



House of Commons
International Development
Committee

The Newton Fund review: report of the Sub-Committee on the work of ICAI

Third Report of Session 2019–21

*Report, together with formal minutes relating
to the report*

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The International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration and policy of the Department for International Development and its associated public bodies.

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Current membership of the Sub-Committee on the work of the Independent Commission on Aid Impact (ICAI)

Formally, all members of the Committee are members of the Sub-Committee. In addition, the Committee has established an ICAI core group:

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Summary

In June 2019, the Independent Commission for Aid Impact (ICAI) published a performance review of the Newton Fund, a £735 million research and innovation partnership fund with two purposes. The Fund's primary purpose is to develop science and innovation partnerships to reduce poverty by generating and putting into use knowledge and technology. Its secondary purpose is to strengthen the UK's wider prosperity and global influence by building ties with partner countries, promoting the UK as a global leader in development research and unlocking opportunities for collaboration and trade. It is administered by the Department for Business, Energy & Industrial Strategy (BEIS) and entirely funded by Official Development Assistance (ODA).

Using the Commission's scoring system, ICAI awarded the Fund an Amber/Red score, meaning "unsatisfactory achievement in most areas, with some positive elements." The review raised a number of substantial concerns around among other things; the matched funding model and untying of UK aid; the lack of adequate systems to measure impact and value for money; the delivery partners' ability to understand what constitutes ODA-compliant projects; and the Fund's undue focus on its secondary purpose. The Commission also found the Government's response to its recommendations to be wanting.

As the International Development Committee and the Sub-Committee on the work of ICAI, we agree with ICAI's assessment of the Fund's performance and we endorse the review's six recommendations. We hope the review will be used by BEIS as an opportunity to make substantial changes to the Fund's design and governance, and apply the appropriate lessons to be learned to the Global Challenges Research Fund, the other dual-purpose ODA-supported fund for which it is responsible. As the second largest spender of ODA after the Department for International Development (DFID), BEIS has a particular responsibility to deliver value for money for all its UK aid spending in a transparent and accountable way. We agree with ICAI that to implement and demonstrate that commitment, the Department must rethink the design of the Fund to guarantee that its primary purpose is the top priority and its secondary purpose is subordinate. To achieve this, the development impact and ODA-eligibility must be far better understood, measured and reported by delivery partners.

Before any extension of the Fund within the next Spending Review process, BEIS should also make sure it is able to demonstrate that it is measuring impact and value for money across all its ODA spending from inception. We find that progress has been slow on addressing the governance issues that were first raised in 2016 and on completing the list of measures that BEIS committed to when it first responded to the review. We feel it is imperative for these issues to be addressed urgently and for them to be paired with an in-depth review of the use of the matched funding model and its impact on the Government's clear policy for all UK aid to be 'untied'. Finally, to facilitate public scrutiny of the increasingly large amounts of ODA being devolved to Departments other than DFID, it would be helpful if BEIS would report more data and publish additional information about projects that are funded via ODA.

1 Introduction

1. The Independent Commission for Aid Impact (ICAI) is an independent advisory non-departmental public body created by the Government in 2011 to provide independent evaluation of the impact and value for money of all UK Government Official Development Assistance (ODA).¹ In 2015, the International Development (Official Development Assistance Target) Act also established a duty on the Government to “... make arrangements for the independent evaluation of the extent to which ODA provided by the United Kingdom represents value for money in relation to the purposes for which it is provided.”² ICAI describes its role as “scrutiny of UK aid to ensure it is spent effectively for those who need it most, and delivers value for UK taxpayers.”³ It reports to Parliament through the International Development Committee.

2. As previously, the International Development Committee appointed a Sub-Committee on the work of ICAI at its first meeting (3 March 2020). The role of this Sub-Committee is to scrutinise the work of ICAI by examining the Commission’s reviews and assessing Departments’ responses to those. The Sub-Committee works alongside, and reports to, the International Development Committee, which retains responsibility for monitoring ICAI’s own performance and effectiveness.

3. The report set out below is the first from the Sub-Committee and marks an evolution of the previous practice of letting the oral evidence speak for itself. The necessary procedure is that the Sub-Committee takes evidence and considers and agrees a report to the main Committee which then, in turn, considers and agrees it for publication. What follows is a report setting out the evidence, conclusions and recommendations of the Sub-Committee, which were agreed by the main Committee.

4. We are very grateful for the evidence provided by ICAI, the Department for Business, Energy and the Industrial Strategy, and UK Research and Innovation in this process and we look forward to receiving the response from BEIS.

1 ICAI, [Framework agreement for the sponsorship relationship for period 1 July 2019 to 30 June 2023 between the Independent Commission for Aid Impact \(ICAI\) and the Department for International Development \(DFID\)](#), September 2019

2 International Development (Official Development Assistance Target) Act 2015, [section 5](#)

3 ICAI, [‘About us’](#), accessed 2 June 2020

2 The Newton Fund review: report from the Sub-Committee on the work of ICAI

Background

5. In June 2019, the Independent Commission for Aid Impact (ICAI) published a performance review of the Newton Fund,⁴ a £735 million dual-purpose fund administered by the Department for Business, Energy & Industrial Strategy (BEIS) and entirely funded by Official Development Assistance (ODA).

Box 1: Definition of ODA

ODA, often referred to as ‘aid’, can be defined as “the internationally agreed criteria for funds provided to developing countries or multilateral institutions to fight poverty and promote development. To count as ODA, an activity must promote the economic development and welfare of developing countries as its main objective. The ODA criteria are set by the OECD’s Development Assistance Committee (DAC), which is a group of 29 donors, including the UK.”

Under the International Development (Official Development Assistance Target) Act 2015, the UK is committed to spend 0.7% of Gross National Income as ODA.

Source: HM Government, ‘[Official Development Assistance](#)’, Policy Paper, accessed 22 May 2020

6. The Fund’s purpose is “to develop science and innovation partnerships that promote the economic development and social welfare of partner countries.”⁵ Before the Newton Fund was launched in 2014, it was originally conceived as the Emerging Powers Opportunities Fund whose purpose was to “support research collaboration with countries of increasing strategic importance to UK scientific and wider public policy objectives.”⁶ The Government then decided to repurpose it as a 100% ODA-funded instrument whose primary purpose is the economic welfare and development of partner countries and its secondary purpose is developing science and innovation partnerships that are in the UK’s national interest. The Fund is part of the Government’s commitment to spend 2.4% of GDP investment in research and development by 2027.

7. The Fund originally consisted of £75 million each year for 5 years. In the 2015 UK Spending Review, the Government decided to extend and expand the fund from 2019 to 2021 and to £150 million per year by 2021, resulting in a £735 million investment by 2021. The Fund relies on a matched funding model which means it requires matched contributions (in funding or in kind) from partner countries.

8. Using its longstanding scoring system, ICAI awarded the Fund an Amber/Red score, indicating “unsatisfactory achievement in most areas, with some positive elements”.

4 ICAI, [The Newton Fund, a performance review](#), June 2019

5 Department for Business, Energy and Industrial Strategy, ‘[Newton Fund: building science and innovation capacity in developing countries](#)’, accessed 22 May 2020

6 ICAI, [The Newton Fund, a performance review](#), para. 3.1, p. 9

Box 2: ICAI's review scoring system

ICAI's review scores range from Green to Red where:

- Green means “Strong achievement across the board. Stands out as an area of good practice where UK aid is making a significant positive contribution.”
- Green/Amber means “Satisfactory achievement in most areas, but partial achievement in others. An area where UK aid is making a positive contribution, but could do more.”
- Amber/Red means “Unsatisfactory achievement in most areas, with some positive elements. An area where improvements are required for UK aid to make a positive contribution.”
- Red means “Poor achievement across most areas, with urgent remedial action required in some. An area where UK aid is failing to make a positive contribution.”

Source: ICAI, [‘How we work’](#), accessed 22 May 2020

9. The Commission made six recommendations to the Department aimed at addressing its overall findings against three tests:

- “Relevance: How well do the Newton Fund’s portfolio and approach support its strategic aims?”, where the Department scored Amber/Red;
- “Effectiveness: How well does the Newton Fund build partnerships for achieving development results?”, where the Department scored Amber/Red; and
- “Learning: How well does the Newton Fund learn and adapt?”, where the Department scored Red.⁷

Box 3: ICAI's six recommendations to BEIS

- (1) “As the Newton Fund is 100% ODA, BEIS should ensure that the Fund increases its focus on achieving its primary purpose, which is to meet the development needs and priorities of its partner countries. It should require improved ODA compliance and assurance processes across delivery partners.
- (2) The Newton Fund should ensure it meaningfully considers options for reducing gender inequality and reports against its progress.
- (3) Given that the UK is committed to untying 100% of its aid and reports its aid as fully untied, BEIS should ensure that the funding practices of the Newton Fund comply with both the letter and the spirit of the untying commitment.
- (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.
- (5) BEIS should improve the Newton Fund’s approach to and measurement of value for money.
- (6) The Newton Fund should improve its approach to monitoring, evaluation and learning at the Fund level.”

Source: ICAI, [The Newton Fund, a performance review](#), p. iii

Conduct of scrutiny

10. Disruptions to the parliamentary calendar prevented our predecessor ICAI Sub-Committee from taking oral evidence on this review in 2019 within the usual timeframe. Following the re-establishment of select committees in March 2020, we planned to have an evidence session with BEIS, ICAI and one of the Fund’s delivery partners, UK Research and Innovation (UKRI), on the findings of the review as soon as possible. However, these plans were hampered by the announcement of social distancing, the ‘lockdown’ and other measures that formed the UK’s response to the 2020 coronavirus pandemic. To avoid further delays to scrutiny of this important review, we decided to conduct our gathering of further evidence in writing, and we sent a list of questions to our three witnesses at the end of March.⁸ We are very grateful for their responses which we received a few weeks later and were provided during unprecedented times.

11. To inform our analysis, we also looked at work undertaken by the previous Public Accounts Committee,⁹ the previous International Development Committee,¹⁰ and by the National Audit Office¹¹ and ICAI¹² on the administration of ODA by other Departments than the Department for International Development (DFID).

8 Video-conferencing facilities were subsequently developed within Parliament for Covid-19 compliant hearings.

9 Committee of Public Accounts, One Hundred and Seventeenth Report of Session 2017–19, [The effectiveness of Official Development Assistance expenditure](#), HC 2048

10 International Development Committee, Fifth Report of Session 2017–19, [Definition and administration of ODA](#), HC 547

11 National Audit Office, Session 2017–19, Report by the Comptroller and Auditor General, [The effectiveness of Official Development Assistance expenditure](#), HC 2218

12 ICAI, [Newton Fund, A performance review, Approach paper](#), August 2018; ICAI, [Global Challenges Research Fund, A rapid review](#), September 2017

Evidence

12. We asked ICAI and BEIS to send us further evidence in light of some of the discrepancies between ICAI's recommendations and the Department's official response to the review.¹³ As a result, our questions to ICAI were aimed at clarifying their views on:

- a) the adequacy of the Government's response;
- b) the Government's overall performance in administering dual-purpose funds;
- c) the Fund's compliance with the OECD-DAC rules on untied aid;
- d) the inherent risks of the matched funding model; and
- e) the Department's ability to monitor impact, learn and adapt.

13. Meanwhile, we asked the Department to explain further:

- a) what progress had been made with the five actions it had committed to take in response to ICAI's review;
- b) whether the Fund's extension after 2021 had already been confirmed;
- c) what progress had been made with the development of a value-for-money framework and other evaluation tools;
- d) the Fund's contribution to capacity-building in partner countries;
- e) the impact of the match-funding model on the Government's commitment to have 100% untied UK aid; and
- f) the impact against development objectives of some of the Fund's controversial grant awards.

14. We also sought evidence from one of the Newton Fund's largest delivery partners, UKRI,¹⁴ in order to get a better understanding of the ODA-compliance system used by partners in charge of allocating the Fund's grants. To this end, we asked UKRI:

- a) what criteria it used to determine which projects were ODA-compliant;
- b) how it balanced the Fund's primary and secondary objectives when awarding grants;
- c) what requirements and guidance it received from the Department to fulfil its ODA-compliance obligations; and
- d) the impact against development objectives of some of the Fund's more controversial grant awards.

15. In the following chapter, we outline the conclusions we drew from this evidence and set out the recommendations we make to the Government on BEIS's administration of the Newton Fund.

¹³ BEIS, [ICAI review of the Newton Fund: Government response](#), 22 July 2019

¹⁴ UKRI is the amalgamation of the former seven research councils, Innovate UK and Research England.

3 ICAI's overall findings

16. We returned to ICAI's original findings and compared them with the latest evidence available.¹⁵ We found that it corroborates all of ICAI's findings and recommendations. **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.***

17. We asked the Department for further information on the key issues raised by ICAI (in particular, compliance with ODA-eligibility rules and with UK policy on tied aid) and we are grateful for the update provided by BEIS on progress towards the five "actions ongoing".¹⁶ Nevertheless, ten months after ICAI published its review, we regret that the Department's written evidence did not put forward more ambitious measures with regards to ICAI's concerns around untied aid and the Fund's weak focus on its primary purpose. We also found that progress has been slow in completing those measures to which BEIS had specifically committed:

- establishing new guidance on ODA compliance for delivery partners;
- developing an ambitious approach to gender equality;
- reviewing the Fund's governance;
- developing a value for money framework; and
- establishing Key Performance Indicators (KPIs) and a data information management system.¹⁷

18. According to the Department's response, completion towards all five actions is still ongoing or yet to be published despite the fact that some of these actions were committed long before ICAI's review was published and had been found wanting by ICAI at the time:

With the exception of their action on gender equality and on overall oversight, and a start on ensuring better value for money, we were disappointed by the government's response. Despite accepting all of our recommendations, they do not seem to have addressed our main concerns; instead, in many cases, they point to existing practices which we had already found wanting. In essence, BEIS continues to reject the fundamental premise of ICAI's

15 Which included, in addition to the publications mentioned in the previous chapter and the written evidence for this inquiry, publications such as the Centre for Global Development's '[UK Research Aid: Tied, Opaque and Off-Topic?](#)', July 2019; Publish What You Fund's '[How transparent is UK aid? A review of ODA spending departments](#)', January 2020 and Rethinking Research Collaborative's '[Promoting fair and equitable research partnerships to respond to global challenges](#)', July 2018

16 BEIS (INF003) Q1

17 BEIS (INF003) Q1

review and the thrust of the recommendations. In particular, we found the responses to Recommendation 1 (on primary purpose and ODA compliance), and Recommendation 3 (on untying aid) inadequate.¹⁸

19. ICAI has now also completed the evidence-gathering stage for the usual first year 'Follow Up' exercise of its review of the Newton Fund. The Commission told us that it found that, while BEIS has made some welcome progress,¹⁹ the same issues around untied aid, ODA-compliance, capacity building and the matched funding model remain. In their evidence to us, ICAI was dubious of the Department's intention to seriously rethink the design and purpose of the Fund in light of its recommendations:

[...] on the question of tied aid, we did not find evidence that the Newton Fund is reconsidering its fundamental model, beyond a limited evolution of the policy on matched funding to give somewhat greater flexibility. [...] There is also limited focus on institutional capacity building (as opposed to funding to individuals, which has less impact on its own). [...] . Given that there is no substantive change to the Fund's operating model we cannot detect any response to these concerns.²⁰

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.***

21. The Department was awarded a Red score on learning,²¹ the worst score available, as stated above. As a result, we look forward to the Department's response to this report as we hope it will provide us with additional details with respect to steps taken to address the core of the issues of the Fund's approach to capacity building, ODA compliance and untied aid.

22. Furthermore, ICAI told us in its evidence that BEIS's handling of the Newton Fund is characteristic of how other ODA-supported, dual-purpose funds (e.g. the Prosperity Fund and the Global Challenges Research Fund):

There appears to be a recurrent issue with funds badged as "dual-purpose", where focus on poverty reduction, or even the economic development and welfare of developing countries, is not as strong as it could be. Sometimes, in the case of research funds, ODA eligibility is even brought into question.²²

23. UKRI's written evidence suggested a welcome range of additional training and initiatives²³ developed in recent months to improve their performance on ODA-compliance. Nevertheless, concerns about the lack of transparency and accountability

18 ICAI (INF002) Q1

19 ICAI (INF002) Q1-a

20 ICAI (INF002) Q1-a

21 Meaning "poor achievement across most areas, with urgent remedial action required in some. An area where UK aid is failing to make a positive contribution."

22 ICAI (INF002) Q1-c

23 UKRI (INF001) Q1-2

of dual-purpose funds have been expressed by ICAI²⁴ and the predecessor International Development Committee,²⁵ and progress has been slow on fixing those issues. For this reason, we hope to see specific and measurable steps in the Department's response to our report by which BEIS plans to increase the transparency and relevance of the two large ODA dual-purpose funds it administers.

24 ICAI, [The cross-government Prosperity Fund](#), 7 February 2017; ICAI, [The use of UK aid to enhance mutual prosperity](#), 23 October 2019

25 International Development Committee, [Definition and administration of ODA, chapter 5](#)

4 Newton Fund design

Primary and secondary purposes

24. We were told that many of the Newton Fund’s intrinsic tensions identified by ICAI stem from the initial decision to repurpose what was then the Emerging Powers Opportunities Fund into an ODA fund before adequate systems and standards were in place within BEIS:

[...] there was no fundamental redesign of the Fund to reflect its new primary purpose. Senior external stakeholders who were closely involved in developing the Fund from the beginning told us that the failure to redesign the Fund at this stage lies at the heart of many of the weaknesses identified in this review. We have found no evidence of serious consideration given to the question of how to balance the Fund’s primary and secondary purposes.²⁶

25. Administering a large, specifically ODA-compliant, spending programme necessitates substantial capacity (both in staffing levels and in departmental knowledge), combined with the refinement of internal systems, in order to ensure that ODA is administered effectively, is a good fit with OECD rules, and that the impact of the expenditure can be demonstrated.²⁷ In the absence of an overarching role for HM Treasury or DFID in monitoring ODA compliance,²⁸ it falls to BEIS to prove it is capable of administering the Fund effectively before bidding to extend it.

26. In this respect, it is disturbing that, as shown by the National Audit Office and the previous Public Accounts Committee,²⁹ despite a lack of sufficient evidence, the decision was made at the 2015 Spending Review to extend the Newton Fund and double its budget. The extension was approved before the Fund’s impact had been assessed. This was accomplished as part of the 2016 mid-term review which raised doubts about the Department’s ability to measure outputs and outcomes in the absence of a value-for-money framework. Four years on and despite another mid-term review in 2018 which highlighted additional issues around collation of data and accountability, the Fund still does not have a value-for-money framework or KPIs (although pilot initiatives were said to be underway). This led the previous Public Accounts Committee to make recommendations to HM Treasury around ensuring that “departments have set up frameworks for assessing value for money at the business case stage of new programmes” which we strongly endorse.³⁰

27. With respect to UK aid funds, whether within a dual-purpose fund or not, we believe that Departments should not be able to bid for ODA without due regard being given to their capacity and capability to administer these programmes effectively. Extensions to ODA-funded programmes should only be agreed where there is robust and up-to-date supporting evidence from an evaluation of impact conducted to a standard endorsed by ICAI or the National Audit Office.

26 ICAI, [The Newton Fund, a performance review](#), para. 4.3–4.3, p. 13

27 International Development Committee, [Definition and administration of ODA, para. 50](#)

28 Something which the Committee of Public Accounts and the previous International Development Committee have long called for.

29 National Audit Office, Session 2017–19, [The effectiveness of Official Development Assistance expenditure](#); Committee of Public Accounts, [The effectiveness of Official Development Assistance expenditure, para. 5](#)

30 Committee of Public Accounts, [The effectiveness of Official Development Assistance expenditure](#), para. 1, p. 5

28. *For this reason, we recommend that the Newton Fund 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. The Department should update us on progress towards implementing these measures in its response to our Report.*

29. It is clear from the evidence collected by ICAI - and the Department's and UKRI's written evidence — that the Newton Fund can deliver impact against development objectives. ICAI identified many individual projects that could be demonstrated to do so.³¹ However, several witnesses told ICAI that the Fund's biggest weaknesses stemmed from the fact that its repurposing was not accompanied by any significant change to its design to reflect its primary purpose of promoting international development and ICAI itself found no evidence suggesting any "serious consideration given to the question of how to balance the Fund's primary and secondary purposes".³² **Overall the Fund is not designed in a way that guarantees that its primary purpose — delivering development impact — is as prioritised as its secondary purpose — fostering UK national interests. Large amounts of ODA should not be devolved to Departments other than DFID without establishing guarantees, or an oversight mechanism, in relation to their ability to deliver outcomes to consistently high standards of technical compliance and developmental impact.**

30. *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.*

Matched funding

31. The Newton Fund's lack of focus on its primary purpose is of particular concern in light of ICAI's finding that "It is not common among donors to use 100% ODA to finance matched funding partnerships with strong national interest components."³³ When pressed on this point, the Department told us that:

A unique and valuable feature of the Newton Fund is the fact that UK funding is matched by our partner countries. This has a range of benefits, including ensuring equitable partnerships and sustainability of funding for the longer-term in partner countries. [...] In 2019 DFID commissioned a review of the evidence base for research capacity building in low and middle income countries, conducted by Research Consulting. This specifically highlights the importance of local matched funding as part of best practice

31 ICAI, [The Newton Fund, a performance review](#), pp.19–21

32 ICAI, [The Newton Fund, a performance review](#), para. 4.4, p.13

33 ICAI, [The Newton Fund, a performance review](#), para. 4.4, p.13

for capacity strengthening programmes—it demonstrates the commitment from local stakeholders, ensures alignment with local-national priorities and is an indicator for future sustainability.³⁴

32. Whilst we acknowledge this argument has validity in some developmental contexts, we do not find that it convincingly addresses ICAI’s concerns around the intrinsic barriers that the match funding model creates for countries with a lower research capacity:

Matched funding or effort works well in equal partnerships with strong research and science institutions, as it helps to ensure their commitment to the partnership. It is less convincing in countries with fewer resources for research and innovation—some of which have lost access to Newton Fund resources because they could not meet the requirement to match UK contributions.³⁵

33. As shown by ICAI, there are examples amongst other donors of funds that are designed to promote research whilst also encouraging capacity building in lower-income countries with weaker research capacity.³⁶ In this respect, although we welcome the Department’s ambition to review country-level strategies and acknowledge its capacity-strengthening policy,³⁷ we fear it may be too little, too late to have an impact on the Fund’s demonstrated shortcomings before it ends. When the Fund was suddenly repurposed as an ODA dual-purpose instrument, Newton Fund delivery partners were made to rush funding ‘out of the door’ without sufficient time to establish new relationships, which encouraged them to favour established partnerships with high existing research capacity.³⁸ As a result, so far in the Fund’s life, 54% of funding — approximately £397 million — was allocated to partnerships with institutions in four middle-income countries with China, India, Brazil and South Africa.³⁹

Untied aid

34. According to ICAI, the matched funding model also creates serious issues in terms of untied aid. By relying on a funding model where 90% of ODA is spent on UK institutions, as is the case for the Newton Fund, it appears that the Government is not in line with the spirit of untying aid:

The matched funding allocation model and the fact that UK ODA stays largely with UK institutions raise queries about whether or not the Newton Fund honours the spirit of the UK government’s commitment to untying all its aid, even if BEIS maintains that it meets the legal requirements.⁴⁰

35. ICAI reiterated this point in their evidence to us:

While in the case of business, there was no evidence of tying aid so far, in the case of research, it appears that the UK is content to tie aid to UK institutions, while reporting 100% untying. It may be that the UK can claim

34 BEIS (INF003) Q4-a

35 ICAI, [The Newton Fund, a performance review](#), p. ii

36 ICAI, [The Newton Fund, a performance review](#), para. 4.5–4.6, p. 13

37 BEIS (INF003) Q2-b

38 ICAI, [The Newton Fund, a performance review](#), para. 4.7, p. 14

39 ICAI, [The Newton Fund, a performance review](#), para. 3.9, p. 11

40 ICAI, [The Newton Fund, a performance review](#), para. 5.2, p. 30

a loophole in the letter of the OECD-DAC guidance, but it is certainly not in line with the spirit of untying aid. The potential loss of EU research funding may accelerate this tendency.⁴¹

36. This view is corroborated by the Centre for Global Development whose research found that ODA directly awarded to UK research institutions is a form of tied aid and should therefore be reformed and reported as such:

This explicit commitment to “UK science” raises concerns about the extent to which this aid is tied—given on the condition that it be used to procure goods and services from the donor country. [...] [E]ven in cases where aid is not literally tied, there is still a heavy bias towards UK institutions: it is tied de facto if not de jure. The UK reports that 100% of its aid is untied. But if funding for UK research projects is classed as ODA, and directed to UK researchers without competition, then this claim is incorrect. [...]

On the location of spending, all else equal, the preferred recipients for UK R&D ODA spend should be researchers in developing countries. Failing that, ODA should at least be untied and awarded using allocation procedures designed to select the best institutions to do the work wherever they are located.⁴²

37. The Department’s response to ICAI on this point welcomed “the recognition from ICAI that the Newton Fund is already compliant with the rules regarding the untying of all UK aid” and asserted that BEIS had “already implemented” ICAI’s “Recommendation 3” on the matter. This is, however, at odds with ICAI’s findings, as they stated clearly in their written evidence to us:

This is a misunderstanding of what our review found. On the contrary, the review flagged concerns that “almost 90% of the Newton Fund stayed in the UK and goes to UK institutions.” [...] We understand that BEIS’s claim is not that the aid is in fact untied, but that this type of aid (defined by them as standalone technical assistance) does not fall under the OECD-DAC rules on aid tying, or as they previously said in a letter on the Global Challenges Research Fund in 2017 that “it is untied by convention”. We cannot agree that the UK should ignore the negative impacts of tying aid in the research context just because of a reporting technicality.⁴³

38. Furthermore, ICAI stressed that “It is worth noting that the DAC untying guidance is encouraging aid untying in areas not covered.”⁴⁴

41 ICAI (INF002) Q1-c

42 Centre for Global Development’s ‘UK Research Aid: Tied, Opaque and Off-Topic?’, pp. 9–10&17

43 ICAI (INF002) Q1-a

44 ICAI (INF002) Q1

39. 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.*

5 Measuring performance

Delivery partners and ODA compliance

40. ICAI's review also highlighted weaknesses around the delivery partners' ability to award grants to projects that are ODA-compliant and BEIS's willingness to hold them to account on the latter. Both the Department and UKRI seemed confident in delivery partners' ability to make the right grant allocation decisions.⁴⁵ In UKRI's view, their ODA-compliance processes ensure that:

Programmes are predominately scoped in collaboration between UKRI and research and innovation funders in the partner country. These are designed to address challenges identified as relevant and important by the partner country and ODA requirements are incorporated into these scoping discussions.⁴⁶

41. However, ICAI found that there was no effective oversight and management of those country partnerships and felt, as a result, that they lacked transparency and accountability. The absence of an overall strategy for the Fund also meant that development impact and ODA eligibility were treated at times as “merely a threshold”, an “add-on, or even in conflict with what delivery partners perceived as the primary aim” of the Fund instead of being integral to delivering poverty reduction and development gains in line with the UK Aid Strategy.⁴⁷

42. Worryingly, the 2018 mid-term review of the Fund found that “funding partners in some countries are becoming increasingly assertive and pushing the boundaries for what constitutes ODA.”⁴⁸ In light of the seriousness of these concerns, it is unclear to us that a simple review of country strategies, as is proposed by the BEIS, will be enough to ensure that all future grant awards are ODA-compliant and delivering development objectives.

43. As highlighted by our predecessor committee, departments in receipt of ODA funding are responsible for administering ODA programmes effectively and efficiently, including programme management and reporting, and highlighting when required administration standards are not being met.⁴⁹ The latter cannot be outsourced to delivery partners on grounds of “world-leading expertise on research and innovation”⁵⁰ or lack of feasibility⁵¹ especially when evidence is subsequently produced that some programmes are failing to meet those standards.

44. The current arrangements for ODA compliance which are left at the delivery partners' appreciation and with no explicit link to an overall strategy create risks of gaps in coherence and elements of ambiguity to arise. The training and support available to delivery partners so far has not seemed to have had the desired impact; instead it has left them and BEIS under the erroneous impression that their projects were already delivering substantial development impact. BEIS needs to take a bigger

45 BEIS (INF003) Q7-a; UKRI (INF001) Q4

46 UKRI (INF001) Q1

47 ICAI, [The Newton Fund, a performance review](#), para. 4.33–4.34, p. 22

48 ICAI, [The Newton Fund, a performance review](#), para. 4.30, p. 21

49 International Development Committee, [Definition and administration of ODA](#), para. 8–24

50 BEIS (INF003) Q6-b

51 UKRI (INF001) Q1-a

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.

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.*

Defining capacity building

46. The Department did not comment on the mid-term reviews' findings and simply argued:

Our own independent evaluations found no evidence of ICAI's suggestion that delivery partners had tested the boundaries of ODA eligibility, and the BEIS ODA Ministerial Board, with cross governmental representation, continues to endorse the delivery model of the Newton Fund.⁵²

47. This response does not address the core of ICAI's concerns and seems to confirm that the Department has no intention of changing its allocation system in any substantive way. In ICAI's view, the Fund is particularly weak on delivering development impact under its 'People' pillar in terms of capacity building:

This involves academies providing fellowships to individual researchers from partner countries. Under rules set by BEIS, fellowship awards can be used to support research on any topic, whether related to development or not. The basis of their claim to ODA eligibility is therefore that they are helping to build research capacity in developing countries. However, we found that the Newton Fund's approach to capacity building focuses predominantly on creating opportunities for individuals to build their skills.⁵³

48. UKRI provided us with a detailed overview of its allocation process. We welcome this information, but we feel the process it described is mostly designed to identify research excellence and does not have development impact at its core. It also requires very little oversight and involvement from BEIS which unavoidably has led some delivery partners to make some questionable allocation decisions.⁵⁴

49. When pressed to justify some of the more controversial grant awards made by the British Academy, which used capacity building to meet the ODA eligibility criterion, the Department argued that it was for delivery partners "to use their expertise to identify and support specific activities that will have the greatest impact."⁵⁵ Although not responsible for these specific allocations, we also asked UKRI for its view. The witness argued that he

52 BEIS (INF003), Q7-a

53 ICAI, [The Newton Fund, a performance review](#), p. ii

54 ICAI, [The Newton Fund, a performance review](#), Table 2, pp. 24–25

55 BEIS (INF003), Q6-a

“firmly believe that arts and humanities research makes a vital contribution in the ODA space across the full range of development challenges and the UN Sustainable Development Goals” and that “capacity building is central to UKRI’s investment under the Newton Fund and is much wider than training and exchanges hosted by UK institutions.”⁵⁶ Although we agree with both statements, we feel they do not engage with the core of ICAI’s claim which is that the bar for what constitutes an ODA-eligible, capacity building project is too low under the Newton Fund and unlikely to deliver satisfactory development impact.

Measuring impact and value for money

50. We also cannot support UKRI’s other argument which is that “research and innovation projects can take a long time to achieve measurable impact and the first Newton awards were made in 2014, so we would not necessarily expect measurable impacts yet.”⁵⁷ As shown by the National Audit Office, departments in charge of administering ODA use a range of different metrics to measure impact and face a number of challenges in doing so:

Departments often work in fragile states, and in dangerous environments with unpredictable and sensitive political and social backdrops. Programmes need to be flexible enough to respond to changes while allowing enough time to achieve long-term impacts.⁵⁸

51. We acknowledge UKRI’s point that some “outputs and outcomes are easier to measure than others”⁵⁹ but the choice made by BEIS to measure impact solely via regular updates from delivery partners on a project’s financial position and activities does not convince us any more than it persuaded the NAO, who said the approach “does not allow BEIS to consider the effectiveness of its expenditure in these areas.”⁶⁰ DFID, itself, is consistently rated as ‘Very Good’ amongst other UK government departments on the Aid Transparency Index⁶¹ and part of this is due to DFID’s consistent approach impact measurement: despite operating in fragile and challenging contexts, “DFID expects each programme to have a business case and a performance framework at the outset, and for a programme’s performance to be reviewed annually and evaluated on completion.”⁶²

52. 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.

53. 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

56 UKRI (INF001) Q4

57 UKRI (INF001) Q4-a

58 National Audit Office, [The effectiveness of Official Development Assistance expenditure](#), Figure 3, p. 9

59 National Audit Office, [The effectiveness of Official Development Assistance expenditure](#), Figure 3, p. 9

60 National Audit Office, [The effectiveness of Official Development Assistance expenditure](#), para. 17, p. 13

61 Publish What You Fund’s ‘[How transparent is UK aid? A review of ODA spending departments](#)’

62 National Audit Office, [The effectiveness of Official Development Assistance expenditure](#), para. 2.5, p. 36

awards should not be used to support research on any topic, but related to development if they are to be funded using ODA. BEIS should update us on steps taken towards completing these measures in its response to our Report.

Transparency

54. In January 2020, BEIS was awarded a ‘Good’ score for its first assessment and ranked third amongst the ten governments departments reviewed by Publish What You Fund.⁶³ As the second biggest spender of ODA, this is a significant achievement for BEIS and one that we warmly congratulate them on. However, we note that Publish What You Fund’s recommendations for the Department are in line with Public Accounts Committee’s, and our own, view that it is crucial for BEIS to start measuring and reporting on performance of ODA programmes. We also note, from research conducted by the Centre for Global Development, that there is still room for progress on the extent to which the UK’s ODA spending on researching is reported in a way that allows public scrutiny of where and how it is spent, and the extent to which it is tied aid.⁶⁴ The Centre makes two recommendations:

[...][T]here should be sufficient transparency to permit the level of scrutiny that ensures this. For all agencies spending aid, including those other than DFID, any spending classed as ODA should be on the Devtracker site and should adhere to International Aid Transparency Initiative (IATI) standards, including showing the full business case and the transactions for the full project life. If UK research aid is tied to a UK institution it should be correctly reported as such to CRS and IATI.⁶⁵

55. In a subsequent review, ICAI has also demonstrated the importance of publishing data on ODA expenditure that is in line with the International Aid Transparency Index (DFID’s manages this via its DevTracker platform).⁶⁶ In ICAI’s view, BEIS is still far from having a comparable system and, problematically, it may not fully comprehend the importance of having strong governance arrangements because it has outsourced of its learning process to an evaluation firm:

As found in previous ICAI reviews, both Funds still lack a comprehensive and consistent approach to gathering evidence on their outputs and outcomes [...]. There is no Fund-level overview of the GCRF and NF’s projects and spending, except for an Excel-based activity tracker. [...] BEIS is outsourcing a large amount of its learning processes, such as development and implementation of its KPIs and evaluations to a contracted evaluation firm. While this is a common practice across government, BEIS does not appear to be fully integrating learning from this approach in a timely manner.⁶⁷

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-

63 Publish What You Fund’s [‘How transparent is UK aid? A review of ODA spending departments’](#)

64 Centre for Global Development’s [‘UK Research Aid: Tied, Opaque and Off-Topic?’](#)

65 Centre for Global Development’s [‘UK Research Aid: Tied, Opaque and Off-Topic?’](#), p. 16

66 ICAI, [How UK Aid Learns](#), September 2019, para. 4.42, p. 20

67 ICAI, [How UK Aid Learns](#), para. 4.42, p. 30

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.

6 Conclusion

56. We welcome BEIS's steps towards developing a value for money framework and the great strides it has made towards publishing more data on its administration of ODA. Nevertheless, we have found progress made towards improving the Newton Fund's performance, specifically, too slow and unlikely to have any durable impact before the current phase closes in 2021. We therefore hope that all of ICAI's and our recommendations will be acted upon by the Department if it is to bid for an extension of the Fund at the next Spending Review. This would be a major gain on its own merits for a Fund that is very substantial but also would set an excellent example for other ODA-supported, dual-purpose, funds. We will continue to monitor closely how BEIS meets its commitments using ICAI's next Follow-Up review and our ongoing interest in dual-purpose funds and non-DFID ODA spending.

Conclusions and recommendations

ICAI's overall findings

1. 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 16)
2. 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.* (Paragraph 20)

Newton Fund design

3. With respect to UK aid funds, whether within a dual-purpose fund or not, we believe that Departments should not be able to bid for ODA without due regard being given to their capacity and capability to administer these programmes effectively. Extensions to ODA-funded programmes should only be agreed where there is robust and up-to-date supporting evidence from an evaluation of impact conducted to a standard endorsed by ICAI or the National Audit Office. (Paragraph 27)
4. *For this reason, we recommend that the Newton Fund 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. The Department should update us on progress towards implementing these measures in its response to our Report.* (Paragraph 28)
5. Overall the Fund is not designed in a way that guarantees that its primary purpose — delivering development impact — is as prioritised as its secondary purpose — fostering UK national interests. Large amounts of ODA should not be devolved to Departments other than DFID without establishing guarantees, or an oversight mechanism, in relation to their ability to deliver outcomes to consistently high standards of technical compliance and developmental impact. (Paragraph 29)
6. *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)

7. *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)*

Measuring performance

8. *The current arrangements for ODA compliance which are left at the delivery partners' appreciation and with no explicit link to an overall strategy create risks of gaps in coherence and elements of ambiguity to arise. The training and support available to delivery partners so far has not seemed to have had the desired impact; instead it has left them and BEIS under the erroneous impression that their projects were already delivering substantial development impact. 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. (Paragraph 44)*
9. *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. (Paragraph 45)*
10. *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. (Paragraph 52)*
11. *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, but related to development if they are to be funded using ODA. BEIS should update us on steps taken towards completing these measures in its response to our Report. (Paragraph 53)

12. 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. (Paragraph 55)*

Formal minutes

Sub-Committee on the work of ICAI

Tuesday 9 June 2020

Members present:

Theo Clarke, in the Chair

Sarah Champion	Navendu Mishra
Brendan Clarke-Smith	Kate Osamor
Mrs Pauline Latham	Mr Virendra Sharma
Chris Law	

Draft report (*The Newton Fund review*), proposed by the Chair, brought up and read.

Ordered, That the draft report be read a second time, paragraph by paragraph.

Summary and paragraphs 1 to 4 set aside.

Paragraphs 5 to 56 read and agreed to.

Resolved, That the report be the first report of the Sub-Committee to the Committee.

Ordered, That the Chair make the report to the Committee.

[Adjourned to a date and time to be fixed by the Chair.]

International Development Committee

Tuesday 9 June 2020

Members present:

Sarah Champion, in the Chair

Theo Clarke	Navendu Mishra
Brendan Clarke-Smith	Kate Osamor
Mrs Pauline Latham	Mr Virendra Sharma
Chris Law	

Draft Report (*The Newton Fund review: report of the Sub-Committee on the work of ICAI*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Summary read, amended and agreed to.

Paragraphs 1 to 56 read and agreed to.

Resolved, That the Report be the Third Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Tuesday 16 June at 2.00 p.m.]

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

INF numbers are generated by the evidence processing system and so may not be complete.

- 1 Department for Business, Energy and Industrial Strategy ([INF0003](#))
- 2 Independent Commission for Aid Impact ([INF0002](#))
- 3 UK Research and Innovation ([INF0001](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2019–21

First Report	Humanitarian crises monitoring: the Rohingya	HC 259
Second Report	Effectiveness of UK aid: interim findings	HC 215
First Special Report	Follow up: sexual exploitation and abuse in the aid sector: Government Response to the First Report of the Committee	HC 127