Independent Commission for Aid Impact: Annual Report to the House of Commons International Development Committee 2013-14

June 2014

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01 CHIEF COMMISSIONER'S FOREWORD

I believe that this past year has shown the true potential of ICAI, from identifying poor performance in Southern Africa to seeing what works really well in both Burma and the Philippines. It is my privilege to be the Chief Commissioner of an organisation that focuses on the needs of the poor and makes significant and practical recommendations to help to end poverty in the world.

This year has been pivotal for ICAI. We have taken account of recommendations made by the International Development Committee (IDC), endorsed by the Triennial Review, and moved to producing more thematic reports, as well as continuing to publish reviews of individual aid programmes. By way of example, 'How DFID Learns' and 'Private Sector Development' are important reports that have the potential to transform the work of the Department for International Development (DFID).

This focus on themes has enabled us to draw out some of the big issues in the UK Government's development work and, coupled with the follow-up on programmes that we looked at in our second year of operation, has led us to produce a synthesis of our findings to date, which we believe will be useful both to inform and to encourage debate within the development community.

This year saw our first Red-rated report: 'Trade Development in Southern Africa'. As a consequence of this report, the programme has been closed and a full review is being undertaken by DFID which, we hope, will lead to a greater focus on the poor in future programmes.

We have also seen excellent work, with two reviews receiving a Green rating: 'Health Programmes in Burma' has shown the value of a consistent in-country team working to realistic goals; and our review of 'DFID's Response to Typhoon Haiyan in the Philippines' found that DFID had learned lessons from previous responses, including those identified in our Year Two report on the Horn of Africa. This review was a new product for ICAI: a small team mobilised very quickly and visited the Philippines six weeks after the typhoon made landfall. This meant that we were able to see the work of DFID, the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MOD) on the ground, at a crucial time.

The Cabinet Office-mandated Triennial Review of ICAI has been completed and I am pleased to say that it found that we perform a vital role and should be retained as an independent body. The review has made some recommendations which are addressed later in this report.

Following this review, we are preparing for the transition to the next phase of ICAI's work. We were initially set up to run until May 2015 and the contracts for both the Commissioner team and the contractor consortium come to an end at that point. My fellow Commissioners, the Secretariat and I have been looking at the lessons of the last three years and we are working with DFID to apply these to planning for the next phase, to optimise future performance.

I would like to thank my fellow Commissioners, the Secretariat and the contractor consortium for their exceptional work and commitment over the past year. It is a privilege to work with them to help to improve the lives of the poor.

Graham Ward CBE

Chief Commissioner

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ICAI'S ROLE & OBJECTIVES

The Independent Commission for Aid Impact (ICAI) is the independent body responsible for the scrutiny of UK aid. ICAI focuses on maximising the impact and effectiveness of the UK aid budget for beneficiaries and on delivering value for money for the UK taxpayer.

2.1 Our Role

ICAI was set up as an independent body and it reports to Parliament, not to ministers. It is independent of Government. We report to a Sub-Committee of the International Development Committee, chaired by Fabian Hamilton MP. This ensures both independence and accountability.

The International Development Committee, chaired by Sir Malcolm Bruce MP, is the House of Commons select committee that provides oversight of the Government's aid policy – a clear difference between their and our responsibilities, as policy is outside of our remit.

Our reporting is through our findings and recommendations published in our reports (of which there have been 34[1] to date) and through International Development Committee evidence hearings. As of December last year, all of these hearings are held in public, are broadcast over the internet and are recorded in Hansard, allowing the UK taxpayer greater access to our work.

We work closely with the International Development Committee and the National Audit Office (NAO) to increase complementarity and reduce overlap in our work. Our breadth of reports has meant that we have built up a body of knowledge and expertise in the development area that has led to our advice being sought. For example, the International Development Committee called a Commissioner as a witness for expert opinion during its investigation into democracy in Burma.

We are often asked about the difference between the work of the NAO and ourselves. There are broad similarities between their value for money audits and our work; in particular, we are both interested in what has been achieved

[1] ICAI has released 35 reports; however, the first report, 'ICAI's Approach to Effectiveness and Value for Money' set out our approach and made no recommendations. Throughout this report we refer to the 34 reports that made recommendations to departments.

for the public money spent on development. Whilst the NAO undertakes one or two value for money audits of DFID a year as part of its overall programme across all government spending, we undertake between ten and twelve and, therefore, our coverage of DFID is broader. As the statutory auditor of DFID, the NAO's work also focuses more strongly on financial management.

2.2 Our Objectives

Our primary objective is to develop and publish transparent, impartial and objective reports, balancing value for money with delivery and impact on the ground and the voice of intended beneficiaries.

We plan to achieve this by developing a programme of reviews based on our report selection criteria of coverage, materiality, interest and risk[2] and a public consultation. Then, for each review, we:

- establish terms of reference and an inception report to focus on the most critical aspects of the topic under review;
- perform literature reviews and scrutinise departmental documentation;
- gather further evidence, including interviewing stakeholders and undertaking country visits, where appropriate;
- develop a robust, independent analysis of the area under review;
- make recommendations to Government based on strong, evidence-based feedback in order to improve the effectiveness and value for money of Official Development Assistance (ODA) expenditure;
- report our findings both to DFID and, through the International Development Committee, to Parliament;
- publish our findings on our public website; and
- follow up on our recommendations to DFID.

We are then able to build a body of knowledge about what does and does not work in different contexts and areas of aid and draw cross-cutting conclusions.

[2] http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Work-Plan-Year-3.pdf

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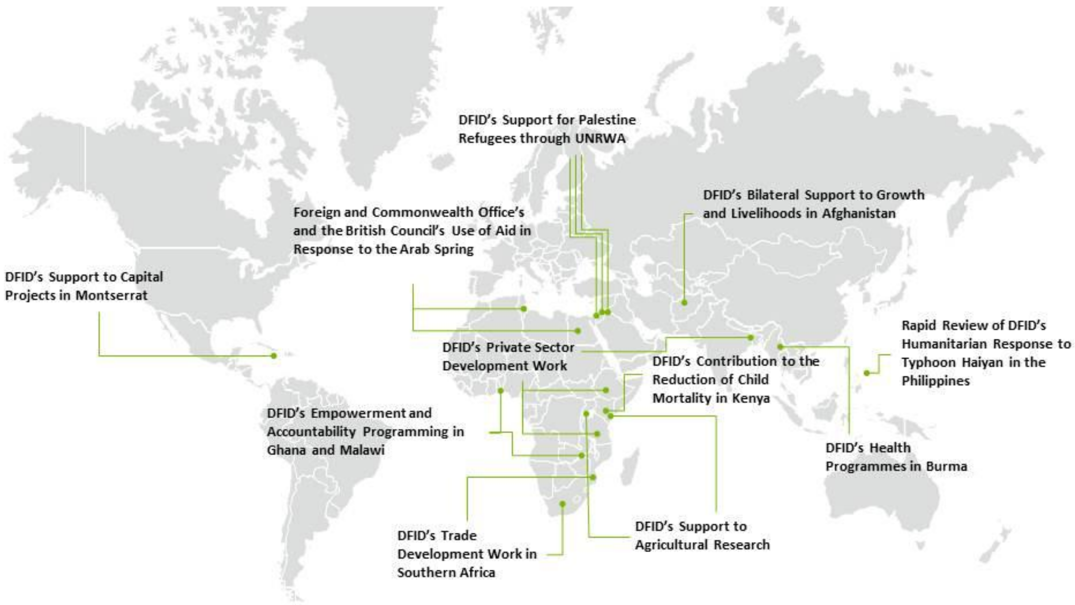
REVIEW OF THE YEAR 2013-14

Our reports are our primary product and are the most visible output of our work. Over the past year, we have delivered and published 12 reports based on our selection criteria of coverage, materiality, interest and risk. Figure 1 below shows the countries that we covered as part of our reviews.

Figure 1: ICAI Map of Reviews



3.1 Our reports

In each report, we give an overall rating and against each of the criteria that we assess: Objectives, Delivery, Impact and Learning. Figure 2 depicts the pattern of ratings across our Year Three reports:

Figure 2: Ratings for Year Three ICAI reports.

Report	Overall	Objectives	Delivery	Impact	Learning
FCO and the British Council's use of aid in response to the Arab Spring	G A	G A	G A	G A	A R
DFID's Support to Capital Projects in Montserrat	A R	A R	A R	G A	G A
DFID's Health Programmes in Burma	G	G	G	G	G A
DFID's Support for Palestine Refugees through UNRWA	G A	G A	G A	G A	G A
DFID's Empowerment and Accountability Programming in Ghana and Malawi	G A	A R	G A	G A	G A
DFID's Support to Agricultural Research	G A	G A	G A	G A	A R
DFID's Trade Development Work in Southern Africa	R	G A	R	A R	R

DFID's Bilateral Support to Growth and Livelihoods in Afghanistan	A R	A R	G A	A R	G A
Report	**Overall**	**Objectives**	**Delivery**	**Impact**	**Learning**
DFID's Contribution to the Reduction of Child Mortality in Kenya	G A	G A	A R	G A	G A
How DFID Learns	A R	G A	G A	A R	A R
DFID's Private Sector Development Work	A R	A R	A R	A R	G A
Philippines Review – specific criteria					
Report	**Overall Score**	**Preparedness**	**Mobilisation**	**Impact**	**Transition**
Rapid Review of DFID's Humanitarian Response to Typhoon Haiyan in the Philippines	G	G	G	G	G A

Compared to last year, we found more results at either end of the spectrum, with two overall Green ratings (indicating strong overall performance) and one Red (indicating poor overall performance). Overall, seven of our reports gave a broadly positive rating (Green or Green-Amber), while five revealed more significant performance problems that needed to be addressed (Amber-Red or Red).

The table also shows our scoring against our four main assessment criteria: objectives, delivery, impact and learning. Under Objectives, we found examples of designs at the individual programme level that were innovative and/or well-grounded in evidence as to what works, as the occasion required. We were less convinced by DFID's objective setting when it came to more complex development goals requiring a portfolio of linked interventions. On Delivery, we are concerned that DFID as an organisation accords lower priority to the vital work of robust programme management and close oversight of delivery partners, than it does to the more cerebral processes such as programme design. We are pleased to see, therefore, that improving programme management is a departmental priority at this time.

On Impact, we consider eight Green or Green-Amber scores out of twelve to be a very creditable result, providing assurance to British taxpayers that UK aid is making a real difference to its intended beneficiaries. The scores, nonetheless, show that impact would be even greater if shortcomings in programme objectives, delivery and learning were addressed. The Learning scores are the least positive overall and we became concerned over the course of our reviews that the experience DFID gains from its programmes is not being captured systematically and shared across its country programmes. We therefore explored the roots of this problem in more detail in our review of how DFID learns. Section 5 of this annual report examines these findings in greater detail and places them in the context of all of our work to date.

3.2 Good work in Burma and the Philippines

We have seen two excellent, Green-rated interventions. Our review of Health Programmes in Burma found that DFID designed and delivered an appropriate health aid programme in a country where there is significant health need and where there are significant challenges of access and capacity. Crucially, the combined work of the DFID health team in country and of the High Commissioner has created an effective platform for engagement with the Government of Burma, particularly now that the restrictions of dealing with the government have been lifted.

Our second Green-rated report was a new product for us: the rapid review. In January 2014, ICAI sent a small Commissioner-led team to assess and provide prompt and timely feedback on the appropriateness and effectiveness of the UK Government’s response to Haiyan. We adopted a different assessment model for this report to measure the four main phases of the UK’s response: preparedness; mobilisation; impact and transition.

We found that the UK’s response to Haiyan was successful: DFID was well prepared to act swiftly and decisively. It mobilised quickly and provided a multi-sector response which met the real and urgent needs of affected communities. The UK was widely praised for its speed, flexibility and expertise. DFID has learned lessons, not just from our own report on the Humanitarian Response in the Horn of Africa but also from other interventions and organisations; it has applied these lessons well.

This review was a new product for ICAI: the visit took place six weeks after the typhoon hit the Philippines and the report was delivered six weeks after the team returned. This enabled us to see humanitarian work at the point of delivery in the aftermath of a natural disaster and to provide timely feedback on its effectiveness. We consider this new style of review to be effective and, should there be a requirement, we would consider another, similar exercise.

3.3 Trade Development in Southern Africa

At the other end of the scale, we issued our first Red-rated report in December 2013, ‘DFID’s Trade Development Work in Southern Africa’. We found serious deficiencies in the TradeMark Southern Africa (TMSA) programme, which impeded its progress and jeopardised its potential to generate a meaningful impact for the region's poor. The shortcomings that we saw in the programme included its serious deficiencies in governance, financial management, procurement, value for money, transparency of spending, delivery and impact. We were particularly concerned that a significant payment in advance of need led to £67 million remaining unused in a trust account in South Africa for three years. Also, DFID's failure to use its body of knowledge in trade and poverty resulted in a costly programme which did not attempt to address or mitigate the negative impacts on the poor in the short and medium term.

We were so concerned that we alerted DFID to these issues in May 2013, when our initial fieldwork was completed. As a result of this, DFID carried out a Management Assurance Review led by its Internal Audit Department. This review verified a number of our concerns and also discovered a payment made to the Government of Zimbabwe in contravention of UK Government policy.

On 4 December 2013, the Secretary of State for International Development announced the closure of the TradeMark Southern Africa programme. As a result of our report, the International Development Secretary also announced that programme controls would be strengthened throughout DFID and that improvements would be made to DFID's Internal Audit.

3.4 Thematic reports

During this year, we have undertaken two significant thematic reviews, as recommended by the IDC. Our first, on DFID **learning**, attracted widespread interest within our stakeholder community. We found that DFID staff learn well as individuals but, as an organisation, DFID shows a lack of consistency and a failure to develop a systematic approach to learning. DFID needs to take advantage of the research that it undertakes and the learning from delivering programmes on the ground in order to develop learning products that are focused, synthesised and user-friendly. In particular, it should deliberately and continuously listen to and use the knowledge and know-how of its partners and contractors; and that of the intended beneficiaries themselves. By identifying what works best, we believe that DFID can improve the impact and value for money of UK aid.

We also assessed DFID's **private sector development** work. We saw that its approach is highly ambitious but that it has not turned these ambitions into clear guidance for the development of coherent, realistic, well-balanced and joined-up country-level portfolios. We believe that DFID needs to identify and focus on its core strengths and the areas of private sector development work where it can add most value in its role as an aid agency. It may need to adopt the role of a more modest partner, market convenor and intelligent customer.

3.5 Non-DFID Programme Review - FCO Response to the Arab Spring

Each year, we look at an element of ODA that is not delivered by DFID. In Year Three, we examined the Foreign and Commonwealth Office (FCO) response to the Arab Spring. We noted that the FCO puts real effort into developing the capacity to deliver rapid and flexible support under a sound strategy and good delivery capacity. There were weaknesses, however, in its financial system, which was not designed for programme management. We also noted that there was a high level of control from the London Board (which reflects FCO practice in other strategic programmes). We suggested that the London Board should reduce its direct involvement in individual programmes to ensure that its focus is where it should be: on strategy, strengthening management systems and holding country programme boards to account.

Other Programme Reviews

3.6 Capital Projects in Montserrat

Montserrat is a British Overseas Territory and, as such, the UK Government is committed to meeting the reasonable assistance needs of Montserrat where self-sufficiency is not possible. Since the devastation caused by volcanic eruptions, which began in 1995, Montserrat has been unable to return to self-sufficiency. DFID and the citizens of Montserrat have achieved much in averting a complete evacuation from the island and establishing lives away from the volcano. Positive impact for beneficiaries has been achieved.

While continuing to meet basic needs, we found that DFID's approach in Montserrat had changed to include a greater focus on improving economic development. DFID did not, however, demonstrate a firm view on what Montserrat's reasonable needs were, nor what self-sufficiency meant for the island; how best to improve it strategically over the long term and what is realistic and affordable to the taxpayers of the UK and Montserrat. As a result, DFID has not managed the expectations of beneficiaries regarding what is realistic and achievable. In our view, DFID needs to support the Government of Montserrat to develop a longer-term plan for the island to move towards economic, financially justifiable self-sufficiency.

3.7 DFID's Support for Palestine Refugees through UNRWA

The United Nations Relief and Works Agency provides support to 5 million refugees in the West Bank, Gaza, Jordan, Syria and Lebanon. DFID is UNRWA's fourth-largest donor. We found that UNRWA brings real benefits to the intended beneficiaries, notably in the health and education sectors. The dedication of UNRWA staff is instrumental in achieving these positive results despite the challenges of the environment in which they work. We saw DFID staff engage well with UNRWA at the strategic level to promote efficiency, results and planning. There is, however, a real risk to the sustainability of this model caused by the growing gap between demand for and supply of UNRWA services. To ensure sustainability, critical decisions must be made urgently and the pace of reform accelerated. We believe that it is important that DFID uses its influence to sustain this help at a key time for the region.

3.8 DFID's Empowerment and Accountability Programming in Ghana and Malawi

The social accountability programmes that we examined were achieving some promising results by empowering communities to engage constructively with government to resolve problems with the delivery of public services and development programmes. By contrast, support for advocacy by civil society organisations at the national level had more limited impact and seem unlikely to generate significant improvements in government accountability.

We endorse DFID's new focus on empowering people. We found that the most successful initiatives involved helping communities to build on existing capacities to find solutions which benefited both the community and the government service provider. We believe that a clearer and more realistic set of objectives and a stronger rationale for programme design would help to maximise results.

3.9 DFID's Support to Agricultural Research

We found that DFID has an effective and innovative agricultural research programme. The main challenge DFID faces is to ensure that its research innovations are delivered effectively to farmers in Africa and Asia and taken beyond pilot to scale. As part of this, DFID's agricultural research and development programmes should collaborate better to accelerate learning and impact.

DFID is supporting important work with the potential for positive impact on millions of lives. The programme would have a greater impact on DFID's overall objectives, however, if it focused more on the needs of poorer farmers, especially women farmers and on poor people in urban areas, who need access to cheap food.

3.10 DFID's Bilateral Support to Growth and Livelihoods in Afghanistan

Having carried out a review of programme controls and assurance in Afghanistan in our first year, we returned to Afghanistan this year to look at livelihoods programmes. We believe that this was particularly timely, given the military drawdown taking place. We recognise that Afghanistan is one of the most difficult places to deliver aid and that DFID's staff work courageously and hard under demanding conditions. We found that, although the projects we reviewed were, on the whole, well delivered, there were mixed results. The more ambitious and multi-faceted projects were less successful than those with more limited scope.

Our fieldwork provided evidence that a positive difference is being made to the livelihoods of intended beneficiaries in the areas we surveyed. It was not clear, however, how positive impacts will, in all cases, be sustained in the long term: there is a lack of building blocks for the future. DFID needs to identify what works in the Afghan context and develop and use those building blocks to create realistic goals, use proven approaches and involve the Afghan people.

3.11 DFID's Contribution to the Reduction of Child Mortality in Kenya

We found that DFID has been effective in reducing under-five mortality in Kenya, both through its wider influence in the international system and through its own bilateral work. It has implemented proven interventions, identified by global research and incorporating cross-country learning, particularly for malaria reduction.

Sustaining the gains of child mortality reduction is, however, essential. This requires continued DFID funding in the short term and a clear plan for further engaging with – and transferring responsibility to – the Government of Kenya in the medium term. The core of sustainability lies in strengthening basic health systems. This is an area of proven DFID expertise and should be an increasing focus of its work.

3.12 Triennial Review

In December 2013, the Government published the results of the Triennial Review, which considered whether there is a continuing need for independent scrutiny of the UK's ODA and whether the Independent Commission for Aid Impact was fit for that purpose.

The Triennial Review of ICAI concluded that the functions performed by ICAI are still required, subject to some refinements to promote clarity and maximise value for money. In particular, the review reinforced the IDC view that ICAI should also focus on in-depth thematic reviews addressing wider development issues, alongside retaining the ability to produce shorter reports on topics of particular interest to stakeholders, which may include the country level. The review further concluded that an independent Advisory NDPB continues to be the most effective way of delivering these services.

We welcome the findings of the Triennial Review and will continue to offer robust, independent, evidence-based scrutiny of ODA expenditure.

3.13 Engagement and sharing learning

We have continued to build our relationship with the International Development Committee and its Sub-Committee, to which we report. We welcomed the Committee's decision to hold our hearings in public. This has led to increased transparency and public awareness. We have also contributed to IDC's reports, for example, Commissioner Mark Foster giving evidence to the inquiry on 'Democracy and Development in Burma'. We have held meetings with the Chair of the Sub-Committee, Fabian Hamilton MP; and with Sir Peter Luff MP and welcome any opportunity to discuss our findings with members.

In December 2013, we updated the ICAI website to promote better understanding of our work and to increase transparency. The content is now clearer, providing easy navigation and quick access to reports. In the last year, we have developed new content for the site, including blogs by Commissioners which describe their work on reports, a greater level of background detail on reports and user friendly summaries of reports. The website received visits from 18,904 unique users during the period from May 2013 to April 2014. We will be carrying out a survey in 2014 to assess user views on our approach.

ICAI has continued to build a following on Twitter and has used it to make announcements and generate interest in terms of reference for our work. We are currently looking at how to use this channel to develop further debate.

We aim to be a transparent organisation and have published the inception reports and supporting information to each of our reports on our website. We also publish agendas and minutes of our board meetings.

This year's reports have benefited from greater stakeholder engagement. Not only do we seek their views in formulating our work plan and terms of reference; we also invite stakeholders experienced in particular review topics to engage with project teams as expert panels. Feedback from both the teams and the stakeholders has been very positive.

We are committed to sharing our learning for reports. We have spoken at a number of conferences and discussed our findings. We are also planning further round table events and becoming involved in a number of fora to discuss our results. To share learning within DFID, the Commissioners are also offering country offices the opportunity to hold an all-office meeting as part of ICAI visits, in order to discuss ICAI's role and findings with local DFID staff.

ICAI engages with the media to build public awareness of UK Government ODA expenditure through the evidence presented in our reports. There has been significant increase in our online coverage. A good example is the Learning report, where several online news organisations ran in-depth features. This was supported by a third party blog by Duncan Green of Oxfam which looked at the report and generated discussion. We have also seen others write about our work, including Vijaya Ramachandran of the Center for Global Development and Simon Maxwell. These are welcome developments: we are pleased to see that our findings are being vigorously debated.

We have also contributed to other articles and communications, including the participation by Commissioner Diana Good in a podcast on private sector development, which is hosted on the Guardian website.

04
FOLLOW-UP FROM YEAR TWO

An important feature of our Annual Reports is following up on the reports published in the previous year. We are able to hold ODA-spending departments to account, understand whether our recommendations are being followed and see the improvements that are being made for intended beneficiaries. Our findings from follow-up are reported to the International Development Committee via our Annual Report.

4.1 Aim of Follow-up

The aim of our follow-up work is to create a cycle of accountability. Departments provide management responses to the recommendations we make in each of our reports. They set out whether they are accepting, partially accepting or rejecting our recommendations; they then detail future management actions that they commit to undertake to address the issues we have raised. We assess whether the actions have been carried out and whether they have had an effect. We also seek to understand the rationale behind departments rejecting recommendations and assess what has happened regarding the issue we raised.

Follow-up informs Parliament through the IDC, stakeholders and, indeed, our future work plans as to what has been achieved as a result of previous ICAI reviews. The findings of our first follow-up exercise, which looked at our Year One reports, were published in our 2012-13 Annual Report.[3] This work was welcomed by the IDC in its enquiry on our work: 'We welcome the fact that ICAI has begun to follow up on its Year One reports. We welcome the inclusion of an annex on follow-up within the Annual Report, which sets out clearly ICAI's assessment of the impact of its Year One reports'.[4]

The process is designed to:

- hold DFID and other government departments to account and assess progress against management actions;
- demonstrate the impact of ICAI recommendations on departments' work and, where possible, on the lives of intended beneficiaries; and
- enable learning within ICAI by finding out which recommendations have had the greatest impact.

[3] http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Annual-Report-2012-13.pdf
[4] http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/566/56605.htm#a5

It is also an opportunity for us to re-engage with the departmental leadership responsible for the area and reinforce understanding of our key concerns and areas of focus.

4.2 Methodology for Year Two Follow-up

The review team for the follow-up exercise has been drawn from the original report teams, in order to maintain continuity and to benefit from the team members' high levels of knowledge: both of the programmes and of pertinent contextual issues.

Using the follow-up assessment framework, reviewers conducted a desk-based review, spoke to relevant third parties and engaged DFID both centrally and in country offices.[5] The evidence gathered from this activity was then used to inform a series of meetings between Commissioners and the senior civil service (SCS) leads responsible for individual Year Two reports and their related management actions.

We have analysed the information garnered from all of the above activity to assess DFID's response to our recommendations. We have assessed where change has occurred and have identified the measures that have demonstrated the greatest positive benefit. Our findings for each of the reports are available in the follow-up annex at page 59.

4.3 Year Two Follow-up: Findings

Our findings highlight where our recommendations and the resulting management actions have led to (or have the potential to lead to) increased efficiency and effectiveness of aid programmes and improved impact for intended beneficiaries. We also highlight missed opportunities and areas of inaction in respect of our recommendations, which are leading to increased risks which DFID and other departments need to address.

4.4 Follow-up Findings from Year Two Bilateral Aid Reports

Six of our twelve Year Two reports were focused on bilateral aid spending. These were:

- DFID's Peace and Security Programme in Nepal;
- DFID's Water, Sanitation and Hygiene Programming in Sudan;
- DFID's Livelihoods Work in Western Odisha, India;
- DFID's Education programmes in Nigeria;
- DFID's Bilateral Aid to Pakistan; and
- the UK's Humanitarian Emergency Response in the Horn of Africa.

[5] The full assessment framework and further details of our methodology for follow-up are available at http://icai.independent.gov.uk/wp-content/uploads/2011/11/FINAL-REDACTED-Year-2-Follow-up-Inception-Report.pdf

We have seen some evidence of good performance against the proposed management actions set out by DFID in response to these reports, which we welcome.

'**DFID's Livelihoods work in Odisha'** was our first Green-rated report. We are pleased to see that the India country office has built on this strong performance to plan effectively for the cessation of UK financial support to India in 2015, in response to our second recommendation. Each DFID India project now has its own exit plan with milestones for action and expected results.

We reviewed DFID's response to two chronic humanitarian situations in our Year Two reports. DFID **Sudan** is currently reorienting its water, sanitation and hygiene (WASH) portfolio away from emergency programming and towards more sustainable investments, in response to our concerns. It is developing longer-term interventions alongside its humanitarian work and introducing a greater focus on resilience into its humanitarian programmes. Its more diverse approach to programming is potentially much stronger, although it will be challenging to deliver.

DFID has responded well to two of our recommendations in the '**UK Emergency Response in the Horn of Africa'** report. It has worked towards a cohesive early-warning system for this chronic situation, by enhancing its risk mapping capabilities and working with governments and key agencies. This is taking time but is essential for sustainability. Progress in Somalia has been slow and DFID may need to consider other ways to work towards cohesive solutions in the country, possibly at the international level. DFID is also increasing its flexibility of response to emergencies; we saw the fruits of this in our recent report on DFID's response to Typhoon Haiyan as described in section 3.2.

DFID **Pakistan** has responded actively overall to our recommendations, which focused on the need to manage the planned scale-up of the country programme with a very strong risk-management approach. It has introduced robust risk and performance management systems and demonstrated a willingness to withhold funding from underperforming programmes. The office has put in place a package of strategic and innovative measures to support low-cost private education, as we recommended: both to help address Pakistan's education emergency (where around a third of school-age children are out of school) and to balance the support it provides through government. DFID Pakistan has also been praised by the NAO for its fiduciary measures, including a continuous audit programme, in response to our final recommendation.

Whilst we have been pleased at the progress made in many offices, we remain concerned that not all of our recommendations have been addressed as thoroughly.

In Pakistan, despite the progress that the country office has made, we remain concerned at the risks associated with such a large programme. While DFID

Pakistan has set down broad conditions for scaling up its country programme as we recommended, the loose formulation of those conditions results in a clear risk that UK aid to Pakistan continues to increase despite a lack of concrete progress to date in areas like anti-corruption and tax reform. In addition, DFID's response to our recommendation for a joined-up approach to building disaster resilience, given the extent of major disasters which Pakistan faces, has been slow and rather narrow. We urge DFID to continue to explore ways of helping Pakistan to break out of its cycle of repeated emergencies and short-term responses. Finally, we expressed concerns about the maternal, neo-natal and child health programmes that we saw at the time of our original report. These included a lack of integration with other health initiatives and complex financial flows that are prone to delay. We recognised in our review that these problems were linked to the devolution of health services in Pakistan and associated institutional instability, which is ongoing. We are, nonetheless, surprised to find that this programme has been extended without addressing its design and delivery problems.

DFID described our findings on the **UNICEF Girls' Education Programme (GEP phase 2 and phase 3) in Nigeria** as 'a wake-up call for UNICEF', which implements the programme for DFID. We recommended prompt action by DFID over the following year to tackle weaknesses in the programme, with a review after six months. In fact, however, it was not until October 2013, nearly a year after our report was published, that DFID put the programme onto a Programme Improvement Plan (PIP), its mechanism for dealing with under-performing programmes. Our view is that action was not taken speedily enough to tackle the serious deficiencies in this programme, with negative consequences for the intended beneficiaries. The poor performance of GEP phase 2 is in stark contrast to the well-performing ESSPIN education programme in Nigeria. We advise DFID that, unless the outcome of the PIP process shows strong evidence of real improvements, consideration will have to be given to the termination of the current Memorandum of Understanding with UNICEF together with designing an alternative means of support for basic education in Nigeria.

While DFID **Nepal** has implemented several actions in response to our recommendations, we have strong concerns remaining. The updated peace-building strategy is comprehensive but will only remain relevant and deliver effectively if it is evaluated – for which a results framework is required. The development of a results framework has moved to little more than a high-level wish list: it does not reflect priorities agreed with government, its scope is limited to less than the strategy and it is incomplete. DFID Nepal needs to do much more work to develop a meaningful results framework, as per our original recommendation, which they have agreed to do. We are also disappointed at the lack of progress in reviewing project information and planning systems. We encountered the same difficulties in programme management in the follow-up exercise as we did in the original review, which we reported was impacting negatively on strategic oversight and efficiency. We do not consider that DFID's management action was adequate to address the recommendation.

Although these reports focused on bilateral aid and, therefore, many recommendations were aimed at an individual country office, certain recommendations involved specific actions for DFID corporately. There has been a lack of progress from the centre on developing the promised guidance on delivering basic services in long-running crises in response to the Sudan report. DFID's corporate response to our Odisha report has also been disappointing, not demonstrating active learning. While it issued guidance that budgeting should not be a barrier to long-term planning in response to our first recommendation, it missed an opportunity to champion properly the good practices we praised in the Odisha livelihoods programme. Its sustainability and exit guidance is also not sufficiently specific.

We believe that, beyond specific responses to our recommendations, it is very important that DFID corporately shares the learning from our reports, so that the good practices and lessons from programmes in one country are actively shared and used by the other country offices.

4.5 Follow-up Findings from Year Two Multilateral Agency Reports

In Year Two, we conducted three reports on multilateral agencies:

- DFID's work through UNICEF;
- DFID's Engagement with the Asian Development Bank; and
- DFID's Oversight of the EU's Aid to Low-Income Countries.

We welcome the positive response to the first two of these reports.

Our '**DFID's work through UNICEF'** report focused on DFID's use of UNICEF as a delivery partner for its bilateral programmes, which accounts for around three-quarters of its overall funding of UNICEF. The introduction of the Portfolio Delivery Review (PDR) by DFID's United Nations and Commonwealth Department (UNCD), which is a more formalised mechanism for DFID's engagement with and management of UNICEF, is an important step in ensuring that DFID has improved oversight of its UNICEF portfolio as a whole. We understand that this review process is being rolled out to UNDP and UNFPA in 2014 and encourage DFID to consider extending the process to all multilaterals with which it has bilateral partnerships.

Whilst we welcome the PDR process, we are concerned that, unless properly implemented, it might not lead to quick enough improvements in poorly performing programmes. For example, we are aware that the GEP3 UNICEF programme in Nigeria, highlighted on page 19, was discussed under the PDR; despite this, progress in addressing the significant performance issues has been slow. DFID told us that it accepts that the system takes time to respond but it believes that, as awareness of the PDR process increases, so will country office engagement, resulting in an improved speed of response.

We were pleased to see progress made on updating the Framework Arrangement with UNICEF, the main document by which it and DFID manage their programme-level partnerships. DFID has also repositioned the central UNCD team to be increasingly visible and responsive to country offices, the result being a greater level of corporate support on country-level UNICEF partnership management. These measures are welcome and should give DFID country offices more levers and advice to address issues with UNICEF-delivered programmes.

DFID has made notable progress against recommendations relating to the report on '**The Effectiveness of DFID's Engagement with the Asian Development Bank (ADB)**'. In order to improve the performance of projects which it co-finances with the ADB, it has incorporated stronger risk monitoring frameworks into its business cases; developed guidance material for country offices; and put in place a quarterly review mechanism involving DFID headquarters, country offices and the UK representative in ADB headquarters. DFID has also used its influence as a minority shareholder to good effect by pushing for structural and operational changes, including pressing for more transparent election processes for senior ADB officials.

DFID has also worked with both the **EU** and the **ADB** to develop results frameworks in line with our recommendations. DFID has been active in the ADB's consultation process and has used its influence to help to develop a new framework which includes more gender-disaggregated indicators, a stronger climate change focus and more stretching targets on organisational effectiveness. DFID has also been influential in the development of an EU framework, aided by two DFID secondees. There is now a clear timetable and a plan for piloting and full implementation of the results framework during 2014.

In relation to the EU, DFID has implemented all but one of the actions that it set itself as a result of our report, '**DFID's Oversight of the EU's Aid to Low-Income Countries'** – its response, however, has been unambitious and has failed to address properly the issues that we raised. Our key concern was about the limited assurance DFID has on the significant contributions it makes to the EU, especially given DFID's limited discretion to vary them. DFID's work on the EU results framework discussed above is helpful but its other stated action, to undertake an update to its Multilateral Aid Review (MAR) assessment, focused only on the reform priorities identified in the original MAR. The update concluded that some moderate progress had been made but there was still a lot to do.

DFID committed to developing a strategy and guidance for country offices but has not completed this, although it has undertaken context specific engagement for individual country offices. This is a missed opportunity to take the engagement with EU Delegations in developing countries onto a new, more effective level. A greater focus is needed on gathering more on-the-ground evidence about EU programmes. This is also reflected by the response to our ADB report, where we urged DFID to ensure that future MARs consider the capabilities of multilateral agencies on the ground. DFID responded by making greater use of country feedback during the 2013 ADB MAR update. We noted, however, that there was significant scope to improve on the rigour and quality of information collected during the 2013 MAR exercise.

These examples illustrate the importance of a focus on working with and understanding the capabilities of multilaterals at a country level as well as overall. We urge DFID to take full account of this in the 2015 MAR.

4.6 Follow-up Findings from Year Two Reports on Key Suppliers

DFID uses civil society organisations (CSOs), multilaterals and contractors to deliver its programmes overseas. In the previous section, we noted that DFID has been engaging more strategically with UNICEF, a key multilateral delivery partner. Two of our other reports also focused on key suppliers:

- 'DFID's Use of Contractors to Deliver Aid Programmes'; and
- 'DFID's Support for Civil Society Organisations through Programme Partnership Arrangements (PPAs)'.

DFID has undertaken significant activity in relation to its use of contractors, with the Secretary of State making both procurement and programme management priority issues. DFID has prioritised its commercial reforms as we recommended, with a key focus being to support the delivery of the 0.7% GNI spending target. The amount of aid delivered by contractors has risen to an estimated £1.4 billion in 2013-14, compared to £0.9 billion the previous year. We found that the quality and intensity of practical procurement guidance offered to programme managers has improved and that the roll-out of commercial advisors in-country has continued. DFID has also developed its relationship with its top suppliers through a structured programme. We remain concerned, however, that DFID has yet to develop strategic guidance on when and how contractors of different sizes and specialisms can deliver most effectively so that the appropriate contractor is engaged for the programme or project. The choice about the delivery route is still left to programme teams on a case-by-case basis supported by central or in-country procurement resources. We regard this as a serious gap.

We recommended that DFID should develop a resourced plan for improving programme management capability. DFID has undertaken an 'end-to-end' review, which examined its entire programme management cycle. This process was highly visible within the department and had both senior official and ministerial buy-in. It has led to the creation of a Better Delivery Taskforce. We are, however, concerned about its short-term funding: a pragmatic approach to project execution is required, not a box-ticking process. There is, nevertheless, real potential for this process to improve DFID's management of programmes across its global portfolio and we look forward to seeing how this process affects delivery on the ground next year.

What has become clear through our follow-up work is that DFID is at the early stages of a medium-term transformation programme to enhance both procurement and programme management capability. The two initiatives, currently run separately and not fully funded, are strongly related and should advance together in an integrated way, as a three to five year process.

DFID has also made progress against our recommendations in the **Programme Partnership Arrangements (PPAs)** report. It has extended the current round of PPAs to 2016 as recommended and, along with its independent evaluation manager, has simplified the monitoring and evaluation system. We are concerned, however, that risks remain that the implementation of the next round of funding will repeat some of the difficulties we found with this round of PPAs. DFID will need to ensure that it has decided on the necessary processes soon if the transition is to be a smooth one.

Several of our recommendations in both reports revolved around the topic of **learning**. We recommended that DFID should strengthen learning from contractor-delivered programmes. Actions such as a commercial leadership course for senior staff are providing appropriate mechanisms for learning but we found that there is not enough systemic learning taking place. In our initial PPAs report, we found that the Learning Partnership, which brings DFID together with PPA recipients and other stakeholders to share knowledge and solve common challenges, was a very positive mechanism. DFID has responded to our recommendation that its role be strengthened and the partnership is providing a source of innovation that is of use beyond the PPAs themselves. We are disappointed, however, that DFID rejected our recommendation to assign a technical counterpart to each PPA to ensure cross-fertilisation of knowledge and technical expertise. This has been shown to work well in the Conflict, Humanitarian and Security department (CHASE) and we continue to be concerned that some CSOs' potential contribution to the work of DFID is being inhibited by the absence of this mechanism elsewhere in the department.

4.7 Year Two Follow-up Findings from the Inter-Departmental Conflict Pool

The **Conflict Pool** is a funding mechanism for conflict prevention activities. Unlike the other eleven reports conducted in our Year Two programme, this review made recommendations not just to DFID but also to the other two participating departments: the Foreign and Commonwealth Office (FCO) and the Ministry of Defence (MOD).

In June 2013, the Government announced that the Conflict Pool would be replaced with a new Conflict, Stability and Security Fund (CSSF) in 2015-16 under the direct authority of the National Security Council and designed by a cross-government team led by the Cabinet Office. We have been told that our report will inform the development of the new model.

We are concerned, however, that several actions in response to our recommendations have been postponed until the introduction of the CSSF and other actions which have taken place in the interim have been disappointing. For example, new strategic guidance mainly codifies existing practice, giving little substantive guidance to country teams and not leading to any reorientation of the portfolio. Also, new monitoring and evaluation guidelines are a token response to our recommendation.

In contrast to the above, we have seen commendable progress by the Conflict Pool in Pakistan which has, for example, dramatically improved its programme management and engaged a specialist firm to support monitoring and evaluation.

While the announcement of the CSSF changed the operating context, we believe that the problems with the Conflict Pool should be addressed before the creation of the CSSF, with its larger budget and new participating departments. For example, many of the improvements we have seen in the Pakistan programme should be replicated across the Conflict Pool. In the absence of such action, there is a serious risk that shortcomings will be replicated in the new instrument, at a larger scale. We will continue to monitor this area.

4.8 Conclusions

We consider that DFID has responded very well to a number of our recommendations. In particular, we are pleased with DFID's response with regard to some key suppliers, particularly contractors and UNICEF, although we wait to see what impact the central UNICEF processes have on poorly performing in-country bilateral programmes. DFID's end-to-end review of programme management processes also looks promising. We saw evidence of real change in country offices, particularly in India on their plans for exit, responses in Sudan and the Horn of Africa to chronic humanitarian work and the improvements made by DFID Pakistan.

We remain concerned, however, about how long it took to address some issues, particularly in regard to the UNICEF GEP programme in Nigeria, which we consider unacceptable. We are also concerned at the lack of progress in the Conflict Pool and the significant risk that issues we identified in our report will continue and be magnified in the new CSSF. DFID Nepal also has a long way to go to address the issues we raised and DFID's approach to the EU needs to become more ambitious.

4.9 Future Follow-up Work

Having completed this second round of follow-up, we believe that it remains a crucial element of our work and a core component of the cycle of accountability. We will continue to explore what DFID and other relevant departments have done to address the issues raised in our reports, including where the recommendations have been rejected. This is important to ensure that DFID is held accountable for addressing issues raised in our reports and also as an opportunity for us to learn as an organisation and ensure that our future recommendations are as helpful as possible.

We are planning a larger follow-up exercise in the coming year, which will not only look at DFID's response to our Year Three reports but will also revisit important aspects of reports from the two previous years.

4.10 Management Responses

We have noticed a lack of consistency in some of the Year Three management responses from DFID. During the Sub-Committee on ICAI hearing on our report on 'DFID's Bilateral Support to Growth and Livelihoods in Afghanistan', the Chair asked why ICAI recommendations were being marked as partially accepted in the management response while DFID appeared to be carrying out all of recommended actions. In answering, DFID's Director-General, Country Programmes, said, 'I suppose, Mr Chairman, it was to reflect the fact that, on each of these, we were already doing a number of things. ICAI has, therefore, underlined the importance of some of the things we are already doing and identified some new things that we need to pay more attention to'[6].

We have noted, however, an inconsistent approach by DFID senior management to our recommendations: where DFID states it is already doing work sometimes DFID accepts the associated recommendations; sometimes it partially accepts them; and sometimes it rejects them. In the case of the DFID management response to our report on 'DFID's Contribution to the Reduction of Child Mortality in Kenya', for example, recommendation three was accepted but there were no stated actions to be taken. We believe that a consistent approach is required: that if DFID accepts that improvements are required and indeed it states that it is already doing some of the necessary work, it should fully accept ICAI's recommendations and give full management actions. We will consider this as part of the follow-up process next year.

We believe that DFID management responses to our reports are an important part of the process and give reassurance that DFID is acting on our recommendations to Parliament and to the taxpayer. It is, therefore, essential that full responses are provided. In our follow-up work next year, we will be concerned with whether the issues that have been raised in our reports have been properly dealt with to provide taxpayers with assurance that appropriate action is being taken.

[6] Oral evidence to the Sub-Committee on the Work of ICAI, 9 April 2014, http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/international-development-committee/subcommittee-on-the-work-of-the-independent-commission-for-aid-impact/oral/8490.html

05
SYNTHESIS OF OUR FINDINGS

In this section, we draw out some of the most important themes emerging from our work to date. We focus here on issues that we believe shape DFID's capacity to deliver real impact for its intended beneficiaries. Some of these themes have now become the subject of full reports in our Year Four programme.

As Commissioners, we are often asked our views as to whether UK aid really works. This is, of course, a complex question and we are wary of easy generalisations. Nonetheless, after 34 reviews, including many strong results and a few poor ones, we can say that DFID at its best is capable of outstanding performance and is rightly recognised as a global leader on many aspects of development assistance. With its expanded budget and its decentralised operations, however, it has to work hard to ensure that these high standards are maintained across its global portfolio. While we recognise that there will always be variations in performance, it is our job to point out both good practices and where more effort needs to be made. There have been a number of key themes that we have identified in our work.

5.1 DFID's global portfolio faces many new challenges in the coming years.

The contexts in which the UK provides development assistance are becoming more diverse. Many of DFID's traditional partner countries are becoming less aid-dependent, as a result of improved domestic revenues and new investment flows from emerging economic powers like China and India. Others, particularly those affected by conflict and political instability, are falling behind – as evidenced by their lagging performance as a group on the Millennium Development Goals. New challenges, such as climate change, are beginning to alter the development landscape, blurring the traditional lines between humanitarian and development assistance.

Like other development agencies, DFID faces the challenge of adapting its approach to development assistance to this changing global landscape. DFID has made a commitment to spending at least 30% of its aid in fragile and conflict-affected states, where delivery is constrained, partnerships are more difficult and there is less evidence as to what works. As DFID scales up its fragile states expenditure, it needs to adopt programming approaches that are simple and robust enough to succeed in a difficult and volatile context. For example, in our review of '**DFID's Bilateral Support to Growth and**

Livelihoods in Afghanistan' – one of the most acutely difficult environments for development assistance in the world – we found that it was consistently the simpler interventions (such as building roads) that were more likely to reach successful completion and deliver meaningful results for the intended beneficiaries. By contrast, more complex programmes, such as those focused on job creation, were harder to adapt to the difficult context and were not based on strong evidence as to what works. DFID also needs to build more flexibility into its funding choices, so that it can scale up interventions as they prove effective, rather than committing itself to large programmes in advance. In view of the importance of this issue, we are currently conducting a review specifically on how DFID manages scaling up in fragile states.

We have seen some examples of very good DFID programming in middle-income countries, particularly India. The impact of DFID's support in this environment depends less on the volume of financial support and more on its ability to act as a purveyor of development excellence, helping its partner countries to identify innovative solutions to their economic and social challenges. For example, in our '**DFID's Livelihoods Work in Western Odisha**' report, we saw that DFID had developed a very good demonstration project for a development initiative that was subsequently taken up by the Government of India. The project involved quality engagement with the intended beneficiaries, which took time to achieve but proved to be a key success factor. This is an area on which we have consistently recommended that DFID put more emphasis. DFID India was also good at identifying opportunities for policy dialogue and technical assistance to make a real difference. This kind of engagement, based on knowledge partnerships rather than large-scale funding, is likely to become more important in less aid-dependent contexts and as the focus of the international development agenda shifts from scaling up basic services towards tackling hard-to-reach groups and areas.

We are encouraged to see that DFID is beginning to bridge the traditional gulf between humanitarian and development programming, particularly in respect of protracted or recurrent emergencies. In our '**DFID's Humanitarian Emergency Response in the Horn of Africa'** report, we were concerned at the lack of long-term solutions to the plight of pastoralist communities whose herds are repeatedly devastated by recurrent drought. We were concerned that, within the framework of annual humanitarian programming, DFID had little capacity to invest in infrastructure and other interventions that could help improve their situation over the longer term. Likewise, in our review of '**DFID's Water, Sanitation and Hygiene Programming in Sudan**', we were concerned at the tendency (particularly within a UN-managed multi-donor trust fund) to repeat the mass delivery of simple emergency interventions, rather than develop more sustainable interventions.

DFID has now begun to explore this gap, recognising that it often needs to deploy both life-saving and longer-term, sustainable interventions in the same theatre. The idea of promoting 'resilience' (that is, helping households and communities become less vulnerable to future shocks) has emerged as a useful bridging concept. In our '**Rapid Review of DFID's Humanitarian**

Response to Typhoon Haiyan in the Philippines', we were glad to see resilience integrated into the objectives from the outset.

In response to our recommendations, DFID has introduced two recent innovations in its approach to humanitarian funding: multi-year funding and pre-approved contingencies for quick mobilisation. These open the way to a more considered approach to resilience programming in protracted crises and help to protect longer-term initiatives from being diverted by spikes in humanitarian need. This has been a very positive response to recommendations from ICAI and other sources. We note, however, that this is just a beginning. DFID still has some way to go to develop strategies and approaches to promoting resilience, in areas such as basic services, housing, infrastructure and livelihoods.

5.2 DFID's strategies and theories of change are usually strong at the individual programme level but weaker in respect of more complex interventions with multiple components.

Many of the programme designs we have reviewed have been of good quality, showing an appropriate need to balance between the direct delivery of services and development programmes and the need to strengthen national institutional capacity to generate sustainable results. In some of our earlier reviews (**'DFID's Education Programme in Three East African Countries – Ethiopia, Rwanda and Tanzania**'**;** and '**Management of UK Budget Support Operations**'), we were concerned that over-reliance on financial aid without a sufficiently hands-on approach to improving national policies and implementation capacity was not delivering good enough results. In other cases, however, we have seen a good balance of financial and non-financial aid. For example, in our review of '**DFID's Bilateral Aid to Pakistan'**, we were impressed by the way financial support for the education sector was combined with political dialogue, technical assistance, research, policy advocacy and the piloting of innovations, to create a multi-pronged approach to Pakistan's 'education emergency'. We noted that DFID had a good understanding of the political landscape and had taken a very structured approach to its policy advocacy, working with senior political leaders, opposition parties, the media, academic institutions, NGOs and other international partners. We were also pleased to see DFID Pakistan taking up our recommendation to increase its support to the low-cost private education sector, as a promising addition to this strategy.

We have been less convinced by DFID's strategies for achieving more complex development goals – such as private sector development – through portfolios of linked interventions. DFID's private sector development activities are very diverse, ranging from regulatory reform through support for particular commercial sectors to the provision of microfinance for entrepreneurs in the informal sector. In our review of '**DFID's Private Sector Development Work**', we found it difficult to trace a clear strategy linking a very ambitious set of objectives to a portfolio of activities that, while often worthwhile individually, were not well joined-up. (We had a similar concern with the **tri-departmental Conflict Pool**.) We recommended that DFID adopt more realistic objectives that build on its core strengths. Similarly in our review of '**DFID's Bilateral Support to Growth and Livelihoods in Afghanistan**', we found that DFID's various activities were not anchored in a clear overall strategy – a key weakness given the difficult environment. With DFID having undertaken to double its expenditure on private sector development by 2015-16, we will be paying close attention to how this part of DFID's portfolio develops.

5.3 DFID's corporate results agenda has brought greater rigour and discipline but can also distort programming choices.

We recognise the efforts that DFID has put into introducing a more rigorous approach to results management – including, through the Bilateral Aid Review process, establishing a tighter link between its global commitments, its country operational plans and its individual programming choices. We have noted on a number of occasions that the increased focus on results management – including for DFID itself, its implementers and its multilateral partners – has helped to improve impact and value for money. It also helps DFID to communicate to the UK public what is being achieved through an expanded aid budget.

We are concerned, however, that the emphasis on headline targets is distorting the way results are reported. In our review of education in East Africa, we were concerned at the narrow focus on enrolment (which in bureaucratic terms means only that a child attends school on the first day of the year), rather than on measures such as pupil or teacher attendance, which are key to learning outcomes. Likewise, in the '**DFID's Education programmes in Nigeria**' report, we saw that a DFID-funded programme defined 'literacy' as the ability to read a single sentence, which appeared to indicate a desire to hit large results targets rather than meaningful ones. (We note that DFID's new Education Position Paper contains a much stronger emphasis on learning assessment.) We are also concerned at the proliferation of 'reach indicators', which record the numbers of people nominally benefiting from DFID programmes, whether or not they experience developmentally significant change. For example, DFID has committed to reach 20 million children under five and pregnant women with its nutrition-relevant programmes[7]. An individual is "reached" if they have received one or multiple interventions[8]. This can involve an individual being given as few as one of a number of interventions that they would need to improve their nutrition. We advise DFID to avoid this kind of results inflation and to focus on meaningful results measures, rather than superficially impressive ones.

This is not just a question of over-optimistic reporting on results. It can also distort programming choices and create a disincentive to organisational learning ('**How DFID learns**'). In our **private sector development review**, pressure for early results led to a focus on 'quick wins' and easily scalable outputs (such as training) over harder-to-measure and longer-term results that might be more transformative. We are also concerned that pressure for quick

[7] https://www.gov.uk/government/publications/dfid-s-results-framework
[8] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197252/ind-meth-note-nutrition-programmes.pdf

results may compromise sustainability. Some of the most important results in the programmes we have reviewed have taken time to emerge and become sustainable; '**DFID's Livelihoods Work in Western Odisha**', for example, achieved impressive results through ten years of high-quality engagement with the beneficiary communities, yet DFID has not proactively spread the good practice from this in response to our recommendation. We saw similar benefits from long-term engagements in Bangladesh in our '**DFID's Use of Contractors to Deliver Aid Programmes**'. By contrast, in our **'DFID's Empowerment and Accountability Programming in Ghana and Malawi'** report, we found that programmes were under pressure to begin spending immediately upon inception, even where this might compromise impact. It is now rare to find longer-term engagements within DFID's portfolio.

5.4 With a few exceptions, DFID effectively targets the most vulnerable with its assistance.

We have observed that DFID is genuinely committed to reaching the poorest in society and is generally a strong advocate for the needs of disadvantaged groups. We were impressed by DFID's focus on girls' education in Pakistan, on landless households in **Western Odisha** and on access to justice for women in **Nepal**. There have been specific gender-equality goals in approximately half of the programmes we have reviewed. This focus on equality will become increasingly important as we move into the post-2015 international development agenda, which will include tackling entrenched poverty by helping disadvantaged groups access services and markets.

A focus on access and equity requires high-quality engagement with the intended beneficiaries during programme design, to identify their needs and preferences. We found that this had been done well in '**DFID's health programmes in Burma**', where DFID conducted participatory needs assessments and then maintained good relationships with beneficiary communities and local officials throughout the life of the programme. Likewise, in our report, '**DFID's Contribution to the Reduction of Child Mortality in Kenya**' we commended DFID for its focus on the most vulnerable and disadvantaged groups. On occasion, however, weaknesses in poverty assessment and a failure to break down results data by gender or socio-economic group can lead to a lack of focus on the needs of the poor. In our report on '**DFID's Trade Development Work in Southern Africa**', we noted that DFID overlooked its own research on the potential negative impacts on poor communities of opening up cross-border trade and the programme made no attempt to mitigate these risks. We were gravely concerned to find that the design of the programme was based on assumed benefits for the poor, rather than clear causal links between the activities and their intended impacts. In '**DFID's Support to Agricultural Research**', we found that DFID's generally high quality research portfolio needed to be accompanied by more careful consideration of how exactly the benefits would reach the poor. More systematic engagement with different beneficiary groups would help to reveal relevant factors – such as the pattern of women farmers producing food crops for their families, while men farmers prioritise cash crops.

In our review of '**DFID's Humanitarian Emergency Response in the Horn of Africa**', we found that DFID had a mixed record on meeting the needs of the most vulnerable. We found that nutrition and food distribution programmes had an appropriate focus on children and pregnant and lactating women. Yet there was a neglect in the programme design of the serious risks that women face, including physical and sexual abuse, in accessing humanitarian aid. In Afghanistan, we found that the focus of development programmes was linked to the security and counter-narcotic agendas, rather than focused on the needs of the poorest. In both the **Horn of Africa** and **Pakistan**, we noted that DFID's move towards cash-based safety nets as an alternative to the distribution of food and other goods was proving to be a promising method for reaching the most vulnerable.

5.5 DFID's choice and oversight of its delivery partners has emerged as a key vulnerability in the effectiveness of UK aid.

DFID relies on others to deliver its programmes. The quality of its procurement processes and its engagement with implementers is therefore a key element in its effectiveness. Yet one of our most persistent concerns across our reviews has been the lack of due attention by DFID to the management of delivery partners.

As the aid budget has increased, DFID has become increasingly reliant on multilateral organisations to deliver its aid. Around 47% of the UK aid budget goes towards multilateral aid. A significant proportion of the bilateral programme is also entrusted to multilateral partners. The choice of partner is based primarily on DFID's assessment of their global capacity, through the Multilateral Aid Review. While this is a useful starting point, it does not take account of the variable capacity of multilateral partners in different countries. As the average programme size has increased, the number of partners able to operate at the required scale narrows and some multilaterals become, in effect, 'too big to fail'. For example, in our review of '**DFID's work through UNICEF**', we found that UNICEF is a habitual delivery partner for DFID due to its global reach and its capacity to operate in challenging contexts. It receives upwards of £200 million in UK funding each year, working as a delivery partner in more than 30 countries. We were concerned that DFID is not systematically assessing alternatives to UNICEF, believing (sometimes erroneously) that there were no other delivery choices available. As a result of our review, however, DFID and UNICEF have taken steps to strengthen their partnership, including new portfolio monitoring procedures, a stronger value for money approach to procuring services and more emphasis on sharing lessons and good practices.

Because multilateral institutions are seen as development partners, rather than contractors, they are not as closely monitored by DFID – a consistent finding across our **UNICEF, World Bank, Asian Development Bank** and **European Union** reviews. This can lead to poor risk management and an insufficient focus on results. In practice, funding the delivery of bilateral programmes by multilateral institutions often entails cumbersome management processes and high (and not very transparent) overheads. For example, in our review of '**DFID's Water, Sanitation and Hygiene programming in Sudan**', we found that it was impossible for DFID to assess the value for money of its funding via the UN-managed Common Humanitarian Fund. We therefore encourage DFID to remain closely engaged with the delivery of its programmes through multilaterals. Delegation of functions must not amount to abrogation of responsibility. To explore these issues in more depth, in our upcoming programme we are conducting a cross-cutting review of DFID's funding through multilateral channels.

In our review of '**DFID's Use of Contractors to Deliver Aid Programmes**', which accounted for around 9% of the aid budget in 2011-12, we found that they can be an efficient and cost-effective option for delivering aid programmes. We were concerned, however, at DFID's poor end-to-end programme management practices and the apparent lack of priority given to project management skills in DFID's staffing. We have seen instances of relatively junior DFID staff struggling to manage large contractors with far greater experience, with DFID personnel turning over much faster than the contractors' staff, leading to gaps in accountability. In our **empowerment and accountability** review, we noted that the procurement process created incentives for firms to over-promise on results and underestimate their costs in order to win bids, causing problems with delivery. Furthermore, delays in procurement led to DFID placing pressure on contractors to meet unrealistic spending and results targets, forcing them to shortcut key processes like stakeholder engagement. Across our reviews, we noted a lack of mechanisms for learning within contractor teams to be shared across DFID.

Over the past three years, DFID has provided around £120 million per year in core funding to a group of 41 development NGOs in the form of **Programme Partnership Arrangements** (PPAs). Core funding is highly appreciated by the NGOs, giving them the resources and the flexibility to innovate and develop their capacity. While we found some good emerging results from this mechanism, we were concerned that DFID seemed unclear in what it hoped to achieve from it, which diminished its overall impact. We found evidence that the funding had led to a stronger focus on managing for results. Some of the NGOs, however, felt under pressure to use the funds for activities that yielded readily reportable results, which partly undermined the value of core funding. DFID responded well to our recommendations on the PPAs, resulting in improvements to their management and monitoring.

5.6 Sound programme governance and an active role for intended beneficiaries are key success factors.

In the delivery of aid programmes, governance matters. We have noted that programmes that give careful attention to the quality of engagement with stakeholders and beneficiary communities are more likely to be effective. In **Pakistan,** we saw how DFID's humanitarian programming has improved over the years by making community monitoring, feedback and complaints processes a routine part of programme design. As well as ensuring more equitable delivery, this makes programmes more legitimate with communities. In our review of '**DFID's work through UNICEF**' in the Democratic Republic of Congo, we observed how strong community engagement, if sustained for long enough, can deliver significant results. Regular beneficiary engagement is not just good programme management practice; it is also a way of changing knowledge and practices among beneficiaries, so as to make results more sustainable.

We note, however, that a proliferation of beneficiary engagement processes by many different development partners can be counterproductive. DFID should, therefore, make use of existing community structures and engagement mechanisms wherever possible. In our **Empowerment and Accountability review**, we saw how resources already available within communities – such as skilled facilitators and community-based organisations – could be drawn on in a very cost-effective way to enhance programme delivery.

In two of our reviews – '**Girl Hub: a DFID and Nike Foundation Initiative**' and '**DFID's Trade Development Work in Southern Africa**'– we saw that DFID had created private companies to deliver its support. In both cases, basic governance principles had been neglected, resulting in poor performance. In TMSA, poorly designed governance and management structures resulted in unclear responsibilities and left DFID without effective oversight of the programme, leading to serious weaknesses in delivery and impact. We therefore consider the Secretary of State's decision to terminate the programme and recover the unspent funds to have been a prudent one.

We note that DFID is not particularly strong in working with the private sector in the delivery of its programmes, although it has encouraged both the **Asian Development Bank** and the **European Union** to do better at this. In our review of '**DFID Support to capital projects in Montserrat**', we found that DFID lacked a clear and realistic approach to engaging with the private sector, to the detriment of sustainability. We have, however, seen some examples showing the potential of private sector engagement. In '**DFID's Support to the Health Sector in Zimbabwe**', for example, DFID has gradually increased its engagement with the private sector, which now provides a cost-effective challenge to UN agencies in the procurement of drugs and other commodities. In its child mortality reduction programming in Kenya, DFID has helped to design an effective public-private partnership for the delivery of bed nets. In '**DFID's Climate Change Programme in Bangladesh**', we saw how DFID was helping to create linkages between government, civil society and the private sector, in order to drive innovation.

Our '**Evaluation of the Inter-Departmental Conflict Pool**' and review of '**DFID's Support for Palestine Refugees through UNRWA**' gave us opportunities to explore the theme of cross-government coordination in the delivery of aid. We found the tri-departmental Conflict Pool (the Foreign and Commonwealth Office, the Ministry of Defence and DFID) to be cumbersome in its management structures and processes. The heavy effort involved in cross-departmental working was detracting attention from strategy and results. By contrast, the Arab Partnership Participation Fund – part of the UK's response to the Arab Spring – was a more appealing model of coordination, with a clear division of labour based on comparative advantage. The UK government has announced the creation of a new Conflict, Stability and Security Fund, under the authority of the National Security Council, as part of a drive to improve the coherence of the UK's engagement overseas. We will be keeping a close eye on this new mechanism, to ensure that it builds on lessons from the Conflict Pool.

5.7 DFID is paying more attention to the fiduciary protection of UK funds but lacks clear strategies for ensuring overall value for money.

Since our review of '**DFID's Approach to Anti-Corruption**', we have seen evidence of greater attention to fraud and corruption risk across DFID. Most country programmes have produced anti-corruption strategies. Safeguards and procedures have been strengthened in a number of areas. Due diligence checks of DFID partners have improved. Whistleblowing procedures are better established and more widely publicised and fraud cases are regularly referred by country offices to DFID's central Counter-Fraud and Whistleblowing Unit. It is a continuing challenge, however, to ensure that staff capacity is in place across all the country programmes to apply these procedures consistently.

DFID remains vulnerable to fraud and corruption within its delivery partners. This is particularly difficult to counter within UN agencies, owing to their lack of transparency. We were, therefore, pleased to find in our review of '**DFID's Support for Palestinian Refugees through UNRWA**' that DFID had taken a number of measures to improve fiduciary risk management and increase transparency.

We recognise the importance of DFID funding through country systems in the right conditions, so as to avoid parallel delivery mechanisms. DFID accompanies its financial aid with robust fiduciary risk assessments and a range of measures to strengthen country systems. We remain concerned, however, that once DFID has committed to large-scale financial assistance, it tends to be over-optimistic in its assessments of partner country commitment to fighting corruption. In our '**DFID's Bilateral Aid to Pakistan**' report, we recommended that DFID rebalance its country programme to avoid overreliance on large-scale financial support to government – a recommendation that is yet to be taken up. We also recommended greater use of tracking surveys and beneficiary monitoring to gain a more accurate picture of the losses to corruption and other leakage through the national budget process. In both **Burma** and **Zimbabwe**, where funding through country systems is not currently possible, we noted that DFID had found effective ways of strengthening national delivery capacity without undue fiduciary risk. We were less convinced that DFID had found the right balance in its programmes reviewed in '**DFID's Contribution to the Reduction of Child Mortality in Kenya**'. Corruption scandals had left DFID understandably reluctant to fund government directly. Its delivery of immunisation and bed nets outside of government proved to be relatively efficient but entailed duplication and a lack of sustainability. Its decision to fund WHO and UNICEF to work directly with the Ministry of Health on health system strengthening seemed to us simply inconsistent. Passing the risk to multilateral partners is not an adequate solution to the protection of UK funds.

We note that there is a lot of discussion within DFID on maximising value for money (VFM), without well-established approaches for doing so. In some more quantifiable areas of the programme, such as its humanitarian aid in Pakistan, DFID has made some methodological advances. In most cases, however, VFM is reduced to controlling the unit costs of delivery, rather than maximising the impact that results from the expenditure. While this is necessary, we have found that simply putting pressure on delivery partners to compress their costs does not always lead to better VFM. In '**DFID's Empowerment and Accountability Programming in Ghana and Malawi**', for example, we reported that it had led to standardised and inflexible approaches to grant-making that were not always effective. We often find that DFID lacks a clear rationale for the amount of money it spends on particular interventions. We are concerned that a scaled-up aid programme has created a disincentive for DFID to choose smaller-scale activities with potentially transformative impact (a niche that the FCO has to some extent taken over in the conflict prevention area). In our view, the focus of VFM assessments needs to be raised to the strategic level. It is about getting the right balance between catalytic interventions, which often involve relatively low-spending activities with higher management overheads but potentially high impact; and proven interventions to deliver to scale, where the unit cost of delivery becomes a key factor.

5.8 DFID staff learn well as individuals but corporate learning is not pursued consistently.

We have been consistently impressed by DFID's ability to deploy high-quality staff into often challenging environments. DFID staff are highly committed and often seen as leaders in their fields by partner countries and peer organisations. We are concerned at the high level of 'churn' among DFID staff, with the responsible person often changing several times over the life of a programme. Each new adviser tries to make his or her own mark on the programme and the resulting discontinuity is a significant source of frustration for country counterparts and implementing partners. DFID needs to give more thought to aligning staff incentives with sound programme management. To this end, we have been struck by the important role played by staff appointed in-country, who provide not just local knowledge and networks but also much-needed continuity.

DFID staff learn well as individuals. They receive good professional and technical support and are given opportunities and resources to learn. We are not as convinced, however, by DFID's corporate learning capacity. Our review, '**How DFID learns**', found that DFID lacks processes to ensure that experience gained from its programmes is consistently captured and shared. DFID managers are not accountable for learning within their teams and heads of country offices do not always create a culture that is conducive to learning. Although it has committed to investing £1.5 billion in knowledge generation and learning between 2011 and 2015 and generates large volumes of information, it does not do enough to make the results accessible to staff in a usable form. It has developed complex, IT-based knowledge-management systems but these are difficult to use and not well integrated into corporate processes. It is not good at capturing learning by locally employed staff, implementing partners or beneficiaries. The increase in public scrutiny and pressure to generate results has led to a bias towards positive reporting and a disincentive for staff openly to discuss failures (despite some recent efforts to encourage learning from failure). Though the corporate approach to learning is lacking, there are many individual good practices across DFID. DFID would be excellent at organisational learning if its best practices became common.

5.9 DFID's programmes are not flexible enough to maximise learning within the lifecycle of each project.

DFID spends an increasing share of its resources on evaluation. Impact evaluations are now more likely to be incorporated into the design of major programmes, producing evidence that can be incorporated into the design of future programmes. While this is undoubtedly important, we find a relative neglect of monitoring and learning within the lifespan of individual projects. Designs are often too rigid in conception, which can be reinforced by cumbersome approval processes and an overly mechanical approach to the use of management tools such as logframes. Implementing partners often report that DFID's level of engagement with programmes varies widely between staff and over time. Annual reviews are often light exercises that are biased towards reporting positive results, rather than holding implementers to account.

We see this as an important missing dimension to DFID's programming approach. Relatively few development goals lend themselves to the mechanical implementation of an established programme model. In most cases, they need a more flexible and iterative approach, searching for solutions to problems as they emerge. This calls for close, real-time monitoring and short feedback loops, to enable continuous learning and adaptation. Our '**DFID's Empowerment and Accountability Programming in Ghana and Malawi**' review contained a specific recommendation on this, but it is also applicable to many other types of programme. We note that DFID has now launched a major 'end-to-end' review of its programme management practices. We hope that the review will address this need for greater flexibility in implementation.

5.10 Looking forward to Year 4

Our 34 reviews, covering a wide range of programmes, sectors, themes and organisational issues, offer a wealth of evidence on the quality of UK aid. In this chapter, we have summarised some of the key themes that have emerged to date. Where an issue emerges that we believe is particularly important to the performance of UK aid, we incorporate it into the design of forthcoming reviews, to enable us to explore it more thoroughly. In the next chapter of this report we set out the key themes that we will examine in the coming year.

06
OUR WORKPLAN 2013-14

Our workplan sets out the reviews planned for the upcoming year. We consult widely with Parliament, stakeholders and Government to produce a balanced plan that fulfils our role as a scrutiny body.

6.1 Our intent

As recommended by the IDC, endorsed by the Triennial Review and other stakeholders, we will undertake more thematic, cross-cutting reviews in order to help to create a more complete picture of the UK's aid programme. This progression will enable us to synthesise and build upon our increasing body of evidence from our work to date. In selecting reviews, we continue to be guided by our report selection criteria of coverage, materiality, interest and risk.

6.2 Consultation

Between July and September 2013, we held an open consultation exercise on topics to include in our Year Four work programme. We received suggestions from the IDC, the Secretary of State for International Development, the DFID Management Board and a range of other stakeholders, including non-governmental organisations (NGOs), think tanks and development consultants. We have considered these consultation responses carefully and have taken them into account when drawing up our Year Four programme of reviews. Our final workplan has been approved by the IDC and is available on our website[9].

6.3 Year Four Workplan

There are two subjects from our past reports that we have decided merit a second review. First, we are conducting a follow-up to our anti-corruption review. This will assess whether DFID's anti-corruption initiatives, from top-down institutional reforms to bottom-up community empowerment, are making a real difference for poor communities. It will look at whether the introduction of national anti-corruption strategies has helped to achieve a more strategic approach to one of the key challenges facing developing countries. Second, we are conducting a further review of DFID's support for private sector development, in light of DFID's major policy commitments and our concerns

[9] http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Year-4-work-programme-and-Consultation-Response-FINAL.pdf

from our previous review about DFID's strategy and approaches. This review will involve a significant stakeholder engagement exercise, including high-level roundtable meetings with business. We will publish a summary of this engagement, commenting at a strategic level on the role of business in helping DFID to achieve its development outcomes and the views of business on private sector development.

We are conducting a review of how DFID scales up its support in fragile states. While DFID is committed to rebalancing its expenditure towards fragile states, our reviews in Afghanistan, Pakistan and other difficult environments suggest that the challenges facing DFID in working effectively in such countries can be of a different order of magnitude to those it faces in more stable contexts. It calls for more realistic objectives, different delivery approaches and robust risk management. Our review will explore DFID's experience of scaling up programmes in some of its most challenging countries, including the Democratic Republic of Congo and Somalia.

We will conduct a review of DFID's funding through multilaterals. Drawing on the findings of our reviews of individual multilateral partners (the EU, the World Bank, the Asian Development Bank and UNICEF), we will explore how DFID chooses between bilateral and multilateral assistance and its contribution to the development of the multilateral system itself, particularly through its contributions to their core budgets. Finally, we are conducting a review of how DFID approaches development impact. This will include a more thorough look at the linkages between DFID's corporate results targets, its country strategies and its individual programming choices, as well as the way it uses logframes, theories of change and other results-management tools.

The rest of the programme addresses new programming areas that meet our selection criteria of coverage, materiality, interest and risk. They cover DFID support for nutrition, the work of the International Climate Fund and DFID's security and justice programming, with a particular focus on women and girls.

07
OUR METHODOLOGY

There has been some debate in the development and evaluation community about our methodology. In order to inform the debate, we have decided to provide some detail of our methodological approach here. It is intended to make our approach clear and transparent to our stakeholders and explain how we reach the conclusions in our reports. The methodology for individual reports can be found in the inception reports on the ICAI website.

7.1 Introduction

ICAI occupies a unique place in the chain of learning and accountability around the UK aid programme. We were established in 2011 to provide robust, independent scrutiny of all UK Official Development Assistance (ODA), whether delivered by DFID or other government departments, to provide assurance to the UK government, Parliament and taxpayers that it is effective and delivering value for money. We were mandated to develop a programme of reviews with our own review methodology, which we have done in close consultation with stakeholders both within and outside government.

In November 2011, one of our first published reports set out our understanding of and approach to assessing the effectiveness and value for money of UK aid. That document set out the foundations of our review methodology, including our review criteria and Assessment Framework. Since then, our approach has continued to evolve, as we have explored not just different types of aid but also the channels by which UK aid is delivered and DFID's own systems and processes.

7.2 What is ICAI's role in the scrutiny of UK aid?

Evaluation of aid programmes traditionally serves two functions: lesson learning and accountability. It builds a body of knowledge on how different approaches to development assistance succeed or fail under different conditions, to inform the design of future programmes. It also provides a record of how well aid programmes have performed, so that development agencies can be accountable for their use of public funds.

In the past, evaluations of DFID programmes were commissioned primarily by DFID's own Evaluation Department. In 2010, the UK government decided to place a stronger emphasis on the external scrutiny of UK aid, creating ICAI as a fully independent review body reporting directly to Parliament, to complement DFID's own evaluation work. At the same time, the evaluation function within DFID was decentralised; evaluations are now built into the design of individual aid programmes. DFID programme management teams and embedded evaluation advisers within its country offices took on responsibility for commissioning DFID evaluations, with DFID's Evaluation Department playing a supporting role. The bulk of the evaluation work is still undertaken by DFID itself, whose annual spending on evaluation far exceeds ICAI's £3 million budget.

Through these reforms, the UK government sought to strengthen both the learning and accountability dimensions of evaluation. Embedding evaluation into DFID country offices was intended to promote the use of evidence within the department, generating evidence on what interventions work best to inform future programming decisions. ICAI was mandated to provide robust external scrutiny of the UK aid programme, providing a public challenge to DFID on its approach to development assistance. Together, these two ends of the evaluation spectrum should help to drive the continuous improvement of UK aid.

DFID commissioned around 40 programme evaluations in 2013 and plans to increase the number substantially in the coming years. These are primarily impact evaluations to help DFID in its continuing efforts to build an evidence base on what works. According to DFID's own analysis, however, the decentralised commissioning process leads to patchy coverage and a relative neglect of country or thematic evaluations.

Our reviews differ in a number of respects. They are completed in a much shorter time period, providing more real-time feedback on current activities, to enable a timely response by DFID (such as the decision to discontinue the TradeMark Southern Africa programme in December 2013). They focus not just on impact but also on DFID's organisational capacity and delivery choices, providing a more complete picture of DFID's performance. We also conduct thematic reviews, drawing out lessons from DFID's engagement across a particular sector or thematic area. While DFID's evaluations are primarily for its own internal purposes, our reports are written for a wider public. The Triennial Review praised the 'short and accessible' nature of ICAI reports, without which there would be 'a gap in transparency'. To help distinguish our role from DFID's own evaluation function, we now describe our assessments as 'reviews', rather than 'evaluations'.

Each ICAI report analyses the strengths and weaknesses of a particular aspect of UK aid and sets out a number of strategic recommendations as to how it can be improved. Our reports promote accountability in a number of ways:

- they are presented to the IDC, helping to build the evidence available to IDC in its scrutiny of DFID's performance;

- they are presented to DFID itself, which prepares a formal management response to our recommendations three weeks after report publication. Approximately a year later, we conduct a follow-up review to assess whether DFID's proposed management actions have been implemented and what difference they have made. Chapter 4 summarises our follow-up assessments of our Year Two reports; and
- they are written for the broader public and are widely discussed in the media. We believe that increasing public understanding of development assistance – traditionally, one of the least understood areas of government work – is key, not just to increasing accountability but also to maintaining public support for the UK aid programme. To that end, our reports are succinct (25 to 30 pages in length) and written in a non-technical style, so as to be accessible to a broad readership.

We also believe strongly in the accountability of UK aid to its intended beneficiaries – that is, to the men, women and children from developing countries whom it is supposed to help. One of the guiding principles of our work is to encourage DFID, wherever possible, to give a voice to intended beneficiaries in the design, delivery and monitoring of its programmes. We also seek to represent the beneficiary perspective in our own reviews, through consultations in the field. Ultimately, if the UK aid programme is not delivering real benefits to real people, it is not doing its job.

7.3 How does ICAI choose what to review?

The UK makes a major commitment of resources to international development. In 2013, it reached the internationally agreed target of 0.7% of Gross National Income (GNI). To make effective use of these resources, DFID has appropriately set itself the goal of being a world leader in the delivery of development assistance. It is against this high standard that we assess its performance, rather than by comparison any other development agency – although our reviews also give us insights into the performance of DFID's partners, whether multilateral organisations, such as the United Nations, contractors or NGOs. Where DFID falls short of the mark – as inevitably it will on occasion – we expect this to be a prompt for learning and improvement. Where it does well, we expect the lessons to be shared and good practice to be adopted in other programmes, where appropriate.

To achieve the high standard it sets itself, DFID has to perform well in many different areas. It must have clear strategies and coherent country portfolios capable of promoting transformational change in its partner countries. It must design and deliver aid programmes that make a real difference on the ground to its intended beneficiaries. It should be a global thought leader on development and an advocate for the poor on the international stage. It also needs the organisational capacity to allocate its budget efficiently, design and manage complex interventions, protect UK funds against improper use and continually build its understanding of how to deliver effectively in a changing world.

To hold DFID accountable across these different dimensions, each year we choose a programme of reviews that covers different aspects of its work.

Our annual work plans typically include:

- **Programme reviews**: We look at particular projects or programmes in detail, assessing whether they are well designed and delivered and achieving their objectives. For example, we have reviewed health programmes in Zimbabwe and Burma, education programmes in several countries, a climate change programme in Bangladesh and a trade promotion initiative in Southern Africa. In each case, we look both at ways to improve the programme in question and at broader lessons that DFID can learn;

- **Sector and portfolio reviews**: We review the quality of DFID's approach to particular sectors, themes or types of assistance. For example, we have reviewed DFID's support for private sector development – a complex area requiring multiple, reinforcing interventions. In the coming months, we will review DFID's nutrition work, its approach to anti-corruption and its promotion of security and justice for women and girls. In this type of review, we examine DFID's overall portfolio and a sample of its activities in the field, so as to draw conclusions on its overall effectiveness;

- **Reviews of delivery channels**: DFID delivers its assistance primarily through others, as a commissioning agency. As a result, a major element of its effectiveness is how well it selects and supervises its delivery partners. We have, therefore, conducted reviews of specific delivery channels, including multilateral institutions (the World Bank, the Asian Development Bank, the European Union and UNICEF), DFID's procurement of private contractors and its grant-making to UK development NGOs. In our report on DFID's child mortality assistance in Kenya, we compared its support via the Global Alliance for Vaccines and Immunisation (GAVI) with its bilateral projects and compared its delivery within and outside of government channels. Through a series of reports, we have examined DFID's methods for delivering humanitarian assistance in both rapid-onset and long-running emergencies. We are also building up a body of evidence on particular programme delivery methods, including budget support, UN-managed trust funds and civil society challenge funds. Each year, we also examine some ODA delivered by departments other than DFID. To that end, we have published reports on the tri-departmental Conflict Pool and the FCO-led response to the Arab Spring and are currently reviewing the International Climate Fund; and

- **Organisational reviews**: Finally, we look at different aspects of DFID's organisational readiness to deliver effective development assistance. One of our very first reports was on DFID's methods of protecting UK funds from fraud and corruption. We recently published a review of DFID's capacity to learn. In the coming year, we will explore whether

DFID is able to scale up its assistance to fragile and conflict-affected countries (a UK government commitment) without compromising effectiveness. We will also assess how DFID understands, approaches and delivers development impact for intended beneficiaries.

Each annual work plan is based on consultations with the IDC, DFID, UK development NGOs and other stakeholders, including submissions from the public. When selecting our review topics, we take into account our four criteria of:

- **Coverage**: Does the proposal contribute to balanced ICAI coverage of the different ways in which UK aid is spent?
- **Materiality**: Does the proposal cover an area of UK aid which has a large or significantly increasing budget?
- **Interest**: Is this an area of particular interest to our stakeholders?
- **Risk**: Are there any particular risks involved in delivering this area of UK aid?

7.4 What do we look for in the programmes and activities we review?

In each of our reviews, we assess four broad questions:

1. **Objectives**: what impact is the programme trying to achieve? Is the programme (or, for thematic reviews, the portfolio or approach) aiming for the right objectives, which respond to the needs of its intended beneficiaries? Does it have a realistic plan for achieving them in the particular context?

2. **Delivery**: is the delivery chain managed so as to maximise impact? Does the programme have robust delivery arrangements which support the desired objectives and demonstrate good governance and management through the delivery chain?

3. **Impact**: what is the impact on intended beneficiaries, including women and girls? Is the programme having a transformational, positive and lasting impact on the lives of the intended beneficiaries?

4. **Learning**: how is the programme contributing to learning? Does the programme incorporate learning to improve future aid delivery, is it innovative and is there transparency and accountability?

These review criteria are further elaborated into a set of detailed questions in our assessment framework. To be completely transparent in our standards and approach, this assessment framework was published in one of our very first reports in November 2011, setting out what we believe to be the principal components of effective development assistance. These questions are then adapted to the needs of each review and matched to criteria for judging success and the sources of evidence on which we will draw.

We have recently updated our assessment framework on the basis of our experience. The main changes are an increased focus on women and girls –

including to reflect the International Development (Gender Equality) Act 2014 – and programme management, as well as a reordering of questions under the assessment criteria for the sake of clarity. The updated assessment framework is available on the ICAI website.

7.5 What evidence does ICAI use for its reviews?

Our accountability mandate means that we are required to pay attention to many different aspects of DFID's work (and that of other departments, so far as it relates to ODA) - to its capacity as an organisation, the quality of its project management, its stewardship of UK funds and, of course, its impact on intended beneficiaries. This broad mandate, coupled with our quicker review timescale than that of traditional evaluations, calls for a wide range of methodological tools, which we draw on as appropriate for particular reviews. Among the methodologies we employ are:

- reviews of DFID policies, strategies and guidelines;
- literature reviews, to collect evidence on good practices;
- interviews with DFID managers, programme teams, implementers, partner country officials and stakeholders. This often includes round table discussions, both in the UK and in partner countries;
- reviews of programme documents, including analytical studies, business cases, annual reviews, external evaluations and impact data;
- audits of financial management processes and tracking studies to assess whether UK aid funds are reaching the intended beneficiaries;
- field visits and consultations with counterparts, implementers and intended beneficiaries.

Our approach is deliberately broad and flexible, combining different methodologies, as we judge appropriate, to each review. We commonly include elements of 'theory-based evaluation' (testing a programme against its own theory as to how it will generate the desired results), process reviews (assessing the quality of decision making and programme management), audit of financial systems and thematic reviews (assessing the coherence of a portfolio of activities against a set of policy goals). This enables us to assess not just whether or not UK aid is working but also why.

Beneficiary consultations are a key part of our methodology. They can range from informal conversations with intended beneficiaries in the field, to more structured dialogue in focus groups, to substantial surveys commissioned from specialist firms. We use beneficiary consultations for a number of purposes. They enable us to test the relevance of aid programmes to the needs of real people and to obtain a beneficiary perspective on the quality of programme delivery. We often find that DFID staff do not have the time to engage closely with programme implementation and to interact with the intended beneficiaries. Our consultations, therefore, frequently uncover issues of which DFID is unaware – both problems that need to be resolved and good practices that should be replicated more widely.

We also use beneficiary consultations to verify the results reported for particular programmes and test their sustainability. For example, in our review of DFID's child mortality programming in Kenya, we conducted focus groups with 80 mothers in five locations and consulted many more through a written survey. The consultations revealed areas where the standards of care were improving but also widespread problems with petty corruption, drug shortages and staff misconduct. This feedback helped us to assess whether DFID's programmes were addressing the right issues. In our review of agricultural research, our consultations showed that DFID's generally high quality research could be improved through more engagement with the intended beneficiaries, particularly women farmers and the urban poor, to ensure their needs were reflected in programme design.

We do not typically employ formal impact evaluation methods – that is, using primary data to compare the situation before and after an intervention, with control groups or other quasi-experimental methods to establish attribution. These evaluation methods need to be designed into the programme itself and implemented over an extended period, with at least two data collection phases (before and after the intervention). These are expensive exercises; if they are to be carried out, they are better commissioned by DFID itself, rather than by ICAI. Furthermore, our accountability mandate calls for smaller and more rapid reviews, often of on-going programmes, using a wider range of methods. We nonetheless pay close attention in our reviews to whether DFID has chosen the right evaluation methods for its programmes and, on one occasion (in our review of a livelihoods programme in Odisha, India), we followed up an impact evaluation to review whether it had been done correctly and to assess the longer-term sustainability of the programme.

Our reviews are carried out by teams from our contractor, based on methodologies approved by the Commissioners. Both the methodologies and the findings go through rigorous processes of internal challenge. As Commissioners, we will not permit any assertions to be included in our reviews that we could not defend before Parliament. For each review, we appoint a lead Commissioner to oversee the process, who also participates closely in the field research and analysis. When their analysis is nearing completion, the review teams present their emerging findings to the Commissioners at a half-day workshop. Our reports go through many levels of quality assurance, including a final fact-check by DFID, so that the findings and recommendations have the full confidence of the Commissioners.

Our reports are designed to be accessible to the lay reader and are, therefore, relatively short and non-technical. We have found that producing short reports is an excellent discipline, forcing us to focus on the points that really matter. We strive, however, to be fully transparent in our methodology and to indicate the evidence on which our conclusions are based.

7.6 Follow-up

There are a number of follow-up processes to our reviews. Each is individually discussed with the International Development Committee, in sessions that are now open to the public. There is frequently engagement with the media. Within three weeks of publication, DFID produces a formal management response to each of our recommendations, indicating the actions it will take and the timeline. It then produces annual updates of its progress. Approximately a year after each review, we conduct a formal follow-up assessment, exploring whether DFID's proposed management actions sufficiently address our concerns, whether they have in fact been implemented and what difference they have made. Each follow-up review involves interviews with DFID and its partners, reviews of documentation and a meeting between the Commissioners and the DFID. The results of this year's follow-up reviews are summarised in the follow-up annex on page 59.

08
MANAGEMENT STRUCTURE

This chapter sets out the current structure of ICAI and reports on the performance of the contractor consortium.

8.1 The Commissioners

The Commissioner team is made up of a Chief Commissioner and three Commissioners. The team for 2011-15 comprises:

Graham Ward CBE - Chief Commissioner
Mark Foster - Commissioner
John Githongo - Commissioner
Diana Good - Commissioner

The Commissioners' biographical details are published on the ICAI website[10].

8.2 The Secretariat

ICAI is supported by a small Secretariat. The role of the Secretariat is to support the Commissioners in their work, manage the work of our contractor on a day-to-day basis and act as a liaison point between the Commissioners and Parliament, government departments including DFID, the public, the media and other stakeholders.

Our team is comprised of secondees from other government departments and the National Audit Office. It is headed by Dr Alexandra Cran-McGreehin.

8.3 The Contractor Consortium

Under the terms of our contract with the consortium, we are not obliged to hold a review of their performance in the third year of our operation, namely, this year. We have decided, however, to make a statement about performance for the purposes of transparency and accountability.

In Year Three, ICAI took on a significant new challenge by moving towards producing more complex reviews. These are frequently larger than the ICAI reviews conducted in Years One and Two in the amount of fieldwork and analysis that they require. The Contractor has worked closely with ICAI in rising to this challenge and, while doing so, has built on the progress made in

[10] http://icai.independent.gov.uk/about/who-are-we/

previous years. In our judgement, the Contractor has continued to meet the requirements of its contract with us.

We have continued to manage the Contractor consortium very closely. As part of our management approach, there is a regular Board agenda item on the Contractor and discussion with their team. We collectively seeking to develop and streamline the processes we use to deliver ICAI reports and to ensure the quality and accessibility of those reports. Last year, we highlighted three areas for development in the Contractor’s performance: front-loading review fieldwork; planning more successful visits; and producing higher-quality first drafts of reports. Overall, the Contractor has sought to deliver improvements in these areas, especially given the challenges associated with carrying out more complex reviews. These will, however, remain important areas of focus as we deliver our Year 4 programme.

We have devoted time throughout the year to learning from our experience in producing reviews, through a learning conference and other regular meetings with contractor team leaders. In particular, ICAI and the Contractor have, in partnership, discussed our experiences to date on beneficiary engagement in the field to apply learning to future reviews. We believe it is important to take a case-by-case approach, building on past experience, in order to gather the most appropriate evidence for each review.

As we move forward, we will also be seeking to work with the Contractor consortium to deliver further improvements in a number of key areas relevant to the delivery of ICAI reports. These include: improving the quality assurance of draft reports; working together to deliver reports on subjects of a greater complexity; and refining channels of communication between ICAI Commissioners and the Contractor consortium to maximise efficiency.

09
MANAGEMENT COMMENTARY

ICAI has made service arrangements with DFID and the Scotland Office which are set out in this chapter.

9.1 Service Arrangements

The following services are delivered by DFID for ICAI:

- IT infrastructure;
- duty of care arrangements for Commissioners and Secretariat on country visits; and
- some procurement, finance and HR services.

The following services are delivered by the Scotland Office for ICAI:

- office accommodation; and
- telephony services.

9.2 Register of Interests

A register of interests of Commissioners and Secretariat staff is maintained. A copy will be available online shortly.

10 CORPORATE GOVERNANCE

We remain an Advisory Non-Departmental Public Body, sponsored by DFID, with an overall governance objective to act in line with the mandate agreed with the Secretary of State for International Development.

10.1 Triennial Review

In 2013, ICAI underwent the Cabinet Office mandated Triennial Review process, which judged that our organisation performed an essential function and made recommendations to strengthen governance. The recommendations included a stronger role for the International Development Committee in approving our workplan and arrangements to decouple Commissioner recruitment from the election cycle. The full text is available at the Gov.uk website[11].

10.2 Risk Management

Our approach to risk management continues to be undertaken on the basis of identifying and managing risks to a reasonable level, rather than attempting to eliminate all risk of failure to achieve policies, aims and objectives. It can only, therefore, provide reasonable and not absolute assurance of effectiveness.

Risks are usually identified by Secretariat discussions with Commissioners but can also be identified by the Contractor or by staff from DFID or other departments. The Secretariat is then responsible for incorporating them into a risk register and assigning assessments of likelihood and impact and associated mitigation actions. They are discussed as a standing item at every Board meeting and Commissioners have reviewed in detail and formally approved the current risk register. Commissioners have noted that they are content with the way risk is being managed and reported. We will continue using this approach during our fourth year of operation.

In our view, several of the risks we identified in our previous annual reports remain relevant and are worth continuing to consider. The table on page 52 shows the updated risk picture.

[11] https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/266693/ICAI-triennial-review-public-report-dec13.pdf

10.3 Phase Two Risks

We are concerned that the ending of Commissioner and Contractor contracts in May 2015 presents a significant continuity risk. DFID has started the process of appointing a new Chief Commissioner and another Commissioner by the end of 2014. We are also working with DFID to move forward with procurement of a contractor team, starting with early market engagement in June 2014. We are concerned that, given the scale of the transition required, there is a significant risk of disruption to ICAI's activities, particularly if the timelines for Commissioner recruitment or contractor procurement slip. We are working with DFID to make the process as efficient as possible in order to mitigate this risk.

Figure 3: Current Risks for ICAI and Associated Mitigation Actions

Risk	Mitigation	Risk assessment post-mitigation	
		Likelihood	**Impact**
1. Contractor does not deliver the high quality, innovative reports required by Commissioners	• Strengthened Lead Commissioner involvement in planning, fieldwork and analysis stages • All key report stages scrutinised and challenged by Commissioners and Secretariat for quality and innovation • Continued push for innovation and the voice of intended beneficiaries	Low, but see 7 below	Medium
2. Not identifying SMART recommendations which focus on intended beneficiary impacts	• Continuing to learn from follow-up work which kinds of recommendations are most likely to succeed and avoid unnecessary bureaucratic burden • Working closely with Contractor teams to ensure that recommendations focus on impact	Low	Medium
3. Inappropriate behaviour of ICAI or DFID personnel undermining public confidence in ICAI	• Commissioners abide by Code of Conduct including Nolan principles of public life and declare interests appropriately • ICAI staff work according to ICAI core values and Civil Service Code • DFID staff encouraged to act in accordance with founding documents to protect ICAI's independence	Low	High
4. Risk of lost or leaked information	• All Secretariat/Contractor staff and Commissioners security cleared • Minimise use/retention of personal data • Joint responsibility with DFID to ensure reports are unclassified • Compliance with Data Protection Act by following DFID policies and procedures • Security measures in Dover House	Low	Medium
5. Lack of access to all data, information and people to report accurately	• DFID internal guidance making clear its staff's responsibility to provide information requested by ICAI Secretariat • Secretariat access to DFID systems • Effective pre-visit planning and information requests by Contractor teams to identify information requirements	Low	Medium
6. ICAI reports not providing insight valued by stakeholders	• Continue to work with IDC to identify areas in which ICAI reports can support the Committee's inquiries • Conduct further public consultation to understand which reports are most and least valuable • Consider publication of different kinds of reports	Low	Medium
7. Significant disruption to ICAI's activities due to Commissioner and contractor contracts coming to an end in mid-2015	• Monitor the DFID-led Commissioner recruitment process • Prepare induction packs for incoming Commissioners and contractor team • Hold early market engagement exercise with DFID • Assist in the procurement process managed by DFID's Procurement & Commercial department • Where possible, introduce process efficiencies to minimise disruption	High	High

11
EXPENDITURE

11.1 ICAI's Four-Year Budget

ICAI's overall four-year budget is £13,764,000. This was allocated to ICAI by the then Secretary of State for International Development on 18 May 2011.

11.2 Expenditure in 2013-14

Taking into account spending in previous years, ICAI's budget for 2013-14 was originally set at £4,256,000. This was subsequently revised to £3,806,000, when we returned £450,000 of excess programme funds to DFID. Our revised budget comprised £3,350,000 for programme spending on our contractor consortium and £456,000 for administrative spending on Commissioners and the Secretariat. Our spending against this budget was £3,452,716,[12] comprising £2,976,387 programme spending and £476,329 administrative spending.

We underspent by £353,284 compared with our revised programme budget. This was due to a combination of factors, including tight control of costs and moving the delivery of certain complex reports into the 2014-15 financial year. We work closely with DFID in forecasting our expenditure.

[12] Our expenditure as recorded on DFID's system is £200,224 higher, at £3,652,940, due to some double-counting related to accruals at the end of the financial year.

Figure 4: ICAI Expenditure Settled against Budget for 2012-13

Input	Rates	Details	Budget (£)	Expenditure (£)
Contractor costs: fixed management fee & audit statement	£26,525 per month and £4,000 audit fee, excluding VAT	12 monthly payments and 1 audit fee payment	322,300	322,300
Contractor costs: fees and expenses for individual reports	Report fees agreed on case-by-case basis	Delivery of all relevant reports in the ICAI work programme	3,017,700[13]	2,652,171
Contractor visit costs paid directly by DFID	In line with DFID's expenses policy	Security, accommodation and transport	10,000	1,915
Secretariat staff costs	Withheld	5 members of staff	320,000	315,531[14]
Secretariat travel and reimbursable expenses	In line with DFID's expenses policy		3,000	3,080
Secretariat training			1,500	424
Honorarium payments to Commissioners	Chief Commissioner (£600 per day); Commissioners (£300 per day)	Up to 65 days per year for Chief Commissioner and 55 for Commissioners[15]	88,500	115,294[16]

[13] Figure reduced by £450,000 compared to the budget published in our last annual report, as we returned these funds to DFID.
[14] Further breakdown is withheld since staff below Senior Civil Service grades are not required to disclose salary levels. Costs shown here include VAT charges and National Insurance contributions charged to DFID by those departments seconding staff to ICAI.
[15] These limits apply to the ICAI year (12 May 2013 – 11 May 2014), rather than to the DFID financial year (1 April 2013 – 31 March 2014). Commissioners have not used their full allocation of days in previous years – during this year, they have become more directly involved in leading reviews and attending field visits, so are now using their full allocations. John Githongo used 7 days and his remaining allocated days were redistributed to the other Commissioners. In addition, due to an increased volume of work this year (particularly due to the Southern Africa trade review, the Triennial Review and preparations for Phase 2 of ICAI's operations), DFID agreed to increase the overall allocation by a further 5 days: during 12 May 2013 – 11 May 2014, Graham Ward claimed for 80.5 days of ICAI work; Diana Good 82.7; Mark Foster 65; and John Githongo 7.
[16] Expenditure exceeds the budget for Commissioners' honoraria for two reasons: i) because Employers' National Insurance contributions were not accounted for in the budget; and ii) because more Commissioner days were paid for during this financial year than Commissioners' annual limit. DFID granted an increase in Commissioner days as explained in footnote 13.

Input	Rates	Details	Budget (£)	Expenditure (£)
Commissioner travel for overseas visits and Board meetings	In line with DFID's expenses policy	Includes security and accommodation	14,000	17,029
Accommodation costs		For office space and use of meeting rooms	24,000	18,005[17]
IT services and website support		Telecoms and broadband services	4,000	5,414
Other office costs		To cover incidental costs, including postage and stationary	1,000	1,552[18]
Total			**3,806,000**	**3,452,716**[19]

11.3 Contractor Fees

Figure 5 on page 56 shows the costs of each of our reports published in 2013-14. As in previous years, we continue to drive value for money from our contractor consortium in order to ensure that our teams capture efficiently a reliable picture of the impact of the area of expenditure being reviewed. A vital part of our approach is that our teams see programme delivery on the ground. This allows them to verify for themselves the impact being achieved and to discuss this directly with intended beneficiaries and those closely involved in the implementation of the programme.

[17] This is significantly under budget as the fourth quarter accommodation costs were not paid for during the 2013-14 financial year. This payment will be made in 2014-15 and our accommodation budget has been increased accordingly.
[18] This includes £810 to Treasury Solicitors for legal advice as part of our Southern Africa trade review.
[19] Numbers in this column do not add due to rounding.

Figure 5: Fees Paid to Contractors for Completed Reports[20]

Report	Fees (£)	Expenses (£)	Totals, excluding VAT (£)[21]
Year One follow-up	87,899	0	87,899
FCO and British Council Aid Responses to the Arab Spring	146,791	9,592	156,383
DFID's Health Programmes in Burma	146,884	14,933	161,817
DFID's Support to Capital Projects in Montserrat	125,557	5,685	131,242
DFID's Trade Development Work in Southern Africa	249,568	17,440	267,008
DFID's Support for Palestine Refugees through UNRWA	218,079	19,612	237,691
DFID's Empowerment and Accountability Programming in Ghana and Malawi	195,016	16,167	211,183
DFID's Support to Agricultural Research	225,694	32,168	257,862
DFID's Bilateral Support to Growth and Livelihoods in Afghanistan	241,214	52,381	293,595
Rapid Review of DFID's Humanitarian Response to Typhoon Haiyan in the Philippines	79,783	4,032	83,815
DFID's Contribution to the Reduction of Child Mortality in Kenya	303,777	27,342.27	331,119.27
How DFID Learns	230,453	3,132	233,585
DFID's Private Sector Development Work	353,938	TBC	TBC

[20] These figures do not add to the expenditure figure on contractor fees and expenses for individual reports in Figure 4, as not all of these payments were made in 2013-14.
[21] VAT is reclaimed for these contractor professional services.

The average cost of ICAI's reviews of DFID has increased, rising from £150,000 in Year One to more than £200,000 per report in Year Three. This increase has occurred as ICAI has begun to undertake more complex reviews, including reports involving a more thematic focus, wider scopes and more beneficiary engagement. Thematic reviews have been recommended by the IDC, endorsed by the Triennial Review and requested by stakeholders. They examine a broader topic and therefore involve a larger amount of fieldwork, typically including visits to a number of different countries.

11.4 Budget for 2014-15

DFID has made provision for ICAI to spend £4,286,000 in 2014-15, comprising £3.8 million for programme spending on our contractor consortium and £486,000 for administrative spending on Commissioners and the Secretariat. A breakdown of our current estimated budget by category is shown in Figure 6 on page 58. We will continue to apply principles of sound financial management to the handling of our expenditure in 2014-15. Costs associated with transitioning to Phase 2 of ICAI's operations have not been included within this budget as they cannot yet be properly quantified – we will work with DFID to do this as plans for the transition firm up.

Figure 6: ICAI Budget Breakdown for 2014-15

Input	Rates	Details	Budget (£)
Contractor costs: fixed management fee & audit statement	£26,525 per month, excluding VAT, & £4,000 audit fee	12 monthly payments & 1 audit fee payment	322,300
Contractor costs: fees and expenses for individual reports	Report fees agreed on case-by-case basis	Delivery of all relevant reports in the ICAI work programme, and follow-up work planned	3,467,700
Contractor visit costs paid directly with DFID	In line with DFID's expenses policy	Security, accommodation and transport	10,000
Secretariat staff costs	Withheld[22]	5 members of staff	324,000
Secretariat travel and reimbursable expenses	In line with DFID's expenses policy		3,000
Secretariat training	To be confirmed		1,500
Honorarium payments to Commissioners	Chief Commissioner (£600 per day); Commissioners (£300 per day)	Up to 65 days per year for Chief Commissioner and 55 for Commissioners	109,000
Commissioner travel for overseas visits and Board meetings	In line with DFID's expenses policy	Includes security and accommodation	14,000
Accommodation costs		For office space and use of meeting rooms	30,000
IT services and website support		Telecoms and broadband	4,000
Other office costs		To cover incidental costs, including postage and stationary	500
Total	£4,286,000		

[22] Further breakdown is withheld since staff below Senior Civil Service grades are not required to disclose salary levels. Costs shown here include VAT charges and National Insurance contributions charged to DFID by those departments seconding staff to ICAI.

Annex

FOLLOW-UP FROM YEAR TWO REPORTS

Evaluation of the Inter-Departmental Conflict Pool
Published - July 2012

1. The Conflict Pool (CP) is a funding mechanism for conflict prevention activities, managed jointly by the Foreign and Commonwealth Office (FCO), DFID and the Ministry of Defence. It was established to combine the skills of the three departments in diplomacy, development and defence into a more coherent UK approach to conflict prevention. In 2011-12, it had £180 million in funds that were allocated by cross-UK Government programme boards and implemented by one of the three departments, with the largest share implemented by FCO. Our review looked at the CP's strategy, governance arrangements and programming model, with case studies of its work in Pakistan and the Democratic Republic of Congo. Overall, we gave the CP an Amber-Red rating. We found that it had been effective at identifying and supporting worthwhile conflict prevention initiatives and had delivered some useful, if localised, results. It had, however, struggled to demonstrate strategic impact, due to the lack of a clear strategic framework, cumbersome management arrangements and little capacity for measuring results. We concluded that, while the CP is a useful mechanism, significant reform was required to enable it to fulfil its potential.

2. In June 2013, the UK Government announced that the CP will be replaced in 2015-16 by a new Conflict, Stability and Security Fund (CSSF), which will operate under the authority of the National Security Council. The Cabinet Office is leading a cross-government process to design the new instrument.

3. One of our findings was that there was a substantial strategic gap between the very high-level 'Building Stability Overseas Strategy' and individual country strategies. We therefore recommended the development of a more complete strategic framework for the CP, with guidance for programme boards on how to develop multi-disciplinary approaches to conflict prevention. In March 2013, new strategic guidance was adopted which clarifies the role and comparative advantage of the CP and sets out some general principles of good planning. The document was prepared through a light, top-down process, with limited dialogue with country teams and no external consultation. We find that the document mainly codifies existing practice, giving little substantive guidance to country teams. It has not led to any reorientation of the CP portfolio. In our view, it represents a missed opportunity for a more fundamental reassessment of strategy.

4. We were concerned that the CP's complex, tri-departmental management structure was cumbersome in operation. We recommended that it be reviewed before the next spending review period. The proposed CSSF

structure, although not directly a response to our recommendation, does indeed provide a new management structure. Considerable care will have to be taken, however, to avoid the same problems recurring in the new instrument. We were also concerned that volatility in the CP budget, caused by the unpredictable nature of UN peacekeeping commitments, was hampering resource allocation and needed to be addressed. While the peacekeeping budget will remain unpredictable, the departments have introduced a number of measures to manage the problem, including forward purchasing of foreign currency and the introduction of an Early Action Facility for quick-onset conflicts.

5. At the time of our review, the CP had just introduced multi-annual funding, which was a positive step towards more strategic programming. We were, nonetheless, concerned that the CP funding model was leading to a scattered portfolio of small-scale activities that, while worthwhile on their own, were not delivering strategic impact. We recommended, therefore, that the CP match its funding to its objectives by balancing a proactive approach to identifying partners for large-scale activities with a flexible and responsive grant-making process for local initiatives, paying more attention to leveraging other resources. We also recommended that the CP funding model adopts guidelines on risk management and conflict sensitivity. Both of these recommendations were accepted but we are disappointed that action has been postponed until after the introduction of the CSSF, which has allowed these issues to perpetuate. We were pleased to note, however, that the CP in Pakistan has dramatically improved its programme management since the ICAI visit. It now balances its portfolio across different sizes and types of project, distinguishing between small-scale influencing activities, pilots with the potential for scaling up and larger, more strategic interventions. It has refocused its strategy, adopted a financial policy and introduced new performance and risk management tools. Innovations such as these should be introduced across the CP as a whole to help address the issues that we raised in our report.

6. We also recommended that the CP adopt a new monitoring and evaluation (M&E) system that encompasses both strategic resource management and real-time monitoring of project outcomes. New M&E guidelines were published in April 2013 but represent only the beginnings of a response to our recommendation. While containing a few broad principles, they make no mention of M&E at the portfolio level and were not accompanied by any new resources, management processes or staff training. The CP is about to enter the final year of its three-year results round without an adequate M&E system in place, with the risk that learning and accountability will be overlooked. Again, some useful innovations in Pakistan, including engaging a specialist firm to support project partners and the CP management team with monitoring frameworks and evaluations, illustrate the potential for effective activity in this area. It is important that the new CSSF develop robust systems for capturing not just the results of individual projects but also progress towards the higher-level goals in country strategies which will need to be much clearer than at present.

7. Overall, this is a disappointing response from the three departments. We accept that the announcement of the CSSF changed the operating context. We believe, however, that the problems with the CP should be addressed before the creation of the CSSF, with its larger budget and new participating departments: for example, many of the improvements we have seen in the Pakistan programme should be replicated across the CP. In the absence of such action, there is a serious risk that the CP's shortcomings will be replicated in the new instrument, at a larger scale. We also stress the need for clear reporting on the achievements of each CP country programme over the current three-year funding period, which should be tested robustly through the planned external evaluation. This would help to create a strong base of learning on which the CSSF can build. We recommend that our findings and recommendations are looked at afresh in the design of the CSSF, in particular the development of stronger programming guidelines and procedures to create a more unified approach across the programme boards.

The Effectiveness of DFID's Engagement with the Asian Development Bank
Published - July 2012

1. At the time of our report, DFID was a 2% shareholder in the Asian Development Bank (ADB). Over the past five years, it had contributed £175 million to the ADB's Asian Development Fund for lending and grants to low-income countries and £337 million to co-financed projects and trust funds. We found that DFID engaged effectively with the ADB, giving it a Green-Amber rating. As a shareholder, the UK has influenced ADB strategy, policy and internal reforms, while promoting a focus on inclusive growth, gender, climate change and operational effectiveness. DFID's co-financed projects with the ADB have delivered substantial results on the ground. We noted, however, that there was scope to strengthen the relationship between DFID and the ADB still further. As a co-financier, DFID has not always given sufficient attention to managing projects in-country and, in order to improve the ADB's development outcomes, DFID needed to influence the Bank to improve its own project management and real-time monitoring. Our assessment was more critical than the Multilateral Aid Review (MAR) in respect of the ADB, largely reflecting ICAI's greater focus on project delivery. DFID has responded positively to the ICAI report and has since shown good progress in addressing our recommendations.

2. Our first recommendation was that, where DFID is co-financing projects with ADB, it should be clear about the relative contributions of each partner, strengthen its assessment of risk and improve real-time monitoring and evaluation. DFID has responded in several ways: by incorporating stronger risk monitoring frameworks in its business cases; developing guidance material for country offices which sets out the ADB's comparative advantages; and putting in place a quarterly review mechanism through which country staff can seek advice. The last of these actions also addresses our third recommendation: formalising discussions between DFID country offices, DFID headquarters and the UK representative in ADB headquarters in a way that provides for a more structured approach to information sharing.

3. Our second recommendation focused on DFID's role as an ADB shareholder. We recommended that DFID should use its influence to improve the impact of ADB projects by strengthening project design, implementation and evaluation through contributing to a revised ADB Results Framework. The Results Framework now includes more gender-disaggregated indicators, a stronger climate change focus and more stretching targets on organisational effectiveness. We note, however, that there is still scope for the Bank to improve its inclusive growth indicators and to develop indicators that will enable it to track procurement efficiency gains. DFID continues to be seen as

an important Bank shareholder and has pushed for changes on several fronts where politically feasible: pressing for more transparent election processes for senior ADB officials; arguing the case for a more consultative budget process; and supporting the Bank's efforts to improve country-level capacity. Although a minority shareholder, DFID has worked constructively with other like-minded donors, where possible, in order to increase its leverage.

4. DFID has also used its position as a valued shareholder in practical ways, on a more opportunistic basis. The speed of DFID's mobilisation in the wake of Typhoon Haiyan owes much to the positive links that exist between the UK's representative in Manila and ADB management. Senior Bank officials agreed to house and provide facilities for DFID's humanitarian team less than a week following the typhoon landing. This ensured an effective and speedy DFID response.

5. Given concerns over ADB project delivery, our fourth recommendation urged DFID to ensure that future MARs consider the capabilities of multilateral agencies on the ground across a range of countries, capabilities and project types. DFID has responded by making greater use of country feedback during the 2013 MAR update. DFID gathered evidence on the ADB's performance in several countries, including Afghanistan, Bangladesh, India, Nepal, Pakistan, Tajikistan and Vietnam. The evidence helped DFID to establish a clearer understanding of the degree to which the Bank has succeeded in implementing its reform agenda at the country level, as well as the depth of the ADB's country partnerships with governments and other key stakeholders. We noted, however, that there was significant scope to improve on the rigour and quality of information collected during the 2013 MAR exercise, to ensure that DFID is better able to make informed choices about when and how to work with the ADB.

6. We welcome the positive steps that DFID has taken since the publication of our report. DFID's own ADB Engagement Strategy nevertheless acknowledges that it is still too early to say whether the Bank's internal reforms have translated into consistent improvements in project performance. This aligns with the feedback received from DFID country offices during the course of our follow-up and indicates that DFID still has work to do in the light of our original concerns. The mechanisms that DFID has put in place to provide country offices with a greater degree of technical advice should continue, as should DFID's influencing efforts in Manila. The latter is especially important, given the spread of Bank activities in countries where DFID has no presence of its own.

UK Humanitarian Emergency Response in the Horn of Africa

Published - September 2012

1. Our report assessed the effectiveness and value for money of the UK's humanitarian emergency response in Kenya, Ethiopia and Somalia in 2011. Millions of people in the Horn of Africa suffer chronic food insecurity and vulnerability. When the rains failed in late 2010 and again in early 2011, the chronic situation became a crisis. DFID spent over £200 million on the response; when over 12 million people in the region faced a humanitarian crisis. We found that DFID played a leading role and supported some of the most vulnerable people in Kenya, Somalia and Ethiopia. DFID and the humanitarian system as a whole, however, lacked flexibility to respond to the emerging crisis. We also found that there were significant challenges to building resilience and sustainability which need to be addressed to work towards longer-term solutions.

2. DFID responded positively overall to our report and recommendations and commented that the ICAI report was useful in gaining internal support and in helping to contextualise the findings of the 2011 Humanitarian Emergency Response Review (HERR) in a chronic situation. We heard that the report was influential in moving towards multi-year funding and strengthening surge capacity, which we saw in operation during the response to Typhoon Haiyan in the Philippines.

3. We recommended that DFID should work towards a cohesive early-warning system, with triggers for action pre-agreed with other key organisations and governments; and that it should engage with key organisations on this issue within six months. DFID addressed this recommendation well. At a global level, DFID enhanced its risk mapping capabilities and told us that further enhancements are planned in this area. DFID has made efforts to work with the government and/or key agencies in each country, which is taking time but is essential for sustainability. DFID has made good progress in Kenya and Ethiopia, although more needs to be done. In Somalia, however, progress has been slower. Somalia is constantly on the edge of humanitarian disaster – poor harvests are anticipated and international funding levels are low. Although DFID has pushed for pre-agreed triggers, DFID staff working in the Horn of Africa expressed significant concern to us that the international community is no better placed to respond to a crisis in Somalia than it was before the 2011 crisis. DFID may, therefore, need to consider other ways to work towards cohesive solutions in the country, possibly at the international level.

4. We recommended that DFID should build on existing good practice to develop a new model for flexibly addressing recurring crises in the Horn of

Africa, incorporating funding mechanisms, staff deployment and partner selection. DFID has made improvements to its flexibility in each of the three areas and there is evidence that these are making a meaningful difference. Improved surge staff deployment and flexible funding mechanisms were observed in our Rapid Review of DFID’s Humanitarian Response to Typhoon Haiyan in the Philippines, alongside improved organisational preparedness. Multi-year funding mechanisms with humanitarian triggers have been successfully implemented in the Horn of Africa and are making a difference. For example: implementing partners can make longer-term plans and, in some cases, NGO consortia are pre-formed, to enable them to respond to an emergency more quickly. DFID is also beginning to roll out these mechanisms in other disaster-prone countries. There is still work to be done, however, in getting the most out of multi-year funding by helping partners to consider more innovative programming to tackle the chronic challenges in the region. DFID country officers raised concerns about levels of contingency financing now that DFID’s budgets have stopped increasing. At the international level, DFID needs other countries to move towards multi-year and contingency funding as well, as DFID cannot meet this need alone.

5. We recommended that DFID should build on its engagement with host governments and key agencies to develop lasting solutions to the chronic situation in the region. This should include targeting key areas such as infrastructure development to address chronic poverty and using its expertise and experience to tackle issues, such as the sustainability of pastoralism and refugee camps. In response, DFID embedded disaster resilience plans in eight pilot country programmes. DFID also reviewed activities supporting resilience and lasting solutions to chronic situations. DFID has put in place multi-year funding for refugee programmes that will look at issues of resilience and sustainability and new conflict-sensitive programmes in conflict and drought prone areas that will include infrastructure and support to livelihoods for former pastoralists. DFID’s actions, however, did not fully address our recommendation. It has started to grapple with these difficult but essential challenges and accepts that further work on these issues is needed. Finding solutions that bridge humanitarian and development objectives and focus on underlying vulnerabilities is essential to breaking the cycle. DFID has begun to consider community disaster risk insurance and linkages between climate change resilience and livelihoods, which is promising. Promoting economic development may help to focus on some of these challenges, such as infrastructure. DFID will need to take care, however, to balance pressing for economic development, with addressing the underlying vulnerabilities, in order to ensure that the poor reap real benefits.

6. Overall, DFID has worked well to develop and implement flexible models and pre-agreed triggers, which should enable faster and smoother scale-up of humanitarian response when required, although progress with key stakeholders has sometimes been slower than DFID hoped. While the rapid onset disaster in the Philippines was different to the chronic situation in the Horn of Africa, we did observe real improvements in DFID’s flexibility and preparedness to respond to emergencies. DFID has not, however, made significant progress in working towards sustainable solutions for key

underlying challenges such as poor infrastructure and potentially unsustainable livelihoods, despite some good work at the programmatic level. We encourage DFID to pursue this further.

DFID's Bilateral Aid to Pakistan
Published - September 2012

1. Pakistan is a country of great strategic significance to the UK, because of its immense development challenges and its importance to UK security. The UK has scaled up its aid to Pakistan dramatically in recent years, from £87 million in 2007-08 to a planned £310 million in 2014-15, which will make it one of the largest recipients of UK bilateral aid in the world. To scale up at this rate, DFID Pakistan is now implementing some of the largest individual programmes in DFID's history, including two education programmes of over £200 million each. We carried out a review of DFID bilateral aid to Pakistan in 2012, to determine DFID's readiness to make effective use of such large funding increases. We looked at a sample of programmes with combined commitments of over £250 million, covering education in Punjab province, maternal and child health and DFID's humanitarian response to the 2011 floods.

2. We gave the DFID Pakistan programme a Green-Amber rating. Overall, we found it to be dynamic and innovative, with a range of impressive initiatives. The Punjab education programme was found to have a strong design with some promising early results, while the humanitarian support showed good evidence of learning and a strong focus on value for money. The maternal and health programme was an exception to this pattern, as we found it to have some significant problems in both design and implementation. Despite a positive overall rating, we were concerned that DFID had no track record of delivering programmes in Pakistan on the scale being contemplated. We were concerned at the difficult operating environment, including security constraints, high levels of corruption risk, continuing political instability and recurrent natural and man-made disasters. Our recommendations were, therefore, focused on the need to approach scaling up with a very strong risk-management approach.

3. We recommended that DFID set clear conditions for scaling up and retain the flexibility to reallocate funding away from underperforming areas. We also recommended that the programme be better balanced across government and non-government delivery channels. DFID accepted this recommendation and has implemented it, although not always in quite the way we intended. It has introduced robust risk and performance management systems and demonstrated a willingness to withhold funding from underperforming programmes. It has set down broad conditions for scaling up its country programme – including satisfactory overall progress on results across the portfolio, a favourable political environment and demonstrated commitment by the government to reform in a number of areas, including tax reform and anti-corruption. It has strategies for advocacy and political engagement in these areas, including a Tax Reform Action Plan. While these are all necessary

steps, we remain concerned that, because the conditions for scaling up are formulated loosely, there is a clear risk that UK aid to Pakistan continues to increase despite a lack of concrete progress to date in areas such as anti-corruption and tax reform. The programme has not achieved a better balance between government and non-government delivery channels but remains dominated by large service-delivery programmes, with a new programme of financial support to the federal government under preparation. While DFID can and does delay funding to programmes that fail to deliver, such as in its education programme in Khyber Pakhtunkhwa province, there are no mechanisms for reallocating funds from lower to higher performing parts of the programme. We, therefore, encourage DFID to continue to explore better ways of managing the substantial risks associated with their large Pakistan programme.

4. We recommended that DFID increase its support for the low-cost private education sector, both as a strategy for addressing Pakistan's education emergency (around 34% of school-age children are out of school) and for balancing its support through government. In recent years, there has been an extraordinary growth in low-cost private schools, which now account for a third of overall enrolment and which are performing better, by some measures, than state schools. DFID has responded well to this recommendation. It is supporting the low-cost private education sector in three provinces in a number of ways, including strengthening government policies and regulatory capacity, providing vouchers to help the poor to access private schools and providing credits to private schools, linked to quality improvement measures. We find its approach to be both strategic and innovative, although mostly still at the pilot stage. We would like to see more learning across DFID on strategies for supporting low-cost private education. We also recommended that DFID explore options to engage more with private health services. This has not been pursued as actively as it should have been. We are particularly concerned that problems with the Maternal, Neo-natal and Child Health programme, which were pointed out by both ourselves and by the IDC in an April 2013 report, have not been addressed. These included a lack of integration with other health initiatives and complex financial flows that are prone to delay. We recognised in our review that these problems were linked to the devolution of health services in Pakistan and associated institutional instability, which is ongoing. We are, nonetheless, surprised to find that this programme has been extended without addressing its design and delivery problems.

5. We also recommended that DFID take on building resilience to disasters at the household and community levels as a core element of its country programme. Pakistan has suffered seven major disasters since 2000 which, as well as causing untold suffering to the population, have been highly disruptive of national development efforts. DFID accepted this recommendation but its response has been slow. A new business case on disaster preparedness (valued at £76 million over 5 years) is under preparation but has been extensively delayed – due in part to the succession of humanitarian disasters. The new programme will strengthen the ability of local communities to manage shocks – including through early-warning

systems – and help to build disaster risk management capacity in national and provincial governments. While this is an important step, we find it to be a rather narrow response to our recommendation, which called for a joined-up approach to building resilience at various levels (e.g., nutrition; rural livelihoods; financial inclusion), with a large enough commitment of resources to help to rebalance the country programme. We urge DFID to continue to explore ways of helping Pakistan to break out of its cycle of repeated emergencies and short-term responses.

6. Our final recommendation concerned the management of fiduciary risks in DFID's financial aid to government. We recommended that DFID set out clear standards for budget integrity, with a strong emphasis on promoting transparency and accountability in budget processes and greater beneficiary involvement in the delivery and oversight of programmes. DFID Pakistan has made some progress in these areas. It has strengthened its fiduciary safeguards through a range of measures that have been praised by the National Audit Office and DFID's Internal Audit. These include a continuous audit programme and some new approaches to risk and performance management. It has introduced a range of new safeguards against fraud but has not made much progress on anti-corruption in a challenging political environment. It is working with its two partner provinces to analyse inefficiencies in their budget processes. We now encourage DFID to take the findings of this diagnostic work as the basis for explicit strategies for improving the effectiveness and efficiency of aid funds delivered through country systems.

7. Overall, DFID Pakistan has responded actively to our recommendations and we are pleased to see that it continues to be innovative in searching for new solutions to the challenges of delivering aid effectively in Pakistan. We remain concerned, however, at the risks associated with such a large country programme. We encourage DFID to continue to develop its risk-management approach, including by diversifying its delivery channels and ensuring that it is able to redirect funds away from underperforming to more promising areas. We expect it to intensify its efforts to correct the problems identified by ourselves and by the IDC with the Maternal, Neo-natal and Child Health programme. We also recommend that DFID use its new resilience programme as an opportunity to mainstream resilience across the portfolio.

8. We remain concerned about DFID's approach to delivering large-scale assistance in insecure regions where it has limited access and choice of delivery partners and where sustainable results are difficult to achieve. We are, therefore, conducting a review in our Year Four programme on the scaling up of aid to fragile states, including Pakistan.

DFID's Education Programmes in Nigeria
Published - November 2012

1. Our report assessed the two DFID-funded basic education programmes in Nigeria: the Education Sector Support Programme in Nigeria (ESSPIN) managed by Cambridge Education; and the three-phase Girls' Education Programme (GEP) managed by UNICEF. A critical part of our original review was the survey of beneficiaries (parents, children and communities), which highlighted their straightforward expectations for basic education and high levels of dissatisfaction with the actual education provision.

2. The delivery of the two education programmes has to take into account a difficult (and escalating) security environment and the funding arrangements for basic education provision by the States has continued to be unstable, requiring the continuous adaptation of work plans.

3. Our report drew attention to the wide variation in approach and performance between ESSPIN and the second phase of GEP (GEP2). The overall assessment of the programme was Amber-Red; within that, ESSPIN (Cambridge Education) received a Green-Amber and GEP2 (UNICEF) an Amber-Red. We found that, while Cambridge Education and UNICEF were delivering very similar programmes with many common activities, the Cambridge Education approach appeared more likely to succeed over the long term. Cambridge Education was delivering on the ground more strongly than UNICEF, through a combination of a strong local presence and better planning and execution. We found that the GEP3 approach did not sufficiently tackle the weaknesses of the GEP2 programme, therefore not giving confidence that its delivery would be effective.

4. Due to the shortcomings in the UNICEF-managed GEP programme, we recommended prompt action by DFID over the following year to tackle identified weaknesses, with a review after six months. In fact, however, it was not until October 2013, nearly a year after our report was published, that DFID put the third phase of GEP (GEP3) onto a Programme Improvement Plan (PIP). This is due to run for six months, with a decision to be taken by DFID in June 2014 as to the future of the programme. Our view is that rigorous action was not taken speedily enough by DFID to tackle the serious deficiencies in this programme. As a result, basic education has not improved at a satisfactory rate, thus depriving girls enrolled in schools of an education which they and their parents had expected. We find this particularly concerning given the existence of a better performing programme run by Cambridge Education and the considerable challenges in educating girls in Nigeria, which have been highlighted by recent events.

5. The reason for this delay is that DFID decided to wait for six months until the 2013 Annual Review of GEP3 in order to allow UNICEF to correct the weaknesses in the programme, even though, by November 2012, DFID had already reduced the number of states within the programme from ten to five, in recognition of the poor start by UNICEF in GEP3. DFID's 2013 Annual Review confirmed the assessments contained in our 2012 report, with GEP3 needing significant improvements to design, structure and delivery to have a real chance of improving pupil learning in the five states. From 2012, both DFID and UNICEF had underestimated the scale of change needed to secure a strong capacity building capability, as required by the states' basic education services, within the Girls' Education Programme.

6. In our follow-up review, we have seen the steps which are being taken but we saw little concrete progress. DFID is funding another project in Nigeria, EDOREN – Education Data and Research in Nigeria – which will provide additional support to GEP3 to strengthen its monitoring, evaluation and reporting standards. This support will take some time to impact on the GEP3 programme (see paragraph 9). We saw that the introduction of new senior staff and some changes to the internal processes and reporting still required a longer timescale to be able to be confident that GEP3 was becoming 'fit for purpose'. DFID needs to ensure that it has strong evidence to feed into its decision-making on the future of this programme.

7. We also recommended that, in order to build on the lessons learnt, especially from ESSPIN, DFID should create a single education programme out of ESSPIN and GEP focusing on basic reading, writing and arithmetic in early years and aligned with initiatives for teacher training and infrastructure. In its management response, DFID said that it rejected this recommendation as it believed that the risks of a single programme were too high in the challenging context of Northern Nigeria; and because, since the GEP3 programme had not yet started, it wanted to give UNICEF the opportunity to deliver against agreed milestones. In our follow-up review, DFID staff also identified administrative challenges as another reason for the rejection. Our report on 'DFID's Education Programme in East Africa', however, had recommended that DFID update its education strategy with a clear focus on learning. In response, DFID published its Position Paper on Education in 2013, which makes it clear that pupil learning must be at the heart of DFID education programmes, supported by regular assessment. We are pleased that the learning focus in the Position Paper closely matches the ICAI framework deployed in the assessment of the education programmes in Nigeria. We hope that, in future, this more rigorous approach leads to improved design and implementation of education programmes, both new and ongoing, in Nigeria and in all countries where DFID has an education programme.

8. We recommended that DFID should work with its partners and each participating state to secure a clear agreement about the policy changes and financial contributions required to improve enrolment and learning and to introduce effective financial management and resource planning into education. There should be regular reviews of performance with states, based

on school-level data. This approach has been vigorously followed by ESSPIN with its relationship with its six states. The full rewards of real progress with pupil learning can now be measured in these states together with improved funding for basic education. It is critical that GEP is able to provide comparable support to its five states, if pupil learning is to be improved to levels which satisfy parents, pupils and communities.

9. In our fourth recommendation, we identified a number of improvements to specific elements of the education programmes in Nigeria. EDOREN has now been funded by DFID to provide a sound monitoring regime for the Female Teacher Training Scholarship Scheme to support GEP. The monitoring results will, however, only be available by 2015 at the earliest to assist improving its operational delivery. ESSPIN has a proven approach to supporting Qu'ranic schools which should be applied by GEP.

10. The achievement of ESSPIN to improve pupil learning shows that getting the fundamentals in place is critical to successful change. DFID must impose stricter conditions on UNICEF and GEP to secure improved design, quality assurance, data collection, analysis, review and lesson learning. We advise DFID that, unless the outcome of the PIP process, as assessed by an independent reviewer, shows strong evidence of real improvements in operations with GEP now 'fit for purpose', DFID should terminate the current Memorandum of Understanding with UNICEF and urgently design an alternative means of support for basic education in the five states.

11. Our concern over this response to our recommendation was so great that we have written to the Secretary of State for International Development, in accordance with our agreement that we would write to her directly where there are very serious deficiencies in programmes. We will continue to follow this situation as it develops, including DFID's decision on the programme's future.

DFID's Oversight of the EU's Aid to Low-Income Countries
Published - December 2012

1. Our review assessed the effectiveness of DFID's oversight of UK contributions to the European Union (EU), focussing on the impact of EU aid on the ground in low-income countries and on the co-operation between DFID and the EU in those countries. The UK contributions to the EU's aid programme are a significant part of DFID's portfolio. Contributions in 2012-13 were approximately £1.1 billion, 14% of DFID's total aid spending.

2. We found that DFID had a clear focus for its engagement with the EU and co-operation with the EU centrally was good, however, its effort did not effectively match the need, given the scale of the UK's contributions and the weaknesses in the EU's performance management and lack of evidence of impact of EU programmes. Our overall assessment was Amber-Red.

3. DFID has, with one exception, implemented the actions that it set itself. DFID has achieved many of its objectives for policy change at the EU through the implementation of Agenda for Change, a significant policy approach published in 2011; and through the 2014-20 budget agreement. These changes should mean that there will be better targeting of EU aid at those most in need and more rigorous assessment of value for money in the project cycle. Whilst we found that DFID's actions were appropriate, we believe they should have been more ambitious and addressed our recommendations more directly.

4. The key issue that we raised – and our first recommendation – was on the limited assurance DFID has on the significant contributions it makes to the EU and particularly the need for DFID to press for improvements to the performance management of EU aid. This is particularly important given that these contributions are a part of the overall EU budget and DFID has limited discretion to vary them. DFID only partially accepted this recommendation, noting that it is necessary to rely on the EU's oversight mechanisms. DFID's management action stated that it was about to undertake an update to the Multilateral Aid Review (MAR) which included an assessment of EU aid. This focused only on the reform priorities identified in the original MAR. The update concluded that, generally, some moderate progress had been made on those priorities by the EU but there was a lot still to do. DFID has been most effective in its response to our recommendation in relation to the development of the EU's performance management framework, which now has a clear timetable and a plan for piloting and full implementation during 2014. Two DFID secondees have helped to develop the approach that the EU is now implementing.

5. Our second recommendation was that DFID needed to give better guidance to DFID country offices on how they should contribute to EU country strategies and to existing coordination forums, so as to ensure a better combined impact from UK and EU funds and a greater focus on actual EU performance. Although DFID accepted this recommendation, it did not fully implement its planned management action of developing a strategy and guidance. This action is recorded as complete on DFID's own tracking system, however, because DFID undertook context-specific engagement for individual country offices. DFID has, as a result of our report, been more proactive in its communication. For example, we saw evidence of better quality interaction with country offices in Kenya, Pakistan and Mali. There has not, however, been a rethink of the approach that a strategy or guidance would have involved. This is a missed opportunity to take the engagement with EU Delegations in developing countries onto a new, more effective level. A greater focus is needed on gathering more on-the-ground evidence about EU programmes and the interaction with UK representatives locally – and on bringing this together to increase the pressure at the centre. DFID told us that this will be an important aspect of the next MAR, along with more focus on cross-cutting themes and co-ordination with other donors to increase the effectiveness of aid overall.

6. Our third recommendation was to ask DFID to ensure that the EU secures ongoing input from intended beneficiaries and effective intelligence on what is needed on the ground, in order to inform and challenge dialogue with recipient governments. DFID's response was that it would press for guidance to be issued to EU Delegations on implementing the EU's communication on civil society organisations (CSOs) in-country. The guidance was finally issued in December 2013 and covers sensible ground, for example on ensuring the diversity and relevance of the CSOs consulted. DFID's view is that this is a useful process but also recognises that it does not fully address the original recommendation in the report. This is disappointing, as DFID could have been more ambitious and pushed harder for effective action. DFID has stated that it intends to focus more clearly on this issue in the year ahead, for example through more scrutiny of EU aid programme proposals for effective beneficiary engagement.

7. Our fourth and final recommendation was that DFID should engage more actively on developing and driving through the EU's planned improvement of its risk management processes, given the potential this has for improving the impact of EU aid. Similarly to the previous recommendations, DFID's agreed management action - to press for greater responsiveness in the programming cycle – did not fully address our recommendation. Greater responsiveness has been achieved through some changes that the EU has made, for example through greater flexibility in procurement procedures but DFID's management action did not address risk management processes directly.

8. Overall, DFID and the EU have made solid, if slow, progress. Now that some of the required policy changes are in place, DFID states that it is able to focus more on the real substance of what will improve EU programmes and make more of a difference for intended beneficiaries. There remains a gap

between the scale of the challenge – in making better use of the significant contributions made to the EU – and DFID’s response. A more ambitious response would help to address this gap.

DFID's Livelihoods Work in Western Odisha

Published - February 2013

1. Our report assessed the performance of DFID's Western Orissa Livelihoods Project (WORLP) in India, which had spent £32.75 million between 2001 and 2011. Our objectives were to test the quality of DFID's assessment of the programme's achievements and to identify whether the project's benefits had been sustained. We found that the project was successful and contained much of what we consider to be best practice in delivering UK aid. It received the first Green rating given by ICAI. In November 2012, the UK Government announced that it would end financial aid to India in 2015. Since then, the DFID India office has been realigning UK assistance to provide knowledge rather than financial support.

2. Our recommendations focused on seeking to strengthen DFID's approach to sustainability and transparency, in India and elsewhere. We found that WORLP's impact could have been even greater if DFID had planned earlier and better for the transfer of ownership to Indian partners. We found that DFID should more clearly plan for longer timescales because, when it does, results are both more sustainable and have greater impact.

3. Our first recommendation emphasised the need for DFID to engage in long-term planning and budgeting for livelihoods and other climate resilience programmes. We recommended that DFID staff should be made aware that departmental budgeting cycles should not constrain effective planning, especially where an intervention's success depends on community participation and ownership. Since our review, DFID has issued guidance that budgeting should not be a barrier to such planning but, in our view, this did not sufficiently share the good practice that we found. We believe that DFID should reframe this guidance, to reinforce that there are clear benefits to planning programmes that have a long-term horizon.

4. Our second recommendation encouraged a specific mandatory work stream in all projects, from inception, that plans for exit and sustainability. DFID India put in place a comprehensive response to ICAI's recommendations - including the drafting of its own approach as outlined in the 'Planning for Exit: Sustainability Paper'. This guidance is good, has enabled the office to plan effectively and has resulted in each DFID project in India having its own exit plan, with milestones for action and expected results. Current DFID-wide corporate guidance on sustainability and exit is not sufficiently specific, however. We have yet to see whether a 2013 internal review of DFID's overall project management will improve how it plans for exiting from projects.

5. Our final recommendation emphasised the need to be more clearly accountable to beneficiaries and to increase transparency at the point of delivery. WORLP demonstrated much good practice in being transparent to beneficiaries. We found that DFID's approach to transparency was not, however, consistent across the department (in spite of it having been understood as good practice for many years). Information on much of DFID's project performance remains buried in bureaucratic reports rather than being readily available to beneficiaries. Since our report, DFID has created a 'beneficiary feedback team'. It is too early, however, to comment on its impact. Whilst these efforts are laudable, we note there is a difference between this and our recommendation. DFID appears to have created specific projects to implement its approach to beneficiary feedback; our recommendation sought to remind staff of the importance of embedding transparency to beneficiaries more clearly and continuously in all projects. We would like to see more evidence of this in DFID's approach.

6. Overall DFID India responded well to our recommendations, although the corporate response has been less satisfactory. DFID should be doing more to learn from the success of WORLP and spread good practice. The work in Odisha reinforces how important it is to involve beneficiaries throughout a project's lifecycle, starting at an early stage. In particular, DFID should be clear in its guidance that taking a long-term view in a project such as this and staying engaged over many years is likely to yield high-quality results.

DFID's Water, Sanitation and Hygiene Programming in Sudan
Published - February 2013

1. DFID's response to the crisis in Darfur, which has been in protracted conflict since 2003, has been one of its largest ever humanitarian operations. The review looked at the water, sanitation and hygiene (WASH) component of the response. It examined programmes through three different delivery channels, with a focus on DFID's ability to move from emergency support to more sustainable programming. Overall, the response received an Amber-Red rating. We found that, while DFID had played an important role in mobilising large-scale international support, its approach had become less credible as the Darfur crisis became protracted in nature. In particular, its use of short-term emergency channels was creating dependency. We had concerns about the effectiveness and value for money of the United Nations Common Humanitarian Fund (CHF) and about the design and pro-poor orientation of a water infrastructure project delivered by the UN Office for Project Services (UNOPS). By contrast, we praised a WASH programme delivered by the NGO, Tearfund, for its flexible and beneficiary-focused approach (which, had we been rating it alone, would have merited a Green rating). Since our review, violence in Darfur has intensified, resulting in additional displacement and humanitarian need.

2. We recommended that DFID adopt a strategy for transitioning away from emergency WASH programming towards more sustainable investments in infrastructure and services. DFID accepted this recommendation and is in the process of reorienting its WASH portfolio accordingly. While recognising that life-saving interventions may be needed for some time to come, DFID is developing longer-term interventions alongside its humanitarian work and introducing a greater focus on resilience (helping households and communities to withstand future pressures, whether environmental or man-made) into its humanitarian programmes. It is developing a new water programme with a wider range of delivery channels and more focus on sustainable impact. It is also introducing multi-year agreements with NGOs for resilience programmes. This more diverse approach to programming is potentially much stronger, although it will be challenging to deliver.

3. We recommended that DFID phase out its support from the poorly performing CHF in favour of multi-annual grants to delivery partners to develop more sustainable interventions. DFID rejected this recommendation, on the basis that it needed a proven mechanism for scaling up emergency assistance in the event of spikes in humanitarian need. DFID's new humanitarian business plan nonetheless includes a reduction in funding through the CHF over the next few years and an increase in funding to multi-annual resilience programmes through NGOs. Given the continued violence in Darfur, we are satisfied that this is an appropriate response to our concerns.

4. We found various problems with the design of the Darfur Urban Water Supply project, run by UNOPS, which failed to take sufficient account of the economic incentives of its partners and to address the specific needs of the poor. We recommended that the lessons from this project should be integrated into the design of future water programmes. DFID's new business plans do, in fact, show that many of the lessons have been learnt. They pay more attention to managing the risks of partnering with government, incorporate a broader range of delivery channels, give more attention to water governance and include more citizen participation. Although the designs are not yet complete, this looks like a positive response. We still have some concerns, however, at a tendency towards over-ambitious designs in the very difficult Sudanese context, particularly the focus on integrated water resource management and public-private partnerships.

5. Finally, we were concerned that DFID corporately lacks a convincing strategy for delivering basic services in chronic emergencies. We recommended, therefore, that a policy on early planning for the transition from emergency assistance to development programming be produced, so as to break down the traditional gulf between the two halves of the aid programme. DFID accepted this recommendation, while making the point that, in protracted crises, both may need to be delivered in parallel. It has taken some positive steps in this direction. It has introduced multi-annual humanitarian programming and pre-approved contingency funding. These enable DFID to plan longer-term and more sustainable programmes and to protect them from being diverted by spikes in humanitarian need. We are also encouraged by DFID's use of 'resilience' as a bridging goal between its humanitarian and development assistance. DFID still has a long way to go, however, to develop mutually reinforcing approaches to humanitarian and development programming in situations of protracted and recurrent crises. We note that it has not yet begun to develop the promised guidance on delivering basic services in long-running crises.

6. Overall, the Sudan WASH portfolio is moving in the right direction, supported by wider developments in DFID's humanitarian approach. The broader question of how to balance emergency response and more sustainable programming in chronic or protracted crises is an important one for DFID in the future. It will require new, stronger programming approaches, better programme management and more sharing of lessons across humanitarian crises (we noted some similar challenges between the Darfur and Palestinian refugee contexts). We will take a close interest in how DFID's approach to this issue evolves.

DFID's Peace and Security Programme in Nepal
Published - February 2013

1. Our report assessed the performance of five DFID-funded peace and security projects, costing £53 million, which were intended to support Nepal's transition to peace and which included rehabilitation of former child soldiers, support to elections, access to justice and police reform. Our overall rating for the programme was Green-Amber, as it had been well designed and delivered good impact. We found that DFID's initial planning was generally good, took account of the context and was sensitive to issues relating to the past conflict. DFID used strong delivery partners and projects were implemented well resulting in a significant positive impact in supporting the peace process. We gave a Red for Learning, however, as urgent action was required to reflect changes in country context and experience and to continue to deliver effectively. We highlighted a lack of credible evaluation and of up-to-date planning, affecting translation of political analysis into programming, and poor project management oversight, due, in part, to weak information management.

2. Our first recommendation was for DFID urgently to update its peace-building strategy to reflect the post-civil war environment and new challenges and to develop an associated results framework. DFID accepted this recommendation and delivered a revised strategy within the stated six-month timeframe (June 2013). We found the revised strategy comprehensive and based on a robust revised theory of change. Despite recommendations to increase the influence of beneficiary views in project design and evaluation, the strategy revision has been carried out with very little stakeholder consultation. We found this disappointing considering the number of beneficiaries who could have been involved. There has also been little government input, due mostly to rapid changes in personnel over a multi-year period where Nepal had no government. Nonetheless, the strategy is a live document and has already been updated following workshops with development partners, so it can be updated again to incorporate the Nepal government's own strategy revision in June 2014. We were pleased to see inclusion of beneficiary views in the development of the new Justice project.

3. We are much less satisfied with actions taken to address the second clause in this recommendation: developing an associated results framework. At the time of our review, DFID had not completed the development of a results framework. They presented us with a high-level and multi-sector logframe incorporating aspects of two business cases that implement parts of the revised strategy. This is neither high-level enough to pull in all the elements of the strategy nor specific enough to explain what will be delivered. It covers only some of the results for two of the three strategy strands, the third being

managed separately within DFID Nepal. Policing (part of the Justice strand) is missing but is included in a stand-alone justice programme logframe. A results framework should include activities, making it easy to follow the logical flow from strategy to programming; and set targets with established baselines. Nearly a year after completion of the strategy review, the development of a results framework has moved to little more than a high-level wish list: it does not reflect priorities agreed with government, its scope is limited to less than the strategy and it is incomplete. DFID tools need to be helpful in contexts of extreme political flux such as this; if they are not, they warrant a re-think. DFID Nepal needs to do much more work to develop a meaningful results framework, as per our original recommendation, which they have agreed to do.

4. The governance and security headline target in DFID Nepal's Operational Plan has been revised as recommended and is more representative of sector expenditure. The new target has now been met and, therefore, new targets for peace and security should be set.

5. Our second recommendation reflected our deep concern with information management (IM) systems and their impact on project planning and management. DFID Nepal addressed this recommendation by establishing a quarterly website check to ensure that documentation posted online reflects current activities. We found that the website had been updated but it is disappointing that DFID Nepal did not take the opportunity to review the IM systems underpinning planning and management. We encountered the same difficulties in programme management in the review follow-up as we did in the original review which we reported was impacting negatively on strategic oversight and efficiency. We do not consider that DFID's management action was adequate to address the recommendation.

6. Our third recommendation was for DFID to improve the transparency of its delivery partner selection systems, including understanding the wider costs and benefits of those choices. We welcome DFID Nepal's development of a new methodology to select optimal delivery mechanisms and provide end-to-end visibility of the associated costs and benefits. This builds on corporate level efforts and a new guidance note. The new methodology is already being included for testing in other DFID Nepal thematic areas, which will provide multiple learning opportunities. We believe that the application of new corporate guidance and DFID Nepal's trial methodology should result in useful comparisons of the costs and benefits of alternative delivery options. We regret, however, that DFID did not seize the opportunity to test this methodology on new funds disbursed to UNDP for election support in late 2013.

7. Overall, we are concerned that DFID Nepal's diligent efforts to understand the Nepali context and to design strategies and approaches that contribute to its peaceful transition are not matched by equal clarity in programme management, and continue to be undermined by a failure to learn DFID's management actions to two out of three of the ICAI recommendations did not capture the full intent of the recommendation: the revised strategy will only

remain relevant and deliver effectively if it is evaluated – for which a results framework is required. Similarly, project oversight and planning will only improve if systems are reviewed: this is a far more comprehensive requirement than fixing the website.

8. Nepal has now elected a government and senior DFID counterparts are mostly in place. As DFID Nepal moves forward apace in drilling down from strategic intent to project activity, it should restructure its peace and security work so that its strong strategy is translated into good and clear programming, reflected in a measurable, realistic and comprehensive results framework.

DFID's Work through the United Nations Children's Fund (UNICEF)

Published - March 2013

1. Our report examined the impact and effectiveness of DFID's relationship with the United Nations Children's Fund (UNICEF). During our review period of 2007-11, DFID gave £690 million to UNICEF, making the UK government the second-largest donor to UNICEF after the United States. We focused on UNICEF's role as a delivery partner in DFID bilateral programmes, as approximately three quarters of DFID's support to UNICEF in 2011 was given by DFID country offices. We looked at UNICEF's implementation of programmes part-funded by DFID in the Democratic Republic of the Congo, Ghana and Sierra Leone; and at the effectiveness of DFID's management of the relationships. The overall review rating was Green-Amber.

2. We found that, while DFID is reliant upon UNICEF to deliver programmes and achieve DFID results in support of the Millennium Development Goals, it was not managing this important partnership in a strategic and systematic manner. DFID was using a relatively light-touch management approach with UNICEF compared to other delivery partners, which was not sufficiently sceptical and challenging. Whilst the DFID-funded programmes implemented by UNICEF were delivering results, we found questionable value for money and programme delivery delays and shortfalls. We found that some one-off as well as some systematic efforts were being made within DFID to move the relationship with UNICEF onto a more commercial basis and our recommendations were designed to reinforce this approach.

3. Our first recommendation emphasised the need for DFID to maintain regular oversight of its entire UNICEF portfolio and manage its relationship with the multilateral with a greater focus on results and value for money. In response, DFID at corporate level established a new Portfolio Delivery Review (PDR) process with UNICEF headquarters, to support the Multilateral Aid Review (MAR) in enabling better partnership performance monitoring. The PDR process includes annual meetings to discuss the performance of the DFID-UNICEF bilateral portfolio, resulting in a set of agreed actions for both organisations which are reviewed on a six-monthly basis. Our assessment of feedback from DFID and UNICEF country offices indicates that the right issues are being identified and discussed. In its 2013 MAR Update, DFID rated UNICEF as having made reasonable progress against the original MAR reform priorities. These actions constitute a good and strong response to our recommendation. DFID should, however, clarify how the PDR and MAR processes fit together to ensure maximum complementarity. DFID is extending PDRs to the UN Development Programme (UNDP) and the UN Population Fund (UNFPA) during 2014. It should consider extending the process to all multilaterals with which it has bilateral partnerships.

4. Recommendation two encouraged DFID to negotiate an updated Framework Arrangement with UNICEF, the main document by which they manage their programme-level partnerships. The existing Framework Agreement dated from 2003 and did not reflect the improved management practices and financial arrangements that some DFID country offices have since negotiated with UNICEF or the more closely scrutinised partnership arrangements which DFID has with some of its other service providers. After our report, DFID opened negotiations with UNICEF, UNDP and UNFPA on a new joint Framework Arrangement, which is now in the final stages of approval. We understand that DFID has negotiated changes and inclusions that not only represent a much-needed and overdue tightening of arrangements but also indicate that DFID is putting its partnerships onto a more commercial footing in its approach. For example: one change should see case-by-case consideration being given to the return of unrecovered defrauded funds. Additionally, DFID will have the right to suspend or terminate a programme immediately where there is a credible allegation of fraud (previously, termination was subject to the standard notice period of three months).

5. Our final recommendation urged DFID to strengthen its management of UNICEF's local programme delivery and hold UNICEF to account better, building on good practice seen in some country offices. We concluded that better programme management would be achieved if DFID became more effective at learning and sharing its experiences of country-level UNICEF relationship management. DFID's formal management action led to the central United Nations and Commonwealth Department (UNCD) disseminating a good practice note on working with UNICEF as a delivery partner, which DFID staff state to be useful. More relevant, however, is DFID's decision to reposition the UNCD team to be increasingly visible and responsive to country offices, the result being a greater level of corporate support on country-level UNICEF partnership management. The creation of a second country engagement manager post within the UNCD team is a major part of this repositioning.

6. Overall, DFID responded well to our recommendations and has made good and timely progress. DFID now has much better oversight of its entire UNICEF portfolio and there is evidence of positive change in terms of tightened, more focused relationship and programme management. DFID has implemented additional actions outside of our recommendations, such as a new process of maintaining organisational-level dashboards on its key multilateral partner portfolios, which now provides a basic layer of partnership oversight that was missing at the time of our review.

7. Our findings from other UNICEF-related reviews, including DFID's Education Programmes in Nigeria, however, demonstrate there is some way to go. UNICEF is a large and significant delivery partner for DFID, partnering in more than 30 countries. With DFID giving approximately three-quarters of its funding to UNICEF at a country office level, it must now focus on achieving a culture change to UNICEF programme management in all, rather than just some, country offices. As the case of DFID's management of the UNICEF-run

Girls Education Programme in Nigeria has highlighted, the need for better and tighter management of UNICEF-run programmes at country office level remains an urgent requirement. DFID must take a more hands-on approach to management in country rather than deferring to DFID centrally and not allow judgement to be clouded by the extent of UNICEF's involvement in in delivering DFID programmes.

DFID’s Support for Civil Society Organisations through Programme Partnership Arrangements
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1. We examined DFID’s Programme Partnership Arrangements (PPAs) – one of the principal mechanisms through which it funds civil society organisations (CSOs). Through the PPAs, DFID supports CSOs that share its objectives and have strong delivery capacity. It provides CSOs with ‘unrestricted’ funding, giving them the flexibility to follow agreed strategic priorities. DFID provides a total of £120 million a year to 41 organisations, with grants ranging from £151,000 to £11 million. We assessed the effectiveness and value for money of the PPA instrument, looking at partner selection, reporting and accountability. We used six case studies for particular investigation. We rated the support as Green-Amber.

2. We found that the PPAs mechanism was an appropriate one for DFID to use and that the approach was building the capacity of individual CSOs and the sector as a whole. Our recommendations sought to deepen the strategic nature of the PPAs, encouraging DFID to plan more deliberately for the next round of funding (if there were to be one), simplify the then cumbersome monitoring and oversight and continue to deepen its approach to learning. DFID responded well to all but one of our recommendations.

3. We recommended that the PPAs should be extended to a period longer than three years. DFID implemented this; the current PPAs will now end on 31 March 2016 (two years beyond the original planned date). DFID is using the period to 2016 to evaluate the strategic funding of CSOs.

4. We noted that there had initially been insufficient clarity on the strategic purpose, management and reporting of the current PPAs. We are concerned that there is still currently no critical path to 2016 so there is a risk that our concerns may well be repeated during the implementation of a new mechanism to replace the current PPAs in 2016 unless urgent action is taken. DFID says it is beginning to think through, in dialogue with the CSOs, what such a mechanism might be. DFID should not leave key decisions until too late, as it did during the current PPA round. We recommended that DFID needs to set out clearly which strategic priorities it wishes CSOs to support, giving applicants sufficient time and guidance for the application process. As well as implementing more appropriate processes for assessing each applicant, we saw it as important that funding allocations were more clearly linked to objectives and that funding from DFID was more predictable. DFID will need to ensure it has decided on such processes soon, if the transition to a post PPA mechanism is to be a smooth one.

5. Our second recommendation sought to ensure that DFID and the CSOs get the most value from the PPA mechanism through an effective cross-fertilisation of knowledge and technical expertise. We noted that the CSOs which primarily relate to DFID's Conflict, Humanitarian and Security Department (CHASE) have both a specialist adviser and a programme manager who oversee their PPA. Each adviser plays a key role in linking DFID with CSOs and acting as an advocate for the CSOs within DFID. This enables each party to obtain the most value from the other. This model was not followed by the rest of DFID, where the relationship with CSOs was fundamentally managed by the Civil Society Department. DFID rejected the recommendation that the successful model used by CHASE should be extended to all PPAs. We remain unconvinced by DFID's justification for rejection: that the CSOs with PPAs managed by CHASE are fundamentally different from the others. CSOs are still reporting that they find it hard to access DFID staff and we remain of the opinion that the full value of the PPA mechanism is not being achieved as a result.

6. Our third recommendation was that DFID should design the monitoring and evaluation system for PPAs so that it was less cumbersome and better suited to the long-term strategic nature of this funding. DFID responded well to the detail and spirit of this recommendation, taking a consultative approach with CSOs. DFID underwent a comprehensive refresh of its evaluation strategy during 2013 to ensure, as we recommended, that it focused on the key strategic challenge. The guidance is now simpler and more appropriate. Steps were taken out of the process, such as the Independent Performance Review. CSOs were given the choice whether they wanted to participate in the overall evaluation of the PPA mechanism, which allowed those with capacity limitations to not be over-burdened. DFID has also made sure that the contracted evaluation manager has improved its delivery. We urge DFID to make sure that there is ongoing focus on avoiding cumbersome bureaucracy.

7. Our final recommendation was that DFID should strengthen the role of the successful PPA Learning Partnership, which brings PPA recipients together with DFID and other stakeholders to share knowledge and solve common challenges. Strengthening this role will ensure that lessons learned are shared more widely within DFID and with civil society partners. The learning partnership and its sub-groups have subsequently continued to strengthen and more CSOs have got involved. ICAI's praise for the approach helped the trajectory of learning to be maintained and assisted with DFID's senior management becoming more engaged. The partnership remains highly valued by CSOs and DFID and is providing a source of innovation that is of use beyond the PPA mechanisms (for instance, by creating common approaches among CSOs for measuring their impact).

8. Overall, DFID responded well to most of our recommendations, although we are concerned that DFID needs to be attentive to the needs of the next round of funding as soon as possible if it is not to repeat some of the difficulties initially experienced for this round of the PPAs. We also continue

to be concerned that some CSOs' potential contribution to the work of DFID is inhibited by the lack of dedicated specialist counterpart staff within DFID.

DFID's Use of Contractors to Deliver Aid Programmes
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1. Our report in 2013 assessed DFID's use of contractors to deliver aid programmes. We gave a Green-Amber rating overall, concluding from our five case studies that contractors were an effective option for delivering aid, with DFID selecting contractors that had delivered positive results at competitive fee rates. We found, however, that DFID needed an overarching strategy about when and how to use contractors, that it needed to prioritise its commercial reforms and strengthen its bidding process and that it suffered from poor end-to-end programme management. We also found that learning was not captured from contractors to inform future programming.

2. We first recommended that DFID should develop strategic guidance on when and how contractors of different sizes and specialisms can deliver most effectively. While DFID states that it has completed its management action to take 'a fundamental look at when the department should be delivering in-house and when and how it should bring in suppliers to maximise results and value for money', it has not produced the guidance we recommended. The choice of delivery route is still left to programme teams, supported by central or in-country procurement resources. While we support taking context into account in decision-making, we regard this as a serious gap and urge DFID to produce strategic guidance.

3. Despite the lack of strategic guidance, we saw that the quality and intensity of practical procurement guidance offered to programme managers has improved over the last year, for example:

- DFID has introduced commercial training for senior civil servants. This is increasing awareness of best practice, raising confidence about how to approach and get the best out of the supplier market and helping to form internal peer support networks;
- DFID's programme designers receive support with their pre-tender early market engagement supplier discussions. This is shaping the markets and eliciting stronger responses from a wider range of potential participants, such as NGOs and faith-based organisations, rather than solely from pre-approved lists of contractors; and
- programme designers have been supported by the strengthened business case "How To" notes, particularly relating to the Appraisal and Commercial cases.

4. Our second recommendation was that DFID should prioritise its commercial reforms to support more strategic decision-making on the use of contractors and develop more productive relationships with them. We find that DFID has made good progress, with the Procurement Group (PrG) being renamed the

Procurement and Commercial Department (PCD) to symbolise an expanded remit and agenda. DFID has defined three “gold” priorities: effective procurement support to deliver the 0.7% GNI aid target; the introduction of a Key Supplier Management programme; and the deployment and embedding of the Commercial Advisor network. This has helped to provide focus as PCD has continued its change management and reorganisation agenda.

5. The first priority was driven by DFID’s need to deliver a large uplift in aid spending in 2013 to meet the 0.7% target. The amount of aid delivered by contractors was an estimated £1.4 billion in 2013-14, compared to £0.9 billion the previous year. This increase, approaching 60%, has resulted in DFID delivering larger programmes than in recent years.

6. DFID’s Key Supplier Management Programme has seen 11 selected suppliers participating in a corporate performance management regime. This involves quarterly 1-to-1 performance reviews between each supplier and a DFID senior civil servant. We heard that this mechanism enables constructive dialogue that improves mutual understanding, appreciation of capabilities and general co-ordination of services.

7. The roll-out of in-country procurement support is going well. We saw an increased capacity and capability to conceive and evaluate different procurement routes and then follow them through. The number of in-country Commercial Advisers has increased over the last year, from 4 to 12 (rising soon to 17). We found that this is a valuable role and that DFID is actively considering emerging issues, such as the challenges of the relationship with PCD, passing on learning and career path structures.

8. Our third recommendation was that DFID should improve its bid evaluation process, enabling a more sophisticated, balanced appraisal of costs, timings, risks and results. We found that DFID, rather than relying just on scores under “cost” and “technical” headings, is piloting the use of a third category called “value for money”. Between 10-20% of the score can depend on this, enabling DFID to assess matters from a broader perspective. This approach, although still a simplistic “points scoring” process, shows promise in that it provides suppliers with an opportunity to innovate and add value. In our interviews with DFID Staff and suppliers, however, we heard of continuing DFID prioritisation of cost reduction in the new category, rather than maximising impact or innovating, which is a concern.

9. DFID is, like other UK Government departments, considering adopting outcome-based contracting. While many suppliers and DFID staff interviewed agreed that this approach might work for simpler commodity-style procurements, there was doubt that effective risk transfer is possible in complex aid delivery programmes where it is likely that DFID will pay premiums for illusory risk transfer. Also, PCD’s approach needs to develop significantly, with less scrutiny of inputs and more of outcomes. Further work is needed to develop the thinking and ensure that the best value is achieved for the UK taxpayer.

10. Our fourth recommendation was that DFID should develop a resourced plan for improving programme management capability, to ensure end-to-end accountability and minimise disruption from staff rotations. We found very good progress here. A new Head of Profession for Programme Management is increasing DFID's focus on programme management, on learning and on establishing a better-organised cadre of professionals. DFID has conducted a thorough "end-to-end review" to address the underlying causes of the stop-start programme management observed in our report last year and the adverse impact this was having both on contractors' efficiency and on aid delivery. That review was led with drive and determination, with strong leadership from the Secretary of State.

11. The "Better Delivery Taskforce" is now implementing the review team's recommendations. We are concerned about its short-term funding: a pragmatic approach to project execution is required, not a box-ticking process, meaning that sustained effort will be required to embed the necessary deep-seated changes in culture and process, sponsored at Board level. With regard to disruption from staff rotations, we heard that the taskforce is considering the issue but that no changes in approach have yet taken place.

12. Our fifth recommendation was that DFID should strengthen learning from contractor-delivered programmes, to feed into the design, procurement and delivery of other programmes. The commercial training is providing a strong mechanism for sharing learning across DFID at senior level about procurement techniques and the use of contractors. Further learning opportunities come from supplier conferences, giving staff the opportunity to engage with suppliers at both a tactical and strategic level and share learning and ideas. We also find, however, that there is not enough systemic learning about the benefits and risks of contractor-delivered programmes compared with alternative delivery channels. DFID should do more in this key area.

13. Overall, we are pleased with the improvements to procurement and project management that DFID has made over the last year. DFID has, however, marked most of the ICAI recommendations as "complete" which, aside from many not being so in our view, masks the broader opportunity. There needs to be stronger recognition of the scale and extent of the necessary business transformation programme – covering both the procurement and the programme management reforms. The two initiatives, currently run separately and not fully funded, are strongly related and should advance together in an integrated way, as a three to five year process. This should include the development of strategic guidance on the use of contractors.