

ICAI follow-up review of 2018-19 reports

July 2020

The Independent Commission for Aid Impact works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.

Individual review scores and what they mean



An adequate score means:

- Enough progress has been made in the right areas and in a sufficiently timely manner in order to address the core concerns underpinning ICAI's recommendations.



An inadequate score results from one or more of the following three factors:

- Too little has been done to address ICAI's recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow and we are not able to judge their effectiveness (the response is insufficiently implemented).



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Letter from the chief commissioner

This is the first follow-up review that I have led since joining ICAI as chief commissioner in January 2019. It has been very useful for me to get to know the work ICAI did before I arrived, to ensure that we continue to press for the improvements in UK aid work that we identified in earlier reviews.

When we consulted about how ICAI itself could do better, one suggestion we received was that ICAI could make its follow-up reviews even more rigorous and give our scrutiny more grip if we scored departments' responses to our recommendations. We decided to try this, and it has been a good, if challenging, discipline to make judgements on which responses are adequate, taking into account what could reasonably be expected.

This process has made us think even harder about how to word recommendations for the greatest impact, and to recognise how they work together. We do not expect all recommendations to have equal importance, so sometimes the response can be judged inadequate even where the majority have been used to improve the work. We also try to take into account how external events may have meant that one or more of our recommendations are less relevant, or expectations need adjusting.

External events have in the past year created many challenges, even where departments were very responsive and ministers committed to the improvements recommended – as in the cases of climate change and maternal health. Nevertheless, we did see for the most part continued efforts to respond to ICAI's work. We have been careful to limit the number of cases where we identified the need to follow up through this process next year. We recognise that, although scrutiny is more important than ever before, it can be time-consuming, and we want to be sure that we can continue to achieve impact even with the pressures on the time of officials created by the COVID-19 pandemic and as UK aid moves into a new governance structure with the creation of the Foreign, Commonwealth and Development Office.



A handwritten signature in black ink, which appears to be 'T. Barton', written in a cursive style.

Dr Tamsyn Barton
Chief Commissioner

Executive summary

This report presents the results of our follow-up exercise to assess progress made by aid-spending government departments and funds on addressing ICAI recommendations. It covers nine ICAI reviews in all: eight published during the annual review cycle from July 2018 to June 2019, as well as one earlier report from November 2017. This earlier report is the first of two reports scrutinising the approach to procurement by the Department for International Development (DFID), and we decided to follow up these two reviews in parallel.

In addition to these nine follow-ups, we also revisit three issues identified as outstanding from last year's follow-up review.

Table 1: List of Year 8 reviews and outstanding issues from earlier years covered by this follow-up review

Follow-ups	
Achieving value for money through procurement: DFID's approach to its supplier market ("Procurement 1")	November 2017
Achieving value for money through procurement: DFID's approach to value for money through tendering and contract management ("Procurement 2")	September 2018
DFID's transport and urban infrastructure investments	October 2018
Assessing DFID's results in maternal health	October 2018
The UK's approach to funding the UN humanitarian system	December 2018
International Climate Finance: UK aid for low-carbon development	February 2019
CDC's investments in low-income and fragile states	March 2019
DFID's partnerships with civil society organisations	April 2019
The Newton Fund	June 2019
Outstanding issues	
The Global Challenges Research Fund	September 2017
The UK's aid response to irregular migration in the central Mediterranean	March 2017
DFID's governance work in Nepal and Uganda	June 2018

Overview on the response to ICAI's recommendations

The past year has provided a challenging climate of uncertainty and disruption for UK aid. Cabinet reshuffles – with four secretaries of state for international development over a one-year period – and a general election led to delays in the development of strategies and plans, as ministerial teams came and went. Brexit preparations drew some staff away from their usual tasks. Then, the COVID-19 pandemic dramatically compounded the stress on human resources as the government reordered its priorities in order to focus attention on the healthcare and economic emergencies triggered by the pandemic. And finally, on 16 June 2020, the government announced a plan to merge DFID with the Foreign and Commonwealth Office (FCO).

Considering this context, the government's response to ICAI's recommendations from its 2018-19 reviews has been, on the whole, positive. Many improvements have been achieved despite stretched resources, as teams and departments chose priorities carefully and worked, as the head of one DFID team described, "above and beyond". Among specific highlights this year, we include:

- **DFID’s results in maternal health:** DFID responded swiftly to ICAI’s concerns that the models it used to assess “maternal lives saved” were flawed.
- **The UK’s approach to funding the UN humanitarian system:** After ICAI’s review, DFID conducted an internal review of core support to the UN’s Central Emergency Response Fund (CERF), which agreed with ICAI that CERF should be removed from the joint UN business case and collective payment by results approach. A standalone business case for CERF is being developed and is planned to be launched in 2020.

Scoring the government’s progress

This year, for the first time, we introduced a scoring element to the follow-up exercises. For each of the nine reviews we follow up, we provide a score of adequate or inadequate, illustrated by a tick or a cross.¹ An inadequate score results from one or more of the following three factors:

- Too little has been done to address ICAI’s recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow (the response is insufficiently implemented) and we are not convinced by the reasons for the slowness.

We will return to issues where the government response has been inadequate, either through the next follow-up or through future reviews.

Of the nine reviews this year, four were given an inadequate score:

- **The Newton Fund**, due to inadequate progress in addressing ICAI’s concerns over tied aid and attention to poverty reduction as the Fund’s primary purpose.
- **DFID’s approach to tendering and contract management**, as a result of DFID’s failure to put in place a formal contract management regime, despite the risks this entails for programme results.
- **CDC’s investments in low-income and fragile states.** While CDC has put in place mechanisms and tools for improving its attention to development impact, the evidence is not yet clear that these are sufficiently shaping investment practices. CDC’s plans for opening and expanding country offices remain insufficiently ambitious, particularly in Africa.
- **The UK’s International Climate Finance (ICF):** a new cross-departmental strategy for the ICF has not yet been published (the current strategy is from 2011). With the UK government hosting COP26 and having committed to doubling its spending on climate finance, the urgency of communicating the ICF strategic priorities to other donors and the UK public is higher now than when ICAI wrote its original recommendation.

Cross-cutting themes

Every year the follow-up process throws up issues of strategic importance to UK aid spending that cut across many of our reviews and recommendations. In this year’s follow-up review, we discuss three themes that affected the government response to our recommendations and which will continue to be salient in our current review programme:

- steady (but reduced) progress on ICAI’s recommendations in a period of extensive disruption
- the role of clear and consistently applied strategies in achieving development impact
- challenges in improving central and country-level coherence in DFID.

¹ We only score our nine full follow-up exercises, not the three outstanding issues from last year’s follow-up report.

Outstanding issues

There are areas of strategic significance where further follow-up next year will be beneficial. This year we identified three reviews for further follow-up:

- **The Newton Fund**
- **DFID's approach to tendering and contract management**
- **CDC's investment in low-income and fragile states**

In addition, we will follow up on the progress on the new ICF strategy as part of our forthcoming review on UK aid to tackle biodiversity and deforestation. We also keep open the option of returning to the maternal health review again if the publication of the Ending Preventable Deaths Action Plan and the Health Systems Strengthening Position Paper does not go ahead as planned later in 2020 or if they are of insufficient quality.

Table 2: Overview of progress and scoring for individual reviews

Our assessment of progress on ICAI recommendations	Score
Achieving value for money through procurement: DFID’s approach to its supplier market (“Procurement 1”)	
<p>DFID has made good progress on most recommendations, leading to a stronger approach to its supplier market. The department has progressed significantly with its use of open-book accounting and monitoring and management of fee rates. It has made use of a number of communication channels to promote new suppliers, support small and medium enterprises (SMEs) and local suppliers and encourage overseas bidders. However, there has been a disappointing failure to increase the number of local suppliers from developing countries.</p>	
Achieving value for money through procurement: DFID’s approach to value for money through tendering and contract management (“Procurement 2”)	
<p>There have been improvements in how DFID manages consultations and information, but this will have little impact on overall performance without progress on instituting a formal contract management regime and appropriate levels of staff training. The response to this review’s recommendations is therefore inadequate and we will return to the issue of contract management next year.</p>	
DFID’s transport and urban infrastructure investments	
<p>DFID has made notable progress on all of ICAI’s recommendations, despite stretched human resources. The department has developed increasingly sophisticated approaches to programme design and delivery. New guidance material and tools have helped it manage infrastructure programme challenges, including ensuring consideration of the impact of its infrastructure investments on the poorest and most vulnerable.</p> <p>However, efforts to improve economic appraisal of projects have been limited. Gaps remain in the guidance material available, and sustainability of results is a concern due to limited project timeframes and delays in initiating successors to major centrally managed programmes. In engaging with China on infrastructure cooperation, there is an ongoing need to carefully monitor potential trade-offs between commercial, trade and developmental interests at policy, influencing and programme levels.</p>	
Assessing DFID’s results in maternal health	
<p>DFID’s response has been comprehensive, and the changing shape of DFID strategy and programming on maternal health is already evident. However, initiatives are at an early stage and it will be some time before their full scope and influence are evident. It will be crucial to keep the momentum and to publish the delayed Ending Preventable Deaths Action Plan and Health Systems Strengthening Position Paper.</p> <p>DFID reacted swiftly to one of the central concerns of the ICAI report: how the department estimated and reported its results. Some changes have already been made, and a new approach to results reporting is being developed for the next spending review period. DFID also enhanced its emphasis on the need for good quality, respectful care for women and their babies and we found evidence of increased focus on adolescents and poorer women within DFID’s new family planning programmes – as well as of data disaggregation to monitor this.</p>	

Our assessment of progress on ICAI recommendations	Score
The UK's approach to funding the UN humanitarian system	
<p>Key aspects of ICAI's recommendations have been taken forward. The third-party monitoring and evaluation function has now been contracted, and the UN's Central Emergency Response Fund has been removed from the joint UN agencies business case and payment by results system. Good progress has been made on DFID's support of multilaterals' coordination of joint needs assessments and improving accountability to affected populations.</p> <p>However, more needs to be done in other reform areas, including localisation, the UN's sub-contracting processes, UN-NGO partnerships, and how the UN delivers its normative functions at country level.</p>	
International Climate Finance: UK aid for low-carbon development	
<p>A commitment to double UK spending on climate finance and preparations for hosting COP26 have been accompanied by technical work to develop the ICF's thematic priorities, value for money approach and governance structure. Transparency and information sharing have improved, but we are concerned about continued significant delays to producing the new ICF strategy, the limited progress in developing a more structured and deliberate approach to mainstreaming low-carbon development in DFID, and the limited efforts to use communications on the ICF to pursue UK global leadership in the area of climate finance. We have therefore scored this review as inadequate.</p>	
CDC's investments in low-income and fragile states	
<p>CDC has made notable progress in strengthening its tools to assess development impact, but it is not yet clear how these tools are shaping investment decisions and management. CDC has completed all its value creation strategies, but in most cases there has been limited action to implement them. CDC has deepened its collaboration with DFID. However, its country expansion efforts – based on plans agreed with DFID – remain unambitious, posing challenges for investment sourcing, oversight and securing development impact. CDC has expanded communications on its Catalyst Portfolio but made limited progress on communicating the rationale behind its investment approach for the Growth Portfolio.</p>	
DFID's partnerships with civil society organisations	
<p>DFID's ambitious commitments may amount to a new approach to civil society partnerships – with less bias towards UK civil society organisations (CSOs) and more attention to the longer-term health of civil society in partner countries. Actions have been planned and implemented quickly, but with care. Learning processes have been built into business plans.</p> <p>If these commitments continue to be implemented during the difficult period ahead, CSOs should start seeing the results of DFID's new approach in the coming years. Being a reliable partner to CSOs will be crucial in this time of significant stress caused by the COVID-19 pandemic. Support for local CSOs will need to be an important element of UK aid's support of the poorest and most vulnerable, who will suffer most from the economic consequences of the pandemic.</p>	
The Newton Fund	
<p>Governance and oversight mechanisms have been strengthened, and there has been substantial improvement on gender equality, diversity and inclusion. However, the Department for Business, Energy and Industrial Strategy (BEIS) has not interacted with the fundamental concerns of ICAI's review, which focus on the Fund's attention to development impact and a funding model that ties almost all the UK official development assistance (ODA) to UK research institutions. We find the overall response to ICAI's recommendations inadequate and will return to these fundamental concerns as an outstanding issue in next year's follow-up exercise.</p>	

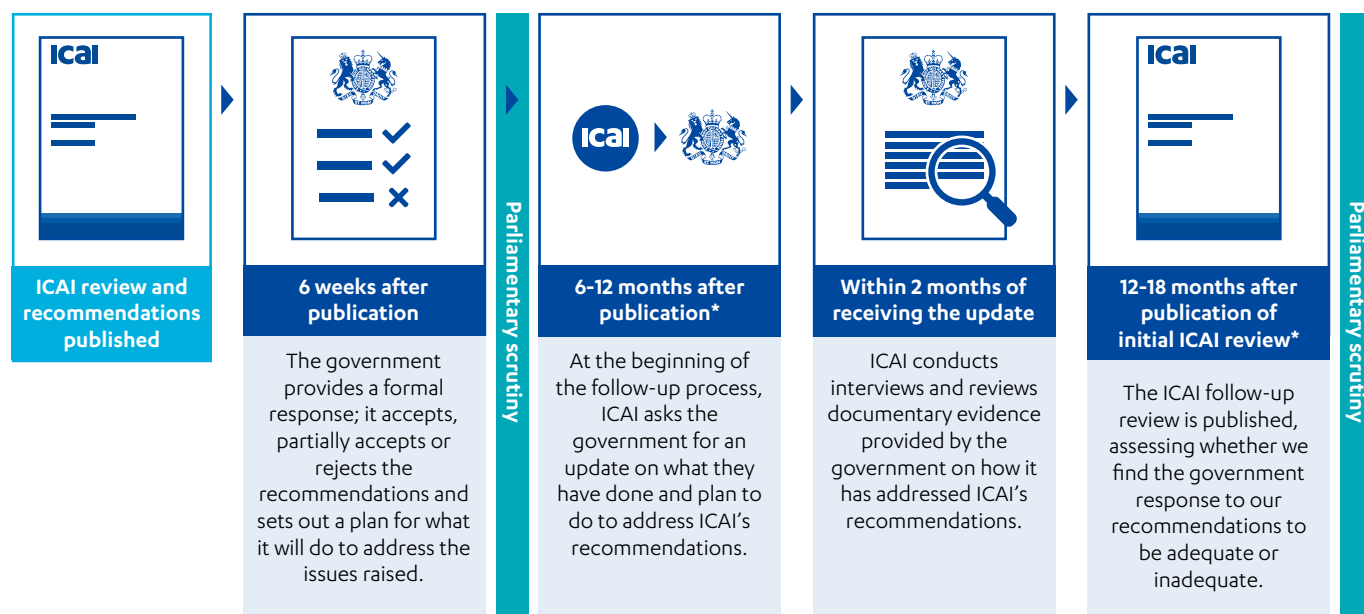
Table 3: Overview of progress on outstanding issues from earlier reports

Outstanding issue	Our assessment of progress since last year
The Global Challenges Research Fund (GCRF)	
<p>To come back to how promising innovations are functioning, and to revisit ongoing concerns over tied aid and value for money for the portion of the Fund distributed through the funding councils.</p>	<p>The Research Hubs are a particularly promising innovation from the perspective of potential development impact, while the cross-departmental Strategic Coherence of ODA-funded Research (SCOR) Board appears well placed to encourage greater cross-government coherence of ODA-funded research.</p> <p>We remain, however, deeply concerned about the quality-related grants to UK higher education institutions allocated via the four funding councils. This is in stark contrast to the UK's untying commitment and is poor value for money, allocated with little consideration of aid effectiveness or the aims and objectives of the GCRF.</p>
The UK's aid response to irregular migration in the central Mediterranean	
<p>The adequacy of the MEL arrangements for DFID's flagship migration programme, SSS II.</p>	<p>Although, as highlighted in the original review and subsequent follow-ups, the monitoring, evaluation and learning (MEL) arrangements for the Safety, Support and Solutions Programme for Refugees and Migrants (SSS II) were too late in being developed and implemented, we find that they are now of an adequate standard to support this complex programme.</p>
DFID's governance work in Nepal and Uganda	
<p>ICAI returned to all the recommendations of this review, since last year's follow-up exercise took place too early to allow an assessment of the effectiveness and impact of the improvements underway.</p>	<p>DFID has made good progress on strengthening its approach to governance. The new Governance Position Paper supports business planning and the mainstreaming of governance goals into other sectors. It reinforces the focus on adaptive programming, the use of evidence in designing and evolving programming, and thinking and working politically. Governance advisers now spend more of their time on providing technical inputs, and DFID has been making better use of locally appointed staff. There is less progress on improving the diversity of governance advisers, and there remains a dearth of evaluations of DFID's governance work.</p>

1 Introduction

- 1.1 The Independent Commission for Aid Impact (ICAI) provides robust, independent scrutiny of the UK's official development assistance (ODA), to assist the government in improving the effectiveness and impact of its interventions and to assure taxpayers of the value for money of UK aid spending. Our main vehicle for this scrutiny is the publication of reviews on a broad range of topics of importance to the UK's aid strategy. A crucial part of these reviews is our annual follow-up process, where we return to the recommendations from the previous year's reviews to see how well they have been acted upon. New to this year's review is the scoring of the government's action as adequate or inadequate (see below for the criteria used), to provide the reader with a clear visual summary of the relevance and effectiveness of the response to ICAI's recommendations.
- 1.2 This report provides a record for the public and for Parliament's International Development Committee (IDC) of how well the UK government has responded to ICAI recommendations. The follow-up process is also an opportunity for additional interaction between ICAI and responsible staff in aid-spending departments, offering feedback and learning opportunities for both parties. The follow-up process is central to our work to ensure maximum impact from our reviews.

Figure 1: Timeline of ICAI's annual follow-up process



*We conduct our follow-up assessment on an annual basis, starting in January and publishing in the summer. The follow-up covers a number of reviews which are selected according to their publication date (if a review is only published a few months prior to the follow-up process then it will be covered in the following year). If we are unsatisfied with the government's progress on any of our recommendations, we then follow up on those areas again during the next year's assessment.

- 1.3 The follow-up process is structured around the recommendations provided in each ICAI review (see **Figure 1** above for an illustration of the process). Soon after the original ICAI review is published (usually six weeks), the government provides a formal response. The response sets out whether the government accepts, partially accepts or rejects ICAI's recommendations and provides a plan for addressing the issues raised. This is followed by a hearing, usually in the ICAI sub-committee of the International Development Committee.² Then the formal follow-up process starts, normally between six and 12 months after the publication of the original review (timing depending on how early in ICAI's annual review cycle the relevant report was published).

² The hearing for the Newton Fund review was delayed due to the 2019 UK election and then COVID-19. The hearing was conducted in the form of written questions and answers, followed by a report published by the IDC on 15 June 2020, [link](#). Unusually for ICAI reviews, the IDC hearing for the Newton Fund review took place after the evidence gathering stage for ICAI's follow-up exercise.

1.4 To start the follow-up exercise, ICAI asks the aid-spending departments and organisations for an update on what they have done and plan to do. This is followed by an evidence gathering stage, where we investigate the extent to which the government has done what it promised and – considering any additional relevant actions – determine if this is an adequate response. The findings are reported and scored in the follow-up review. After publication, there is parliamentary scrutiny of the review’s findings.

Introducing scoring of the follow-up exercises

1.5 New to the follow-up review this year is the introduction of scoring. For each of the nine reviews we return to, we have provided a tick or a cross, depending on whether we find the overall progress adequate or inadequate. The score takes into consideration the wider context, including external constraints, in which government actions have taken place (see more on the turbulent period that this follow-up review covers in Section 3 of this report). It also considers the time the relevant government department or organisation has had to plan and implement changes.

1.6 An inadequate score results from one or more of the following three factors:

- Too little has been done to address ICAI’s recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow and we are not able to judge their effectiveness (the response is insufficiently implemented).

1.7 It should be noted that the third factor – the adequacy of implementation – is not a simple question of checking if plans have been put into practice yet. We take into consideration how ambitious and complicated the plans are, and how realistic their implementation timelines are. Some changes are ‘low-hanging fruit’ and can be achieved quickly, while others demand long-term dedicated attention and considerable resources. An inadequate score due to slow implementation will only be awarded if ICAI finds the reasons provided for lack of implementation unconvincing.

1.8 This year’s follow-up review covers nine ICAI reviews with a total of 40 recommendations.³ After briefly setting out our methodology, we discuss three cross-cutting issues that affected how well our recommendations have been taken up. This is followed by the main body of the report: an account of progress on each of the nine reviews and the three outstanding issues covered by this year’s follow-up report. We sum up with a brief conclusion and a list of the reviews and recommendations we plan to return to again next year.

³ 35 were accepted (of which seven were described as “already implementing”), five partially accepted, and none rejected.

2 Methodology

- 2.1 When we follow up on the findings and recommendations of our past reviews, we focus on four aspects of the government response:
 - whether the actions proposed in the government response are likely to address the recommendations
 - progress on implementing the actions set out in the government response, as well as other actions relevant to the recommendation
 - the quality of the work undertaken and how likely it is to be effective in addressing the concerns raised in the review
 - the reasons why any recommendations were only partially accepted (none of the 2018-19 recommendations were rejected).
- 2.2 We begin by asking the relevant government department to prepare a brief note, accompanied by documentary evidence, summarising the actions taken to implement the response to our recommendations. We then check that account through interviews with the responsible staff, both centrally and in country offices, and by examining relevant documentation. Where necessary, we also interview external stakeholders, including other UK government departments, multilateral partners and implementers. To ensure we maintain sight of broader developments, we also assess whether ICAI's findings and analysis have been influential beyond the specific issues raised in the recommendations.
- 2.3 The follow-up process for each review concludes with a formal meeting between a commissioner and the senior civil service counterpart in the responsible department.
- 2.4 At the end of the follow-up process, we identify issues that warrant a further follow-up the following year. The decision is based on the continuing strategic importance of the issue, the inadequate or incomplete action taken to address it, and whether or not there will be other opportunities for ICAI to pursue the issue through its future review programme.
- 2.5 We also use the follow-up process to inform internal learning for ICAI about the impact of our reviews on UK aid and how we communicate our findings and recommendations in order to achieve maximum traction with the government.

Box 1: Limitations to our methodology

The follow-up review addresses the adequacy of the government response to ICAI's recommendations. Its findings are based on checking and examining the government's formal response, and its subsequent actions in relation to the recommendations from the review. The time and resources available for this evidence gathering exercise are limited, and not comparable to a full ICAI review.

3 Cross-cutting themes

3.1 During the course of our follow-up exercise, we found three themes of strategic importance that recurred across several of the 2018-19 reviews which affected the government response to our recommendations and which will continue to be salient in our current review programme.

Steady (but reduced) progress in a period of extensive disruption

- 3.2 2019 was an eventful year in British politics, with significant impact on UK aid delivery. Across the UK government some staff were drawn away from their usual tasks to prepare for Brexit. Many aid delivery teams told us they were significantly affected. Then, in 2020, the COVID-19 pandemic dramatically compounded the stress on human resources as the government reordered its priorities to focus attention on the healthcare and economic emergencies triggered by the pandemic. Finally, as this report was being completed, the plan to merge DFID with the FCO was announced.
- 3.3 There were several changes in political leadership over the past year, including a cabinet reshuffle in July 2019, a general election in December and then another reshuffle in February 2020. DFID saw even more disruption. The department had three secretaries of state during 2019 (Penny Mordaunt, Rory Stewart and Alok Sharma), with a fourth, Anne-Marie Trevelyan, taking office in February 2020. This led to repeated interruptions in planned work due to restrictions in the pre-election period and delays in obtaining ministerial approval, as new ministers were brought up to speed on current initiatives and set out their own priorities.
- 3.4 We have seen the impact of these disruptions across the government's response to ICAI recommendations. Frequent ministerial changes contributed to delaying the completion and publication of strategies and guidance – including some that had been a long time in the making. As some staff were redeployed to other departments for Brexit preparations, stretched human resources meant that initiatives demanding coordination and cooperation across several DFID teams or several government departments were particularly vulnerable to being deprioritised, since cross-team work tends to be more difficult and time-consuming.
- 3.5 Examples of the impact of disruptions include:
- **DFID's funding of the UN humanitarian system:** We were told that Brexit preparations had a significant impact on the staff time available to implement the government's commitments, with members of the DFID Conflict, Humanitarian and Security team at times redeployed, including several of those leading the engagement with UN agencies. Except for safeguarding issues, which it continued to prioritise, DFID had little capacity to engage with UN humanitarian agencies on improving the way they subcontract non-government organisations (NGOs) or manage their delivery chains.
 - **DFID's investments in transport and urban infrastructure:** Development of a new SMART guide on infrastructure programming was delayed, as senior staff from the infrastructure cadre were redeployed to Brexit planning and the management of major events and commitments such as the Africa Investment Summit and the Infrastructure Commission.
 - **DFID's partnerships with CSOs:** DFID's civil society team lost two staff to Brexit-related redeployment. DFID's plans to institute a shared approach to learning across the many different departments and teams that work with CSOs fell by the wayside.
 - **DFID's results in maternal health:** The long-awaited Health Systems Strengthening Position Paper is an example of the results of cumulative disruption. After first being delayed by the frequent turnover in secretaries of state, it was finally scheduled for publication in December 2019. However, this was postponed due to restrictions in the pre-election period, and then put back again so that publication coincided with the release of the Ending Preventable Deaths Action Plan, which is still under development. Both are now likely to be further delayed due to the COVID-19 response.
- 3.6 Considering this difficult and fast-changing context, it is notable that DFID and other departments delivering UK aid have managed to make good progress in tackling many of the concerns raised in ICAI

reviews. Where prioritisation had to be done, it was generally done in a thoughtful and realistic manner. Careful balancing of priorities will continue to be important, as the response to the COVID-19 pandemic puts a heavy burden on UK aid management capacity in the coming period.

- 3.7 This said, the lack of progress on some reviews cannot be put down (at least not solely) to external pressures and events. We found, for instance, that:
- The Newton Fund’s lack of progress on addressing ICAI’s concerns over tied aid and the lack of attention to poverty reduction cannot be explained by human resource constraints, as BEIS has bolstered staffing and governance structures for the Newton Fund and its sister fund, the Global Challenges Research Fund.
 - DFID’s failure to put in place a formal contract management regime with sufficient staff training cannot be attributed to external events.
 - CDC, which was not affected by political change or Brexit redeployment, retained its unambitious plans for increasing its country presence in Africa, with a slow rate of opening and expanding country offices.
 - The departments responsible for the UK’s International Climate Finance (ICF) are yet to publish a new cross-departmental strategy for the ICF. As the strategy has not been updated since 2011, recent events do not justify this delay.

The role of clear and consistently applied strategies in achieving development impact

- 3.8 Delivering aid impact calls for clear strategies and well-articulated priorities. ICAI reviews have consistently found that UK aid is most effective when the responsible departments focus their efforts by setting down clear priorities and how they propose to achieve them. This helps to promote coherence and consistency across complex portfolios. It is therefore not surprising that many ICAI recommendations call for new or updated strategies, or for their more consistent application.
- 3.9 This year, the challenging political context has made it difficult to develop or strengthen strategies in a range of policy areas, which has, in turn, hampered effectiveness. In the cases where new or strengthened strategies have been produced – often following protracted processes – they have proved key to improving the impact and value for money of UK aid.
- 3.10 The follow-up of DFID’s governance work in Nepal and Uganda is an example of this. Our original review found that a lack of strategic approach undermined continuity of programming and long-term focus. After delays, DFID published a Governance Position Paper in March 2019. This led to significant improvements in DFID’s governance work by giving the department a common language and conceptual framework, strengthening business planning and increasing the demand for governance advisers to support colleagues in other sectors.
- 3.11 The UK’s International Climate Finance, on the other hand, is an example of a strategic gap yet to be addressed. While the government has undertaken analytical work to underpin a new cross-departmental strategy for the ICF, officials interviewed for this follow-up review – even before the scale of the impact of the COVID-19 response was clear – could not confirm when the new strategy would be published. Working without a public strategy undermines public debate and scrutiny, and risks compromising the coherence of the UK’s international climate investments.
- 3.12 Poverty reduction is the primary purpose of UK aid. Clear strategies for retaining this focus on poverty reduction and development impact are particularly important in the case of aid spending identified as ‘dual purpose’. ICAI’s reviews of the Global Challenges Research Fund (GCRF) and the Newton Fund – both large research and innovation funds managed by BEIS – identified weaknesses in their focus on poverty and development results. Both funds are actively pursuing secondary purposes, such as supporting UK research and innovation and building UK soft power. The GCRF responded well to ICAI’s concern by developing a clear strategy for sustainable and transformative development impact. However, the Newton Fund has not gone through a similar transformation.
- 3.13 With aid funding now distributed across more departments and funds, clear strategies are important to maintaining the coherence and integrity of UK aid. In particular, it is important that aid-spending

departments charged with pursuing secondary benefits to the UK set out clearly how they propose to manage the trade-offs and avoid compromising their primary purpose of promoting poverty reduction.

Challenges in improving central and country-level coherence in DFID

- 3.14 Historically, DFID has been one of the most decentralised global aid agencies. As the OECD's past peer review processes⁴ pointed out, this helped the department to adapt to changing contexts⁵ and be more responsive to its partner countries.⁶
- 3.15 In recent years, however, ICAI has witnessed a trend towards the centralisation of a number of functions within DFID. The spending authority given to country offices has been reduced. Large centrally managed programmes have been established to boost DFID's global effort in priority areas such as girls' education. Increasingly, technical and programme management capacity is located in central or regional 'platforms' that provide support across multiple country programmes.⁷
- 3.16 There are likely to be both advantages and disadvantages to this move, and some tensions and compromises that will need to be carefully managed. It may boost the department's overall technical and delivery capacity, while making it more difficult to be responsive to specific country needs. The ICAI reviews followed up on this year give some reason for confidence that DFID has been managing these tensions appropriately, but also raise questions about the risks of continuing centralisation.
- 3.17 Our review of DFID's maternal health work had raised questions as to whether centrally managed programmes were helping partner countries to build effective national health systems. Our follow-up found that a number of new centrally managed health programmes had a strong focus on health systems strengthening and addressing quality of care. With the eventual publication of the Ending Preventable Deaths Action Plan, it will become clearer whether UK aid is mitigating the risks of centralisation.
- 3.18 In relation to transport and urban infrastructure, ICAI has observed that centrally managed programmes have enabled DFID to scale up its efforts in a technically demanding area, but have also made it more difficult to manage relationships with national counterparts. In our follow-up, we found that a new centrally managed infrastructure programme will support country offices with the design and review of new initiatives and give them access to a pool of technical experts. However, DFID was still working on how to ensure that multi-country platforms are flexible enough to respond to country needs.
- 3.19 Our second follow-up on DFID's governance work in Nepal and Uganda identified a transfer of programme management functions from country offices to headquarters. This has helped free up the time of governance advisers to support sector work and develop influencing relationships with country stakeholders. However, this is a recent and still evolving reform, and there is a risk that the centralisation of programme management functions may compromise the ability of country offices to manage their programmes in a flexible and adaptive manner, which has been one of the strengths of DFID's governance portfolio.
- 3.20 Our two reviews of DFID's procurement also addressed the changing balance of management functions between the central and country offices. DFID's objective is to build commercial capacity across its country offices. However, its procurement rules are adapted for large UK-based suppliers and are constraining its ability to work with local contractors in its partner countries, which would require a more flexible and adaptive approach.
- 3.21 An important development relating to the structures through which UK aid is managed, which emerged towards the end of this follow-up review cycle, was the announcement of a plan to merge DFID with the FCO. The announcement was preceded by a government directive that DFID country offices should now report directly to ambassadors or high commissioners.

4 The UK is currently undergoing a new OECD development cooperation peer review process, due for publication this year.

5 *OECD Development Cooperation Peer Reviews: United Kingdom, 2014*, OECD: Paris, [link](#).

6 *OECD Development Cooperation Peer Reviews: United Kingdom, 2010*, OECD: Paris, [link](#).

7 *Achieving value for money through procurement: Part 1: DFID's approach to its supplier market*, ICAI, November 2017, [link](#); and *Part 2: DFID's approach to value for money through tendering and contract management*, ICAI, September 2018, [link](#).

4 Findings from individual follow-ups

4.1 This main section of the report presents the results of our follow-up investigations of the government’s responses to the recommendations of nine ICAI reports. We present the results and score of each investigation in turn, focusing on the most significant results from, or gaps in, the response. We then end this section with a discussion of outstanding issues in three reviews from last year’s follow-up: on the Global Challenges Research Fund (GCRF), evaluating irregular migration programming, and DFID’s governance work.

Achieving value for money through procurement: DFID’s approach to its supplier market (“Procurement 1”)

Good progress on three out of four recommendations, leading to a stronger approach to DFID’s supplier market, although a disappointing failure to increase the number of local suppliers.



4.2 ICAI published the first of its two reports on how DFID achieves value for money through procurement in November 2017. This Procurement 1 report gave a green-amber score on how DFID interacted with its supplier market. It concluded that, after a slow start on market shaping, there was evidence of progress and a serious effort by DFID to get to grips with the challenges of achieving value for money through engagement with its supplier base. It offered four recommendations.

Table 4: ICAI’s recommendations and the government response

Subject of recommendation	Government response
DFID should adopt a more systematic approach to promoting the participation of local suppliers, to the extent permitted within procurement regulations, including measures at the central, sector and country office levels to encourage the emergence of future prime contractors from developing countries.	Accepted
DFID should develop clear plans for how it will progress its use of open-book accounting and improve fee rate transparency and ensure that its plans are clearly communicated to the supplier market, to minimise the risk of unintended consequences.	Accepted
DFID should accelerate its efforts to improve communication of pipeline opportunities to the market. It should also assess what potential information advantages are gained by participants in its Key Supplier Management Programme and ensure that this is counterbalanced by more effective communication with all potential suppliers. Internally, DFID should provide clearer guidance to staff as to what can and cannot be discussed during key supplier meetings.	Partially accepted
A stronger change management approach, with explicit objectives that are clearly communicated to staff. Plans should be supported by robust monitoring and management information arrangements, to enable full transparency, regular progress reporting and mitigation of potential negative effects.	Accepted

Recommendation 1: Adopt a more systematic approach to promoting the participation of local suppliers, including measures to encourage future prime contractors from developing countries

- 4.3 ICAI's review recommended that DFID promote the participation of local suppliers by identifying opportunities for them to compete directly for DFID contracts, increasing supervision of the terms on which prime contractors engage local suppliers, and inducing DFID's prime contractors to invest in building local capacity.
- 4.4 The actions undertaken by DFID have the potential to address a number of the concerns underpinning ICAI's recommendation. The department continues to seek new ways to engage with local suppliers and small and medium enterprises (SMEs), including greater use of social media, early market engagement, publication of its pipeline and a dedicated and monitored email address for potential contractors.
- 4.5 DFID has slightly diversified its contractors. In 2016-17, 92% of DFID contracts by value went to UK-registered suppliers and only 3% to suppliers in developing countries as prime contractors. In 2018-19, DFID increased its overseas bidders from 13% to 20%. However, the major non-UK bidders are from Western countries and sustained efforts will be required to recruit local, in-country supply partners. The actions DFID has taken, combined with the gathering of more systematic evidence, should help the department improve its analysis and tracking of local supplier participation, but this has not yet resulted in the increased use of local suppliers.

Recommendation 2: Develop clear plans for open-book accounting and improve fee rate transparency. Ensure plans are clearly communicated to the supplier market, to minimise the risk of unintended consequences

- 4.6 ICAI's 2017 report noted that DFID has had contractual rights for some time to access certain information on supplier costs and profits, but had not made use of these rights due to capacity constraints. The report was also concerned about risks of distorting market behaviour attached to the control of costs and profits, and recommended minimising such risks through clear communication with suppliers.
- 4.7 Since ICAI's review, DFID has introduced tougher scrutiny of costs through new clauses in contract terms and conditions that allow the department to inspect costs, overheads, fees and profits of supply partners. DFID has developed a robust open-book accounting⁸ process to enable better scrutiny and control of costs by its supply partners. It also created an eligible cost policy and a template to help suppliers identify the types of costs eligible for inclusion within their bids. 2019 was the first year of monitoring profit levels, which provided DFID with details about the range of profit declared by suppliers. Profit levels are monitored by the programme's senior responsible officer (SRO) and commercial delivery manager.
- 4.8 DFID created a fee rates database in 2016. This is a database of all fees proposed in tenders, with currently over 23,000 entries. Using the database, DFID actively monitors and benchmarks fee rates against other global organisations, and by geography, sector and job family. As a result, it has recently applied a fee rate ceiling to around 22% of contracts: tenders that exceed this maximum rate are automatically excluded from technical evaluation. This has helped DFID to control prices better.
- 4.9 To communicate the fee rates approach to suppliers, DFID has improved its online guidance and FAQs and made the commercial cost template easier to complete for potential suppliers.

Recommendation 3: Improve communications and engagement with its supplier market

- 4.10 The 2017 review found that weaknesses in DFID's approach to its supplier market were partly due to poor communication, and a lack of early market engagement and a comprehensive pipeline of opportunities. It recommended that: "DFID should accelerate its efforts to improve communication of pipeline opportunities to the market. It should also assess what potential information advantages are gained by participants in its Key Supplier Management Programme and ensure that this is counterbalanced by more

⁸ Open-book accounting refers to a set of measures in public procurement intended to increase purchaser understanding of supplier costs and profits where suppliers share information about their costs and profits for specific contracts.

effective communication with all potential suppliers. Internally, DFID should provide clearer guidance to staff as to what can and cannot be discussed during key supplier meetings.”

- 4.11 DFID only partially accepted this recommendation, noting that it was already improving its communications with the supply market and that its Key Supplier Management Programme did not provide preferential treatment to key suppliers. It has nevertheless made good progress on addressing the concerns underpinning ICAI’s recommendation. DFID now uses a variety of communication channels, including greater use of social media, particularly Twitter, to communicate pipeline opportunities to the market. It also hosts early market engagement events in the UK, online and in partner countries, and works with other government agencies to host Open for Business events across the UK.
- 4.12 DFID launched its Strategic Relationship Management (SRM) programme in early 2018. There are currently 42 supply partners covering 80% of DFID annual spend through 346 contracts. This is significantly wider than the previous Key Supplier Management Programme, which covered 14 organisations in 2016-17.
- 4.13 Guidance on the SRM programme is now given to all DFID staff members, identifying what can and cannot be discussed during supply partner meetings. Staff are required to read this guidance and declare that they have read and understood it. It is updated annually and there is, in addition, a corporate compliance regime in place to ensure that all internal processes and procedures are followed. This reduces the risk of challenge from supply partners of preferential treatment.

Recommendation 4: A stronger change management approach, clearly communicated to staff and supported by robust monitoring and management information arrangements

- 4.14 ICAI’s 2017 review noted that DFID struggled to demonstrate the effectiveness of its reform initiatives for two reasons: the expected benefits have not been clearly articulated, and the initiatives have not been designed to include monitoring mechanisms to facilitate continuous learning. ICAI recommended that DFID adopt a systematic change management approach, clearly communicated to all staff. DFID accepted this recommendation, and has undertaken a range of useful activities:
- introducing a new Commercial Board to strengthen its governance processes
 - establishing a review mechanism by non-executive directors
 - developing an annual procurement and commercial report
 - improving its monitoring and management information arrangements, particularly relating to the financial health of its key supply partners.
- 4.15 In all, these actions mean that DFID has strengthened its governance and oversight of the commercial reform programme, particularly through introducing a Commercial Board. It is now engaged in regular feedback sessions with supply partners through a variety of online and face-to-face mechanisms.

Conclusion

- 4.16 DFID has progressed significantly with its use of open-book accounting and monitoring and management of fee rates. The department has made use of a number of communication channels to promote new suppliers, support SMEs and local suppliers, and encourage overseas bidders. These changes have resulted in ongoing improvements to supplier market management. However, we are yet to see an increase in the number of local suppliers from developing countries.

Achieving value for money through procurement: DFID’s approach to value for money through tendering and contract management (“Procurement 2”)

There has been a good response to the first two recommendations, on improving consultations and management information. But these will have little impact on overall performance without progress on the third recommendation. Without a formal contract management regime and appropriate levels of staff training, we find the response to this review’s recommendations inadequate.



4.17 The second of ICAI’s performance reviews of DFID’s approach to achieving value for money through procurement focused on tendering and contract management. The review was published in September 2018 and gave the department a green-amber score. It concluded that DFID had an appropriate overall approach to procurement with good performance in most areas of tendering. However, it found significant weaknesses in DFID’s contract management and offered three recommendations to improve the department’s practices in this area.

Table 5: ICAI’s recommendations and the government response

Subject of recommendation	Government response
Before the next major revision of its supplier code and contracting terms, or future changes that may materially affect suppliers, DFID should conduct an effective consultation process with its supplier market, to ensure informed decisions and minimise the risks of unintended consequences.	Accepted
DFID should accelerate its timetable for acquiring a suitable management information system for procurement, to ensure that its commercial decisions are informed by data.	Accepted
DFID should instigate a formal contract management regime, underpinned by appropriate training and guidance and supported by a senior official responsible for contract management across the department. The new regime should include appropriate adaptive contract management techniques, to ensure that supplier accountability is balanced with the need for innovation and adaptive management in pursuit of development results.	Accepted

Recommendation 1: Before making changes affecting suppliers, conduct an effective consultation process with the supplier market, to ensure informed decisions and minimise the risks of unintended consequences

- 4.18 The 2018 ICAI review noted that the last Supplier Review included little consultation with supply partners, leading to a loss of feedback and market intelligence and a greater risk of unintended consequences arising from reforms. ICAI recommended that greater communication would help rebuild the relationship with its suppliers. DFID accepted the recommendation and has undertaken a range of appropriate actions. A series of supplier feedback sessions and engagement with supply partners has resulted in the revision of DFID’s standard contract terms and conditions as well as the commercial cost template. The Strategic Relationship Management (SRM) programme provides a robust platform for strategic discussion and performance management at portfolio level with DFID’s strategic suppliers. Open for Business events across the UK have helped local businesses understand DFID’s processes and encouraged them to compete for DFID business.
- 4.19 These actions have enabled DFID to listen to all sectors within the market, not only the large players. By engaging with small and medium enterprise (SME) suppliers without the larger suppliers present, it is enhancing its understanding of challenges specific to smaller suppliers.

4.20 We saw evidence that the change in contract terms and the supplier engagements have already had positive effects:

- In 2018-19, DFID increased its overseas bidders from 13% to 20%.
- Total bids per OJEU⁹ contract are up to 3.91, close to the target of 4.
- A total increase in bidders in 2018-19 by 39% from the previous year.

Recommendation 2: Accelerate the timetable for acquiring a suitable management information system for procurement, to ensure that commercial decisions are informed by data

4.21 The Procurement 2 review found that DFID was slow to source and implement a new management information system, hampering its ability to generate the data needed to improve its procurement and contract management. DFID accepted the recommendation to accelerate this process.

4.22 DFID now has a new information management tool: a business intelligence suite, using best practice software, enables effective information gathering through a series of dashboards available to all DFID users. These dashboards cover all available information on bill payments, governance, expenditure, company checks etc in a user-friendly manner. The dashboards track key performance indicators (KPIs), metrics, and other key data points relevant to the business, and present complex data sets through at-a-glance visualisations of current performance. This is a major step forward in DFID's ability to make informed decisions and track performance.

4.23 While this is a strong response to ICAI's recommendation, it is hampered by the lack of data on grant funding. Grants are currently outside the remit of the management information system, thus diluting what would otherwise present a rich information picture.

Recommendation 3: Instigate a formal contract management regime, with appropriate levels of training and senior management support

4.24 The review found significant weaknesses in DFID's contract management capability, noting that DFID was overly reliant on formal contract amendments to adjust programme activities and outputs and that there was a lack of appropriate senior-level support, training and guidance for staff on contract management. DFID accepted ICAI's recommendation. It has begun to create new policies and procedures for contract management, but has failed to implement these, partly due to a lack of support from the top management within the department, resulting in insufficient budgetary resources.

4.25 So far, only 260 DFID staff have been registered for the Cabinet Office's Contract Management Capability Programme (CMCP) foundation level online training. Forty-two staff have undertaken the assessment and have been accredited. DFID recognises that this is far from enough. The department had not yet achieved the threshold for a 'good' rating on a June 2019 contract management competency metric due to its lack of progress in CMCP training and accreditation for DFID programme managers.

4.26 The most senior qualified commercial officer in the department still only sits at the third tier of management, and we did not see evidence that those at the second or first tier understand the risks of poor contract management. None of the senior responsible officers (SROs) who have received CMCP training have attended higher-level (practitioner or expert-level) training in contract management capability.

4.27 This lack of an effective contract management regime and proper training has demonstrable negative effects on programming, as evidenced in our original review.

Conclusion

4.28 Two of ICAI's recommendations have been addressed in a timely manner. Regular reviews with consultation on terms and conditions, as well as appropriate management information tools, regimes and techniques, are being applied and embedded within DFID. Actions taken on terms and conditions, and in particular on management information, will greatly assist in making DFID, and the future Foreign, Commonwealth and Development Office, a more informed buyer.

⁹ OJEU is the Official Journal of the European Union in which by law all contracts over a particular threshold must be advertised.

4.29 However, positive action in response to these two recommendations will not have a significant impact on overall performance without a formal contract management regime. Without this foundation, poor contract management will continue to pose risks to programming results. We therefore consider the overall response to the recommendations as inadequate and will return to the issue of contract management again in next year’s follow-up exercise.

DFID’s transport and urban infrastructure investments

DFID has made notable progress on all of ICAI’s recommendations, despite stretched human resources. While much remains work in progress, the direction of travel is largely positive.



4.30 ICAI published its review of DFID’s transport and urban infrastructure investments in October 2018. The review was scored green-amber, acknowledging DFID’s good performance on strategic approach and supporting multilateral finance, but noted a mixed record in the delivery of bilateral programmes. It also raised concerns about multilateral oversight and highlighted challenges in engaging China on infrastructure. The review made four recommendations.

Table 6: ICAI’s recommendations and the government response

Subject of recommendation	Government response
<p>In the continuing development of its infrastructure strategy and guidance, DFID should address the need for the following:</p> <ul style="list-style-type: none"> • a more rigorous approach to project selection and clear expectations around economic analysis, with a range of tools and approaches • a strong focus on identifying and addressing governance and market failures that inhibit sustainable infrastructure development • realistic timetables and how to manage investments lasting beyond a single programme cycle • stronger programme supervision and risk management processes • a more systematic approach to enhancing impact on poverty reduction and ensuring the inclusion of women, people with disabilities and marginalised groups, including monitoring intended and unintended impacts on target groups. 	Accepted
<p>When funding infrastructure through multilateral partners, DFID should ensure that there are adequate safeguarding systems and the capacity to implement them in place at country level (including in national counterpart agencies), and verify that this remains the case throughout the life of the programme.</p>	Accepted
<p>To improve its ability to manage complex transport and urban infrastructure programmes, DFID should make more use of staff from regional departments and centrally managed programmes to supplement capacity in country offices. This might include deploying additional experts during the design and inception phases of new programmes, to help build working relationships with national stakeholders, and providing ‘over the horizon’ support throughout the life of the programme on issues such as land acquisition and safeguarding.</p>	Accepted
<p>DFID should clarify how it will work with China and other new donors on infrastructure finance, and prioritise helping partner countries become more informed consumers of infrastructure finance.</p>	Partially accepted

Recommendation 1: Strengthen project selection, analysis, supervision and risk management. Address governance and market failure, unrealistic project timeframes, and poverty and inclusion

- 4.31 The ICAI review highlighted a range of concerns about DFID infrastructure projects, including the varied depth and quality of economic analysis in business cases, inconsistent approaches to supervision, risk and analysis of infrastructure deficits and their causes, unrealistic assumptions about implementation timelines and partner capacity, and limited emphasis on targeting poor communities. DFID accepted the recommendation addressing these issues and has pursued a number of actions to improve the analytics and guidance underpinning project selection.
- 4.32 DFID is in the final stages of producing a SMART guide on infrastructure and has strengthened its guidance for investment decisions in the Overseas Territories. However, we found little progress in improving the economic appraisal of projects.
- 4.33 DFID has recently concluded work on an urban handbook, providing guidance on how to respond to governance and market failure issues that constrain infrastructure projects. DFID also noted that the delayed successor to the Infrastructure Cities and Economic Development Facility will include a focus on issues such as inadequate infrastructure governance, policy and planning.
- 4.34 A new seven-year land programme has recently been approved. However, judged on the basis of recent projects approved by DFID, five-year funding cycles remain the norm. This is despite the fact that major infrastructure projects generally require a longer implementation period due to their complexity and the demands of processes such as local consultation.¹⁰
- 4.35 A stronger approach to addressing inclusion in infrastructure programmes has emerged since ICAI's review. DFID's new disability helpdesk has been active in responding to requests for support from infrastructure projects and the reorganisation of the Private Infrastructure Development Group (PIDG) has helped strengthen DFID's emphasis on gender and safeguarding.

Recommendation 2: Strengthen oversight of safeguarding policy and practice by multilaterals

- 4.36 A significant share of UK aid for infrastructure is overseen by multilateral organisations. ICAI's review was concerned that multilateral partners often lacked adequate environmental and social safeguard systems at the national level, and that DFID had not worked actively at the country level to improve their application. DFID accepted the recommendation, but stated it was already implementing a range of measures dealing with ICAI's concern.
- 4.37 DFID remains engaged in supporting the implementation of the World Bank's new Social and Environmental Framework, which the department was influential in developing. However, we did not see evidence that it has enhanced its role in monitoring the capacity of multilaterals at central levels to implement safeguards.
- 4.38 Since the ICAI review, DFID has developed new guidance for staff working with multilaterals, which aims to ensure that they consider the adequacy of safeguarding standards and procedures as part of their decision to support (or continue supporting) trust funds managed by multilaterals. While we welcome this guidance, its application is too limited: using the guidance is voluntary, and it provides limited advice on how and what due diligence should be carried out.
- 4.39 DFID has worked actively with multilaterals to strengthen their safeguarding policies against sexual abuse, exploitation and sexual harassment, through its organisation of the October 2018 Safeguarding Summit and its follow-up process. DFID's Safeguarding Unit has worked with infrastructure advisers to develop a technical tool to identify and mitigate safeguarding risks in infrastructure programmes.

¹⁰ The original ICAI review identified a programme for which the process of local consultation had been truncated because of time pressures in delivery.

Recommendation 3: Make more use of central expertise to support country-level infrastructure programmes

- 4.40 The ICAI review identified concerns about whether capacity from DFID regional departments and centrally managed programmes was being adequately utilised to support challenging country-level programmes. DFID accepted the recommendation to address these issues, but did not identify any new measures to act on it.
- 4.41 DFID's infrastructure cadre have been stretched over the past year, due to some staff being reassigned to the Africa Investment Summit and the UK's Infrastructure Commission or redeployed to other departments to support Brexit planning. However, in response to long-term staffing constraints, DFID has recently appointed three new senior regional infrastructure advisers as a result of the UK's Africa strategy.
- 4.42 Since the ICAI review, the Head of Profession has also been preparing a staff competency framework and a process for monitoring competencies across the cadre, so as to better address gaps in expertise and knowledge through future recruitment. In essence, DFID has continued to try to maximise the impact of its relatively few staff.

Recommendation 4: Engage more effectively to ensure partner countries benefit from infrastructure investments made by China and other emerging donors

- 4.43 The ICAI review noted that the rise of emerging economies as major infrastructure investors has created both opportunities and risks for developing countries. DFID partially accepted the recommendation to engage more actively with China and partner countries to ensure that risks are mitigated and opportunities pursued.
- 4.44 Information shared by the UK government during the follow-up exercise shows that collaborations with China on infrastructure development issues are expanding, both through international forums (such as the G20 and the Asian Infrastructure Investment Bank) and country-level activities (especially in East Africa and through PIDG). For example, in October 2019, DFID supported an initiative where the British Chamber of Commerce for Kenya, the Kenya-China Economic Trade Association and the Kenya Private Sector Alliance signed a memorandum of understanding to stimulate investments in strategic sectors like infrastructure.
- 4.45 However, there is limited information on the substance of these collaborations with China and little analysis of how such collaborations support country partners and development outcomes. DFID and the broader UK government have a multifaceted and evolving relationship with China. Since China's Belt and Road Initiative is so prominent in many of DFID's priority countries, there is an ongoing need to carefully monitor potential trade-offs between commercial, trade and developmental interests at policy, influencing and programme levels.

Conclusion

- 4.46 DFID's work on infrastructure faces significant challenges, due to its complex nature and stretched human resources. Within this context, many improvements have taken place since the publication of ICAI's review in 2018. DFID has been developing increasingly sophisticated approaches to programme design and delivery. New guidance material and tools have helped the department manage infrastructure programme challenges, including ensuring consideration of the impact of its infrastructure investments on the poorest and most vulnerable.
- 4.47 However, efforts to improve economic appraisal of projects have been limited. Gaps remain in the guidance material available, and sustainability of results is a concern due to limited project timeframes and delays in initiating successors to major centrally managed programmes. We also found an ongoing need to carefully monitor potential trade-offs between commercial, trade and development interests in engaging China on infrastructure cooperation.

Assessing DFID’s results in maternal health

DFID’s response has been comprehensive. The changing shape of its strategy and programming on maternal health is already evident. DFID reacted swiftly to one of ICAI’s central concerns: how the department estimated and reported its results. However, initiatives are at an early stage and it will be some time before their full scope and influence are evident. It will be crucial to keep the momentum and to publish the delayed Ending Preventable Deaths Action Plan and Health Systems Strengthening Position Paper.



4.48 ICAI published its review on DFID’s results in maternal health in October 2018. The review noted that DFID programmes had expanded access to family planning and some maternal health services. However, its amber-red score was based on the conclusion that a renewed effort was required to reach young women and girls and to generate lasting impacts on quality of care and maternal health outcomes. It also noted its concern over the model used by DFID to back up its claims of “maternal lives saved” through DFID-funded interventions. The review’s five recommendations were all accepted by DFID.

Table 7: ICAI’s recommendations and the government response

Subject of recommendation	Government response
As part of its commitment to the Sustainable Development Goals (SDGs), DFID should develop a long-term approach to improving maternal health, planning through to 2030 in focus countries with high maternal mortality. These plans should focus on improved quality and continuity of care, cross-sectoral interventions and efforts to empower women and girls.	Accepted
DFID should clarify its approach to health systems strengthening, prioritising improvements in the availability and accessibility of good quality, respectful care for women and their babies.	Accepted
DFID should directly monitor the impact of its sexual, reproductive and maternal health services programmes on adolescents and the poorest women. This means including design features in programmes that target adolescents and the poorest women, monitoring whether they are effective and adjusting course where they are not.	Accepted
When using models to generate outcome data, DFID should test its assumptions and triangulate its results claims using other quantitative and qualitative data.	Accepted
As part of its commitment to the SDG data revolution, DFID should prioritise and invest in international and country-level efforts to gather data on the quality of maternal health services and outcomes, including disaggregated data relating to key target groups.	Accepted

Recommendation 1: Develop a long-term approach to improving maternal health, planning through to 2030 in focus countries with high maternal mortality, focusing on quality and continuity of care, cross-sectoral interventions and empowerment of women and girls

4.49 The 2018 ICAI review welcomed the comprehensive approach to improving maternal health set out in DFID’s 2011-15 Results Framework, but found that its implementation was less balanced. Programmes, particularly on family planning, were too focused on generating short-term results, and few programmes had compelling exit strategies. ICAI therefore recommended that DFID pursue a long-term approach to investing in health and other infrastructure as well as in socio-cultural change, to maximise results in improving maternal health.

4.50 In early 2019, DFID reviewed its bilateral health programming in 18 countries in light of the ICAI review findings. Later in 2019, it began developing a new Action Plan on Ending Preventable Deaths of Mothers,

Newborns and Children by 2030 (EPD). Importantly, the Action Plan will be accompanied by an internal implementation plan translating the high-level objectives into action across DFID.

- 4.51 The Action Plan was intended to be launched in March 2020, but was delayed due to the COVID-19 outbreak. ICAI was not shown a draft, but DFID's description of its contents is aligned with ICAI's recommendations. The plan focuses on a set of high-priority countries and locates DFID's maternal health interventions within a focus on "quality health services for all", health systems strengthening, multi-sectoral work on the wider determinants of health, and women's and girls' rights and empowerment. Although the EPD plan is not yet published, we saw evidence of new centrally managed programmes being developed in line with its approach.
- 4.52 DFID has sought to exercise global leadership on sexual and reproductive health and rights (SRHR) and quality of care for women, newborns and children over the past year. Ministerial engagement has been strong, including on topics such as safe abortion where the global consensus is in danger of being rolled back due to actions by the US administration and others. The UK government reportedly pushed for SRHR and service quality to be reflected in the UN General Assembly's political declaration on universal health coverage (SDG 3, Target 8).
- 4.53 This appears to be a good response to ICAI's recommendation. However, without sight of the EPD Action Plan, its implementation plan, and related monitoring frameworks, it is hard to assess the full potential of this work to shape future government policy and programming in relation to maternal health.

Recommendation 2: Clarify the approach to health systems strengthening, prioritising improvements in the availability and accessibility of good quality, respectful care for women and their babies

- 4.54 The 2018 ICAI review found that DFID programmes had a limited focus on improving the quality of maternal healthcare, and that little progress had been made in developing skills in emergency obstetric and neonatal care in many of DFID's focus countries. DFID had not yet considered how to address discrimination, neglect or abuse in maternal health services, nor fully explored the opportunities to improve access to care (particularly for poor, marginalised and young women) through community health services.
- 4.55 DFID has undertaken a range of actions in response to ICAI's recommendation. New centrally managed and country programmes are being developed. For instance, in Malawi, a new health systems strengthening programme will focus on primary and community health, quality of care, and local accountability. In the Democratic Republic of the Congo, DFID has been designing a new health sector programme that will focus on reproductive, maternal, neonatal and adolescent health, with a strong emphasis on community mobilisation and accountability, as well as quality of care.
- 4.56 DFID has pushed for a greater focus on quality of care within the Global Financing Facility and is funding the World Health Organisation (WHO) to help countries develop national quality policies and strategies. It is working with the UK Department of Health and Social Care to advance the patient safety agenda with the WHO. The new UK Partnerships for Health Systems programme (2019-2023) will support UK health professionals, including midwives, to provide voluntary technical assistance to developing countries in line with the EPD Action Plan.
- 4.57 DFID has taken many years to develop a Health Systems Strengthening Position Paper, to the frustration of external stakeholders including UK CSOs. DFID told us that a draft of this paper was due for consultation but had been paused first due to the 2019 general election and then by the COVID-19 emergency. The plan at the time of writing was to publish the paper together with the EPD Action Plan.
- 4.58 Overall, DFID has responded positively to this recommendation, although much of the work on quality of care is at an early stage. The evident collaboration across the UK government and between teams working on SRHR, violence against women and girls and safeguarding is promising. DFID has also developed good new guidance and learning resources on SRHR for its staff, placing new emphasis on respectful and dignified care. As we have not seen the draft Health Systems Strengthening Position Paper, we cannot assess its relevance to maternal health programmes.

Recommendation 3: Directly monitor the impact of sexual, reproductive and maternal health services programmes on adolescents and the poorest women, ensuring through programme design and monitoring that adolescents and the poorest women are included

- 4.59 The ICAI review found that DFID did not track whether its programmes reached its core target groups of young women aged between 15 and 19 and the poorest 40%. Reaching adolescents proved a particular challenge, and DFID's own lesson learning indicated a need to expand programming to include both girls and boys aged between 10 and 14.
- 4.60 New centrally managed and country-level sexual health and family planning programmes now have a stronger focus on adolescents and the poorest women, with performance tracked through logframe indicators. For instance, the Women's Integrated Sexual Health (WISH) programme (£238 million, 2018-2021), which was under procurement during the ICAI review, has a strong focus on young, poor and rural women and girls, includes efforts to improve quality of care, and seeks to engage men and boys. Five key performance indicators (KPIs) are linked to results-based funding and one relates to reaching young people under 20, against which the programme is over-performing. A third-party monitor has been engaged to verify results reporting, capture learning and support adaptation.
- 4.61 The new Malawi family planning programme, Tsogolo Langa (£50 million, 2018-2024), includes targeted interventions to reach young people aged between 10 and 24 with sexual health services. Indicator data will be disaggregated by location, age group (10-14 and 15-19), and disability.
- 4.62 DFID's response to this recommendation is at an early stage. New programmes include interventions targeted at adolescents and poorer women, and programme documents suggest that monitoring data will be disaggregated. For most of these programmes, it is too early to see any results. However, data from the WISH programme is promising, and its strong emphasis on learning and knowledge sharing should enhance future government efforts in this area.

Recommendation 4: When using models to generate outcome data, DFID should test its assumptions and triangulate its results claims using other quantitative and qualitative data

- 4.63 The ICAI report found that the model DFID used to estimate departmental results on "maternal lives saved" rested on assumptions that were not robust. We considered that DFID should make more use of qualitative information, such as data on quality of care, and feedback from client surveys, community scorecards and local accountability bodies, to test and triangulate its quantitative data and results estimates.
- 4.64 The ICAI review stimulated swift and significant changes in the way DFID estimates and reports its results. DFID no longer recommends that country offices use the Lives Saved Tool (LiST) to generate results estimates. In December 2018, DFID published an "Update on Results achieved by the Department for International Development between 2011 and 2015", responding directly to the concerns raised by ICAI. The department updated its Family Planning Methodology Note in July 2018 and plans to publish new methodology notes alongside its 2020 results estimates. In July 2019, DFID stated its voluntary compliance with the Code of Practice for Statistics in the generation of its results estimates. DFID no longer makes results claims of the sort ICAI assessed in our maternal health review.
- 4.65 Modelling is still used to generate estimates for programme monitoring purposes, but recent programme documentation is less reliant on this. There appears to be a stronger emphasis on using country-level data sets for DFID programme monitoring.

Recommendation 5: Prioritise and invest in efforts to gather data on the quality of maternal health services and outcomes, including disaggregated data on key target groups

- 4.66 The ICAI report acknowledged that data availability and quality are poor in many developing countries, making it difficult to monitor progress on maternal health. DFID had made investments in improving health management information systems, but many initiatives were not yet operating at scale, and data use for decision making was not yet institutionalised.

- 4.67 Since the ICAI review, DFID has gradually scaled up its investment in the enhancement and rollout of a health management information system platform (known as DHIS2). It is supporting national statistical capacity building in partner countries and the global rollout of maternal death surveillance and response systems, through core funding to the WHO and bilateral health programmes. This facility-level approach allows for discussion and learning by health professionals focused on how and why women have died before, during or after childbirth.
- 4.68 In summary, DFID has invested heavily over several years in core health data systems. While this provides the backbone for the collection and analysis of data on the accessibility and quality of maternal health services, more focused efforts are needed. Support to generate qualitative data related to maternal health has been largely exploratory to date and is only just beginning to scale up.

Conclusion

- 4.69 Overall, DFID has responded well to ICAI's recommendations. It reacted swiftly to ICAI's concern about the way it estimated and reported its results. Some changes have already been made, and a new approach to results reporting is being developed for the next spending review period. DFID has enhanced its emphasis on good quality, respectful care for women and their babies and increased focus on adolescents and poorer women within its new family planning programmes.
- 4.70 We are pleased with the wide-ranging actions responding to ICAI's concerns. However, several initiatives are at an early stage: it will be some time before their full scope and influence are evident, and some results may be fragile. Importantly, neither the Ending Preventable Deaths Action Plan nor the long-awaited Health Systems Strengthening Position Paper have been published yet. We will return to our recommendations related to UK aid's longer-term strategic planning on maternal health as outstanding issues if these two documents remain unpublished or are of insufficient quality by the time ICAI begins next year's follow-up exercise.

The UK's approach to funding the UN humanitarian system

Key aspects of ICAI's recommendations have been taken forward. The third-party monitoring and evaluation function has now been contracted, and the UN's Central Emergency Response Fund (CERF) has been removed from the joint UN agencies business case and payment by results system. Good progress has been made on DFID's support of multilaterals' coordination of joint needs assessments and improving accountability to affected populations.

However, more needs to be done in other reform areas, including localisation, the UN's subcontracting processes, UN-NGO partnerships and how the UN delivers its normative functions at country level.



- 4.71 ICAI's December 2018 review gave a green-amber score to DFID's approach to funding the UN humanitarian system. The performance review concluded that DFID had a strong strategy for using its funding and influence to strengthen UN agencies and global humanitarian practice. However, it also found a mixed record on promoting practical reforms, engaging on UN subcontracting and supporting the UN's normative functions at country level. The review made five recommendations.

Table 8: ICAI’s recommendations and the government response

Subject of recommendation	Government response
In the next annual review of its joint business case for core funding for UN humanitarian agencies, DFID should assess the practical implications of payment by results for agency budgets, planning and operations (particularly for CERF) and whether the resulting incentives are in fact accelerating implementation of the Grand Bargain.	Accepted
DFID should step up its engagement with the international working groups that are translating the Grand Bargain principles into practical measures for improving humanitarian action, and develop guidance for country offices on how to prioritise and pursue these measures at country level.	Partially accepted
DFID should develop a plan for simplifying its reporting requirements for UN humanitarian agencies, in accordance with its Grand Bargain commitment. This should take account of the trade-offs between increased oversight and transaction costs, with a focus on proportionate solutions.	Partially accepted
DFID’s engagement with UN humanitarian agencies on effectiveness and value for money should address how they subcontract non-government organisations (NGOs) and the management overheads involved in doing so, as well as promoting compliance with safeguarding requirements through their delivery chains.	Accepted
DFID should review how it supports the normative functions of UN humanitarian agencies, particularly at country level, and ensure that staff resources and budgets are available to support UN-led initiatives to improve the quality of humanitarian response.	Accepted

Recommendation 1: Review the practical implications of payment by results for UN agency budgets, particularly for the UN’s Central Emergency Response Fund

- 4.72 The ICAI review highlighted how DFID’s payment by results system for funding UN agencies is experimental, might have unintended consequences, could pose challenges for supporting Grand Bargain reforms and was unsuitable for funding the UN’s Central Emergency Response Fund (CERF). DFID accepted the recommendation to review its business case for UN agencies and the impact of its payment by results system.
- 4.73 Following a delay, a first round of independent verification and assessment of the performance of UN organisations against the payment by results targets was finally undertaken in 2019. The verification process, which involved assessing UN agencies against 30 diverse indicators,¹¹ seems to have introduced a greater level of rigour and triangulation to agency self-reporting on the targets.
- 4.74 Partly in response to ICAI’s review, DFID has conducted an internal review of core support to CERF, which agreed with ICAI that CERF should be removed from the joint UN business case and collective payment by results approach. A standalone business case for CERF is being developed and is planned to be launched in 2020.

Recommendation 2: Increase engagement with Grand Bargain processes, guide country-level implementation

- 4.75 The ICAI review concluded that DFID was not engaging actively with some of the Grand Bargain commitments and lacked agreed positions in some areas. DFID only partially accepted the recommendation, because it did not accept the implication that it was not pushing forward as much as it could on its reform priorities. We were told that Brexit redeployment limited DFID’s ability to remain engaged across its reform priorities.

11 Annual review – post April 2018, DFID, 2019, [link](#).

- 4.76 DFID's efforts over the past year to promote the Grand Bargain and other humanitarian reforms have nevertheless been significant. It has led the Grand Bargain cash workstream and supported technical work on joint needs assessments. It is increasing its work on accountability to affected populations and improving its support to country offices to follow through on reform in some areas.
- 4.77 However, it remains the case that DFID's engagement is patchy and unambitious across some key reform areas identified in its business case for UN funding, including localisation, transparency and preparedness.

Recommendation 3: Simplify reporting requirements for UN humanitarian agencies

- 4.78 The ICAI review highlighted concerns that DFID's reporting requirements for UN agencies were becoming increasingly time-consuming, insufficiently focused on the quality of delivery and not monitored for unintended consequences. DFID partially accepted a recommendation to address these issues, emphasising that it was already streamlining its due diligence processes. It continues to implement a Grand Bargain pilot to harmonise its reporting format with other donors and is pursuing joint assurance assessment with the Australian government. These initiatives sound sensible and may bear fruit in the medium term.
- 4.79 However, in interviews for this follow-up, UN agencies stated that they are yet to notice any significant change in what they continue to see as DFID's burdensome reporting and due diligence processes. Despite ICAI's recommendation, DFID has not been tracking centrally the transaction costs associated with its reporting requirements.

Recommendation 4: Strengthen the management of subcontractors and approach to safeguarding in supply chains

- 4.80 The original ICAI review concluded that DFID was not working actively enough to engage the UN on the effectiveness of its subcontracting of NGOs to address issues such as management overheads and risks of sexual exploitation, abuse and harassment in the humanitarian supply chain. DFID accepted ICAI's recommendation. However, beyond exploring the use of innovative technologies such as blockchain to increase the transparency of transaction costs, DFID is not yet taking effective action with the UN to address these issues. The department recognises that more needs to be done.
- 4.81 Since the ICAI review, DFID has been pushing UN agencies to pass down due diligence requirements on safeguarding and anti-fraud measures to its partners. This is appropriate, but if local actors are not adequately resourced to address this increasing number of requirements, they risk being overburdened and unable to tackle the tasks appropriately.

Recommendation 5: Improve support for the UN's normative humanitarian functions and small-scale strategic UN humanitarian initiatives at the country level

- 4.82 The ICAI review found that DFID did not pay enough attention to how the normative functions of the UN are resourced at headquarters and country levels. It also concluded that DFID lacked funding instruments to support small-scale strategic investments in response to UN-led humanitarian initiatives, especially in country.
- 4.83 DFID accepted the recommendation to address these issues, emphasising that it is responding through providing core funding to UN agencies. However, core funding can be insufficient or unavailable to support UN normative work at country level. DFID planned to conduct an analysis of the costs of delivering normative functions in 2019, but has not yet done so due to staffing constraints.
- 4.84 Regarding support for smaller-scale UN initiatives, DFID highlighted its launch in 2018 of a £4.5 million Humanitarian Policy Fund (HPF) to support research, scoping studies, analysis, pilots, technical assistance and strategic secondments in relation to UN reform. However, the HPF's implementation has been delayed and it is not yet clear if its modest resources can support substantive change to UN processes.

Conclusion

- 4.85 DFID has made progress in addressing this review’s recommendations, especially given the disruption of staff being reassigned to Brexit-related activities and, more recently, the response to the COVID-19 pandemic. There is a need to engage the UN more strategically on subcontracting and partnerships and take forward its planned work to support UN normative functions at country level.
- 4.86 The demands the UK, and the UN, face in mobilising an emergency response to the global COVID-19 pandemic will pose challenges for pursuing further substantive reforms in the immediate term. However, the constraints on international travel provide an opportunity to promote locally-led delivery of assistance.

International Climate Finance (ICF): UK aid for low-carbon development

A commitment to double UK spending on climate finance and preparations for hosting COP26 have been accompanied by technical work to develop the ICF’s thematic priorities, value for money approach and governance structure. While this is likely to feed into the ICF strategy promised by Minister of State Lord Goldsmith, it remains unclear when this will be published and whether it will tackle the concerns in ICAI’s report. Transparency and information sharing have improved, but a clear public narrative using the ICF to promote UK global leadership and leverage further climate action is still needed.



- 4.87 Published in February 2019, ICAI’s performance review of *UK International Climate Finance: UK aid for low-carbon development*, gave a green-amber score to the UK government. It found that the ICF had made significant investments in results management and learning, and noted emerging results in UK influencing of other actors to offer climate finance. However, it was concerned that DFID lacked a convincing approach to integrating low-carbon development across its portfolio (beyond the energy sector). It also noted a need to update the overarching ICF strategy, with greater clarity on low-income countries, and a stronger public narrative to support the demonstration effect and influencing potential of the ICF. The review made three recommendations.

Table 9: ICAI’s recommendations and the government response

Subject of recommendation	Government response
UK International Climate Finance should refresh its strategy, including a clear approach to promoting low-carbon development and to integrating low-carbon development principles across the UK aid programme.	Accepted
DFID should adopt a more structured and deliberate approach to integrating low-carbon development across its programming.	Accepted
UK International Climate Finance should present a clear public narrative about the ambition and value of the UK’s climate investment to support its demonstration and influencing objectives, as well as to improve visibility and public accountability.	Accepted

Recommendation 1: Refresh the UK’s International Climate Finance strategy

- 4.88 The government accepted ICAI’s recommendation to update the current ICF strategy – dating from 2011 – to set out basic thematic and geographic priorities, the approach to low-carbon development in low-income countries, and the division of labour between DFID and BEIS on low-carbon development.
- 4.89 This strategy has not yet been produced, largely due to the demands of external events (the UK election, Brexit, preparations for the UK hosting COP26, COVID-19), but also the prioritisation of technical work for the Treasury to justify the UK government’s September 2019 commitment to double UK spending on

climate finance. This technical work includes analysis to: explore the ICF's thematic priorities, develop the ICF's approach to value for money, evolve the ICF's governance, and identify 'best buys' in supporting mitigation in developing countries. The technical work is likely to feed into a future ICF strategy, but it is not clear how it will do so and whether it will address all the concerns raised by ICAI.

- 4.90 Alongside this technical work, the governance structures that will shape the ICF's future direction have evolved significantly in the past year. A new Cabinet-level climate change committee has been established, chaired by the prime minister, as has a new interdepartmental senior officials group on climate change, led by BEIS. These changes represent a significant uplift in political attention to climate change.
- 4.91 Minister of State Lord Goldsmith confirmed in his evidence to Parliament in October 2019 that the government intended to publish a new ICF strategy in 2020, ahead of COP26.¹² This commitment is now at risk given the demands of responding to the COVID-19 pandemic and the postponement of COP26 to November 2021.

Recommendation 2: A more structured and deliberate approach to integrating low-carbon development across programmes

- 4.92 ICAI's original review voiced concern that DFID had been attempting to address climate change across its programmes, but without an adequate change management plan, a senior departmental champion or adequate resources to do so effectively. It also found that addressing low-carbon development in programme designs was voluntary, and that most sectors (beyond energy) lacked a credible approach or adequate guidance to support local low-carbon development efforts. DFID accepted the recommendation to address these issues, recognising that it needed to do more beyond the energy sector.
- 4.93 DFID has drafted a new climate and environment SMART guide, which includes improved voluntary guidance on identifying climate risks and ensuring that business cases support alignment with the Paris Agreement. DFID has been piloting a Climate Mainstreaming Facility (CMF) to provide technical assistance to country offices to help them develop climate-resilient programmes. In interviews, DFID also confirmed its intention to do more in sectors such as infrastructure and agriculture to promote low-carbon development. However, the SMART guide has not yet been released within DFID, the CMF does not seem to address low-carbon development and there is no plan to change formal guidance in sectors beyond energy to address low-carbon development.
- 4.94 DFID told us that the number of climate and environment advisers has increased from 40 to 62 since 2013, and that a 'climate champion' – Richard Clarke, Director General for Policy, Research and Humanitarian – was appointed in September 2018. However, we have not seen evidence that the number of advisers has been increased since the ICAI review, which is significant given the challenges posed by the integration approach and the commitment to double climate finance from 2020-21. Before COP26 was delayed as a result of the COVID-19 pandemic, DFID had appointed a new Director for Climate and Environment, which demonstrated the higher priority accorded to these issues.

Recommendation 3: Present a clearer public narrative about the ambition and value of the UK's climate investment, to support global influencing

- 4.95 The ICAI review found that the UK did not provide a clear public narrative on the ambition of the ICF, and that the ICF's low visibility undermined the ability of the UK government to show global leadership and leverage change from others. The UK government accepted the resulting recommendation and has undertaken a range of actions to improve transparency and information sharing, including a new ICF information booklet and an updated ICF website. We were informed that an Excel database of ICF projects will soon be made publicly available, along with a 'tag' added for ICF projects in DevTracker, and that an ICF communication strategy is under development.

12 Oral evidence: Follow-up to IDC and ICAI climate reports, HC 115, IDC, 23 October 2019, pp. 18-19, [link](#).

4.96 However, the response to this recommendation suggests a failure to recognise its main thrust – to ensure that the broader public narrative on the ICF is used to leverage further climate action from a variety of stakeholders. We received little information to suggest significant progress on this agenda, although we recognise that the effort made to secure the hosting of COP26 indicates an eagerness to pursue global leadership and provides further opportunities to do so.

Conclusion

4.97 Since the original ICAI review, the government has committed to double its climate finance during 2021-25, secured the hosting of COP26 and done valuable technical work, while DFID has introduced new guidance on low-carbon development. This progress was made despite constraints and challenges in the wider political and policy context, not least the challenges posed by the COVID-19 pandemic.

4.98 However, we are concerned about the significant delays to producing the new ICF strategy, the limited progress in developing a more structured and deliberate approach to mainstreaming low-carbon development in DFID, and the limited efforts to use communications on the ICF to pursue UK global leadership in the area of climate finance. Considering the planned sharp increase in UK spending on climate finance, it is an urgent matter to overcome the lack of progress in these areas. We therefore rate this follow-up as inadequate and will assess progress on updating the ICF strategy as part of our forthcoming ICAI review on UK aid to tackle biodiversity and deforestation.

CDC's investments in low-income and fragile states

CDC has made notable progress in strengthening its tools to assess development impact, but it is not yet clear how these tools are shaping investment decisions and management. CDC has completed all its value creation strategies, but in most cases there has been limited action to implement them. CDC has deepened its collaboration with DFID. However, its country expansion efforts – based on plans agreed with DFID – remain unambitious, posing challenges for investment sourcing, oversight and securing development impact. CDC has expanded communications on its Catalyst Portfolio but made limited progress on communicating the rationale behind its investment approach for the Growth Portfolio.



4.99 Published in March 2019, ICAI's performance review on CDC's investments in low-income and fragile states, covering the period 2012-2018, gave an amber-red score to CDC. It concluded that CDC had made progress in redirecting investments to low-income and fragile states, but had been slow in building in-country capacity to support a more developmental approach. It noted that CDC had not done enough to ensure or monitor development results, to progress plans to improve evaluation and apply learning, and to communicate how it works to balance the pursuit of financial and development outcomes. The review made six recommendations.

Table 10: ICAI’s recommendations and the government response

Subject of recommendation	Government response
CDC should incorporate a broader range of development impact criteria and indicators into its assessment of investment opportunities, and ensure these are systematically considered in the selection process.	Accepted
CDC should take a more active role in the management of its investments, using the various channels available to it to promote development impact during their lifetime.	Accepted
CDC should strengthen the monitoring and evaluation of the development impact of its investments and the learning from this, working with DFID to accelerate their joint evaluation and learning programme.	Accepted
CDC should work more closely and systematically with DFID and other development partners to inform its geographic and sectoral priorities, and build synergies with other UK aid programmes to optimise the value of official development assistance.	Accepted
In the presentation of its strategy and reporting to stakeholders, CDC should communicate better its approach to balancing financial risk with development impact opportunity, and the justification for its different investment strategies.	Accepted
DFID’s business cases for future capital commitments to CDC should be based on stronger evidence of achieved development impact and clear progress on expanding their in-country presence.	Accepted

Recommendation 1: Broaden the range of development impact criteria and indicators, and systematically include these in investment decisions

- 4.100 The government accepted ICAI’s recommendation to ensure that CDC uses a broader range of development impact criteria and indicators to assess and make decisions on investment opportunities for its Growth Portfolio.
- 4.101 Since ICAI’s original review, CDC has made significant progress in developing its tools for assessing the potential development impact of its investments. It has introduced a new impact framework, which articulates the development impact that CDC seeks to achieve across its operations, based on the internationally respected approach of the Impact Management Project. New impact dashboards are used to articulate how each investment is expected to contribute towards the impact framework’s goals, also drawing on CDC’s new sector impact frameworks and the sustainable development goals (SDGs). Impact dashboards have been produced for all new investments since September 2019.
- 4.102 We saw signs that these impact dashboards help structure the thinking of deal teams to focus on development impact during the process of preparing potential investments. CDC shared with us two examples of investments being rejected partly due to weak development impact cases, but we were not able to assess if these examples are indicative of a broader change in approach. We will return next year to how effective these impact dashboards are in promoting a stronger emphasis on impact throughout the organisation.
- 4.103 CDC told us that since the ICAI review it has recruited sector leads, whose role will include advising deal and product teams on revising their investment priorities in each sector and providing support in assessing development impact.

Recommendation 2: More active investment management to promote development impact

- 4.104 The government accepted ICAI’s recommendation that CDC should manage investments more actively to support deeper development impact. CDC reported that it has been working to expand the focus

of Quarterly Portfolio Reviews (QPRs) to include reviewing the development impact of investments. Development impact staff now join the QPRs. We reviewed examples of QPRs over the last year and noted some clear cases where investment progress was determined by the strength of the development impact case, or where further work on this was required. However, these examples only related to a small number of investments reviewed through QPRs over this period, and there was no reference to the impact dashboards, suggesting these tools may not yet be fully assimilated into the QPR process. It seems that financial performance continues to be the dominant measure used in QPRs to assess the progress of investments.

- 4.105 Since ICAI's original review, CDC has increased its capacity and efforts to support investees on gender equality, climate change, job quality and skills, driven by its new value creation strategies. CDC shared with us a number of case studies on recent value creation activities. Ambitious interventions have been implemented from the gender equality strategy, published in May 2018. We saw more limited progress in pursuing ambitious engagements on skills and leadership, decent work and climate change, the strategies for which were only approved in November 2019.

Recommendation 3: Strengthen the monitoring, evaluation and learning process

- 4.106 The government accepted ICAI's recommendation that CDC should strengthen monitoring, evaluation and learning (MEL) in relation to the development impact of its investments. ICAI had concluded that CDC's monitoring and evaluation (M&E) was variable across the organisation, its new M&E programme (implemented with DFID) had been slow to commence, and its approaches for linking new learning to investments – especially in difficult markets – could be developed further.
- 4.107 ICAI's review is reported to have had a significant impact on prioritising learning and dissemination, both inside and outside the organisation. CDC has now published eight 'deep dive' studies in this strategy period and is on schedule to meet its commitment to complete at least 20 such studies by the end of 2021. Since ICAI's original review, CDC has also produced three Insight Reports – on healthcare, SME finance and affordable food – presenting impact-related research, up-to-date evidence reviews, and learnings from CDC portfolio companies.
- 4.108 However, none of the joint CDC-DFID formal evaluations of CDC's investments have yet been published. The organisation is making progress on establishing new mechanisms for M&E, but we are yet to see how these will be applied and the extent to which M&E will feed into learning.
- 4.109 We found evidence that the agenda for sharing learning has become more strategic and structured, although CDC's rapid organisational expansion poses challenges for promoting informal learning. Internal learning is focused on providing the platforms and processes for staff to share their learning from their day-to-day work.

Recommendation 4: Engage more closely with and complement the work of DFID and other development partners

- 4.110 ICAI recommended that CDC work more closely and systematically with DFID and other development partners to inform its geographic and sectoral priorities, so as to build synergies that improve the value of official development assistance (ODA). ICAI concluded that CDC could pursue this through developing clearer country plans and priorities and improving collaboration with DFID in country. The government accepted this recommendation.
- 4.111 Since ICAI's original review, CDC has been engaging more closely with DFID on key sectors. Progress is illustrated by the close engagement between CDC and DFID in developing six sector strategies and accompanying implementation plans, which (among other things) identify the DFID programmes that CDC can collaborate with (and vice versa). A number of practical collaborations have emerged from efforts to begin implementing these strategies. There is also evidence of initial steps by CDC to engage more systematically with DFID country offices, including through its nascent network of country offices.

Recommendation 5: Improve communication of CDC's approach to balancing financial returns and development impact

4.112 The government accepted ICAI's recommendation that CDC should better communicate its approach to balancing financial returns and development impact across its different investment portfolios. Over the past year, CDC has significantly increased its internal and external communication of its Catalyst Strategies (introduced in 2017), as well as its plans to scale up investment activity and share early learnings with development partners. The communications outline how CDC balances financial risks and development impact and how its financial return hurdle and actual return profile have changed. However, these communications have largely been focused on the Catalyst Portfolio, just 6% of CDC's investments in 2019. CDC has made more limited progress on communicating the rationale behind its investment approach for the Growth Portfolio. This accounted for 94% of investments in 2019, but communication about how investments are selected and how it balances financial return with development impact across its two portfolios remains weak.

Recommendation 6: Ensure future funding is based on evidence of CDC's impact and progress on expanding its country presence

4.113 The government accepted ICAI's recommendation that future funding for CDC should be based on stronger evidence of CDC's development impact and progress in expanding its country presence. ICAI's original review highlighted that the existing DFID business case for CDC funding did not propose any conditions or targets in relation to development outcomes. It also identified concerns about the slow pace of CDC's efforts to expand its country presence (outside India).

4.114 Although it is too soon to assess the basis on which DFID commits future funding to CDC, DFID highlighted that the increased focus on learning and evaluation, as well as its upcoming strategic review of CDC (during 2020-21), will provide stronger evidence to underpin any future business case.

4.115 We note that, while some progress has been made in increasing CDC's country presence since the ICAI review, this remains slow and unambitious. External factors, such as the January 2019 terrorist attack in Nairobi, have influenced this, and CDC is broadly on track to deliver the plans to expand country presence agreed with DFID. However, these plans are not of sufficient scope. We remain concerned that DFID has not pushed for a greater country presence for CDC in order to help it to strengthen investment oversight and deepen its development ambitions in low-income and fragile states.

Conclusion

4.116 ICAI's original review proposed a significant and challenging set of recommendations for CDC to address in order to live up to its 2017 investment strategy, which set out a more strongly development-oriented direction for the organisation. CDC has made some notable progress in building the foundations and initiating efforts for realising this strategic approach, including better appraising the impact potential of investments, producing its value creation strategies and beginning their implementation, improving M&E and developing engagement with DFID and others at the country level.

4.117 However, although we were shown some examples where further attention to impact cases contributed to investments being rejected, we have not yet seen evidence of CDC's new development impact tools significantly shaping investment decisions and the outcomes of processes such as QPRs. Most of CDC's value creation strategies seem to be at an early stage of implementation. We are yet to see how CDC's new M&E mechanisms will be applied and feed into learning. CDC and DFID's plans for expanding CDC's country presence remain unambitious, despite the urgency of this step for ensuring the effectiveness of investments. CDC has also made limited progress on communicating the rationale behind its investment approach for the Growth Portfolio. Overall, despite valuable progress, the pace and depth of change has not been sufficient in areas responding to our key recommendations. We have therefore scored this follow-up as inadequate and will return to this review as an outstanding issue next year.

DFID's partnerships with civil society organisations (CSOs)

DFID's response to ICAI's recommendations has been quick, rigorous and ambitious, amounting to a potential change in how it approaches civil society partnerships. Striving to be a reliable partner to CSOs will be crucial in this time of significant stress caused by the COVID-19 pandemic.



- 4.118 ICAI published its performance review of DFID's partnerships with CSOs in April 2019. It gave DFID's efforts an amber-red score, noting that although DFID values CSOs, its funding and partnership practices did not fully support the long-term health of the civil society sector. While accountability mechanisms were deemed strong, the review highlighted weak management practices that led to delays and uncertainty for CSO partners. The review found that DFID paid insufficient attention to the global decline in civic space, the sustainability of the results of CSO work and the uptake of learning and successful innovation.
- 4.119 Over the past year, contextual changes have made the challenges described in the ICAI review as pressing as ever: elections and ministerial changes, human resource pressures due to Brexit preparations, the continuing shrinking of global civic space, and most recently the economic pressure on CSOs in the UK and across the world due to the COVID-19 pandemic.

Table 11: ICAI's recommendations and the government response

Subject of recommendation	Government response
DFID should fill gaps in the knowledge needed to optimise the design of its central funding instruments.	Accept
Throughout DFID's central and in-country portfolios, the process towards funding agreements should be more efficient, predictable, reliable and transparent, and should allow CSOs sufficient time to develop proposals.	Accept
Throughout its central and in-country portfolios, DFID should have a stronger focus on the long-term results of its CSO-implemented programmes, the localisation of development and humanitarian efforts, and its CSO partners' long-term capacity to deliver relevant results in evolving contexts.	Partially accept
DFID should do more to encourage CSO-led innovation, and to recognise and promote the uptake of innovation successes.	Accept
DFID should provide a guiding framework for country offices on how to analyse and respond to closing civic space within a national context, and work with other UK government departments to agree a joint approach to addressing the decline of civic space at the international level.	Accept

Recommendation 1: DFID should fill gaps in the knowledge needed to optimise the design of its central funding instruments

- 4.120 ICAI's review noted that DFID had identified, but not done enough to fill, key knowledge gaps in its approach to funding CSOs through centrally managed funds. These knowledge gaps included the value for money of different CSO funding approaches (such as central versus country-specific funding, open versus thematic funding calls), the extent to which match funding strengthened the UK public's engagement in and support of international development assistance, and whether or how small and medium-sized CSOs have advantages over large CSOs.

4.121 DFID acted fast to begin filling these knowledge gaps. Two external evaluations are under way to assess the effectiveness of its matching of public donations, in terms of development impact and engagement with the UK public, and the value of funding small charities through the Small Charities Challenge Fund (within UK Aid Direct). The business case for the next phase of UK Aid Direct, which will start in 2021, has a strong commitment to learning, including the creation of two posts within the UK Aid Direct team dedicated to learning activities. An evaluation to test the Fund's capacity development of CSOs and its contributions to the sustainable development goals (SDGs) is incorporated in the business case, as are learning activities in all the areas highlighted in ICAI's review (as well as in further areas added by DFID). The department has conducted internal research on the impact of shrinking civic space on its work. In all, this amounts to a strong response to ICAI's recommendation.

Recommendation 2: The process towards funding agreements should be more efficient, predictable, reliable and transparent, and allow CSOs sufficient time to develop proposals

4.122 ICAI's review noted a range of weaknesses in DFID process management and communication during funding rounds. These weaknesses led to inefficient, unreliable and unpredictable donor behaviour from DFID, with regular and often lengthy delays. They also led to overly cumbersome risk and assurance requirements, unreasonable time scales for the development of proposals, and unnecessary costs for CSOs. Delays in the phase leading up to project implementation often compromised the first-year results of DFID-funded projects and the collective results of programmes relying on multiple phases of DFID funding.

4.123 Important improvements have taken place in response to this recommendation. DFID committed to announcing funding rounds and delays as early as possible. Our follow-up investigation confirmed that its communication was timely and adequate when the 2019 election caused delays in the latest UK Aid Direct funding round.

4.124 The business case for UK Aid Direct II commits to a funding round timetable, and to a due diligence process that will not take more than six months. DFID is also developing clearer guidance for potential applicants for its different grant types. New and better guidance was published for the Small Charities Challenge Fund in September 2019 and the UK Aid Direct website has been redesigned. Finally, and importantly, DFID committed to piloting over a one-year period that all funding rounds are kept open for at least 12 weeks. This should improve the overall quality of bids and will be particularly helpful for smaller CSOs that do not have the capacity to run dedicated proposal-writing teams.

4.125 Overall, this is a good response to ICAI's recommendation, albeit mainly applicable to centrally managed funding streams and less to funding managed by country offices. It should also be noted that little has been done so far "to review whether its risk and assurance requirements have grown to be disproportionate and, if needed and possible, take corrective action". Since DFID made this commitment in May 2019, there have been discussions about this between DFID's Inclusive Societies Department, Procurement and Commercial Department and Better Delivery Department, but DFID admitted that "capacity constraints have meant that we have not commenced a DFID-wide analysis of incremental increases in assurance requirements on CSOs".

Recommendation 3: A stronger focus on the long-term results of CSO-implemented programmes, the localisation of development and humanitarian efforts, and CSO partners' long-term capacity to deliver relevant results in evolving contexts

4.126 ICAI's review found a lack of focus on the long term, which manifested itself in an insufficient focus on localisation (that development and humanitarian work should be locally led), a predominance of short-term project-based funding (limiting CSOs' ability to achieve sustainable results and to maintain and develop their organisational capacity), and a lack of assessments of the long-term results of DFID-funded projects. In its response to the review, DFID only partially accepted this recommendation, stating that "DFID maintains a strong focus on results and its long-term goal is the sustainable exit of communities from poverty". It nevertheless made a set of strong and ambitious commitments that amount to a step change in addressing the issues raised in the ICAI review.

- 4.127 DFID committed to explore the use of longer funding agreements within its central CSO programmes, including having the option of extending agreements beyond five years. This would be an important step in advancing the sustainable capacity, resilience and longer-term objectives of CSOs. DFID also committed to ensure that more of its central funding is shifted to local partners and promised to explore how to better support the long-term capacity of developing country CSOs through its centrally managed programmes. Finally, DFID stated that its new approach to overhead costs in accountable grants will also support long-term capacity development.
- 4.128 While it is still early, we find that DFID has worked rigorously and quickly to act on these commitments. For instance, as part of its partnership with Comic Relief, DFID has introduced several innovations, including the use of local grant selection panels, a component of unrestricted funding for small Southern organisations and capacity strengthening on the basis of these organisations' priorities rather than donor requirements.

Recommendation 4: DFID should do more to encourage CSO-led innovation, and to recognise and promote the uptake of innovation successes

- 4.129 The original review concluded that DFID's funding approach was geared towards CSOs delivering tried and tested services and interventions in stable environments, and lacked the flexibility to support, promote or scale up CSO-led innovations. DFID accepted the recommendation, but has not made headway in responding to it. The actions DFID noted that it is doing were already mentioned in ICAI's original review as exceptions to the rule of a lack of attention to and support of CSO-led innovation.
- 4.130 DFID committed to start a structured learning programme to bring together CSO-related learning from across the department, the civil society sector and external experts. Framed as a 'learning journey', this could have been an important step towards addressing ICAI's concerns, although a learning journey would then have to be followed by practical action to scale up and promote successful innovations. However, we were told that the process was discontinued after initial cross-DFID meetings, due to Brexit-related redeployment, and later the COVID-19 emergency.

Recommendation 5: Provide a guiding framework for country offices to analyse and respond to closing civic space within national contexts, and work with other UK government actors to agree a joint approach to addressing the decline of civic space at the international level

- 4.131 ICAI's review noted that, globally and in many of DFID's priority countries, civic space was on a long trend of decline. The review found that DFID and the wider UK government did not have a clear set of priorities, objectives or approaches in relation to this decline. There was no guiding framework that helped country offices analyse and respond to closing civic space, and their in-country responses ranged from ad hoc and responsive to strategic and proactive.
- 4.132 A DFID survey among its country offices found that 15 of the 22 responding country offices felt that closing civic space was having a moderate or major negative impact on their programming with civil society. Sixteen offices felt it was hampering inclusive development more widely. Ethiopia, one of the two countries visited as part of ICAI's review, was a notable positive exception. Responding to issues raised by this survey and the ICAI review, DFID has been developing a model for categorising, understanding and responding to restrictions to civic space, which country offices can use to help identify, evaluate and implement effective and locally adapted responses. DFID has also shared its findings with other donors and worked across the department as well as with other parts of the government to create a central, coordinated and effective response to closing civic space.
- 4.133 DFID contributed to a study by the OECD DAC Community of Practice on civil society, leading to a proposal that the DAC negotiate and adopt a recommendation on how donors should support and engage with civil society, promote and protect civic space, and support CSOs' effectiveness and accountability.

4.134 Attention to civic space is now part of the wider business planning process within DFID. Before the COVID-19 outbreak, the plan was for the changes in the way DFID organises this work to be in place by the summer of 2020 – subject to ministerial approval. While this may now be delayed, and may be subject to change relating to the merger of DFID with the FCO, overall, DFID’s actions up to now have amounted to a step change in its approach to shrinking civic space – from largely ad hoc, responsive and country-by-country to more fundamental, proactive and systematic.

Conclusion

4.135 There may be threats to DFID’s ambitious commitments in the current fast-changing environment but, if fulfilled, they could amount to a new approach to civil society partnerships – with less bias towards UK CSOs and more attention to the longer-term health of civil society in partner countries. Actions have been planned and implemented quickly, but with well-considered cautiousness. Learning processes have been built into business plans. The only inadequate area of actions is in encouraging and recognising innovations, where an attempt to engage the wider department and external stakeholders in a structured learning system has been shelved.

4.136 While UK aid cannot address the threats to civic space on its own, a coherent and more prominent UK role, and a stronger attention to the capacity and sustainability needs of Southern CSO partners, may contribute to the preservation of civic space in DFID priority countries and globally.

4.137 Being a reliable partner to CSOs will be crucial in this time of significant stress and uncertainty due to the COVID-19 pandemic, the likely significant reductions in UK aid due to an anticipated reduction of gross national income (GNI), and the planned merger of DFID and the FCO. Support for local CSOs will need to be an important element of UK aid’s support of the poorest and most vulnerable, who will feel the economic consequences of the pandemic the most.

The Newton Fund

Governance and oversight mechanisms have been strengthened, and there has been substantial improvement on gender equality, diversity and inclusion. However, there has been little attention to addressing ICAI’s core concerns over the Fund’s primary purpose, development impact and tied aid.



4.138 The Newton Fund (2014-2021) is a £735 million research and innovation partnership fund administered by BEIS and fully funded by official development assistance (ODA). ICAI’s June 2019 review found that the Fund promoted strong research and innovation partnerships in a selection of middle-income countries but did not have suitable strategies and mechanisms in place to ensure development impact commensurate with an ODA fund of this size. The review gave the Fund an amber-red score and made six recommendations.

Table 12: ICAI’s recommendations and the government response

Subject of recommendation	Government response
As the Newton Fund is 100% ODA, BEIS should ensure that the Fund increases its focus on achieving its primary purpose, which is to meet the development needs and priorities of its partner countries. It should require improved ODA compliance and assurance processes across delivery partners.	Accepted
The Newton Fund should ensure it meaningfully considers options for reducing gender inequality and reports against its progress.	Accepted
Given that the UK is committed to untying 100% of its aid and reports its aid as fully untied, BEIS should ensure that the funding practices of the Newton Fund comply with both the letter and the spirit of the untying commitment.	Accepted
BEIS should improve the governance and accountability of the Newton Fund and put in place a strategy setting out how it will maximise development impact as its primary purpose.	Accepted
BEIS should improve the Newton Fund’s approach to and measurement of value for money.	Accepted
The Newton Fund should improve its approach to monitoring, evaluation and learning at the Fund level.	Accepted

Recommendation 1: As the Newton Fund is 100% ODA, BEIS should increase the focus on achieving its primary purpose and require improved ODA compliance and assurance processes across delivery partners

- 4.139 ICAI’s June 2019 review could not state with confidence that all Newton Fund spending was ODA-eligible. It also noted that the Fund did not constitute the best use of ODA. The way in which funds were allocated from BEIS to UK delivery partners meant that secondary benefits to the UK were often prioritised. The recommendation had two parts: first, to ensure that mechanisms are in place to ensure that all Newton Fund spending reaches the threshold of ODA compliance, and second, to aim higher than this minimum threshold and ensure that the Fund’s stated primary focus – achieving development impact in line with the needs and priorities of partner countries – is at the centre of the Fund’s activities.
- 4.140 Despite disagreeing with ICAI’s analysis, BEIS has responded in part to both elements of the recommendation. The department has taken significant steps to ensure ODA compliance is embedded in ongoing and future programming through stricter grant letters and the introduction of quarterly reporting, programme completion reports and risk registers. However, it is yet to publish the promised revised ODA compliance guidance for implementing partners.
- 4.141 BEIS has also somewhat increased its attention to the primary purpose of the Fund, in particular by producing more detailed country strategy documents (which were originally only two pages), working in close cooperation with partner countries. We were shown an early draft of one of these country strategies, and were pleased to see that it included a detailed breakdown of objectives, including capacity building, as well as specific areas of research focus. Other country strategies, including for two of the biggest Newton partner countries, have been delayed by changes and constraints in the political environment.
- 4.142 Although the country strategy review process began in August 2018, it will not be completed in time to inform any allocations under the current iteration of the Newton Fund. BEIS told us the new strategies are entirely forward-looking and funding availability will be dependent on the spending review process.
- 4.143 To further the Fund’s primary purpose, BEIS has also introduced the Newton Fund Impact Scheme (NFIS) with a budget of £25 million – £5 million for an initial round of funding in Mexico, Malaysia, Kenya and Brazil and £20 million for the remaining countries. This dedicated focus on impact is welcome, although

at 3.4% of the Newton Fund budget, it can complement, not substitute, a Fund-wide strategic approach to maximising development impact (which continues to be lacking). Furthermore, only partner countries that are able and willing to provide matched funding can participate in the NFIS – which may preclude the participation of less well-resourced partner countries and institutions, perpetuating the inequality built into the matched funding model.

Recommendation 2: The Newton Fund should ensure it meaningfully considers options for reducing gender inequality and reports against its progress

- 4.144 The ICAI review noted that the Newton Fund had no Fund-level strategy or guidance on how to address gender equality. BEIS responded positively to this recommendation and has taken significant steps to address this gap. It has commissioned a thematic review of approaches to gender equality across both the Newton Fund and its sister fund, the Global Challenges Research Fund (GCRF). Conducted by an independent evaluator, the review included an assessment of how other funds approach gender equality, including the Prosperity Fund, the Conflict, Stability and Security Fund and DFID-funded research programmes. BEIS has developed an overarching Gender Equality Policy for the Newton Fund and the GCRF and it is now mandatory for grant applicants to include a gender equality statement as part of their bid.
- 4.145 BEIS has gone beyond gender equality to ensure a stronger focus on diversity and inclusion more broadly. BEIS told us that individual research councils are undertaking equality impact assessments at activity level under both funds and are providing in-house training on equity, diversity and inclusion. Some research councils are running calls specifically focused on these themes. While the policy statement on gender, diversity and inclusion has not yet been published, we are pleased with the ambitious and significant changes made since our review to ensure that the Newton Fund and the GCRF are meaningfully taking into consideration gender inequality.

Recommendation 3: Given that the UK is committed to untying 100% of its aid and reports its aid as fully untied, BEIS should ensure that the funding practices of the Newton Fund comply with both the letter and the spirit of the untying commitment

- 4.146 In its Management Response to ICAI’s review, BEIS wrote that it “welcomes the recognition from ICAI that BEIS is compliant with the rules regarding the untying of all UK aid”. This is a misunderstanding of what our review found. On the contrary, the review flagged concerns that “[a]lmost 90% of the Newton Fund stayed in the UK and goes to UK institutions”. The review further cautioned that “BEIS should comply with both the letter and the spirit of the untying commitment”.
- 4.147 BEIS may be technically meeting the OECD-DAC guidance by defining the Newton Fund as standalone technical assistance, claiming a loophole in the letter of DAC untying rules. However, it should be noted that the DAC untying guidance encourages donors to continue the untying of aid in areas not yet covered by joint agreements:

“ This Recommendation does not restrict the prerogative of DAC Members to untie ODA to a greater extent than set out herein. DAC Members are invited to continue to provide untied ODA in areas not covered by the Recommendation when they already do so, and to study the possibilities of extending untied aid in such areas.¹³ ”

- 4.148 The Newton Fund’s funding model continues to be inconsistent with the spirit of the UK’s commitment to untie all aid since 2001. It channels UK aid through UK delivery partners, which then fund UK research institutions, while partner countries use their own resources to support their own institutions’ participation in the partnership. Small proposed tweaks made since our review to make the matched

13 Revised DAC recommendation on untying ODA, OECD-DAC, 24 January 2019, p. 3, [link](#).

funding criteria a bit more flexible are welcome, but do not change the nature of this model. The IDC, in its report on ICAI's review, has asked BEIS to undertake a formal review of the Newton Fund's funding model, and to provide an explanation of how the government "intends to de facto as well as de jure untie UK standalone technical assistance and proposals to strengthen the OECD-DAC rules to this effect".¹⁴

4.149 The matched funding model works reasonably well when the partnership is with middle-income, higher-capacity research nations such as China and India, and with institutions within these countries that have significant research resources and existing experience in international research partnerships. However, it disadvantages countries, states, provinces and institutions with fewer financial resources, which are not able to keep up with the Newton Fund's matching criteria. We remain concerned that there continues to be limited focus on institutional capacity building for countries and institutions for which a strong capacity-building focus would be crucial to enable an equitable partnership.

Recommendation 4: BEIS should improve the governance and accountability of the Newton Fund and put in place a strategy on maximising the primary purpose of development impact

4.150 ICAI's review raised concerns about BEIS's weak governance and oversight of the Newton Fund. In the absence of an overarching strategy, it noted that the Newton Fund lacked coherence and a clear focus on its primary purpose. BEIS accepted the recommendation, stating that it was already implementing it.

4.151 There has been good progress on improving BEIS's joint governance and accountability structures for the Newton Fund and the GCRF. BEIS has created a new Programme Management Office with five additional staff members, which will implement several governance improvements, including the creation of an ODA programme pipeline (a live document that schedules ODA work and associated activities) and updating of risk registers. BEIS will exercise greater oversight of delivery partner activity through the ODA Reporting Transformation project – an online platform that captures programme activity. An independent provider has developed Fund-level KPIs for the Newton Fund and the GCRF. This has significantly increased its capability in overall programme tracking and risk management, as well as in monitoring, evaluation and learning (MEL) through the ODA Research Management Team.

4.152 There have been some actions to create a strategy for maximising development impact. The long-ongoing country strategy review continues, and is likely to lead to a clearer focus on the Fund's primary purpose in each partner country. BEIS is also currently drafting a Newton Fund Operational Framework, a process that has been delayed by the election and government changes, and the COVID-19 response. BEIS has told us that the Framework will include an overarching strategy for the Fund and give greater visibility to how the Fund as a whole achieves development impact while maintaining the 'bespoke' nature of individual country partnerships.

4.153 We welcome the development of the Framework, which will bring together key information about how the Fund operates across all 17 country partnerships. However, the draft Framework we have seen does not engage directly with the question of how programmes (and, by extension, awards) contribute towards achieving development impact in the medium to long term. The draft Framework states: "In each country, activities are chosen and developed in collaboration with local government and funders. This ensures the programmes offered meet local development priorities." We do not agree that this can be automatically assumed.

4.154 The draft Framework highlights three mechanisms for sustainability and impact:

- The Newton Fund Impact Scheme – discussed above under the first recommendation.
- The Newton Prize – which our original review commended as an example of a Newton Fund activity that was genuinely mutually beneficial and that has clear relevance to partner countries' development challenges.
- The alumni network – which is central to flourishing international research partnerships, but not automatically to furthering development impact. The latter would depend on three factors: (i) the extent to which the alumni of the Newton Fund conduct research on key development challenges,

14 *The Newton Fund review: Report of the sub-committee on the work of ICAI*, IDC, 15 June 2020, p. 17, [link](#).

(ii) whether there are clusters of alumni working on the same challenges (considering for instance the success of the GCRF's Research Hubs), and (iii) whether alumni networks have in-built capacity-building elements, which in the case of the Newton Fund are likely to be modest, considering the Fund's matched funding model and its focus on partnerships with elite research institutions in emerging research powers.

- 4.155 While these are useful mechanisms for promoting impact, they are not enough to ensure that the Newton Fund has the aim of maximising research impact at its core.
- 4.156 A stronger focus on development impact should not come at the cost of the Newton Fund's high standards of research excellence. The two are not opposites: research excellence should be pursued within a framework geared towards maximising the development impact of the Fund's investments, as befits a 100% ODA fund. That this can be done is exemplified by how the GCRF has been restructured to promote and amplify the development impact and cutting-edge leadership of the research taking place within its newly established Research Hubs.

Recommendation 5: BEIS should improve the Newton Fund's approach to and measurement of value for money

- 4.157 ICAI's review noted that BEIS did not have a coherent approach to maximising value for money across the Newton Fund and had left measurement of this until some 90% of the Fund's resources had already been allocated. There were no mechanisms to ensure that the Newton Fund's investments work together and build on each other so that the Fund adds up to more than the sum of its parts.
- 4.158 BEIS accepted this recommendation and is instigating a range of activities in response. An independent evaluator is leading the work to develop a new evaluation strategy with a value for money framework. The draft framework is being assessed against DFID's Economy, Efficiency, Effectiveness and Equity standards on value for money. BEIS has also established a value for money sub-group of the ODA Evaluation Advisory Group. The department has consulted widely with delivery partners and external experts, and has produced a detailed paper on *Developing a value for money assessment for BEIS ODA research and innovation*.
- 4.159 While it is too soon to tell what the outcome of this work will be, and which approach will ultimately be adopted, these are important initiatives. It is a pity that they have come so late in the lifespan of the Newton Fund.

Recommendation 6: The Newton Fund should improve its approach to monitoring, evaluation and learning at the Fund level

- 4.160 The ICAI review noted that five years into the operation of the Newton Fund, BEIS had not developed an overarching performance framework and did not have a functional data and knowledge management system that could capture the full complexity of and details on the Newton Fund programmes. We noted there was a high risk that it might be too late to aggregate any meaningful data or comparisons across countries to measure the collective impact of the Fund. In many instances, UK delivery partners had already started to track their own results based on their own objectives – an indication of the lack of overarching objectives at Fund level.
- 4.161 Extensive action has taken place since the publication of ICAI's review that should address the concerns underlying ICAI's recommendation. These include drafting a Newton Fund Policy Framework, developing 26 KPIs for the Newton Fund and the GCRF (some shared, some specific to each Fund), of which five are currently being piloted by UK Research and Innovation, the research councils and the other delivery partners, and strengthening data collection and aid transparency through a Data Reporting Transformation programme, work on which began in 2018 with the online platform expected to roll out later in 2020. Finally, BEIS has merged the Newton and GCRF Delivery Forums into a new Delivery and Learning Forum, which is planned to meet bi-monthly to encourage cross-Fund information sharing and learning.
- 4.162 While the new systems will arrive too late to capture data from earlier on in the Fund's lifespan, these changes constitute significant improvements to the Fund-level approach to MEL.

Conclusion

- 4.163 In terms of the quality of the response to ICAI's recommendation, this has been adequate for about half of the recommendations. In the area of gender equality, diversity and inclusion, we have seen excellent improvements likely to make a difference to the delivery of the final stages of the Newton Fund. We have also seen significant improvements in the governance and accountability of the Newton Fund and the GCRF, as well as in the Newton Fund's approach and attention to ODA compliance, value for money, and MEL – albeit arriving very late in the lifespan of the Fund.
- 4.164 However, we find that BEIS has not interacted with the core, underlying concerns of ICAI's review, regarding the Fund's attention to development impact and a funding model that ties almost all the UK ODA to UK research institutions. While technically BEIS may be allowed to exempt this spending by reporting it to the OECD DAC as standalone technical cooperation, this is nevertheless a breach of the spirit of the UK's untying commitment.
- 4.165 We are concerned by what seems to be a continued misunderstanding by BEIS that ICAI is suggesting development impact should come at the cost of research excellence. On the contrary, we note that research excellence is necessary, but not sufficient, for research to lead to development impact. It is imperative that a large fully ODA-funded research fund such as the Newton Fund should have a Fund-level strategic approach to development impact, so that research excellence is pursued within the framework of research programmes that maximise opportunities for translating research outcomes into development impact.
- 4.166 We will return to the issue of tied aid, primary purpose and development impact as an outstanding issue in next year's follow-up exercise.

Three outstanding issues from last year's follow-up exercise

- 4.167 In last year's follow-up exercise, we flagged three reports for further follow-up. We returned to outstanding issues where there was inadequate progress to deal with ICAI's recommendations in areas of strategic importance, and in the case of DFID's governance work because it was too early to see whether recommendations were being followed. We have not scored the responses to outstanding issues.
- 4.168 This year's outstanding issues include:
- The Global Challenges Research Fund
 - The UK's aid response to irregular migration in the central Mediterranean
 - DFID's governance work in Nepal and Uganda.

The Global Challenges Research Fund

- 4.169 The initial ICAI review of the Global Challenges Research Fund (GCRF) was published in September 2017. The unscored rapid review noted a lack of strategic direction and attention to maximising transformative development impact, insufficient attention to capacity building and partnerships with Southern research institutions, and – especially in the case of the GCRF portion distributed through the four devolved funding councils – concerns over official development assistance (ODA) eligibility and tied aid.
- 4.170 Last year's follow-up report highlighted the significant achievements by BEIS and its delivery partners in dealing with most of these concerns. While ICAI was pleased with the overall progress, we decided to return again to the GCRF this year, partly to see how promising innovations such as the Research Hubs were functioning and partly due to ongoing concerns over tied aid and value for aid money for the portion of the Fund distributed through the funding councils. Of the four outstanding issues we identified, we discuss three here, while the governance and accountability for the GCRF is discussed under the Newton Fund section above (paragraph 4.151), as the two sister funds share governance mechanisms within BEIS.

How GCRF block grants are allocated by the devolved funding councils, including ODA compliance

- 4.171 At the conclusion of last year's follow-up, we continued to be concerned about ODA compliance, value for money and tied aid for the portion of the GCRF channelled through the four regional funding councils in England, Scotland, Northern Ireland and Wales. The funding councils received an initial allocation from the GCRF of approximately £288 million to share out to UK higher education institutions (HEIs) as quality-related (QR) research funding. The vast majority of this allocation is distributed by Research England.
- 4.172 We have seen clear improvements on ODA compliance since last year's follow-up exercise. The 131 HEIs receiving QR block grants from the GCRF are now required to submit three-year GCRF strategies. The first round of HEI monitoring reports against these strategies has been received by the funding councils.
- 4.173 While this ensures that the spending of GCRF-funded QR grants reaches the threshold of ODA eligibility, we remain concerned about value for money and tied aid. The funding councils continue to base their disbursement of GCRF funds on a formula that is unrelated to ODA objectives or the GCRF strategy. Research England allocates GCRF funds using exactly the same formula as for mainstream, non-ODA, QR grants, based on the HEI's performance in the 2014 Research Excellence Framework (REF) exercise. How much each UK HEI benefits is thus unrelated to how well it carries out research in ODA-relevant areas. While the HEI has to provide a strategy to show that it will use the GCRF QR funding for ODA purposes, it is the REF score, not the quality of this strategy or of the institutions' development-related research, that determines how much GCRF QR money the HEI receives.
- 4.174 The GCRF QR spending is also tied aid in spirit, in that it goes exclusively to UK institutions. These can choose to allocate some funding to a Southern partner, but they are not required to do so. Some HEIs use GCRF QR funding to meet full economic costs, including to cover overheads. Universities can link to other GCRF funding that they may be receiving (for example Newcastle University uses its QR allocation in support of the two GCRF Hubs it hosts), but there is no requirement to do so.
- 4.175 The QR funding element of the GCRF clearly prioritises the secondary benefit of providing top-up funding to UK HEIs. The largest funding council, Research England, has been clear that its GCRF QR funding contributes to the government's commitment to spend 2.4% of GDP by 2027 on research and development.
- 4.176 Allocating GCRF spending through this formula is poor value for aid money, as the QR funding remains detached from the overall delivery of the Fund. The QR funding is even more of an anomaly now that other elements of the GCRF have a stronger strategic focus and improved structures and processes in place to pursue this strategy through the Research Hubs, consolidated calls and challenge leaders.

The contribution of the Research Hubs to the potential development impact of the GCRF

- 4.177 All 12 of the GCRF interdisciplinary Research Hubs are now fully up and running, with strong governance and assurance mechanisms and suitable monitoring, evaluation and learning (MEL) arrangements. The Hubs are still at a relatively early stage, but internal and external reviews of this distinctive and innovative approach have already been undertaken, with early positive verdicts.
- 4.178 The GCRF has also increased the involvement of developing country research institutions through the International Development Peer Review College, which aims to draw a minimum of 90% of its membership from low- and middle-income countries. The College promises to function as a tool to further three important objectives: ensuring the GCRF's relevance to development needs, capacity building and support for peer review members through global engagement events and online guidance, and equity – providing a voice for Southern researchers in the research strategy and funding decisions of a major development-related research fund.

The effectiveness of the new cross-government Strategic Coherence for ODA-Funded Research (SCOR) Board in influencing the allocation and delivery of UK ODA funds for research and innovation over time

4.179 There has been significant progress since last year's follow-up exercise. The SCOR Board's terms of reference have been finalised and the membership has been significantly extended (from four to nine) to include relevant government departments. The board's activities and role will continue to evolve, especially in the context of Brexit, the COVID-19 response and the upcoming spending review. However, evidence so far suggests that the SCOR Board could lead to improved coherence across all ODA-funded research, including the GCRF and the Newton Fund, by identifying strategic gaps, synergies, and new opportunities for joint working.

Conclusion

4.180 BEIS has responded positively and comprehensively to ICAI's recommendations in the 2017 GCRF review. The Research Hubs are a particularly promising invention from the perspective of potential development impact, while the SCOR Board appears well placed to encourage greater cross-government coherence of ODA-funded research.

4.181 We remain, however, deeply concerned about the QR grants to UK HEIs allocated via the four funding councils. This is tied aid in spirit and it is poor value for money, allocated with little consideration of aid effectiveness or the aims and objectives of the GCRF.

The UK's aid response to irregular migration in the central Mediterranean

4.182 This is the third follow-up to the March 2017 ICAI review on the UK's aid response to irregular migration in the central Mediterranean. Last year, we returned to the monitoring and evaluation (M&E) arrangements for DFID's flagship programme, the Safety, Support and Solutions Programme for Refugees and Migrants (SSS II), which were not yet up and running at the time of the first follow-up exercise. Overall, we found good progress on the M&E arrangements. However, DFID informed us that it had decided not to go ahead with plans for an independent evaluation of SSS II, saying it would rely instead on alternative arrangements. We therefore decided to return to this review yet again, in order to ascertain the nature and adequacy of these revised arrangements.

4.183 The original plan was to have a five-tier approach to MEL. However, an evaluability review showed that the final tier, an external independent evaluation, would be very hard to realise. DFID decided instead to add elements to its fourth tier – the contract with an external monitoring company. This contract was fully operational from August 2019. The MEL plans look coherent, and they address the purposes of (i) supporting SSS II programme implementation, adaptation and learning, and (ii) informing the future direction of DFID's migration programming.

4.184 SSS II has a novel whole-of-route-based approach (as opposed to a country or hotspot approach), which aims, broadly speaking, to provide cross-border protection linking origin, transit, and destination countries along the central Mediterranean route. Success depends on flexibility, adaptability and information sharing among the organisations involved in different parts of the route and requires thorough monitoring and learning mechanisms. A significant part of the large £2.7 million MEL contract is dedicated to learning in relation to this whole-of-route approach, which is also reflected in recent learning events organised by DFID.

4.185 Although, as highlighted in the original review and subsequent follow-ups, the MEL arrangements for SSS II were late in being implemented due to procurement delays, we find that they are now of an adequate standard to support this complex programme.

DFID's governance work in Nepal and Uganda

4.186 During last year's follow-up exercise we concluded that, given the short period between the June 2018 review of DFID's governance work in Nepal and Uganda and the review follow-up, we would follow up again this year. Since we are revisiting progress on all five of ICAI's recommendations from this review, this outstanding issues section is longer and more detailed than usual.

Recommendation 1: Strengthen DFID's strategic approach to governance and risk management

- 4.187 The original ICAI review was concerned about DFID not adequately identifying its strategic approach to governance at the country and portfolio levels, contributing to gaps in portfolios and a lack of continuity in programming over time. DFID partially accepted ICAI's recommendation to address these issues, stating that standalone country governance strategies were not required because governance is a key element of overall country planning work. Although initially planned for earlier release, the department published a Governance Position Paper (GPP) in March 2019, too late for us to assess in last year's follow-up.
- 4.188 The GPP has given DFID a valuable new strategic focus and provided a common language and framework for the department's governance work. Staff report that the GPP fed into business planning during 2019, and the GPP approach has also led to increased demand for governance advisers to support colleagues in incorporating governance goals in other sector programming. However, the governance team may not be able to sustain this influence given that the GPP is not a mandatory policy.
- 4.189 We also found that the GPP had supported the emergence of a much more sophisticated approach to risk. For example, DFID Nepal now has six dimensions of risk, with a recognition that there can be different risk appetites at post, portfolio and programme level, with programmes that are identified as higher risk understood to need active engagement and adaptation during implementation.

Recommendation 2: Promote sustained engagement and long-term relationships in country

- 4.190 The original review found that DFID had not consistently engaged local stakeholders through its governance work, had not always prioritised long-term relationships and had commonly failed to track long-term results. DFID accepted ICAI's recommendation to address these issues and stated its intention to deepen its work on adaptive programming and develop longer-term relationships with supply partners. Last year's follow-up reported that DFID had introduced new guidance on adaptive programming, but found little consistent action beyond this.
- 4.191 Since then, significant action on evolving DFID's results approach has been taken within the Governance, Open Societies and Anti-Corruption Department. This work has led to the development of a new approach to capturing information and reporting on the less tangible, medium-to-long-term impacts of DFID's activities, which is being applied through the Results and Evidence Exchange (REX) tool. The REX tool is currently being piloted on DFID's climate and Syria programming.
- 4.192 Similarly, it appears that senior staff, and the business planning approach, may have reinforced the message about promoting longer-term engagement and relationship building. For example, officials at all levels in DFID Nepal have been more actively engaging counterparts in order to support influencing and stronger understanding of political context.

Recommendation 3: Increase the time governance advisers spend on technical inputs

- 4.193 The ICAI review identified concerns that governance advisers in DFID were spending limited time on external engagement, and that there was limited emphasis on their role in supporting sector work. DFID accepted the recommendation to address these issues, and emphasised ongoing work to rebalance the time of advisers towards technical inputs and to review programme management burdens. Last year's follow-up found that the response to this recommendation had been good in both countries.
- 4.194 This year, we have found further progress in both countries. Officials had used the ICAI report to help drive greater integration of the political and governance staff at post (across DFID and the FCO), the rebalancing of resources and time towards external engagement, and reductions in the number of programmes and programme components in order to reduce the management burden. There has also been an increased demand for cross-cutting support from governance advisers to sectors, and the hiring of new programme managers could also help to support governance advisers in rebalancing their time towards providing technical inputs.

Recommendation 4: Develop the capacity of the governance cadre

- 4.195 The original ICAI review reported that DFID was not sufficiently utilising the contextual knowledge and institutional memory of staff appointed in country (SAIC), who were also poorly represented at more senior levels in country. It also concluded that three-year rotations of home civil service advisers and limited diversity of governance advisers constrained effective governance work. DFID partially accepted the recommendation to address these issues, disagreeing to some extent with the analysis that the capacity and skills of SAIC were under-utilised. Last year's follow-up identified some initial modest steps to better integrate SAIC into country offices.
- 4.196 Since then, there have been demonstrable, if evolutionary, improvements, including increased advancement of SAIC advisers. This change has been led by a new Head of Profession for Governance – a former SAIC – as well the new chair of the SAIC Working Group.
- 4.197 It is less clear what progress has been made by DFID in increasing the diversity – in terms of experience, background and local knowledge – of the governance advisers it recruits. The Head of Profession reports that there has been an increase in the diversity of skills and experience, but at the time of preparing the follow-up review this had not been surveyed so we could not verify it. It was also reported that DFID Nepal has been hiring more local advisers, especially women.

Recommendation 5: Increase the use of evaluation and learning to improve programmes and portfolios

- 4.198 The ICAI review found that DFID could better use evaluation and learning processes to test its governance propositions and improve its programme and portfolio impact. DFID accepted the recommendation to address these issues, stating that it was developing a new approach to strengthening its access to evidence and results reporting on governance. Last year's follow-up reported that both DFID Nepal and DFID Uganda have stepped up research and evaluation plans and have been working with DFID's Research and Evaluation Department to improve their learning strategies.
- 4.199 It is notable that over the past year there were no portfolio-level evaluations of programmes in either country, and the number of evaluations of governance programmes and activities has been limited. It is also the case that there has been no real progress in producing a new evaluation strategy (due to central constraints, such as Brexit redeployment), which had been planned for early 2019.
- 4.200 In contrast, there is considerable evidence of continued learning at country level in both Nepal and Uganda on governance. In the case of Nepal, SOAS and Yale are providing support for reflecting on programme implementation, a collaboration resourced through DFID's first country-level research programme. In Uganda, after a review of the Sugar (anti-corruption) programme during the early part of 2018, DFID substantially changed its approach to implementation, and an evaluation is under way to inform further adaptations.

Conclusion

- 4.201 This second follow-up allowed a fuller assessment of the impact of the GPP and other incipient developments. Overall, we are pleased to see that actions reported last year have been sustained and progress on DFID's governance approach has deepened. Progress in both countries has been positive, with Nepal in particular maintaining its reputation for innovation in governance.

5 Conclusion

- 5.1 Considering the challenging climate of uncertainty and disruption over the past year, the government's response to ICAI's recommendations in its 2018-19 reviews has been on the whole positive.
- 5.2 We do not expect all ICAI recommendations to have equal resonance, or all actions in response to our concerns to have immediate impact. However, we have in four cases scored the government response as inadequate, where there has been insufficient action to address shortcomings in areas of strategic importance to UK aid. We have identified three reviews that we will return to as outstanding issues in next year's follow-up exercise:
- The Newton Fund: primary purpose, development impact and tied aid
 - Procurement 2: DFID's contract management regime and training
 - CDC's attention to development impact in its investments in low-income and fragile states.
- 5.3 In addition to these three outstanding issues, we will follow up on the progress in updating the International Climate Finance strategy as part of our forthcoming review on UK aid to tackle biodiversity and deforestation. We are also keeping open the option of returning to the maternal health review if the publication of the Health Systems Strengthening Position Paper and the Ending Preventable Deaths Action Plan does not go ahead as planned later in 2020 or if they are of insufficient quality.



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