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The Development Assistance Committee: Enabling effective development

OECD Development Co-operation Peer Reviews: United Kingdom

2014

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Conducting the peer review

The OECD's Development Assistance Committee (DAC) conducts periodic reviews of the individual development co-operation efforts of DAC members. The policies and programmes of each member are critically examined approximately once every four or five years. Five members are examined annually. The OECD's Development Co-operation Directorate provides analytical support, and develops and maintains, in close consultation with the Committee, the methodology and analytical framework – known as the Reference Guide – within which the peer reviews are undertaken.

The objectives of DAC peer reviews are to improve the quality and effectiveness of development co-operation policies and systems, and to promote good development partnerships for better impact on poverty reduction and sustainable development in developing countries. DAC peer reviews assess the performance of a given member, not just that of its development co-operation agency, and examine both policy and implementation. They take an integrated, system-wide perspective on the development co-operation and humanitarian assistance activities of the member under review.

The peer review is prepared by a team, consisting of representatives of the Secretariat working with officials from two DAC members who are designated as “examiners”. The country under review provides a memorandum setting out the main developments in its policies and programmes. Then the Secretariat and the examiners visit the capital to interview officials, parliamentarians, as well as civil society and NGO representatives of the donor country to obtain a first-hand insight into current issues surrounding the development co-operation efforts of the member concerned. Field visits assess how members are implementing the major DAC policies, principles and concerns, and review operations in recipient countries, particularly with regard to poverty reduction, sustainability, gender equality and other aspects of participatory development, and local aid co-ordination. During the field visit, the team meets with representatives of the partner country's administration, parliamentarians, civil society and other development partners.

The Secretariat then prepares a draft report on the member's development co-operation which is the basis for the DAC review meeting at the OECD. At this meeting senior officials from the member under review respond to questions formulated by the Committee in association with the examiners.

This review contains the Main Findings and Recommendations of the Development Assistance Committee and the report of the Secretariat. It was prepared with examiners from Denmark and The Netherlands for the Peer Review of The United Kingdom on 21 November 2014.

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Abbreviations and acronyms

BIS	Department for Business, Innovation and Skills
BRACED	Building Resilience and Adaptation to Climate Extremes and Disasters
CDC	CDC Group plc (formerly Commonwealth Development Corporation)
CERF	Central Emergency Response Fund (United Nations)
CSO	Civil society organisation
DAC	Development Assistance Committee of the OECD
DECC	Department for Energy and Climate Change
DEFRA	Department for Environment, Food and Rural Affairs
DFID	Department for International Development
EC	European Commission
EU	European Union
FCO	Foreign and Commonwealth Office
GNI	Gross national income
HMG	Her Majesty's Government
HMT	Her Majesty's Treasury
IATI	International Aid Transparency Initiative
ICAI	Independent Commission for Aid Impact
IDC	International Development Committee
LDCs	Least developed countries
MAR	Multilateral Aid Review
MDGs	Millennium Development Goals
MoD	Ministry of Defence
MOPAN	Multilateral Organisations Performance Assessment Network
NAO	National Audit Office
NGO	Non-governmental organisation
NSC	National Security Council
ODA	Official development assistance

PAC	Public Accounts Committee
PPAs	Programme Partnership Arrangements
UKTI	UK Trade and Investment Department
UNDP	United Nations Development Programme
UNICEF	United Nations Children's Fund

Signs used:

EUR Euro

GBP British pound

USD United-States dollar

() Secretariat estimate in whole or part

- (Nil)

0.0 Negligible

.. Not available

... Not available separately, but included in total

n.a. Not applicable

Slight discrepancies in totals are due to rounding.

Annual average exchange rate: 1 GBP = USD

2007	2008	2009	2010	2011	2012
0.4997	0.5527	0.6402	0.6475	0.6238	0.6311

The United Kingdom's aid at a glance

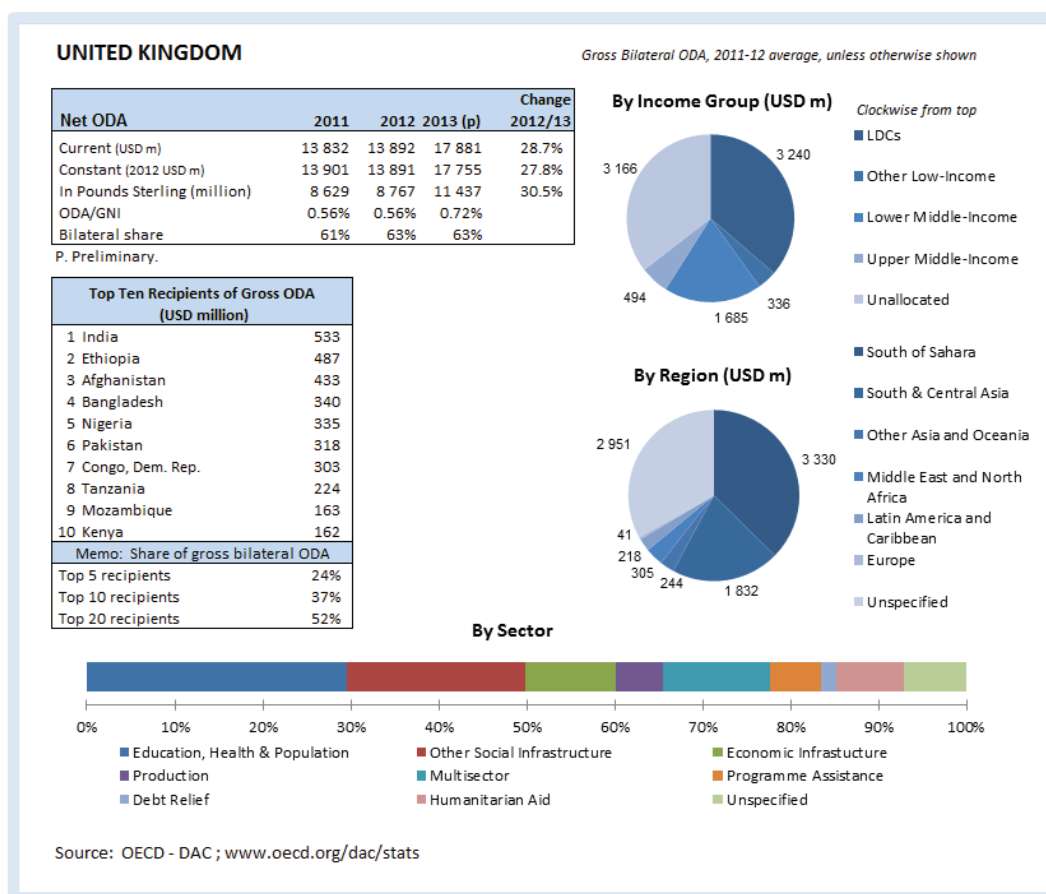
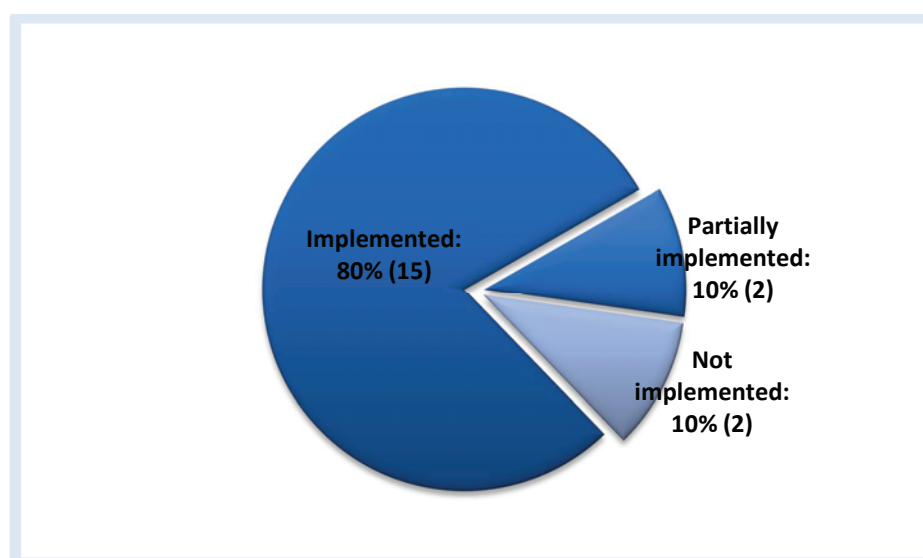


Figure 0.1 The UK's implementation of 2010 peer review recommendations



Context of the United Kingdom's peer review

Political and economic context

With a population of 64 million, the United Kingdom (UK) was, in 2013, the sixth largest economy in the world in terms of nominal gross domestic product. A global power, the UK participates in many international bodies, including the G8 and G20, and is a key member of the European Union (EU).

The Labour government that had been in power since 1997 lost its majority in the House of Commons in the 6 May 2010 election. On 11 May 2010 the Conservative Party leader David Cameron became prime minister. He subsequently announced a formal coalition with the Liberal Democrats Party. As part of the coalition agreement, the leader of the Liberal Democrats, Nick Clegg, became deputy prime minister. The next general election will be held on 7 May 2015.

As set out in the programme for government of the coalition, the UK's foreign policy aims to promote the country's national interest while standing up for the values of freedom, fairness and responsibility. This means working as a constructive member of the United Nations, the North Atlantic Treaty Organisation (NATO) and other multilateral organisations; working to promote stability and security; and pushing for the reform of global institutions to ensure they reflect the modern world. At the same time, through its international development programme the British government aims to fulfil its moral responsibility to help the poorest people in the world. This means honouring the UK's aid commitments while ensuring greater transparency and scrutiny of aid spending to deliver value for money for British taxpayers and to maximise the impact of its aid budget.

The UK's economy entered recession in the third quarter of 2008 and exited recession in the fourth quarter of 2009. In response to the financial crisis, the British government implemented a wide-ranging stability and recovery plan that included a fiscal stimulus package, bank recapitalisation and credit stimulus schemes. The coalition government that took power in 2010 initiated a planned five-year austerity programme, which resulted in a significant fiscal adjustment. As part of this programme, all public services spending was cut apart from the National Health Service and the development co-operation budget. This enabled the UK to meet its commitment to spend 0.7% of gross national income on official development assistance from 2013. The UK government has also implemented a number of structural reforms to boost both short- and long-term growth.

In 2014 the recovery has picked up to a robust pace, with a very accommodative monetary policy and an improving labour market supporting household consumption. The composition of economic growth appears to have broadened from private consumption to business investment. Economic activity is expected to continue at a healthy pace through 2015, sustained by household spending and further boosted by a pickup in investment.

With the unemployment rate having fallen below 7%, the Bank of England has shifted towards a more flexible form of forward guidance. Policy interest rates are expected to begin to rise in 2015, as economic slack narrows and inflation pressures gradually build up. As stated in the latest OECD Economic Outlook (OECD, 2014a), fiscal consolidation of about 1% of GDP should be implemented in 2015, as planned, to strengthen public finance sustainability.

Source: HM Government (2010), *The Coalition: Our Programme for Government*, Cabinet Office, London, www.gov.uk/government/uploads/system/uploads/attachment_data/file/78977/coalition_programme_for_government.pdf; OECD (2014a), "Economic outlook, analysis and forecasts: United Kingdom – Economic forecast summary (May 2014)", www.oecd.org/eco/outlook/united-kingdom-economic-forecast-summary.htm; OECD (2014b), "Interim Economic Assessment", 15 September 2014, www.oecd.org/eco/outlook/Interim-Assessment-Handout-Sep-2014.pdf; OECD (2013), *OECD Economic Surveys: United Kingdom 2013*, OECD Publishing, Paris, http://dx.doi.org/10.1787/eco_surveys-gbr-2013-en.

The DAC's main findings and recommendations

1. Towards a comprehensive United Kingdom development effort

Indicator: The member has a broad, strategic approach to development and financing for development beyond aid. This is reflected in overall policies, co-ordination within its government system, and operations

Main Findings

An active member of the international community, the United Kingdom (UK) continues to lead in shaping the global development agenda.

The UK uses its position strategically to address global public risks and bring development concerns into international policy fora. Its peers value the UK's leadership in driving the development agenda, with the prime minister having co-chaired the UN High-Level Panel on the post-2015 agenda. The UK also used its 2013 presidency of the G8 to promote increased efforts on trade, tax and transparency effectively, and played an important role as co-chair of the Global Partnership for Effective Development Co-operation. It is recognised for marshalling international action on gender equality and the protection of minority rights on the global stage.

The Secretary of State's seat in Cabinet and membership of National Security Council ensure DFID is well placed to promote coherence between policies to support development. The UK has made public statements about the need for coherence between policies to support development. It takes a useful case-by-case approach to policy coherence for development, bringing together different parts of government to work effectively – at home and abroad – on issues of common interest. This has proven an effective approach to anti-corruption, climate change and trade, areas where the Cabinet has engaged strategically, and where the Department for International Development (DFID) has successfully promoted deeper joint efforts with other departments. Choosing to focus these efforts on a limited number of policy areas where there are win-win opportunities is strategic.

However, the lack of a comprehensive approach to ensuring its development efforts are not undermined by other government policies means potential incoherence in other policy areas can be overlooked. It also means opportunities might be missed for stakeholders to provide evidence on and solutions to problems of incoherence. For instance, little has been done to address potential links between migration policy and development. In addition to managing trade-offs, a more systematic approach would help the UK to tap positive synergies across policy agendas, as it has started to do with trade and development.

The UK also does not appear to be investing in building a knowledge base about the impacts of UK

policies on developing countries in order to enable more informed decisions. In dialogue with developing country partners, it could do more to increase understanding of the potential effects of different UK policies on key barriers to development, and to use the evidence acquired to raise awareness of the need for greater coherence.

DFID is shaping a new approach to fostering economic development, under an ambitious agenda to attract private investment and improve domestic resource mobilisation. In this context, the UK is exploring options for other development finance instruments. It is also looking at ways to leverage official development assistance (ODA) to bring in private and public investment and to maximise the development impact of public and private financial flows. Significantly, the UK has so far succeeded in maintaining a pro-poor focus. This commitment to guard against national commercial interests detracting from development priorities is all the more important in light of the UK's increasing work with the private sector.

Recommendations

- 1.1** Building on its case-by-case approach, the UK should set a medium term vision to improve policy coherence for development, laying out additional policy areas of strategic priority to be addressed.
- 1.2** The UK should use better its analytical and research capacities to generate evidence on potential development trade-offs and synergies between policy objectives.

2. The United Kingdom vision and policies for development co-operation

Indicator: Clear political directives, policies and strategies shape the member's development co-operation and are in line with international commitments and guidance

Main Findings

Development is a high priority for the UK government. Even in difficult economic times, it remains committed to honouring its commitments and leads by example, as illustrated by the volume of the UK's ODA reaching 0.7% of its gross national income in 2013. This shows that persistent political will, sustained by broad cross-party consensus, makes it possible to achieve ambitious objectives.

The UK is doing an excellent job of protecting the poverty reduction focus of the development co-operation programme, anchored in the International Development Act 2002. A single department, DFID, manages most aspects of the UK's international development policy and focuses on the Millennium Development Goals (MDGs). At the same time, the UK has broadened its approach and is adapting its toolkit to respond to the evolving development landscape, strategically reaching out to emerging powers and scaling up support to sustainable and inclusive economic development. Within this increased emphasis on economic growth, DFID plans to maintain its long-standing investment on human development.

In the past, White Papers set out a comprehensive vision of where UK's development co-operation fit with regard to other UK priorities and the international agenda. The UK vision is now presented in the programme for government of the current coalition, DFID's departmental business plan and various ministerial statements. While these provide guidance for DFID and other actors providing ODA, the overall rationale for international development in relation to other UK policies is not clearly stated – hampering cross-government work in support of development. Addressing the interconnected issues of the post-2015 development agenda will require, more than ever, finding ways to bring together the UK as a whole with a common vision of how different policies and actors contribute to reducing poverty. Elaborating a more comprehensive UK approach to international development would help drive support across policy areas, while communicating how the UK will contribute to achieving the goals of the post-2015 development agenda.

DFID has engaged in innovative approaches to allocate its resources effectively. Its 2010 bilateral aid review provided evidence to focus its allocations on fewer countries, based on these countries' development

needs, the likely effectiveness of assistance, and the strategic fit with UK government priorities. DFID's 2011 multilateral aid review (updated in 2013) reinforced the UK's focus on multilateral organisations that could deliver the best results. However, it is not clear whether the overall portfolio of UK multilateral aid makes the best use of the expertise of international organisations, and is complementary to the bilateral programme. The absence of a multilateral strategy explaining the value and purposes of providing assistance through multilateral organisations leads to lack of consistency in how DFID country offices engage with these organisations and risks hampering the effectiveness of the UK's approach.

DFID is committed to engaging in fragile and conflict-affected countries. Alongside contributing to the MDGs, the focus on fragile states responds to the need to protect the UK's interests, as set out in its National Security Strategy. Evidence from Nigeria suggests that managing different agendas in fragile contexts requires constant attention to ensure the UK addresses both immediate needs and long term challenges on security as well as development.

Led by proactive ministerial engagement, DFID emphasises inclusive economic growth and is at the forefront in embedding gender equality and climate change into its programme and in global processes. Its emphasis on these priorities has been combined with appropriate guidance and resources, as well as with effective screening mechanisms. As seen in Nepal and Nigeria, ensuring that related requirements do not overburden staff (and that addressing these important issues does not become a “check box exercise”) remains a constant challenge and requires consistent management oversight.

Recommendation

2.1 DFID should use the preparation of the 2015 multilateral aid review as an opportunity to set out its rationale more clearly, with reference to the respective characteristics of the bilateral and multilateral channels.

3. Allocating the United Kingdom's official development assistance

Indicator: The member's international and national commitments drive aid volume and allocations

Main Findings

In a very challenging fiscal climate, the UK has met its commitment to provide 0.7% of its gross national income as official development assistance by 2013, becoming the first major economy to reach this target. It provided USD 17.9 billion in ODA, representing 0.72% of its GNI and a 28% increase in real terms from 2012. This commendable, well planned achievement adds weight to the UK's internationally recognised leading role. Maintaining that level of support until 2015/16 and beyond will reinforce the UK's legitimacy with respect to the global development agenda. The UK is making good progress in the coverage of statistical reporting and has improved the quality of information on ODA delivered by other government departments.

The UK's commitment to achieving the MDGs is matched by its geographic and sector allocations, with a clear focus on low income countries, fragile states, and social infrastructure and services. The UK has also started using various financial instruments such as equity investments as part of its increasing support to economic development. This widening of the UK toolkit is welcome where this effectively furthers its goals of supporting inclusive growth and adapting to partner countries' evolving needs.

Since 2010, the UK has closed its bilateral programme in 16 countries. It now focuses on 28 priority countries. This tight geographic concentration is undermined, to some extent, by the decline in the share of UK bilateral assistance programmed at country level. DFID manages centrally and regionally an increasing number of programmes, some of which are implemented at country level. DFID's country offices are not systematically consulted about these programmes, which makes it difficult for them to have a comprehensive view of the department's overall actions in country.

In addition and despite the 2010 DAC recommendation, the UK still has a number of spending targets. These targets are set in order to reflect policy commitments or accelerate the integration of new priorities. However, they can make it more difficult for country offices to maintain context-based programming, and can undermine value for money by directing programmes into less performing areas in a given context.

With GBP 4.34 billion allocated as core contributions in 2013/14, the UK is one of the top contributors to multilateral organisations. These organisations value

the UK's financial and technical support, and they see the UK as a strategic and constructive partner.

DFID contributes to a more effective multilateral system through its multilateral aid review process, its strategic engagement on the boards of multilateral organisations, and its active involvement in the strengthening of the Multilateral Organisations Performance Assessment Network (MOPAN). DFID also works with other donors on the effectiveness agenda, which is essential since a common approach is needed to define what accountability structures are required for the bilateral donors to be satisfied and push reforms accordingly and consistently. DFID is aware of the risk of duplicating assessment work with high costs to the multilateral organisations and draws on MOPAN reviews as part of its own assessment of multilateral effectiveness.

DFID's oversight requirements for non-core funding are becoming heavy and time consuming for all its multilateral partners. Requests for reporting are not always consistent across countries and are not harmonised with other donors. This puts the quality of the partnerships at risk.

Recommendations

- 3.1** In order to reinforce its high international credibility and serve as encouragement to other countries, the UK should maintain its commendable level of development support at 0.7% of its GNI in the coming years.
- 3.2** To ensure value for money, the UK should minimise spending targets and manage them in ways that support flexible, context-based programming.
- 3.3** DFID should continue to engage closely with donors to promote multilateral effectiveness, and develop streamlined procedures for managing non-core contributions to multilateral organisations.

4. Managing the United Kingdom's development co-operation

Indicator: The member's approach to how it organises and manages its development co-operation is fit for purpose

Main Findings

The UK's development co-operation has an effective institutional system with a clear mandate, a seat in Cabinet and a decentralised model backed by a critical mass of development specialists. A mission-driven, forward-looking department, DFID is well positioned to manage the development co-operation programme efficiently and effectively. The UK has demonstrated its commitment to continual improvement, as evidenced by its progress on the recommendations of the 2010 DAC peer review.

For climate finance and conflict prevention, co-ordination mechanisms and inter-departmental funds are in place to ensure a shared vision of objectives and the resources needed to achieve them. The UK also puts in place whole-of-government approaches led by the National Security Council to address complex situations in conflict-affected states. Evidence from Nepal and Nigeria shows that UK departments work well at country level on specific issues of mutual interest, and there are examples of synergies between departments being tapped for the benefit of development.

Nevertheless, the whole-of-government approach has not yet been fully operationalised. While a seat in Cabinet helps bring the development dimension into government work, the UK could draw further on capacities across the government on issues that are strategic for development, such as private sector development and resilience. DFID's analytical strengths, years of experience and strong country presence could be used further to ensure effective cross-government action.

In partner countries, institutional barriers, separate lines of responsibility, and the lack of an overarching UK strategy hamper collaboration. As a result, it is difficult to see how different UK policy agendas and programmes fit together at country level, and the development programme risks missing out on the policy expertise and knowledge of other departments – and vice versa. In addition, parallel, incompatible information technology systems hamper efficient cross-department management of data and sharing of information at headquarters and in partner countries. The UK's "one HMG (Her Majesty's Government) overseas" initiative, which aims to improve efficiency through sharing of corporate functions, is an opportunity to develop synergies between the different branches of the UK government represented in partner countries.

DFID has planned well how to strengthen capabilities and systems to disburse the scaled-up budget efficiently and effectively. It anticipates future needs to make sure the department is fit for purpose in both the short and longer terms. This strategic approach has translated into continuous improvement processes, which have enabled DFID to maintain its high profile and reputation. However, it is a challenge to ensure the many organisational change activities are sequenced and prioritised so that they reinforce each other and actually improve performance in terms of effective development co-operation – and that staff buy in to the reforms. This will require constant attention from DFID management.

DFID actively promotes innovation. It has established a dedicated unit (the innovation hub) to seek fresh perspectives to development challenges, and developed new mechanisms such as the Global Innovation Fund, established with other partners to facilitate innovative investments. However, DFID's internal systems seem to foster a compliance culture and do not encourage risk-taking, tendencies that have been exacerbated by the strong pressure to show results. Evidence from a DFID staff survey shows that many staff do not feel they can challenge the way things are done in DFID, which can discourage innovation.

DFID recognises that staff are central to good performance, and continues to have one of the highest staff engagement scores across the UK government. It has a forward-looking human resources strategy and makes every effort to ensure it has the right staff in the right places. In particular, it has increased front-line staffing levels, developed new capabilities in a number of critical areas and refined its strategy for posting staff in fragile contexts.

Recommendations

- 4.1** The UK should continue to find ways to bring to bear the capabilities of the UK government as a whole on the development programme, removing institutional and technical barriers in order to make the best use of its expertise at headquarters and in partner countries.
- 4.2** DFID should recognise staff who take calculated risks with potential high returns for development.

5. The United Kingdom's development co-operation delivery and partnership

Indicator: The member's approach to how it delivers its programme leads to quality assistance in partner countries, maximising the impact of its support

Main Findings

DFID delivers its programme effectively and has established a good balance between predictability and responsiveness. DFID's decentralised system helps staff react to evolving situations – which is particularly needed in fragile contexts.

The UK systematically and robustly analyses different types of risks and has strengthened its approach to corruption. It is positive that the UK focuses not only on protecting its own investments, but also on supporting partner countries in protecting their national resources, strengthening their financial management systems and recovering stolen assets.

However, DFID's emphasis on results and value for money and increased scrutiny and ministerial oversight translate into heavy corporate procedures and less delegation of authority to country offices, which risks undermining DFID's ability to respond to evolving contexts. Since the 2010 recommendation, DFID has not managed to reduce its reporting requirements, and programming processes have become even more cumbersome. Country teams are focusing more on the design stage and less on implementation. To address this problem, DFID has engaged in a comprehensive review and reform process aimed at streamlining its procedures.

DFID is a strong supporter of joint programmes and approaches. It works closely with other development partners, often taking a leadership role in donor co-ordination at the country level. However, the UK's increased focus on value for money and results has led DFID to impose its own processes and requirements, making it more difficult to engage in joint programmes. The UK also needs to manage the risk that its focus on reporting to domestic audiences weakens its engagement on mutual accountability.

The UK has an excellent reputation among partners, though this has been somewhat damaged by its increasingly time-consuming approach to managing partnerships, and the use of UK-specific requirements. To reduce transaction costs, partners would prefer DFID to apply a more differentiated approach to control, with more rigorous procedures for high-risk partnerships and a lower level for others. These challenges in regard to heavy programme processes and control mechanisms, and the need for flexible, joined-up approaches are particularly acute in fragile contexts, where DFID is increasingly involved.

DFID supports the principle of country leadership and is committed to aligning its development co-operation to national priorities. However, evidence from Nepal and Nigeria showed that, while the rationale for individual programmes is well developed, country portfolios are spread over many topics/priorities and it is not always clear how an understanding of the development context (and the potential role of the UK) translates into strategic country programmes. Spreading its activities too thinly can undermine DFID's impact and efficiency.

The UK puts less emphasis on using country systems and has become more sensitive to reputational and fiduciary risks. Country offices can use national systems where these are deemed robust, but DFID has made conditions for doing so more restrictive. DFID is also increasingly using private contractors to deliver its programme. Even though some programmes managed by contractors aim to strengthen country systems, some partners are concerned that this approach does not do enough to support the long-term development of national capacities.

DFID strongly supports civil society and channels growing volumes of ODA through civil society organisations. However, it has not communicated an overall vision for engaging with CSOs, which would be useful for guiding its partners.

The UK reports its ODA as 100% untied, and has committed to keeping aid separate from commercial interests. However, the UK reports that over 90% of centrally managed contracts – which represent the vast majority of the contract value – go to UK suppliers; this is a concern because of the potential implications it has for value for money.

Recommendations

- 5.1** The UK should streamline oversight requirements and management processes, to protect its decentralised approach and make it easier for DFID to work with partners efficiently and effectively.
- 5.2** In instructions to staff, DFID should make explicit the priority of supporting the development of effective national capacities and systems, and provide guidance on how to achieve this.
- 5.3** The UK should ensure that there are no unintended impediments to foreign suppliers winning contracts.

6. Results management and accountability of the United Kingdom's development co-operation

Indicator: The member plans and manages for results, learning, transparency and accountability

Main Findings

There is clear political drive to achieve results. The UK government has clearly defined the results it aims to achieve through development co-operation and its measurement has improved significantly. DFID has an impressive results system, using general indicators for corporate reporting and more specific indicators for project management. However, the results agenda has created heavy burdens on staff and partners. These burdens do not always seem justified, given the use made of the results data – particularly that some of the information is used mainly for communication. Many results indicators remain at the process or output level; DFID could strengthen the credibility of its reporting by focusing on understanding the drivers of outcomes and impacts in the context of broader development processes at country level. The focus should be on producing useful knowledge and analysis that can readily be used to improve performance.

The UK is a top performer on transparency, with strong political leadership and an ambitious open government strategy. The government views transparency as a way to improve outcomes and ensure accountability for results. DFID has made a tremendous effort to be open about its budgets, programmes and intended results, and it is widely viewed as a leader in providing comprehensive data. The Development Tracker website, which provides information on UK assistance, is a useful innovation.

Articulating specific intended results has helped the UK communicate more clearly with the public. DFID communicates actively about development, though cuts in its communication spending may undermine its ability to inform public debate. DFID's communication is focused on domestic audiences. Little noticeable progress has been made in ensuring its communications on results also reflect partner country priorities and do not undermine ownership, as recommended in the 2010 peer review.

DFID is a leader on evaluation internationally and is investing in strengthening partner countries' data systems and evaluation capacities. However, DFID has not prioritised working with national evaluation systems, and, as a result, is missing opportunities to support mutual accountability and capacity building.

The UK has taken major steps to produce evidence about what works in development. It has made major changes to its evaluation set-up, integrating evaluation into DFID's programme units. Evaluation is

increasingly part of DFID's way of working and thinking, including in fragile states. Embedding evaluation throughout DFID, along with a strong push on value for money and results, has helped create an evaluative culture and incentives for staff to understand the evidence underpinning their work. However, DFID is not strategic enough in deciding what to evaluate, with a risk of overload and not enough attention to the purpose each evaluation serves.

The UK also set up the Independent Committee on Aid Impact (ICAI) reporting to parliament, to review its ODA. While this openness to scrutiny shows the UK's commitment to transparency and improving results, it is not clear how ICAI contributes in ways that complement other accountability mechanisms in order to make the programme more effective. Specifically, ICAI's focus, methodology and formulation of recommendations do not seem to be well matched to its purpose.

The team was struck by the sheer volume of intellectual production. It questions whether this research and evaluation effort is reaching its full potential in terms of learning and improving performance. The UK appears to be approaching a saturation point where it is difficult to use all the analysis and evidence coming from DFID, ICAI, external and internal research programmes, and other sources. The UK needs to make sure that the evidence it is producing is relevant and of sufficient quality, and that the contribution this evidence makes corresponds to the scale of investment. Ongoing reforms on learning and knowledge management are useful in this regard.

Recommendations

- 6.1** DFID should continue developing a learning and evaluation culture, and share its experience.
- 6.2** The UK should take a more prioritised approach to results measurement, evaluation and research, and ensure evidence is used to improve programmes and development outcomes.
- 6.3** The UK should ensure that ICAI reviews complement other accountability instruments, focusing on contributing to understanding and improving development outcomes and impact.
- 6.4** The UK could work more with partners to evaluate overall development progress at country level.

7. The United Kingdom's humanitarian assistance

Indicator: The member contributes to minimising the impact of shocks and crises; and saves lives, alleviates suffering and maintains human dignity and disaster settings

Main findings

Effective humanitarian response is a clear policy and operational priority for the UK, both on the international stage and in its own programming. Globally the UK has played a significant role, including political messaging on building resilient societies and galvanising international support for major humanitarian crises, such as that in Syria. Its humanitarian policy recognises international principles and good practices. The UK is encouraged to continue its push for a more effective humanitarian system in the run-up to the World Humanitarian Summit. However, there is a fine line between ensuring UK priorities are implemented and listening to, and respecting, the positions of others on the global stage.

The UK maintains a strong focus on proper targeting of its humanitarian funding, with rigorous decision-making processes to support and justify individual funding decisions. Business cases outlining the rationale for each decision are publicly available. Early warning information is closely monitored, and there are tools to stimulate a corresponding early response, including across the UK government and from the wider humanitarian community. The participation of affected communities is actively promoted.

Different UK departments work hard to identify synergies with respect to humanitarian issues; there are useful cross-government mechanisms to facilitate this work. Civil-military co-ordination appears to function well under civilian command, especially in rapid response to disasters.

DFID humanitarian staff are widely perceived as supportive, and highly competent.

The UK maintains a strong focus on monitoring and reporting both its own humanitarian performance and its partners' results. All related documentation is made transparently available on the Development Tracker website. Evaluations of the UK's performance have been useful in determining future policy.

The UK provides high quality funding to partners; often multi-annual and predictable, always fast and flexible. The UK's broad rapid response toolbox also makes good use of cross-government assets, which has proven useful and effective in recent emergencies. Funding for the future will need to take into account differentiated response models,

including for urban crises. DFID is aware of these challenges.

Resilience is a high priority for DFID. However, partners report that while DFID staff continue to discuss resilience with them, there is no real push to systematically incorporate it into programming; this appears to be a missed opportunity.

The UK's humanitarian budget is substantial. Incorporating new policy priorities and new crises into the future humanitarian portfolio could entail some tough trade-offs. In this regard, DFID could provide greater clarity about how the overall budget is split between support to the multilateral system on one hand, and responses targeted at individual crises and needs on the other, in order to demonstrate that its allocations consistently target the highest risks to life and livelihood.

Partners value their relationship with DFID, but complain about administrative procedures and the focus on value for money. Partners are also concerned about being asked to attribute the final outputs and impacts of their programmes to UK inputs (which are often provided as core funding). It is reasonable for DFID's partners to be held accountable for the funds they have been allocated and for the trust that has been placed in them. However, accountability requirements – administrative and reporting procedures – need to remain squarely focused on improving the effectiveness of partner programmes.

Recommendation

7.1 DFID should ensure that its funding and accountability procedures are designed to make the humanitarian response more effective.

Secretariat's report

Chapter 1: Towards a comprehensive United Kingdom development effort

Global development issues

An active member of the international community, the United Kingdom (UK) continues to lead in shaping the global development agenda. It uses its position strategically to address global public risks and brings development concerns into international fora. Particularly valued is its leadership in setting the post-2015 development agenda, including work to promote greater transparency, fairer trade and tax systems, and protection of women and girls, as well as minority rights.

A global leader in supporting development

The United Kingdom is a leader in promoting sustainable development on the international stage. It uses its position strategically in a number of key arenas, selecting policy areas in which to promote action in favour of sustainable development. The prime minister co-chaired the UN High-Level Panel on the post-2015 development agenda, and the Secretary of State for International Development co-chaired the Global Partnership on Effective Development Co-operation. The UK also used its presidency of the G8 in 2013 to promote increased efforts on trade, tax and transparency (UK Government, 2013a, 2013b).

Strong political commitment and a pragmatic approach have facilitated effective work to address global public risks to development at the international level. The business plan of the Department for International Development (DFID) lays out the government's vision and emphasises that it is in the UK's own interest – as well as in the interest of poor people – to tackle global challenges such as climate change and disease (DFID, 2011a).

The UK leverages its clout and close relationships with key allies and multilateral partners to support action on global issues – for example, in pushing the European Union (EU) to increase the EU greenhouse gas emission reduction target to 30% by 2020 (DFID, 2014a) and to align European trade policies with development goals. In doing so, the UK has made important contributions to making trade systems work better for poor countries and to working towards a global climate change deal – including by supporting low income countries' participation in trade and climate talks. The UK has also played a key role in other strategic areas, particularly by:

- galvanising support for the international Arms Trade Treaty adopted by the United Nations General Assembly on 2 April 2013¹
- marshalling international action to end violence against women and girls and to protect the rights of sexual and other minorities, e.g. through co-hosting the first Girl Summit in 2014 on ending child, early and forced marriage
- leading the multilateral Open Government Partnership, which promotes good citizen-state relations through improved governance.²

Policy coherence for development

Indicator: Domestic policies support or do not harm developing countries

The UK takes a useful case-by-case approach to policy coherence, bringing together different parts of government to work effectively – at home and abroad – on issues of common interest. Building on its success with illicit financial flows, trade and climate change, the UK could work towards more systematically managing trade-offs and tapping positive links between other policies and its development commitments.

Political vision drives good work in a number of areas

The UK has endorsed international pledges on policy coherence for development through its membership in the OECD and the EU. It has also committed to support development by “getting its own house in order”, for example by regulating transparency of extractive industries (Cameron, 2013).

The UK takes a selective approach, working on a limited number of policy areas. In response to the recommendation of the last peer review to select additional policy areas (OECD, 2010), the UK has chosen to focus on anti-corruption, transparency, trade and climate change as areas in which to promote the coherence of its policies. Work on anti-corruption has intensified, and the UK’s good performance on environment and climate change has been maintained. In addition, a new cross-government approach is integrating development and security for countries in crisis.³

This approach has proven useful, particularly with respect to illicit financial flows, trade and climate change, as reflected in the composite index of the UK’s commitment to international development.⁴ Development is also embedded in a number of cross-government approaches, such as engaging with emerging powers and responding to international crises. These are areas where the Cabinet has engaged strategically, and where DFID has successfully promoted collaboration across the government.

However, while this approach is effective in supporting coherent action on selected topics, there is no systematic way to ensure conflicts between policy objectives are addressed. Focusing on win-win opportunities, where the UK’s national interests align with development priorities, has meant less attention on mitigating the risk that other policies – notably migration – impact negatively on development. As is the case for other donors, awareness of potential trade-offs is low.

In addition to managing trade-offs, there are also areas where the UK can tap positive links across policy agendas, as it has begun to do with the High Level Prosperity Partnerships, bringing together DFID, the Foreign and Commonwealth Office (FCO) and the UK Trade and Investment Department (UKTI) to strengthen economic co-operation and trade ties with five African countries. DFID should carefully monitor and evaluate such initiatives to ensure they are relevant and effective ways to support poverty reduction.

Co-ordination mechanisms function well in selected areas

Cross-government co-ordination is efficient in specific areas and should be expanded in the coming years. The former co-ordination system of public service agreements has been phased out and cross-government objectives are now included in departmental business plans. This approach brings together different parts of government to work on selected issues of common interest. For instance, as one of the cross-government objectives in its business plan DFID worked with the Department for Business, Innovation and Skills (BIS) and UKTI to develop a Trade White Paper setting out the government strategy for

growth (BIS, 2011). To achieve shared objectives, the UK sets up cross-departmental teams, e.g. a joint DFID/UKTI Trade Policy Unit.

The Secretary of State works in Cabinet and Cabinet sub-committees to promote development perspectives within various policy initiatives and support complementarity between departments.

The creation of the National Security Council (NSC) in 2010 is an example of building institutional linkages to ensure different parts of government work together. The NSC brings together different departments to support developing countries in crisis or at risk of instability. Following a review of the current Inter-Departmental Conflict Pool, the UK is establishing a new cross-government Conflict, Stability and Security Fund, with both official development assistance (ODA) and non-ODA funds, as a finance instrument for the NSC. The Fund will bring together UK capabilities and resources from defence, diplomacy, development co-operation, security and intelligence. It is important that the Fund draw on evidence about the best ways of achieving its goals, including a thorough understanding of the interplay between poverty reduction, state-building and security objectives. The introduction of the Fund has been accompanied by a series of broader governance reforms to create a more integrated approach, drawing together defence, diplomacy, development assistance, security and intelligence. Changes have also been made to better link strategic and policy decisions taken at NSC with programmes on the ground.

The UK should support partner countries' analysis of the role of non-aid policies in their development

The UK, like many members of the Development Assistance Committee (DAC), is struggling to find effective tools to monitor and analyse policy coherence for development; performance in this area has not improved since the 2010 peer review.⁵ The UK reports on policy coherence through the European Commission (EC) and uses the EC's reports to learn about good practice. However, national reporting remains weak despite recent improvements in the coverage of coherence in DFID's Annual Report to parliament.⁶

There is no cross-government requirement to screen the effects of UK policies on development. As seen in Nepal and Nigeria, analyses from country offices are not systematically used to inform the UK policy debate. More could be done to use DFID's analytical capacities and country knowledge to understand the (potential) development impacts of UK and EU policies and to bring this evidence into country dialogues on how best to overcome barriers to development. As it has done with its research programme "Migrating out of Poverty"⁷, DFID could also contribute further to building the evidence base needed to enable political action on the coherence agenda.

Decisive action on recovering stolen assets and climate change, with more to do on arms exports

Three areas in particular provide examples of the UK carrying out analysis and taking action to improve policy coherence.

In response to the last peer review (OECD, 2010), the UK has stepped up its cross-government approach to tackling both the supply and demand sides of corruption. DFID and other government departments are working to prevent bribery and help partner countries recover stolen assets.⁸ For example, following popular uprisings in Egypt, Libya and Tunisia, the UK set up a cross-government task force to help countries recover assets stolen by members of the former regimes and used its presidency of the G8 to push for commitments from other countries as well.

Another example is the UK approach to climate and environment, where political commitment to supporting adaptation and low carbon growth in partner countries (Chapter 2) is complemented by action to reduce greenhouse gas emissions in the UK.

The UK has a coherent cross-government approach, bolstered by the International Climate Fund. The Fund is jointly managed by three departments – the Department for Energy and Climate Change (DECC), the Department for Environment, Food and Rural Affairs (DEFRA) and DFID – and finances adaptation, low carbon development, and forestry projects.

Concerns have been raised about incoherence between the development programme and UK defence industry interests.⁹ In accordance with EU policy, the UK has a mechanism for reviewing arms exports, with DFID providing input on the compatibility of exports with economic development.¹⁰ However, some view this system as inadequate and there was public debate in 2011 when it was revealed that material originating in the UK was being used to violate human rights in Egypt (Saferworld, 2014). A parliamentary inquiry looked into the issue and found that the government's promotion of arms exports is inconsistent with its support for upholding human rights (Committees on Arms Export Controls, 2014). DFID was asked to assess its role in the export license review process. This is an example of an area where the government can draw on DFID's knowledge of national contexts to ensure UK policies do not undermine development.

Engaging in partner countries: a co-ordinated government approach at partner country level

Indicator: Strategic framework, institutional structures and mechanisms facilitate coherent action

Different parts of the UK government work well together on specific issues of mutual interest at the country level. Efforts to improve coherence and co-ordination have been intensified, particularly in conflict-affected states. Nevertheless, institutional barriers remain.

More progress needed on cross-government approaches

While in some countries (particularly in conflict-affected and fragile states) there is a substantive UK cross-government strategy at the country level, this is not systematic, and the business plans and objectives of each department are developed separately. This was seen in Nepal, where the embassy manages several co-ordination mechanisms, including creating a forum for cross-government dialogue on key development issues, but there is no overarching approach to promote synergies across the UK mission (Annex C). As a result, it is difficult to see how different UK policy agendas and programmes fit together and the development programme risks missing out on the policy expertise and know-how of other departments – and vice versa.

A range of co-ordination mechanisms across government

Co-ordination mechanisms are in place between DFID and the Ministry of Defence and the FCO, and there is increasing *ad hoc* co-operation with BIS, DECC, DEFRA, UKTI and other parts of government represented in partner countries. The review team saw positive examples of this, including in Nigeria where DFID plans to strengthen co-operation with the Trade and Investment Department on economic growth. Still, separate lines of responsibilities and divergent policy priorities hamper harmonisation.

In conflict-affected and fragile states, there is effective strategic co-ordination at headquarters and in-country. The Foreign Office, Ministry of Defence, DFID and other governmental bodies work well together to address issues of shared concern with respect to conflict, stabilisation and security. The UK has developed substantive cross-government strategies that are supported by the National Security Council and modified

cross-government structures for addressing countries at risk of instability. In these contexts, managing different agendas requires constant attention to ensure that the UK addresses both immediate security needs and long-term development challenges. DFID makes every effort to ensure that development concerns are kept front and centre, as illustrated by its efforts to promote a comprehensive UK response to violence in northern Nigeria, scaling up security co-operation alongside governance and development programmes (Chapter 4).

Financing for development

Indicator: The member engages in development finance in addition to ODA

DFID is shaping a new approach to fostering economic development, under an ambitious agenda, which includes work on development finance aiming to attract private investments and improve domestic resource mobilisation. In this context, the UK is exploring options for other development finance instruments. ODA is leveraged to bring in private and public investment.

The UK takes a balanced approach to using ODA as a catalyst to encourage private investment for development

The UK views ODA's role as supporting countries to make a "timely, self-financed exit from poverty" (DFID, 2014a) by helping partner countries to mobilise domestic resources. Since the 2010 peer review, the UK has strengthened its focus on boosting wealth creation and using ODA to maximise the development impact of public and private financial flows (DFID, 2014b). It also supports trade integration and has invested considerably to help developing countries build their capacities to benefit from trade opportunities.

The team saw several examples of the UK's use of ODA as a catalyst in Nepal and Nigeria. For example, DFID is providing technical support to help Nepal tap into its considerable hydropower capacity, improve the business climate, and support regional economic integration. In Nigeria DFID pilots innovative approaches, providing evidence to encourage the government to scale up successful programmes using domestic resources (e.g. in education) and to attract private investment (e.g. in the power sector) (Annex C).

Managing a range of instruments, with an ambitious approach to mobilising other sources of finance

The UK uses a range of instruments to support private investment for development and is actively exploring options for different development finance instruments. Parliament recommended that DFID look into the feasibility and desirability of establishing a UK Development Bank (IDC, 2014), and the government has indicated interest in increasing DFID's use of returnable capital instruments. In Nepal the team saw DFID using ODA as a catalyst and exploring innovative ways to mobilise finances, including by partnering with private investors.

Since the 2010 peer review, the UK's development finance institution (known as the CDC) has been reformed to maximise its poverty impact (Box 1.1). While it is too early to judge the results of these reforms, the UK should be applauded for taking action to ensure its private sector investments are soundly pro-poor. The UK also supports political risk assurance through the Multilateral Investment Guarantee Agency (MIGA) and is a member of the multi-donor Private Infrastructure Development Group (PIDG). DFID is exploring how to increase the Group's impact, as well as options to expand this approach in other sectors. For example, in India, between 2013 and 2021, the UK will lend up to GBP 37.5 million in partnership with the Infrastructure Development Finance Company to

attract private sector investment in identified pro-poor infrastructure sub-sectors.

Significantly, DFID appears to have succeeded so far in maintaining a pro-poor focus within its increasingly diverse finance portfolio and has intensified engagement with the private sector. The team did not see signs in Nepal or Nigeria that British private interests are influencing DFID's work in ways that detract from its poverty mandate. The UK should remain vigilant to avoid commercial interests over-riding development priorities. As the UK scales up its support to the private sector, it should work with other DAC members to improve transparency with respect to this type of spending, including its results.

Box 1.1 Maximising the development impact of the CDC

CDC (formerly the Commonwealth Development Corporation) is the UK's development finance institution and the government's main vehicle for supporting the private sector in developing countries. Wholly owned by DFID, its mission is to support the building of businesses to create jobs and make a lasting difference to people's lives in some of the world's poorest places.

In 2010 the Secretary of State for International Development announced to parliament that the government was to reconfigure CDC, which had shown financial success but had also "become less directly engaged in serving the needs of development". DFID's wholesale review of CDC in 2010-11 and an inquiry into CDC's effectiveness by the International Development Committee (IDC) of the House of Commons led to significant reform and a new business plan. In 2012 CDC announced a new five-year strategy focused on the poorest countries in Africa and South Asia and on job creation, as well as the scaling up of monitoring of its development impacts.

Source: CDC website (www.cdcgroup.com); DFID (2014a); Ford, L. (2011).

UK reports on other financial flows

The UK tracks and reports on the totality of public and private flows for development. The vast majority of finance provided to developing countries by the UK government is ODA, with other official financial flows representing just USD 36 million in 2012 (Table B.1). Private flows at market terms varied greatly. Foreign direct investment (FDI) is the main component of the UK's private flows and amounted to USD 41 billion. Other private flows from the UK to developing countries include bank securities (USD 6 billion in 2012), export credit guarantees and insurance (USD 1.5 billion) provided by UK Export Finance, or the Export Credits Guarantee Department, which is the UK's official export credit agency, and private charitable grants.

The latter have been rising, with a large increase in 2012 to just over USD 1 billion, reflecting widespread support in the UK for efforts to reduce poverty. British citizens are generous: 57% of adults report making a donation to charity in a typical month, of which about 12% goes abroad (CAF, 2014). The UK government encourages charitable giving with tax incentives and a new "UK Aid Match" scheme which gives the public a say in how a portion of the UK aid budget is spent through backing selected public appeals.

Notes

1. The UK government was one of the first to ratify the treaty (on 2 April 2014). In the years leading to its adoption the UK negotiating team took a leadership role, working with British non-governmental organisations (NGOs) and UK weapons manufacturers to create a unified UK position and then reaching out to like-minded countries to build momentum. Both the Secretary of State for International Development and the Foreign Secretary participated in negotiations. Ratification of the treaty was a joint deliverable included in both departmental business plans.
2. The UK hosted the Open Government Partnership's annual summit in London in 2013, which resulted in concrete commitments from 37 governments to improve transparency, fight corruption, and use technology to improve governance.
3. These themes partially intersect with the five priorities set in the EU framework on policy coherence for development (trade and finance, climate change, food security, migration, and security).
4. The Center for Global Development (CGD) publishes the Commitment to Development Index, which ranks OECD countries according to the impact of their policies on developing countries. In 2013 the UK was given an overall score of 5.8/10 and ranked seventh overall. It performed well with respect to the finance, aid, trade and environment components. Despite support for peacekeeping and conflict prevention, it scored lower with respect to security because of its significant arms sales to undemocratic governments.
5. In fact, there is no longer a mandate to assess coherence issues: DFID's previous Evaluation Policy (DFID, 2009) stated that "the UK will actively seek to integrate into its evaluations issues of policy coherence" and pointed to the importance of evaluating "global issues crucial for poverty reduction such as trade and investment, climate change and conflict." The current evaluation policy (DFID, 2013) no longer mentions policy coherence.
6. DFID's 2013/14 annual report includes a detailed section on UK policy coherence for development. The 2012/2013 annual report included only a handful of examples, highlighting DFID's work with the Department for Transport to ensure that biofuels production does not adversely affect access to land and natural resources or harm food security in developing countries.
7. See the "Migrating out of Poverty" website: <http://migratingoutofpoverty.dfid.gov.uk/>.
8. DFID funds the Proceeds of Corruption Unit, within the Metropolitan Police Service, and the Overseas Anti-Corruption Unit within the City of London Police. These units aim to identify, freeze, recover and return financial assets gained through illegal activity in cases involving developing countries and to address bribery by UK companies and citizens in developing countries. DFID undertakes an oversight role to ensure this work meets the criteria of ODA.
9. UK arms exports represent 4% of global arms transfers, placing it sixth behind the United States, Russia, Germany, China and France. The largest recipients of UK arms exports are Saudi Arabia, the United States and India (Wezeman and Wezeman, 2014).
10. The UK publishes quarterly reports on its arms exports, with detailed information on licences granted and denials. A searchable database gives access to information on UK arms exports (<https://www.exportcontrol.dbis.gov.uk/sdb/fox/sdb/SDBHOME>).

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Chapter 2: The United Kingdom's vision and policies for development co-operation

Policies, strategies and commitments

Indicator: A clear policy vision and solid strategies guide the programme

The United Kingdom is committed to honouring its aid commitments and supporting the Millennium Development Goals (MDGs) while adapting to new priorities. A solid legal basis, strong political leadership and broad party consensus drive the UK's development co-operation. The government's coalition agreement is reflected in six broad priorities for international development, cascading into multiple sub-priorities. However, there is no explicit overarching strategic vision for promoting development in a changing world and the UK's role in addressing current and emerging challenges.

A clear, widely owned framework focused on poverty reduction and sustainable development

Development remains high on the UK government's agenda. The International Development Act 2002, which clearly stipulates that poverty reduction is the purpose of development assistance, continues to provide the legal basis for development co-operation (UK, 2002). The programme of the coalition government stresses the importance of development co-operation, even in difficult economic times, and its dedication to honouring the country's aid commitments (UK, 2010a). Supported by broad cross-party consensus, the UK's ambitious programme is translated into action with, in particular, the UK meeting its commitment to spend 0.7% of gross national income (GNI) on ODA from 2013 (Chapter 3).

A single department, DFID, manages most aspects of the UK's international development policy and 87% of the development co-operation programme. In addition to having a seat in Cabinet, the Secretary of State for International Development is a member of the National Security Council. DFID proactively engages in this new set-up to promote development in the government's discussions (Chapter 1).

Despite clear strategic directions, the comprehensive vision for promoting international development is not explicit

A purpose- and performance-driven organisation, DFID remains committed to reducing poverty and supporting action to achieve the MDGs. It adopts forward-looking approaches in key policy areas in order to capture new trends and adapt to emerging priorities.

The coalition agreement sets out the UK government's development co-operation priorities until 2015. These are reflected in DFID's business plan for 2011-15, which was adopted following open consultation with key UK stakeholders. The business plan sets out six priorities for the development co-operation programme; three are in clear continuity with the past: i) honouring the UK's commitments and supporting the MDGs; ii) strengthening governance and security in fragile and conflict-affected states; and iii) combating climate change. While not new, the three other priorities signal a particular emphasis on: i) boosting wealth creation; ii) leading international action to improve the lives of girls and women; and iii) driving transparency and value for money. DFID's business plan is reviewed annually to assess progress against each of the six priorities (DFID, 2011a, 2012a, 2013a).

In implementing its priorities, DFID reflects the UK government's "golden thread" theory, which focuses on conditions that are enablers of development: the rule of law, the absence of conflict and corruption, property rights, and strong institutions.

With this framework in place, the UK has responded to the recommendation of the last peer review (OECD, 2010) to streamline objectives around core priorities linked to the MDGs.¹

At the same time, while providing broad lists of actions and indicating ways of working for the UK aid programme, the coalition agreement and DFID's business plan give only a few insights on the rationale for the aid programme in relation to the broader UK engagement at the international level.² In the past, White Papers set out a comprehensive vision of where UK's development co-operation fits with regard to the global development agenda and to other UK priorities, propelling the UK into an ambitious role on the global stage. The absence of an explicit vision for the development programme makes it more difficult to position the UK aid programme strategically and communicate clearly its purpose internally and externally. To support its leading role in promoting development and guide its stakeholders and partners, the government could set out a clearer statement of its overall vision for development and emerging challenges, in relation to the post-2015 agenda, and its role in addressing them. In addition to setting objectives, it should propose ways to achieve those objectives that cut across UK departments, thereby enhancing cross-government work on international development.

Decision-making

Indicator: The rationale for allocating aid and other resources is clear and evidence-based

The bilateral and multilateral aid reviews provided evidence to guide DFID allocations from 2010-11 to 2014-15, focusing these allocations on countries and multilateral organisations that could deliver the best results. Maintaining predictability is a challenge in the current transition period between two spending cycles. Developing a multilateral strategy would enhance DFID's efforts to improve effectiveness, ensuring consistency in its approach and building synergies more systematically with the bilateral channel.

A clearer vision of the respective strengths of the bilateral and multilateral channels is needed to guide DFID's allocations

DFID has made a step change in its approach to allocations, building on clearly defined policy priorities and intended outcomes coupled with a strong push to improve value for money and achieve tangible results. DFID conducted a bilateral and a multilateral aid review in 2010 and 2011, respectively (the latter was updated in 2013). These were the main sources of evidence for targeting aid allocations to country programmes and multilateral partners which can deliver the best results (i.e. achieving DFID's objectives in the most cost-effective manner possible).

The bilateral and multilateral reviews do not compare the effectiveness of the bilateral and multilateral channels, and therefore do not provide indications on how to allocate UK aid across the two channels. Even though the level of core funding to multilateral organisations is decided at headquarters, the volume of the aid budget that is channelled bilaterally and multilaterally is to a large extent built "bottom up" through consideration of value for money at the programme level. This gives flexibility to country offices to adapt to their specific contexts and partners. However, as a result, it is not clear whether the aggregate balance between bilateral and multilateral aid is right to promote multilateralism, make the best use of the expertise of international organisations, and ensure complementarity with the bilateral programme. As is recommended by

parliament³, DFID should set out clearly how each channel can contribute to achieving the UK's development objectives, with reference to their respective characteristics. It could do so during the preparation of the 2015 Multilateral Aid Review (MAR).

Value for money considerations shape the UK's allocations to multilateral organisations

DFID manages most multilateral allocations, covering the European Union, the United Nations, development banks and international finance institutions. HM Treasury is the lead department for the International Monetary Fund (IMF), though DFID leads on engagement with low income and low middle income countries. Climate finance has its own cross-government governance structure (Chapter 1).

The Multilateral Aid Review has been used to assess the effectiveness of multilateral organisations in relation to the UK's humanitarian and development objectives, with a view to selecting those offering the best value for money (Box 2.1).

Box 2.1 The Multilateral Aid Review

DFID undertook a first Multilateral Aid Review (MAR) in 2011 as the start of a more systematic assessment of the value for money offered by multilateral organisations, to which it gives over GBP 1 million in core funding annually. Forty-three organisations were assessed against: i) the organisation's contribution to the UK's development and humanitarian objectives; and ii) its organisational strengths.

The findings of the review were used by DFID to inform both its funding decisions and its reform agenda. The review resulted in increased involvement with the top performers and, for other organisations, continued core funding subject to implementation of a series of reforms. The UK ended its membership or stopped extra-budgetary/core funding in the case of four organisations.

DFID updated the MAR in 2013 to assess the progress of the multilateral organisations it continued to fund in addressing its reform priorities. According to the update, all of the organisations had improved with respect to financial resource management, partnership behaviour and contribution to results. However, more effort was needed in the areas of gender, transparency, accountability, and cost and value consciousness. DFID is now preparing a new MAR, to roll out in 2015, which will assess value for money and further push reforms. It plans to improve this tool, taking into account the feedback received from multilateral organisations as well as comments made by external scrutiny bodies such as the National Audit Office (NAO, 2013), the International Development Committee (IDC, 2013) and the Public Accounts Committee (PAC, 2013).

The MAR has demonstrated the UK's international leadership in assessing the performance of multilateral organisations and driving reforms. At the same time, as pointed out by UK stakeholders, there is a need to improve the evidence base and reflect better the different types of organisations (Maxwell, 2014). UK stakeholders also encourage DFID to strengthen the link between performance and funding levels. This has to be managed carefully since, in linking funding to results achieved against the MAR recommendations, the MAR may hamper the predictability of core funding. Finally, the UK should work more jointly with other donors, relying increasingly on MOPAN for assessing the organisational effectiveness aspects (Chapter 3).

As regards the process, DFID will gain from strengthening its communication with multilateral organisations from an early stage (on the design and objectives of the MAR) and during the process (to allow feedback prior to publication of the final results).

Source: DFID (2013c, d) DFID (2011c, d), and interviews with multilateral organisations.

While the MAR provides guidance to inform allocations to individual organisations, there is no overall explicit UK vision on its approach to the multilateral system. The MAR (and its 2013 update) is the main tool used to decide the level of core contributions to multilateral organisations. The level of other, earmarked contributions results from DFID country offices deciding on the most effective and efficient channel with which to deliver a result in a particular area. While this gives country offices broad latitude to engage with multilateral organisations and adjust to the context, multilateral partners note that this flexibility results, in some cases, in inconsistency. DFID has a strategy for engaging with the World Bank, which highlights the UK's priorities and ways of working with the World Bank Group, and provides clear guidance to country offices (DFID, 2011b, 2013b, 2014b). However, DFID does not have such a strategic approach for its engagement with other key bodies such as the European Union, to which it is a major contributor, or the United Nations. The value and purposes of providing aid through these organisations are therefore not clearly communicated internally and externally. This risks hampering the effectiveness of the UK's approach and limits opportunities for building synergies systematically with the bilateral programme.

DFID is aware of the need to improve consistency within its system, and is taking steps to ensure that decisions on multilateral allocations are made in line with overall sector strategies. A multilateral strategy could enhance this effort by outlining why and how to work with multilateral organisations and clarifying the UK's engagement with the international agenda on multilateral organisations (Chapter 3).

DFID has used the Bilateral Aid Review to focus its programme

The 2010 Bilateral Aid Review considered countries in terms of development needs, the likely effectiveness of assistance (in view of UK's comparative advantage) and strategic fit with UK government priorities. It resulted in a strengthened geographic focus with 28 priority countries instead of 43 countries in 2010. In addition to establishing the level of spending for each country until 2014-15, the Review set out clear strategic choices for the delivery mechanisms.

The Bilateral Aid Review was instrumental in pulling in strong evidence to direct bilateral allocations until 2014-15. Following a one-year extension to the spending review period in the UK, in December 2013 DFID initiated a nine-month process aimed at setting firm budgets for 2015-16 (up to the 2015 UK general elections) and indicative budgets for the following two years (Chapter 5).

While the Review adopted a bottom-up approach to identify the results that UK assistance could achieve in each country, the new process gives clearer directions from the centre, combining this with country poverty reduction diagnostics developed in each DFID priority country, following precise guidance from headquarters. This guidance is needed, as programming trade-offs might be more challenging than in recent years given that the ODA budget is likely to increase only slightly. It is all the more important to take into account the changing geography and nature of poverty, the evolving international development partnerships and the post-2015 agenda, as DFID intends to do.

Policy focus

Indicator: Fighting poverty, especially in LDCs and fragile states, is prioritised

The UK prioritises fighting poverty, with a strong focus on fragile states. It emphasises inclusive economic development as a way to help countries achieve sustainable development and exit from poverty. This approach to fostering economic development should not be at the expense of DFID's long-standing support to social development and basic services in countries with high levels of poverty. DFID is at the forefront in embedding disaster resilience, climate change and gender equality in its programme.

DFID's programme is focused on reducing poverty

As recommended in the last peer review (OECD, 2010), the UK has retained the development programme's clear focus on reducing poverty and achieving the MDGs. This overarching objective is reflected in DFID's business plan. The 2002 International Development Act has been instrumental in protecting the poverty focus of the ODA budget from other interests.

There is also a clear prioritisation of fragile states. Conflict prevention is a central feature of the UK's National Security Strategy (UK, 2010b). There is an explicit policy commitment to increase "to 30% the proportion of UK Official Development Assistance (ODA) that supports fragile and conflict affected states" (DFID, FCO and MoD, 2011). Three out of four (21 out of 28) of the UK's bilateral partner countries are considered fragile.⁴

DFID emphasises inclusive economic growth

DFID is committed to fighting extreme poverty and responding to humanitarian disasters. With a view to supporting countries to exit from poverty, DFID plans to rebalance its investment towards inclusive economic development, the "golden thread" of development enablers, and girls and women – while integrating climate change and conflict funding into its core country programming.

DFID is shaping a new approach to fostering economic development and transformation through scaled up support to inclusive growth and job creation as well as private sector development (Greening, 2014b). In January 2014 DFID published its first full strategic framework for economic development, which sets out where and how this portfolio is growing, including through working more closely with the private sector (Box 2.2).

Box 2.2 DFID's 2014 strategic framework on economic development

DFID's focus on economic development will include activities under these five pillars:

- improving international rules for shared prosperity
- supporting the enabling environment for private sector growth
- catalysing capital flows and trade in frontier markets
- engaging with businesses to help their investments contribute to development
- ensuring growth is inclusive, and benefits girls and women.

Source: DFID (2014a)

As DFID is aware, this increased focus on economic growth requires developing further specialised expertise (Chapter 1).⁵ Internally, DFID has doubled the number of private sector advisers since 2012 and enhanced professional development and training in this area. In May 2014, for the first time, it appointed a Director General for Economic Development to lead the newly established Economic Development Division. Efforts to learn from others and build on DFID's own considerable experience in the field will continue to be useful. These efforts should, in particular, aim to clarify the standards that any aid to and through the private sector must meet to achieve poverty reduction effectively while avoiding market distortions.

DFID is also aware that its investments in human development are vital for economic growth, and these will continue. The strategic framework on economic development reflects DFID's belief that economic development benefits the poor and shares prosperity broadly, including through increased tax revenues that enable greater spending on basic services. The different pillars emphasise the following: work to increase businesses' responsibility for the health and education of employees, as well as working conditions and an increased focus on the relevance of skills for economic development including in fragile contexts; the opportunity to improve skills in key sectors (e.g. extractives); and the investments that the development finance institution CDC makes in health and education.

Strong political commitment to resilience has helped improve coherence between humanitarian and development programmes

The UK has gone further than most donors in improving coherence between its humanitarian and development programming. There is strong political commitment, from both the Secretary of State for International Development, as co-chair of the informal group of Political Champions for Disaster Resilience, and senior management,⁶ to building resilience against disaster risks – an area requiring co-ordinated efforts by the different policy communities. The review team heard about plans to expand this focus to cover geo-political and economic risks. This is encouraged. Some new diagnostic and delivery tools have been created to help incorporate risk reduction into development programmes, and DFID's flexible, multi-annual funding streams also encourage a more holistic approach to recovery situations (Chapter 7). DFID staff report that joining up climate change and development teams in selected countries – including Nepal – has also proven useful. In addition, the UK has played a key role in developing the New Deal as co-chair of the International Dialogue on Peacebuilding and Statebuilding, and through acting as co-lead donor in Afghanistan, Sierra Leone, Somalia and South Sudan.

Cross-government guidance on fragility, recognising greater political involvement in fragile states

The UK outlines its approach in fragile and conflict-affected states in the 2010 DFID Practice Paper, *Building Peaceful States and Societies* (DFID, 2010), and a series of briefing papers provide guidance on working effectively in these contexts. The rationale for engaging in fragile states is set out in the National Security Strategy (UK, 2010), which makes a clear link between fragility and the need to protect the UK and its overseas interests. The *Building Stability Overseas Strategy* (DFID, FCO and MoD, 2011), provides more in-depth details on co-operation between key UK civilian and military actors, with three main elements: early warning, rapid crisis prevention and response, and building strong states and societies that can manage tensions and shocks. While the third element is very much in line with the international New Deal agenda (IDPS, 2011), which the UK has committed to, the other two elements signal a continued political and military involvement in fragile states, alongside development.

The updated, and sizeable, Conflict, Stability and Security Fund, containing both ODA and other finance, has the potential to reinforce co-ordination across government by backing

policy decisions with funding (Chapter 5). The UK should also use its engagement with compacts and mutual accountability frameworks in Afghanistan, Sierra Leone and Somalia as a platform for promoting whole-of-government dialogue within the UK.

Gender equality, environment and climate change are high on the UK agenda and well integrated into DFID's programme

Led by proactive ministerial engagement, the UK is strongly engaged in advancing climate change and gender equality issues at the global level. It is able to influence global processes with good results in both areas.⁷ As an illustration, Prime Minister David Cameron's advocacy of gender equality as co-chair of the UN High Level Panel of Eminent Persons on the post-2015 development agenda contributed to a clear proposal for a stand-alone goal on gender equality – a proposal that set a benchmark for the discussions.

DFID is also committed to integrating these two dimensions into its programme: it has set combating climate change and improving the lives of girls and women as two of the six strategic priorities of its business plan, and designated champions at the Director-General level to promote these dimensions.

As regards gender equality, the 2011 Strategic Vision for Girls and Women committed DFID to an ambitious and focused set of results, placed at the centre of its corporate agenda and processes (DFID, 2011e). This strong priority was reinforced by the 2014 Gender Equality Act, which makes it mandatory to screen every development and humanitarian programme against its effect on gender equality – a requirement that applies beyond DFID to all departments and agencies involved in development co-operation (UK Parliament, 2014).

Gender equality is mainstreamed across key sector strategies and embedded in bilateral programmes,⁸ with appropriate guidance, tools and resources. This includes a Gender Team based in the Policy Division and dedicated “pillar leads” embedded in the relevant policy teams in each of the key areas of the Strategic Vision.⁹ DFID Directors are accountable for results in their business units and report to the Executive Management Committee. In addition to good scores on the gender marker,¹⁰ the focus on women and girls results in innovative programmes such as the Voices for Change programme in Nigeria (GBP 38 million over five years), which focuses on transforming the underlying social and cultural norms and behaviours that disadvantage girls.

DFID has a comprehensive policy framework to support its engagement in the areas of environment and climate change.¹¹ Implementing a recommendation of the last peer review (OECD, 2010) it has introduced a new climate and environment assessment requirement that looks at the impact of all programmes on the vulnerability of poor communities to environmental disasters. DFID has created an initiative called Future Fit, designed to integrate climate issues into DFID's core business. In addition, some of its programmes seek to specifically address this issue and to support action to build resilience and adaptation.¹² Moreover, DFID has strengthened its internal capability through training and recruitment, and now has 70 accredited climate and environment advisers. It recently introduced a principles-based climate and environment mainstreaming approach to address some of the main shortcomings of its assessment system.

In Nepal and Nigeria the review team found that cross-cutting issues were well integrated, with both targeted programmes and a mainstreamed approach across DFID's portfolio. At the same time, ensuring that requirements related to cross-cutting issues do not overly burden staff and that addressing these requirements is not reduced to a “check-box exercise” remains a constant challenge and requires consistent management oversight.

Notes

1. The 2010 peer review suggested that the combination of a succession of White Papers and public service agreements created a cumulative process which might lead to too many unprioritised objectives making monitoring overly complex.
2. As stated in its business plan, DFID plans to influence the global development system through a series of actions related to the post-2015 agenda, the Global Partnership for Effective Development Co-operation, and the G8 presidency.
3. In its 2014 report, International Development Committee (IDC) recommends that DFID continue to channel some of its finance through multilaterals, making greater use of their specialist skills and expertise rather than replicating these skills within its own bilateral programmes. It also recommends that DFID develop mechanisms for comparing the effectiveness of multilateral and bilateral aid (IDC, 2014). The Public Accounts Committee noted that DFID has so far made only limited assessments of the relative cost-effectiveness of multilateral and bilateral aid in achieving its objectives (PAC, 2013).
4. There is no commonly agreed international list of fragile states. DFID maintains a list of states it classifies as fragile and/or conflict-affected. DFID's fragile states list has recently (October 2013) been updated and is scheduled for review in 2015. DFID identifies countries as fragile by capturing a wide range of political, social, economic and security factors. This recognises the multi-dimensionality and complexity of fragility and conflict, as consistent with evidence including that in the *World Development Report 2011: Conflict, Security, and Development* (World Bank, 2011).
5. ICAI also points out the need to develop clear guidance for the development of coherent, realistic and joined-up country-level portfolios on private sector development (ICAI, 2014).
6. Refer, for example, to the speech by the Secretary of State for International Development, Justine Greening, at the World Bank spring meetings in 2014 (Greening, 2014a; Jones, 2014).
7. See Chapter 1 regarding climate change. UK ministers also advocate successfully for gender equality (including with respect to difficult issues such as social norms) on the global stage, whether at the UN, the G8 or the Global Partnership for Effective Development Co-operation Steering Committee. For example, the UK used the G8 to address sexual violence in conflict, and in July 2014 the UK and UNICEF co-hosted the first Girl Summit in London to mobilise domestic and international action against female genital mutilation and early and forced marriage. DFID is also highly engaged in the OECD's work on environment, climate finance and development, and gender equality. In particular, it currently chairs the Network on Environment and Development Co-operation of the Development Assistance Committee (DAC) and provides strategic leadership to the DAC Network on Gender Equality.
8. As an illustration, one of the five pillars of the new DFID economic development strategic framework is to ensure that growth benefits girls and women. Violence against girls and women has also become a strong focus with the remarkable expansion of DFID's programming and efforts to build the capacity of country offices and work with partners to deliver programmes that are effective in addressing this issue.
9. Girls' education; economic empowerment of girls and women; violence against girls and women; and reproductive and maternal health.
10. In 2012, 48% of sector-allocable UK aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 28%.
11. See its 2012 policy on supporting a healthy environment (DFID, 2012b) and its 2013 policy on supporting international action on climate change (DFID, 2013e).
12. For example, the Building Resilience and Adaptation to Climate Extremes and Disasters Programme.

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Chapter 3: Allocating the United Kingdom's official development assistance

Overall ODA volume

Indicator: The member makes every effort to meet ODA domestic and international targets

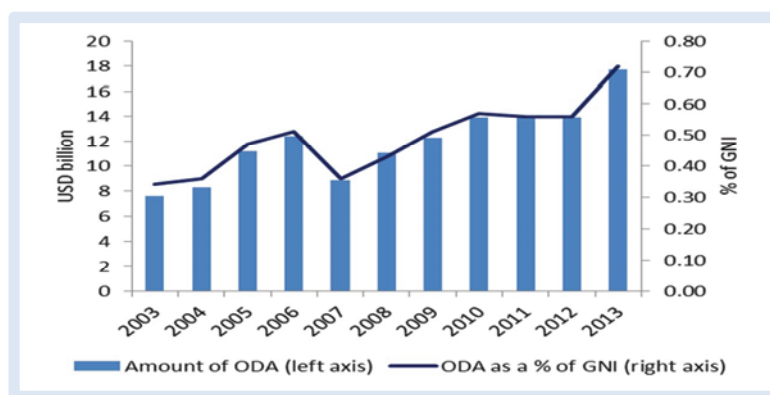
In a very challenging fiscal climate, the United Kingdom has met its commitment to provide 0.7% of its GNI as ODA by 2013, becoming the first major economy to reach this target. This commendable, well-planned achievement adds weight to the UK's internationally recognised leading role. Maintaining this level of support until 2015-16, as planned, and even beyond will strengthen the UK's legitimacy with respect to the global development agenda. While its ODA is primarily made up of grants, the UK increasingly uses various forms of financial instruments, a shift that reflects its new approach to fostering economic development. As recommended, the UK has improved its reporting on aid delivered by departments other than DFID.

In reaching 0.7% of GNI, the UK leads by example

In 2013 the United Kingdom provided USD 17.9 billion in ODA, a 27.8% increase in real terms from 2012 (preliminary figures). It is the second largest Development Assistance Committee (DAC) donor in terms of volume.

In a very challenging fiscal climate and under intense scrutiny, the UK has met its commitment to provide 0.7% of its GNI as ODA by 2013: its level of ODA actually reached 0.72% of GNI in that year. This major achievement was the result of consistent political leadership across parties. Reaching 0.7% adds weight to the UK's credibility at the global level. As the first major economy to reach this target, it is leading by example.

Figure 3.1 The UK's net ODA: trends in volume and as a share of GNI, 2003-13, 2012 prices



Source: DAC statistics.

The UK planned its ODA increase well

This significant accomplishment was well planned, starting in 2010 when the UK Government Spending Review established the ODA/GNI path until 2014-15. It projected slight increases in the ODA budget up to 2012, followed by a jump of nearly 30% in 2013 (HMT, 2010). Implementation was carefully monitored to ensure the target would

be met (taking into account fluctuations in GNI) with adequate levels of ODA spending by DFID and other departments. At the same time, strong efforts were made to avoid compromising the quality of the ODA programme and progress towards results was regularly reviewed (Chapter 6).¹ Although the 0.7% commitment is not enshrined in law, the UK has allocated resources to maintain its ODA/GNI ratio at 0.7% until 2015-16. Sustaining this level of support beyond 2015 would help maintain the UK's leading role with respect to the global development agenda.

Nearly all the UK's ODA is reported as grant aid. However, the UK has begun to use other financial instruments. It reported USD 427 million as equity investment in 2012. It plans to develop a broader set of instruments to respond to partner countries' evolving needs and to support economic development (Chapter 2). This move reflects the UK policy and should therefore be pursued. It is supported by parliament, whose International Development Committee is encouraging the UK to use a range of financial instruments including returnable capital in lower middle income countries, and to consider sustainable lending for infrastructure investments in low income countries (IDC, 2014a).

The UK is making good progress in the coverage of statistical reporting

The UK complies overall with the DAC reporting guidelines. It has improved the quality of information on ODA delivered by departments other than DFID, thereby implementing the recommendation of the last review (OECD, 2010). Given its efforts to enhance transparency, the UK could, however, report to the DAC in a more timely manner. The UK reports expenditure planned within its four-year spending review period to the OECD DAC Survey on Donors' Forward Spending Plans. In addition, DFID's Development Tracker provides comprehensive information on all its programmes (Chapter 6).

Bilateral ODA allocations

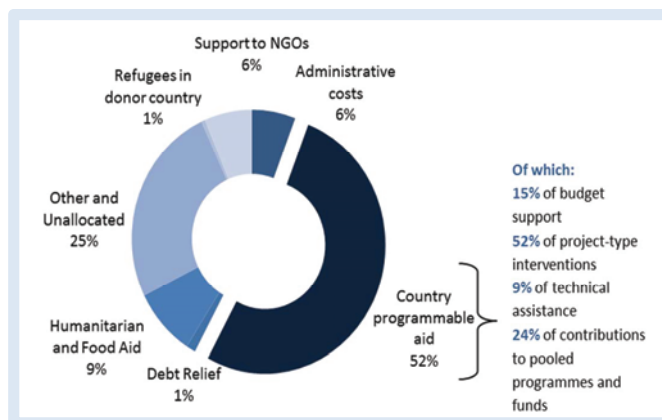
Indicator: Aid is allocated according to the statement of intent and international commitments

The UK's commitment to achieving the MDGs is matched by its geographic and sector allocations, with a clear focus on low income countries, fragile states, and social infrastructure and services. In middle income countries DFID's poverty reduction country diagnostic has the potential to ensure that the programme targets poverty effectively. The UK still has a number of spending targets set in order to accelerate the integration of new priorities. These targets need to be managed carefully if DFID is to maintain its flexible, context-based country programmes.

A quarter of DFID bilateral programmes are managed centrally

Since 2008 there has been an 11% drop in the UK's bilateral ODA programmed at partner country level, which is now at 52%. The decline results from an increase in the proportion of the UK's ODA that is not targeted at one specific country, which rose from 8% in 2008 to 25% in 2012. This proportion is mostly made up of programmes managed by DFID's policy and research divisions, as well as contributions to multilateral organisations' programmes that are managed centrally² (Figure 3.2). Work is underway to develop systems to report more accurately on programmes working across multiple countries.

Figure 3.2 Composition of the UK's bilateral ODA in 2012



Source: DAC statistics.

The UK's ODA is strongly focused on low income and fragile states, with increased geographic concentration

The UK's ODA remains strongly focused on low income countries. These countries received 60% of ODA allocable by region in 2012, including 53% to least developed countries (LDCs) – thereby meeting the UN target of 0.15% of GNI allocated to LDCs.³ This focus reflects the continued emphasis on achieving the MDGs. Sub-Saharan Africa remains the priority focus, receiving 54% of UK allocable ODA in 2012 (Figure 3.3).

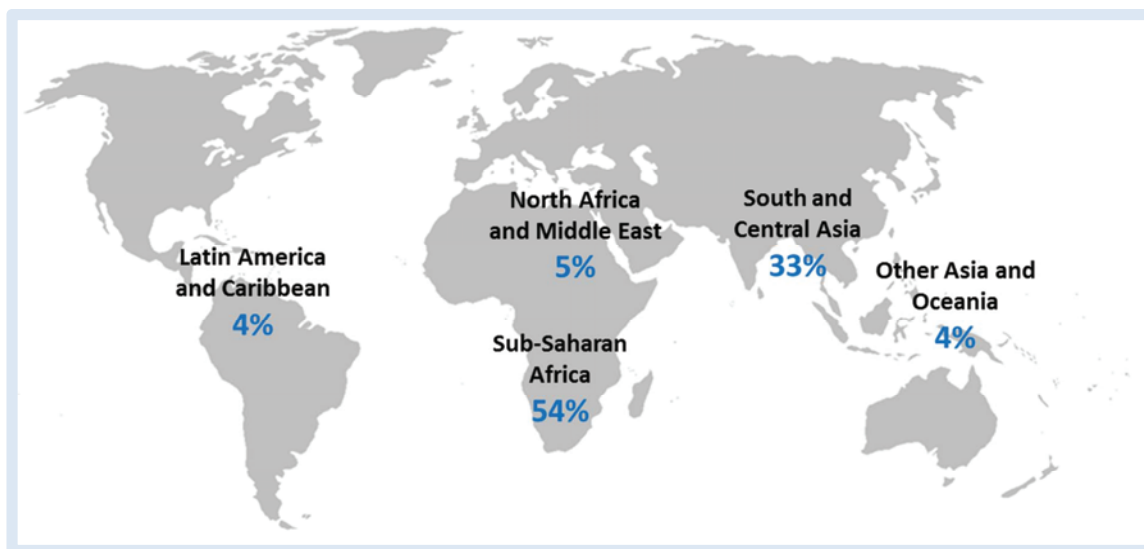
The share of the UK's ODA going to upper middle income countries has increased slightly, reaching 10% in 2012. Middle income countries received 39% of UK allocable bilateral ODA in 2012 – less than the DAC average of 54% (Table B.3).

Rather than distinguishing arbitrarily between categories of countries (low income and middle income), DFID bases its decision to provide bilateral aid on the current level of extreme poverty and the future prospects of the poor, the country's ability to self-finance poverty eradication, DFID's comparative advantage for working in the country, and the positive spill-over effects of giving bilateral aid to a country on the poverty of neighbouring countries (IDC, 2014a). Ensuring that DFID's resources target poverty in each country effectively was part of the 2010 Bilateral Aid Review and was the purpose of the "country poverty reduction diagnostics" conducted in 2014. These diagnostics are not available to the public, and DFID needs to communicate clearly how they translate into actual programmes that address poverty, including in middle income countries.

The UK's long-lasting focus on fragile states is matched by budget allocations: for 2012-13 66% of DFID bilateral aid allocable by country was directed to its 21 priority countries classified as fragile states (DFID, 2013a). This represents 29% of total UK aid, a figure that is rising as the UK committed in 2011 to spending 30% of its ODA in fragile and conflict-affected states by 2014-15. In doing so, DFID signals to the donor community the importance of providing assistance where the need for aid is greatest. In this regard, the UK has risen to the challenge of engaging in Nigeria, where there are only a few active donors despite the country's huge development challenges (Annex C).

The persistence of under-funded countries is a concern that DFID could take further into account in its allocations: among its 28 priority countries, only 4 are considered to be aid orphans⁴ (out of a list of 11 orphan countries) (OECD, 2014).

Figure 3.3 Share of the UK's gross bilateral ODA allocable by region, 2012



Source: DAC statistics.

Since 2010 the UK has made a strong effort to concentrate its aid programme. In light of the Bilateral Aid Review, ministers decided in 2011 that DFID should close its bilateral programme in 16 countries by 2016.⁵ India and South Africa were added to the list of countries that would not receive grant aid in 2012 and 2013, respectively. As a result, DFID's bilateral programme is now focused on 28 priority countries; 83% of DFID's country allocations for 2012-13 were directed to these countries, with the remainder comprising regional programmes and programmes in former priority countries where DFID is withdrawing its bilateral programme (DFID, 2013a). However, the increase in the share of the UK's ODA that is not allocated geographically means the share of its bilateral ODA allocated to the top 20 recipients declined from 57% in 2006-10 to 52% in 2011-12 (Table B.4).

The UK's ODA supports the MDGs, but spending targets may hamper context-based programming

The UK's commitment to achieving the MDGs is reflected in an aid programme strongly focused on social infrastructure and services (50% in 2011-12), particularly in education, health and governance (Table B.5).

Despite the 2010 DAC recommendation, the UK still has a number of spending targets. These targets are set in order to reflect policy commitments (e.g. nutrition) or accelerate the integration of priorities (e.g. economic development, climate finance, fragile states).⁶ However, they can make it more difficult for country offices to manage the tension between central priorities and the need for flexible, context-based country programmes that respect ownership, are aligned to national priorities, and are harmonised with other donors (Chapter 5).

Multilateral ODA channels

Indicator: The member uses the multilateral aid channels effectively

A key contributor to multilateral organisations, DFID is seen as a strategic and constructive partner. It contributes to a more effective multilateral system through its Multilateral Aid Review (MAR) process, its strategic engagement on the boards of multilateral organisations, and its active involvement in the Multilateral Organisations Performance Assessment Network (MOPAN). DFID could strengthen the coherence of its earmarked allocations. As its oversight requirements have evolved recently, DFID would also benefit from communicating these requirements clearly to its partners and looking at ways to minimise them.

DFID could streamline and better communicate the requirements attached to its multilateral non-core contributions

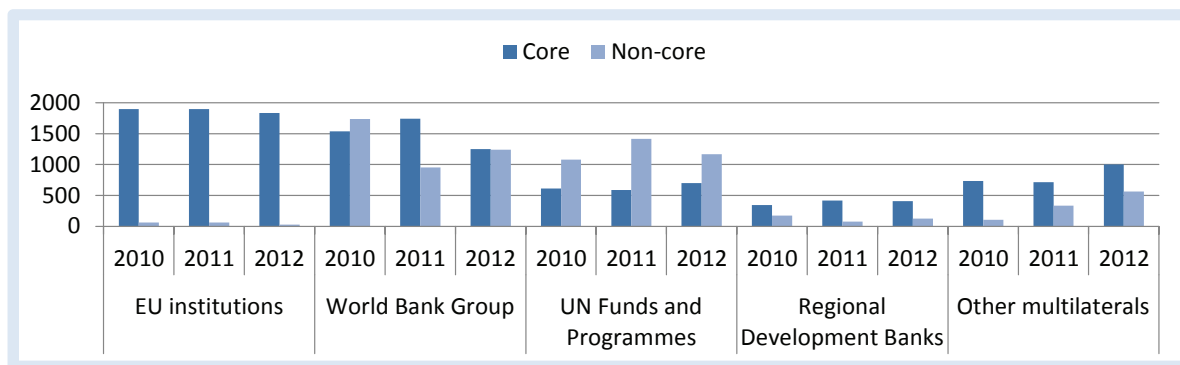
The UK uses the multilateral channel extensively. DFID is seen by multilateral organisations as a strategic, predictable and constructive partner in terms of funding and active participation on their boards, as well as at a technical level. Multilateral organisations appreciate an intense and constructive partnership, especially where the UK's objectives closely align with their own (as is often the case).

In 2013/14 the UK allocated GBP 4.4 billion as core contributions to multilateral organisations (up from GBP 3.25 billion in 2012/13) – of which 28% to the World Bank, 26% to the EU institutions, 23% to global funds, and 23% to other multilateral organisations (DFID, 2014, 2013a). It channelled a further 35% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core). As a result, DFID was one of the top contributors to multilateral organisations and a major shareholder of multilateral development banks. This position is likely to be consolidated in the coming years, along with the increase in the UK's ODA channelled multilaterally.

In 2012, 48% of UK contributions to multilateral organisations (excluding the EU) were non-core contributions. The share of non-core funding to UN agencies was higher, reaching 63%. As noted in Chapter 2, DFID needs to strengthen the coherence of country offices' decisions and requirements regarding earmarked resources, and is taking steps in this direction. Four staff members have been appointed to liaise between country/policy spending departments and the central multilateral department. Senior management from across all spending departments now meets quarterly to discuss multilateral effectiveness, oversight arrangements and policy.

In 2012 the Independent Commission for Aid Impact (ICAI) recommended that DFID improve its oversight of the World Bank Trust Funds it is financing, and that it develop a corporate strategy for allocating resources to Trust Funds in line with the UK government's aid objectives (ICAI, 2012). In response, DFID issued a strategy for the World Bank Trust Funds aimed at streamlining the management of UK contributions through linking them to a leading department with a comprehensive view of earmarked funding (DFID, 2013b).⁷ Extending this practice to other earmarked funding could help rationalise and align funding decisions across DFID.

Figure 3.4 The UK's core and non-core contributions to multilateral organisations (USD million)



Source: DAC statistics.

When it provides earmarked funding the UK, like other donors, should consider carefully the implications of the requests and the conditions it sets, keeping in mind that earmarked funding can be transaction heavy.⁸ In addition to developing a framework agreement for managing the World Bank Trust Funds, DFID has negotiated with four UN funds and programmes⁹ a new common framework agreement aimed at ensuring more standardised oversight of earmarked contributions and stronger reporting mechanisms.¹⁰

Under these new framework agreements, DFID has introduced annual portfolio reviews, a very strict pre-grant due diligence policy, and twice-yearly reporting requirements for non-core contributions. DFID occasionally requests additional audits on a case-by-case basis and has a multi-layered due diligence approach covering both the organisation and individual grants. As noted in Nepal and Nigeria, these new oversight requirements need to be communicated clearly to multilateral organisations. DFID is seen as a very demanding donor, with the risk of becoming process-oriented and placing a huge administrative burden on partners. Finding the right balance between DFID's needs for clear accountability for UK funds and reliance on a partner's own processes and systems remains challenging (Chapter 6).

DFID should look at ways to minimise UK-specific requirements, strengthening efforts to harmonise its approaches with other donors and align them to partners' and national systems. DFID should rationalise its due diligence exercises and ensure these match the risks involved. Streamlining and harmonizing would also benefit the wider development community and could have a positive effect on multilateral effectiveness.

DFID should continue to participate in joint efforts to make the multilateral system more effective

The last peer review (OECD, 2010) recommended that DFID work more closely with other donors on approaches to support multilateral effectiveness. The UK government plays a lead role in promoting reforms to improve the effectiveness of multilateral organisations. As a major shareholder of the World Bank (around 5%) and a significant contributor to the International Development Association (IDA), DFID works to influence World Bank lending and behaviour.¹¹ DFID also participates actively in the governing boards of UN organisations to provide strategic guidance and improve their effectiveness, taking forward the priorities identified through the MAR (Box 2.1). In addition, DFID second staff to multilateral organisations where their specific skills can help drive change in key reform areas.

At the same time, DFID is an active member of the Multilateral Organisation Performance Assessment Network (MOPAN). It draws on MOPAN's data to inform the MAR – which was designed with reference to the MOPAN's assessment framework and indicators. DFID contributed substantively, providing relevant expertise and resources, to the development of MOPAN's new assessment approach, which is expected to be implemented in mid-2015. DFID should stay engaged in MOPAN, looking at ways to make more use of joint and other bilateral assessments, which share many assessment criteria (OECD, 2013).¹² In particular, when planning the 2015 MAR and beyond, DFID should seek to minimise additional assessment work. The fact that the multilateral team in DFID is responsible for both MOPAN and the MAR helps ensure complementarity between the two exercises.

More broadly, DFID should continue to work closely with other donors to develop a common, shared approach to improve the effectiveness of the multilateral system. A more joined-up approach is needed to define what accountability structures are considered “good enough” for the bilateral donors, and pushing reforms accordingly and consistently. In doing so, DFID will be in line with the Public Account Committee's recommendation that DFID “work with those open to collaboration to agree reform priorities for key multilateral organisations and alternative ways of delivering objectives if organisations do not improve, with a view to greater collaboration in its 2015 assessment” (PAC, 2013).

Notes

1. See the NAO briefing to IDC's inquiry into DFID's annual report and accounts 2012/13 (NAO, 2013).
2. Unallocated bilateral ODA also includes equity investments, which accounted for 19% of the "other and unallocated" category in 2012.
3. In 2012, 0.19% of total ODA was spent on LDCs, down from 0.21% in 2011.
4. Bangladesh, Malawi, Nepal and Sierra Leone.
5. Angola, Bosnia, Burundi, Cambodia, Cameroon, China, Gambia, Indonesia, Iraq, Kosovo, Lesotho, Moldova, Niger, Russia, Serbia and Viet Nam.
6. DFID plans to double aid for economic development between 2012/13 and 2015/16 to reach GBP 1.8 billion, and to spend 30% of the UK's total ODA in fragile and conflict-affected states. The UK has also committed to providing GBP 2.9 billion in climate finance from 2011 to 2015 (DFID, DECC and DEFRA, 2011) and to spending an additional GBP 375 million in core funding and GBP 280 million in matched funding on nutrition from 2014 to 2020.
7. These principles state that any decision should be made in consultation with the lead DFID department to avoid supporting Trust Funds that run counter to decisions by the Bank's Board on how the Bank should prioritise its work, and to assess whether the umbrella fund would provide an appropriate framework instead of a new Trust Fund. The strategy is part of DFID's support to the World Bank's Trust Fund Reform Roadmap.
8. The burden is commensurate with the number of activities. As an example, DFID is involved in more than 200 Trust Funds with the World Bank Group.
9. The UN Development Programme (UNDP), the UN Children's Fund (UNICEF), the UN Population Fund and UN Women.
10. This is in line with a recommendation from ICAI in 2013 that DFID strengthen its oversight and negotiate an updated global framework arrangement with UNICEF (ICAI, 2013).
11. In 2013-14, the UK set six objectives for the World Bank: i) a greater focus on achieving results, value for money, and aligning Bank operations with its new targets; ii) institutional reform to improve cost effectiveness and efficiency; iii) increased impact on poverty reduction through economic and private sector development; iv) improved performance in fragile and conflict-affected states; v) progress on sustainable development and climate change; and vi) accelerated action to address the needs of girls and women and other key game-changing actors (DFID, 2013c).
12. For this purpose, DFID would like MOPAN to develop a repository of information on multilateral organisations.

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Chapter 4: Managing the United Kingdom's development co-operation

Institutional system

Indicator: The institutional structure is conducive to consistent, quality development co-operation

The UK's development co-operation has an effective institutional system with a clear mandate focused on reducing poverty, a seat in the Cabinet and a decentralised model backed by appropriate skills and well-managed resources. DFID is well positioned to manage the development co-operation programme effectively. Expanding cross-government approaches will reinforce the capabilities of the UK's development co-operation as a whole.

The UK's development co-operation has an effective institutional system led by a mission-driven department

The UK has maintained its powerful institutional system. DFID has a seat in Cabinet and in the National Security Council (NSC)¹ and continues to manage the bulk of the development co-operation programme (87.8% in 2013, a slight increase since the last review). Among the other departments involved, the most important are the Department for Energy and Climate Change (DECC) (3.6% of the ODA budget in 2013) and the Foreign and Commonwealth Office (FCO) (2.5%). The Inter-Departmental Conflict Pool managed 1.7% of the UK's ODA volume in 2013 (DFID, 2014a).

A mission-driven department, DFID is run by a cohesive management team committed to making itself fit for purpose. DFID is also a lead department in implementing the UK civil service reform focused on performance and results. DFID's management develops strategic improvement plans to this end, and provides a clear vision on how its business model helps to deliver on the policy priorities and commitments made.

The UK should continue to strengthen cross-government approaches to development co-operation

The International Development Act 2002 gives the Secretary of State a clear mandate with DFID being the lead government department for development co-operation. DFID therefore drives the development agenda and decides on most funding decisions, whether bilateral or multilateral allocations.

In a few cases where DFID is not the lead department, mechanisms are in place to ensure that there are consistent messages and agreed lines on how funding is decided. This happens in the areas of climate finance and conflict prevention, where Inter-Departmental Funds are established (Chapter 1). In addition, in complex situations, the UK puts in place whole-of-government approaches led by the National Security Council. As seen during the Nigeria crisis in May 2014, cross-government co-ordination is a key factor for a responsive, effective approach that benefits from each department's expertise. It involves both clear, formalised mandates and smooth and flexible adaptation by the departments involved.

Co-ordination mechanisms are not as consistent in other areas that are strategic for development co-operation. For instance, the increased focus on private sector development could draw further on expertise and capacities across the government. In the area of resilience, the British government is at the forefront in strengthening the UK's own ability to prepare for, respond to and recover from emergencies, an expertise which could

benefit development co-operation as well. Building on existing systems and practices, the UK should continue to strengthen its cross-government approaches to achieve the best development outcomes. This requires building cohesive teams sharing a common vision of the objectives and expected results in a given area, with clearly defined responsibilities at headquarters and in countries. While maintaining the integrity of each department, this reinforced cross-government approach would help to bring the capabilities of the UK government as a whole to bear on the development programme.

On the administrative side, the UK is implementing a “one HMG overseas” initiative with a view to improving efficiency by sharing corporate functions, including co-locating UK departments’ representations overseas. This initiative should also be seen as an opportunity to develop synergies between the different branches of the UK government represented in partner countries. As observed in Nepal and Nigeria, co-location and merging of corporate functions need to be well prepared and accompanied by clear communication concerning the impact on staff (e.g. cultural change, staff cuts, locally-recruited staff conditions) (Annex C).

So far, parallel, non-compatible information technology systems hamper efficient cross-department management of data and sharing of information at headquarters and in partner countries. The “one HMG overseas” initiative does not address the issue of the lack of integration of systems across departments. To facilitate cross-government work, the UK should look at ways to overcome this obstacle.

DFID needs to balance oversight by headquarters and delegation to country offices to maintain the strengths of its decentralised system

A number of institutional and organisational changes have taken place in DFID since 2010. These have been driven both by the 2012 UK civil service reform and by the need to strengthen DFID’s capabilities and ensure it delivers a bigger programme efficiently.

A Departmental Board chaired by the Secretary of State for International Development has been created.² DFID’s Permanent Secretary, four director-generals and four non-executive directors sit on this board, which meets quarterly to advise on and monitor delivery of the Secretary of State’s strategy and policy priorities. The board and a series of accompanying measures – such as lowering ceilings for ministerial approval – has increased ministerial oversight of the programme.³

The delimitation of DFID’s four directorates was slightly adjusted to allow the creation of a new directorate for economic development, reflecting DFID’s new focus. Other changes reflect DFID’s new approach to results and value for money, in particular strengthening of the Research and Evidence Division, placed under the leadership of a chief scientific adviser and a chief economist, and the creation of new cadres for programme managers and commercial advisers to improve their finance and commercial skills.

The decentralised nature of DFID and its forward-looking human resources strategy enable it to have skilled staff in country offices, who are well equipped to deliver the programme efficiently and in a flexible and autonomous way. In particular, DFID’s decentralised structure helps staff react to evolving situations in fragile contexts by placing decision-making power in the hands of those closest to the programme.

At the same time, DFID’s emphasis on results and value for money, introduction of the business case process, and related enhanced scrutiny and guidance from headquarters, as well as increased ministerial oversight, translate into heavy corporate procedures and diminishing levels of delegation of authority at the field level. In addition, an increasing share of the programme is managed centrally, and DFID offices are not systematically consulted when a central programme is implemented in their country. This creates risks of

overlap and missed opportunities to build on the country office's knowledge and experience (Annex C).

In their dialogue with headquarters, DFID country offices in Nepal and Nigeria seem able to successfully advocate for keeping context-specific programmes while accommodating headquarters' guidance and priorities. This indicates that an appropriate balance can be achieved when guidance is not too rigid. However, the accumulation of different DFID procedures and new approaches has resulted in a burdening and lengthening of programming processes, with many layers of approval at headquarters and in the field. This is likely to increase transaction costs and threaten the value for money objective.

DFID is aware of the need to streamline procedures – a recommendation of the previous review (OECD, 2010) – and is taking steps to address this issue. An “end-to-end review” was launched in 2013 to establish whether the changes introduced have made DFID more rigorous and effective at delivery, or less able to adapt to the complex and changing environments in which it works.⁴ The approach was useful because it looked across the entire DFID system and sought to address structural root causes, not just symptoms.

In response to the review, DFID agreed a package of reforms (ongoing at the time of writing) designed to: further strengthen DFID's reputation for delivery of results; ensure DFID remains well-equipped to respond to the post-2015 agenda, including through sufficiently adaptable approaches to programme design and delivery; and enable staff to build the skills and capabilities which will increasingly be recognised and required across the Civil Service. While maintaining the value for money business case, the reforms include: a new operating framework introduced in June 2014 to streamline processes; a new programme leadership role to empower staff and enhance accountability; a new DFID-wide capability offer to professionalise programme delivery; and introduction of positive incentives to encourage learning from what works (as well as what does not) and a more proactive approach to risk. The review team encourages DFID to pursue the process so that it leads to actual changes.

Innovation and behaviour change

Indicator: The system supports innovation

DFID has efficiently planned how to strengthen capabilities and systems to disburse the scaled-up budget efficiently at headquarters and in partner countries. It anticipates future needs to make sure the department is fit for purpose in the short and longer terms. DFID promotes innovation, but internal systems tend to foster a compliance and risk aversion culture. Incentives could help staff take calculated risks, with potential high returns for the programme.

As DFID reforms its system to make it fit for purpose, it needs to communicate changes and ensure they are mutually reinforcing

DFID has a continuous improvement approach to ensure it is fit for purpose, and to anticipate how it should evolve to respond to future needs, such as those that will derive from the post-2015 agenda.⁵ DFID manages organisational changes actively, explaining the rationale driving reforms to staff.

In particular, DFID has strategically planned how to adjust its business model and strengthen its capabilities to ensure the ODA increase is efficiently and effectively spent. DFID's total expenditure increased by GBP 2.2 billion between 2012/13 and 2013/14, from GBP 7.9 billion to GBP 10.1 billion (DFID, 2014b) while administrative costs (excluding depreciation) were reduced.⁶ Building on a capability review, in 2012 DFID developed

an Action Plan, broadened in the form of a departmental Improvement Plan in 2013⁷ and refreshed in 2014 (DFID, 2014c, 2013a, 2012). This plan sets out where the department is, where it needs to be, and the improvements the department needs to make to get there.⁸ It looks at key areas of organisational effectiveness (performance, efficiency and innovation, capability, strategic risk and leadership of change) and identifies five priorities (Box 4.1).

DFID's continuous improvement approach enables it to maintain its high profile and reputation inside and outside the UK.⁹ A challenge is to ensure that the many organisational change activities that are sometimes conducted in parallel are consistent and reinforce each other, and that recommendations that are crucial to improve programme delivery are resilient to future changes and do not simply add layers of complexity to the system.¹⁰ This requires management to sequence and prioritise reforms. Communicating to staff to ensure they adhere to the reforms also requires constant attention from DFID management. While the DFID People Survey 2013 showed a very high degree of satisfaction by DFID staff, the lowest scores related to managing change: only 34% stated that when changes occurred they were made for the better, while 43% stated that change was managed well in DFID (DFID, 2014d).

DFID is now preparing its business model for the post-2015 period. In doing so, it faces the challenge of adapting to slightly increased or flat aid budgets that will follow years of rapid growth.¹¹ This will require, for instance, making tough decisions between priorities. Keeping momentum and staff motivation may also be challenging (see below).

Box 4.1 DFID Improvement Plan priorities

DFID's Improvement Plan has outlined the following priorities:

- flexible and adaptive programming
- economic development as core business
- flexible, planned and skilled workforce
- improved organisational learning
- build a modern operating model

Source: DFID (2014c)

DFID could strengthen its approach to innovation with appropriate incentives

DFID's management promotes innovation and seeks to invest in new approaches to partnerships through a number of initiatives. As an illustration, a dedicated unit (the innovation hub) is tasked with seeking fresh perspectives to development challenges through establishing new mechanisms such as the Global Innovation Fund, established with the United States Agency for International Development, the Australian and Swedish governments, and the Omidyar Network to facilitate new investments in innovation through pooled resources from partner governments, private sector investors, foundations and other donors.

As is the case for other donors, DFID's internal system does not systematically encourage innovation and risk-taking. The 2013 People Survey showed that only 44% of staff thought it was safe to challenge the way things were done in DFID (DFID, 2014d). Incentives for career development are created in ways that lead staff to comply with rules and procedures, rather than being innovative and taking risks that might be damaging for their career. Encouraging (and providing more space and time for) staff to take calculated risks with potentially high-payback programme experiments could help reconcile risk-taking

with the strong pressure to show results. This would require adequate incentives and clear leadership from the top.

Human resources

Indicator: The member manages its human resources effectively to respond to field imperatives

DFID recognises that staff are central to good departmental performance, and therefore makes every effort to ensure it has the right staff in the right places. In particular, it has increased front-line staffing levels, strengthened skills and developed new capabilities in a number of critical areas for the programme, and is refining its strategy for posting staff in fragile contexts.

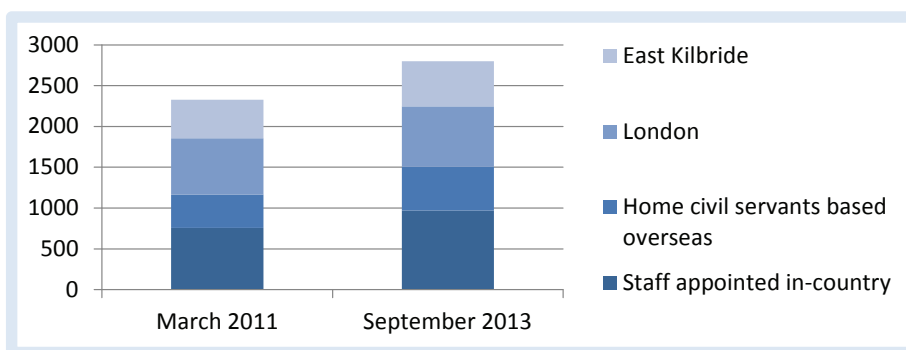
DFID has been strategic and forward-looking in managing its human resources, and now needs to look at how to maintain the momentum

DFID has used its reputation and its solid human resources strategy to attract staff with appropriate skills. It has strengthened its medium-term workforce planning system and has been strategic in managing its constrained operating costs: the 2010 Spending Review settlement required DFID to cut administrative costs by a third in real terms over the four years to 2014/15, but allowed it to almost double its spending on frontline delivery costs. DFID therefore almost doubled its spending on front-line staff, an increase that was crucial to enable country offices to deliver the increased aid programme effectively in priority countries. With less support staff, a number of administrative tasks are now handled by advisers and programme managers – a shift that does not, however, seem to hamper their capacity to focus on their main responsibilities so far.

Overall, DFID staff grew by 20% between March 2011 and September 2013, when they totalled 2 798, of which 1 863 were British civil servants (full-time equivalent). The number of accredited professional advisers doubled, reaching 850 (NAO, 2013). DFID plans to increase further the number of advisers in the humanitarian, private sector development, evaluation and commercial cadres.

To ensure effective delivery of the aid programme, DFID has also increased the proportion of staff based overseas. In 2013, 54% of DFID staff were located overseas compared with 50% in 2011. Meanwhile, as was planned, an increasing share of UK-based staff is posted in East Kilbride's DFID office (42% in September 2013), including four directors (out of 14 directors in DFID) (Figure 4.1).

Figure 4.1 Location of DFID staff



Source: NAO (National Audit Office) (2013)

In addition to recruiting advisers, DFID has strengthened staff capabilities in a number of critical areas (e.g. commercial and financial skills, private sector expertise, evaluation, leadership and programme management). This translates into a higher proportion of staff at senior levels: 51% of DFID staff were in the two highest bands (senior civil servants and Band A staff) in September 2013 compared with 47% in March 2011. In the coming years, DFID will need to look at how to ensure a balance between top management, medium, and junior levels so that the programme is delivered efficiently and effectively, while keeping motivation high.

This increase has also impacted staff appointed locally: 22% of staff appointed in-country were in Band A posts in 2013, compared with 18% two years earlier. Local staff in DFID therefore have scope for career development. In Nepal and Nigeria DFID draws effectively on local staff to build institutional memory and contextual knowledge. This now includes the possibility of third country posting, which can help move skills across the organisation and increase institutional knowledge, in addition to supporting career development for individuals. This opportunity could be further used by management, as the review team noted in Nigeria (Annex C).

DFID continues to have one of the highest staff engagement scores among government departments. According to the last DFID People Survey, 84% were proud to tell others they were part of DFID and 94% had a clear understanding of the department's purpose (DFID, 2014d). Nevertheless, in the coming years it will need to manage expectations of staff (a large share of which were recently promoted) who may have fewer career opportunities than during the recent period of fast growth. To sustain momentum and keep the organisation fresh, DFID should look at how to incentivise and motivate staff, for example by supporting horizontal moves between work areas.

The review team noted in Nepal and Nigeria that the expertise of DFID local and posted staff is valued by all partners, which benefit from it through sharing of analysis. Posting conflict advisers helps DFID to mainstream conflict prevention and mitigation in the programme. As is the case for other donors, filling job vacancies in fragile, insecure states is challenging, particularly for mid-level professional jobs and advisory posts.

DFID took steps in 2013 to improve its strategy for staffing posts in difficult contexts. The strategy aims to go beyond existing incentives (hardship and cost of living allowances, decent rest and recuperation cycles, career incentives) and adjusted conditions (shorter postings).¹² The approach is three-fold: i) managing demand; ii) managing supply of staff to work in fragile environments (by including the expectation of being posted to a fragile state in staff contracts) and ensuring robust recruitment and resourcing processes; and iii) enhancing support, including psychological support, leadership and recognition for staff who work in fragile environments (NAO, 2013). DFID has completed much of the work on this, including the introduction of international competencies, resilience support and good practice in fragile environments. Continuing to address this challenge is crucial for DFID, given its strong engagement in fragile states.

DFID invests in job related training to ensure staff have the appropriate skills

With a decreased budget for training, DFID emphasises e-learning and job-specific training. The same learning opportunities are offered to UK and locally recruited staff. In recent years DFID has focused on raising the capacity of programme managers, with training courses on programme management. This has been accompanied by the establishment of a cadre of programme managers to improve their professionalism and the use of good practice.

More generally, DFID professional cadres offer opportunities for learning and sharing knowledge. In particular, DFID's 2012 policy of reserving 10% of advisers' time for their professional cadre (e.g. by providing input to other parts of the organisation in their area of expertise) helps maintain and develop appropriate skills within the organisation and encourage learning (Chapter 6).

Notes

1. DFID is represented in the Cabinet by the Secretary of State for International Development. In the House of Commons the Secretary of State is supported by a Minister of State and a Parliamentary Under-Secretary of State, and in the House of Lords by a Spokesperson.
2. In each UK department, departmental boards bring together the political and official leadership with senior non-executives from outside the public sector (HMG, 2012). In addition to its departmental board, DFID has an Executive Management Committee, chaired by the Permanent Secretary, which oversees the management of DFID operations, staff and financial resources. This Committee is supported by five subcommittees dealing respectively with development policy, audit, investment, security and senior leadership.
3. Ministers now approve programmes above GBP 5 million (GBP 20 million previously).
4. Following staff concerns about the numerous changes that have taken place and the complexity of the business case approach, in 2013 the Secretary of State for International Development commissioned an internal review of the entire programme management process, known as the “end-to-end review”. It was designed to: ensure that project cycle processes work effectively from end to end; reduce transaction costs and ensure staff are investing effort in the parts of the cycle that will give the greatest return in terms of effective delivery and value for money; and ensure processes are fit for purpose for operations in fragile and conflict-affected states. Initial findings were presented to the investment committee in 2013, with key issues identified. Recommendations were discussed and a comprehensive package of reforms agreed in January 2014. In addition, a Better Delivery Taskforce was set up in 2014 to improve programme leadership and management within an improved operational framework known as the “Smart Rules” (DFID, 2014b).
5. Another example is DFID Future Fit, a DFID Executive Management Committee initiative aimed at producing a vision and strategy for DFID’s response to the challenges and opportunities that climate change and resource scarcity pose for poverty reduction and development.
6. DFID’s operating costs were due to fall from 2.5% of its total budget in 2010/11 to 2.3% in 2014/15 (NAO, 2013). The actual decrease was from GBP 131 million in 2010/11 to GBP 102 million in 2013/14.
7. The capability action plan looked at: i) strengthening leadership and management skills further and making them more consistent across the organisation; ii) strengthening skills in the new policy areas of the private sector and climate change; and iii) further embedding the culture of value for money throughout the organisation (DFID, 2012).
8. Departmental Improvement Plans replace Capability Reviews, which were first developed in 2005 and refreshed in 2009. The Civil Service Reform Plan, published in 2012, stated that the new model would be developed and piloted in 2012-13 before being rolled out across the government. DFID participated in the pilot exercise and was therefore one of the first departments to produce a Plan.
9. In November 2013, DFID won two civil service awards as the most improved government body with respect to value for money and financial management, and operational excellence.
10. For example, the “end-to-end review” looks at: i) whether changes made as part of the improvement programme have impacted on the quality of the delivery, and ii) how to ensure that recommendations will be resilient to future changes.
11. The UK Spending Review 2013 planned an increase in the DFID budget of 1.1% in real terms in the financial year 2015-16 compared with 2014-15. This may still evolve, and there is not yet an agreement beyond 2016 (HMT, 2013).
12. Postings to six priority countries (Afghanistan, Pakistan, Somalia, South Sudan, Sudan, Yemen) and to four other countries or areas are shorter than the three-year standard because of hardship conditions.

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Chapter 5: The United Kingdom's development co-operation delivery and partnerships

Budgeting and programming processes

Indicator: These processes support quality aid

The UK has delivered successfully on its 0.7% commitment while ensuring programme quality and actively managing risks. DFID continues to provide predictable financial flows. DFID's decentralised programming approach and new poverty diagnostic tool aim to ensure fit with national contexts while delivering on shared development priorities. Ensuring the right mix and synergies between centrally managed funds and priorities on the one hand, and flexible, context-based country programmes on the other will, however, need to be carefully managed. Programming and strategic management need to be further streamlined to ensure efficient, effective delivery.

DFID has found a good balance between predictability and responsiveness

As evidenced by the programmes in Nepal and Nigeria, DFID planned well for the considerable scaling up of its programme (Chapter 3) and managed to do this without compromising quality. The UK's development assistance budget is based on multi-year spending reviews, with the bi- and multilateral reviews in 2010 the basis of four-year plans. Approval by HM Treasury for DFID to make commitments beyond the current spending period means DFID can plan for the long term and provide partners with more predictable flows. This allows the UK to perform well on both annual and medium-term predictability, with respectively 89% and 85% of funds disbursed on schedule (OECD and UNDP, 2014).¹ However, maintaining the same level of predictability is harder at the end of the spending cycle, as is the case now. In Nepal and Nigeria the team saw that future funding commitments remained unconfirmed, making it difficult for DFID to communicate with country partners about continued support in the coming years. The peer review team was informed in September 2014 that country operational plans will be published before the end of the year, updating plans for 2014/15 and including new plans for 2015/16.²

DFID's budgeting process allows sufficient flexibility for adjustments to be made to meet key results objectives or to adapt to changing needs. Operational plans are "refreshed" annually and can be adjusted with central approval. However, as identified in DFID's own "end-to-end review" (Chapter 4), the programming and budgeting process has become overly cumbersome. When DFID staff design a programme, they have to prepare a rigorous business case drawing on some 120 different guidance documents and "how to" notes – a volume of information that makes it difficult to prioritise and difficult for staff to implement good practice consistently (ICAI, 2014). DFID is taking steps to address this challenge with a package of reforms and a new operating framework, the "Smart Rules" introduced in 2014. In this regard, DFID's move to adjust the way it operates to be more flexible by viewing complex, fragile contexts as "the norm rather than the exception" will be useful.

The business case emphasises the design stage and reaching agreed results. So far, DFID

management does not seem to give the same level of attention to the implementation phase, which can mean that staff have few incentives to monitor and adjust to the context once a programme is approved. The end-to-end review is a positive step as it aims to balance incentives across programme design and delivery (Chapter 4).

Country offices are working hard to integrate UK priorities with local needs

For DFID, achieving the right balance between centrally defined priorities, spending and results targets on the one hand, and context-driven, adaptable country programmes on the other, requires attention and careful management. DFID's portfolio is shifting to respond to government priorities, and new country strategies are being developed based on a poverty reduction diagnostic (Barugh, 2013). The poverty reduction diagnostic uses a multi-disciplinary model to identify the ways aid can be used to support a country to exit from poverty – DFID's overarching goal. It aims to identify key barriers and their drivers, and then to consider how DFID resources can best be used to reduce poverty (taking into account the actions of others, gaps, and UK priorities). DFID also supports the principle of country leadership and is committed to aligning its development co-operation to national priorities. Instructions on programming encourage country offices to be consistent with the partner government's own poverty reduction plans. Cross-cutting issues of gender, environment and human rights (Chapter 2) are effectively mainstreamed in planning, with annexes on human rights included in country operational plans and the selection of different intervention options drawing on an analysis of relevant cross-cutting issues.³

Like other development actors, DFID is also struggling to ensure its programming approach can readily address the kinds of complex problems facing developing countries (Box 5.1). More flexible, iterative arrangements, by which only general objectives are defined at the outset and specific activities developed over time, are a useful innovation that the team heard about in DFID Nepal's governance portfolio – a good practice that could be rolled-out across the organisation to encourage innovation and integrate learning.

While the rationale for individual programmes is well developed, the logic underpinning the spread of the overall portfolio of country programmes could be better elaborated. Country operational plans look in a very general way at the context, while the business case for each programme describes in detail the need for UK support. However, it is not always clear how the analysis of the development context translates into a focused country plan and then into individual interventions.

Box 5.1 An experiment in addressing complexity

DFID has undertaken an interesting experiment to try to improve the way it understands and responds to the complexity of development where problems (and their potential solutions) do not fit well into linear, pre-defined programme models. Tools and principles from complex systems research were used in four pilot projects. The findings were published to encourage discussion and further use of complexity approaches in development agencies.

Source: Ramalingam, Laric and Primrose (2014) and Green (2014).

Committed to supporting country-led transitions out of poverty

Corporate policies enable country offices to use partner country systems where these systems are assessed as robust and reliable. An assessment of country systems and delivery options is included in programme business cases and a general view of the strength and trajectory of national systems is covered in country operational plans. However, since the 2010 peer review, the UK's enthusiasm for using country systems as

the default approach has waned. The high degree of scrutiny of its aid programme has made the UK more cautious when it comes to fiduciary and reputational risks, reducing appetite for types of support perceived as high risk. DFID has made numerous changes to the way it manages programmes over the past six years, including tightening spending controls, increasing results reporting and strengthening quality assurance.⁴ Instructions from headquarters reflect these shifting priorities, and DFID country offices have less incentive for using country systems.

Together, these factors are leading to less use of country systems, as illustrated by the decline in budget support. About 10% of DFID's bilateral aid is put through government budget systems in the form of budget support, down from about 15% in 2010-11.⁵ Within this overall decline, there is also a shift away from general towards sector budget support in health and education, which is viewed as lower risk and easier to defend. The UK's overall performance on using country systems is above the donor average (OECD and UNDP, 2014).⁶ However, this score reflects relatively high use of systems in five big programmes (Ethiopia, Mozambique, Rwanda, Tanzania and Viet Nam) and is not necessarily the result of consistent prioritisation of the use of country systems throughout DFID's programme.

Both DFID Nepal and DFID Nigeria support programmes aimed at building capacity in key country systems, though most aid is not delivered through those systems. DFID defends this approach as supporting its long-term aim of improving governance and public management. At the same time, DFID relies heavily on private contractors to deliver its programme – an approach some multilateral and bilateral donors, CSOs and government officials felt does not do enough for long-term capacities in partner countries (Annex C). DFID should carefully analyse its operating model to ensure it is consistently delivering effective, efficient and sustainable support to the systems needed for development.

Strategic analysis and management of risks, with more attention to fighting corruption

The UK systematically and robustly analyses different types of risks and uses risk information to inform its programme. DFID's risk management approach was reviewed in 2010-11 and a number of improvements have been implemented. In a statement on "risk appetite" senior management set out a clear position on risk, recognising the challenge of working in difficult countries. Risks to individual programmes are addressed in the business case, and risk registries are maintained in operational plans. The Nepal Joint Risk Management Office is a good example of how DFID is both providing leadership and collaborating with other donors to manage different kinds of risks. Recent years have seen a strong push to improve management skills within the organisation, including management of contractors.⁷ DFID is aware of the need to continue improving its capacity to manage risk, including programmatic risk.

DFID places high priority on managing the risk of corruption – both to UK funds and to development in partner countries. Guidance has been produced for DFID staff on fighting corruption and fraud, and the Internal Audit Department is taking a more proactive approach. Following an ICAI review, anti-corruption strategies have been developed in each priority country.⁸ A review of business practices has helped strengthen anti-fraud measures across DFID programmes. DFID and the World Bank have signed a memorandum of understanding to undertake joint investigations and develop new ways to prevent fraud and corruption in their projects and support anti-corruption efforts of recipient governments. In Nepal and Nigeria, for example, DFID is working across the board to protect UK resources and to support much needed reforms to reduce corruption in national systems and misuse of Nigerian resources (Annex C).

The UK remains committed to its aid staying untied

The UK reports its aid as 100% untied and the government has committed to keeping UK aid separate from national commercial interests.⁹ However, the UK reports that over 90% of centrally managed contracts – which represent the vast majority of the contract value – go to UK suppliers (DFID, 2014a). This is a concern as it has implications for value for money. By comparison, other DAC donors whose aid is also formally fully or mostly untied have much lower shares of contracts awarded to domestic suppliers (OECD, 2014). In light of such differences, the UK should ensure that their procurement regimes are commensurate with the DAC requirements for ODA to be untied de facto and should undertake efforts to ensure there are no unintended or implicit impediments to foreign suppliers winning their contracts. This could involve, for example, revisiting DFID's Key Supplier Management programme.¹⁰

Clear conditions for partnership, but a growing tendency to push UK-specific performance requirements

The UK has implemented the recommendation of the last peer review to make public all conditions linked to its aid disbursements (Annex A). It has four Partnership Principles against which it assesses partner governments, and that it uses as one factor to determine the extent to which and the manner in which it works with the government and uses its systems: i) reducing poverty; ii) respecting human rights and other international obligations; iii) improving their own financial management, governing well and transparently, and fighting corruption; and iv) being accountable to their citizens. A deterioration in any of these areas can result in assistance being reduced, suspended or delayed. The UK openly reports decisions taken to cut financial support.¹¹

DFID remains committed to harmonising conditions. However, in the context of growing pressure to report results to a UK audience, it has increased the use of its own performance-based requirements. This creates additional burdens on its staff and partners and does not seem to improve performance. For example, the UK has pushed for increased performance targets within budget support agreements despite lack of evidence that such targets actually drive positive changes in recipient government behaviour (ADE, Itad and COWI, 2013; ICAI, 2012). The UK should continue work with other donor and partner countries to agree on a limited number of conditions and meaningful performance targets that are clearly linked to improving development outcomes.

Partnerships

Indicator: The member makes appropriate use of co-ordination arrangements, promotes strategic partnerships to develop synergies, and enhances mutual accountability

The UK works closely with other development partners, often taking a leadership role in donor co-ordination at the country level. While DFID is a respected leader, UK-specific reporting requirements and a heavy approach to managing partnerships have tarnished its otherwise excellent reputation among partners. A clear statement concerning UK policy on civil society organisations, a more formal dialogue with these organisations, and streamlined funding requirements would benefit DFID and its partners.

DFID works closely with other development partners, but

DFID engages proactively and pragmatically with a wide range of other donors to increase co-ordination, share analysis and provide pooled funding. In Nepal and Nigeria DFID's peers view it as a valuable partner, willing to contribute to and lead collaborations with other donors. For example, in Nepal the team saw DFID playing a valuable leadership role in the health sector, encouraging other donors to take part in a sector-wide approach and

**could do more to
prioritise a
collaborative
approach**

working with the government to analyse weaknesses in the national system and decide a way forward. The team also saw examples of areas where the UK has decided not to work because other partners are providing assistance – a positive illustration of a more selective approach. For example, the UK and the United States are focusing their education support on different states in Nigeria. In Nepal DFID ended most of its education programmes because the EC is quite active in this sector. Notwithstanding these examples, overall, DFID's programmes are spread widely and it is struggling to concentrate its efforts to target priority barriers to poverty reduction while also responding to ministerial priorities.

In this regard, DFID's position on division of labour is piecemeal. Current instructions for developing the DFID programme portfolio focus on improving coherence within DFID and responding to national priorities, with little mention of joint efforts or co-ordinating with other donors – although business cases for individual programmes and the Country Poverty Reduction Diagnostic include some analysis of what other development partners are doing and the perceived added-value of the UK. There is not always a shared understanding across sectors and countries of the UK's strengths and weaknesses relative to other development partners.

International partners have high expectations that the UK could play a convening role in reducing aid fragmentation by promoting division of labour and joint programmes. However, the UK's willingness to co-ordinate and take the lead seems to have diminished and DFID's procedures make it more difficult for it to engage in joint programmes. Internal pressures (including increasingly heavy controls and reporting requirements) risk compounding the problem. DFID should continue to manage these risks by providing clear messages to staff about where and why it makes sense for the UK to co-ordinate its efforts with other development partners. To build up knowledge of good practice, country offices could share examples of how they assess the UK's relative strengths and weaknesses in a given context and how they use this understanding to better focus the UK portfolio.

**DFID supports
mutual
accountability,
even if it is more
focused on its
domestic
audience**

The UK uses a variety of mutual accountability mechanisms and has made excellent progress on transparency, which it regards as fundamental to improving its accountability to UK citizens and to citizens in the countries in which it works (Chapter 6). It is leading a number of initiatives internationally to improve accountability for aid. As co-chair of the Global Partnership for Effective Development Co-operation, the UK supported global monitoring of commitments to improve the effectiveness of aid. In Sierra Leone DFID is leading the mutual accountability pact for donors. DFID also supports initiatives to strengthen domestic accountability in partner countries. Many of its governance programmes focus on empowering citizen groups and CSOs to have a greater say in management of resources and policies.

With the aim of improving accountability, DFID is experimenting with payment by results schemes which link funding to verified delivery of an agreed result. It published a payment by results strategy in 2014. Acknowledging that the evidence base for these financing approaches is still weak, DFID is taking a useful learning-by-doing approach.

At the same time, DFID has become increasingly concerned with reporting to the British audience on "UK results" to demonstrate to domestic stakeholders that money is spent well (Chapter 6). This more inward-looking approach should not weaken its support to mutual accountability. DFID still engages in joint evaluations with other donors and partner countries, though less often than previously.

Streamlined and well-communicated requirements would benefit DFID's engagement with its partners

DFID's partners appreciate its flexibility and responsiveness. At the same time, its increased focus on value for money and quantifiable results has led to a more competitive approach to choosing partners and a more hands-on way of working with them. In particular, heavy requirements (e.g. the pre-grant due diligence process)¹² create additional transaction costs. In partner countries these requirements may also lead to excluding access to funding for small grassroots NGOs that cannot meet the new standards, whatever their potential to reduce poverty. In Nepal and Nigeria the team noted that DFID partners would appreciate clearer communication on the new requirements attached to funding.

Looking forward, DFID headquarters focuses on building partnerships with emerging powers and "new" development actors in preparation for the post-2015 framework. This has started to take effect, but as the team noted in Nigeria, there is still work to do to translate this increased emphasis into practice across the whole of DFID.

DFID is engaging more extensively and systematically with the private sector (including UK businesses), though some UK stakeholders question whether this is a useful role for the organisation. It will be important for the UK's credibility to build evidence of how such partnerships can be effective in improving outcomes for the poor.

DFID strongly supports civil society, but lacks an explicit approach setting out what it wants to achieve through this support

DFID channels significant and growing volumes of ODA through civil society organisations such as NGOs, community-based organisations, and faith and diaspora groups. About 16% of DFID's bilateral programme is implemented by them (DFID, 2014). Its funding to CSOs amounted to GBP 694 million in 2012, half of which is managed centrally and the other half by country offices.¹³ The countries where DFID spends the most through CSOs are fragile states. This reflects the capacity of CSOs to engage in difficult contexts that are a priority for UK development co-operation, thereby extending DFID's action.

DFID's headquarters uses various mechanisms and channels to address different purposes and meet the needs of various types of organisations. The long-term Programme Partnership Arrangements provide flexible core funding to CSOs with global reach. For the 2011-14 round, 41 CSOs were selected, and GBP 120 million per year was allocated through these arrangements. A series of eight funding mechanisms provide "restricted" funds that can only be used for a given purpose. These include the Global Poverty Action Fund, established in 2010 to fund small and medium-sized CSOs with grants up to GBP 35 000; it provided funding to 77 CSOs in 2012-13 and 112 in 2013-14. Other mechanisms are the Governance and Transparency Fund (aimed at strengthening Southern civil society, it supported over 1 800 civil society organisations in 2013-14); the Civil Society challenge fund; and the Girls' Education Challenge Fund (DFID, 2014). Two other mechanisms provide a mix of core and restricted funding: Bond, the UK umbrella body for organisations working in international development, and the Voluntary Service Overseas receive support through Strategic Grant Agreements, and UK Aid Match co-funds NGOs' fundraising programmes (DFID, 2013a).

In providing unrestricted multi-annual funding to selected CSOs, partnerships arrangements are an appropriate mechanism to lower transaction costs, provide predictability and enable the CSOs to engage strategically and in innovative ways in partner countries. ICAI recognises the value of this instrument, while stating that DFID could make more out of these partnerships (ICAI, 2013). DFID plans to replace partnership arrangements with a new mechanism embedding a more competitive, value for money approach.¹⁴ In designing this mechanism, DFID should bear in mind the need to maintain the key characteristics of the partnership arrangements that support strategic and

innovative engagement while making the monitoring and evaluation system less cumbersome.

As the team noted in Nepal and Nigeria, DFID supports international NGOs in the field – for example by defending their work on accountability, political participation or minority rights *vis-à-vis* the government. An open dialogue between DFID and CSOs encourages useful joint analysis of the country context and strategic engagement in key sectors. However, in the absence of an overall CSO approach, funding channels are decided upon “pragmatically” on a case-by-case basis. Greater clarity from headquarters on the overall vision for engagement with CSOs is therefore needed.

Fragile states

Indicator: Delivery modalities and partnerships help ensure quality

The UK has useful tools to facilitate in-depth context analysis and rigorous programme design. DFID is a strong supporter of joint programmes and approaches. It works with a wide range of tools and partners in fragile contexts. Cross-government coherence on fragile states is being strengthened, which is important given the increased involvement of political and military actors in these contexts. Procedures such as the business case tool need to be simplified, and learning and accountability strengthened.

A strong focus on context analysis and programme design, but procedures need to be simplified

DFID’s processes ensure a strong focus on analysis and programme design. Analytical tools – including a new cross-government tool, the Joint Analysis of Conflict and Stability – ensure that the context is clearly the starting point for programme design (applying the Fragile States Principles) and ensure a focus on reducing major risks, such as disaster risks in Nepal (Annex C). They also provide a framework for managing trade-offs between different UK policy priorities, which is important given the increased involvement of political and military actors in fragile contexts (2.3.3). The National Security Council is charged with co-ordinating these trade-offs. The review team heard that it focuses more on synergies than on trade-offs, although some trade-offs are inevitable.

Some staff feel the business case procedure is overly complex and time-consuming in these fast-evolving contexts. DFID reforms, including the new “Smart Rules”, are aimed at simplifying this process, with plans to have an operational plan that can be updated throughout the project lifespan.

A strong supporter of joint approaches in fragile contexts

The UK remains a strong supporter of joint approaches in fragile contexts, including compacts and pooled funding mechanisms.¹⁵ It is a co-lead donor in several New Deal pilot countries (2.3.3) and continues to work with other donors and the World Bank to design and implement pooled funding facilities (e.g. collaborating with Denmark in the Somaliland Development Fund and with other multi-donor funds in Afghanistan, Somalia and South Sudan). However, the UK will need to take care that the drive for value for money and thus for predictable results does not negatively impact its appetite for engaging with these mechanisms.

DFID appears to have a policy framework that provides the opportunity, flexibility and guidance for conducting joint risk assessments with other organisations, and it is investigating this area with other donors. The UK has participated in a joint risk assessment in the Democratic Republic of the Congo with the World Bank, as part of a Public

Expenditure and Financial Accountability Program exercise, as well as with the African Development Bank on fiduciary risks. In Afghanistan the UK has agreed to conduct joint risk assessments as part of the Tokyo Mutual Accountability Framework. The UK could build on these experiences and participate more in formal joint risk assessments.

A range of tools and partners, ensuring the right mix will need to be carefully managed

The UK uses a range of delivery tools and partners in fragile contexts; some thematic funds are managed from London, while other delivery mechanisms are decided in-country. A scaled-up cross-government fund replacing the current Conflict Pool will bring together ODA and non-ODA funding to meet conflict, stability and security objectives. This Conflict, Stability and Security Fund, managed between the Foreign and Commonwealth Office, DFID and the Ministry of Defence, will become operational in April 2015. It will enable the National Security Council to develop coherent approaches to prevent, contain and address major causes of conflict and instability, building on the experience of the Conflict Pool. In-country, decisions on which tools to use are guided by considerations that include: the specific objectives of the programme; partner government capacity; the strength of the fiduciary risk management system; and the presence and capacity of other actors, such as NGOs and the UN. Accordingly, the mix of tools (including budget support and pooled funding) will change with the context (DFID, 2014b). Simplified procurement procedures are also being developed. Ensuring the right mix and synergies between centrally managed funds and priorities on the one hand, and flexible, context-based country programmes on the other will need to be carefully managed.

Some partners see DFID moving away from strengthening and using country systems in fragile contexts. Initiatives, such as research on the use of pooled mechanisms (DFID, 2013b), could help staff understand which mechanisms are the most effective in different contexts.

Notes

1. In 2013 the UK spent less than planned in Jamaica, Malawi, Rwanda and Tajikistan and more than planned in Cambodia, Kenya, Mozambique, Nepal and Tanzania, with a general tendency to disburse more (rather than less) than planned.
2. The process for developing programmes and setting budgets for 2015/16-2017/18 was laid out in instructions from DFID's Financial and Corporate Performance Division (Barugh, 2013).
3. For example, DFID Nepal's business case for a local governance support programme includes: a political, institutional and conflict appraisal; a social appraisal; and an environment and climate change appraisal.
4. DFID created a Quality Assurance Unit mandated to ensure evidence underpins business cases.
5. In 2012/13 DFID provided budget support to 11 countries. Where country systems are deemed too risky for budget support, the UK can provide aid "on budget", subject to specific fiduciary arrangements such as tight earmarking of funds, or additional audit requirements.
6. The 2014 progress report gives DFID a score of 59% on use of country public financial management and procurement systems (indicator 9b). The average score for reporting countries was 49% (OECD and UNDP, 2014).
7. A new Due Diligence Framework introduced in January 2013 assesses the organisational and financial management capability of third parties contracted to deliver the UK's ODA.
8. ICAI found that DFID's organisation of responsibilities related to preventing fraud and corruption was fragmented, and that this inhibited a coherent and strategic response. It flagged risks related to the scaling up of ODA and the increasing share of aid going to fragile settings (ICAI, 2011).
9. Commitments were made in the government's platform (HM Government, 2010) and confirmed by the Secretary of State for International Development (Greening, 2014).
10. DFID's Key Supplier Management programme involves work with 11 main suppliers on value for money and performance management (DFID, 2014a).
11. DFID reported four cases where funds were withheld or re-appropriated in 2013/14 (in Malawi, Mozambique, Rwanda and Uganda) and three cases in 2012/13 (DFID, 2014a, 2013a). Examples include: i) in Rwanda most budget support was re-allocated through non-government channels in 2012/13 after evidence emerged of the government supporting M23 rebels in the Eastern Democratic Republic of the Congo; ii) In 2012 DFID ended all direct assistance to the Government of Uganda after an audit revealed misappropriation of UK funding; Uganda later repaid GBP 1.3 million.
12. Pre-grant due diligence is a requirement that applies prior to making any payments, as part of DFID's processes to ensure public money is spent appropriately. This process includes a governance assessment, a financial assessment, the programmatic capacity, systems and processes, environmental risk management, value for money, and results and impact. DFID has engaged KPMG to undertake pre-grant due diligence assessments of CSOs.
13. In addition, the UK government-funded International Citizen Service programme puts some 3 000 volunteers in developing countries to work on community level development projects.
14. The Secretary of State for International Development indicated that the 2011-14 round would be the last. However, PPAs were extended until 2016 to allow time to design the new mechanism.
15. At the time of this peer review, the UK was a New Deal co-lead donor in Afghanistan, Somalia and South Sudan. It has played a lead role in New Deal implementation in Sierra Leone, where there was no official lead donor.

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Chapter 6: Results management and accountability of the United Kingdom's development co-operation

Results-based management system

Indicator: A results-based management system is in place to assess performance on the basis of development priorities, objectives and systems of partner countries

The UK government has clearly defined the results it aims to achieve through its development co-operation programme. DFID has an impressive results system and has made good progress in building a results culture. Its dual-track approach – using headline indicators to illustrate overall progress and more specific indicators to manage programmes – appears to be effective. However, the focus on results has created new burdens.

The UK articulates the goals of its development work, and there is a clear political drive to achieve results

There has been a step change in the UK's approach to results measurement and management. This move has been driven by UK political leadership, and the government has clearly defined the results it aims to achieve with its development co-operation (DFID, 2011a). The DFID Results Framework lays out goals and measurable targets, with divisional objectives and operational plans cascading from overall departmental objectives.¹ This clarity of purpose is useful at the strategic level because it increases attention to intended outcomes and provides an entry point for dialogue with partners. It is supporting a culture change: partners appreciate that DFID staff are talking more now about results and impacts, and less about money spent.

The results agenda has so far been driven primarily by the need for accountability to UK stakeholders – a top priority for the current government. DFID is under strong pressure to demonstrate that its increasing budget is making a significant impact on the lives of poor people. In this context, it has made considerable progress in reporting on the results of aid.² DFID's annual report to parliament describes progress against key targets and gives an overview of results by country and theme.

DFID's approach to measurement has improved significantly, though more could be done to develop outcome indicators

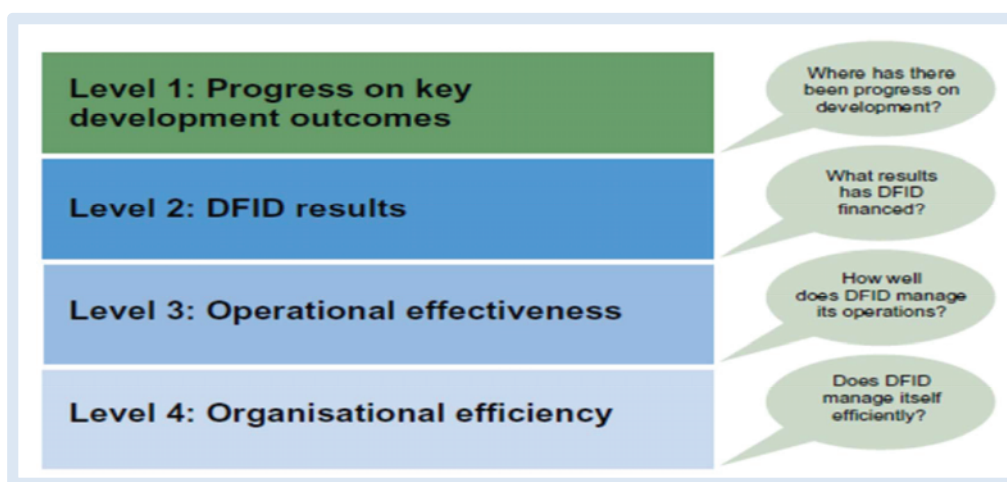
DFID has set out four layers of results (Figure 6.1). The top level looks at results in terms of the Millennium Development Goals. Level 2 describes DFID's contribution to development results, including "headline indicators" which constitute the bulk of DFID's public communications. These include, for example: 6.7 million people reached with cash transfer programmes and 3.6 million births in the presence of a skilled attendant (DFID, 2014a). DFID's operational effectiveness³ and organisational efficiency are also measured using the framework (levels 3 and 4, respectively). DFID has also strengthened reporting on inputs and costs, allowing cost effectiveness analyses – this is commendable.

DFID makes a useful distinction between headline indicators (high-level results) and results information used for programme management. As seen in Nepal and Nigeria, this dual-track approach to results appears to work well in country offices – with a good balance between reporting quantifiable headline results for corporate accountability and other

work focusing on long-term or qualitative results. While DFID explains its work as contributing to wider processes of development beyond the UK's direct control, the link between DFID activities and impact is not always clear in aggregate results reporting. More could be done to use the volume of results information – especially evidence about the best ways of achieving desired results – to drive programming decisions and inform dialogue with country partners.

DFID appears to be aware of the risk of focusing too much on areas with easily quantifiable results – and has worked hard to ensure the results focus does not distort the portfolio or create perverse incentives for staff. Political vision with respect to the “golden thread” has helped to counterbalance the concentration on quantifiable results. DFID is innovative in tracking results in less tangible areas, such as empowerment (Annex C).

Figure 6.1 DFID's Results Framework



Source: DFID (2014a).

DFID's results system has all of the basic elements needed: a policy and management framework; targets and indicators; and capacity, procedures and incentives to collect, process and analyse results information. DFID has made a clear improvement from reporting primarily on activities and inputs, and, compared to its peers, is much better placed to provide meaningful analysis further down the results chain. Though many of DFID's priority countries are “data poor”, DFID has done well to work with partners to invest in data systems, and it uses partner countries' own data where available. However, many of DFID's indicators remain at the process or output level (directly attributable to DFID) and do not link to broader development results, which limits how useful the information is for programming. For example, DFID has set ambitious goals for scaling up support to nutrition, but the nutrition results indicator is the “number of children under five and pregnant women reached”, a measure which does not capture the impact of these programmes on, for instance, children's growth. DFID could strengthen the credibility of its reporting by focusing on understanding the drivers of outcomes and impacts in the context of broader development processes at country level.

However, large amounts of staff time and effort go into generating results data and aggregating figures across programmes. DFID should look at how to streamline the system to alleviate the heavy burden that has been created for staff and partners.

Adapting well to difficult contexts

DFID has produced useful guidance for staff working in fragile states, offering options for managing and measuring results and sounding a note of caution about overemphasis on value for money aspects (DFID, 2012a). A note on stabilisation interventions also provides a sound introduction to evaluation (UK, n.d.). This work could be useful for other donors.

Routine programme monitoring does not explicitly include conflict sensitivity, though issues related to the conflict context are covered in the business case. Further guidance to embed conflict sensitivity, which is being developed, should be helpful for strengthening analysis, though this will need to be managed to avoid creating undue burdens on staff.

Evaluation system

Indicator: The evaluation system is in line with the DAC evaluation principles

With strong political leadership, evaluation is beginning to be viewed as an integral part of delivering high quality programmes and much progress has been made on accountability. The UK has created an independent commission, reporting to parliament, to scrutinise the UK aid programme and help improve performance. DFID has a clear evaluation policy and a decentralised system. There are concerns about the coherence and efficiency of the current system, given gaps and overlaps between key institutions.

Major changes and much progress – evaluation is becoming part of DFID's DNA

The UK has a sound policy for evaluating development activities, and DFID stands out as one of the best performing government departments on evaluation (NAO, 2013). Since the last peer review, major changes have taken place in its approach to evidence, learning and accountability. In 2010, the UK government announced a commitment to rigorous, independent evaluation of its expanding aid programme as part of the UK's wider strategy to deliver value for money. The government's two-fold approach consisted of: embedding evaluation throughout DFID (DFID's central Evaluation Department has been restructured, and no longer commissions significant work, instead focusing on supporting the decentralised evaluation function); and creating an Independent Commission for Aid Impact (ICAI) reporting to parliament.

External oversight of the development programme is provided by ICAI and the National Audit Office (NAO). ICAI, created in 2011, is charged with scrutinising ODA across all UK government departments, and takes a proportionate approach focusing on DFID, which manages the bulk of the aid programme. The NAO audits DFID's financial statements and conducts value for money reviews. Some concerns have been raised regarding overlap; for example, in 2012 both ICAI and the NAO reviewed the UK's interdepartmental Conflict Pool, although from slightly different angles. The review team saw that multiple initiatives and field visits can be a burden for country offices (Annex C). In light of these issues, the team questions the coherence of this oversight system and its cost effectiveness – particularly the complementarity of roles and capacities between country offices, DFID's central evaluation division, ICAI and the NAO. The UK should strive to ensure effective oversight with clear, complementary contributions from the respective bodies.

Like many DAC members, the UK is struggling with learning and accountability in fragile contexts. The UK recognises this and has made strengthening evaluation and results reporting top priorities for the new inter-departmental Conflict Pool and in its *Building Stability Overseas Strategy* (FCO, DFID, MoD, 2011). DFID's Evaluation Policy states that evaluations in fragile states should emphasise transparency and involvement of

beneficiaries, and encourages staff to follow DAC guidance in this area (DFID, 2013a). Progress will require continued effort to improve tools for evaluating conflict effects.

Beyond DFID, other departments providing ODA are also working to strengthen evaluation. The British Council and the Foreign and Commonwealth Office (FCO), in particular, have made good progress and are using DAC evaluation criteria. Assistance delivered by the Ministry of Defence does not appear to be routinely monitored or evaluated, except when delivered jointly with DFID. A cross-government evaluation group meets regularly to exchange experiences. However, the UK could do more to ensure sharing of evaluation knowledge across departments.

Changes in the evaluation set-up emphasise ownership and integration

DFID is working to strike a balance between increasing ownership and the demand for evaluations across the organisation, while maintaining sufficient independence to ensure credibility. These efforts have been supported by putting in place standards and guidance for staff. As reform processes are still on-going, it is too early to say how well DFID is meeting agreed standards with respect to independence. While it appears to be on the right path, it is important for DFID to protect the credibility of the evaluation process.

ICAI's position outside the government, and its reporting directly to parliament, have helped it establish a reputation for independence and generated a high level of interest in its work. The government's willingness to open itself up to scrutiny in this way should be applauded. ICAI's independence provides a stimulus to improve performance in specific areas. At the same time, the creation of an entirely separate entity has created a disconnect between ICAI's research and DFID's own internal expertise about country contexts and knowledge about its programmes and how they could be improved. The team did not see evidence of how ICAI's approach, which so far involves narrowly focused, "light touch" reviews, is helping DFID to drive the overall programme more strategically.

A major scale-up and dedicated resources, but lack of strategic planning

With clear political leadership from the top, country offices and central departments are making a substantial investment in strengthening the evidence base. DFID's requirement that programme plans be backed by evidence provides an incentive for staff to familiarise themselves with evaluation and research findings. DFID evaluations are now financed through the programme budget – an important change that ensures adequate resourcing.⁴ The Evaluation Department (with 12 specialists) has its own operating budget, as does ICAI. Many DFID country offices have developed evaluation strategies (Annex C). DFID has put in place a useful accreditation scheme to ensure analysts have the necessary skills to oversee or carry out evaluations. By increasing ownership across the organisation, this embedding process has helped to make evaluation responsive and relevant. This, coupled with the overall focus on value for money, has improved evaluation planning and lays the foundation for more effective programming, with baselines, clear objectives, monitoring plans and explicit programme theories established at the outset. As a result, DFID is making steady progress towards more rigorous evaluation of effectiveness and results.

Embedding evaluation has resulted in a significant increase in the number of evaluations across the organisation; by July 2013, some 435 were planned or underway across DFID for the period 2012-18 (DFID, 2014d). There is a risk of overload and the huge increase in the supply of evaluations seems to be exceeding the organisation's capacity to effectively absorb and use the information. Also, this is stretching the central unit's capacity to provide adequate support, which could put quality at risk over time (DFID, 2014).

Decentralising evaluation has reduced coherence in the selection of topics, resulting in gaps and some overlaps. In particular, the bottom-up approach leaves holes in the evaluation of higher-level issues (e.g. aid instruments, corporate strategies, or thematic issues). DFID's new evaluation strategy, currently being developed, will need to ensure evaluations are carried out more strategically and with a clear purpose (i.e. filling an identified knowledge gap or meeting an accountability need) and are of sufficient quality. At the same time oversight and quality assurance should not become so heavy that they undermine ownership and learning.

A global leader in evaluation partnerships and support to external capacity development

DFID is a leader in evaluation internationally. The UK currently chairs the DAC Network on Development Evaluation and its task team on capacity development. It provides significant support to strengthen partner country capacities for research and evaluation. DFID has provided strategic support to a number of international partnerships and initiatives for evaluation. However, DFID has not made a noticeable effort to routinely incorporate developing country partners in its own evaluations. Further collaboration with other development partners in this area would contribute to mutual accountability and learning.

Institutional learning

Indicator: Evaluation and appropriate knowledge management systems are used as management tools

DFID appears to be reaching a saturation point where it is difficult to incorporate new knowledge and make sense of myriad studies, guidance and evidence. DFID needs to make sure the evidence it is producing is of sufficient quality and that the contribution it makes corresponds with the scale of investment. Reforms to help make DFID a learning organisation and to manage knowledge should be taken further.

Systems for ensuring use of evidence and findings need further strengthening

In the context of DFID's organisation-wide push on using evidence, demonstrating results and being accountable for aid spending, the use of evaluation is increasing. All evaluation reports are published, which supports credibility.⁵ In line with good practice, management responses are published alongside completed reports. DFID is now publishing a useful Annual Evaluation Report, providing updates on the evaluation strategy and syntheses of key findings.

DFID's system for management response is adequate at the project level. However, the quality of responses is variable and there is no system to ensure appropriate follow-up actions are taken and relevant findings are used at higher levels (DFID, 2014d, ICAI, 2014b).

The follow-up system for ICAI recommendations is strong, with agreed actions published by DFID management in response to each report and annual updates on progress. However, the usefulness of recommendations is variable and ICAI's reviews are not always seen to be contributing to learning (DFID, 2014d). The team saw that ICAI recommendations tend to be very specific and focused on process (how DFID should take action) rather than on the hoped for end goal (what DFID should aim to achieve). This seems less useful for achieving needed changes in DFID, given the role of DFID's evaluation system. To inform further progress in both entities, it might be useful for DFID and ICAI to work together to map ICAI's findings and recommendations to see where and how they have identified problems or good practice not captured through DFID's internal systems.

Major steps to share evidence about what works and support the global evidence base

DFID is making progress towards producing evidence about what development assistance works, why, and in what contexts. It has a high-level learning strategy and DFID's Research and Evidence Division and an Evidence to Action team lead efforts to put evidence at the heart of DFID's work. A review found that 60% of staff reported the use of evidence had increased over the past three years (UK, 2014). The creation of a professional evaluation cadre – with adviser posts in many country offices (Annex C) – has been useful in mainstreaming capacities to produce robust evidence and evaluation.

DFID has contributed significantly to producing global evidence, particularly with support to impact evaluation, and extensive investments in research for development. DFID spending on research has increased from GBP 177 million in 2009/10 to an estimated GBP 305 million in 2013/14 (ICAI, 2014b). DFID has a guide on research uptake and many programmes include a research generation component. A good example is DFID's nutrition strategy, which includes commissioning research to find new solutions to under-nutrition.

More progress needed to manage knowledge effectively

The team was struck by the sheer volume of intellectual production in DFID and questions whether this effort is reaching its full potential in terms of learning and improving performance. A number of studies and reviews on DFID learning have been carried out.⁶ The peer review team confirms the overall picture painted by these reports: DFID learns well at the individual and country level and has made excellent progress in supporting a learning-focused approach. It has been less successful in managing all the pieces of this system. DFID should keep working to improve how knowledge is managed and make sure that the contribution it makes corresponds to the scale of investment.

The UK needs to ensure better overall coherence and efficiency of its knowledge, evaluation and research systems. More could be done to analyse *how* results are achieved, whether the effort was worth the outcome, or what approaches are most effective for reaching development impact. The UK could go further to draw together the multitude of information (e.g. DFID evaluations and reports, ICAI, research, country-level data) to paint an overall picture of the impact of the UK's development activities, which is important for communication and management. ICAI's study of DFID's approach to impact, due out in 2015, should help clarify what is meant by development impact and will be of interest beyond the UK.

Communication, accountability, and development awareness

Indicator: The member communicates development results transparently and honestly

The UK is a global leader on transparency, with strong political leadership and an ambitious open government strategy. DFID is widely viewed as a leader in providing comprehensive data on its spending and intended results. Though it is communicating well overall, significant cuts may pose risks in a context of high scrutiny. More could be done to strengthen transparency and communication on aid provided by other UK government departments.

A global leader on transparency

A 2013 global monitoring report shows that the UK is the top rated donor on transparency (OECD and UNDP, 2014). Publish What You Fund consistently ranks DFID at the top on transparency (first out of 72 donors in 2012, and third in 2013). In addition to supporting this principle in its own right, the government recognises that transparency can improve

outcomes and ensure accountability for results. The 2013-15 UK National Action Plan for Open Government includes a commitment that all government departments providing aid will publish fully transparent data on their spending. The UK's commitment to transparency can also be seen in its international leadership: driving forward the International Aid Transparency Initiative (IATI), being the first donor to publish full data using the common standard, and encouraging greater progress on transparency as co-chair of the Global Partnership for Effective Development Co-operation (Chapter 1).

DFID has made a tremendous effort to be open and transparent about its budgets, programmes and intended results, as illustrated by the Development Tracker website (Box 6.1). DFID has a clear and ambitious vision for supporting transparent and traceable development assistance to allow citizens and experts to hold the government to account. In June 2010 it launched the Aid Transparency Guarantee, which contains an ambitious pledge with specifics on what data will be published and when.⁷ In 2012 DFID published an Open Data Strategy, which complements the Aid Transparency Guarantee. This strategy makes promising new commitments to release more data and improve data quality.

Box 6.1 Pushing forward the transparency agenda: the UK's Development Tracker website

The Development Tracker website was launched in 2013 to provide comprehensive information on UK aid, including funding levels by country and theme, annual reviews, business cases and country operational plans. Country pages provide information on context and projects, showing the allocated budget, status of spending, and relevant documents for each project. There is also information about aid going to global programmes and multilateral organisations. Data can be downloaded in Excel and other useable formats. The review team saw that the Development Tracker has created incentives for staff to ensure their statistics and documents are up to date. In addition to supporting external communication, the information is increasingly being used internally.

Source: Development Tracker website (<http://devtracker.dfid.gov.uk>).

DFID has also become a champion for improving transparency and supporting accountable government in the countries where it works. It continues to push the envelope, for example using geocoding to show where DFID projects are being carried out. A new policy on access to research funded by DFID encourages open, proactive sharing, including of primary data. DFID is piloting beneficiary feedback approaches to gather input from developing countries about how aid is being used.

This success is now expanding beyond DFID, with new stipulations that implementing partners publish aid data and other government departments improving reporting. DFID, DECC, Health Work and Pensions, FCO, the Home Office, the Medical Research Council and the CDC Group are now publishing project details on the IATI registry. While DFID provides parliament with a complete annual report, a number of UK entities are lagging behind on reporting the results of their activities: FCO has made commitments and some progress, but needs to go further; the Ministry of Defence has made little progress; and the CDC continues to use commercial secrecy as a reason not to publish more detailed information (Publish What You Fund, 2013).

Ambitious results communication coupled with clear messaging on risks

The UK is an active communicator about development and the role of the UK's aid in reducing poverty around the world. Articulating specific intended results has helped the government communicate more clearly with the public.

A review⁸ carried out in 2013 found that DFID was a top performer in government, with all the elements of a sound communication system: strategy, direction, planning, prioritisation and (increasingly) measurement and evaluation. This good performance overall must be understood in a context where the budget and staffing for communication have been significantly reduced: the number of staff in the DFID communication unit was cut in half and marketing spending was reduced by 99%. While this reduction has encouraged creative partnerships and innovative approaches to doing “more with less”, it may undermine DFID's ability to inform public debate. As an example, DFID's segmented analysis of different audiences' perceptions of development issues and aid programmes, has not been updated since 2009 – a concern in a context where there is much criticism of aid (Watkins, 2014). In this more challenging media environment, DFID's Press Office is working to improve its rapid rebuttal processes and to engage proactively with the media.

The UK's communication and transparency work focuses on domestic audiences. Little noticeable progress has been made in ensuring its communications about results also reflect partner country priorities and do not undermine ownership, as suggested in the last peer review (OECD, 2010). More could be done to communicate in developing countries, particularly with the public. For example, DFID could promote the Development Tracker with media and CSOs or look at how the Tracker could be used to funnel data into national systems.⁹ DFID should continue to work with the FCO to embed key messages on development priorities throughout HMG communications. The government should consider looking at how use of the UK Aid logo affects perceptions in developing countries and in the UK, as such donor branding risks undermining country ownership.¹⁰

Continued attention to development awareness, while cutting back spending

In spite of the current economic climate, 81% of UK citizens think it is important to help people in developing countries and 60% think aid to developing countries should be increased. However, there was a negative trend in public opinion between 2009 and 2011, with the number wishing to increase aid declining from 70% to 55% (EC, 2009-13).

An independent review in 2011 found many of these funds could not adequately demonstrate a link to poverty reduction, as required by the International Development Act 2002. As a result, DFID has fundamentally changed its approach to raising development awareness, with all development awareness spending having been halted since the 2010 peer review. Programmes now focus exclusively on development education through the formal school sector. In partnership with other government departments and CSOs, DFID continues activities such as the development of school partnerships and funds the Global Learning Programme to embed development education in the UK's national curriculum. Through these programmes DFID expects to reach over 50% of all UK schools.

Notes

1. UK results commitments are articulated in UK aid (e.g. see DFID, 2011a, 2011c). On girls and women, refer to DFID's Strategic Vision for Girls and Women (DFID, 2014h). Business cases, log frames and operational plans set out intended results for individual programmes. At department level, DFID's business plan defines outcome indicators and cost estimates for producing these results (to measure efficiency).
2. DFID results data mainly come from its bilateral activities, with data collected from country offices and central departments. Where multi-donor programmes or multilateral organisations are responsible, the UK's results are defined proportionally based on the UK's share of the total cost.
3. Operational effectiveness looks at performance on pipeline delivery, portfolio quality, monitoring and evaluation, and the structural reform plan (DFID, 2014a).
4. In addition, DFID's centrally managed GBP 150 million Global Evaluation Framework allows spending units to commission external evaluations from pre-screened service providers.
5. Evaluation reports are available at www.gov.uk/government/collections/evaluation-reports and on the Development Tracker and Research for Development websites.
6. These include an ICAI review (2014b), a What Works Team review (UK, 2014), and studies by the Evidence to Action team in the Research and Evidence Division (RED). A 2013 staff survey looked at how DFID uses evidence and learns.
7. DFID has committed to publish full details of every financial transaction above GBP 500 for both programme and administrative spending. It also publishes project information, business cases, contracts and tender documents for new contracts over GBP 10 000.
8. Communication Capability Reviews, carried out by a team of peer and external reviewers, took place across all government departments. The review covered both the Communication Department and overall communication of the organisation, looking at both internal and external communications.
9. The review team found that partner country counterparts had not heard of the Development Tracker, despite the website being marketed as a tool for accountability to partners.
10. The UK's branding guidelines do allow exemption from using the logo where it could undermine the independence or credibility of the programme.

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Chapter 7: The United Kingdom's humanitarian assistance

Strategic framework

Indicator: Clear political directives and strategies for resilience, response and recovery

Effective humanitarian response is a clear policy and operational priority for the UK, both on the international stage and in its own programming. Globally, the UK has played a significant role in political messaging around building resilient societies and has galvanised international support for major humanitarian crises such as that in Syria. Its humanitarian policy recognises international principles and good practice. The humanitarian budget is substantial, but the period of rapid growth is over; incorporating new policy priorities and new crises into the future humanitarian portfolio could mean some tough trade-offs. The UK is encouraged to continue its push for effective humanitarian response in the run-up to the World Humanitarian Summit, and to properly embed building resilient societies in the post-2015 development framework. Sustained senior management commitment to resilience, and a push to extend progress in this important area to cover all risks and all programming, would help DFID remain fit for purpose.

Clearly committed to effective humanitarian action, both on the global stage and in its own programme

There is a cross-government humanitarian policy, recognising the importance of building resilience to crises while responding to humanitarian needs (UK, 2011), accompanied by an operational plan (DFID, 2012). This policy grew out of a major review of the UK's humanitarian response (7.5.1). It outlines the UK's role as a responsible humanitarian donor and respects fundamental principles, including those of Good Humanitarian Donorship (GHD, 2003) and International Humanitarian Law.¹ Partners appreciate the UK's committed advocacy on humanitarian issues – acknowledging, for example, the role of the Secretary of State for International Development in increasing international support and pledges for the humanitarian response in Syria – and on pushing for progress with respect to the humanitarian community's Transformative Agenda.² The UK has also been a key player in advancing resilience on the global agenda, together with other major stakeholders (7.1.3). The review team heard strong political commitments, as well as repeated senior management prioritisation of effective humanitarian response. Continuing with efforts to strengthen the global policy environment for effective humanitarian assistance, particularly in the run-up to the World Humanitarian Summit in 2016, is strongly encouraged.

Flexible funding enables support to recovery efforts

The last peer review (OECD, 2010) recommended that the UK identify the appropriate mix of instruments for responding in conflict-affected and fragile states. Like a growing number of other donors, the UK has flexible humanitarian funding tools (7.3.2). Partners confirm that this allows operations to adapt to evolving contexts, so that the focus can shift towards recovery when appropriate.

Building resilient societies is a major policy and

The UK is a key stakeholder in the drive to build the resilience of societies to shocks and stressors. It is also embedding this policy priority in its own programmes and operations. On the global stage the UK has been instrumental in raising awareness about resilience,

operational priority; good initial progress should now be expanded across all programme areas	including through co-chairing the Political Champions for Disaster Resilience.³ It is important for the UK to continue to support this critical area on the international agenda, and to ensure that building resilience is given due consideration in the formulation of the post-2015 development framework. In DFID's own programming, initial efforts have focused on building resilience to disaster risks, as recommended by the independent review (7.5.1), with a commitment to cover all country programmes by April 2015 (DFID, 2014b).⁴ The review team heard that the UK now plans to expand its resilience programming to cover a broader range of geo-political and economic risks, which is good practice. Lessons from other donors show that four areas are critical to successfully embed resilience across donor programmes: solid political commitment, clear strategic orientations, appropriate programming tools, and institutional processes with positive incentives. Some new programming tools have been created. For example, DFID staff report that the country poverty reduction diagnostic tool (Chapter 5) has helped identify risks and incorporate them into DFID's development planning processes – although this has been easier in countries already facing multiple risks. Tools such as the Building Resilience and Adaptation to Climate Extremes and Disasters Programme (BRACED) funding mechanism for NGOs to build resilience to climate extremes and disasters,⁵ and DFID's multi-annual funding tools (7.3), have proven useful for designing programmes with resilience in mind. However, partners report that while DFID staff continue to discuss resilience with them, there is no real push to systematically incorporate it into programming; this appears to be a missed opportunity. Institutionally, resilience is now a core competency for all humanitarian (but not development) advisers, and other measures – such as joining up the climate change and development teams in Nepal and Bangladesh – have been useful. Reflecting on how to collect evidence on the success of building resilient societies, and demonstrating that this is value for money (even if many of the benefits are intangible and/or uncertain in the short term)⁶ will be useful next steps.
A significant humanitarian budget; growth will now slow, requiring programming trade-offs	The UK disbursed USD 675 million⁷ for humanitarian assistance in 2012 (7.5% of its total ODA), making it the second largest DAC bilateral provider of humanitarian finance. In 2013 it reported bilateral humanitarian spending of GBP 824 million.⁸ The rapidly growing budget over the last years (Chapter 3) has allowed DFID a steady flow of additional resources for new priorities and crises, such as resilience and Syria. The UK aims to remain among the top humanitarian donors, but this period of significant growth is now over. Trade-offs will be required in order to slot new priorities into the future humanitarian portfolio. These trade-offs will need to be carefully managed; DFID will need to take special care to ensure that the humanitarian mandate is not over-stretched. For example, resilience programming will need to be recognised as a development concern and funded from development budget lines, rather than remaining a purely humanitarian concern.

Effective programme design

Indicator: Programmes target the highest risk to life and livelihood

There is a strong focus on getting funding decisions right, with rigorous decision-making processes to support and justify individual funding decisions. Business cases outlining the rationale for each decision are publicly available. Early warning information is closely monitored and there are tools to ensure a corresponding early response, including across government and from the wider humanitarian community. The participation of affected communities is actively promoted. DFID could, however, provide greater clarity about how the overall budget is split between support to the multilateral system on one hand, and responses targeted at individual crises and needs on the other, to demonstrate that its allocations consistently target the highest risks to life and livelihood (Chapter 2).

Coherent, publicly available individual funding decisions; the mix between *who*, and *where* and *what* to fund is less clear

Each of the funding channels has processes to ensure DFID is targeting the *right place, right things and right way* – or what is generally called criteria for *who, what and where* to fund. Funding decisions follow a policy commitment to use multilateral agencies and pooled funds first, thus initially focusing on the *who*. These funding decisions are clearly correlated with the results of the 2011 Multilateral Aid Review (MAR) (Chapter 2). Un-earmarked funding to NGOs (7.3.3) is allocated on a competitive basis and subject to thorough due diligence processes.⁹ Remaining funds are allocated to specific crises (the *where*) based on an internal risk assessment tool, soon to be replaced by the new inter-agency Index for Risk Management (InfoRM).¹⁰ This is good practice.

Additional funds can be made available for major new crises, such as typhoon response in Philippines and crisis response in Syria. Within each crisis, decisions on *what* to fund are based on field assessments by DFID's humanitarian advisers, supported by evidence from the UK Government Chief Scientific Adviser (DFID, 2014b). All the decisions are justified in publicly available business cases,¹¹ often covering multiple years and thus recognising that crises are rarely short-term; this is good practice and other donors could learn from DFID's experience. DFID could, however, provide greater clarity on how it determines the overall budget split between the *who* (which partner) on one hand, and the *what and where* on the other.

A clear link between early warning and early response

Early warning information is monitored both globally and by teams in-country. Globally, the UK will push the international response system to react earlier to early warning information, passing through the Emergency Directors group or other inter-agency mechanisms. Internally, there is a duty officer system in London with immediate access to senior decision makers (DFID, 2014b); analytical capacity will soon be expanded with the addition of a secondeed from the National Meteorological Office. The National Security Council has a tool to anticipate crises (Chapter 1), which is used to stimulate cross-government discussion on where the UK could do more. This is particularly useful in crises in countries that are not development priority countries (e.g. the Central African Republic). Other country programmes have an inbuilt contingency reserve, called an Internal Risk Facility, which can be activated when predetermined emergency triggers are met.

Actively promoting beneficiary participation

There is a policy commitment to involve beneficiaries in the design and implementation of the UK's humanitarian response; this is mostly through requiring partners to demonstrate participation in programmes. Flexible grants allow partners to adapt programming to the feedback they receive. DFID has also provided a grant to improve communications with disaster affected communities.¹²

Effective delivery, partnerships and instruments

Indicator: Delivery modalities and partnerships help deliver quality assistance

The UK provides high quality funding to partners; often multi-annual and predictable, always fast and flexible. Its broad rapid response toolbox also makes good use of cross-government assets; this has proven useful and effective in recent emergencies. Funding for the future will need to take into account differentiated response models, including for urban crises. DFID is aware of these challenges. Partners value their relationship with DFID, but complain about administrative procedures and the focus on value for money. However, it appears reasonable for partners to be accountable for the trust placed in them, so long as additional procedures are focused on improving the quality of the overall response. Finally, the UK should also take care to balance advocacy and donor co-ordination when promoting its issues on the global stage.

Flexibility is key to the UK's funding tools for complex emergencies

Flexibility is central to the UK's funding of responses in complex emergencies. As mentioned above, a large proportion of humanitarian funding is provided as core or softly earmarked funds to multilateral agencies and a select group of UK NGOs. The UK is also a leading donor to pooled funds, which provide flexibility to allocate resources at country level but often lead to very tightly activity-based earmarking by the time funds are passed on to operational agencies. A separate DFID fund targets research into innovation, in order to improve the effectiveness of responses.¹³ Going forward, the UK recognises the need to improve responses to crises in urban areas, and to look beyond the current one-size-fits-all humanitarian response model towards differentiated responses to different crisis contexts. All these areas could provide useful inputs for the World Humanitarian Summit.

A broad and effective toolbox for responses to rapid onset emergencies

The UK is justifiably proud of its response to Typhoon Haiyan¹⁴ in November 2013, which demonstrated the coherent use of its rapid response toolbox.¹⁵ Humanitarian experts from the CHASE Operations Team¹⁶ were deployed to Philippines before the typhoon made landfall, based on early warning information; supply chain options were also investigated. The Rapid Response Facility provided a GBP 8 million, minister-approved envelope to pre-approved NGO partners within 24 hours, allowing space for DFID to decide how to target the rest of its response funding. In-kind goods were delivered to the affected area by the UK military (7.4.2) from stockpiles around the globe. (The military can also deploy search and rescue capacity and medical trauma teams when appropriate.) Meanwhile, the Central Emergency Response Fund (CERF) – DFID is consistently its largest donor¹⁷ – began making allocations. DFID later provided additional funds to other partners, using simplified procedures that, for example, avoid the need for a business case. Partners report that all funding directly from DFID is sufficiently fast and flexible to ensure a rapid response while also adapting programmes to the evolving situation on the ground.

High quality funding and partnerships; controversy about administrative procedures

The UK provides its partners with quality funding which is often multi-annual and predictable, and always fast and flexible, including to NGOs. All partners characterise their overall relationship with DFID as open and frank, a real partnership based on good intentions. DFID is also seen as a useful ally in promoting “their” issues on the global stage, and this support is highly valued.

While partners understand the pressure to demonstrate value for money to domestic stakeholders, the peer team still heard numerous complaints about procedures that are complicated and restrictive, especially the log frame, and concerns that procedures are not tailored to humanitarian response, especially for smaller partners. Most partners state that DFID has a higher administrative burden than other humanitarian donors. However, many partners also admit that the emphasis on value for money has forced them to demonstrate impact, which is no bad thing. The next Multilateral Aid Review (MAR) could be better tailored to humanitarian organisations, emphasising that quality and speed, alongside cost, should underpin humanitarian value for money. Indeed, given the quality of DFID’s funding, especially its flexibility and size, it appears reasonable for partners to be held accountable for the trust that has been placed in them so long as DFID can demonstrate that its additional procedures are aimed at improving the effectiveness of the overall response.

Prominent on the global stage, but should be careful to balance advocacy and donor co-ordination

As noted earlier, the UK is prominent in promoting burden sharing among humanitarian donors, especially for major crises and with respect to tools such as the CERF, and in advocating for issues in global donor fora.¹⁸ While partners appreciate the UK’s support on key issues, other humanitarian donors (as reported to the peer review team) are concerned that the UK’s approach is sometimes more about its own agenda than about true donor co-ordination. The UK needs to tread a fine line between ensuring that its priorities for a more effective response are implemented and also listening to, and respecting, other donor positions.

Organisation fit for purpose

Indicator: Systems, structures, processes and people work together effectively and efficiently

Different departments work hard to find synergies on humanitarian issues; there are useful cross-government mechanisms to facilitate this work. Civil-military co-ordination appears to function well under civilian command, especially in rapid response to disasters. DFID humanitarian staff are perceived as high quality and supportive. However, decentralisation has led to different approaches and application of policy in different crisis countries. This issue (albeit minor) has created confusion for some partners.

Functioning cross-government co-ordination

The National Security Council (Chapter 1) has become a useful forum for promoting cross-government synergies, including on humanitarian response. The focus is on linking strategic and policy decisions to work on the ground. There is also a cross-government early warning system for countries at risk of instability, which prompts strategic discussions of what more the UK could do in these situations. Exceptional crisis may also mean that the national emergency council is called together.

Currently no concerns around civil military co-ordination

The UK's humanitarian policy clearly recognises international principles for civil-military co-ordination that require civilian command.¹⁹ Recent experience has confirmed that the military deploy to disaster zones under civilian command – in the case of Typhoon Haiyan, under the command of the Secretary of State for International Development. DFID maintains civil-military expertise within its humanitarian response team, and there are regular military exercises with DFID and Foreign and Commonwealth Office (FCO) participation. It would be interesting for DFID to review the use of military assets (DFID pays marginal costs) in value for money terms.

Quality staff; some unintended effects of decentralisation

DFID staff are – unusually for a donor – all humanitarian specialists. Partners are uniformly complimentary about the quality of these staff, whom they find knowledgeable and supportive. Having humanitarian specialists improves the quality of policy debates and programme decisions.

One unintended consequence of DFID's decentralised system (Chapter 4) is the different approaches taken by staff in different countries, both in the application of policy and on funding decision processes, which has become confusing for partners. The end-to-end review may help clarify some of these anomalies.

Results, learning and accountability

Indicator: Results are measured and communicated, and lessons learnt

The UK has a strong focus on monitoring and reporting both its own performance and its partners' results. All related documentation is made transparently available on the Development Tracker website. Evaluations of the UK's performance have been useful in driving future policy. The UK will need to ensure that tensions between the need to demonstrate results and value for money to taxpayers, and increased reporting burdens on partners, are carefully managed and that the focus continues to be on helping organisations deliver a more effective response.

The UK regularly monitors and reports on its results as a donor and takes evaluations seriously

The last peer review recommended that the UK strengthen the performance framework for humanitarian action (OECD, 2010); this has been done. There is now a clear Results Framework to monitor and report on programmes in the operational plan (DFID, 2012). Data on results are gathered every six months and published in the annual report (DFID, 2014a).

The Independent Humanitarian and Emergency Response Review (Panel, 2011) looking at whether the UK's humanitarian response system was fit to meet future challenges has been very influential on the design and implementation of the current policy – proof that the UK takes evaluations of its own performance seriously.

Strong focus on partner accountability; tensions over the added administrative burden

There is a strong focus on accountability from partners, as part of the government's obligation to demonstrate value for money to taxpayers. As for the development programme, organisations that receive core funding are reviewed annually; others are reviewed at different points in the programme cycle (Chapter 5). All partner evaluations are published. Partners say the reporting burden is excessive and are also concerned about the link between UK inputs (often as core funding) and the attribution of the final outputs and impact of their programmes. There are clear tensions between the need to

demonstrate results and the increased reporting burden; the UK should ensure that its approach continues to help organisations deliver better results. Working with partners and other donors to standardise reporting requirements²⁰ might be one useful option.

A transparent donor

The UK communicates the results of its own humanitarian programmes, and all the documentation, results and financial flows related to its humanitarian partnerships, on the Development Tracker website (Chapter 6).

Notes

1. International humanitarian law is a set of rules which seek, for humanitarian reasons, to limit the effects of armed conflict. It protects persons who are not or are no longer participating in hostilities and restricts the means and methods of warfare. International humanitarian law is also known as the law of war or the law of armed conflict. More at: www.icrc.org/eng/resources/documents/legal-fact-sheet/humanitarian-law-factsheet.htm.
2. The Transformative Agenda, which aims to improve the effectiveness of the overall humanitarian response system, is led by the Inter-Agency Standing Committee and was renewed in 2011. More at: www.humanitarianinfo.org/iasc/pagelader.aspx?page=content-template-default&bd=87.
3. The Secretary of State for International Development co-chairs this group with the United Nations Development Programme (UNDP) Administrator.
4. Countries completed at April 2013 include Bangladesh, Ethiopia, Kenya, Malawi, Mozambique, Nepal, Sudan and Uganda. At the time of this peer review, further work was underway in Burma, the Democratic Republic of the Congo, the Palestinian Authority, Pakistan, Somalia, South Sudan, Tanzania and Yemen (DFID, 2014b).
5. More on the BRACED funding tool at: www.gov.uk/building-resilience-and-adaptation-to-climate-extremes-and-disasters-programme-braced.
6. Measuring the results and value for money of resilience is complex, and not just because the ultimate outcome of resilience is that “nothing happens” – i.e. that a disaster or economic crisis occurs, but it has no impact on the target community or society because they have adapted so that they are no longer exposed to these shocks. One way to measure the cost of actual crisis response and/or its magnitude is: have individuals, communities and states become more resilient, and do they thus require less external support in times of crisis? In the case of seasonal events, for example, this could be measured on a regular basis. Forward (economic) modelling of risk, and the shifting economic consequences of risk events, should also be possible. More at: www.oecd.org/dac/governance-development/risk-resilience.htm.
7. Gross disbursements in USD current prices. Source: OECD Creditor Reporting System.
8. Source: Table B.3: UK gross bilateral ODA by sector (DFID, 2014a).
9. More on due diligence processes for civil society organisations at: <https://www.gov.uk/government/publications/due-diligence-and-civil-society-organisations>.
10. More at: <http://www.inform-index.org/>.
11. The humanitarian business cases can be found on the Development Tracker website at: <http://devtracker.dfid.gov.uk/sector/18/categories/720/projects/>.
12. More information at: <http://devtracker.dfid.gov.uk/projects/GB-1-204037/>.
13. This programme will develop and test innovative approaches to humanitarian practice; provide evidence of the cost effectiveness of investments in disaster risk reduction; provide new evidence on the scaling up of cash-based approaches; support better evidence on insurance as a risk management tool; and create new evidence on the best intervention to improve health and nutrition in emergencies. See: <http://devtracker.dfid.gov.uk/projects/GB-1-203705/>.
14. More on Typhoon Haiyan (Philippines, November 2013) at: <http://reliefweb.int/disaster/tc-2013-000139-phl>.
15. The Independent Commission for Aid Impact (ICAI) gave the UK response to Typhoon Haiyan a green rating. See: <http://icai.independent.gov.uk/reports/rapid-review-dfids-humanitarian-response-typhoon-haiyan-philippines/>.

16. The CHASE Operations Team is made up of humanitarian specialists and managed by Crown Agents. See: www.crownagents.com/jobs/humanitarian-specialists.
17. The UK provided USD 300.66 million to the CERF over the period 2011-13 and has pledged USD 97.72 million for 2014. The UK contribution in 2013 represented 23.5% of the CERF's total funding that year. Source: www.unocha.org/cerf/our-donors/funding/cerf-pledges-and-contributions-2006-2014.
18. Donors meet in different global fora: globally in the UN-OCHA (United Nations Office for the Co-ordination of Humanitarian Affairs) Donor Support Group and the Good Humanitarian Donorship initiative. European Union donors meet monthly in the Council Working Party on Humanitarian Aid and Food Aid (COHAFA). Some donors are part of the Emergency Director's group, which also includes major operational agencies. In addition, donor co-ordination mechanisms are set up in different field locations, grouping the donors that are present in those crises.
19. Referred to as the Oslo Guidelines and the "MCDA guidelines" (Multi-criteria Decision Analysis) (IASC, 2008; OCHA, 2007).
20. One tool with which to do this is the Integrated Financial Accounting Framework, adopted as an exposure draft by INTOSAI (the International Organisation of Supreme Audit Institutions), thus providing a template for standardising financial reporting of humanitarian flows that is acceptable to all supreme audit institutions across the world. More at: www.intosai.org/issai-executive-summaries/view/article/issai-9200-the-lima-declaration.html.

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Annex A: Progress since the 2010 DAC peer review recommendations

Key Issues: Development beyond aid

Recommendations 2010	Progress in implementation
Include in the common government agenda for policy coherence for development some additional priority areas in which to promote further development concerns in line with the EU policy coherence platform.	Implemented
Improve how the UK measures, monitors and reports to parliament and the public on the impact of its domestic and foreign policies on partner countries' development results.	Not implemented

Key Issues: Strategic orientations

Recommendations 2010	Progress in implementation
Retain the aid programme's clear focus on poverty reduction as the UK broadens its development agenda and DFID engages further with other government departments.	Implemented
Prioritise policies and streamline objectives derived from the public service agreements and white papers around core priorities linked clearly to the MDGs.	Implemented

Key Issues: Aid volume, channels and allocations

Recommendations 2010	Progress in implementation
Implement its commitment to providing 0.7% of GNI as ODA by 2013. Adopting legislation for this will further enhance the UK's credibility.	Implemented
Improve the quality of information on aid delivered by departments other than DFID, including on its development impact and value for money, in its public communications.	Implemented

Avoid introducing further sector and thematic spending targets, and guard against existing targets undermining the ability of country programmes to align with partner country priorities.	Not implemented
Work more closely with other donors on approaches to support multilateral effectiveness. Increase the UK's share of contributions to the UN provided as core resources in exchange for better evidence from UN Agencies, Funds and Programmes on their results, impact and contribution to wider development outcomes.	Implemented

Key Issues: Organisation and management

Recommendations 2010	Progress in implementation
Retain its powerful institutional system. This includes a development co-operation department with a seat in cabinet and a clear poverty reduction mandate, as well as a decentralised and flexible approach with a capacity to engage on long-term development objectives.	Implemented
Maintain DFID's front-line (programme) staffing levels and keep a critical mass of expertise in-house, including sector specialists. This will mean developing further DFID's medium-term workforce planning system.	Implemented

Key Issues: Delivery and partnerships

Recommendations 2010	Progress in implementation
Make public all conditions linked to its aid disbursements. It should clarify conditions on governance and political issues, so that partner countries are clear about what would constitute a breach of its partnership commitments. It should also continue efforts to harmonise conditions with other donors.	Implemented
Improve internal communication and guidance on capacity development; strengthen capacity assessments in the development of projects and programmes; and implement its commitment to support the development of capacities of non-state actors.	Implemented
Include climate change and disaster risk reduction aspects in DFID's environmental screening system.	Implemented

Continue to pay attention to wider environment issues, prioritising areas aligned with partner countries' needs and where it can add value compared with other donors. Ensure sufficient capacity to engage in these areas.

Implemented

Key Issues: Results management and accountability

Recommendations 2010

Progress in implementation

Ensure that the stronger focus on results and communication supports partner country priorities, and that the UK is accountable both to its partner countries and domestic stakeholders.

Partially implemented

Streamline DFID's reporting requirements further; continue efforts to develop an evaluation culture and to use evaluations as forward-looking management tools.

Partially implemented

Key Issues: Humanitarian assistance

Recommendations 2010

Progress in implementation

Identify the appropriate mix of humanitarian and peace-building/state-building approaches in conflict-affected and fragile states.

Implemented

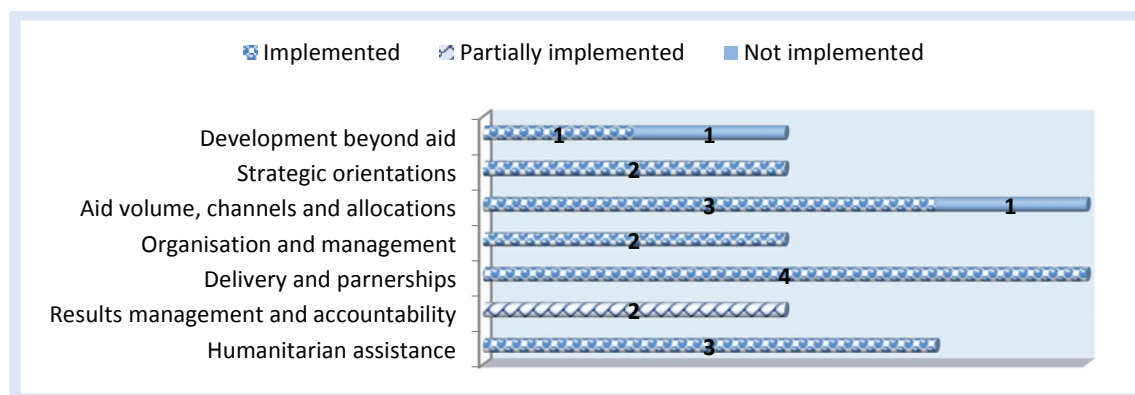
Strengthen the performance framework for humanitarian action.

Implemented

Clarify how other corporate policies intersect with the humanitarian decision-making processes.

Implemented

Figure A.1 The United Kingdom's implementation of 2010 peer review recommendations



Annex B: OECD/DAC standard suite of tables

Table B.1 Total financial flows
USD million at current prices and exchange rates

United Kingdom	Net disbursements						
	1998-2002	2003-2007	2008	2009	2010	2011	2012
Total official flows	4 231	9 362	11 477	11 587	13 034	13 793	13 927
Official development assistance	4 257	9 449	11 500	11 283	13 053	13 832	13 891
Bilateral	2 642	6 341	7 323	7 392	8 017	8 474	8 713
Multilateral	1 615	3 108	4 176	3 891	5 036	5 359	5 179
Other official flows	- 26	- 87	- 22	304	- 19	- 40	36
Bilateral	- 26	- 87	- 22	- 13	- 19	- 40	36
Multilateral	-	-	-	317	-	-	-
Net Private Grants	421	543	462	329	352	631	1 025
Private flows at market terms	6 332	21 763	29 938	12 798	12 246	32 428	48 508
Bilateral: of which	6 332	21 763	29 938	12 798	12 246	32 428	48 508
Direct investment	7 171	15 032	23 783	11 615	188	33 039	40 602
Export credits	- 466	- 1 228	3 932	3 326	964	1 597	1 479
Multilateral	-	-	-	-	-	-	-
Total flows	10 983	31 668	41 878	24 713	25 632	46 851	63 461
<i>for reference:</i>							
ODA (at constant 2011 USD million)	5 728	9 521	10 894	12 220	13 913	13 832	13 762
ODA (as a % of GNI)	0.29	0.41	0.43	0.51	0.57	0.56	0.56
Total flows (as a % of GNI)(a)	0.75	1.38	1.57	1.11	1.12	1.91	2.57
ODA to and channelled through NGOs							
- In USD million	286	935	714	614	1 160	1 691	1 924
- In percentage of total net ODA	7	10	6	5	9	12	14
- DAC countries' average % of total net ODA	8	8	7	8	9	13	13

a. To countries eligible for ODA.

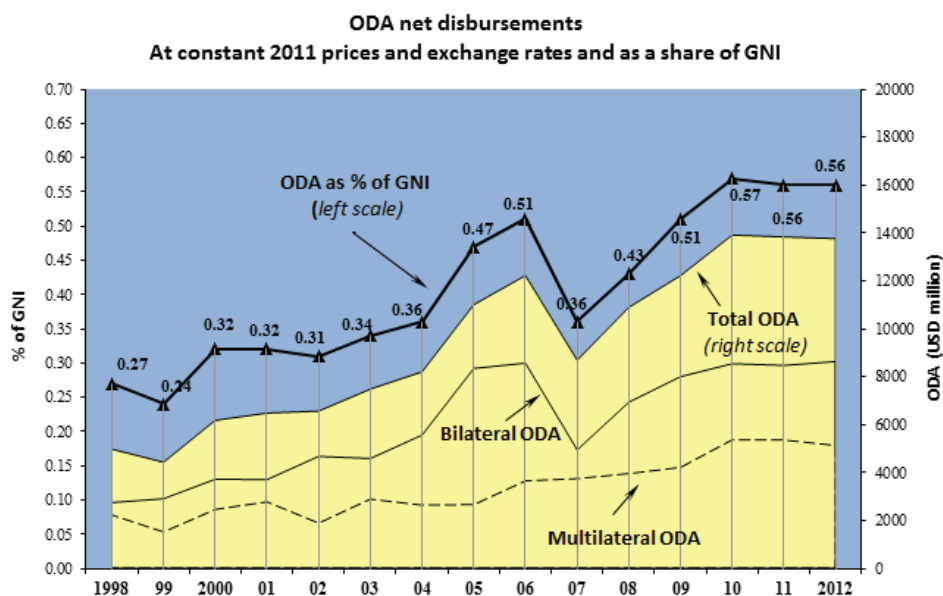
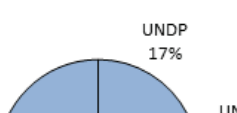
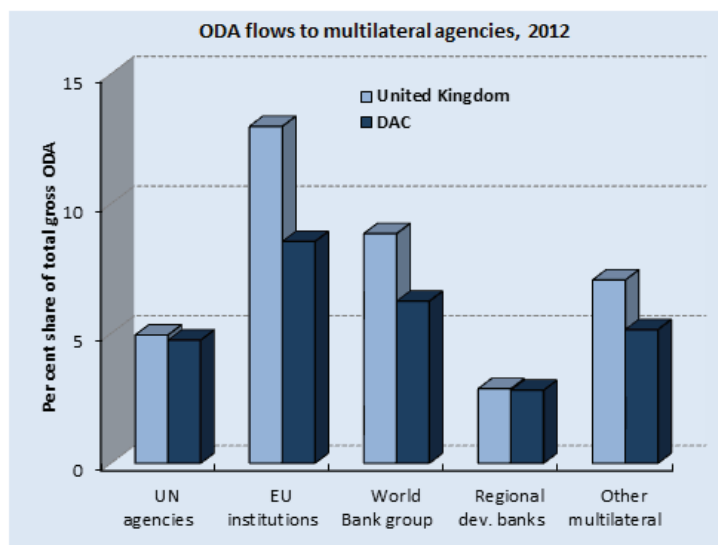
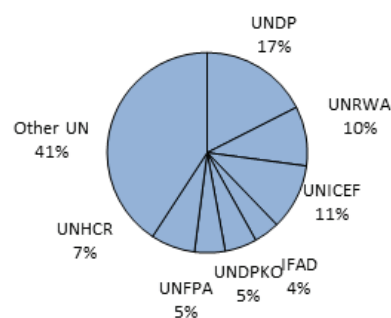


Table B.2 ODA by main categories

Disbursements												
United Kingdom	Constant 2011 USD million					Per cent share of gross disbursements					Total DAC 2012%	
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012		
Gross Bilateral ODA	7 389	8 230	8 915	8 815	8 946	65	66	62	62	63	73	
General budget support	707	585	692	447	345	6	5	5	3	2	1	
Core support to national NGOs	297	269	287	309	317	3	2	2	2	2	1	
Investment projects	1 522	1 285	1 492	814	621	13	10	10	6	4	11	
Debt relief grants	520	46	175	182	111	5	0	1	1	1	2	
Administrative costs	439	430	391	459	523	4	3	3	3	4	5	
Other in-donor expenditures	16	52	40	46	64	0	0	0	0	0	3	
Gross Multilateral ODA	3 956	4 214	5 368	5 359	5 187	35	34	38	38	37	27	
UN agencies	454	503	611	588	698	4	4	4	4	5	5	
EU institutions	1 927	2 106	2 141	1 899	1 835	17	17	15	13	13	9	
World Bank group	1 070	939	1 536	1 741	1 251	9	8	11	12	9	6	
Regional development banks	298	292	345	416	406	3	2	2	3	3	3	
Other multilateral	208	375	736	716	998	2	3	5	5	7	5	
Total gross ODA	11 346	12 444	14 284	14 174	14 134	100	100	100	100	100	100	
Repayments and debt cancellation	- 452	- 225	- 371	- 341	- 372	Contributions to UN Agencies (2011-12 Average)						
Total net ODA	10 894	12 220	13 913	13 832	13 762							
For reference:												
Free standing technical co-operation	1 078	684	722	1 119	1 137							
Net debt relief	520	46	175	182	111							
Imputed student cost	-	-	-	-	-							
Refugees in donor countries	-	12	19	31	45							



Contributions to UN Agencies (2011-12 Average)



Contributions to Regional Development Banks (2011-12 Average)

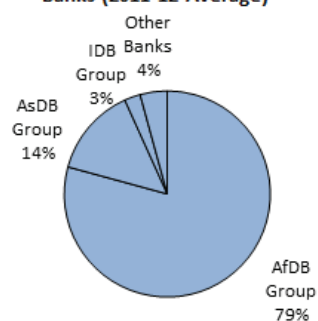
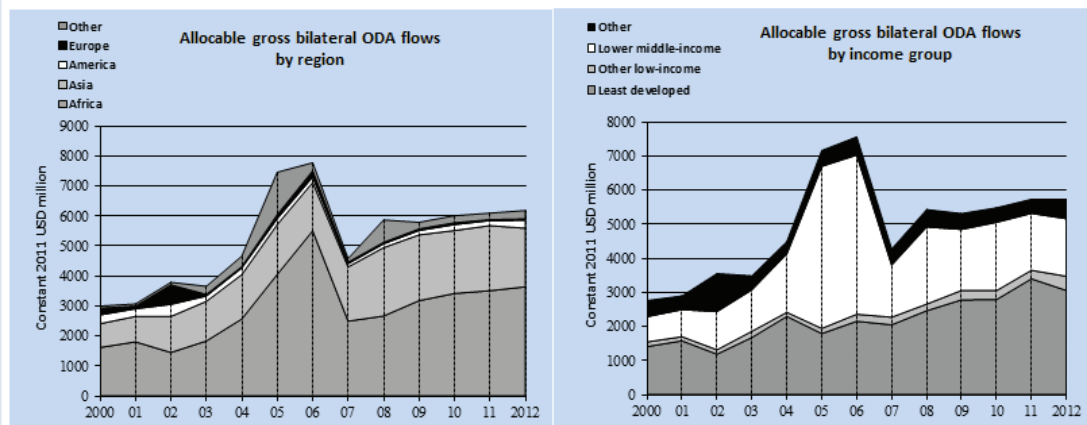


Table B.3 Bilateral ODA allocable by region and income group

Gross disbursements											
United Kingdom	Constant 2011 USD million					Per cent share					Total DAC 2012%
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012	
Africa	2 665	3 175	3 417	3 509	3 637	45	55	57	58	59	43
Sub-Saharan Africa	2 403	2 744	3 148	3 288	3 339	41	47	52	54	54	37
North Africa	34	57	28	70	58	1	1	0	1	1	4
Asia	2 279	2 192	2 096	2 169	1 951	39	38	35	36	32	34
South and Central Asia	1 756	1 796	1 731	1 940	1 708	30	31	29	32	28	20
Far East	472	391	322	182	211	8	7	5	3	3	14
America	125	147	196	168	265	2	3	3	3	4	10
North and Central America	85	112	127	107	137	1	2	2	2	2	4
South America	27	35	58	61	128	0	1	1	1	2	5
Middle East	737	211	226	210	269	13	4	4	3	4	7
Oceania	6	6	9	5	9	0	0	0	0	0	2
Europe	52	54	62	31	50	1	1	1	1	1	3
Total bilateral allocable by region	5 864	5 785	6 007	6 093	6 181	100	100	100	100	100	100
Least developed	2 458	2 780	2 788	3 397	3 055	45	52	51	59	53	41
Other low-income	195	277	264	249	418	4	5	5	4	7	4
Lower middle-income	2 263	1 790	2 003	1 668	1 686	42	34	37	29	29	36
Upper middle-income	509	461	423	413	569	9	9	8	7	10	18
More advanced developing countries	3	4	2	-	-	0	0	0	-	-	-
Total bilateral allocable by income	5 428	5 311	5 479	5 728	5 727	100	100	100	100	100	100
For reference:											
Total bilateral	7 389	8 230	8 915	8 815	8 946	100	100	100	100	100	100
of which: Unallocated by region	1 525	2 445	2 908	2 721	2 766	21	30	33	31	31	24
of which: Unallocated by income	1 961	2 919	3 436	3 086	3 219	27	35	39	35	36	32



1. Each region includes regional amounts which cannot be allocated by sub-region. The sum of the sub-regional amounts may therefore fall short of the regional total.

Table B.4 Main recipients of bilateral ODA

United Kingdom	2001-05 average				Memo: DAC countries' average %	2006-10 average				Memo: DAC countries' average %	2011-12 average				Memo: DAC countries' average %
	Current USD million	Constant 2011 USD mln	Percent share			Current USD million	Constant 2011 USD mln	Percent share			Current USD million	Constant 2011 USD mln	Percent share		
Nigeria	489	507	10												
India	392	451	8												
Iraq	360	377	7												
Tanzania	229	276	5												
Bangladesh	193	224	4												
Top 5 recipients	1 663	1 833	34	42											
Ghana	150	174	3												
Afghanistan	142	160	3												
Zambia	128	143	3												
Serbia	119	152	2												
Uganda	90	109	2												
Top 10 recipients	2 292	2 572	47	56											
South Africa	90	105	2												
Malawi	90	105	2												
Mozambique	89	111	2												
Congo, Dem. Rep.	87	93	2												
Pakistan	84	98	2												
Top 15 recipients	2 731	3 083	56	62											
Sudan	74	79	2												
Ethiopia	71	80	1												
Kenya	69	82	1												
China	63	75	1												
Sierra Leone	56	67	1												
Top 20 recipients	3 065	3 465	63	67											
Total (130 recipients)	3 794	4 320	77												
Unallocated	1 109	1 288	23	17											
Total bilateral gross	4 903	5 609	100	100											
Nigeria															
India															
Ethiopia															
Afghanistan															
Bangladesh															
Nigeria															
Top 5 recipients	2 128	2 118	24	32											
Pakistan	318	316	4												
Congo, Dem. Rep.	303	302	3												
Tanzania	224	223	3												
Mozambique	163	162	2												
Kenya	162	161	2												
Top 10 recipients	3 297	3 283	37	47											
Malawi	151	150	2												
Uganda	149	149	2												
Zimbabwe	149	148	2												
Somalia	148	147	2												
Ghana	129	129	1												
Top 15 recipients	4 022	4 004	45	56											
South Sudan	128	127	1												
St. Helena	124	123	1												
Sudan	121	121	1												
Nepal	107	107	1												
Rwanda	101	100	1												
Top 20 recipients	4 603	4 582	52	60											
Total (138 recipients)	5 755	5 728	64												
Unallocated	3 168	3 153	36	29											
Total bilateral gross	8 923	8 881	100	100											

Table B.5 Bilateral ODA by major purposes
at constant prices and exchange rates

United Kingdom	Gross disbursements - Two-year average						
	2001-2005 average		2006-10 average		2011-12 average		2011-12 Total DAC per cent
	2011 USD million	Per cent	2011 USD million	Per cent	2011 USD million	Per cent	
Social infrastructure & services	1 781	36	3 226	43	4 422	50	41
Education	333	7	657	9	1 019	12	8
of which: basic education	199	4	294	4	401	5	2
Health	306	6	565	7	959	11	5
of which: basic health	113	2	213	3	705	8	4
Population & reproductive health	180	4	405	5	644	7	7
Water supply & sanitation	39	1	117	2	170	2	5
Government & civil society	800	16	1 216	16	1 276	15	13
of which: Conflict, peace & security	-	-	252	3	300	3	2
Other social infrastructure & services	123	3	265	4	354	4	2
Economic infrastructure & services	347	7	813	11	923	11	16
Transport & storage	93	2	110	1	208	2	7
Communications	8	0	56	1	65	1	0
Energy	123	3	76	1	357	4	6
Banking & financial services	72	1	536	7	243	3	2
Business & other services	50	1	35	0	49	1	1
Production sectors	312	6	306	4	467	5	8
Agriculture, forestry & fishing	207	4	127	2	257	3	5
Industry, mining & construction	83	2	78	1	120	1	2
Trade & tourism	22	0	101	1	90	1	1
Multisector	162	3	620	8	1 077	12	10
Commodity and programme aid	97	2	613	8	524	6	3
Action relating to debt	1 186	24	851	11	147	2	3
Humanitarian aid	552	11	661	9	687	8	8
Administrative costs of donors	460	9	442	6	491	6	6
Refugees in donor countries	-	-	6	0	38	0	4
Total bilateral allocable	4 897	100	7 538	100	8 775	100	100
<i>For reference:</i>							
Total bilateral	5 610	68	8 032	66	8 881	63	73
of which: Unallocated	712	9	494	4	105	1	1
Total multilateral	2 620	32	4 200	34	5 273	37	27
Total ODA	8 229	100	12 232	100	14 154	100	100

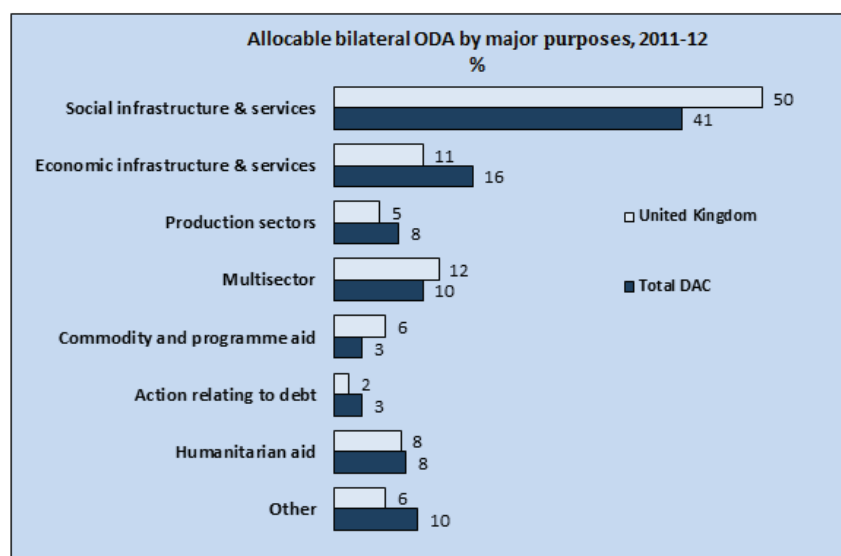


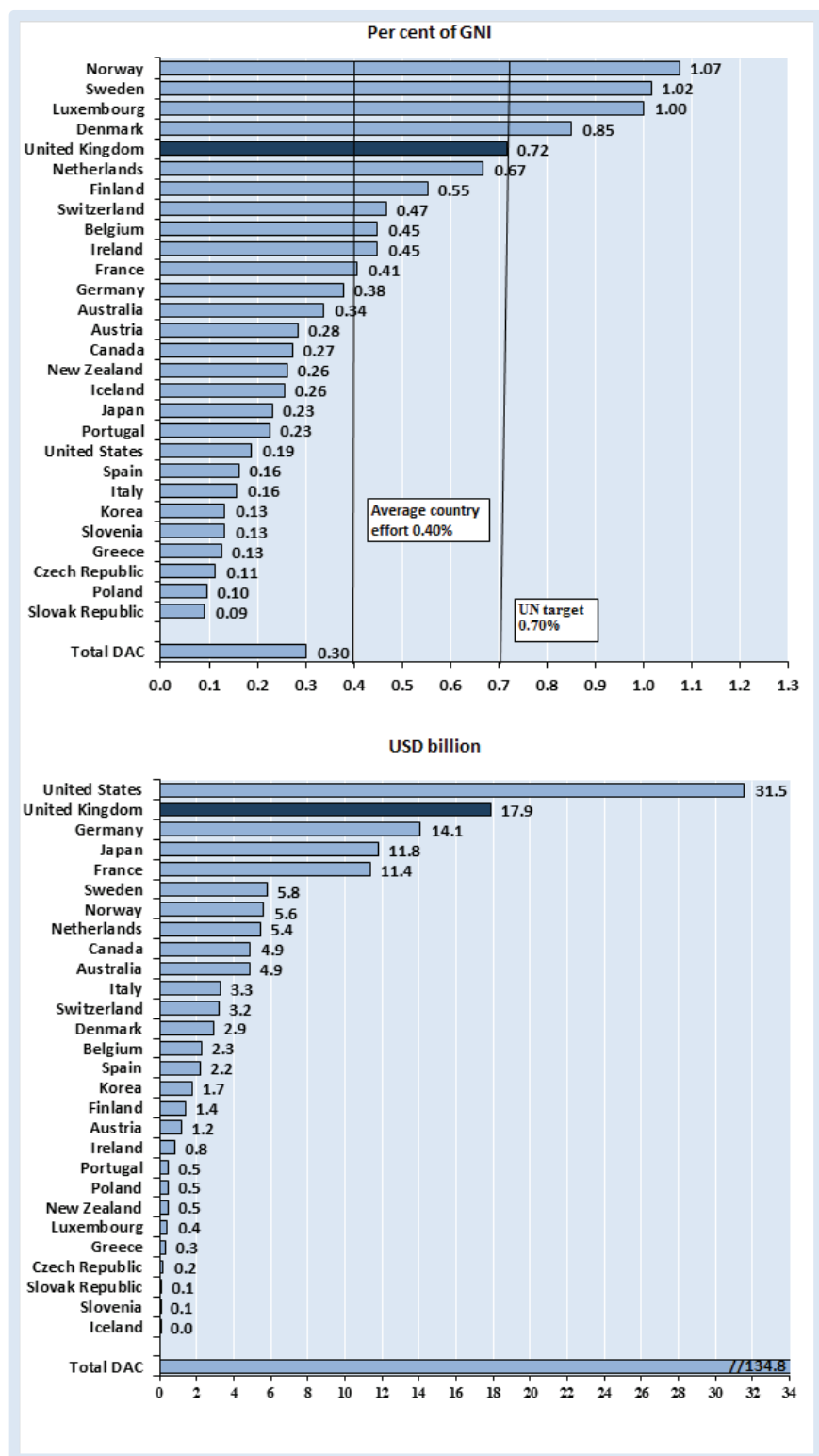
Table B.6 Comparative aid performance

Net disbursements											
Official development assistance				Grant element of ODA (commitments) 2012 % (a)	Share of multilateral aid				ODA to LDCs Bilateral and through multilateral agencies 2012		
2012		2006-07 to 2011-12 Average annual % change in real terms	2012		2012		% of ODA (b)	% of GNI (c)	% of ODA	% of GNI	
USD million	% of GNI		% of ODA (b)		% of GNI (c)						
Australia	5 403	0.36	6.9	99.8	15.6		0.06		30.3	0.11	
Austria	1 106	0.28	-9.6	100.0	51.6	26.7	0.14	0.07	22.0	0.06	
Belgium	2 315	0.47	3.0	99.7	38.1	18.7	0.18	0.09	30.4	0.14	
Canada	5 650	0.32	3.2	100.0	28.3		0.09		34.4	0.11	
Czech Republic	220	0.12	2.9	100.0	69.8	16.2	0.08	0.02	26.7	0.03	
Denmark	2 693	0.83	0.5	100.0	28.6	19.7	0.24	0.16	37.3	0.31	
Finland	1 320	0.53	5.9	100.0	39.5	25.3	0.21	0.13	33.7	0.18	
France	12 028	0.45	2.0	79.5	34.1	16.7	0.15	0.08	21.1	0.10	
Germany	12 939	0.37	2.1	88.4	33.7	14.9	0.13	0.06	28.4	0.11	
Greece	327	0.13	-6.4	100.0	67.2	4.9	0.09	0.01	15.3	0.02	
Iceland	26	0.22	-5.8	100.0	18.8		0.04		45.1	0.10	
Ireland	808	0.47	-3.6	100.0	33.7	17.9	0.16	0.08	51.7	0.24	
Italy	2 737	0.14	-3.5	99.4	77.2	21.8	0.11	0.03	25.6	0.04	
Japan	10 605	0.17	-3.6	88.5	39.6		0.07		43.8	0.08	
Korea	1 597	0.14	21.5	94.2	25.9		0.04		36.2	0.05	
Luxembourg	399	1.00	0.2	100.0	30.7	22.8	0.31	0.23	36.5	0.37	
Netherlands	5 523	0.71	-1.2	100.0	30.2	19.2	0.21	0.14	21.1	0.15	
New Zealand	449	0.28	2.7	100.0	19.5		0.05		32.0	0.09	
Norway	4 753	0.93	1.9	100.0	25.9		0.24		29.1	0.27	
Poland	421	0.09	3.1	..	73.5	5.8	0.07	0.01	18.5	0.02	
Portugal	581	0.28	6.7	84.6	31.6	5.1	0.09	0.01	30.4	0.09	
Slovak Republic	80	0.09	1.5	100.0	76.2	8.3	0.07	0.01	19.3	0.02	
Spain	2 037	0.16	-8.5	100.0	51.6	4.6	0.08	0.01	23.7	0.04	
Sweden	5 240	0.97	2.3	100.0	30.6	24.0	0.30	0.23	29.4	0.29	
Switzerland	3 045	0.47	5.4	100.0	19.7		0.09		23.3	0.11	
United Kingdom	13 892	0.56	5.7	100.0	37.3	24.0	0.21	0.13	33.2	0.19	
United States	30 687	0.19	4.4	100.0	17.0		0.03		37.2	0.07	
Total DAC	126 881	0.29	1.9	94.6	30.2		0.09		31.9	0.09	
Memo: Average country effort		0.40									

Notes:

- a. Excluding debt reorganisation.
- b. Including EU institutions.
- c. Excluding EU institutions.
- .. Data not available.

Figure B.1 Net ODA from DAC countries in 2013 (preliminary figures)



Annex C: Visits to Nepal and Nigeria

During the peer review of the United Kingdom, a team of examiners and the OECD Secretariat went to Nepal and Nigeria in April and May 2014 to gather input from UK staff and partners. Meetings were held with DFID officials, partner country government representatives, other bilateral donors, multilateral organisations, implementing partners, and representatives of British and local civil society organisations.

Development contexts: Nepal and Nigeria

Nepal, one of the poorest countries in the world, is making good progress on reducing poverty and improving social cohesion

The Federal Democratic Republic of Nepal is a landlocked country bordering China and India. It is the poorest country in South Asia (Human Development Index = 0.463) and there are large disparities between different parts of the population (by caste, ethnicity, religion, region, gender, and whether rural or urban). After about 20 years of political instability and conflict, a Comprehensive Peace Agreement was signed in 2006. An Interim Constitution was drafted and the restored parliament paved the way for an interim government; the monarchy was abolished and a federal republic declared. Nepal's GDP grew by 3.6% in 2013, slowing from 4.5% growth a year earlier. Overall progress on the MDGs has been good, particularly with respect to health and poverty goals. Many donors are active in Nepal, and aid provides about 25% of the Nepalese national budget. DFID is Nepal's largest bilateral development partner.

Nigeria is struggling to improve governance in order to translate growth into improved well-being for its people

Nigeria is a middle income country, and growth has been over 6% in recent years. The country has struggled, however, to turn growth and considerable natural resources (notably gas and oil) into human development results. Corruption and mismanagement undermine the public sector. Nigeria has the highest number of poor people in the world, after India and China, with about 58 million out of a population of 158 million living in extreme poverty. More than 100 women die every day during pregnancy and childbirth. Over 2 000 children under five die every day from preventable diseases and 8.5 million children do not go to school (the highest number of any country in the world) (DFID, 2014d). Nigeria has made some progress towards attainment of the MDGs, albeit slowly and unevenly. Development aid to Nigeria by DAC members peaked in 2006 (with significant debt relief). Total ODA was USD 1.9 billion in 2012, with the World Bank Group, the United States, the UK, the Global Fund and the EU the largest donors (in that order). China is also a significant provider of aid to Nigeria.

Towards a comprehensive UK development effort in Nepal and Nigeria

The UK works to address specific global risks affecting development in

The UK has clearly defined its approach to global risks in both countries – with a focus on climate change and disaster resilience in Nepal, and an emphasis on reducing violence and crime in Nigeria. Different parts of the UK government work together in Nepal and Nigeria in delivering the development programmes, and DFID gave a number of examples of joined-up approaches on key policy issues. However, the team saw little awareness of the

Nepal and Nigeria, but it is not leveraging the full range of policies to support development

potential role of other UK policies, such as migration, to support sustainable development and poverty reduction. The UK does not systematically monitor the impacts of other UK policies in Nepal or Nigeria.

In Nigeria many different UK policy agendas come into play. In such a context the UK could do more to tap potential positive links between development and other policy levers, such as investment, migration and scientific research, and to be sensitive to potential trade-offs. Likewise, evidence from Nepal is not systematically used to inform the UK policy debate.

UK cross-government work could be strengthened where it serves development interests

Though there was not much evidence of a strategic whole-of-government approach to development in Nepal and Nigeria, in both countries the team saw many positive examples of UK government actors sharing information and working together in some areas.

The UK has a One HMG strategy note in Nepal which prioritises: promoting strong relations between the UK and Nepal; supporting British nationals in the country; supporting development; supporting conflict resolution and promoting human rights, democracy and good governance; and increasing business with Nepal. The embassy manages several co-ordination mechanisms – an effort to strengthen co-ordination that may be enhanced by plans to locate all departments in one location. For example the UK has a whole of government approach to earthquake –related disaster preparation and management and DFID, DECC, DEFRA and the FCO work together on climate change in Nepal. However, information sharing and co-ordination did not appear to be driven by an overall strategic vision of the role of the different branches of the UK in supporting development in Nepal. Each department remains independent, relating directly to its own headquarters in London and developing its own plans. In Nepal, where the UK agenda is dominated by development concerns, DFID could use its expertise and leverage to engage further with other UK departments in the service of Nepal’s development.

In contrast to Nepal, many different government departments are operating in Nigeria. However, not much is being done to promote a whole-of-government approach there. The Foreign Office and DFID work together well to address specific issues of shared concern, particularly around security issues. This co-ordination is reinforced by the cross-government Nigeria strategy group in Whitehall (a new country-based approach being implemented for strategically important fragile states as part of the National Security Council) and an understanding of each department’s strengths.

DFID plays a central role, which means it is able to maintain a development focus in regard to the UK policy agenda. This was illustrated by DFID’s important position in the cross-government response to increasing violence and the abduction of schoolgirls in the north of Nigeria in the spring of 2014. DFID Nigeria has managed to promote a comprehensive approach to conflict, addressing both security and development challenges – an approach that will need to be maintained within the new conflict and stabilisation strategy DFID Nigeria is developing. There was also some indication of strengthening ties with the UK Trade and Investment Department, as DFID focuses on improving the business climate and supporting private sector development. Working with the Home Office to support circular migration, skill transfers and reintegration of returnees is another area where stronger collaboration could support development.

DFID is using ODA to improve the business climate and support domestic resource mobilisation

In both countries the UK works to improve the business climate and support pro-poor growth. DFID has a clear understanding of Nepal's prospects for economic development and is devoting resources and technical expertise to key areas – particularly hydropower, improving the business climate and infrastructure – to attract investment. At the same time, DFID continues to focus on governance and incorporates social inclusion by targeting the poorest and most marginalised groups in its programmes.

A similar approach was seen in Nigeria, where DFID is focusing on reaching the poorest states and on girls and women. In Nigeria DFID pilots innovative approaches to attract private investment. A new education programme in Lagos State uses a “making markets work for the poor” approach to improve the local private education market in order to better meet the needs of poor students. DFID is providing support to reforming the power sector in Nigeria – a good example of how the UK uses ODA strategically to improve the investment climate for the private sector (Chapter 1) and unblock bottlenecks for development. The DFID-funded Nigeria Infrastructure Advisory Facility (phase two, 2013/16) programme is a technical assistance programme supporting the Nigerian government's reform process.

In both Nepal and Nigeria DFID also works to improve governance and country systems to enable more effective use of national resources. The focus of DFID's programme in Nigeria is on helping the country better use its own resources. For example, DFID used ODA to develop a successful School Based Management Committee model, which has now been scaled up nationwide with funding from the government's own resources. Such an approach – demonstrating effective programmes, and then helping the government develop them to scale with its own resources – is a positive example of using ODA to catalyse public investment and support sustainable change.

The UK's policies, strategies and allocations in Nepal and Nigeria

The UK's long-standing relationships and support

The UK has privileged, long-term relationships with Nepal and Nigeria based on strong historical ties. It is a trusted and strategic partner, which has provided continuous support over many years. Particularly valued is DFID's broad, long-term approach aiming to transform institutions and norms (Box C.1). Both Nepal and Nigeria are considered by DFID to be fragile states, and are priority countries for the UK and DFID. Nigeria is DFID's second largest country programme and Nepal the 12th largest (DFID, 2014a).

In Nepal the UK is the largest bilateral donor, with a budget of GBP 104.7 million in 2013/14. The UK has defined its strategic interest in Nepal as being “a beacon of stability and democracy” and “a like-minded power” in the region. Top priorities for DFID Nepal are: governance and security; making government more effective and better able to deliver services to the poor; helping people, particularly women, to benefit from economic growth; and helping Nepal tackle climate change and natural disasters (DFID, 2014e).

The UK allocation to Nigeria was GBP 275 million in 2013-2014 (with 44 active projects), making it the second most important bilateral donor after the United States. The goal of the UK in Nigeria is to improve the bilateral strategic partnership, with a view to seizing common opportunities and addressing mutual threats. DFID's priorities in Nigeria (DFID, 2014e) are: providing more people with better services, including education, healthcare, and access to safe water and sanitation; helping Nigeria use its oil revenues to

improve the lives of its citizens; and helping establish an enabling governance environment for tackling corruption and enhancing transparency and accountability.

Box C.1 Innovative work on changing social norms

DFID's Voices for Change programme aims to improve the lives of adolescent girls and women in Nigeria by changing social norms. Funded by DFID, it began in October 2013 and will run until December 2017. The purpose of the programme is to provide adolescent girls and women with improved access to health, education, justice, and economic and political opportunity by working to change girls' beliefs about themselves and changing the social norms that affect girls. This includes changing social expectations by addressing individuals' beliefs about what others think and do, and what others expect them to do. The approach relies on a deep understanding of the context and how meaningful change for girls can be achieved at scale. The programme has developed an innovative monitoring and evaluation framework to understand changes in knowledge, attitudes and behaviours.

Source: DFID (2013a); Nwankwo, E. (DFID, 2014).

DFID planned well for major funding increases without compromising quality; maintaining predictability in the transition to the new spending period is challenging

In Nepal and Nigeria the UK has doubled the amount of its ODA since 2012. The two offices planned well for this considerable scaling up, and managed to do so without compromising the quality of its programmes. In Nigeria DFID extended its geographic focus to the poorest parts of the country, particularly the north, expanded well-functioning programmes, and developed new complementary programmes. Equally in Nepal, DFID managed well the risks associated with the scaling up, ensuring the right capacities were in place to deliver.

In contrast to DFID's strategic approach to the scaling up, which gave a good level of predictability, in May 2014 DFID Nepal and Nigeria did not have clear signals from the centre about the budget for 2015 and beyond (financial allocations were expected to be discussed over the summer). This situation results from this being the end of the 2010-11/2014-15 spending period, to which operational plans are aligned. General elections in the UK, planned for 2015, add uncertainty about future aid budgets. Moreover, at the time of the visit there was no clear guidance on how the operational plan and overall country strategy would be developed. This created unnecessary programmatic risk, might undermine DFID's credibility, and could threaten staff morale.

Country portfolios are aligned to national needs, but are broadly spread and would benefit from more strategic focus

Operational plans for 2011-15 guide DFID's work in Nepal and Nigeria. In both countries, country programmes are aligned to national priorities and are responsive to national contexts. In Nepal DFID's programme is responsive to the changing context in post-conflict situation. DFID has a clear understanding of Nepal's prospects for economic development and is devoting resources and technical expertise to key areas, particularly hydropower and improving the business climate and infrastructure to attract investment. At the same time, DFID continues to focus on governance and incorporates social inclusion by targeting the poorest and most marginalised groups. In Nigeria DFID prioritises working at the Nigerian state (sub-federal) level, where it has proposed a strategic package aimed at creating system-wide change by promoting good governance alongside support to service delivery. This pragmatic approach makes sense in Nigeria and is appreciated by partners.

The overall strategic focus of country programmes could be strengthened. Reflecting the respective countries' many needs and multiple central DFID priorities, DFID's programmes

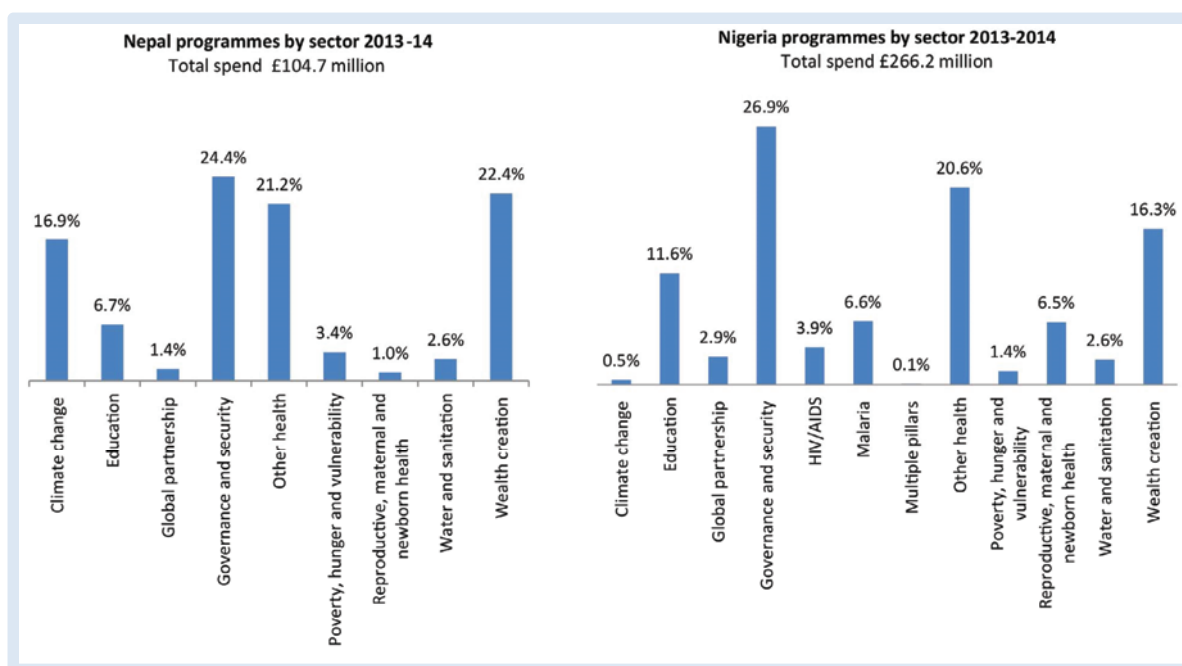
in Nepal and Nigeria are quite spread, which risks diminishing impact: DFID Nigeria is involved in 10 sectors and DFID Nepal in 9 (Figure C.1) and manages 43 projects/programmes in Nigeria and 27 in Nepal (DFID, 2012, 2013). In Nepal the DFID Consultation Note on the future programme does not appear to address this (apart from a move away from education). In Nigeria, while the rationale for individual programmes is well developed, the logic underpinning the balance and spread of the overall portfolio of DFID could be better elaborated. There is also a risk that too many priorities undermine efforts to mainstream cross-cutting issues – with these issues being treated merely as a compliance exercise.

Cross-cutting issues are well integrated into the programme

Galvanised by the ministerial focus on girls and women and the 2014 Gender Equality Act, DFID Nepal and Nigeria are mobilising their resources to address gender equality effectively in their core business processes and targeted programmes. In Nepal the office has successfully advocated for closely linking gender equality and other forms of social inclusion, given the local context.

Climate change and resilience are also high on the agenda and well integrated in DFID Nepal's programme, with both targeted programmes and a mainstreamed approach. The office is a leader in addressing climate change, contributing to developing innovative approaches through sustained engagement. In Nepal DFID reports supporting over 1.4 million people to increase their climate and disaster resilience, and 220 000 people with improved access to clean energy (DFID, 2014a). In Nigeria the UK has chosen not to focus on climate, which it felt was well covered by other development partners.

Figure C.1 DFID programmes in Nepal and Nigeria (2013-14)



Source: DFID (2014e).

The UK's organisation and management in Nepal and Nigeria

Solid country teams with resources in place to deliver effectively

A high level of delegation of authority and strong teams made up of competent staff enable the two country offices to deliver the programme effectively and to engage actively with the other development partners, leading on a number of key areas and bringing in solid expertise that is widely appreciated.

Country offices have planned ahead for the scaling up to ensure the right capacities were in place to deliver. In line with headquarters policies, additional advisers were deployed (including two conflict advisers in Nigeria) and results and commercial/value for money specialists were recruited.

A system fit for purpose, but delegation of authority needs to be maintained and communication could be strengthened

DFID Nepal and DFID Nigeria relate well with headquarters, maintaining regular, strong links with headquarters and the regional office in various ways, both on management processes and the substance of the development programme. Delegation of financial authority was reduced in 2013 and increased guidance comes from headquarters. However, when incorporating headquarters' guidance and priorities, the two country offices have the latitude to be critical, and they use this flexibility to ensure the programme is relevant and effective given each specific context. As an illustration, despite some pressure from headquarters to deliver results in the short term, the Nigeria office was able to successfully advocate for transformative programmes with a longer vision. Defending this approach to London was, however, time consuming.

DFID's work would benefit from stronger consultation on centrally managed programmes. In the case of Nepal, the office had only recently been systematically informed about centrally managed programmes implemented in Nepal (total amount GBP 20 million) and was not involved in planning or implementation. This creates risks for overlap and missed opportunities to build on the country office's knowledge and experience.

Colocation is being planned

In both countries DFID is still in a separate building, but colocation with the Foreign and Commonwealth Office (FCO) is planned and should take place in 2016. Combining services will reduce corporate services expenses, which is all the more important given that administrative budgets continue to decrease. So far, there is no plan to consolidate IT systems, although different IT systems make it difficult for FCO and DFID to work together, hampering cross-government management of data and sharing of information.

DFID country offices are looking at the implications colocation will have in terms of staffing, human resources policies, and processes. In the transition phase management needs to keep the staff informed of these consequences, in particular locally recruited staff working on corporate services, who will be most impacted. Sharing information on reforms affecting staff from the early stages will help strengthen staff buy-in and commitment.

An innovative model in Nigeria

DFID Nigeria's organisation reflects its work at the different levels of Nigeria's federal system. In addition to the Abuja office, there are three sub-offices equipped with appropriate resources. The most important is based in Kano and covers 14 programmes in three areas: human development; economic growth; and governance and social development. This model has proven useful in the context of Nigeria's federal system.

In particular, the Kano sub-office is instrumental in supporting the extension of DFID Nigeria's geographic focus to the poorest parts of Nigeria, particularly the north.

A human resources policy conducive to strong and skilled country teams

Both DFID Nepal and DFID Nigeria benefit from a strong and highly appreciated team of advisers, managers and corporate staff; 112 staff work in the DFID office in Nigeria (of which 27 advisers) and 56 in the DFID office in Nepal (of which 16 advisers). DFID staff are valued for their high quality technical expertise, openness and commitment.

In the two countries DFID has created a positive working culture that values different members' contributions, and there are opportunities for all staff to develop. In a context of frequent turnover of UK-based staff, DFID offices draw on locally recruited staff to build institutional memory and contextual knowledge. DFID's new programme to support posting of local staff to third country offices has created enthusiasm.

DFID's 2012 policy of reserving 10% of advisers' time for their cadre is valued by the two country offices, as it offers means to support learning, build on expertise across offices, and maintain strong technical skills within the organisation.

The UK's delivery modalities and partnerships for aid quality in Nepal and Nigeria

Cumbersome programme management procedures hamper flexibility and strain staff capacities

In both Nepal and Nigeria, DFID's partners appreciate its flexibility and responsiveness. However, DFID corporate processes are becoming cumbersome, whether they relate to the bureaucratic formulation of the business cases or to the heavy system of control and reporting.

In Nepal and Nigeria the team saw how the increased oversight, research, results and evaluation systems have created a growing burden for country offices. Each had been the subject of case studies for corporate reforms, as well as multiple ICAI visits, NAO studies, regional research initiatives, centrally managed research and other initiatives. Such overload on country offices risks undermining DFID's recognised assets, which are critical to its effectiveness – especially in volatile, conflict-prone situations. In a context of limited resources, this also results in less capacity for implementation and learning and less flexibility to respond to emerging opportunities. There are high expectations that the end-to-end review will streamline these processes.

Proactively managing risks

Both country offices systematically and robustly analyse different types of risks and use risk information to inform their programmes. DFID Nigeria is working across the board to protect UK taxpayers' money and to support much needed reform in financial management and policy processes to reduce corruption in Nigeria. The office is starting to focus on conflict, with a joint assessment of conflict and stability in Nigeria and plans for a conflict audit, drawing on expertise across DFID. In Nepal the Joint Risk Management Office, run by DFID and the German Federal Enterprise for International Co-operation (GIZ), is an innovative approach to developing a shared understanding of the context and actively managing risks; the analysis provided by the office is highly valued by other donors in Nepal. DFID Nepal also uses scenario planning in collaboration with the embassy – an approach that was particularly important in the run-up to the 2013 elections (Box C.2).

Box C.2 Disaster risk reduction in Nepal

Nepal is one of the most disaster prone countries in the world. The Kathmandu Valley is at high risk of earthquakes and rapid urbanisation, high-density and poorly planned construction, and limited adherence to building codes. This means a major earthquake would be very costly in terms of loss of life and damage to infrastructure. The UK has done a good job of preparing to protect UK staff and interests, while also incorporating disaster risk reduction into DFID's programmes to help the country prepare for and respond to earthquakes and other threats. DFID's leadership role on disaster preparedness is valued by other donors, and it is working through partnerships, for example contributing GBP 2 million to the World Food Programme (WFP) in Nepal to boost national capacity in transport and communication. DFID Nepal has also led preparation of a UK cross-government Earthquake Response Plan for Nepal, co-operating closely with the UK's Ministry of Defence and the FCO. The plan covers both London and the UK presence in Nepal, an innovative risk management approach that aims to ensure the UK can respond to a major earthquake.

Source: Interviews in Nepal (April 2014).

DFID engages in joint programmes and its leadership role is highly valued by partners

In both Nepal and Nigeria, the UK builds relationships with key players to strategically support decision-making and strengthen policy processes. It also works with other partners in a large number of sectors. DFID is actively involved in many pooled funding and co-ordination mechanisms at the country level – often in a leadership position. The team saw that the UK is a respected and trusted partner, bringing in solid expertise that is widely appreciated. In Nepal DFID is willing to listen to other partners and seeks their views on its future development co-operation programme. In a context where there are few development partners and ODA represents a tiny share of the government budget, DFID Nigeria engages proactively and pragmatically with the other donors to increase co-ordination and ensure complementarity. It is working jointly with others in many areas, sharing analysis and providing pooled funding.

International NGOs appreciate strong support from and open dialogue with DFID Nepal. Those benefiting from Programme Partnership Arrangements appreciate the un-earmarked, multi-annual funding that allows them to engage strategically in Nepal.

DFID's current focus on value for money and quantifiable results has led to a more selective approach to choosing partners and a more hands-on way of working with them. DFID has some UK-specific reporting requirements, which creates additional transaction costs. DFID partners would appreciate clearer communication on partnership requirements.

It is not clear to what extent DFID's increased emphasis on new kinds of partnerships (e.g. with non-DAC donors) is put into practice in Nigeria. International civil society organisations value DFID's openness and support. Greater clarity on the overall vision for DFID engagement with CSOs in-country would be appreciated.

DFID selects channels that look most effective, depending

DFID country offices have the latitude to select the channel that will be the most efficient for delivering a specific programme. DFID headquarters no longer appears to emphasise prioritising the use of country systems, putting the emphasis instead on reducing fiduciary risks. Both country offices have clear ideas about the role of UK aid in the national context, and this understanding drives their selection of delivery channels. In Nigeria,

on the context

a resource-rich, middle income country with endemic corruption, DFID does not provide funds to government. In Nepal one-third of the programme is delivered through the government, one-third through private contractors, and one-third through multilateral organisations and CSOs.

In both countries – though more so in Nigeria – DFID relies heavily on private contractors to deliver its programme. In Nigeria 75% of the programme is delivered through private sector companies, 20% by multilateral organisations and 5% by CSOs. At the same time, DFID tries to transfer knowledge and build national institutions. In both countries the team saw that DFID was committed to building national institutions over the long run. Still, DFID's endgame or plan for eventually using country systems more was not well articulated in Nepal or Nigeria, and some partners feel it could do even more to support capacities – a necessary part of the state-building effort.

DFID's approach to results and accountability in Nepal and Nigeria

DFID has clearly defined results targets and an impressive reporting system; it is building up the evidence base and using evidence to drive programming

DFID has clearly defined the results it aims to achieve in Nepal and Nigeria, which partners report has been useful in identifying shared objectives. Partners also gave examples of the focus on achieving results having created an entry for useful discussion of the best way to achieve desired outcomes. However, the UK's results focus has created additional reporting burdens and at times has become a barrier to collaboration. In Nepal and Nigeria the team heard that DFID has done a good job of balancing its results reporting, and has not let quantifiable results distort programming towards easily measured areas.

The Nepal operational plan includes clearly defined, quantifiable results targets in priority sectors. It aims by 2015 to: create 230 000 jobs, 50% of them for women; build 532 km and maintain 3 700 km of roads; reduce the climate and disaster vulnerability of 4 million poor people, of which 2.19 million women; support 2 100 minors and former Maoist combatants; and avert 108 000 unintended pregnancies. The country office is working to improve value for money by reviewing procurement and management processes and implementing due diligence processes.

DFID's dual-track approach to results reporting appears to work well in Nepal and Nigeria – with a good balance between reporting quantifiable headline results and other work focusing on long-term or qualitative results that can provide more useful information for programme management. In both Nepal and Nigeria the team saw examples of business cases that demonstrated a good understanding of evidence and drew on research and evaluation findings to develop a sound theory of change. Some of DFID's programmes have a regional knowledge building component; for example, GBP 4.9 million in Nepal to generate evidence on effective approaches to reducing maternal and infant malnutrition, and work in Nigeria to identify good practice in engaging with religious schools.

DFID has an ambitious approach to learning and evaluation

Both countries have significantly scaled up evaluation work in the context of DFID's embedding evaluation strategy (Chapter 6). There is a statistics, results and evaluation focal point in Nepal, as well as a value for money adviser. In Nigeria the team has not been able to recruit for an evaluation adviser post and is instead relying on one full-time adviser plus a locally recruited part-time adviser to cover statistics, results and evaluation.

**in Nepal and
Nigeria**

In Nepal the review team saw evidence that the staff are aware of the risks of over-evaluating. DFID Nepal has developed an evaluation plan and is moving towards a more strategic approach to evaluation, including support to government systems. DFID Nigeria also has an extensive evaluation plan, as well as strong operational research or evaluation components in many of its programmes. The country office has created a fund for enhancing programme effectiveness, which provides technical advice to DFID Nigeria programmes to help them use evidence and improve monitoring of results, risks and assumptions to improve performance. It also aims to enhance the accountability of DFID Nigeria by increasing confidence in the results reported and through better evaluations.

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UNITED KINGDOM

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