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Department  
for International  
Development



**Rt Hon Anne-Marie Trevelyan MP**  
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Sarah Champion MP  
Chair  
International Development Committee

Our ref: 202796

1 May 2020

Dear Sarah,

### **Main Estimates 2020/21 Explanatory Memorandum**

I enclose the Explanatory Memoranda to accompany the publication of DFID's 2020/21 Main Estimate and DFID's Overseas Superannuation 20/21 Main Estimate.

The Memorandum provides further details of the changes to provision sought in the Estimates, changes to the Departmental Expenditure Limit and to Annually Managed Expenditure.

**Rt Hon Anne-Marie Trevelyan MP**  
**Secretary of State**



# Main Estimates memorandum (2020-21) for Department for International Development

## 1 Overview

### 1.1 Objectives

The Department for International Development's (DFID) objectives, as set out in its published Single Departmental Plan<sup>1</sup>, are as follows:

1. Peace - Strengthen global peace, security and governance
2. Planet – Strengthen resilience and response to crisis
3. Prosperity - Promote global prosperity
4. People - Tackle extreme poverty and help the world's most vulnerable
5. Partnership – Support a strong and resilient international system
6. Quality - Improve the value for money and transparency of UK aid

### 1.2 Spending controls

DFID's spending is broken down into a several different spending totals, for which Parliament's approval is sought.

The spending totals which Parliament votes are:

- Resource Departmental Expenditure Limit ("**Resource DEL**") - money that is spent on resource and administration costs
- Capital Departmental Expenditure Limit ("**Capital DEL**") - money that is spent on investments and assets to create growth in the future for either the UK or our partner governments.
- Resource Annually Managed Expenditure ("**Resource AME**") - annually managed expenditure, for spending that is considered difficult to control within fixed budgets due to its size or volatility
- Capital Annually Managed Expenditure ("**Capital AME**") - annually managed capital expenditure. Government budgeting rules require DFID to record capital injections in DFID's wholly owned self-financing public corporation, CDC Group plc (CDC), as Capital AME.

In addition, Parliament votes a net cash requirement, designed to cover the elements of the above budgets which require DFID to pay out cash in year.

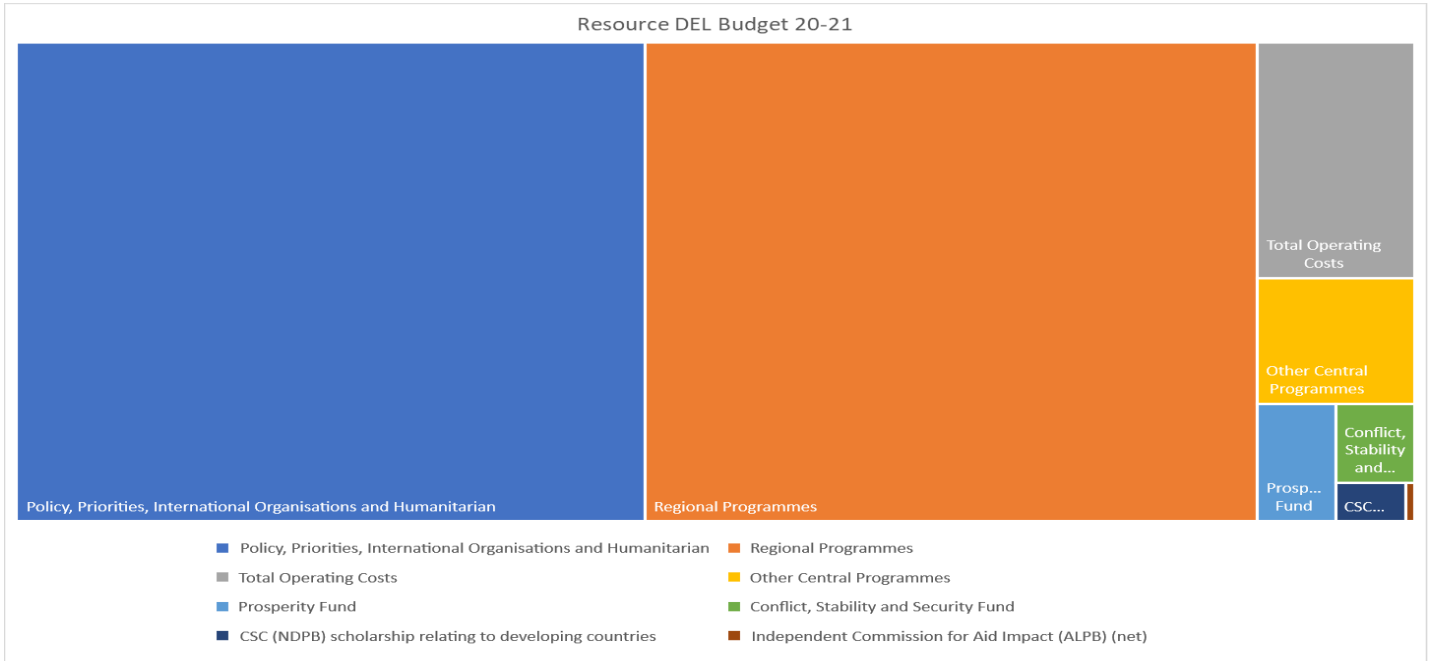
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<sup>1</sup> [www.gov.uk/government/publications/department-for-international-development-single-departmental-plan](http://www.gov.uk/government/publications/department-for-international-development-single-departmental-plan)

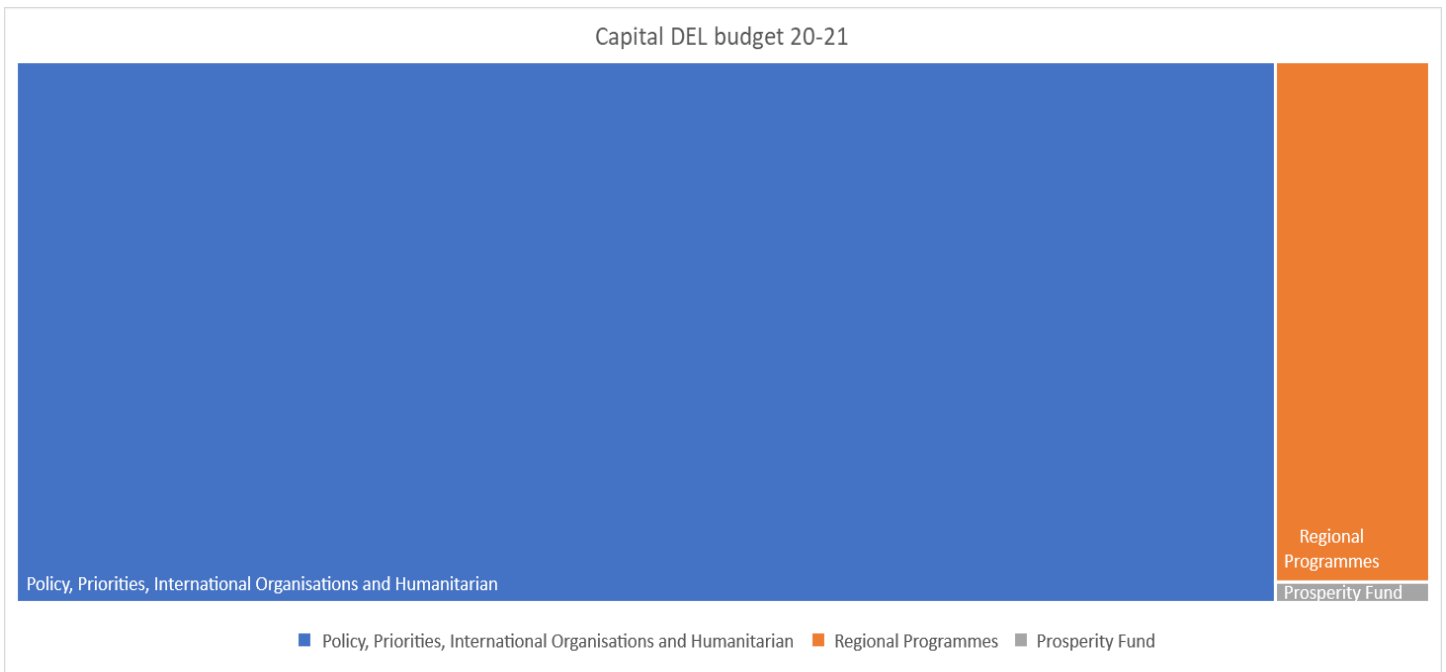
### 1.3 Main areas of spending

The graphic below shows the main components of DFID’s proposed budget for the current year, after taking account of the latest Main Estimate, and the proportions of funds spent on its main activities.

#### Resource DEL



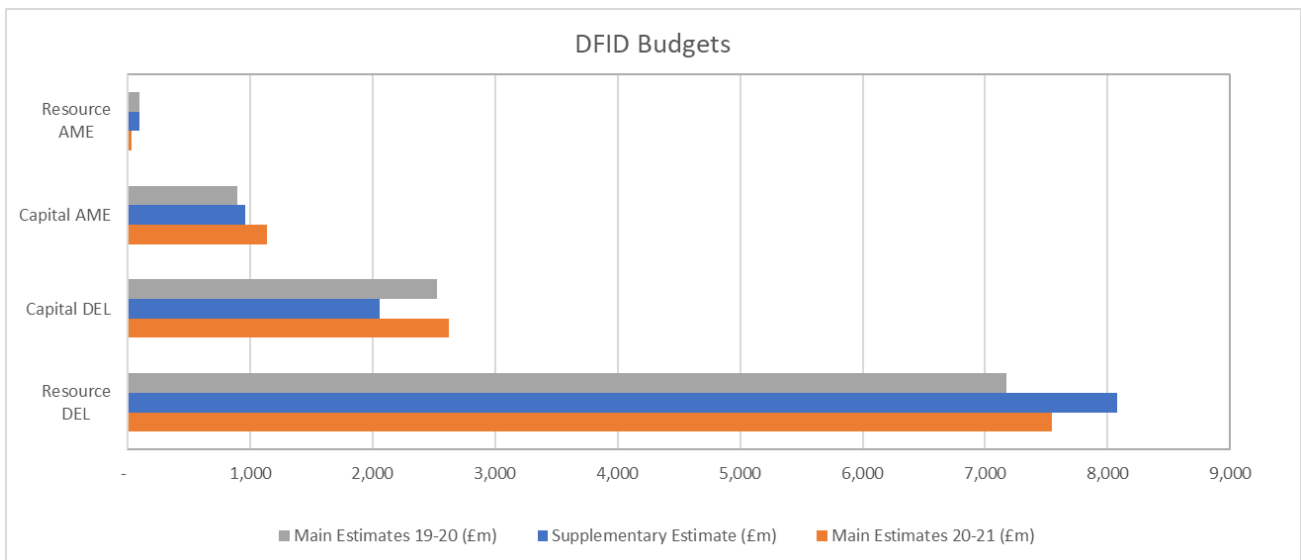
#### Capital Budget



## 1.4 Comparison of spending totals sought

The table and graphic below show how the main estimate totals sought for DFID compared with last year:

Spending Total Amounts sought this year (Main Estimate 2020-21)		Difference (+/-); compared to final budget last year (Supplementary Estimate 2019/20)		Difference (+/-); compared to original budget last year (Main Estimate 2019/20)	
Budget Type	Main Estimate 2020/21 (£m)	Change (£m)	% Change	Change (£m)	% Change
Resource DEL	7,548	-531	-7.0%	372	4.9%
Capital DEL	2,623	564	21.5%	96	3.7%
Capital AME	1,134	179	15.8%	237	20.9%
Resource AME	31	-64	-208.1%	-64	-208.1%



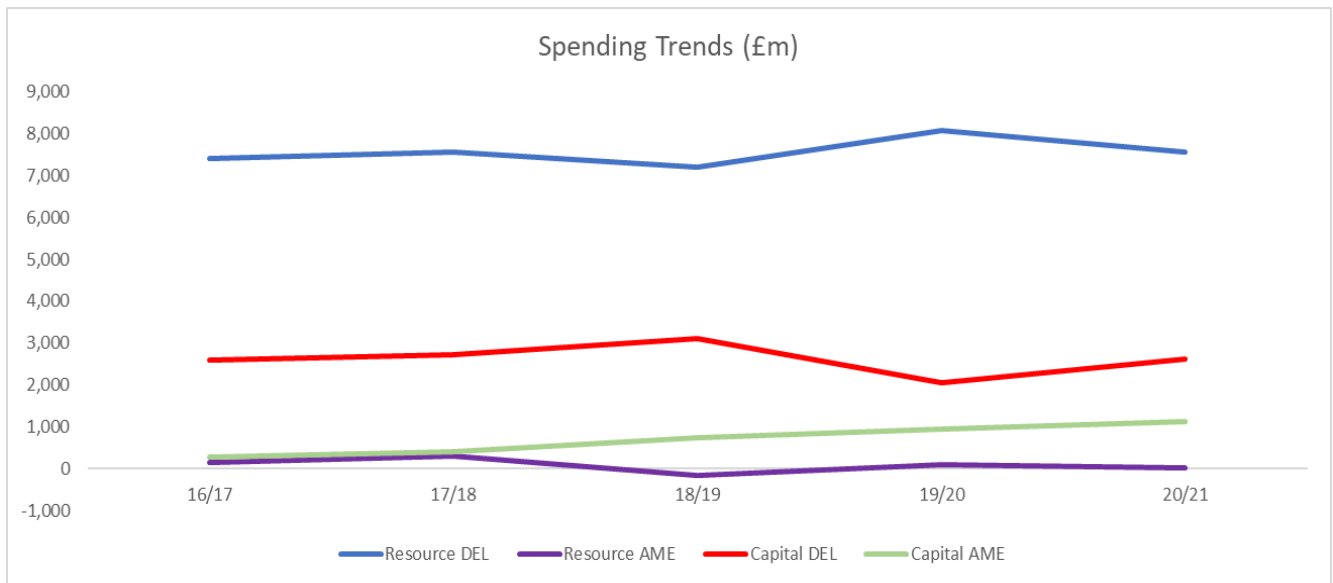
## **1.5 Key drivers of spending changes since last year**

The main causes of the changes are:

- Overall there is a net increase to DFID's budget of £148m from the budget set at the 2019/20 Supplementary Estimate. This reflects DFID's share of the budget required to deliver 0.7% of GNI on Official Development Assistance based on current forecasts as per the Office of Budget Responsibility. It is clear that there will be an impact on the UK GNI which will require these totals to be revisited when more data is available. However, we are required at this stage to proceed with the forecasts and estimates made at this time.
- Capital DEL has increased in 2020/21 from last year's budget at both Main and Supplementary Estimate as the new multilateral replenishments commence which has therefore led to a reduction in the 2020/21 Resource DEL spending plans.
- DFID's Capital AME budget has increased in line with increased capital injections into Commonwealth Development Corporation Group Plc (CDC).
- RAME has reduced due to potential reductions in the value of DFID's Development Capital Investment (DCI) portfolio, partially offset by utilisation of accounting provisions.

## 1.6 Spending trends

The charts below show overall spending trends for the last four years and plans presented in the Main Estimate for 2020-21.



- Resource DEL remained broadly stable in the past 4 years peaking in 2019/20 where spending plans required additional RDEL budget.
- Capital DEL has broadly remained stable over the past 4 years apart from significant reduction in 2019/20 predominantly the result of a reduction in some of our key multilateral commitments as we approached the end of previous replenishment cycles and the start of their next replenishment cycle.
- Resource AME is used primarily for accounting adjustments to provisions and financial instruments such as loans and shares. AME expenditure, by definition, is volatile.
- Capital AME budget is used to make investments in DFID's wholly owned self-financing public corporation, CDC Group plc (CDC). Capital injections into CDC contributes towards DFID's financial transactions target. This has increased steadily year on year as DFID's financial transactions ring-fenced budget has increased over the period.

## 1.7 Administration costs and efficiency plans

Spending Total Amounts sought this year  (Main Estimate 2020-21)		Difference (+/-); compared to final budget last year (Supplementary Estimate 2019/20)		Difference (+/-); compared to original budget last year (Main Estimate 2019/20)	
Budget Type	Main Estimate 2020/21 (£m)	Change (£m)	% Change	Change (£m)	% Change
Administration Costs	128.1	7.8	6.1%	7.8	6.1%

In SR19 DFID was granted additional funding to support DFID's ability to deliver new and emerging priorities including the Government's Africa Strategy and the Government's climate ambition.

## 1.8 Funding: Spending Review and Budgets

The levels of DEL funding for the Department for 2020-21 are based on plans published in the 2019 Spending Round. Since that time, the Government has made a number of changes to 2020-21 spending plans including announcements of some additional funding in the Budgets and Autumn Statements. Details of funding changes are set out in the Table at Annex B. Notable amongst these changes are:

- £415m for Research & Development activities.
- £30.7m net Resource AME requirement

## 1.9 Funding: Other spending announcements

UK aid will protect the British public and help prevent a second wave of coronavirus coming to the UK by slowing its spread in the most vulnerable countries. The total amount of UK aid committed to date<sup>2</sup> to the global fight against coronavirus is £744m, making the UK one of the biggest donors to the international response, details below:

- The Chancellor at the budget announced DFID would be providing up to £150m of UK aid to the International Monetary Fund's Catastrophe Containment and Relief Trust (CCRT) to help developing countries deal with the short-term economic disruption caused by coronavirus, allowing them to focus their spending on tackling the outbreak.
- £31m for the research of vaccines and diagnostic tests, to support the World Health Organization and other international humanitarian organisations
- £250m to the Coalition for Epidemic Preparedness Innovations (CEPI) to rapidly develop a coronavirus vaccine, the biggest donation of any country. Thanks to this investment, future vaccines will be made available to developing countries healthcare systems at the lowest possible price, as well as benefiting the UK's NHS.

<sup>2</sup> As at 14<sup>th</sup> April 2020



- £40m to develop affordable treatments for coronavirus patients. This will support the Therapeutic Accelerator, a fund for the rapid development of anti-retrovirals or immunotherapies against coronavirus which is already backed by the UK-based Wellcome Trust, the Bill & Melinda Gates Foundation and Mastercard. It aims to make 10 million treatments available in the coming months globally, including in the UK. This funding is for all stages of the development process – the development, manufacture, trialling and approval of the new medicines.
- £23m to further develop easily-manufactured testing devices. This is additional funding for the Foundation for Innovative New Diagnostics, a partnership between academic organisations and pharmaceutical companies which will build rapid testing technology like the new prototype test developed by the Mologic Lab in Bedford, which is currently funded by UK aid.
- £50m in a joint campaign with Unilever to tell up to a billion people about the importance of handwashing to stop the virus spreading in developing countries. The programme will also distribute over 20 million hygiene and cleaning products.
- A package of £200m will back UK charities and international organisations to help reduce mass infections in developing countries which often lack the healthcare systems to track and halt the virus:
  - £130m for the new UN appeal, including:
    - £65m for the World Health Organization;
    - £20m for UNICEF;
    - £20m for the UN Refugee Agency (UNHCR);
    - £15m for the World Food Programme; and
    - £10m for the UN Population Fund (UNFPA).
  - £50m for the new International Red Cross and Red Crescent Movement appeals.
  - £20m for international NGOs, including UK charities, to tackle the virus.

## 2. Spending detail

### 2.1 Explanations of changes in spending

#### Resource Budget

The table below shows how DFID's spending plans for Resource compared with last year. Resource budget has decreased by £595m (£525m decrease in voted, £6m decrease in non-voted and £64m decrease in RAME).

Subheads	Description	Resource				note number
		£ million				
		Main Estimate 20-21	Supp Estimate 19-20	change from last year		
				£	%	
A	CSC (ALB) (net) scholarship relating to developing countries	28.2	28.0	0.2	0.6%	
B	Total Operating Costs	392.7	336.4	56.3	16.7%	1
C	Independent Commission for Aid Impact (ALB) (net)	3.8	3.5	0.3	8.5%	
D	Conflict, Stability and Security Fund	66.1	104.0	- 38.0	-36.5%	2
E	Regional Programmes	3,105.8	3,745.4	- 639.5	-17.1%	3
F	Other Central Programmes	209.2	40.2	169.0	419.9%	4
G	Policy, Priorities, International Organisations and Humanitarian	3,186.5	3,324.7	- 138.2	-4.2%	
H	Prosperity Fund	97.1	32.5	64.6	199.0%	5
<b>Non-Voted Expenditure</b>						
<i>Of which:</i>						
K	European Union Attributed Aid	459.0	465.0	- 6.0	-1.3%	6
<b>total voted and non voted spending in Annually Managed Expenditure (AME)</b>		<b>7,548.4</b>	<b>8,079.7</b>	<b>- 531.3</b>	<b>-6.6%</b>	
<b>Voted expenditure</b>						
<i>Of which:</i>						
L	Other Central Programmes	30.7	94.5	- 63.9	-67.5%	7
M	Policy, Priorities, International Organisations and Humanitarian					
<b>Total spending in AME</b>		<b>30.7</b>	<b>94.5</b>	<b>- 63.9</b>	<b>-67.5%</b>	
<b>Total for Estimate</b>		<b>7,579.1</b>	<b>8,174.2</b>	<b>- 595.1</b>	<b>-7.3%</b>	

Differences of more than 10% are explained below. Numbers relate to the relevant row in the table above.

- Total Operating Costs** - SR19 awarded additional funding to provide support for DFID's capacity in support of new and emerging priorities including the Government's Africa Strategy and the Government's Climate ambition.
- Conflict Stability and Security Fund** – DFID's allocation from the cross-government fund has seen a reduction on last year's budget which reflects the current allocation from the CSSF to DFID for 2020/21. DFID is currently holding funds of £44k to be allocated to Other Government Departments later in the year at the Supplementary Estimate.
- Regional Programmes** – Regional programmes funding has decreased by 17% to accommodate commitments to multilateral and centrally managed programmes which are managed elsewhere within DFID.
- Other Central Programmes** - Central Programmes holds the £200m re-deployable crisis reserve budget of which the majority had been allocated at the 2019-20 Supplementary estimate. The budget is allocated to spending units as and when crises arise, in 2020/21 the majority of this funding is likely to be spent on COVID 19 international responses and will be reflected at the 2020/21 Supplementary estimate.

5. **Prosperity Fund** - Prosperity Fund budget allocation has increased in 2020/21. DFID is currently holding £38m of prosperity fund budget which will be reallocated at 2020/21 supplementary estimates.
6. **European Union Attributed Aid** –the budget DFID required for its share of the EU Attributed Aid is estimated to reduce by £6m from last year’s Supplementary Estimates. Forecasts for all DFID expenditure are reviewed regularly and subsequently adjusted through the estimates process. The change in the EU Attributed Aid budget is a result of changes in EU disbursements and currency fluctuations. Under the EU – UK Withdrawal Agreement, the UK will meet our share of commitments made to the EU budget (MFF 2014-2020) and the European Development Fund up to December 2020.
7. **Resource AME** - the net Resource AME requirement of £31m includes potential reductions in the value of DFID’s Development Capital Investment (DCI) portfolio generated by a required change in accounting treatment, partially offset by declines in the other requirements that become clear during the year.

## Capital Budget

The table below shows how spending plans for Capital compare with last year. Capital budget has increased by £743m (£564m increase in Capital DEL and £179m increase to Capital AME).

Subheads	Description	Capital				note number	
		£ million					
		Main Estimate	Supp Estimate	change from last year			
		£	%				
A	CSC (ALB) (net) scholarship relating to developing countries						
B	Total Operating Costs						
C	Independent Commission for Aid Impact (ALB) (net)						
D	Conflict, Stability and Security Fund	-	0.2	-	0.2	-100.0%	8
E	Regional Programmes	275.4	384.3	-	108.8	-28.3%	9
F	Other Central Programmes	-	9.2	-	9.2	-100.0%	10
G	Policy, Priorities, International Organisations and Humanitarian	2,336.6	1,645.9	690.6	42.0%		11
H	Prosperity Fund	11.3	20.0	-	8.8	-	
<b>Non-Voted Expenditure</b>							
<i>Of which:</i>							
K	European Union Attributed Aid	-	-	-	-	-	
<b>total voted and non voted spending in Annually Managed Expenditure (AME)</b>		<b>2,623.3</b>	<b>2,059.6</b>	<b>563.6</b>	<b>27.4%</b>		
<b>Voted expenditure</b>							
<i>Of which:</i>							
L	Other Central Programmes	-	-	-	-	-	
M	Policy, Priorities, International Organisations and Humanitarian	1,134.0	955.0	179.0	18.7%		12
<b>Total spending in AME</b>		<b>1,134.0</b>	<b>955.0</b>	<b>179.0</b>	<b>18.7%</b>		
<b>Total for Estimate</b>		<b>3,757.3</b>	<b>3,014.6</b>	<b>742.6</b>	<b>24.6%</b>		

Differences of more than 10% are explained below.

8. **Conflict, Stability and Security Fund** - currently no requirement for CDEL budget in 2020/21.
9. **Regional Programmes** - spending plans have reduced in Regional Programmes since last year due to reductions in capital programming in 2020/21.
10. **Other Central Programmes** – budget at 2019/20 Supplementary estimates was held centrally before being internally transferred to Policy Priorities, International Organisations and Humanitarian.
11. **Policy Priorities, International Organisations and Humanitarian** – increase in 2020/21 is due to increased multilateral commitments for the new

replenishment cycles and increased financial transactions requirements which has resulted in a higher demand for CDEL.

12. **Capital AME** – increased capital injection to DFID’s wholly owned self-financing public corporation, CDC Group plc (CDC), has increased DFID’s 20-21 Capital AME requirement.

## **2.2 Ring-fenced budgets**

Within the budget totals, the following elements are ring-fenced i.e. savings in these budgets may not be used to fund pressures on other budgets

Ring Fenced Budgets	Main Estimates (£m)	Supplementary Estimates (£m)	Change (£m)	% Change
Financial Transactions	1,215.0	1,020.0	195.0	16.0%
International Climate Fund	1,092.0	648.0	444.0	40.7%

The Financial Transactions ring-fence as set out in the SR19 settlement letter will be delivered through Capital AME and Capital DEL activities. DFID’s International Climate Fund ringfence has increased from £648m in 2019/20 to £1,092m in 2020/21

## **3 Accounting Officer Approval**

This memorandum has been prepared according to the requirements and guidance set out by the House of Commons Scrutiny Unit, available on the Scrutiny Unit website.

The information in this Estimates Memorandum has been approved by the Departmental Accounting Officer.

[Signed]

Nick Dyer CB

Accounting Officer

Permanent Secretary

Department for International Development

1<sup>st</sup> May 2020

## Annex A

### Main Estimate 2020/21 – Table of Transfers

Other Government Department Budget Transfers				
From	To	Description	RDEL £m	CDEL £m
DFID	BEIS	As agreed at Spending Review 2019	-3.70	-899.10
DFID	CSSF	As agreed at Spending Review 2019	-1,134.23	0.00
DFID	FCO	As agreed at Spending Review 2019	-333.10	0.00
DFID	HO	As agreed at Spending Review 2019	-196.00	-6.80
DFID	Prosperity Fund	As agreed at Spending Review 2019	-198.20	11.25
DFID	DHSC	As agreed at Spending Review 2019	-114.10	-140.00
DFID	DEFRA	As agreed at Spending Review 2019	-16.10	0.00
DFID	DCMS	As agreed at Spending Review 2019	-10.20	0.00
DFID	HMRC	As agreed at Spending Review 2019	-3.90	0.00
DFID	ONS	As agreed at Spending Review 2019	-0.30	0.00
DFID	FCO	Irma Reconstruction	-10.00	0.00
DFID	CO	Outsourcing Programme	-0.16	0.00
DFID	DHSC	Africa Strategy Uplift	-0.26	0.00
DFID	DIT	Africa Strategy Uplift	-1.57	0.00
DFID	FCO	Africa Strategy Uplift	-18.16	0.00
DFID	BEIS	Africa Strategy Uplift	-0.06	0.00
DFID	HMRC	Africa Strategy Uplift	-0.34	0.00
DFID	HO	Africa Strategy Uplift	-0.25	0.00
DFID	MOD	Africa Strategy Uplift	-0.04	0.00
DFID	FCO	Investment in UN Development System	-2.50	0.00
DFID	CO	Salary Costs	-0.22	0.00
DFID	HMRC	Trade Facilitation	-1.30	0.00
DFID	DIT	ODA Capability	-2.19	0.00
DFID	CO	COP26	-105.00	0.00
FCO	DFID	1HMG	35.05	0.00
<b>NET TRANSFERS</b>			<b>-2,116.82</b>	<b>-1,034.65</b>
<b>Net transfer out from DFID</b>			<b>-3,151.47</b>	

## Annex B

Department For International Development

Table B: How DEL funding plans for 2020-21 have altered since Spending Review 2019

	£ million			
	Admin	Programme	Resource DEL total	Capital DEL & AME
DEL baseline for SR2019	128	9,537	9,665	4,377
<b>Spending Review outcome</b>	<b>128</b>	<b>9,537</b>	<b>9,665</b>	<b>4,377</b>
<b>Additional, new, money awarded since SR2019:-</b>				
<u>Budget 2020</u>				
Increase/(Decrease) to DFID	0	0	0	415
<b>Neutral funding changes between departments:-</b>				
<u>Machinery of government changes:-</u>				
<u>Other funding transfers:-</u>				
Net transfers to Other Government Depts	-0	-107	-107	0
Net baseline transfers to Other Government Depts	0	-1,999	-1,999	-1,046
Internal Switches	0	-11	-11	11
<b>2020-21 Main Estimate totals as at April 2020</b>	<b>128</b>	<b>7,420</b>	<b>7,548</b>	<b>3,757</b>