Cabinet Office

Capability Review of the Cross-Government Funds

Summary Report

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Introduction

In 2017, the National Security Adviser (NSA) initiated a review of the cross-Government Funds. The review formed part of the wider National Security Capability Review (NSCR), which examined policy and plans that support the implementation of the 2015 National Security Strategy (NSS) and Strategic Defence and Security Review (SDSR 2015).

The review of the cross-Government Funds covered the Conflict Stability and Security Fund (CSSF), the Prosperity Fund (PF), and the Empowerment Fund (EF), which were launched between 2015 and 2017. The Funds deliver on key commitments in the 2015 National Security Strategy, SDSR 2015 and on all four objectives in the UK Aid Strategy. In total, they represented almost 5% of Overseas Development Assistance (ODA) in 2016.

The review considered views from Government departments, ministers, Non Departmental Public Bodies, diplomatic posts, and the Fund Secretariats. It also took full account of the findings by recent internal and external reviews of the Funds, including by the National Audit Office, the Independent Commission for Aid Impact, and the Joint Committee on National Security Strategy. It provided an opportunity to assess the National Security Council (NSC) programming space and considered how the Funds can be managed more efficiently and effectively to deliver programmes which meet National Security Objectives (NSOs) and the UK Aid Strategy.

Strategic Remit and Impact

The review found substantial evidence of the Funds delivering against the NSOs and the three SDSR 2015 pillars: Protect our People; Project our Global Influence; Promote our Prosperity. It found that the CSSF and PF were effective mechanisms for making strategic, co-ordinated, prioritised and integrated use of ODA and non-ODA resources. They drive greater flexibility, broader geographic and thematic reach, and greater diversity in programming than could be achieved through departmental allocations alone.

The CSSF was launched in 2015. It was designed to harness resources and expertise across Government to achieve strategic impact by building stability overseas and enhancing global and UK security. It supports the two of the three SDSR 2015 pillars as well as three of the four UK Aid Strategy objectives and delivers programmes in over 70 countries. The CSSF's flexible blend of ODA and non-ODA enables teams to design the most effective activity and drives higher risk appetite and more innovative responses. The Fund is highly responsive to changes in strategic direction: for example, as the 2015 migration crisis unfolded, relevant HMG strategies were revised and CSSF funding on migration trebled.

> In FY 16/17, the CSSF supported stabilisation in Iraq and Libya, deployed UK military personnel to UN peacekeeping missions, and supported the peace process in Colombia. In Syria, the CSSF funded basic security, laid the foundations for recovery, and helped to train over 3,000 White Helmets volunteers who have saved 85,000 lives.
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> More detail can be found in our Annual Report.

The Prosperity Fund is at an earlier stage in its development, but early results demonstrate the Fund's potential. The Fund was designed to reduce poverty through inclusive economic growth in ODA-eligible middle-income developing countries whilst creating opportunities for international business, including UK business. Its support for the third NSO – Promote our Prosperity – includes championing an open and rules-based international trading environment.

Promoting growth and prosperity in developing countries – creating jobs, developing skills, investing in infrastructure, and supporting the technologies of the future – contributes to poverty reduction and strengthens UK economic opportunities. First year projects (2016/17) included improving the environment for business, access to financial services, urban planning and energy infrastructure.

> The Prosperity Fund supported a major global anti-corruption summit and programme in 2016/17; increased transparency in Thailand by providing support for their first public procurement act with UK firms competing for £1bn of business as a result; strengthened anti-money laundering capacity in India; and tested energy grid management technology in South Africa with UK companies exploring partnerships to deploy the technologies.
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> More detail can be found in our Annual Report.

The review found that the CSSF and PF gain greater strategic importance as a result of the UK's decision to exit the European Union. Redefining Britain's place in the world will require us to use our diplomatic, development and defence assets to best effect. The CSSF and PF are playing a vital role in promoting the economic development and welfare of developing countries as well as projecting UK influence by harnessing the Government's collective resources to work with countries of strategic interest to promote security, stability, economic development and prosperity. The CSSF and PF are particularly important given their additional benefits: supporting UK commercial interests and reducing domestic threats.

As part of the 2015 Spending Review it was proposed that an additional cross-government fund should be established to support the 2015 National Security Strategy's commitments to build understanding between countries and enhance UK soft power. The Empowerment Fund was in the early stages of development and had not started delivery. It was paused in June 2017 while the wider review was undertaken.

Findings and Recommendations

The review looked at three distinct areas in the Funds: strategic direction, governance, and delivery and capability. Findings and recommendations in each area are summarised below.

Strategic Direction

The review assessed how the HMG's country, regional and thematic strategies translate into policy. It evaluated whether HMG strategies provided enough direction to the Funds, and looked at whether the Funds had the capability to deliver programmes that met NSC objectives. It identified that the Funds were delivering well against the three pillar SDSR 2015 framework, that they were spending both ODA and non-ODA effectively, and that they were improving cross-Government working. It also identified five areas that can be improved:

Recommendation 1 – HMG strategies at country/sub-regional level should be retained in the new governance structure that is being developed as part of the wider NSCR. This will provide the detail to drive cross-HMG collaboration on policy and programming in areas that sit within and below overarching HMG strategies or implementation plans.

Recommendation 2 – Improve consistency, transparency and application of HMG strategies for priority countries, regions or themes. The National Security Secretariat (NSS) should provide support in reviewing the quality of strategies, and clear guidance on remit, development, implementation, monitoring, and interdependencies between strategies, drawing on the recommendations of the wider NSCR. Public-facing versions of HMG strategies should be developed.

Recommendation 3 – Develop a public facing vision for the Funds in light of growing public and Parliamentary interest in the Funds' purpose and impact.

Recommendation 4 – Strengthen strategic input from across Government to reflect the breadth of government's expertise. We should produce an integrated, collective prioritisation of countries and regions.

There was increased recognition of the importance of doing more to support, and use, UK soft power to support poverty reduction and advance our national security interests. However, the review found that the Empowerment Fund's proposed geographic focus overlapped significantly with that of the PF and CSSF. Integrating its aims into the remaining Funds would improve efficiency, simplify governance and strengthen delivery. In addition, it was recognised that soft power is being delivered cross-government through lots of different channels already, for example, through the Global Britain campaign, the arts sector and education.

Recommendation 5 – Discontinue the Empowerment Fund and adjust the remaining Funds' criteria to ensure they are flexible enough to support additional soft power activity linked to NSC priorities.

Governance

As the Funds have evolved, they have developed their own governance arrangements. The review considered whether this has created unnecessary duplication or whether some separation is justified. It looked at the scope for strengthening and streamlining different levels of accountability and at the need to clarify roles and responsibilities.

Recommendation 6 – Focus collective ministerial oversight on strategic direction. This should include agreeing priorities, making decisions on allocations, and overseeing and monitoring the overall strategic impact of programmes. Departments, as holders of financial accountability, should continue to approve the commercial, financial and management aspects of programme documentation.

Recommendation 7 – Governance structures should enable funds to be managed both geographically and thematically. Regional programme delivery should be the norm unless thematic/sectoral funding is truly global/cross-regional.

Recommendation 8 – Ensure that these multi-year Funds retain sufficient flexibility to respond to new priorities and crises, whilst retaining access to ODA and non-ODA crises reserves.

Recommendation 9 – Simplify bidding/allocations rounds and windows to increase efficiency. The Secretariats should consider how to retain the benefits of competition while reducing the burden of process.

Recommendation 10 – Departments should aim to minimise bureaucracy in programme approval and ensure pace and consistency in programme governance processes. The Treasury sets delegated authority limits and it is for departments to agree their own programme assurance processes with appropriate Ministerial oversight. This review encourages departments to harmonise approval processes where possible.

Recommendation 11 – The role of the Senior Responsible Owner (SRO) in the context of programme accountability should be more clearly defined.

The review considered a number of options for the future governance of the CSSF and PF. The principal trade-off was between maintaining separate ministerial and portfolio oversight in recognition of the Funds' differing geographical and policy objectives, versus achieving greater strategic coherence and coordination by merging these structures. The NSC agreed to enhance strategic coherence and strengthen central accountability through a new Ministerial committee for the Funds, which will be chaired by the Minister for the Cabinet Office, supported by an official board chaired by the National Security Adviser. Beneath this, separate Fund structures will be maintained. Departmental Accounting Officers are accountable to Parliament for the propriety, performance and spend of the Funds' portfolio of programmes.

Delivery and Capability

The review considered what action needed to be taken to improve capability to deliver through the Funds. It assessed the strength of programme cycles; departmental systems and skills; and Secretariats. It found positive evidence of joint programme teams delivering effective programmes; investment in new skills and expertise; and improving standards, and identified six areas for improvement.

Recommendation 12 – Create a single Secretariat, driving greater consistency in standards, including around the management of risk. The new structure should allow for both shared and differentiated functions. It should report directly to NSS but continue to be located within the FCO.

Recommendation 13 – Harmonise programme management templates and approaches, where possible, informed by DFID best practice.

Recommendation 14 – The Secretariat should review the administration cost cap and its use. Where possible the teams managing the Funds should be integrated, from across government both in London and at Post.

Recommendation 15 – Define the requirements for managing cross-Government funding through departmental systems and processes. The Secretariat should have stronger capacity to assess the strength of departmental systems and processes to manage programme funding, and provide guidance and support.

Recommendation 16 – Build frontline programme management and advisory capability within departments, including maximising the use of DFID expertise and creating a programme management cadre to professionalise and strengthen the management of staff working on cross-government programmes.

Transition, Implications and Progress

The NSC met on 23 January and approved these recommendations. Implementation is now fully underway. The Minister for the Cabinet Office has agreed to chair the new Ministerial committee that will set the Funds' strategic direction. He is also accountable to Parliament overall. The NSA will chair an official board to drive implementation and work is underway to create a single Joint Funds Unit.

The review recommended that changes are implemented after the ongoing CSSF allocations process and PF window, i.e. from the start of FY 18/19. Changes to governance structures should be phased in to match the programme cycle, along with a transition plan for merging the Secretariats and building frontline capability.

Spending through the CSSF and Prosperity Fund will continue to be significant. However, Official Development Assistance (ODA) budgets for the Funds have been revised as a result of changes to GNI. The total allocation for the CSSF 2017/18 is £1.2bn (of which £529.2m is ODA). In February 2017 the budget for the Prosperity Fund was re-profiled to a planned £1.22bn over six years (from £1.3 billion over five years) to reflect changes to projected UK GNI and the long-term nature of the Fund.