so we need a Civil Service that is flexible and able to respond quickly and professionally to all new and emerging challenges. To that end, we are now revisiting the departments we have reviewed to assess progress and to discover and share best practice. This report on progress and next steps for the Department for International Development (DFID) is the first step in that process.

I would like to congratulate DFID for making good progress over the last two years. In particular, I have been pleased to hear about how well regarded the Department is internationally among the development community.

Effective departmental leadership remains the key to unlocking capability and departmental performance and I am pleased that there has been a strengthening of top teams in departments, supported by a new Civil Service leadership framework for the Senior Civil Service as a whole.

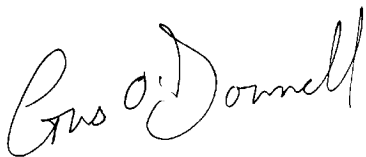
It is important that the Civil Service is able to turn the changes following the reviews into improved delivery in new and complex environments, with and through a range of delivery partners and stakeholders. To meet increasing public expectations, it will be important for departments to enhance their delivery capability and to improve the way they work across departmental and sector boundaries. Although there is evidence of strong performance in these areas, I will look to the Capability Review programme to be the catalyst for further change.

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I would like to thank and acknowledge the support of the review team that has made this progress and next steps report possible. The members of the team were:

- Hilary Douglas, Chief Operating Officer, Department for Business, Enterprise and Regulatory Reform;
- Richard Shaw, former Chief Executive, Surrey County Council; and
- Sus Ulbaek, Under Secretary, Multilateral Affairs, Ministry of Foreign Affairs, Copenhagen.

This report marks a further step towards the achievement of excellence and continuous improvement. Each department will respond by addressing particular areas for improvement identified in its review. The Capability Reviews Team, on my behalf, will continue to review progress, but I will also expect departments to maintain a self-assessment of their capability in the light of their current and future challenges.

A handwritten signature in black ink that reads "Gus O'Donnell". The signature is written in a cursive, flowing style.

**Sir Gus O'Donnell KCB**  
**Cabinet Secretary and Head of the Home Civil Service**  
**March 2009**

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# 1. The Department

**The Department for International Development (DFID) leads the UK Government's fight against global poverty and contributes to the UK's international priorities on conflict, climate change and international system reform. Since the last Capability Review, DFID has broadened its development objectives and partnerships while retaining its clear mission to reduce poverty through the Millennium Development Goals (MDGs). DFID is now focused on driving forward the change required to deliver effectively in the increasingly complex UK and international environment.**

DFID helps poor countries to develop effective states that are able to sustain economic growth and deliver public services. The Department works to build a global partnership on development beyond aid, and leads on Public Service Agreement (PSA) 29 on international poverty reduction to which HM Treasury, the Foreign and Commonwealth Office (FCO), the Department for Environment, Food and Rural Affairs (Defra) and the Department of Energy and Climate Change (DECC) contribute as delivery partners. DFID is a delivery partner for PSAs on climate change and conflict reduction and contributes to PSAs on migration and counter-terrorism.

Since the Department was established in 1997, the UK has gained a reputation for international leadership on development. The UK is seen to offer 'a powerful model for development cooperation' by the OECD. The International Development Act 2002, three development White Papers and the UK's commitment to providing 0.7 per cent of GDP in Official Development Assistance (ODA) set the UK's development framework. UK ODA has scaled up from £2.3bn (1997/98) to £6.4bn (2008/09). Our bilateral aid lifts an estimated 3 million people out of poverty each year.

Since the last review, DFID has developed a new vision for a more complex world and moved rapidly to respond to the global economic crisis. DFID's ministers have broadened the development horizons while promoting a sharper policy focus on four priorities: growth, climate change, conflict and the international system. Ministers and the Management Board have increased DFID's focus on impact and organisational effectiveness through the 'Making it Happen' change programme.





DFID is a lean department: with 1,602 home civil servants and 767 Staff Appointed In Country (SAIC) and a budget that is rising to £7.9bn for 2010/11. DFID focuses its efforts and resources on MDG progress through three delivery channels:

- our bilateral development programme in the countries that PSA 29 covers – focusing on the poorest states and fragile states;
- our multilateral development programme – increasing impact through reforms and investing in effective multilateral agencies (for example the World Bank); and
- influencing the wider international system (including the G8, the United Nations, the European Union and the World Trade Organization) to ensure the delivery of political and financial commitments for poor people.




## 2. Assessment of capability for future delivery

DFID remains a well-run department that is admired internationally by governments and the donor community. After a transition period, the new Board has responded with pace and determination to the challenges of the first Capability Review and to the political direction of ministers. However, the global economic climate raises the bar for DFID and increases the urgency of aligning its resources to a widening policy agenda, using evidence of outcomes to make the case for development, building constituencies of support for development beyond the donor community, ensuring it has the right skills to meet its future requirements and developing change management capability across the organisation.




### Leadership

|           |   |   |                         |
|-----------|---|---|-------------------------|
| <b>L1</b> | Set direction                                       |    | <b>Strong</b>           |
| <b>L2</b> | Ignite passion, pace and drive                      |   | <b>Strong</b>           |
| <b>L3</b> | Take responsibility for leading delivery and change |  | <b>Well placed</b>      |
| <b>L4</b> | Build capability                                    |  | <b>Development area</b> |

### Strategy

|           |                          |   |                         |
|-----------|--------------------------|---|-------------------------|
| <b>S1</b> | Focus on outcomes        |  | <b>Well placed</b>      |
| <b>S2</b> | Base choices on evidence |  | <b>Well placed</b>      |
| <b>S3</b> | Build common purpose     |  | <b>Development area</b> |

### Delivery

|           |   |   |                         |
|-----------|---|---|-------------------------|
| <b>D1</b> | Plan, resource and prioritise                               |  | <b>Development area</b> |
| <b>D2</b> | Develop clear roles, responsibilities and delivery model(s) |  | <b>Well placed</b>      |
| <b>D3</b> | Manage performance  |  | <b>Strong</b>           |

The model of capability is shown at Annex A.  
The assessment categories are shown at Annex B.

# 3. Review findings

## Leadership

**DFID is a well-run department. It has impressive leadership that is complemented by high-quality and committed staff. It is admired internationally throughout the donor community, and is regarded as a leader. DFID has done much to help its staff respond to a rapidly changing environment and to develop new skills, but it has more to do.**

DFID is a well-run department. It has impressive leadership that is complemented by high-quality and committed staff. It is admired internationally throughout the donor community, and is regarded as a leader.

- The Permanent Secretary's personal leadership is widely praised by staff and stakeholders alike. The Permanent Secretary is seen as open and approachable, and is well regarded across both the Civil Service and the wider development world.
- Stakeholders continue to view DFID as a world leader in the field of development: they refer to the Department's unique influencing position, the impressive capability of its staff, and the resources it brings.
- Staff are clear about DFID's vision for development and how their role contributes to it. In staff survey data, 92 per cent of staff are clear how their work contributes to that of the organisation (2009 Pulse Survey). Board teamwork is good and there is a strong non-executive director contribution, for example on the Investment and Audit Committees.
- DFID has made significant efforts to increase its openness to challenge, including increasing the number of non-executive directors serving on the Board and its sub-committees. The Department has reacted positively to the recent Procurement Capability Review and recent National Audit Office reports to improve its performance.
- The Department has made good progress on professionalising its corporate services, particularly in finance, HR and communications, where key senior appointments have been made. Staff say that the Board is taking financial management more seriously. The Board recognises, though, that the strengthening of financial management capability has further to go.
- DFID's HR function is improving. DFID is considered by a range of peers to have an exemplar diversity strategy.

DFID has done much to help its staff respond to a rapidly changing environment and to develop new skills, but it has more to do.

- The Department acknowledges that the 'Making it Happen' change programme got off to a slow start and many staff continue to be unsure of what the change programme means for them and for DFID as a whole. More resources have now been put in place, the Permanent Secretary has provided clear leadership and

the pace of progress has picked up. Measures of progress have recently been introduced and it will be important that these are outcome-focused.

- Although the Board is now leading the 'Making it Happen' programme, staff say they see less ownership by director and deputy director grades and that the change agenda needs more proactive leadership from senior staff.
- Some staff said that DFID could do more to create an open environment which is receptive to challenge and the Board recognises that this needs to be addressed. 49 per cent of staff (Spring 2009 staff survey) said they believed that it was safe to speak up and challenge the way things were done – a drop of 10 percentage points in the last two years.
- Staff and stakeholders believe that DFID has further to go to develop the right skills for the future and it is not currently clear enough where the skills gaps are. The end-of-year review process will be an important opportunity to clarify where the skills gaps are in relation to the Department's strategy. While its talent management and succession planning processes are strong, the challenges and urgency are also increasing as DFID's strategy evolves in a rapidly changing external environment.
- Staff do not believe that people management capability is consistent across the Department and this needs to be improved. Some staff say that DFID is yet to integrate professional capabilities (for example evaluation, financial management and HR capabilities) across the Department as a whole.

## Strategy

**DFID has made considerable progress on improving how it works across Whitehall. The forthcoming White Paper should provide it with a basis for reviewing its strategy and sharing it with a wide community of stakeholders. While communication with the public has greatly improved, the Department needs to develop a stronger narrative for development spending in an economic downturn and build constituencies of support. Action has been taken to emphasise results measurement, but the urgency of demonstrating aid effectiveness has increased.**

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- Staff and stakeholders believe DFID has the analytical capability and the opportunity, in an economic downturn, to facilitate fresh thinking and exert new influence on more effective models of international aid delivery.

- DFID has a clear corporate performance framework and a strengthened country planning process. Staff understand the importance of the PSA framework and its relationship with the four cross-cutting ministerial priorities.
- Staff say that planning now includes a focus on measurement and demonstrating results and they think that the Department has made big efforts to strengthen evaluation and research.
- The Independent Advisory Committee on Development Impact (IACDI) has been established and steps have been taken to ensure that evaluation results are being fed into the organisation and acted upon.
- Development Assistance Committee peer reviews classify DFID as a strong and capable donor. The Department's Investment Committee is driving stronger cost-benefit analysis of programmes.
- Stakeholders have seen a step change in Whitehall working and DFID's relations with other government departments have significantly improved. This focus has helped shape wider-government policies that advance UK and international development interests, for example on trade, climate, security, migration international collaboration and responses to the global financial crisis. Stakeholders, including other departments, want DFID to go further in doing this.
- The review team also saw some good examples of the Department working well with other government departments at country level and noted that joint terms and conditions for locally engaged staff have been agreed with the Foreign and Commonwealth Office. Stakeholders report that the Department has reached out to key partners such as private foundations and to business through the 'Call to Action' and encourage the Department to continue its efforts in this area.
- Staff and stakeholders see that DFID's communications have improved: there is an overhauled website, improved publicity of human interest stories and proactive contact with newspaper editors. Efforts are being made to build communications capability across the whole organisation.

While communication with the public has greatly improved, the Department needs to develop a stronger narrative for development spending in an economic downturn and build constituencies of support. Action has been taken to emphasise results measurement, but the urgency of demonstrating aid effectiveness has increased.

- DFID now needs to use its strong leadership to shape a new vision for development which takes account of the requirements of a broader agenda and the need to build constituencies of support. The forthcoming White Paper should help to articulate this further.
- Staff and stakeholders say that, while there has been a recent emphasis on results measurement and evaluation, there still needs to be further progress to shorten the loop between results evaluation and strategy. IACDI has yet to have significant impact on quality and strategy. Continuing efforts are also needed to embed a culture across the whole Department that recognises the importance of evaluation and to develop the skills to do it.

- Building on its good progress on communications with the public, the Department recognises that it must continue to make the case for development more widely and to develop a strategy for engaging with opinion-formers and building wider constituencies of support beyond the development community. The forthcoming White Paper offers an immediate platform for setting out evolving strategy and the case for international development in a downturn. This will present a significant communications and engagement challenge.
- Some stakeholders, including those in the UK, comment that they do not believe that DFID sufficiently nurtures its relationship with them and that DFID needs to develop more of a culture in which partners feel listened to and valued. While decreasing administrative budgets and the need to set priorities clearly impose constraints, DFID needs to develop more of a culture in which partners feel listened to and valued. An engagement strategy would be a good first step.

## Delivery

**DFID has shown that it can take difficult decisions and its highly devolved business model continues to serve it well. Governance, performance management across the organisation and financial capability have all improved since the original review. However, the scale of challenge has increased. Ensuring value for money from a rising programme budget while continuing to reduce administration resources is becoming harder. DFID's policy agenda has widened and will be subject to further review in the White Paper. The global economic downturn will have an impact on poverty and also potentially on donor aid levels. The Department therefore needs to review further its alignment of resources to its developing strategy.**

DFID has shown that it can take difficult decisions and its highly devolved business model continues to serve it well. Governance, performance management across the organisation and financial capability have all improved since the original review.

- DFID has made some tough choices and prioritised its country presence. The Department has a clear corporate performance framework and a strengthened country planning process that invites ministerial challenge. DFID has integrated contingency planning into all aspects of its work, including country planning.
- Staff report that portfolio quality has improved against a backdrop of an increasing budget and decreasing staffing, and during the Department's shift to working more with fragile states, and this is borne out by the data.

- Funding for multilateral agencies has increased and with it performance management has improved.
- Four new Performance Frameworks for the United Nations Development Programme, the United Nations Population Fund, the United Nations Joint Programme on HIV/AIDS, and the World Health Organization have been created which include a performance funding component linked to measurable results. Performance management arrangements have also been put in place for civil society organisations, for example Partnership Programme Agreements contain strategic-level indicators for delivery over the three to six year time frame.
- The Board receives performance data for monthly, quarterly and biannual monitoring. The Board devotes significant time to reviewing divisional performance against plans twice a year. There is also strengthened financial management capability at the Board level.
- The decentralised business model serves DFID well. Staff and stakeholders say it gives the Department real authority on the ground.
- The Activities Reporting Information E-System (ARIES) is being rolled out successfully and real-time financial data is now available through the new system. Staff and stakeholders say the Department has a more strategic approach to procurement. Monitoring and value for money are being taken more seriously than before.

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- Staff and stakeholders highlighted the increasing challenge of managing reduced administrative resources without compromising aid effectiveness, value for money and capacity to respond to a widening agenda.
- Staff throughout the Department feel stretched and want more guidance on prioritisation from their managers.
- After initial delays, ARIES is now being rolled out and is beginning to provide real-time financial data although some staff say that they have yet to realise the full benefits.
- While financial and risk management is improving, the review team found that, away from the centre, in country offices it was not consistent enough and staff highlight this as an area which needs further strengthening.
- The review team believes there may be opportunities to free up resources by reviewing some of the current ways of working.

**Capability Reviews Team**  
**March 2009**

## 4. Departmental response: plans for continuous improvement

We welcome the findings from the Capability Review which confirm the step change we have made in terms of progress in the last two years. The Department has maintained its strengths in the area of leadership. Progress has been particularly significant in working more closely with other parts of Whitehall and reaching out to new development partners. As recommended in the first Capability Review, we have developed a new vision for a more complex world and our people have risen to the challenge of working on a broader set of development objectives.

We are clear that there are increasing challenges ahead for the Department as the global economic downturn impacts on poverty in developing countries, donor aid levels and the UK economy. The Capability Review reinforces the internal change agenda that the Department has set out to improve organisational effectiveness and respond to the new context.

The Department is regarded internationally as being at the leading edge of best practice in promoting development and reducing poverty. Our ambition is to keep it there. We will take forward actions to address the development areas identified by the review team within our 'Making it Happen' change programme.

### **The scale of the challenge has increased**

The global economic downturn increases the challenges for the Department; there will be heightened scrutiny of the impact and value of UK aid and there is likely to be a negative impact on both poverty and global aid levels. We need to continue to manage the complex combination of a broadened development policy agenda, a rising aid budget and a reduction in administrative costs. The Department has a strong track record in meeting the significant challenges posed at the last review and is confident that it can meet this new set of challenges. This means:

- continuing to make tough decisions on priorities and resource allocation;
- continuing to adapt our delivery mechanisms to deliver the most impact with the best value for money;
- increasing our flexibility so that we are able to re-assign our human and financial resources quickly;
- effectively managing our programmes in fragile states by ensuring that we have the right financial and security standards and the right staff; and
- further strengthening our financial management to get more for our money.

### **Making the case for development**

The Capability Review has highlighted the urgency of maintaining support for development spending in a downturn. Our investment in communications has made a significant impact. We agree that we need to work even harder to provide compelling evidence that we reduce poverty and that our work is of value to the UK public. The White Paper will provide a new narrative for development in response to the economic downturn and other global challenges, and we will use the extensive consultation process to engage the public.

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We also accept the need to focus our efforts on building wider constituencies for support beyond the development community. We will build on DFID and HM Government successes in engaging a wider constituency for development through the MDG Call to Action and the more recent engagement in the G20. We will consolidate and nurture our newer partnerships with the private sector, foundations and emerging economies.

## **Maintaining the right skills**

The review team has focused on the need for greater progress in developing new skills for the broader policy agenda and building wider constituencies of support. We agree that this is a key priority and will accelerate our planning to get the right people with the right skills in the right places at the right time.

We are pleased that the review notes that the Department has highly motivated and committed staff. We want to go further to strengthen our people management, improve staff management and leadership skills, and drive a higher performance culture throughout the organisation.

## **Ensuring that we are continually improving**

The Department has made significant improvements in its organisational effectiveness since the last review. The significant level of scrutiny that DFID receives through both Whitehall and international mechanisms has helped drive a high level of organisational performance. Our upcoming OECD peer review provides another opportunity to challenge our performance and receive feedback on progress.

'Making it Happen' is the vehicle for driving change through the organisation. We will continue to drive improvement through the five key workstreams of our change programme – communications, money, people, results and systems – and engage staff at all levels.

## **Way forward**

We believe that we have the capability and determination to meet the new set of challenges. We have a clear focus on working with Whitehall to deliver the UK's international poverty reduction goals and on working with other partners to address the range of issues affecting developing countries. Delivering our ambitious goals will require us to continue to improve our organisational effectiveness and drive the highest performance standards throughout our delivery system.

**Department for International Development  
March 2009**

# Annex A: The model of capability



The model of capability has been designed specifically for the Capability Reviews. It was developed through consultation with senior leaders in Whitehall and external experts. The model is deliberately selective and designed to focus on the most crucial areas of capability – leadership, strategy and delivery.

The scope of the reviews is to assess the capability of departments' senior leadership in the areas above, using the model of capability. The model enables judgements to be made against 10 elements across leadership, strategy and delivery, using an underlying group of 39 questions. For further information on the model of capability see [www.civilservice.gov.uk/capabilityreviews](http://www.civilservice.gov.uk/capabilityreviews).

Each review has been carried out by the Capability Reviews Team with a team of external reviewers assembled specially for the department under review. These reviewers have been drawn from the private sector, the wider public sector and boards of other government departments.

The Capability Reviews Team will regularly review progress and provide support to help ensure that the department is on track to deliver.

# Annex B: Assessment categories

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**Strong** – good capability for future delivery in place, in line with the capability model. Clear focus on the action and improvement required to deliver transformation over the medium term.



**Well placed** – well placed to address any gaps in capability for future delivery through practical actions that are planned or already underway. Is making improvements in capability and is expected to improve further in the medium term.



**Development area** – the department should be capable of addressing some significant weaknesses in capability for future delivery by taking remedial action. More action is required to close those gaps and deliver improvement over the medium term.



**Urgent development area** – significant weaknesses in capability for future delivery that require urgent action. Not well placed to address weaknesses and needs significant additional action and support to secure effective delivery. Not well placed to deliver improvement over the medium term.



**Serious concerns** – serious concerns about current capability. Intervention is required to address current weaknesses and secure improvement in the medium term. (NB only used infrequently, for the most serious gaps.)

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