



**PAVING THE WAY FOR BUSINESS**  
BUILDING A BETTER INVESTMENT CLIMATE

# Year 5 Quarter 2 report

July to September 2016



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## List of abbreviations

ACCA	Association of Chartered Certified Accountants
ARC	African Risk Capacity
BGS	British Geological Survey
BoE	Bank of England
DFID	Department for International Development
FCO	Foreign & Commonwealth Office
GAD	Government Actuary's Department
HMT	Her Majesty's Treasury
IC	Investment climate
ICAEW	Institute of Chartered Accountants in England and Wales
ICPAR	Institute of Certified Public Accountants of Rwanda
IFUSE	Investment Facility for Utilising UK Specialist Expertise
IPO	Infrastructure and Projects Authority
MA	IFUSE managing agent
MoJ	Ministry of Justice
MoU	Memorandum of Understanding
NAO	National Audit Office
NCA	National Crime Agency
NCHMF	The National Centre for Hydro-meteorological Forecasting
PPP	Public Private Partnership
RD	Regulatory Delivery
ToR	Terms of Reference
ZICA	Zambia Institute of Chartered Accountants

## Summary of progress for this period

### Overview of Quarter Two (Q2)

This report relates to Q2 of Year 5 of IFUSE from July to September 2016. The main highlights of this reporting period are summarised below.

A range of Investment Climate (IC) themes were supported in this quarter: IFUSE provided technical assistance in support of:

- regulatory reform;
- natural resource management; and
- accountancy and actuarial standards.

In Q2 the programme delivered four outward deployments and two supporting conferences. The deployments delivered in July and August, listed below, are described in more detail in Annex A.

#### July:

- NAO / Nigeria – financial audit strategy review of the Office of the Auditor General for the Federal Republic of Nigeria (OAuGF);

#### August:

- RD / Somalia (delivered in Ethiopia) – World Bank Group Somalia Reform Champion Programme – Module One: Evidence based Policy Making attended by 11 Somali government officials;
- RD / Somaliland (delivered in Ethiopia) – World Bank Group Somaliland Reform Champion Programme – Module Two: Evidence based Policy Making attended by 13 government officials from Somaliland;
- IPO / South Africa – patent examiner training for South Africa Companies and Intellectual Property Commission;
- Met Office / Vietnam – training to improve the quality of quantitative precipitation forecasts for the Vietnam region;
- Cabinet Office / South Africa – peer to peer learning event to promote the availability of data and advocacy of Social Impact Bonds in South Africa.

#### September:

Due to a range of unexpected circumstances, the three deployments scheduled for September did not take place. These will not be showcased in Annex A.

- RD / Pakistan: Scoping Mission – due to illness and the expert's inability to travel, this deployment will be rescheduled. The assignment will involve a week-long scoping mission of two RD experts to Pakistan to assess the investment climate regulatory landscape in the Punjab region. The experts will review the current regulatory structures, the specific challenges faced and provide advice on priorities for reform which are relevant to the local context. Punjab generates 60% of Pakistan's GDP and, while it has been outperforming other regions in the country, economic growth has been slowing. Improving the regulatory environment will encourage existing businesses to expand, more businesses to enter the formal economy and attract foreign investment;
- BGS / Kenya: Airborne Geophysical Surveys – the objective of this deployment was to provide technical assistance to the Kenyan Directorate of Geological Surveys in conducting airborne geophysical surveys to improve information held in databases of the newly established Geodata Centre. However, the deployment has been postponed on advice from DFID Kenya that the timing was unsuitable, based on other activities being undertaken by the Ministry of Mines in Kenya.

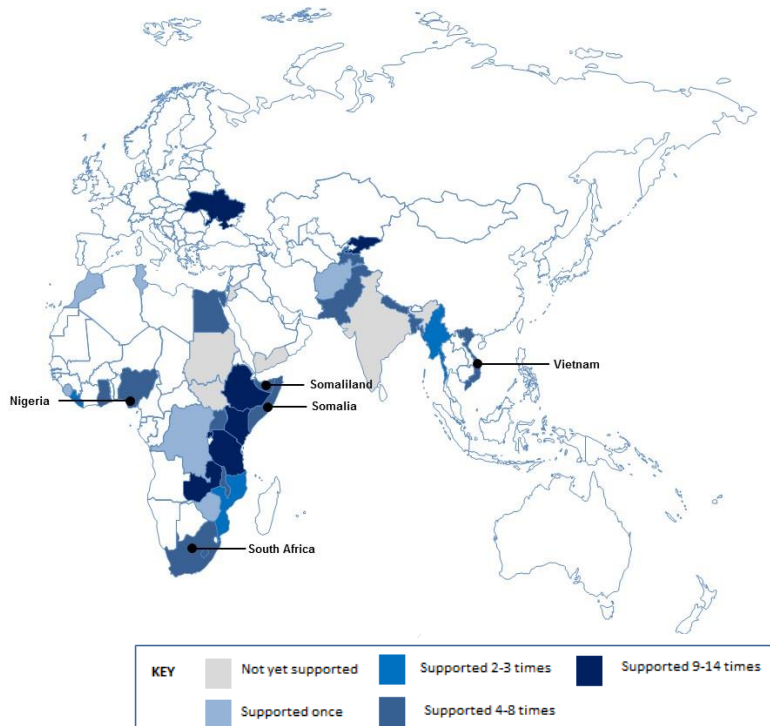


- ACCA / Ethiopia: Study Visit to UK – due a change in DFID policy regarding Ethiopian citizens travelling to the UK, a study visit to ACCA by the newly formed Accounting and Auditing Board of Ethiopia and Board Members was cancelled. Discussions are underway to explore the possibility of providing technical assistance through an outward deployment of ACCA experts to Ethiopia.

### DFID countries and regions supported in Year 5 Q2

In Q2, IFUSE supported five DFID priority countries and regions: Nigeria, Somalia, Somaliland, South Africa and Vietnam. A total of 25 DFID priority countries have been supported by IFUSE since the beginning of the programme.

The map below illustrates the countries supported by IFUSE to date, highlighting the countries supported in Q2<sup>1</sup>.



### Sources of requests

The majority of requests received in this quarter came from DFID and UK Partner organisations. The table below details the source of requests for the deployments completed in Phase 2 of IFUSE to date:

Pipeline	Source of TA requests	Year 5 to date	Year 4
The current pipeline of potential	DFID	3	20
	UK Partner organisation	6	15
	Beneficiary	3	5
	Foreign & Commonwealth Office (FCO)	0	0
	Third party <sup>2</sup>	0	1
	<b>Total</b>	<b>12</b>	<b>41</b>

<sup>1</sup> Note that this diagram covers individual countries supported to date but not the regions that have formed the focus of IFUSE deployments.

<sup>2</sup> 'Third party' here indicates organisations outside of the beneficiaries and UK Government.

deployments stands at 32 – of these, 15 are formal requests<sup>3</sup> supported by a completed ToR and a further 17 are enquiries for which ToRs are still to be submitted.

Of the 15 formal requests received, eight have been confirmed and relate to the following key investment climate themes: financial sector regulation and supervision, regulatory reform, Public-Private Partnership, as well as accountancy and actuarial standards.

An example of current requests includes:

- NCA / Burma – an inward visit by Burma’s Financial Intelligence Unit and related government bodies to gain insights and training from relevant UK bodies, such as NCA. The aim is to improve Anti-Money Laundering and Countering Financing of Terrorism regulations, which will facilitate Burma’s integration with the international financial and banking system. This integration will allow foreign payment and investment flow in a formal manner, inducing long-term economic growth;
- LR / Zambia – land laws in Zambia are underdeveloped, unclear and not strongly enforced. This results in uncertainty, lack of transparency and information as well as inadequate access to land which restricts investment. LR experts will undertake a scoping visit to assess and make recommendations on the computerized Land Information System (Zambia Integrated Land Management and Information System), focusing on strategy and effective service delivery. The assignment will involve information sharing on best practice and discussions on the challenges which LR have encountered in their own digitisation programme;
- RD / Shaping Business Environment for Global Growth and Prosperity Conference – to be held in London, RD will host over 200 international delegates. IFUSE will fund the attendance of a total of 13 delegates from the following countries: Zambia, Pakistan, Somaliland, Somalia, Nepal, Burma, and Ghana. The conference will be delivered by RD in partnership with the Foreign and Commonwealth Office, World Bank Group, DFID and the OECD. The conference is designed for all countries wishing to develop their regulatory environment to increase trade and investment opportunities, provide certainty and confidence to business and generate global growth and prosperity;
- IPA / Uganda – staff from the newly established PPP Unit in Uganda’s Ministry of Finance Planning and Economic Development will attend the IPA PPP Foundation training event in early 2017. The training will provide staff with the technical support to develop operational procedures and the pipeline for the PPP unit.

Please refer to Annex B for full list and details of the confirmed requests pending at the end of Y5 Q2.

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<sup>3</sup> ‘Formal request’ is defined as one where terms of reference have been produced in accordance with the IFUSE criteria, as opposed to a simple preliminary enquiry or proposal.

## Summary of activities planned for Q3 of Year 5

The table below sets out the key activities associated with the IFUSE extension which are planned for the next reporting period alongside the core Managing Agent management tasks and deployment-specific activities. These are structured by theme: operations, monitoring and evaluation and governance.

Key activities planned for next period	Comments
<b>Operations</b>	
Pipeline management	MA will continue to work closely with DFID country offices and UK Partner organisations which have identified technical assistance needs in a range of DFID priority countries and ensure plans are in place to prioritise and facilitate new opportunities for IFUSE assignments and realise those in the current pipeline in the six months remaining on the programme.
<b>Monitoring &amp; Evaluation (M&amp;E)</b>	
Continued implementation of Monitoring & Evaluation recommendations from Phase 1 Impact Summary Report	Complete post-deployment calls with Year 4 beneficiaries. Schedule and carry out post-deployment calls with experts, DFID partner countries and beneficiaries for Year 5 deployments.
Preparation for Phase 2 Impact Summary	Agreement with DFID on methodology for the IFUSE Programme Impact Summary.
<b>Governance</b>	
Budget and deployment configuration	Review and forecast pipeline against target and associated budget commitments.
Project Close	Agree plan and actions to prepare for project close (March 2017).

# Annexes



## Annex A: IFUSE deployments in Q2 of Year 5



National Audit Office

<b>Delivery country</b>	Nigeria
<b>Deployment dates</b>	23 July – 6 August 2016
<b>Beneficiary</b>	Office of the Auditor General for the Federation (OAuGF), Nigeria
<b>UK Partner organisation</b>	National Audit Office (NAO)
<b>Type of deployment</b>	Outward deployment
<b>First or follow-up deployment?</b>	Follow-up
<b>Investment climate theme</b>	Financial sector regulation and supervision
<b>Description</b>	Two experts from the National Audit office undertook a ten day visit to Nigeria to conduct a review of the Office of the Auditor General for the Federal Republic of Nigeria's (OAuGF) overall financial audit strategy. Their key objective was to identify the plans and actions needed to bring OAuGF in line with international standards (INTOSAI and AFROSAI-E). The deployment assessed the current financial and IT audit methodologies, the documented and actual procedures, and determined the scope for updating these procedures in line with international standards. The experts also reviewed the current skill base of the OAuGF, the induction training and continuous professional development programmes and made recommendations on how the necessary professional skills can be acquired. The output from this deployment will form the basis of a medium to long term strategy for the further development of financial and IT audit capacity-building at the OAuGF.



  
Department  
for Business  
Innovation & Skills  
Regulatory Delivery

<b>Delivery country</b>	Somalia
<b>Deployment dates</b>	9 - 13 August 2016
<b>Beneficiary</b>	Government of Somalia
<b>UK Partner organisation</b>	Regulatory Delivery
<b>Type of deployment</b>	Supporting conference
<b>First or follow-up deployment?</b>	First
<b>Investment climate theme</b>	Regulatory reform
<b>Description</b>	In this first module of the World Bank training programme on Policy Making and Structures, IFUSE supported the provision of two RD experts to deliver the training and supported the attendance of 11 Somali government officials. Due to challenges in sending experts to Somalia, the module was delivered in Addis Ababa, Ethiopia and aimed to establish a group of reform champions to initiate and implement a reform programme to reduce barriers to investment and to better regulate the private sector.



  
Department  
for Business  
Innovation & Skills  
Regulatory Delivery

<b>Delivery country</b>	Somaliland
<b>Deployment dates</b>	6 - 10 August 2016
<b>Beneficiary</b>	Government of Somaliland
<b>UK Partner organisation</b>	Regulatory Delivery
<b>Type of deployment</b>	Supporting conference
<b>First or follow-up deployment?</b>	Follow-up
<b>Investment climate theme</b>	Regulatory reform
<b>Description</b>	In this second module of the World Bank training programme on Evidence and Policy Making, IFUSE supported the provision of two RD experts to deliver the training and supported the attendance of 13 government officials from neighbouring Somaliland. Due to challenges in sending experts to Somaliland, the module was delivered in Addis Ababa, Ethiopia and aimed to support delivery key reforms and evidence based policy making and provides officials with the tools to enhance accountability and transparency to address the constraints to growth and development in Somaliland.



<b>Delivery country</b>	South Africa
<b>Deployment dates</b>	14 - 27 August 2016
<b>Beneficiary</b>	Companies and Intellectual Property Commission, South Africa
<b>UK Partner organisation</b>	Intellectual Property Office (IPO)
<b>Type of deployment</b>	Outward deployment
<b>Was the deployment a first or follow-up?</b>	First
<b>Investment climate theme</b>	Intellectual property
<b>Description</b>	To prepare for the forthcoming changes in Intellectual Property Law an expert from the Intellectual Property Office travelled to South Africa to deliver training to patent examiners from the country's Companies and Intellectual Property Commission. South Africa is changing its patent system from one of registration to one of examination. This change should give more certainty to innovative businesses wishing to protect their intellectual property. However, without adequate training to support the implementation of the new laws, patent examiners will not be able to make effective decisions to grant quality patents, thereby reducing the intended impact of the legislations.



<b>Delivery country</b>	South Africa
<b>Deployment dates</b>	20 - 24 August 2016
<b>Beneficiary</b>	South African National Treasury and BERTHA Centre for Social Innovation and Entrepreneurship (University of Cape Town)
<b>UK Partner organisation</b>	Cabinet Office
<b>Type of deployment</b>	Outward deployment
<b>Was the deployment a first or follow-up?</b>	First
<b>Investment climate theme</b>	Financial sector regulation and supervision

**Description** A Cabinet Office expert delivered a presentation and facilitated discussions on UK case studies to promote understanding on the availability of data and advocacy of Social Impact Bonds (SIB) in South Africa. SIBs seek to improve the social outcomes of investments. Sharing specific examples and lessons from the challenges faced by the UK government when developing their SIB markets, should support a more effective establishment of such a market in South Africa.



<b>Delivery country</b>	Vietnam
<b>Deployment dates</b>	8 - 19 August 2016
<b>Beneficiary</b>	National Centre for Hydrometeorological Forecasting (NCHMF) as part of the NHMS within the Ministry of Natural Resources and Environment, Hanoi, Vietnam
<b>UK Partner organisation</b>	Met Office
<b>Type of deployment</b>	Outward deployment
<b>Was the deployment a first or follow-up?</b>	Follow-up
<b>Investment climate theme</b>	Natural resources management

**Description** Building on the success of two previous IFUSE deployments, the Met Office delivered training to the National Hydro-Meteorological Service of Vietnam which sought to support improvements in the quality of quantitative precipitation forecasts for the Vietnam region. Reliable forecasting mitigates risk and damages by being able to produce timely warnings and prepare for natural disasters.

## Annex B: Confirmed requests

This table sets out the eight confirmed requests pending at the end of the reporting period for Q2 Year 5 (30 September 2016).

These confirmed requests are included amongst the 32 requests and enquiries that make up the IFUSE pipeline at the time of writing.



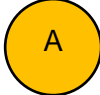
Country or region	Beneficiary	Target UK Partner	IC theme	Type of support	Status of deployment	Target deployment date
Zambia	ZICA	ICAEW	Accountancy and Actuarial Standards	A ten day visit by two ICAEW experts to Zambia for continued mentoring for practice reviewers with a focus on implementing improvements and Big 4 AQM visits	Phase 3 – Pre - deployment	27 Nov 2016
Zambia	ZICA	ICAEW	Accountancy and Actuarial Standards	Six month trial access to the CCH PCAS audit system for all audit firms in Zambia	Phase 2 - Confirm resource and work plan	TBC
Zambia	ZICA	ICAEW	Accountancy and Actuarial Standards	A five day train the trainer workshop for local trainers will be delivered by one ICAEW expert	Phase 2 - Confirm resource and work plan	TBC
Uganda	Ministry of Finance and Economic Planning	IPA	PPPs	Assist the Kenyan Directorate of Geological Surveys to improve the databases and its infrastructure of the newly established Geodata Centre	Phase 3 – Pre - deployment	06 Feb 2017
Kenya	Ministry of Mining	BGS	Natural resources management	This ten day mission comprising one expert from BGS will support the development of new surveys and strategic thinking in the Kenyan Ministry of Mines	Phase 2 - Confirm resource and work plan	TBC
Shaping Business Environment for Global Growth and Prosperity	Various	RD	Regulatory reform	To be held in London, hosting 200 international delegates. IFUSE will fund a total of 13 delegates from the following countries: Ethiopia, Zambia, Pakistan, Somaliland, Somalia, Nepal Burma, and Ghana	Phase 3 – Pre - deployment	10 Oct 2016
Ghana	Ghanaian Internal Audit Service	GIAA	Accountancy and Actuarial Standards	GIAA (UK) will undertake an initial desk-based diagnostic and formulate discussions with two delegates from the Ghanaian Internal Audit Agency upon their visit to the UK	Phase 2 - Confirm resource and work plan	17 Nov 2017
Burma	Government of Burma	NCA	Financial sector regulation and supervision	To strengthen Burma's Financial Intelligence Unit in two key ways:  1. Increasing the FIU's connectivity and coordination with other government bodies and the private sector. 2. Updating the FIU's working practices through, for example, providing a digital STR Analysis System for recording, searching and acting upon suspected instances of money laundering or the financing of terrorism	Phase 2 - Confirm resource and work plan	Jan 2017





Pakistan	Investment Climate Reform Unit, Punjab Province	RD	Regulatory reform	A week-long scoping mission of two RD experts to Pakistan to assess the investment climate regulatory landscape in the Punjab region	Phase 2 - Confirm resource and work plan	TBC
Kenya	Ministry of Mining, Kenya	BGS	Natural resources management	Technical assistance to the Kenyan Directorate of Geological Surveys in conducting airborne geophysical surveys to improve information held in databases of the newly established Geodata Centre	Phase 2 - Confirm resource and work plan	TBC



## Annex C: Risk register

The table below sets out a list of risks which were agreed with DFID as part of the programme extension process, and against which we will report, along with any new risks, each quarter. Their current status and mitigating actions are set out in the table below:

No.	Risk/issue	Actions	Status	Impact	Likelihood
1.	Insufficient demand for IFUSE	<ul style="list-style-type: none"> <li>DFID senior level support to champion IFUSE at DFID HQ and DFID country office level to generate increased demand.</li> <li>DFID senior level support to engage with FCO and encourage FCO up-take of IFUSE.</li> <li>The MA to engage with DFID offices and FCO to share IFUSE literature, good news stories and lessons learned to generate and sustain interest in IFUSE.</li> <li>As part of increased Monitoring and Evaluation activities resulting from implementation of Impact Summary recommendations, the MA to follow up on deployments to gather specific feedback from beneficiaries and DFID country offices to assess the quality, effectiveness and impact of IFUSE deployments, and to understand DFID's county office investment climate priorities in order to target future opportunities.</li> <li>There is some scope to introduce additional partner organisations to allow the programme to expand the breadth of expertise and skills which can be delivered through IFUSE.</li> </ul>		High	Low
2.	The programme is in high demand and, as a result, requests cannot be satisfied.	<ul style="list-style-type: none"> <li>During Year 5, bi-monthly update meetings with DFID will support regular consultation, forecasting and prioritisation based on the IFUSE pipeline (updated on a weekly basis) and the associated budget position.</li> <li>Agreement between DFID and PwC that high impact will be determined through level of resources, potential for impact and DFID country office buy in.</li> </ul>		High	High
3.	Deployments take longer to launch than expected. This makes forecasting difficult and substantially increases transaction costs. It also renders IFUSE less attractive to DFID offices and other requesters seeking rapid assistance.	<ul style="list-style-type: none"> <li>The MA to continue to refine IFUSE procedures to make the programme more efficient and cost effective. This includes analysing the main reasons for delays in the deployment process in order to understand how blockages can be addressed.</li> <li>Deployments (typically outward) that can be arranged quickly can be agreed and delivered between January and March 2017. It is unlikely that any further conferences or inward deployments will be agreed post January, given complexities and visa timelines.</li> </ul>		High	Medium

4.	The current UK Partner organisations may not sufficiently cover the investment climate issues required by the IFUSE programme.	<ul style="list-style-type: none"> <li>The addition of new partner organisations may allow some of these gaps to be addressed by broadening the scope of the programme.</li> <li>The MA to engage with DFID in forward planning to ensure the on-boarding of any new UK Partner organisations is in line with investment climate priorities for DFID and beneficiary countries. – DFID have agreed to on-board 2 new UK Partner Organisations during Year 5 of the programme to respond to requests from DFID offices for technical assistance in the area of Financial Regulation (National Crime Agency and Government Internal Audit Agency).</li> </ul>		Low	Low
5.	A weak design or poor management could result in IFUSE funds being used for objectives other than DFID's own of poverty reduction.	<ul style="list-style-type: none"> <li>Strong quality assurance on the design of ToR is important. Safeguards are in place to ensure that the objectives of IFUSE are clear. This includes: <ul style="list-style-type: none"> <li>The MA to critically investigate each request on an individual basis with input from an investment climate specialist and including consultation with relevant DFID country offices and DFID IFUSE SRO, as required.;</li> <li>The ToR documentation for Phase 2 has been revised in response to recommendations from the Phase 1 Impact Summary. This includes stronger baselining data on the anticipated impact of each deployment;</li> <li>Additional Monitoring &amp; Evaluation activities have been implemented in Phase 2 to improve assessment of the impact of IFUSE deployments.</li> </ul> </li> </ul>		High	Low
6.	New partner organisations may have higher fee rates for experts, pushing up IFUSE costs over time.	<ul style="list-style-type: none"> <li>The MA will be aware of the need to deliver value for money and will consider all proposed rates in line with IFUSE policies and in consultation with DFID.</li> <li>Any changes to costs will be flagged to DFID on a timely basis.</li> <li>DFID and the MA will periodically review the rate card for organisations to ensure they remain within budgets and reflect costs accurately.</li> <li>During Year 5, bi-monthly budget update meetings with DFID will ensure accurate monitoring of budget position and forecasting based on the IFUSE pipeline.</li> </ul>		Low	Medium
7.	Partner organisations are unclear on what the programme will and will not fund.	<ul style="list-style-type: none"> <li>The MA will continue to actively communicate the IFUSE principles and policies to UK Partner organisations, including our processes for managing out of scope requests.</li> <li>The ToR sets out guidance on selection criteria which helps inform how opportunities are assessed.</li> </ul>		Medium	Low