

International Development Sub-Committee on the Work of the Independent Commission for Aid Impact

Oral evidence: ICAI's review of DFID's partnerships
with civil society organisations, HC 2063

Wednesday 12 June 2019

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Members present: Paul Scully (Chair); Richard Burden; Mr Nigel Evans; Stephen Twigg.

Questions 1-35

Witnesses

I: Tina Fahm, Lead Commissioner, Independent Commission for Aid Impact, Willem van Eekelen, Team Leader, ICAI, Darren Welch, Director of Policy, Department for International Development, and Gerard Howe, Head of the Inclusive Societies Department, DFID.

Examination of witnesses

Witnesses: Tina Fahm, Willem van Eekelen, Darren Welch and Gerard Howe.

Q1 **Chair:** Thank you all for coming. I apologise for the late start. Richard is delayed in getting here, so thank you, Nigel, for stepping in to keep us quorate.

Let us launch straight into the report. Tina, can you give us a bit of background, in a brief opening statement, and your reasons for giving the red rating?

Tina Fahm: Absolutely. Our review found that DFID's work with its CSO partners is making a difference to people's lives. However, we noted that there were significant avoidable delays, which hampered the effectiveness of the CSOs' work. We regard it as important that DFID now improves the way it funds civil society organisations and revises its processes so that they are predictable, effective, reliable and transparent. That was the key finding from the review. We made five recommendations, which we hope will strengthen DFID's partnerships with CSOs.

Q2 **Chair:** Are you satisfied with the commitments, actions and targets from the response?

Tina Fahm: Yes. The Government's response was very positive and we are delighted to see that work has already commenced on the weaknesses that we identified, but I would draw your attention to one of the five recommendations. Four of the five recommendations were accepted and one was partially accepted. On the one that was partially accepted, the Government say that we incorrectly imply that DFID's programmes are not results focused. To clarify, we do not merely imply that; we have outlined our concerns very clearly in paragraph 4.47 on page 26 of our review, although we limit this observation to long-term results.

The Government then say that building local capacity is core to their approach. We recognise this from many ICAI reviews. However, concerning this review, we noted that work is often focused on those capacity elements that are convenient to the donor and have reduced risks for the donor. We did not see much evidence of support to develop local CSOs to fulfil their own mandates and their own objectives—we make that point in paragraph 4.20. The Committee might wish to probe further to find out whether DFID recognises that as a gap. Otherwise, we were content with the response.

Q3 **Chair:** Thank you, Tina. Darren or Gerard, do you want to respond to that?

Darren Welch: I have a few remarks. I am Darren Welch, director of policy at DFID, and the civil society work sits within my division. We found the report really useful. You will have seen that we partially accepted that one recommendation. It very much will contribute to the thinking that we are doing about how we evolve our work with civil society over time. It has been evolving since the CSPR.



We felt that the overall rating was not quite justified. We had a very frank discussion with our ICAI colleagues about that. I look back to the overall review scores from the opening part of the ICAI review and what they mean. It says that amber/red indicates “An area where improvements are required for UK aid to make a positive contribution.” We would argue that our work on society is making a very positive contribution. Of course it can do more, and we have got our own set of initiatives in place to try to improve that, but we would refute any suggestion that it is not delivering results or making a positive contribution, because we think that it is. It is a very significant part of what we do. It is 10% of our overall funding in DFID. That slight disagreement or quibble aside, we think it has been a really useful report, and it has highlighted some areas that we will want to think about as we go forward.

We have a spending review coming up, as you know. DFID is going through its internal strategy thinking at the moment. We have got a business planning process under way. Of course, we are in an environment of some uncertainty at the moment but, as we plan for the future, this is really useful.

Q4 Chair: What about the point that Tina raised about the recommendation on page 26 that you pushed back on?

Darren Welch: That was on the results focus, wasn't it?

Chair: Yes.

Darren Welch: We partially accept it, because we accept that there is scope for thinking about the longer-term impact of the work with civil society and how we can help maximise that within the limits of being a Government Department that has certain spending review parameters, but we do push back on the idea that we are not delivering results. Some results will need to be short term and some will need to be long term.

Gerard Howe: I am Gerard Howe, head of DFID's inclusive societies department, in which our civil society work sits. Like Darren, I welcome the review. We can talk about some of the positive processes of the review that both teams went through. We do welcome it. On Tina's point about whether we are doing enough to support the capability that organisations in the global south see as essential, which I think is Tina's point, I think that is work in progress. We would accept that and we would accept, exactly as Tina said, that the ambitions we set out in the CSPR—the civil society partnership review—were ambitious, and we are continually seeking to align our delivery to those commitments. We agree with that.

However, I would point the Committee to a set of things that we have been doing recently that we think are quite important in this space: building capability not on our terms, but on the terms that civil society has set out. One of the primary instruments that we delivered as a consequence of the civil society partnership review, which I personally think is one of the most exciting things we are doing at the moment, is the programme called UK Aid Connect.



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Under UK Aid Connect we have selected eight themes, from listening to civil society about what civil society wanted to work on, and it includes freedom of religion and belief. Importantly, it also includes civil society capability building. We made three awards to three consortia specifically on civil society capability—consortia of UK and southern-based organisations working to develop civil society capability, including in the global south—of £20 million. That work is underway at the moment. That is work on their terms.

I talk a lot about results. There are short-term results and longer-term results. UK Aid Connect is building the longer-term results of organisations' ability to work together, innovate and co-create, and we are pleased about that. We are making some of those contributions.

On localisation, the shift of power from north to south is a long-running and difficult debate, but something that we are committed to engaging in.

Chair: Thank you. We will come back to some of these areas in a second.

Q5 **Mr Evans:** You heard the push-back there, Tina.

Tina Fahm: I did.

Mr Evans: I know you have different roles, but you both want to ensure the efficiency of the Department—massive budgets and all that. Tina, how do you think the Department got itself into a position where it had this amber/red warning?

Tina Fahm: To answer the question of the score directly, we accept that DFID values its partnerships with CSOs, but we had great doubts about its work in supporting the long-term success of these organisations, notwithstanding what we have heard this morning. To speak to the amber and the red, our core concerns were essentially about the weak management systems, which led to delays and disrupted the work of the CSOs, limiting their ability to make an impact.

We noted that strong accountability mechanisms were in place, but you will be aware that ICAI has been before this Committee before, and we have drawn to your attention our concerns regarding the shrinking civic space. Again, this was a concern that arose during the review.

Finally, with regard to the CSOs themselves, there was this question of sustainability and the extent to which DFID is ensuring that the good work, the impact they are making, the learning and the innovation is sustained. We have heard a bit more about that this morning, but it sounds as if it is still early days and a work in progress. We would have liked to see that early on.

That said, regarding DFID's CSO partnerships, we saw some good work on the ground, but we thought that, without the delays that we have highlighted, those results could have been even better.

Q6 **Mr Evans:** How will you now monitor whether or not there will be improvements? What are your processes for that?

Tina Fahm: The ICAI process is that in a year's time we will do a formal follow-up, which we will report to this Committee. If there is time, may I bring in our team leader for the review to say a few words?

Willem van Eekelen: I have a couple of positives about the report. It is an amber/red score, but we also point out that DFID is actually quite a good donor once the contracts have been signed. We point out that there are a couple of potentially transformational funding mechanisms that are yet to bear fruit but are very promising. UK Aid Connect is one of them. It may well be that when we come back next year and look at those capacity building endeavours, it comes out bright green.

Stephen Twigg: Is that a new category?

Willem van Eekelen: It is entirely possible. So why is it amber/red? What happens with UK Aid Connect is a good illustration for these three programmes that Gerard referred to. You have this innovative fund, and a consortium does something innovative and exciting. There is real momentum. They say that it will all start in August 2017. Everybody in the sector feels that this is going to be enormous, but then it does not happen that year or the year after. It is only in December 2018 that finally the contracts are signed. You can have all the green in terms of project design, but if there is a 16-month delay, you suck the life out of it.

Q7 **Chair:** Can I just ask you about the methodologies here? The three centrally managed instruments, which you looked at, amount to about £750 million of CSO funding up to 2025. Given that the majority of the CSO support is administered through country offices, can you be certain that the centrally managed instruments are representative of the overall picture?

Tina Fahm: Let me start by clarifying that our sample did not concentrate solely on the three centrally managed funding instruments. We also assessed the results of in-country grants, which totalled more than £400 million. Our approach was based, essentially, on our two country visits and the data we were able to gather from that.

On methodology, this is the first ICAI review that has benefited from a two-stage sampling approach. We did that deliberately to be able to capture the diversity of the different types of CSO organisations that DFID funds. Having undertaken the country visits, we came back and convened a roundtable of different CSOs, presented the initial findings and said, "Are we on the right track?" From that, we were able to identify gaps and proceed with our sampling. So it was much wider and representative of the sector.

Q8 **Chair:** Why did you pick Bangladesh and Ethiopia?

Tina Fahm: This was a positive choice, and it was developed as part of our methodology. I will invite Willem to say a bit more in a minute about the process we went through. I think it is important for DFID that it hears that, as part of that selection process, we were cognisant of the impact that ICAI country visits have on country offices. We did bear in mind that

we did not want to overburden country offices. Both countries were a positive choice, which we believed would add to our findings. One was based in Africa and the other was based in Asia.

Willem van Eekelen: First, only 10 out of the 28 case studies were the three centrally managed funds, so it was not really biased towards those three centrally managed instruments.

We selected the countries on the basis of the volume. There needed to be significant programming. It needed to be humanitarian and development, and there needed to be in-country funding and centrally managed funding. It needed to have some history to investigate. It needed to have interesting developments in civic space and a UK position on that.

Out of that came four or five possible options. Bangladesh and Ethiopia were the ones that we chose, for the reasons that Tina just outlined, as a positive choice rather than as a last resort.

Q9 **Stephen Twigg:** If I can start with DFID, in the civil society partnership review published in 2016, the Department set out its objectives for work with CSOs, which largely reiterated previous objectives but no longer featured the specific objective, which had been there before, for supporting poor people to do things for themselves. Was there some reason why that specific objective was not included?

Gerard Howe: I think our hypothesis was that that was actually integral to the entire objective of our work with civil society. Civil society should be representative of the people it serves—the poorest in the world—and accountable to them.

Q10 **Stephen Twigg:** With regard to the value for money of working with CSOs, as opposed to other delivery mechanisms, what is the evidence base for the conclusion that CSOs offer good value for money?

Gerard Howe: Civil society, as you will appreciate, is an extraordinary broad church, from tiny organisations with no paid staff, which we fund through the small charities challenge fund, to very large delivery organisations, such as Save the Children, Brac and others. A single definition of value for money across those is really important.¹

In the report, ICAI points to three elements of value for money that are really important about civil society: that civil society is at its best when it is rooted in communities, that it therefore has that element of trust, and that it has time periods and funding that go beyond donor cycles. That is a really good starting point.

It is also about what one does with broader resource. To bring you back to UK Aid Connect again, Restless's proposal for work on civil society effectiveness pitches the point that by working with youth groups and youth-led civil society, they will influence more than £70 million of development funding, and make that more effective, more efficient and

¹ Correction from witness, meant not viable, rather than really important.

more equitable. I think that is really important. When you look across those four Es of DFID's value-for-money framework—effectiveness, efficiency, economy and equity—you can describe a story where civil society contributes to each of those. That is something we do monitor.

Darren Welch: Civil society gives us a type of value that we do not get elsewhere. By working with civil society and strengthening their ability to deliver, we hope to make a long-term, lasting impact. That kind of value is really hard to capture in metrics, but we believe that it is there. There is no doubt that the CSPR put a different sort of emphasis on value for money. We had the supplier review and things going on at the time, and we have firmer contractual arrangements that came in after that. There is of course, within civil society, an internal market and a way of getting value through the different types of proposals we get. We will then assess those as they come in. There are a number of different ways that we approach the subject but, as Gerard says, it is a very diverse sector, so you cannot apply one model that would work in every circumstance.

Q11 **Chair:** You talked about an advantage of civil society being in the longer term. Instinctively, I agree with that. One of the concerns that is raised with us is about the nature of the Department's funding and that it is often not long term. Is that something you are looking at?

Darren Welch: We are. We can fund up to five years. There are structural reasons to do with the delegated authority we have from the Treasury that mean it is hard to make commitments that go beyond spending reviews and Parliaments. Within those, country offices obviously find ways to extend funding, so you will find long-term approaches that country offices are pursuing. I used to run our office in Tanzania and we had a number of partners there that we had been working with over various heads of office's tenures as we built long-term capacity. There are some structural issues. I would say that five years, in the end, is not a short period. There is also a need for some very short-term, fast interventions, so we would not want to lose them as well.

Gerard Howe: May I make one further point, which is also pertinent to Tina's point about long-term investment capability? It is something that is somewhat unheralded, but I want to get across to the Committee how important we think this is. As we were developing the civil society partnership review, one of the things that civil society organisations consistently told us was that we and other donors did not meet the full economic cost to those organisations of delivering the grants that we had agreed. As you know, it is Government policy to meet the full economic costs. A clear commitment in the civil society partnership review was to revise our approach to overhead costs.

Generally, the sector analysis is that we were probably paying around 50% of the true full economic cost. Specialist organisations such as Humentum, which works on building civil society capability, described that as a starvation cycle for organisations—organisations take on grants that they cannot afford and therefore end up cross-subsidising, either through unrestricted income, for the small number that were lucky enough to get

it, or through their supporters' financing. That is not a healthy place for civil society.

On 1 April this year, DFID published our new approach to cost transparency and recovery of overhead costs. What that does, in the words of Humentum, is that donors who pay fair overhead costs are investing directly in innovation, scale and long-term sustainability, because we are meeting those eligible costs, for example on strategy, training and management. If you take the fact that our total funding for civil society through the bilateral programme is £1.5 billion, and you look at potentially doubling the overhead cost, that is a very significant contribution that we will make, not only to the 235 organisations that my Department works with, but to all those other organisations, and principally, at the point of delivery within those organisations themselves, so not a separate programme.

We think that has enormous potential for supporting the overall health of the sector, alongside other measures—it is not the only thing that you can do. Humentum has described that as both brave and visionary by DFID, which we were pleased with. We have co-created that with CARE, Farm Africa and Bond, and we think it has the power to make a real, significant difference to the points that ICAI is helpfully raising about long-term systems.

Q12 **Chair:** Tina, what do you think of that?

Tina Fahm: It is very much welcomed. Notwithstanding any funding restrictions that the Department may have to work with, we would argue that if the processes are predictable and reliable, so there is not a gap between each funding round, that in itself would be a great start.

Q13 **Richard Burden:** Apologies for lateness; if I end up repeating anything, I hope you will forgive me for that. My first question is to you, Tina and Willem. In your review, you argue that the stringency of conditions and requirements on the CSO funding is putting unnecessary administrative burdens on the CSOs, and the result of that is that inefficiencies are created. There is presumably a balance to be struck here, so what would you say the right balance is between transparency and accountability on one side, and making sure that aid gets to where it really needs to go?

Tina Fahm: Our review found that DFID has recently introduced more stringent requirements to promote transparency and accountability in UK aid, and we welcome this. However, the conditions that we observed are not as flexible as we thought they might be. Specifically, our review found inefficiencies in the way that grants are awarded, particularly regarding the delays that we have already spoken about around the tendering or re-tendering processes.

We also identified some practices that we considered burdensome or potentially burdensome, such as the requirement for monthly reporting, and we wondered about the extent to which this would distract from frontline delivery to preparing reports for DFID. Thirdly, we noticed inflexibilities, often around changes within the CSOs themselves, so those



are three headline areas where we thought greater flexibility would benefit the partnership between DFID and its CSOs. We concluded that DFID needs to review its criteria and streamline its requirements to what is absolutely essential, because I am sure you will agree that just having more rules and regulations does not always result in better outcomes.

Willem van Eekelen: Why do you want transparency and accountability? Primarily, in order to first maximise the long-term impact and results of your work, and second, mitigate and minimise the risks of doing various kinds of harms, right? Those are the two primary purposes. If, then, you have so many terms and conditions that you actually impede CSOs' ability to deliver that, then the balance is no longer correct. That inevitably happens with every donor in the course of a number of years, because you occasionally add criteria and terms without ever removing them, because everything seems individually important. You need to sweep your house occasionally. That is one.

The second thing is what Gerard just said about the new full cost transparency. It is a good step forward, because in order to meet transparency and accountability criteria, we need to have the financial means to do so; otherwise, you erode the long-term capacity of an organisation. That is a very positive step; the sweeping would be a very positive next step.

Q14 **Richard Burden:** DFID, do you have any views on that?

Darren Welch: Yes, I'll say a few things to start off, and then Gerard will come in. I think you are right: this is about getting a balance. We have an obligation to steward taxpayers' money well and demonstrate that we are getting good value for that, and then to protect the people who we want to benefit on the ground. Managing that is very difficult, and requires us to make judgments, but to put systems and processes in place that can give us, and then you, assurances.

We are very conscious—perhaps particularly this week, but in recent times—of the damage to the sector that can happen when things go wrong. We take very seriously our responsibility to protect and to steward taxpayers' money. Whether, over time, things have accumulated in a way that is disproportionate is something we are happy to look at, and we have a range of processes under way to do that, which perhaps Gerard will say something about in a moment.

It is worth saying that we provide a lot of support to the applicants to our processes, particularly through the small charities challenge fund. They give a lot of help to comply with the processes we have, and we have streamlined them for the smallest organisations, so they have a less burdensome process. I would like to come back to the issue of delays at some point, or perhaps now, but that seems to be something that has been raised in a number of questions. We have not quite tackled it, so at some point, perhaps we should do that.

Gerard Howe: As Willem has said, and as Darren has reinforced, this is an issue about understanding risk, being commensurate and flexible about our understanding of risk, and working with organisations' capabilities. A lot of the period of the review coincided with the safeguarding crisis, and I have sat in front of you to answer questions on the safeguarding crisis before. We know that that was extraordinarily disruptive.

We would not ever apologise for asking organisations to demonstrate that they can put safeguarding implementation into place, nor would we apologise for work that supports organisations to be their own best stewards. It is not ideally the role of DFID to be the stewards of that resource; it is of organisations. We see two things coming through the small charities challenge fund. First, people feel that some of our processes are onerous.² Secondly and importantly, they say that the support that we give them is useful, and that the capability that they build as a consequence is enduring and enables them to bid for other funding going forward.

I agree with Darren that it is worth looking at that accumulation, because it accretes over time, and we should have a look at that, but we have taken a more proportionate response to our smaller organisations. We have taken a proportionate approach to due diligence and to safeguarding. Just as an example, with our smaller organisations we do not rule somebody out because they do not have a policy. We might say, "That's really important to us. We will work with you to develop that policy so that by the time of the signing of the grant you have that policy in place." That will stand them in good stead for later.

- Q15 **Richard Burden:** Could I ask you to reflect on how far you think that the move towards project-based funding contributes to problems here? ICAI has suggested that the new project-based funding arrangements have the potential to drive up costs, creating income volatility, and that that could be another way of, in practice, inhibiting CSOs' capacity to experiment and invest in long-term strategic thinking, presumably particularly among smaller CSOs that will not have any critical mass around them of funding in place. Are you concerned that that could affect the long-term health of the civil society sector?

Darren Welch: I think you covered a bit of it, Gerard, so I will invite you to say a bit more about that, but there is no doubt that a decision was taken by Ministers at a certain point in the CSPR that we would move away from our process of core funding a relatively small number of large NGOs, and we would move to a more project-type base with a focus on results and outcomes in a different sort of arrangement that would spread our support to a wider number of civil society partners.

That is a process that we have been implementing for some time, but it does not automatically mean that there is not capacity-building support for

² Correction from witness, witness clarified he was making the opposite point – that charities generally speak positively about the experience. Witness believes he said, "most people don't feel that our processes are onerous".



the organisations that we fund. The distinction between core funding and programme-based funding, with one allowing corporate and sector development and the other somehow not permitting that, is not quite the right way of thinking about it. We hope that the way that we are implementing project-based funding is providing the space for NGOs to develop their own capacity and to lead to a really vibrant and very diverse sector. We are improving the way that we do that further still, which is what Gerard was saying about cost recovery.

Gerard Howe: Therefore, we would reject any assumption that capability-building, investing in the sector, is impossible in project funding. As Darren said, DFID has been project funding for years. The CSPR was not a move away from that; it was a cessation by Ministers, under a ministerial decision, to stop an element of core funding. We would reject the contention that it is possible only with unrestricted funding. That is not the case, and the sector would not agree with that; it is important.

However, we are also making those contributions. One of the things that I would like to share with you today is that just this week Ministers have agreed, for example, that we will put in place six new capability grants to networks across the UK to build the capability of charities to function as organisations. That is project-based funding, but it is not project-based funding as in buying three widgets; it is actually supporting the capability of organisations. That is brand-new, so there will be six new grants.

Similarly, we are going to trial renewal grants—taking great projects that are under way in the small charities challenge fund and giving people more years to implement and scale them. There is also the work that we have been funding in Bond, in the past five years since I have done this job and long before, to build the capability of its members on finance, future and all those sorts of things. Project financing is a broad church, and we believe that capability building is possible within it.

Lastly, I would say that UK Aid Connect, again, is project financing, but actually that was a pretty loose idea about aspiration that has been co-created by the consortia. There is more flexibility, we would argue, and the aims that we subscribe to—while we recognise and agree with ICAI that we are not fully there yet—are under way.

Q16 Richard Burden: Does ICAI have any thoughts on the project-based funding issue?

Willem van Eekelen: Yes. I think that the three UK Aid Connect initiatives that you have just described are a positive step. The six new grants are a positive step. Of course, it can be project-based; the project-based things that we were referring to are about buying this and doing that, rather than building the capability of the broader sector.

I would say that these are positive steps. In our past review periods, we did not see those three UK Aid Connect things, because they did not exist yet, and we did not see the six projects that you were just referring to, because they had not even been conceptualised yet. Moving forward, I



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look forward to the first year post review coming to the conclusion that this has changed and improved.

- Q17 **Richard Burden:** Could I bring you on to UK Aid Match, which plays a role in increasing the financial contribution of the public to certain appeals? What are DFID's criteria for selecting which appeals should and should not be open to UK Aid Match?

Gerard Howe: We are very proud of UK Aid Match; it is one of our most successful programmes, as you know, and it does play a role. We may come back to knowledge gaps, but it was certainly one of the knowledge gaps that ICAI recognised and it is one that we are taking forward in terms of understanding its impact.

UK Aid Match is a slightly unique instrument. It actually assesses two things. When we look to approve a UK Aid Match proposal from our partners, we look at two things: the quality of their campaign and the degree to which it will reach and reinforce people's positive views and engage them on international development, but also the quality of the project proposal and what they will do with the money that they will raise through the campaign and we will match. We look at those two together as an integrated package.

You may have further questions about UK Aid Match, but that has further implications for the way we manage it. Let me stop there, and perhaps you might want to ask more questions about it.

- Q18 **Richard Burden:** Actually, I was going to ask you something about the matching cap, but perhaps we should stay on the issue of selection criteria. I understand that you look at the campaign and the objectives for where the money is going to go, but—

Gerard Howe: Ultimately, the money must be used to make the greatest possible impact on poverty reduction. The quality of the project proposal is really important to us.

- Q19 **Richard Burden:** The cap has been reduced from £5 million to £2 million.

Gerard Howe: That's right. Would you like me to tell you the reasons for that?

- Q20 **Richard Burden:** It could be said that that acts as a disincentive to the public to donate more money.

Gerard Howe: I think we would disagree. There are at least 12,000 registered UK NGOs with an overseas development purpose, with something like 500 in Wales and another 800 in Scotland. The British public's approach to international development is very diverse. One of the stated aims of the civil society partnership review was to increase the diversity of the partners we work with.

There were two reasons why we lowered the cap from UK Aid Match. The first was to increase the diversity. Within a set programme, which is within my budget, I had £85 million left for the rest of UK Aid Match 2. If they all



came in at £5 million, obviously that is one particular number of projects that we can fund. If we reduce the cap to £2 million, we can increase the diversity of organisations and the diversity of reach and campaign. What we found was that actually, three quarters of our partners raised below £2 million in their campaigns anyway, so reducing the cap from £5 million to £2 million would affect only a quarter of our partners. It is increasing the diversity and impacting a minority of our partners.

Lastly, to come back to your question about how we select UK Aid Match programmes, there was a risk here. When we select—and British Asian Trust was a classic on this—the organisation comes and says, “We expect to raise £1 million. Here is our £1 million project. We are an organisation that can manage £1 million.” Now, British Asian Trust went from £1 million to—they had a phenomenal campaign and they raised £4.5 million in that campaign, I believe. Suddenly, they have a project that was fit for £1 million with £4.5 million in it. We assessed the organisation to manage £1 million; there is a disjuncture there, and therefore our internal audit flagged that as a risk.

We feel there is now around £35 million left in the UK Aid Match pot going forward. That increases our diversity; it means that we can support smaller organisations. We have seen a marked increase in small organisations being successful in UK Aid Match, and we think that is right too, because it is about greater regional diversity and engagement.

Q21 Richard Burden: Match funding has two overall objectives, hasn't it? One is literally to provide more buck for the bang, if I can put it that way—you actually put more into it—but the second is that it is meant to have some kind of effect on public attitudes, going towards increasing the amount of money that comes in from the public.

Are you planning to systematically review what impact match funding has on public attitudes? That would be relevant to the issue about the cap, really—whether reducing the cap might increase the range of NGOs that you would want to support and be able to support with the money you have available, or whether actually reducing the cap also potentially has an impact on public attitudes. I guess the jury is out on it, but are you systematically reviewing that?

Gerard Howe: The short answer is yes. The evaluation began in October of last year, and it will be reporting through this year, so we think that is really important.³

There are a range of anecdotal responses to this. I meet people who say that their supporters said, “Well, if the Government are going to match, I'll put in even more.” There are other people who say that the UK Aid Match—that flag on the appeal that you see on the tube, on the buses or elsewhere, like Islamic Relief Worldwide recently—acts almost like a kitemark, and that also attracts donors because they say, “Well, if the UK Government think this is worthwhile, we will come in.” Those are to be tested; both the breadth and depth of engagement and changing public

³ Correction sent by witness “The evaluation will report in August/September 2021”



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attitudes are things we want to test through the evaluation, and that is under way—again, perhaps later than ICAI would have liked, but it is under way and will form our thinking for any future UK Aid Match programmes beyond 2020.

Q22 **Richard Burden:** Does ICAI have any thoughts on those responses?

Tina Fahm: We welcome the changes that Gerard has outlined, and we will certainly follow up and report back to this Committee in a year's time.

Q23 **Chair:** Tina, shall I come back to the delays that we started off talking about, just to get it right in my head? You were citing paragraph 4.47, weren't you?

Tina Fahm: Yes.

Q24 **Chair:** You were talking about 4.49 and 4.50, about the delays in the grant-making and contract-awarding process. Can you just go through again the evidence that you have for the delays? I think, again, you cited one that took 18 months to sign a contract—no, that was Willem, wasn't it?

Tina Fahm: I will introduce our concerns, and then invite Willem to perhaps give more detail. Our evidence consistently showed that nearly all the grants and contracts that were concluded during our review period, regardless of the type of grant or contract or, indeed, the size of the civil society organisation, were delayed compared to the original timeline. Sometimes, we found that calls for proposals were cancelled altogether after the CSOs themselves had made considerable investment, in some cases, in developing proposals. We found that these delays often lasted up to a year, and in some cases continued even after the grant agreement had been signed. Our concern was that this ultimately affected the results that were delivered by the CSOs.

Willem van Eekelen: Internally within ICAI, we score evidence one, two, three or four, depending on the weight of the evidence. The evidence on this particular issue is a four super bonus plus—it is really, unambiguously clear that there have been systematic delays in almost every type of grant agreement.

Why is this a big deal? Partly because it affects the results of the work, and partly because it drives out the momentum that organisations feel when they have consulted their constituents, they know what communities want, and this is the moment to do it—the Government of Afghanistan now has an education policy ready and we need to seize the momentum, and so on.

It also has another disadvantage. The senior management time, or the time of the boards of trustees, ought to be spent on strategic thinking—being visionary, asking, "What do we want to achieve 10 years down the line? What is our strategy going to be and how are we going to get there?" In reality, what you get when you get this funding volatility and the uncertainty, unreliability and unpredictability of funding, is that senior management time and those trustees' time is going to go to that—"Where

are we going to pay the salaries from next month?" Then you undermine not just the programme; you undermine the overall organisational functioning.

Tina Fahm: This review was predicated on three key questions: relevance, effectiveness and learning. This point speaks directly to effectiveness.

Q25 **Chair:** Fantastic. Darren, can you tell us about the effects and what you need to do to tackle them?

Darren Welch: We acknowledge that delays are difficult for civil society and we don't want delays either. We are just as eager to get on with the project in Afghanistan, seizing the moment. For us, too, this is difficult. I think we are all aligned in what we want to achieve.

The period you looked at was quite a turbulent time and you acknowledge that, which is helpful. We have had a referendum, we have had changes of Ministers, we have had a general election, we have had a safeguarding crisis; all of which have had their own impact on the different funding streams.

We know we can do better, so we take this one on the chin. We are looking at ways in which we can be much clearer, as well, when there are delays. Things will happen; times are still quite turbulent. We will be much clearer with civil society about what has happened and what the new timelines look like. We will keep them better up to date.

We are also looking at making sure that we don't squeeze their time to produce proposals, because we obviously want them to be the best quality they can be. Even where we are finding that our timelines are squeezed, we will protect a period of time—12 weeks possibly—for civil society, so that they have ample time to produce a top-quality proposal.

Gerard Howe: Like Darren, we recognise this and that there is a cost. The principal cost is not necessarily a question of time; it is a question of predictability. That is also really important. As Darren says, we are committing to saying that we will hold 12 weeks between the opening of any proposal round in my Department and the closing of it. People will know that there is a defined 12-week period in that. We will account for our performance against that, holding the space. I think that will help—No. 1.

No. 2 is exactly as Darren says: we will also ensure that we are very public and clear about the steps after funding applications. Pre-funding application is where I am pulling this up. Where there are changes, we will commit to sharing those clearly and explicitly. We recognise that there are costs.

As Darren says, we also work in a very fast-moving political environment and at times we have not managed discontinuity—which, as Darren says, has been extreme over this period—as well as we would have liked. We would slightly take issue with some of the characterisation. For example,



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the Bond Connect programme was announced in February 2018, not December, so we were moving forward, but we recognise that it took longer than we would have wanted.

- Q26 **Chair:** I have heard a lot about this. You talk about the 12 weeks, which sounds like a buffer to me. You talk about explaining it better to CSOs. Obviously, you can't control the political turbulence; I understand that.

Is there anything you are doing specifically targeted at reducing delays in general? You talked about having a 12-week buffer, but I'm not sure I have heard anything yet about how you can work to reduce the delays with better management practices. Is there anything I've missed?

Gerard Howe: Obviously, one thing we will do is look at that. We have regular discussions with Bond and our members and what that feels like on the other side. On the predictability point, you are right that it is a buffer but it is about the predictability of it, which is the most important thing. That in itself will be extremely useful, and being as transparent as possible. We welcome ideas, if you have further.

Willem van Eekelen: May I make a correction? The 12 weeks is not an effective buffer; the 12 weeks is what DFID will allow civil society organisations to take, in order to produce a proposal. So very often it was far less than that, and that then leads to a transparency and accountability issue, where the board of trustees for a sizeable proposal are accountable for signing it off but they don't have time to read it, because by the time it is finally ready—as people work through weekends and stuff—it needs to be submitted.

So, moving it from six to 12 weeks is a fundamentally good step. It enables organisations to go out and talk with the communities they aim to serve, to talk internally and then to feed it up to the senior management and the trustee level. That actually extends the period, which we are not objecting to. We are not saying, "This period is taking too long." We are saying, "Here it is, late." It is far better to say, "This will take a year" than to say, "This takes half a year," and then for it to take a year.

Chair: I understand.

Gerard Howe: It is avoiding that sunk cost, essentially.

Darren Welch: It is shifting the risk and the burden to us, to make sure we can preserve that 12-week period and we don't eat into it with our own processes.

- Q27 **Chair:** Would you consider setting targets to reduce the time to award grants, or do you think that 12 weeks is—?

Gerard Howe: It will vary according to instruments. One of the things we have done—you were asking what we have done to improve or to learn—is with the small charities challenge fund. That first round took us nine months, from opening to awarding. We have now reduced that to three months, because we have looked at our processes, listened to our charities and made that far more measured on a risk-based process.



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So we continue to look for ways in which we can reduce that, while obviously meeting the important bits about due diligence going forwards.

Q28 Chair: Tina, is that response robust enough?

Tina Fahm: It is a robust response, Chair, but it is still in the future. Going back to the management response, we welcome the Government's response; we think it is very positive and we are pleased that work has actually started. It is excellent that they have accepted our findings in the spirit that they have.

Q29 Stephen Twigg: On the issue of providing support for smaller CSOs, this—as you will know—is something that the Committee has long supported and advocated, so we welcomed it when it appeared in the CSPR. But what ICAI has concluded is that that policy choice to increase the diversity of DFID's partnerships is not rooted in evidence. How do you respond to that?

Gerard Howe: The evidence that we are looking for is that we think civil society is at its best when it is pluralistic, innovative and reaching a whole range of initiatives. For DFID, to have a very small group of monolithic organisations with whom to work in civil society does not seem to be a creative way of responding to this broad-brush poverty reduction goal that we have.

We need to build up the evidence about working with small civil society organisations. Again, ICAI recognised that was a gap that we had; again, that evaluation is now under way. So, through the small charities challenge fund we will evaluate the assumptions that people make about small charities—that they are more innovative, quicker and more flexible, and that their overhead costs are lower. There are many of these assumptions, some of which, we know from personal experience, are true, but not all are true and it depends on the organisation. So we want to have a look at that.

However, we are pleased that under the small charities challenge fund 64% of our organisations are from outside London and the south-east. The average annual income is now £83,000. So we are reaching a part of organisations that we have never reached before and we are getting a lot of good feedback on that.

Tina Fahm: We welcome the work that DFID has done to engage small charities: the roadshow that it undertook; the way that it has made its criteria and processes simpler, for eligibility payments and so on; and the work of the small charities challenge fund that it is making. We also note the recent development of the Jo Cox memorial fund, so this is all great work.

However, we agree that more could be done by DFID to track the impact that this initiative is making. This is vital, because of the possibilities that engaging small charities offers.

Q30 Richard Burden: The decline in civic space globally is something that has



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been noted for a long time. A review in 2010 noted that there was a pressing need to focus on the operating environment, and a number of DFID documents over the last nine years have identified that need. One thing that ICAI found is that DFID does not have a guiding framework for country officers, for analysing that and for responding to a shrinking civic space. I understand that DFID has said that it needs to provide that guiding framework, but it hasn't happened. Why, and when are you going to do it?

Darren Welch: Can I make a couple of points on that? As you say, this has been a concern for a while, but we have been working on this issue for a while. I remember that when I was running the Tanzania office, we had a big governance programme that was dealing with exactly these sorts of issues—the pressure on civil society and shoring up local actors to enhance their voice and ability to challenge the Government and make points on behalf of the most marginalised.

This isn't a new area, and I wouldn't want you to have the impression that it is something that we haven't been focusing on for a long time, because we have. What has happened is that it has become much more accentuated. When I look across the bit of DFID that I look after, I see this closing space of civil society, but I also see attacks on sexual and reproductive health and rights, which is linked to that, and attacks on LGBT organisations around the world. This is part of a bigger trend that, in recent years, has become more severe.

It is certainly impacting on our country offices, their relationships with civil society and the work that they are doing. It is an area where we work very closely with the Foreign Office, because often the reasons for the closing space are intensely political. Programmatic responses are only part of the answer. Some of this is about our diplomatic and other engagement with Governments.

We are acutely aware that the framework that you talk about can add more value to our work in this area, as ICAI said. That is currently under production, but I will let Gerard say exactly when we are to expect that.

Gerard Howe: This was a shift that we signalled in the civil society partnership review. We recognise and accept that we have not made as much progress on undoing this as we would have liked since we launched the civil society partnership review, but as Darren said, this is highly complex.

I would point to a couple of things. One is—sorry, you will be bored of hearing me saying these words—that UK Aid Connect has a theme on open societies. We are funding article 19 to work towards empowered, independent and informed civil society. We have a £12 million grant in places like Burma and Kenya. That is a direct programming intervention.

Secondly, over the last few months, the team has been doing an internal survey of 22 DFID country offices on exactly this. One of the really interesting findings coming out is that three quarters of staff in those



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offices say that the closing space is inhibiting our ability to deliver development objectives across the piece. As Darren says, whether it is sexual and reproductive health and rights or anything else, closing space is having that impact. We entirely share the analysis with others like Carnegie and the Open Governance Partnership that that civic space is shrinking. We also share the analysis that it is highly complex.

We are committing to develop a framework, and we are working alongside civil society and academics as we do so. We will have to be circumspect about what elements of the framework we publish. For example, Darren mentioned LGBT. LGBT groups in Uganda and Kenya have told us, "Do not publicise what you are doing, because you put us directly at risk if you do." We will share those tools and develop them with the Foreign Office. As Darren said, there is really good work in places like Pakistan—in really tough political environments. We will continue to use the levers that we can across Government.

Closing space, localisation and futures and technology are three of the most important policy areas for our civil society team, going forward. As Darren says, we have made big commitments on disability, on women's rights organisations and on disabled people's organisations, where the climate is not going to be possible in an environment where civic space is shirking.

Q31 Richard Burden: Roughly when do you think you might have that framework in place?

Gerard Howe: In the autumn.

Q32 Richard Burden: You mentioned working with the Foreign Office—no doubt as you say, that will have been happening on the ground in country—to address specific issues of closing civic space. Is the framework going to be a cross-Government framework or will it be something specific to DFID? Beyond that, what work is going on with other donor countries to address the issue?

Gerard Howe: That is partly why my sister department, the governance, open societies and anti-corruption department, funds the Open Governance Partnership, which is about bringing people together to make it consistent. You are absolutely right: it is not DFID alone that can secure these sorts of changes. There needs to be a concerted effort internally and externally.

Whether the framework is badged as a cross-HMG framework or not, we have not yet decided and we will work through that. I think the priority that ICAI mentioned was to ensure that our country offices and those working at country level have a way of understanding this and working it through. We will focus on that objective and think about this and the overall badging as we go forward.

Darren Welch: The point you make about country level is really important. There is usually a very strong convergence under a country plan between what the Foreign Office is doing on human rights and the



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political environment and what DFID is doing programmatically on governance. We are thinking about how we can strengthen that. There is a new roving ambassador for human rights at the Foreign Office. That is somebody we are working closely with, to think about how we can, at country level, draw them out even better than we are at the moment. There is lots of potential for good cross-Government work in this area. It is never more needed than now and we are acutely aware of that.

Gerard Howe: It is about finding those horizontal ways across sectors to work on this. We are also supporting new work on freedom of religion or belief. Those same factors that inhibit freedom of religion or belief inhibit other elements. That is what we are trying to change.

Darren Welch: And media freedom, which is a big policy of the Foreign Secretary at the moment, of course.

Q33 **Richard Burden:** Does ICAI have any observations on that element?

Tina Fahm: We welcome these initiatives, but once again they are all work in progress. I would remind the Committee that we have made this point before, from a number of reviews. It is a concern that is particularly pertinent to this review. It is fundamental to the effectiveness of civil society organisations. We would have liked to have seen these initiatives in place earlier, but the steps that DFID is now taking are welcome.

Willem van Eekelen: This is not a recommendation that is the same as the other recommendations. It is not a set of recommendations—it is a set of recommendations, plus one titanic thing. You need to put that on the agenda and keep it on the agenda, because you can do whatever you want, but if civil society continues to shrink, it will miss the bigger purpose. So it is a standalone meaty recommendation in need of continuous attention.

Q34 **Stephen Twigg:** I will pick up on that and then ask about safeguarding. I welcome what we have just heard. We have decided in principle that the Select Committee will undertake an inquiry on SDG 16, seeking to look across the piece at all of the elements of SDG 16. Clearly, civil society space and some of the other issues you have referred to, including human rights concerns—although that is not the language used in the goal itself—will be at the heart of that inquiry. We are still working on what exactly the format and terms of reference will be for that.

I wanted to ask about safeguarding. Both Gerard and Darren have referred to safeguarding. I will come straight to ICAI on this one. In the review, you say that ICAI will look at the aid sector's progress towards verifiable compliance to safeguarding standards. Are you able to tell us a little bit more about that? What are the issues that the review will explore? Have you yet decided what sort of timetable there will be for that review?

Tina Fahm: Essentially, that is work in progress for the new ICAI commissioners. It is very much front and centre of our thinking and the work that is being developed at the moment. At the moment, all we can



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comment on is the work we undertook relevant to the CSO review. Regarding DFID's partnership with CSOs, we were pleased to see that DFID rightly reacted quickly when the safeguarding crisis broke. They did so by strengthening their compliance processes and code of conduct. Again, however, those early steps and the impact they are having throughout the sector is something that ICAI will keep in view as it continues its work.

There are some high-level observations. We feel that the compliance-based approach that DFID has introduced needs to be implemented in parallel with other providers and donors across the sector. As I am sure you realise, we are talking about cultural and structural change—for example, working to reduce the imbalances of power between donors and beneficiaries, and developing a “safety first” culture in humanitarian contexts. More importantly—this is not solely down to DFID—resolving this sector-wide problem of the ease with which people who have been fired or dismissed can be reemployed elsewhere in the sector. This is a huge agenda, but the initial steps that DFID took were ones that we felt were positive.

- Q35 Stephen Twigg:** Thanks, Tina. Obviously, I absolutely echo everything you have just said about the compliance elements being important, but that this is about power, equality of power and some very challenging contexts in which to deliver this. The point on people easily moving from one job to another was, again, obviously addressed yesterday in the Charity Commission's report, and we will be pursuing that further as a full Committee. Gerard, did you want to say anything in response to that?

Gerard Howe: Only to agree with everything that you and Tina have just said. Obviously, we have been reminded again this week. In fact, with the publication today of the independent commission report, this is fundamentally about culture, long-term change and power. Our brilliant work on preventing violence against women and girls, and on doing more on beneficiary accountability, all needs to be woven into it. On your and Tina's points on greater harmonisation, Ben was at a meeting of the International Development Group last week, where international donors working on civil society come together. Looking at harmonising that was very high on the agenda. Peter Taylor, who heads our safeguarding unit, is currently working again with a group of donors to try to harmonise things. We need to make this as easy and effective as we can, and provide the resources to build the capability. As I said earlier, we do not exclude our partners for not having a policy; we work with them to build their capability, commensurate to their need. We will never apologise for that, nor should we.

Lastly, you have seen the Secretary of State's response and DFID's statement. We will always put people first, and we pay tribute to survivors and whistleblowers, as we believe that is a really important part of this agenda.

Chair: Thank you very much. It was a fascinating and very robust discussion, and I am grateful for the constructive approach that we have



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had through writing the report—a typically robust but fair report from Tina and Willem. It looks like we are getting something about how to move forwards, which is to be welcomed. Darren, Gerard, Tina and Willem, thank you so much.