

**Progress Update DFID Management Response to the Independent Commission for Aid Impact recommendations on:**

**The Management of UK Budget Support Operations, May 2012**

**ICAI recommendation 6 – rejected – no action**

**ICAI recommendation 8 – partially accepted – no action**

ICAI Recommendation	Accept/Partially Accept/Reject	Original Management Response		March 2013 Update
		Action	Target Date	
<p><b>Recommendation 1:</b> DFID should determine the amount of budget support to provide based on an assessment of how much poverty reduction can realistically be achieved through expanding public expenditure given the quality of national policies and institutions.</p>	Accept	<p>1. DFID will require all Business Cases for budget support to include a clear rationale for the volume of budget support being proposed.</p>	November 2012	<p><b>Completed</b> This requirement has been included in the new DFID guidance ('How to Note') on how to prepare a Business Case that was published in January 2013</p> <p>Supplementary guidance was also developed in November 2012 based on a review of recent Business Cases for general budget support by the DFID Quality Assurance Unit.</p>
<p><b>Recommendation 2 :</b> DFID should build its general budget support operations around the</p>	Accept	<p>2. DFID will review each DFID budget support programme to assess the feasibility of introducing a Results Compact. Where feasible DFID will set</p>	January 2013	<p><b>Completed</b> DFID conducted an internal review in October 2012 which identified four to five budget</p>

ICAI Recommendation	Accept/Partially Accept/Reject	Original Management Response		March 2013 Update
		Action	Target Date	
possibility of higher and lower levels of funding, with a substantial increment between them, to send clear signals on performance and free up resources from non-performing operations.		out steps for the development and incorporation of a Results Compact into the programme.		support programmes where the incorporation of a Results Compact may be suitable.  Steps have now been set out to develop these potential Results Compacts further so that where appropriate they can be incorporated into budget support programmes.
		3. DFID will disseminate lessons learnt from evidence and international best practice of performance-based disbursements of budget support.	November 2012	<b>Already completed</b> <a href="#">September 2012</a>
<b>Recommendation 3 :</b> DFID should set clear targets for progress on public financial management (PFM) reform and anti-corruption for each of its budget support operations and link future funding levels to progress achieved.	Partially Accept	4. DFID will strengthen guidance on supporting PFM reform including on monitoring progress with measurable indicators.	March 2013	<b>Completed</b> Guidance for budget support programme managers on measuring and monitoring progress of PFM reform programmes was issued in March 2013.

ICAI Recommendation	Accept/Partially Accept/Reject	Original Management Response		March 2013 Update
		Action	Target Date	
<p><b>Recommendation 4 :</b> DFID should strengthen its approach to managing short-term fiduciary risk in its budget support operations through more active measures to address specific risks identified in Fiduciary Risk Assessments.</p>	Accept	<p>5. DFID will require all Business Cases for budget support to consider the need for, and design of, safeguards in direct response to issues and risks identified in the FRA.</p>	November 2012	<p><b>Completed</b> This requirement has been included in the new DFID guidance ('How to Note') on how to prepare a Business Case that was published in January 2013 (<a href="#">insert link – not yet available</a>).</p> <p>Supplementary guidance was also developed in November 2012 based on a review of recent Business Cases for general budget support by the DFID Quality Assurance Unit.</p>
		<p>6. DFID will establish a 'community of interest' on fiduciary risk and safeguards among budget support countries to share and discuss good practice.</p>	September 2012	<p><b>Already completed</b> <a href="#">September 2012</a></p>

ICAI Recommendation	Accept/Partially Accept/Reject	Original Management Response		March 2013 Update
		Action	Target Date	
<p><b>Recommendation 5 :</b> Both general and sector budget support operations should include explicit strategies for tackling constraints on efficient public spending and ensure that these are addressed systematically in policy dialogue and reform programmes.</p>	Accept	<p>7. DFID will require all Business Cases for budget support to include an assessment of the constraints to efficient public spending and propose measures to address these.</p>	November 2012	<p><b>Completed</b> This requirement has been included in the new DFID guidance ('How to Note') on how to prepare a Business Case that was published in January 2013.</p> <p>Supplementary guidance was also developed in November 2012 based on a review of recent Business Cases for general budget support by the DFID Quality Assurance Unit.</p>
<p><b>Recommendation 7 :</b> DFID should look for every opportunity to promote national accountability, including through sharing information on recipient government performance generated within budget support operations with parliament and other national stakeholders.</p>	Accept	<p>8. Based on a review of the implementation of the 5% commitment, DFID will update guidance to country offices with case studies, good practice, and advice on further strengthening work on local accountability.</p>	December 2012	<p><b>Completed</b> A review of the implementation of the 5% commitment was conducted in November 2012.</p> <p>Following that, a Briefing Note for budget support countries on how to strengthen domestic accountability was updated in December 2012,</p>

ICAI Recommendation	Accept/Partially Accept/Reject	Original Management Response		March 2013 Update
		Action	Target Date	
				with new examples of good practice and case studies.
		9. DFID will ensure that Performance Assessment Frameworks (PAFs) and related performance data are made publically available in a timely & locally accessible way.	October 2012	<b>Completed</b> PAFs (or equivalent monitoring frameworks for budget support programmes) and related performance data have been made publically available from October 2012 in all countries where we provide budget support.
		10. DFID will require all Annual Reviews of budget support programmes to say how we are using information from non-government systems including from beneficiaries in budget support dialogue.	October 2012	<b>Already completed</b> <a href="#">September 2012</a>