

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

## **DFID's Support to Montserrat**

### **Inception Report**

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## **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 In this review, we will examine how the UK Government manages its aid to Montserrat as part of its support to the British Overseas Territories. In particular, we will evaluate the Department for International Development’s (DFID’s) arrangements for capital investment.

1.3 This inception report sets out the evaluation questions, methodology and work plan for the review. 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 evaluation.

## **2. Further background**

2.1 The background to this review, including the context of the UK Government’s aid to the British Overseas Territories and Montserrat in particular, is described in the Terms of Reference.<sup>1</sup>

## **3. Purpose of this review**

3.1 To assess the effectiveness and value for money of DFID’s support to Montserrat, with a focus on capital investment.

## **4. Relationship to other reviews**

4.1 The relationship to other reviews is described in the Terms of Reference.<sup>1</sup>

## **5. Methodology**

5.1 Our review will examine DFID’s approach to determining its overall package of support to Montserrat, including how DFID decides to meet the country’s ‘reasonable assistance needs’ cost-effectively and accelerate progress towards self-sufficiency.<sup>2</sup> DFID’s support includes funding for capital projects, financial support and technical assistance. We will also assess DFID’s approach in-country and use a review of selected capital projects to undertake more detailed work.

*Reviewing DFID’s overall approach to determining its aid to Montserrat*

5.2 Given the extensive devastation to the island’s infrastructure caused by the natural disasters of hurricane Hugo in 1989 and the eruptions of the Soufrière Hills volcano between 1995 and 1997, we will examine how DFID has developed and prioritised its support to

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<sup>1</sup> Terms of Reference: DFID’s Support to Montserrat, ICAI, January 2012, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/DFID's-Support-to-Montserrat.pdf>.

<sup>2</sup> DFID states that ‘successive White Papers since the 1970s have committed the UK Government to meet the reasonable assistance needs of the OTs as a “first call” on the aid budget’, DFID, <http://www.dfid.gov.uk/Documents/publications1/op/ovseas-terr-dept-2011-summary.pdf>

address Montserrat's broad portfolio of needs and lack of human capital. To do this, we will gather evidence from DFID's strategic and operational plans on Montserrat and gather evidence from interviews with senior management, including Foreign and Commonwealth Office (FCO) and DFID staff in London and East Kilbride (currently and formerly in the Overseas Territories Department), Government of Montserrat officials and its political and community leaders.

### 5.3 Using this evidence, we will assess:

- the approach taken by DFID to ensure that it has a clear understanding of Montserrat's current and future 'reasonable assistance needs' and that it defines these needs consistently in the context of Montserrat;
- how DFID matches this understanding to its plans for financial support, capital projects and technical assistance;
- how DFID considers any capacity and capability issues it needs to address to deliver its plan or support to the Government of Montserrat or partners;
- the clarity and objectivity of DFID's criteria to produce an overall approach that will meet Montserrat's 'reasonable assistance needs' and can withstand comparative scrutiny;
- how DFID helps to improve the Government of Montserrat's efficiency and effectiveness in the delivery of public services;
- how DFID's capital investments are helping its exit strategy;
- how DFID prioritises its areas for development based on the goals set out in the Government of Montserrat's *Sustainable Development Plan 2008-20*.<sup>3</sup> We will gather evidence in-country from intended beneficiaries including citizens, the Government of Montserrat and its civic societies and from relevant experts in the field of international development, to support this evaluation;
- how DFID appraises the long-term impact of its planned aid and particularly the assessment of the intended beneficiaries to meet any future recurrent costs or technical knowledge arising from its capital projects; and
- how DFID identifies and prioritises Montserrat's technical assistance needs in the context of limited human resource skills and capacities within the country and how such assistance is sourced, delivered, monitored and evaluated.

### *Assessing DFID's approach in-country to its aid development planning, implementation and review*

5.4 We will complete a field visit to Montserrat in February 2013. We will meet with DFID staff, intended beneficiaries including citizens, partner country officials (for example, the Ministry of Finance and Economic Management, the Ministry of Education and the Office of the Governor) and other stakeholders. We will use this visit to:

- examine the clarity of roles and responsibilities between DFID and the Government of Montserrat for developing, agreeing and monitoring its aid programme;
- consider the quality and extent of intended beneficiary involvement, for example in setting the criteria for evaluation and scoring of options for capital projects;
- assess how DFID assists in the development of local markets and suppliers; and
- inform our view on the extent to which DFID is developing:

<sup>3</sup> Montserrat Sustainable Development Plan 2008 – 2020, Government of Montserrat, 2010, [http://www.gov.ms/publications/SDP\\_MONTserrat.pdf](http://www.gov.ms/publications/SDP_MONTserrat.pdf).

- the relevant skills and expertise for the future of Montserrat's citizens, to help them become self-sufficient; and
- greater private sector involvement.

*Using selected capital projects to examine DFID's approach in more detail*

5.5 DFID is funding a range of capital development projects to develop Montserrat's infrastructure needs. The projects include geothermal exploration, a power station, the upgrading of disaster management facilities and its main arterial road, as well as the expansion of a primary school and government buildings. Their costs and strategic importance to the island are significant. As of December 2012, DFID had eight live capital projects in Montserrat with a total planned cost of £35 million between 2007 and 2016.

5.6 We have set out in Figure 1 the six capital projects for detailed review, having considered their strategic value, financial costs and stage of development. Our consideration of their strategic value included the extent to which DFID and the Government of Montserrat have placed importance on these areas in the development of the island.

**Figure 1: Selected capital projects for detailed review<sup>4</sup>**

Project title	Lifetime planned costs £ millions	Costs claimed to date £ millions	Stage of development
(1) Gerald's Park Airport	8.8	8.8	Complete
(2) Water Supply Development	3.1	2.0	Complete
(3) Education Infrastructure	2.5	1.6	Started 2010 with a costed extension to September 2015
(4) Road Reinstatement	5.8	4.9	DFID suspended the project for two months (April-June 2013) due to implementation problems. The works resumed in July 2013 on the basis of a new implementation schedule and improved local management.
(5) Geothermal Energy Development	8.6	6.7	Started 2011, ending March 2014
(6) Power Station	5.3	-	Started 2012, ending March 2014

5.7 The total planned cost of these projects is 60% of the total value of the projects set out in our Terms of Reference.<sup>5</sup> DFID has also discussed with the island the Government of Montserrat's objective to develop Little Bay and Carr's Bay into a new port and capital town. This is a significant development to the long-term sustainability of the island. As a result, we will include this project in our sample to the extent that it has progressed to date.

<sup>4</sup> Data provided to ICAI by DFID.

<sup>5</sup> DFID provided to ICAI a list of 14 capital projects in Montserrat that record the significant developments since the volcano's eruptions ending in 1997.

5.8 For each project, we will collect and review DFID documentation, drawn from DFID's financial and project management systems. This will include their business cases, policies and guidelines, financial and programme rules and procedures, financial and activity reports, design, monitoring and evaluation reports and corporate reporting. To further our approach, we will also research best practice examples to financing and managing capital projects in the public sector.

5.9 The review team will interview local project managers, project participants and intended beneficiaries. The team will also undertake interviews with other individuals who can offer informed assessments of the strategies and approaches taken by DFID, including Government of Montserrat politicians and officials, civil society representatives, academic experts, journalists and international partners.

5.10 On the basis of this documentation review and interviews in the UK and in-country, we will use these selected projects to assess:

- how DFID has:
  - identified and agreed these projects with the Government of Montserrat;
  - developed possible options;
  - appraised each option and its feasibility;
  - identified clear and measurable benefits;
  - evaluated the projects' progress;
  - resolved any difficulties during delivery;
  - assessed the project at completion for benefit realisation and lesson learning; and
  - transferred skills and knowledge to the Government of Montserrat through each step of this process;
- how DFID has engaged with intended beneficiaries to:
  - prioritise projects;
  - select options for appraisal;
  - plan, design and evaluate business cases;
  - determine the measures of success;
  - assess risk and long-term sustainability, for example in maintaining any future energy producing assets;
  - support and be involved in the projects' procurement and delivery; and
  - determine the approach to stakeholder engagement and communication over the life of the project, for example in the primary school developments and airport;
- the approach to procurement by DFID – or its support to the Government of Montserrat to do this – to achieve value for money, fair, legal and effective competition, a clear specification or scope of services with sound technical support;
- the quality of the impact assessment for the intended beneficiaries and any wider impact on other projects, for example the extent to which DFID assessed the interaction between the two electricity generation projects (numbered five and six in Figure 1 on page 4) and other potential sources of supply;
- DFID's sources of assurance over its underlying assumptions, assessment of risk and application of scenarios to model the best and worst case timescales and cost;

- the effectiveness of the arrangements for holding parties to account throughout the life of the project; and
- the impact for the intended beneficiaries and, where this has fallen short of its expectation, DFID's understanding of lessons learnt. This assessment will focus on completed projects (e.g. the airport) and where a project may have measurable intermediate benefits (e.g. the water supply and road projects).

### *Evaluation framework*

5.11 The evaluation framework for this review is set out in the table below. It is based on the standard ICAI guiding criteria and evaluation framework, which cover four areas: objectives, delivery, impact and learning. The questions which are highlighted in bold are those from our Terms of Reference (ToR) on which we will focus in particular.

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
(1) Objectives: what is the programme trying to achieve?			
<p>Does the programme have clear, relevant, realistic objectives that focus on the desired impact? (1.1)</p> <p>Is there a clear and convincing plan, with evidence and assumptions, to show how the programme will work? (1.2)</p>	<p><b>Does DFID's aid to Montserrat (including capital development, financial support and technical assistance) have clear, relevant and realistic objectives consistent with the UK Government's policies for the Overseas Territories? (ToR 6.2.1)</b></p> <p>To what extent does the overall plan for Montserrat account for the risks to delivering the objective of economic sustainability?</p>	<ul style="list-style-type: none"> <li>• Evidence of a clear and coherent plan for Montserrat that has: <ul style="list-style-type: none"> <li>– objective reasonable assistance needs met;</li> <li>– broad agreement between DFID and the Government of Montserrat on priorities;</li> <li>– well-defined relationships between the overall UK Government strategy, the Government of Montserrat and DFID policies and project plans;</li> <li>– realistic timescales and resources for the achievement of its overall objectives;</li> <li>– evidence that projects support one another as part of the overall programme, with specific policies by sector;</li> <li>– an appropriate assessment of the overall political, environmental and economic context and correctly identified key risks to the achievement of the project as a whole; and</li> <li>– specific and integrated objectives for Montserrat that are consistent with the UK Government's objectives for the Overseas Territories<sup>6</sup> and improved public service delivery</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Review of DFID's and the Government of Montserrat's strategic and operational plans for Montserrat including strategy to achieve self-sufficiency</li> <li>• Projections of current and future financial liability for Montserrat</li> <li>• Sharing of lessons learned from other Overseas Territories</li> <li>• Co-ordination of policy initiatives and activities between DFID and the Foreign and Commonwealth Office (FCO) and with other government departments</li> <li>• Interviews with DFID staff, Government of Montserrat officials and political and community leaders</li> </ul>

<sup>6</sup> The government of the UK has three obligations to its Overseas Territories; 'to meet the reasonable assistance needs of Overseas Territory citizens cost effectively', 'to accelerate aid-dependent Overseas Territories towards self-sufficiency'; and 'to manage the UK Government's financial liability for non-aided Caribbean Overseas Territories in crisis'.

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
		<ul style="list-style-type: none"> <li>• Sound individual capital project plans that contribute to overall strategic objectives and have a clear focus with measurable planned outcomes for the intended beneficiaries</li> </ul>	
	<p><b>What methodologies does DFID employ to determine the value for money of each proposed capital development project? (ToR 6.2.4)</b></p> <p>To what extent has DFID considered the business factors and its own contribution necessary to support the plans' objectives?</p>	<ul style="list-style-type: none"> <li>• Evidence of rigorous analysis to determine the expected economic and fiscal impact of approved capital projects in the business case (or equivalent)</li> <li>• Evidence of best practice in developing a business case for capital projects, in line with HM Treasury guidance</li> <li>• Sufficient evidence to support business case assumptions</li> <li>• Evidence of suitable challenge and scrutiny of business cases prior to their finalisation</li> </ul>	<ul style="list-style-type: none"> <li>• Feasibility studies</li> <li>• Business case (or equivalent)</li> <li>• Cost-benefit analyses</li> <li>• Pilot initiatives</li> <li>• Estimates of future revenue streams and operating expenses</li> <li>• Rigorous ex-post evaluation</li> <li>• Documentation of lessons learned from other projects</li> </ul>
	<p><b>Does DFID's approach use a clear understanding of the needs of the intended beneficiaries? (ToR 6.2.2)</b></p>	<ul style="list-style-type: none"> <li>• Evidence of active engagement with intended beneficiaries to identify needs</li> </ul>	<ul style="list-style-type: none"> <li>• Records of meetings, beneficiary submissions, analysis, comments and responses</li> <li>• Meetings with intended beneficiaries</li> </ul>



ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
	<p><b>How does DFID determine 'reasonable assistance needs' and the amount of financial support? (ToR 6.2.5)</b></p>	<ul style="list-style-type: none"> <li>• Evidence of a sound methodology to determine 'reasonable assistance needs' including: <ul style="list-style-type: none"> <li>– a detailed assessment of the range and adequacy of public services required to meet the 'reasonable needs of British Overseas Territories';</li> <li>– a clear understanding of the efficiency of the Government of Montserrat's operations (including public service staffing levels relative to services being delivered, public service wage/salary/benefit levels and other conditions of service);</li> <li>– comprehensive knowledge of the capacity of Montserrat to raise its own revenues (e.g. through income tax, VAT, customs duties, fees and charges for services) and how often this is reviewed; and</li> <li>– appropriate analysis of Montserrat's capital development needs and how these are determined by its 'reasonable assistance needs'</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Policy statements on defining and meeting 'reasonable assistance needs' across all aid-dependent Overseas Territories</li> <li>• Documented methodology that DFID uses to establish reasonable assistance needs</li> <li>• Budget support mission reports including assessment of: <ul style="list-style-type: none"> <li>– medium-term economic and fiscal outlook;</li> <li>– short and medium-term public service delivery needs (including unmet needs), costs (e.g. wages and conditions, limited suppliers) and performance (e.g. poverty, health and education outcomes);</li> <li>– capital development needs;</li> <li>– fiscal capacity i.e. local capacity to raise revenue (e.g. tax rates, coverage); and</li> <li>– total level of budget support.</li> </ul> </li> </ul>
	<p><b>What is the process for identifying and prioritising capital development projects? (ToR 6.2.3)</b></p> <p>How does DFID prioritise the supporting projects necessary to achieve the overall agreed aims?</p>	<ul style="list-style-type: none"> <li>• Evidence of a clearly articulated strategy for achieving self-sufficiency</li> <li>• Evidence of the adoption of suitable methodologies and criteria for selecting and prioritising projects</li> <li>• Evidence of an appropriate assessment of the costs, benefits and risks of each proposal</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Growth Plan</li> <li>• Capital investment strategy</li> <li>• Feasibility studies</li> <li>• Cost-benefit analyses</li> <li>• Pilot initiatives</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Does the programme complement the efforts of government and other aid providers and avoid duplication? (1.3)	<p>What is the extent of engagement by DFID with other UK Government agencies, other international donors and regional partners?</p> <p>To what extent does DFID assess its own contribution to setting the objectives of the plan?</p> <p>To what extent does the business case consider the Government of Montserrat plans?</p> <p>What are the mechanisms for the Government of Montserrat to contribute to the overall programme and individual project plans' objectives?</p> <p>How does DFID take into account any different views arising from a change to the party leading the Government of Montserrat?</p>	<ul style="list-style-type: none"> <li>• Evidence of strong, ongoing co-ordination between DFID, FCO and other UK Government agencies</li> <li>• Evidence of active engagement and co-ordination with other donors (e.g. the European Union, the Caribbean Development Bank) and international organisations (e.g. the Caribbean Regional Technical Assistance Centre)</li> <li>• Evidence of rigorous assessment for key assumptions in the capital business case (or equivalent)</li> </ul>	<ul style="list-style-type: none"> <li>• The UK Government's June 2012 White Paper, <i>The Overseas Territories: Security, Success and Sustainability</i><sup>7</sup></li> <li>• Policy papers, Memoranda of Understanding, records of meetings, correspondence, attendance at conferences and other discussions</li> <li>• Interviews with DFID staff, Government of Montserrat officials and political and community leaders</li> <li>• Interviews with donors/partners</li> <li>• Business cases for capital development</li> </ul>

<sup>7</sup> *The Overseas Territories: Security, Success and Sustainability*, Foreign and Commonwealth Office, June 2012, <http://www.official-documents.gov.uk/document/cm83/8374/8374.pdf>.

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Are the programme's objectives appropriate to the political, economic, social and environmental context? (1.4)	<p><b>Does DFID have a clear plan for the current and future technical assistance needs of Montserrat and its population? (ToR 6.2.6)</b></p> <p>How does DFID balance its plans when different to those of the Government of Montserrat?</p>	<ul style="list-style-type: none"> <li>• Evidence of a clear and appropriate definition of technical assistance needs within DFID's strategic and/or operational plans for Montserrat</li> <li>• Evidence of these plans being informed by the UK Government's policies for the Overseas Territories</li> <li>• Evidence of regular and sufficiently frequent dialogue with the Government of Montserrat on areas of disagreement</li> <li>• Sufficient evidence to support any definition of Montserrat's assistance needs</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic and operational plans for Montserrat</li> <li>• Interviews with DFID staff and Government of Montserrat officials</li> <li>• Evidence of regular and sufficiently frequent dialogue and resolution with the Government of Montserrat</li> </ul>
(2) Delivery: is the delivery chain designed and managed so as to be fit for purpose?			
Is the choice of funding and delivery options appropriate? (2.1)	How realistic and achievable is DFID's range of options?	<ul style="list-style-type: none"> <li>• Evidence of a rigorous assessment of options for delivery and selection based on clear rationale - including consultation with Government of Montserrat officials and community leaders</li> <li>• Evidence of the effective prior use of the delivery option in similar circumstances</li> </ul>	<ul style="list-style-type: none"> <li>• Feasibility studies</li> <li>• Option appraisal</li> <li>• Interviews with DFID staff and Government of Montserrat officials</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Does programme design and roll-out take into account the needs of the intended beneficiaries? (2.2)	<b>Does the design and roll-out of capital development take into account the needs identified by the intended beneficiaries and are they involved in delivery? (ToR 6.3.1)</b>	<ul style="list-style-type: none"> <li>• Evidence of meaningful accountability and transparency to intended beneficiaries and civil society groups representing them</li> <li>• Evidence of intended beneficiaries being properly involved in the delivery of projects</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with intended beneficiaries, DFID staff, Government of Montserrat officials and community leaders</li> <li>• Review of project plans/options appraisals</li> <li>• Review of similar programmes/private sector engagement</li> <li>• Publicly available reporting and other information</li> <li>• Communication with Government of Montserrat officials and community leaders on strategy, purpose, activities, and budgets</li> </ul>
Is there good governance at all levels, with sound financial management and adequate steps being taken to avoid corruption? (2.3)	<b>Is there good governance at all levels in Montserrat, with sound financial management and adequate steps being taken to avoid corruption in the management and delivery of capital development? (ToR 6.3.4)</b>	<ul style="list-style-type: none"> <li>• Evidence of policies and procedures in place capable of informing effective decision-making</li> <li>• Evidence of the policies and procedures being adhered to and of decisions being escalated to an appropriate level</li> <li>• Evidence that the governance structure is inclusive of all relevant stakeholders</li> <li>• Evidence of risks being considered and well managed</li> <li>• Evidence of clear roles and responsibilities for programme leadership and monitoring arrangements between the Government of Montserrat and DFID</li> </ul>	<ul style="list-style-type: none"> <li>• Review of policies and procedures (e.g. tenders, purchasing)</li> <li>• Interviews with Government of Montserrat officials, auditors, contractors and community members</li> <li>• Review of key capital decisions</li> <li>• Evidence of policy compliance, for example via Government of Montserrat audit reports</li> <li>• Risk management plans and reports</li> <li>• Publicly available information on tenders, bids, short-listing and selection</li> <li>• Monitoring and evaluation reports</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Are resources being leveraged so as to work best with others and maximise impact? (2.4)	How effectively does DFID work with other donors or regional partners or other UK Government agencies?	<ul style="list-style-type: none"> <li>• Evidence of appropriate co-operation and co-ordination with other donors or regional partners</li> </ul>	<ul style="list-style-type: none"> <li>• Examples of joint initiatives with other donors/regional partners</li> <li>• Interviews with donors/regional partners</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
<p>Do managers ensure the efficiency and effectiveness of the delivery chain? (2.5)</p> <p>Is there a clear view of costs throughout the delivery chain? (2.6)</p>	<p><b>Do managers ensure the efficiency and effectiveness of the delivery chain?</b></p> <p><b>How does DFID exercise financial control to ensure its capital developments achieve value for money? (ToR 6.3.2)</b></p> <p>What has the money been spent on and is this sufficiently monitored?</p> <p>To what extent does DFID understand the whole project costs when other parties, such as the Government of Montserrat, contribute?</p> <p>How does DFID ensure that projects are managed within the approved budget?</p> <p>How does DFID use its cost understanding to inform its assessment of value for money for its capital development projects?</p>	<ul style="list-style-type: none"> <li>• Evidence of appropriate feasibility studies, evaluation and monitoring of capital development projects</li> <li>• Evidence of suitable budget monitoring processes</li> <li>• Evidence of appropriate documentation to account for all expenditure</li> <li>• Evidence of individuals being held to account for spending within budgets, with scrutiny over reasons for expenditure</li> <li>• Evidence of action plans having been established to monitor financial progress on a routine basis and to justify or rectify any overspend or underspend</li> <li>• Evidence of all spending to date and of its appropriate use for project-specific activities</li> <li>• Evidence that DFID communicates key information to intended beneficiaries and other stakeholders at appropriate intervals</li> </ul>	<ul style="list-style-type: none"> <li>• Review of files and monitoring and evaluation reports</li> <li>• Interviews with DFID staff and Government of Montserrat officials</li> <li>• Review of files</li> <li>• Review of budget reports and action plans where an overspend or underspend is identified</li> <li>• Financial records</li> <li>• Publicly available financial reporting and other information</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Are risks to the achievement of the objectives identified and managed effectively? (2.7)	<b>How does DFID balance risk and benefit in its capital development decisions for Montserrat, in particular longer-term recurrent costs and potential UK Government financial liability (given the current and expected future level of financial support)? (ToR 6.3.3)</b>	<ul style="list-style-type: none"> <li>• Evidence of appropriate feasibility studies and rigorous evaluation of capital development projects</li> <li>• Evidence of suitable risk assessment of capital development projects</li> <li>• Evidence of informed discussion and analysis of how long-term operational costs of capital projects are to be funded</li> </ul>	<ul style="list-style-type: none"> <li>• Review of files and monitoring and evaluation reports</li> <li>• Cost-benefit analyses</li> <li>• Interviews with DFID staff and Government of Montserrat officials</li> </ul>
Is the programme delivering against its agreed objectives? (2.8)	<p>How does DFID monitor projects during their implementation? Have the stated objectives been delivered?</p> <p>Do the intended beneficiaries agree with the reported outputs or outcomes?</p>	<ul style="list-style-type: none"> <li>• Evidence that criteria for assessing results exist and that they are appropriate to the objectives of the project</li> <li>• Evidence of assessment or assurance over the results</li> </ul>	<ul style="list-style-type: none"> <li>• Project evaluation documents and action plans</li> <li>• Progress reports</li> <li>• Interviews with intended beneficiaries</li> <li>• Independent reports on project delivery</li> </ul>
Are appropriate amendments to objectives made to take account of changing circumstances? (2.9)	<b>How are the long-term financial implications for the capital developments supported? (ToR 6.3.5)</b>	<ul style="list-style-type: none"> <li>• Evidence that DFID critically assesses the long-term financial implications of projects for both the UK Government and the Government of Montserrat</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with DFID staff and Government of Montserrat officials</li> <li>• Project proposals and feasibility studies</li> <li>• Review of key capital decisions made</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
(3) Impact: what is the impact on intended beneficiaries?			
Is the programme delivering clear, significant and timely benefits for the intended beneficiaries? (3.1)	<p><b>Is the capital development delivering clear, significant and timely benefits for the intended beneficiaries? (ToR 6.4.1)</b></p> <p><b>What benefits have been achieved by specific capital development projects and technical assistance, e.g. have these led to improvements in country systems or economic activity and reduced dependency on the UK Government aid? (ToR 6.4.2)</b></p>	<ul style="list-style-type: none"> <li>• Evidence of intended benefits from capital development and technical assistance</li> <li>• Evidence of benefits achieved from specific capital projects and technical assistance</li> <li>• Evidence of appropriate feasibility studies, project monitoring and rigorous evaluation</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with intended beneficiaries, DFID staff, Government of Montserrat officials, community leaders and civil society</li> <li>• Project proposals and feasibility studies</li> <li>• Project monitoring reports</li> <li>• Project evaluations</li> <li>• Publicly available project reports</li> </ul>
Is the programme working holistically alongside other programmes? (3.2)	<p>Does DFID share information on proposals for capital development projects with other donor or regional partners?</p> <p>How does DFID co-ordinate capital development projects with other UK Government agencies (including FCO)?</p>	<ul style="list-style-type: none"> <li>• Evidence of effective planning and co-ordination with other donors or regional partners</li> <li>• Evidence of effective planning and co-ordination with other UK Government agencies</li> <li>• Evidence of appropriate pooling of resources and the establishment of beneficial collaborations</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with DFID staff, FCO staff, Government of Montserrat officials, other donors and community leaders</li> <li>• Records of relevant meetings</li> <li>• Review of files</li> </ul>



ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Is there a long-term and sustainable impact from the programme? (3.3)	<b>Does the technical assistance include appropriate long-term capacity-building to ensure the sustainability of such assistance? (ToR 6.4.3)</b>	<ul style="list-style-type: none"> <li>• Evidence of appropriate forward planning being undertaken in terms of finances and outcomes</li> <li>• Evidence of a clear and achievable DFID strategy for capacity-building in key areas</li> <li>• Evidence of DFID-supported and other capacity-building initiatives</li> </ul>	<ul style="list-style-type: none"> <li>• Policies, strategies and action plan for capacity-building</li> <li>• ToRs of existing and proposed capacity-building initiatives</li> <li>• Progress reports on capacity-building initiatives</li> <li>• Interviews with Government of Montserrat officials</li> </ul>
Is there an appropriate exit strategy involving effective transfer of ownership of the programme? (3.4)	<b>What is DFID's exit strategy for Montserrat? (ToR 6.4.4)</b>	<ul style="list-style-type: none"> <li>• Evidence of a clear and achievable strategy for moving Montserrat to self-sufficiency</li> </ul>	<ul style="list-style-type: none"> <li>• Policy statements and/or strategy for Montserrat</li> </ul>
Is there transparency and accountability to intended beneficiaries, donors and UK taxpayers? (3.5)	<p>Are there publicly available policy statements relating to Montserrat?</p> <p>How does DFID measure its performance in relation to Montserrat against the Government's policy objectives for the Overseas Territories?</p> <p>How does DFID evaluate overall value for money of financial and technical support to Montserrat?</p>	<ul style="list-style-type: none"> <li>• Evidence of meaningful transparency and accountability policy statements for Montserrat</li> <li>• Evidence of suitable criteria for assessing value for money of capital development projects (including long-term viability and potential future financial liability to the UK Government)</li> <li>• Evidence that these policies are consistent with those of DFID operations in the other Overseas Territories</li> </ul>	<ul style="list-style-type: none"> <li>• Policy statements and/or strategy for Montserrat and other Overseas Territories</li> <li>• Project feasibility studies</li> <li>• Project evaluation reports</li> <li>• Value for money criteria</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
(4) Learning: what works best and what needs improvement?			
Are there appropriate arrangements for monitoring inputs, processes, outputs, results and impact? (4.1)	<p><b>Are there appropriate arrangements for monitoring the impact of DFID's support in the context of DFID's objectives for Montserrat? (ToR 6.5.1)</b></p> <p>Are these arrangements clearly set out in cases where the Government of Montserrat takes the lead?</p> <p>How does DFID assure itself that feedback from beneficiaries is accurate and robust?</p>	<ul style="list-style-type: none"> <li>• Evidence of routine reporting against the objectives</li> <li>• Evidence of appropriate feasibility studies and rigorous evaluation of capital projects</li> <li>• Evidence of suitable monitoring actions being identified and undertaken by DFID</li> <li>• Evidence of routine follow-up to evaluate progress towards achievement of objectives</li> <li>• Evidence of the recommendations from annual review processes informing future operations</li> <li>• Evidence of sufficient review work having been undertaken, from which to form robust recommendations for future projects</li> </ul>	<ul style="list-style-type: none"> <li>• Project oversight</li> <li>• Project evaluations</li> <li>• Interviews with DFID staff, Government of Montserrat officials and community leaders</li> <li>• Review of files and reports</li> </ul>
Is there evidence of innovation and use of global best practice? (4.2)	<p><b>Is there evidence of innovation and use of global best practice in capital development and technical assistance? (ToR 6.5.2)</b></p>	<ul style="list-style-type: none"> <li>• Evidence of innovation or global best practice, either in terms of approach or delivery, in the way in which DFID or other organisations operate</li> </ul>	<ul style="list-style-type: none"> <li>• Interviews with DFID staff, Government of Montserrat officials and contractors</li> <li>• Review of files</li> <li>• Review of relevant meeting minutes</li> <li>• Sharing of reports with other DFID Overseas Territory desks</li> </ul>

ICAI Evaluation Framework Question	Evaluation Questions	Criteria for Assessment	Sources of Evidence
Is there anything currently not being done in respect of the programme that should be undertaken? (4.3)	<b>Is there anything currently not being done in respect of the support to Montserrat that should be undertaken? (ToR 6.5.3)</b>	<ul style="list-style-type: none"> <li>• Extent to which support to Montserrat is consistent with the UK Government's June 2012 White Paper and DFID's Overseas Territories Operational Plan</li> <li>• Evidence that DFID's approach is missing opportunities</li> </ul>	<ul style="list-style-type: none"> <li>• Cross checking support to Montserrat against the UK Government's June 2012 White Paper and DFID's Overseas Territories Operational Plan</li> <li>• Interviews with Government of Montserrat officials and contractors</li> <li>• Interviews with other donors and intended beneficiaries</li> <li>• Monitoring reports and outcome reports</li> </ul>
Have lessons about the objectives, design and delivery of the programme been learned and shared effectively? (4.4)	<p><b>Have lessons about the objectives, design and delivery of DFID's support to Montserrat been learned and shared effectively across the Overseas Territories portfolio? (ToR 6.5.4)</b></p> <p>To what extent does DFID share its learning with the Government of Montserrat?</p>	<ul style="list-style-type: none"> <li>• Evidence of lessons learned in budget support, capital development or technical assistance being reported and shared</li> <li>• Evidence of regular and routine sharing of lessons learned</li> </ul>	<ul style="list-style-type: none"> <li>• Review of files and reports on projects to demonstrate lessons learned and benefits</li> <li>• Review of communications between DFID desks, other UK Government agencies and donors and regional partners</li> <li>• Interview with DFID staff, Government of Montserrat officials, community leaders and other regional partners</li> <li>• Examples where lessons learned have been shared and implemented by other Overseas Territories</li> <li>• Examples of sharing good practice with other donors/regional partners</li> </ul>

## 6. Roles and responsibilities

6.1 This evaluation will be led and managed on a day-to-day basis by the team leader, who will be the primary point of contact with DFID. KPMG will oversee and support the evaluation under the overall leadership of the ICAI Project Director.

6.2 It is proposed that the evaluation is undertaken by a core team of two, together with a researcher for the literature review and a peer reviewer familiar with Montserrat as an Overseas Territory.

Team member	Role
Team leader	Team Leader
Team member 1	Key Expert
Team member 2	Peer Review Advisor
Team member 3	Research support and advisor

### Team leader (KPMG)

With over ten years in KPMG's Public Sector Audit and Assurance function, he has worked for a variety of clients on a range of value for money, governance and financial reviews. He is a qualified accountant and manages seven external and internal audits for clients in the Midlands. He has more recently been a member of the ICAI teams reviewing UK aid to the European Union and Afghanistan.

He will have overall management responsibility and ensure delivery of the outputs. He will also lead the team's work in Montserrat.

### Team member 1 (Independent Consultant)

He is an economic consultant with over 30 years' experience. He has worked extensively in numerous sectors including energy, transport, water, agriculture, investment promotion, privatisation, financial services and governance. In recent years, he has worked extensively for the evaluation departments of both the World Bank and the Asian Development Bank and evaluated over 100 projects and programmes, covering both lending operations and technical assistance. He has undertaken projects in over 30 countries.

He is a director of a small strategic consultancy and has considerable country evaluation experience, with particularly strong skills in value for money, performance and investment assessments.

## **Team member 2 (Independent Consultant)**

He is an experienced public finance management expert with 28 years of experience across ten countries. He has a detailed knowledge of budget planning and process improvement, budget policy and analysis, financial management legislation, macroeconomic forecasting, fiscal policy and analysis, performance monitoring and evaluation, fiscal decentralisation, cash management and internal and external audit.

He offers particularly strong skills in designing, implementing and monitoring public financial management, governance and public administration reform in developing countries. He has worked in a range of countries since 2000, establishing public finance systems and providing technical support.

## **Team member 3 (KPMG)**

He has over six years of Public Sector Audit and Assurance experience and has a range of professional experience in audit, analysis, project management and advisory services in a wide range of public sector organisations. He has performed and overseen reviews including performance management, financial reporting, financial systems and sustainability. He also manages a counter-fraud service, carrying out a range of proactive and reactive work.

## **7. Management and reporting**

7.1 We will produce a first draft report for review by the ICAI Secretariat and Commissioners by 25 April 2013, with time for subsequent revision and review prior to completion and sign off in July 2013.

## **8. Expected outputs and time frame**

8.1 The main deliverables will be:

<b>Phase</b>	<b>Timetable</b>
<b>Planning</b> Finalising methodology Drafting Inception Report	3 December 2012 – 7 January 2013
<b>Phase 1: Field Work</b> UK-based research and fieldwork Montserrat fieldwork	18 December 2012 – 20 February 2013 25 February 2013 – 4 March 2013
<b>Phase 2: Analysis and write-up</b> Roundtable with Commissioners Further analysis and first draft Report quality assurance and review by Secretariat and Commissioners Report to DFID for fact checking Report finalisation	w/c 25 March 2013 w/c 22 April 2013 w/c 29 April 2013 – w/c 10 June 2013  w/c 17 June 2013 w/c 8 July 2013

## 9. Risks and mitigation

9.1 The following sets out the key risks and mitigating actions for this evaluation.

Risk	Level of risk	Specific Issues	Mitigation
Limited information of use for older capital projects due to changing DFID record-keeping systems and regular staff turnover	Medium	<p>DFID routinely rotates in-country staff, which may mean that we review capital projects with an inception phase predating those staff. Many of the capital projects are active for a period of over three years from inception to completion.</p> <p>DFID is compiling an initial list of project information from across five DFID systems.</p>	<p>We will select a range of projects at different stages of delivery.</p> <p>Whilst we are dependent on the quality of DFID's information systems, we also plan to interview previous DFID staff with knowledge of earlier projects and gain access to contractors and Government of Montserrat records in-country.</p> <p>We will ensure we cross-reference any key issues across interviewees to ensure we gather consistent evidence wherever possible.</p>
Inability to access commercially or politically sensitive information in Montserrat	Low	The Government of Montserrat may be under pressure not to divulge commercial information relevant to our work.	Discuss our access rights with DFID early in the process and ensure it explains our remit and purpose to the Government of Montserrat.
Health risks accessing or leaving Montserrat	Low	The airlines flying to Montserrat do not have a good safety record. One was recently barred from flying although recently its licence has been reinstated.	<p>Our contractor's risk management has cleared the airline and we maintain a watching brief on its performance.</p> <p>There is a ferry between Antigua and Montserrat which is an alternative, although this would affect the timings of our visit as it only operates for part of the week.</p> <p>The team will carry out backup procedures whilst on the island to prevent any loss of work.</p>
Inability to access the island or early evacuation due to volcanic activity	Low	The volcano in the Soufrière Hills remains active and could produce a severe and catastrophic eruption leading to the evacuation of the island.	Our primary concern is the welfare of our team and therefore any immediate evacuation procedure will be followed.

Risk	Level of risk	Specific Issues	Mitigation
Inability to access locations and beneficiaries	Low	Approximately 60% of the island is considered to be unsafe for residence and for economic, social and other activities. This may affect the evaluation team's ability to access particular sites across the island.	Whilst much of the island is restricted, this is only at certain times of the day. Given the nature of our work, the need to visit these areas will be infrequent and we can arrange interviews in the non-excluded areas. The excluded areas are also routinely visited by contractors for work.

## 10. How this ICAI review will make a difference

10.1 This review will be our first evaluation of DFID's approach to the Overseas Territories. The Overseas Territories are a unique part of DFID's portfolio as a result of:

- the UK's obligation to meet their 'reasonable assistance needs';
- their relatively low levels of population;
- the UK Government's aim to improve the self-sufficiency of aid-dependent territories as far as possible; and
- the proposed significant increase in capital spending required to improve self-sufficiency, notably in Montserrat.

10.2 As a result, this is an opportunity to learn about the specific issues that arise in these circumstances. Montserrat's island location is also a feature of many Overseas Territories and, as such, our review will look at how DFID's strategies work to improve access. This is an opportunity to share learning on sustainable technical assistance and financial support in this context and on how to develop an incumbent population with a living memory of greater capacity and capability. We will also see if there are any lessons to be learned from the way in which those left on the island have managed their relationship with the diaspora population.

10.3 Our review has a focus on a number of capital projects, where we will draw conclusions which may have wider applicability for DFID's capital spending elsewhere. It is an opportunity to learn how well DFID develops its business case compared to its previous approaches. We will review, in detail, DFID's approach to business case evaluation, development and delivery in an environment free of many immediate humanitarian pressures and with a longer-term focus on sustainability. It is also an opportunity to evaluate how embedded the business case approach has become in DFID's performance management of these projects and in its relationship with the intended beneficiaries.