

# **ICAI follow-up: The UK's support to the World Bank's International Development Association (IDA)**

A summary  
**July 2023**

**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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# 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, which helps to inform subsequent reviews. For each of the reviews included in the 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 UK’s support to the World Bank’s International Development Association (IDA)*. The full follow-up report of all 2021-22 reviews, including overall conclusions from the process and details of our methodology and scoring, can be found on our website.

## Findings

### The UK’s support to the World Bank’s International Development Association

FCDO has made notable progress in addressing the recommendations from this review, and its response is judged to be adequate. The department has been ambitiously engaging International Development Association (IDA) management on its response to climate change, in particular on adaptation, and on measuring the Bank’s efforts on climate. FCDO has also been active in collaborating with the World Bank on safeguards in relation to LGBTI+ inclusion, and has been challenging the Bank to pursue a more politically informed approach to addressing public financial management challenges in IDA countries. However, the department has only made limited progress in strengthening country-level partnerships with IDA programmes and is yet to demonstrate much effort on operationalising the Bank’s ‘shared prosperity’ goal.

ICAI’s review of *The UK’s support to the World Bank’s International Development Association* was published in May 2022, and awarded the UK’s support a green-amber score. The review assessed the relevance, effectiveness and efficiency of the more than £1 billion the UK contributed annually to IDA – the World Bank’s fund for providing concessional financing – over the period since 2015. The review focused in particular on three priority themes: climate resilience, fragile states, and the COVID-19 response, as well as on IDA’s track record on environmental and social safeguards and social inclusion.

The timing of this review had been planned to allow its findings to be published ahead of, and to feed into, UK decision-making for the 20th round of replenishing the funds of IDA, which was originally scheduled for July-December 2022. However, in April 2021 it was announced that this replenishment round was to be brought forward by a year (to July-December 2021) due to unprecedented resourcing needs related to COVID-19. As a result, the review occurred in parallel with the replenishment process, and was published after it was completed.

Table 1: ICAI’s recommendations and the government response

Subject of recommendation	Government response
FCDO should advocate for more action-focused targets for IDA climate change action, particularly on adaptation.	Partially accepted

FCDO should set more systematic objectives for engaging the World Bank at country level.	Partially accepted
FCDO should hold IDA accountable for meeting the 'leave no one behind' commitment, including by advocating for the operationalisation of its 'co-prosperity' goal.	Partially accepted
FCDO should work constructively with World Bank management and other donors to improve the Bank's capacity to monitor and oversee implementation of environmental and social safeguards.	Accepted
The UK should strengthen key country partnerships with IDA to bolster public financial management and anti-corruption programmes.	Accepted

### Recommendation 1: FCDO should advocate for more action-focused targets for IDA climate change action, particularly on adaptation

The original review found that the World Bank's ambitions on climate change had disappointed the UK in the period before 2021, but that the COP26 climate summit and political change had helped to increase the Bank's ambitions significantly since 2021. Despite these positive developments, the main measure of the Bank's action on climate change (the share of financing focused on climate 'co-benefits') did not provide information on IDA's climate impact (both positive and negative) to incentivise action on climate change. The review therefore recommended that FCDO should advocate for IDA targets relating to climate change that better promote action, particularly aimed at adaptation. FCDO partially accepted this recommendation, stating that some action-oriented targets were already in place, and that it would focus on monitoring the Bank's progress on delivering existing commitments.

During the follow-up review, FCDO officials noted to ICAI that their recent efforts to challenge the Bank to deepen its ambitions on climate change have focused on pushing it to roll out Country Climate and Development Reports across countries. These are a new tool for diagnosing country climate and development needs in an integrated way. FCDO has had frequent high-level engagements with the Bank on climate, and active engagement within the Multilateral Development Bank Group on issues such as access to climate finance and Paris alignment. The UK has also begun discussions with the Bank on potential action-oriented targets to be applied in monitoring delivery of the Bank's Paris alignment strategy (to be completed in 2023), although these discussions are at an early stage.

Overall, climate change remains a priority for the UK's engagement with the Bank, which is in turn helping to deepen the Bank's ambitions in this area. Most UK engagement has focused on cross-Bank policy and practice, which will also impact IDA, as the Bank's largest funding stream. Further work remains to be done on action-orientated targets. However, overall, we judge FCDO's response to this recommendation to be adequate.

### Recommendation 2: FCDO should set more systematic objectives for engaging the World Bank at country level

The original review found that, while there was notable FCDO engagement with the Bank on IDA operations in-country, this engagement tended to be more opportunistic than systematic and was limited to areas of current programme overlap with UK priorities. It also noted that there was only limited allocation of senior-level staff resources to engage on IDA at the country level. As a result of these constraints, ICAI was concerned that opportunities for supporting and influencing IDA operations in-country were being missed. ICAI therefore recommended that more systematic objectives to guide UK engagement with the Bank at the country level should be developed. FCDO partially accepted this recommendation, disagreeing about setting objectives for engagement at country level, but committing to strengthen country relationships in countries outside the former DFID's country office network.

Since the publication of ICAI's review, senior FCDO officials working on the World Bank have made a presentation to FCDO regional directors and country development directors on engaging the Bank. The International Finance Institutions Department and the UK Delegation to the World Bank have been working

together to support efforts to solve the debt challenges of Zambia, Malawi and Ghana; respond to the crisis in Pakistan; develop the Bank's new approach to Afghanistan; work on the potential for Sri Lanka to reverse-graduate into IDA; and respond to conflict challenges in Ethiopia. We also heard that the UK Delegation are looking to increase their capacity, in part to support engagement on issues relating to UK priority countries.

However, these country-oriented activities have largely been reactive in nature and focused on engaging the Bank at headquarters level. ICAI was shown little evidence of efforts to develop deeper proactive engagement with IDA at the country level. ICAI therefore judges that there has been no substantive progress on the core of this recommendation, and that the response has been inadequate.

### **Recommendation 3: FCDO should hold IDA accountable for meeting the 'leave no one behind' commitment, including by advocating for the operationalisation of its 'co-prosperity' goal**

The original review found that, despite notable effort to address inclusion related to gender, disability and sexual minorities, the Bank had only made modest progress in operationalising its second strategic goal, to promote shared prosperity (also described as co-prosperity, defined as raising the incomes of the bottom 40% of the population faster than the national average) in client countries. The review's assessments of a sample of programmes also concluded that there were weaknesses in how distributional issues were being addressed in country strategies and programmes. ICAI therefore recommended that FCDO should do more to hold the Bank accountable for operationalising this goal. FCDO partially accepted this recommendation, committing merely to advocate for better data to monitor progress on the shared prosperity goal.

FCDO's response to the follow-up review noted that the department has provided recent inputs to IDA Board discussions on addressing statistical capacity-building priorities for Sahelian countries and Kenya. However, even measured against the limited ambitions set out in the government's initial response to this recommendation, FCDO's action is judged to be inadequate.

### **Recommendation 4: FCDO should work constructively with World Bank management and other donors to improve the Bank's capacity to monitor and oversee implementation of environmental and social safeguards**

The original review found that the substantial overhaul of World Bank environmental and social safeguards initiated in 2017-18 had not yet led to improvements in practice, in large part because of constraints in the capacity of Bank staff and local partners to promote and monitor delivery. It also found that the mechanisms for allowing affected communities to report complaints were difficult to use, and that there were long delays in processing compensation in cases of resettlement. These issues were exacerbated by the COVID-19 pandemic, during which some elements of monitoring were deferred. In response, ICAI recommended that FCDO should support the Bank to improve capacity to monitor the implementation of safeguards. FCDO accepted this recommendation and committed to continue such monitoring, including through Board and senior-level engagement, with an emphasis on issues relating to solar energy supply chains and gender-based violence.

FCDO's response to the follow-up review noted that, since the report's publication, the department has been engaging with the Bank on its approach to LGBTI+ inclusion and has submitted proposals for how the Bank's new gender strategy can address gender-based violence. FCDO has also demanded enhanced assurances for all new solar projects and their supply chains (on issues around forced labour). FCDO highlighted that the UK's executive director to the Bank has recently met the organisation's Inspection Panel to discuss concerns about a perceived slowdown in cases being reported to this body.

Overall, ICAI judges that these actions constitute an adequate response to this recommendation. Nevertheless, FCDO has not provided any indication of how its in-country staff are working to encourage full implementation of Bank safeguards. We would therefore encourage the department to engage the Bank more actively at this level on safeguards.

## Recommendation 5: The UK should strengthen key country partnerships with IDA to bolster public financial management and anti-corruption programmes

The original review concluded that IDA has strong control systems and expertise in public financial management (PFM). Despite this, it faces significant challenges in securing effective management of its resources given that it works through national systems and its funding levels are increasing, especially in fragile contexts and in response to crises. For instance, in Sierra Leone, the scale-up in resources to respond to the impacts of COVID-19 on the economy was continuing at the same time as the president had suspended the Auditor General in questionable circumstances. ICAI therefore recommended that the UK should strengthen its country partnerships with IDA through PFM and anti-corruption programmes. FCDO accepted this recommendation, and committed to monitor the Bank's delivery of relevant commitments made through the IDA-20 replenishment process, and to continue to collaborate closely with IDA on capacity building relating to tax and public financial management issues.

FCDO's response to the follow-up review noted that during 2022-23 it had been continuing to support the Bank's Global Tax Programme (which is supporting 50 IDA countries on domestic resource mobilisation and 14 on fiscal issues). The department was also challenging the Bank's Public Expenditure and Financial Accountability (PEFA) initiative to strengthen its political awareness on PFM issues.<sup>1</sup> FCDO also mentioned its engagement in-country to support the Bank to develop a PFM programme in Ethiopia that is sensitive to the conflict challenges facing the country; and to ensure that reform commitments for a recent Development Policy Operation in Nigeria were adequately focused on the key political challenges for improving public management.

Overall, FCDO seems to play an active role in ensuring that the Bank's PFM and other public management reform efforts are tailored to diverse political contexts, and we judge its response to this recommendation to be adequate. Given that the tensions between the resourcing requirements and governance issues in the most challenging IDA contexts will remain considerable for the foreseeable future, we encourage FCDO to strengthen its work in-country with the Bank in this area.

## Conclusion

Overall, ICAI judges that FCDO's response to the recommendations set out in this review is adequate, and it will not be returning for a further follow-up. FCDO is engaging strongly with the Bank on action to tackle climate change and how to measure it. It is addressing some critical issues relating to the Bank's broad safeguards agenda and it is playing an important role in challenging the Bank to engage with more political awareness around public management issues. It is, however, yet to pursue more strategic country-level partnerships with IDA, and its ambitions remain limited in engaging the Bank on developing more systematic approaches to inclusion and promoting shared prosperity.

<sup>1</sup> In 2022 FCDO eventually took the decision that, because of resistance from the Bank to better balance PEFA's traditional technocratic approach with deeper political engagement, it would be withdrawing its funding for PEFA.



This document can be downloaded from [www.icaei.independent.gov.uk](http://www.icaei.independent.gov.uk).

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