

**Independent Commission for Aid Impact (ICAI)**

**DFID’s Oversight of the UK Contributions to the EU’s aid spending in low-income countries**

**Inception Report**

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## 1. Introduction

1.1 The Independent Commission for Aid Impact (ICAI) is the independent body responsible for scrutinising UK aid. We focus on maximising the effectiveness of the UK aid budget for intended beneficiaries and on delivering value for money for UK taxpayers. We carry out independent reviews of aid programmes and of issues affecting the delivery of UK aid. We publish transparent, impartial and objective reports to provide evidence and clear recommendations to support UK Government decision-making and to strengthen the accountability of the aid programme. Our reports are written to be accessible to a general readership and we use a simple 'traffic light' system to report our judgement on each programme or topic we review.

1.2 We will assess the effectiveness of the Department for International Development's (DFID's) oversight of the UK contributions to European Union (EU) Official Development Assistance (ODA). This Inception Report builds on the Terms of Reference to outline the purpose of the investigation and identifies the detailed areas of assessment.

## 2. Background

### *European Union Official Development Assistance*

2.1 The EU is the second-largest aid donor in the world, after the United States of America.<sup>1</sup> It operates in over 150 countries<sup>2</sup> and funds a diverse range of programmes and initiatives. The objectives of the EU's programmes are widespread – from support for health and education in Nepal to programmes which promote stability in the Middle East or economic development in Kenya and Nicaragua. The EU also provides emergency assistance and relief to the victims of natural disasters or armed conflict.

2.2 EU ODA is not readily attributed to one EU organisation. Instead, ODA is comprised of a range of funding mechanisms across EU organisations. Overall EU ODA expenditure in 2010 was €9.8 billion.<sup>3</sup> The main elements of this are (see also Figure 1 on page 3):

- European Development Fund;
- European Neighbourhood and Partnership Instrument;
- Development Co-operation Instrument - Geographic aid;
- Humanitarian Aid;
- Instrument for Pre-accession;
- Development Co-operation Instrument - Thematic aid; and
- Food Facility.

All of this funding comes from the European Commission budget except for the European Development Fund (EDF), which is funded separately by EU member countries.

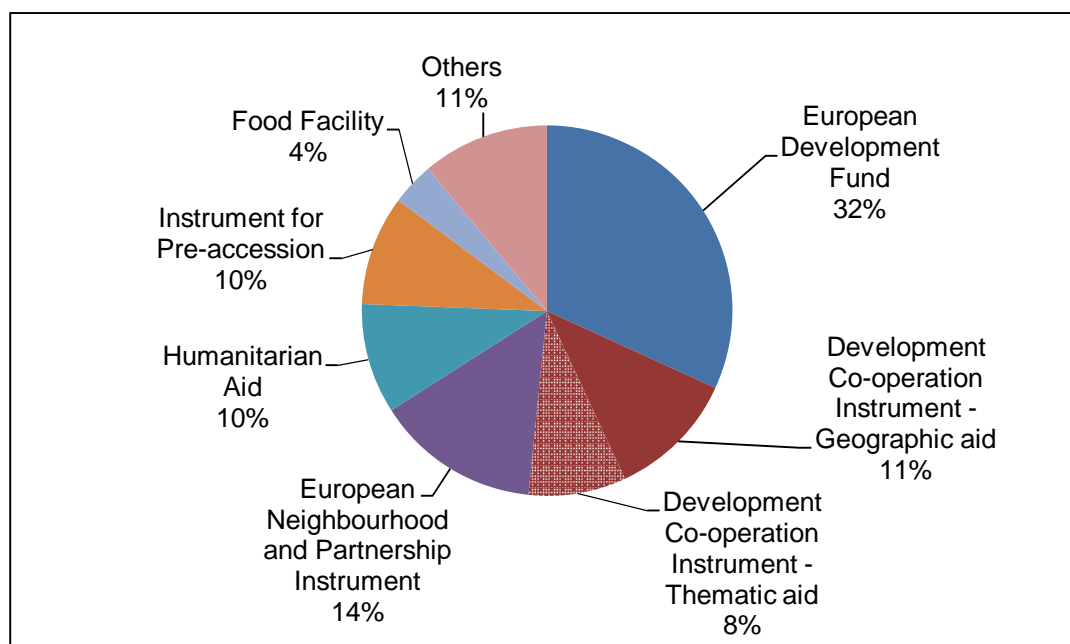
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<sup>1</sup>Development and Co-operation, EuropeAid, [http://ec.europa.eu/europeaid/what/millennium-development-goals/index\\_en.htm](http://ec.europa.eu/europeaid/what/millennium-development-goals/index_en.htm). This is for the EU itself, excluding the contributions member states make individually.

<sup>2</sup>EU external aid: who is it for?, Response by the European Commission to the Open Europe Briefing, European Commission, 2011, <http://blogs.ec.europa.eu/piebalgs/files/Detailed-document-to-answer-Open-Europe-29042011-final1.pdf>.

<sup>3</sup>EuropeAid Annual Report 2011, European Commission, 2011, [http://ec.ECropa.EC/EuropeAid/files/publications/EuropeAid\\_annual\\_report\\_2011\\_en.pdf](http://ec.ECropa.EC/EuropeAid/files/publications/EuropeAid_annual_report_2011_en.pdf).

**Figure 1: Percentage of EU ODA 2010 expenditure by main funds and instruments<sup>4</sup>**



2.3 Since 2011, the co-ordination of Europe's development programme policy and delivery has been consolidated into one organisation: EuropeAid. EuropeAid is overseen by a Director-General and reports directly to the Commission under the guidance of the European Commissioner for Development.<sup>5</sup> EuropeAid oversees the main funding mechanisms that comprise the EU's ODA: the EDF and the Development Co-operation Instrument (DCI).<sup>6</sup>

2.4 The EDF is the main instrument for providing EU development aid in the African, Caribbean and Pacific (ACP) countries and the group of countries known as the Overseas Countries and Territories (OCTs).<sup>7</sup> The EDF was set up in 1957 under the Treaty of Rome to assist African countries, some with links to member states, to grant financial and technical assistance. The EDF delivers its aid mainly through grants (managed by the Commission) and through risk capital and loans to the private sector (managed by the European Investment Bank).

2.5 The EDF is governed by the Cotonou Partnership Agreement<sup>8</sup> and does not form part of the European Commission budget. Instead, the funding comes separately from member countries. The budget is set for a five-year term and is renewed through negotiations directly with member countries. The 10<sup>th</sup> EDF has a budget of €22.68 billion for 2008-13. Of this amount, €21.96 billion is allocated to ACP countries, €286 million to OCTs and €430 million to the Commission as support expenditure for programming and implementation of the EDF.<sup>9</sup> About 85% of the EDF is spent in low-income countries.

2.6 The DCI is the second main funding source for EU ODA. The DCI was launched in 2007 explicitly to help eradicate poverty and assist developing countries to achieve the Millennium Development Goals (MDGs). It also aims to support democratisation, good governance and the rule of law and human rights. The DCI is separated into two main components:

<sup>4</sup> *EuropeAid Annual Report 2011*, European Commission, 2011,

[http://ec.ECropa.EC/EuropeAid/files/publications/EuropeAid\\_annual\\_report\\_2011\\_en.pdf](http://ec.ECropa.EC/EuropeAid/files/publications/EuropeAid_annual_report_2011_en.pdf).

<sup>5</sup> *EuropeAid Organisation Structure*, EuropeAid, [http://ec.europa.eu/europeaid/who/documents/organigramme-devco\\_en.pdf](http://ec.europa.eu/europeaid/who/documents/organigramme-devco_en.pdf).

<sup>6</sup> *How We Finance*, EuropeAid, [http://ec.ECropa.EC/EuropeAid/how/finance/index\\_en.htm](http://ec.ECropa.EC/EuropeAid/how/finance/index_en.htm).

<sup>7</sup> The OCTs are 25 countries and territories – mainly small islands – outside mainland Europe, having constitutional ties with one of Denmark, France, the Netherlands and the United Kingdom.

<sup>8</sup> The Cotonou Partnership Agreement between the members of the ACP Group of States (currently comprising 78 countries) and the European Union and its Member States was signed on 23 June 2000 in Cotonou, Bénin. The partnership is focussed on reducing poverty through sustainable development and the gradual integration of the ACP countries into the world economy.

<sup>9</sup> *European Development Fund overview*, EuropeAid, [http://ec.ECropa.EC/EuropeAid/how/finance/edf\\_en.htm](http://ec.ECropa.EC/EuropeAid/how/finance/edf_en.htm).

geographic programmes and thematic programmes. In its geographic focus, the DCI covers the EU aid programmes for 47 developing countries in Latin America, Asia and Central Asia, the Gulf region (Iran, Iraq and Yemen) and South Africa, notably through specific EU-Country Strategy Papers. The thematic programmes benefit all developing countries and focus on particular needs in:

- investing in people (human and social development);
- environment and sustainable management of natural resources, including energy;
- non-state and local authority participation in development;
- food security; and
- migration and asylum.

2.7 The budget allocated under the DCI for the period 2007-13 is €16.9 billion. The DCI is derived directly from the European Commission budget.<sup>10</sup> The Commission's current proposals for future spending would mean increasing the proportion of the DCI spent in low-income countries.

2.8 Further EU ODA is spent through a number of other financial instruments of the EC budget. These, in order of size of 2010 expenditure, include:

- the European Neighbourhood and Partnership Instrument (€1.4 billion). This is focussed largely on regional integration, providing assistance to 17 countries (ten Mediterranean countries, six Eastern European countries and Russia) and is managed by EuropeAid;
- the Humanitarian Aid Instrument (€948 million). This funds the Commission's Humanitarian Aid and Civil Protection directorate in its aid programme in disaster areas and conflict-affected countries. It is managed by the European Community Humanitarian Office (ECHO);
- the Instrument for Pre-accession Assistance (€943 million), which offers assistance to countries engaged in the accession process to the EU and is managed by the Directorate General Enlargement; and
- the Food Facility (€362 million), which was established to respond rapidly to problems caused by soaring food prices in developing countries, managed by EuropeAid.

2.9 The European External Action Service (EEAS) is the overseas diplomatic arm of the EU responsible for EU delegations throughout the world. It prepares country strategies and programmes development funds in consultation with EuropeAid. Figure 2 on page 5 shows DFID and EU aid expenditure across the countries DFID is focussing on, using the latest available data.

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<sup>10</sup> *Development Co-operation Instrument overview*, EuropeAid, [http://ec.ECropa.EC/EuropeAid/how/finance/dci\\_en.htm](http://ec.ECropa.EC/EuropeAid/how/finance/dci_en.htm).

**Figure 2: DFID focal countries – DFID bilateral and EU expenditure<sup>11</sup>**

		<b>DFID commitments (average for every year until 2015) £ million</b>	<b>Total EU aid disbursements 2010 £ million</b>	<b>UK share of EU aid disbursements 2010 £ million</b>
1	Pakistan	350	112	17
2	Ethiopia	331	155	23
3	India	280	61	9
4	Bangladesh	250	122	18
5	Nigeria	250	39	6
6	DRC	198	236	35
7	Afghanistan	178	185	28
8	Tanzania	161	125	19
9	Sudan	140	184	28
10	Kenya	128	66	10
11	Uganda	98	83	13
12	Ghana	94	68	10
13	Malawi	93	135	20
14	Zimbabwe	88	71	11
15	OPTs <sup>12</sup>	86	286	43
16	Mozambique	83	125	19
17	Nepal	83	30	4
18	Rwanda	83	68	10
19	Yemen	76	26	4
20	Sierra Leone	68	52	8
21	Somalia	63	82	12
22	Zambia	59	60	9
23	Burma	46	36	5
24	South Africa	19	99	15
25	Liberia	8	59	9
26	Kyrgyzstan	7	16	2
27	Tajikistan	7	24	4

2.10 The ACP–EU Joint Parliamentary Assembly and the European Parliament Committee on Development are both important for the oversight of EU ODA. The Joint Parliamentary Assembly was created to bring together the elected representatives of both the European Community (Members of the European Parliament) and the ACP countries that have signed the Cotonou Partnership Agreement. The Committee on Development is a standing committee of the European Parliament responsible for promoting, implementing and monitoring the development and co-operation policy of the EU.

2.11 In April 2010, the EU issued a new development and external assistance policy focussing on action to help developing countries achieve their MDGs on time.<sup>13</sup> This 12-point

<sup>11</sup> The table compares DFID and EU aid expenditure across countries DFID is focussing on. DFID figures are from the Bilateral Aid Review, average annual expenditure in the five years to 2015. EU figures are derived from Development Assistance Committee data, converted and annualised by DFID. UK share of EU country specific programme is based on UK's 15% share of the budget. All the countries listed have EU and DFID offices, with the exception of Somalia, where both organisations work from Kenya.

<sup>12</sup> Occupied Palestinian Territories.

action plan gave priority to countries most off track, including those in conflict or fragile situations. At the same time, the Commission adopted a principle to strengthen the link between tax and development policies and enhance good governance in the tax area (transparency, exchange of information and fair tax competition). The EU is also committed to supporting the expansion of the private sector in developing countries.

2.12 In November 2010, the European Commission published a consultation document paper *EU development policy in support of inclusive growth and sustainable development*.<sup>14</sup> This paper presented options on ways to make EU development policy a catalyst for helping developing countries generate inclusive and sustainable growth. In October 2011, following this consultation process and including input from the UK, the Commission launched the communication *Increasing the impact of EU Development Policy: an Agenda for Change*.<sup>15</sup> This set out a more strategic EU approach to reducing poverty including a more targeted allocation of funding. Council conclusions from the *Agenda for Change*, which will help guide the next Multi-Annual Financial Framework (2014-20) negotiations, were adopted by EU Development Ministers at the Development Foreign Affairs Council in May 2012.<sup>16</sup>

#### *DFID's funding and oversight of EU ODA*

2.13 Approximately 16% of DFID's budget is spent through the EU.<sup>17</sup> The forecast outturn for 2010-11 shows that DFID channelled £1.3 billion via EU institutions in that year. £436 million was allocated to the EDF and £845 million to the European Commission's development budget through the UK's share of Commission budget contributions.<sup>18</sup> DFID is projected to spend £3.5 billion on core Commission funding and £2.1 billion on the EDF over the next four years.<sup>19</sup>

2.14 DFID's Europe Department is the main co-ordinating office within DFID for dealing with the European Commission. The DFID Europe Department takes forward the UK's interest through:<sup>20</sup>

- agreeing policy, common positions and expenditure through EU Working Groups/Councils, the European Investment Bank and International Facility Boards and Management Committees;
- engaging with EU Member States and building alliances where needed, with Members of the European Parliament, non-governmental organisations (NGOs) and think tanks in EU development policy and research;
- DFID Seconded National Experts programme, enabling the placement of over 25 DFID staff in key positions across EU institutions;
- working with other Whitehall departments to agree joint positions and a single, coherent UK voice on development issues in Europe; and
- supporting DFID colleagues across policy divisions and in country offices to pursue their priorities with the EU.

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<sup>13</sup> *Increasing the impact of EU Development Policy: an Agenda for Change*, European Commission, 2011, [http://ec.europa.eu/europeaid/what/development-policies/documents/agenda\\_for\\_change\\_en.pdf](http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf).

<sup>14</sup> *EU development policy in support of inclusive growth and sustainable development: Increasing the impact of EU development policy*, European Commission, 2010, [http://ec.europa.eu/development/icenter/repository/GREEN\\_PAPER\\_COM\\_2010\\_629\\_POLITIQUE\\_DEVELOPPEMENT\\_EN.pdf](http://ec.europa.eu/development/icenter/repository/GREEN_PAPER_COM_2010_629_POLITIQUE_DEVELOPPEMENT_EN.pdf).

<sup>15</sup> *Increasing the impact of EU Development Policy: an Agenda for Change*, European Commission, 2011, [http://ec.europa.eu/europeaid/what/development-policies/documents/agenda\\_for\\_change\\_en.pdf](http://ec.europa.eu/europeaid/what/development-policies/documents/agenda_for_change_en.pdf).

<sup>16</sup> Council conclusions 'Increasing the Impact of EU Development Policy: an Agenda for Change', Council of the European Union, 2012, [http://www.consilium.europa.eu/uedocs/cms\\_data/docs/pressdata/EN/foraff/130243.pdf](http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/EN/foraff/130243.pdf).

<sup>17</sup> This figure is the current DFID estimate for 2010-11.

<sup>18</sup> *Annual Report and Accounts 2010-2011*, DFID, 2011, <http://www.dfid.gov.uk/Documents/publications1/departmental-report/2011/Annual-report-2011-vol1.pdf>. The UK's share of budget contributions is approximately 15%.

<sup>19</sup> DFID documentation.

<sup>20</sup> DFID documentation.

2.15 In recent evidence to the House of Commons International Development Committee (IDC), DFID cited a number of areas where it considered it had influenced EU policy on development assistance. Examples included where the EU has:

- created a Quality and Impact Unit, responsible for developing a better system for measuring performance, known as a results framework;
- established a Working Group on results, dedicated to the Busan commitments;
- launched *The Agenda for Change* and *The Future of Budget Support to Third Countries*, two initiatives with a strong emphasis on results, improving performance monitoring and improving transparency and accountability;
- begun developing a strong, integrated monitoring system; and
- signed up to the International Aid Transparency Initiative.<sup>21</sup>

2.16 An important challenge for the EU is to improve the value for money of its development assistance. A focus of DFID's effort is for the EU to develop a framework for assessing value for money within the organisation. The DFID Europe Department plans to call for more value for money considerations in future EU aid and use upcoming opportunities, for example negotiations regarding the next Multi-Annual Financial Framework (2014-20) and the next EDF replenishment, to further this.<sup>22</sup> This is particularly important given the likely increase in EU ODA spending for the 2014-20 period.

### 3. Purpose

3.1 To assess the effectiveness of DFID's oversight of the UK contributions to the EU, focussing on development assistance to low-income countries, in order to maximise impact for the intended beneficiaries and value for money for the UK taxpayer.

### 4. Relationships to other initiatives and evaluations

4.1 DFID carried out the *Multilateral Aid Review* to assess the value for money of UK aid funding through multilateral organisations. It stated that the European Commission has a 'critical role in meeting development objectives and partnership behaviour' and that the EDF has 'objectives [that] appear ambitious, there is good evidence of innovation, such as the MDG contracts, external assessments indicate reasonable performance and there are many examples of contributions to outputs and even outcomes at the country level.'<sup>23</sup>

4.2 On the European Commission budget, the *Multilateral Aid Review* focussed on the DCI and the Neighbourhood and Pre-accession instruments. Overall, it rated the European Commission budget elements as weak for contribution to UK development objectives and satisfactory for organisational strengths. The EDF was rated as strong on both these dimensions. The main weaknesses the *Multilateral Aid Review* set out for the Commission's core budget and the EDF are shown in Figures 3 and 4 on page 8.<sup>24</sup>

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<sup>21</sup> *EU Development Assistance*, House of Commons Oral Evidence, International Development Committee, March 2012, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/c1680-iii/c168001.htm>.

<sup>22</sup> DFID documentation.

<sup>23</sup> *Multilateral Aid Review*, DFID, 2011,

[http://www.dfid.gov.uk/Documents/publications1/mar/multilateral\\_aid\\_review.pdf](http://www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf).

<sup>24</sup> *Multilateral Aid Review*, DFID, 2011,

[http://www.dfid.gov.uk/Documents/publications1/mar/multilateral\\_aid\\_review.pdf](http://www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf).

**Figure 3: Main weaknesses of UK contributions to the European Commission budget highlighted by the UK *Multilateral Aid Review*, 2011**

Indicator	Weaknesses
Contribution to UK development objectives (assessed as 'weak')	<ul style="list-style-type: none"> <li>- Low poverty focus: 85% of budget instruments' ODA spent on middle-income countries</li> <li>- Limited evidence of how expenditure in neighbourhood and pre-accession countries contributes to MDGs and poverty reduction</li> <li>- Variable evidence of impact/delivery against results across regions</li> <li>- Rules can be inflexible/cumbersome, hampering strive for results</li> <li>- Budget instruments are less innovative than the EDF</li> <li>- Gender strategy is adequate on policy but weak on implementation</li> </ul>
Organisational strengths (assessed as 'satisfactory')	<ul style="list-style-type: none"> <li>- Non-budget-support assistance has less of a focus on value for money</li> <li>- Less flexible in allocations than EDF: amounts are allocated per region and partly based on political considerations</li> <li>- No clear overall results framework is in place</li> <li>- Limited flexibility after funds have been programmed and cliff-edge issue at the end of the funding cycle</li> </ul>

**Figure 4: Main weaknesses of UK contributions to the EDF highlighted by the UK *Multilateral Aid Review*, 2011**

Indicator	Weaknesses
Contribution to UK development objectives (assessed as 'weak')	<ul style="list-style-type: none"> <li>- Rules can be inflexible/cumbersome, hampering strive for results</li> <li>- Gender strategy is adequate on policy but weak on implementation</li> </ul>
Organisational strengths (assessed as 'strong')	<ul style="list-style-type: none"> <li>- Non-budget-support assistance has less of a focus on value for money</li> <li>- No clear overall results framework is in place</li> <li>- Limited flexibility after funds have been programmed and cliff-edge issue at the end of the funding cycle</li> <li>- Broadly meritocratic recruitment practices but continued challenge in recruiting development-specific expertise</li> </ul>

4.3 Since the *Multilateral Aid Review* was completed in March 2011, other independent sources of evidence have assessed EU aid. For example, the *Quality of Official Development Assistance Assessment* (QuODA) reviewed the quality of aid by benchmarking countries and agencies against each other in each year.<sup>25</sup> The study compared the quality of ODA on the basis of four dimensions including: maximising efficiency; fostering institutions; reducing burden; and transparency and learning. QuODA's assessment was that the European

<sup>25</sup> *Quality of Official Development Assistance Assessment*, QuODA, 2010, [http://www.cgdev.org/files/1424481\\_file\\_CGD\\_QuODA\\_web.pdf](http://www.cgdev.org/files/1424481_file_CGD_QuODA_web.pdf).



Commission performed well – on a par with the International Development Association at the World Bank – and showed improvement across all dimensions apart from reducing administrative burdens.

4.4 An independent evaluation and monitoring survey of the Paris Declaration carried out by the Organisation for Economic Co-operation and Development (OECD) provided evidence of performance against the Paris and Accra aid effectiveness commitments. The evidence concluded that the performance of the European Commission and 14 member states which participated in the survey is better than global performance overall. Their performance was less successful in predictability, use of programme-based approaches and joint missions.<sup>26</sup>

4.5 The OECD's Development Assistance Committee has recently published its peer review of the development work of the EU.<sup>27</sup> It notes that, since the last review five years ago, the EU has taken steps to make its aid more effective and give it more impact. These steps included organisational restructuring, streamlining the financial process, improving co-ordination and working more with civil society.

4.6 The review also notes, however, that more progress is needed in a number of areas. It says the EU must:

- clarify the responsibilities of the EU institutions working on development;
- lower the administrative burden on EU staff and developing countries;
- monitor and communicate development results; and
- draw up a coherent approach to working with developing countries emerging from conflict situations.

4.7 A report on the European Commission's management of general budget support was produced by the European Court of Auditors in 2010. The main findings were:<sup>28</sup>

- there are still weaknesses in the methodology and management of general budget support programmes in ACP, Latin American and Asian countries;
- the objectives of general budget support programmes do not sufficiently take into account the specific circumstances and changing priorities of partner countries, other programmes implemented by the Commission and other donors: the objectives of the programmes are also too general; and
- the Commission's external reporting on general budget support tends to focus on how it benefits and improves aid delivery but there is relatively little information on its actual impact on poverty reduction.

4.8 The IDC reported in April 2012 on the results of its inquiry into EU development assistance.<sup>29</sup> On the EU as a route for UK aid, the IDC concluded that 'the UK has a certain amount of choice whether it spends its aid bilaterally or through multilaterals. Although we have acknowledged that there are some problems with channelling aid through the European Commission, for example the large amount of aid going to middle income countries and its slow bureaucracy, on balance we are not convinced it is any worse than the other multilaterals DFID funds, for example the World Bank which we have previously reported our concerns on. DFID, however, should continue to press the Commission to improve its aid effectiveness and value for money.'

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<sup>26</sup> *Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration*, OECD, 2011, <http://www.oecd.org/dataoecd/25/30/48742718.pdf>.

<sup>27</sup> *European Union Development Assistance Committee Peer Review*, OECD, 2012, <http://www.oecd.org/dataoecd/61/46/50155818.pdf>.

<sup>28</sup> *The Commission's Management of General Budget Support in ACP, Latin American and Asian Countries*, European Court of Auditors, 2010, [http://capacity4dev.ec.europa.eu/sites/default/files/file/10/03/2011\\_-\\_1433/2010\\_ECA\\_report\\_on\\_GBS\\_EN.pdf](http://capacity4dev.ec.europa.eu/sites/default/files/file/10/03/2011_-_1433/2010_ECA_report_on_GBS_EN.pdf).

<sup>29</sup> *EU Development Assistance, Sixteenth Report of Session 2010-12*, House of Commons, International Development Committee, 2012, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/1680/168002.htm>.

4.9 IDC made a series of other recommendations covering: clarity of roles between departments responsible for managing development assistance; conditionality of funding; supporting the private sector; joint programming; reducing the number of countries assistance goes to; the use of budget support; and plans for future funding.

4.10 On joint programming in particular, the IDC concluded that 'although joint programming has the potential to prevent the overlap of Member State bilateral programmes and reduce transaction costs for recipient countries, the European Commission does not necessarily have the capacity or the expertise to lead the coordination. The lead donor who coordinates policy for bilateral donors should be the one with the most experience in the area and a proven track record.'

4.11 The IDC has also written to us with its views of how we might approach the subject of EU aid. The IDC noted the need for our report to complement, rather than duplicate, its own report, also noting that 'it would be helpful if ICAI's EU study could analyse the extent that DFID and the EU's work complements or duplicates in countries where both donors are based'.<sup>30</sup>

4.12 We understand that the National Audit Office (NAO) is also currently conducting a value for money audit that covers DFID's contributions to multilateral bodies as a follow-up exercise to the *Multilateral Aid Review*. One of the case studies under consideration is the European Development Fund. As with all our work, we will co-ordinate with NAO to ensure we understand what their plans are and avoid any duplication.

## 5. Methodology

5.1 We have considered carefully how to deliver the maximum benefit from this review. Key considerations are as follows:

- in line with our mandate, we will focus on DFID's oversight of the EU's development assistance and not on the Commission's own performance;
- we will use findings from existing studies and research to inform our review of the central relationship between DFID in the UK and the European Commission in Brussels and conduct a relatively light-touch review of this ourselves;
- the emphasis will be on the effectiveness and impact of the UK contributions on the ground through a sample of case study countries with different characteristics; and
- we will also focus our work on DFID's co-operation with the Commission, particularly in the case study countries in order to identify whether the programmes complement one another, whether there is overlap, duplication, inconsistency or gaps.

5.2 This review will focus on DFID's contribution to the two largest instruments of EU ODA: the EDF and the DCI. Our selection of country-level case studies will be from countries with significant EU programme expenditure and reflect that focus. Once in-country, however, we will consider the whole of EU engagement in development assistance to that country. The rationale for this approach is that it:

- complements the approach and findings of the IDC inquiry and the likely NAO approach, for example in not seeking to re-examine the issue of ODA provided to middle-income countries;
- focusses on the funds that are most clearly about development assistance and match the objectives of DFID; and
- allows us to look at the whole of the EU approach once in-country, so picking up policy coherence issues and overall co-ordination, for example with EU humanitarian aid or the contribution of the European Investment Bank.

5.3 Our review will, therefore, first provide a brief overview of all of the EU's development assistance activities including its oversight, organisation, strategy, funding mechanisms and

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<sup>30</sup> Correspondence between ICAI and the IDC.

approaches to performance reporting and evaluation. In doing so, we will draw on the recent IDC inquiry on EU development assistance and also the current NAO study. We will consider how well DFID ensures at the strategic level that the EU's development assistance is effective and meets the needs of intended beneficiaries. We will assess how well DFID uses the information available from the European Commission, such as evaluations and other sources, to give that assurance.

5.4 Our main focus will be to use evidence from case study country visits to see the operation and effectiveness of EU development assistance on the ground. Our selection of countries for case study visits is covered in Appendix 1.

5.5 We will consider the ways of working between DFID, delegations of the EU and other agencies at the country level (including recipient governments) and any joint programming, as well as the role of the EEAS in coordinating aid programmes and managing delegations.

5.6 As a result, we expect to be able to comment on:

- the effectiveness of DFID's oversight of EU development assistance;
- the effectiveness and impact of the UK contributions to EU programmes on the ground; and
- how well DFID and the EU and its delegations co-ordinate together, complement each other and minimise duplication and inconsistency.

## Evaluation Framework

5.7 The evaluation framework for this review is set out in the table below. This has as its basis the standard ICAI guiding criteria and evaluation framework, which are focussed on four areas: objectives, delivery, impact and learning. It also incorporates other pertinent questions we want to investigate in this review. The questions which are highlighted in bold are those on which we will focus in particular.

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<b>Objectives: what is the programme trying to achieve?</b>			
Does the programme have clear, relevant and realistic objectives that focus on the desired impact? (1.1)	<b>How well does DFID set its priorities and objectives for engaging with the European Commission and funding for the EDF and use its influence to achieve these? (ToR 6.2.1)</b>	<ul style="list-style-type: none"> <li>• Evidence that DFID has a clear analytical framework underpinning its priorities for engagement with the EU and its decisions on aid allocations e.g. Multi-annual Financial Framework (MFF) replenishments, that take into account the needs of intended beneficiaries</li> <li>• Evidence of DFID influencing EU priorities and practices</li> <li>• Evidence of how follow up of the <i>Multilateral Aid Review</i> and other evaluations has resulted in changes to focus and performance</li> </ul>	<ul style="list-style-type: none"> <li>• IDC report and other evaluations of EU development assistance</li> <li>• DFID Europe Department strategy and plan, MFF negotiating strategies and supporting communications between DFID and relevant Commission officials/overseeing committees</li> <li>• European Commission policy papers<sup>31</sup></li> <li>• Interviews with DFID and European Commission headquarters staff</li> <li>• Interviews with other stakeholders, e.g. HM Treasury other member countries, NGOs and commentators</li> </ul>

<sup>31</sup> These will include for example The Agenda for Change, The Future of Budget Support, The European Consensus on Development, Policy Coherence for Development and related 'green' and 'white' papers and reviews of programmes and instruments eg of EDF, DCI and ECHO.

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<p>Is there a clear and convincing plan, with evidence and assumptions, to show how the programme will work? (1.2)</p> <p>Does the programme complement the efforts of government and other aid providers and avoid duplication? (1.3)</p> <p>Are the programme's objectives appropriate to the political, economic, social and environmental context? (1.4)</p>	<p><b>How well does DFID work with the EU and other donors at country level to ensure that their aid programmes are complementary, meet recipient government and intended beneficiaries' needs and are co-ordinated effectively? (ToR 6.2.2)</b></p> <p><b>How well does DFID work with the EU at country level to understand and influence the way the EU programme is intended to make a difference? (ToR 6.2.3)</b></p>	<ul style="list-style-type: none"> <li>• DFID engagement with the EU delegations at country level and recipient government on aid strategy and priorities, based on assessments of need</li> <li>• DFID engagement with stakeholders, civil society and intended beneficiaries and evidence that this mechanism contributes to formal discussions</li> <li>• Evidence of DFID country office engagement with the local EU delegation to understand and influence the way the EU programme is intended to make a difference</li> <li>• Evidence of effectiveness of jointly funded programmes and other cooperation actions</li> <li>• Use of independent assessments by the EU and DFID (e.g. Multilateral Organization Performance Assessment Network, Independent Evaluation Department (IED))</li> </ul>	<ul style="list-style-type: none"> <li>• EU and DFID country strategy and plans and planning process, including approach to monitoring and evaluation</li> <li>• Plans, rationales and business cases for selected programmes and projects</li> <li>• Jointly funded programmes and other cooperation actions</li> <li>• Interviews with DFID and EU staff in-country</li> <li>• Interviews with relevant government and civil society organisations and intended beneficiaries</li> <li>• Survey of stakeholders at country level (DFID, EU, delivery chain, government, intended beneficiary and CSOs) about their views on the effectiveness and areas for improvement of EU development assistance</li> <li>• Feedback and two-way communication between DFID country offices and the EU delegation</li> <li>• Recent IED reports and other relevant evaluations</li> </ul>

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<b>Delivery: is the delivery chain designed and managed so as to be fit for purpose?</b>			
<p>Are the choice of funding and delivery options appropriate? (2.1)</p>	<p><b>How well does DFID use information obtained about the EU's performance and spending both centrally and at country level to address issues and improve the performance of the EU development assistance? (ToR 6.3.4)</b></p>	<ul style="list-style-type: none"> <li>• Evidence that DFID has the right assurance and processes to influence where needed on performance and value-for-money issues</li> <li>• Evidence of changes to EU performance management and value for money policy or practice resulting from UK influence</li> <li>• Content and frequency of information received about EU performance and spending at different levels in DFID</li> <li>• Evidence that DFID collects information from different sources to draw conclusions about strategic performance for communication to internal decision-makers</li> <li>• Evidence of DFID influencing EU practices in-country and centrally based on the evidence obtained</li> </ul>	<ul style="list-style-type: none"> <li>• IDC report and other evaluations of EU development assistance</li> <li>• Interviews with DFID and EU staff at HQ and country levels and the full range of stakeholders in-country</li> <li>• Assessment of delivery options for the selected programmes and projects in-country</li> <li>• IED and other evaluation reports for in-country case studies</li> <li>• Performance of programmes in-country and the communication of relevant issues to the EU locally, centrally and to DFID</li> </ul>

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Does programme design and roll-out take into account the needs of the intended beneficiaries? (2.2)	<b>How does DFID obtain assurance both centrally and at country level that the EU allows for appropriate voice and participation by recipient governments, communities and intended beneficiaries? (ToR 6.3.1)</b>	<ul style="list-style-type: none"> <li>• Evidence of UK engagement in policy debate on issues related to fair representation of beneficiary countries</li> <li>• Evidence that DFID and the EU engage recipient governments and intended beneficiaries in project design and implementation</li> <li>• Evidence of the needs of intended beneficiaries being incorporated in EU processes from end to end and that the results are communicated and used</li> </ul>	<ul style="list-style-type: none"> <li>• Joint donor working groups papers and minutes</li> <li>• Interviews with EU and DFID staff at HQ and country levels</li> <li>• Interviews with relevant civil society organisations and reviews of civil society initiatives on transparency and accountability at country level</li> <li>• Interviews with intended beneficiaries</li> <li>• IED and other evaluation reports</li> </ul>
<p>Is there good governance at all levels, with sound financial management and adequate steps being taken to avoid corruption? (2.3)</p> <p>Are resources being leveraged so as to work best with others and maximise impact? (2.4)</p> <p>Do managers ensure the efficiency and effectiveness</p>	<p><b>How does DFID obtain assurance both centrally and at country level on the efficiency and effectiveness of the delivery chains used by the EU? (ToR 6.3.2)</b></p> <p><b>How does DFID work with the EU, delivery partners and the recipient government at country level to ensure that the risks to EU development assistance are appropriately managed, duplication is minimised and the benefits of co-ordination are</b></p>	<ul style="list-style-type: none"> <li>• Evidence of clear processes for selection of EU country programme delivery options</li> <li>• Evidence of DFID assessments of comparative costs overall and in-country and influence on reducing burdens</li> <li>• Evidence on the effectiveness of the role and interactions of the EEAS at HQ and country levels</li> <li>• Evidence of clear and effective approach to co-ordination between EU, DFID and other donors</li> <li>• Evidence of effectiveness of jointly funded programmes and other</li> </ul>	<ul style="list-style-type: none"> <li>• IDC report and other evaluations of EU development assistance</li> <li>• Assessment of delivery options and programme management and delivery for selected programmes and projects in-country</li> <li>• Jointly funded programmes and other cooperation actions in-country</li> <li>• Interviews with IED staff</li> <li>• IED's evaluation strategy and plan for the next three years</li> </ul>

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<p>of the delivery chain? (2.5)</p> <p>Is there a clear view of costs throughout the delivery chain? (2.6)</p> <p>Are risks to the achievement of the objectives identified and managed effectively? (2.7)</p> <p>Is the programme delivering against its agreed objectives? (2.8)</p> <p>Are appropriate amendments to objectives made to take account of changing circumstances? (2.9)</p>	<p><b>realised? (ToR 6.3.3)</b></p>	<p>cooperation actions</p> <ul style="list-style-type: none"> <li>• Evidence that IED is providing member countries with more timely impact assessments and evaluations of countries' whole development strategies</li> <li>• Evidence that DFID makes efforts to influence project design and procurement to improve cost-effectiveness</li> <li>• Evidence that DFID intervenes at project design stage to influence delivery costs and procurement methods</li> <li>• Evidence that DFID has assurance on the EU's risk management processes centrally and in country</li> <li>• Evidence of DFID communicating with DFID country offices regarding programme performance</li> <li>• Evidence of the EU having formal processes for project or programme change that DFID is able to influence</li> <li>• Evidence of in-country project and portfolio adjustment</li> <li>• Evidence of DFID engagement to change individual programmes</li> </ul>	<ul style="list-style-type: none"> <li>• Recent IED reports and methodologies for in-country programmes selected</li> <li>• EU evaluations and performance monitoring in-country</li> <li>• Implementation of Policy Coherence on Development in-country</li> <li>• Interviews with DFID, EU and other stakeholders in-country</li> <li>• EU Project Cycle Management, including project design, procurement and country monitoring approaches</li> <li>• Examples of project risk registers and actions taken in-country</li> <li>• EU approach and information to monitoring at-risk projects and those not delivering their development outcomes</li> <li>• EU policies related to portfolio/programme adjustment, Country Strategy Paper Mid-Term Reviews</li> </ul>



Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<b>Impact: what is the impact on intended beneficiaries?</b>			
<p>Is the programme delivering clear, significant and timely benefits for the intended beneficiaries? (3.1)</p> <p>Is the programme working holistically alongside other programmes? (3.2)</p>	<p><b>How well does DFID use the European Commission's performance systems, information and evaluation processes centrally and at country level to enable it to track overall value for money and effectiveness? (ToR 6.4.1)</b></p> <p><b>How effective is DFID's impact on the Commission's performance according to other EU donors and civil society organisations? (ToR 6.4.2)</b></p> <p><b>How does the impact of EU programmes and the views of intended beneficiaries at country level illustrate the effectiveness of the EU's performance management and DFID's influence on this? (ToR 6.4.3)</b></p>	<ul style="list-style-type: none"> <li>• Evidence of DFID challenging senior management levels (EU delegations, European Commission Directorates, EDF/DCI Committees) about effectiveness and impact</li> <li>• Evidence that DFID analyses information to improve performance and impact of the EU and communicates this to decision-makers</li> <li>• Evidence that DFID has the right assurance and processes to influence on effectiveness and impact issues</li> <li>• Evidence of changes to EU performance management policy or practice resulting from UK influence</li> <li>• Underpinning and illustrating the above through evidence of the impact of programmes in-country</li> </ul>	<ul style="list-style-type: none"> <li>• Results from performance management systems both centrally and in-country</li> <li>• IED, Joint Annual Review and other evaluation reports on selected programmes and projects in-country</li> <li>• Interviews with DFID and the EU at HQ and country levels</li> <li>• Interviews in-country with relevant civil society organisations and reviews of civil society initiatives on impact transparency and accountability</li> <li>• Interviews with intended beneficiaries</li> <li>• Survey of stakeholders at country level (DFID, EU, delivery chain, government, intended beneficiary and CSOs) about their views on the effectiveness and areas for improvement of EU development assistance</li> </ul>

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<p>Is there a long-term and sustainable impact from the programme? (3.3)</p> <p>Is there an appropriate exit strategy involving effective transfer of ownership of the programme? (3.4)</p> <p>Is there transparency and accountability to intended beneficiaries, donors and UK taxpayers? (3.5)</p>	<p><b>How does DFID use the available information and its influence centrally and at country level to ensure that EU projects deliver the planned development outcomes and that the long-term performance of EU development assistance improves? (ToR 6.4.4)</b></p> <p>Is there an appropriate exit strategy involving effective transfer of ownership of the programme? (3.4)</p> <p>Is there transparency and accountability to intended beneficiaries, donors and UK taxpayers? (3.5)</p>	<ul style="list-style-type: none"> <li>• Evidence of DFID using analysis of IED reports to influence performance improvement</li> <li>• Evidence of IED using robust methodologies and drawing independent conclusions</li> <li>• Evidence that IED has a formal process for monitoring implementation of its recommendations</li> <li>• Evidence that the EU makes available and accessible to the public all operational information that is not confidential (as part of its commitment to International Aid Transparency Initiative standards)</li> <li>• Evidence of EU monitoring the frequency of external access to public information</li> <li>• Underpinning and illustrating the above through evidence of the impact of programmes in-country</li> </ul>	<ul style="list-style-type: none"> <li>• DFID's EU monitoring and performance improvement approach and results</li> <li>• DFID internal reporting on European Commission's adherence to International Aid Transparency Initiative standards (since 10/2011)</li> <li>• Interviews with DFID and the EU at HQ and country level</li> <li>• Review of selected programmes and projects in-country</li> <li>• Interviews in-country with relevant civil society organisations and reviews of civil society initiatives on impact transparency and accountability</li> <li>• Interviews with intended beneficiaries</li> <li>• Survey of stakeholders at country level (DFID, EU, delivery chain, government, intended beneficiary and CSOs) about their views on the effectiveness and areas for improvement of EU development assistance</li> </ul>

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<b>Learning: what works and what needs improvement?</b>			
Are there appropriate arrangements for monitoring inputs, processes, outputs, results and impact? (4.1)	<b>How well has DFID learned from both its own experience and that of working with the European Commission and other multilateral institutions to improve the effectiveness and value for money of the EU's development assistance?(ToR 6.5.1)</b>	<ul style="list-style-type: none"> <li>• Quality of DFID monitoring of EU's funding instruments</li> <li>• Evidence that a range of information is shared between DFID country offices and HQ on EU policies and programmes</li> <li>• Evidence that DFID analyses and uses input from country offices for influencing EU</li> <li>• Evidence of EU processes for feedback, learning and performance improvement</li> <li>• Evidence of how follow up of the <i>Multilateral Aid Review</i> and other evaluations has resulted in changes to focus and performance</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with DFID and the EU at HQ and country level</li> <li>• Documentation and communication on DFID's monitoring, evaluation and learning centrally and in-country and how this is used</li> <li>• Results of DFID's review of EU learning processes and the action taken as a result</li> <li>• Interviews with representatives of other EU member states on learning and development</li> </ul>
Is there evidence of innovation and use of global best practice? (4.2)	Is there evidence of innovation and use of global best practice? (4.2)	<ul style="list-style-type: none"> <li>• Evidence of lessons and good practice from the EU being communicated to relevant staff working with other multilateral development institutions</li> <li>• Evidence of learning and good practice from other multilateral development institutions being applied to EU</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with DFID and EU staff and documentary evidence on the two way flow of improvements and innovation between multilateral development institutions</li> <li>• Analytical papers reviewing the performance of the EU showing learning from other institutions</li> <li>• Interviews with representatives of other EU member states</li> </ul>

Relevant ICAI Evaluation Framework Questions	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<p>Is there anything currently not being done in respect of the programme that should be undertaken? (4.3)</p> <p>Have lessons about the objectives, design and delivery of the programme been learned and shared effectively? (4.4)</p>	<p><b>What do DFID and other stakeholders, such as international and local civil society organisations, recipient governments and intended beneficiaries, see both as the major concerns and major advantages in respect of how the UK's money is being spent by the EU and the obstacles to further improvement? (ToR 6.5.2)</b></p> <p><b>How well does DFID use views and information from the network of DFID country offices and other parts of the UK Government to inform its understanding of the impact of EU development? How does it use this understanding to improve the performance of EU development assistance?(ToR 6.5.3)</b></p>	<ul style="list-style-type: none"> <li>• DFID, EU and other stakeholders concerns (e.g. gaps) on EU spending, value for money and effectiveness</li> <li>• Evidence of lessons from the Mid-Term Review 2007-13 being used in the current programming period (2010-13)</li> <li>• Proposed or actual changes that DFID wants to adopt in the way it engages with EU</li> <li>• Evidence of proposals being implemented and performance being improved on the ground</li> <li>• Evidence of collation and synthesis of information and views from DFID's network of offices that is then used to make improvements</li> </ul>	<ul style="list-style-type: none"> <li>• Policy papers identifying specific concerns</li> <li>• IED synthesis and reporting</li> <li>• Interviews with DFID and the EU at HQ and country levels</li> <li>• Interviews in-country with relevant civil society organisations and reviews of civil society initiatives on impact transparency and accountability</li> <li>• Interviews with intended beneficiaries</li> <li>• Survey covering a range of stakeholders at country level on country strategy development and the effectiveness and areas for improvement for EU development assistance.</li> </ul>

Detailed work programme

**Phase 1: Preliminary Assessment**

5.8 A preliminary review of literature, including:

- **Public documents:** our review will focus on the EU's objectives, priorities, organisation, funding and performance on development assistance. We anticipate obtaining these documents through the European Commission and DFID websites. This will include the IDC report, the *Multilateral Aid Review* and other evaluations of EU development assistance, for example on budget support; and
- **Internal Commission and DFID documents:** from the Commission and the EU country delegations these will include programme plans, reports, information and analysis of the country programmes for the case study countries. It will also include information and reports from oversight, management and operational levels as well as from the evaluation department. From DFID, these will include key policy, funding and monitoring information and joint programme and co-operation activity information from country offices.

5.9 Interviews, either in person or by phone, with:

- key staff in DFID headquarters about their relationship with the EU and their involvement in setting priorities, assessing funding commitments, monitoring performance, assessing risks and assuring key systems and processes;
- relevant senior managers in the European Commission and the EEAS centrally particularly about determining allocation strategies, delivery options, monitoring performance, risk management and delivering impact; and
- European civil society umbrella organisations and civil society organisations involved in research in EU policies, for their analyses on the evolution of EU assistance over recent years and its impact on aid effectiveness. This will include CONCORD (the European NGO confederation for Relief and Development) and the Overseas Development Institute.

5.10 This phase will be used to refine the evaluation framework if necessary.

**Phase 2: Field Work, including case study visits to three countries**

5.11 As set out above, the review will emphasise a country-level perspective on the impact of EU ODA. We will cover countries where DFID has a significant presence and also where DFID is more reliant on the EU for the delivery of its country objectives. Our strategy and criteria for country case study selection are set out in Appendix 1.

5.12 In each country, we will use a selection of programmes and projects as case studies, focussing on specific actions that will illustrate how the EU assistance works. We will select case studies to reflect:

- the different channels used by the EU to deliver aid i.e. Country Strategy and Thematic Programmes;
- our focus on the EDF and DCI;
- the main thematic areas stated in the EU and DFID country strategies;
- significant coverage of country programme expenditure;
- a range of delivery options for example budget support, contributions to UN agencies and contributions to major infrastructure schemes; and
- examples of co-operation between the EU, DFID and other donors.

5.13 Semi-structured and informal interviews will be held with:

- DFID (and, where appropriate, other UK Government) staff in country offices and their European Union delegation counterparts, about the ways in which they work together and with other donors and the recipient government, on developing the country strategy, designing projects, monitoring performance and addressing risks;
- when possible, relevant previous DFID staff;

- the implementing partners responsible for the completion of the selected programmes and projects; and
- other donors and multilaterals in-country for their views of how effective is DFID's engagement with the EU and the impact of EU programmes.

5.14 Consultations will also be conducted with national stakeholders, including:

- intended beneficiaries;
- partners in government and, where feasible, representatives of opposition parties;
- in-country civil society organisations' representatives, to obtain their views on the effectiveness and areas for improvement for EU development assistance; and
- others as required, including other NGOs working in this area.

5.15 The full list of interviewees will be drawn up in discussion with DFID and EU delegations centrally and in-country and through our existing network and contacts. We will hold meetings in workshops if feasible. We will also use a short survey to structure our approach in-country. This will be used with a range of the interviewees referred to above to help analyse the ways in which the EU and DFID work together with other donors and the recipient government on developing the country strategy and the effectiveness and areas for improvement for EU development assistance.

5.16 To support this work we will conduct:

- further review of documentation in-country as required, specifically looking through DFID's operational files; and
- evidence-gathering from local sources as practicable.

### **Phase 3: Final Analysis**

5.17 Presentation of analysis to Commissioners, then drafting of final report based on evidence and analysis as well as Commissioners' views and guidance.

## **6. Roles and responsibilities**

6.1 It is proposed that this evaluation is undertaken by a core team of six, with supplementary peer review and in-country logistical support.

<b>Team member</b>	<b>Organisation</b>
Team Leader	KPMG
Principal Consultant	KPMG
Lead Technical Consultant	Independent
In-country Evaluation	KPMG Mozambique
Data Analysis and Research	KPMG
Technical Support	Independent

### **Team leader**

He is a KPMG Director with wide-ranging experience of the public, private and civil society sectors in the UK and internationally. He is an experienced team leader and has held such roles on large and complex projects. He is also a value for money expert and has particular experience of evaluating value for money and helping organisations to design and implement performance improvement programmes.

### **Team member 1 – principal consultant**

He is an experienced public sector senior manager who has worked with a variety of public sector bodies at national and local levels. He was the principal team member for the ICAI review of DFID's programme controls and assurance in Afghanistan. He will support the team leader in the management and delivery of the review.

### **Team member 2 – lead technical consultant**

He will be the EU technical lead for the review. He will lead in the design and execution of corporate and case study country research and analysis as well as carry out a significant proportion of the fieldwork in the UK, Brussels and on country case studies.

He is an international development and co-operation specialist who has worked extensively with the donor community, notably the EU. He has a very good knowledge of the EU and its funding instruments, including the EDF and the DCI and has carried out a large number of assignments aimed at formulating, managing, monitoring and evaluating aid programmes. His 15 years of professional engagement also include working with a range of stakeholders, from the grassroots level with vulnerable groups and NGOs, to local authorities, national governments and international organisations. He has also worked directly for EuropeAid and in EU Delegations in Africa and Asia.

**Team member 3 – in-country evaluation**

She is a Manager in International Development Assistance Services at KPMG Mozambique. She is an experienced economist and technical assistant and has worked on projects focussing on aid effectiveness, monitoring and evaluation and public financial management. She will bring in-country evaluation expertise to the review. Her role will focus mainly on the evidence of intended beneficiary impact for the selected programmes examined in-country. This role will also lead on data integrity and independence to ensure there is no institutional bias in the interpretation of evidence.

**Team member 4 – data analysis and research**

He works in KPMG’s International Development Assistance Services group in the UK and has a range of professional experience in research, analysis, project management and advisory in a wide range of organisations in the government, diplomatic and international development sectors. He has undertaken both qualitative and quantitative research and analysis and has experience working in large and complex organisations. He will support the team in research and analysis of data sources and figures to support the findings of the report.

**Team member 5 – technical support**

He is an international development and co-operation specialist who has worked extensively with the EU on developing approaches to budget support, public finance management and policy support. He also has extensive experience in working with the DCI and the EDF. He will support the team in understanding EU policy approaches and country programmes through his experience and contacts and will also act as a peer reviewer.

**7. Management and reporting**

7.1 We will produce a first draft report for review by the ICAI Secretariat and Commissioners by 7 September 2012, with time for subsequent revision and review prior to completion and sign off in November 2012.

**8. Expected outputs and time frame**

8.1 The review will be overseen by Commissioners and implemented by a small team from ICAI’s consortium. DFID will facilitate information-gathering and meetings with EU staff as required. The review will start in May 2012, with a final report available during November 2012. The following timetable is based on the assumption that the report will need to be finalised in November 2012, to meet ICAI’s requirements.

Phase	Timetable
<b>Planning</b> Finalising methodology Drafting Inception Report	April/May 2012 May 2012
<b>Phase 1: Field work</b> UK field work In-Country field work	June/July 2012 July 2012

## 9. Risks and mitigation

9.1 The following sets out the key risks and mitigating actions for this evaluation:

Risk	Level of risk	Specific issues	Mitigation
Inability to access key information or interviewees	Medium	<p>Unable to obtain access to and co-operation from EU Delegations to source programme information and support with the logistics of meeting delivery partners and stakeholders</p> <p>Unable to have full access to information systems</p> <p>Unable to have access to full financial information for costing</p> <p>Limited information available</p>	<p>Ensure clear authorisation given at approval stage and, where necessary, early approval at a local level</p> <p>DFID to assist with facilitating logistics and key contacts</p> <p>DFID in-country to assist with establishing local contacts</p> <p>Collect and triangulate evidence from all available sources</p>
No outcome data available on impact of programmes	Medium	<p>Programme too early in lifecycle to identify outputs or outcomes</p> <p>Impact data weak or incomplete</p>	<p>Focus on clear progress on planned rollout and trajectory</p> <p>Use third-party data sources</p> <p>Ensure full spectrum of impact data is obtained, particularly with respect to economic impact</p>
Safety and security	Medium/high	<p>Risk of terrorism</p> <p>Risk to the person</p>	<p>Operate within Foreign and Commonwealth Office guidance</p> <p>Use experienced local guides and drivers</p> <p>Complete requisite safety training and follow local guidelines</p>



## **10. How will this review make a difference?**

10.1 This ICAI review will inform the debate on the EU as a route for UK aid to low-income countries by seeking to answer the question about whether the UK contributions to EDF and DCI are being used effectively and making a difference for intended beneficiaries on the ground. This will complement IDC's recent report and other more strategic and policy-orientated reviews that have been or are currently being conducted. The review will also look at UK and EU co-operation on aid, how this works and how it might be improved given the new structural and policy changes being implemented by the EU on co-ordination and co-operation.

## Appendix 1: Case study country selection

Figure A1 provides an analysis of potential countries for case study visits based on a number of criteria. The starting point was to consider DFID country office programmes matched to the EU programme equivalent as set out in Figure 2 on page 5 (and the source of the numbers in Figure A1). As well as focussing on significant EU programme expenditure criteria include:

- covering a range of sizes of DFID country programmes;
- a focus on coverage of both DCI and EDF funding sources;
- geographic spread; and
- a range of development contexts.

Based on discussion of this analysis with Commissioners we have selected Tajikistan, Mozambique and Uganda for the case study country visits.

**Figure A1**

Criteria Country	1. Significant EU programme expenditure		2. Range of DFID offices		3. Fund and geographic spread	4. Range of development contexts
	Total Expenditure (£ millions)	EU Comment	DFID commitments every year until 2015 (£ millions)	Comment		
Kyrgyzstan OR	16	Both EU delegations have been upgraded to a 'fully-fledged' level quite recently: 2009 for Kyrgyzstan and 2010 for Tajikistan. EC co-operation focusses on social and economic development, health and support for state and administrative reform. Tajikistan is to receive the main share of the EU funds for Central Asia in 2011-13 (€62 million), followed by Kyrgyzstan (€51 million).	7	DFID Kyrgyzstan office is closing, the regional office is operated from Tajikistan. These both have small DFID programmes and a larger EU one which could allow a look at an EU/DFID scenario where the EU is the main funder.	Asia/DCI	Kyrgyzstan and Tajikistan are the poorest countries in Central Asia and amongst the poorest in the world. Both states are widely considered to be economically and politically fragile and both are heavily reliant on external aid and money sent back from family and friends who have found work abroad. Tajikistan is the poorest country in the region, with 53% of the population living below the poverty line.
Tajikistan	24		7			
Mozambique OR	125	These countries all have significant EU programmes. In all of them except the Democratic Republic of the Congo (DRC), budget support is a key delivery option. Areas of focus are transport infrastructure and road sector reforms, rural development and agricultural recovery. Governance is also an important theme, particularly in DRC.	83	These five African offices all have a significant DFID programme alongside an EU one. They are also countries less visited by ICAI in the programme to date and in the rest of the year 2 programme plans.	Africa/ largely EDF funding	Both Mozambique and Ghana have been taken as examples of African countries able to attain the MDGs. Some social indicators, however, have not progressed as planned and both countries have experienced challenges in the implementation of their respective EC co-operation programmes. Ghana intends to become a lower middle-income country by 2015 and Mozambique by 2020.
Ghana	68		94			
DRC OR	236		198			
Uganda OR	83		98			
Sierra Leone	52		68			
					Africa/largely EDF funding	These countries are engaged in a long post-conflict/recovery transition phase, with strong rehabilitation and reconstruction elements.