Overseas Development Institute

Annual review and accounts 2010-2011

The Trustees present their statutory report together with the financial statements of the Institute for the year ended 31 March 2011. This report has been prepared in accordance with Part VI of the Charities Act 1993 and equates to a Directors' report for the purposes of company legislation. The financial statements have been prepared in accordance with the accounting policies set out in the attached financial statements and comply with the charitable company's Memorandum and Articles of Association, applicable laws and requirements.

Our mission

ODI is the UK's leading independent think tank on international development and humanitarian issues. Our mission is to inspire and inform policy and practice which lead to the reduction of poverty, the alleviation of suffering and the achievement of sustainable livelihoods.

We do this by locking together high-quality applied research, practical policy advice and policy-focused dissemination and debate.

We work with partners in the public and private sectors, in both developing and developed countries.

Our mission fits within the Charities Act 2006 definition of 'charitable' by focusing on the prevention or relief of poverty through the study, discussion and exchange of information on the economic and social development of nations. In determining ODI's aims and objectives, the Trustees recognise the Charity Commission's general guidance on public benefit. While those who benefit ultimately from our work live in developing regions, the impact of improved policy for international development and humanitarian issues is far reaching and, as a result, nobody is excluded from these benefits.

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About ODI: objectives and activities

Who we are

We are an independent think tank with more than 130 staff, including researchers, communicators and specialist support staff. To find out more, visit our staff directory: **www.odi.org.uk/ar11-staff**

Our services

With a reputation for high-quality research and policy advice, ODI is in demand by governments, international institutions and other partners around the globe. In addition, ODI offers consultancy services that include monitoring and evaluation and the development of tailored training courses, as well as expertise in communications and knowledge management.

In the past financial year, ODI has been contracted by 15 different donor governments. We have also carried out research supported or requested by the Bill & Melinda Gates Foundation, the Commonwealth Secretariat, the European Commission and European Union, and the Organisation for Economic Cooperation and Development (OECD), as well as many international financial institutions, non-governmental organisations, think tanks and academic institutions and 15 separate United Nations agencies.

Our work

We work across a wide range of sectors that have a direct impact on the well-being of the poorest people in developing countries.

In addition to our 12 core research programmes, ODI hosts important networks, including the Humanitarian Practice Network (HPN) and the Active Learning Network for Accountability and Performance in Humanitarian Action (ALNAP). We are also actively involved in a wide range of partnerships, including the European Think Tank Group (ETTG), the All Party Parliamentary Group on Overseas Development (Apgood) and the Climate and Development Knowledge Network (CDKN).

The ODI Fellowship Scheme has given postgraduate economists an opportunity to work in the public sector of developing countries since 1963. Today, there are 100 Fellows in post, working with the governments of 25 developing countries and two regional bodies.

Messages from the Chair and the Director

Dr Daleep Mukarji OBE, Chair of ODI

ODI has grown substantially in the past ten years. Growth has helped us deliver on our mission as the 'UK's leading independent think tank on international development' and given us a stronger public profile. It has allowed us to diversify our work, giving us the freedom to pursue new avenues. This growth has reflected consistent demand for our services and has been fuelled by our own successes.

Our 50th anniversary was, however, the right time to take a close look at our structure and working practices, and to reflect on new strategic directions that will ensure that ODI is exactly where it should be in 2015 – a crucial year that marks the deadline for the achievement of the Millennium Development Goals (MDGs).

Decisions made over the next year or so will have a real impact on our direction of travel. But one thing is certain: our strengthened emphasis on organisational effectiveness, together with efforts to expand our fundraising and our global alliances, will ensure that we are in tune with a rapidly changing development agenda.

Given the impact of the recession, and a public that questions the value of aid at a time of domestic economic troubles, there has never been greater pressure to demonstrate the value of support for international development and humanitarian engagement. But ODI is well positioned to respond, with half a century of experience of showing what works, and what does not, and its proven ability to adapt to, and lead, change.

As this report shows, 2010-2011 was a year characterised by innovation. I believe that our anniversary year has given us the perfect launch pad to set out our new directions for the future. These are interesting times at ODI, and I am excited about our prospects.

Alison Evans, Director of ODI

It has been a very special year for ODI. Our 50th anniversary was a chance to look back over half a century of achievement and to set out new directions for the future. Importantly, it was a moment to re-connect with ODI's friends past and present, and to remind ourselves of the critical importance of our mission in a world awash with change.

The anniversary year was a validation for ODI, a time for reflection on past successes. But it was also characterised by ground-breaking work on new areas, and new ways of working, as this report shows.

As a core partner in the Climate Development Knowledge Network (CDKN) we are responding directly to demands from developing country governments to set their own agendas for climate-compatible development. Our Budget Strengthening Initiative (BSI) has supported economists from the Ministry of Finance in Uganda to mentor their counterparts in South Sudan as they prepare and execute a realistic budget. In our work on *Development Progress Stories* we have shown what is working in health, education, agriculture and governance across a wide range of countries. And we are already focusing on the post-2015 development agenda. ODI is investing in the thinking, bringing people together to consider options for sustained and inclusive development in the wake of the MDGs.

I was thrilled to be at the helm of ODI in our anniversary year and am excited about our future. In the last 12 months we have invested heavily to ensure that ODI can thrive in a rapidly changing world. I am confident that we are in a position to pursue new directions with as much vigour and impact as we have over the past 50 years.

Stories of change

'One of the great achievements of ODI was completely transforming the way in which British politics saw aid ... Development has been established as an absolute priority.'

Rt. Hon Vince Cable, UK Business Secretary (and former ODI Fellow)

Advancing knowledge, shaping policy, inspiring practice: ODI at 50

ODI's 50th anniversary was a time to take stock of five decades of changes and achievements, and map out a course for the future.

Highlights included an ODI timeline, charting ODI's evolution from a small research institute with a handful of staff, to the UK's leading think tank on development and humanitarian issues. This evolution can be traced in publications that have been newly-digitised to mark our anniversary. Development practitioners worldwide can now access a unique collection spanning key moments and trends over the past half century.

We also looked forwards, ending the anniversary year with the first ODI Development Debate: *International Development – the next 20 years*, chaired by Jon Snow and with contributions by Sir Mark Moody-Stuart, Dr Linda Yeuh, Dr Andrée Carter and Rakesh Rajani.

The introduction of a new strapline – *advancing knowledge, shaping policy, inspiring practice* – summarises the essence of our work. ODI has certainly been at the forefront of changes in all three areas over the past 50 years, as a glance at our timeline shows.

Advancing knowledge

We broke new ground in the 1960s with *World III: a handbook on development*, an early analysis of development, aid, trade and the UN, and our hosting of the first international conference on aid effectiveness. We were the first to study the impact of aid from the communist world and, three decades later, we were among the first to examine the implications for developing countries after the fall of the Berlin Wall.

Shaping policy

In 1970, our lessons learned were summarised in the Pearson Report, which guided the strategy around the UN's second development decade. In 1980, we contributed to the first ever survey of EEC policies affecting developing countries. Our Centre for Aid and Public Expenditure (CAPE), created in 2000, has influenced the evolution of Poverty Reduction Strategies and new aid instruments over the years.

In 2008 we provided the first research into the impact of the global financial crisis on developing countries – work that influences policy thinking on the crisis to this day.

Inspiring practice

The ODI Fellowship Scheme was born in 1963, with three young economists posted overseas. Today, 100 ODI Fellows work for government ministries in more than 25 developing countries and two regional bodies.

In 1994 we created the Relief and Rehabilitation Network (later the Humanitarian Practice Network). This response to the Rwandan genocide was the first – and remains the only – independent forum for humanitarians to share what works, and what doesn't, in emergencies.

And, through our Research and Policy in Development programme (RAPID), we continue to work with organisations worldwide to share best practice in policy-influencing, helping others to turn research into tangible benefits for the world's poorest.

ODI has been 'advancing knowledge, shaping policy and inspiring practice' for 50 years, and 2010-2011 was no exception, as the following three stories show.

www.odi.org.uk/ar11-50years

Zambia: mobile or not so mobile?

Work by ODI has contributed to a major policy change in Zambia's mobile phone sector: reducing the price of licences for access to the international gateway that allows international mobile calls. This has removed a barrier to Zambian businesses and is expected to benefit the entire economy. Research by Deloitte shows that a 10% increase in mobile phone penetration leads to a 1.2% increase in GDP growth in developing countries.

For three years, ODI's Business and Development programme (now the Private Sector and Markets programme) has examined how relationships between politicians and business people affect competition, and how competition, in turn, affects markets. With funding from the UK Department for International Development (DFID), the programme examined the sugar, cement and beer industries and mobile phone services in Bangladesh, Ghana, Kenya, Viet Nam and Zambia. It showed that the way markets were organised and managed influenced their performance.

The research found that the Zambian mobiles market was weaker than any other market examined, and weaker than similar markets across Africa. By showing how the mobiles market was managed differently (and performing better) in other countries, the research emphasised the economic benefits of sector reform.

One key difference was the management of the international gateway. Until recently, Zambia's state-owned mobile services provider, Zamtel, charged licence fees for access to the gateway beyond the reach of most private mobile operators. The fee of $18 million in 2008 was the highest in Eastern and Southern Africa, with fees pegged at $214,000 in Kenya and $50,000 in Uganda.

This state 'monopoly' drove up prices, distorted the mobiles market and increased the costs of doing business. To cover their costs, the country's two mobile service providers, Zain and MTN, charged high prices for calls – double the average for sub-Saharan Africa in 2007.

The initial findings made national headlines in 2010, and when the research report was launched in London in July it was welcomed by Chilufya Sampa, Director for Mergers and Monopolies at the Zambian Competition Commission, who said 'a report like this makes it much easier to advocate to the government'.

The impact

In June 2010, the Zambian Government reduced the licence fee to $350,000 and awarded licences to Zain and MTN. They reduced charges to between 40% and 80% of previous prices.

Feedback from the Zambian Competition Commission suggests that, along with other evidence, the ODI research played an important role in this success. It helped to rigorously compare and contrast Zambia's pricing and competition regime with that of other countries.

www.odi.org.uk/ar11-psm

'Already we've seen that Zambian consumers have started benefiting … I think it's a huge benefit to Zambian consumers and also to the business community.'

Mulenga Chisanga, Acting Director of Economic Regulation and Licensing at the Zambia Information Communications Technology Authority

Making schools safe

‘The work of ODI has shone a light on an issue that was once invisible, providing the evidence that is crucial to tackle violence against children in schools.’

Cesar Bazan, Global Campaign Research Coordinator, Plan International

School should be a safe place to study, learn and develop. But for some girls and boys, schools are places of danger, where their experiences are shaped by the fear of violence, whether sexual, physical or psychological.

With funding from Plan International, ODI’s Social Development programme has illuminated a subject once in the shadows. In 2008 we researched the scale and causes of violence in schools in sub-Saharan Africa, South Asia and Latin America, pinpointing what fuels the abuses and identifying policy solutions. In 2010 we broke new ground by estimating the economic costs of different forms of violence in schools. Using an innovative costing methodology, early analysis suggests that school-based violence may cost India a minimum of $7.4 billion each year.

ODI’s original research findings rang alarm bells. A study in Ghana found that 6% of girls surveyed had experienced sexual blackmail by a teacher in return for higher grades. The true figures are probably higher, with many cases unreported.

Despite the shocking scale of abuse in schools, our research encountered a culture of silence, with victims afraid to speak out in the absence of support systems or judicial measures to punish offenders. They also fear being ostracised.

The recommendations in the resulting report outlined different strategies, ranging from the need to provide gender-specific facilities and services in schools, such as girls’ toilets, to the need for effective monitoring and learning on this issue.

The impact

ODI’s research has contributed to Plan International’s global campaign on school violence, supporting policy and programme solutions that are helping to protect children from such violence.

Two years after our original research findings were published, Plan confirms that our work underpinned the campaign’s efforts to seek legislative change, work with teachers and pupils and raise awareness. The results include:

- the protection of over 390 million children from violence as a result of new legislation
- the training of nearly 20,000 teachers in non-violent discipline techniques
- the participation of nearly 600,000 children in campaigns to raise awareness about their rights to a non-violent education and for redress if they are abused at school
- campaign messages that have reached 94 million people through radio, television and theatre productions.

We are now broadening our support for the Plan initiative, aiming to help bridge the gap between researchers and practitioners working on Millennium Development Goal 2 (getting all children into school) and those working on child protection issues, including violence.

www.odi.org.uk/ar11-schoolviolence

The good news on the Millennium Development Goals

In 2010, ODI's work with the Bill & Melinda Gates Foundation helped to change the message on the MDGs, highlight national achievements and move equity up the development agenda.

With just five years until the deadline for achievement of the MDGs, the pessimists were out in force in the run-up to the MDG Summit in New York in September 2010. There was scepticism about development targets in general, and the MDGs in particular. Commentary focused on the goals and regions falling behind and the barriers to progress, rather than on the genuine progress being made or the ingredients for success. At the other end of the spectrum were the MDG optimists.

With funding from the Bill & Melinda Gates Foundation, and working with the Millennium Campaign, ODI set out its stall between these two camps. We demonstrated the genuine progress that has been made and stressed the need for equity for the achievement of the MDGs.

Researchers and communicators across ODI produced a set of *Development Progress Stories* and a *Report Card* on the MDGs, informed by feedback from focus groups in Nairobi, Brussels and London.

The *Development Progress Stories* show what has worked in development, and why, with each story highlighting progress in a specific country.

The *MDG Report Card*, meanwhile, introduced a methodology to analyse progress on the MDGs, with league tables on selected MDG indicators showing where the greatest advances have been made, and where progress has been most sustained and equitable.

It revealed high achievers across the world and particularly in Africa. Ghana outperformed every other country by reducing hunger by nearly three-quarters between 1990 and 2004. Its agricultural growth has averaged more than 5% a year for the past 25 years, putting it among the five top performers worldwide. It will achieve MDG 1 – the eradication of extreme poverty and hunger – before 2015. Exceptional progress has also been made in education, where nine out of ten top performers are from sub-Saharan Africa. African enrolment ratios increased from an average of 52% to 74% between 1991 and 2007. And there was progress on gender disparities, including Benin's impressive improvements in girls' education – highlighted in one of the *Development Progress Stories*.

The impact

Strong communication generated global media coverage by, for example, the BBC World Service, NPR America, Radio France Internationale, Deutsche Welle, *The New York Times*, *The Guardian*, *The Economist*, *The East African*, *The Standard* (Kenya), AllAfrica.com and many more.

This work helped to change the tone of the MDG Summit away from missed targets to progress and lessons learned. It has helped to build a consensus that development 'works', a crucial shift when policy-makers are under increasing pressure to demonstrate progress and value for money.

www.developmentprogress.org

'By documenting impressive progress by some of the poorest countries, ODI shows that development efforts can work spectacularly well. This helps us address the concerns of MDG sceptics.'

Alan Winters, Chief Economist, UK Department for International Development

Programme highlights

Over the past year, ODI's 12 research programmes have helped to drive the development and humanitarian agendas in new directions. Our programmes cover a vast range of issues, and each one has an extensive portfolio of research projects. What follows is a snapshot of major programme highlights in 2010-2011, giving examples of where and how ODI has broken new ground.

For more information, visit **www.odi.org.uk/ar11-programmes**

Centre for Aid and Public Expenditure

ODI's new Budget Strengthening Initiative (BSI), operational since June 2010, has already helped civil servants in South Sudan deliver a better quality budget for 2011 and lay the foundations for macroeconomic management and aid policy.

There is much to be done in South Sudan. As well as reshaping public financial management to meet the needs of a country emerging from war, the Ministry of Finance has had to prepare to handle a new national economy.

The BSI helps to strengthen the financial management process in fragile states by supporting its strategic direction and providing practical advice on how to build effective budget systems in challenging environments. Rather than 'parachuting' consultants in to do the job, ODI works with, develops solutions for, and trains Ministry of Finance staff as they go about their daily business.

BSI supports peer learning, and counterparts from Ministries of Finance in Uganda and South Sudan are now visiting each other. According to a participant in such a visit, the South Sudanese now have a better understanding of the reforms needed to build a professional Ministry of Finance.

BSI is operational in South Sudan, Liberia and the Democratic Republic of Congo, with funding of £8 million from DFID.

www.odi.org.uk/ar11-cape

Climate Change, Environment and Forests

ODI plays a pivotal role in the Climate and Development Knowledge Network (CDKN), launched in 2010. This global alliance spans the worlds of research, management consultancy, climate expertise, capacity-building and civil society mobilisation. It aims to give decision-makers the best available research, knowledge and advice on climate-compatible development.

What is new about CDKN is the way it provides its services. This is a demand-driven initiative – with the needs of developing countries setting the agenda. Developing country decision-makers, for example, come to CDKN with questions on climate change issues and ODI develops the research needed to find the answers.

In 2010, ODI commissioned policy briefs and articles on climate-compatible development in response to such demands. Our media articles, produced via the Inter Press Service, reached more than 55,000 individual subscribers, mostly in the global South. ODI also organised a landmark event on climate change and development with UK Secretary of State Andrew Mitchell and Lord Nicholas Stern, attracting more than 15,000 online viewers.

It is clear that CDKN has tapped into a massive, and previously unmet, need and the five-year project is already spanning 30 countries. Initial funding of £40 million from DFID has been boosted by a further £11.8 million from the Dutch Ministry of Foreign Affairs.

www.cdkn.org

www.odi.org.uk/ar11-ccef

Growth, Poverty and Inequality

Our Growth, Poverty and Inequality programme is at the forefront of thinking around the post-2015 development agenda. Until 2015, the focus is bound to be on how to make as much progress as possible before the deadline for the achievement of the MDGs. But then what? The international community needs to start thinking now about what happens in 2016 if the momentum and global focus on poverty encouraged by the MDGs are to be maintained.

Over the past year, ODI's Growth, Poverty and Inequality programme has explored some thorny issues that are crucial to the achievement of the MDGs and to lasting progress post-2015. We have looked at how inequality is a barrier to achieving the MDGs, and the different ways that economic growth does – and doesn't – lead to progress on different goals.

ODI launched an event series in March 2011 to move the post-2015 agenda forward, looking at issues such as urbanisation, climate finance and employment, which have risen up the agenda since the MDGs were agreed. High-level panellists included representatives from CAFOD, the Center for Global Development, DFID, *The Globe and Mail* (Canada), Save the Children and the UN Research Institute for Social Development (UNRISD).

This new strand of work will be developed further in the coming year, as the need for post-2015 planning becomes ever more urgent.

www.odi.org.uk/ar11-gpip

Humanitarian Policy Group

Over the past two years, the Humanitarian Policy Group (HPG) has examined efforts to stabilise fragile and conflict-affected states. Commissioning case studies and leading a series of discussions, HPG reviewed 'stabilisation' across a wide range of countries.

The results, published in a special issue of the ODI journal *Disasters*, revealed that stabilisation efforts have focused on containing perceived threats from such countries. However, there is increasing emphasis on integrating security, development and humanitarian action, and this may even blur the distinctions between these three domains.

In countries such as Afghanistan, Colombia and Somalia, this has created tensions between stabilisation actors and humanitarians. The latter argue that integrating security and humanitarian agendas has reduced their access to populations in need and led to greater insecurity for aid workers.

However, the resulting hostility towards stabilisation has been tempered by the fact that many humanitarian actors are involved in wide-ranging activities that overlap with aspects of stabilisation, including recovery, peace-building and development work.

Current tensions are partly caused, therefore, by ambiguities within the international humanitarian enterprise. HPG research confirms the need for greater clarity on the boundaries of humanitarian action, as well as greater respect for humanitarian principles by stabilisation actors.

Building on this research, HPG, in partnership with the Post-war Reconstruction and Development Unit (PRDU) at the University of York, also ran the first ever summer school on Conflict, Crisis and Transitions in 2010.

www.odi.org.uk/ar11-hpg

International Economic Development Group

Over the past year, ODI's International Economic Development Group has examined the role of the G-20, trade and finance policies and the facilities created by donors to promote growth and resilience after the global financial crisis. We also examined the links between trade and climate change.

The programme currently leads a cross-ODI initiative to produce the third *European Report on Development 2011-2012*. This will examine effective natural resource management for inclusive and sustainable growth, particularly the role of the public and private sectors. The research consortium, led by ODI, includes the German Development Institute (DIE) and the European Centre for Development Policy Management, and is building on long-established links between the three partners.

With a grant from the European Commission and seven EU Member States, the consortium will focus on the role of public and private actors in governing the use of natural resources. This is vital given increasing competition for resources and fears for environmental sustainability.

The Report will mark a departure from the usual analysis of scarcity and the impact of climate change to explore the roles and interactions of the public and private sectors in the management of three interrelated resources – water, energy and land – also called the WEL nexus.

The consortium is now commissioning papers and hosting consultation events, leading up to the launch of the Report at the end of the year.

www.odi.org.uk/ar11-iedg

Politics and Governance

ODI has carved out a leading role on the thinking and practice around political economy analysis and its uptake – an area that is reshaping governance support. Efforts to combat poverty and insecurity work best when backed by a good understanding of the local political context, but it is hard to apply this principle in practice. ODI aims to respond to this challenge.

Our Politics and Governance programme is building a strong reputation for political economy analysis at national and sectoral levels, providing concrete recommendations on how to work with political realities on the ground. Our 2010 work on aid and accountability in the Ugandan health sector, for example, highlighted how political incentives shape prospects for improvements in service delivery and the need for more politically informed donor engagement.

We have gone beyond producing analysis to deliver training and workshops, helping donor agency staff build their capacity to understand the realities of the countries in which they work. Over the past year, in collaboration with The Policy Practice, we have carried out training in London, New York, Königstein and Limerick, working with DFID, the United Nations Development Programme (UNDP), Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) and Irish Aid. We ended the year by bringing together donor agencies, think tanks, non-governmental organisations (NGOs), academics and practitioners for a high-level discussion on the politics of development and aid, setting the agenda for next steps to improve the uptake of this work.

www.odi.org.uk/ar11-pogo

Private Sector and Markets

The private sector drives the economic growth that has helped to reduce poverty in developing countries. Recent years have seen the private sector and development communities edging towards each other, and looking for ways to collaborate. Their collaboration could have more impact on the lives of the world's poorest people than either could achieve alone.

ODI has worked on the role of business in development for many years, but in 2010 we took this to a new level, combining our portfolio into the Private Sector and Markets programme. The programme works with a range of partners, including businesses and donor agencies, to examine three areas.

First, the role of government policy in facilitating private sector activity. In 2010 we investigated the market-friendly policies that promote access to formal financial services, and our research on competition helped to change the regulation of the mobile phones market in Zambia with significant economic benefits (see page 5).

Second, business impact on development. Examples include developing a tool to help a major tourism company trace its economic impact, and work with an NGO to develop a framework to assess the impact of its partnerships with business.

Third, private sector development. We continue to advise on different types of private sector development activities, including a 2010 review of job creation interventions and private sector development in fragile states on behalf of the World Bank.

www.odi.org.uk/ar11-psm

Protected Livelihoods and Agricultural Growth

This is an exciting time to be an agricultural economist. After two decades of relative neglect by many developing world governments and development agencies, agriculture has returned to centre-stage: rising food prices, concerns about biofuels, and a rush to acquire land for crops have stoked interest.

The agricultural sector remains critical in the fight against poverty and hunger, but the bar has been raised. The sector needs to feed an estimated 2.2 billion additional people within the next 40 years. At the same time, the sector is not only affected by climate change, it is a culprit, producing up to 30% of the world's greenhouse gases. The good news is that farming — unlike most other sectors — could achieve low, even zero, net emissions with its ability to sequester carbon in its soil and biomass.

With work on agriculture spanning five decades, ODI is well-placed to provide policy options once political leaders realise the urgent need for action on climate change. Research on food prices, biofuels, climate change mitigation, food security and smallholder commercialisation is being carried out by ODI's Protected Livelihoods and Agricultural Growth programme. This will contribute to policy debates on how agriculture can fulfil a triple role: contributing to economic growth and poverty reduction, providing food for all, and supporting the response to climate change.

www.odi.org.uk/ar11-plag

Research and Policy in Development

The Research and Policy in Development programme (RAPID) has collaborated with research institutes in developing countries for almost a decade to increase the impact of research on policy. The aim: to expand the network of policy entrepreneurs in the global North and South.

2010 saw national organisations that have benefited from RAPID support and partnership taking the lead on RAPID-style training and approaches. This decentralised approach aims to share policy-influencing techniques with a growing and increasingly local network of researchers and advocates.

Two national organisations are leading this process in Latin America: Centro de Implementación de Políticas Públicas para la Equidad y el Crecimiento (CIPPEC) in Argentina, and Fundación para el Avance de las Reformas y las Oportunidades (Grupo FARO) in Ecuador. Having worked with RAPID for the past six years, both are now taking on the challenge of developing RAPID in Latin America, aiming to provide services that were once supported centrally from London.

In Sri Lanka, the Centre for Poverty Analysis (CEPA), a key partner in the RAPID-coordinated Evidence-based Policy in Development Network (ebpdn), is taking the lead in developing the network's South Asian arm in collaboration with the Global Development Network.

This expansion of the RAPID 'family' allows ODI and national partners to play to their respective strengths, to tackle national policy issues on poverty.

www.odi.org.uk/ar11-rapid

Social Development

Our Social Development programme aimed to make the invisible visible in 2010. Research on discrimination against girls and women was one highlight. It marked a shift from traditional approaches centred on the impact of gender discrimination, to focus on the 'social institutions' that allow discrimination to flourish.

With funding from the Chronic Poverty Research Centre, the report *Stemming girls' chronic poverty* outlined discriminatory laws, norms and practices, including family codes that enshrine male control over children, practices that endorse early marriage, and a preference for sons that is rooted in cultural and traditional norms. The impact includes girls being kept out of school, girls and young women who are denied livelihoods, and the practices of foeticide and infanticide.

Combined, these discriminatory social institutions deprive girls and women of their inheritance rights, their ability to voice opinions, and even their lives. Their safety is undermined, as are their civil liberties, including the basic right to gather together, vote, or even walk down the street alone.

By making these discriminatory institutions visible, the research paves the way for effective action. Rather than tackling the symptoms by, for example, penalising doctors who perform sex-selective abortions, policy-makers should also tackle the preference for sons and the perception of daughters as expendable.

The enthusiastic response from donors to the report has spurred ODI researchers to examine what works when it comes to changing formal and informal laws and entrenched customary norms and practices.

www.odi.org.uk/ar11-sd

Social Protection

New ODI research in 2010 examined the affordability of international targets on specific sectors, confirming that affordability is a political, rather than technical, issue.

Research led by the Social Protection programme analysed budgets from Ethiopia, Kenya, Malawi, Mozambique and Uganda to assess the true cost of reaching international spending targets for social protection, health, education, water and sanitation, agriculture and infrastructure.

The findings provided a much-needed reality check around affordability issues. In every country, reaching the targets in just these six sectors would consume more than the entire national budget. These countries cannot reach the full range of international targets at the same time, using only their own resources. Reaching all six sectoral spending targets would, for example, require 120% of total government expenditure in Ethiopia and Uganda.

The silo approach to international sectoral targets means that sectors compete with each other in isolation from the bigger fiscal picture, making the push for targets incompatible with realistic or credible public financial management.

The research suggests the need for far greater focus on the political economy factors that influence decision-making and the prioritisation of the use of existing resources. Not surprisingly, the research is making waves across the development community, with representatives of multilateral and bilateral donors and NGOs gathering in London in May 2011 to look at the implications for the social protection sector, in particular.

www.odi.org.uk/ar11-sp

Water Policy

Speculation is rife on prospects for the world's water supplies in the face of climate change. More extreme climate events seem likely, and water scarcity is now a hot international topic. Yet little is known about the likely impact of climate change on water resources in general, and even less about its impact on groundwater – the main source of water for most rural people in Africa.

In 2010 ODI added clarity to this debate, working with scientists from the British Geological Survey (BGS) and University College London (UCL) to determine the resilience, or vulnerability, of groundwater resources and groundwater-dependent people to climate change in Africa.

In Ethiopia, Mali, Nigeria and Tanzania, teams looked at how much water was stored in the ground, how people accessed and used water, and whether people had enough water to meet basic needs for drinking, cooking and hygiene.

The early findings are clear. There is more natural storage in shallow groundwater than once thought, providing resilience to drought and climate change. But people still can't get enough water, especially if they are poor. The problem here is water access, not availability. This suggests that policy-makers need to re-double their efforts to extend water access in poorer areas, to meet basic needs and increase resilience to climate change.

www.odi.org.uk/ar11-wp

Our networks and partnerships

ODI hosts or coordinates a wide range of networks and partnerships, each with an extensive portfolio of activities and projects.

Active Learning Network for Accountability and Performance in Humanitarian Action: a unique and collective response by the humanitarian sector that aims to improve humanitarian performance through increased learning and accountability. **www.alnap.org**

Africa Power and Politics Programme: a network of research centres and think tanks in Africa, Europe and the US dedicated to fill a vital knowledge gap and develop innovative policy ideas about governance regimes for better development results and poverty reduction in sub-Saharan Africa. **www.institutions-africa.org**

All Party Parliamentary Group on Overseas Development: ODI provides the secretariat to Apgood, which brings together members from all UK political parties and both Houses of Parliament to discuss key issues on the development agenda. **www.odi.org.uk/apgood**

Chronic Poverty Research Centre: a global partnership of universities, researchers and non-governmental organisations, which completed its 10-year programme in 2011. A final report synthesises the key messages for policy-makers from CPRC's decade of research on how best to include the poorest people in development. **www.chronicpoverty.org**

Climate and Development Knowledge Network: ODI provides the research expertise for CDKN, which aims to help decision-makers in developing countries to design and deliver climate-compatible development. **www.cdkn.org**

European Think Tanks Group: a network of leading think tanks strengthening the debate on EU institutional and policy change with the best analysis on EU development cooperation. **www.international-development.eu**

Evidence-based Policy in Development Network: a global community of practice for think tanks and policy research institutes to promote evidence-based, pro-poor development policies through regional research, knowledge-sharing and training initiatives. **www.ebpdn.org**

Humanitarian Practice Network: a unique network that provides an independent forum for the humanitarian sector to share, disseminate and learn from experience and analysis. **www.odihpn.org**

Mwananchi: aims to promote citizen engagement with governments in seven African countries by providing small grants to local organisations to build capacity for stronger citizen–state relationships. **www.mwananchi-africa.org**

Outcome Mapping Learning Community: an informal network funded by the International Development Research Centre and hosted by ODI, with over 3,000 members worldwide sharing knowledge and experience on outcome mapping. **www.outcomemapping.ca**

REDD-net: a knowledge forum for Southern civil society organisations to find information on reducing emissions from deforestation and forest degradation (REDD), share their experiences and formulate pro-poor REDD projects and policies. **www.redd-net.org**

Secure Livelihoods Research Consortium: a new six-year programme that brings together leading research organisations from around the world to bridge the gaps in knowledge about secure livelihoods in fragile and conflict-affected situations. **www.odi.org.uk/ar11-slrc**

ODI Fellows work in 25 countries across the global south

ODI Fellowship Scheme

The ODI Fellowship Scheme is ODI's longest-enduring partnership with developing country governments. It sends postgraduate economists to work on two-year contracts in the public sectors of developing countries at the request of their governments. Today, there are 100 Fellows in post, working with 25 developing country governments and two regional bodies. In 2010, as in other years, ODI Fellows were the engineers of change.

Health in South Sudan

Elizabeth O'Neill is the first ODI Fellow to work in the Ministry of Health in South Sudan. Having emerged from decades of conflict, South Sudan has some of the world's most challenging health statistics. On arrival, Elizabeth was thrown straight into helping to compile the 2011 National Heath Budget and is now preparing the health-related sections for the 2011-2013 South Sudan Development Plan. She follows 12 ODI Fellows employed by the Government of Southern Sudan in recent years, and more have been requested for the coming years.

Sustainable development in Papua New Guinea

David Freedman provides economic advice and analysis to the Papua New Guinea Sustainable Development Program (PNGSDP) – a unique government-based entity formed through a partnership between the Government and a legacy mining company. Its publicly-held funds of more than $1.2 billion were generated through ownership of 64% of a gold and copper mine in the Western Province – the largest mine in the country, and one that is to be decommissioned. Western Province itself is the largest in the country, with vast areas of pristine rainforest. It is also the least populated; until now, people have been isolated by the lack of transport and communications infrastructure.

PNGSDP aims to address this and ensure a sustainable future for the area through initiatives in education, agriculture, energy, infrastructure, business development, health services and banking.

Macro-economic modelling in Sierra Leone

In Sierra Leone ODI Fellow David Knight led the development of a new macroeconomic modelling framework – the Sierra Leone Integrated Macroeconomic (SLIM) Model – designed to create consistent and accurate forecasts across the economy.

David and his Sierra Leonean colleagues in the Ministry of Finance and Economic Development formed a new Integrated Macroeconomic Modelling and Forecasting (IMMF) Steering Group to build collaboration among experts across government, while a core team developed the nuts and bolts of the new model.

This work formed the basis of Sierra Leone's 2011 Budget estimates, improving their credibility and accuracy. This, in turn, has helped the Government to focus on strategic spending priorities such as health, education and infrastructure. The process has also reduced its dependence on external partners and the International Monetary Fund for economic forecasts, allowing well-informed discussions with development partners on the accuracy, targeting and monitoring of their programmes, and improving accountability.

For more information about the Fellowship Scheme, including first-hand reports from Fellows, visit **www.odi.org.uk/ar11-fellowship**

Communications

ODI is seen as a leader in terms of development communication. In 2010-2011, innovations included our work on the *Millennium Development Goal Report Card* and, more recently, on the *Development Progress Stories* – prime examples of collaboration between the research and communication sides of ODI, with communications seen as central to their success. At every stage, the emphasis was on how best to communicate positive MDG messages and stories of progress to key audiences.

The results included worldwide coverage by key media outlets, including the BBC World Service, NPR America, Radio France Internationale, Deutsche Welle, *The New York Times, The Guardian, The Economist, The East African, The Standard* (Kenya), AllAfrica.com and many more. More importantly, this work helped to change mindsets on the MDGs, as shown on page 7, and provided the foundations for continued engagement around the *Development Progress Stories* throughout 2011-2012.

Another innovation was the communication 'package' built around ODI's 50th anniversary, including a timeline of key development moments – and ODI's role in them – over the years. The package featured a short animation setting out clearly and simply what ODI does, and how. The digitisation of our back catalogue of key publications dating back to the 1960s is a unique global resource. We produced a themed issue of our peer-reviewed journal *Development Policy Review* (DPR) on 'Aid, governance and institutions', which pulls together DPR's best articles on this issue over the years. And we ended the year with the first ODI Development Debate: *International Development – the next 20 years*, chaired by Jon Snow, with Sir Mark Moody-Stuart, Dr Linda Yeuh, Dr Andrée Carter and Rakesh Rajani as speakers.

DPR and our other peer-reviewed journal, *Disasters*, continued to attract international readership amongst academics, policy-makers and practitioners. The introduction to a special issue of *Disasters* on stabilisation – guest edited by researchers in our Humanitarian Policy Group and launched alongside an ODI meeting series on this subject – became the most downloaded *Disasters* article in 2010.

We pioneered an innovative communications 'dashboard' to track the impact of our communications work, helping to demonstrate ODI's value for money and increase transparency. This is helping us to share key results and statistics with partners and funders on a regular basis.

2010-2011 also saw a further expansion in the number of people worldwide who join our public events online, with all events now streamed live on our website as standard.

Our communications goals for the future include a major shift in our online approach. Our content will follow online audiences; delivering the right content to them, in a format that is relevant and accessible, when they need it, on the sites they use.

www.odi.org.uk/ar11-communications
www.odi.org.uk/ar11-50years

Communication in 2010-2011: the numbers

Downloads from the ODI website:	2.3 million
Unique page views:	1.6 million
People registered to attend events in person:	5,100
People registered to watch events online:	3,700
Subscribers to the ODI newsletter:	18,000
Subscribers to the ODI events update:	14,000
Twitter followers:	5,000
Facebook fans:	3,800

Governance, structure and management

Group constitution

ODI was founded in 1960 and is a charitable company limited by guarantee.[1] The Charity has a wholly owned trading subsidiary, ODI Sales Limited, which was set up to allow the Charity to continue to operate exclusively in non-business activity, as defined by HMRC with respect to VAT; the object of the company is to generate income for the objects of the Charity. It has a Board of Directors, two of whom are Trustees for the Charity while the third is independent. Both the Charity and the trading subsidiary have a Memorandum and Articles of Association as their governing documents.

The Council and the Board of Trustees

The Institute is governed by a Board of up to 12 Trustees chaired by Dr Daleep Mukarji OBE. The terms of reference for the Board are to maintain the values of the organisation and set the overall strategy and direction. It monitors the performance of the organisation and its management, and appoints the Director.

The Council of the Institute comprises the Board of Trustees and other Members (including two staff members) up to a maximum of 42. The Chair of the Board also presides over the Council. The Council is responsible for electing the Board based on nominations from a committee (comprised of both Board and Council Members). The Council is expected to provide the Institute with contacts at the leading edge of research and policy thinking, as well as other contacts relating to all aspects of its operations.

For a full list of the Board of Trustees and Council see **www.odi.org.uk/ar11-management**

Trustees

To be elected, Trustees must first be Council Members. They can serve for up to three terms of three years. As with the Council, the aim is to maintain a balance amongst the Trustees to include research, academic, business and political expertise and knowledge, as well as a gender balance. Board Members are both Charity Trustees and Directors under company law.

When elected, Trustees are provided with a Trustee Pack with information on the constitution, annual cycle, various relevant terms of reference, job descriptions of senior staff, business and strategic plans, accounts, relevant internal policies and references to relevant laws, regulations and sources of information. They are also given a detailed induction.

Brief biographical details of our newest Trustee, Chris West, are provided below:

Chris West is the Director of the Shell Foundation. He has lived in both East and West Africa and has previously worked for the UK Department for International Development, as well as ODI. Chris was involved in early discussions around the creation of

1. ODI is exempt under Section 60 of the Companies Act 2006 from using the word ‘limited’ as part of its name.

the Shell Foundation, joining the Foundation shortly after its launch in 2000 as Deputy Director. He also played a leading role in co-founding GroFin, which is now the leading provider of business development assistance and appropriate finance to start-up and growing small and medium sized enterprises (SMEs) in Africa. He was appointed Shell Foundation Director in 2008.

Council Members

Council Members can serve for four terms of three years. They are selected on the basis of their knowledge, skills, expertise and the benefit that those attributes can bring to the Institute. When elected they attend an induction during which they learn about the history and objectives of the Institute and its current work. They are provided with relevant current literature.

The Institute attempts to keep a balance across the Council Membership between people with backgrounds in research, business, media, non-governmental organisations and politics, and aims to maintain a gender balance. Brief biographical details of the most recent recruit to the Council are provided below.

Sarah Mulley is Associate Director for Migration, Trade and Development at IPPR. Before joining IPPR, Sarah was Coordinator of the UK Aid Network. She was previously a Research Associate at the Global Economic Governance Programme in Oxford; worked as a consultant for a wide range of research and policy organisations; and was a Senior Policy Analyst at HM Treasury, where she held a range of domestic and international policy positions.

Members' liability

In the event of the charity being wound up, the Trustees, and those within one year of ceasing to be Trustees, are required to contribute an amount not exceeding £1 (as ODI is a company limited by guarantee). The Institute's insurance policy indemnifies Trustees up to £1 million.

Statement of Trustees' responsibilities

The Trustees are responsible for preparing the Trustees' report and financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Company law requires the Trustees to prepare financial statements for each financial year that give a true and fair view of the affairs of the group; the incoming resources and their application, including the income and expenditure of the group. In preparing these financial statements, the Trustees have:

- selected suitable accounting policies and then applied them consistently
- observed the methods and principles in the Statement of Recommended Practice (Accounting and Reporting by Charities)
- made judgements and estimates that were reasonable and prudent
- noted that applicable UK Accounting Standards have been followed and any material departures disclosed and explained in the financial statements, and
- prepared the financial statements on the going concern basis.

The Trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the Charity and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Charity and the group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Each of the Trustees confirms that:

- so far as they are aware, there is no relevant audit information of which the Charity's auditors are unaware, and
- they have taken all the steps that they ought to have taken as a Trustee in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors were aware of that information.

This confirmation should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

The Trustees are also responsible for the maintenance and integrity of the Charity and financial information included on our website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Structure and management reporting

The Board meets four times a year and is responsible for strategy and reviewing progress against business and strategic plans, results versus the budget, the final income and expenditure for the year, new or amended policy, risk management and other applicable current projects. Its role is to direct and guide management. When necessary, the Trustees ask management to seek professional advice from solicitors and accountants etc.

Management is responsible for the day to day running of the Institute, the implementation of policy and ensuring that goals and objectives are attained. The Director, Alison Evans, is supported by a Senior Management Team (SMT) of four: Deputy Director (John Young), Director of Research (Andrew Norton), Director of Communications (Gillian Hart) and Director of Finance and Operations (Alexis Chapman – interim). The role of the SMT is to provide strategic leadership of the Institute. This involves:

- developing the strategic vision and the annual business plans with the Board and in line with the Institute's mission, and ensuring that progress is monitored
- maximising the strengths and capacity of the organisation and overseeing the delivery of value for money
- managing reputation, risk and change – again with the Board, and
- taking strategic decisions on research programmes, fundraising, public affairs, finance, human resources, IT and premises.

As part of the Institute's ongoing efforts to enhance its effectiveness and efficiency, the Heads of Programmes and Departments continue to be given prominence in the Institute's management framework. Heads of Programmes are at the forefront of ODI's mission and business and are responsible for much of the Institute's direct fundraising, research and advisory support and line management of research staff.

Staff

In 2010-2011 ODI has maintained a constant number of core staff (133) and continues to deliver a cutting edge programme of research in line with our business and strategic plans. Staff who work directly on research and the dissemination of information account for an average of 86% of ODI's total work force, including communication staff, programme officers and researchers.

ODI continues to attract a large volume of high-quality applicants during recruitment, enabling the Institute to recruit an extremely high calibre of staff with a wide range of experience. All ODI staff complete an annual appraisal and a learning and development plan, and are encouraged to participate in internal development opportunities. Research staff are also provided with a formal career path and annual opportunities for career progression; something that will be rolled out to support staff in the next two years. The Institute also seeks the views of staff through regular staff surveys and has a well-embedded internal communication process.

ODI's work is led by staff who work alongside colleagues from a broad international network of associates and partner organisations. We have a formal Research Associate (RA) status that is being expanded to help us ensure that we are able to retain skills in emerging areas of work. This re-working of the RA status is part of a larger ongoing review of our resourcing to ensure that we have a flexible and high-quality skills base.

ODI strives to be an equal opportunities employer and applies objective criteria to assess merit. It aims to ensure that no job applicant or employee receives less favourable treatment on the grounds of age, race, colour, nationality, religion, ethnic or national origin, gender, marital status, sexual orientation or disability.

ODI does not yet have a formal volunteer or internship programme, but does offer a wide range of exceptional opportunities for people looking to gain experience in international development, humanitarian policy and practice and charity management by working alongside ODI's world-class pool of researchers. The Institute also benefits hugely from the efforts of these volunteers, who represent a high-calibre intellectual force.

For a full list of staff, visit the ODI staff directory: **www.odi.org.uk/ar11-staff**

Risk management

The Trustees undertake a full risk assessment on an annual basis and monitor progress quarterly. The aim is to identify the major risks and to ensure that measures are taken to mitigate the impact of those risks as far as is practical. The internal risk-management processes have been integrated into the annual business planning and reporting cycle, which has enabled improved decision-making by the Board. The Board has identified the following areas of risk for 2011-2012:

Governance

The Trustees recognise that an effective Board is critical to the strategic management of ODI. The Board aims to attract high-quality Trustees and is planning to recruit strategic replacements for the two Trustees who will stand down at the end of their terms in 2011.

Personnel

As the proportion of our work in post-conflict and fragile states continues to increase, ODI staff face increased risks to their safety when travelling in these environments. Steps have been taken to prepare staff more effectively for such travel and to ensure that processes and procedures with regard to staff safety and security are fit for purpose.

Capacity

ODI recognises that its ability to attract, recruit and retain staff with the necessary skills is critical to its success. Further work is planned on proactive recruitment strategies, rewards and incentives. ODI offers researchers opportunities to deliver cutting edge research successfully and work alongside highly qualified peers. This approach will enable ODI to continue to attract staff of the highest calibre.

Financial

The Trustees recognise that variable financial performance of our programmes represents a risk to the sustainability of ODI. In order to address this risk, ODI continually seeks to refine and improve its financial management and systems of control. As part of this approach, ODI is focusing on improved project and programme management, and new systems will provide information that will help to avoid losses and project overruns.

Funding

Changes in the funding environment require ODI to work in new and different ways to ensure that it continues to attract funding for its work. To manage this risk, ODI will continue to focus on building relationships and, through working closely with funders, ensure that accountability and transparency requirements are met. ODI will adapt processes as required to ensure that it is able to demonstrate impact and value for money while always maintaining independence throughout its work.

Reputation

ODI's reputation as the UK's leading independent think tank on international development and humanitarian issues is essential to inspire and inform policy and practice and thereby achieve poverty reduction in developing countries. ODI safeguards its reputation by ensuring that it is at the leading edge of new ideas, assuring quality in all its work, and responds in a timely and effective way to international and national policy processes and events. The Director of Research takes a lead in shaping the Institute's overall research strategy and oversees in-house and external quality assurance mechanisms.

Organisational change processes

After significant investment in organisational effectiveness, ODI recognises that it needs to focus on securing the intended benefits – these are essential to demonstrating value and so maintaining the strong relationships that ODI has with all its funders and partners.

Financial report for the year

Results for the year

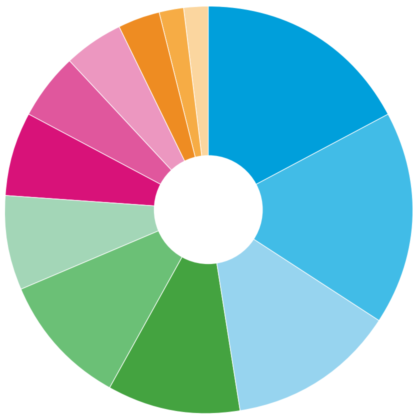
ODI's incoming resources for 2010-2011 amounted to £18.5 million. This is an increase of 8% on last year's income and continues the trend of income growth achieved in recent years. Research grants and project finance fund the research programmes described earlier in this report and, at 83%, account for the majority of ODI's activities and incoming resources. The Fellowship Scheme and revenue from publications make up most of the balance of 17%.

Activities generated net incoming resources of £348,000, which is in line with last year (2009-2010: £356,000). Gains on the revaluation of investments were just £62,000 this year compared to £251,000 in 2009-2010, resulting in a net increase in funds of £372,000 (2009-2010: £647,000).

ODI's staff increased marginally during the year, by 3%. This increase was linked to new project-related staff and the number of research staff remained at broadly the same level across the year.

Figure 1 shows the apportioning of revenue from research grants and project finance receivable (£14.1 million) by programme. This is based on figures shown in Note 2 to the financial statements on page 33 and does not include income from other sources (e.g. Fellowship grants and project finance receivable, publications revenue, income from the trading subsidiary, etc.).

Figure 1: Revenue by programme



- Centre for Aid and Public Expenditure (CAPE) 17%
- Research and Policy in Development (RAPID) 17%
- Politics and Governance (PoGo) 13%
- Climate Change, Environment and Forests (CCEF) 11%
- Humanitarian Policy Group (HPG) 10%
- Protected Livelihoods and Agricultural Growth (PLAG) 8%
- Water Policy 7%
- Social Protection 5%
- International Economic Development Group (IEDG) (formerly Investment and Growth, and Trade) 5%
- Social Development 3%
- Growth, Poverty and Inequality (formerly Growth and Equity) 2%
- Private Sector and Markets (PSM) (formerly Business and Development) 2%

Note: this does not include income from partnerships, such as ALNAP and CPRC, publications or the ODI Fellowship Scheme.

Financial position

The balance sheet reflects overall growth in net assets of 12%, with total funds standing at £3.6 million at the end of the year (2009-2010: £3.2 million). These funds are all unrestricted.

The tangible fixed assets fund is designated by the Trustees and represents the net book value of the Charity's general funds invested in fixed assets which are not, by the nature of fixed assets, readily available for use for other purposes. During the year the value of this fund decreased to £229,000 (31 March 2010: £268,000), reflecting the write-down in value of the investment in information systems.

The general funds of the Charity at 31 March 2011 amount to £3.3 million (2009-2010: £2.9 million). These funds are equivalent to the Charity's free reserves. The Trustees have stated their intention to build reserves towards the desired policy position over time and, over the past three years, this objective has been achieved, with closing reserves at the end of the year to 31 March 2011 representing 75% of the target level of £4.4 million.

ODI's requirement for reserves grows as the organisation grows and, therefore, ODI has put plans in place to ensure that it can generate a modest operating surplus in future years, continuing to improve its reserve position relative to the stated policy position.

Reserves policy

The Charity's significant source of income is project funding. This funding is for a mix of projects, some of which are short-term whilst others are long-term projects requiring significant ongoing financial commitment and investment. The Trustees have examined the need for free reserves, i.e. those unrestricted funds not invested in tangible fixed assets, designated for specific purposes or otherwise committed. The Trustees' desired level of reserves is six months of estimated future annual expenditure. The Trustees are of the opinion that this provides sufficient flexibility to cover minimum legal requirements and to provide cover against temporary shortfalls in incoming resources due to timing differences in income flows. It would also provide adequate working capital to cover core costs, and enable the Charity to cope with and respond to unforeseen emergencies whilst specific action plans are implemented.

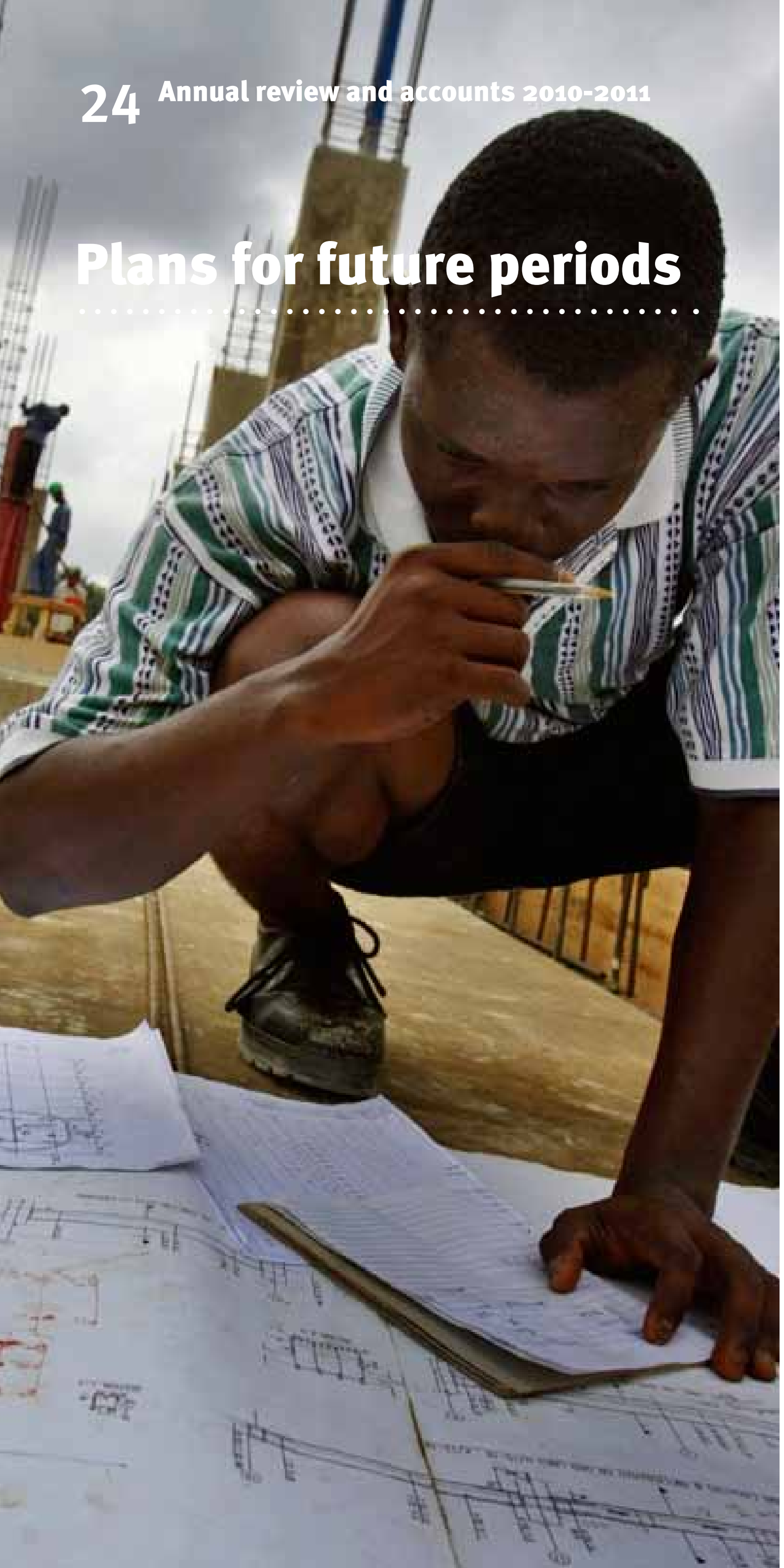
At present, it is recognised that current reserve levels fall beneath this target. The Trustees are focused on building the effective delivery of the core activities delivered by ODI. They have decided to approach the achievement of the reserves policy by building towards the ideal level over a five-year period.

Investment policy

The Institute implemented a new investment policy during the year. This policy requires investments underpinning general funds to remain highly liquid, and to pose minimal credit risk or risk of losses to ODI.

In line with this policy, the Institute divested from the equity element of its investment during the year and, at 31 March 2011, ODI held investments in the Charinco common investment accumulation fund with a market value of £1,523,000 (compared to £1,499,000 held in Charinco and Charishare common investment accumulation funds at 31 March 2010). The funds are managed by BlackRock Investment Management (UK) Limited.

The Trustees regularly review the performance of the investments and of the fund managers.



Plans for future periods

This year's annual business planning process ran alongside, and was based on, the development of a rolling two-year strategic directions paper (SDP). The business plan provides a high-level overview of ODI's objectives, plus detailed programme and department plans to transform these objectives into tangible action.

The SDP was drawn up in consultation with the Trustees and staff. It seeks to position ODI as a leader in re-thinking development and humanitarian action in a rapidly changing world. In 2011-2012, we will further this aim as we deliver our core mission to ensure that the benefits of our work are as widely relevant and accessible as possible. As part of this agenda, we will also focus more of our resources on demonstrating uptake and impact in line with our charitable purpose and our mission to generate maximum public benefit in everything we do.

This means remaining one step ahead of the currents of change in the development and humanitarian spheres. At the global level, these include increasingly volatile global markets, increased resource scarcity and associated demographic pressures and changing patterns of political instability and conflict. We are seeing the growing importance of emerging powers as sources of finance and policy influence, new opportunities for the private sector to shape development outcomes, and a general strengthening of think tank capacity. The pressure to measure development results is also changing the way in which the development community generates and engages with evidence and knowledge.

In the UK, the currents of change include a shift in demand, from rapid turnaround policy advice to a greater emphasis on longer-term policy-research funding.

This changing context sets us the following challenges: to continue to be relevant and influential as the OECD nations become less influential on the global stage; to focus on areas where we can make a difference; to be agile enough to respond quickly to major events; and to remain competitive as a market leader for knowledge and development policy advice in an increasingly crowded global marketplace.

ODI's programmes and Senior Management Team will work together to ensure that our portfolio is strengthened in the light of these trends and as a contribution to ODI's organisational and financial resilience.

The priority actions for 2011-2012 are:

Strategic planning

The goal of our strategic planning programme is to identify the key actions that we need to take over the next two years to be positioned appropriately in 2015. We will finalise the strategic directions paper early in 2011-2012.

The change directions that ODI has set out in our 2011-2012 business plan to pursue in the next year are:

- a clear thematic framework of five strategic priorities
- enhancing the quality of our work output
- higher-quality strategic partnerships
- strengthening communications
- a more diverse and resilient funding base
- improved business delivery
- increased flexibility and quality of human resources
- a successful office move.

Thematic focus and enhancing impact

We will finalise a set of up to five strategic priorities that will guide ODI's work over the medium term.

Internally, our thematic landscape has two other elements: a set of 'flagship project/initiatives' that are fully funded and take forward new work in specific output areas relating to our objectives and strategic priorities; and areas of standing capacity, where we commit to maintaining a world-class knowledge and evidence base at programme level.

Enhancing quality

In 2010-2011 we developed a process to enhance a culture of quality promotion and peer challenge and review throughout ODI, with further proposals to develop a system to review early stage documents and project proposals. In 2011-2012 we will test and build on our quality systems and develop guidance, procedures and norms. The quality working group will continue to address quality issues with an evolving programme of work.

Higher-quality strategic partnerships

ODI already works with a wide range of partners on project delivery, and is developing partnerships to engage more effectively with development policy processes in Europe (notably the European Think Tanks Group). Our partner network is a significant strength, and we will leverage this further to enhance our global footprint and establish new ways of working in the face of a rapidly changing environment.

Strengthening communications

We will deliver targeted communications action plans in 2011-2012, developed in collaboration with programme teams, to support ODI's strategic priorities and flagship projects.

A more diverse and resilient funding base

Work on this area in the coming year will enhance our marketing and fundraising capability and broaden the range of funding partnerships.

Improved business delivery

We prioritised our organisational effectiveness (OE) agenda last year and have made good progress with the development of an integrated project and financial management system. There is still much to do to 'bed in' the new system and to realise the benefits it will bring to ODI in terms of transparency and efficiency. In the long term, this system will assist us to ensure that we continue to deliver value for money.

OE will continue to be a priority in 2011-2012, with an ongoing programme to improve the effectiveness and efficiency of our internal structures, systems and support to staff. The objective is to help ODI respond effectively to a rapidly changing external environment. This agenda is being pursued with our probable relocation in 2012 in mind, ensuring that our choice of premises is aligned with our strategic direction.

Flexibility and quality of our human resources

As we respond to shifts in our operating environment we face changing needs in the type, quality and flexibility of our skills. We will explore alternative and more flexible resourcing and staffing models for ODI. We will also review our pay and rewards strategy to continue to recognise staff performance and ensure financial stability.

A successful office move

ODI is likely to need to find, and move into, new offices by September 2012. Work has started on this and will continue throughout 2011-2012.

Signed on behalf of the Board:

Dr Daleep Mukarji OBE, Chair

Approved by the Board on: 25th July 2011

Independent auditor's report

Independent auditor's report to the members of the Overseas Development Institute

We have audited the financial statements of The Overseas Development Institute for the year ended 31 March 2011, which comprise the consolidated statement of financial activities, the group and charity balance sheets. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Charity's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Charity's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity and the Charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditor

The Trustees are also the directors of the charitable company for the purposes of company law. As explained more fully in the Trustees' responsibilities statement set out on page 18, the Trustees are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the charitable company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Trustees; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Trustees' report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the group's and of the charitable company's affairs as at 31 March 2011 and of their incoming resources and application of resources, including their income and expenditure, for the year then ended
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Trustees' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of Trustees' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Buzzacott LLP

Amanda Francis, Senior Statutory Auditor
for and on behalf of Buzzacott LLP, Statutory Auditor
130 Wood Street
London
EC2V 6DL

Consolidated statement of financial activities (including an income and expenditure account) for the year ended 31 March 2011

	Notes	General funds £	Designated funds £	**Total funds 2011 £**	Total funds 2010 £
Incoming resources					
Incoming resources from generated funds					
Interest receivable		890	-	**890**	1,231
Income from trading subsidiary	3, 7	1,366,866	-	**1,366,866**	16,355
Incoming resources from charitable activities					
Research	2	13,867,612	-	**13,867,612**	13,940,779
Fellowship Scheme		3,210,367	-	**3,210,367**	2,878,513
Publications		12,186	-	**12,186**	137,414
Other income		6,256	-	**6,256**	171,310
Total incoming resources		18,464,177	-	**18,464,177**	17,145,602
Resources expended					
Cost of generating funds					
Resources expended by trading subsidiary	7	802,625	-	**802,625**	4,292
Charitable activities					
Research	4	14,338,460	-	**14,338,460**	14,138,384
Fellowship Scheme	4	2,951,638	-	**2,951,638**	2,617,184
Governance costs	5	23,075	-	**23,075**	29,516
Total resources expended		18,115,798	-	**18,115,798**	16,789,376
Net incoming resources before transfers and losses/(gains) on investments		348,379	-	**348,379**	356,226
Transfers between funds	15	39,090	(39,090)	**-**	-
Net incoming resources before losses/(gains) on investments		387,469	(39,090)	**348,379**	356,226
Realised losses/(gains) on the disposal of investments		(38,179)	-	**(38,179)**	40,044
Net incoming/outgoing resources		349,290	(39,090)	**310,200**	396,270
Gains on the revaluation of investments	12	62,239	-	**62,239**	250,603
Net movement in funds	9	411,529	(39,090)	**372,439**	646,873
Balances brought forward at 1 April 2010		2,911,603	268,225	**3,179,828**	2,532,955
Balances carried forward at 31 March 2011		3,323,132	229,135	**3,552,267**	3,179,828

All of the results in the consolidated statement of financial activities are derived from continuing activities. There were no other recognised gains or losses other than those stated above. The notes on pages 31 to 41 form part of these financial statements.

The historical net cost movement in funds for the year is £688,103 (2010: £430,962).

Balance sheets 31 March 2011

	Notes	Charity 2011 £	Group 2011 £	Charity 2010 £	Group 2010 £
Fixed assets					
Tangible assets	11	**229,135**	**229,135**	268,225	268,225
Investments	12	**1,523,509**	**1,523,499**	1,499,450	1,499,440
		1,752,644	**1,752,634**	1,767,675	1,767,665
Current assets					
Debtors	13	**4,127,006**	**3,759,607**	3,529,666	3,529,666
Short-term deposits		**131,215**	**131,215**	500,689	500,689
Cash at bank and in hand		**1,218,033**	**1,698,929**	1,040,545	1,040,545
		5,476,254	**5,589,751**	5,070,900	5,070,900
Creditors: amounts falling due within one year	14	**(3,676,631)**	**(3,790,118)**	(3,670,810)	(3,658,737)
Net current assets		**1,799,623**	**1,799,633**	1,400,090	1,412,163
Total net assets		**3,552,267**	**3,552,267**	3,167,765	3,179,828
Represented by:					
Funds and reserves					
Unrestricted funds					
Tangible fixed assets fund	15	**229,135**	**229,135**	268,225	268,225
General funds		**3,323,132**	**3,323,132**	2,899,540	2,899,540
Non-charitable trading funds		**-**	**-**	-	12,063
Total unrestricted funds		**3,552,267**	**3,552,267**	3,167,765	3,179,828
Total funds	16	**3,552,267**	**3,552,267**	3,167,765	3,179,828

The notes on pages 29 to 39 form part of these financial statements. Approved by the Board of Trustees on 25 July 2011 and signed on their behalf by:

Dr Daleep Mukarji OBE, Chair

Consolidated cash flow statement for the year ended 31 March 2011

	Notes	2011 £	2010 £
Cash inflow/(outflow) from operating activities	A	**404,768**	1,018,369
Returns on investments and servicing of finance			
Interest received		**890**	1,231
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		**(116,748)**	(237,274)
Management of liquid resources			
Short-term deposits		**369,474**	(461,284)
Increase in cash	B	**658,384**	321,042

Notes to consolidated cash flow statement for the year ended 31 March 2011

A Adjustment of net incoming resources before transfers and net investment gains to net cash inflow/(outflow) from operating activities	2011 £	2010 £
Net incoming resources before transfers and net investment gains	**348,379**	356,226
Depreciation	**155,838**	71,725
Interest receivable	**(890)**	(1,231)
Decrease/(increase) in debtors	**(229,941)**	1,111,334
Increase/(decrease) in creditors	**131,382**	(519,685)
Net cash inflow/(outflow) from operating activities	**404,768**	1,018,369

B Analysis of changes in net funds	At 1 April 2010 £	Cash flows £	At 31 March 2011 £
Short-term deposits	500,689	(369,474)	**131,215**
Cash at bank and in hand	1,040,545	658,384	**1,698,929**
	1,541,234	288,910	**1,830,144**

Notes to the financial statements for the year ended 31 March 2011

1 Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, as modified by the inclusion of investments at market value, and in accordance with the requirements of the Companies Act 2006. Applicable United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) and the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) have been followed in these financial statements.

Basis of consolidation

These financial statements consolidate the results of the Charity and its wholly owned subsidiary, ODI Sales Limited, on a line by line basis. A separate statement of financial activities is not prepared by the Charity itself following the exemption afforded by section 408 of the Companies Act 2006 and the note in paragraph 397 of SORP 2005.

Incoming resources

Incoming resources are recognised in the period in which the Charity is entitled to receipt and the amount can be measured with reasonable certainty.

Grants from government and other agencies have been included as income from activities in furtherance of the Charity's objectives. Much of this income is contractual in nature and, as such, is deemed unrestricted. It is credited to the statement of financial activities so as to match the expenditure incurred during any given project. Such a policy ensures that any potential deficits on projects are recognised immediately whereas surpluses are only recognised upon completion of a project.

Other income is deferred only when the Charity has to fulfil conditions before becoming entitled to it or where the donor or funder has specified that the income is to be expended in a future accounting period.

Resources expended and the basis of apportioning costs

Resources expended comprise the following:

a. The cost of generating funds comprises the expenditure on commercial trading operations

b. The costs of charitable activities comprise expenditure on the Charity's primary charitable purposes, namely:

   - Research and dissemination of information
   - Fellowship activities and services.

The majority of costs are directly attributable to specific activities. Certain shared support costs are apportioned to charitable activities on the basis of the number of staff members employed by each activity.

c. Governance costs include those incurred in the governance of the Charity and its assets and are primarily associated with constitutional and statutory requirements.

Tangible fixed assets

All assets with a cost of more than £3,000 and with an expected useful life exceeding one year are capitalised.

Depreciation is provided at the following annual rates, on a straight-line basis, in order to write off all other assets over their estimated useful lives:

- Leasehold improvements – over the remaining years of the lease
- Furniture, fixtures and fittings – 20% on cost
- Equipment – 33.33% on cost

Fixed asset investments

Fixed asset listed investments are included in the financial statements at their market value as at the end of the financial period. Realised and unrealised gains (or losses) are credited (or debited) to the statement of financial activities in the year in which they arise.

The investment in the subsidiary undertaking, ODI Sales Limited, is stated at cost.

Fund accounting

The general funds comprise those monies and/or net assets which may be used towards meeting the charitable objectives of the Charity and may be utilised at the discretion of the Trustees.

Non-charitable trading funds comprise the surplus or deficit retained in ODI Sales Limited.

The tangible fixed assets fund represents the net book value of the Charity's tangible fixed assets.

Foreign currencies

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the net movement in funds.

Leased assets

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged to the statement of financial activities on a straight-line basis over the lease term.

Pension costs

Contributions in respect of defined benefit pension schemes are recognised in the statement of financial activities so as to spread the cost of pensions over employees' working lives.

Liquid resources

Liquid resources comprise term deposits with banks registered in the United Kingdom.

2 Research grants and project finance receivable

Research grants and project finance receivable during the year are broken down by programme as follows:

	2011	2010
	£	£
Centre for Aid and Public Expenditure (CAPE)	**2,315,434**	831,147
Research and Policy in Development (RAPID)	**2,278,419**	2,867,865
Politics and Governance (PoGo)	**1,760,100**	1,987,401
Climate Change, Environment and Forests (CCEF)	**1,431,504**	842,915
Humanitarian Policy Group (HPG)	**1,383,948**	1,394,926
Protected Livelihoods and Agricultural Growth (PLAG)	**1,017,894**	1,411,735
Water Policy	**902,611**	953,683
Chronic Poverty Research Centre (CPRC)	**782,631**	604,541
Social Protection	**673,362**	631,310
International Economic Development Group (IEDG) (formerly Investment and Growth, and Trade)	**634,451**	793,376
Social Development	**474,708**	237,427
Director	**319,265**	99,534
Growth, Poverty and Inequality (formerly Growth and Equity)	**259,513**	329,730
Private Sector and Markets (PSM) (formerly Business and Development)	**225,727**	302,331
Secondment	**117,105**	-
	14,576,672	13,287,921
Active Learning Network for Accountability and Performance (ALNAP)	**546,887**	652,858
Group research grants and project finance receivable	**15,123,559**	13,940,779
ODI Sales Limited research grants and project finance receivable (note 3)	1,255,947	
Charity research grants and project finance receivable	13,867,612	

As explained under the principal accounting policies, the majority of the Institute's income is deemed contractual in nature and is classified as unrestricted. Any income that might be defined as restricted has been applied fully towards the programme or project for which it was given.

3 ODI Sales Limited research income

The Charity has a wholly owned subsidiary, ODI Sales Limited, which is incorporated in the UK for the purposes of generating income for the charitable purposes of the Charity. A summary of the full trading result of the company is shown in note 7 to the accounts but a breakdown of the research income of ODI Sales Limited is provided below:

	2011
	£
Climate Change, Environment and Forests (CCEF)	831,022
International Economic Development Group (IEDG)	117,223
Politics and Governance (PoGo)	110,685
Research and Policy in Development (RAPID)	53,616
Centre for Aid and Public Expenditure (CAPE)	38,958
Social Development	36,480
Humanitarian Policy Group (HPG)	35,534
Private Sector and Markets (PSM)	23,899
Growth, Poverty and Inequality	5,400
Water Policy	3,130
Total ODI Sales Limited research grants and project finance receivable	**1,255,947**
Research publications income	110,919
Total ODI Sales Limited research income	**1,366,866**

4 Resources expended

a Research and dissemination of information costs	2011 £	2010 £
Staff costs (note 8)	**4,694,189**	4,936,689
Temporary staff	**171,232**	36,719
Research fees payable to consultants and related costs	**4,461,499**	4,482,101
Dissemination of information	**934,476**	926,628
Travel	**1,463,746**	1,000,570
Support costs allocation (note 6)	**3,165,383**	2,486,666
Other costs	**250,560**	269,012
Group research and dissemination of information costs	**15,141,085**	14,138,384
ODI Sales Limited research and dissemination of information costs	802,625	
Charity research and dissemination of information costs	14,338,460	

b Fellowship activities and services	2011 £	2010 £
Supplementation	**1,943,752**	1,994,073
Staff costs (note 8)	**195,942**	197,313
Temporary staff	**6,543**	-
Support costs allocation (note 6)	**90,492**	69,003
Other costs	**714,909**	356,795
	2,951,638	2,617,184

5 Governance costs

	2011 £	2010 £
Auditors' remuneration:		
Audit fees	**15,000**	17,625
Non-audit services: Taxation	**-**	2,292
Non-audit services: Other	**-**	1,116
Legal fees	**3,258**	6,132
Other costs	**4,817**	2,3521
	23,075	29,5176

6 Support costs

	2011	2010
	£	£
Staff costs (note 8)	**1,431,478**	986,622
Staff overheads	**614,394**	467,719
Premises	**367,155**	345,191
Depreciation	**155,838**	71,726
Other costs	**687,010**	684,411
	3,255,875	2,555,669

The above support costs are apportioned to charitable activities on the basis of the number of staff members employed by each activity as follows:

	2011	2010
Support costs allocation	**£**	£
Research and dissemination of information	**3,165,383**	2,486,666
Fellowship activities and services	**90,492**	69,003
	3,255,875	2,555,669

7 ODI Sales Limited

The Overseas Development Institute owns the entire called up share capital of ODI Sales Limited, a trading company registered in England and Wales, Company Registration Number 7157505, incorporated on 15 February 2010.

A summary of the trading results of ODI Sales Limited for the year ended 31 March 2011 are given below. All taxable profits each year are transferred to the Charity.

	2011	2010
	£	£
Income	**1,366,866**	16,355
Cost of sales	**(797,407)**	(4,292)
Gross surplus	**569,459**	12,063
Administrative expenses	**(5,218)**	-
Operating surplus	**564,241**	12,063
Other interest receivable and similar income	4,747	-
Surplus on ordinary activties before taxation and Gift Aid	568,988	12,063
Taxation	-	-
Surplus on ordinary activties before Gift Aid	568,988	12,063
Gift Aid donation to parent undertaking	(581,051)	-
Accumulated deficit for the financial period and at 31 March 2011	(12,063)	12,063

At 31 March 2011, the total capital end reserves of the company was £10 (2010 : £(12,053))

8 Staff costs and Trustees' remuneration

a Staff costs during the year were as follows:

	2011	2010
	£	£
Wages and salaries	**5,164,237**	5,049,189
Social security costs	**447,914**	423,137
Other pension costs	**709,458**	648,298
	6,321,609	6,120,624
Temporary staff costs	**622,927**	395,965
	6,944,536	6,516,589

b Staff costs (excluding temporary staff) by function were as follows:

	2011	2010
	£	£
Research and dissemination of information	**4,694,189**	4,936,689
Fellowship activities and services	**195,942**	197,313
Support	**1,431,478**	986,622
	6,321,609	6,120,624

c The number of employees who earned £60,000 per annum or more (including taxable benefits but excluding employer pension contributions) during the year was as follows:

	2011	2010
£60,001 - £70,000	5	4
£70,001 - £80,000	2	-
£80,001 - £90,000	3	4
£90,001 - £100,000	-	1
£100,001 - £110,000	1	-

Of those employees who earned £60,000 or more during the year (as defined above), employer contributions were made to the Charity's defined benefit pension schemes in respect of all of them.

The average number of employees during the year, analysed by function, was as follows:

	2011	2010
Research and dissemination of information	104.8	109.0
Fellowship activities and services	3.0	3.0
Support	27.0	21.0
	134.8	131.0

During the year ended 31 March 2011 expenses of £16 (2010: £83) were reimbursed to 1 Trustee (2010: 1 Trustee) for attending Board and Council meetings. No Trustees were paid for project based work (2010: £98,755, 4 Trustees).

Andrew Barnett is a Director of ODI Sales Limited and Executive Director of The Policy Practice, a company that analyses and supports reforms to public policy and institutions in developing countries. During the year, income of £32,125 was received by ODI Sales Limited from The Policy Practice in respect of contracts for the provision of research in connection with international development and humanitarian affairs.

The Trustees have taken out Trustee indemnity insurance to cover the liability of the Trustees which by virtue of any rule of law would otherwise attach to them in respect of any negligence, default, breach of trust or breach of duty of which they may be guilty in relation to ODI. The premium paid by the charity amounted to £2,438 (2010: £5,508) and provided cover of £1,000,000 (2010: £1,000,000).

9 Net movement in funds

	2011	2010
	£	£
This is stated after charging:		
Auditors remuneration:		
Audit fees	**19,200**	17,625
Non-audit services: Taxation	**-**	2,292
Non-audit services: Other	**16,762**	1,116
Depreciation	**155,838**	71,725
Operating lease rentals:		
Premises	**289,670**	345,191

10 Taxation

The Charity is a registered charity and therefore is not liable for income tax or corporation tax on income derived from its charitable activities, as it falls within the various exemptions available to registered charities.

The subsidiary, ODI Sales Limited, donates its taxable profits, if any, to ODI each year.

11 Tangible fixed assets

Group and Charity	Leasehold improvements £	Furniture, fixtures & fittings £	Equipment £	**Total £**
Cost				
At 1 April 2010	222,770	-	283,048	505,818
Additions during the year	-	-	116,748	116,748
At 31 March 2011	222,770	-	399,796	**622,566**
Depreciation				
At 1 April 2010	158,353	-	79,240	237,593
Charge for year	32,208	-	123,630	155,838
At 31 March 2011	190,561	-	202,870	**393,431**
Net book values				
At 31 March 2011	32,209	-	196,926	**229,135**
At 31 March 2010	64,417	-	203,808	268,225

Included within the depreciation charge above are impairment costs of £109,875 relating to equipment costs of the new integrated information system capitalised during the year ended 31 March 2010. This equipment was impaired to reflect the revised useful economic life of these assets. With respect to the new system, only the software costs remain on the balance sheet.

12 Investments

Group	2011 £
Listed investments	
Market value at 1 April 2010	1,499,440
Additions at cost	556,750
Disposals	
(Proceeds £556,749; realised loss £38,179)	(594,930)
Unrealised investment gains	62,239
Market value at 31 March 2011	**1,523,499**
Historical cost of listed investments at 31 March 2011	1,373,076

Charity	Shares in subsidiary company £	Listed investments £	**Total £**
Market value at 1 April 2010	10	1,499,440	**1,499,450**
Additions	-	556,750	**556,750**
Disposals	-	(594,930)	**(594,930)**
Unrealised investment gains	-	62,239	**62,239**
Market value at 31 March 2011	10	1,523,499	**1,523,509**
Historical cost of listed investments at 31 March 2011	10	1,373,076	**1,373,086**

At 31 March 2011 listed investments comprised the following holdings in United Kingdom common investment funds:

	2011 £
Charinco accumulation units	**1,523,499**

At 31 March 2011 the Charity owned the entire called up share capital of ODI Sales Limited, which is incorporated in the UK for the purposes of generating income for the charitable purposes of the Charity. A summary of the financial results of the company is shown in note 7.

13 Debtors

	Charity 2011 £	**Group 2011 £**	Charity 2010 £	Group 2010 £
Grants receivable and accrued income	**2,848,254**	**3,277,487**	3,427,751	3,427,751
Other debtors	**309,479**	**309,479**	19,855	19,855
Prepayments	**172,641**	**172,641**	82,060	82,060
Amount due from subsidiary undertaking	**796,632**	**-**	-	-
	4,127,006	**3,759,607**	3,529,666	3,529,666

Included within other debtors above is £290,566 relating to monies forming a bank guarantee. These monies are held by the bank on ODI's behalf in order to secure certain EU grant funding.

14 Creditors: amounts falling due within one year

	Charity 2011 £	Group 2011 £	Charity 2010 £	Group 2010 £
Grants received in advance	**2,745,390**	**2,809,154**	2,551,831	2,551,831
Expense creditors	**576,097**	**576,814**	807,206	807,206
Social security and other taxes	**140,773**	**181,686**	131,982	131,982
Accruals and deferred	**214,371**	**222,464**	167,718	167,718
Amount owed to subsidiary undertaking	**-**	**-**	12,073	-
	3,676,631	**3,790,118**	3,670,810	3,658,737

15 Tangible fixed assets fund

	2011 £
At 1 April 2010	268,225
Transfer from general funds being net movements in year	(39,090)
At 31 March 2011	**229,135**

The tangible fixed assets fund represents the net book value of the tangible fixed assets owned by the Charity. These assets are of fundamental importance to the Charity in carrying out its objectives. As such, a decision was made to separate this fund from general funds in order to demonstrate that the value does not comprise assets that can be realised with ease in order to meet ongoing expenditure.

16 Analysis of net assets between funds

	General and non-charitable funds	Tangible fixed assets fund	Total
Group	£	£	**£**
Fund balances at 31 March 2011 are represented by:			
Tangible fixed assets	-	229,135	229,135
Investments	1,523,499	-	1,523,499
Net current assets	1,799,633	-	1,799,633
Total net assets	3,323,132	229,135	3,552,267

	General	Tangible fixed assets fund	Total
Charity	£	£	**£**
Fund balances at 31 March 2011 are represented by:			
Tangible fixed assets	-	229,135	229,135
Investments	1,523,509	-	1,523,509
Net current assets	1,799,623	-	1,799,623
Total net assets	3,323,132	229,135	3,552,267

17 Lease commitments

At 31 March 2011 the Charity had annual commitments under non-cancellable operating leases as set out below:

	2011	2010
Group and Charity	**£**	£
Operating leases which expire:		
Within one to two years	**185,500**	-
Within two to five years	**-**	185,500

18 Pensions

Retirement benefits for employees are provided by two independently administered schemes, which are funded by contributions from the employer and employees. Contributions to the schemes are charged to the statement of financial activities so as to spread the cost of the pensions over the employees' working lives.

Under the definitions set out in Financial Reporting Standard 17, Retirement Benefits, both schemes are classed as multi-employer pension schemes. The Institute is unable to identify its share of the underlying assets and liabilities of the schemes. Accordingly, the Institute has taken advantage of the exemption in FRS 17 and has accounted for its contributions to the schemes as if they were defined contribution schemes. The Institute has set out below the latest information available for each scheme.

The Universities Superannuation Scheme (USS)

The Institute participates in the Universities Superannuation Scheme (USS), a defined benefit scheme which is externally funded and contracted out of the State Second Pension (S2P). The assets of the scheme are held in a separate Trustee-administered fund.

The Institute is unable to identify its share of the underlying assets and liabilities of the scheme on a consistent and reasonable basis and therefore, as required by FRS 17 Retirement Benefits, accounts for the scheme as if it were a defined contribution scheme. As a result, the amount charged to the statement of financial activities represents the contributions payable to the scheme in respect of the accounting period.

At the time of writing, the formal triennial actuarial valuation as at 31 March 2011 was in progress and the findings pending. The latest actuarial valuation of the scheme was therefore at 31 March 2008. The assumptions that have the most significant effect on the result of the valuation are those relating to the rate of return on investments (i.e. the valuation rate of interest) and the rates of increase in salary and pensions. In relation to the past service liabilities the financial assumptions were derived from market yields prevailing at the valuation date. It was assumed that the valuation rate of interest would be 4.4% per annum, salary increases would be 4.3% per annum (plus an additional allowance for increases in salaries due to age and promotion in line with recent experience) and pensions would increase by 3.3% per annum. In relation to the future service liabilities it was assumed that the valuation rate of interest would be 6.1% per annum, salary increases would be 4.3% per annum (also plus an allowance for increases in salaries due to age and promotion) and pensions would increase by 3.3% per annum. The valuation was carried out using the projected unit method.

At the valuation date, the value of the assets of the scheme was £28,842 million and the value of the past service liabilities was £28,135 million indicating a surplus of £707 million. The assets therefore were sufficient to cover 103% of the benefits that had accrued to members after allowing for expected future increases in earnings.

The actuary also valued the scheme on a number of other bases as at the valuation date. Using the Pension Protection Fund regulations introduced by the Pensions Act 2004 it was 107% funded; on a buy-out basis (i.e. assuming the scheme had discontinued on the valuation date) the assets would have been approximately 79% of the amount necessary to secure all the USS benefits with an insurance company; and using the FRS 17 formula as if USS was a single employer scheme, the actuary estimated that the funding level would have been approximately 104%.

Surpluses or deficits that arise at future valuations may impact on the Institute's future contribution commitment. An additional factor that could impact the funding level of the scheme is that with effect from 16 March 2006, USS positioned itself as a 'last man standing' scheme so that in the event of the insolvency of any of the participating employers in USS, the amount of any pension funding shortfall (which cannot otherwise be recovered) in respect of that employer will be spread across the remaining participant employers and reflected in the next actuarial valuation of the scheme.

The total pension costs for the Charity under this scheme were £520,782 (2010: £496,637). The contribution rate payable by the Charity was 14% of pensionable salaries.

Changes to USS were decided by the Joint Negotiating Committee of USS on 10 May 2011 and approved by the trustee board of USS at its meeting on 9 June 2011. Changes include:

- An increase in existing member contribution rate to 7.5% of salary from 1 October 2011
- A cap on the increases that will apply to the benefits earned by members will apply to benefits that are built up on or after 1 October 2011
- New entrants to USS from 1 October 2011 will join a new section of the scheme. Benefits in the new section are calculated differently to the final salary section. The benefits are worked out at the end of each scheme year and added to any previous benefits built up in the scheme. These benefits then receive increases each year until retirement. The formula to work out the annual pension is 1.25% of salary in each scheme year. In addition a lump sum is provided of three times the pension. The employee contribution in the new section is 6.5% of salary.
- If there is a requirement in the future to increase the overall contribution rate to USS above the combined level of 23.5%, the increase will be shared in the ratio of 65:35 between employers and members respectively.

Superannuation arrangements of the University of London (SAUL)

The Charity also participates in the Superannuation Arrangements of the University of London, a centralised defined benefit scheme for all qualified employees with the assets held in separate Trustee-administered funds. The Charity has now adopted FRS 17 for accounting for pension costs. It is not possible to identify the Charity's share of the underlying assets and liabilities of SAUL. Therefore contributions are accounted for as if SAUL were a defined contribution scheme and pension costs are based on the amount actually paid (i.e. cash amounts) in accordance with paragraphs 8 to 12 of FRS 17.

The scheme is subject to triennial valuation by professionally qualified and independent actuaries but, at the time of writing, the findings of the formal triennial actuarial valuation as at 31 March 2011 were pending. The last available valuation was carried out as at 31 March 2008 using the projected unit credit method in which the actuarial liability makes allowance for projected earnings. The following assumptions were used to assess the past service funding position and future service liabilities:

Valuation method: projected unit

	Past service	Future service
Investment return on liabilities		
before retirement	5.50% per annum	6.50% per annum
after retirement	4.50% per annum	4.50% per annum
Salary growth*	4.15% per annum	4.15% per annum
Pension increases	2.65% per annum	2.65% per annum

*excluding an allowance for promotional increases

The actuarial valuation applies to the scheme as a whole and does not identify surpluses or deficits applicable to individual employers. As a whole, the market value of the scheme's assets was £1,266 million, representing 100% of the liability using the Technical Provision basis and 83% of the liability using the Secondary Funding Objective.

Following the latest valuation, the employer contributions have remained at 13% of salaries. Member contributions have also remained at 6% of salaries.

Employers who have recently joined SAUL ('New Employers') and certain employee groups (as agreed by the Trustee of SAUL), will pay 19.2% of salaries per annum from August 2006 until the second actuarial valuation after entry (or some other period as agreed with the Trustee).

A comparison of SAUL's assets and liabilities calculated using assumptions consistent with FRS 17 revealed the scheme to be broadly balanced at the last formal valuation date (31 March 2008).

The total pension costs for the Charity under this scheme were £157,754 (2010: £151,661). The contribution rate payable by the Charity was 10.5% of pensionable salaries.

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