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DFID Governance and
Transparency Fund

Management Response to the GTF MTR Report

14 November 2012

Management Response to the GTF MTR Report

Contents

Executive Summary	3
1. Introduction	4
2. Background	4
3. Response to MTR Conclusions	6
3.1 Engagement with local partners (4.1.3)	6
3.2 Evidence of sustainable results (4.1.4)	6
3.3 Project design and linkages between inputs and desired results (4.2.2)	7
3.4 Issues around demonstrating value for money at project level (4.2.6)	7
3.5 Portfolio design and positioning for results (5.1.1)	7
3.6 Overall status of the GTF logframe and design (5.1.2)	8
3.7 Sustainability considerations (5.6)	8
4. Response to short-term recommendations	8
5. Long-term recommendations	10
Annex 1: Original Terms of Reference for the Fund Manager from 2007	11

Executive Summary

KPMG agrees with the key short and long-term recommendations made in the GTF MTR report. The review process would have been more efficient if direct discussions had been conducted with the Fund Manager and other key DFID staff members that were present at the launch of the GTF. More consideration of the original terms of reference issued by DFID would have also added greater objectivity to the findings.

We have raised minor concerns regarding specific findings on the engagement of local partners; project design; value for money; portfolio design; GTF logical framework; and, sustainability. It is our opinion that many of the findings stem from overly broad programme design and the lack of an overall logical framework when the fund was launched. As external Fund Managers we are obligated to fulfil a defined terms of reference within an agreed budget. The original terms of reference for the Fund Manager did not include many of the learning and technical support functions identified in the review.

In response to the short-term recommendations contained in the report, the Fund Manager will:

- Undertake a full stakeholder analysis to determine the demand for learning from the GTF
- Develop a Learning and Impact Strategy
- Organise a series of events to disseminate evidence of results and share learning
- Identify key results across the GTF portfolio in relation to specific themes and issues
- Conduct a stock-take of the portfolio to highlight contributions of specific projects to the overall objectives of the GTF
- Conduct evidence gathering and verification missions in up to 8 countries
- Develop a Risk Management Strategy for the fund
- Continue to assure VFM through negotiating revisions to project budgets and verifying receipts and supporting documentation
- Hold quarterly progress meetings for the duration of the programme

In summary, we are aware that there has been a significant change in the level of demand for oversight and evidence of impact since the GTF was first launched in 2007. From this perspective, we wholeheartedly support the view that additional resources should be dedicated to identifying the impact of the GTF and disseminating the broad range of lessons learnt during the final years of the programme. Whilst pursuing evidence of the wider impact of the GTF we will also demonstrate the purpose of strengthening civil society's ability to demand better governance and transparency

1. Introduction

The purpose of the Mid-term Review (MTR) of DFID's Governance and Transparency Fund (GTF) has been to review progress, provide insight to inform the final 18 months of the programme, and offer guidance for similar future programmes. This document has been prepared in response to the conclusions drawn and recommendations made in the MTR report. It consists of three main sections. In the first section we provide basic background information which helps frame the broader points that can be taken from the review. In the second section, we provide comments on specific aspects of the analysis and ensuing conclusions. The final section provides our response to individual recommendations and indicates the actions that will be taken in relation to each short-term recommendation.

The GTF is a complex programme with a history dating back to 2006. The MTR has relied on the examination of a mountain of documentation. Different conclusions might have been drawn if the review process had included interviews with the Fund Manager or with the individuals within DFID that were responsible for the original design of the GTF. We also believe that the analysis would have benefitted from a more detailed assessment of the original TORs for the Fund Manager. The TORs specify what the Fund Manager was asked to do. Despite these misgivings, KPMG supports the broad conclusion from the MTR that more resources should be dedicated to identifying the impact of the GTF and disseminating the broad range of lessons learnt during the final years of the programme.

2. Background

The GTF is a complex programme with a long history. It was announced in DFID's 2006 White Paper, ['Making governance work for the poor'](#). This paper confirmed the link between good governance and poverty reduction. It also defined good governance as requiring three things:

- State capability – the extent to which leaders and governments are able to get things done.
- Responsiveness – whether public policies and institutions respond to the needs of citizens and uphold their rights.
- Accountability – the ability of citizens, civil society and the private sector to scrutinise public institutions and governments and hold them to account.

While emphasising the importance of increasing state capability and responsiveness through other existing programmes and channels, the White Paper specifically focused on the key role civil society must play to achieve greater accountability. This led to the commitment to establish the GTF “to strengthen civil society and the media to help citizens hold their governments to account”.¹ Key characteristics of the GTF were subsequently defined to include:

¹ <http://webarchive.nationalarchives.gov.uk/+http://www.dfid.gov.uk/wp2006/whitepaper-printer-friendly.pdf>, pg. 27

- £100m over five years (later increased to £130m)
 - A demand-led competitive Fund with one funding round.
 - Larger scale projects only – between £750,000 and £5m
 - Projects to cover a period of between 3 and 5 years
- | |
|--|
| <ul style="list-style-type: none"> • 85% of funds to be channelled to local partners in developing countries • Projects must address governance and transparency issues by working through a variety of local partnerships and networks. |
|--|

The original purpose statement of the GTF incorporated two important concepts. First, it placed the emphasis on building the capacity of civil society organisations. Government agencies in developing countries were not eligible to apply for funding. This imposed a de facto limitation on initiatives for strengthening state capability, or “supply-side” interventions.

Second, and perhaps more important with respect to many of the MTR conclusions, it established capacity building of civil society as the initial primary objective for the GTF. The additional eligibility criteria specifically emphasised that 85% of funds should be channeled to local partners in developing countries and reiterated the importance of working through local partnerships and networks. Further criteria stipulated that the GTF would not fund research programmes. These became guiding principles for the design, appraisal, and selection of individual programmes.

In late 2010, DFID shifted the emphasis away from these initial principles toward an increased focus on the evidence of impact of civil society in bringing about improvements in the lives of the poor. Prior to this shift, the planning instruments of many programmes were designed for guiding capacity building processes. As a result, the instruments and supporting M&E procedures for some programmes were not primarily oriented toward capturing longer term impact of capacity building for civil society. Some programmes were understandably reluctant to make commitments for specific improvements in government policies or the delivery of government services for which they did not have direct responsibility for implementing.

DFID contracted KPMG to be the Fund Manager for the GTF through a competitive tendering process in 2007. A summary of the original terms of reference (TORs) issued by DFID are included in Annex 1. They are included to illustrate two points. First, they reflect DFID’s original assumptions about the initial capacity of civil society organisations to manage their programmes according to DFID’s reporting requirements. Second, they also defined expectations for the role to be played by the Fund Manager.

The initial TORs emphasised the appraisal of proposals, financial management, desk assessments of annual reports, and overall administration of the fund. It is important to note what was not included. There were no provisions for technical assistance to GTF grant holders. There were no provisions for learning products, events, or sharing lessons across the portfolio. There were no provisions for site visits to verify progress on the ground. In effect, the original TORs envisioned a

small management team primarily dedicated to administrative functions and interaction with GTF grant holders limited to written feedback on their annual reports.

Finally, it is important to note that the GTF was launched without an overarching logical framework in 2007. The logical framework was designed in 2009 after funding decisions had already taken place. This sequence imposed limitations on the ways and means for measuring the progress of the fund. Individual projects were given the freedom to use different tools, methods and approaches which responded to their particular circumstances. Thus, while different GTF-funded projects may work on similar issues, they have understandably measured their outcomes in diverse ways. As a result, the overall logical framework for the GTF was developed from a mapping exercise which plotted expected outcomes from individual projects against broad results statements derived from the DFID CAR framework.

3. Response to MTR Findings

Our response to specific findings of the MTR is included in this section. We have limited our response to the areas where we believe inaccurate conclusions have been drawn or where further clarity is required.

3.1 Engagement with local partners (4.1.3)

Several GTF programmes have demonstrated the importance of early engagement with and empowerment of local partners and have adapted their project approaches and activities to the local context. Some of these approaches were recorded in the first GTF learning paper on Tools and Methods for measuring and achieving results. During the final phase of the GTF, it is planned that these positive approaches will be documented further through specific case studies and disseminated through a series of workshops.

3.2 Evidence of sustainable results (4.1.4)

There is a growing body of tangible evidence which points to sustainable results and impact from the GTF supported programmes. Quantitative aggregation across the portfolio is challenging because programme funding decisions were taken before the GTF logframe was designed. Nonetheless, results have been systematised and synthesised within the structure of DFID's CAR framework. The evidence extends to tangible changes in policies and legislation, adoption of best practices, and concrete improvements in government service delivery across a range of sectors. This evidence is signposted in Annex 4 of the GTF third annual report. An important task for future learning activities is to drill down on the signposted evidence to draw out key lessons to inform future programming. Since the GTF covers such a broad range of initiatives, the process of drilling down requires focussing on selected areas where the greatest results have been achieved. Also, to ensure the best allocation of limited resources, the process should also be guided through the identification of real versus perceived demand for learning on specific governance themes and issues.

3.3 Project design and linkages between inputs and desired results (4.2.2)

The assumption that government capability should increase to respond to increased demands from civil society was articulated in the 2006 DFID White Paper. It is indeed the central concept upon which the GTF was designed. As mentioned in the previous section, government agencies were not eligible to apply for GTF funding when it was launched. A small minority of GTF programmes have included “supply-side” activities to increase government capability through training for government officials. It may be argued that GTF could have been designed to include a greater emphasis on building government capability in order to better tackle both the supply and demand sides of the governance equation. However, this would have required a significant increase in the level of resources dedicated to the GTF. It would have also pulled the programme into territory usually addressed by other forms of assistance provided directly to government such as sector investment and budget support programmes.

3.4 Issues around demonstrating value for money at project level (4.2.6)

When the GTF was launched in 2007 DFID declined to issue standardised budgeting criteria to applicants. This was in response to previous criticism from civil society organisations of being overly prescriptive. While giving greater flexibility to applicants, the lack of standardised budgeting criteria restricts the assessment of value for money on a consistent basis across all projects. Nonetheless, the Fund Manager has negotiated the inclusion of unit costs and quantities where appropriate, and questioned the value of all major budget lines to analyse the economy and efficiency of each project.

3.5 Portfolio design and positioning for results (5.1.1)

The GTF network currently spans more than 1,000 local organisations in over 100 countries. The main strength of the GTF logical framework is that it collates the broad range of results expected from local partners within the structure of the themes defined under DFID’s CAR framework. For example, achievements within the themes of capacity building or improved government service are signposted according to country and implementing organisation. The logical framework was designed based on the assumption that specific individual results would be interrogated through the analysis of annual reports and sample verification missions.

A qualitative assessment of changes in the international voice and accountability indices will be undertaken in relation to selected countries. The process will shed light on the direction of change in governance and transparency in the selected countries. Criteria used for the selection of countries are: (i) number of programmes > 8; and (ii) funds assigned > £ 500,000 per year. Three exceptions have been included for thematic or geographic interests (i.e. Peru, Sierra Leone and Nepal). Progress against these indicators will be analysed at the end of the GTF programme. This recognises that year-to-year changes may be due to sampling errors within the individual indices and that real changes may be only visible after the five-year implementation period of the GTF. It is also acknowledged that this analysis will encounter issues of attribution. GTF supported projects are often amongst many efforts to improve governance and external events can have an important bearing on changes in the indices. Nonetheless, the intention is to provide a narrative examination of the contributions made by various GTF projects in the selected countries at the end of the programme.

3.6 Overall status of the GTF logframe and design (5.1.2)

Since the targets expressed in the GTF logframe have been accumulated from the targets expressed by individual projects there seems little to be gained by scaling back at this stage of the programme. It should also be noted that GTF grant holders in the UK have already self-organised a public discussion series. This series has tackled cross-cutting issues such as validating theories of change, gender, and value for money. Regional groups of GTF grant holders outside the UK are also in the process of organising similar public discussion series in conjunction with PPA grant holders. Although these events do not ascribe to the level of detail that would be expected of a peer review, they do provide opportunities for validating project designs and sharing of best practices.

3.7 Sustainability considerations (5.6)

Sustainability has been considered in a systematic way since the outset of the GTF. It was amongst several key appraisal criteria used in the assessment of original proposals. It has been reassessed on individual basis in each annual report and was considered by external evaluators in the MTR for each programme

4. Response to short-term recommendations

The MTR makes eight specific recommendations for the GTF over the short term. The recommendations and our management response are set out in the table below. Our management response has been guided by the revised terms of reference issued by DFID in July 2012.

Recommendation	Response and Action Plan
4.1 Undertake a full stakeholder analysis to identify key internal and external GTF stakeholders, what they contribute to the programme, and what levels of engagement and information they require.	Agreed. The Fund Manager will undertake a full stakeholder analysis to encourage increased engagement across the programme, improve information sharing and promote learning. Key internal and external stakeholders will include GTF grant holders, DFID staff, other civil society organisations and academics. The stakeholder analysis will inform the development of a Learning and Impact Strategy. Stakeholders will be consulted in the UK and through a series of up to 8 country visits. Through this process, the Fund Manager study and report on the different approaches to supporting civil society working on improving governance.

Recommendation	Response and Action Plan
<p>4.2 Explore the possible utilisation of more interactive information sharing and lesson learning tools, such as the proposed virtual forum for GTF participants.</p>	<p>Agreed. Learning will be disseminated through a series of events. It is envisioned that up to 6 events within DFID, 6 events outside DFID in the UK, and 4 events in priority country offices will be held. Links from the DFID GTF web pages to grant holder annual reports and other key documents are currently tested and updated on an annual basis. The Fund Manager will develop a Reference Guide for information and lessons emanating from the GTF.</p>
<p>4.3 Move lesson learning from the level of activity documentation and internal reporting to that of action planning for the implementation of key lessons learned, and tracking the improvements realised as a result of lessons learned.</p>	<p>Agreed. The Fund Manager will design and implement a Learning and Impact Strategy. A central component of the strategy will involve a robust assessment of the quality of evidence underlying the results reported by grant holders. Evidence from across the GTF portfolio will be categorised according to specific governance themes and issues to tailor learning products to the specific demands expressed by key stake holders. This process will enable the development of a strong narrative on the results and impact achieved through the GTF. Given the breadth of GTF interventions, it is expected that learning will be documented and disseminated on up to 10 governance themes and issues.</p>
<p>4.4 Consider undertaking a stock-take of the GTF at both programme and constituent project levels in order to identify feasible scope, achievable results, current risk status and appropriate mitigation measures, and clear linkages of inputs to outputs, outcomes and impacts.</p>	<p>Agreed. The Fund Manager will undertake a stock-take of the GTF in conjunction with the review of annual reports. The process will focus on highlighting the impact of individual programmes and their contribution to the overall objectives of the GTF. Mitigation measures will be developed for any projects which appear to be behind schedule.</p>

Recommendation	Response and Action Plan
<p>4.5 Pursue more specific and substantiated reporting on results against stated logframe targets across the programme. This could possibly be coupled with quarterly status updates as an early warning system where issues arise, and as a mechanism for tracking continuous progress towards results in a timely manner.</p>	<p>Agreed. The Fund Manager will hold quarterly meetings with DFID to discuss progress and emerging implementation issues. Technical support will be targeted toward any programmes which appear behind schedule. This will help ensure that individual projects meet output and outcome expectations. Strengthening the capacity of grant holders to capture quality evidence and report meaningful will be emphasised under the Learning and Impact Strategy.</p>
<p>4.6 Consider balancing the quantitative approach to measurement currently adopted across the GTF with qualitative evaluation and reporting on impacts in order to provide a stronger and more meaningful story on the programmes' results. Explore the viability of supplementing traditional approaches to measuring results with more rounded impact analyses.</p>	<p>Agreed. Task 2.2.8 GTF grant-holder capacity strengthened through 8 country visits</p> <p>Task 2.3.6 Document learning on 10 areas identified with key stakeholders</p> <p>Task 2.3.8 Case studies</p>
<p>4.7 Promote a more proactive approach to risk management across the programme, moving away from solely documenting risks and mitigation measures to actively taking action to resolve emerging risks and issues, and reporting on the effectiveness of these actions to enrich lesson learning.</p>	<p>Agreed. The Fund Manager will draft a Risk Management Strategy. The strategy will be reviewed on a continuous basis to ensure that key risks are mitigated and lessons learnt.</p>
<p>4.8 Quantify the management costs of the GTF in a more accurate and detailed manner across the various management levels of the programme in order to be better able to assess the value for money of current management practices.</p>	<p>Agreed. The Fund Manager will continue to negotiate and recommend budget revisions for individual projects to ensure that any revisions continue to provide value for money. Receipts and other supporting documentation will be verified through a sample of 15% of projects on a quarterly basis.</p>

5. Long-term recommendations

The MTR has made four long-term recommendations to guide the design of future programmes. These include recommendations on establishing clear design parameters; positioning programmes at international, regional and local levels; establishing a clear inception and mobilisation period; and articulating clear standards for management costs. We support all of the recommendations made. Implementation of the long-term recommendations falls under DFID's responsibility.

Annex 1: Original Terms of Reference for the Fund Manager from 2007

OVERALL TASK

The Fund Manager will be responsible for the technical appraisal, performance assessment and all day to day administration of the Fund. This will involve:

- undertaking professional appraisal of all Concept Notes
- undertaking professional appraisal of all Proposals (including budgets and logframes)
- providing funding recommendations to DFID
- providing constructive feedback to all unsuccessful applicants
- negotiating and agreeing detailed project budgets for all successful applicants
- issuing all grant agreements
- checking, authorising and payment of all grants
- providing advice and guidance to all grant holders
- appraising all annual reports, evaluation reports and programme completion reports
- submitting to DFID an annual progress report on the Fund as a whole
- providing advice and guidance to all enquirers about the Fund
- maintaining a comprehensive database and financial records of all grants and applications
- setting up and maintaining a Fund specific website

SPECIFIC TASKS

Concept Notes

All Concept Notes will be sent directly from applicants to the Fund Manager who will, using the criteria as specified in the guidelines covering the Fund:

- send an acknowledgment of receipt to all applicants within 3 days of receipt
- undertake a full and comprehensive appraisal of all Concept Notes
- provide the DFID Project Officer with details of all recommendations prior to issuing decision letters
- provide comprehensive feedback to all rejected applicants within 4 weeks of receipt of the Concept Note
- provide successful applicants with an invitation to submit a full proposal within 4 weeks of receipt of the Concept Note
- use the core team to manage a quality control process to ensure consistency of recommendations
- maintain database records of all Concept Notes and subsequent correspondence

The Fund is expected to receive Concept Notes from a very diverse group of applicants therefore it is important that the Fund Manager is able to produce correspondence which is written in plain English and easily understood by all applicants.

Proposals

Using the criteria as specified in the guidelines covering the Fund, the Fund Manager will be expected to:

- undertake a full technical appraisal of all proposals received taking account of all comments received from DFID. This includes a comprehensive review of any logical framework and budget included with proposals
- send an initial letter to all applicants highlighting areas of concern or requesting further information/clarification
- use the core team to manage a quality control process to ensure consistency of assessment
- provide DFID with details of funding recommendations (the DFID Project Officer will make a proposed format available)

Final funding decisions will be made by DFID. The DFID Project Officer will inform the Fund Manager of the projects to be supported and rejected. On receipt of these details the Fund Manager will:

- provide all unsuccessful applicants with a decision letter, including comprehensive feedback
- write to successful applicants with a provisional offer of support (the offer is conditional on agreement being reached on a final project budget)

The Fund is expected to receive proposals from a very diverse group of applicants therefore it is important that the Fund Manager produces correspondence which is written in plain English and easily understood by all applicants.

Grant Agreements

The Fund Manager will be responsible for issuing of all grant agreements for successful Fund applicants (the DFID Project Officer will provide the Fund Manager with a draft grant agreement).

The Fund Manager will ensure that all outstanding issues, raised either through the appraisal process or through feedback from DFID, have been clarified or resolved to the satisfaction of both the grant holder and the Fund Manager, before any grant agreement is issued. This will include negotiations and agreement on final programme budgets.

The Fund Manager will be expected to ensure that all grant agreements are returned on time and signed by an appropriate representative of the grant holder.

Financial Management

The Fund Manager will be responsible for all financial aspects of the Fund. This will include:

- negotiating and agreeing budgets for all approved grants
- production and issuing of grant agreements
- checking, verifying and authorising of all claims, ensuring grants are claimed in accordance with agreed budgets

- disbursement of grants on a quarterly basis
- agreeing appropriate budget amendments and issuing of revised grant agreements
- monitoring of the Fund budget
- producing quarterly financial returns for the Fund and submitting these to the DFID Project Officer

Annual Reports

All grant holders are required to produce and submit annual reports on their grant for appraisal. These reports are submitted directly to the Fund Manager to log receipt and send acknowledgement (within 3 days of receipt). The Fund Manager will then:

- undertake a full and comprehensive appraisal of all annual reports
- use the core team to manage a quality control process to ensure consistency of appraisal
- provide the grant holder with a written appraisal of the annual report within 8 weeks of receipt
- discuss issues of concern, arising from appraisal of the annual report, with the grant holder
- maintain a database of all reports received and assessments made

The Fund Manager will be expected to actively pursue those grant holders who fail to submit annual reports on time. The Fund Manager will report any concerns about annual reports to the DFID Project Officer.

GTF Project Completion Reports (PCR)

All grant holders must complete a Project Completion Report for their grant (the DFID Project Officer will provide a draft format). All such reports will be sent to the Fund Manager who will be expected to:

- undertake a full and comprehensive appraisal of all PCRs
- use the core team to manage a quality control process to ensure consistency of appraisal
- provide the DFID Project Officer and the grant holder with a written technical appraisal of the PCR within 8 weeks of receipt
- maintain a database of all PCRs received and assessments made

The Fund Manager will be responsible for ensuring receipt of the PCR **within 4 months** of the end of the grant period.

Evaluation Reports

All grant holders will be required to commission an independent external evaluation of their **portfolios**. The timing of this evaluation will be agreed between the grant holder and the Fund Manager when the grant is approved. The Fund Manager will be expected to:

- undertake a full and comprehensive appraisal of all evaluation reports
- use the core team to manage a quality control process to ensure consistency of appraisal
- provide the DFID Project Officer and the grant holder with a written technical appraisal of the evaluation within 8 weeks of receipt

- maintain a database of all evaluation reports received and assessments made

The Fund Manager will be responsible for ensuring receipt of the evaluation report by the agreed date.

Reporting on Performance of the Fund

The Fund Manager will provide the DFID Project Officer with an annual report on the performance of the Fund. This will include:

- details on the number of Concept Notes, full proposals, annual reports, PCRs, evaluations etc appraised and staff time spent on these
- details on response times to applicants
- a detailed overall assessment of the impact of the Fund over the year
- an annual financial report on the Fund
- recommendations of any remedial actions required for individual projects
- recommendations on any changes in process or Fund criteria