



**Independent  
Commission  
for Aid Impact**

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

**DFID's Approach to Anti-Corruption and Its Impact on the Poor**

**Inception Report**

**Contents**

1. Introduction.....	2
2. Background .....	2
3. Purpose of this review.....	2
4. Relationship to other reviews .....	2
5. Methodology .....	4
6. Indicative assessment questions.....	5
7. Roles and responsibilities.....	13
8. Management and reporting .....	15
9. Expected outputs and time frame.....	15
10. Risks and mitigation.....	16
11. How this ICAI review will make a difference.....	18
Annex 1: Details of programmes proposed for review in Nigeria.....	19
Annex 2: Details of programmes proposed for review in Nepal.....	25

## 1. Introduction

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

1.2 This Inception Report sets out the assessment questions, methodology and work plan for the review of the Department for International Development's (DFID's) efforts to reduce corruption and its negative impacts on the poor. It is, however, intended that the methodology and work plan be flexible enough to allow new questions and lines of inquiry to emerge over the course of the review.

## 2. Background

2.1 The background to this review is described in the Terms of Reference.<sup>1</sup>

## 3. Purpose of this review

3.1 The purpose of this review is to assess whether DFID's anti-corruption efforts are reducing the prevalence of corruption in the areas that they are targeting and whether these efforts are responsive to the needs of intended beneficiaries and other stakeholders. We will perform this review by:

- understanding DFID's approach to anti-corruption programming and the key strategies and theories of change which underpin this activity;
- examining the portfolio of anti-corruption programming in two countries where corruption is endemic and where this activity is a major aspect of DFID's activities and assessing the appropriateness of the portfolio in tackling critical corruption challenges; and
- reviewing specific anti-corruption programmes and their impact on levels of corruption in the areas (including select sectors) they are targeting. This will include understanding how levels of corruption can be assessed and the extent to which DFID can evaluate progress in the eyes of beneficiaries and key stakeholders.

## 4. Relationship to other reviews

4.1 Our first review of *DFID's Approach to Anti-Corruption*<sup>2</sup> focussed on the protection of UK funds and the assistance of foreign governments in anti-corruption initiatives. The review rated DFID's approach in this regard an overall Amber-Red, on the basis that DFID's organisation of responsibilities for fraud and corruption was fragmented and that a more strategic response was needed. The first review made the recommendations set out in Figure 1 on page 3.

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<sup>1</sup> *Terms of Reference: DFID's Approach to Anti-Corruption and its Impact on the Poor*, ICAI, 2014, <http://icai.independent.gov.uk/wp-content/uploads/2014/04/ICAI-ToR-Anti-Corruption-Second-Review.pdf>

<sup>2</sup> *DFID's Approach to Anti-Corruption*, ICAI, 2011, <http://icai.independent.gov.uk/wp-content/uploads/2013/12/DFIDs-Approach-to-Anti-Corruption.pdf>

**Figure 1: ICAI's 2011 recommendations on DFID's Approach to Anti-Corruption**

<b>Recommendation 1</b>	In any country assessed as having a high risk of corruption, DFID should develop an explicit anti-corruption strategy, setting out an integrated programme of activities and dialogue processes.
<b>Recommendation 2</b>	DFID should review the structure and nature of its UK counter-fraud and anti-corruption resources, to develop a more co-ordinated approach to risk assessment, risk management, anti-corruption programming and fraud response.
<b>Recommendation 3</b>	DFID should develop more articulated processes for managing the corruption risks associated with particular aid types and invest more resource in due diligence and on-the-ground monitoring of delivery partners.
<b>Recommendation 4</b>	While continuing to invest in the legal and institutional framework for fighting corruption, DFID should focus on supporting more robust law enforcement activity to build transparency and accountability. This should include innovative forms of beneficiary monitoring and community mobilisation.
<b>Recommendation 5</b>	DFID should invest more in intelligence collation and analysis of corruption risks in particular sectors and countries, to inform a more strategic approach to fighting corruption.

4.2 The present review will have a limited focus on DFID's internal fraud and anti-corruption procedures and is targeted at the programmes which DFID is undertaking with government and other stakeholders in-country to tackle corrupt activities. We will still look at the way that DFID manages fiduciary risk in these programmes and the extent to which they reflect a good assessment of the key corruption risks.

4.3 This review recognises that this is a challenging area of programming, with many key sensitivities to government and other societal stakeholders. DFID's effectiveness of programming in this space will, therefore, be looked at both at an absolute level of success and as perceived by critical groups of stakeholders, including members of communities who are the focus of these efforts.

4.4 The methodology employed will, therefore, include multi-level interactions with key players in the value chains of these initiatives as well as insights gained from community-level engagement where relevant.

4.5 Previous ICAI reviews have looked at the extent of beneficiary empowerment and engagement and they have some relevance to this review, including *DFID's Empowerment and Accountability Programming in Ghana and Malawi*.<sup>3</sup> Other relevant ICAI reviews include: *DFID's Education Programmes in Nigeria*,<sup>4</sup> *DFID's Support for Health and Education in India*,<sup>5</sup> *DFID's Support to Agricultural Research*,<sup>6</sup> *DFID's Peace and Security Programme in Nepal*<sup>7</sup> and *DFID's Livelihoods Work in Western Odisha*.<sup>8</sup>

<sup>3</sup> *DFID's Empowerment and Accountability Programming in Ghana and Malawi*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2013/12/Empowerment-and-Accountability-081013-FINAL.pdf>.

<sup>4</sup> *DFID's Education Programmes in Nigeria*, ICAI, 2012, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-Nigeria-Education-report.pdf>.

<sup>5</sup> *DFID's Support for Health and Education in India*, ICAI, 2012, <http://icai.independent.gov.uk/reports/dfids-support-health-education-india/>.

<sup>6</sup> *DFID's Support to Agricultural Research*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-Agricultural-Research-report-FINAL.pdf>.

<sup>7</sup> *DFID's Peace and Security Programme in Nepal*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2013/02/ICAI-report-DFIDs-Peace-and-Security-programme-in-Nepal2.pdf>.

<sup>8</sup> *DFID's Livelihoods Work in Western Odisha*, ICAI, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-Report-DFIDs-Livelihoods-Work-in-Western-Odisha.pdf>.

4.6 ICAI's report on *DFID's Programme Controls and Assurance in Afghanistan*<sup>9</sup> is also relevant to the current review in that it assessed the robustness of DFID's financial management processes to address fraud and corruption in aid delivery in Afghanistan, a fragile state.

4.7 ICAI's upcoming review on *DFID's Approach to Scale-up in Fragile States* will have cross-cutting themes with this review. We will ensure that duplication is minimised and linkages are made where appropriate.

## 5. Methodology

### *Overview of the review*

5.1 This is a thematic review that will assess how DFID undertakes programming to tackle corruption in the countries where it operates, the coherence of DFID's approach and the effectiveness of its efforts to do so from the perspective of the most vulnerable, that is, the poor. In doing so, we will also follow up on DFID's efforts in response to the recommendations in our 2011 anti-corruption review to the extent that they relate to this review.

5.2 Our review will look in particular at DFID's efforts to reduce corruption in fragile states. These are countries where corruption is endemic, the rule of law is uncertain and populations are particularly vulnerable. These are also countries where the government cannot or will not deliver core state functions, such as providing security and justice across its territory and basic services to many of its people. In these countries, corruption comes in a variety of forms, from petty bribes to illicit financial flows to, for example, leakage at the top of the service delivery chain and it impacts the poor acutely. We are, therefore, focussing our review on fragile states because such states often have the greatest need and present DFID with the most challenging, highest-stakes environments in which to deliver aid. Also, DFID is dedicating an increasing amount of its funding to such countries. We will visit two fragile states, Nigeria and Nepal. In addition to programmes that explicitly target corruption, we will review programmes that target a specific sector and that impact or should impact corruption in that sector and programmes that are relevant to DFID's anti-corruption efforts. Details of the programmes that we intend to review in Nigeria are set out in Annex 1 and for Nepal in Annex 2.

5.3 We recognise that asking the questions posited above is far easier than answering them and that, in particular, connecting DFID's anti-corruption efforts to their impact on the poor presents challenges. This review starts from the premise that DFID must be assessing the extent to which its anti-corruption efforts are reducing corruption, for otherwise, on what basis does DFID continue to put significant funding behind those efforts? To the extent that DFID is making this assessment, we will seek to learn how DFID is doing so and identify ways that DFID can do it better. To the extent that DFID is not making such an assessment, we will seek to understand why it should be doing so and make recommendations for developing a methodology for doing so effectively.

5.4 In addition, we will assess the extent to which DFID is taking into account the views and interests of its intended beneficiaries and other stakeholders in the design and implementation of DFID's anti-corruption efforts. This offers DFID two potential benefits: (i) intended beneficiaries and other stakeholders may more effectively hold such programmes to account, thereby helping to enhance the effectiveness of those programmes; and (ii) by providing intended beneficiaries and other stakeholders with a voice in the design, implementation and evaluation of an aid programme, their feedback becomes available for improving delivery of that programme and, ultimately, helping to make aid more just, accountable and effective for the intended beneficiaries and other stakeholders themselves.

### *DFID's anti-corruption activities*

5.5 DFID seeks to reduce corruption and its negative effects on the poor in a variety of ways. Its approach is to seek to understand those corruption issues that can realistically be tackled in a given context and to undertake programmes that tackle those issues, frequently through parallel programmes acting in complementary ways. As detailed in the Terms of Reference for this review, these activities fall into the following broad categories:

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<sup>9</sup> *DFID's Programme Controls and Assurance in Afghanistan*, ICAI, 2012, [http://icai.independent.gov.uk/wp-content/uploads/2012/03/ICAI-Afghanistan-Final-Report\\_P11.pdf](http://icai.independent.gov.uk/wp-content/uploads/2012/03/ICAI-Afghanistan-Final-Report_P11.pdf).

- DFID's support for reform of **national anti-corruption laws, institutions and systems**. This includes direct support to anti-corruption entities and for the development of anti-corruption laws, institutions and systems, including the judiciary and police;
- DFID's support for **cross-cutting reforms** such as in public financial management (PFM), the civil service, public administration reform and in the banking and financial sectors;
- DFID's support for **anti-corruption activities targeted at specific sectors** in a country which are prone to corruption, e.g. metals and mining or logistics, or where service in a particular sector is negatively impacted by corruption, e.g. health or education; and
- DFID's support for national implementation of **regional or multinational anti-corruption initiatives**, including for example its efforts in support of initiatives such as the Extractive Industries Transparency Initiative (EITI) and efforts to support the United Nations Convention Against Corruption (UNCAC) and the Financial Action Task Force (FATF).

5.6 In addition, DFID chooses different aid delivery channels and the forms its anti-corruption efforts take in the light of the prevailing levels of corruption and the credibility of national anti-corruption efforts in a given context where DFID operates.

#### *Our approach for this review*

5.7 This review will assess how DFID undertakes programming to tackle corruption in the countries where it operates and the coherence of its range of efforts to do so. This includes: DFID's direct support for reform of national anti-corruption laws, institutions and systems; DFID's support for cross-cutting reforms; and DFID's support for national implementation of regional or multinational anti-corruption initiatives. It also will look at DFID's efforts to reduce corruption in particular corruption-prone sectors.

5.8 The analytical approach for the review includes a review of documentation and interviews with stakeholders to determine the methodology employed by each programme to reduce corruption and the evidence of its effectiveness that has already been obtained. We will then triangulate DFID's evidence and the understanding of stakeholders with a targeted effort to gather feedback from selected beneficiary groups.

5.9 We will assess DFID's efforts to reduce corruption in two of the countries where it operates, Nigeria and Nepal, with a view to understanding how those efforts impact corruption, particularly as experienced by the poor. We will also assess the extent to which these efforts are responsive to intended beneficiaries and other stakeholders in these efforts.

5.10 In addition, we will assess whether what DFID is doing to fight corruption in the countries where it operates, both at an individual programme level and at a strategic level, is in line with current best practice, to the extent that there is consensus thereon. To do so, we will review specific programmes which impact on corruption and the overall DFID anti-corruption strategy against current best practice as articulated in a literature review,<sup>10</sup> with a view to understanding whether DFID is taking on the corruption challenges that it should be and whether it is deploying the right strategies and forms of programme.

## **6. Indicative assessment questions**

6.1 During the course of this review, we will seek to answer a number of questions designed to test the effectiveness of DFID's overall strategy to reduce corruption in the countries where it operates, as well as how individual programmes fight corruption and who they benefit. These questions are as follows:

### **6.2 Objectives**

- 6.2.1 Does DFID have an overall strategy to reduce corruption in the countries where it operates and is it predicated on a coherent, logical, realistic theory of change?

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<sup>10</sup> A more detailed discussion of the literature review can be found starting on page 8.

- 6.2.2 At the country level, does DFID have a strategy to reduce corruption in the given country and is it coherent and realistic given the political realities and the key corruption challenges of that country?
- 6.2.3 Are DFID's efforts to reduce corruption supported by a clear, convincing and realistic plan, including evidence, that shows how the efforts will work?
- 6.2.4 Is that strategy and the activities engaged in pursuant to it informed by current best practice as to how to reduce corruption, both generally and specifically to a given country context?
- 6.2.5 Is DFID taking into account the views and perspectives of the intended beneficiaries and other stakeholders in its efforts to reduce corruption, including in the design, implementation and evaluation of its programmes?
- 6.2.6 Do the anti-corruption strategies developed by DFID following the 2011 anti-corruption review reflect the key risks in the relevant country and do they form a basis for DFID's efforts in the country to reduce corruption?

### **6.3 Delivery**

- 6.3.1 Are DFID's specific choices with respect to aid types appropriate in the context of its wider strategy to impact corruption?
- 6.3.2 Are DFID's efforts to combat corruption joined up with and leveraging the efforts of other aid providers?
- 6.3.3 Are DFID's various efforts to reduce corruption working together coherently and effectively in light of the political realities and corruption challenges in a given country?
- 6.3.4 Is there good governance at all levels, with sound financial management and adequate steps being taken to avoid corruption?
- 6.3.5 Do managers ensure the efficiency and effectiveness of the delivery of DFID's anti-corruption efforts?
- 6.3.6 Is there a clear view of costs associated with the delivery of DFID's anti-corruption efforts?
- 6.3.7 Are risks to the achievement of the objectives identified and managed effectively?
- 6.3.8 Are DFID's anti-corruption efforts delivering against their agreed objectives?
- 6.3.9 Further to the recommendations contained in the 2011 anti-corruption review, what is DFID doing to support more robust law enforcement activities and to build transparency and accountability and is it doing so in a coherent, realistic, joined up and effective manner?
- 6.3.10 Further to the recommendations contained in the 2011 anti-corruption review, what is DFID doing to collate intelligence and analysis of corruption risks in particular sectors and countries and is this intelligence being used to inform a more strategic approach to fighting corruption?

### **6.4 Impact**

- 6.4.1 Are DFID's anti-corruption efforts reducing the negative effects of corruption?
- 6.4.2 Are DFID's anti-corruption efforts reducing the negative effects of corruption as experienced by intended beneficiaries and other stakeholders, including, in particular, the poor?
- 6.4.3 Are DFID's anti-corruption efforts likely to have long-term and sustainable impact?

## 6.5 Learning

- 6.5.1 Are there appropriate arrangements for monitoring inputs, processes, outputs, results and impact?
- 6.5.2 Does DFID gather evidence of the views and perspectives of intended beneficiaries and other stakeholders when it is evaluating the impact of its anti-corruption efforts?
- 6.5.3 Is there anything currently not being done in respect of DFID's anti-corruption efforts that should be undertaken?
- 6.5.4 Does DFID manage and share knowledge effectively in its anti-corruption efforts?

### *How we will answer these questions*

6.6 We will start with a review of relevant programme documentation and DFID's own evidence of performance, including as documented in programme log frames and annual reviews, in order to understand the extent to which the design and implementation of DFID programmes exhibits a coherent approach to reducing corruption. Doing so will allow us to assess whether DFID is integrating its strategy across its programming, as well as whether individual programmes are monitoring the effectiveness of their anti-corruption related efforts. It will also allow us to understand how DFID assesses its own evidence of performance in tackling corruption in the countries where it operates and adapts its programmes on the basis of that evidence.

6.7 We will then conduct interviews with DFID head office personnel, in-country personnel and programme managers and personnel to deepen our understanding of DFID's overall strategy to reduce corruption and how it is working to do so through the range of activities DFID engages in to reduce corruption. We will consider DFID's efforts to reduce corruption from the perspective of the life cycle of a programme, to understand the effects of DFID's programme activities on reducing corruption.

6.8 A substantial portion of our review effort will be dedicated to interviewing the many stakeholder groups of DFID's anti-corruption efforts in order to understand the impact DFID's efforts to reduce corruption is having. Such groups include civil society groups with whom DFID programmes work to demand better governance from public officials; public officials themselves, for whom DFID programmes provide training or other technical assistance and capacity development; and intended beneficiaries. By speaking with these groups, we will seek to understand the extent to which DFID's efforts to reduce corruption are making a difference for the people who experience corruption most directly in the countries where DFID operates.

6.9 Finally, we will triangulate DFID's evidence and the understanding of stakeholders with a targeted effort to gather feedback from relevant groups of intended beneficiaries and other stakeholders of selected DFID programmes in the countries we will review.

### *The steps we will take for this review*

6.10 We will undertake the following steps to carry out this review.

#### Preliminary meetings and desk review

6.11 We will meet and interview UK-based, international and regional DFID staff and suppliers in order to understand what DFID is doing to reduce corruption and engage with intended beneficiaries and stakeholders in the countries where it operates. This will include:

- regional anti-corruption advisors and scholars with relevant expertise;
- members of DFID's Governance, Open Societies and Anti-Corruption (GOSAC) department including the Financial Accountability and Anti-Corruption Team (FACT);
- heads of profession for relevant sectors including governance, health, education and infrastructure;
- members of DFID's finance team, including the head of profession and relevant financial managers and fiduciary risk advisors;

- members of DFID's anti-corruption coherence and co-ordination group developed following ICAI's 2011 anti-corruption report (entitled Cx3) and its operational sub-grouping (entitled Cx3(o));<sup>11</sup>
- staff working with multilateral agencies from DFID's International Relations Division and International Finance Division including those working with the United Nations, World Bank, EITI, International Monetary Fund and regional development banks;
- DFID service providers including commercial contractors, non-governmental organisations (NGOs) and procurement agents; and
- DFID Directors and Deputy Directors as appropriate, given the scope of the present review.

6.12 We will review and analyse DFID anti-corruption programme documentation and strategies in order to gain a more detailed understanding of DFID's anti-corruption efforts and the extent to which it engages with intended beneficiaries and stakeholders. This will include:

- country-specific anti-corruption strategies, including non-public versions when appropriate;
- documents pertaining to DFID's general implementation of anti-corruption and counter-fraud efforts;
- documents pertaining to DFID's response to and implementation of the recommendations in ICAI's 2011 review of *DFID's Approach to Anti-Corruption*;
- DFID anti-corruption publications;
- How To Note and guidance notes relevant to anti-corruption efforts; and
- Cx3 meeting minutes.

#### *Literature review*

6.13 Previous systematic reviews of the effectiveness of anti-corruption programming have indicated varying abilities to robustly assess the ability of such interventions to reduce corruption. One such review found that the effectiveness of public financial management reforms can be assessed through the tracing of funds and material resources from central government, through the administrative hierarchy and out to intended beneficiaries through a public expenditure tracking survey, but that relatively limited compelling data was available about the effectiveness of other interventions.<sup>12</sup> Other academics have sought to assess the effectiveness of anti-corruption programming through a critical assessment of prior reviews of them, including a critique of the theory behind their strategy, their actual implementation and the statistical methodology by which the programme effectiveness has been reported.<sup>13</sup>

6.14 Each such review highlights the importance of the programme context to the success or failure of a particular intervention, such as the level of government support for a programme or an enabling environment where social infrastructure such as media could be utilised. This indicates two important aspects for the methodology of this review: first, the need to ensure a clear understanding of the context in which each of the programmes is being reviewed and the extent to which that context has been assessed prior to the programme being established; and second, the need to assess to what extent a programme makes use of, or seeks to develop, the enabling environment required for the programme to succeed.

6.15 The literature review will also provide a context for the appropriate methodology for seeking beneficiary perspectives on anti-corruption programming and its effects. Whilst indices, such as Transparency International's Corruption Perceptions Index, seek to provide a quantitative analysis of perception of corruption and may show some of the effects of several programmes within an anti-corruption strategy, it will be unlikely to show the effect of a discrete project nor to reflect the perspective of intended beneficiaries.<sup>14</sup> The literature review will seek to establish alternative ways in which beneficiary perspectives can be sought, such as through the beneficiary assessment

<sup>11</sup> Anti-corruption coherence and co-ordination group.

<sup>12</sup> Johnson, J., Taxell, N. and Zaum, D., *Mapping evidence gaps in anti-corruption – Assessing the state of the operationally relevant evidence on donors' actions and approaches to reducing corruption*, U4 Issue, October 2012, <http://www.u4.no/publications/mapping-evidence-gaps-in-anti-corruption-assessing-the-state-of-the-operationally-relevant-evidence-on-donors-actions-and-approaches-to-reducing-corruption/downloadasset/2979>.

<sup>13</sup> Hanna, R. Bishop, S., Nadel, S., Scheffler, G. and Durlacher, K., *The effectiveness of anti-corruption policy: what has worked, what hasn't and what we don't know – a systematic review*, technical report, 2011, page 30, [http://r4d.dfid.gov.uk/PDF/Outputs/SystematicReviews/Anti\\_corruption\\_2011Hanna.pdf](http://r4d.dfid.gov.uk/PDF/Outputs/SystematicReviews/Anti_corruption_2011Hanna.pdf).

<sup>14</sup> Galtung, F., *Measuring the Immeasurable: Boundaries and Functions of (Macro) Corruption Indices*, 2005 <http://www.u4.no/recommended-reading/measuring-the-immeasurable-boundaries-and-functions-of-macro-corruption-indices/>.



methodology employed by the World Bank to seek and to act on the perspectives of stakeholders in its programming generally.

6.16 The literature review will address the following questions:

- How does corruption affect the intended beneficiaries? In what ways can the perspectives of the intended beneficiaries on corruption at a programme level be determined? How can this be done in ways that respect the intended beneficiaries' privacy and protect their security?
- How are the varied and sometimes conflicting interests of diverse beneficiaries best understood and addressed?
- What are current practices of aid programmes to deal with corruption, both by DFID and other donor and anti-corruption institutions? What are the prevailing 'best practices' recommended by donors, academics, non-governmental organisations and other participants in the aid sector?

6.17 The literature review will synthesise reports of past and current practice, as well as forward-looking reports from:

- bilateral and multilateral donor organisations;
- leading think tanks, domestic and international NGOs and private sector organisations such as the major consultancies and private sector entities with global supply chains; and
- academics and respected development practitioners.

### Country visits

6.18 We will focus our review by examining DFID's anti-corruption activities in the context of two specific countries. We have sought to identify countries that meet a number of criteria, including DFID categorisation as a fragile state, being a country in which DFID makes a substantial investment in anti-corruption programming, and being a country that faces considerable corruption challenges in a variety of forms.

6.19 A number of countries were possible subjects for our review, including Nigeria, Nepal, Sierra Leone and Somalia. We decided against Sierra Leone and Somalia because we understand that DFID's anti-corruption efforts and community monitoring and social accountability programmes are at an earlier stage in their development and accordingly are less extensive and/or varied than in the areas we have identified for our review. They therefore would not offer the same cross section of the breadth and depth of DFID's efforts to reduce corruption. Instead, we have identified Nigeria for our first country visit and Nepal for our second country visit because both countries meet a number of our criteria, including the fact that both countries experience high incidences of corruption as reflected in Transparency International's 2013 Corruption Perceptions Index, with Nigeria ranked 144 and Nepal ranked 116 out of 175 countries overall. We have detailed the reasons for our choices below:

- **Nigeria:** this visit will likely take place from 30 March to 13 April 2014. DFID Nigeria has extensive sector and governance programming, including in the extractive industry, health, education and justice sectors, including, for example, the 'Justice for All' programme. Nigeria is a fragile state and experiences conflict in a variety of forms throughout the country, facing considerable corruption challenges at many levels and in many forms, many of which derive from the 'resource curse'<sup>15</sup>, which exacerbates the negative effects of extreme poverty. The International Development Committee last reviewed DFID's programming in Nigeria in 2009 and noted DFID's view of corruption being 'endemic' in Nigeria at that time.<sup>16</sup> In Nigeria, DFID closely cooperates with multilateral efforts around extractive industry transparency through the Facility for Oil Sector Transparency (FOSTER) programme, funds the UN and World Bank programming and undertakes several programmes that seek to engage intended beneficiaries in its programming, such as the States Accountability and Voice Initiative (SAVI). Further details on relevant programmes in Nigeria are set out in Annex 1. ICAI has made only one visit to Nigeria to date. Our review

<sup>15</sup> This term was first used by Richard Auty in 1993 to describe the phenomenon that countries rich in natural resource often have lower economic growth than countries that are not, largely as a result of corruption in the extractive sectors of these countries. Auty, R., *Sustaining Development in Mineral Economies: The Resource Curse Thesis*.

<sup>16</sup> *Eighth Report: DFID's Programme in Nigeria*, International Development Committee (IDC), <http://www.parliament.the-stationery-office.co.uk/pa/cm200809/cmselect/cmintdev/840/84002.htm>.

will seek to engage with the DFID country office and federal level technical assistance in Abuja, along with visits to state-level programming, local public officials, civil society and citizen groups and intended beneficiaries in Lagos, Kaduna, Kano, Jigawa and Enugu; and

- **Nepal:** this visit will likely take place from 17 to 29 May 2014.<sup>17</sup> Nepal is a fragile state and DFID's programming represents a significant proportion of overall donor support to the country. DFID works across many sectors – including in support of reform of the Nepal police – and aid modalities in Nepal; this therefore represents an opportunity to see how DFID is able to effectively coordinate multiple anti-corruption efforts in one country. The International Development Committee last reviewed DFID's programme in Nepal in 2010, noted DFID's view of corruption being 'endemic' in Nepal at that time and noted specific issues of corruption in the justice sector.<sup>18</sup> In particular, programmes such as DFID's PFM programmes, its Nepal Local Governance and Community Development Programme and its Community Support Programme would allow us to review its efforts to improve governance from a transparency and accountability perspective. Further details on relevant programmes in Nepal are set out in Annex 2. Given that these are nationwide programmes, we will review them in two settings: one in the southern Terai region of the country, the other in the Himalayan northern part of the country.

#### Sector, programme and strategic basis of our review

6.20 We have identified the extractive industry and justice sectors in Nigeria and the health and education sectors in Nepal, as described below, as possible focus areas for our review. We have done so on the basis that DFID has a suitably broad range and depth of anti-corruption activity in those sectors and that they suffer from major corruption challenges.

6.21 We will undertake this review by examining relevant programme documents and interviewing key stakeholders, including programme managers and personnel, DFID representatives in country and engaging with intended beneficiaries and other stakeholders. This will allow us to understand what DFID is doing to reduce corruption in these countries, analyse its effectiveness from the perspective of intended beneficiaries and other stakeholders and make recommendations for improving anti-corruption efforts and engaging with intended beneficiaries.

6.22 **Governance Reform Efforts:** Our in-country review will look at:

- DFID's anti-corruption efforts in technical support to government including:
  - specific anti-corruption programmes, if any;
  - partnership and resource mobilisation reform programmes;
  - support to government oversight bodies including auditors general and parliament, such as through the State Partnership for Accountability, Responsiveness and Capability in Nigeria;
  - support to laws and regulations that enable anti-corruption efforts including freedom of information, financial transparency and open contracting (in public procurement), such as through the Nepal Local Governance Support Programme and the State Accountability and Voice Initiative in Nigeria; and
  - public administration reform programmes which entail activities supporting anti-corruption efforts, such as the Public Financial Management and Accountability programme in Nepal or the Federal Public Administration Reform Programme in Nigeria.
- DFID's support to civil society, media and other non-state entities that play monitoring, advocacy and accountability roles on corruption issues and also represent wider beneficiary interests, including community-based monitoring efforts, such as through the State Accountability and Voice Initiative in Nigeria; and
- DFID's support to the private sector including business interest and membership organisations, financial and banking sector reform and how these programmes incorporate

<sup>17</sup> We understand that DFID Nepal will be hosting a delegation of 10 people for the purposes of conducting a review during the latter part of April and the beginning of May. As such, this period is foreclosed to us for the purposes of our country visit.

<sup>18</sup> Sixth Report: DFID's Programme in Nepal, IDC, <http://www.publications.parliament.uk/pa/cm200910/cmselect/cmintdev/168/16802.htm>.

anti-corruption efforts, including through programmes such as the Facility for Oil Sector Transparency in Nigeria.

**6.23 Country Strategic Programming:** We will examine at a country level in each of Nepal and Nigeria:

- how DFID is coordinating anti-corruption efforts across all its programming, including its efforts to coordinate with other donors;
- how DFID is ensuring that lessons learned from anti-corruption activities are incorporated into programme design and implementation;
- how DFID is reaching out to intended beneficiaries and incorporating their feedback into anti-corruption efforts;
- how DFID is implementing its country strategies on anti-corruption; and
- how on a regional basis DFID is coordinating anti-corruption efforts.

**6.24 Sector Analysis:** we will examine selected sectors in-country and analyse how anti-corruption efforts are impacting the intended beneficiaries in those sectors.

**6.25** For this review, we considered several sectors as possible candidates for analysis: extractive industries, justice, health, education, water and infrastructure. While several of the sectors in which DFID operates would be worthy subjects for our review, we believe that it is important to consider those sectors where corruption is acutely felt and where DFID is undertaking steps to address that corruption, in each country. We will therefore focus on DFID's anti-corruption efforts in the extractive industry and justice sectors in Nigeria (through examining the work of the Facility for Oil Sector Transparency and Justice for All programme); and, in Nepal, we will focus on the elements of health and education programmes such as the School Sector Reform Programme and the Support to Nepal Health Sector Programme II that address challenges of grand corruption. Each of these areas presents an opportunity to examine the issues at the heart of the present review, including the multiple points of intersection between various forms of corrupt activity. Specifically, we have chosen these sectors for the following reasons:

- the extractives industry poses particular opportunities to the state of Nigeria but also complex challenges in the impact of corruption;
- the justice sector in Nigeria and the education and health sectors in Nepal present corruption issues which may be relevant to varying degrees in different contexts and may require different programming approaches;
- intended beneficiaries come into direct contact with the justice sector through the police and court systems and with the health and education sectors through service delivery. They are therefore likely to have perspectives on corruption associated with those services and also to have perspectives on the impact of anti-corruption programming;
- DFID has undertaken programming in each of these sectors over more than one programme cycle, indicating their importance; and
- other donors are active in these sectors, allowing for comparison with alternative anti-corruption approaches.

**6.26 Multilateral Support:** We will examine the support which DFID provides to multilateral organisations and international initiatives that seek to reduce corruption, including direct funding to multilateral institutions such as the United Nations, World Bank and other development banks; programme-specific funding to such institutions; as well as the support DFID provides to multilateral organisations and international initiatives, for example through DFID's EITI Support Programme, with a view to assessing whether these efforts are reducing the negative effects of corruption on the poor.

*Intended beneficiary perspectives on DFID efforts to reduce corruption*

**6.27** This review will also assess the impact of DFID's efforts to reduce corruption from the perspective of its intended beneficiaries.

**6.28** In order to undertake these assessments, we have prepared a methodology that includes both focus group discussions and targeted surveys of approximately 1,000 intended beneficiaries and other stakeholders in programmes. This will allow us to triangulate the qualitative data of intended

beneficiaries' and other stakeholders' experiences obtained through focus groups with quantifiable data through the surveys.

6.29 Our review will seek to identify and test the hypotheses and assumptions behind programme activities as they pertain to anti-corruption. This will consider the relevant programme's theory of change as regards corruption. But irrespective of the stated outputs of the programme, we will also seek to determine the actual perceived impact of the programme on corruption.

6.30 Due to limitations of cost and time, the review will primarily utilise purposive, rather than random, sampling in order to identify perceptions of those intended beneficiaries who might be expected to have experienced change as a result of the relevant programme. While this will not yield certainty regarding the representativeness of the entire constituent group being surveyed, the surveys will be designed to reduce bias as much as possible. They will offer:

- granular quantified evidence of the perceptions and experiences of a wider population than could be reached through focus groups alone;
- a safe space where vulnerable respondents may express their views anonymously, without fear of victimisation;
- analysis of the variation in perceptions and experience of respondents far more clearly and reliably than small focus group samples; and
- a means of testing programme hypotheses by providing evidence of important outcomes, such as the trust and level of engagement with programmes and service facilities of intended beneficiaries and other stakeholders. We will triangulate this with focus group data and other data, for example from ongoing data collection efforts directly by the programme managers for the programme in question, as well as third party data collection by organisations, for example, the corruption perception surveys from Transparency International.

6.31 By engaging directly with intended beneficiaries and other stakeholders of DFID's anti-corruption efforts, we will seek to understand the corruption challenges faced in the countries where DFID operates and the extent to which DFID's anti-corruption efforts are "moving the needle" on corruption as experienced by intended beneficiaries and stakeholder groups.

#### *Analysis and report writing*

6.32 Following the research stages of our review, we will analyse the data collected, assess evidence and then write our report, which will seek to address the key questions identified above.

## **7. Roles and responsibilities**

7.1 The Team Leader will be the primary point of contact with DFID. KPMG will provide oversight of this review under the overall leadership of the ICAI Project Director. Supplementary analysis will be provided by KPMG staff.

7.2 It is proposed that this review be undertaken by a core team of four, together with an adviser to assist with the beneficiary feedback component of the review, as well as a number of other non-core team members to assist with various aspects of the review.

### **Team Leader (Independent)**

He is head of the International Governance and Development practices and a member of the Litigation group in New York of Linklaters LLP. He represents the for-profit, public and not-for-profit sectors on a wide range of governance issues including addressing challenges relating to bribery, corruption, fraud and economic sanctions regimes. He does this through investigations, enhanced compliance mechanisms, education and training and designing, implementing and monitoring client-centred governance models. He has extensive experience in designing unified governance and compliance frameworks for organisations in Nigeria, Ghana, South Africa, the United Arab Emirates and the Philippines to address bribery, corruption and fraud issues. He oversees the annual 'Advancing Good Governance in International Development' seminar held at Oxford University. The seminar is jointly organised by the University of Oxford's Skoll Centre for Social Entrepreneurship at the Said Business School and the Oxford Department of International Development, Camfed International and Linklaters. He also co-authored the report 'Camfed Governance: accounting to the Girl – Working Towards a Standard for Governance in the International Development Sector'.

### **Senior Advisor (KPMG)**

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

### **Team Member 1 (Independent)**

He is the Managing Director of an international development consultancy with expertise in centre of government, political economy, legislative, civil society, rule of law, legal drafting, public financial management, civil service reform, security sector reform and public sector, NGO and CSO capacity building. He has extensive experience working with DFID and understands DFID systems, management and processes and how DFID utilises different delivery modalities and has worked on DFID programmes in both Nigeria and Nepal. He has worked in several challenging and difficult environments, including fragile and transitional states. He supports the UK Government's Stabilisation Unit as a Deployable Civilian Expert within the Civilian Stabilisation Group and is a member of the newly formed Senior Conflict, Stabilisation and Governance Adviser's roster.

### **Team Member 2 (Independent)**

He is an attorney in Linklaters' International Governance and Development Practices with expertise in international anti-corruption regulations, including the US Foreign Corrupt Practices Act and international economic sanctions. He advises clients in the for-profit and not-for-profit sectors on the design and implementation of governance models that seek to minimise the risk of fraud and corruption while enhancing institutional effectiveness from the perspective of the full range of an organisation's stakeholders. He is active in a variety of international legal forums, including serving as Chair of the United Nations Committee of the New York City Bar Association. He has addressed the UN General Assembly on legal issues related to Western Sahara and appeared before the Inter-American Commission on Human Rights on behalf of a Guantanamo Bay detainee.

### **Team Member 3 (Independent)**

He is a qualified solicitor in England and Wales and a Managing Associate in the International Governance and Development practices of Linklaters LLP, which advise the profit and not-for-profit sectors on issues of governance, which are the systems and processes that ensure the overall direction, effectiveness, supervision and accountability of an organisation. He counsels clients on all manner of governance issues, from assessing, designing, implementing and monitoring client-centred governance models; to addressing challenges relating to fraud and corruption. His relevant experience includes designing a unified governance model and compliance system for a multinational mining company, including drafting advisory memoranda on relevant sources of best practice and applicable legal regimes. He has worked in Nepal with a non-governmental organisation with which he established a women's community group to work on health and social issues; as part of that, he project-managed a local area hygiene programme including consultation with local area government departments.

### **Citizen Feedback Consultant 1 (Independent)**

He is a human rights lawyer and founder of a constituent feedback firm, an international social enterprise dedicated to bringing constituent feedback to performance management for social impact. In the early 1990s, he founded and led two African citizen sector resource centres, one relating to organisational and sectoral development (the Development Resources Centre, Johannesburg) and one relating to information and technology (SANGONeT, Johannesburg). As a grantmaker and executive with Aga Khan Foundation (1997-2004), Ashoka: Innovators for the Public (1994-1997), Oak Foundation (1988-90) and Ford Foundation (1983-87), he evolved and demonstrated innovative multi-stakeholder approaches to sustainable development as an alternative to prevailing bureaucratic, top-down models. He is a regular contributor to professional journals and has authored and co-authored a number of reports and books, including: Creating an Enabling Legal Framework for Nonprofit Organizations in Pakistan (Pakistan Centre for Philanthropy, 2003), Enhancing Indigenous Philanthropy for Social Investment (Aga Khan Development Network, 2000), Philanthropy in Pakistan (Aga Khan Development Network, 2000) and Leading Public Entrepreneurs (Ashoka: Innovators for the Public, 1997). He and his firm are leading proponents for (and developers of) theory of change-based planning combined with continuous feedback systems through the methodology they call Constituent Voice. He has a track record of delivering on research and evaluation projects and has written on the subject: Use of Impact Evaluation Results (InterAction 2012).

### **Citizen Feedback Consultant 2 (Independent)**

An African historian by training, he has worked for over thirty years as an educator, author, publisher and development practitioner. Since 1996, he has worked as an independent development consultant specialising in participatory planning, assessment and learning as well as more mainstream programme evaluation and organisational learning. In 2004, he co-founded a constituent feedback firm, where he leads on what is designed to be an empirically rigorous but 'light touch' and cost-effective method of bringing the perceptions and voices of an intervention's primary constituents (those intended to benefit) into outcome-oriented performance management and organisational learning. The firm has developed its constituent voice methodology in partnership with leading international and local development agencies (including USAID, IFC and World Bank), philanthropic foundations (including Ford, Kellogg, Gates, Hewlett, Omidyar and Rockefeller Foundations), international NGOs (including Oxfam, CARE and HIVOS) and government departments (including Ethiopian Department of Agriculture and the Department of Performance Monitoring and Evaluation in South Africa).

### **Citizen Feedback Consultant 3 (Independent)**

He is Operations Manager at a constituent feedback firm and delivers on all client projects from Comparative Constituent Feedback projects to bespoke consultancy. This portfolio includes a diverse range of clients, including the World Bank, trusts and foundations such as CS Mott and the Hewlett Foundation, NGOs such as Save the Children, Oxfam and Christian Aid and social investors and for-profit companies. He joined the organisation after three years as General Manager at a social sector magazine, which he led through a period of expansion. This magazine is the leading publication on

international philanthropy and social investment which is funded by the largest trusts and foundations worldwide. He has a degree in Politics and an MBA.

### Peer Reviewer (KPMG)

He is a Director in the Birmingham and London offices of the UK Forensic practice. He has over 15 years' experience of forensic and accounting matters both within the UK and internationally, including investigations and expert witness assignments. At present, he runs a KPMG team in the UK dealing with anti-bribery and corruption (ABC) issues. He also co-ordinates KPMG's response to ABC across Europe, Middle East and African practices. He has a wide range of investigation and forensic accounting experience, both within the UK and globally; and established and led KPMG Forensic Central and Eastern European (CEE) practices for five years between 2000 and 2005, undertaking a wide range of investigations and expert witness assignments.

## 8. Management and reporting

8.1 We will produce a first draft report for review by the ICAI Secretariat and Commissioners by the week commencing 7 July 2014, with time for subsequent revision and review prior to completion and sign off the week commencing 29 September 2014.

## 9. Expected outputs and time frame

9.1 The main deliverables will be:

Activity	Timetable
Desk review of DFID documents Finalising methodology Drafting Inception Report Literature Review	February-March 2014
Country Visits: Nigeria Nepal	30 March to 12 April 2014 17 May to 29 May 2014
Analysis and report drafting Roundtable with Commissioners First draft report Report quality assurance and review by Secretariat and Commissioners Report to DFID for fact checking Final report sign-off	April – May 2014 Week commencing 16 June 2014 Week commencing 7 July 2014 Weeks commencing 28 July – 18 August 2014  Week commencing 8 September 2014 Week commencing 29 September 2014

## 10. Risks and mitigation

10.1 The following table sets out the key risks and mitigating actions for this assessment:

Risk	Level of risk	Specific Issues	Mitigation
Complexity and indirect nature of DFID programmes that address corruption	Medium	Programmes that address corruption are complex and often do so indirectly	<p>Collect and review as much information as possible before country visits.</p> <p>Speak to as many DFID and programme personnel as possible before country visits to understand the programmes, their theory of change and the specific ways they address corruption, even if indirectly.</p> <p>Conduct literature review.</p> <p>Speak with experts on corruption in the countries we will visit.</p>
Sensitivity of corruption topic with stakeholders	Medium	Stakeholders may be reluctant to speak openly about corruption, given sensitivity of topic	<p>Assess in advance of interviews potential sensitivities given identity of stakeholder to be interviewed.</p> <p>Approach topic with sensitivity and calibrate interviews and specific questions as appropriate.</p> <p>Utilise local field researchers to conduct beneficiary feedback with sensitivity, based on their understanding of specific contexts.</p>



Risk	Level of risk	Specific Issues	Mitigation
Inability to access key information	Low	<p>Unable to see all relevant DFID files</p> <p>Unable to obtain information from DFID project partners</p> <p>Unable to interview key DFID personnel</p>	<p>Ensure clear authorisation is given at start up.</p> <p>Collect and review as much information as possible before country visits.</p> <p>Ensure that DFID partners are informed of our key information requirements. Liaise with them directly to ensure they fully understand what is required prior to our visit.</p> <p>Ensure DFID introduces us early to key personnel.</p> <p>Allow sufficient time to work with partners, during our visits, to clarify any further information requests.</p>
Intended beneficiary voices not heard	Medium	Access to intended beneficiaries proves difficult	Locally engaged teams of experienced field researchers will be recruited, trained and supervised to collect feedback where it is deemed to be of high value.
Inability to or difficulty in visiting specific locations due to security concerns	Medium	<p>Unable to review specific DFID programmes on the ground</p> <p>Unable to meet with intended beneficiaries</p>	Engage services of security provider to assess risks, advise on security precautions and provide appropriate level of security based on the specific timing and location of our visits.

## **11. How this ICAI review will make a difference**

11.1 This review will examine the impact of DFID's efforts to reduce corruption in the countries where it operates, particularly from the perspective of the intended beneficiaries of its aid: the poor. This review will also examine the extent to which DFID is taking into account the views and perspectives of its intended beneficiaries and of stakeholders, including public officials and civil society organisations, in the design and implementation of its efforts to reduce corruption. The review will focus on Nigeria and Nepal and in particular on DFID's initiatives in the extractive industries, justice, health and education sectors and in support of governance reforms in these countries. We will also examine DFID's anti-corruption efforts through multilateral partners and international initiatives and assess DFID's response to our initial review of its approach to anti-corruption.

11.2 Each of the above will be undertaken with a view to advising the UK taxpayer as to which of DFID's anti-corruption efforts are working to achieve the goal of reducing the negative effects of corruption on the poor and what else DFID can and should be doing and any limitations thereon, in this regard. In addition, we will seek to identify which methods utilised by DFID for gathering beneficiary feedback, conducting community monitoring and fostering social accountability in connection with its anti-corruption efforts are working and why.

11.3 We do so with the hope that our findings will provide DFID a sound basis upon which to improve its efforts to fight corruption and engage with its intended beneficiaries going forward.

## Annex 1: Details of programmes proposed for review in Nigeria

### 1 Federal Public Administration Reform Programme (FEPAR)

#### 1.1 Commencement date

1 April 2010

#### 1.2 Budget

GBP 32,240,095

#### 1.3 Type of programme

Anti-corruption sensitive (on the basis that it seeks to improve budget transparency and oversight)

#### 1.4 Description of programme

FEPAR is a five year programme to strengthen the capacity of the federal public service to develop and implement strategic policies and plans for national economic and social development and delivery of core services to meet the needs of citizens sustainably, responsibly and equitably. (Note that FEPAR is currently revising its strategy.) FEPAR is delivered by Atos Consulting and has five components:

**1.4.1** *Central Policy and Planning:* this focusses on reforms targeting central government coordination of government policy and planning, in particular working with the Office of the Secretary to the Government of the Federation, Bureau of Public Sector Reform and the National Planning Commission to support and strengthen their roles and responsibilities for critical central governance and coordination;

**1.4.2** *Civil Service Reform:* this is aimed at strategic whole of government human resources management, focussing on reform initiatives in cross-cutting areas, particularly in human resource policy, procedures and guidance-setting for the whole of the civil service. The component is also strengthening two key employee management institutions: the Office of the Head of Service of the Federation and the Federal Civil Service Commission;

**1.4.3** *Public Financial Management:* this focusses on improving the annual budget planning and coordination systems in the Federal Ministry of Finance (primarily by providing embedded technical experts supporting the Finance Minister) and the Budget Office of the Federation;

**1.4.4** *Service Delivery Improvement:* this is aimed at maximising the opportunity for service delivery improvements by institutionalising an increased focus on service delivery across the public service and deepening service improvement reform with key target MDAs. The key partner agencies for these components are SERVICOM and the Federal Ministry of Lands, Housing and Urban Development, the Federal Ministry of Industry, Trade and Investment and the Federal Ministry of Agriculture and Rural Development; and

**1.4.5** *External Accountability:* is aimed at strengthening budget transparency, oversight and performance by strengthening the capability of demand side institutions. Key partners include the National Assembly Finance and Appropriations Committees, the National Assembly Budget and Research Office and civil society organisations.

## **2 Justice for All (J4A)**

### **2.1 Commencement date**

22 October 2008

### **2.2 Budget**

GBP 52,206,272

### **2.3 Type of programme**

Anti-corruption specific (in part), anti-corruption centric overall (on the basis that it targets corruption in its programme objectives)

### **2.4 Description of programme**

J4A is the successor to the Security Justice and Growth programme, which ended in March 2010. J4A is managed and delivered by the British Council. J4A was active initially at the federal level and in five focal states (Lagos, Enugu, Kaduna, Kano and Jigawa) plus the Federal Capital Territory and subsequently scaled up to include Anambra, Niger, Zamfara, Katsina and Yobe.

This programme is stated in programme documents as contributing to the DFID Nigeria Operational Plan, by increasing the number of people supported to hold the government to account; improving stability, security and access to justice; and improved capability of Federal and state governments to serve citizens, through improved effectiveness of anti-corruption agencies. This is undertaken through four components:

**2.4.1 *More effective and accountable policing services:*** This is being undertaken through four sub-sections to improve service delivery, human rights compliance and accountability. Those four components are: development of model police stations; developing strategy documents; improving internal and external accountability procedures; and facilitating cooperation and accountability with voluntary/vigilante police services;

**2.4.2 *More effective and equitable access to justice:*** This component aims to contribute to the provision of justice services where disputes (including civil/commercial disputes and criminal allegations), are resolved in a fair and timely manner and which is accessible to all without discrimination and provides a range of options for people;

**2.4.3 *More effective and strengthened anti-corruption agencies:*** This is being undertaken through three sub-components: analysing gaps in skills and knowledge of and providing training to investigators and prosecutors at anti-corruption agencies; enhancing cooperation between civil society organisations and anti-corruption agencies; and improving national and international cooperation and coordination between anti-corruption agencies; and

**2.4.4 *Enhanced cross sector coordination and external oversight:*** This comprises three sub-components: support to Justice Sector Reform Teams, whose role is to improve cooperation and coordination in the planning and implementation of justice sector reforms; institutional and capacity building to speed up criminal justice for prisoners awaiting trial; and selecting “champion” non-governmental organisations to support in their role in reform of the justice sector, including discussions with the Kano Civil Society Forum to develop improved complaints and accountability mechanisms with respect to the actions of security services.

### **3 State Accountability and Voice Initiative (SAVI)**

#### **3.1 Commencement date**

1 August 2008

#### **3.2 Budget**

GBP 30,766,888

#### **3.3 Type of programme**

Anti-corruption centric (on the basis that it seeks to foster accountability and transparency on the demand side of service delivery)

#### **3.4 Description of programme**

SAVI was originally a component of SPARC (see below) but was removed and separately tendered and is now delivered by GRM International. SAVI currently works in ten states, beginning with Kano, Kaduna, Jigawa, Lagos and Enugu in 2008. In 2012, SAVI expanded to Katsina, Yobe and Zamfara. In Niger and Anambra SAVI is nearing completion of the inception phase and will begin implementation in summer 2014. SAVI was designed as one of a suite of state level programmes to bring about improved governance, service delivery in the health and education sectors and private sector development at state level. SAVI aims to strengthen mechanisms for Nigerian citizens to hold government to account, through supporting State houses of assembly, the media and civil society.

SAVI aims to produce the following outcomes:

- 3.4.1** *Civil society demonstrates a replicable and sustainable approach to issue-based policy advocacy and monitoring:* To achieve this outcome, SAVI supports coalitions of civil society organisations (Advocacy Partnerships) to engage in policy advocacy and monitoring at a state level on issues of interest to them. SAVI aims to ensure that the civil society organisations can operate independently of SAVI;
- 3.4.2** *Civil society demonstrates a replicable and sustainable approach to facilitating public involvement in government budget and planning processes:* To achieve this outcome, SAVI supports Advocacy Partnerships to engage in government budget and planning processes on the basis of issues of interest to them. These Advocacy Partnerships have undertaken performance assessments of budgets and their implementation and use of the media to engage citizens on budgets;
- 3.4.3** *More open and inclusive systems of communication and improved understanding between citizens, civil society, media, State houses of assembly and government:* For this outcome, SAVI encourages citizen groups, elected State house of assembly representatives and the media to work together in promoting more effective use of public resources and measures it by assessing strong partnerships between those groups;
- 3.4.4** *Improved systems of transparency, public engagement and financial oversight in State houses of assembly:* For this outcome, SAVI measures the quality of systems for recruitment in houses of assembly, for induction and monitoring of compliance with rules and procedures, for public access to information and for scrutinising public financial documents and the quality of their own reforms; and

**3.4.5** *Other development partners take a more sustainable and replicable approach to strengthening voice and accountability. SAVI seeks to see that its approach of strengthening voice and accountability is undertaken by others.*

#### **4 State Partnership for Accountability, Responsiveness and Capability (SPARC)**

##### **4.1 Commencement date**

18 June 2007

##### **4.2 Budget**

GBP 61,384,637

##### **4.3 Type of programme**

Anti-corruption centric (on the basis that it seeks to foster accountability and transparency on the supply side of service delivery)

##### **4.4 Description of programme**

SPARC is supplied by HTSPE and works with State governments in Anambra, Enugu, Jigawa, Kano, Kaduna, Katsina, Lagos, Niger, Yobe and Zamfara to support changes in the way strategies and policies are prepared in Nigeria so that public policies and organisations respond to the needs of citizens and uphold their rights. It works to support changes in the way financial resources are managed. It also works to strengthen the Federal government's support and incentives, for better performance in state governments.

SPARC has five components:

**4.4.1 *Developing Policy and Strategy:*** Within this component, SPARC works with State governments to develop effective policies and strategies that set clear targets, are based on accurate information, are based on research that aims to ensure policies benefit all members of society and that conform to national and international guidelines;

**4.4.2 *Public Financial Management:*** SPARC works to improve fiscal management at a State government level, including controlling fiduciary risks by (i) increasing accountability by making budget and audit reports available, (ii) putting mechanisms in place to ensure funding is spent for its intended purposes and (iii) establishing financial control systems that include regular audits. SPARC also works to improve resource allocation to efficiently use taxes and disseminate budgets. SPARC also works to improve managerial skills in State government financial management;

**4.4.3 *Public Service Management:*** SPARC works to improve the way in which public services work by improving their policies and rules, clearly defining responsibilities of government ministries and ensuring they have the required resources and establishing a performance culture in the public sector;

**4.4.4 *Knowledge Management:*** SPARC seeks to capture and disseminate good practice amongst States of Nigeria, including those not directly covered by the programme; and

**4.4.5 *Monitoring and Evaluation:*** SPARC supports state governments in producing sustainable monitoring and evaluation capabilities.

## **5 Facility for Oil Sector Transparency (FOSTER)**

### **5.1 Commencement date**

11 December 2010

### **5.2 Budget**

GBP 13,999,996

### **5.3 Type of programme**

Anti-corruption centric (on the basis that it seeks to foster accountability and transparency in the oil sector)

### **5.4 Description of programme**

FOSTER is delivered by Oxford Policy Management (OPM) and represents a continuation of DFID's involvement in oil sector transparency issues and support to the Nigeria Extractive Industries Transparency Initiative (NEITI). It works at a federal level, supporting a variety of stakeholders in order to work towards greater transparency, higher demand for transparency and greater use of disclosed information. FOSTER aims to do so by providing technical and financial support to the core NEITI institutions and also to other government, industry and civil society stakeholders.

FOSTER aims to ensure that Nigeria's natural resources are used more effectively and management of them is enhanced through:

**5.4.1** *Identifying increased extractive industry revenues:* To achieve this, FOSTER has worked with stakeholders to develop policy recommendations and an advocacy initiative to hold anti-corruption institutions to account. It has also worked to strengthen the two systems of the Federal Ministry of Finance: those which monitor and scrutinise returns from fuel marketing companies and those which support transparency, although no new systems that support transparency were created;

**5.4.2** *Improved management and accountability of extractive industry revenues:* In this component, Foster has supported capacity building interventions targeted at improving management and accountability, with the National Assembly and oil unions and training of Nigerian journalists; it has also worked to support the development of the Petroleum Industry Bill and supported civil society organisation advocacy in respect of it; and

**5.4.3** *Improved policy outcomes for local communities affected by extraction of natural resources:* To achieve this, FOSTER produces reports and policy notes, including one which informed drafting of the Petroleum Industry Bill and another which informed the drafting of a bill on division of mandates between government agencies.



## **Annex 2: Details of programmes proposed for review in Nepal**

### **1 Public Financial Management and Accountability (PFMA)**

#### **1.1 Commencement date**

1 August 2012

#### **1.2 Budget**

GBP 7,999,999

#### **1.3 Type of programme**

Anti-corruption centric (on the basis that it seeks to promote accountability and good governance in financial management)

#### **1.4 Description of programme**

Under PFMA, DFID is providing support to public financial management (PFM) reform at the sub-national and sectoral level and to greater accountability of the national government in Nepal. The project includes two components:

**1.4.1** Co-financing of the Asian Development Bank-managed Strengthening Public Management Programme (SPMP), which has been designed to strengthen PFM reform at the local level and selected accountability institutions at the national level. The programme is designed to reduce fiduciary risks for donor funds using Government of Nepal's systems. It is as such also complementary to the World Bank led PFM Multi-Donor Trust Fund, which focusses its support at central level. This is designed to be complementary to the Nepal Local Governance Support Programme described below. This component is to be implemented through (a) local government budget and fiscal management, including support in the areas of fiscal transfers, resource mobilisation, medium-term budget framework; (b) fiduciary risk management at the local government level, including design and implementation of PFM and fiduciary risk mitigation action plans, as well as risk assessment guidelines and tools, complemented by a local level public expenditure monitoring and accountability assessments; (c) public procurement reform, with support to E-Bidding and the Public Procurement Management Office; and (d) oversight and accountability capacity building, with support to the National Vigilance Centre. This component is subject to delay due to delays by the Nepal government in instituting reforms and difficulties in procuring technical support staff; and

**1.4.2** Support to DFID sector programmes selected through diagnostic work and fiduciary risk assessments. Support provided by improving sector PFM reform plans, supporting the implementation of such strategies or stand-alone PFM reform activities. Sector PFM reform studies have been undertaken for the health, education, local governance, rural infrastructure, climate change, forestry and security and justice sectors. DFID has contracted Crown Agents to implement this component.

The programme is also intended to contribute to the DFID operational plan of formal community organisations holding Government to account through social audits.

## **2 Public Financial Management, World Bank Multi-Donor Trust Fund (PFM)**

### **2.1 Commencement date**

7 January 2011

### **2.2 Budget**

GBP 3,600,000

### **2.3 Type of programme**

Anti-corruption centric (on the basis that it seeks to promote accountability and good governance in financial management)

### **2.4 Description of programme**

Under PFM, DFID is contributing to a multi-donor trust fund established by the World Bank to support the Government of Nepal's public financial management. The programme seeks to achieve three intermediate results: (i) public financial management and treasury systems are strengthened; (ii) quality and completeness of public sector audits is enhanced; and (iii) mechanism to engage citizens in public financial management reform are developed, implemented and adapted. These results are sought to be achieved through two core programme components:

**2.4.1** To strengthen the Government of Nepal's public financial management systems. Within this, DFID has endorsed three specific programmatic areas of support: (a) implementation of a Treasury Single Account in all districts to ensure a consolidated and rationalised basis for financial management; (b) implementation of the Nepal Public Sector Accounting Standards to produce improved transparency and comprehensiveness government reporting; and (c) capacity-building and institutional strengthening of the Public Expenditure and Financial Accountability Secretariat in the Ministry of Finance, so that it can effectively implement and monitor its Public Financial Management Reform Programme; and

**2.4.2** To develop the capacity of Nepali civil society organisations to use social accountability approaches and tools to make public financial management more accessible and responsive to the needs of all citizens. This component commenced in October 2012. Under this component, training is provided to civil society organisations on public financial management tools, in particular in relation to budget literacy, gender and pro-poor budget analysis, public expenditure tracking surveys and public procurement monitoring. Under this component, grants are awarded to non-governmental organisations to support the adaptation and application of social accountability and approaches to influence public financial management.

### **3 Nepal Local Governance Support Programme (LGSP) (continuation of LGCDP1)**

#### **3.1 Commencement date**

10 December 2013 (LGCDP1 commenced 1 May 2009)

#### **3.2 Budget**

GBP 68,899,999

#### **3.3 Type of programme**

Anti-corruption specific in part (in that it seeks to tackle corruption and elite capture) and anti-corruption centric in part (in that it seeks to promote accountability and transparency).

#### **3.4 Description of programme**

This programme is a continuation of the Local Governance and Community Development Programme 1 (LGCDP1) and is intended to build on its work, including the development of accountability institutions, of that first programme. The programme has a number of workstreams:

**3.4.1** *Increase local government accountability.* This will be based on an integrated approach of working with the government (central and local) and civil society to increase local accountability;

**3.4.2** *Local governance reform to improve delivery of large public expenditure:* The sectors on which this will focus are (i) delivering local infrastructure; (ii) improving social security payments; (iii) inclusive community planning, peace and mediation processes; and (iv) service delivery in sectors such as health and education. This will be driven through mechanisms such as Minimum Conditions and Performance Measures – a formula-based test for local governments to be eligible to receive annual grants;

**3.4.3** *Dealing with Nepal's most challenging districts:* These are identified by weak performance and/or remoteness;

**3.4.4** *Tackling elite capture:* Through social mobilisation, transparency measures, training and intensive support, increasing community organisation so that they can claim entitlements from the state and reduce elite capture. This will make use of Ward Citizen Forums to monitor projects, organise public audits and hold veto power over payments to project implementers. This will also include facilitation of effective use of Nepal's Right To Information Act and support for an independent third party monitoring body linked to the National Vigilance Centre, one of Nepal's two main anti-corruption bodies;

**3.4.5** *Full integration of disaster resilience in local governance and improving quality and climate-proofing of local infrastructure;*

**3.4.6** *Prioritisation of projects on local economic development and livelihood improvement;*

**3.4.7** *Anti-corruption and public financial management support:* To tackle three principal categories of corruption: allocation of resources by local (unelected) politicians, capture through user committees contracted to deliver projects and misappropriation of programme funds by officials. Also to tackle financial management, including internal audit and control, in local government; and

**3.4.8** *Limited contribution of block grants to government.*

## **4 Community Support Programme (CSP) - Phase II**

### **4.1 Commencement date**

13 April 2010

### **4.2 Budget**

GBP 19,999,997

### **4.3 Type of programme**

Anti-corruption sensitive in part (on the basis that it seeks to improve community institutions, social mobilisation and public auditing)

### **4.4 Description of programme**

The first phase of the CSP was initiated in 2003, during the conflict period in Nepal, to support community-led service delivery at a time when government support was severely restricted. The second phase of CSP was initiated in April 2010 with a more focussed approach covering 405 village development committees (VDCs) in 44 District Development Committees (DDCs). It has been extended to 31 March 2014 and will be undertaken by CARE-Nepal and Rural Reconstruction Nepal.

CSP recognises that working through the government will help build the credibility and legitimacy of the State in being seen to deliver to its citizens, which is seen as being particularly important in a post-conflict context.

CSP has four outputs:

- 4.4.1** Improved, disaster-resilient, infrastructure for delivering public services and increased access to them for communities (especially women);
- 4.4.2** Better capacity for poor and excluded people, especially women, to lead local development and claim their rights, thereby improving their chances of generating sustained income;
- 4.4.3** Improved local government planning and monitoring processes based on lessons learned from the CSP model; and
- 4.4.4** Increased resilience of vulnerable communities (especially women) to climate change and natural shocks.

In the third output, CSP is intended to influence local government systems based on good practice related to social mobilisation, public auditing and transparency to local government systems and approaches used in LGSP (described above). To support local governance, CSP has (i) established Peace Promotion Centres and supported them to become Citizen Awareness Centres which are then supported by LGSP; (ii) provided technical support to train social mobilisers; (iii) provided analytical support to develop the Public Auditing Strategy and guidelines for the Ministry of Local Development; and (iv) supported field based joint monitoring with government, to integrate good practice on social mobilisation into local governance work.

## **5 Security and Justice for the Poor in Nepal**

### **5.1 Commencement date**

10 January 2014

### **5.2 Budget**

GBP 35,000,000

### **5.3 Type of programme**

Anti-corruption specific in part (in that it seeks to tackle corruption in the justice system)

### **5.4 Description of programme**

This programme is intended to build on previous UK investment in the justice sector in Nepal. This is intended to draw on and scale up the work of previous programmes to support the reconstruction of war-damaged police posts, provide technical advice on police strategy, provide dispute mediation services and create community women's groups to help prevent and respond to sexual violence.

One component of this work is to help reduce corruption in the justice sector in line with DFID Nepal's Anti-corruption Strategy. Anecdotal evidence indicates that politics and pay-offs impinge on national processes of recruitment, deployment and promotion as well as on due process at the local level both in the case of judges and senior police officials. In districts, it is common for allegations to be made that personal and/or political contacts have been used to secure the release of a detained suspect or reduced charge in the courts. Recent public perception surveys by Transparency International ranked the police as among the most corrupt institution in Nepal, with 58% of those interviewed in 2013 saying that the police were corrupt.

Even where crimes or abuses of power are reported, they may not be investigated, prosecuted nor adjudicated properly, or a combination of the three. Court or community mediation decisions, moreover, may not be adequately enforced, if at all. A lack of accountability and oversight damages public confidence in the justice system.

Incentives to deliver effective, fair and equitable services are undermined by the absence of external accountability mechanisms such as, for the police, an Independent Police Complaints Commission and/or Police Service Commission. However, institutional reform may occur slowly due to legislative inactivity. The absence of formal external mechanisms for accountability (such as relevant parliamentary committees and independent commissions) undermines governance in the sector. The programme will seek to motivate the formation of these bodies and the passing of necessary laws.

The combination of intensive support for district level delivery and civil society oversight, on the one hand and attention to central performance and monitoring systems, on the other, is considered to be the optimum anti-corruption approach.

## **6 Support to Nepal Health Sector Programme II (NHSP-2)**

### **6.1 Commencement date**

10 April 2010

### **6.2 Budget**

GBP 72,699,993

### **6.3 Type of programme**

Anti-corruption sensitive (in that DFID have recognised that corruption issues present a high fiduciary risk to the programme funds and some technical assistance is being provided)

### **6.4 Description of programme**

NHSP-2 is a five year programme which is designed to improve nationwide delivery of health services, with a particular focus on women, the poor and those who are socially excluded due to their caste or ethnicity. It aims to build upon the previous five year Health Sector Plan and Sector Wide Approach. DFID, alongside the World Bank, Germany, Australia and GAVI, provides funding directly to the Nepali Ministry of Health and Population and accounts for approximately 15% of the Government's health budget. DFID is the largest bilateral donor to provide financial assistance to the budget and UK funds account for approximately 6% of the total health budget. The programme is therefore owned and led and predominantly funded by the Government of Nepal.

Whilst there are no anti-corruption elements of the programme, DFID is aware of the levels of fiduciary risk in the Government of Nepal which are tracked through a fiduciary risk assessment of the health sector. The most recent fiduciary risk assessment rated the overall fiduciary risk for the health sector as high with no change in the trajectory of change since DFID's Annual Statement of Progress (ASP) of 2011. The assessment of corruption risk is also assessed to be high with no change in the trajectory since ASP 2011. The Government of Nepal's commitment at the health sector level to improving PFM, strengthening domestic financial accountability and fighting corruption is assessed to be mixed.

Whilst DFID undertakes efforts to manage the risks together with the Government of Nepal, the fiduciary risk analysis has identified areas of budgetary weakness including that: (i) it does not capture revenue and expenditure of subnational entities and hospitals; (ii) there is a mismatch between top-down planning and local needs, leading to unrealistic budget submissions which substantially exceed Ministry of Finance ceilings. There are also weaknesses in the budget process which are observed across all line ministries and include weak compliance with regulatory framework and the absence of accountability mechanisms. In the Ministry of Health and Population, there are also weak internal controls, including with respect to procurement and weak internal audit.

DFID is therefore providing support to strengthen systems and provide dedicated technical assistance to key areas of risk such as budget management, the introduction of an electronic accounting system and procurement oversight and scrutiny. A bilateral memorandum of understanding and a joint financing agreement also set out clear fiduciary risk protection mechanisms for DFID funds. An annual service tracking survey assesses the financial management capacity of health facilities and a third party monitoring mechanism is in place for two of the demand side financing schemes.

## **7 Enabling State Programme (ESP)**

### **7.1 Commencement date**

5 November 1997

### **7.2 Budget**

GBP 34,451,066

### **7.3 Type of programme**

Anti-corruption centric (on the basis that it seeks to foster accountability and transparency on the supply and demand sides of service delivery)

### **7.4 Description of programme**

ESP is a unique programme in Nepal which addresses both demand and supply side governance issues. No other single donor programme spans such a spectrum in Nepal. ESP is also an enabling mechanism for joining up with donors on electoral reforms, rights and democracy and the constitutional process. ESP's underlying theory of change is that Nepal will be more peaceful, prosperous and better governed if the state is more inclusive and accountable to its citizens, especially the poor, excluded and women. ESP is managed by GRM International.

The programme aims to enable selected state institutions to become inclusive, capable and accountable. The programme intended outcome is that state institutions and citizens work together to promote inclusive and responsive policies and programmes.

The four components of ESP are:

**7.4.1 *Voice and Accountability:*** Increase in the ability of civil society partners to hold decision makers to account and access their rights and entitlements, including through advocating for rights of marginalised groups and working to deepen their capacity for constructive advocacy. Partner organisations have formed or mobilised 916 groups and networks as a way of promoting constructive engagement between civil society, government agencies and other stakeholders;

**7.4.2 *State Capability:*** Selected state institutions and political parties are more capable;

**7.4.3 *Capacity Development:*** Increased capacity of ESP staff and partner organisations to measure gender equality and social inclusion and promote accountability and transparency; and

**7.4.4 *Information and Evidence:*** ESP supports the production of public information, sound evidence and analysis for state institutions, civil society and donors.

## **8 School Sector Reform Programme (SSRP)**

### **8.1 Commencement date**

3 December 2009

### **8.2 Budget**

GBP 14,519,997

### **8.3 Type of programme**

Anti-corruption sensitive (in that DFID have recognised that corruption issues present a high fiduciary risk to the programme funds and some technical assistance is being provided)

### **8.4 Description of programme**

Through the SSRP, DFID is contributing financial assistance to the Government of Nepal, technical assistance through secondment of an education advisor to the EU and operational research to guide development and implementation of policies that keep children, especially girls, in school and deliver quality education for them. DFID funds support, inter alia, classroom construction and rehabilitation, teacher and educational management training, textbooks and scholarships for girls/excluded groups.

As one component of this programme is to seek better governance in the education sector, programme activities are therefore undertaken to contribute to the development of processes and timelines for strengthened financial management, including establishing additional budget codes to increase transparency around certain high risk budget lines. Action has also been taken to open up textbook production from single source to the private sector.

Whilst not forming a core part of the programme, fiduciary risks have been identified as a major concern in the delivery of SSRP, in particular the areas that carry the heaviest funding implications – salaries, textbooks, construction and scholarships.

In order to better understand and address these risks, DFID Nepal carried out a fiduciary risk assessment in 2013, which found delays in approval of the budget by parliament resulting in delays in disbursing funds to the sector and in turn to implementation of the annual plan. It also found that inconsistent budget classification distorts allocations and reduces transparency and that direct donor funding is not monitored or audited by the Government of Nepal and that total funds for the sector are not accounted for and reported at the national level. It also found that accounting in schools is primarily carried out by unqualified teachers, further reducing transparency.

In 2013, DFID Nepal also co-funded a Public Expenditure Tracking Survey, which was commissioned by the World Bank. That found that public funding has increased significantly but that efficient use of funds is hampered by them being released late. It also found that financial record-keeping and audit is very poor, with little oversight from the Department of Education.

SSRP is undertaking measures to mitigate these risks, including payment of salaries directly to teachers' bank accounts and pressure for greater competition in the supply of textbooks. DFID Nepal and other donor partners are also working with the Ministry to amend the Financial Management Improvement Action Plan so that it includes the key risks that have been identified.