



**Independent  
Commission  
for Aid Impact**

**Independent Commission for Aid Impact: Annual Report to the House of  
Commons International Development Committee 2012-13**

**June 2013**

## Contents

	Page
1. Letter from Chief Commissioner	3
2. Introduction	5
3. Chapter 1: What have we done?	6
4. Chapter 2: What have we found?	11
5. Chapter 3: What impact have we had on DFID?	20
6. Chapter 4: What impact have we had more widely?	26
7. Chapter 5: What are our plans?	29
8. Chapter 6: Corporate governance	35
9. Chapter 7: Expenditure	38
10. Annex A: Detailed Follow-Up of Year 1 Reports	43

Dover House, 66 Whitehall  
London SW1A 2AU



**Independent  
Commission  
for Aid Impact**

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

26 June 2013

*Den Chisum*

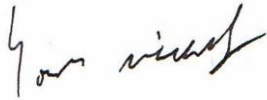
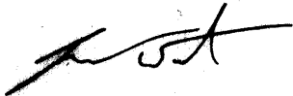
I am pleased to enclose the Independent Commission for Aid Impact's (ICAI's) second annual report, setting out ICAI's activities and expenditure during the last 12 months. I believe that we have had another successful year and have continued to make constructive, evidence-based contributions to the debate about how best to spend the United Kingdom's aid budget programme. I wanted to pick out a few themes from our work this year:

First, I firmly believe that the rationale for our creation is still in place and, as public interest continues to rise in line with the Government's Official Development Assistance contributions, there is, perhaps, an even stronger rationale for the kind of independent scrutiny that we provide in support of your Committee. We will continue to engage with a wide range of stakeholders to ensure that our contribution to the debate over international development is heard.

Second, it is worth noting two particular impacts that our work has had. Although our anti-corruption report was published in 2011, it continues to resonate strongly within DFID and among its partner NGOs and has stimulated a range of new strategies, working-groups, training and guidance. We will continue to watch this area carefully to monitor how these actions translate into changes to programme design and implementation on the ground. The second impact, acknowledged by DFID, is our focus on examining the effects of programmes on intended beneficiaries. This is a central focus that runs through all our work: particularly strong examples this year were our reports on Nigeria, India and Nepal. We will continue to deepen our focus on beneficiaries in the coming year, because we believe that, if their needs are being

met in an effective and sustainable way, the UK taxpayer can be confident that their contribution to the aid budget has been worthwhile.

My fellow Commissioners and I look forward to working further with your Committee and the Sub-Committee in the coming year. I am sending a copy of this report to the Secretary of State for International Development.

A handwritten signature in black ink, appearing to read 'Graham Ward'.A stylized handwritten signature in black ink, likely 'Graham Ward'.

Graham Ward CBE  
Chief Commissioner

## **Introduction**

1. This report is the second annual report we have published since our establishment in May 2011. It is designed to provide an outline of our activities during the period from May 2012 to May 2013 and highlight some of the key themes we have identified in undertaking our work. It also explains how we will apply what have learnt to date to our forthcoming work.
2. The report sets out our activities for the year, including the reports we have published, the visits and meetings we have undertaken and an account of how we have managed our contractor consortium. It also sets out the different kinds of impact that we have had: on the Department for International Development (DFID) and other Government Departments spending Official Development Assistance (ODA); on Parliament, the media and stakeholders in the UK; and on the lives of those people who are the intended beneficiaries of the programmes we examine. Having now published 23 reports, we are in a better position than at this point last year to draw some wider conclusions in these areas.
3. As part of this focus on the impact of our work, this report also sets out some of our first assessments of how effectively DFID has implemented the recommendations we made in our first year. We have set out some overall conclusions about progress, as well as ten individual assessments of Departmental action by report.
4. This report also sets out our revised risk management and internal control arrangements, as required by our founding documents. In addition, it sets out our expenditure for the financial year 2012-13, including a breakdown of payments made to our contractor.

## **Chapter 1: What have we done?**

1. The most visible of our activities in the last 12 months is the publication of 12 reports during the period.<sup>1</sup> These reports have continued our objective of providing balanced coverage of ODA expenditure and address topics ranging from the UK's multilateral relationships with UNICEF and the Asian Development Bank to bilateral programmes in India, Sudan, Nepal and Nigeria and DFID's major recent humanitarian intervention in the Horn of Africa. A full list of reports is set out in Figure 1 on page 11.
2. Commissioners have met nine times for formal Board meetings: an additional proposed meeting was cancelled because insufficient numbers of Commissioners were able to attend. In addition, lead Commissioners have accompanied our contractor teams on fieldwork visits for six reports, including overseas visits to India, Bangladesh, Kenya, the Democratic Republic of Congo, South Africa, Botswana, Mozambique and Nepal. This direct experience has enhanced their understanding both of those environments and of wider challenges facing DFID and has enabled them better to contribute to the findings and drafting of our reports.

### **Published Reports**

3. Combining our work from Years 1 and 2, our reports have covered a wide range of topics, themes, regions and sectors, including:
  - bilateral aid: we have examined aid spent in 22 of DFID's 28 priority countries;
  - multilateral aid: we have reviewed DFID's contributions to a variety of multilateral organisations, including the World Bank, UNDP, UNICEF and the Asian Development Bank, as well as its contributions to the EU's aid programmes;
  - sectors: we have reviewed programmes operating in a significant range of sectors, including in education (in East Africa, India, Pakistan and Nigeria), health (in Zimbabwe, India and Pakistan, as well as through our UNICEF report), humanitarian assistance (in the Horn of Africa and Pakistan); water and sanitation (in Sudan and through our UNICEF report); peace and security programming (in Nepal); climate change work (in Bangladesh) and rural livelihoods activity (in India);
  - other Government Department expenditure: while the majority of our reports focus on DFID's programmes, during the period we also reviewed the cross-departmental Conflict Pool;

---

<sup>1</sup> Prior to publication of this Annual Report, we also published our report on Foreign and Commonwealth Office and British Council use of aid in response to the Arab Spring. This was originally included in our Year 2 work plan but we decided to bring forward publication of DFID's Programme Partnership Arrangements instead and count the FCO report as a Year 3 delivery.

- key topics of interest to the International Development Select Committee (IDC), the public and other stakeholders: these include DFID's India programme, its approach to anti-corruption and budget support, aid to Afghanistan and use of contractors; and
- we have continued to use our criteria (as set out in our report on Effectiveness and Value for Money) in order to ensure a consistent and comparable approach. We note that the FCO is now using these criteria and that DFID finds them a useful method of appraising impact.

## **Interaction with Stakeholders**

4. In order both for our work to be well informed and to disseminate our findings, Commissioners and Secretariat staff have undertaken a large number of activities. The first of these is the support we have provided to Parliament, especially to the House of Commons International Development Committee and its new Sub-Committee on ICAI, to whom we report. We have given evidence to these committees in a number of formal and informal sessions and provided Committee staff with written and oral briefing to assist with their inquiries into Pakistan and Afghanistan. Elsewhere in Parliament, Commissioners have attended All-Party Parliamentary Group events to discuss some of the wider themes emerging from our work.
5. Commissioners and Secretariat staff have undertaken a wide range of other engagements, including meetings with development organisations, both individually and through their representative bodies, BOND and UK Aid Network, with whom we hold regular meetings. This dialogue allows information sharing and acts as a conduit for ideas for new reports. An NGO representative said:
 

*“One of the things that’s been really positive from our perspective is that they [ICAI] are quite open to engaging with the NGO community. There’s been a lot of mutual feedback, them coming to us, and us coming to them.”*
6. Commissioners and Secretariat staff have undertaken the following activities, amongst others:
  - while on field visits, met with a wide range of intended beneficiary groups, UN agencies, international financial institutions, partner governments, contractors and NGOs;
  - attended and spoken at a number of conferences in sectors focussed variously on corruption, development, the charitable sector and evaluation;

- held meetings in the UK with, among others, senior officials from DFID, the Foreign and Commonwealth Office (FCO), the European Commission and the National Audit Office;
- participated in seminars on effective evaluation, measuring impact and a range of development topics;
- held meetings with Professor Paul Gertler, Accenture Development Partnerships, Sir Michael Barber, Care International and staff from the Overseas Development Institute;
- contributed to NORAD<sup>2</sup> research on use of evaluations; and
- briefed international colleagues from Australia, Canada, Germany and South Korea on ICAI's work and given evidence to the OECD Development Assistance Committee mid-term peer review of DFID.

### **Managing our Contractor**

7. Paragraph 4.2 of our Framework Agreement with DFID sets out a requirement to review our contractor's performance at the end of the first, second and fourth years. We undertook, therefore, a formal review of their performance at our May 2013 Board meeting, informed by, among other things, discussions with contractor representatives on several occasions over the past year, both during Board meetings and at Secretariat level.
8. Overall, we remain content that the contractor is meeting the requirements of its contract with us in both the spirit and the letter, delivering good value for money for the taxpayer. We have continued to manage the contractor consortium very closely, working together and jointly learning from experience to ensure that they continue to deliver value for money through the provision of high-quality reports for the lowest reasonable costs.
9. The past year has seen considerable progress in several areas. The work programme has moved from start-up phase to steady state report production and we have improved many of the processes which are required to design, resource and deliver a strong report. Involving lead Commissioners more closely in country visits, analysis and drafting processes has been crucial to this improvement. We have covered a wider range of topics and the contractor has deployed an increasing pool of team leaders and team members with expertise specifically relevant to the report in question. We have worked hard to ensure that report teams have the optimum mix of expertise in relevant areas (including sectors, countries, financial management and local expertise to ensure we can understand the

---

<sup>2</sup> NORAD is the Norwegian development agency: <http://www.norad.no/en/>



beneficiary voice). The contractor has also successfully employed new beneficiary engagement methodologies in the Nigeria education and Odisha livelihoods reports.

10. In our last Annual Report, we identified several areas of performance which had been more challenging. There has been good progress on these, with some areas requiring further work in the spirit of continuous improvement and to ensure continued high-quality outputs as we aim to innovate in our approach to Year 4 work. The key areas were:

- approving terms of reference, inception reports and call-down contracts to timetable: progress has been made in this area overall, with call-down contracts always signed before country visits commence. The inception report stage is the most challenging part and more effort is required to carry out review work at an earlier stage;
- understanding possible conflicts of interest at the report level: this issue has been resolved with the introduction of explicit consideration in each inception report. The Secretariat also has early discussions with the contractor to discuss potential conflicts;
- using the contractor's human capital to best effect in both the central and deployed teams. With our encouragement, the central team has demonstrably been adding value in providing a first level of quality assurance, leading discussions on topics such as traffic light ratings and doing a significant amount of logistical work behind the scenes to support teams. The contractor is committed to continuous improvement; there is sometimes a challenge involved in making sure that learning from one review is fed through to others – this is a joint responsibility for us and the consortium core team. This has included bringing in new team leaders with particular expertise and pairing them up with those experienced in ICAI work for mentoring support, which has worked well; and
- leveraging the full network of the contractor and the full strength of consortium partners: this year has seen good progress in this area. While the work programme remains reliant on KPMG and Agulhas staff for core support, the contractor has made more use of CEGA (including for Nigeria education) and of independent team members with appropriate sector or country expertise; and is bringing in sub-contractors to carry out more sophisticated beneficiary work.

11. In terms of the areas for improvement that we flagged in last year's report, there has been good progress, particularly in approving terms of reference, inception reports and call-down contracts to the agreed timetable and in strengthening our processes for managing potential conflicts of interest. There continue to be challenges, with three main issues which need to

be addressed further with the contractor in the coming year: front-loading review fieldwork; ensuring more successful visits; and producing higher-quality first draft reports. We also had occasional examples of sub-standard work. In the case of one report, we were sufficiently dissatisfied with the contractor's performance, including around report drafting and fact-checking, that we negotiated a reduction in the fees for that report and ensured that the work was remediated to our satisfaction. The contractor has responded positively to that feedback and there has not been another instance of significant failure since then.

12. We prepared two reports using arrangements outside of the core contract with the consortium this year, because of possible conflicts of interest: the use of contractors report was delivered by Concerto Partners LLP (who were selected because they had not previously undertaken any work for DFID) and the Programme Partnership Arrangements report was undertaken by Agulhas. The experience of these reviews was mostly positive but it also showed us that the issues we have identified with our consortium are common challenges, which are genuinely hard to master. In addition, producing these two reports outside of the consortium arrangements meant that we did not have the usual support from the central KPMG team, including around quality assurance and practical areas such as report design and formatting. This placed a greater burden on the Secretariat, who had to deal directly with these matters and showed us the value provided by the consortium arrangement.

## **Chapter 2: What have we found?**

1. In this section we set out the ratings we have given for our Year 2 reports and pick out some key themes which are evident from across the reports we have undertaken to date. We have examined these themes under our four guiding criteria of objectives, delivery, impact and learning. Figure 1 on page 12 sets out all the traffic light ratings we have given for our Year 2 reports.

### **Pattern of Ratings**

2. In terms of overall scores, we gave 1 Green, 7 Green-Amber and 4 Amber-Red ratings. Looking at our subsidiary ratings, we see a broadly similar distribution, including ratings of: 5 Green, 25 Green-Amber, 18 Amber-Red and 1 Red. The ratings show a broadly similar pattern to the ratings we gave in our 2011-12 annual report and the changes are not statistically significant.
3. The ratings do show, however, a number of themes:
  - most overall ratings we issued fall in the Green-Amber and Amber-Red categories, showing that we have found very few areas of expenditure which were uniformly good or bad;
  - the subsidiary category with the strongest ratings was Impact, showing that, despite some of the problems we have found, ODA-spending departments can show real evidence that they are affecting the lives of the poor, in a positive way, across a range of programmes; and
  - there have been a number of Amber-Red ratings in Objectives, Delivery and Learning, all of which categories are areas in which better performance would have a direct and beneficial effect on the impact of programmes.

**Figure 1: Ratings for Year 2 Reports**

Report	Overall	Objectives	Delivery	Impact	Learning
Evaluation of the Inter-Departmental Conflict Pool					
The Effectiveness of DFID's Engagement with the Asian Development Bank					
DFID's Humanitarian Emergency Response in the Horn of Africa					
Evaluation of DFID's Bilateral Aid to Pakistan					
DFID's Education Programmes in Nigeria					
DFID's Oversight of the EU's Aid to Low-Income Countries					
DFID's Livelihoods Work in Western Odisha					
DFID's Water, Sanitation and Hygiene Programming in Sudan					
DFID's Peace and Security Programme in Nepal					
DFID's work through UNICEF					
DFID's Use of Contractors					
DFID's Support for Civil Society Organisations through Programme Partnership Arrangements					

4. In our previous Annual Report, we committed to reviewing our traffic light definitions because we thought that the original definitions of Green-Amber and Amber-Red might be too sharply divided. Having undertaken this process, we are content with our revised definitions, as they now better reflect the judgements that we are coming to about programmes (for example, Green-Amber represents a programme which "performs

relatively well overall"). The new definitions have not yet led to a marked change in the traffic light ratings we give, reflecting that most of the programmes we have reviewed this year contain elements of mixed performance. Where appropriate, however, we now also give traffic light ratings for individual programmes or sectors reviewed as part of an overall study, to illustrate the different performance across them.

## **Key Themes**

5. In this section we set out some of the key themes we have observed about ODA expenditure, under each of our four guiding criteria. Our commentary relates to DFID unless specified otherwise.

## **Objectives**

6. Theories of change: our reports show that DFID and other departments can usually demonstrate a clear link between their strategic objectives and the programmes they establish. The next challenge is planning programmes so as to deliver the desired outcomes – the so-called ‘theory of change’. Getting this right is critical to the ensuing success of each programme and we have seen both good and bad examples of this in our work this year.
7. Setting out a clear theory of change is clearly easier in some situations than others. For example, where DFID spends money through multilateral organisations or on programmes designed to stimulate changes in the political or business environment, there are many more external factors, uncertainties and steps in processes which can alter the intended effects. We found, however, a range of good and poor practice in the theories of change we examined.
8. We saw contrasting approaches to education theories of change in DFID’s Nigeria and Pakistan programmes. In Pakistan, DFID’s approach comprised financial aid, extensive political dialogue, technical support, funding for research and innovation and a set of interventions designed to generate social pressure for change. In practical terms, the programme involves a series of interventions collectively designed to improve learning outcomes. These include a drive on teacher attendance, the introduction of lesson plans, teacher performance incentive schemes, upgrading of school facilities and work with the examination board to raise the standards of assessment. In contrast, we found that DFID’s approach in Nigeria targeted the improvement of the education system as a whole, without prioritising either the ultimate objective of pupil learning or support for weaker schools.

9. DFID's rural livelihoods programme in Odisha, India was designed at a time when theories of change were not standard practice. Despite this, DFID India undertook a similar process, using detailed analysis of the local context, in-depth discussions with intended beneficiary communities and lessons learned from other projects, that gave the project a strong chance of success.
10. Multilaterals: In our 2011-12 annual report, we noted the difficulty of attributing impact from DFID's funding of multilateral organisations. Having undertaken three reports on DFID's relationships with and work through multilaterals this year, we observe that DFID works with them in very different ways and that it needs to be clear what it wants to achieve in those different scenarios.
11. For example, there are aspects of the UK's engagement with the European Union and the Asian Development Bank which can only be achieved through a mixture of dialogue, influencing work and funding decisions at the headquarters level and we made recommendations for maximising the impact of these activities. DFID also, however, co-finances multilateral projects in-country. Our reports on the Asian Development Bank and UNICEF show that the Multilateral Aid Review analysis is only a starting point for allocation decisions and that DFID needs to understand each organisation's strengths and capabilities at a local level before committing funding.

## **Delivery**

12. Country office capability: DFID's devolved model and the wide range of delivery mechanisms it uses to implement its programmes mean that the capability of each country office or team is vital. This is especially true in fragile and conflict-affected states, where it may be harder to achieve impact via the usual programme management practices. The evidence suggests that, in difficult environments, DFID needs to examine carefully its HR policies, its access to local skills and the balance it strikes between internal and external capacity in a systematic way.
13. Following observations we have made in this area in Year 1 reports, several of this year's reports continued to pose questions about whether DFID has the staff capability it needs in the right areas. We have found this to be a recurring theme. In particular, our report on the Horn of Africa humanitarian response noted several human resource challenges. First, the amount of time humanitarian advisers had to spend providing information to

headquarters during the crisis reduced the time they had available to spend in the field. Second, additional staff were deployed on short-term arrangements, which, in our view, could have been longer, given the chronic situation and the cyclical occurrence of drought in the region.

14. DFID has responded to its evolving business model by changing the range of skills on which it can draw through training, recruitment and new posts or cadres, such as commercial advisors or regional conflict advisors. Our report on DFID's use of contractors noted some shortcomings in programme management capability and staff continuity which led to poor mobilisation of contractor-run projects. We are, nonetheless, supportive of DFID's plans to expand its network of commercial advisers as one way of mitigating these issues.
15. Length and efficiency of delivery channels: DFID faces real challenges and trade-offs in designing delivery channels of appropriate length. Our report on Nepal showed some of the advantages of longer delivery chains, including the ability to reach further into communities and build local capability. Similarly, DFID's work in Odisha demonstrated effective partnerships with national and state governments and with local communities to deliver sustainable results. In Sudan, we saw an over-complicated UN mechanism and a failure to shift approach, albeit in difficult political circumstances, from a crisis to a chronic situation. This way of working has been unable to deliver the desired returns.
16. Our report on Pakistan identified much good practice in designing and managing programmes to fit the local context. Based on an awareness of the challenging operating environment, DFID's humanitarian programme in Pakistan showed: rigorous and systematic fiduciary controls; clear and appropriate beneficiary selection criteria and a high degree of transparency in beneficiary selection; hotlines and complaints procedures; and robust procurement processes – all backed up by regular DFID staff visits. These actions seemed to be key determinants of the successful impact the programme was delivering.
17. In Pakistan and Nigeria, we observed the need for partner governments to play their part if programmes are to realise their objectives. We noted some real challenges in situations where DFID's plans run alongside those of partner governments and depend on them delivering resources. Partner governments are not contributing as planned to the Pakistan health programme, nor to the Nigerian education programmes, whereas

DFID's education work in Pakistan is carried out alongside meaningful government activity.

18. One recurring concern arising from both bilateral and multilateral expenditure is the lack of clarity about administrative costs – both how to define them and also understanding the full extent of them. Understanding the stated administrative costs of the first partner in a delivery channel does not, in our view, provide good enough oversight on behalf of taxpayers or intended beneficiaries, especially when visibility of those costs is possible and does not require significant additional bureaucratic effort. In our report on UNICEF, we noted a lack of transparency about how UNICEF's 7% cost recovery charge was spent and acknowledged DFID's efforts to push for greater transparency. In our report on Sudan, we also noted DFID's efforts to understand the drivers of its multilateral partners' high overheads.

## Impact

19. Achieving sustainable outcomes: One way of achieving our principal objective of maximising the impact of UK aid is to examine the degree to which DFID and other UK Government departments achieve sustainable outcomes and real impact for the poorest people. Our report on Odisha, reviewing the evidence of impact nearly two years after the project had been completed, provided evidence of positive and lasting outcomes for communities. As a result of the project's success and the partnership approach with Indian institutions, national and state governments have subsequently adopted similar approaches across other parts of India. This is an example of real, sustainable impact.

20. In chronic situations, such as Sudan and the drought-affected areas of the Horn of Africa, the challenge for DFID is to find ways to deliver more sustainable outcomes, even where the environment is difficult. The recurring food crises in the Horn of Africa mean that DFID has to start building closer links between its regular humanitarian programmes and its development programming. Deciding how to respond to the water and sanitation needs of the various population groups in Sudan is another example of the difficulties facing DFID in situations which can fluctuate between open conflict, with significant population movements and calmer periods which sustain semi-permanent settlements.

21. Impacts from beneficiary involvement: Our reports on Nepal, Sudan and Odisha each highlighted the positive impact of effective beneficiary involvement in the design and implementation of the projects themselves. In Nepal, for example, we saw for ourselves the widespread pride among communities in relation to the reconstruction of police



stations. This work met their needs for law and order and was directed by their active involvement, by means of local supervision committees. Similarly, the mediation programmes, which were run by local people, were making a real difference to community cohesion and under-pinning the post-conflict peace process as a result.

22. In Sudan, DFID's delivery partner (Tearfund) was able to focus its Integrated Relief and Recovery programme on sustainable outcomes by building exit strategies into its engagement with internally displaced persons and rural communities. We recognise that results like these take time to achieve but have seen how much engagement with local populations results in a real sense of ownership and improved outcomes for intended beneficiaries.

23. Impact through multilaterals: we found a mixed picture on impact delivered through multilateral organisations, with the European Union scoring an Amber-Red and the Asian Development Bank and UNICEF both scoring Green-Amber in this category. Multilateral expenditure frequently offers an opportunity for DFID to deliver at greater scale and in sectors where it does not usually operate, such as road-building and infrastructure. A key question we have grappled with in our reports in this area has revolved around the appropriate level of DFID oversight required to assess impact.

24. In our report on the Asian Development Bank, we drew a distinction between DFID's role as a shareholder – in which capacity DFID has a positive influence on the Bank's strategy, policy and internal reform – and its role as a co-financier, where DFID could provide greater support during project implementation. Evidence of impact through the European Union was mixed, with some good prospects, for example, for road-building schemes but weaknesses in performance management systems, which made it difficult to provide overall assessments of impact.

25. What does impact mean? We have been struck by the number of internal and external discussions that we have had about the concept of impact, what it means and how to measure it in an international development context. We have, therefore, decided to follow up our VFM and Effectiveness report with a Year 4 report looking specifically at how best to deliver and monitor impact. This is likely to address the key questions listed above, using an evidence base made up of our completed reports, stakeholder engagement and some new work looking at how we can provide the taxpayer with assurance that impact has indeed been delivered.

## Learning

26. Sharing knowledge: Several reports have confronted the issue of how DFID ensures that it learns and shares knowledge appropriately, its devolved structure and the use of a wide range of multilateral, private sector and NGO partners, making this a particular challenge. We are planning, therefore, to undertake a report dedicated to this topic in Year 3. Lessons already identified include:

- the risk of contractors holding the detailed knowledge of particular projects, as we saw in our report on DFID's use of contractors, which can mean that DFID itself does not have the insights to feed learning back into future programming decisions;
- our Horn of Africa report showed strong evidence of learning from previous interventions within each of the affected countries, as well as from other humanitarian interventions. For example, the use of cash transfers in Somalia was an innovative approach for the region which may change how humanitarian aid is delivered in general in future;
- the large number of separate relationships DFID has with UNICEF makes it difficult for the former to share its collective experience of working with the latter. To address this issue, DFID is putting in place new central posts to support country offices in their dealings with UNICEF; and
- the general difficulty of sharing lessons and experience between country offices and central teams. Our forthcoming report will address this challenge.

27. Changing course: Our report on Nepal showed that DFID's peace and security programme had initially established relevant and realistic objectives that were consistent with both UK policy and international good practice. We found that, by the time of our fieldwork, DFID had not adapted the direction and aims of its programmes to reflect the changing political context and that lesson-learning for the future was poor. We recommended that DFID improve this to avoid undermining the impact achieved to date.

28. Institutional memory: The issue of maintaining institutional memory alongside the inevitable staff churn in all teams is a real challenge, particularly in fragile and conflict-affected states where staff postings tend to be shorter. We have seen a pressing need to ensure that, whatever kinds of programme or relationships are involved, DFID needs to make sure that proper records are kept and that meaningful handover of documents, relationships and institutional memory occurs. Our Nepal report, for example, revealed a

lack of up-to-date planning tools and weak project information management, which made changes in personnel difficult to manage. Commissioners also observed, on a number of their visits, that key information and insight relating to particular projects had often been lost because of recent staff changes.

## **Chapter 3: What impact have we had on DFID?**

1. The mandate to follow up on our recommendations is set out in the Memorandum of Understanding between ourselves and DFID.<sup>3</sup> Since the establishment of ICAI, we have worked to build a cycle of accountability in order to measure the increased impact of UK ODA on intended beneficiaries. This year, we have started to consider the impact of our recommendations, validating DFID's progress reports but also learning which recommendations have had the greatest outcomes.

### **DFID Reporting**

2. Since May 2012, DFID has produced bi-annual progress updates on management actions from their official management responses to ICAI reports. These updates are available on DFID's website.<sup>4</sup> Figure 2 on page 21 outlines the key data for Year 1 and 2 reports.
3. According to DFID's own reports, most management actions have been completed as described and to the intended deadline. A few have been delayed, mostly because of factors outside DFID's control or in order to link actions with other related policies or strategic decision-points. A small number were rejected, either because DFID agreed with the intent behind the recommendation but wished to respond in a different way or because they simply did not agree with it.

### **Developing Our Follow-up Work**

4. This year has seen the development of the ICAI work programme to include analysis of the impact of recommendations made from ten of the Year 1 reports. The report 'ICAI's Approach to Effectiveness and Value for Money' was not included in this work, as it did not have any recommendations; instead, it set out our views of the issues and the criteria by which we judge ODA expenditure.
5. Our analysis aims to assess DFID's response to ICAI recommendations and verify progress made against set targets. We are keen to understand where change has occurred and what measures can demonstrate the greatest positive impact for intended beneficiaries. We recognise that, in some cases, impact to date may be limited, as only a short period has elapsed since publication of initial report. We believe, nonetheless, that it is important to gauge the direction of travel.

---

<sup>3</sup> The Memorandum of Understanding is available online at: <http://icai.independent.gov.uk/publications/founding-documents/>

<sup>4</sup> <https://www.gov.uk/government/organisations/department-for-international-development/series/dfid-progress-updates-on-implementing-icai-recommendations>

**Figure 2: DFID's responses to ICAI Reports**

ICAI Report	ICAI Recommendations				DFID Implementation Status	
	Total	Fully Accepted	Partially accepted	Rejected	Completed	Incomplete
Anti-Corruption	5	5	0	0	4	1
Bangladesh Climate Change	5	4	1	0	2	3
Zimbabwe Health	5	5	0	0	3	2
World Bank	3	3	0	0	2	1
Afghanistan	4	3	1	0	3	1
Girl Hub	4	2	2	0	2	2
UNDP	5	5	0	0	2	3
Budget Support	8	5	2	1	7	0
India Health and Education	4	4	0	0	2	2
East African Education	4	1	2	1	2	1
Asian Development Bank	4	4	0	0	4	0
Conflict Pool	6	6	0	0	0	6
Horn of Africa	3	3	0	0	0	3
Pakistan	4	3	1	0	2	2
Nigeria	4	2	1	1	0	3
European Union	4	3	1	0	0	4
Sudan Water and Sanitation	4	3	0	1	0	3
Nepal Peace and Security	3	3	0	0	0	3
Western Odisha Livelihoods	3	2	1	0	0	3
UNICEF	3	3	0	0	0	3
Use of Contractors	5	4	1	0	0	5
Programme Partnership Arrangements	4	3	0	1	0	3
<b>Total</b>	<b>94</b>	<b>76</b>	<b>13</b>	<b>5</b>	<b>35</b>	<b>55</b>

6. We also recognise that, in some areas, for example in those reports covering multilateral organisations, it will be more difficult to demonstrate impact on the ground. We hope, however, that this cycle of work will allow us to learn about and improve the quality of our reports and recommendations. This should, in turn, add value to DFID and to other ODA-spending departments and increase the impact of our reports.

### Follow-up Analysis of Year 1 Reports

7. During this follow-up analysis we have, wherever possible, used Team Leaders from our original review team to conduct the work. This enables us to maintain consistency with the

original reports and ensures that those conducting the reviews understand the context of DFID's work and the intentions behind our recommendations.

8. We have developed a framework specifically for follow-up work, which is set out in Figure 3 on page 23. It is based on the standard ICAI guiding criteria and evaluation framework, which cover four areas: objectives, delivery, impact and learning. This framework aims to ensure consistency between follow-up reports and help us to focus on the key issues in our analysis.

### **Follow-up Process**

9. Once our review teams have gathered information about the design, implementation and potential impact of management actions, Commissioners have held a series of meetings with the relevant senior civil servants, some of which are on-going. These meetings gave DFID staff an opportunity to describe how their responses to our recommendations have made an impact on the ground. From this work we have been able to draw out some key themes which are set out in the following subsections. A breakdown of our findings can be found in Annex A, in which we discuss each of the 10 reports in more detail.

**Figure 3: The Follow-up Framework**

1. Objectives: Do DFID’s proposed actions address the recommendations and are they well designed?
1.1. Do these proposed actions coherently address all key component aspects of the recommendations?
1.2. Are actions realistic and holistic and do they take the context into account?
2. Delivery: Are actions being implemented effectively and are they resulting in better programme delivery?
2.1. Are actions being delivered to the deadlines set out in the management response?
2.2. Is there evidence of actions evolving due to changing circumstances or other factors in order to enhance the way in which recommendations are being addressed?
2.3. Have actions improved the delivery of the programme?
3. Impact: What difference have the actions made to the impact of the programme for intended beneficiaries?
3.1. Are actions addressing the issues raised by the report and recommendations?
3.2. Are actions leading to better outcomes for intended beneficiaries?
4. Learning: What has been learnt or shared and what could have been done better?
4.1. What has been learnt as a result of implementing the actions and have these lessons been shared effectively across the department? Have there been improvements in policy and staff culture?
4.2. Could there have been more effective actions to address the recommendations?
4.3. Is there evidence that different recommendations could have addressed the issues raised by the report more effectively?

**Key Themes**

10. We recognise that DFID has made significant efforts to address our recommendations by implementing tangible actions to stimulate change within the department and beyond. This is particularly true of its responses to our Anti-Corruption and Girl Hub reports but DFID staff also told us that many of our reports sharpened their approach or added momentum to existing work.

11. We have considered how our recommendations could have been clearer or more specific in order to make it easier for officials to respond with appropriate actions. Our Year 2 reports

have sought to provide even more specific recommendations, reducing the number of recommendations to those which will have the most impact.

12. Nevertheless, one emerging theme was that not all management actions fully responded to accepted recommendations. This can be seen to a greater or lesser extent in six of the ten reports we examined. Measures have now also been put in place by DFID centrally to combat this issue and to provide additional quality assurance in the process of forming management actions. Without conducting analysis on Year 2 reports, however, it is not possible to comment on how effective this has been. We will look to verify this in future follow-up work.

### **Actions That Have Gone Beyond Recommendations**

13. In contrast to the above, several reports have not only responded well to the specific recommendations but also DFID teams have gone further than we suggested in our original recommendations. This is particularly evident in relation to anti-corruption activity, in which the Department continues to show real signs of the proactive approach to this issue that in our original report we identified was lacking. We welcome the spirit with which DFID has embraced the issues and shown leadership in taking forward its actions.

14. In relation to the wider and more general issue of organisational culture, which we recognise to be difficult to quantify, a few reports stood out. They included: Anti-corruption, Afghanistan, UNDP Electoral Support and Girl Hub. There is welcome evidence of a new or renewed interest at senior levels in these areas, together with a recognition that more can be done to improve the way in which these programmes or issues are dealt with by the Department. This interest is an important component of changing and improving DFID's means of operation and the quality of the UK's interactions with developing countries and their beneficiaries. Whilst the four above stood out, several other reports also had good evidence of a change in culture. A good example of this was from an official working on World Bank trust funds, who told us that our report had produced a new focus on managing trust funds more proactively.

### **ICAI Reports Used to Support Reform**

15. For some of the Year 1 reports we looked at, we found that the report had been used to strengthen DFID's own position when seeking reform from delivery partners, including multilateral organisations. There is also evidence that, in some cases, the report did not



change the direction DFID was taking but sped up the process driving progress forward, for example on DFID's relationship with the World Bank.

### **Making a Difference on the Ground**

16. Through our follow-up work we have seen some good examples of ICAI's reports having an impact on the ground. This evidence is set out in more detail at Annex A.

- in Zimbabwe, the team have managed to negotiate significant reductions in administrative percentages paid to distribution organisations, which, in turn, has meant UK aid has reached an additional 170,000 people;
- in Bihar, the newly implemented anti-corruption strategy increased the capacity of the team to deal with a health department corruption allegation;
- in Afghanistan a new early warning system highlighted that a particular project was no longer value for money and this was then stopped;
- our report on education in East Africa has been used in discussion with the Government of Tanzania and among DFID officials to help to drive a positive change of approach towards learning outcomes;
- Girl Hub officials have introduced a new and improved approach to girl safety, including, for the first time, a child protection policy; and
- those managing the relationship with the World Bank report that they have closed a trust fund which was not performing to the expected levels.

These changes provide examples of where ICAI recommendations have started to have a positive impact on intended beneficiaries.

### **Follow-up of Management Actions in Future**

17. All officials interviewed to date have reported that, where ICAI findings and recommendations have reflected DFID's own views, our work has sharpened up DFID's activity or accelerated momentum.

18. This year's first round of follow-up activity has proved useful in both informing us of progress that has been made and providing some validation of measures taken by DFID. The follow-up reports and interviews with the senior civil servants responsible have not only helped us to form an opinion for this chapter of the Annual Report but will also inform the decisions we will make in the coming months on our Year 4 work programme. This is likely to include elements of further in depth follow-up reports, building on this initial work. We welcome this post-report dialogue with DFID with a view to securing the maximum impact for intended beneficiaries.

## **Chapter 4: What impact have we had more widely?**

1. The Coalition Government Mid-Term Report noted that: ‘*We have set up an Independent Commission for Aid Impact to provide tough, external scrutiny of all aid spending.*’<sup>5</sup> As part of this remit, ICAI communicates its findings to Parliament, the Government, stakeholders and the public. In this section we cover our work in this area, including our impact in Parliament, supporting the International Development Committee and other parliamentary activity. We also cover our impact on the wider public debates, as viewed through both the mainstream and social media.

### **Parliament and the International Development Committee**

2. The establishment of the Sub-Committee on ICAI, as a formal sub-committee of the International Development Committee (IDC), has offered the opportunity for closer and more regular working together, which we welcome. We have begun a regular series of meetings with the Sub-Committee to brief them on each of our reports as they are published and to discuss ideas for forthcoming reports.
3. We have also worked closely with the full IDC and its staff to support the Committee’s work, as well as to account for our own activities and expenditure. We have been able to identify several opportunities where ICAI’s work could directly support that of the IDC. One example of this was our report on DFID’s programme in Pakistan, on which we were able to brief Committee Members in advance of their own visit to the country. The IDC used some of our material in their considerations and one Member noted that our report provided a useful briefing for the IDC’s visit. The IDC also used evidence from our reports on the Conflict Pool and on Programme Controls and Assurance in Afghanistan as part of their own report on Afghanistan.
4. ICAI reports have also been the subject of Parliamentary Questions and their content has been used in debates such as on the Building Stability Overseas strategy, EU Budget Support, Sudan and Education in Nigeria. Our scrutiny and evidence-gathering has helped inform the debate over the cost-effectiveness of ODA expenditure and enabled Parliament to play its own scrutiny role to better effect.

---

<sup>5</sup> *The Coalition: together in the national interest*, HMG, 2013, <http://midtermreview.cabinetoffice.gov.uk/>

## **The Media and the Public Debate**

5. We have carefully managed our public profile so that neither ICAI nor our personnel become the story. We do, however, try to ensure that the media contribute to public awareness of UK Government ODA expenditure through balanced coverage of the evidence presented in our reports.
6. We recognise that reports with a Red or Amber-Red rating will often generate substantially more interest than Green or Green-Amber reports. We treat and publicise all reports in the same manner, not promoting one over another. We do, however, believe that it is possible for DFID and its partners and key stakeholders to make more of their own success, to ensure that the public is presented with a balanced picture of ODA effectiveness. Our view is, just as we report poor performance without fear or favour, we are keen to see effective performance celebrated and used to promote good practice.
7. ICAI has continued to grow as a trusted source of evidence and information. Often, reports are quoted in the context of other organisations' statements and reports – for example the Conflict Pool report was extensively quoted by the media after the Prime Minister discussed the possibility of some ODA being used to fund part of the Armed Forces' contribution to aid and development.
8. The most significant UK media attention was generated by the Pakistan, Education in Nigeria, EU and Sudan reports. It is also of note that ICAI's findings are increasingly being reported in the international media, particularly in countries which have been the recipients of DFID programmes. We have seen stories printed in Africa, Asia and India; this increases awareness among recipients of ODA and is likely to have an influencing effect. Specialist development media have also examined our reports and, while not always agreeing with our findings, they have broadened awareness leading to a wider debate on aid effectiveness, both by sector and by delivery channel.

## **Digital Channels**

9. ICAI's website and Twitter feed are invaluable in our interactions with our audiences. We not only use these channels to publish all of our reports and key documents, we also use them to engage with stakeholders. All Terms of Reference are posted on the site and people are invited to submit views to the programme team. These views help us to ask the questions that the public and other audiences want answered and continue to inform our future reviews.

10. An analysis of the website shows that the reports receive, on average, 400 unique page views from across the world in the three months after publication. The most significant interest was generated by the 'DFID's Education Programmes in Nigeria' report, which received 761 unique page views. There have been above average unique page views for the reports on 'DFID's Oversight of the EU's Aid to Low-Income Countries'; 'Evaluation of the Inter-Departmental Conflict Pool'; and the 'Evaluation of DFID's Bilateral Aid to Pakistan' reports. It is also of note that these particular reports have a 'long tail', in that they are the reports that continue to receive substantial unique page views after the initial three month publication period.
11. Our Twitter feed is used to make announcements, invite comments and share information. Having recently started to make better and more regular use of Twitter, we now have around 1,000 followers and this number continues to grow strongly with the publication of each report. Equally importantly, analysis demonstrates that significant numbers of these followers are in our target audiences of informed, interested parties.
12. Other stakeholders have also started to reference ICAI work in their reports. For example, a Traidcraft and CAFOD report,<sup>6</sup> on monitoring and evaluation of UK and EU aid for trade and private sector development support, referenced our evidence from the Synthesis of Strategic Evaluations. Sir Michael Barber also extensively referenced the 'Evaluation of DFID's Bilateral Aid to Pakistan' and the 'DFID's Education Programme in Three East African Countries – Ethiopia, Rwanda and Tanzania' in his Reform report, 'The Good News from Pakistan'.<sup>7</sup> In addition, the All-Party Parliamentary Group on Conflict Issues has made considerable use of our report on the cross-Government Conflict Pool. We believe that, as our body of work grows, such usage will increase.

---

<sup>6</sup> *Aid for Trade: Reviewing EC and DFID Monitoring and Evaluation Practices*, Liz Turner and Laura Rovamaa, December 2012. <http://www.traidcraft.co.uk/Resources/Traidcraft/Documents/PDF/tx/Aid%20for%20Trade%20Report%202012.pdf.pdf>

<sup>7</sup> *The Good News from Pakistan*, Sir Michael Barber, March 2013.

[http://www.reform.co.uk/content/20419/research/education/the\\_good\\_news\\_from\\_pakistan](http://www.reform.co.uk/content/20419/research/education/the_good_news_from_pakistan)

## Chapter 5: What are our plans?

### Year 3

1. This section sets out our work plan for our third year of operation (12 May 2013 - 11 May 2014), in which we intend to publish 12 reviews. This plan may well be affected by the outcome of the on-going Cabinet Office-mandated Triennial Review of ICAI<sup>8</sup> but represents the set of reports we currently intend to deliver.
2. In choosing review topics, we continue to be guided by our framework for selecting proposals, as set out in our original work plan,<sup>9</sup> centred on the four themes of coverage, materiality, interest and risk that we first identified in our report on ICAI's shadow period.<sup>10</sup> We do not require that each of our proposals addresses all four themes but, instead, aim for a balanced range of topics.
3. In compiling our Year 3 work plan, we have sought to build on our existing reports and have been guided by our framework as follows:
  - **Coverage**, including:
    - DFID priority countries and regions not previously covered, including Southern Africa, the Occupied Palestinian Territories, Burma and Montserrat, one of the Overseas Territories to which the UK is obliged to provide "reasonable assistance";
    - multilateral channels (including GAVI and UNRWA);
    - the International Climate Fund (ICF), which involves spending by government departments other than DFID. Also covering non-DFID expenditure is our recently published report on the FCO and British Council's use of aid in response to the Arab Spring; and
    - a range of sectors we have not yet reviewed (including agricultural research, empowerment and accountability, regional trade, learning and DFID's work with the private sector).
  - **Materiality**: many of the reviews encompass significant amounts of spending. For example, the ICF has a budget of £2.9 billion over four years and DFID's support to GAVI, Afghanistan and agricultural research is also considerable;

---

<sup>8</sup> <https://www.gov.uk/government/consultations/triennial-review-of-the-independent-commission-for-aid-impact-icai>

<sup>9</sup> *Independent Commission for Aid Impact – Work Plan*, ICAI, May 2011,

<http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-Work-Plan11.pdf>.

<sup>10</sup> *ICAI Report on Shadow Period*, ICAI, 2011, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-REPORT-TO-THE-IDC-ON-THE-SHADOW-PERIOD1.pdf>

- **Interest:** our work plan is designed in part to support the IDC’s planned and future enquiries. In addition, Afghanistan and civil society (encompassing our reviews of PPAs and empowerment and accountability) were issues of particular interest arising from our 2010 public consultation. We will also be examining UK aid to Burma and to the Occupied Palestinian Territories (countries in which there is particular stakeholder interest) and the involvement of the private sector in development is a topical issue; and
- **Risk:** many of our proposals will examine UK aid that involves increased risks, including delivering aid in difficult operating environments (Afghanistan, the Occupied Palestinian Territories and the Middle East and North Africa). We also plan to cover the opportunities afforded by new ways of working (agricultural research and learning).

5. This work plan was originally published in January 2013;<sup>11</sup> where review scopes have evolved since then, these are updated in Figure 4. The main change is that we have decided that our review on innovation and learning should be split into two, with learning covered in Year 3. We will conduct a review of DFID’s approach to innovation in Year 4, into which we will feed the relevant findings from previous ICAI reviews, including on learning, agricultural research and the private sector.

**Figure 4: ICAI Year 3 Work Plan<sup>12</sup>**

	<b>Report</b>	<b>Rationale</b>
1	FCO and British Council Aid Response to the Arab Spring <sup>13</sup>	<ul style="list-style-type: none"> <li>• Addresses coverage, risk and interest</li> <li>• This report was published in June 2013.</li> <li>• This report allowed us to examine the delivery of ODA programmes managed by two other organisations.</li> </ul>
2	DFID’s health programmes in Burma <sup>14</sup>	<ul style="list-style-type: none"> <li>• Addresses materiality, coverage and interest</li> <li>• Burma is the subject of international interest, given recent political developments</li> <li>• Health accounts for around half of DFID Burma’s planned £187 million spending in 2011-15</li> </ul>
3	DFID’s support to Montserrat <sup>15</sup>	<ul style="list-style-type: none"> <li>• Addresses coverage and risk</li> <li>• Allows us to cover Montserrat, one of the Overseas Territories for which the UK has a requirement to provide “reasonable assistance” to citizens</li> <li>• We are focussing primarily on six capital projects to maintain and expand essential infrastructure</li> </ul>

<sup>11</sup> ICAI Work Plan – Year 3, ICAI, January 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Work-Plan-Year-3-1.pdf>.

<sup>12</sup> Figures are drawn from DFID Operational Plans and from information provided to us by DFID. The first report – on DFID’s support for CSOs – was brought forward and published in May 2013.

<sup>13</sup> FCO and British Council Aid Responses to the Arab Spring, ICAI, June 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/FCO-and-British-Council-Aid-Responses-to-the-Arab-Spring-Report.pdf>

<sup>14</sup> Terms of Reference: Evaluation of DFID’s health programmes in Burma, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/Evaluation-of-DFIDs-health-programmes-in-Burma.pdf>.

<sup>15</sup> Terms of Reference: DFID’s Support to Montserrat, ICAI, 2013 <http://icai.independent.gov.uk/wp-content/uploads/2011/11/DFIDs-Support-to-Montserrat.pdf>.

4	DFID's trade development work in Southern Africa <sup>16</sup>	<ul style="list-style-type: none"> <li>• Addresses materiality, interest and coverage</li> <li>• Allows us to examine this area of DFID's activity for the first time</li> <li>• This work is at the regional, rather than country, level and will review the £100 million Trade Mark Southern Africa Programme</li> <li>• At the request of the IDC,<sup>17</sup> we are exploring the connections with the East Africa trade programme and learning between the two regional programmes</li> </ul>
5	DFID's Support to Refugees through UNRWA <sup>18</sup>	<ul style="list-style-type: none"> <li>• Addresses materiality, coverage, interest and risk</li> <li>• Allows us to cover the priority DFID programme in the Occupied Palestinian Territories for the first time</li> <li>• DFID support for UNRWA (United Nations Relief and Works Agency for Palestine Refugees in the Near East) is £107 million for basic services and protection for refugees; £14.4 million for food security; and £14.6 million for education</li> <li>• The IDC has requested that we explore the implications of recent political and regional developments for DFID's work and the linkages between humanitarian assistance and development programmes</li> </ul>
6	DFID's approach to empowerment and accountability <sup>19</sup>	<ul style="list-style-type: none"> <li>• Addresses coverage, interest and risk</li> <li>• This is a stated area of focus for a variety of DFID country offices, including areas such as working through civil society organisations, strengthening media scrutiny and enabling citizens regarding services and rights</li> <li>• An opportunity for us to evaluate an area of DFID's work that is typically harder to measure</li> <li>• As suggested by the IDC, we will look at how accessible DFID's information is to intended beneficiaries, including to those with limited or no access to communication devices</li> <li>• Will review DFID programmes in Ghana and Malawi, with a strong intended beneficiary focus</li> </ul>
7	DFID's support to agricultural research <sup>20</sup>	<ul style="list-style-type: none"> <li>• Addresses coverage, materiality and risk</li> <li>• Allows us to cover DFID's research work and the agriculture sector for the first time, with country visits to Kenya and Uganda</li> <li>• DFID's Research and Evidence Division has a budget of £225 million in 2012-13, of which a quarter is allocated to agricultural research</li> <li>• Includes significant spending on the multi-donor Consultative Group on International Agriculture Research (CGIAR)</li> <li>• The IDC has suggested that this report examine the links between DFID's research and policy; explore the impact of agricultural research on food security and improved nutrition outcomes; and look at how competitive the bidding process is for agricultural research and whether the net should be cast wider</li> </ul>
8	Learning within DFID	<ul style="list-style-type: none"> <li>• Addresses coverage, interest and risk</li> <li>• Will focus on how DFID staff are learning and what difference that makes to the way in which they manage programme lifecycles</li> <li>• Will examine geographical and sectoral connectivity in DFID and look at how well DFID is using and contributing to other sources of knowledge</li> <li>• Will synthesise learning-related findings from our previous reviews as well as carrying out further work</li> </ul>

<sup>16</sup> *Terms of Reference: DFID's Trade Development Work in Southern Africa*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/DFIDs-Trade-Development-Work-in-Southern-Africa.pdf>.

<sup>17</sup> Suggestions for our future work plan were provided by the IDC Sub-Committee on the Work of ICAI.

<sup>18</sup> *Terms of Reference: The Effectiveness of DFID's Engagement with UNRWA*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-OPT-TOR-Final-08042013.pdf>.

<sup>19</sup> *Terms of Reference: DFID's Approach to Empowerment and Accountability*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-EA-ToR-final-240413.pdf>.

<sup>20</sup> *Terms of Reference: DFID's Support to Agricultural Research*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-AgResearch-ToRs-FINAL.pdf>

9	DFID's Afghanistan country programme	<ul style="list-style-type: none"> <li>Addresses materiality, coverage, interest and risk</li> <li>We reviewed the DFID Afghanistan programme controls and assurance in Year 1 – assessing the risk of theft, fraud and corruption</li> <li>This review will be an opportunity to assess the impact of a selection of bilateral programmes</li> <li>Out of £651 million planned spending in 2011-15, £277 million is planned for wealth creation, £213 million governance and security, £130 million education and £31 million humanitarian.</li> </ul>
10	DFID's work with the private sector	<ul style="list-style-type: none"> <li>Addresses materiality, coverage, interest and risk</li> <li>DFID work focusses on increasing private investment and delivering better and more affordable basic services</li> <li>The newly created Private Sector Department, one part of DFID's work in this area, has a four-year budget of £936 million</li> </ul>
11	DFID's support to GAVI	<ul style="list-style-type: none"> <li>Addresses coverage and materiality</li> <li>GAVI is a public-private partnership that brings together governments, vaccine manufacturers, non-governmental organisations, the Gates Foundation and other multilateral organisations</li> <li>GAVI was one of the top performers in DFID's 2011 Multilateral Aid Review</li> <li>At a pledging conference in June 2011, DFID committed £163 million of funding per year for the next five years</li> </ul>
12	International Climate Fund	<ul style="list-style-type: none"> <li>Addresses coverage, materiality and risk</li> <li>Novel programme with rapidly increasing funding - £2.9 billion over 2011-12 to 2014-15</li> <li>Allows us to examine aid spending by other government departments – the Department for Energy and Climate Change and the Department for Environment, Food and Rural Affairs.</li> <li>There are known monitoring and evaluation challenges</li> </ul>

## Planned review methodologies

4. We have developed a standard review methodology which delivers robust results, incorporating:

- **Country visits:** visiting programmes enables us to see at first-hand how well they are working including, crucially, meeting with intended beneficiaries to hear their views of impact and ascertain the level of their involvement. In some cases, the programme would not be visible to intended beneficiaries; for example, the intended beneficiaries of budget support are the country's citizens, to whom the support will generally not be visible. In cases such as these, we consult with suitable proxies for intended beneficiaries instead, for example, civil society organisations;
- **Interviews:** we gather the views of DFID staff at headquarters and in-country; DFID's partners who are managing and delivering the programmes; experts in the area under review; and interested third parties;
- **Impact data:** where it exists, we will gather primary data or existing evaluation evidence; and
- **Document review:** this includes programme documentation (such as business cases, memoranda of understanding, annual reviews and independent monitoring and evaluation) and background literature reviews (including on best practice in the sector



in question, background on the countries being reviewed and a synthesis of the available evidence on impact).

5. We have supplemented this approach in some of our Year 2 reports, notably those covering Nigeria and Odisha, with enhanced beneficiary interview and focus group activities. We have carried this forward into our Year 3 reports as appropriate. On empowerment and accountability, for example, we are holding focus groups with a wide range of intended beneficiaries; and on agricultural research, we are testing the findings of previous programme evaluations and reviewing the programmes' sustainability.
6. As well as undertaking new reports, we will continue to follow up previous ICAI work as we have done this year, carrying out short reviews of progress made against our recommendations. Alongside this work, our planned reports on learning and on empowerment and accountability offer an opportunity to examine particular topics we have previously identified in more depth.

#### **Vision for Year 4**

7. In the formulation of our Year 4 work programme, we will continue to be guided by our selection criteria, while also planning to diversify the types of work that we carry out to make the best use of our increasing body of evidence from our first three years of reports. In particular, we will consider different kinds of reports such as:
  - **Programme reviews:** this would include scrutinising areas that we believe to be particularly important given our findings and experience to date. We could also investigate areas of specific interest to our stakeholders;
  - **Synthesis reports:** we could take steps to draw together our increasing evidence base from the 35 reports we will have produced by the end of Year 3. This is likely to include some more thematic reviews, for example, synthesising and building upon our findings to date in a particular sector; and
  - **More detailed follow-up:** by Year 4, changes to impact for intended beneficiaries as a result of our first reports should be more visible. We will develop our approach to follow-up to understand these changes and to encourage further improvement and lesson-learning. In particular, we have committed to follow up our Year 1 reports on DFID's approach to anti-corruption and its engagement with the World Bank, focussing on trust funds: these reports will form part of our Year 4 work plan.

8. We will carry out a consultation during the summer of 2013 to inform the formulation of our Year 4 work plan. We will also continue to hone and tailor our approach to different reviews, driving innovation to get the best possible view of impact for intended beneficiaries and value for money. We will balance this with our mandate to produce timely reports.

## **Chapter 6: Corporate governance**

1. This section sets out our corporate governance activities for the past year. It provides updates to our risk management and conflict of interest work 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**

2. 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. As noted above, our future status and functions are subject to the findings of an on-going Triennial Review, which may have a considerable influence on them.

### **Risk Management**

3. 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.
4. 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 current risk register at our May 2013 Board meeting. At that Board meeting, Commissioners noted that they were content with the way risk was being managed and reported. We will continue using this approach during our third year of operation.
5. In our view, several of the risks we identified in our *Annual Corporate Plan 2011-12* remain relevant and are worth continuing to consider, particularly on ICAI's reputation and the management of information. We have updated our risk register, in the light of experience, to mitigate risks which might undermine our operational focus of helping to deliver impact to intended beneficiaries. Figure 5 on page 36 shows the updated risk picture.

**Figure 5: Current Risks for ICAI and Associated Mitigation Actions**

Risk	Mitigation	Risk assessment post-mitigation	
		Likelihood	Impact
1. Contractor does not deliver the high quality, innovative reports required by Commissioners	<ul style="list-style-type: none"> <li>All key report stages scrutinised and challenged by Secretariat for quality and innovation</li> <li>Strengthened Lead Commissioner involvement in planning, fieldwork and analysis stages</li> <li>Continued push for innovation and the voice of intended beneficiaries</li> </ul>	Low	Medium
2. Not identifying SMART recommendations which focus on intended beneficiary impacts	<ul style="list-style-type: none"> <li>Continuing to learn from follow-up work which kinds of recommendations are most likely to succeed and avoid bureaucratic burden</li> <li>Working closely with contractor teams to ensure recommendations focus on impact wherever possible</li> </ul>	Medium	Medium
3. Inappropriate behaviour of ICAI or DFID personnel undermining public confidence in ICAI	<ul style="list-style-type: none"> <li>Commissioners abide by Code of Conduct including Nolan principles of public life and declare interests appropriately</li> <li>ICAI staff work according to ICAI core values and Civil Service Code</li> <li>DFID staff encouraged to act in accordance with founding documents to protect ICAI's independence</li> </ul>	Low	High
4. Risk of lost or leaked information	<ul style="list-style-type: none"> <li>All Secretariat/contractor staff and Commissioners security cleared</li> <li>Minimise use/retention of personal data</li> <li>Joint responsibility with DFID to ensure reports are unclassified</li> <li>Compliance with Data Protection Act by following DFID policies and procedures</li> <li>Security measures in Dover House</li> </ul>	Medium	Medium
5. Lack of access to all data, information and people to report accurately	<ul style="list-style-type: none"> <li>DFID internal guidance making clear its staff's responsibility to provide information requested by ICAI</li> <li>Secretariat access to DFID systems</li> <li>Effective pre-visit planning and information requests by contractor teams to identify information requirements</li> </ul>	Low	Medium
6. ICAI reports not providing insight valued by stakeholders	<ul style="list-style-type: none"> <li>Continue to work with IDC to identify areas in which ICAI reports can support the Committee's inquiries</li> <li>Conduct further public consultation to understand which reports are most and least popular</li> <li>Consider publication of different kinds of reports</li> </ul>	Medium	Medium

### Internal Controls

- 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. Our intention here, however, is to provide a picture of our internal controls, so as to demonstrate our commitment to both transparency and efficiency.
- 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 previously 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, including contractor travel and expenses.

8. 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 2013.
9. 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, including removing contractor team leaders or members, when these have been identified.
10. 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. In early 2013, we noted a lack of compliance with Government Digital Service standards in regards to our website. These included requirements to survey visitors on an annual basis and checks on compliance with web usability standards. As a result, we have begun preparations to hold an online survey of visitors by December 2013 and are working to ensure compliance with accessibility standards across the website.
11. Our system of internal controls, as well as DFID's performance as our sponsoring body, was reviewed in the period of April-May 2013 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 had not been completed by the time of publication of this document but we will consider carefully its recommendations in due course.

## **Chapter 7: Expenditure**

### **ICAI's Four-Year Budget**

1. We have not previously disclosed our budget, for commercial reasons. The rationale for this position was that the majority of our spending would be through our contractor consortium, led by KPMG, via contracts negotiated for each ICAI review. We were concerned to avoid a situation in which the consortium simply bid up to the available maximum budget level, before we knew what reasonable costs for different types of review were.
2. Having operated for two years, we are satisfied that we have now established robust arrangements to secure value for money from our contractor and so have published our budget in order to be more transparent and accountable for our expenditure. The overall four-year budget allocated to ICAI by the Secretary of State on 18 May 2011 is £13,764,000. This averages to £3,441,000 per year.

### **Expenditure in 2011-12 and 2012-13**

3. Compared to our available annual budget of £3.44 million, our spending in the first two financial years of our existence was in fact only £2.12 million in 2011-12 and £2.91 million in 2012-13. This pattern of underspends reflects our aim to use resources wisely to deliver our programme of work, rather than simply spending our available budget. The difference in spending between the two years is due to ICAI being in start-up mode in 2011-12, after our launch in May 2011, with the following year representing the first full year of ICAI activity.
4. Our budget for 2012-13 was set at £3,257,000. Our spending against this budget was £2,914,328. Figure 6 on page 40 sets out our expenditure by category. We underspent by £349,897 compared to our programme budget. This was due to a combination of factors, including tight control of costs and lower contractor expenses than budgeted for (as these are reimbursed at cost on production of receipts). As our programme of work has become more predictable, we are becoming better able to forecast our expenditure more accurately and are working closely with DFID on this.
5. Figure 7 on page 41 shows the costs of each of our reports. We continue to drive value for money from our contractor consortium, to ensure that our teams capture efficiently an accurate picture of the impact and value for money of the area of expenditure being reviewed. A vital part of our approach is that our teams see programme delivery on the ground. This allows them to verify for themselves the impact being achieved and to discuss

this directly with intended beneficiaries and those closely involved in the implementation of the programme.

6. The key driver of cost in conducting a review is its scope. This is determined by the different areas to be examined (which affects the number of team members required to provide the necessary spectrum of expertise) and the amount of overseas travel involved. The average cost of our Year 2 reports is some £165,000, compared to about £150,000 for Year 1 reports. This reflects our decision to undertake a greater number of reports with:
  - a wider scope, including our reviews of bilateral aid to Pakistan (where we examined three different sectors of aid expenditure) and DFID's work through UNICEF (where we visited UNICEF-delivered programmes funded by DFID in three countries); and
  - more ambitious methodologies for assessing impact (in particular, the Nigeria education and Odisha livelihoods reviews).

### **Budget for 2013-14**

7. Given the four-year budget set out above, DFID has made provision for us to spend a budget of £4,256,000 in 2013-14,<sup>21</sup> comprising £3.8 million for programme spending on our contractor consortium and £456,000 for administrative spending on Commissioners and the Secretariat. A breakdown of our current estimated budget by category is shown in Figure 8 on page 42. Following the publication of this budget by DFID, we have done more work to understand both the actual costs incurred in 2012-13 and the likely costs of our planned work in 2013-14. We forecast, on this basis, that our likely expenditure in 2013-14 will be lower than originally estimated. We will return to DFID any funds that we do not intend to use as soon as we are sure that they are not required and will use DFID's Supplementary Estimates to provide an updated budget in due course.
8. We do consider, however, that our programme costs will rise in comparison to the first two years of operation. This is driven by our wish to undertake more work to follow up on DFID's response to ICAI's past recommendations and the development of methodologies for individual reviews to assess impact in greater depth. We will, however, continue to ensure value for money in our use of our contractor consortium and will work with DFID to ensure good financial management. We will also consider, in due course, any impact the findings of the Triennial Review might have on our budgets for 2013-14 and 2014-15.

---

<sup>21</sup> *Department for International Development Main Estimate 2013-14*, April 2013, [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/197770/dfid\\_mainsupplyestimates\\_201314.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/197770/dfid_mainsupplyestimates_201314.pdf)

**Figure 6: ICAI Expenditure Settled against Budget for 2012-13<sup>22</sup>**

<b>Input</b>	<b>Rates</b>	<b>Details</b>	<b>Budget (£)</b>	<b>Expenditure (£)</b>
Contractor costs: fixed management fee & audit statement	£26,525 per month, excluding VAT & £4,000 audit fee	12 monthly payments & 1 audit fee payment	322,300	295,775 <sup>23</sup>
Contractor costs: fees and expenses for individual reports	Report fees agreed on case-by-case basis	12 Year 2 reports	2,526,700	2,208,336
Contractor visit costs paid directly by DFID	In line with DFID's expenses policy	Security, accommodation and transport	10,000	4,992
Secretariat staff costs	Withheld <sup>24</sup>	Rose to 5 members of staff in year	260,200	295,772
Secretariat travel and reimbursable expenses	Economy rates, in line with DFID's expenses policy		5,200	2,626
Secretariat training <sup>25</sup>	To be confirmed		1,500	-
Honorarium payments to Commissioners <sup>26</sup>	Chief Commissioner (£600 per day); Commissioners (£300 per day)	Up to 65 days per year for Chief Commissioner and 55 for Commissioners	88,500	69,602
Commissioner travel for overseas visits and Board meetings	In line with DFID's expenses policy	Includes security and accommodation	16,000	9,647
Accommodation costs <sup>27</sup>		For office space and use of meeting rooms	21,000	23,365
IT services and website support		Telecoms and broadband services	4,600	3,952
Other office costs		To cover incidental costs, including postage and stationary	1,000	261
<b>Total</b>			<b>3,257,000</b>	<b>2,914,328</b>

<sup>22</sup> Figures are subject to final confirmation from DFID.

<sup>23</sup> Eleven rather than twelve monthly fee instalments were paid during 2012-13, with the first payment being accounted for in the previous financial year.

<sup>24</sup> 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.

<sup>25</sup> Secretariat staff did undertake training during this period but no costs were incurred as a result, as the courses and events were offered free of charge by DFID or by seconding departments.

<sup>26</sup> There was a small shortfall in the days claimed by Commissioners because of a combination of illness and changing personal circumstances.

<sup>27</sup> Accommodation costs rose during the year when Secretariat staff were relocated within Dover House at the request of the Scotland Office.



**Figure 7: Fees Paid to Contractors for Completed Reports<sup>28</sup>**

<b>Report</b>	<b>Year of ICAI work</b>	<b>Fees (£)</b>	<b>Expenses (£)</b>	<b>Totals, excluding VAT (£)<sup>29</sup></b>
Evaluation of DFID's Electoral Support through UNDP	1	120,776	7,670.04	128,446.04
The Management of UK Budget Support Operations	1	116,747	4,545.44	121,292.44
Evaluation of DFID's Support for Health and Education in India	1	191,885	9,282.19	201,167.19
DFID's Education Programmes in Three East African Countries	1	155,142	15,634.94	170,776.94
Evaluation of the Inter-Departmental Conflict Pool	2	120,840	9,996.90	130,836.90
The Effectiveness of DFID's Engagement with the Asian Development Bank	2	121,727	7,037.58	128,764.58
DFID's Humanitarian Emergency Response in the Horn of Africa	2	171,819	9,423.73	181,242.73
Evaluation of DFID's Bilateral Aid to Pakistan	2	201,202	7,944.83	209,146.83
DFID's Education Programmes in Nigeria	2	188,134	48,941.78	237,075.78
DFID's Oversight of the EU's Aid to Low-Income Countries	2	180,673.50	21,496.79	202,170.29
DFID's Livelihoods Work in Western Odisha	2	165,071	31,838.24	196,909.24
DFID's Water, Sanitation and Hygiene Programming in Sudan	2	143,623	8,109.83	151,732.83
DFID's Peace and Security Programme in Nepal	2	143,009	6,669.73	149,678.73
DFID's work through UNICEF	2	183,161	17,538.31	200,699.31
DFID's Use of Contractors	2	100,000	2,479.75	102,479.75
DFID's Support for Civil Society Organisations through Programme Partnership Arrangements	2	89,910	340.30	90,250.30

<sup>28</sup> These figures do not add to the expenditure figure on contractor fees and expenses for individual reports in Figure 6, as not all of these payments were made in 2012-13.

<sup>29</sup> VAT is reclaimed for these contractor professional services

**Figure 8: ICAI Budget Breakdown for 2013-14**

<b>Input</b>	<b>Rates</b>	<b>Details</b>	<b>Budget (£)</b>
Contractor costs: fixed management fee & audit statement	£26,525 per month, excluding VAT, & £4,000 audit fee	12 monthly payments & 1 audit fee payment	322,300
Contractor costs: fees and expenses for individual reports	Report fees agreed on case-by-case basis	12 Year 3 reports and follow-up work planned	3,467,700
Contractor visit costs paid directly by DFID	In line with DFID's expenses policy	Security, accommodation and transport	10,000
Secretariat staff costs	Withheld <sup>30</sup>	5 members of staff	320,000
Secretariat travel and reimbursable expenses	Economy rates, in line with DFID's expenses policy		3,000
Secretariat training	To be confirmed		1,500
Honorarium payments to Commissioners	Chief Commissioner (£600 per day); Commissioners (£300 per day)	Up to 65 days per year for Chief Commissioner and 55 for Commissioners	88,500
Commissioner travel for overseas visits and Board meetings	In line with DFID's expenses policy	Includes security and accommodation	14,000
Accommodation costs		For office space and use of meeting rooms	24,000
IT services and website support		Telecoms and broadband services	4,000
Other office costs		To cover incidental costs, including postage and stationary	1,000
<b>Total</b>			<b>£4,256,000</b>

<sup>30</sup> Further breakdown is withheld since staff below Senior Civil Service grades are not required to disclose salary levels. Costs shown here include VAT charges and National Insurance contributions charged to DFID by those departments seconding staff to ICAI.

## **Annex A: Detailed Follow-Up of Year 1 Reports**

1. In this annex we have set out key aspects of the findings of our follow-up work, by report.

### **DFID's Support to the Health Sector in Zimbabwe**

(Published: 22<sup>nd</sup> November 2011)

1. Our report assessed how well DFID had spent over £100 million of UK aid on the health sector in Zimbabwe between 2004 and our report in 2011. We concluded that DFID's support had had a substantial and positive impact, most notably for those living with HIV/AIDS. Value for money had been good in most of the programme but the underlying health system was still failing.
2. Since 2009, DFID has begun to lay tentative foundations for longer-term recovery of a once highly effective public health service. We concluded that DFID needed to support the strengthening of capacity within the Zimbabwe Ministry of Health as part of this transition, so that it could manage the health system by itself, which was similarly noted by the International Development Committee. The key vehicle for responding to our recommendation has been the new Health Transition Fund, a multi-donor fund working with the Ministry of Health to improve maternal and child health by strengthening health systems and scaling up effective interventions. This has facilitated joint discussions on health policy and financing and two technical support advisors have been provided to the Ministry of Health.
3. We found that a key problem for maternal health was the rise in user fees. The Ministry of Health has now instructed the removal of user fees for the elderly, pregnant and lactating women and children under 5, starting with clinics in rural areas. The costs are mainly being covered through donors, notably DFID, through the Health Transition Fund (managed by UNICEF) and the Health Results Innovation Trust Fund mechanism (managed by the World Bank). While it is difficult to assess the exact role that DFID and the Health Transition Fund played in this decision, the fund had advocated action on this issue with the ministry.
4. There is scope for DFID to respond more fully to two of our recommendations. First, DFID has implemented a value for money strategy and recruited a governance advisor in order to address our concerns around falling value for

money if funding is scaled up. It has started but not yet completed an analysis of the health sector's capacity to absorb additional funding and the implications for value for money. Second, DFID has not responded as well as it could to our recommendation to ensure comprehensive reporting across delivery chains. DFID's activities to collect value for money data and encourage community accountability are important and DFID has recently signed a large health contract in which quarterly payments are linked to delivery of key results. This type of activity could be used more systematically to track and link funds to measurable impacts, both at implementing partner and sub-grantee levels.

5. Our final recommendation focussed on DFID taking the lead amongst donors to agree a common definition of administrative costs and then apply that definition. In responding, DFID has taken steps to begin a dialogue with other donors; the key challenges will be how to engage other donors effectively and how to compare administrative costs across very different projects. More widely, we applaud DFID's achievement of reductions in the administration charges of some implementing partners. DFID told us that this has led to UK aid reaching an additional 170,000 people.
6. Overall, while there is still more to be done, we are pleased that DFID Zimbabwe has taken a good range of measures to address concerns we raised in our report. We will follow developments with interest, including results from the new Health Transition Fund.

### **DFID's Climate Change Programme in Bangladesh**

(Published: 22<sup>nd</sup> November 2011)

1. Our report found that the Climate Change Programme (CCP) in Bangladesh had started well, with some good progress evident in pilots and early initiatives across the programme. Challenges remained, however, in the management of implementing organisations and UK resources that support Bangladesh's response to climate change. These are reflected in our recommendations.
2. In response to our concerns regarding the management of implementing partners, DFID committed to review their agreements with partners on the CCP. We note, however, that no contractual agreements have been updated thus far, as discussions with the World Bank and UN are taking place at HQ level,

reducing DFID Bangladesh's ability to update at country level. It is, therefore, critical that DFID ensures that it sets clear performance targets with partner organisations in order to ensure accountability.

3. Our second recommendation encouraged DFID to ensure coordination and integration of all UK resources used to support Bangladesh's response to climate change. Since our report there has been a significant scale up and restructure of the DFID climate change and disaster management team. There has also been some progress on national level integration, where a strengthened DFID team is now better positioned to drive donor and delivery agent coordination around climate change and disaster risk management in Bangladesh. Further integration between DFID's Bangladesh and UK headquarters resources is, however, still needed.
4. Our third recommendation, that DFID should support local and international CSOs to provide monitoring and oversight, met with some initial delays. A scoping exercise to explore the role that CSOs could play in monitoring and ensuring accountability was completed in early 2013 and DFID is beginning to implement actions as a result. We will be monitoring the progress of this work as it continues.
5. Recommendation 4 sought to increase DFID's attention to the risks of future migration induced by increased climate variability. Since our report DFID Bangladesh has met once with the International Organisation for Migration to discuss whether there are possibilities for complementary work. DFID has also engaged in discussions on research to be funded under the Bangladesh Climate Change Resilience Fund (BCCRF) analytical window. These isolated examples suggest, however, that DFID is yet to focus fully on this topic.
6. Finally, recommendation 5 sought to strengthen DFID's planning for project completion. In response, DFID led the development of a joint donor position on the future of the Comprehensive Disaster Management Programme in the last quarter of 2012. DFID has also extended its support to the BCCRF until 2017. Capacity across the government agencies and departments responsible for managing climate change and disaster risk resilience remains mixed, however; we would encourage DFID to prepare further for the end of the programme.

7. Overall, DFID Bangladesh has started a good package of work in order to address our recommendations. We note, however, that most progress has been achieved in strengthening DFID's own capacity and improving stakeholder coordination and dialogue. The impact of this on delivery by Bangladesh partners remains to be seen.

### **DFID's Approach to Anti-Corruption**

(Published: 22<sup>nd</sup> November 2011)

1. We examined how DFID responds to the challenge of providing aid in countries with high risk of corruption. This was a particularly important issue in the context of the UK Government's decision to increase the proportion of the aid budget being spent in fragile and conflict-affected states, thereby exposing taxpayers' money to greater risk.
2. We found that some areas of DFID's approach were performing positively, especially on awareness of threats from fraud and corruption, its playing a leading role within the donor community and good examples of lesson learning. Overall, however, we found that DFID's organisation of responsibilities for fraud and corruption was fragmented and that this inhibited a coherent and strategic response to the issue of leakage.
3. Our key recommendations focussed on addressing the risk of fraud through explicit anti-corruption strategies for countries with a high risk of corruption; due diligence and monitoring of delivery partners, intelligence gathering and work with law enforcement agencies; and encouraging DFID to review the structure and nature of UK counter-fraud and anti-corruption resource and processes.
4. DFID has taken a proactive approach to its response to our report, implementing far-reaching changes to the way it does business. Board level leadership has ensured a high level of engagement in driving this agenda and significant amount of effort and resource has been put into both addressing the recommendations and identifying better practice in general.
5. DFID undertook an assessment of the nature and structure of its existing counter-fraud and anti-corruption work, which led to the creation of 12 work

streams which are overseen by the new Counter Corruption and Counter Fraud Group. Furthermore, DFID has gone beyond our recommendations in several areas. As a result, DFID staff working in-country on governance and financial management have received anti-corruption training with the goal of certification.

6. In February 2013, DFID published 29 anti-corruption country strategies on its website. We have examined a sample of these strategies and believe that they are of a good standard and have been well thought through. The publication of the strategies encourages country level engagement with the issue of corruption and also prepares staff to be better equipped to deal with allegations when they arise. We saw an example of this in India, where the DFID office responded well to an allegation of corruption in the Madhya Pradesh Health Department.
7. DFID action in response to our report to date is welcome. We do, however, believe that further work in response to our recommendations is desirable. First, DFID has made progress on its processes in regard to due diligence and monitoring but the lack of on-the-ground monitoring of delivery partners increases the risk of corruption. Second, while we recognise that there has been progress on the involvement of law enforcement agencies, currently this effort is focussed within the UK. This is useful but tackling corruption in-country through local institutions and law enforcement agencies should increase the capacity of those institutions as well as reducing the risks.
8. Overall, DFID's actions have changed the culture and preparedness of country offices to tackle corruption for the better. Evidence suggests that this is already having an impact on the ground, where corruption reporting has increased and staff have told us that they feel more confident that they know what to do should a situation arise. We look forward to coming back to revisit anti-corruption activity undertaken by the department as part of our Year 4 work programme.

### **Girl Hub: a DFID and Nike Foundation Initiative**

(Published: 22<sup>nd</sup> March 2012)

1. We examined how effectively and efficiently Girl Hub, a joint initiative between DFID and Nike Foundation, was delivering impact and whether it should be used as a model for future partnerships. We found that Girl Hub was widely seen as playing a useful role in getting adolescent girls more firmly onto the development

agenda. There were, however, significant shortcomings in Girl Hub's set-up and governance and in its plans to achieve its vision. DFID has told us that it found our report to be essential to get the basics of Girl Hub right and that the report was also helpful in highlighting cultural differences between DFID and Nike Foundation.

2. We recommended that Girl Hub should be reconfigured to focus more sharply on how it would make a difference to girls. DFID only partially accepted this recommendation. Girl Hub has now changed its approach, however, placing more emphasis on its expertise in social communications and research and using those as a catalyst for change. Its detailed country and programme plans are also clearer.
3. DFID, Girl Hub and Nike Foundation took swift and positive action to address deficiencies that we identified in risk, governance, financial and performance management policies. There has been a significant improvement in all of these areas. We welcome measures, such as improved budgeting and reporting and the development of a 'Girl Safety Toolkit', to make the programmes safer for girls, which is vital for Girl Hub to operate properly. DFID did not respond regarding ensuring that Girl Hub messaging is clear and consistent and that roles are transparent and accountable. While some action has been taken, feedback from stakeholders suggests that there is still confusion about roles and how they fit together.
4. Girl Hub, DFID and other NGO staff have raised concerns about the levels of development expertise within Girl Hub, in-country succession planning, professional development and insufficient efforts to build local capability. We encourage DFID and Girl Hub to consider and address these concerns.
5. We recommended that DFID learn lessons from the Girl Hub experience. Our Girl Hub report and other ICAI reports have informed on-going initiatives on innovation; for example, DFID's Gender Team has applied learning from engaging with a private organisation in its development of other programmes, such as the Girls Direct Assets Incubator. DFID also took Girl Hub lessons to a programme management conference last October. Beyond these actions, we encourage DFID to do more to learn lessons from Girl Hub to strengthen future



engagements with the private sector and private foundations.

6. An independent review of Girl Hub, comprising the 2013 annual report and a paper setting out options for the future of the strategic collaboration between DFID and the Nike Foundation, is being carried out, as we recommended. We consider this review to be critical for ensuring that all options for the future are considered and properly assessed.
7. Overall, DFID has followed through on most of our recommendations. DFID recognised that some of the basics had been neglected and moved quickly to address these issues. We will continue to follow Girl Hub's activities with interest to see if they are achieving impact for the poor and we await the results of the independent review with interest.

### **DFID: Programme Controls and Assurance in Afghanistan**

(Published: 22<sup>nd</sup> March 2012)

1. We assessed DFID's systems of control and assurance over DFID's expenditure in Afghanistan. We acknowledged in our original report that DFID Afghanistan had a highly committed, respected and experienced senior team and a reputation for professionalism amongst other organisations working in the country. We found, however, that DFID's financial management processes were insufficiently robust and that DFID did not give sufficient importance to identifying and managing risks in the design and delivery of its programmes.
2. Overall DFID has responded well to our recommendations. The department's proposed actions are comprehensive and appropriate, particularly given the context and limitations inherent in working in fragile states such as Afghanistan.
3. DFID has undertaken a comprehensive suite of actions to assess and take into account the risk of corruption, which is balanced against the benefits that programmes are designed to deliver. These are summarised in its anti-corruption strategy, which was written in response to our report on anti-corruption. Measures include new due diligence assessments of all partners, programme wide fiduciary risk assessments, an assessment of fraud in business cases and a Portfolio Assessment Tool (PAT) designed to monitor and report fiduciary risks. Having implemented the PAT early warning system, DFID has dropped one

project because of an indication of value for money risks. DFID country offices in Pakistan and Central Asia have also adopted the PAT in recognition of its value. In addition to the above, DFID has recruited additional staff with specific financial and commercial expertise to the team to support this work.

4. Our final recommendation in the report stated that NAO and PAC recommendations on fraud and corruption should be implemented. DFID has decided not to quantify leakage or the cost of its new anti-corruption strategy, although the Finance and Corporate Performance Division are keeping this decision under review. The decision not to quantify these items makes it difficult for the department to evaluate effectively the impact of its interventions to reduce and eliminate leakage from its programmes.
5. DFID has also made wider improvements that sit outside the scope of our recommendations, including to policy and staff culture. Senior staff noted, in particular, evidence of changing attitudes in the enhanced due diligence process, which now requires DFID programme staff to ask searching questions on fiduciary and financial controls of private sector and NGO partners.
6. We welcome the package of measures that DFID have implemented, both relating to our recommendations and also more widely. We would, however, encourage them to consider further attempting to quantify leakage and the cost of the new anti-corruption strategy. We look forward to seeing how these measures are working in practice when we go back to Afghanistan in the Autumn, as part of our Year 3 programme.

### **The Effectiveness of DFID's Engagement with the World Bank**

(Published 22<sup>nd</sup> March 2012)

1. In our report, we found that DFID provided effective oversight of the World Bank as a shareholder and as a donor. DFID and the UK Delegation to the World Bank engaged effectively with the Bank's management to influence priorities, monitor delivery, improve effectiveness and learn from their experience.
2. The report highlighted two concerns: DFID had no central oversight of its portfolio of World Bank trust funds; and further progress needed to be made in supporting the Bank to improve the performance and value for money of

International Development Association (IDA) projects, both through the IDA Results Management System and by improving the cost-effectiveness of service delivery in fragile and conflict-affected states.

3. The findings of our review were consistent with DFID's broader policy shift in this area. DFID staff have reported that our review helped to raise the profile of World Bank issues, thereby increasing the focus of senior management and the pace of reform.
4. On trust funds, DFID has designed a coherent policy response that balances the need for central oversight of trust funds with DFID's devolved management structure. This includes a corporate strategy which was the product of extensive internal consultation, the creation of a post in the International Financial Institutions Directorate specifically to support officials dealing with trust funds around the world and increased communication regarding the new policy within DFID. There is early evidence that this new approach has begun to change staff attitudes to managing trust funds, with the central team supporting in-country advisors in closing two trust funds that were not performing according to expectation.
5. In relation to our concern over the performance and value for money of IDA projects reflected in recommendations 2 and 3, DFID's management actions were appropriate but could have been more specific and ambitious. In fact, DFID's response as set out in its work plan represents a broader response to our recommendations, including specific and measurable results. There are some early signs of progress, with DFID having a key role in setting up and facilitating the IDA Working Group on Results and successfully using its influence to ensure IDA 17 negotiations on results start early to allow substantive discussion on the structure of the results framework. The timescales for our recommendations (including action to work with the World Bank throughout IDA16 and IDA17, which will end in 2018) are longer than those for DFID's management actions (which are all due to be completed by March 2013). As noted above, however, DFID's work plan represents a broader response to the recommendations, going beyond the completion of the stated management actions.
6. In general DFID has responded well to our recommendations. We await the

outcome of the IDA17 negotiations with interest and look forward to reviewing World Bank trust funds as part of our Year 4 programme of work.

## **Evaluation of DFID's Electoral Support through UNDP**

(Published 25<sup>th</sup> April 2012)

1. We assessed DFID's funding of electoral support through the United Nations Development Programme (UNDP). We found that DFID's choice of UNDP as the primary channel for this work was credible and that the programmes had contributed to the successful conduct of elections and the reduction of conflict. We did, however, identify weaknesses in the way UNDP runs its programmes, making recommendations to DFID on how to use its influence at both headquarters and local levels to push for improvements. We also recommended that DFID should make efforts to cultivate alternative or additional delivery partners to complement its work with UNDP.
2. DFID has engaged very positively with our recommendations, designing a suite of appropriate and relevant actions. It has used our report to focus on new issues that we had identified, as well as to make further progress on areas on which it was already working.
3. Much of DFID's response has been to create revised guidance for staff on how to push for improvements in UNDP performance. This guidance is thorough and appropriate and, in some cases, goes beyond the areas outlined in our recommendations. It will only be of value, however, if DFID staff make use of it to ensure delivery of better programmes.
4. DFID has also used our report to add weight to its push for UN reform. This is reflected in the wider DFID work to engage with the UN system and in board-level discussions held between UNDP and DFID, focussing on issues such as performance monitoring and reporting. The next Multilateral Aid Review will be an opportunity for DFID to reframe its relationship with UNDP as appropriate. Challenges remain for DFID to push for greater clarity within UNDP between its two roles of political engagement and technical support.
5. On cultivating alternative providers, DFID has gathered and distributed information to staff but, given the limited alternatives, could have done more

centrally to identify and help to overcome the barriers for other providers. There is an opportunity to do this now that the guidance has been developed.

6. Overall, we are pleased with DFID's response to our recommendations and look forward with interest to see how DFID uses its guidance and other actions to improve programme delivery and outcomes for intended beneficiaries.

## **Management of UK Budget Support Operations**

(Published: 18<sup>th</sup> May 2012)

1. Our report assessed whether DFID made appropriate decisions as to where and in what quantity to provide budget support and whether the processes by which DFID managed its budget support operations were appropriate and effective. We found that budget support can be an effective and efficient way of providing development assistance. Its practical value, however, varies substantially according to the country context. Our eight recommendations gave DFID ways to improve the value for money and effectiveness of its budget support during design and implementation.
2. DFID told us that our report was seen as constructive and challenging, giving rise to a substantial process of internal debate and reflection. DFID has responded mainly by revising its formal budget support guidance material on the design of budget support operations. Partly as a result of our report, DFID has also made significant investment in knowledge generation and sharing in technically complex areas. This includes a Budget Support Health Check to help country offices to assess their budget support operations against best practice and mechanisms to allow learning and sharing of evidence and best practice in the areas of performance-based disbursements, fiduciary risk and safeguards and empowerment and accountability.
3. We note that DFID accepted recommendation 2 on building general budget support operations around the possibility of higher and lower levels of funding, as it is already using performance tranches and is investigating the increased use of payment by results. On recommendation 6, regarding country-level influencing strategies, DFID rejected the recommendation of developing standalone, formal influencing strategies, as it feels that it is already making efforts to ensure that country offices have a clear strategy for the political

dialogue with partner governments. We saw some preliminary evidence of DFID adopting a more limited strategic influencing agenda in Tanzania and Sierra Leone, in both cases taking up our suggestion to focus on natural resource revenues.

4. DFID partially accepted Recommendation 8 on the need to report on the transformational effects of UK budget support (rather than stating, for example, that if DFID's budget support is 3% of the budget, then it has educated 3% of the country's primary pupils). DFID stated that it agreed with the principle but had no reliable methods of measuring wider results. It prefers, therefore, to use conservative estimates of results from budget support until more reliable results measurement methodologies are developed. It has, nonetheless, developed guidance on measuring the results of influencing and has various on-going activities designed to improve its results measurement. We continue to believe that this is very important to achieve better outcomes for intended beneficiaries, for example taking account of learning outcomes as well as the number of pupils in school.
5. For recommendation 7, DFID has taken a number of actions to address our concern that budget support operations tend to strengthen the accountability of governments to donors, rather than to their own parliaments and citizens. In our view, budget support operations should be designed to link up with national accountability mechanisms, for example, by involving parliamentary committees in assessing government performance. Despite the steps taken, we think that this issue is not adequately addressed in the revised guidance.
6. There is some early evidence of changes to practices at country level in Tanzania, such as improvements to the national policy dialogue, increased engagement with parliament and the launch of a new cycle of Public Expenditure Reviews to assess the value for money of spending through the budget. While most of these actions occurred before DFID's revised guidance came into effect, our visit to Tanzania took place during a key point in the design of the new operation and some of the above actions were reportedly taken in anticipation of ICAI recommendations in these areas.
7. Overall, DFID has made positive steps in its management actions in response to

our report, engaging thoughtfully with the issues raised. DFID's new guidance, however, will only lead to better outcomes if it is used correctly, so DFID will need to follow up to ensure that there are positive changes to existing practices.

### **DFID's Education Programme in Three East African Countries**

(Published: 18<sup>th</sup> May 2012)

1. We assessed DFID's spending on education in Ethiopia, Rwanda and Tanzania. We found that DFID had succeeded in boosting enrolment substantially but that there had been a lack of attention to learning outcomes and to the trade-off between increasing access and ensuring quality. As a result, a large majority of children were failing to achieve basic literacy and numeracy.
2. We recommended that DFID should revise its 2010 education strategy, with learning outcomes at the centre. DFID has decided to postpone this until post-2015 goals to replace the Millennium Development Goals are decided, which we agree is a sensible approach to reduce the risk of a mismatch between the strategy and the new goals. DFID is instead planning to publish a position paper shortly, which, we understand, will set out a revised approach to improving the quality of education and make a contribution to the thinking about future global education objectives.
3. The other recommendations were designed to improve learning in specific ways through: introducing a results focus into national funding for districts and schools through results-based aid; continuing to expand support for communities to monitor and promote education; and strengthening DFID's capacity-building support for Ministries of Education. DFID has implemented these recommendations on a country-by-country basis, which is appropriate considering the different country contexts. In Tanzania, DFID has been able to make good progress on its projects, assisted by a renewed focus on education by the Government.
4. We found in our report that DFID Tanzania is working through CSOs on community monitoring. This includes working with Uwezo, which monitors basic competencies in literacy, in a model which is now being replicated elsewhere in Africa. In Rwanda and Ethiopia, where a CSO-based approach would be less straightforward to implement, DFID has pushed the agenda of improved

monitoring and accountability largely through government programmes, for example by encouraging more frequent and publicly available Government reading and arithmetic assessments and by strengthening parent-teacher associations. This is positive progress and we would encourage DFID to explore further creative ways to engage communities.

5. DFID partially accepted our recommendation regarding the building of capacity within Ministries of Education. It agreed that it would offer technical assistance and respond to all reasonable requests. This has led to different engagement in the three countries ranging from a continuation of a technical support programme in Ethiopia, to a three-year Capacity Development Plan (2012-15) targeting the Ministry of Education, agencies and decentralised levels in Rwanda, to DFID Tanzania supporting the government's 'Big Results Now' initiative, which replicates a Malaysian approach including 'problem-solving policy labs' and 'super delivery units'.
6. DFID rejected our recommendation to revise its pilots on results-based aid, arguing that this would be poor value for money. In fact, two out of three country pilots continued to develop in line with our recommendations, identifying the need to address specific challenges further down the delivery chain.
7. More widely, DFID education advisors who have been part of different ICAI reviews recently met to share experiences. We welcome this and encourage DFID to draw lessons from different approaches to results-based aid, capacity-building and community monitoring, considering how to apply best practice and address challenges. We look forward to the publication of a new DFID education strategy in due course – whatever the post-MDG goals agreed, we continue to believe that a focus on learning outcomes in DFID's education programmes and strategy is vital.

### **DFID's Support for Health and Education in India**

(Published: 18<sup>th</sup> May 2012)

1. Our report looked at four health and education programmes in Bihar, India. We concluded that DFID's assistance was contributing to improvements in education and health indicators. We did, however, make recommendations to DFID relating to its forward plan in Bihar, its anti-corruption strategy and identifying and



monitoring the particular benefits that UK aid was making.

2. DFID staff have told us that our report's findings provided a constructive challenge to its plans for its Bihar programmes. DFID's management actions are generally appropriate, seeking to address both the detail and the spirit of the issues raised.
3. We recommended that DFID should clarify its forward strategy in Bihar and shift its assistance even further towards the transfer of knowledge and skills, since this is where it adds most value. These recommendations have been met, in part because the overall situation for DFID India has changed significantly since our report. The Secretary of State announced that the UK will stop providing financial aid to India by 2015 and thereafter only undertake technical assistance and investment in private sector projects designed to help the poor while generating a return.
4. We also recommended that DFID should clearly identify and monitor the particular benefits provided by UK aid in order to focus its activities where it adds most value. DFID staff are taking steps to improve monitoring from now on but have found that the lack of a systematic collection of such information in the past has hampered their ability to identify particular benefits of past assistance. Nonetheless, work has included the development of theories of change and the commissioning of a study of technical assistance to consider the particular benefits of that approach. This is helping DFID to identify how best to direct its future influence. It would be helpful for DFID India to share its experiences across DFID, as there are likely to be wider lessons to draw.
5. Finally, we recommended that DFID's anti-corruption strategy should include strengthening ties with local law enforcement bodies and establishing a whistleblower hotline. DFID reports that responding to this required much effort but was valuable. DFID's actions constitute a proactive approach to this agenda. We particularly welcome DFID India talking to its top 12 suppliers about anti-corruption measures in a meeting in January, which will be followed up in early summer 2013, where suppliers will be expected to set out their corporate measures regarding anti-corruption. This should protect UK ODA from the risk of leakage. There is already evidence that this work is leading to DFID staff

behaviour change and has changed the preparedness of DFID staff to deal with situations, such as responding to a recent allegation of corruption.

6. Overall, DFID's response to our recommendations has been comprehensive and has started to have a positive, practical impact on the ground.