



**Independent
Commission
for Aid Impact**

**Independent Commission for Aid Impact: Annual Report to
the House of Commons International Development Committee
2011-12**

June 2012

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**Independent
Commission
for Aid Impact**

Rt Hon Malcolm Bruce MP
Chairman
International Development Committee
7 Millbank SW1P 3JA

11 June 2012

Dear Chairman

I am pleased to enclose the Independent Commission for Aid Impact's (ICAI's) first full annual report, setting out ICAI's activities and expenditure for our first complete year of operation. I believe we have had a successful year, working effectively to deliver a series of high-quality reports which have made a real contribution to Parliamentary and public debates about the United Kingdom's aid programme.

I would pick out three particular highlights from this year. First, we have set out a new approach to assessing effectiveness and value for money together. Second, we have used that approach to examine a wide range of Department for International Development (DFID) programmes – in mid-course or post-completion; in country offices or run from the United Kingdom; and both innovative and long-standing approaches to the delivery of aid. Third, our report on anti-corruption has had a significant impact on the way DFID considers its fiduciary responsibilities.

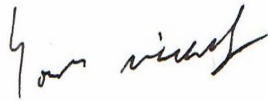
My fellow Commissioners and I are conscious that the international debate over the aid agenda is rapidly evolving, driven by new policies such as the Busan declaration, changing economic realities in both developed and developing countries, the innovation and enterprise of development professionals and new models of aid, such as co-operation between emerging economies. We hope that our work can play a part in that debate, highlighting both good and poor practice and examining both traditional and newer models of delivery. Our contribution to that debate is via our concise and clear reports,

which set out a balanced view of the evidence of particular programmes and allow readers to come to their own conclusions about the wider challenges involved in delivering effective aid programmes.

Issues of particular interest to us which are emerging from our work and which we will be considering in our forthcoming reports include:

- the challenge of effectively delivering aid in fragile states where risk and reward are high but where the scope for assurance is reduced;
- the difficulty of engaging with and capturing the real impact of aid programmes on intended beneficiaries; and
- the continued ability of existing delivery channels to achieve effective assistance as programme expenditure grows and as DFID continues to shift the geographical balance of its bilateral programme.

My fellow Commissioners and I look forward to working further with your Committee in the coming year.



Graham Ward CBE
Chief Commissioner

Part 1: What this report covers

1. Our *Framework Agreement* with DFID includes the following reporting requirements:¹
 - ‘In June 2012, 2013, 2014 and 2015 the Chief Commissioner will provide the IDC [International Development Committee] with an annual report on ICAI activities from the preceding year. This will include a summary of all expenditure incurred and claimed by the Commissioners and related to the ICAI Secretariat as well as key findings from evaluations, reviews and investigations.’ (paragraph 4.1); and
 - ‘The ICAI Commissioners should approve an annual Corporate Plan in April of each year, which contains an annual business plan, risk management strategy and policies and practices to safeguard itself against fraud and theft.’ (paragraph 7.3).
2. Since our plans for the forthcoming year are very much based on our experiences from the past year, we have decided to combine these reporting requirements into this single document.
3. In our *Annual Corporate Plan 2011-12*,² we said that we would report on performance against governance and financial management objectives, report our findings and account for our own performance to the House of Commons International Development Committee and disclose how much we have spent. This report aims to meet these commitments as well.

¹ *Framework Agreement between ICAI and DFID*, <http://icai.independent.gov.uk/wp-content/uploads/2011/05/Framework-Agreement11.pdf>.

² *Independent Commission for Aid Impact Annual Corporate Plan 2011-12*, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/Independent-Commission-for-Aid-Impact-Annual-Corporate-Plan-2011-12.pdf>.

Part 2: Activities – what have we done?

4. This section sets out the activities we have undertaken during our first full year of operations, from May 2011 to May 2012. It includes details of our published reports, our meetings and visits, our support to Parliament and our relationship with our contractor.

Reports

5. We completed a total of eleven reports this year, although three of those were published just after our year formally ended. We took a deliberate decision during the year to undertake fewer reports than originally set out in our work plan. Based on the experience of publishing the first set of reports, we decided that we would rather publish fewer reports of greater depth and higher quality, than more reports whose brevity would not do justice to the complexity of the subject matter. The principle of publishing fewer reports of higher quality is one which we intend to carry forward to Year 2; our work plan is set out in Part 8.
6. The eleven published reports were informed by our four criteria for selecting review topics (risk, materiality, coverage and interest) and provided the balanced view of Official Development Assistance (ODA) we were hoping for in our May 2011 work plan. They also helped us to consider some crucial cross-cutting themes, including the impact of programmes on intended beneficiaries, anti-corruption measures and what our assessment of effectiveness and value for money looks like in different contexts.
7. The reports covered different kinds of expenditure, from specific programmes on health and education in India and climate change in Bangladesh to DFID's overall approach to corruption. Our report on DFID's health programmes in Zimbabwe examined the impact of £100

million of expenditure since 2005 and could point to tangible health outcomes for the population. By contrast, our report on Girl Hub examined a new body which had only spent £3 million but which would in turn influence other expenditure and provide some useful lessons if DFID chooses to work in similar kinds of partnership in future.

8. Our reports covered some of DFID's multilateral expenditure, looking at its engagement with the World Bank and its use of the United Nations Development Programme to deliver electoral assistance. They covered some of DFID's largest bilateral programmes, including case studies or whole reports on Afghanistan, Bangladesh, Ethiopia, India and Pakistan. We have also made plans to cover further bilateral and multilateral expenditure, the cross-departmental Conflict Pool and a humanitarian programme in our next set of reports, as set out in our work plan in Part 8.

Meetings and visits

9. Commissioners, Secretariat staff and contractor teams held a wide range of meetings during the year. These meetings ranged from presentations by international development academics, non-governmental organisations (NGOs) and researchers (to ensure Commissioners are kept up to speed with wider developments) to specific meetings on individual reports. The Chief Commissioner met Ministers to discuss progress in establishing ICAI. Commissioners, Secretariat staff and contractor personnel also attended a range of events, conferences and seminars, either to present ICAI's work or to engage with discussions on development and evaluation issues.
10. In May 2011, just after our formal establishment, Commissioners visited Sierra Leone to learn more about DFID's work there. This visit is described more fully in the report on our shadow period.³ In January

³ *Report to the House of Commons International Development Committee on ICAI's Shadow Period: November 2010 – May 2011*, ICAI, June 2011, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-REPORT-TO-THE-IDC-ON-THE-SHADOW-PERIOD1.pdf>.

2012, Commissioners built on this experience with a further visit to Pakistan.

11. The objective of this visit was to provide Commissioners with further understanding of the work of a DFID country office in a fragile/conflict-affected state with recognised stability and governance challenges. Commissioners used the evidence they gathered to feed directly into the development of four ICAI reports: our published report on DFID's management of budget support and three planned Year 2 reports (on the work of the DFID Pakistan country office, the management of the cross-departmental Conflict Pool and DFID's engagement with the Asian Development Bank). A fuller account of this visit was published on our website alongside the minutes from our March 2012 Board meeting.⁴

Supporting Parliament

12. The Chief Commissioner gave evidence to Parliament twice during the year. The first evidence session was in December 2011, when he answered questions from Members of the International Development Committee on both our own performance and the findings of our first four reports. The second session was in January 2012, when he gave evidence to the House of Lords Economic Affairs Committee as part of its inquiry into *The Economic Impact and Effectiveness of Development Aid*.

13. We also held a number of informal meetings with Members of the International Development Committee to take questions on our reports and to discuss their views of our forward programme.

Working with our contractor

14. We have awarded a four-year non-exclusive contract to our service provider: a consortium led by KPMG which also includes Agulhas

⁴ <http://icai.independent.gov.uk/wp-content/uploads/2012/03/Minutes-of-the-11th-Board-meeting-of-the-Independent-Commission-for-Aid-Impact-13-March-2012.pdf>

Applied Knowledge, CEGA and SIPU International. In our *Annual Corporate Plan 2011-12*, we described the nature of the relationship between ICAI and our contractor and how we would seek to make this work. Putting this into practice against a series of demanding time, cost and quality considerations has been one of our major operational challenges in delivering high-quality outputs this year. To meet this challenge, we have worked closely with the contractor throughout the first year to learn lessons and to use these to improve performance.

15. Paragraph 4.2 of our *Framework Agreement* with DFID sets out a requirement to review the contractor's performance at this point in our existence: 'Performance reviews of the contractor will be undertaken at the end of the first, second and in the final year. This will assess the quality and effectiveness of the service provided.'
16. As part of our April 2012 Board meeting, we met contractor representatives to discuss their performance and the nature of our working relationship. We have used this discussion and our own internal considerations as the basis for our performance review. Overall, we are content that the contractor is meeting the requirements of its contract with us in both the spirit and the letter. We believe that the contractor is delivering good value for money for the taxpayer and that, together, we have demonstrated that an outsourced model can not only work but can also provide access to a much wider pool of expertise than would otherwise be the case.
17. More specifically, areas of the relationship which we think have worked well include:
 - forging a common ICAI culture and a joint commitment to delivering the Commissioners' vision;
 - together delivering genuinely innovative reports, which are short, easy to read and which use simple traffic light ratings, despite the complexity of the subject matter; and

- driving value for money through rigorous negotiation of each call-down contract, the use of competitive fee rates which remain fixed for the duration of the four-year contract and economic use of travel and other expenses.

18. Areas of the relationship which have been more challenging are as follows:

- approving terms of reference, inception reports and call-down contracts to the agreed timetable, due to the high workload and pressure to deliver final reports;
- building a clear understanding of possible conflicts of interest at the level of each report, although overall conflict of interest declarations have been effective;
- using all parts of the contractor's human capital to best effect, both in the central and deployed teams; and
- leveraging the full global network of the contractor and the full strength of the consortium partners as planned.

19. We have been working with the contractor to improve performance in these areas and have already made progress. For example, in order to address the second bullet in paragraph 18, all inception reports now have a separate section describing any possible or actual conflicts of interest for that particular report, so that Commissioners can make well-informed decisions about how to proceed.

20. We have worked with our contractor, through regular meetings, conference calls and lessons learnt sessions, to deal with these issues as they arise. We have decided that there are no grounds for invoking the break clause in our contract at this point and look forward to delivering more, high-quality reports in the coming year.

21. We remain conscious that, however effective our contractor's performance, they have a four-year contract and they might lack some of the incentives usually present in competitive service provision. We

are considering how to deal with this issue and intend to use our proposed Year 2 review of DFID's use of consultants to test the cost, quality and timeliness of an additional provider, so as to give us an alternative contractor.

22. In the light of experience, we have increased the amount of time that Commissioners have to interact with contractor teams during the process of producing reports. One aspect of this was the scheduling of initial findings meetings, which gave Commissioners the opportunity to immerse themselves in the subject matter of each report and question the contractor team in detail about their emerging findings.

23. Another change we have made is the nomination of a lead Commissioner for each report which, in our view, has already begun to improve performance. The deployment of lead Commissioners allows them to provide more day-to-day direction to contractor teams at both the terms of reference and report drafting stages, as well as bolstering support and scrutiny of teams in the field. One Commissioner has already taken part in fieldwork activities in both Zimbabwe and Kenya. This change does not alter the collective responsibility retained by all Commissioners for ICAI's work.

24. The majority of the work undertaken to date has been carried out by two members of our consortium: KPMG and Agulhas Applied Knowledge. Together with independent consultants and locally-recruited staff, Agulhas Applied Knowledge has also provided most of the development expertise for our reports, while KPMG has focussed on anti-corruption, governance and assurance, as well as its project delivery and co-ordination roles. We are beginning to use CEGA's unique skills and expertise, particularly in the assessment of beneficiary impact, but have not yet found a suitable opportunity to use SIPU staff.

Part 3: What have we learnt about how to measure aid?

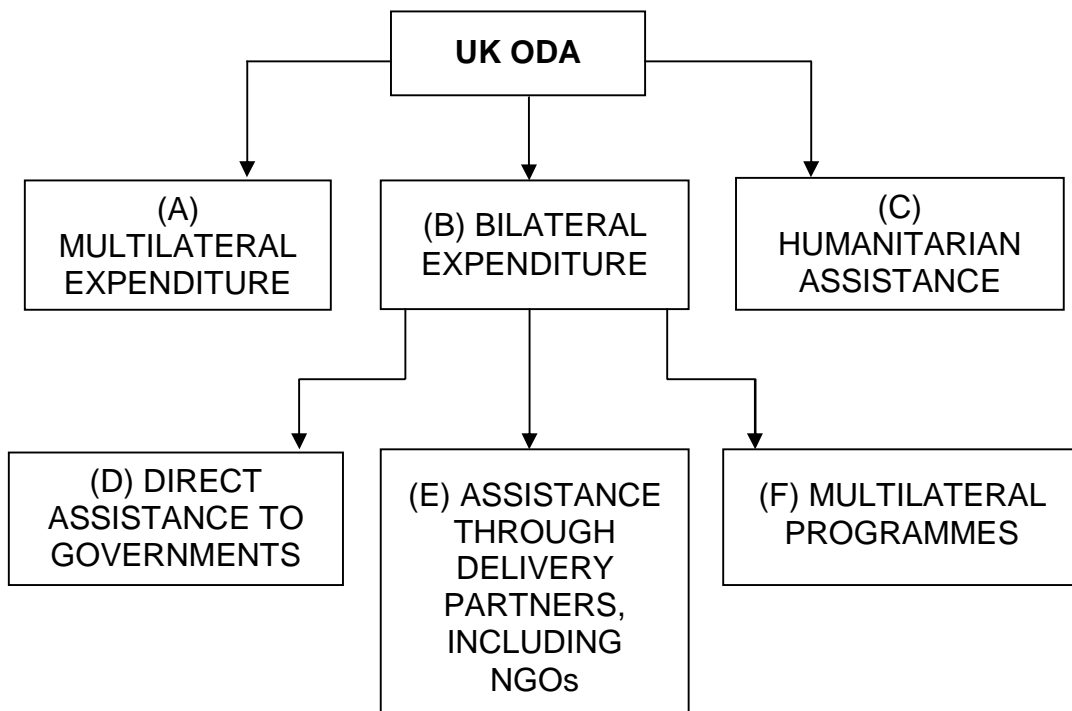
25. In this section, we set out what we have learnt about measuring the impact of aid. Some of these challenges were well understood when we started work in earnest a year ago; others are only just appearing. In each case, we have used the experience of our first year to develop ways of dealing with them.

ODA delivery channels

26. The UK Government spends Official Development Assistance (ODA) in a variety of very different ways. Understanding how those channels work and what information can be drawn from them is vital if we are to do our job well in explaining to the readers of our reports how aid works.

Figure 1 sets out the principal delivery channels for the UK's ODA budget.

Figure 1: Principal delivery channels for UK Official Development Assistance



27. The choice of channel made by DFID or other departments to deliver their programmes has a particular impact on our ability to follow the expenditure through a system towards intended beneficiaries and, in the other direction, to attribute any results back to departments and the UK taxpayer.
28. For example, when the UK Government gives money directly to multilateral bodies – Box (A) – it immediately loses direct control over how that money is spent, accounted for and evaluated. Our ability to follow the UK pound is similarly constrained, particularly because our mandate states that we should not seek to duplicate the work of multilateral bodies' own audit and evaluation functions. We are, however, adopting different approaches in our forthcoming reports on DFID's engagement with the Asian Development Bank and with the European Union to see how we can still comment on impact on intended beneficiaries despite the indirect relationships between them and DFID.
29. Even within the bilateral programmes – Box (B) – DFID often uses other partners, such as NGOs or the recipient government itself, to deliver the programmes. In extreme cases but particularly in fragile environments, security considerations mean that there are a number of partners in a delivery channel between DFID and the intended beneficiaries of DFID's expenditure. This makes it more complex and time-consuming to follow money all the way down the chain. In scrutinising UK aid, therefore, we have to balance our desire to see and assess development outcomes with both these constraints and the constraints of our delivery timetable.
30. As we noted in our effectiveness and value for money report,⁵ we face other challenges in telling a clear story about the impact of UK aid. We have mentioned above some of the difficulties in establishing a clear line of sight between donor and ultimate beneficiary.

⁵ *ICAI's approach to effectiveness and value for money*, ICAI, November 2011, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-Approach-to-Effectiveness-and-VFM.pdf>.

31. Another difficulty is the degree to which we can attribute a development outcome to UK expenditure. In our report on DFID's health programmes in Zimbabwe,⁶ we noted that, in collaboration with other donors, DFID had contributed to a major improvement in the quality and length of life of over 325,000 HIV/AIDS sufferers and had helped to strengthen the Zimbabwean health system during the crisis years of 2007-09. This impact was not due solely to DFID's work but we assessed that DFID had played a significant enough role for us to say that it had made a substantial contribution.
32. By contrast, our report on DFID's health and education programmes in India⁷ noted a different kind of impact. In this case, the direct attribution of impact to these programmes was limited because the UK's expenditure was small in proportion to overall expenditure. The UK's programmes were having a discernible impact, however, at the policy and technical levels, which was in turn influencing more expenditure than DFID's own.
33. A final challenge is that of the robustness or otherwise of the baselines and datasets DFID uses in its programmes. We do not believe that it is our job to set baselines or establish datasets: this is the responsibility of DFID and other departments. In some programmes, these elements are well established and provide a strong evidence base for us to reach judgements. In other programmes, the basis on which programmes are being monitored and evaluated by their managers is less clear. In these circumstances, our approach has been to make the best use we can of what evidence is available and then triangulate this with findings from other sources such as interviewees, programme documentation and third-party views.

⁶ *DFID's support to the health sector in Zimbabwe*, ICAI, November 2011, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/DFIDs-Support-to-the-Health-Sector-in-Zimbabwe.pdf>.

⁷ *Evaluation of DFID's support for health and education in India*, ICAI, May 2012, <http://icai.independent.gov.uk/wp-content/uploads/2012/05/ICAI-Evaluation-of-DFIDs-Support-for-Health-and-Education-in-India-Final-Report.pdf>.

Considering intended beneficiaries

34. In our view, the intended beneficiaries of development programmes are the real experts in assessing how successful the programmes are. Throughout this first year of work, a key focus has been on how to discern the views of intended beneficiaries and to establish whether impacts claimed in the United Kingdom are, in fact, meaningful in the lives of citizens of recipient countries.
35. In our reports on Bangladesh, East Africa, India, Zimbabwe, Girl Hub and anti-corruption and in our visits to Pakistan and Sierra Leone, we ensured that we discussed DFID's programmes with intended beneficiaries. In our review of budget support, where the nature of the topic made it difficult to collect feedback directly from the intended beneficiaries, we consulted with NGOs and parliamentarians as a proxy for beneficiary voice. These discussions are always a vital additional test of effectiveness and value for money. Even if there are times when it is difficult to speak to many intended beneficiaries, they are able to shed a highly pragmatic light on the effectiveness of a programme's impact.
36. In considering our Year 2 programme, we are intending to build into the planning for each of our forthcoming reports more robust ways of reaching and communicating the voices of intended beneficiaries. In addition, our forthcoming report on DFID's education programmes in Nigeria offers an opportunity to experiment with new ways of hearing from intended beneficiaries. We will continue to innovate through and learn from our experiences of discussing impact with beneficiary communities, including trying to do so in circumstances in which interviewees can speak freely. In order to do so responsibly, we will abide by our own interviewee protection policy.⁸

⁸ <http://icai.independent.gov.uk/wp-content/uploads/2011/11/Interviewee-protection-policy-2.pdf>

37. The challenge of accessing beneficiary views is shared by DFID and other donors. On our visits, we noted wide variations in how often DFID programme staff were able to get out of their offices and visit their programmes. In our visit to Bihar State, in India, we noted that, despite being based in Delhi, the DFID health team showed considerable commitment to making frequent visits to their programme partners. Our visits to Afghanistan and Pakistan, on the other hand, showed the real limitations on this kind of activity imposed by security considerations.

Our approach to effectiveness and value for money

38. Having published our approach to assessing effectiveness and value for money in November 2011, we have considered whether this approach is working in the light of the ten reports we have published since then. We continue to believe that effectiveness and value for money are inextricably linked and that the best way for us to assess impact is by an integrated assessment of these aspects of aid. Each of our reports uses the four guiding criteria of objectives, delivery, impact and learning to make this assessment.

39. We believe that this approach remains effective, since it provides us with a framework to review each programme or area of expenditure ‘from cradle to grave’. We are able to ensure that some of our common imperatives – such as confirming that the objectives of the programmes are correctly focussed, that delivery chains are appropriate and that beneficiaries are considered throughout – underpin every review. We do not, however, use this framework as a one-size-fits-all approach. Instead, we are learning to use these criteria flexibly to focus each report on different aspects of a programme.

40. For example, our report on education in East Africa focussed on the impact of DFID’s programmes in three different countries.⁹ Our report on Girl Hub, by contrast, focussed on its objectives and governance

⁹ *DFID’s education programmes in three East African countries*, ICAI, May 2012, <http://icai.independent.gov.uk/wp-content/uploads/2012/05/DFIDs-Education-Programmes-in-Three-East-African-Countries-Final-Report-32.pdf>.

challenges, because its actual impact was limited and we had real concerns about those areas.¹⁰

41. We will continue to review our overall approach in the light of our experiences in the coming year. We will also continue to review other aspects of our reports, including the breadth of evidence we consider in our terms of reference documents, the experience and local knowledge of our consultants and our ability to set out our findings in a way which is credible and which does justice to the amount of work carried out despite the brevity of the format.

¹⁰ *Girl Hub: a DFID and Nike Foundation initiative*, ICAI, March 2012, http://icai.independent.gov.uk/wp-content/uploads/2012/03/ICAI-Girl-Hub-Final-Report_P1-51.pdf.

Part 4: What have we found through our initial reports?

42. This section covers the emerging findings from our first year of reports.

Traffic light ratings

43. In our reviews, we give traffic light ratings from our scale of: Green, Green-Amber, Amber-Red and Red. **Figure 2** on page 18 shows the traffic light ratings from the reports we published this year. The five columns show the ratings we gave in each case for the overall score and then against our four guiding criteria of objectives, delivery, impact and learning. There are no ratings for the effectiveness and value for money report, as this did not scrutinise any one programme in the same way as the other reports.

44. It is too early to extrapolate from these ratings, as a set of ten reports does not provide a big enough sample to show any kind of robust statistical significance. Our analysis of these ratings, however, does show some interesting early trends. In terms of overall scores, we gave six Green-Amber ratings, four Amber-Red ratings and no Red or Green ratings.

45. Looking across the four subsidiary ratings, we found that the distribution of ratings was similar, although we gave no Green ratings at all for either delivery or impact. We gave 7 Green ratings, 17 Green-Amber ratings and 16 Amber-Red ratings. We gave no Red ratings to any programme in any category.

Figure 2: ICAI Year 1 reports and associated traffic light ratings

Report	Overall Score	Objectives	Delivery	Impact	Learning
ICAI's Approach to Effectiveness and Value for Money	N/A	N/A	N/A	N/A	N/A
DFID's Approach to Anti-Corruption					
DFID's Climate Change Programme in Bangladesh					
DFID's Support to the Health Sector in Zimbabwe					
The effectiveness of DFID's Engagement with the World Bank					
DFID Programme Controls and Assurance in Afghanistan					
Girl Hub: a DFID and Nike Foundation Initiative					
Evaluation of DFID's Electoral Support Through UNDP					
The Management of UK Budget Support Operations					
Evaluation of DFID's Support for Health and Education in India					
DFID's Education Programmes in Three East African Countries					

46. It is self-evident that many aid programmes will have good and less good elements and are therefore likely to generate balanced scores. In those circumstances, we need to be alert to avoid any bias towards the middle two ratings. One issue is the sharp divide between the definitions for Green-Amber and Amber-Red. In practice, we have found instances where the findings suggest an overall rating which would include elements of both Green and Red performance and where we need to find a more blended score.
47. We remain convinced that a separate Amber rating is undesirable, because it might encourage us to sit on the fence. We think that the definitions of Green-Amber and Amber-Red, however, may push us too far towards an overly positive ('performing well') or negative ('not performing well') headline message. We have decided, therefore, to review our definitions to see if we can reduce any possible bias and will incorporate the new definitions in our forthcoming reports.
48. Beyond the ratings themselves, we have noted some key themes emerging from these eleven reports, which we will continue to watch for in our forthcoming work.
49. The theme of **impact** is absolutely central to our work: it is the starting-point of our focus on each programme we review and considerations of underlying process are made in order to help departments to optimise the impact they deliver. We have noted above how it can be difficult to assess but we regard it as the ultimate test of effectiveness and value for money. As one of our four guiding criteria for effectiveness and value for money, impact is always a central part of our analysis in each of our reports.
50. There are other times when a report will focus more on processes. This was the case with our Afghanistan report, where we decided to adopt a two-stage approach looking at financial and anti-corruption processes in

Year 1¹¹ and at impact in a subsequent report. In practice, we believe that, in order to achieve maximum impact, both the objectives and the processes of any programme need to focus on how best to achieve that impact. Successful impact is likely to be achieved when supporting processes include: clear objectives, operational efficiency and good positioning with partners, sub-contractors and intended beneficiaries.

51. Our recommendations are always aimed at how best to maximise impact by means of specific and practical steps. These are impact-driven and will frequently suggest improvements to DFID's processes so as to improve and safeguard the impact for intended beneficiaries; both in respect of the particular focus of our report and more widely.
52. The theme of **corruption** and how to combat it was an issue of overriding interest to respondents to our public consultation and has remained high on our agenda ever since. We noted the threat from leakage in our reports on Afghanistan and India and took the decision to dedicate one of our first reports to the subject.¹² As we noted in that report, DFID lacked a coherent and strategic response to a problem which is likely to be exacerbated by the increasing aid budget and the rising proportion of that budget spent in conflict-affected and fragile states. DFID's response to our recommendations has led to considerable, positive adjustments within the department: we look forward to seeing how those structural changes result in changes at the programme level.
53. DFID's **delivery channels** are of particular interest. This is partly because they are so variable and partly because they are central to DFID's operating model. We are interested in the decisions DFID makes about these channels, including how it chooses them and how it manages them, including the monitoring of their effectiveness. We are

¹¹ *DFID programme controls and assurance in Afghanistan*, ICAI, March 2012, http://icai.independent.gov.uk/wp-content/uploads/2012/03/ICAI-Afghanistan-Final-Report_P11.pdf.

¹² *DFID's Approach to Anti-Corruption*, ICAI, November 2011, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/DFIDs-Approach-to-Anti-Corruption.pdf>.

concerned that, as the Government's ODA expenditure rises in fragile states, existing or new delivery channels may require considerable re-design. This is an issue which came to Commissioners' attention during their visit to Pakistan and which we will be exploring shortly in our report on DFID Pakistan's programmes in three sectors.

54. Other common themes of interest include:

- **co-ordination with other donors**, where DFID's performance is often strong, although the importance of co-ordination does seem to vary depending on the country context;
- several of our reports have led us to the question of whether the department had set itself the **right objectives** given the problem it was trying to solve and whether it had adjusted them in the light of experience or new developments. This was particularly true of our report on education in East Africa, where increasing enrolment figures had been and remained the primary objective at the expense of quality of education;
- using **staff experience and good practice** effectively and learning across the department pose significant challenges to organisations based on a devolved model. With DFID's technical expertise and standing, we would expect to see better sharing and lesson learning about what is both good and poor practice; and
- making the best use of DFID's undoubted **influence**, where we have seen in various contexts how the combination of the size of its contributions, its long experience and its human capital gives DFID a series of opportunities to influence decision-makers of various kinds. What use it makes of those opportunities and how this kind of work can be evaluated are questions we will be considering.

Part 5: What impact have we had?

55. This section covers the impact of our work. Although our primary objective is to provide independent assurance of the effectiveness of official expenditure on aid, we are equally concerned to show that our own activities are having an impact.

Intended impact

56. We were established to provide independent scrutiny of UK aid spending and to promote the delivery of value for money for British taxpayers and the maximisation of the impact of aid. In our view, this is a clear mandate against which we have made significant progress in our first full year. Our actual impact against these objectives can be measured in different ways, as we set out below.

Providing independent scrutiny

57. We believe that we have already had an impact on the public debate over aid expenditure. Our reports have generated significant amounts of coverage in both mainstream and specialist media and have featured in broadcast, print and new media outlets. These ranged from high-profile radio news programmes to broadsheet newspapers and development blogs. Our Twitter followers continue to grow in number and we have made efforts to reach out to a more international audience through targeted media work.

58. In undertaking our engagement with the media, we have stuck to our aspiration to be evidence-based, constructive and balanced. We have based our commentary on the findings of our reports and do not get drawn into wider discussions of the merits of policy choices. We believe that our job is to provide the evidence for others to have those debates. We do recognise, however, that our more critical reports have been the ones which have attracted the most media coverage and we, like many organisations, face a struggle to generate coverage of our more positive reports.

59. **Figure 3** sets out a selection of reactions to our reports. While most people have welcomed our establishment and the content and presentation of our reports, there has also been critical comment. We welcome both and will continue to assess how we operate in the light of this feedback.

Figure 3: Selected responses to our work

Response	Source
<p>‘What we will be looking forward to over the next year is the extent to which the ICAI operation feeds into the Department and back again, and also the interaction between the Committee in all of this, because there is more than enough work to be done to ensure that the overseas development budget delivers all the objectives, and all the players have value to add. It is an added dimension, and all of us want to see what difference it will make. So far, it seems to be adding genuine value. The interaction and the way the Department is reacting is very positive.’</p>	<p>Chairman of the House of Commons International Development Committee (at the evidence session to discuss our first four reports)¹³</p>
<p>‘These reports show that much of our work is effective and provides value for money but there are some areas where we must do better. I have already changed how the UK delivers aid to ensure it is focussed on tangible results on the ground but we will use these reports to identify further reforms. The reports found no evidence of corruption in our existing programmes. We will implement in full their advice and recommendations, to complement the priorities the coalition government is pursuing.’</p>	<p>Secretary of State for International Development (following publication of our first four reports)¹⁴</p>
<p>‘These are early days for ICAI, but we recommend that both Parliament and DFID monitor ICAI’s own effectiveness closely, and take steps necessary to ensure that both its work and its staffing are sufficient both in quality and in quantity for it effectively to discharge its duties.’</p>	<p>House of Lords Economic Affairs Committee Report¹⁵</p>

¹³ <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/c1681-i/c168101.htm>

¹⁴ <http://www.dfid.gov.uk/News/Latest-news/2011/UK-aid-watchdog-publishes-first-reports/>

¹⁵ *The Economic Impact and Effectiveness of Development Aid*, House of Lords Select Committee on Economic Affairs, March 2012, <http://www.publications.parliament.uk/pa/ld201012/ldselect/ldeconaf/278/278.pdf>.

‘Without doubt, this confirms the value of having an independent watchdog to scrutinise UK aid programmes.’	Guardian article (covering our Girl Hub report) ¹⁶
‘Bond welcomes ICAI’s reports and recommendations which reflect many of NGOs concerns particularly around the concept of Value for Money and the fight against corruption.’	Bond response to our first four reports ¹⁷
‘We welcome the work of the Commission and hope they will play a major role in building on the UK’s strong record of improving aid effectiveness. [...] The Commission is right to highlight the problem of corruption in fragile states and this should be used as a spur to tackle the problem, not as an excuse to withdraw help.’	Oxfam ¹⁸
‘The recommendations fell short of specific measures to address risk in these more challenging contexts, and were silent on the question of differentiation of approach in fragile states.’	Edward Hedger, Overseas Development Institute ¹⁹
‘By existing outside of the current DFID bureaucracy, ICAI will not only help shape policy and create a pool of resources, but also bypass some of the more difficult incentive problems associated with internal evaluation.’	Asia Foundation ²⁰
‘But there is no room for complacency, which is why it's right that the Independent Commission for Aid Impact will evaluate whether British targets on aid effectiveness are being met. The commission, which has anti-corruption activists on its board, has already shown itself to be a serious force in ensuring the new money will not be misspent.’	Adrian Lovett, ONE ²¹

¹⁶ <http://www.guardian.co.uk/global-development/poverty-matters/2012/mar/23/girl-hub-strength-weaknesses>

¹⁷ <http://www.bond.org.uk/pages/independent-commission-for-aid-impact.html>

¹⁸ <http://www.oxfam.org.uk/blogs>

¹⁹

http://blogs.odi.org.uk/blogs/main/archive/2011/11/23/aid_accountability_corruption_ICAI.asp

²⁰

Practical Challenges of Rigorous Impact Evaluation in International Governance NGOs, The Asia Foundation, November 2011, <http://asiafoundation.org/resources/pdfs/OccasionalPaperNo8IEFinal.pdf>.

²¹ <http://www.guardian.co.uk/commentisfree/2012/mar/30/britain-aid-development-corruption-value?newsfeed=true>

Maximising the impact of aid

60. What impact have we had within DFID and the other government departments which spend ODA? While it is too early to say whether we have helped to ensure that the aid budget is better spent, it is already clear that we have had a significant impact on those responsible for it.
61. DFID has accepted 23 and partially accepted 3 of the recommendations in our reports published to date and has already taken action to implement many of them. A full list of our recommendations and DFID's responses to them is set out at Annex A. It is also clear from discussions with DFID's programme staff that our existence and the specific focus of our reports are having an impact on the way those staff approach their work.
62. Some notable highlights from DFID's response to our recommendations to date include:
- on **anti-corruption**, DFID instigated a major series of changes and initiatives in response to our report. These included the appointment of a Board-level anti-corruption champion and an immediate review in order to advise the Management Board on how to improve the capacity, cohesion and quality of existing anti-corruption work streams;
 - on DFID's **climate change programmes in Bangladesh**, DFID is strengthening its partners' performance targets, establishing a new Climate Change Unit to improve technical and administrative oversight of the climate change programme and is using several studies of migration to inform its planning; and
 - on DFID's **health programmes in Zimbabwe**, DFID is implementing our recommendations in their new, four-year health programme, including strengthening the capability of the Zimbabwe Ministry of Health, providing continued support to remove user fees from maternal and child health services and providing greater clarity on administrative costs.

63. A crucial part of the cycle of accountability we are trying to establish is the follow-up of our recommendations and verification of DFID's response. We have conducted no formal follow-up work so far, because we wanted to allow DFID a reasonable amount of time to make changes. We are, however, now beginning to plan how we will follow up reports published in Year 1. One way of undertaking this work is to conduct a second, full review into the same subject and we may do this on DFID's approach to anti-corruption. For the majority of our work, we are likely to conduct smaller-scale investigations both to assure ourselves that stated actions have been undertaken and to see if there have been any identifiable impacts as a result.

Part 6: Corporate governance

64. This section sets out our corporate governance activities for the past year. It provides updates to our risk management and conflict of interest activities and our strategies for our second year of operation. It also sets out some thoughts on how well the ICAI model is working and whether we should make any changes.

Overall position

65. Our governance position has not changed since our launch: 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.

The ICAI model

66. Over the course of the ten Board meetings we have held since our launch, we have considered how well the ICAI model is working and whether we might make any changes. We have already made some minor changes, including reducing the number of reports we will publish each year, as set out above. Below, we set out those elements of the ICAI model which we might change.

67. Those elements of the model which could be improved include:

- further developing the concept of lead Commissioners to ensure that each report is subject to much deeper scrutiny by at least one Commissioner;
- having increased the number of days that Commissioners can work, we will try to improve the way we use those days to ensure that their collective input is harnessed ever more tightly at the right points in the report production process; and
- pressure on the Secretariat to deal with the considerable volume of work generated by the programme. The Secretary of State has given permission for us to recruit a fifth member of staff to deal with this.

Risk management

68. 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.
69. 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. Secretariat staff are 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 reviewed in detail and formally approved the 2012-13 risk register at our May 2012 Board meeting. At that Board meeting, Commissioners also noted that they were content with the way risk was being managed and reported. We will continue using this approach during our second year of operation.
70. In our view, the risks we identified in our *Annual Corporate Plan 2011-12* remain relevant and are worth continuing to consider. We have added a further risk, namely the risk that Commissioner and Secretariat staff resources are stretched too thinly over the programme. Also, we have amended some of our mitigation actions in the light of experience. **Figure 4** on page 29 shows the updated risk picture.

Figure 4: Current risks for ICAI and associated mitigation actions

Risk	Mitigation	Risk assessment post-mitigation	
		Likelihood	Impact
1. Loss of control over main contract expenditure, leading to excess overall expenditure or poor value reports	<ul style="list-style-type: none"> • Clear terms of reference, inception reports and individual contracts • Close scrutiny of report budgets and expenses claims against actual expenditure • Analysis of report cost trends over next 12 months • Head of Secretariat sign-off for each contract 	Low	Medium
2. Not delivering high-quality, accessible reports envisaged in our mandate	<ul style="list-style-type: none"> • New processes, including guidance on methods and written style, issued to contractor teams to drive consistent report quality • Clear contractual requirements for contractor to deliver to high quality standards • Multiple quality assurance processes within contractor team and Secretariat prior to report publication • Commissioner scrutiny at key stages • Use of feedback from stakeholders to improve accessibility of drafting 	Medium	High
3. Inappropriate behaviour of staff or Commissioners undermining public confidence in ICAI	<ul style="list-style-type: none"> • Commissioners abide by Code of Conduct including Nolan principles of public life • Commissioners' interests are declared / managed appropriately • Staff work according to ICAI core values and Civil Service Code 	Low	High
4. Risk of lost or leaked information	<ul style="list-style-type: none"> • 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 	Medium	Medium
5. Lack of access to all data, information and people to report accurately	<ul style="list-style-type: none"> • DFID internal guidance making clear its staff's responsibility to provide information requested by ICAI • Secretariat access to DFID systems 	Low	Medium
6. ICAI model not correctly configured to make best use of Commissioners' time	<ul style="list-style-type: none"> • Recruitment of Assistant Programme Manager to deal with Secretariat workload • Experimenting with concept of Lead Commissioner role to make interventions more efficient • Increase in number of days for Commissioners • Focussing Commissioner time earlier in the report cycle, including deployment on sample of country visits 	High	Medium

Internal controls

71. As an Advisory Non-Departmental Public Body, we are not obliged to publish a formal statement of internal control separate to that issued by DFID in its annual report and accounts, although we have contributed to that process. Our intention here, however, is to provide a picture of our internal controls, so as to demonstrate our commitment to both transparency and efficiency.
72. Our financial management arrangements have been conducted as envisaged in our *Annual Corporate Plan 2011-12*, to ensure good management of our resources and protection against fraud and theft. DFID has provided funding for the Commissioners and Secretariat and their associated costs as agreed and DFID and ICAI have worked together to ensure that payments to the contractor were made with the proper authorisation and on the basis of agreed trigger points. All funds have been spent and accounted for in line with DFID procedures.
73. To assist us, our contractor has provided quarterly reports, including details of all work undertaken and costs incurred in the previous quarter; and work to be undertaken in the forthcoming quarter with a description of the relevant outputs, estimated costs and timeframes. In accordance with the terms of the contract, our contractor will also provide us with an annual management report and an annual audited statement by the end of June 2012.
74. We have continued to maintain a close watch on any possible or actual conflicts of interest among Commissioners, staff and contractor teams, all of which are dealt with through central reporting mechanisms within the Secretariat. We have noted a number of possible conflicts and taken action, particularly with regard to contractor teams, when these have been identified.

75. As originally set out in our *Annual Corporate Plan 2011-12*, we have maintained compliance with the key legislative requirements governing our operations, including data protection, freedom of information and health and safety.
76. Our system of internal controls, as well as DFID's performance as our sponsoring body, was reviewed in March 2012 by DFID's own Internal Audit Department. This review was undertaken in line with the arrangements set out in paragraph 5.1 of our *Framework Agreement* with DFID. The review itself found that the governance arrangements, risk management work and internal controls in place were satisfactory. It made a small number of recommendations for improvement, focussing in particular on separate conflict of interest reporting for individual reports and signing call-down contracts in good time. These recommendations have now been addressed and we will continue these governance arrangements in our forthcoming year of operation.

Part 7: Expenditure

77. This section sets out our expenditure for our first full year of operations, including details of all costs incurred through our main contract with the KPMG-led consortium. In making this information public in some detail, we are aiming to live up to our goal of being transparent. This section also sets out our 2012-13 budget.

Expenditure in Year 1

78. During the period 12 May 2011 to 11 May 2012, we have spent a total of £2,071,661, including £1,687,408 on work carried out by our contractor and £384,253 on Commissioner and Secretariat costs. This picture can be further broken down between contractor and other expenditure. On contractor expenditure, we have under-spent against our budget for Year 1. Our contractor budget is, however, for four years and is not allocated to individual years within that period, so we are able to flex the amount used in each year in line with the scale of the work programme.

79. We have also slightly under-spent on Secretariat and Commissioner expenditure against our budget. In accordance with the terms of their contracts, Commissioners have submitted claims for work done during the period up to 11 May 2012 which have not been settled at the time of writing. The under-spend can also be explained by the nature of a start-up year, in which costs are inevitably lower than a year spent in steady-state activity.

80. Our expenditure has included:

- fees for work undertaken by the contractor, including a monthly management fee, as well as the costs of individual reviews, as set out in the contract;
- Commissioners' costs, including honoraria and reimbursable expenditure for travel and subsistence in accordance with agreed public sector rates and guidelines;

- Secretariat costs, including staff salaries and reimbursable expenditure for travel and subsistence in accordance with agreed public sector rates and guidelines; and
- office accommodation and associated running costs, including IT and security.

81. Further details of our expenditure for Year 1 are set out at **Figure 5** on page 34. The basis of accounting for this expenditure is to set out 12 months' worth of costs for all routine expenditure and actual costs for variable expenditure. **Figure 6** on page 35 sets out the costs of each of our eleven published reports.

Figure 5: ICAI expenditure settled against budget for 2011-12

Input	Rates	Details	Budget (£)²²	Expenditure (£)
Contractor costs: fixed management fee	£26,525 per month, excluding VAT	12 monthly payments	382,000 ²³	360,740 ²⁴
Contractor costs: individual reports	Report fees agreed on case-by-case basis	11 reports delivered	1,855,000	1,322,159
Contractor visit costs paid directly by DFID	In line with DFID policies	Security, accommodation and transport	Included in contractor report budget above	4,509
Secretariat staff costs	<i>Withheld</i> ²⁵	4 members of staff	275,000	273,095
Secretariat travel and reimbursable expenses	Economy rates, in line with DFID's expenses	2 evaluation meetings in Paris and 1 field visit to Pakistan	5,200	3,450
Honorarium payments to Commissioners	Chief Commissioner (£600 per day); Commissioners (£300 per day)	Up to 65 / 40 days per annum for Chief Commissioner and Commissioners respectively ²⁶	85,500	72,451
Commissioner travel for overseas visits and Board meetings	In line with DFID policies	Includes security and accommodation	16,000	14,227
Office accommodation	£2,083 per month	For office space and use of meeting rooms	25,000	20,090
IT Services	£67 per month	Telecoms and broadband services	800	720
Other office costs		To cover incidental costs, including postage and stationary	1,000	220
Total			2,645,500	2,071,661

²² These figures differ from those included in DFID's 2011-12 Supplementary Estimates to Parliament, because our financial year is 12 May 2011 – 11 May 2012, whereas DFID's financial year is 1 April – 31 March. We have kept our year in this table in order to give comparability to the budget figures presented in our first corporate plan. From next year, we will publish figures using DFID's financial year; Figure 7 on page 37 presents our 2012-13 budget on that basis.

²³ This figure is inclusive of VAT.

²⁴ Includes £42,440 of VAT charged before VAT reclaim was approved.

²⁵ 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.

²⁶ On the basis of experience, the original estimate of time required for each of the three other Commissioners to fulfil their roles has been increased to a maximum of 55 days.

Figure 6: Fees paid to contractor for Year 1 reports

Report	Fees (£)	Expenses (£)	Totals, excluding VAT (£)²⁷
ICAI's Approach to Effectiveness and Value for Money	79,577	2,588.76	82,165.76
DFID's Approach to Anti-Corruption	242,163	22,733.16	264,896.16
DFID's Climate Change Programme in Bangladesh	111,762	10,482.13	122,244.13
DFID's Support to the Health Sector in Zimbabwe	126,652	10,988.77	137,640.77
The effectiveness of DFID's Engagement with the World Bank	109,630	4,041.84	113,671.84
DFID Programme Controls and Assurance in Afghanistan	197,641	7,307.63	204,948.63
Girl Hub: a DFID and Nike Foundation Initiative	61,544	948	62,492
Evaluation of DFID's Electoral Support Through UNDP	120,776	Not claimed yet – estimate: 12,000	66,388 (Milestone 1 payment made, Milestone 2 payment outstanding)
The Management of UK Budget Support Operations	116,747	Not claimed yet – estimate: 12,700	64,723.50 (Milestone 1 payment made, Milestone 2 payment outstanding)
Evaluation of DFID's Support for Health and Education in India	191,885	Not claimed yet – estimate: 32,450	112,167.50 (Milestone 1 payment made, Milestone 2 payment outstanding)
DFID's Education Programmes in Three East African Countries	155,142	Not claimed yet – estimate: 26,500	90,821 (Milestone 1 payment made, Milestone 2 payment outstanding)
Total			1,322,159 (to date)

²⁷ VAT is reclaimed for these contractor professional services

Analysis of costs

82. The average cost of a report during Year 1 was approximately £150,000. Fluctuations either side of this average are due to individual reports having a narrower or broader scope or requiring more or less overseas travel: these factors are clearly the major drivers of cost. Our work on anti-corruption and DFID's education programmes in East Africa are examples of reports which cost more because they involved fieldwork in several countries.

83. Whilst we will continue to watch these costs closely, we remain convinced that having our teams see for themselves the impact produced by the UK Government's aid programmes in the communities which are intended to benefit is a vital part of the credibility and value of our work. Similarly, we will continue to set the scope of each report in order to ensure we are satisfied that we have asked the right questions on behalf of the UK taxpayer.

Year 2 budget

84. **Figure 7** on page 37 sets out our budget for DFID's 2012-13 financial year (from 1 April 2012 to 31 March 2013).

Figure 7: ICAI Budget for 2012-13

Input	Rates	Details	Budget (£)²⁸
Contractor costs: fixed management fee	£26,525 per month, excluding VAT	12 monthly payments	318,300
Contractor costs: fees for individual reports	Report fees agreed on case-by-case basis	12 reports planned	1,908,700 ²⁹
Contractor visit costs paid directly by DFID	In line with DFID policies	Security, accommodation and transport	10,000
Secretariat staff costs	<i>Withheld</i> ³⁰	4 members of staff (due to rise to 5 – budget will be updated accordingly)	275,000
Secretariat travel and reimbursable expenses	Economy rates, in line with DFID's expenses	2 evaluation meetings in Paris and 1 field visit	5,200
Secretariat training	To be confirmed	Two courses	1,500
Honorarium payments to Commissioners	Chief Commissioner (£600 per day); Commissioners (£300 per day)	Up to 65 days per annum for Chief Commissioner; 40 for Commissioners (approval for increase to 55 – budget will be updated accordingly)	75,000
Commissioner travel for overseas visits and Board meetings	In line with DFID policies	Includes security and accommodation	16,000
Accommodation costs	£5,020 per quarter	For office space and use of meeting rooms	20,080
IT services and website support	£67 per month for telecoms and £3,750 for website support	Telecoms and broadband services	4,550
Other office costs		To cover incidental costs, including postage and stationary	1,000
Total			2,635,330

²⁸ DFID has recently approved an additional secretariat post and a rise in Commissioner days from 40 to 55. These changes are not reflected in DFID's admin budget figure for ICAI in its Main Estimate; this figure will be updated accordingly in the Supplementary Estimate. The budget figures presented here, therefore, also do not reflect these changes.

²⁹ As discussed in paragraph 78, our four-year contractor budget can be spent flexibly over the period. Therefore, this figure may be updated in DFID's 2012-13 Supplementary Estimates to Parliament.

³⁰ 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.

Part 8: Our Year 2 business plan

85. This section sets out our plans for 2012-13. This builds on the work undertaken during our shadow phase to set out our proposed activities for 2011-12 to 2013-14.³¹ There are some alterations to reflect changing circumstances and priorities based on the experience we have gained during our first full year of operation.

86. In carrying out this work, ICAI as a whole (including the Commissioners, Secretariat and contractor) will continue to operate on the basis of the following core values:

- **Independence:** undertaking our work without fear or favour and reporting the facts as we find them;
- **Professional rigour:** using the highest professional standards to gather and evaluate evidence;
- **Transparency:** placing all reports and supporting analysis and our own records of costs and activities on our website;
- **Responsiveness:** taking account of public and Parliamentary opinion in selecting our work programme and undertaking our work;
- **Innovation:** making the most of our new status to experiment with new ways of working, reporting and interacting with our stakeholders; and
- **Integrity:** ensuring that our own operations are characterised by value for money, high ethical standards, transparency and accountability to Parliament and to the public.

87. We have decided not to define core and flex components of our programme from now on. These were designed to set direction while retaining the flexibility to respond to emerging topical issues or requests. With our decision to carry out fewer reports of higher quality (as set out in paragraph 5), we are simply setting out a single list of planned Year 2 reports. In order to retain flexibility, we may make

³¹ *Independent Commission for Aid Impact – Work Plan*, ICAI, May 2011, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-Work-Plan11.pdf>.

alterations to this list or the order of publication and we may also alter the scope or emphasis of a review.

88. We have also decided to no longer categorise reviews as evaluations, value for money reviews or investigations. It was originally intended that these different types of report would have different emphases. Having set out our approach to effectiveness and value for money in November 2011, we believe that these two concepts are inextricably linked and need to be considered together. As a result, we established an evaluation framework to guide our reviews, based on four guiding criteria built around the logical stages in the planning and delivery of aid programmes: objectives, delivery, impact and learning. We use this framework flexibly to guide our reviews with different emphases as desired.

89. We will follow the same process for each review, as follows:

- our contractor draws up terms of reference, based on Commissioners' views, comments from members of the International Development Committee (IDC) and briefing from DFID and other government departments;
- our contractor develops an inception report, setting out the review team's approach, methodologies, resource requirements, delivery schedule and costs;
- Commissioners approve the inception report which forms the basis of the contract for that review;
- the contractor carries out the work, with Commissioners accompanying the team on a sample of country visits;
- the contractor briefs Commissioners at an initial findings meeting, covering key findings and possible ratings and recommendations;
- the contractor delivers a draft report which Commissioners amend, approve and publish, including recommendations;
- DFID and other government departments respond to our recommendations; and

- Commissioners may choose to examine whether recommendations have been implemented.

90. Commissioners will also continue to engage with a wide range of stakeholders, including NGOs, academics, interest groups and representatives of other bilateral and multilateral donors. This engagement should ensure that we understand the various debates within the development community and can explain our findings to those groups.

Year 2 work plan

91. **Figure 8** on page 43 sets out the reports we envisage publishing in the next twelve months. This is based on our three-year work plan of May 2011 and includes reports we initiated during our first year as well as reviews from our second year work plan.

92. We have taken decisions about how to focus some of the reviews:

- **A regional development bank:** this will focus on the Asian Development Bank, to which DFID gave £43 million in 2010-11. While DFID's contribution to the African Development Bank is larger (£139 million in 2010-11), this organisation is subject to a number of other reviews. The Asian Development Bank has a low public profile in the UK while receiving significant funding, so evaluating it is line with our criteria of materiality and coverage;
- **Humanitarian review:** in our work plan, we suggested Libya as a potential focus for this study, recognising that changing events might mean that a different country would be a better case study by the time of the study. When planning this review, we decided to focus on the recent Horn of Africa crisis - it is a more typical humanitarian intervention than that in Libya and it has not been subject to as many evaluations as other recent humanitarian crises, such as that in Haiti. We are also covering DFID's response to the 2011 Pakistan floods in our review of bilateral aid to Pakistan; and

- **Another UN body:** having carried out a review of electoral assistance in collaboration with the UN Development Programme in our first year, we have decided to focus this review on UNICEF. UNICEF is a global player involved in key development areas including health, humanitarian assistance and girls' education. The UK is almost doubling its core contribution in 2011-12 and 2012-13 to £40 million a year and, overall, the UK is the second-largest contributor to UNICEF after the USA, giving £195 million in 2011.

93. We have also made some alterations to the work plan:

- we are bringing forward our evaluation of the Pakistan country office from Year 3 to Year 2, to make optimum use of Commissioners' experiences during their recent visit to the country in January 2012. This report will focus on DFID's bilateral support in Pakistan in three sectors: health, humanitarian assistance and education;
- since we are keen to explore novel, more robust ways of engaging with intended beneficiaries of UK aid, our Year 2 review of primary education in Nigeria has been merged with the planned Year 3 review on the student pathway. This review will have a heavy focus on collecting the views of Nigerian pupils and communities regarding the provision of primary and junior secondary education;
- we are postponing the reviews of Programme Partnership Agreements with NGOs (in order to be able to make use of the findings of the programme's mid-term review) and the Stabilisation Unit (due to an internal review which is currently taking place);
- since the International Climate Fund is at such an early stage of development that an evaluation at this stage would make it difficult for us to see evidence of impact, we are postponing this review. In Year 2, we will instead examine aid programmes run by the Foreign and Commonwealth Office;
- we have decided not to carry out a review on forestry in Year 2; and

- we have agreed with the Gates Foundation that now is not the right time to carry out a joint evaluation – we may revisit this option in future.

Figure 8: ICAI's Year 2 work plan

	Report Subject	Rationale
1	Evaluation of the Inter-Departmental Conflict Pool	<ul style="list-style-type: none"> • Addresses <u>coverage</u> and <u>risk</u> elements of strategy • Some concerns expressed over effectiveness of programme strategy and management • Allows ICAI to examine two other departments (Foreign and Commonwealth Office and Ministry of Defence) alongside DFID • Reflects increasing focus on conflict states
2	DFID's Oversight of the UK Contribution to the Asian Development Bank	<ul style="list-style-type: none"> • Addresses <u>coverage</u> and <u>materiality</u> elements of strategy • Allows further coverage of multilateral expenditure in an area with low public profile • Will examine DFID's country-level as well as corporate engagement with the bank
3	DFID's Humanitarian Emergency Response in the Horn of Africa	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>interest</u> and <u>risk</u> elements of strategy • Considerable public and recipient interest • Provides response to Humanitarian Emergency Response Review recommendation for ICAI to focus on this sector • IDC has requested that we build on the findings and themes of the Humanitarian Emergency Response Review
4	DFID's Bilateral Aid to Pakistan	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>risk</u>, <u>materiality</u> and <u>interest</u> elements of strategy • Expenditure rising sharply under Bilateral Aid Review • Review will focus on three sectors of DFID's bilateral programme in Pakistan: health, humanitarian assistance and education. • Pakistan has range of operating challenges, including physical security, governance and corruption problems and effects of conflict and natural disasters • IDC has requested that we investigate DFID's achievements to date in Pakistan and that we ensure that our focus on humanitarian assistance brings real added value, following on from the Humanitarian Emergency Response Review

5	DFID's Education Programme in Nigeria: the community perspective	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>materiality</u>, <u>interest</u> and <u>risk</u> elements of strategy • An innovative approach to evaluating a Millennium Development Goal priority area: report will look at DFID education interventions from the perspectives of the students and communities • Nigeria currently 'off track' to meet Millennium Development Goals target • Difficult country to operate in, with increasing post Bilateral Aid Review expenditure
6	DFID's Oversight of the UK Contributions to the European Union	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>materiality</u>, <u>interest</u> and <u>risk</u> elements of strategy • Clear IDC interest – our review will follow its report • Considerable expenditure, with known concerns about effectiveness • Allows assessment of work with one of the Government's largest multilateral partners • IDC has requested that our study does not duplicate theirs: we will focus on DFID's country-level engagement, with a relatively light-touch review of corporate engagement • IDC has also requested that we analyse the extent to which the work of DFID and the EU complements or duplicates in countries where both are based
7	DFID's Assurance of UNICEF Expenditure	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>materiality</u> and <u>interest</u> elements of strategy • Considerable expenditure in key development areas, including health, girls' education and humanitarian assistance • UK second-largest donor after USA
8	DFID's work on Water and Sanitation in Sudan	<ul style="list-style-type: none"> • Addresses <u>coverage</u> and <u>risk</u> elements of strategy • Will consider the delivery of sustainable development activity in a fragile environment and where some local governance structures are immature • Clear recipient, Parliamentary and public interest • Will assess contribution to Millennium Development Goal 7C • If situation in Sudan deteriorates, we would look at water and sanitation programmes in another African country

9	DFID's Peace and Security Programmes in Nepal	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>interest</u> and <u>risk</u> elements of strategy • Clear interest within recipient community and among consultation respondents on expenditure within conflict-affected states • Opportunity to explore challenges in measuring impact in multi-donor governance efforts
10	Aid Expenditure by the Foreign and Commonwealth Office	<ul style="list-style-type: none"> • Addresses <u>coverage</u> and <u>risk</u> elements of strategy • Allows coverage of non-DFID ODA • FCO's ODA spending is increasing; it allocated £142 million to ODA-eligible 'FCO global influence and programmes' in 2011-12 • Test of how intended beneficiary voice is addressed in non-DFID programmes
11	DFID's Rural Livelihoods Programme in Orissa State, India	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>materiality</u> and <u>interest</u> elements of strategy • £43 million spent between 2000 and 2008 • Claimed impacts of 800,000 tonnes of carbon dioxide captured and \$1 million revenue raised • Livelihoods work traditionally under-evaluated by DFID
12	DFID's use of Consultants	<ul style="list-style-type: none"> • Addresses <u>coverage</u>, <u>materiality</u> and <u>risk</u> elements of strategy • Obvious value for money angle • Clear recommendation from IDC to investigate this topic. Also a theme from the public consultation • May provide wider lessons for working with private sector

Annex A: ICAI Recommendations

This Annex sets out recommendations for all of our reports, together with DFID's responses.

ICAI REPORT: DFID's Approach to Anti-Corruption

Report 2: November 2011

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 1: In any country assessed as having a high risk of corruption, DFID should develop an explicit anti-corruption strategy, setting out an integrated programme of activities and dialogue processes.</p>	<p>Accepted</p>	<p>A number of DFID country programmes have already developed Anti-corruption strategies with others under development. Each DFID country which provides General Budget Support has undertaken a Fiduciary Risk assessment which includes an assessment of corruption and action underway to mitigate this risk. A number of country programmes have also undertaken Country Governance Assessments which provide broader analysis of institutions in country, including the extent of, and vulnerability to, corruption.</p>	<p>New strategy guidelines are under development by the Anti-corruption policy team, in collaboration with the Risk and Control Unit and Internal Audit, drawing on existing good practice from country offices. These will be tested and piloted in a selection of country programmes, ready for dissemination by April 2012.</p>	<p>Apr-12</p>	<p>On track. Draft guidance has been completed and will be disseminated in March 2012 for implementation by country offices. Nepal, Pakistan, Tanzania and Yemen will be early adopters of the new strategies and their feedback will further strengthen the guidance and support other country offices in their strategy development.</p>	
			<p>Central scrutiny team established to review all strategy documents to ensure that they meet minimum requirements and provide a consistent assessment of corruption across the programme.</p>	<p>Feb-12</p>	<p>Completed. Agreed that all country strategies will be reviewed and approved by Regional Directors, with a sample to be benchmarked centrally by the anti-corruption coherence and co-ordination group, called Cx3.</p>	<p>Completed</p>

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
			Anti-corruption strategies will be developed for the first batch of countries by July 2012 with coverage of all eligible DFID country programmes by July 2013	Jul-12	On track.	
Recommendation 2: DFID should review the structure and nature of its UK counter-fraud and anti-corruption resources, to develop a more coordinated approach to risk assessment, risk management, anti-corruption programming and fraud response.	Accepted	A new structure has been put in place mirroring the 'three lines of defence' model. A new Risk and Control Unit augments the Anti-Corruption Team as the second line of defence with the Internal Audit Department continuing to provide the third line of defence. Liaison has increased substantially between all three units (RCU, AC and IAD) with a number of joint projects currently taking place (including delivery of fraud training and development of fraud and abuse risk assessments for the main funding modalities. A Fraud and Risk Management Group has been created at Director level to set strategy and to integrate and co-ordinate work across the Corporate Centre (RCU, AC and IAD) with operational directorates with representation across all three lines of defence (i.e. also including	Identification of a Board level champion to lead and drive work in this area and support the work of the Fraud Risk Management Group, which will expand its role to co-ordinate all work on fraud and anti- corruption.	Dec-11	Completed. Mark Bowman (Director General) is the Board Level Champion.	Completed
			Deputy-Director led review (reporting to the Management Board) of the nature and structure of DFID's existing counter fraud and anti-corruption work. This will encompass functions, capacity and capability to take this agenda forward in line with ICAI recommendations. The review will identify i) How to improve cohesion and co-ordination across the Department. ii) Whether and where additional resources are required iii) How increased capability can be disseminated across the organisation. iv) How to improve lesson learning and communication	Apr-12	Review completed. Findings to be presented to the Management Board on the 29th March to address all identified issues	Completed

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
		<p>operational directors)</p> <p>The Finance Improvement Plan (published in September 2011) identifies a number of key deliverables in relation to addressing fraud and corruption and this is augmented by a more detailed level plan for the Risk and Control Unit.</p> <p>A strategy has been developed for the role out of 'Managing the Risk of Financial Loss' and key stakeholder training has been undertaken.</p>	<p>Implementation of the Treasury sponsored 'Managing the Risk of Financial Loss' programme, commencing with eight key areas: Multilateral payments; Bilateral Aid; grants to Civil Society Organisations; Humanitarian/Emergency aid; Loans; procurement Payroll and Travel and subsistence and overseas programmes.</p>	<p>Mar-12</p>	<p>On track. The first phase of the MRoFL programme has been initiated, looking at a number of processes on the basis of value and risk (multilateral, humanitarian, procurement, payroll, expenses) and will be completed by end of March. A programme is currently being developed for 2012/13 to ensure the capture of all DFID financial processes.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 3: DFID should develop more articulated processes for managing the corruption risks associated with particular aid types and invest more resource in due diligence and on-the-ground monitoring of delivery partners.</p>	<p>Accepted</p>	<p>Three new regional anti-corruption advisers have been identified and recruited to increase capacity in operational departments to enhance corruption risk management.</p> <p>A research project is underway to explore the scope for measuring loss in different sectors and in different aid modalities. This will assist in developing risk management strategies in this area.</p>	<p>Due diligence products will be developed to explicitly cover engagement at the country level with multilateral and other partners. This will complement the work already undertaken on Fiduciary Risk assessments (which cover Financial Aid) and on UK based Civil Society.</p>	<p>Dec-12</p>	<p>On track. This critical work stream will be a 2012 priority building on the due diligence products that are already available</p>	
		<p>New guidelines are in place covering due diligence of civil society organisations</p>	<p>This extended suite of due diligence products will enable DFID to assess the financial competence and the accounting and reporting capabilities of different organisations in advance of funding commitments</p>	<p>Dec-12</p>	<p>See Above.</p>	
<p>Recommendation 4: While continuing to invest in the legal and institutional framework for fighting corruption, DFID should focus on supporting more robust law enforcement activity to build transparency and accountability. This should include innovative forms of beneficiary monitoring and community</p>	<p>Accepted</p>	<p>A number of country programmes have provided support to law enforcement agencies but the impact has been affected by acute resource constraints, low levels of institutional capacity and variability in the political will to make progress. Good examples include support to the Economic and Financial Crimes Commission in Nigeria and specialist assistance to Uganda covering investigation and prosecution of cases of grand corruption.</p> <p>Action already underway to</p>	<p>The anti-corruption strategies will explicitly consider additional actions covering both law enforcement and beneficiary monitoring and community mobilisation.</p>	<p>Jul-12</p>	<p>Completed. Guidance contains advice on incorporating beneficiary monitoring into programme design. As strategies are developed, we will have a clear picture of the actions that need to be taken forward.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
mobilisation		<p>disseminate more widely the breadth of activities in this area through newly developed information platforms on empowerment and accountability. These will include the Public Policy</p> <p>Information Monitoring and Advocacy programme in Rwanda which supports citizen monitoring using community scorecards. In Andhra Pradesh, India DFID is supporting social audits of the National Rural Employment Guarantee Programme involving civil society organisations and beneficiaries.</p>	<p>DFID will work more systematically across Whitehall to ensure that country programmes can access key technical resources from across Government. The feasibility of building on existing cross Government arrangements is being explored. This will systematise and deepen existing working relationships with relevant UK agencies, such as the National Audit Office, Serious Organised Crime Agency, Serious Fraud Office, Crown Prosecution Service, and the Metropolitan Police & City of London Police. This will enable country programmes and partner countries to access relevant technical skills where appropriate.</p>	Apr-12	<p>On track. Framework Agreement became live on 1 March. This provides an expeditious mechanism for country offices to secure external advice. Financial Accountability and Anti-corruption team (FACT) is also exploring the possibility of linking with DFID's iFUSE (Investment Climate facility to utilise UK specialist expertise) framework which provides call-down arrangements with a range of UK government agencies</p>	
			<p>Using established information platforms (new Empowerment and Accountability resource network and the existing anti-corruption resource centre), we will garner and consolidate best practice on community level beneficiary monitoring, including undertaking new research and evidence gathering, and making this available to country offices.</p>	Apr-12	<p>Completed. FACT and the Empowerment & Accountability team have done a preliminary mapping (via U4) on existing evidence and practice on beneficiary monitoring. This will provide the grounding for developing information platform for country offices</p>	
Recommendation 5: DFID should invest more in intelligence collation and analysis of corruption risks in particular sectors and countries, to inform a more strategic approach to fighting	Accepted	<p>Internal Audit Department (IAD) has recruited specific accountancy specialist to focus our fraud audit work on high risk areas and has also recently (September 2011) secured a full time Serious Organised Crime Agency (SOCA) implant contributing to the professionalisation of our counter</p>	<p>Pilot Strategic Intelligence Threat Assessments: at country level to inform our programmes of major threats. This will contribute to our country level corruption assessments. Our learning from this pilot will inform how useful this approach is; resources needed; and how to institutionalise the process with our partners.</p>	May-12	<p>On track. Pilot in progress. Country visits confirmed for mid April.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
corruption.		fraud agenda and skills. IAD have renewed the focus on intelligence appraisals for key risks, and have started work on two high profile areas in collaboration with UK and International Counter Fraud Partners.	Pilot a name verification system: to assess whether our partners have recorded links with organised crime or have outstanding fraud related issues at country programme level through using 'Know Your Partner' approaches.	Jun-12	On track. Pilot in progress. Country visits confirmed for mid April.	
		Sector specific guidance on corruption risks in the health sector and the education sector has been produced.	Development of Information sharing agreements with international development partners and key UK organisations (e.g. Charities Commission) to share counter fraud related case material and intelligence on sectors/targets.	Feb-12	On track. Two ISA's ready for signature. Several more in progress to be finalised by end March. Good progress has been made.	
			Creating intelligence/ learning from our fraud cases/control failures to inform our risk control systems: we are currently undertaking a lesson learning process exercise on all our closed cases covering the last three years and introducing a new information management system for case management and intelligence appraisal/analysis	May-12	On track. Option paper will be presented to the next Small Projects Board on the introduction of a new case management system.	

ICAI REPORT: DFID's Climate Change in Bangladesh

Report 3: November 2011

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 1: DFID should ensure that organisations implementing UK aid are selected competitively and managed according to clear performance targets, set out in a service level agreement.</p>	<p>Accepted</p>	<ul style="list-style-type: none"> • DFID has robust programme cycle management tools and systems that are employed throughout the life cycle of its programmes to track performance; these are backed up by detailed log frames to track performance on an annual basis. • DFID Bangladesh has recruited a commercial advisor to further strengthen procurement and competitive selection procedures within DFID and our partners, as well as improving contracting arrangements and follow-up. • DFID Bangladesh now has in post a full time Results and Evaluation Adviser whose focus is upon building capacity of staff and third party delivery partners to strengthen systems and processes to focus on results and build the evidence base more effectively to monitor impact (and inform future programme direction). • DFID Bangladesh has played a lead role in setting clear targets for the World Bank on the Bangladesh Climate Change Resilience Fund to 	<p>We will review our agreements with partners on the Climate Change Programme in Bangladesh. Where performance targets are not sufficiently focused, we will sharpen them to ensure accountability for delivery is fully measurable. We will also set in place systems and appropriate internal staffing structures to track administrative costs and overheads more closely.</p>	<p>Dec-12</p>	<p>A number of key actions have already been completed:</p> <ul style="list-style-type: none"> - DFID initiated a cross-donor call for tighter management of the Bangladesh Climate Change Resilience Fund (BCCRF). In response the World Bank has drafted a Results Matrix and Annual Report and advertised for a new Programme Manager (final interviews this week). - UNDP has been working on an improved results matrix for the Comprehensive Disaster Management Programme (CDMP). <p>In addition, DFID conducted its own comprehensive annual review of the Climate Change Programme completed in February 2012. The review built further on the ICAI recommendations, assessed progress and reviewed performance targets. Recommendations including strengthening administrative systems are on track and ongoing. Internally in DFID, a staffing review is underway, addressing capacity of the team to improve oversight of the climate change programme.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
		<p>ensure greater pace on allocation of funding (1 major new project approved already in November), open up the civil society window by Feb 2012, open the Secretariat by Jan 2012 and set up the website (launched Nov 2011).</p> <ul style="list-style-type: none"> • DFID has negotiated global memorandums of understanding with multilaterals including the World Bank which clearly set out delivery expectations and adherence to the required DFID standards. 	<p>At Headquarters level, discussions will continue on improving World Bank Trust Funds as a mechanism for country delivery, to increase effectiveness, accountability and value for money.</p>	Ongoing	<p>On track. DFID Bangladesh has fed into high level discussions and work streams within HQ Departments on the Trust Fund (TF) portfolio managed by the World Bank to i) make spend as effective as possible and ii) ensure DFID's spend is more strategic and aligned with DFID's Structural Reform Plan.</p> <p>An ambitious work plan has been agreed at headquarter level with the World Bank and will be focusing on:- Management of Trust Funds, including financial performance - Working towards agreed Service and Performance standards for TFs - Improving the results-focus of TFs</p>	
			<p>We will further strengthen staff skills for effective management of programme partners and programme delivery.</p>	Dec-12	<p>On track. DFID Bangladesh is establishing a new "Climate Change Unit" with increased staffing - both technical and administrative – to enable improved oversight of the climate change programme</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 2: DFID should ensure that all UK resources that support Bangladesh's response to climate change are managed in a co-ordinated and integrated manner</p>	Accepted	<ul style="list-style-type: none"> • There are monthly co-ordination meetings across UK government departments represented in country to ensure a coherent strategic approach on climate change in Bangladesh. An update to the Cross Whitehall Climate Change Strategy for Bangladesh is underway. 	<p>DFID will actively use its role as co-chair of the Local Consultative Group on Environment and Climate Change to ensure better integration across all key Climate Change and environment programmes in Bangladesh.</p>	Ongoing	<p>On track. DFID is leading the development of a matrix of key donor-funded activities in environment and Climate Change in the country as a starting point for better co-ordination.</p>	
		<ul style="list-style-type: none"> • DFID is co-chair with the Ministry of Environment and Forests on the Local Consultative Group on Environment and Climate Change (LCG). This is a co-ordinating mechanism which seeks to improve co-ordination and strategic decision making on all climate change and environment programming in the country, centred on the Government's Bangladesh Climate Change Strategy and Action Plan (BCCSAP). • As part of DFID Bangladesh's work to investigate the potential for UK funded programme activity in low carbon development, a scoping mission was undertaken which 	<p>DFID Bangladesh will proactively facilitate improved programmatic integration between the Comprehensive Disaster Management Programme (CDMP) managed by UNDP, and the Bangladesh Climate Change Resilience Fund (BCCRF) administrated by the World Bank. We will also ensure better links with centrally funded initiatives through the World Bank (ie Pilot Programme for Climate Resilience) and UN (ie Global Environment Facility).</p>	<p>Meeting regularly from January 2012. Outcomes reported by December 2012</p>	<p>On track. DFID has taken the initial steps to establish regular meeting patterns between operational staff on CDMP and BCCRF as part of the follow up of the annual review and log frame revisions. An initial meeting on climate change focal points across government ministries is planned. DFID also held a meeting in February 2012 that included key climate change programme stakeholders to explain DFID's results, value for money and transparency agendas, as well as introduce the new Annual Review process now in place in DFID.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
		gathered information from the Government, private sector and development partners. This was followed by a consultation meeting (development partners) convened by DFID; the findings of both are informing our future programme strategy (still in development).	DFID Bangladesh will increase its engagement with donor partners particularly around the annual review process to encourage better integration of all programmes. As new interventions are planned by DFID and others, we will encourage consolidation of existing funding mechanisms as a first choice.	Ongoing	Completed for 2012 review. The Annual Review process was shared with all donors, and most of the key recommendations align with their priorities. Follow up actions will also be taken in conjunction with other donors. Since the ICAI review two additional donors have expressed plans to join BCCRF.	
			DFID Bangladesh is reviewing its staffing and will increase staff to manage the Climate Change portfolio. As well as improving accountability of partners on delivery schedule and quality, this will also improve the focus on integration of programmes.	Aug-12	On track. As explained above, DFIDB is strengthening advisory and administrative capacity on the Climate Change portfolio in line with the ICAI recommendations; this is also required for adequate oversight of a growing portfolio. A new adviser post was created in January 2012 with a focus on Disaster Management and Resilience (taking lead responsibility on the Comprehensive Disaster Management component of the programme).	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 3: DFID should support monitoring by local and international civil society organisations of the activities and achievements of the Bangladesh Climate Change Strategy and Action Plan.</p>	Accepted	<ul style="list-style-type: none"> • Civil Society is already represented in the Bangladesh Climate Change Resilience Fund (BCCRF) Management Board and Governing Council. • The BCCRF has a website to ensure transparency of its processes at http://go.worldbank.org/bccrf • The concept of a substantial monitoring group from civil society has been shared with partners and will be further consulted on. • DFID Bangladesh convened a consultation meeting with INGOs and NGOs in early December (held on a quarterly basis), requesting inputs into how such a mechanism could function. Dialogue is ongoing 	<p>DFID endorses this recommendation but recognises that this work will be outside the remit of any single climate change supported programme (e.g. the BCCRF). The achievements of the Bangladesh Strategy and Action Plan will be an accumulation of efforts including GoB's own Climate Change Trust Fund, the Pilot Programme for Climate Resilience, CDMP and many other projects and programmes. However, we will raise the issue within the GoB/Donor/Civil Society Coordination body – the Local Consultative Group on Environment and Climate Change (LCG). Through the LCG we will seek opportunities to establish the recommended monitoring body. Possible funding could be allocated within the next commitment of Climate Change funding – the full shape of the future programme will be designed during 2012.</p>	Initially raise idea at LCG December 2011. Scope options for such a body by June 2012.	On track. The issue has been discussed with partners, including at the regular BCCRF donor meeting held on 13 February 2012. Most stakeholders consider this to be a good idea, although recognise the complexity of this recommendation. DFID is initiating a scoping exercise to assess potential mechanisms for this	
			DFID will negotiate with the Government of Bangladesh and donors co-funding the BCCRF programme and agree an action plan for improved monitoring, including a transparent mechanism for reporting progress of fund allocation and implementation	Jul-12	On track. The World Bank has drafted a results matrix and Annual Report and submitted to donors and Government. As outlined above, developing a transparent mechanism for reporting allocation and progress on implementation is under discussion and being scoped out.	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 4: DFID in Bangladesh should use the programme to fund research and activities to address migration caused by climate change over the next 20-30 years. It should support building capacity to deal with such effects of climate change.</p>	Accepted	<ul style="list-style-type: none"> • A study on Migration and Climate Change in Bangladesh was commissioned in November 2011, funded by DFID through the Climate and Development Knowledge Network (CDKN). • The World Bank will be doing an assessment of the threat of climate-induced out-migration from vulnerable areas under the analytical works component of BCCRF. They will assess the CDKN work and decide whether additional work should be funded under BCCRF. 	DFID will monitor closely the outputs from both CDKN and BCCRF studies to ensure application of results in current and future decision making processes.	Ongoing	<p>On track. The World Bank has identified a study on migration as a priority for further analytical work under the BCCRF, specifically an assessment of the threat of climate-induced outward migration from vulnerable areas'. This work now needs to be developed into a concept note.</p> <p>In addition, the Government of Bangladesh has requested the Climate and Development Knowledge Network (CDKN) to conduct a study on the consequences of climate change in human displacement and develop policy recommendations. The study (called Adaptation Policy Options and Interventions for the Climate Change Induced Displaced People) will be conducted with support from the University of Sussex and the University of Bangladesh. A design workshop was held on 23 February 2012 which DFID attended.</p> <p>DFID is tracking both of these studies closely, and has ensured good links with the UK Foresight Study on Migration which included a case study on Bangladesh.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
			DFID will engage with the UN International Organisation on Migration (IOM) to better understand migration issues in Bangladesh and see where programmatic work can be strengthened	Apr-12	On track. A meeting with IOM is planned for late March 2012.	
<p>Recommendation 5: DFID should plan more explicitly for what will happen at the end of the programme. In particular, more effort is needed to build capacity within government to enable activities and administration to be led by local, not international, institutions.</p>	Accepted	<ul style="list-style-type: none"> Under BCCRF the government secretariat for the programme is being set up and will be operational by Jan 2012. The role of the secretariat will be to build capacity of government to design and manage climate change funds, and programmes. 	DFID will review the work plans of both key programmes (BCCRF and CDMP) to ensure work plans clearly include capacity building within the relevant Government of Bangladesh (GoB) ministries to take forward climate change activities, and exit strategies. This includes not only the host ministries (Ministry of Environment and Forests for BCCRF and Ministry of Food and Disaster Management for CDMP) but also other key line ministries	Jul-12	On track. Work plan revisions are ongoing following the annual review process. CDMP will strengthen its work on building focal points for disaster management and climate change adaptation across 14 ministries.	
			For BCCRF in particular, clear criteria for national capacity to manage the funds will be developed during 2012. This will enable GoB and development partners to track progress in developing these capacities to enable a full handover of management of the BCCRF to GoB.	Jul-12	On track. For BCCRF the next identified step is the establishment of the Secretariat in the Ministry of Environment and Forest. This will then be able to develop clearer capacity building requirements for GoB within MoEF and beyond. DFID is proactively pushing for this critical next step to be implemented.	

ICAI REPORT: DFID's Support to the Health Sector in Zimbabwe

Report 4: November 2011

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 1: As noted by the International Development Committee, DFID should support the Zimbabwe ministry of Health to strengthen its capability to manage the health system</p>	<p>Accepted</p>	<p>DFID has helped ensure that strengthened capability in the Ministry of Health is an important component of the Health Transition Fund , an instrument to provide comprehensive support to the health sector in Zimbabwe, which was launched in November 2011.</p>	<p>DFID will work closely with other funding partners and with the Ministry of Health and Child Welfare (MOHCW) to ensure the newly launched Health Transition fund (HTF) strengthens the capability of the Ministry.</p>	<p>2012 (progress reviewed annually in March)</p>	<p>On track. The first steering committee for the Health Transition Fund took place on 8th Feb 2012. The committee is co-chaired by the Permanent Secretary and a donor representative (DFID for year 1). Workplans have been developed for each of the four pillars of the HTF. Two pillars focus on human resources for health, and on health policy planning, monitoring and evaluation.</p>	
		<p>Between 2009–11, DFID has provided long term technical assistance to the Policy, Planning, Monitoring & Evaluation Department of the MOHCW.</p>	<p>DFID will consider with others the options for providing further technical assistance within HTF to strengthen the capability of the MOHCW</p>	<p>Jun-12</p>	<p>Completed. A ToR for the Health Transition Fund Coordinator has been developed. The HTF coordinator will sit in the Directorate of Policy and Planning, M&E in the MOHCW. Further options for technical assistance are being considered.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 2: DFID should plan to address the risk of falling value for money if funding is scaled up further. This should include identifying the major value for money risks and specifying how they will be managed and monitored.</p>	Accepted	At the project design stage DFID identifies and assesses key risks and mechanisms to mitigate those risks.	DFID will produce a detailed Value for Money Strategy which will enable it to effectively prevent falling value for money in any of its projects.	Apr-12	Completed. DFID Zimbabwe produced a Value for Money strategy that was approved in January 2012	
			Value for money will include agreeing measures to mitigate the risks of corruption taking into account those to be agreed by DFID in response to the ICAI review of DFID's approach to Anti-corruption.	Jun-12	On track. DFID is in the process of producing a comprehensive Anti-Corruption strategy and recruiting an additional Governance adviser. This will serve to strengthen the Value for Money of DFID's programme.	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 3: DFID should continue its effort to promote the removal of user fees for pregnant women and children under five and ensure that this is a core objective in future support to maternal health.</p>	Accepted	<p>DFID has worked with partners to ensure that the removal of user fees is an explicit objective in the new Health Transition Fund, launched in November 2011.</p>	<p>DFID officials will seek ministerial approval for financial support to the Implementation of the Health Transition Fund (HTF).</p>	Mar-12	<p>Completed. The Maternal, Newborn and Child Health (MNCH) business case was approved in February. This includes £50 million for the HTF over 4 years</p>	
		<p>Regular meetings since March 2010 between senior DFID officials and the Ministers of Finance and Health and their senior officials have stressed the importance of removal of user fees.</p> <p>A technical assistance mission in 2010 provided advice on the user fees issue.</p>	<p>DFID will work with partners during implementation of the Health Transition Fund to continue to press for the removal of user fees as soon as possible.</p>	Ongoing	<p>On track. DFID continues to press for the removal of user fees. Discussions are ongoing in the HTF coordination fora.</p>	
			<p>DFID will continue to support efforts to monitor and track user fee charges through the Vital Medicines and Health Survey (VMAHS) and will also monitor this through accountability initiatives currently being designed as part of DFID's Operational Plan for Zimbabwe.</p>	Quarterly VMAHS reporting	<p>On track. DFID continues to fund the VMAHS which is providing useful health facility trend data including information on user fees. And within the newly approved MNCH business case, £2 million will be used to support an accountability initiative to help revitalise community health centre committees and support citizen engagement in health care delivery. A tender process will be launched in the next few months.</p>	

Recommendation	Accepted Partially Accepted Rejected	Action already taken as at 13/12/11	DFID Response	DFID Target Date	DFID Progress Update: March 2012	Action/Follow Up
<p>Recommendation 4: DFID should ensure more comprehensive reporting across the delivery chains, with clearer linking of funding to performance delivered</p>	Accepted		<p>DFID Zimbabwe's new Value for money Strategy will ensure a more consistent and systematic approach to collecting data on our projects which will strengthen monitoring of results delivered against funding provided.</p>	Apr-12	<p>Completed. The recently approved Value for Money Strategy will ensure a more rigorous approach to VFM across the portfolio</p>	
			<p>The focus of the Annual Review and Project Completion templates on Value for money will help support this process</p>	January 2012 onwards	<p>On track.</p>	
<p>Recommendation 5: DFID should take the lead in the donor community to agree a common definition of administrative costs and require implementing partners to report administrative costs on that basis.</p>	Accepted	<p>DFID Zimbabwe has taken a leadership role in the negotiation on overheads and administrative costs with UN agencies and other implementing partners for joint programmes.</p>	<p>DFID Zimbabwe will work with other bilateral agencies in Zimbabwe to seek to agree a common definition of administration costs and identify a suitable mechanism for regular reporting</p>	Jun-12	<p>On track. The new Deputy Head of Office who arrives at the end of March will lead implementation of this action.</p>	

ICAI REPORT: Girl Hub: A DFID and Nike Foundation Initiative

Report 5: March 2012

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action already taken	Action to be taken	DFID Target Date	Action/Follow Up
<p>Recommendation 1: Girl Hub should be reconfigured to focus more sharply on how it will make a difference to girls, with detailed country and programme plans. It needs to measure both the success of each programme and how effectively programmes are linked to each other and to wider initiatives.</p>	<p>Partially Accepted</p>	<p>We are working with Girl Hub to refine its logframe. Country-level logframes are under development.</p> <p>Girl Hub has drafted a monitoring and learning plan to enable measurement of success and learning across the programme. This is currently in review.</p> <p>Evaluation baseline reports have been completed in Rwanda and are planned in Ethiopia and Nigeria.</p>	<p>Rather than 'reconfigure' the Girl Hub, DFID's standard Annual Review system will examine and make recommendations to ensure clarity of focus and further strengthen the logframe.</p>	<p>End April 2012</p>	
			<p>The monitoring and learning plan will be finalised in July.</p>	<p>Jul-12</p>	
			<p>Normal programme management processes require DFID to undertake a final progress review of the project as it approaches completion. This will be conducted independently in the first quarter of 2013. It will assess how the different activities (or programmes) in the log frame have combined to deliver the overall project objectives. It will consider and make recommendations on options for support beyond the project end date in 2013.</p>	<p>Apr-13</p>	
<p>Recommendation 2: Girl Hub should implement comprehensive and robust risk, governance, financial and performance management policies and processes.</p>	<p>Accepted</p>	<p>We are undertaking an Annual Review that will investigate these issues and make recommendations on actions necessary to strengthen them. Key aspects of the review are led by staff who have had no previous engagement with Girl Hub.</p> <p>Girl Hub has already put a Child Protection Policy in place and is in the process of implementation</p>	<p>Annual Review will identify forward plan for next 6 months.</p>	<p>End April 2012</p>	

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action already taken	Action to be taken	DFID Target Date	Action/Follow Up
			Clear governance structure and risk management framework, including country programmes, approved by DFID-Nike Foundation Senior Strategic Collaboration Group.	Jul-12	
			Girl Hub financial and performance management policies and processes approved by DFID-Nike Foundation Senior Strategic Collaboration Group.	Jul-12	
			Further assurance will be provided for DFID monies allocated through audit certificates. The Nike Foundation Annual Audited Statement for FY 2011/12 (May-April) will provide audit discharge for DFID's global grant to Girl Hub.	Nov-12	
Girl Hub, DFID and Nike Foundation should ensure that their messaging is clear and consistent and that the roles and influences of each organisation are transparent and accountable		We note that the ICAI report found no undue influence of Nike on DFID. Discussions between senior managers in DFID, Nike Foundation and Girl Hub regarding the roles, organisational arrangements, accountabilities and partnership principles of the strategic collaboration between Nike Foundation and DFID are ongoing. Final approval to be given by DFID-Nike Foundation Senior Strategic Collaboration Group.	DFID-Nike Foundation Senior Strategic Collaboration Group will recommend how each organisation can clarify their roles and ensure this is clearly communicated.	Jun-12	
Recommendation 3: DFID should assess the options for Girl Hub's future in the light of the evidence to date.	Accepted	Annual Review underway to assess progress against the logframe. Key aspects of the review are led by staff who have no previous engagement with Girl Hub.	DFID's standard Annual Review system will identify a forward action plan for next 6 months.	Apr-12	

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action already taken	Action to be taken	DFID Target Date	Action/Follow Up
			The standard final progress review in first quarter 2013 (as noted in Action 3 for Recommendation 1) will make recommendations for options for support beyond project end date.	Apr-13	
<p>Recommendation 4: DFID should reflect on the Girl Hub experience and the findings of this report in order to learn how it can promote innovation internally in a way that manages risk, including how partnerships with the private sector and private foundations should be implemented.</p>	Partially Accepted	<p>DFID's Private Sector Department provides support and guidance to other parts of DFID in establishing programmes which work with the private sector through a suite of guidance notes and information</p> <p>Work is underway on an 'innovation platform' which will link ideas on innovation in programming, partnership and outputs from around DFID. This is being supported by recruitment of a new adviser on innovation.</p>	<p>Lessons learned from Girl Hub (e.g. through annual reviews) will be fed into future activities to inform DFID's future policy on innovation. We will continue to place emphasis on being able to work with the Private Sector in new and creative ways which manage risk effectively but avoid stifling innovation through bureaucracy.</p>	Sep-12	
			<p>DFID will commit to updating information on its external website about its work with foundations. DFID will mirror this on its internal website and run Insight articles and seminars, to highlight to DFID staff what we can learn about foundations' approaches to innovation and risk and ways of partnering with them.</p>	Sep-12	
<p>DFID should implement more thorough pre-grant due diligence for all partners.</p>		<p>DFID has previously made a commitment to develop due diligence products following the ICAI report on Anti-corruption, building on the established system used by the Civil Society Department.</p>	<p>Work has already commenced and guidance will be available by the end of May with a progressive roll out across the organisation in 2012.</p>	<p>Full roll-out of guidance by end 2012</p>	

ICAI REPORT: DFID Programme Controls and Assurance in Afghanistan

Report 6: March 2012

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action Already Taken	Action to be Taken	DFID Target Date	Action/Follow Up
<p>Recommendation 1: 'DFID should make explicit in its funding decisions how it is assessing and taking into account the risk of leakage and balancing that risk against the benefits the programmes are designed to deliver.'</p>	<p>Accepted</p>	<p>DFID does not tolerate leakage in its programmes and ICAI found no evidence of leakage in DFID Afghanistan (DFIDA). DFIDA:</p> <ul style="list-style-type: none"> • Assesses the value for money and risks affecting all funding decisions when developing project business cases. • Undertook a mapping exercise to identify high risk programmes and mitigating actions in May 2011. • Reviews programme-wide risks and mitigating actions at its quarterly Programme Board meetings. • Initiated a programme-wide Fiduciary Risk Assessment which started in April 2012 that will assess the fiduciary safeguards put in place by partners managing UK funds through government systems • Appointed a Regional Anti-Corruption Adviser who will be in post by July 2012 • Completed a Fiduciary Risk Assessment of the Asian Development Bank's DFIDA-funded programmes in March 2012. • Raised awareness across the office with the visit of a DFID Counter Fraud Officer in April 2012. 	<p>A DFID Task Team will visit Kabul by end April to develop an Action Plan to further reduce the risk of leakage or fraud. DFIDA is already considering the use of third party verification and continuous audit. Specific responsibilities and resourcing needs will subsequently need to be agreed, including with DFID central departments.</p>	<p>Action Plan agreed and under implementation by June 2012.</p>	
			<p>DFIDA will develop a new portfolio management tool to monitor and manage risks and results; and add a risk on partner financial systems to its existing risk register.</p>	<p>Jun-12</p>	
			<p>DFIDA will undertake an annual scenario planning exercise to test strategy and enhance portfolio risk management.</p>	<p>Sep-12</p>	
			<p>DFID's Finance Division will develop guidance to assist spending departments in their assessment and management of fraud. This will guide new due diligence assessments of all partner organisations. DFIDA will implement this guidance and take a more comprehensive approach to risk analysis.</p>	<p>Sep-12</p>	

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action Already Taken	Action to be Taken	DFID Target Date	Action/Follow Up
			DFIDA will use the findings from its on-going programme-wide Fiduciary Risk Assessment to identify additional actions to further address risk in new project business cases.	Aug-12	
			DFIDA will develop an Anti-Corruption Strategy, building on its existing work and central guidance.	Sep-12	
<p>Recommendation 2: 'DFID needs to deploy people with more financial and procurement skills to improve its financial grip and reduce risk. It should focus its financial resources on improving its understanding and reporting of cost throughout the delivery chain.'</p>	Accepted	<p>As the ICAI report recognises, DFIDA already had plans in place to address this. DFIDA:</p> <p>Advertised two new posts to improve understanding and management of costs throughout the delivery chain.</p> <p>Used standard indicators on financial management in all relevant staff objectives and appraisals for FY 11/12. We will continue this in FY12/13 and beyond.</p> <p>Planned financial management training by end April for all relevant staff.</p>	The new Finance Manager and Commercial Adviser posts will be filled as soon as possible. The Action Plan (recommendation 1, action 1) is likely to have additional staffing implications which DFID will take forward.	Sep-12	

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action Already Taken	Action to be Taken	DFID Target Date	Action/Follow Up
<p>Recommendation 3: 'DFID should strengthen its managing agent agreements by specifying the levels of controls and assurance that it expects to be in place and monitoring whether or not these standards are met.'</p>	Accepted	<p>DFID already reviews its partners' systems when developing new business cases.</p> <p>As discussed with ICAI, in some cases (e.g. multilateral agencies) amending managing agent agreements to provide more information on partners' controls will require DFID to review and renegotiate existing agreements. In some cases this may require changes to international agreements that would also require the support of other countries.</p>	<p>The Task Team (recommendation 1, action 1) will assess how managing agent agreements should be further strengthened. Depending on the outcome of the Action Plan, DFID will review managing agent agreements (multilateral, government, NGO and private sector) for all delivery partners.</p>	Date to be determined once Action Plan is in place.	
<p>Recommendation 4: 'DFID should ensure that its office in Afghanistan implements outstanding NAO and PAC recommendations regarding fraud and corruption.'</p>	Partially Accepted	<p>ICAI highlights three areas where it judges that DFIDA has not fully responded to the NAO and PAC:</p> <ul style="list-style-type: none"> • Quantifying leakage: A robust and credible methodology is necessary before unidentified fraud and loss can be quantified in a meaningful way. DFID has commissioned research to review options and methods to measure fraud in overseas aid. • Risk management: See actions already taken under recommendation 1. • Financial management: See actions already take under recommendation 2. 	<p>On quantifying leakage</p> <p>DFID's Finance Division will develop guidance to assist spending departments in their assessment of fraud and leakage in each Business Case (see recommendation 1, action 1). The guidance will draw on recent research undertaken on options and methods to measure fraud.</p> <p>On risk management new actions that DFIDA will undertake are set out at recommendation 1 above.</p> <p>On financial management new actions that DFIDA will undertake are set out at recommendation 2 above.</p>		

ICAI REPORT: DFID's Engagement with the World Bank

Report 7: March 2012

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action already taken	Action to be taken	DFID Target Date	Action/Follow Up
<p>Recommendation 1: DFID should improve its oversight of the World Bank trust funds it is financing and develop a corporate strategy for allocating resources to trust funds in line with UK Government aid objectives, within 12 months.</p>	<p>Accepted</p>	<p>There is already significant scrutiny of individual trust fund decisions. All DFID teams must produce a full business case including a rationale in terms of DFID objectives, an options analysis and a cost benefit analysis, as for all other investments.</p> <p>IFID has led development of a work plan to improve the management of systemic risks and opportunities associated with DFID trust funds in the World Bank. The plan has been approved by the Director-General for Policy and Global Programmes. It has four work streams:</p> <ul style="list-style-type: none"> a. consolidate and rationalise the overall number of trust funds; b. improve performance management of trust funds through better results frameworks; c. improved management of the trust funds through identification of service level standards; and d. improved financial management. 	<p>1. DFID Management Board signs off on the Corporate Strategy and Implementation Plan for Trust Funds to deliver:</p> <ul style="list-style-type: none"> -greater policy and donor coherence; -consolidation and rationalisation; -consistent and high quality monitoring and evaluation; and -stronger focus on VFM. 	<p>November 2012</p>	
			<p>First report to DFID Top Management on progress by DFID in implementing the Corporate Strategy and Implementation Plan.</p>	<p>Sep-13</p>	

Recommendation	Accepted Partially Accepted Rejected	DFID Response: Action already taken	Action to be taken	DFID Target Date	Action/Follow Up
<p>Recommendation 2: DFID should work with the World Bank during the remainder of IDA16 and through IDA17 to improve service delivery cost-effectively in fragile and conflict-affected states, including through further decentralisation of staff.</p>	Accepted	<p>DFID has been working closely with Bank Management on the implementation of IDA16 commitments and recommendations of 2011 World Development Report (WDR) on Fragile States. DFID has championed the establishment of the Bank's new Fragile States Hub that should improve the quality of WB operations.</p> <p>To support its implementation of the WDR recommendations, DFID has agreed to share feedback received from our country offices on the Bank's performance with its Director for Conflict, Security & Development.</p>	Exchange best practice with WB on innovative and cost-effective approaches to delivery in difficult contexts (having identified approach and priority areas by September 2012).	Mar-13	
<p>Recommendation 3: DFID should review the principal factors influencing the success of IDA projects. It should then assess how to extend the measures and increase the stretch in targets in the IDA Results Measurement System. DFID should use this work to improve performance and value for money through the IDA17 replenishment negotiations.</p>	Accepted	<p>DFID's concerns, communicated during summer 2011, about the IDA16 indicators led the Bank to produce a Technical Note on the Results Measurement System that better enables examination of the level of challenge of the IDA16.</p> <p>DFID is using the IDA Results Working Group to make the case for IDA recipients and donors alike to use the Results Measurement System to hold the Bank to account.</p>	DFID to draw on existing Bank material, particularly the Independent Evaluation Group's annual synthesis report, to identify the 'influencing factors' driving project performance and improving value for money. DFID to then use this as the basis for an assessment of the IDA16 Results Measurement System, establishing how stretching the existing targets are and whether there are any gaps in the Results Measurement System.	Jul-12	
			DFID will share this assessment with other donors in advance of the IDA16 Mid Term Review	Oct-12	

ICAI Report: Evaluation of DFID's Electoral Support through UNDP

Report 8: April 2012

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
<p>Recommendation 1: DFID should actively cultivate alternative delivery channels suitable for implementing electoral support. This means seeking out alternative or additional implementing partners where feasible, in order to complement and compare with UNDP and to provide additional resources for capacity-building.</p>	<p>Accepted</p>	<p>Existing programmes already provide electoral support with non-UNDP providers, including The Asia Foundation and IFES (International Foundation for Electoral Systems) in Pakistan, Democracy International in Bangladesh. In a number of countries (Uganda, Nigeria and Bangladesh) DFID channels funds through other bilateral donors rather than UNDP.</p> <p>New central procurement arrangements in place that already include some providers of electoral assistance and democratic governance, for country offices to access.</p>	<p>Comprehensive information & capability statements from non-UNDP providers to be made available to DFID staff, including areas of comparative advantage, geographic expertise and presence, and lessons / evaluations from previous programmes.</p>	<p>October 2012</p>
<p>Recommendation 2: DFID should immediately engage with the UN at headquarters and local levels to improve performance. This should form part of the 2013 update to the Multilateral Aid Review of UNDP by DFID.</p>	<p>Accepted</p>	<p>The 2013 Multilateral Aid Review update will assess performance against the reform priorities: improving country level performance, implementing its organisational change agenda, sharpening its focus on comparative advantage and strengthening its leadership of the UN development system.</p> <p>Broader support being provided for cross-cutting initiatives to improve UN effectiveness including Resident</p>	<p>DFID will continue to support UNDP's reform agenda, particularly those relating to human resources and cost control. DFID will engage with the UN 5th Committee, through the UK Mission to the UN to ensure greater UN system effectiveness on Human Resource issues. DFID will also work towards and support measures which will improve UN performance as set out in the Quadrennial Comprehensive Review.</p>	<p>Negotiations Sept to Dec 2012</p>

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
		<p>Coordinators, the Development Operations Coordination Office, results, audit, procurement and transparency.</p> <p>A number of UN evaluations and reviews of electoral assistance and operational support are currently underway, which will offer opportunities for dialogue and further action to DFID.</p>	<p>DFID will establish a stronger evidence base on the performance of DFID-funded UNDP election support, using UNDP's own monitoring and evaluation and an Annual Survey of DFID staff based on the ICAI survey of Governance Advisers on UNDP electoral assistance.</p>	<p>Annual Survey Nov. 2012</p>
	Accept	<p>A forthcoming review of 'UN integrated electoral assistance' by UNDP / Dept. of Political Affairs / Dept. of Peacekeeping Operations will provide a more detailed assessment of inter-agency approaches to elections later in 2012.</p> <p>DFID's new programme of support to the Department for Political Affairs includes support to EAD. Programme monitoring and annual reviews will provide opportunities to discuss these issues.</p>	<p>DFID will work with UNDP to identify UNDP's comparative advantage on elections and democratic governance in the new UNDP Strategic Plan (2014 to 2017). (Executive Boards and Strategic Plan discussions).</p> <p>DFID will engage with the follow-up to the review of integrated election assistance.</p> <p>Annual Review of the UN Department for Political Affairs programme in 2013.</p>	<p>From July 2012.</p> <p>June, Sept '12, Feb, June and Sept '13</p> <p>September Executive Board</p> <p>June 2013.</p>

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
Recommendation 3: DFID should place greater emphasis on ensuring value for money in electoral assistance. This means encouraging more realistic budget processes and advocating appropriate electoral systems and technologies	Accepted	DFID has drafted internal guidance on value for money and economic appraisal in electoral assistance programmes. UNDP has started to implement the International Aid Transparency Initiative's standard on aid transparency.	DFID will work with UNDP to develop a new methodology for assessing value for money in electoral assistance, taking into account electoral systems, technologies, delivery context, and the need for greater budget and resource transparency.	Completed May 2013
Recommendation 3.2 DFID also needs to improve its identification of the costs of different aspects of electoral systems in difference countries, to enable better cost control.	Accepted		DFID will commission new analysis, data and guidance on comparative electoral costs in consultation with UNDP and other providers.	Completed May 2013
Recommendation 4: DFID should strengthen governance arrangements over UNDP-managed programmes. This includes (i) separating political dialogue from technical oversight and (ii) making more use of third-party monitoring that will act to challenge and hold UNDP better to account for performance.	Accepted	i) DFID engages substantially with governance arrangements on a country-by-country basis, to allow flexibility in structures and oversight that are appropriate to local context. These need to allow for politically-informed programming decisions by implementers, clear accountability and communication lines, and options for political dialogue on sensitive issues. ii) DFID's new guidance on programme monitoring and evaluation requires external and/or beneficiary participation.	New DFID-FCO guidance will be prepared on options for programme governance arrangements, based on best practice lessons, and to be adapted to local requirements. The joint How To Note on electoral assistance will be amended to reflect the value of sourcing additional resources to monitor and advise staff during election operations. Where feasible, this could be done through EU coordination processes.	Oct. 2012 Jan. 2013
Recommendation 4.2 Risk management arrangements to cover these issues should be fully integrated into the design of assistance through UNDP.	Accepted	DFID / UK risk management arrangements already in place to support most elections / democratic governance programmes. Recent business cases in Kenya, Ghana and Nigeria have all include risk matrices.	DFID will work with UNDP to adopt a common approach to risk management (assessment, mitigation, reporting). This will be tested in at least 3 DFID-funded UNDP elections programmes.	Piloting from Jan. 2013
Recommendation 4.3 Where possible, programmes and basket fund arrangements should be maintained through the electoral cycle.	Accepted	DFID policy is to support the full electoral cycle, set out in our joint DFID-FCO How To Note for staff on working through the electoral cycle. This was adopted in Dec. 2010.	New, internal online portal launched for DFID staff with resources (analysis, tools, data sets) covering all aspects of the electoral cycle and broader democratic governance. New work detailed here (on	January 2013

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
		<p>DFID decisions on longer-term programming are taken at country level, in discussion with local stakeholders. In several countries (e.g. Uganda, Nigeria, Tanzania, Bangladesh), electoral support is part of a wider portfolio of 'deepening democracy' programmes, addressing the breadth of a democratic system.</p> <p>At least 13 countries supported to hold freer and fairer elections (DFID Business Plan commitment, 2012-15) through full electoral cycle / deepening democracy programmes.</p>	suppliers, vfm, costs, risk) to be housed on new portal.	
<p>Recommendation 5: DFID should ensure that each example of electoral support is anchored in a strategy for democratic development. This should include how the elections assistance relates to governance objectives beyond the timeframe of a specific election. It should also include active engagement with a wider range of national stakeholders and political institutions.</p>	Accepted	<p>The joint DFID-FCO how to note on supporting the electoral cycle notes the importance of rooting support in context analysis, and using elections as an entry point to wider systemic support to the democratic process.</p> <p>DFID offices undertake periodic Country Governance Analyses. Some already have democratic governance strategies in place.</p> <p>Business case guidance requires the context analysis and the broader evidence and policy for the intervention, including electoral assistance. In some cases (e.g. unexpected elections) it may not be feasible to develop full strategies before the support is required.</p>	<p>Joint How To Note on electoral support to be updated to reflect issues that should be specifically addressed in business cases and approval submissions. These include wider democratic objectives to which the support will contribute, and links to the strategic objectives for DFID's Operational Plan in each country.</p>	Nov. 2012

ICAI Report: The Management of UK Budget Support Operations

Report 9: May 2012

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
<p>Recommendation 1: DFID should determine the amount of budget support to provide based on an assessment of how much poverty reduction can realistically be achieved through expanding public expenditure given the quality of national policies and institutions.</p>				
<p>Recommendation 2: DFID should build its general budget support operations around the possibility of higher and lower levels of funding, with a substantial increment between them, to send clear signals on performance and free up resources from non-performing operations.</p>				
<p>Recommendation 3: DFID should set clear targets for progress on public financial management reform and anti-corruption for each of its budget support operations and link future funding levels to progress achieved.</p>				
<p>Recommendation 4: DFID should strengthen its approach to managing short-term fiduciary risk in its budget support operations through more active measures to address specific risks identified in Fiduciary Risk Assessments.</p>				

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
<p>Recommendation 5: Both general and sector budget support operations should include explicit strategies for tackling constraints on efficient public spending and ensure that these are addressed systematically in policy dialogue and reform programmes</p>				
<p>Recommendation 6: DFID should develop explicit influencing strategies in respect of the issues it deems critical to each country's development path, combining budget support dialogue with other approaches such as funding research and advocacy, media campaigns and working with parliament in the recipient country.</p>				
<p>Recommendation 7: DFID should look for every opportunity to promote national accountability, including through sharing information on recipient government performance generated within budget support operations with parliament and other national stakeholders.</p>				
<p>Recommendation 8: DFID should change the way it assesses and reports on the results of its budget support operations, to capture the transformational effects of UK budget support rather than simply the extent of the UK subsidy to basic service delivery.</p>				

ICAI Report: DFID's Education Programmes in Three East African Countries

Report 10: May 2012

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
<p>Recommendation 1: DFID should revise its 2010 strategy for education to ensure that learning outcomes are at the heart of its support through all levels of the education delivery chain.</p>				
<p>Recommendation 2: DFID should revise its pilots on results-based aid by working with ministries of education to introduce a results focus into national funding for districts and schools.</p>				
<p>Recommendation 3: DFID should continue to expand its support for communities to enable them to monitor and promote education, so as to encourage accountability, the widest possible participation and public debate.</p>				
<p>Recommendation 4: DFID should strengthen its capacity-building in ministries of education to improve the value for money of their education systems. This should involve enhanced analysis (including tracking funds and comparing in-country unit costs and learning outcomes), evaluation, forecasting and application of international good practice.</p>				

ICAI Report: Evaluation of DFID's Support for Health and Education In India

Report 11: May 2012

ICAI Recommendation	Accept/ Partially Accept /Reject	Action already taken	Action to be taken	Target date
<p>Recommendation 1: Beginning with its work in Bihar in education and health, DFID should clearly identify and monitor what are the particular benefits provided by UK aid in order to focus its activities where it adds most value.</p>				
<p>Recommendation 2: DFID should clarify its forward strategy in Bihar to enable delivery partners to plan sustainable programmes for the future.</p>				
<p>Recommendation 3: DFID should increase even further the contribution it makes through technical assistance in India, which transfers skills and knowledge, because this is where it adds most value.</p>				
<p>Recommendation 4: DFID's planned anti-corruption strategy should include strengthening ties with local law enforcement bodies and establishing a whistle-blower hotline.</p>				