

Independent Commission for Aid Impact (ICAI)

DFID's Private Sector Development Work

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 We have decided to review the Department for International Development’s (DFID’s) private sector development (PSD) work. This inception report sets out the assessment questions, methodology and a work plan for the delivery of the review. It is, however, intended that the methodology and work plan be flexible enough to allow for new issues and questions that emerge over the course of the review.

2. Background

2.1 The background to this review is provided in Section 2 of the Terms of Reference.¹ It details the evolution of DFID’s PSD activities and summarises the key approaches used.

3. Purpose of this review

3.1 To examine the rationale for and coherence of DFID’s PSD approach and portfolio; and to assess the impact, value for money and effectiveness of a range of programmes in selected countries.

4. Relationships to other initiatives and evaluations

4.1 The relationship of this ICAI review to other recent reviews is covered in Section 4 of the Terms of Reference. The 2010 *Bilateral Aid Review* offered limited commentary, on a country-by-country basis, on DFID’s PSD initiatives. The most significant public review to date on DFID’s PSD initiatives is the International Development Select Committee’s (IDC’s) review which was published in 2006.² It is for this reason that we feel it important to conduct a review of DFID’s PSD work, focussing on expenditure from 2007-08 to date.

4.2 DFID does not have a precise figure available for its expenditure on PSD programming. DFID, however, uses its Wealth Creation pillar as a proxy for PSD expenditure. Wealth creation expenditure is forecast to be £3.2 billion from 2011-12 to 2014-15.³

4.3 As part of this review’s examination of DFID’s PSD work, we will look at DFID’s organisational change and learning initiative on ‘embedding the private sector into its DNA’.⁴ We will seek to understand its design; capacity for skills and staff development; and trajectory for impact and organisational change (see Figure 1 on page 4).

¹ *Terms of Reference: DFID’s Private Sector Development Work (1)*, Independent Commission for Aid Impact, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/Private-Sector-ToRs-FINAL.pdf>.

² *Private Sector Development*, House of Commons International Development Select Committee, 2006, <http://www.publications.parliament.uk/pa/cm200506/cmselect/cmintdev/921/921i.pdf>.

³ *DFID Private Sector Development introductory internal briefing*, DFID, December 2012.

⁴ *Terms of Reference: DFID’s Private Sector Development Work (1)*, Independent Commission for Aid Impact, 2013, <http://icai.independent.gov.uk/wp-content/uploads/2011/11/Private-Sector-ToRs-FINAL.pdf>.

5. Methodology

Analytical approach

5.1 This review will examine the strategic coherence and structure of DFID's PSD portfolio. It will address the following aspects of DFID's approach to PSD:

- the operational approach and coherence of DFID's PSD portfolio of programmes, both overall and at country level in selected case study countries, including work undertaken directly with UK businesses and multinational corporations to achieve development outcomes within its portfolio of programmes;
- the impact and value for money of selected programmes in our case study countries; and
- the process of embedding 'private sector DNA' into DFID.

5.2 Our work will begin with an examination of DFID's overall PSD approach and management, looking at how the different elements of PSD programming are organised and structured. We will then examine DFID's PSD work in selected case study countries. The case study country visits will explore the following issues:

- the strategic coherence of DFID's PSD portfolio of programmes in that country;
- the degree to which the country programme is consonant with DFID's global PSD objectives.
- the degree to which DFID's PSD activities are consonant with the aims of the overall country programme; and
- how effective the country PSD programme is in addressing the needs of intended beneficiaries.

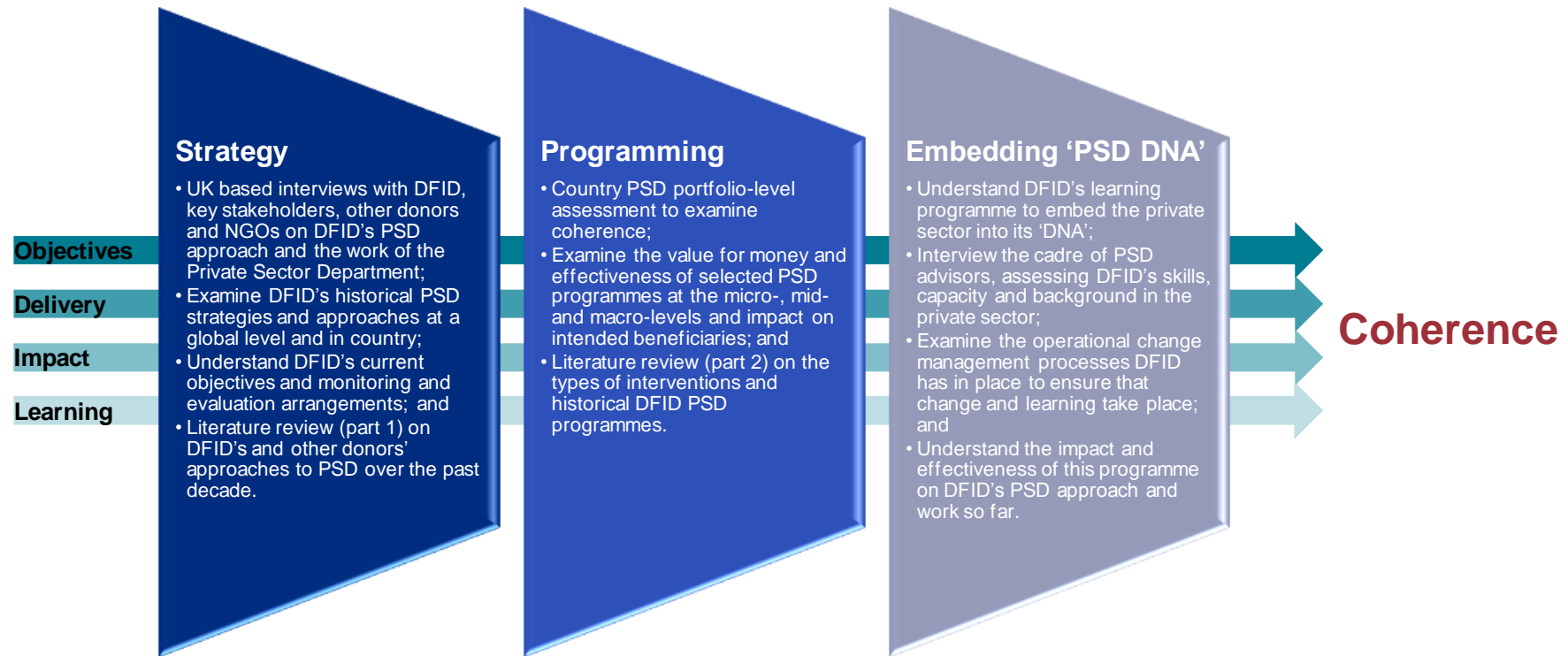
5.3 In our Year 4 work programme, we intend to examine the role of business in development, building on this review's work on DFID's PSD activities. DFID is placing increasing emphasis on the role of the private sector in international development. In a recent speech, the Secretary of State made clear that '...my objective for developing countries is to end aid dependency through jobs'.⁵ This second PSD review, to commence in 2014, will therefore examine the role of business in DFID's PSD approach and programmes and whether it engages with them adequately. We will comment at a strategic level on the role of business in achieving development outcomes, the views of business on PSD and DFID's detailed engagement and approach to business in development (both multinational corporations and small and medium enterprises in the UK and in-country).⁶

⁵ Speech by Rt Hon Justine Greening, Secretary of State for International Development, 11 March 2013 at the London Stock Exchange. See: <https://www.gov.uk/government/speeches/investing-in-growth-how-dfid-works-in-new-and-emerging-markets>.

⁶ A detailed Terms of Reference for this Year 4 ICAI review has not yet been produced. The intent of this review will be more strategic in nature, building on this Year 3 ICAI review's thematic focus on DFID's PSD approach and programmes. For instance, this further review in 2014 could be informed by a series of high-level business round table meetings in London and elsewhere. It could also examine the evidence base for DFID engaging at the multinational and large corporate level and the increasing focus on the role of British business, testing this against the role that indigenous small and medium scale private enterprise plays in developing countries.

5.4 Figure 1 shows the key components of our review methodology, examining DFID’s PSD approach, programmes and learning (‘embedding the private sector into its DNA’), addressing the rationale and coherence of DFID’s PSD programming and approach. Paragraphs 5.5 to 5.23 then set out the three phases of the review’s methodology.

Figure 1: Key components of our methodology



Phase 1: Pre-field visits

Literature review

5.5 We will conduct a literature review that will explore DFID's and other donors' PSD strategies, by looking at:

- an overview of DFID's PSD approach since 2006 (post the IDC report);
- an overview of evaluations of DFID's PSD approach and programmes but also wider evaluations of other bilateral and multilateral PSD interventions; and
- an overview of what other multilateral and bilateral donors are doing in the PSD space, including the World Bank, USAID, GIZ, SIDA and the EU.

Portfolio mapping

5.6 DFID's PSD programme is diffuse, as there is no single department in DFID which brings together all PSD activity. The Private Sector Department was created in 2011 but significant amounts of PSD programming also exist under the aegis of the Growth and Resilience Department (GRD), other departments, country offices and regional teams.

5.7 Given that DFID does not itself have a clear map of its PSD activity, a key first step for this study will be to undertake a mapping exercise. The overall portfolio will be mapped along two key axes:

1. Types of intervention

DFID's PSD portfolio encompasses a wide range of types of intervention, designed to operate on different facets of the private sector and its environment. Drawing on the categorisation contained in the North-South Institute report on PSD, these intervention types can be categorised as in Figure 2 on page 7.⁷

2. Management of interventions

As well as varying by type, DFID's PSD programmes and interventions also differ in the structures through which they are operated and under whose aegis they are managed. From discussions with DFID to date, there appear to be four principal approaches:

- a. **Bilateral, in-country spending:** PSD programmes managed by DFID country offices as part of the in-country approach. Such programmes are typically the responsibility of the relevant team within DFID's country office, such as the Growth Team or Basic Services Team. Not every team in every country office will include a PSD adviser;
- b. **Centrally-managed PSD programmes:** a number of global programmes are managed by London-based departments. Some of these, such as the Business Innovation Facility, will also have a presence in some countries where DFID operates;
- c. **Regional programmes:** DFID operates a number of programmes which are designed to have an impact across a group of countries; and
- d. **Multilateral programming:** 42% of DFID's total budget is spent through multilateral institutions such as the World Bank and the EU. The Private Sector Department believes that an even higher proportion of PSD programming is delivered through multilateral rather than bilateral channels.

⁷ *Investing in the Business of Development*, North-South Institute, 2013, <http://www.nsi-ins.ca/wp-content/uploads/2013/01/2012-The-Business-of-Development.pdf>.

For instance, DFID partners in-country with the International Finance Corporation on PSD multi-donor trust funds.⁸

5.8 To the extent that it is feasible, we will map DFID's PSD programming according to these two axes of intervention type and management (approaches a – d above). We will also seek to capture changes in DFID's PSD approach and process over time.

PSD learning and capacity

5.9 In understanding DFID's recent PSD strategies and activities, our methodology will capture DFID's organisational change efforts to embed the private sector into its 'DNA'. We will also examine DFID's capacity to develop private sector skills, the likely trajectory of its effectiveness and outcomes over time and its linkages into DFID's PSD approach in response to the House of Commons International Development Select Committee's report on DFID's work on the private sector.

5.10 DFID's cadre of PSD advisers is based both in country and in the UK. DFID currently has 80 PSD advisers – up from 30 in 2011. Approximately one third of these advisers are based in the UK and two thirds are overseas. These specialists advise country offices and other DFID departments on integrating elements of PSD into existing and new programmes across the DFID portfolio.

5.11 In reviewing DFID's cadre of advisers, we will:

- i. understand the range of experience and background and role of DFID's cadre of private sector advisers through:
 - development of a skills, experience and capacity matrix of the entire cadre;
 - an assessment of all of the cadre's CVs against the matrix;
 - an examination of the co-ordination within the cadre globally and between country offices and other departments on PSD programming; and
 - in-depth interviews with a selective representation of the cadre to understand their roles, background and capacity, including attending the Private Sector Adviser Cadre's annual conference in late September in London.
- ii. assess the design and implementation of DFID's learning and development programmes around 'embedding private sector' into its 'DNA' through:
 - a review of DFID documentation, including strategies, policies, guidelines and reporting on its development programme for DFID staff on PSD;
 - examining its e-learning materials on PSD;
 - interviews with PSD champions; and
 - interviews with DFID programme and field office staff.

⁸ As set out in our Terms of Reference (see paragraph 5.1), we will examine expenditure in country where DFID co-funds and delivers PSD programmes through multilateral institutions (such as multi-donor trust funds managed by the IFC). We will not examine PSD entities that DFID has a shareholding in but does not actively manage (such as PIDG and CDC, which are the subject of other current and recent reviews).

Figure 2: DFID Approaches to PSD – types of intervention

Approach	Activities	Example DFID programmes
<p>Macro Level (Improving the enabling environment for business to grow)</p>	<ul style="list-style-type: none"> • Infrastructure creation • Trade policy reviews, including work on regional trade agreements • Reform of tax policies and collection practices • Regulatory reform activities, including drafting new legislation and sponsoring Regulatory Impact Assessments⁹ • Stimulation of foreign and domestic investment • Programmes to enact land reform and clarify property rights. 	<ul style="list-style-type: none"> • Investment Climate Facility for Africa (multiple countries) • NIAF (Nigeria) • GEMS 3 (Nigeria) • World Bank / DFID Partnership for India Phase 3 (India) • Trademark, Southern Africa • PSD Strategy Programme (Sierra Leone) • Montserrat PSD Project • Supporting Employment and Enterprise Development (Afghanistan)
<p>Mid Level (Targeting systemic interventions to make markets work better for the poor)</p>	<ul style="list-style-type: none"> • Assisting government bodies to identify and undertake public-private dialogue • Supporting business membership organisations to advocate more effectively for their members • ‘Value chains’ (for example, activities to address inefficiencies in the supply chain of products from the farmer at one end to the consumer at the other) • Working with the media to create channels whereby business views and problems are aired and so influence policy 	<ul style="list-style-type: none"> • African Enterprise Challenge Fund (multiple countries) • ENABLE (Nigeria) • GEMS 2 (Nigeria) • Poorest States Inclusive Growth Programme (India) • Private Sector Competiveness Programme (Tanzania) • Responsible and Accountable Garments Sector (Rags) to Improve Working Conditions in Garment Sector in Poor Countries (non-country-specific) • Promote Sustainable Global Value Chains (non-country-specific) • Making Markets Work for the Poor, Vietnam
<p>Micro Level (Working directly with businesses and the poor)</p>	<ul style="list-style-type: none"> • Providing ‘livelihoods’, supporting small, sustainable micro-enterprises • Support to rural development projects working directly with poor farmers • Support to female entrepreneurs • Business development services • Micro-finance 	<ul style="list-style-type: none"> • GEMS 4 (Nigeria) • Microfinance Investment Support Programme (Afghanistan) • CHARS (Bangladesh) • Helmand Growth Programme (Afghanistan) • Katalyst (Bangladesh) • Financial Deepening Challenge Fund (Kenya) • Vietnam Business Challenge Fund • Business Innovation Facility (Bangladesh, India, Malawi, Nigeria and Zambia)

⁹ The Regulatory Impact Assessment (RIA) is a document created before a new government regulation is introduced. The role of an RIA is to provide a detailed and systematic appraisal of the potential impacts of a new regulation in order to assess whether the regulation is likely to achieve the desired objectives.

Phase 2: Fieldwork

5.12 Given the scope and geographic spread of DFID's PSD activities, it will not be possible for this review to study every instance of its work. It will be necessary to select a number of country case studies as a sample of the entirety of DFID's global PSD portfolio.

5.13 DFID's PSD programming is complex and diverse. It involves a range of interventions (as illustrated in Figure 2 on page 7) which operate and are managed in different ways on different elements of the business environment in-country. The central aim of our fieldwork will be to examine the coherence of DFID's PSD programming in different country contexts. We will, for example, need to understand how these different elements support each other and inter-relate at the macro, mid and micro levels and how programmes delivered through different implementation channels are inter-related in a coherent way. We will also take into account how DFID's approaches have changed over time at a global level. In the selection of countries to visit, therefore, we will take into account countries where PSD programming is mature (for example, India or Bangladesh) and those where such programming is a newer development (such as Ethiopia).

5.14 Within each case study country, we will both examine the overall coherence of DFID's PSD approach and then look in more detail at a small selection of interventions and projects. In order to do this, we will:

- review country programme documentation, including:
 - country programme evaluations;
 - theories of change;
 - implementation plans;
 - background and contextual research and analysis; and
 - budgetary and financial information.
- undertake face-to-face and telephone interviews with:
 - DFID staff in country offices;
 - the staff of implementing agencies of selected PSD programmes;
 - senior government officials and politicians;
 - intended and direct beneficiaries;
 - key private sector stakeholders in-country who have experience of PSD programmes (such as chambers of commerce and local business federations); and
 - third-party experts in PSD, who have not been involved directly in DFID's programme (making use of our review expert panel of advisers and local interviews).

5.15 We envisage that there will be three country field visits. Whilst case studies can never be representative of DFID's overall PSD work, we believe that, by visiting three case study countries, we will be able to comment on DFID's PSD efforts at a thematic level as in each of its countries there will be a difference in maturity of programmes, use of different sets of interventions and programmes that target a range of indirect and direct beneficiaries.

5.16 In order to examine the coherence of DFID's PSD expenditure in-country, we will review all such expenditure at a portfolio level, examining financial expenditure, mid-term evaluations, results and outcomes of all programmes. We will then select 2-3 programmes to examine in more detail in each country. These will be selected so as to provide collectively detailed insights into programmes at different levels and using different management processes. These programmes will be examined through direct and intended beneficiary

impact assessments, up-country field visits, further interviews and documentation and data analysis.

5.17 We intend to use the following countries as our case studies, our rationale being as follows:

Country	Rationale
Bangladesh	<ul style="list-style-type: none"> • Established PSD beneficiary with large support: Wealth Creation was the most significant spending in 2012-13 at 31.3% of country programme¹⁰ • Long history of DFID engagement • DFID priority country, programme expenditure was £196 million in 2012-13 • Will be second-largest country programme in Asia in 2013-14 after Pakistan
Tanzania	<ul style="list-style-type: none"> • Large DFID PSD programme, Wealth Creation the second most significant spending in 2012-13 at 20% of the country programme • Long history of DFID engagement and 'mature' aid market • DFID priority country, second-largest country programme in Africa, with projected spending of £198 million in 2013-14
Ethiopia	<ul style="list-style-type: none"> • Significant recipient of DFID support, with projected spending of £345 million in 2013-14 • DFID priority country and largest country programme in Africa • Includes two high-profile PSD programmes which are in the early stages, providing an opportunity to examine a young programme alongside the other more mature case study choices.

5.18 Both Tanzania and Bangladesh are host to large PSD programmes, as well as significant targets for new programming. We therefore anticipate field visits of ten days to each of these countries. At present, Ethiopia has a small PSD footprint but this will grow substantially in the next few years. A shorter field visit of five days will examine the coherence of this proposed expansion and the degree to which it builds on DFID's experience to date.

Assessing impact

5.19 Our work will aim to examine programme impact along the value chain. For many of the programmes which will be reviewed, the direct beneficiaries will be government agencies, chambers of commerce and other business organisations. The aim of working with such entities, however, is to create opportunities for producers, traders and intermediaries, with the aim of ultimately benefiting the poor (the intended beneficiaries of the programmes). For example:

¹⁰ All data in this column is sourced from: *DFID Annual Report and Accounts, 2012-13*, DFID, 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/208445/annual-report-accounts2013-13.pdf.

- **Macro-level programmes:** interventions focussing on business environment reform and strengthening the enabling environment for business intend to provide a regulatory context in which businesses of all sizes can grow and flourish and, therefore, provide employment and incomes, including for the poor;
- **Mid-level programmes:** Making Markets Work for the Poor (M4P)¹¹ and value chain interventions aim to reduce inefficiencies in the production and supply of specific goods and services and, in so doing, to make it easier for businesses to operate effectively; and
- **Micro-level programmes:** access to finance and business development services which work more directly with micro businesses and intended beneficiaries.

5.20 We will seek to assess directly the level of impact on the intended beneficiaries of DFID's PSD programmes at the micro, mid and macro levels. Since, in many instances, PSD activity does not work directly with intended beneficiaries, it will be important to assess how both indirect and direct programmes cumulatively impact on intended beneficiaries. We will assess impact of individual programmes through review of project documentation; through field visits to selected programmes; and through interviews with implementing partners and DFID staff. We will assess the cumulative effect of the programmes through reference to the degree to which they deliver a coherent response to a clear analysis of the challenges facing the private sector.

Phase 3: Report Writing

5.21 Following the research phases of our work, we will then compile our report, which will include the following key elements:

- Assessment of the strategic coherence of DFID's approach to PSD in case study countries, including examination of:
 - **Relevance:** how well DFID's PSD activities support the development goals of that country;
 - **Programmatic coherence:** to what extent all the implementation modalities and modes of delivery work together effectively in the delivery of an approach that is strategically coherent;
 - **Project effectiveness and impact:** through detailed examination of a small number of interventions in each country, we will make observations about the effectiveness and efficiency of programme delivery and impact on intended beneficiaries; and
 - **Operational efficiency:** to what extent DFID's operational structures and processes work effectively to support the efficient delivery of DFID's PSD approach.
- Building on our case studies, we will make an assessment of the degree to which DFID's country programmes cohere and deliver on DFID's overarching PSD approach. This will also include an assessment of the degree to which 'private sector DNA' has spread within DFID, as a key tenet of DFID's PSD approach. This will examine:
 - the degree to which the current PSD cadre understands and is equipped to deal with the private sector;

¹¹ M4P refers to an approach in aid and development known as 'making markets work for the poor'. The approach utilises systems analysis as a means of diagnosing and addressing the constraints that face poor and disadvantaged households and communities in accessing goods and services. M4P is an overarching approach to development that provides agencies and governments with the direction required to achieve large-scale, sustainable change in different contexts. Its approach is focussed on the underlying constraints that prevent the effective development of market systems around poor people. For more, see: <http://www.m4phub.org/what-is-m4p/introduction.aspx>.

- how far and in what ways DFID's training and other structures support private sector advisers in developing DFID's understanding of and ability to work with the private sector; and
- how far the idea of PSD has been embraced by DFID as a whole as a valuable set of tools in the delivery of development goals.
- We will then make clear recommendations to DFID based on our analysis and findings.

Assessment Framework

5.22 The assessment framework for this review is set out in the table below. This is based on the standard ICAI guiding criteria and framework, which focus on four areas: objectives, delivery, impact and learning. It includes the questions from our Terms of Reference (ToR) and also incorporates other pertinent questions we want to investigate in this review. Our focus is on the questions highlighted in bold.

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
(1) Objectives: what is the programme trying to achieve?			
<p>Does the programme have clear, relevant and realistic objectives that focus on the desired impact? (1.1)</p>	<p>Is the private sector development portfolio properly linked into wider development objectives, including economic growth and poverty reduction? (ToR 6.2.1)</p> <p>Does DFID have the appropriate focus and approach for private sector development? (ToR 6.2.2)</p>	<p><u>Strategic and Country-level Coherence</u></p> <ul style="list-style-type: none"> • Clear research and analysis of the constraints to PSD and their relative importance • Clear analysis of how selected PSD interventions will contribute as part of the overall development framework for recipient countries • Adequate evidence that overall PSD programming has been designed around DFID's strategic objectives <p><u>Objective-setting for Selected Projects</u></p> <ul style="list-style-type: none"> • Adequacy of criteria for activity selection • Appropriateness of project objectives • Evidence of adequate appraisals of costs and benefits / impacts of each activity 	<ul style="list-style-type: none"> • Project design and business case material • Literature review, including political economy analyses • Interviews with present and former DFID staff • Consultation with external stakeholders, including civil society and private sector • Consultation with other donors and multilateral development banks (MDBs) • Country strategy documentation

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
Is there a clear and convincing plan, with evidence and assumptions, to show how the programme will work? (1.2)	Does DFID have guidance in place to inform programme choices and activity selection including avoidance of potential unintended consequences? (ToR 6.2.3)	<u>Overall Theory of Change</u> <ul style="list-style-type: none"> • Appropriate level of detail and analysis undertaken on PSD linkages (compared with best practice/reasonable approach) • Existence of clear analysis of likely impacts on the poor, by country and sector • Clear evidence that DFID programming takes account of latest development thinking and DFID guidance <u>Project-level Theory of Change</u> <ul style="list-style-type: none"> • Existence of appropriate PSD guidance on project design from DFID centrally 	<ul style="list-style-type: none"> • DFID Policy Papers, White Papers • DFID Business Case Guidance • Additional DFID Guidance on Theory of Change • Project design and business case material • Interviews with DFID staff • Consultation with external stakeholders including civil society and private sector • Consultation with other donors and MDBs • Literature on methodological approaches / theory of change
Does the programme complement the efforts of government and other aid providers and avoid duplication? (1.3)	To what extent does DFID assess potential synergies and conflicts with the private sector development programmes of other donors and aid providers? (ToR 6.2.4)	<ul style="list-style-type: none"> • Adequate evidence that DFID's PSD portfolio has been developed alongside other donors • Adequate evidence that DFID's PSD portfolio is coherent and synergistic in country and at a global level with other donors 	<ul style="list-style-type: none"> • Policy, strategy and project literature produced by other donors and MDBs • Discussions with DFID staff responsible for projects that explicitly collaborate with other donors / contribute to multi-donor trust funds • Consultation in-country with government officials, other donors and MDBs

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
<p>Are the programme's objectives appropriate to the political, economic, social and environmental context? (1.4)</p>	<p>Are private sector development programmes grounded in contextual analysis? (ToR 6.2.5)</p>	<ul style="list-style-type: none"> • Evidence that contextual political economy analysis has been undertaken • Clear evidence that programme strategy and intervention design development have taken appropriate account of political economy issues • Evidence that there are clear structures and processes in place that allow for changes in the wider context to be identified and considered in the programme design • Balance of portfolio, by: geographical coverage; length of engagement; type of activity; and choice of delivery partner • Quality of approaches taken against international learning and good practice 	<ul style="list-style-type: none"> • Guidance on political economy analysis • Political economy analyses • Interviews with programme and intervention designers and managers • Log-frames and other process documentation • Consultation in-country with a sample of government officials, private sector and civil society

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
(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 appropriate are the principles, standards, channels and instruments that DFID has used to implement its private sector development approach? (ToR 6.3.1)	<ul style="list-style-type: none"> • Adequacy of explanation for the selection of chosen principles and delivery channels • Appropriate evidence that alternative funding options have been considered 	<ul style="list-style-type: none"> • Business Case documents • Documentation from and interviews with other donors and MDBs • Interviews with both direct and indirect intended beneficiaries
Does programme design and roll-out take into account the needs of the intended beneficiaries? (2.2)	Does programme roll-out involve and take into account the needs of the potential and intended beneficiaries? (ToR 6.3.3)	<ul style="list-style-type: none"> • Have the needs and wants of intended beneficiaries been properly canvassed? • Have these needs and wants informed programme roll-out and, if so, how? 	<ul style="list-style-type: none"> • Interviews with both direct and indirect intended beneficiaries • Project and intervention documentation
Is there good governance at all levels, with sound financial management and adequate steps being taken to avoid corruption? (2.3)	Does DFID have adequate approaches to the governance and financial management of its activities? Are adequate steps being taken to avoid corruption? (ToR 6.3.2)	<ul style="list-style-type: none"> • Existence of an appropriate ethics code, code of conduct or similar and evidence both that training is provided on ethics and conduct and that compliance with ethics training is part of all staff contracts • Clear, transparent financial information and records covering all aspects of the programme and interventions 	<ul style="list-style-type: none"> • Financial and other records including risk management procedures and anti-corruption protocols at country, programme and intervention levels • Codes of conduct, training records associated with these and examples of staff contracts

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
Are resources being leveraged so as to work best with others and maximise impact? (2.4)	Does DFID work with others to maximise the impact of its private sector development activities? (ToR 6.3.4)	<ul style="list-style-type: none"> • Adequate evidence of a clear understanding of what other agents are doing and that DFID’s activities are properly integrated into their plans and activities 	<ul style="list-style-type: none"> • Cross-donor strategy documents • Interviews with DFID staff and those from other organisations working on similar activities • Interviews with intended beneficiaries
Do managers ensure the efficiency and effectiveness of the delivery chain? (2.5)	Do managers ensure the efficiency and effectiveness of the delivery chain?	<ul style="list-style-type: none"> • Adequate evidence that key parties involved in programme delivery are clearly selected for their capabilities and efficiency • Clear evidence that programme delivery chains are appropriate and adequate for the intended outcomes 	<ul style="list-style-type: none"> • ToRs for different staff and sub-contractors • Selection criteria for staff / contractors • Monitoring and evaluation reports • Programme planning documents
Is there a clear view of costs throughout the delivery chain? (2.6)	Is there a clear view of costs, including administrative costs of programme delivery, throughout the delivery chain?	<ul style="list-style-type: none"> • Existence of clear management accounts and other relevant cost information 	<ul style="list-style-type: none"> • Management accounts • DFID administrative costs • Margin/overhead of channel organisation where funds are put through another agency
Are risks to the achievement of the objectives identified and managed effectively? (2.7)	Are risks to the achievement of the objectives identified and managed effectively?	<ul style="list-style-type: none"> • Existence of an appropriate risk register and adequate evidence that the risks listed are proactively managed as part of the day-to-day activities of the management team 	<ul style="list-style-type: none"> • Risk register and risk management procedures • Interviews with relevant DFID management staff and advisers • Interviews with key interlocutors in-country from government, private sector and civil society

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
Is the programme delivering against its agreed objectives? (2.8)	Is the programme delivering against its agreed objectives?	<ul style="list-style-type: none"> • Clear evidence that the programme is delivering against its stated objectives 	<ul style="list-style-type: none"> • Monitoring and evaluation reports • Log-frames and other delivery / process documentation • Interviews with key interlocutors in-country from government, private sector and civil society
Are appropriate amendments to objectives made to take account of changing circumstances? (2.9)	Are appropriate amendments to objectives made to take account of changing circumstances?	<ul style="list-style-type: none"> • Existence of a sound process to understand the changing context in which programmes operate • Clear evidence that exogenous change is properly considered by the management team and appropriate amendments are made to the project 	<ul style="list-style-type: none"> • Relevant DFID guidance • Management team meeting notes • Interviews with key managers and staff • Political economy updates and analyses • Interviews with key interlocutors in-country from government, private sector and civil society

Relevant ICAI Assessment Framework Questions	Assessment 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>Are the intended beneficiaries appropriate? Is the programme delivering clear, significant and timely benefits for the intended beneficiaries? (ToR 6.4.1)</p> <p>Are the programmes delivering or likely to deliver the desired results in support of their objectives? (ToR 6.4.2)</p>	<ul style="list-style-type: none"> • Clear evidence that potential macro-, mid- and micro-level impacts are captured and adequately accounted for during the process of programme design • Appropriate consideration of alternative options for the focus of the programme so as to ensure maximum impact for the intended beneficiaries • Evidence of clear impacts on appropriate beneficiaries 	<ul style="list-style-type: none"> • Country and other strategy analyses • Interviews with key staff • Logframe data • Monitoring and evaluation reports • Interviews with both direct and indirect intended beneficiaries; direct beneficiaries include chambers of commerce, recipient country ministries and other external organisations
Is the programme working holistically alongside other programmes? (3.2)	Is the programme working holistically alongside other programmes?	<ul style="list-style-type: none"> • Adequate evidence that a programme is working holistically alongside other programmes 	<ul style="list-style-type: none"> • Programme documentation • Overarching policy and strategy papers and documents • Other donor and MDB reporting in selected countries

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
Is there a long-term and sustainable impact from the programme? (3.3)	Are DFID's programmes encouraging replication and extension by others, with likely durable impact over time? (ToR 6.4.3)	<ul style="list-style-type: none"> • Adequate evidence that DFID programmes and interventions are being replicated by other organisations • Adequate evidence that DFID programmes and interventions have had a material impact on the wider development trajectory of recipient countries 	<ul style="list-style-type: none"> • Country strategic plans • Monitoring and evaluation reports • Interviews with key interlocutors in-country • Other programming documents from donors and MDBs
Is there an appropriate exit strategy involving effective transfer of ownership of the programme? (3.4)	Is there an appropriate exit strategy involving effective transfer of ownership of the programme?	<ul style="list-style-type: none"> • Appropriate evidence of a clearly documented and evidenced exit strategy • Clear evidence that such a strategy is realistic and being actively implemented 	<ul style="list-style-type: none"> • Relevant documentation • Interviews with other donors, host government ministries and other entities which form part of exit strategies

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
Is there transparency and accountability to intended beneficiaries, donors and UK taxpayers? (3.5)	Is there transparency and accountability to intended beneficiaries, donors and UK taxpayers?	<ul style="list-style-type: none"> • Existence of clear and transparent communications to beneficiaries about the programme aims, expenditure and delivery against milestones • Existence of clear and transparent communications to UK taxpayers about the programme aims (for example, this might include accessible website information and clear responses to parliamentary questions) • Existence of clear communications with other donors engaged in programmes with DFID 	<ul style="list-style-type: none"> • Intended beneficiary interviews • Relevant communications including documentation and other tools facing: <ul style="list-style-type: none"> - beneficiaries; - UK taxpayers; and - other donors.
(4) Learning: what works best and what needs improvement?			
Are there appropriate arrangements for monitoring inputs, processes, outputs, results and impact? (4.1)	Does DFID have appropriate arrangements in place for monitoring inputs, processes, outputs, results and impact at micro, mid and macro levels? (ToR 6.5.2)	<ul style="list-style-type: none"> • Good evidence of clear monitoring and evaluation frameworks • Adequate evidence that inputs, processes, results and impacts are effectively monitored at micro, mid and macro levels • Adequate evidence that intended beneficiaries are sufficiently involved in programme monitoring 	<ul style="list-style-type: none"> • DFID Monitoring & Evaluation Guidance • Country-level and project-level monitoring and evaluation reports • Interviews with project reviewers • Interviews with direct and indirect intended beneficiaries of programmes at macro, mid and micro levels

Relevant ICAI Assessment Framework Questions	Assessment Questions	Criteria for Assessment	Sources of Evidence
<p>Is there evidence of innovation and use of global best practice? (4.2)</p>	<p>Is DFID's approach based on a good understanding of best practice? (ToR 6.5.1)</p> <p>Is there evidence of innovation in DFID programmes and sharing of learning both internally and with external partners? Does this include learning from previous experience? (ToR 6.5.3)</p>	<ul style="list-style-type: none"> • Adequate evidence that previous experience – good and bad – has been actively learned from and properly informs current activities • Adequate evidence that previous experience – good and bad – of other donors and relevant organisations has been actively learned from and properly informs current activities • Adequate evidence of learning and adoption of global best practice from multilateral institutions • Evidence of DFID's skills development and learning programmes relevant to PSD • Evidence that DFID PSD advisers understand and comprehend the issues facing the private sector • Evidence that private sector 'DNA' is present and developing 	<ul style="list-style-type: none"> • Job descriptions for PSD advisers • Interviews with key DFID staff • Interviews with staff from partner organisations • Interviews with multilateral institutions and other donors • Examination of organisational change and learning programme documentation on PSD

Relevant ICAI Assessment Framework Questions	Assessment 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)	Is there anything currently not being done in respect of the programme that should be undertaken?	<ul style="list-style-type: none"> • Evidence as to whether the programme appears to be a logical and complete response to the challenge identified and intended outcomes • Consideration of ‘plausible counter-factuals’, where possible. What else might have been attempted and would it have worked? 	<ul style="list-style-type: none"> • Strategy analyses and programme design documents • Interviews with those responsible for programme design • Interviews with external stakeholders and observers of the programme • Interviews with direct and indirect intended beneficiaries
Have lessons about the objectives, design and delivery of the programme been learned and shared effectively? (4.4)	Have lessons about the objectives, design and delivery of the programme been learned and shared effectively?	<ul style="list-style-type: none"> • Adequate evidence that key staff have learned effectively from both good and bad programme experiences and performance • Adequate evidence that this learning is effectively shared with others who need to have that knowledge • Adequate evidence of DFID’s skills development and learning programmes relevant to PSD 	<ul style="list-style-type: none"> • Interviews with key current and past DFID staff • Interviews with key interlocutors in-country, including government, private sector and civil society • Interviews with direct and indirect intended beneficiaries • Documentation used to share programme experience and lessons

6. Roles and responsibilities

6.1 This review 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 also provide oversight of this review under the overall leadership of the ICAI Project Director.

6.2 It is proposed that this review be undertaken by a core team of six (marked in bold), together with researchers to assist with the literature review, analysis and collation of materials. Country experts in each country will provide national context and be responsible for identification of likely beneficiaries. A peer reviewer familiar with the issues of PSD will be used to support the literature review in the area of analytical frameworks, as well as providing advice throughout. While lead responsibility for answering sections of the framework is shown, all will contribute to the analysis supporting the findings for each section. A panel of experts in PSD, covering a range of issues in the sector, will be called upon by the core team to provide input and advice at key stages during the review, including during the terms of reference, inception, findings analysis and drafting stages.

Name	Role
Team leader	Team Leader
Team member 1	Director
Team member 2	Director
Team member 3	Consultant
Team member 4	Director
Team member 5	Consultant
Team member 6	Team adviser, peer reviewer and oversight of the literature review
Team member 7	Literature review lead researcher
Team member 8	Literature review researcher
Team member 9	Panel of expert advisers: 'making markets work for the poor' (M4P)
Team member 10	Panel of expert advisers: investment climate reform, support to SMEs
Team member 11	Panel of expert advisers: business and regulatory environment reform, grants and support to SMEs
Team member 12	Panel of expert advisers: the progression and development of DFID's PSD strategies and interventions
Team member 13	Research and UK data analysis

Team leader (Independent)

He is a political economist. His expertise lies in the role of the private sector in international development. He has worked extensively both with development agencies, including SIDA, the Asian Development Bank, GIZ and DFID; and with companies such as Anglo American, Lafarge and Rexam. He is a former Research Fellow of the Overseas Development Institute and, from 2006 to 2009, he co-chaired David Cameron's Working Group on Responsible Business Practice. He will participate in all aspects of the programme of work, including all field visits.

He will have overall management responsibility for all stages of the process including the case studies and will ensure delivery of the outputs.

Team member 1 (Independent)

He has been the Coordinator of the Donor Committee for Enterprise Development since 2004. Prior to this, he was a Senior Enterprise Development Specialist with the International Labour Organisation in Geneva (1993-2004) and founder manager of a UK-based NGO working in enterprise development (1983-1993). Previously, he worked in the oil industry, in marketing, research and exploration (1977-1983). He is a graduate of the University of Cambridge.

He will play a key role in the country visit programme and the review of documentation for case study countries. Alongside the team leader, he will plan and participate fully in the Tanzania country visit and assist the team leader in drafting presentations, as well as draft and final reports.

Team member 2 (Independent)

He has nearly 30 years of experience of working as an economist. He has worked as a policy adviser at HM Treasury and as a consultant specialising in PSD and financial management work. His PSD experience goes back to 1993, when he led the health PFI initiative in HM Treasury. As a consultant on PSD, he advises on a wide variety of PSD issues (including investment, tax policy, public-private dialogue and business registration). He has 13 years' experience in the design, implementation and evaluation of PSD projects, including the application of 'Markets for the Poor' principles to PSD.

He will play a key role in the initial planning and development of the evaluation approach, including the country visit programme for Bangladesh and the review of documentation. Alongside the team leader, he will plan and participate fully in the Bangladesh country visit and assist the team leader in drafting presentations, as well as draft and final reports.

Team member 3 (Agulhas)

Her expertise is in sustainability, with a particular focus on managing the risks around climate disruption, having been a member of the core team on the Stern Review of the Economics of Climate Change. She has several years of Board and Advisory Board experience in the commercial and non-for-profit (NFP) sectors. She has both chaired and been a Board member of a UK limited company and a NFP, along with a number of advisory board positions for both companies and NFPs. These companies have been UK based, often working in global markets. She has worked with companies in the 'Fast Moving Consumer Goods', retail, food and aerospace sectors to deliver change in policy, products and process, enabling them to become more sustainable and resilient.

She will lead on developing the terms of reference and inception report. She will play a key role in initial meetings, data collection and analysis and advise the team during the later initial findings and drafting session.

Team member 4 (KPMG)

He works in KPMG's International Development Assistance Services group in the UK and has professional experience in research, analysis, project management and policy advisory services in a wide range of organisations in the government, diplomatic and international development sectors. He has previous experience in the U.S. Department of State, U.S. Senate, European Bank for Reconstruction and Development and the BBC. He will ensure that ICAI processes and procedures are followed throughout and mentor the team leader during the ICAI drafting phase.

He will lead on the portfolio mapping process of DFID's PSD activities and on examining the programme and financial management of DFID's PSD programmes. Alongside the team leader, he will plan and participate fully in the three country field visits and assist the team leader in drafting presentations, as well as providing input into the draft and final reports.

Team member 5 (KPMG)

She has over ten years' international experience as a management consultant, tackling issues within the private, public and development sectors and within a range of cultural settings including the Middle East, China and East and West Africa.

She joined KPMG in 2005 as a management consultant in the public sector department. She has delivered strategy and implementation support to clients and her expertise includes policy design, options appraisals, project design and project management, evaluation, stakeholder engagement and capacity building support, in a range of sectors including health and education. She has also worked in the UK Cabinet Office, on local regulation as part of the Better Regulation Executive, Tony Blair's Africa Governance Initiative to lead the health work stream in Sierra Leone and most recently as Global Change Manager to KPMG's Global Chairman's Office.

She will assist in the Ethiopia field visit on beneficiary consultations and interviews with government and DFID officials and will lead on the case studies while in-country. She will provide research analysis input into the initial findings presentation and first draft.

Team member 6 (Overseas Development Institute)

She is a professional economist who has worked on growth, international economic policy and private sector issues throughout her career, with 16 years' experience in economic research and consultancy and in Government, at DFID and HM Treasury.

She will be a member of the panel of experts, assisting the team in developing the terms of reference, inception report, case study selection and findings analysis. She will lead on advising the team on the development of DFID's PSD approach and programmes, given her relevant experience. She will quality assure the literature review.

Team member 7 (Overseas Development Institute)

He has a background working on private sector and rural development, with a focus on financial services and agriculture. He specialises in Southeast Asia, having lived and worked in Vietnam and Indonesia over a twenty-year period, working with the Ford Foundation, the World Council of Credit Unions, the SIDA-funded Vietnam Sweden Mountain Rural Development Programme, ActionAid and as an independent consultant with a range of donors and NGOs.

He will lead the development of the literature review.

Team member 8 (Overseas Development Institute)

He has worked as a research officer at the Overseas Development Institute in London, within the Private Sector and Markets programme. His focus has been on the links between private sector growth and poverty reduction, the assessment of private sector impacts on poverty and development, access to finance, pro-poor green growth and low carbon competitiveness.

He will be the lead researcher for the literature review.

Team member 9 (KPMG)

He is a development economist and Executive Advisor at KPMG in its International Development Assistance Services practice. He led the development of a guidebook for DFID and other donors on the application of PSD approaches in conflict-affected countries. He was also the project director for the Coffey International Development (consultancy) M4P Hub programme – an organisation set up by DFID to share information and support donors in applying market-based approaches to development. All of this work has been underpinned by significant amounts of work in the field on PSD projects. For example, he was DFID's lead adviser for the Commark (Making Commodity Markets work for the Poor) and Finmark (Making Financial Markets work for the Poor) projects in Southern Africa.

He will be a member of the panel of experts, assisting the team in developing the terms of reference, inception report, case study selection and findings analysis. He will lead on advising the team on 'Making Markets Work for the Poor' (M4P) programmes and issues, given his relevant experience.

Team member 10 (Independent)

He has over 30 years' experience in economic and private sector development in the UK and overseas. His international experience includes two years as Director of Country and Economic Research for the Economist Intelligence Unit and four years as an international development consultant in fragile and conflict-affected states, including Afghanistan, Serbia, Croatia, Tanzania and Montserrat. His specific experience in international PSD includes: investment climate reform; trade and investment promotion; programme design and evaluation; and capacity building for development agencies. His UK experience includes five years as CEO of an economic development agency with responsibility for foreign direct investment attraction and small business development. He also spent two years as CEO of a 2000-member UK trade association responsible for policy advocacy and member services.

He will be a member of the panel of experts, assisting the team in developing the terms of reference, inception report, case study selection and findings analysis. He will lead on advising the team on investment climate reform and business support donor programmes and issues, given his relevant experience.

Team member 11 (Independent)

He is a local community development and SME expert consultant. He is an economist in the areas of trade and economic and financial development. He has undertaken work for a number of donors and organisations and his projects include: project appraisal e.g. Basic Services programme in Ethiopia for DFID, governance programme in Pakistan for DFID, heavily indebted poor countries debt relief packages for the World Bank; design of new fiduciary and quality assurance processes for small grants at the World Bank; review of trust funds in the South Asia region for the World Bank; adult skills strategy for the Mayor of London; organisational change in the Libyan financial sector; trade strategy for UKTI; financial appraisal of city development in Saudi Arabia; and market research in the Middle East.

He will be a member of the panel of experts, assisting the team in developing the terms of reference, inception report, case study selection and findings analysis. He will lead on

advising the team on support to SMEs and 'challenge funds' programmes and issues, given his relevant experience.

Team member 12 (Independent)

He is a specialist in PSD with over 30 years' general management and consultancy experience in the UK private sector; with DFID advisory experience; and with international consultancy and project management experience in Afghanistan, Southern and East Africa, Asia and the Caribbean.

He will be a member of the panel of experts, assisting the team in developing the terms of reference, inception report, case study selection and findings analysis. He will lead on advising the team on DFID's progression and development of its private sector strategies and programmes over the past decade, given his relevant experience.

Team member 13 (KPMG)

He is a member of KPMG's Public Sector Consulting practice. He is educated to Masters level in both law and economics, with particular knowledge of international law, finance and quantitative evaluation methods for the assessment of economic growth and law programmes. He will serve as researcher for the review.

7. Management and reporting

7.1 A first draft report for review by the ICAI Secretariat and Commissioners will be produced for 17 January 2014, with time for subsequent revision and review prior to completion and sign off in March 2014.

8. Expected outputs and time frame

8.1 The following timetable is based on the assumption that the report will need to be finalised in Q1 2014, to meet ICAI's requirements.

Phase	Timetable
Planning Preliminary consultations Planning and methodology Finalising inception report	July - August 2013
UK research and field work Literature review Interviews with DFID Private Sector Department and other DFID departments delivering PSD Review of policies, strategies and guidance	June - August 2013 July - September 2013 July - November 2013
Field Research Bangladesh Ethiopia Tanzania	w/c 29 September – w/c 7 October 2013 w/c 28 October 2013 w/c 11 November – w/c 18 November 2013
Analysis and write-up 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	4 December 2013 17 January 2014 January - February 2014 February 2014 March 2014

9. Risks and mitigation

9.1 The following sets out the key risks and mitigating actions for this review:

Risk	Level of risk	Specific Issues	Mitigation
No outcome data available on impact of programmes	Medium/High	The outcomes of activities in PSD occur over the long term and, due to statistical data collection issues, there is often a lag between outcomes and published data availability	Whilst hard data and evidence relating to outcomes (lower transaction costs, trade expansion and employment/price changes) may not have been recorded or registered, evidence derived from interviews and subsequent analysis undertaken with business, civil society and government (which will invest on the basis of expected outcomes) will be gathered during the field research to cross-check such published data as is available.
Intended beneficiary voices not heard	Medium	The intended beneficiaries cover the macro, mid and micro levels. The direct beneficiaries of activities will range from sole traders and SMEs, to chambers of commerce. They may, for example, include regional importers, trade bodies, regulatory bodies and finance ministries. It may be difficult to include the entire range of intended and direct beneficiaries in our impact assessment.	Given the wide range of possible beneficiaries, a selection of representatives of these groups will be interviewed to gauge knowledge, interest and opinion. This will be undertaken by the team in the field.

Risk	Level of risk	Specific Issues	Mitigation
<p>External factors and interdependencies mask the impact of interventions on the intended beneficiaries</p>	<p>Medium</p>	<p>There is a complex causal chain which links a range of interdependent activities to direct beneficiaries (including businesses) and then ultimately to the poor. Many external factors can also affect these interactions (e.g. global economic growth).</p>	<p>Given that the review programmes are on-going, the ultimate impact on intended beneficiaries is not yet expected to be realised. Views on impact will be sought from key decision-makers in order to address this risk. This will include businesses, which take investment decisions that are based at least partly on programme outcomes, which in turn are likely to impact the poor (e.g. through investment in expanded production for export that leads to higher employment). Business representatives will, therefore, provide an important input to this review.</p>

10. How will this review make a difference?

10.1 Although PSD has become a core element in the programming of most major donor agencies, it remains controversial. Critics argue that donor aid should focus on issues such as health and education, not on developing the private sector. DFID has historically been a pioneer of PSD, yet no review has examined its work in this field since 2006. This review will provide key insights into the relevance, role and effectiveness of DFID's PSD approach.

10.2 This review also comes at an important time for DFID – as its work on PSD is increasing. In March 2013, DFID announced a strong endorsement of the role of business in international development, as a way of investing in growth, in a speech by Secretary of State Rt. Hon. Justine Greening MP at the London Stock Exchange.¹² This review is timely in considering a range of DFID's PSD programmes in-country and those implemented at central, regional and multilateral levels. It will examine the coherence of DFID's PSD work, allowing for coverage of a range of intervention types and varied maturity of programmes. This will enable ICAI to provide, for the first time since the IDC's review of DFID's private sector work in 2006, an examination of – and recommendations for – DFID's substantial and increasing PSD expenditure.

¹² <https://www.gov.uk/government/speeches/investing-in-growth-how-dfid-works-in-new-and-emerging-markets>