

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

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

ICAI recommendation 6 – no action required

ICAI recommendation 8 – no action required

ICAI Recommendation	Accept/Partially Accept/Reject	Action specified in Management Response	Target date	September 2012 update
<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>	<p>Accept</p>	<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>	<p>November 2012</p>	<p><b>On track</b> DFID Business Case guidance ('How to Note') is currently being updated and will be issued in November. This requirement will be included in the new guidance.</p> <p>Recent General Budget Support Business Cases were reviewed by the Quality Assurance Unit of DFID in August. This requirement was part of the review and subsequent discussions. Findings from the review and discussions will be documented and disseminated among all budget support countries in November.</p>
<p><b>Recommendation 2:</b> DFID should build its general</p>	<p>Accept</p>	<p>2. DFID will review each DFID budget support programme to</p>	<p>January 2013</p>	<p><b>On track</b> Review is being planned based on an</p>

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<p>budget support operations around the 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.</p>		<p>assess the feasibility of introducing a Results Compact. Where feasible DFID will set out steps for the development and incorporation of a Results Compact into the programme.</p> <p>3. DFID will disseminate lessons learnt from evidence and international best practice of performance-based disbursements of budget support.</p>	<p>November 2012</p>	<p>consultation with all country offices which provide budget support. Templates and background material on payment-by-results has been prepared for this consultation which will start in early October. A review based on this will be completed by January.</p> <p><b>Complete</b> Selected international evidence and experience on performance-based disbursements of budget support has been gathered and made available on a new Budget Support DFID intranet site (DFID 'Team Site'). More evidence will be disseminated as it becomes available.</p>
<p><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.</p>	<p>Partially Accept</p>	<p>4. DFID will strengthen guidance on supporting PFM reform including on monitoring progress with measurable indicators.</p>	<p>March 2013</p>	<p><b>On track</b> A series of meetings have taken place to agree the structure and content of guidance for budget support managers on measuring and monitoring progress of PFM reform programmes of Partner Governments. Guidance is now being developed and will be issued in March.</p>

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<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>	<p>Accept</p>	<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> <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>	<p>November 2012</p> <p>September 2012</p>	<p><b>On track</b> This requirement will be included in the new guidance being issued in November, as set out in Action 1.</p> <p><b>Complete</b> A 'community of interest' was established in the form of an intranet site (DFID 'Team Site') in September. All budget support managers are members of the community of interest. This is being used to share documents and discuss experience in managing fiduciary risk, using safeguards and monitoring PFM reform.</p> <p>A series of meetings has also been organised. These will be used to discuss selected topics of interest on fiduciary risk, use of safeguards, and PFM reform. The first of these meetings will take place in early October on working with Partner Governments to improve the value for</p>

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				money of their public expenditure.
<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	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.	November 2012	<p><b>On track</b> This requirement will be included in the new guidance being issued in November, as set out in Action 1.</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>9. 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> <p>10. DFID will ensure that Performance Assessment</p>	<p>December 2012</p> <p>October 2012</p>	<p><b>On track</b> A review of DFID's 5% commitment has been planned and will be complete by November. An update of DFID guidance is planned to take place following this review and will be complete by December.</p> <p><b>On track</b> A consultation on this has taken place</p>

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		<p>Frameworks (PAFs) and related performance data are made publically available in a timely &amp; locally accessible way.</p> <p>11. 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.</p>	November 2012	<p>with all budget support countries. For the majority of budget support programmes, PAFs (or equivalent) and related performance data are now publically available. In most cases, information is made available via Partner Government websites. For those remaining programmes, steps are being taken to ensure that all relevant information is made available to the public by October.</p> <p><b>Complete</b> The DFID Annual Review template includes a section on beneficiary feedback that must be completed for all budget support programmes. Guidance on how to procure and use feedback from the intended beneficiaries of aid programmes has been updated and now includes a specific consideration of what this means in the case of budget support.</p>