



**Independent  
Commission  
for Aid Impact**

**Independent Commission for Aid Impact:  
Report to the House of Commons International Development Committee  
on ICAI's Shadow Period: November 2010 – May 2011**

**June 2011**

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Independent  
Commission  
for Aid Impact

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

27 June 2011

*Dear Chairman*

I enclose the Independent Commission for Aid Impact's (ICAI's) first report, which sets out ICAI's activity and expenditure for the shadow period up to our official launch on 12 May. My fellow Commissioners and I believe that we have made good progress in a short space of time, using our resources wisely and establishing constructive relationships with Parliament, our contractor, Government Departments and both national and international stakeholders.

My fellow Commissioners and I do not underestimate the challenge facing us in the coming months and years. We look forward to helping the Committee, others in Parliament and the wider public gain assurance as to whether the Government is spending Official Development Assistance to good effect.

*Yours sincerely*

A handwritten signature in black ink, appearing to read 'Graham Ward', written over a faint circular stamp.

Graham Ward CBE  
Chief Commissioner

## **Establishment of ICAI**

### **Achieving Permanent Status**

1. On 3 June 2010, the Secretary of State for International Development, the Rt Hon Andrew Mitchell MP, gave a speech to Oxfam and Policy Exchange at the Royal Society in London in which he announced his intention to create an independent aid watchdog.
2. The Secretary of State said: 'The Government's commitment to spend 0.7% of GNI on ODA (Official Development Assistance) by 2013 imposes on us a duty to secure value for money, ensure accountability to the British public and build on what works. To guarantee this, all our aid must be independently evaluated. The British taxpayer must be confident that the Government's development work has been shown independently to have produced results and saved lives.'<sup>1</sup>
3. The Department for International Development (DFID), together with the Cabinet Office, undertook a review of possible ICAI structures and permanent status before a decision on the long term future of ICAI was made. The review set out the wider policy context and the functions ICAI would need to fulfil and explored a variety of delivery options against four criteria (independence, accountability, impact and economy). After comparison with other options, the review recommended the establishment of ICAI as an Advisory Non-Departmental Public Body.
4. In announcing his intention to establish ICAI, the Secretary of State expressed his wish that it should achieve permanent status within twelve months. ICAI met this aspiration being formally launched as an Advisory Non-Departmental Public Body on 12 May 2011.
5. ICAI negotiated a Framework Agreement and Memorandum of Understanding with DFID. These documents were signed by the Chief

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<sup>1</sup> The whole text of the speech is available at: <http://www.dfid.gov.uk/Media-Room/Speeches-and-articles/2010/Full-transparency-and-new-independent-watchdog-will-give-UK-taxpayers-value-for-money-in-aid/>

Commissioner and the Secretary of State for International Development in May 2011.

6. The Framework Agreement and Memorandum of Understanding provide the basis for the establishment of ICAI. The Framework Agreement sets out the broad framework within which ICAI will operate as a permanent body from May 2011 to May 2015. The Memorandum of Understanding describes the respective roles and responsibilities of ICAI, DFID and other Departments which spend Official Development Assistance. These documents – which are valid until 2015 – confirm the independent position of the Commissioners.<sup>2</sup>
7. A robust and rigorous review of ICAI will take place by the end of 2013, to assess the continuing need for an independent scrutiny function and the control and governance arrangements. The review will be overseen by a challenge group, with terms of reference and membership agreed by the Cabinet Office.

### **Commissioner Appointments**

8. The candidacy of the Chief Commissioner, Graham Ward CBE, was endorsed by the International Development Committee and he was formally appointed in October 2010. Mark Foster, John Githongo and Diana Good were proposed by the Secretary of State as the government's candidates for the role of Commissioners. The three Commissioners were appointed to the shadow body during January and February 2011 in the first instance and to the permanent body in May 2011.
9. The three Commissioners were selected on the basis of merit, following an open competition run by the Appointments Commission in line with the Office of the Commissioner of Public Appointments Code. The positions were advertised widely, over 300 applications were received and 12 candidates interviewed by a panel (comprising of the ICAI Chief

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<sup>2</sup> These documents are available at:  
<http://icai.independent.gov.uk/about/background/founding-documents/>

Commissioner, DFID's Director General for Corporate Performance and Finance and an Independent Assessor).

10. Following a detailed assessment of the recruitment process, the appointments of the four Commissioners were approved by the interim Commissioner for Public Appointments. The interim Commissioner also confirmed that the Secretary of State could roll these positions forward and appoint all Commissioners to the permanent body for a single fixed term of four years without further open competition. All four Commissioners have now been appointed to the permanent body.

#### **Recruitment of Secretariat Staff**

11. Over the course of the shadow period, we have recruited three members of staff: a Head of Secretariat, a Communications and Research Officer and an Executive Assistant. A recruitment exercise is underway to appoint a fourth member of staff – a Programme Manager – who will have responsibility for the management of the contractor and management of the contents of the work plan.

12. None of these staff members come from DFID or other Departments with significant Official Development Assistance expenditure. They can therefore undertake their duties independently.

#### **Appointment of Contractor**

13. Together with DFID, we undertook the process to find a contractor that would support us in delivering evaluations, value for money reports and investigations. Bidders were expected to deliver a range of skills and expertise in audit/assurance, evaluation and development, with experience from both the public and private sectors; and to marry together National Audit Office-style scrutiny with development expertise.

14. The process was undertaken in accordance with the Restricted procedure of the Public Contracts Regulations 2006. Notice of the planned contract award and terms of reference was placed in the Official Journal of the European Union in September 2010. Six expressions of interest from

potential bidders were received in October 2010 and four bidders were then invited to submit detailed tenders.

15. In January 2011, the Selection Panel<sup>3</sup> met to assess the bids against defined technical and commercial criteria and invited two bidders to make presentations, after which KPMG was selected as the preferred bidder. DFID, ICAI and KPMG agreed a final contract at the beginning of May 2011.
16. KPMG's bid was based on a partnership with three other organisations: Agulhas Applied Knowledge – a UK-based development consultancy; CECA – a multi-disciplinary research centre based at the University of California, Berkeley, which specialises in development evaluations; and SIPU International, whose expertise lies in joint donor evaluations and capacity building.
17. The contract will operate on the basis of a fixed annual fee for management services and a call-down arrangement for the costs of individual reports, under an overall financial cap. There are also break points in the contract which allow us to review performance and, if necessary, terminate the arrangement. This model ensures that value for money can be maximised for each report. If there is a conflict of interest or if we are dissatisfied with performance, the non-exclusive nature of the contract means we can ask other firms to carry out work.

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<sup>3</sup> The Selection Panel included the ICAI Chief Commissioner (in a non-voting capacity because of a potential conflict of interest), the ICAI Head of Secretariat, a senior DFID civil servant and representatives from HM Treasury and the Department for Energy and Climate Change. The Clerk of the International Development Committee attended as an observer.

## **Stakeholder Engagement**

### **Parliament**

18. ICAI reports directly to the House of Commons International Development Committee. The Committee held a pre-appointment hearing for Graham Ward on 26 October 2010 to examine his suitability for the position of Chief Commissioner. The Committee took evidence from the other three Commissioners on 4 May 2011, questioning them about their expertise and independence. At this hearing the Committee also discussed the ICAI work plan and progress to date in establishing ICAI as a permanent body.

19. Secretariat staff held other meetings with Members of Parliament, peers and officials to discuss the development of the work plan and brief them on planned ICAI activity.

### **DFID and Whitehall**

20. The Commissioners and Secretariat staff have undertaken a series of meetings with the various Government Departments which spend Official Development Assistance, including the Ministry of Defence, the Foreign and Commonwealth Office, the Department for Energy and Climate Change, the Home Office and the Department for Food, Agriculture and Rural Affairs. The objective of these meetings was to brief Departments on the purpose of ICAI and understand how those Departments manage their Official Development Assistance programmes.

### **Wider Stakeholder Engagement**

21. Staff and Commissioners have engaged in a wide range of meetings with the NGO community, academics and evaluation specialists, international partners, private sector representatives, current and former officials of relevant Departments and representatives of the media with particular interests in development.

### **Public Consultation**

22. ICAI held a consultation to ask members of the public and stakeholders which countries and areas of activity they would like ICAI to review. In line with Government guidelines on consultations, the ICAI consultation ran for

twelve weeks from the 14th January to the 7th April 2011. The consultation was open to respondents living overseas as well as residents of the United Kingdom.

23. The total number of responses to the public consultation was 310. In addition, one organisation (A4ID) submitted a document with 35 of their members' responses to the consultation. As part of the consultation process ICAI also met with officials for DFID and other Government Departments, National Audit Office officials, former members of the Independent Advisory Committee for Development Impact, parliamentarians and other stakeholders including the Overseas Development Institute, the Institute for Development Studies and NGOs.

24. The response to the consultation was published as part of the ICAI work plan and can be found on the ICAI website - [www.independent.gov.uk/icai](http://www.independent.gov.uk/icai).

### **Work Plan**

25. The work plan itself<sup>4</sup> sets out the reports we envisage initiating over the next three years. In it, we describe how we have used four criteria – coverage, materiality, risk and interest – to help us to select which programmes to examine, thereby allowing us to do justice to the breadth and complexity of UK aid expenditure. The combination of a fixed, or “core” component and a “flex” component for each year enables us to set a clear direction for our work while giving us the flexibility to respond to emerging topical issues or requests from the International Development Committee or other stakeholders.

### **Activities**

#### **Board Meetings**

26. ICAI held three Board meetings during the shadow phase, at which we discussed a range of issues, including the values by which we should work

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<sup>4</sup> The work plan is available at: <http://icai.independent.gov.uk/2011/05/12/independent-commission-for-aid-impact-publishes-three-year-work-plan/>. In it, we set out sub-criteria under each of the four criteria to show how we intend to balance these factors in our consideration of where to examine ODA expenditure.

and the likely scope of our reports. Minutes from these Board meetings have been posted on the ICAI website.

### **Launch**

27. ICAI was formally launched on 12 May 2011. The event took place in Portcullis House within the Palace of Westminster and was chaired by the Rt Hon Malcolm Bruce MP, who hosted around 70 guests. The Secretary of State for International Development and the Chief Commissioner formally launched ICAI by signing the Framework Agreement and Memorandum of Understanding and then set out their views on how ICAI would operate. A lively question and answer session followed, with many speakers welcoming ICAI's establishment and posing challenges for future work.

### **Commissioners' Induction**

28. DFID organised three induction sessions for Commissioners to bring them up to speed with the work of the Department. These inductions involved senior management, programme officials, representatives from Country Offices and staff from other Departments with responsibility for Official Development Assistance. Induction into key areas of development will continue into the permanent phase. Topics covered to date include:

- Regional programmes
- The European Union
- Corporate Performance
- Climate Change
- Health
- Education
- Anti-Corruption Work
- International and Policy Work
- Civil Society Organisations
- The work of the Evaluation Department
- International Financial Institutions

29. Shortly after the shadow period, but worth noting, Commissioners visited Sierra Leone to gain an insight into the running of a Country Office in a recipient country with recognised stability, governance and capacity challenges. This visit took place from 15<sup>th</sup> to 20<sup>th</sup> May, immediately following ICAI's launch.
30. Commissioners met representatives of the Government of Sierra Leone, DFID staff members, representatives of other donors, civil society organisations, delivery partners and recipients in five full days of meetings, visits, roundtables and discussions. Commissioners held meetings in three of the four regions and spent one night in a rural village, visiting a primary school and meeting representatives of the community.
31. Each day was focused on a thematic area of activity, as follows:
- Day 1 included **introductory meetings** with DFID and Foreign and Commonwealth Office staff, international NGOs and the Sierra Leone Minister of Finance.
  - Day 2 provided an insight into **anti-corruption activity**, starting with presentations from the Anti-Corruption Commissioner and his staff and continuing with meetings with NGOs engaged in this field and representatives of multilateral donors.
  - Day 3 was designed to highlight activity in the **health sector** and included discussions with UNICEF and the civil society "Health for All Coalition" before a visit to Makeni Government Hospital and meetings with medical and administrative staff and patients and a tour of hospital facilities. We spent the night in a traditional village, meeting residents and familiarising ourselves with their way of life.
  - Day 4 started with a visit to a local primary school but focused mostly on **access to justice** programmes. This included visits to courts and a local prison and meetings with court officials, civil society representatives, police officials and traditional rulers.
  - Day 5 highlighted preparations for the forthcoming **elections** and included meetings with the National Election Commission,

representatives of various United Nations bodies and the National Elections Watch – the coordinating body for civil society involvement in the elections.

**Next Steps**

32. We will work closely with the International Development Committee to ensure that we play a complementary and supportive role to their scrutiny of development expenditure.
  
33. Our immediate challenge is to build an effective relationship with our contractor and start delivering the reports set out in our work plan. We will continue to build on existing relationships with Government Departments, international partners, academics and non-governmental organisations to further inform our knowledge of the sector.
  
34. As stipulated in the Framework Agreement, we will shortly publish our first Corporate Plan and budget, which will cover the coming year.

## Expenditure

### Expenditure Arrangements

35. Overall expenditure settled during the shadow period is set out at Figure 1.

Expenditure accrued but not yet settled is set out at Figure 2. Data in Figure 2 are estimates but, adding the two sets of expenditure together, we expect the overall costs of ICAI's shadow period to be about £167,000. This compares favourably with the original budget of £277,500 (for the financial year 2010-11), although this estimate was revised downwards at various points during the shadow phase. The two main reasons for the favourable variance are that Commissioners claimed for fewer days than envisaged and the synthesis study was considerably cheaper than estimated.

**Figure 1: ICAI shadow period expenditure settled**

<b>Item</b>	<b>Cost (£)</b>
Secretariat	91,020
Commissioners	23,000
ICAI Commissioners – Office of the Commissioner for Public Appointments Process	10,110
Accommodation	8,060
Synthesis Study	7,750
Website Support	1,560
IT Services	550
<b>TOTAL</b>	<b>142,050</b>

**Figure 2: Estimate of ICAI expenditure relating to shadow period not yet settled**

<b>Item</b>	<b>Cost (£)</b>
Secretariat	11,700
Commissioners	9,900
Accommodation	3,500
<b>TOTAL</b>	<b>25,100</b>

### **Commissioners and Secretariat Staff**

36. Staff costs include salaries for three members of Secretariat staff and travel costs for official travel to DFID’s Abercrombie House office in East Kilbride, a meeting of the OECD Development Assistance Committee Evaluation Network in Paris and visits to DFID Country Offices in Nepal and Sierra Leone.<sup>5</sup> Tickets for all rail and air travel were economy class and no claims have been made for taxis, either in the UK or overseas.

37. Commissioner costs include honoraria payments to both the Chief Commissioner and the other Commissioners during the shadow period and travel costs for official travel to DFID’s Country Office in Sierra Leone and from overseas to the United Kingdom to attend ICAI events. As above, all tickets were economy class and no claims have been made for taxis, either in the UK or overseas.

38. Initial estimates from DFID allocated 35-40 days per year for the Chief Commissioner and 20-25 days for the other Commissioners. In the light of experience gained during the shadow period, it has been agreed to increase the number of days for which Commissioners can claim to a maximum of 65 and 40 respectively.

<sup>5</sup> Costs for Sierra Leone only cover flights, which were booked during the shadow period. The visit itself took place after the end of the shadow period, so other costs will be captured in our next annual report.

### **Accommodation**

39. Accommodation costs include all expenditure associated with the use of office and meeting room space within Dover House, 66 Whitehall, from November 2010. The IT Services figure in Figure 1 represents the costs of telecoms and broadband services.

### **Synthesis Report**

40. DFID commissioned a Synthesis Report for our information from an independent consultant, which cost £7,750. The objective of this work was to help us to understand what evaluations and audits of DFID had been undertaken in the last five years and the key lessons from those reports.

### **Website**

41. We spent £1,560 on a consultant to help design, establish and support our website during the shadow period. We do not expect to make any more individual payments to support our website during our permanent phase, since this activity is covered by the agreement with our contractor.

### **Contractor Costs**

42. Since the agreement with the contractor was signed at the end of the shadow period, no expenditure was incurred during this phase. In future, all ICAI expenditure, including all payments made to the contractor, will be published in our annual reports to Parliament.