

DFID Management Response to the Independent Commission for Aid Impact recommendations on Business in Development May 2015

ICAI Recommendation	Accept/Partially Accept/Reject	Action already taken	Action to be taken	Target date
<p>Recommendation 1: DFID should translate its high level strategies for business engagement into detailed operational plans which provide specific guidance on business engagement with a focus on the poor.</p>	<p>Partially Accept</p>	<ul style="list-style-type: none"> • Each department in DFID already works to an Operational Plan that outlines how it will achieve its development objectives. Engaging with business is one of many ways DFID does this. • DFID's new 'Inclusive Growth Diagnostics' initiative will help country offices and central departments identify the partnerships which will be most effective in delivering economic development that will benefit the poor, including – but not exclusively - engagement with business. • The Private Sector Department has recently produced a range of guidance and tools based on identified priorities, including: “Engaging with Business” guidance; a policy on funding for-profit companies; a Corporate Engagement Risk Management tool; and guidance on mobilising private sector funds. 	<p>1. Operational Plans will continue to provide the link between DFID's high level strategies and our programmes. Once finalised, the full Inclusive Growth Diagnostics will address practical implications for economic development programming – including around business engagement. This will be reflected in future Operational Plans.</p>	<p>April 2016</p>

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<p>Recommendation 2: DFID should ensure better linkages between centrally managed programmes and country offices for business in development, including LEG¹.</p>	Partially Accept	<ul style="list-style-type: none"> • Ensuring linkages between centrally managed programmes and country offices is an important priority across all DFID's work. • The Inclusive Growth Diagnostics tool, designed centrally and now in use by country offices, helps ensure better linkages between our economic development programming at central and country level. • DFID uses a number of networks to support linkages between centrally managed programmes and offices. 	<p>2. Private Sector Department will complete the drafting of a plan to strengthen the coherence of its portfolio, based on its experience of networks and other models for developing linkages between centrally-managed and country office programming.</p>	April 2016
<p>Recommendation 3: DFID should pull together, synthesise and disseminate management information across all departments, including for LEG, to improve management and ensure learning is captured and used to</p>	Partially Accept	<ul style="list-style-type: none"> • DFID's response to the ICAI report on 'How DFID Learns' committed to: integrating lesson learning and knowledge sharing into DFID's operational framework (Smart Rules); sharing learning from live programme reviews; and producing case studies of wider application across programmes. • DFID already maintains appropriate records of all our Development Capital 	<p>3. Following the approval of a Management Information Strategy in February 2015, DFID is strengthening its management information across the organisation with the aim of streamlining data collection and quality assurance. This will include reporting on development</p>	April 2016

¹ DFID uses the term "development capital" to describe its investment portfolio. LEG is not a categorisation DFID uses, it was coined by ICAI as a category of expenditure to help them understand our development capital portfolio. ICAI's categorisation does not distinguish between loans, equities and guarantees that are an asset on DFID's balance sheet and those that are not.

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improve performance.		investments. Information relating to the assets created is disseminated monthly with the Economic Development Finance Report and included in the quarterly Executive Management Committee Report.	<p>capital and other private sector instruments.</p> <p>4. The learning task and finish group, with the remit of driving forward a Learning Action Plan and integrating learning across DFID, will report later this year.</p> <p>5. We will proceed with current plans to monitor our Development Capital portfolio.</p>	
<p>Recommendation 4: DFID should add suitably experienced members to the Investment Committee to enable sufficient strategic oversight of all components of its LEG portfolio.</p>	Partially Accept	<ul style="list-style-type: none"> In constructing the Investment Committee, appropriate consideration was given to ensure the mix of members had an appropriate balance of skills, experience, independence and knowledge to enable them to discharge their duties and responsibilities effectively. The Non-Executive Directors bring significant strength in these four elements and have a particular strength in the use of non-grant financial instruments (i.e. LEG). 	<p>6. We believe the Investment Committee has the appropriate skills to oversee our current DevCap portfolio, but we will keep this under review.</p> <p>7. Ministers will decide on the appropriate level of oversight and corporate governance for potential new Development Capital platforms.</p>	April 2016

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<p>Recommendation 5: DFID should reassess how it appraises, monitors and evaluates its engagements with business to ensure fitness for purpose and a sharper focus on the poor.</p>	<p>Reject</p>	<ul style="list-style-type: none"> • DFID has systems in place to ensure that this happens continuously. Ensuring appropriate appraisal, monitoring and evaluation, including impact on poverty reduction, is already central to our engagement with business. DFID's rigorous approach to project cycle management ensures that all programmes are fit for purpose and deliver development impact. • Our economic development programming with business is guided by indicators on poverty impact developed by the OECD Donor Committee on Enterprise Development (DCED) to ensure a poverty focus. • We have undertaken reviews on specific approaches in the past 18 months, including an assessment of challenge funds and a review of the Corporate Relationship Management system in the first quarter of 2015. 	<p>8. Across DFID's economic development portfolio, approximately 100 out of nearly 700 programmes have independent evaluations planned, under way or completed. We will review all currently planned evaluations within Private Sector Department's portfolio to ensure they will deliver a sharper focus on the poor.</p>	<p>April 2016</p>