

# **ICAI follow-up: The Newton Fund**

A summary  
**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).

**OGL**

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# Executive summary

ICAI's follow-up review is an important element in the scrutiny process for UK aid. It provides parliament and the public with an account of how well the government has responded to ICAI's recommendations to improve spending. It is also an opportunity for ICAI to identify issues and challenges facing the UK aid programme now and in the future, which in turn helps to inform subsequent reviews. This year, for the first time, we introduced a scoring element to the follow-up exercises. For each of the reviews we follow up, we provide a score of adequate or inadequate, illustrated by a tick or a cross.

This document is a summary focused only on the results of the follow-up of our review of the Newton Fund. The full follow-up report of all our 2018-19 reviews, including overall conclusions from the process and details of our methodology and scoring, can be found on our website.

## Findings

### 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.**



The Newton Fund (2014-2021) is a £735 million research and innovation partnership fund administered by the Department for Business, Energy and Industrial Strategy (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 1: 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**

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.

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.

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.

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.

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**

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.

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**

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".

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.<sup>1</sup> ”

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 funding criteria a bit more flexible are welcome, but do not change the nature of this model. The International Development Committee (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".<sup>2</sup>

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**

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.

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

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

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

in overall programme tracking and risk management, as well as in monitoring, evaluation and learning (MEL) through the ODA Research Management Team.

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.

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.

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, (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.

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.

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**

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.

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*.

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

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.

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.

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

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.

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 untangling commitment.

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.

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.



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