

ICAI Annual Report 2016 to 2017

Report to Parliament's International
Development Committee

June 2017

The Independent Commission for Aid Impact works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.



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Foreword

Over the last 12 months, the UK has begun redefining its role and international relationships in light of the Brexit decision, emphasising a 'Global Britain' that is more outward-looking and engaged on the world stage. UK aid is a core part of this global project, with the aid strategy emphasising the alignment between tackling global challenges and supporting the UK's national interests. The government's continued commitment to spending 0.7% of national income on aid makes the UK the world's third largest provider of aid and ensures that aid remains a major global platform for UK influence.

Recent events and changes have made the role of scrutiny increasingly important. The share of aid spent by departments other than DFID is growing at speed as more aid is devoted to new strategic priorities. At the same time, the depreciation of the pound has reduced the purchasing power of UK aid. The resulting pressure on the aid budget makes it even more important that we understand which aspects of spending produce the greatest impact and value for money.

Within that context, the Independent Commission for Aid Impact (ICAI) continues to perform a vital function in providing assurance to Parliament and UK taxpayers about whether aid – in whatever form it takes – is being spent well and making a difference.

ICAI's reviews this year have followed the new directions that UK aid has been taking. We have examined, among other things, the UK's contribution to improving the rules around international tax evasion and avoidance, supporting the most marginalised girls into education and reducing fragility and building stability in Somalia. We have taken an early look at the cross-government Prosperity Fund and at the response by multiple departments to migration flows in the central Mediterranean, using our new rapid reviews. In all cases, we have provided an independent and impartial assessment of both the strengths and the weaknesses of the UK aid programme.

The twin objectives of ICAI's scrutiny are accountability and learning. Our recommendations focus on driving improvements in performance and impact. We place a strong emphasis on the importance of learning and building evidence of what works, and adapting activities in response. This is particularly important when dealing with the complex global challenges that aid is increasingly addressing.

At the same time, ICAI plays a key role in holding government accountable for effective aid spending. Our findings are transparent and public. Hearings are held on our reviews with Parliament's International Development Committee (IDC). And we follow up every year to see what actions have been taken in response to our recommendations and to identify any outstanding concerns that we feel materially affect the effectiveness of UK aid.

This annual report sets out key findings from the nine reviews that ICAI has published in the last 12 months. It highlights many areas of strong performance, such as delivering value for money in poverty reduction through cash transfers, developing an ambitious new strategy for economic development, and managing fiduciary risk well in fragile states. We also emphasise the need for improvement in areas such as maintaining a focus on promoting inclusion, ensuring the sustainability of development results and improving value for money by more consistently using past lessons learned in new programmes.

In this year's follow-up we have examined the changes government has made following our recommendations, and we provide highlights of these. We commend DFID and other departments for their constructive engagement with our scrutiny and the shared commitment to doing better.



A handwritten signature in black ink that reads "Alison Evans".

Dr Alison Evans
Chief Commissioner

1 Highlights of Year 2

The focus of our reviews

Each year ICAI's commissioners select important elements of the UK aid programme to review. Our work programme is approved by the International Development Committee (IDC). Building on a broad consultation at the start of ICAI's Phase II in 2015 and themes identified at that time, specific review topics are selected based on four principal criteria:

- volume of aid spent or projected to be spent on the issue
- relevance to the UK aid strategy and the Sustainable Development Goals
- level of risk associated with the issue¹
- potential value of an ICAI review.²

ICAI published nine reviews between July 2016 and June 2017. These covered areas of significant scale-up of spending (inclusive growth, Prosperity Fund), new areas of strategic focus for UK aid (migration), support for development cooperation that goes 'beyond aid' (transition, tax avoidance and evasion), aid to fragile and conflict-affected states (Somalia, fiduciary risk) and work focused on 'leaving no one behind' (cash transfers, marginalised girls' education).

Table 1: ICAI Year 2 reviews and scores

Review topic	Review type	Publication date	Score
DFID's approach to managing fiduciary risk in conflict-affected environments	Performance	August 2016	
UK aid's contribution to tackling tax avoidance and evasion	Learning	September 2016	
When aid relationships change: DFID's approach to managing exit and transition in its development partnerships	Performance	November 2016	
Accessing, staying and succeeding in basic education – UK aid's support to marginalised girls	Performance	December 2016	
The effects of DFID's cash transfer programmes on poverty and vulnerability	Impact	January 2017	
The cross-government Prosperity Fund	Rapid	February 2017	Not scored
The UK's aid response to the migration crisis in the central Mediterranean	Rapid	March 2017	Not scored
UK aid in a conflict-affected country: reducing conflict and fragility in Somalia	Performance	June 2017	
DFID's approach to supporting inclusive growth in Africa	Learning	June 2017	

1. Risk factors include, for example, rapid scaling up, operating in fragile or conflict-affected states and use of relatively untested approaches or delivery partners.
 2. This includes considering recent and planned work by the IDC and the National Audit Office, and whether ICAI has recently reviewed the issue.

ICAI looks back at aid spending to hold government accountable in our **performance** and **impact reviews**, and takes a forward look at potential for delivering value for money and results based on the use of evidence in our **learning reviews**.

This year we introduced a new review type. **Rapid reviews** take an early look at new or emerging areas of the aid programme, assessing initial evidence and making recommendations that will support a more effective response. As rapid reviews examine work that is still under development, they do not attempt to reach firm conclusions about performance and thus are not scored like other ICAI reviews. We carried out two such reviews this year, on the new cross-government Prosperity Fund and on the use of UK aid in response to the migration crisis in the central Mediterranean.

We continued to work closely with the IDC on its inquiries. Our review of DFID's support to marginalised girls in basic education was used as evidence in the IDC's inquiry into education, and our review of the cross-government Prosperity Fund was due to form part of the IDC's inquiry into the spending of official development assistance (ODA) by government departments other than DFID.³ ICAI also coordinated with the IDC on our respective reviews of DFID's procurement practices and supplier management.⁴

Key themes emerging from Year 2 reviews

In our 2016 paper 'UK aid in a changing landscape', we identified a set of operational challenges facing DFID, which are increasingly relevant to other aid-spending government departments. Our nine reviews this year have provided a set of insights into the government's performance against these, while revealing a number of additional challenges.

Balancing development impact and UK national interests

In keeping with trends in many donor countries, the 2015 UK aid strategy emphasised that aid should be used to address global challenges that are also of importance to the UK national interest. The primary purpose of official development assistance (ODA) under the OECD DAC definition must be to promote the economic welfare and development of developing countries, while the International Development Act requires that aid must be likely to contribute to a reduction in poverty. Delivering benefits to the donor country, such as increased security and prosperity, can only be a secondary objective. Three of our reviews this year considered how the government and its delivery partners are attempting to strike an appropriate balance between primary and secondary objectives.

In our review of the UK aid response to the migration crisis in the central Mediterranean, we found practical challenges for the government in using aid to support vulnerable migrants on the move while seeking to achieve a UK policy objective of reducing migration to the UK. We found limited evidence of what works in reducing irregular migration and we emphasised the need for stronger theories of change for programmes labelled as 'migration-related'. Because of the contexts involved, we recommended greater awareness of the risks of causing unintended harm to vulnerable migrants, particularly where national law enforcement standards are poor. Although the evidence is still emerging, we found potential in DFID's backing for the idea of 'jobs compacts', where donor funds are used to help refugees and irregular migrants integrate into host communities and improve their livelihoods, reducing the likelihood of their onward movement.

Our assessment of UK aid's contribution to peace and stability in Somalia found it to be working well under the framework of a National Security Council strategy, which covers both ODA and non-ODA spending. By tackling conflict and fragility in a range of ways, there is potential to deliver developmental benefits to Somalia while also delivering security benefits to the UK. Nonetheless, we also saw some evidence of tensions between these objectives within two specific programmes.

3. This inquiry was concluded before ICAI gave evidence, due to the early general election.

4. ICAI's review of DFID's management of its supplier market will be published in summer 2017.

Our rapid review of the new cross-government Prosperity Fund, currently worth £1.3 billion over five years, examined the early programme concepts submitted by bidding departments, and the scoring of those against criteria that included primary and secondary benefits. While acknowledging their preliminary nature, we found that concept notes contained too little detail about the proposed programmes' approaches to delivering the primary benefits in terms of economic development in target countries, or the secondary benefits to UK and international business. We recommended that the scrutiny of business cases – upon which final funding decisions are based – set a high and explicit standard for achieving primary benefits to ensure compliance with the internal ODA definition and UK legislation. This recommendation was accepted by the Prosperity Fund.

Delivering transformational change

The UK government has set out to achieve more transformational change through its aid work, marking a change from what past ICAI reviews have perceived as an over-emphasis on short-term results and quantitative reach targets. This year, in areas of the aid budget we reviewed, we have found a definite increase in ambition in programming and a stronger focus on working flexibly, but there is still a way to go to overcome practical challenges to delivering a commensurate level of impact.

Our learning review of DFID's approach to inclusive growth highlighted a positive shift in direction and ambition, encapsulated in the 2017 Economic Development Strategy. Through its research and diagnostic work, we found that DFID is increasingly focusing on economic transformation and job creation, emphasising longer-term and more innovative approaches that support structural change. These complement its traditional focus on supporting the incomes of the rural poor within its current livelihoods strategies. At the same time, we highlighted that DFID has much to do to ensure this agenda is reflected in effective programming at country level. In particular, DFID needs to work with the complex politics surrounding economic reform and ensure that distributional impacts are adequately considered and monitored.

We saw a similar shift in our review of UK aid spending in Somalia. Working in the world's most fragile state is highly challenging. DFID has invested in strengthening its delivery capacity and its programmes have a strong record of delivering at output level. We heard credible accounts from a range of senior stakeholders that UK aid programmes – and the diplomatic influence they generate – had made important contributions to promoting a viable political settlement. The government nonetheless needed to do more to ensure its work is underpinned by an agreed view of the causes of the conflict, to help target aid programmes and ensure that they 'do no harm'.

Given the roles played by (and resources available to) other aid actors, the UK's ability to influence others – especially partner governments – is central to achieving more transformational change. We saw many examples of the government using influencing in our reviews this year, but in those cases we noted a lack of clear strategy behind such work and inadequate monitoring of the impact of influencing. Our reviews of DFID's cash transfers programming and support for marginalised girls' education found DFID taking a strong leadership position on influencing other actors, through both research and active engagement with others. We praised DFID's focus on supporting national programmes and building national systems for cash transfers, along with the capacity of partner governments to finance cash transfers themselves. But we noted that its influencing work did not always focus on the most strategic areas, such as targeting, transfer size and timeliness. DFID has also championed the inclusion of marginalised girls in education internationally. However, its work on girls' education has not been well joined up with broader education programmes and embedded in national systems.

We welcome the direction being taken by UK aid towards a more transformational approach. Such an approach naturally comes with risks and operational challenges. We expect to see the government drawing on its own – and others' – research and learning, including making use of the full range of expertise within DFID, to ensure that ambition is translated into transformational impact for people in developing countries and value for money for UK taxpayers.

Ensuring quality delivery by other government departments (OGDs)

With the share of the aid budget being spent by departments other than DFID increasing from 14% in 2014 to 19.5% in 2015 and on track to hit 25% under the current aid strategy,⁵ it is important for impact and value for money that focus and quality are maintained across the aid programme. Our reviews this year have increasingly looked at the work of OGDs.

The £1.3 billion cross-government Prosperity Fund has been putting in place processes and systems in anticipation of scaling up its spending from £55 million in 2015-16 to as much as £350 million in 2019-20. ICAI acknowledged the progress made to date, but we found that the speed of planned scale-up risked outstripping the capacity of the Fund and implementing departments to design and deliver effective programmes. The Treasury has since responded to our concern by agreeing in principle to extend the lifetime of the Fund by a year to reduce spending pressures.

A positive development has been improved coordination and dialogue across departments on some issues, such as migration and building stability in Somalia. National Security Council country strategies have provided a framework for this cooperation. The picture was more mixed in our transition review, where we saw good cross-departmental working in India and Indonesia, but found elsewhere that DFID's knowledge and relationships were at times lost as the UK transitioned to new forms of development partnership led by other departments.

We will be further increasing our focus on aid managed by other departments in our Year 3 reviews, in recognition of the value for money risks associated with the rapid scale-up of expenditure and the potential for ICAI to contribute to shaping new aid instruments and programmes through early engagement.

Leave no one behind

The adoption of the Sustainable Development Goals in 2015 was accompanied by pledges to 'leave no one behind'. The UK's own promise included prioritising those who are most excluded, giving every person a fair opportunity and supporting a data revolution to ensure that the progress of all segments of society against targets can be measured.⁶

At a strategic level, we have seen positive efforts, such as references to addressing disability and gender issues in the new Economic Development Strategy. At a programmatic level, our impact review of DFID's cash transfer programming highlighted a strong example of a direct intervention that was consistently achieving poverty-reduction objectives. We also noted strengths in DFID's research on marginalised girls' education and in programming that directly targeted such girls.

But where interventions are not directly focused on marginalised groups, a number of our reviews this year found considerable uncertainty remaining about how to integrate these commitments into programming. While acknowledging that some new commitments will take time to bed down, the reviews highlight a continuing gap between aspiration and practice in this area.

In our review of marginalised girls' education, we found that aspirations around gender equality within broader education programmes are too often downgraded or abandoned over project lifetimes. In our inclusive growth review, few of our sampled programmes paid adequate attention to how to ensure marginalised groups shared in the benefits. Translating the 'leave no one behind' commitment into programming is therefore an ongoing challenge.

The inclusive growth review and our examination of early concept notes to the Prosperity Fund also found that programmes were often not clear enough about how the expected activities would ultimately lead to benefits for the poor and marginalised. Our follow-up work next year will see if this was adequately addressed as business cases are developed for Prosperity Fund projects.

5. *Statistics on International Development 2016*, DFID, November 2016, [link](#).

6. *Leaving no one behind: our promise*, DFID, updated 2017, [link](#).

The 'leave no one behind' commitment also has important implications for DFID's approach to value for money. Working with hard-to-reach groups generally entails higher costs per beneficiary. Several of our reviews flagged a lack of attention to equity in DFID's value for money analysis, and the risk that DFID's approach to value for money might lead implementers to focus on reducing unit costs rather than reaching those 'left behind'. The combination of more sophisticated corporate indicators in DFID's Single Departmental Plan and the development of draft guidance on equity in value for money analysis is encouraging. As we have seen challenges in central guidance being absorbed and applied in programming elsewhere, we will continue to keep this issue under observation.

More flexible programming

ICAI reviews have often emphasised the importance of continuous learning and adaptation within aid programmes. DFID is acknowledged as a pioneer in the area of adaptation and 'doing development differently'.⁷ Its programme management systems emphasise 'empowered accountability' among its staff, and the department has reduced the volume of central rules, strategies and guidance in order to permit more context-specific approaches.

Our reviews this year have found that programme designs are generally well tailored to local contexts, and we have seen examples of adaptation over time in response to learning. But the adaptive programming agenda remains a work in progress in the areas we reviewed, and there are a number of ongoing challenges to consider as the government tries to optimise the effectiveness of flexible programming.

We believe that there would be value in finding a middle ground between the dangers of over-prescriptive central guidance and strategies, and the recent pattern in DFID of having no, or only the broadest-brush, strategies and guidance on specific themes. In our fiduciary risk, marginalised girls' education, transition and inclusive growth reviews, we noted gaps in strategy or guidance and staff left with uncertainty about how to approach issues, while DFID itself lacked a mechanism for ensuring that some cross-cutting policy commitments were implemented across its decentralised programming model.

In our reviews of the Prosperity Fund and inclusive growth, we noted a risk that portfolios could end up being too diverse and isolated to deliver more than the sum of their parts. This speaks to the desire for transformational impact referred to above: such impact will be hard to achieve if programmes are too fragmented.

From a decentralised to a hybrid operating model

In 2015, we reported that DFID faces the challenge of getting the balance right between country-level decision-making on bilateral programming, and the use of centrally managed programmes. Our reviews this year suggest this continues to be an area of mixed performance.

A number of past ICAI reviews have noted inadequate coordination between centrally managed programmes and DFID's in-country programming. Country office staff lacked the time to engage actively with centrally managed programmes operating in their territory, while some centrally managed programmes lacked the capacity to adapt their activities to each country context. Our review of DFID's work to support marginalised girls' education found that DFID's flagship Girls' Education Challenge programme, which holds considerable promise in terms of evidence and learning, had not been well integrated and coordinated with other bilateral education programming.

In contrast, the inclusive growth review noted that a new generation of centrally managed programmes were addressing this coordination challenge. They were designed to supplement country economic development portfolios in areas where country offices had identified gaps. A number also came with additional staffing resources, to boost country office capacity. We found this to be an innovative solution to the coordination challenge and a potentially important addition to DFID's delivery capacity.

⁷ See for example *Putting theory into practice: how DFID is doing development differently*, ODI, 2017, [link](#).

Risk management

DFID is committed to spending 50% of its budget in fragile and conflict-affected states, where there are a range of risks to effective aid delivery, including from fraud and corruption. ICAI's review of DFID's approach to managing fiduciary risk in conflict-affected environments examined how well DFID ensures that aid entrusted to partners is accounted for and not misused.

We found that DFID has made important progress in risk management in recent years. There was high awareness among staff of fiduciary risks, strong consideration of risks in programme design and implementation, and good practice in identifying, assessing and mitigating fiduciary risks at country and programme levels.

At the same time, we found inconsistent practice in a number of areas including oversight of multilateral partners, how and when risk is transferred to partners further down the delivery chain, and a lack of clarity about DFID's institutional risk appetite. We recommended that DFID develop more central guidance on its approach to and management of fiduciary risk, and that it match staff with skills and expertise to the countries with the highest levels of risk.

In relation to security and justice interventions, two ICAI reviews this year raised concerns about the risk of programmes inadvertently doing harm. Our migration review looked at work in Libya on detention centres and on building the capacity of the coastguard to intercept migrants at sea. This work took place in the context of concerns about the indefinite detention of refugees and their conditions of detention, given that Libya is not a signatory to the 1951 Refugee Convention. We raised concerns about the adequacy and timing of the risk assessment carried out and its influence on programme design. Our Somalia review found conflicting ideas on how to operationalise the 'do no harm' principle in relation to Conflict Stability and Security Fund (CSSF) activities.

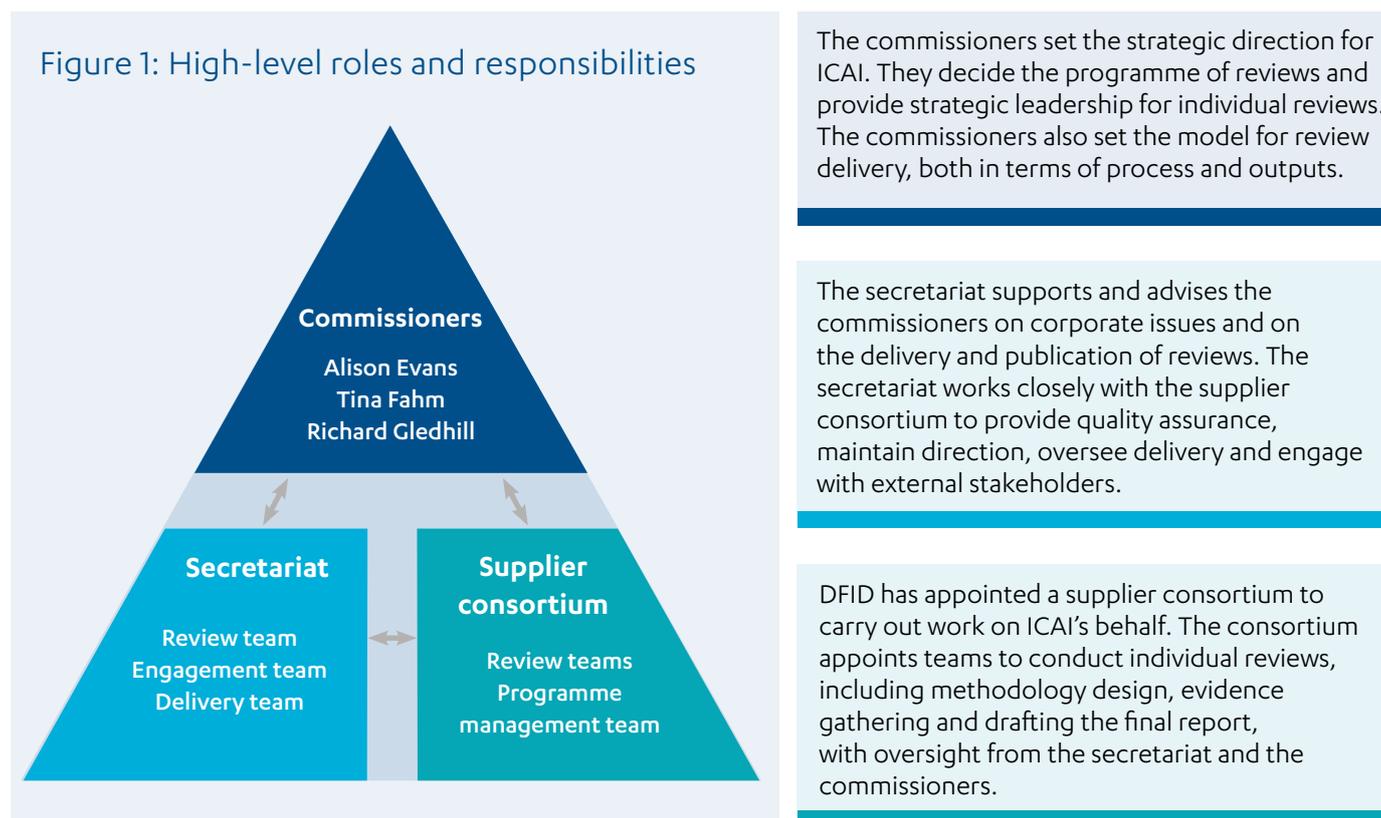
2 Management structure and commentary

This chapter sets out the current structure of ICAI and its functions. It also reports on the performance of the supplier consortium.

ICAI's role is to provide independent scrutiny of UK aid spending in order to promote the delivery of value for money for British taxpayers, and to maximise the impact of UK aid.

ICAI is led by a board of independent commissioners, who are supported by a secretariat and a supplier consortium. These three pillars – commissioners, secretariat and supplier consortium – work closely together to deliver reviews. The high-level roles and responsibilities of the three pillars are detailed in Figure 1 below.

Figure 1: High-level roles and responsibilities



The ICAI team

The commissioner team is headed by Dr Alison Evans, ICAI's chief commissioner. ICAI's other commissioners are Tina Fahm and Richard Gledhill. All three are part-time appointments. The commissioners' biographical details are published on the ICAI website.⁸ During the past year, Francesca Del Mese resigned as an ICAI commissioner. After her resignation, Ms Del Mese's work was taken on by the three other commissioners and ICAI's work has not been affected.

ICAI's secretariat is headed by Andrea Baron and comprises ten civil servants focusing on review quality, business delivery and engagement. The secretariat is based in Dover House, on Whitehall, London.

The supplier consortium is led by Agulhas Applied Knowledge, a specialist international development consultancy. Agulhas is joined by Integrity, a development consultancy which specialises in working in complex environments, and by Ecorys, an international company providing research, consultancy and management services. Agulhas was also a member of the Phase I supplier consortium.

8. Commissioners, ICAI, [link](#).

Assessment of supplier consortium performance in 2016-17

The supplier consortium continues to deliver high-quality technical knowledge and expertise on a wide range of ODA-related topics. The consortium has also demonstrated a high degree of flexibility, which is essential for operating effectively within ICAI. Certain challenges remain, which the commissioners and the secretariat are continuing to work on together with the supplier consortium. These centre on ensuring consistency in the quality and pace of delivery, and on forging a common understanding on ways of working.

In order to build consistency in performance, over the past year we have worked with the supplier consortium to implement a number of initiatives. These include agreeing a performance management process, in the form of key performance indicators (KPIs), which cover different stages of the review process, and agreeing review standards to embed quality considerations throughout the review cycle. To underpin these developments, we jointly developed a partnership charter, which sets out ways of working between commissioners, the secretariat and the supplier consortium.

Lessons learned as a result of implementing and monitoring the new KPIs have led to improvements in the quality and pace of delivery. Overall, progress to date has been good, but the lead supplier will need to continue to work at pace over the next year to ensure ongoing improvements to the quality and pace of delivery within the consortium.

3 Corporate governance

ICAI is an advisory non-departmental public body (aNDPB) of DFID, established in May 2011 to scrutinise all UK official development assistance (ODA). ICAI is sponsored by DFID but delivers its programme of work independently and reports to Parliament's International Development Committee.

Our commissioners, who lead the selection process for all reviews, were appointed after a competitive process overseen by the Office of the Commissioner for Public Appointments. They hold quarterly board meetings, the agendas and minutes of which are published on our website.⁹

Our primary governance objective is to act in line with the mandate agreed with the secretary of state for international development, set out in our Framework Agreement with DFID.¹⁰

The cross-government focus of ICAI's work was reiterated in the UK Aid Strategy,¹¹ published in November 2015. This whole-of-government strategy included a commitment to sharpening oversight and monitoring of spending on ODA and emphasised that ICAI is one of the principal means of conducting this scrutiny and ensuring value for money, irrespective of the spending department.

Triennial review update

In 2013, ICAI underwent a triennial review, an assurance process mandated by the Cabinet Office, which concluded that ICAI performed an essential function. The review also made recommendations to strengthen governance, including a stronger role for the IDC in approving our work plan. These recommendations were implemented in 2015-16. ICAI now consults with the IDC on our work plans, and the committee has formally approved our portfolio of work for 2017-18 (see Annex).

As required for advisory non-departmental public bodies, ICAI is now in the process of undergoing a tailored review, which has replaced the triennial review process. Work is expected to conclude on the tailored review in summer 2017.

Risk management

Our approach to risk management is pragmatic. We identify and manage risks to an appropriate level, rather than attempting to eliminate all risk of failure to achieve our aims and objectives.

We have a corporate risk register which captures strategic, reputational, programmatic and operational risks. In addition, a programme risk register documents the risks to specific ICAI reviews. We also monitor joint risks with our supplier consortium on an ongoing basis.

ICAI's risk registers include an assessment of gross and net risk, mitigating actions and assigned risk owners. Risk is discussed regularly, including as a standing item at board meetings. Commissioners review risks in detail and formally approve the risk register.

Table 2 shows the high-level risks ICAI currently faces, and the principal actions we are taking to mitigate or reduce those risks.

⁹ *Corporate documents*, ICAI, [link](#).

¹⁰ *Independent Commission for Aid Impact Framework Agreement*, DFID, September 2015, [link](#).

¹¹ *UK aid: tackling global challenges in the national interest*, HM Treasury and DFID, 2015, [link](#).

Table 2: High-level risks faced by ICAI

Risk	Risk level		Mitigation action	Revised risk level	
	Likelihood	Impact		Likelihood	Impact
Poor quality or inadequate evidence leads to uninfluential reviews	Medium	High	<p>ICAI publishes and is transparent about its review selection criteria.</p> <p>ICAI publishes and is transparent about the methodological approach for its reviews.</p> <p>ICAI publishes and is transparent about its scoring approach and the scores it provides for its review questions.</p> <p>ICAI implements quality assurance processes throughout the review cycle.</p>	Low	High
The changing UK political context results in reduced relevance of the current work plan and reviews	Medium	Medium	<p>ICAI incorporates flexibility into its review programme and ways of working.</p> <p>ICAI will monitor political developments closely to assess their impact.</p> <p>ICAI works to establish a wide range of cross-government contacts to ensure it can adapt to changing circumstances.</p>	Medium	Low
The lack of uptake of report findings results in a low impact	Medium	High	<p>ICAI will produce engagement plans for each review, focusing on key findings.</p> <p>ICAI reports will continue to require a management response and an IDC hearing, assuring the dissemination of findings and accountability.</p> <p>ICAI will produce a follow-up report on an annual basis, assessing progress with government implementation of recommendations.</p>	Low	Medium

Conflict of interest

ICAI takes conflicts of interest, both actual and perceived, seriously. Our independence is vital for us to achieve real impact.

Over the past year we have updated our Conflict of Interest Policy to include gifts and hospitality and potential conflicts arising from working relationships with other government departments.¹² We continue to update the commissioners' conflict of interest register every six months.¹³

Any conflict of interest is managed in a transparent way and decisions are taken on a case-by-case basis. The specialist nature of our work, and the requirement for strong technical input, means we need to weigh the risk of a possible or perceived conflict with the need to ensure high quality and knowledgeable teams to conduct our reviews.

Whistleblowing

ICAI's capacity to directly investigate concerns raised by the public is limited, and not part of our formal mandate. Our whistleblowing policy can be found on our website.¹⁴

In line with the policy, when we receive allegations of misconduct we offer to put the complainant in contact either with the relevant department's investigations team, if appropriate, or with the National Audit Office's investigations function.

^{12.} *Conflict of interest policy*, ICAI, 2015, [link](#).

^{13.} *Commissioners conflict of interests register*, ICAI, [link](#).

^{14.} *Whistleblowing policy*, ICAI, [link](#).

4 Financial summary

This section provides information on:

- the overall financial position of ICAI
- ICAI's work cycle
- expenditure from July 2016 to June 2017
- spending plans for the forthcoming year.

Overall financial position

ICAI has been allocated a budget of around £13.5 million for the current phase of operation. We estimate that we will have spent just over £5 million by the end of June 2017, which will leave around £8.5 million available to spend in the final two years of Phase II of the commission.

ICAI's work cycle

ICAI implements a rolling programme of reviews. On average, full ICAI reviews take around nine months to complete and the shorter rapid reviews take around five months to complete. To ensure a smooth production pipeline, work on our reviews cuts across both financial (April to March) and ICAI (July to June) years. This means that in any given year, work is being undertaken on reviews that will be published within that year and reviews that will be published in the following year. Therefore, the total costs reported in Table 3 for July 2016 to June 2017 include some costs for reviews published in ICAI Phase II Year 2 and some costs for reviews that will be published in ICAI Phase II Year 3. The total costs reported for July 2016 to June 2017 do not equate to the total cost of all reports published in ICAI Phase II Year 2. We have included a separate section (see Table 4) which sets out supplier costs per review for reviews published in ICAI Phase II Year 2.

Expenditure from July 2016 to June 2017

Table 3 provides a breakdown of Phase II Year 2 (July 2016 to June 2017) expenditure. The table includes actual expenditure for July 2016 to April 2017, and forecasts for the period May to June 2017.

Between July 2016 and April 2017, ICAI spent £2.3 million. We anticipate spending a further £570,000 between May and June 2017, meaning that by the end of the ICAI year, we will have spent around £2.85 million.

Table 3: Expenditure July 2016 to June 2017

Area of spend	Actual expenditure July 2016 to April 2017 (£k)	Anticipated expenditure May 2017 to June 2017 (£k)	Total predicted expenditure in ICAI Phase II Year 2 (£k)
Supplier costs Year 1*	0	0	0
Supplier costs Year 2**	1,568	134	1,702
Supplier costs Year 3***	40	255	295
Engagement activities	5	8	13
Total programme spending	1,613	397	2,010
Commissioner honoraria	99	33	132
Commissioner expenses	8	1	9
Commissioner country visit travel, accommodation and subsistence	4	5	9
Commissioner training	1	3	4
Secretariat staff costs	519	109	628
Staff expenses	1	1	2
Staff country visit travel, accommodation and subsistence	4	0	4
Staff training	2	4	6
ICAI accommodation and office costs	30	17	47
Total administrative spending¹⁵	668	173	841
Total	2,281	570	2,851

* Some payments to the supplier for the fiduciary risk and tax reviews were made during this reporting year but, as stated in the last annual report, were reported there.

** Some Year 2 reviews commenced in Year 1 to ensure a smooth pipeline of review production. Consequently, this row does not include the total costs to the supplier for reviews published in Year 2.

*** The Year 3 work plan is agreed in advance and work on some Year 3 reviews commences in Year 2 to ensure a smooth pipeline of review production. Consequently, this row includes payments to the supplier for some reviews due to be published in Year 3.

In last year's annual report we predicted that our forecast administration spend of £732,000 would rise in future years as the number of reviews increased, and as secretariat staffing levels reached a full complement. Vacancies within the secretariat, which reduced expenditure last year, have now been filled and therefore, as predicted, the administration spend for ICAI year July 2016 to June 2017 has risen and is forecast to be £841,000.

The rise in administration costs is also due in part to an increase in the number of days allocated to commissioners each year. The chief commissioner's annual allocation has risen from 70 to 100 days per year and the commissioners' annual allocation has risen from 55 to 70 days per year. The commissioners' yearly allocation was increased to reflect changes to the aid landscape: as more of the UK aid budget is spent by departments other than DFID, and with ICAI mandated to scrutinise these new forms of spending, commissioners have needed to spend more time working across government.

The commission's administration budget will continue to be carefully managed to ensure that all expenditure contributes directly to meeting ICAI objectives.

ICAI spends the majority of its resources on supplier costs. In Phase II Year 2, costs to the supplier consortium for its work on the production of reviews (programme spend) are around £2 million. As set out above, this covers partial payment for some reviews published in ICAI Phase II Year 2 and partial payment for some reviews due to be published in ICAI Phase II Year 3. Table 4 sets out the total supplier costs for each review published in ICAI Phase II Year 2.

¹⁵ These costs are a mix of Front Line Delivery (FLD) and administrative budget allocation/costs.

Table 4: Supplier costs for reviews published in ICAI Phase II Year 2*

Reviews published in ICAI Phase II Year 2	Review type	Fees paid/ to be paid to the supplier	Expenses paid/to be paid to the supplier	Total costs paid to the supplier (k)
When aid relationships change: DFID's approach to managing exit and transition in its development partnerships	Performance	239	44	283
Accessing, staying and succeeding in basic education – UK aid's support to marginalised girls	Performance	251	45	296
The effects of DFID's cash transfer programmes on poverty and vulnerability	Impact	224	41	265
The cross-government Prosperity Fund	Rapid	102	5	107
The UK's aid response to the migration crisis in the central Mediterranean	Rapid	123	5	128
UK aid in a conflict-affected country: reducing conflict and fragility in Somalia	Performance	214	63	277
DFID's approach to supporting inclusive growth in Africa	Performance	230	23	253
Follow-up review, Year 5	Other	134	5	139
Annual report	Other	15	0	15

* Because of the nature of ICAI's work pipeline, costs to the supplier for any one year's reviews are not always paid in the same ICAI year. ICAI's tax and fiduciary risk reviews were also published in ICAI Phase II Year 2 and the total supplier costs for these two reviews have been set out in ICAI's 2015-16 annual report.

Where relevant, our reviews entail country visits. These usually take between one and two weeks, and require a number of team members. Visits to fragile states cost more than those to other countries. Reviews published in ICAI Phase II Year 2 have involved nine country visits, although not all costs have been paid in Year 2.

Spending plans for the forthcoming ICAI year

At the end of the second year of ICAI's Phase II, we have spent just under £5 million, leaving around £8.5 million for the remaining two years. Based on the current work plan, we anticipate spending around £4.6 million in Year 3, which leaves up to £3.9 million for the final year of this phase of the commission.

During the third year of the commission, we will continue to strive for value for money in the use of our budget. We will continue to ensure that our approach and ways of working mirror best practice and deliver our complex reviews cost-effectively.

5 ICAI objectives and Key Performance Indicators

In April 2016, ICAI published its corporate strategy for 2015-16 to 2018-19,¹⁶ which introduced our key performance indicators (KPIs). The KPIs were established to ensure that ICAI's work focuses clearly on achieving our overall vision of improving UK aid through robust scrutiny. The KPIs, which are each linked to an ICAI corporate objective, also help Parliament and the public to assess our performance.

In 2016-17, ICAI has performed well against its KPIs, meeting the targets set.

Table 5: ICAI objectives and KPIs

ICAI objectives	Key performance indicator	Measurement criteria	Progress July 2016 - June 2017
<p>Impact</p> <p>ICAI's work makes a positive difference to the impact and value for money of UK aid.</p>	<p>The proportion of ICAI recommendations taken on board.</p>	<p>Measured through our annual follow-up process.</p>	<p>In 2016-17 we published 11 products: nine reviews¹⁷ (seven full and two rapid) and two corporate products. This resulted in a total of 39 recommendations being made. At publication of this report, we have received government responses for seven reviews, covering 27 of the recommendations made. Of these 27:</p> <ul style="list-style-type: none"> • 19 have been accepted; • seven have been partially accepted; • one has been rejected. <p>Richer qualitative analysis of ICAI's impact is provided in our follow-up report.¹⁸</p>
<p>Effective accountability</p> <p>ICAI supports Parliament to hold government to account by producing a credible body of independent evidence on the effectiveness of UK aid.</p>	<p>The select committee's satisfaction with our work overall, and with: (i) the relevance to the challenges for UK aid and (ii) the quality of the evidence base produced and (iii) the independence of our operations and reviews.</p>	<p>Measured through feedback from committee members and clerks.</p>	<ul style="list-style-type: none"> • The IDC has described our relationship as "strong" and said it "value[s] the support it [ICAI] provides to parliamentary scrutiny of development spending." • The IDC has signed off our work plan, indicating it is happy with the relevance of our work in terms of the challenges facing UK aid. • We have worked closely with the IDC to ensure our scrutiny adds to their work, for example holding the hearing into our marginalised girls review as part of the IDC's wider education inquiry. • The IDC has provided feedback throughout the year, including on review types and scoring, which ICAI has sought to respond to as appropriate.

¹⁶. *Corporate strategy 2015/16-2018/19*, ICAI, April 2016, [link](#)

¹⁷. This includes the tax and fiduciary risk reviews which were published at the beginning of ICAI Phase II Year 2.

¹⁸. *Follow-up review of Year 5 reports*, ICAI, June 2017, [link](#).

ICAI objectives	Key performance indicator	Measurement criteria	Progress July 2016 - June 2017
	Publishing six to eight reviews per year, accompanied by approach papers to explain the methodological approach.	Measured through the number of reports published.	<p>In Year 2 of Phase II we have published:</p> <ul style="list-style-type: none"> seven full reviews with approach papers: tax, fiduciary risk, transition, marginalised girls, cash transfers, Somalia, inclusive growth two rapid reviews with approach papers: Prosperity Fund, migration two corporate publications: the follow-up review and the annual report 2016-17. <p>The IDC sub-committee on ICAI's work had held public hearings on five of these reviews by June 2017.</p>
<p>Effective learning</p> <p>ICAI contributes effectively to learning and wider aid debate with government and other development stakeholders.</p>	Broadening and increasing our engagement with stakeholders to maximise impact.	Measured through the number of engagement events held and the number of followers of ICAI's Twitter account.	<ul style="list-style-type: none"> 18 events have been held from July 2016 to June 2017.¹⁹ These events cover: events to embed the review findings within the government; stakeholder events to discuss the review findings with relevant organisations; and events which help explain ICAI's role and the purpose of scrutiny to a broader audience. Total Twitter followers (as of June 2017): 4,055 This is up from 3,404 in June 2016.
	The number of times reviews are read.	Measured by website views after every review.	<p>Reports read (downloads and HTML views) as of June 2017:</p> <ul style="list-style-type: none"> Fiduciary risk – 1,373 Tax – 1,094 Transition – 922 Marginalised girls - 795 Cash transfers – 1,811 Prosperity Fund – 1,377 Migration – 585

19. This figure includes engagement events held after a review is published or wider events to discuss the importance of scrutiny with stakeholders. Events held as part of the review scoping or evidence-gathering process are not included in this figure.

ICAI objectives	Key performance indicator	Measurement criteria	Progress July 2016 - June 2017
	The number of times our reviews are mentioned in the media or on social media.	Measured by media mentions after review publication and the number of mentions on Twitter.	<p>Total media mentions (national and trade media) between July 2016 and June 2017: 77</p> <ul style="list-style-type: none"> • Fiduciary risk - 3 • Tax - 10 • Transition – 11 • Marginalised girls - 9 • Cash transfers – 11 • Prosperity Fund – 12 • Migration – 19 • Non-review-specific – 2 <p>For the Somalia, inclusive growth and follow-up reviews, data is not yet available, as these were published at the end of June.</p> <p>Total Twitter mentions between July 2016 and June 2017 (number of shares of @ mentions of ICAI on Twitter. This is only mentions of our handle - if someone mentions “ICAI” in free text it will not be included): 553</p>
<p>Efficiency</p> <p>ICAI operates efficiently and with good governance.</p>	Expanding our range of products, as set out in the corporate strategy, to reflect the dynamic context of development.	Measured by our production of different styles of review.	<p>Rapid reviews have been added to our range of products.</p> <p>Phase II Year 2 reviews by type:</p> <ul style="list-style-type: none"> • 4 x performance • 2 x learning • 1 x impact • 2 x rapid • 2 x corporate
	Managing our reviews within overall budget.	Measured by meeting our overall budget for the four year period of the current commission.	ICAI’s expenditure remains within budget and in line with quarterly forecasts.

Assessment of ICAI's performance against its KPIs

Impact

Nineteen of our 27 recommendations from the reviews in 2016-17 for which we have received a government response have been accepted by the government, and seven have been partially accepted. Only one recommendation has been rejected. This related to policy coherence across government on tackling international tax avoidance and evasion, and is explored further in our follow-up report.²⁰ ICAI is pleased that 96% of our recommendations were accepted or partially accepted by the government. We recognise that the indicator is of limited value on its own, and thus it is complemented by the richer qualitative analysis in our follow-up review, which assesses whether recommendations from our previous reports have been implemented effectively by the relevant departments.

Table 6 : Government response to recommendations in Year 2 reviews

Review	Number of recommendations made	Number accepted	Number partially accepted	Number rejected
Fiduciary risk	4	4	0	0
Tax	4	3	0	1
Transition	4	3	1	0
Marginalised girls	3	1	2	0
Cash transfers	4	3	1	0
Prosperity Fund	5	4	1	0
Migration	3	1	2	0
Total	27	19	7	1

As this year's follow-up report details, we have seen evidence of ICAI recommendations making a difference through a range of mechanisms,²¹ and in a range of important topic areas, which are summarised in Table 7.

20. See footnote 18.

21. See footnote 18.

Table 7: Types of influence ICAI had through its recommendations

Types of influence	WASH	VAWG	Fiduciary risk	Tax	Multilaterals
Improved programme guidance	✓	✓	✓	✓	
Greater focus on 'leaving no one behind'	✓				
Greater attention to value for money	✓		✓		
Greater focus on sustainability	✓				
New research and analysis	✓	✓		✓	
Stronger learning mechanisms	✓	✓		✓	
Improved staff training		✓	✓		
Improved monitoring and evaluation and indicators	✓				
Changes to core business processes			✓		✓
New initiatives to influence multilaterals	✓	✓			✓
Contributions to international dialogue and standard setting	✓	✓		✓	✓
Improved collaboration across UK government departments				✓	

Some examples of ICAI's impact include:

- Steps taken by DFID to improve the sustainability and monitoring of results of water, sanitation and hygiene (WASH) programmes. These include measures to ensure that vulnerable groups, such as the elderly or people with disabilities, share in the benefits. DFID has promoted improved sustainability with major partners like Unicef and the World Bank. It is also planning a thorough review of the sustainability of past investments in WASH, and a £1.5m investment in evaluations of future programmes.
- DFID has developed new guidance on scaling up programming on violence against women and girls (VAWG) and incorporating VAWG within large sectoral programmes. It has adopted a stronger approach to learning about what works to address VAWG. DFID has appointed a new learning advisor in this area, who has shared a range of 'how to' notes and is providing training sessions to a range of staff. The £25m WhatWorks centre on VAWG has also reoriented itself towards outreach and uptake of its research to ensure that its work becomes better known outside DFID.
- DFID has approved its approach to risk management in fragile and conflict-affected states, particularly in terms of clarifying its risk appetite for staff and updating its risk management policy. The policy now clarifies delivery partners' responsibility for the robust monitoring of subcontractors further down the delivery chain, including around fraud and corruption. This work was already in progress, but was accelerated following the ICAI review. It has been accompanied by new staff training and a community of practice to support continuous improvement.
- DFID is developing measures to improve the targeting and sequencing of international tax initiatives. DFID has also produced new guidance on capacity building for UK technical agencies, such as HM Revenue and Customs.

- Following our review of their work with multilaterals, DFID has made some progress towards a more strategic approach to strengthening the multilateral aid system, as reflected in more clearly articulated reform objectives, a commitment to promote more coherence across multilaterals and new performance agreements. Multilateral transparency is also now a ministerial priority.

In addition, there have been a number of notable actions taken quickly in response to reviews published this year, which will be explored further in next year's follow-up process. For example:

- The Prosperity Fund secured agreement in principle from the Treasury to extend the lifetime of the Fund by a year following our review (February 2017).
- Following our marginalised girls' education (November 2016) review, DFID committed to updating its education sector value for money guidance to give more direction to programmes on incorporating equity, and has drafted new generic guidance on addressing equity across its work.
- Following our cash transfers review (January 2017), DFID has agreed to develop a programme to strengthen the evidence on how to maximise the results and minimise unintended consequences of cash transfers on women, and to strengthen the gender focus of existing cash transfer programmes.

Effective accountability

The 2013 triennial review set out that ICAI should “carry out a small number of independent in-depth thematic reviews addressing strategic development issues faced by the government's development programmes, combined with additional short reviews (where needed) to address specific issues of interest/concern to key stakeholders.” ICAI incorporated this target into our KPIs, and aims to produce around six to eight full thematic reviews per year, plus some additional shorter products. In 2016-17, ICAI has met this target by publishing seven full reviews and two shorter products, in the form of rapid reviews.

Our relationship with the IDC is vital in ensuring effective scrutiny of UK aid. We have worked closely with the members and clerks throughout the year, and the IDC recently wrote to DFID to say it has “developed a strong working relationship with ICAI over the course of the Parliament and value[s] the support it provides to parliamentary scrutiny of development spending.”²²

We were exploring conducting a survey of IDC members to gain more detailed feedback on satisfaction with ICAI's work to complement our current KPIs, but were not able to execute this plan because a general election was called, dissolving Parliament. We have therefore drawn on both public and private feedback received from the IDC throughout the year to inform this indicator. Our intention is to carry out the survey next year.

Effective Learning

From July 2016 to June 2017 we held 18 engagement events focused on reviews after their publication, or the wider context of aid scrutiny. This has allowed a wider discussion about the reviews and landscape, and we have received positive feedback on the impact of these events from those attending. There has been steady traffic on the ICAI website, with particular interest in the cash transfers review, driven partly by particular stakeholder interest in this topic.

In terms of wider media mentions, we have had at least 77 mentions in national and trade media. Twitter followers continue to increase steadily.

22. *Tailored Review of ICAI*, letter from Stephen Twigg MP and Fiona Bruce MP to Rt Hon Priti Patel MP, 26 April, 2017 [link](#).

Efficiency

ICAI has a target to diversify our range of products, as set out in the corporate strategy, to reflect the dynamic context of development. Over the last year, four different categories of review have been produced (performance, impact, learning and rapid), giving ICAI the flexibility to scrutinise the potential or actual impact of aid programmes, depending on their levels of maturity.

ICAI continues to deliver within budget. Overall in 2016-17 there was a small underspend compared to the forecast due to a combination of small underspends in both programme and administrative budgets, including staff and review costs.

In summary, ICAI has met its KPIs this year.

Annex 1 ICAI’s Work Plan July 2017 - June 2018

ICAI’s current projected work plan for July 2017 to June 2018 is set out below. In addition, we will carry out the annual follow-up review which looks back at previous recommendations.

Leaving no one behind	Crises, resilience and stability	Inclusive growth	Transparency, accountability and empowerment	Beyond aid	Cross-cutting
Health system strengthening (with maternal health focus)	Building resilience to natural disasters	Challenges of urbanisation	Governance	Global Challenges Research Fund	Procurement: DFID’s management of its supplier market
Global health threats	Conflict, Stability and Security Fund (CSSF)				DFID’s approach to value for money in programme and portfolio management
	Syria (country-specific review)				



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