

DFID Management Response to the Independent Commission for Aid Impact recommendations on DFID's private sector development work:

ICAI Recommendation	Accept / Reject	Action already taken	Action to be taken	Target date
<p>Recommendation 1: DFID should clearly define and articulate where it can add most value in PSD relative to other stakeholders. It should be more realistic in its ambitions and the impact it seeks to achieve.</p>	Partially accept	<p>DFID's Economic Development Strategic Framework was published in January 2014 and provides a framework for developing DFID's economic development portfolio against its high level objectives.</p> <p>As part of DFID's resource allocation process for 2015/16, departments analysed key constraints to economic development, considered the roles of other stakeholders, and identified priority areas for programming. The results will feed into discussions on resourcing for economic development.</p>	<p>Building on initial work, DFID is developing a results framework for economic development. This includes defining key economic development indicators linked to DFID's priorities which match ambition, resources and comparative advantage. By late 2014 Ministers will take an internal view on the results framework, but this will require further due diligence.</p>	July 2015
<p>Recommendation 2: DFID should provide clearer guidance to its staff on how to design a coherent and well-balanced PSD country portfolio that matches its goals for an end to extreme poverty through economic development and transformational change.</p>	Partially accept	<p>DFID completed a growth portfolio review in 2013 which analysed selected countries and sectors and assessed the coherence and impact of programmes at a portfolio level.</p> <p>DFID has already developed or commissioned guidance and training on a range of PSD operational and thematic issues. DFID's Head of Profession for private sector development regularly assesses skills development needs to inform the PSD Learning and Development strategy.</p>	<p>DFID will launch a new network to provide country offices with access to dedicated economic development advice from HQ, offering strategic support across portfolios and on programme design and helping ensure alignment with policy objectives.</p>	September 2014

		<p>Country offices have completed country poverty reduction diagnostics (CPRDs) which include analysis of key constraints to economic development, including PSD. Offices draw on this analysis, as well as information on centrally managed programmes, to develop programme priorities.</p> <p>Written guidance is only part of the framework for developing a good quality, coherent portfolio of programmes. Further guidance and training will be produced where there is a widespread need or demand (see below).</p>		
<p>Recommendation 3: DFID needs better to calibrate and manage the risks associated with PSD and so innovate in a more informed fashion.</p>	<p>Partially accept</p>	<p>DFID has already begun work to strengthen staff capacity on risk management in relation to PSD programmes. DFID is running commercial awareness training for all senior civil servants and has introduced an additional module in its due diligence framework for assessment of private sector partners. Further guidelines are being developed to support staff in assessing risks associated with selection of private sector partners and in the provision of subsidy to for-profit companies.</p> <p>DFID is at an early stage in the development of more innovative financing partnerships with the private sector. Guidance and training will need to evolve. For example, DFID is developing guidelines and seeking expert advice on the parameters and use of non-fiscal instruments, taking into account DFID's existing expertise and institutional strengths.</p> <p>Criteria for programme design and management</p>	<p>As part of wider efforts to strengthen programme management capability, DFID is revising its pilot training on financial instruments, covering risk management and governance issues relating to private sector financing structures.</p>	<p>October 2014</p>

		will be incorporated into DFID's Smart Rules. DFID is also undergoing a more substantive review of its risk management and assurance processes to ensure they are appropriate and in line with DFID's evolving areas of work.		
Recommendation 4: DFID needs to work harder to understand the barriers and business imperatives faced by the private sector in participating in development. Wherever it operates, DFID needs to be clear how and where its interventions can address these barriers.	Accept	<p>As part of its scale-up of investment climate programming, DFID is working to help partner countries and other stakeholders understand and address barriers to private sector development and is helping business networks advocate for reform.</p> <p>DFID is improving how it works with the private sector. It engages regularly with businesses through bilateral discussions, thematic roundtables and support to business networks in areas important for development, to understand barriers and identify areas for closer cooperation. In 2013, DFID led its first business delegation to a priority country to discuss and help highlight opportunities for economic development.</p> <p>DFID has also improved how it interacts with business, including simplifying its website, engaging with businesses on development issues through the BIS helpline and making information on opportunities more easily available.</p>	DFID will roll out a corporate relationship management approach to strengthen development relationships with selected private sector partners for development.	October 2014