



DFID Response

14 February 2017

DFID Response to the Independent Commission for Aid Impact recommendations on: When aid relationships change: DFID's approach to managing exit and transition in its development partnerships, November 2016

DFID welcomes this review. Successful transition from bilateral aid programmes to broader strategic partnerships, based on shared interests, is a critical issue for the department. The review process has resulted in reflection, debate and lesson learning within DFID. The review, however, provides a partial picture of DFID's performance. It does not fully reflect the extensive evidence provided by the department. However, DFID is fully committed to taking forward the response outlined here and is discussing this further with the ICAI Commissioners.

In line with DFID's core mission of poverty reduction, the UK continues to focus most of its aid spending on countries with highest need: countries which are low-income, fragile and in conflict affected regions. Where there is progress in poverty reduction DFID has a clear vision of how to help countries transition. Countries can and should reduce their dependency on aid. DFID will support them in doing so and consciously move away from traditional aid when countries can finance their own development.

Transition countries are key partners for Global Britain - all the more so as we exit the EU. A Global Britain will be more, not less, outward-looking and engaged on the world stage. Countries to which we are providing aid today will be bigger markets that we can increasingly trade with tomorrow.

Partnerships with transition countries based on mutual interests will be an important contribution to the UK's future global role, including promotion of core international values and our national interests. Their economic development will increasingly determine global growth and the prosperity of other countries, including the UK. Transition countries, such as China, India and South Africa, have made huge progress in their economic development and poverty reduction. They now play an increasing role in the growth and stability of other developing countries and are increasingly influential on global public goods.

DFID has been actively planning for transition in recent years. A series of Chief Economist papers from 2012 shaped country operational guidance in 2013. The 2014 Country Poverty Reduction Diagnostics assessed the prospects of every one of our focus countries to manage a timely, self-financed and secure exit from poverty and

outlined DFID's plans to support countries to securely and sustainably reduce their reliance on aid over time.

DFID takes a thoughtful and nuanced approach to transition, recognising the individual situation of each country with which we work. DFID will carefully monitor countries that continue to need high levels of support for now, but which, over time, may need fewer financial resources and more targeted technical assistance to build institutional capability and protect development gains. Our focus will be on supporting countries to raise their own resources for sustainable and broad-based poverty reduction. As countries develop, the private sector will increasingly become the engine of growth, jobs and poverty reduction. We will use carefully targeted technical assistance to support this transition.

As the nature of our partnership with transition countries changes, we will need to work ever more closely with other government departments to ensure we are utilising the full range of the UK's expertise. This shift in approach was clearly signalled in the 2015 UK Aid Strategy. DFID is already working closely with other parts of HMG to deliver new kinds of partnership based on mutual interests with developing countries.

Our collaboration with these countries will increasingly shift from one based on DFID grant aid towards a wider range of partnerships across the public and private sector, harnessing expertise from across the UK government, academic and professional institutions, as well as business partners. Examples include:

- UK government departments will increasingly work together and use a range of UK Official Development Assistance (ODA) funds in transition countries and cross-government mechanisms such as the Prosperity Fund and the Empowerment Fund.
- DFID will continue to provide targeted technical assistance to strengthen the investment climate, and demonstrate successful investment in sectors that catalyse sustained growth, enabling countries to self-finance their development.
- The UK will use development capital through CDC as part of our strategy to support businesses to grow and countries to leave aid dependency behind. CDC can help mobilise further domestic and international investment, build markets and drive growth that creates jobs in challenging settings.
- In parallel, through the UK government's work on trade policy, we will continue to support countries to trade freely in world markets.

We have shown global leadership on aid transparency, and we are recognised as one of the most transparent donor organisations in the world. We will build on these achievements and go further. DFID will work with other UK government departments to strengthen our information systems so that we can monitor and clearly communicate the breadth of this work, and show how UK aid supports both development and the UK national interest.

The recommendations proposed by ICAI in this review largely reflect current DFID practice. However, DFID is committed to learning from ICAI reviews and have actively considered where we can further improve our performance – notably on learning and on transparency. This is outlined below.

Recommendation 1: DFID should establish a central point of responsibility for exit and transition and redress the lack of central policy, guidance and lesson learning. In future cases, it should articulate clearer objectives at the strategic and operational levels and make more consistent use of implementation plans.

Partially accept

- DFID already has clear, detailed guidance to help country teams exit responsibly from bilateral country programmes. This includes clear advice since 2011 on: developing an exit strategy; communications plans; change management, programme management; human resources and lesson learning.
- DFID also has clear guidance on transition. This includes a series of papers by the Chief Economist's Office (2012-2016). Guidance has also been in place since 2013 for Country Poverty Reduction Diagnostics. These help all country teams to identify the key barriers to a secure, timely, self-financed exit from poverty, and to programme to address these barriers. These Diagnostics were completed in 2014. They enabled country teams to develop a nuanced, context specific approach to each transition, in close collaboration with other government departments. No further transitions are planned during this Spending Review period. However, we are committed to ensuring that all DFID focus countries are planning and programming for sustainable and secure transition, whether transition is expected in five or 15 years.
- DFID accepts we do not have a central point for lesson learning. We expect senior leaders in country offices to draw on the guidance provided, which includes seeking past lessons from other country teams. We accept more support could have been provided to share lessons more systematically.
- The process of undergoing review by ICAI has helped DFID officials collate the extensive documentation underpinning all exit and transition countries over recent years. This has already led to a comprehensive repository of documentation being created which country offices and headquarters can draw on in the future.
- We accept there is a need for a single central point of responsibility, which lies with the Director General of Country Programmes. The DG can draw on the Regional Directorate department, which supports all geographical divisions, and also on the Chief Economist's Office and the central Strategy Unit. A single central point of contact within the Regional Directorate will act as the repository of relevant documentation and contacts. The Regional Directorate will also, where appropriate, convene internal discussions on transition.
- We agree the continued need for clear transition objectives at the strategic and operational levels and the use of implementation plans for future transitions. This aspect of the recommendation is presently covered by the Country Business Plan process, which includes strategic diagnostics and planning. The exact format of future plans will depend on the nature and format of business planning decided by Ministers.

Recommendation 2: DFID and other UK government departments should work together to improve relationship management with bilateral government partners through transition. This should include joint risk management and more coordinated communications.

Accept – already implementing

- DFID works closely with other UK government departments, both in headquarters and in country. DFID's strategy and objectives form a central part of HMG country business plans and relate closely to National Security Council strategies for all recent transition countries. This includes joint risk management in headquarters and in country.

- During exit and transition, communications with partner governments are always, and always will be, planned and co-ordinated jointly with the FCO, both in headquarters and in country.
- Joint working has been strengthened in recent years by the creation of FCO-chaired Regional Boards on which DFID sits, and by the increasing use of integrated 'One-HMG' delivery plans at country level. These are periodically reviewed by Regional Boards.
- DFID works closely with other government departments in the governance, implementation and monitoring of cross-government ODA funds, including the Prosperity Fund, Empowerment Fund and Ross Fund. These funds play an important role in delivering development impacts for country partners and shared benefits the UK, including countries in which DFID has transitioned its relationships.

Recommendation 3: DFID should report and be accountable to UK taxpayers regarding commitments to end aid or change aid relationships in a transparent manner. It should state clearly which parts of aid spending will end and which will continue, and this information should be readily accessible to the public.

Accept – already implementing

- DFID is a world leader on aid transparency. DFID is and has always been clear and factual in our public communications. This includes what support is ending to transitioning countries, and whether technical assistance would continue.
- We communicate exits and changes in development partnerships through: announcements in parliament; joint statements with partner governments; press releases and media communications on programmes closures and reviews; publication of country plans, bilateral aid reviews and annual reports; and project information publicly available online through devtracker.dfid.gov.uk.
- Our ultimate vision is for complete aid transparency so that anyone anywhere can trace funding, all the way from the taxpayer to the beneficiary. We will announce detailed plans on this in due course. This will include or be accompanied by further improvement in the quality of our own data.
- A range of information on Official Development Assistance is published in the National Statistics publication, "Statistics on International Development" (SID). This includes final annual spend data for all UK ODA spent by DFID and other government departments. DFID is responsible for collating these statistics on behalf of other government departments and work is already underway to present more information on multi-country programmes in Statistics on International Development
- Timely and detailed information (e.g. project descriptions, budgets and expenditure) is available on devtracker.dfid.gov.uk. This data is readily accessible to the public and lays out clearly which parts of aid spending will end and which will continue. We are increasing the capability of DFID systems to record more precise estimates for geographical budgets and spending by programmes that work in multiple countries.
- The UK Aid Strategy commits all UK government departments which provide ODA to reach either 'good' or 'very good' ranking on the Aid Transparency Index (IATI) within the next four years. In order to achieve this, they will need to publish data regularly using IATI's standard. We anticipate that this will ensure the devtracker can provide a fuller picture of all HMG ODA to transition countries.

- It is the responsibility of each government department concerned to take the necessary measures to meet this commitment. DFID has provided, and continues to provide, policy and technical advice and training to support them in achieving greater transparency.

Recommendation 4: During exit and transition, DFID should assess the likely consequences for local civil society partners, including both financial and other impacts, and decide whether to support them through the transition process.

Accept – already implementing

- DFID is committed to closing all programmes responsibly and working with civil society partners on sustainability plans. Guidance on responsible programme exit is already in place and a sustainable exit strategy is required for all projects. This is one of the ten key approval questions for all DFID business cases set out in Smart Rules.
- To further UK objectives, including on poverty reduction, stability and prosperity, HMG continues to actively engage with civil society in transition countries. The FCO continues to provide funding through their bilateral budget, as well through cross-government funds such as the Prosperity Fund and the Empowerment Fund. The FCO-chaired Regional Boards are an important mechanism for reviewing and supporting civil society through diplomatic and development interventions. Where there are reversals in progress, some DFID centrally managed programmes and cross-government funds, such as the Conflict, Stability and Security Fund, have been and will be used to support civil society.
- In countries with high levels of poverty, but where DFID does not have an in-country presence, local civil society organisations may be eligible to bid for funding through DFID's central civil society programmes, such as UKAid Direct. We agree that local civil society's direct access to DFID reduces once DFID no longer has an in-country presence. The analysis of the impact of this reduced access on poverty reduction is part of DFID's assessment when considering the prospects for transition.
- The ICAI review and other analyses have highlighted important issues around closing space for civil society. The Civil Society Partnership Review, including the foreword by the Secretary of State, is clear that this is an area that DFID will give greater priority to, regardless of in-country presence. These issues are considered as part of our Country Poverty Reduction Diagnostics and ongoing governance analysis. In planning for transitions, DFID country teams assess the prospects for sustainable poverty reduction, stability and prosperity. The role and contribution of civil society is a key part of that assessment. Consideration is also given to the range of DFID central programmes, HMG funds or relevant multilateral support available to civil society. This will vary widely according to context.