



House of Commons
International Development
Committee

The Newton Fund review: report of the Sub-Committee on the work of ICAI: Government response to the Committee's Third Report

**Third Special Report of Session
2019–21**

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The International Development Committee

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Contacts

All correspondence should be addressed to the Clerk of the International Development Committee, House of Commons, London SW1A 0AA. The telephone number for general enquiries is 020 7219 1223; the Committee's email address is indcom@parliament.uk

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Third Special Report

The International Development Committee published its Third Report of Session 2019–21, [*The Newton Fund review: report of the Sub-Committee on the work of ICAI*](#) (HC 260) on 15 June 2020. The Department for Business, Energy and Industrial Strategy's response was received on 19 August 2020 and is appended to this report as Appendix 1. The Department for International Development and HM Treasury also provided a joint response, on 19 August 2020, which is appended to this report as Appendix 2.

Appendix 1: Department for Business, Energy and Industrial Strategy response

Dear Ms Clarke,

I write to you to provide the BEIS response to the report on the Newton Fund review by the International Development Committee's sub-committee on the work of ICAI (HC 260). Our response is contained in Annex 1 to this letter.

We welcome the scrutiny and insights of the sub-committee and set out in more detail in the following Annexes addressing the report's recommendations the substantive measures that BEIS has already taken and is proposing to implement. These will strengthen the impact and improve the performance of the Newton Fund.

Yours sincerely

Amanda Solloway MP
Parliamentary Under-Secretary of State,
Minister for Science, Research and Innovation

General Points

BEIS addresses the sub-committee's specific recommendations in more detail below, but it would be helpful to provide an overarching view and set relevant context at the outset:

- The sub-committee's report provided valuable insights in areas of importance for continuing to improve the management of the Newton Fund. It is important to note the improvements that have been made to the Newton Fund in the time since the ICAI Newton Fund review in June 2019. Much progress has been made since the initial ICAI review conducted during 2018/19. Where relevant to the specific recommendations below, this progress is summarised in Annex 2.
- The follow up report on the 2018/19 review by ICAI into the Newton Fund, published in July 2020, recognises that significant improvements have been made since their initial review, and that further work is progressing. ICAI will be returning to consider these additional changes in their follow up exercise of 2021.
- Several of the criticisms within the sub-committee's report, and ICAI's initial review, appear to stem from the necessarily different operating model of research

for development activity, compared to more traditional ODA programmes. Research and Development involve a longer-term horizon for impact and higher-risk profile than many ODA interventions. The positive impact of a successful piece of research into a major development challenge may be enormous. It may also take decades to fully play through. The risk appetite and assessment framework for work in this area is rightly different from more traditional ODA interventions.

- BEIS welcomes the committee's recommendations and notes the reference to the Spending Review now underway. The BEIS response seeks to avoid making any statements which could prejudge the outcome of the allocation of the ODA budget as will be informed by the ongoing Integrated Review and Spending Review.
- On issues of broader HMG ODA policy, BEIS is guided by DfID. We will continue to work closely with the FCDO from September as the lead ODA Department to ensure that all activities meet Government objectives as they evolve through the Integrated and Spending Reviews.

Response to AN 14 recommendations

Below BEIS responds to each of the seven specific recommendations made by the International Development Committee in Announcement 14 (AN 14) accompanying the full Newton Fund review (HC 260)

Recommendation 1: The Newton Fund should not be extended at the next Spending Review if BEIS is not able to demonstrate by then that it can measure value-for-money and impact. In addition, from inception, such a fund should have both a strategy and a theory of change. Renewal of the Fund should also be conditional on the Department improving the way it collates data to measure impact, starting with meeting its own deadline of October 2020 for the rollout of its 'Research ODA' information management system

Government position: Accept (in progress)

BEIS agrees that the ability to measure Value-for-Money (VfM) and design programmes that deliver strong VfM is essential, and have significantly strengthened our approach to, and measurement of, VfM. We recognise that the Newton Fund did not have an agreed Theory of Change (ToC) or overarching written fund strategy at inception. We would, however, highlight that the Fund has had a Theory of Change in place since 2016, which is currently being updated. We have published an Operational Framework for the Newton Fund. And we can confirm that we are on track to begin the onboarding process for the Research ODA (RODA) platform in October, allowing users to begin reporting on Q2 of this year.

VfM

Ensuring VfM is central to the management of the Newton Fund and BEIS ensures this from pre- through post-delivery. **Before delivery**, our partnership model ensures that the funding is relevant (a key principle of VfM) for partner countries, whilst Delivery Partners

have rigorous and well-established processes for awarding grants on a competitive basis. **During delivery**, the external process evaluation found that the fund's activities are relevant, operating effectively, and are on track to deliver intended impacts. **Post-delivery**, our external evaluation includes an in-depth VfM assessment.

Following ICAI's recommendation to improve the Newton Fund's approach to and measurement of VfM, we have strengthened our VfM work during delivery by developing a rubric-based peer review of VfM in programmes and projects, and we recently completed an assessment of a first wave of projects. This is a new approach for appropriately assessing the VfM of complex research and innovation (R&I) projects for development, formulated through extensive consultation with the sector. The approach involves panels of experts independently rating a selection of programmes and projects on a four-point scale from 'poor' to 'excellent' across seven qualities of VfM, based on DfID's 4Es and components from the Newton Fund's Theory of Change – our roadmap to impact. Scores are then aggregated up to form a fund-level Key Performance Indicator: % of projects that receive a net positive VfM score.

The first wave considered 24 Newton Fund programmes and projects from 2018 worth £27 million. The external expert panel found that 88% (21 out of 24) were considered as providing VfM – 2 of which scored as offering 'excellent' VfM. This is consistent with other international funders' experience of the inherent risk in R&I projects and demonstrates the importance of considering VfM at a portfolio level to appropriately account for this risk.¹ Projects scored highest on demonstrating equitable partnerships, showing visible progress of delivering expected activities and outputs, and being relevant to partner country ODA priorities and wider ODA goals.

The feedback from panel members confirmed that the rubric-based approach is appropriate for assessing and demonstrating the VfM of diverse and complex R&I for development projects. Panel members provided useful feedback to further refine the rubric-based approach, which BEIS will implement in further waves of assessment. Three more assessments are planned for 2020, with a further scale up in 2021. We have had extensive interest in this innovative VfM assessment approach across HMG and the wider sector, with other government departments expressing their intention to adapt the approach for use in other ODA programmes.

Theory of Change/ Overarching Strategy

BEIS recognises that the Newton Fund did not have an agreed Theory of Change (ToC) at inception, nor an overarching written fund strategy. We would, however, highlight that the Fund has had a Theory of Change in place since 2016, which is currently being updated this year by our independent consultants Tetra Tech, who are consulting with numerous stakeholders, In-Country Teams and Delivery Partners. We are on track to publish this with the Newton Fund Operational Framework in August 2020. As part of this process, the updated ToC will be put to the Technical Expert Group – including representatives from DfID and UKCDR – for consultation. There will be a final iteration in March 2021, when the evaluation ends, that will draw on all evidence to date. This is in tandem with

1 For example, the International Development Research Centre's review of VfM for research for development, available at: <https://www.idrc.ca/sites/default/files/sp/Documents%20EN/value-for-money-partnership-practices-3.pdf>

work to update to the cross-fund/ unified ToC on both the Newton Fund and GCRF which sets out expectations for how BEIS's R&I ODA funds should contribute to long-term sustainable development.

Whilst the Fund has been designed and delivered to operate through individual country partnerships, each with their own independent strategies, we have accepted the recommendation by ICAI to develop a Fund-level strategy to further supplement this. This was due to be produced following the postponed 2019 Spending Review, but has been delayed due to the impacts of COVID-19. Work on the development of a strategy will be resumed once the outcome of the 2020 Comprehensive Spending Review is known. In the interim, we have developed a guidance document that sets out the policies and processes that underpin the Newton Fund, along with clarity on its mechanisms of delivery and governance. This document is the 'Newton Fund Operational Framework' and is available on the government website. BEIS accepts that any future iterations of its R&I ODA programmes must have a Theory of Change and Fund Strategy from the fund's inception.

Recommendation 2: HM Treasury and DFID take the lead in promoting and monitoring excellence in ODA administration across Whitehall. In addition, the Fund should only continue to be financed with ODA if the Department uses DFID's expertise to substantially reshape it towards a model that prioritises its primary purpose and delivers development impact to a high standard.

Government position: Accept (in progress)

BEIS firmly accepts and fully embraces the expertise of other government departments when it comes to administering excellent ODA programming. We have adopted an extensive approach to drawing on best practice and advice from across Whitehall (particularly DfID) as well as internationally, in order that ODA objectives form the core and principal purpose of the Newton Fund. Both HM Treasury (HMT) and DfID are embedded in the governance of the Newton Fund, and we seek regular and substantive involvement from both in the Fund's design and ongoing evaluation.

At the strategic level, both HMT and DfID have representatives on the BEIS R&I ODA Ministerial Board, which advises the Minister for Science on the high-level strategic direction of the Newton Fund and GCRF. DfID is also represented, alongside BEIS, at the Strategic Coordination of ODA-funded Research (SCOR) Board, which ensures joint learning and strategic coherence across the main research-ODA spending Whitehall Departments. Through these fora we routinely test our R&I ODA strategy and objectives, drawing on external expertise to ensure that the Fund is aligned with wider Government ODA priorities. This has provided confidence to BEIS that the Newton Fund takes ODA objectives as its primary purpose, and that the Fund forms a complementary part of a holistic ODA approach by HM Government.

BEIS further includes DfID and HMT at a technical and operational level - recognising the need to ensure ODA excellence in delivery as well as strategy. DfID is represented on the BEIS R&I ODA Portfolio and Operations Management Board (POMB), which directs the operational running of BEIS's R&I ODA Funds.² This is alongside two advisory groups: the Technical Expert Group on Monitoring, Evaluation and Learning - which includes leading technical experts from DFID, UKCDR and both domestic and international

2 BEIS's Research and Innovation ODA Funds: The Global Challenges Research Fund (GCRF) and the Newton Fund.

academic experts; and a cross-Whitehall group of ODA MEL leaders - who offer a challenge function and share best practice from their own programmes and internationally on the MEL programme.

Given the unique nature of the Newton Fund as a research and innovation fund, targeting very early- stage technologies and research, standard models of ODA are not a best fit for evaluation. Research for development models typically have very long-term impact timelines, but also typically yield some of the most substantial, and geographically generalisable impact. BEIS agrees with ICAI and the sub-committee that ensuring impact is key, which is why we have been working with DfID and HM Treasury on VfM, KPI assessments and mainstage evaluations that are tailored specifically for the type of impact that Newton yields. BEIS will continue working closely with both DfID and HMT to further manage, evaluate and develop the Fund.

Recommendation 3: We recommend that the Government undertake a formal review of the extent to which the matched funding model used for the Newton Fund (and other funds like the GCRF) is compatible with the spirit of the Government's commitment to untie all UK aid and the letter of the rules on ODA as articulated by the Development Assistance Committee (DAC) of the OECD. This review should also specifically outline how the Government intends to de facto as well as de jure untie UK standalone technical assistance and proposals to strengthen the OECD-DAC rules to this effect. The outcome of this review should be reported to our parent committee (the International Development Committee).

Government position: Partially accept

As referenced in our written response to the Committee, in 2019 DfID commissioned Research Consulting to review the evidence base for research capacity building in low- and middle-income countries, and their review specifically highlighted the importance of local matched funding as part of best practice for capacity strengthening programmes. We believe that there are distinct advantages in a match-funding model - demonstrating the commitment from local stakeholders, ensuring alignment with local-national priorities and as an indicator for future sustainability. Notably, it is a model specifically requested by Newton partners, as it ensures an equitable relationship. This view is supported by the expert members of the BEIS R&I ODA Board, including colleagues from DfID and academia. The Minister for Science, Research and Innovation will continue to assess this position as part of ongoing oversight of research ODA activities, but a formal review at this stage is not considered proportionate or necessary.

BEIS has looked closely at the Newton Fund's match-funded model (which is not replicated in the GCRF) in the context of the UK's commitment to untied aid, with support from DfID. We remain of the view that the Newton Fund does not breach either the UK's or the OECD's untying aid commitments.

With regards to reviewing how HM Government intends to untie UK technical assistance and strengthen OECD-DAC rules to this effect, the UK has committed to untying 100% of our aid, including technical assistance. Whereas the OECD permits that technical assistance may be tied due to the unique nature of technical assistance, the UK has consistently taken efforts to avoid tying our technical assistance. In this regard, we are

confident in reporting that the Newton Fund's technical assistance does not constitute tied aid. It is not within BEIS's remit to determine HM Government's approach to the OECD DAC's rules on ODA compliance or classification of technical assistance, and it relies on the best practice guidance of DfID in this regard.

Recommendation 4: BEIS needs to take a bigger role in coordinating and monitoring delivery partners' ODA eligibility processes and go much further in implementing ICAI's Recommendation 1, starting by publishing as soon as possible its much-delayed revised ODA compliance guidance for delivery partners and country reviews.

Government position: Accept (in progress)

BEIS has consulted DfID and Delivery Partners, to develop a more rigorous ODA compliance framework. The recently published "Operational Framework for the Newton Fund"³ includes guidance for Delivery Partners on how they should assess funding proposals and evaluate ongoing projects against key ODA eligibility criteria. This will continue to be further supplemented with detailed guidance documents on specific requirements, tailored to our specific R&I context and to each individual Delivery Partner, issued at each funding cycle.

ODA Compliance

BEIS' new Operational Framework builds upon measures already in place to ensure ODA compliance across the Newton Fund. ODA eligibility criteria and monitoring requirements have already been enhanced in Delivery Partners' Grant Allocation letters, through mechanisms such as quarterly progress reports and programme completion reports. BEIS also now requires Delivery Partners to maintain ODA-specific risk registers and specifically detail ODA spending when accounts are audited. BEIS's ODA Project Management Office is in regular contact with Delivery Partners to ensure regular and accurate ODA compliance.

In addition, BEIS has developed an overarching ODA Assurance Framework, identifying accountable officers who will be responsible for working with BEIS on oversight of ODA eligibility and compliance issues, copies compliance registers, and new team resource to liaise with DfID on compliance queries. We are also working with Delivery Partners' due diligence groups to plan an assessment of how well their ODA compliance processes measure against the updated ODA guidance, to then address where there are gaps.

Country Strategy Reviews/ Refresh

Our aim was to agree common priorities with each Newton Partner Country by Summer 2020, and to then seek to finalise and agree final strategy documents in the Autumn/Winter 2020 period. Strategy development is being supported by a clear process to enable the UK and each Newton Partner Country to jointly: i) develop and agree priorities; and then, ii) develop and sign off the final strategy document. Due to the bilateral nature of the Newton Fund, the timing to complete individual country strategies is dependent on the ability of respective Newton Partner Country governments to engage in and complete the strategy process.

3 <https://gov.uk/government/publications/newton-fund-operational-framework>

Following the outbreak of COVID the review of Country Strategies has been temporarily paused – as the UK and Newton Partner Countries focus on limiting the immediate spread and impact of COVID. Part of the rationale for the pause is that, currently: i) Newton countries may not have the resource or aspiration to engage in a forward looking strategy process; and ii) that joint aims worked on to-date may now not have the same priority (i.e. in a continuing or post-COVID environment). We anticipate restarting the country strategy project in the Autumn 2020, but this is dependent on the ability of individual Newton Partner Countries to fully engage. We will be working with relevant BEIS Regional Leads to identify likely timing for restart with each country and what changes in strategy approach might need to be required.

Recommendation 5: DFID’s approach to performance evaluation should be replicated by other departments like BEIS which are administering increasingly large amounts of ODA and must therefore demonstrate, prior to being given this responsibility, their ability to measure impact.

Government position: Accept (in progress)

As outlined in response to Recommendation 2, DfID is closely involved in the design, implementation, and ongoing evaluation of BEIS’s R&I ODA Funds. Our combined approach of using a bespoke VfM methodology and tailored KPIs at delivery level, with a refreshed Theory of Change and Operational Framework at a strategic level, will ensure that BEIS is robustly measuring the Newton Fund’s development impact in a manner emulating DfID’s approach to evaluation in the context of ‘research for development’.

BEIS has accepted the original ICAI recommendations relating to impact and has made significant progress in the year since ICAI’s review, with DfID’s support. This includes the novel VfM methodology that has been developed with input from DfID, HMT, academia and industry outlined in our response to Recommendation 1 above. BEIS has also been further refining its approach to impact measurement and has developed a longlist of KPIs specific to research for development,⁴ 26 of which were shortlisted to be piloted from this year onwards. These KPIs were developed with the best practice of 14 different donor organisations from around the world working in Research for Development.⁵ BEIS is also using the valuable data collected from the Newton Fund so far to develop a revised Theory of Change, that better demonstrates the pathway to impact at a macro and strategic level.

BEIS draws on international and domestic best practice to scope out approaches to ensure Monitoring, Evaluation and Learning activities are robust and fit for purpose. To example this, the externally- commissioned “Thematic Review of Gender Equality Approaches in the Newton Fund and GCRF”⁶ was based on DFID’s How to guide on “Integrating Gender

4 <https://gov.uk/government/publications/development-of-key-performance-indicators-for-the-newton-fund-and-gcrf>

5 APC-EC programme, Danida, Consultative Group for International Agricultural Research, German Academic Exchange Service, Horizon 2020, Ecosystem Services for Poverty Alleviation, IDRC R+ framework, International Growth Centre, International Science Programme, Knowledge for Change Programme, Norwegian Programme for Capacity Development in Higher Education and Research for Development, Partnerships for Enhanced Engagement in Research, Swiss Research for Development Programme and US Global Development Lab

6 <https://gov.uk/government/publications/approaches-to-gender-equality-in-the-newton-fund-and-gcrf-thematic-review>

Equality into DfID and HMG Policy and Programming” (2019), and on advice from leading gender academics from the University of Edinburgh. This was complemented by drawing on the findings from best practice of five comparable funds;⁷ all of which have endorsed the final BEIS review for publication, and DfID and DEFRA have shown an interest in sharing this piece internally.

Recommendation 6: If it is to be renewed at the next Spending Review and continues to be entirely ODA-funded, the Fund’s grant allocation system should be radically redesigned to ensure that developmental impact becomes its genuine driving force (and not just a constraint around its secondary purpose). BEIS needs to impose stronger ODA-eligibility criteria and encourage delivery partners to switch from allocation processes designed solely for research excellence projects to ones that prioritise development impact. Fellowship awards should not be used to support research on any topic, whether related to development or not, if they are to be funded using ODA.

Government position: Accept (in progress)

BEIS does not consider that the primary purpose of benefitting ODA eligible countries is compromised by the Fund’s secondary objective. Thanks to the Fund’s partnership model, we can be confident that the 17 Newton Partner Country strategies (currently under refresh) take direction from each partner country, ensuring local and/or global development need is the primary driving force. These will sit alongside the recently published Operational Framework and forthcoming Fund Strategy, both of which will underline the Fund’s primary purpose. We have enhanced the Fund’s ODA compliance requirements (outlined above), and continue work to rollout new KPIs, and the new RODA system – all of which will help ensure that the Newton Fund delivers against development impacts. BEIS agrees with the Committee in that fellowships must adhere to strict ODA-eligibility criteria in order to be ODA-funded. We will continue to strengthen ODA-eligibility and compliance across the Fund, including where this covers fellowships.

The approach taken by the Newton Fund (and GCRF) to drive development through research is dependent on access to, and production of, high-quality research, which then translates into high-impact development outcomes. These Funds are unique in the development space in mobilising the UK’s world-leading science base to achieve these objectives, which is a key element that attracts Newton Partner Countries and allows us to develop their capacity. In this regard, the Newton Fund (or GCRF) should not be taken in isolation, but as complementary to other ODA funds. BEIS is keen to ensure that research excellence is complementary to development impact, so will continue to work with Newton Partner Countries and Delivery Partners to this effect, and will apply all learning in this area to ongoing programme refinement.

BEIS agrees that grant allocations should ensure that development impact is the primary purpose of all Newton funding. To this effect, BEIS has undertaken considerable work in addressing ICAI’s Recommendation 1 on this matter, as detailed in above in response to

7 Prosperity Fund (DFID; FCO), CCSF (DFID; FCO), Joint Fund for Poverty Alleviation (DFID; ESRC); Gender, Growth and Labour Markets in Low Income countries programme; Partnership for Enhanced Engagement in Research (USAID)

IDC Recommendation 4: BEIS is applying more stringent ODA eligibility criteria to all DPs, additional to their own ODA eligibility criteria, to further enhance development impact as the primary objective.

Recommendation 7: BEIS should follow DFID's example and publish on a single platform all relevant information on a) delivery partners' ODA-compliance processes, b) the ODA compliance guidance it is currently developing for delivery partners and how it will enforce it, c) details and statistics of Newton Fund grant applications that are accepted or rejected depending on ODA eligibility, d) business cases, performance and transaction data and reports (e.g. programme completion and annual reports) for all ODA projects it is responsible for.

Government position: Accept (in progress)

BEIS is committed to improving the data management, and transparency of its ODA research and innovation funds. BEIS achieved a “Good” 72% transparency score in its most recent assessment, and is taking active steps to further improve its performance, including through rollout of the new RODA system. However, DfID uses a different operating model from BEIS, and our Funds tackle different ODA objectives - so a one-size-fits-all approach may not be the most appropriate.

The new Research for ODA (RODA) will not replicate a single platform for all relevant information as published by DfID. RODA is an internal submission service that reflects requirements appropriate for the R&I context. It is a hybrid mixture of client data submission for Delivery Partners to report actual/ forecast spend and finance/ programme management. There are a range of tools and platforms available for viewing BEIS published ODA data including d-portal, DfID's Dev-tracker and a newly-launched IATI data query builder.

Regardless of where data is published though, BEIS is committing to building on the “Good” transparency score achieved in our most recent assessment. We have been proactively engaging with DfID and other donor agencies to establish and learn from best practice in this area, such as through the cross-Whitehall Project Modari – a project to map the R&I ODA data/ systems landscape across ODA spending departments.

Response to HC 260 recommendations and conclusions

Where recommendations from the full HC 260 report have not been reflected in the recommendations made by the AN 14 summary report, these have been addressed below.

Paragraph 16: Based on the evidence we reviewed, we find that the Amber/Red score awarded by ICAI to the Fund is an accurate assessment of its performance and we endorse ICAI's six recommendations to BEIS. ICAI's review should be treated as providing the imperative for BEIS to do much needed improvements to the Fund as conditions for any extension of the Fund within the next Spending Review process. The Department should update us on progress towards implementing ICAI's recommendations in its response to our Report.

Paragraph 20: We concur with ICAI's view that the Department's response to ICAI's review did not engage sufficiently with the core substance of ICAI's key recommendations

but instead presented a list of actions, previously announced, that did not meet the need identified by the Commission. Almost a year since ICAI's findings were published, we also note the slow progress made towards completing even these actions to which the Department did commit itself. The Department should update us on progress towards completing these five on-going actions in its response to our Report

Further to updates on specific actions relating the above recommendations of AN 14, BEIS has provided an update on progress against the ICAI recommendations in Annex 2 of this document.

Paragraph 45: We feel that without also publishing an overall strategy for the Fund that is in line with the UK Aid Strategy and clearly states the responsibility and accountability mechanisms for delivery partners in delivering it, BEIS will continue to fail at enforcing ODA compliance and development impact to the required standard. We recommend that the Department publish a strategy with clear performance metrics for the Fund as soon as possible. BEIS should update us on progress towards publishing its revised ODA compliance guidance and a strategy in its response to our Report.

Further to the response given to Recommendation 1, BEIS would like to make it clear that it agrees with the Committee's view on the need for strong governance systems to ensure ODA compliance and a fund-level strategy, as outlined by ICAI in their fourth recommendation. To this end, BEIS has developed and now published the Operational Framework for the Newton Fund, available on the gov.uk website. Further, the fund-level strategy, complementing the country-level strategies, will be developed after the outcome of the Integrated Review and the Spending Review, ensuring that the Fund addresses the Government's aid objectives.

Paragraph 55: The reporting and transparency requirements should be increased for both BEIS and delivery partners to allow public scrutiny of the Fund's spending, impact and of delivery partners' performance on ODA compliance. BEIS should follow DFID's example and publish on a single platform all relevant information on a) delivery partners' ODA-compliance processes, b) the ODA compliance guidance it is currently developing for delivery partners and how it will enforce it, c) details and statistics of Newton Fund grant applications that are accepted or rejected depending on ODA eligibility, d) business cases, performance and transaction data and reports (e.g. programme completion and annual reports) for all ODA projects it is responsible for. In its response to our Report, BEIS should outline progress towards achieving these recommendations.

Further to the response to Recommendation 7 detailing specific points on how the new RODA system will address reporting and transparency, BEIS would also like to update on transparency of its R&I ODA funds more generally. Building on the already "Good" transparency score BEIS was awarded, the Department is proactively committed to further improving. A BEIS ODA transparency working group, including representatives from GCRF, the Newton Fund and International Climate Finance (ICF), was established for the 2019 'Publish What You Fund' assessment, and continues to coordinate approaches and strategies for maintaining and improving the overall transparency of BEIS ODA delivery. BEIS have been engaging with other government departments including DFID and DHSC through the Department of Health and Social Care's ODA Transparency Working Group and have attended DfID-led workshops on results management systems, in order to ensure

Government's best practice on transparency and reporting underpins BEIS's work. To this end, BEIS will work with delivery partners to identify potential ways to improve the transparency of how ODA compliance is ensured, and reports both progress and impact of the activities funded.

Annex 2: BEIS update to the International Development Committee on progress against the ICAI 2019 recommendation.

Recommendation 1 As the Newton Fund is 100% ODA, BEIS should ensure that the Fund increases its focus on achieving its primary purpose – to meet development needs and priorities of its partner countries. It should require improved ODA compliance and assurance processes across Delivery Partners.	BEIS has developed a Newton Fund Impact Scheme to maximise the follow on development benefits from projects funded to date. The scheme provides previous and current Newton Fund participants with the opportunity to unlock further impact from their successful work, strengthening the Fund's collective development impact.
	BEIS and UKRI have launched the Global Challenges Research Fund (GCRF) Clusters to bring together current and former GCRF partners to accelerate development impact on a specific global challenge. 15 of the 40 Cluster applications included Newton Fund project participants, to leverage their work with GCRF projects for maximum impact.
	The refreshed Newton Fund Country Strategies will see each partner country identify their development needs; and jointly agree priority areas and a strategy for addressing them in collaboration. COVID restrictions within the UK and many partner countries have impacted on the timeframes for completion. We aim to have final strategies complete by year end.
	BEIS has issued new guidance on ODA compliance to support best practice across delivery partners, including new reporting requirements on adherence. The requirements mirror best practice from other ODA programmes, such as quarterly reporting, programme completion reports and a relevant suite of risk registers.
Recommendation 2 The Newton Fund should ensure it meaningfully considers options for reducing gender inequality and reports against its progress.	BEIS is producing a cross-fund strategy on gender, diversity and inclusion . We have baselined existing work across both Newton and GCRF, and our expert consultants' findings have been published.
	UKRI has implemented a new Gender Equality Policy for its Newton Fund and Global Challenges Research Fund activities; making it mandatory for applicants to include a gender equality statement in their bids, demonstrating how they will consider reducing gender inequalities in their projects.
	Research councils are undertaking equality impact assessments at programme level; providing in-house training on Equality, Diversity and Inclusion (EDI); and in several cases running calls specifically focussed on the themes around EDI.

Recommendation 3 Given that the UK is committed to untying 100% of aid, and reports its aid as fully untied, BEIS should ensure the funding practices of the Newton Fund comply with both the letter and the spirit of the untying commitment.	The Newton Fund partnership model of bilateral technical assistance allows the best UK researchers to collaborate with top researchers from our partner countries to work on their, self-identified, most pressing development challenges. It meets the requirements of the UK commitment on not tying aid. The Minister for Science, Research and Innovation will look into this position again, but a formal review at present would not be proportionate or appropriate. We are constantly reviewing all our ODA programmes to ensure they continue to meet the UK commitments on untied aid.
Recommendation 4 BEIS should improve the governance and accountability of the Newton Fund and put in place a strategy setting out how it will maximise development impact as its primary purpose.	The Newton Fund is overseen by the ministerial-led R&I ODA Board which advises on the strategic direction and delivery of the Fund; supported by the officials-level Portfolio & Operations Management Board. We have scaled up our resources within the newly formed PMO and the ODA Research Management Team, enabling us to increase efficiency of delivery, and provide greater assurance functions. A new reporting framework based on a set of newly developed Key Performance Indicators has been developed for the Newton Fund. This has now been published, along with the Operational Framework for the Fund. To supplement the existing strategies, BEIS will be developing an overarching strategy for the Newton Fund. This will be produced once the Integrated Review and Spending Review are completed in the Autumn, in order to give the opportunity to fully incorporate relevant aspects of their outcomes. A full systematic review of Newton Fund governance is being planned for later in the year.
Recommendation 5 BEIS should improve the Newton Fund's approach to and measurement of value for money.	BEIS are delivering a revised evaluation strategy that includes a VFM framework and enhanced data collection to demonstrate the effectiveness of Newton Fund activity. We are currently working with consultants to implement a pilot with delivery partners. Initial results have been promising, with the external expert panel finding that 86% (21 out of 24) considered to be providing VfM – 2 of which scored as offering 'excellent' VfM. The methodology has been recognised as valuable by the wider sector and is planned to be used in several other programmes, including a DFID-ESRC final evaluation.

Recommendation 6 The Newton Fund should improve its approach to monitoring, evaluation & learning at the Fund level.	BEIS continues to work with DfID and HM Treasury on VfM, and KPI assessments and mainstage evaluations that are tailored specifically for the type of impact that Newton yields.
	The final evaluation of the Newton Fund (delivered by external consultants) began in 2019 and includes new modules on gender equality, value for money, provision of learning and dissemination materials/events, and a quality research review. The final report is expected in March 2021.
	At a technical level, we have established new MEL advisory groups. The Technical Experts Group includes DFID, UKCDR and domestic and international leading academic experts, advising BEIS on design and providing peer-review of key MEL outputs for our ODA Funds; and the cross-Whitehall MEL leaders group offers a challenge function and shares MEL best practice from their own programmes, and internationally.
	BEIS' ODA Data Reporting Transformation programme will enable more consistent collection of monitoring data, and support more efficient portfolio management and aid transparency. A new online reporting tool is currently in Beta phase, with the first users already onboarded. Full rollout of the new tool is planned by the end of the year, and will include data from Q2 of this year onwards.

Appendix 2: Department for International Development and HM Treasury joint response

Below DFID and HM Treasury respond to recommendations two and three made by the International Development Committee in announcement 14 (AN 14) accompanying the full Newton Fund review (HC 260)

Recommendation 2: In line with our predecessor committees, we recommend that HM Treasury and DFID take the lead in promoting and monitoring excellence in ODA administration across Whitehall. In addition, the Fund should only continue to be financed with ODA if the Department uses DFID's expertise to substantially reshape it towards a model that prioritises its primary purpose and delivers development impact to a high standard. BEIS should update us on progress towards implementing these measures in its response to our Report, outlining DFID's input into the process. DFID should also write to us to outline the steps it is taking to promote better ODA administration across Whitehall. (Paragraph 30)

Position: Accept

Since the 2015 Aid Strategy, DFID and HM Treasury have implemented specific measures to support the administration of ODA across Whitehall and the effective delivery of the four strategic UK aid objectives – strengthening global peace, security and governance; strengthening resilience and response to crises; promoting global prosperity; and tackling extreme poverty and supporting the world's most vulnerable. These measures include, leading on ODA governance; providing ODA specific guidance to other government departments; and supporting other departments build their development capability through initiatives such as staff loans, access to DFID technical expertise and learning and development opportunities.

HM Treasury is responsible for the allocation of ODA across government departments. On 16 June 2020, the Prime Minister announced the merger of the Department for International Development and the Foreign and Commonwealth Office to create the new Foreign, Commonwealth and Development Office (FCDO) taking on DFID's existing responsibilities on the administration of ODA, alongside HM Treasury. Through the Integrated Review and the Comprehensive Spending Review (CSR), HM Treasury, working closely with FCDO, will seek to strengthen the governance of ODA across government.

Recommendation 3: It appears that the Department may have misinterpreted ICAI's findings on whether Newton Fund grants amounted to inappropriately 'tied aid'. We recommend that the Government undertake a formal review of the extent to which the matched funding model which is used for the Newton Fund (and other funds like the GCRF) is compatible with the spirit of the Government's commitment to untie all UK aid and the letter of the rules on ODA as articulated by the Development Assistance Committee (DAC) of the OECD. This review should also specifically outline how the Government intends to de facto as well as de jure untie UK standalone technical

assistance and proposals to strengthen the OECD-DAC rules to this effect. The outcome of this review should be reported to our parent committee (the International Development Committee) by the time BEIS's response to our Report is due. (Paragraph 39)

Position: Partially accept

The UK's policy on untying aid is clear and we have led by example amongst our peers in the donor community at the OECD DAC on untying UK aid. All government departments have a responsibility to ensure their aid is spent in line with HMT's Managing public money rules, meets UK Government policy and represents value for money.

In 2019, DFID commissioned a review of the evidence base for research capacity building in low and middle-income countries which specifically highlighted the importance of local matched funding as part of best practice for capacity strengthening programmes. There are distinct advantages in a match-funding model - demonstrating the commitment from local stakeholders; ensuring alignment with local-national priorities; and as an indicator for future sustainability.

The UK is engaged in ongoing discussions at the DAC on untying aid as part of their annual quality assurance review. The Government will ensure that its position in these discussions is aligned with the ongoing Integrated Review, the outcome of which will define the Government's ambition for the UK's role in the world and the long-term strategic aims for our national security, defence, development and foreign policy.