



# DFID/ODA issues around working with business on development projects – A personal view

# Short summary of DFID

*The Department For International Development (DFID) leads the UK's work to end extreme poverty. It does this by creating jobs, unlocking the potential of girls and women and helping to save lives when humanitarian emergencies hit.*

*DFID believes that investment in international development is in the UK's national interest as trade between nations creates growth, jobs, and prosperity for both countries and people thus ending aid dependency and creating the UK export markets of the future. Particular focus in Africa and Asia.*



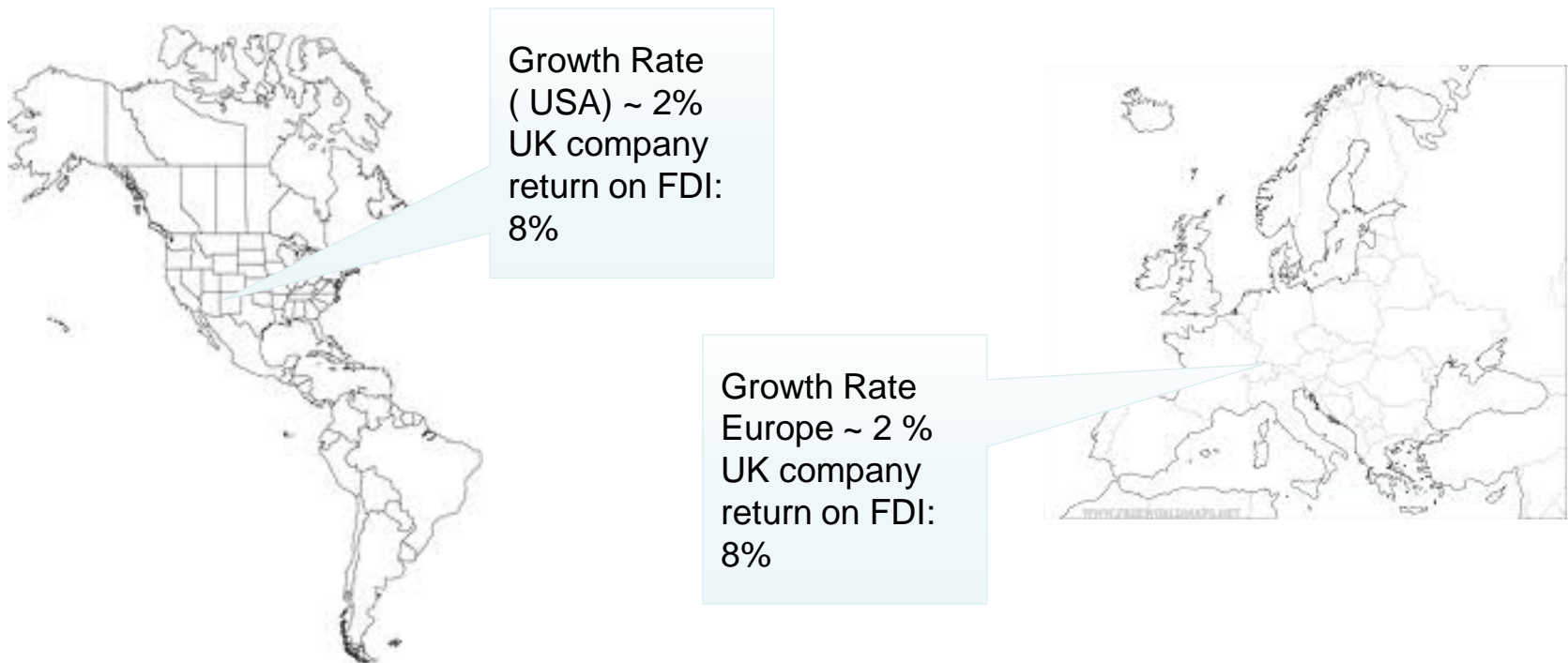
Much of DfID's work relevant to the private sector is about setting the conditions for economic development in its focus countries, by:

- Investing in **public infrastructure** (roads, rail, power and telecommunications).
- Encouraging strong institutions and **good governance** as important foundations for sustained and equitable economic growth.
- Improving the **investment climate** in low income countries to facilitate and sustain both domestic and foreign investment.
- Creating stable and **conflict-free states** which encourage investment and create jobs.
- Investing in **human capital**, including health and education interventions - which also increases the productivity of the workforce

*Engaging business is part of this.*



# Why might business be interested in working with DFID to undertake development work in its focus countries?



**Americas and Europe currently account for 75% of UK company FDI (total £101.6bn in 2011)**

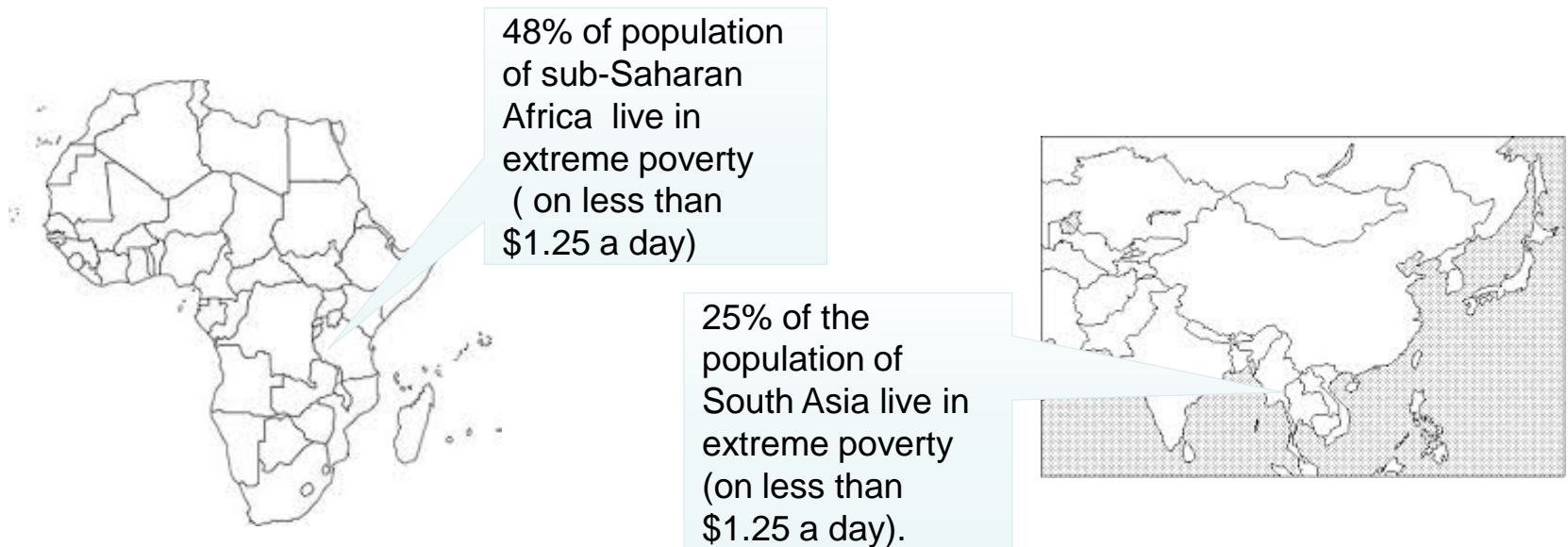
# Why might business be interested in working with DFID to undertake development work in its focus countries?



**Africa and Asia currently account for only 25% (£25 bn) of UK company FDI – DFID focus countries account for only £9.4 bn.**

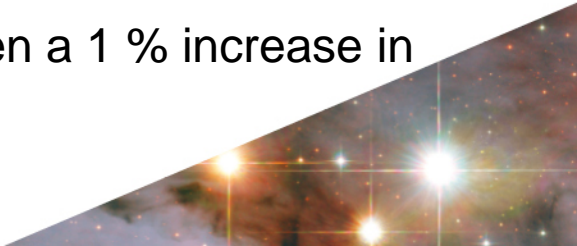


# Why might DFID want to work with business to undertake development work in its focus countries?



*DFID believes the private sector is important as it is the engine that creates growth, jobs and goods and services for poor people.*


# DFID increasingly recognizes that collaboration with business in its focus countries is essential for poverty reduction.

- DFID Secretary of State; Summer 2013; *“We will promote economic development by amongst other measures, increasing levels of investment including from UK companies.”*
  - **However**, UK companies are not investing in emerging markets, such as Africa and South Asia, to the same extent as certain overseas competitors (particularly China and even India) – one theory about this is different levels of risk appetite.
  - **But..** DFID believes economic growth, fuelled by private sector investment, is a key requirement for poverty reduction but unless targeted will not have the maximum impact, studies say:
  - In countries where there is already high inequality of wealth then a 1 % increase in growth, if not targeted, may only produce a 0.6% reduction in poverty.
  - In countries where there is less inequality of wealth then a 1 % increase in growth could lead to a reduction in poverty of over 4%.
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# How DFID currently works with business on development

- DFID supports programmes that business can access that promote development **and** commercial outcomes
- DFID seeks to work with **all** business, including UK businesses – aid funding is untied.
- DFID supports programmes that have a **measurable impact** on reducing poverty and are often targeted at **key sectors** important for economic development countries eg infrastructure extractives, agriculture, healthcare.
- Many of the companies are large companies although this is not DFID's intention.
- DFID economic programmes are targeted to address some of the key components of poverty reduction:
  - **Job creation** for the poorest people at the bottom of the pyramid and particularly women, who are often excluded from the workforce.
  - **Access to affordable goods and services** for poor consumers.
  - **Education and skills training.**

*Win – Wins in projects are those where a company's core business targets and development aims are mutually reinforcing*





# What does this mean for the GCSP?

- DFID report whether a project has met Overseas Development Assistance (ODA) criteria and have the huge responsibility and reputational risk of what that entails.
- GCSP project will need to demonstrate measurable benefits for the economic development and welfare of developing / frontier countries from applications of space.
- Direct commercial benefits to individual companies or the space sector at large is not an eligibility criteria for ODA and an undue focus on these could lead the development community to question DFID about whether the project is ODA compliant.



# What does this mean for the GCSP?

- In working on solving development problems the Space sector, including the UK space industry, will develop and advance and we as the UKSA will want to capture and celebrate that advancement.
- We are committed to working with DFID colleagues so that wins for development and the wins for the Space sector will both be showcased..

