DFID's approach to delivering impact

Independent Commission for Aid Impact

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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.

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Over the course of our four years of operations and 44 reports, the Independent Commission for Aid Impact (ICAI) has examined what impact UK aid is having on the lives and livelihoods of poor people around the world. We have seen many examples of high-quality programmes that are achieving important results. There is no question that UK aid, at its best, makes a real and positive difference. Ensuring the best possible performance across a large and complex aid programme is, however, a complex management challenge.

In this report, we review how well the Department for International Development (DFID) maximises development impact. We draw together findings from across our reviews and additional research at headquarters and country levels. Our concern in this report is not whether DFID achieves impact but how well it goes about ensuring meaningful and sustainable impact across its portfolio. By 'impact', we mean positive, long-term, transformative change for poor people, who are the intended beneficiaries of UK aid.

Over the past five years, as the aid budget has expanded rapidly, strengthening results management has been a key priority for DFID. The department has recognised the importance of demonstrating its results to parliament and the UK public. It has worked to ensure that value for money and accountability for results are built into its business processes. This 'results agenda', as it has become loosely known, has been highly influential around the world – on multilateral partners, partner countries, non-governmental organisations (NGOs) and implementers. It has also, however, tended to prioritise short-term economy and efficiency over long-term, sustainable impact.

In this review, we find that the results agenda has helped to bring greater discipline in the measurement of results and greater accountability for the delivery of UK aid – both key objectives. These achievements have, however, involved some important trade-offs. Some of DFID's tools and processes have had the unintended effect of focussing attention on quantity of results over quality – that is, on short-term, measurable achievements, rather than long-term, sustainable impact. The key message of this report is that it is time to take the results agenda to the next level – to ensure that it focusses not just on the cost-efficient delivery of UK aid but also on achieving genuine and lasting impact for the world's poor.

The core elements of sustainable impact

Across our reviews, a number of consistent themes have emerged as to what is required to deliver sustainable impact. We have used these findings as benchmarks for assessing the effectiveness of DFID's results agenda in driving meaningful and sustainable impact.

To achieve lasting impact at scale, development programmes often require sustained engagement over several phases of programming. Alongside delivering direct improvements to the lives of poor people, they need to influence the policies and priorities of partner countries and to build institutions and organisational capacity (at national, regional and community levels), in order to achieve lasting impact. Getting the balance right between direct impact and policy and institutional change emerges as a critical factor for successful impact. It calls for clear, long-term goals, combined with considerable flexibility as to the steps required to achieve them.

While grappling with the complexities of policy change and institutional development, however, the needs and preferences of poor people must be kept constantly in view. Maximising results for the poor requires maintaining a clear line of sight to the intended beneficiaries, whether programming is at macro, mid or micro levels. Government institutions may be necessary partners in the development process but it is the poor who are the intended beneficiaries. They have a legitimate and indeed indispensable role (either directly or through their representatives) in contributing to the design and delivery of development programmes.

Across our reviews, a number of factors have consistently emerged as important to the delivery of impact. We conclude that core elements for achieving more consistent, deeper, maximised and sustainable impact include the following:

1. *Invest in long-term impact rather than short-term results:* With average programme length of just three years, transformational impact will often be possible only over several programme cycles. This should be recognised explicitly in programme design. For complex objectives, this means gradually putting in place the building blocks for lasting impact, including the right policies, priorities, institutions and capacities in steps appropriate to the context. While DFID does this well in

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many instances, its results management processes do not necessarily encourage it.

2. *Set realistic, context-relevant goals:* We are concerned that DFID has yet to come to terms with three-quarters of its priority countries now being affected by conflict and fragility. In difficult environments, DFID may need to set more modest objectives and plan its results over a 15 to 20 year period. Its country strategies should give more attention to long-term pathways out of fragility and how to get the right balance of risk and return across the portfolio. Conversely, when DFID is working in environments that are more conducive to development, its objectives can be more ambitious.

3. *A flexible approach to delivery:* Good, impactful programming is flexible in pursuit of its goals. Programme designs are 'best guesses' as to how to solve complex problems in dynamic environments. They are most effective when they take a problem-solving approach, learning as they go. Our reviews have frequently stressed the importance of flexible delivery arrangements, supported by quality interaction amongst DFID, its implementers and its counterparts. There needs to be constant feedback on programme performance, to support continuous learning and adjustment. While annual reviews should provide such a mechanism, they tend to concentrate more on holding the implementer to account for efficient delivery, than on learning how best to achieve long-term impact.

4. *Ensure coherent portfolios:* Development programmes rarely achieve sustainable impact in isolation. A key success factor is coherence across DFID programmes operating in the same space, as well as with initiatives by partner countries and other development partners. We have been concerned to find that DFID is relatively weak at ensuring portfolio coherence, in large part because its results management tools are focussed at the individual programme level. This can result in programming in silos, when the problem being tackled calls for an interdisciplinary and strategic approach across multiple interventions.

5. *Quality engagement with intended beneficiaries:* At our encouragement, DFID has increased its interaction with intended beneficiaries around programme design and implementation. There is a risk, however, that this interaction focusses more on supporting DFID's own programme management needs, than on promoting sustainable impact. We encourage DFID to move from simple forms of consultation to more meaningful collaboration with intended beneficiaries, including by building sustainable community structures that are integrated with wider governance systems. Results will be sustained when they become 'business as usual' for the communities in which DFID works.

6. *Influencing others:* delivering impact can be as much about influence as it is about money. Yet this dimension is almost entirely overlooked in DFID's results management systems. DFID is, indeed, very influential on development policy, at both national and international levels. In recent years, it has been a forceful advocate for the results agenda. We hear from many partners, however, that DFID's single-minded promotion of better results management has come at the expense of thought leadership on long-term development impact. We encourage more explicit influencing strategies with greater effort to capture and learn from the results.

How well does DFID's results agenda deliver meaningful impact?

How do DFID's tools and processes for results management perform against these standards? DFID is aware of these different elements of delivering impact and in many instances balances them effectively. The results agenda, however, is not always conducive to doing so. At times, we have the impression that DFID delivers well in spite of, rather than because of, the tools it has developed to maximise results.

One of the key innovations of recent years has been developing the ability to report aggregate results at the global level. DFID now uses a form of results-based budgeting to allocate funds across its priority countries. Country programmes bid for resources by estimating what contribution they can make to global results targets, which are captured in *DFID's Results Framework* (DRF). Aggregating results across country programmes is, however, very difficult. It requires DFID to focus on what can be counted, which are mainly activities (for example, the number of countries where DFID supports elections) or outputs (the number of bed nets distributed). We recognise the importance of telling a simple results story to the UK public that looks commensurate with the scale of expenditure. The DRF tells us very little, however,

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about DFID's development impact. It conveys the scale of activity rather than the quality of interventions and their impact on people's lives. We are also concerned that it sends an inaccurate message to both implementing and country partners that DFID cares more about maximising outputs and beneficiary numbers, than achieving transformative change.

A central feature of the results agenda has been a concern with *value for money* (VFM), to maximise the return on an expanded aid budget. VFM is a powerful idea, suggesting an objective basis for selecting among competing investments in global poverty reduction. In reality, however, the VFM assessment methods available have not been able to deliver on that promise. It is very difficult to come up with objective measures of impact across different development goals and country contexts, to inform investment decisions. In their absence, the drive for VFM has focussed on the cost of inputs (economy) and the delivery of outputs (efficiency). While this is good for accountability, it often misses the bigger picture of how to deliver the best impact. It has also had the consequence of making DFID's procedures increasingly burdensome.

At the programme level, we find DFID's results management tools – *business cases, logical frameworks (logframes) and theories of change* – to be of variable quality. Business cases are written primarily to secure internal approval for expenditure, rather than to identify the necessary building blocks for sustainable impact. They rarely look beyond the current programme cycle or take account of other programmes operating in the same area. DFID's monitoring arrangements focus mainly on holding implementers to account for efficient delivery: an important goal, but one that is not necessarily conducive to the flexible delivery required for successful impact. DFID has substantially reorganised its *evaluation* function but is still struggling to find ways to capture the lessons in time to inform its programming choices.

Finally, *risk management* is an area where DFID's approach is still evolving. DFID rightly recognises that achieving impact calls for a relatively robust risk appetite, especially in fragile states. This in turn calls for careful risk management. While risk is assessed at multiple points in its business processes, DFID lacks methods for ensuring the right balance of risk and return across its country portfolios. It is also unclear how its management procedures should be adjusted for high-risk programmes. As a result, we find that DFID staff often appear unsure of their ground when working on high-risk interventions, even where these are consistent with DFID's objectives. They are not confident of senior management support if high-risk programmes fail.

Recommendations

We recognise the importance of the results agenda and the political imperatives that have driven it. There is now stronger accountability through DFID's delivery chain. We are concerned, however, that the emphasis is on short-term, measurable results, over the more complex challenge of achieving long-term, transformative impact. While we are strongly in favour of rigorous approaches to results management and clear lines of accountability, we believe that more can be done in DFID's tools and processes to incentivise the right priorities and behaviours across the department and its implementing partners.

As DFID works to strengthen its results management processes over the coming period, we suggest that it should focus on the following priority areas.

Recommendation 1: At the departmental level, DFID should develop a Results Framework that better reflects the range of impacts it seeks to achieve, capturing not just the breadth of its engagement but also its transformative impact, including successes in institution building and policy influence. To do so, it will need to look beyond quantitative indicators towards other ways of capturing the impact of UK aid.

Recommendation 2: At the country portfolio level, DFID's Country Poverty Reduction Diagnostic should pay more attention to longer-term change processes, both looking backwards to understand the trajectory of achievements and forward towards potential long-term paths out of poverty and fragility. Its operational plans should contain stronger links between the analysis and programming choices, with more emphasis on how different programmes and sectors interact to produce wider impact.

Recommendation 3: At the programme level, DFID's business cases should be more explicit about the route towards long-term impact, including policy and institutional change, setting out the building blocks and

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pathways required to achieve transformative impact over time. This includes looking beyond the life of the programme to the follow-up actions required and exploring how to work with other programmes and initiatives to achieve mutually reinforcing results.

Recommendation 4: Annual reviews should include an assessment of the assumptions and risks set out in the logframe and theory of change. DFID should work to tighten feedback and learning loops, to enable real-time adjustment of programmes.

Recommendation 5: DFID should engage with intended beneficiaries throughout the programme cycle, in design, delivery and monitoring. DFID should anchor its interventions in sustainable community structures that are integrated into wider governance systems.

Recommendation 6: In its ongoing review of its risk management processes, DFID should explore how to achieve an explicit and balanced risk profile in its country programmes, including high-risk programming with the potential for transformative impact. High-risk interventions should be identified as such from the outset, with the rationale for action clearly stated, and then be subject to appropriate risk management arrangements.

Recommendation 7: In its procurement processes, DFID should carefully consider both the merits of transferring outcome risk to implementers, particularly in high-risk environments, and the likely impact on its objectives, its supplier base and its overall costs. It should work towards clear guidance on what forms of results-based contracting to use in which circumstances, so as to avoid needless rigidity in programming and unhelpful incentives that do not enhance actual impact.

1 Background

Introduction

1.1 It is now four years since the Independent Commission for Aid Impact (ICAI) was launched. In that time, we have published 44 reports scrutinising the UK aid programme. Over that period, DFID has spent £32.8 billion in official development assistance (ODA). We have examined a broad sample of this expenditure. We have carried out reviews of individual aid programmes, country programmes, sectors, thematic areas, aid delivery channels and aspects of DFID's own organisational capacity. The focus of our work has been – as our name suggests – on assessing the impact of the UK aid budget: namely, what difference has UK aid made to the lives of the poorest people in the world?

1.2 In this report, we review what we have learnt about how well DFID maximises impact for the poorest. This is an appropriate point for such a review, with the mandate of the first set of ICAI Commissioners drawing to a close and the recent general election. It is also a time when the UK aid programme needs to respond to a new international development agenda, the Sustainable Development Goals, which are replacing the Millennium Development Goals (MDGs). This report focusses mainly on bilateral assistance; we examine DFID's engagement with the multilateral aid system in a separate report.[1] Many of the points we make here, however, are also relevant to maximising impact through multilateral partners.

1.3 This report reviews how DFID thinks about and seeks to maximise impact. We review the strengths and weaknesses of DFID's tools and processes for managing results: at the global, country and programme levels. We set out some of the principles that we have identified as key to achieving sustainable impact and we use these as benchmarks against which to measure the effectiveness of DFID's results agenda.

1.4 The report is organised as follows. The remainder of Section 1 introduces the concept of impact and where it fits within DFID's management systems. Section 2 analyses the main tools and processes that DFID uses to maximise the results of UK aid. Section 3 assesses how well DFID's results management performs against some of the principles that we have identified in our reports as key to achieving sustainable impact. We also offer an extended management summary. Because this report provides an overview of impact in many different areas, we have not rated DFID's overall performance. Our objective here is to identify areas that we think should be prioritised, as DFID continues to strengthen its systems and processes, in order to maximise the impact of the UK aid programme.

What do we mean by 'impact'?

1.5 In evaluation practice, the term 'impact' is often used neutrally, to refer to the net results of an aid intervention. The Organisation for Economic Co-operation and Development's Development Assistance Committee's (OECD-DAC) evaluation criteria define 'impact' as 'positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended'.[2]

1.6 In this report, however, we use the term 'impact' in the sense of positive, long-term development results for the poor, who are the intended beneficiaries of UK aid.[3] When we first set out our approach to reviewing effectiveness and value for money[4] and in our ICAI Assessment Framework[5] (set out in full in Annex A1), we identified the principles and criteria that we would use to test and review sustainable impact. These included:

- taking the intended beneficiary perspective, by focussing on tangible results for poor women and men. While aid funds are often provided through intermediaries, including government

[1] *How DFID works with Multilateral Agencies to achieve impact*, ICAI, June 2015, http://icai.independent.gov.uk/reports/how-dfid-works-with-multilateral-agencies-to-achieve-impact/.

[2] *Glossary of Key Terms in Evaluation and Results Based Management*, OECD-DAC, 2010 edition, page 24, http://www.oecd.org/development/evaluation/2754804.pdf.

[3] We use the term 'intended beneficiary' to refer to the individuals who are the targets of development interventions. Partner institutions in developing countries are called 'counterparts'.

[4] *ICAI's Approach to Effectiveness and Value for Money*, ICAI, November 2011, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAIs-Approach-to-Effectiveness-and-VFM.pdf.

[5] *Updated ICAI Assessment Framework*, ICAI, http://icai.independent.gov.uk/wp-content/uploads/2011/11/Updated-ICAI-Assessment-Framework2.pdf.

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bodies, we make a point of not referring to them as 'beneficiaries';

- assessing the prospects for long-term, sustainable impact. For development results to be sustained, they need to be anchored in sound governance arrangements, with sustainable funding. In most instances, lasting impact involves empowering the intended beneficiaries and their communities. Aid interventions usually need a clear exit strategy, to ensure sustainability; and
- considering the impact of aid programmes holistically, alongside other programmes and initiatives. From the perspective of the intended beneficiary, the quality of impact is often a function of whether different initiatives combine to produce coherent results.

1.7 Impact is a complex and multidimensional idea. Some aid interventions – for example, life-saving humanitarian aid – deliver their results directly to individuals. Most development programmes, however, set out to achieve lasting impact on a wider scale, by influencing ideas, institutions, capacities and behaviours, whether at the international level, in government, the private sector, communities or households. We have found it helpful, when assessing impact, to think in terms of three distinct elements of impact:

- direct impact on the lives and livelihoods of intended beneficiaries;
- influencing policies, objectives and ideas among the counterpart institutions; and
- building institutions and organisational capacity.

To deliver benefits to intended beneficiaries that can be sustained and built on over time, all three elements of impact will usually be needed.

1.8 For example, when reviewing the impact of an education programme, we are interested both in whether today's school leavers are literate and numerate and whether the national education system is able to drive continuing improvements in learning over time. When looking at a rural livelihoods intervention, we are concerned both with the direct impact on the rural poor and whether they are brought into productive market systems that can deliver improvements in their livelihoods over time. Any assessment of impact is, therefore, a snapshot of a dynamic development process.

Impact within the chain of results

1.9 The term 'impact' is also used to distinguish final or long-term results from the intermediate steps (outputs and outcomes) required to achieve them. Many development agencies summarise their interventions in terms of 'results chains', showing the logical flow from inputs (such as money) and activities through outputs, outcomes and final impact. Breaking down the results chain in this way can be useful for planning interventions, for identifying assumptions that need to be tested and for measuring and communicating results.

1.10 Like many other development agencies, DFID uses logical frameworks ('logframes') to describe the results chain for an intervention, covering inputs, activities, outputs, outcomes and impact. These terms are defined as follows:

- **Inputs:** 'the financial, human and material resources used for the programme';
- **Activities:** 'the actions taken to convert inputs into specific outputs';
- **Outputs:** 'the specific, direct deliverables of the project';
- **Outcome:** 'what will change, who will benefit' (only one outcome is permitted for each programme); and
- **Impact:** 'the overall aim to which the programme is expected to contribute'.[6]

1.11 Figure 1 on page 3 gives a hypothetical example of a results chain in the health sector. By running training courses (activity), the programme will build the capacity of health professionals (outputs), which should (if the underlying assumptions hold true) lead to a more efficient health service (outcome). Ultimately, the intended impact (improved health status of poor people) is the

[6] *How to note: Guidance on using the revised Logical Framework*, DFID, January 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253889/using-revised-logical-framework-external.pdf.

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reason why the intervention is undertaken. Importantly, however, the impact is dependent on a range of factors beyond the control of the project, such as income levels, education, nutrition, levels of conflict and the state of the environment.

Figure 1: Hypothetical example of a results chain

Inputs	Activities	Outputs	Outcomes	Impact
Funds Staff time Resources	Training courses run for health professionals	Capacity of health professionals strengthened	More efficient health services	Health status of poor people improved

1.12 This points to an important feature of impact. A development agency can readily be held accountable for whether its programmes deliver their intended outputs and outcomes. It is more difficult to hold it to account for its impacts. Impacts may take considerable time to emerge – often beyond the lifespan of an aid programme. It may also be difficult to tell whether impacts are the result of the aid programme or some other factor (known as the problem of 'attribution'). Inevitably, for the routine management of their programmes, development agencies like DFID rely heavily on the monitoring of activities and outputs. A key theme for this review is, therefore, whether DFID strikes the right balance between ensuring accountability for effective delivery in the short term and maximising long-term impact.

How does DFID try to maximise the impact of UK aid?

1.13 The overall goal of the UK aid programme is defined clearly but broadly in the International Development Act as contributing to 'reduction in poverty' by promoting 'sustainable development' or 'improving the welfare of the population' in developing countries.[7] In 2014, Parliament added the reduction of gender inequality as a goal of the aid programme,[8] as well as enshrining in law the commitment to spending 0.7% of gross national income on international development.[9] The International Development Committee has commented that these Acts need revision, to include a broader vision of international development assistance, including the growing importance of global public goods like climate change and international security.[10]

1.14 Within that broad mandate, the priorities, policies and geographical focus of the aid programme are set by the UK Government. In 2011, for example, the Government decided to reduce the number of priority countries from 43 to 28, disengaging from middle-income countries and focussing on the poorest countries. Within that group, it has further focussed on countries affected by conflict and fragility. As part of the UK's overall strategy for conflict prevention, it committed to spending 30% of the aid budget in fragile states,[11] which comprise 21 of the 28 priority countries.

1.15 The sectoral focus is shaped by the UK's international commitments and ministerial priorities. For the past decade, the UK has been a major contributor to the MDGs, in particular the focus on basic health and education services. Over the last four years, there have been commitments on increasing the proportion of expenditure on private sector development[12] and on meeting the needs of women and girls in developing countries. The Prime Minister's 'Golden Thread' agenda[13] has also helped to shape the current approach, with a focus on the institutions required to promote peace, open societies and open economies.

1.16 These broader priorities are questions of policy and are not subject to our review. Our concern in this review is, given the policy parameters and priorities set by the Government, how well does

[7] *International Development Act 2002*, Section 1, http://www.legislation.gov.uk/ukpga/2002/1/section/1.
[8] *International Development (Gender Equality) Act 2014*, Section 1, http://www.legislation.gov.uk/ukpga/2014/9/section/1.
[9] *International Development (Official Development Assistance Target) Act 2015*, Section 1, http://www.legislation.gov.uk/ukpga/2015/12/section/1/enacted.

[10] *The Future of UK Development Co-operation: Phase 2: Beyond Aid*, Tenth Report of Session 2014-15, International Development Committee, page 24, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/663/663.pdf.
[11] *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, HM Government, October 2010, page 46, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/62482/strategic-defence-security-review.pdf.
[12] *Economic development for a shared prosperity and poverty reduction: a strategic framework*, DFID, January 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/276859/Econ-development-strategic-framework_.pdf.
[13] Cameron, D., *Combating Poverty at Its Roots*, The Wall Street Journal, 1 November 2012, http://online.wsj.com/news/articles/SB10001424052970204712904578090571423009066.

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DFID ensure that UK aid is making enough of a difference?

1.17 This question has been a major preoccupation of the department over the past four years. With the encouragement of ministers, DFID has sought to sharpen its ability to deliver and measure development results and to maximise value for money.

1.18 This drive to maximise impact is often – rather imprecisely – referred to as 'the results agenda'. It encompasses a push for more rigorous impact measurement – including expressing impact as a rate of return on the investment ('value for money') – to guide the design and management of aid programmes. It includes a broad suite of processes and tools designed to help DFID deliver aid effectively and efficiently across a geographically dispersed and decentralised organisation. It also encompasses an approach to communicating the results of UK aid to the UK public, during an era when maintaining public support has been a challenge.

1.19 In pursuit of improved results, DFID has revised many of its business processes, from the way funds are allocated across country programmes to how individual aid programmes are designed and implemented. Recent reforms include:

- new processes for allocating funds between country programmes – the 2011 Bilateral Aid Review and the 2014-15 Resource Allocation Round;
- a Departmental Results Framework for reporting aggregate results across the aid programme;
- a new country programme planning and diagnostic tool – the Country Poverty Reduction Diagnostic;
- the adoption of 'business cases' to guide the appraisal and design of individual programmes;
- changes to the format of some traditional tools, including logical frameworks (logframes) and annual reviews; and
- a substantial reorganisation of the evaluation function within DFID.

There have also been important reforms to multilateral aid and humanitarian assistance, which are not considered here.

1.20 Most recently, in July 2014, DFID adopted a new rulebook on programme management, following a five month-long 'End to End Review' of its business processes. The review found that processes needed to be simplified, made more flexible and responsive and anchored in clearer accountability relationships.[14] The *Smart Rules* introduced a simplified and more flexible set of programme management processes, with 10 overarching principles, 37 mandatory rules and a set of standards for effective decision making at different levels of the delivery chain.[15] We carried out a rapid review of the *Smart Rules* in December 2014.[16] DFID is still working through the operational implications of the *Smart Rules* and other management reforms.

1.21 In its pursuit of development results, DFID inevitably makes compromises among competing objectives. There are tensions to be managed between maximising immediate impact for the intended beneficiaries and supporting long-term, transformational change, or between scaling up tried and tested interventions and experimenting with new approaches. There may be trade-offs between maximising beneficiary numbers and targeting the poorest and most marginalised, who are harder to reach.

1.22 DFID is constantly making choices among such competing objectives. These choices can be influenced by the design of its business processes, whether consciously or not, helping to explain patterns of performance across the department. One of our objectives in this review is to tease out the linkages between the design of DFID's processes and tools for results management and its ability to maximise development impact.

[14] Vowles, Pete, *Adaptive Programming*, DFID Bloggers, 21 October 2013, https://dfid.blog.gov.uk/2013/10/21/adaptive-programming/.
[15] *Smart Rules: Better Programme Delivery*, DFID, July 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/400269/Smart_Rules-Feb15.pdf.
[16] *Rapid Review of DFID's Smart Rules*, ICAI, December 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/12/ICAI-Smart-Rules-Report-FINAL.pdf.

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ICAI's conclusions on achieving impact

1.23 Across our 44 reports to date, our findings on impact have been more positive than negative. Figure 2 compares our overall ratings and our impact scores across the 41 reports where impact was rated. (A full list of our reports and the ratings we have given is included in the Annex.) We gave a green or green-amber rating for impact in 63% of our reports, compared to 60% for learning, 58% for objectives and 50% for delivery. This is an encouraging pattern, suggesting that, by and large, UK aid is having a significant, positive impact on its intended beneficiaries. Even the programmes where impact received an amber-red rating were delivering some useful results, although not as much as they might have with improved design, delivery or learning.

1.24 It is telling, however, that in our thematic reviews, where we reviewed a broader sector or category of programming, we have been less positive on impact, as compared to reviews of single programmes (see Figure 3). In those reviews, we looked to see whether groups of programmes with similar or overlapping objectives were mutually reinforcing in their impact. In fact, we found DFID's results management to be less robust at the portfolio level, than for individual programmes (see paragraphs 3.29-33 on pages 32-33).

1.25 Looking across the reports, a number of recurring themes emerge from our assessment of impact. In many cases, these are widely understood principles of good development practice. Broadly, we have found that development interventions are more likely to be successful if they:

- invest in long-term impact, both in the development of policies and institutions and in direct impact for intended beneficiaries;
- set realistic objectives for the country context;
- have flexible delivery arrangements with the capacity to learn quickly;
- complement and reinforce other programmes and interventions;
- engage actively with the intended beneficiaries; and
- take a strategic approach to influencing others.

1.26 This is by no means intended to be an exhaustive list of good aid practices. These six factors have, however, emerged from our reviews to date as the most prominent drivers of development impact.

Figure 2: Overall and impact scores across ICAI reviews

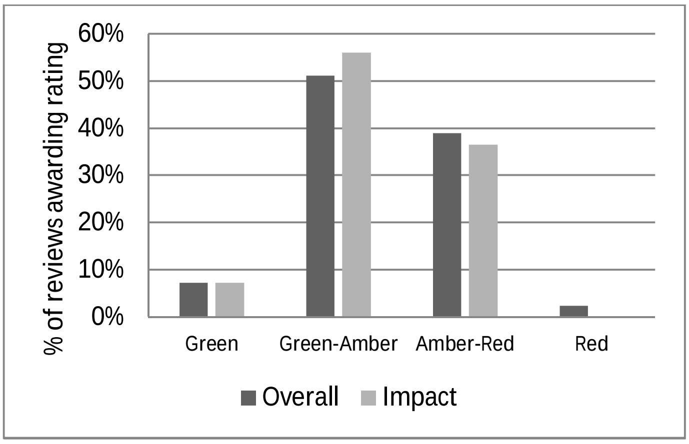
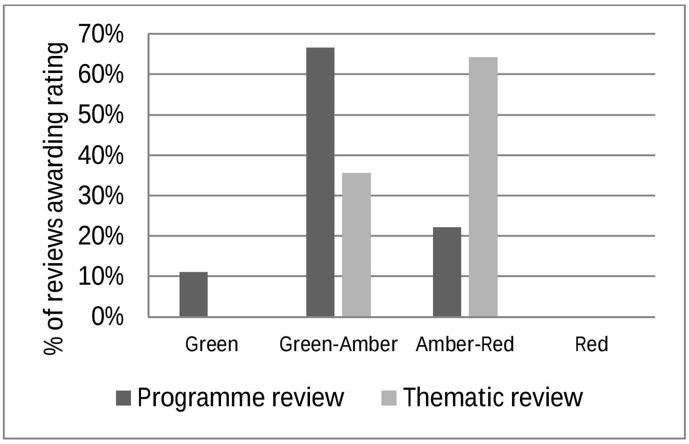


Figure 3: Impact rating across ICAI reviews, by type of review



1.27 Inevitably, there is variation across the UK aid portfolio in how well individual programmes perform against these criteria. Our interest in this review is in the extent to which these principles and practices are supported, overlooked or even inadvertently subverted by DFID's systems and business processes. In this way, we can help to identify priority areas and issues for DFID's continuing efforts to strengthen its own departmental capacity.

1 Background

Our methodology for this report

1.28 The main material for this review has been our 44 published reports. In preparing these reports we have conducted 67 field visits, involving 24 of the 28 countries in which DFID has country offices. We have drawn extensively on the evidence from across these reports to identify factors that determine the extent to which UK aid programmes deliver meaningful impact for their intended beneficiaries. The reviews also contain a range of evidence as to whether DFID's understanding of impact and its business processes helps to maximise impact across the portfolio.

1.29 We reviewed the literature on results management and interviewed DFID contractors, UK development non-governmental organisations (NGOs) and a range of development experts. We reviewed DFID's core business processes and tools and their associated policies and guidance, supported by a wide range of interviews with DFID staff at headquarters and in country offices.

1.30 We also undertook more detailed case studies of three country programmes: Rwanda, Ethiopia and Pakistan. All three are considered to be fragile states, although they vary in their levels of conflict and fragility (see Figure 4 for more information on the country contexts). Ethiopia and Pakistan were the two largest country recipients of UK bilateral aid in 2013-14, at £284 million and £253 million respectively.[17] They have large and complex portfolios across multiple sectors. Rwanda is a mid-sized country programme of £86 million, with a strong focus on education.

1.31 For each of the three case study countries, we examined the country portfolios as a whole, so as to assess DFID's approach to maximising its overall impact. We also chose a selection of individual programmes to examine in more depth. We reviewed programme designs and management arrangements, through discussions with the responsible DFID teams. We interviewed government officials at national, regional and local levels, other development partners, implementers, civil society organisations (CSOs), frontline workers (over 100 staff from hospitals, schools and agricultural centres), community leaders and over 400 intended beneficiaries, so as to understand impact from their various perspectives. We undertook a beneficiary survey in Ethiopia and community consultations in two separate districts in each of Ethiopia and Rwanda. We chose a sample of 18 programmes (16 randomly chosen from the three countries, plus two centrally managed programmes – the Girls' Education Challenge Fund and Girl Hub). For these, we carried out a detailed desk review of their results management processes, including business cases, logframes, theories of change and annual reviews.

Figure 4: Case study countries

Ethiopia is Africa's second most populous country. It has a strong government which has a pro-poor agenda but also a challenged human rights record. DFID's expenditure in Ethiopia in 2013-14 was £284 million on a large and diverse portfolio of programmes, including a major component of targeted budget support for decentralised service delivery.

Rwanda has a population of only 11 million with high levels of rural poverty. There has been considerable progress since the genocide of 1994 and the government uses aid well. Political concerns have nonetheless caused DFID to move away from general budget support and instead make increasing use of targeted financial aid focussed on specific sector outcomes, for example in education. DFID's expenditure in Rwanda in 2013-14 was £86 million.

Pakistan is a large, diverse and politically complex country which ranks low on many global development indicators, particularly in education, health, nutrition and gender equality. It is affected by both internal and regional conflict and is prone to natural disasters. DFID's country programme was £253 million in 2013-14 and is scaling up rapidly. Its education programmes in its two priority provinces, Punjab and Khyber Pakhtunkhwa, are among its largest programmes anywhere in the world. Pakistan is not an aid-dependent country, with total aid equivalent to less than 1% of its gross domestic product.

Across these three countries, DFID's total expenditure in 2013-14 was £623 million or 14% of UK bilateral aid.

[17] *Statistics on International Development 2014*, DFID, October 2014, page 28, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403381/SID-2014-revised-UNDP-figure-feb15.pdf.

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2.1 Over the past four years, DFID's core business processes have continually evolved, as the department has worked to meet the challenges of delivering a complex and expanding aid programme. In this section, we analyse the core systems and processes that DFID uses to maximise the impact of its aid (Figure 5 on page 8 shows how they fit together). They include:

- the resource allocation process, which allocates funding to countries by reference to the overall results that DFID seeks to achieve;
- DFID's Results Framework, which enables DFID to report the aggregate results of UK aid in certain areas;
- DFID's approach to achieving value for money;
- country programme planning and diagnostic tools, including the Country Poverty Reduction Diagnostic and operational plans;
- tools for designing and managing individual aid programmes, including business cases, logframes and theories of change;
- tools for monitoring aid programmes, such as annual reviews and evaluations;
- payment by results; and
- risk management.

Corporate resource allocation: matching budgets to results targets

2.2 The UK Treasury sets budgets for DFID and other government departments for each spending review period. A government-wide spending review was conducted for the period 2011-12 to 2014-15 and was later extended by a year, to include 2015-16. In addition to setting the budgetary envelope, the Treasury informs departments of any limitations on the way the resources may be spent. For the period 2012-15, for example, DFID was told that 30% of the budget should be spent in fragile states and that £500 million a year should go towards malaria.

2.3 Around 40% of UK ODA is spent as multilateral aid[18] (excluding bilateral programmes delivered by multilateral organisations, which account for another 20%). Multilateral aid covers UK contributions to the core budgets of multilateral organisations, including the World Bank, the UN system and the European Union's directorate-general for development cooperation. These are set by treaty obligations and other UK international commitments. Our review of UK multilateral aid provides more detail.[19]

2.4 The balance of funding – the bilateral aid budget – is then allocated across country, regional and central programmes. Prior to 2011, the process involved a broad allocation formula, taking into account both need and absorption capacity (population, GNI per capita and the strength of national policies and institutions). The formula was based loosely on those used by the international development banks. The result was then adjusted to reflect UK government priorities. It was a relatively flexible process; the formula provided the starting point but political priorities played an explicit role.[20]

2.5 In the last two resource allocation rounds, DFID introduced a new process to guide resource allocation. For the spending review period 2011-12 to 2014-15, country offices were invited to bid for a share of the available resources through a process called the Bilateral Aid Review (BAR). They competed with each other by forecasting the results they believed they could achieve over the period, against the five pillars of the DFID Business Plan: wealth creation; the MDGs; governance and security; climate change; and humanitarian assistance.

[18] Multilateral expenditure was 41.2% of the total in 2013 and 36.8% of the total in 2012. *Statistics on International Development 2014*, DFID, October 2014, page 6, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/403381/SID-2014-revised-UNDP-figure-feb15.pdf.
[19] *How DFID works with Multilateral Agencies to achieve impact*, ICAI, June 2015, http://icai.independent.gov.uk/reports/how-dfid-works-with-multilateral-agencies-to-achieve-impact/.
[20] Dercon, S., J. Barugh, S. McCoy and L. Norris, *Resource Allocation for the Next Spending Review*, DFID Investment Committee Paper, 24 August 2012.

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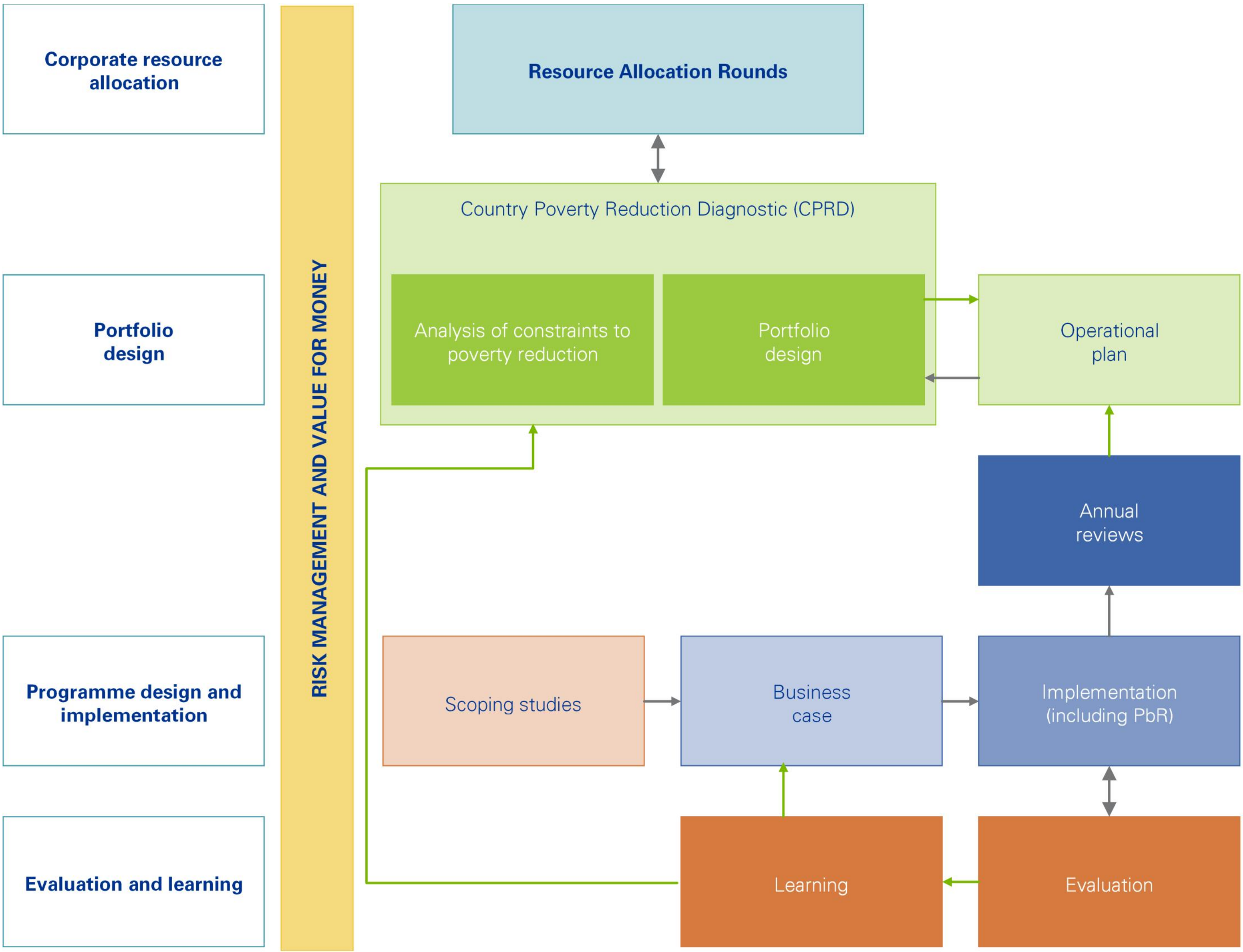
Figure 5: DFID's tools and processes



Source: ICAI interpretation of DFID processes

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2.6 The BAR was an important change to a core business process. For the first time, it gave DFID a way of managing aggregate results across the bilateral aid programme. Prior to the BAR, DFID’s total contribution to global development goals, such as primary education or child immunisation, emerged from spending decisions made by individual country programmes. DFID was not in a position to make global commitments on results (although it did make global spending commitments). By matching resources to results offers, DFID could forecast and to some extent manage its global results. This is known as ‘results-based budgeting’.

2.7 The BAR process, however, had certain limitations, which DFID has acknowledged. Country teams had only a short time to develop their results offers. They had insufficient time to analyse the context in depth and base their results offers on sound evidence as to what works. There was also limited time available for technical review of the results offers. In light of Government commitments on scaling up the aid budget, country teams were encouraged to be ambitious, aiming to scale up their results as rapidly as possible. This created incentives for overbidding and unrealistic targets, which had to be downgraded over subsequent years, especially in fragile states. For example, in 2011, Pakistan and Nepal revised their targets downwards by 18% and 23%, respectively, because scaling up existing programmes took longer than expected.[21]

2.8 As a result, the results forecasts on which the budget was allocated were not particularly strong. This had consequential effects on the realism of programme designs. We also heard from DFID staff that the focus on quantifiable results in each sector discouraged the different sector teams in each country office from working together, resulting in more fragmented portfolios.

2.9 In 2014, a new resource allocation round was held, relating (in view of the 2015 election) to just two financial years: the final year of the 2011-15 spending period and the first year of the new period (2015-16). Country offices were asked to identify their planned ‘portfolio shifts’, based on their analysis of the constraints on poverty reduction, the focus of other development actors, DFID’s potential to make a difference and ministerial priorities, such as economic development. With only two years’ funding at stake, however, there was limited scope for major changes to country programmes and the problem of unrealistic bidding was avoided. A new resource allocation round will take place prior to the 2016-17 financial year.

DFID’s Results Framework: communicating results to external audiences

2.10 In 2011, DFID published *DFID’s Results Framework* (DRF).[22] It set out the results and targets that DFID hoped to achieve by 2015. The DRF is organised in four levels:

- Level 1 monitors a subset of the MDGs in DFID’s priority countries. These results are not intended to be attributable solely to DFID;
- Level 2 measures DFID’s contribution to development results through a set of indicators and targets, aggregated across the aid programme;
- Level 3 measures DFID’s operational effectiveness; and
- Level 4 sets out indicators and targets for DFID’s own internal management to help monitor organisational efficiency.

2.11 Aggregating results across the aid programme is inherently difficult. Most of DFID’s objectives cannot be ‘added up’ across multiple programmes and countries. For example, progress on strengthening government institutions or promoting private sector development is difficult to quantify or compare across countries. DFID’s corporate results commitments are, therefore, strongly shaped by what can be counted and positively

[21] *Assessing the Impact of the Scale-up of DFID’s Support to Fragile States*, ICAI, February 2015, paragraph 2.7, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf.

[22] *DFID’s Results Framework: Managing and reporting DFID results*, DFID, updated 3 October 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360906/DFID-external-results-Sep_2014.pdf.

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attributed to UK support. The DRF, therefore, captures only a subset of DFID's overall results.

Figure 6: DFID Results Framework, Level 2 targets and interim results

Results Indicators, by pillar	2015 target	Results achieved to 2013-14
Wealth creation		
Number of people with access to financial services as a result of DFID's support	50 million	54.5 million
Number of people supported through DFID to improve their rights to land and property	6 million	1.5 million
Poverty, vulnerability, nutrition and hunger		
Number of children under five, breastfeeding and pregnant women reached through DFID's nutrition-relevant programmes	20 million	19.3 million
Number of people benefiting from DFID-supported cash transfer programmes	6 million	6.7 million
Number of people achieving food security through DFID support	3 million	2.5 million
Education		
Number of children supported by DFID in primary and lower secondary education	11 million	10.2 million
Number of children completing primary education supported by DFID	No target	1.4 million
Malaria		
Number of insecticide-treated bed nets distributed with DFID support	No target	33.7 million
Number of malaria-specific deaths per 100,000 persons each year	Halve malaria deaths in ten countries	Data not available
Reproductive, maternal and neo-natal health		
Number of births delivered with the help of nurses, midwives or doctors through DFID support	2 million	3.6 million
Number of additional women using modern methods of family planning through DFID support	10 million	5 million
Number of maternal lives saved through DFID support	50,000 women	36,000
Number of neonatal lives saved through DFID support	250,000 new born babies	64,000
Water and sanitation		
Number of unique people reached with one or more water, sanitation or hygiene promotion intervention	60 million	43 million
Humanitarian and emergency response		
Number of people reached with emergency food assistance through DFID support	No target	11 million
Governance and security		
Number of countries supported by DFID in freer and fairer elections	Support elections in 13 countries	11 countries
Number of people who vote in elections supported by DFID	No target	144.7 million
Number of people supported to have choice and control over their own development and to hold decision-makers to account	40 million	85.8 million
Number of women and girls with improved access to security and justice services through DFID support	10 million women	10.8 million
Climate change		
Number of people supported by DFID funding to cope with the effects of climate change	No target	3.4 million
Number of people with improved access to clean energy as a result of DFID funding	No target	2.4 million
Number of hectares where deforestation and degradation have been avoided	No target	5,000

Sources: *DFID Results Framework: Managing and reporting DFID results*, DFID, undated, pages 5-6, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360906/DFID-external-results-Sep_2014.pdf; *Annual Report and Accounts 2013-14*, DFID, July 2014, Chapter 2, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/331591/annual-report-accounts-2013-14a.pdf.

2.12 In Level 2 of the DRF, there are 22 indicators, of which 15 have associated targets (see Figure 6).[23] Most of the indicators and targets are at the output level (for example, the number of people given access to water and sanitation facilities), rather than outcomes (for example, reduced incidence of

[23] DFID has prepared detailed methodological notes on many of these indicators: see https://www.gov.uk/government/publications/indicator-methodology-notes.

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diarrhoeal disease) or impact (reduced child mortality). In some cases, they are simply inputs or activities (for example, the number of countries receiving DFID electoral support). Some are extremely vague ('number of people supported to have choice and control over their own development'). While the DRF helps convey the scale and level of ambition of the UK aid programme, it tells us relatively little about development impact.

2.13 The DRF enables DFID to report publicly on what has been achieved with an expanded UK aid budget. It offers numbers that look commensurate with the scale of expenditure: for example, 9 million children in primary education; 2 million births attended by a skilled health worker; and 60 million people with access to clean water, better sanitation or improved hygiene facilities.

2.14 The DRF also helps to signal DFID's priorities, both within the department and externally. For example, during our nutrition review, DFID staff noted the value of having the nutrition portfolio and its results put before the Secretary of State on a regular basis. Likewise, the inclusion in the DRF of a target for improved security and justice services for women and girls has clearly signalled that the interests of women and girls should be central to this portfolio. DFID staff reported that they no longer have to make a case for mainstreaming gender issues and there has, in fact, been a clear shift in this direction across the portfolio. Externally, the DFID Results Framework has had a strong influence on the results management approaches adopted by multilateral agencies, partner countries and NGOs.

2.15 Some of the DRF indicators, however, give a skewed picture of what UK aid is trying to achieve. For example, DFID measures the 'number of children supported by DFID in primary and secondary education'. In the case of financial aid, this is normally calculated by working out the proportion of UK funding in each country's education budget and multiplying it by the number of children in school. If, for example, DFID provides financial aid equivalent to 2% of the education budget, it claims 2% of total enrolment as a result of British aid. This number, however, is arbitrary – an accidental result of DFID and partner country expenditure. In Punjab, Pakistan, we saw that DFID had been obliged to revise down its results because the province had increased its education budget – even though boosting national spending on education was an explicit goal of UK support. In effect, DFID's success in influencing budget priorities led, rather perversely, to DFID's reported results being downgraded. Indicators such as these do not accurately capture the difference that UK aid makes, either to enrolment rates or to the quality of education that is being provided.

2.16 We have also been concerned about the use of 'reach indicators' that measure the numbers of people notionally benefiting from DFID programmes. In the nutrition area, for example, DFID's goal is to reach 20 million children under five and pregnant and breastfeeding women with nutrition programmes. To qualify as 'reached', however, the women and children need only be the recipient of a single intervention (say, a deworming tablet), irrespective of whether this led to improvements in their nutritional status.[24] In security and justice, we found that the calculations of the numbers of women and girls benefiting from improved services were often based on doubtful assumptions.[25]

2.17 In sum, the DRF takes a small subset of DFID's results, mostly at activity and output level and, using sometimes questionable methodologies, turns them into impressive-sounding aggregates. We fully accept that DFID has an obligation to tell a comprehensible story to the British public about the return on the UK investment in international development. There are dangers, however, in focussing on activities and outputs, rather than on impact. It may also give a misleading impression to DFID's counterparts and delivery partners as to what matters to DFID. We have had frequent feedback from partners to the effect that they feel under pressure to deliver superficially impressive

[24] *DFID's Contribution to Improving Nutrition*, ICAI, July 2014, Figure 8, page 23, http://icai.independent.gov.uk/wp-content/uploads/2014/07/ICAI-REPORT-DFIDs-Contribution-to-Improving-Nutrition.pdf.
[25] *Review of UK Development Assistance for Security and Justice*, ICAI, March 2015, Figure 9, page 32, http://icai.independent.gov.uk/wp-content/uploads/2015/03/ICAI-Report-UK-Development-Assistance-for-Security-and-Justice..pdf.

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beneficiary numbers, rather than meaningful and lasting impact (see, for example, our report on UK security and justice assistance[26]). While this is clearly not DFID's intention, miscommunication is a risk inherent in the DRF.

2.18 While we accept that DRF indicators need to be simple, we think there is scope for them to be better formulated, so as to measure progress towards genuine impact. We return to this point in the concluding section.

Value for money assessment

2.19 One of the central features of the results agenda in recent years has been a concern with value for money. The UK Government has made a strong political commitment to maximising the return on the UK's investment in aid. An approach paper on achieving value for money was first published in July 2011 and is now being updated. It stated that 'Value for Money in DFID's programme means: we maximise the impact of each pound spent to improve poor people's lives'.[27]

2.20 In our conversations with DFID management for this review, we were told that, for many purposes, DFID's thinking on impact has been subsumed by the idea of 'value for money' (VFM). Indeed, through our interviews with DFID staff, discussions on impact often turned into discussions of VFM. We have a number of concerns about this.

2.21 VFM is not a defined tool or process but a principle running through the management of the aid programme. According to the new draft guidelines, at the strategic level it means using UK influence to increase the effectiveness of development finance from all sources and helping developing countries to graduate from development aid. At the portfolio level, it means allocating resources across competing needs so as to maximise impact, by doing 'the right things, in the right places and in the right ways'.[28] At the programme level, it means working to design, procure, manage and evaluate interventions so as to maximise impact, given the available resources.

2.22 DFID's conceptual framework for assessing VFM draws on HM Treasury guidance (see Figure 7 on page 15). It uses four parameters:

- economy – the price of inputs at the quality required;
- efficiency – the rate of conversion of inputs into outputs;
- effectiveness – the extent to which intended results are achieved; and
- cost-effectiveness – the level of impact, relative to the size of the investment.

2.23 The VFM approach implies the ability to compare development interventions by the return on the investment. This would be extremely valuable, providing a basis for choosing between competing needs, design options and delivery partners. Given finite resources, it suggests an evidence-based rationale for making hard choices.

2.24 The problem is that VFM assessment methodology has not been able to live up to this promise. It rarely goes beyond measuring the costs of inputs and, in some cases, outputs. Outcomes and impacts are too difficult to value and too specific to each context, to allow DFID to derive a simple rate of return for its programmes. As a result, the drive for VFM has led to a focus on economy and efficiency, at the expense of assessing the value of the investment as a whole (namely its cost-effectiveness – see Figure 7 on page 15). In that sense, replacing impact with VFM in DFID's corporate vocabulary could cause DFID to lose its focus on impact, which is what matters for poor people.

2.25 DFID requires a VFM appraisal in its business cases. These attempt to attribute numerical values to some aspects of the programme's intended impact. In some areas, such as building a road to

[26] *Review of UK Development Assistance for Security and Justice*, ICAI, March 2015, pages 20-21, http://icai.independent.gov.uk/wp-content/uploads/2015/03/ICAI-Report-UK-Development-Assistance-for-Security-and-Justice..pdf.

[27] *DFID's Approach to Value for Money (VfM)*, DFID, July 2011, page 3, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/49551/DFID-approach-value-money.pdf.

[28] Greening, Justine, *Investing in growth: How DFID works in new and emerging markets*, Speech at the London Stock Exchange, 11 March 2013, https://www.gov.uk/government/speeches/investing-in-growth-how-dfid-works-in-new-and-emerging-markets.

boost economic activity, there are established methods for doing this. In other areas, approximations are used. For example, the potential impact of a health intervention may be judged in terms of DALYs (disability-adjusted life years – a measure of the overall disease burden across a population group). A justice programme introducing a dispute resolution mechanism may quantify its impact in terms of the total value of monetary claims that are resolved. Such calculations are often left to the economist in the country team, after the programme is substantially complete. DFID staff do not have sufficient confidence in the methodology to use it as the basis for selecting among competing programmes. Thus, the VFM analysis becomes a purely formal requirement, providing a spurious justification for programming decisions made on other grounds. In the programmes we reviewed, the actual impact of the programme was never compared with the initial VFM analysis. Such a comparison is now required by the new annual review template under the *Smart Rules*.

2.26 We were impressed by an attempt by DFID Pakistan to move beyond these limitations. Each programme was asked to produce a 'VFM narrative',[29] stating its value for money proposition in simple terms, using a mixture of numerical values and qualitative statements. Some programmes were able to do so easily. One vocational training programme, for example, provides training at an average cost of £336 per trainee. The programme was able to show that the average graduate 'recouped' that cost in extra earnings within six months. Other programmes, particularly in governance, found it a more challenging exercise. Overall, we found the narratives to be thoughtfully constructed and potentially useful in pushing programme teams to think through the intrinsic worth of their investments. What they could not offer, however, is an objective rationale for choosing between diverse, competing development priorities. Such choices always call for a holistic judgement, anchored in a wider country strategy.

2.27 Inevitably, the costs of achieving any given development result vary significantly in different countries. One would expect the cost of educating a girl to a certain level, for example, to be higher in Afghanistan or DRC than in some other contexts. Ultimately, whatever VFM analysis is carried out, a value judgement still has to be made as to the merits of each investment.

2.28 Because attaching a value to a development impact is so difficult, the main thrust of DFID's VFM approach has become compressing costs and maximising the efficiency of delivery, rather than informing aid allocation. It is, of course, DFID's obligation to control costs and we have seen examples where this has been done well. In our review of DFID's bilateral aid to Pakistan, for example, we saw how DFID had introduced a system, during its response to the 2010 floods, for tracking the unit costs of inputs and outputs among its implementing partners. During the next flood response, in 2011, it reduced its number of partners from 42 to 3, based on their efficiency.[30] Having mechanisms in place that enable DFID to spot expensive or inefficient outliers among its suppliers and programmes is good management.

2.29 There have, however, been some perverse effects of the VFM agenda. Some implementing partners have told us that they have come under pressure to cut the costs of inputs, whether or not that maximises results. Others have reported feeling under pressure to increase beneficiary numbers, prioritising geographical spread over depth of results. Implementers have also told us that discussions on relatively minor cost items can sometimes dominate their interactions with DFID. As it is passed down the accountability chain to DFID country staff and their implementers, it appears that the drive for VFM can become oversimplified, to the extent that it works against real impact.

2.30 Another perverse effect is to make DFID's procedures increasingly cumbersome. Implementing partners commonly report that the

[29] *Annual Report on Value for Money Assessments of Projects*, DFID Pakistan, October 2014.

[30] *Evaluation of DFID's Bilateral Aid to Pakistan*, ICAI, October 2012, paragraphs 2.51-52, http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Pakistan-Report_P11.pdf.

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efforts that they are now required to put into measuring and reporting on multiple variables have become very burdensome. We are often told that the transaction costs of working with DFID are now among the highest of any donor. While partners acknowledge the importance of being rigorous about costs and results, they are often unconvinced that the information collected is put to any useful management purpose.

2.31 VFM assessment has, therefore, largely failed to deliver on its promise of maximising aid impact. The difficulties inherent in measuring VFM have tended to push the focus down to the level of economy and efficiency, rather than the larger question of maximising impact from a given investment. This also comes at the cost of heavier procedures and reduced flexibility.

Setting strategies for country programmes

Operational plans

2.32 How does DFID create a suite of coherent and mutually reinforcing programmes in its priority countries? Prior to 2010, DFID produced Country Assistance Plans (CAPs). These discussed the national development context, learning from past assistance and how UK assistance should align with national development plans and the work of other development partners. Each CAP had an associated monitoring framework for measuring results. CAPs were externally evaluated through a rolling programme of five to six evaluations each year.

2.33 From 2010, CAPs were replaced by operational plans. Each operational unit (for example, a country office or central department) was required to prepare an operational plan describing the role it would play in delivering DFID's 2011-15 Business Plan.[31] For country programmes, operational plans took the outcomes of the Bilateral Aid Review and translated them into more detailed plans of action, linked to financial and personnel resources. Operational plans were also required to provide details on how the unit would implement DFID's agenda on value for money, evaluation and transparency.

2.34 Each operational plan is expected to present a small number of headline results, which the country office monitors regularly and reports on every six months. Offices are encouraged to draw indicators from the DRF, whilst adapting or adding to them as necessary to reflect the country programme. Originally, the operational plans were supported by full results frameworks, as annexes. The DFID Zambia operational plan, for example, has a results framework with 71 indicators, each with associated baselines, milestones and targets. Such results frameworks are no longer mandatory, however, and have fallen out of use in many countries. A 2013 internal review found that only a third of spending departments were still using full results frameworks, while several offices had introduced simplified results frameworks and others had adopted completely different monitoring tools.[32] Originally, DFID had planned to evaluate its operational plans on a sample basis[33] but this has not happened (see our discussion on evaluations from paragraph 2.70 on page 22).

2.35 From our analysis of a selection of Operational Plans, we found them to be relatively weak as portfolio management tools. They appear to be used more for external communication. The plans themselves make little reference to the underlying analysis and internal logic of the country programme. They make little reference to what partner countries or other development partners are trying to achieve. They do not analyse the past achievements of UK support. The examples we have examined have been largely static, with only minor updates each year. Even after the introduction of the Country Poverty Reduction Diagnostic (CPRD – see paragraph 2.37 on page 16), we noted that little changed other than a few headline results and budgets. Where budgets or targets were revised, there is no explanation of why the change occurred, which would aid

[31] *Business Plan 2011-2015*, DFID, May 2011 (updated annually), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67658/DFID-business-plan.pdf.

[32] *Review of good practice in results frameworks and trackers*, DFID, September 2013.

[33] *How to note: Preparing an Operational Plan*, DFID, December 2010, page 3, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67577/how-to-operational-plan.pdf.

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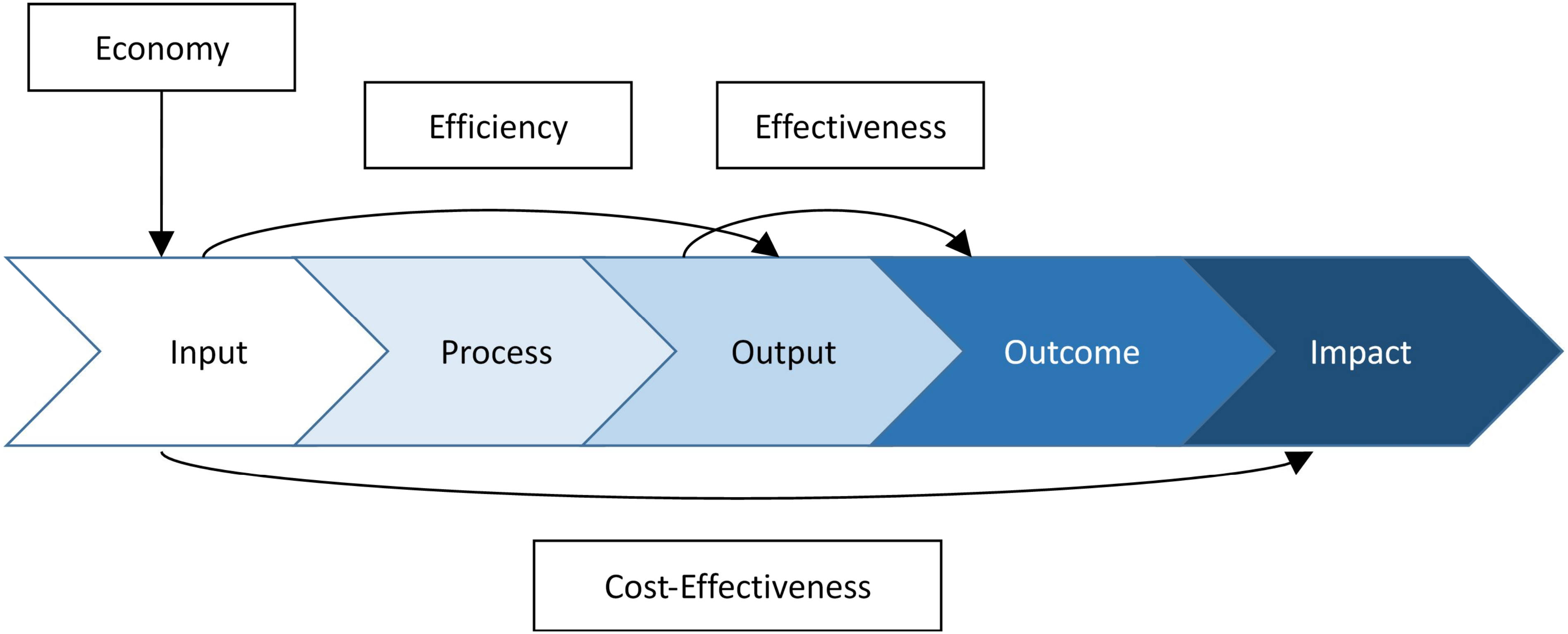
Figure 7: DFID's approach to value for money



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transparency. Figure 8 sets out some ways in which we think operational plans could be made more results-focussed.

2.36 There is no routine programme of reviews or evaluations at the country portfolio level. It appears likely that weaknesses in results management at the country portfolio level are an underlying cause of our finding that DFID struggles to manage portfolios of linked interventions in a coherent and strategic way (see paragraphs 3.29-33 on pages 32-33).

Figure 8: How operational plans could be made more effective

In our view, operational plans should:

- provide an overview of the analysis and portfolio emerging from the CPRD process and update this annually, as experience is gained;
- focus more on national development priorities and capacity to deliver them, as well as what other development partners are doing;
- demonstrate how the portfolio lays the foundations for the long-term trajectories of change expected in the country;
- set outcome targets for the five-year plan period and report on progress against these annually;
- analyse the next steps that will be needed to ensure these outcomes contribute to long-term impacts on poverty reduction; and
- monitor whether necessary actions are being taken to facilitate this.

The Country Poverty Reduction Diagnostic

2.37 In preparation for the last spending round, DFID introduced a new analytical tool, the CPRD, to strengthen its country strategies. The CPRD is a conceptual framework for diagnosing the core barriers to poverty reduction in each country and identifying how DFID can address them, alongside national governments and other development partners. This analysis is used to identify shifts in the country programme that would help to address those factors, taking into account the work of central and regional programmes.

2.38 In our assessment, the CPRD has proved to be a very positive innovation. For the first time, it has introduced a shared conceptual model across DFID for understanding poverty reduction. It is explicitly intended to encourage interdisciplinary working and to challenge assumptions underlying current country portfolios. It has helped country teams to sharpen their thinking on the structural barriers to poverty reduction. According to an internal DFID review of CPRDs, the most common barriers identified were:

- the absence of a political settlement that is supportive of poverty reduction and inclusive growth, due to factors such as corruption, elite capture, patronage and weak accountability;
- weak core state capacity (for example, in tax, budgeting and public financial management) to implement policy and public services; and
- weak economic growth and weak transmission of growth into jobs and poverty reduction.[34]

2.39 CPRDs are a recent innovation, however; there is still scope for improvement. The first CPRD round was somewhat rushed. It would benefit from more in-depth, rigorous analysis into the political economy of each country and the implications for poverty reduction. While there is some consideration of future scenarios, it needs to be supplemented by deeper analysis of the long-term trajectory of change in each country. While the CPRDs contain some information on programming by government and other donors, the level of detail varies and coherence and alignment are not treated as priorities.

2.40 The CPRDs do not look back at past successes and failures of DFID programming, to see whether building blocks have been put in place that can be used for delivering future impact. If they did, it would help to ground programming choices in longer-term trajectories of change, taking into account absorption constraints and established delivery channels, leading to more realistic choices.

[34] *CPRD: Best Practice and Lessons*, DFID Diagnostic Support Team, 2014; *CPRD Experience*, DFID Chief Economist’s Office, December 2014.

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2.41 Most of the CPRDs that we reviewed were not explicit about the rationale for proposed programming shifts. For example, DFID Nepal is exiting from the education sector, while DFID Bangladesh is stopping its water and sanitation programming. In neither case does the decision clearly follow from the analysis. We would suggest that the analysis of each sector include explicit consideration of the conditions in which DFID support is no longer required, so DFID can plan towards an orderly exit. CPRD programming innovations often read like lists of disconnected activities, rather than an integrated strategy. Nor is it obvious how they address the barriers to poverty reduction identified in the analysis. Of 22 CPRDs considered in an internal review by the Chief Economist's Office, 12 of them identified the 'political settlement' as the most significant barrier, yet few CPRDs contain new initiatives to address political governance.

2.42 We were, however, impressed by the way that the Pakistan CPRD covers not just the aid programme but also other channels of UK government influence, including high-level political dialogue, defence and security engagement, trade links and cultural ties through the Pakistani diaspora in the UK. Other CPRDs could usefully be expanded to take into account wider engagement by the UK in each country.

2.43 At the time of the CPRD, Ministers announced the following policy priorities:

- ring-fencing £1.8 billion (30% of new expenditure) for economic development;
- continuing to invest in human development, including health, education and water and sanitation, which are assessed as offering the best return for the world's poorest;
- promoting the 'golden thread' through activities to create strong and inclusive economic, social and political institutions;
- increasing the focus on women and girls; and
- supporting domestic resource mobilisation, for long-term, self-financed exit from aid.

There was inevitably some tension in combining a bottom-up strategy-setting process with the need to meet these overarching ministerial priorities. The rebalancing of the portfolio towards economic development is a major challenge for many country programmes. Some of the country offices we spoke to stated that this shift was already underway or else emerged naturally from their analysis. In the case of Rwanda, the CPRD analysis enabled the country office to argue against too rapid a shift towards economic development, given the need for continuing attention to basic services and governance.

2.44 Overall, while the CPRDs are a good foundation on which to build, the link between analysis and programming choices needs to be strengthened – a point also made in DFID's own review of the process.[35] In the future, we suggest that DFID separate out the diagnostic phase from decisions on programming and peer review it. This would help to ensure that the analysis is objective, rather than tailored to departmental priorities. We would also hope to see explicit consideration of DFID's current and planned programming against the CPRD poverty system diagnosis, showing how programmes reinforce each other and the work of government and other donors.

Programme design

2.45 DFID has a set of tools designed to ensure that its individual programmes are clear about the results they wish to achieve. They also provide a basis for monitoring how well they perform. Here, we look at business cases, logframes and theories of change.

Business cases

2.46 In 2010, DFID introduced business cases as the primary design document for its programmes and the basis on which they are approved. Business cases over £5 million are submitted to ministers for approval. Those over £40 million and any judged to be politically sensitive, novel or technically contentious are assessed by DFID's internal Quality Assurance Unit, before submission to ministers. Each business case:

- makes the strategic case for investing in the programme;

[35] *CPRD: Best Practice and Lessons*, DFID Diagnostic Support Team, 2014.

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- assesses the evidence supporting the intervention, based on available research and scoping studies;
- appraises options for achieving the programme objectives;
- appraises commercial and financial considerations; and
- describes how the programme will be managed and evaluated.

2.47 Over the course of our reviews, we have had a number of concerns as to how business cases are used. Their focus is on securing approval for expenditure. They appear to set out a justification for design choices that have already been made, rather than offer a robust appraisal of options. As discussed in paragraph 2.25 on page 12, the value for money case for interventions is often based on complex calculations that are not, in our experience, verified against actual achievement during implementation. The business cases are static documents, rather than guides to implementation. Our observation is that, once approval is granted, they are rarely referred to – although the new annual review format now contains references back to the business case.

2.48 DFID's business cases and the processes for preparing them are internal and do not offer a basis for collaboration with partners on programme design. In the past, programme memoranda (the previous design documents) were often shared in draft form with counterparts and co-funders and used as the basis for wider consultations. Now, perhaps because the preparation of business cases is already an onerous process, our observation is that DFID tends to keep its counterparts at arm's length from the design. This is despite encouragement in DFID's guidance, both old and new, for a more collaborative approach. We are concerned that this move away from participatory design may be undermining ownership of programmes, which is an important condition for impact.

2.49 Getting the business case right is at the heart of the impact equation. The pressure on country offices to aim for impressive-looking results, in order to secure approval, is not necessarily conducive to a focus on sustainable impact. At present, business cases are primarily about describing activities, rather than thinking through the path to sustainable impact. They need more realistic assessments of what can be achieved in the country context and what it takes to deliver meaningful change. Designs should begin with long-term impact and work backwards to the building blocks that need to be in place (policies, institutions, market systems, community structures) and the activities required to achieve them. Where this is likely to require a long-term engagement, over several programme cycles, this should be explicit in the business case.

2.50 Some of these points were recognised in DFID's End-to-End review and have been reflected in new guidance issued under the *Smart Rules*.[36] In particular, the business case process was recognised as being too heavy. Under its *Smart Rules*, DFID is moving to a lighter version. It is also introducing programme-level Delivery Plans, as tools for managing implementation. This could help to increase flexibility, alleviating the need for programme redesign. 'Senior Responsible Owners' are being introduced to improve the lines of accountability for each programme (although, as we pointed out in our *Rapid Review of DFID's Smart Rules*,[37] this does not of itself resolve the problem of staff turnover). These are all potentially useful reforms. There is, however, a danger that lighter processes and increased flexibility under the *Smart Rules* leads to a drop in the technical quality of business cases and other results management tools. While flexibility and autonomy are to be welcomed, they need to be accompanied by staff training and an organisational culture that is strongly focussed on impact.

Logframes

2.51 Each business case includes a logical framework summarising the causal logic of intervention – that is, how the planned activities and outputs will lead to the expected outcome and impact. Logframes

[36] Vowles, Pete, *Adaptive Programming*, DFID Bloggers, 21 October 2013, https://dfid.blog.gov.uk/2013/10/21/adaptive-programming/.
[37] *Rapid Review of DFID's Smart Rules*, ICAI, December 2014, paragraph 2.14, http://icai.independent.gov.uk/wp-content/uploads/2014/12/ICAI-Smart-Rules-Report-FINAL.pdf.

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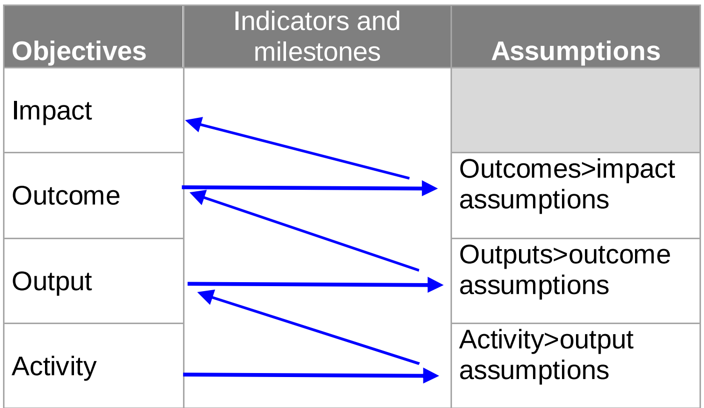
also set down indicators for monitoring progress at each level, with associated baselines, milestones and targets (see Figure 9 for the logic model used).

2.52 Logframes can be changed over the life of a programme – for example, after an annual review. Although each new version is logged on Quest (DFID's document management system), we found that programme teams often fail to maintain a record of changes made and the reasons for them. Reconstructing the development of a logframe is often difficult, especially in the face of staff turnover.

2.53 The technical quality of DFID's logframes can be variable. For this review, we analysed a sample of 18 logframes, 10 of which had associated theories of change. While the majority were well formulated, a significant minority were missing baselines and milestones, had poorly formulated indicators or activities incorrectly described as outputs.

Figure 9: How to read a logframe



How to read a logframe

- ***IF*** *we deliver the activities* ***AND*** *the assumptions hold true,* ***THEN*** *we will deliver the outputs*
- ***IF*** *we deliver the outputs* ***AND*** *the assumptions hold true,* ***THEN*** *we will achieve the outcome*
- ***IF*** *we achieve the outcome* ***AND*** *the assumptions hold true,* ***THEN*** *we will contribute to achieving the impact*

2.54 DFID has used logframes, in one format or another, for many years. There have, however, been important changes in the way they are used. In the past, logframes were used to facilitate participatory design. Working jointly on a logframe helped to bring stakeholders to a common understanding of the logic of the intervention, its underlying assumptions and how the risks could best be managed. Over time, however, the participatory design element was largely lost. Logframes are now generally prepared by DFID staff or contractors without counterpart input. Ownership of programme design is consequently weaker. We note that new guidance issued under the *Smart Rules* encourages engagement with partners and beneficiaries during the design process.

2.55 We are also concerned that the focus of logframes has shifted from monitoring the path to impact to holding implementing partners to account for their contractual obligations – an important but very different role. Logframes are often finalised during the inception phase of the programme. The implementing partner then has a significant influence on how indicators, targets and milestones are defined. They have an incentive to ensure that outputs and outcomes remain within their control, so they can ensure good performance. As a result, we see a tendency for DFID logframes to become a description of a set of activities, rather than a complete results chain leading to sustainable impact.

2.56 One consequence of this is that logframes often involve large conceptual leaps between outcomes and impacts. In principle, the intended impact should be one logical step above the outcome. This encourages programme teams to think about what they can do to make the impact more likely to occur – for example, by building partnerships and influencing others. In practice, impact statements are often high-level development goals that are unlikely to change within the life of the programme. They are more a justification for the programme than a viable goal to work towards.

2.57 For example, we reviewed one climate change programme that was helping Rwanda to design and finance low carbon and climate resilient initiatives. The impact in the logframe was 'wealth creation and poverty reduction in Rwanda through low carbon and resilient economic growth'. In combining poverty reduction, wealth creation and low-carbon growth, this impact statement is far too high-level for a small programme. In another instance, an education sector support programme in Rwanda was set the following impact: 'a knowledge economy based on a skilled workforce that can compete in the region and the wider international area'. Achieving this impact would require progress across many areas and would take a generation, at least. By contrast, an education sector programme in Ethiopia had a more appropriate impact statement: 'improving learning outcomes in Ethiopia'. Overall, 10 of the 18 logframes in our sample had impact statements that were too high level.

2.58 If implementers do not expect to be able to influence their impact statement, then it ceases to be relevant to the way they deliver the programme. This does not necessarily mean that the programme is not impactful. It does, however, suggest that DFID's primary results management tool is not sufficiently oriented towards maximising impact.

Theories of change

2.59 As well as logframes, business cases are required to include theories of change. A theory of change is a more detailed exploration of the causal assumptions underlying the programme design. According to DFID guidance,[38] it should analyse the context of the intervention and the problem that it addresses. It should analyse how the activities and outputs will lead to the outcome and overall impact, the evidence supporting each causal link and hypotheses that need to be tested through implementation. According to the guidance, a theory of change is both a process (a structured way of thinking about programmes) and a product (a description of the programme in a particular format). It should be a 'reflective, creative and challenging' process, undertaken both at the outset and as often over the life of the programme as required.

2.60 Over the course of our reviews, we have found that theories of change are often of poor quality. Of the sample of ten that we examined for this review, seven were judged to be weak, two adequate and one good. (The five examples that had been through DFID's internal quality assurance programme were generally better.) The weaker examples were poor at analysing the change processes and underlying assumptions, missing out key steps and causal linkages. The production of elaborate diagrams generally added little to the analysis. The contextual analysis was usually good but the analysis of the evidence base behind key assumptions was often poor. Importantly, in all the cases we examined, the assumptions set out in the theory of change differed substantially from those in the logframe, without obvious rationale.

2.61 One notable weakness of both theories of change and logframes was their tendency to look at the results of each programme in isolation from other initiatives. In practice, most programmes take place alongside a range of other development initiatives, by DFID or other partners. Impact is often a cumulative effect of multiple interventions. Interventions can also combine to undermine each other or cause unintended negative consequences. While it makes sense to base results management at the programme level, it misses an important dimension of impact (see paragraph 3.29-33 on pages 32-33).

Supervision, monitoring, evaluation and learning

2.62 Over our reviews, we have raised persistent concerns about the way that DFID supervises its programmes and interacts with its implementing partners. We have encouraged a more flexible approach to implementation, based on short feedback loops and effective communication with delivery partners.

2.63 The results management tools that DFID uses have an important influence on the quality of supervision. The current emphasis on implementer accountability can lead to rigidity in programme implementation and an emphasis on what can be counted (generally, activities and outputs) over impact. While we entirely support the need for accountability, DFID needs to ensure that delivery partners are accountable, to the extent possible, for delivering meaningful results.

2.64 We have no doubt that DFID staff are genuinely committed to achieving impact. The messages given to delivery partners, however, are not always

38 *Theory of Change Guidance Note*, DFID, December 2012.

consistent with that commitment. One major NGO, for example, told us that the focus of DFID's results agenda was on outputs, rather than outcomes and impacts. When we asked one contractor what DFID meant by 'impact', the response was: 'It doesn't come up very often.' Implementers have often told us that the pressure from DFID is to meet spending and output targets. This appears to be an unintended consequence of the results agenda. Figure 10 summarises some of the features we believe are required in a strong results management system.

Annual reviews

2.65 Each year, DFID offices are required to undertake an annual review of each programme, to score its performance and recommend changes. In the past, projects that consistently underperformed were placed on a Project Improvement Plan, involving corrective measures and more robust monitoring arrangements. Now, corrective actions must be incorporated into project delivery plans. If the project does not improve, it may be closed.

2.66 We have expressed a number of concerns in our reports as to the variable quality of annual reviews. One concern is that they are not designed to assess progress towards impact. They look at whether the implementing partner has delivered as planned, in terms of expenditure, activities and outputs. They look only briefly at whether the outputs are contributing to the outcome. It is, of course, true that impact may not emerge until programme implementation is advanced. A good quality annual review, however, should also explore whether the assumptions in the programme design still hold and whether the risk assessment in the business case remains relevant. This is key to keeping the programme on track to eventual impact. While this is done in some instances, it is not consistent.

2.67 The depth and technical quality of annual reviews also vary. Many are limited exercises, done in-house without a defined methodology. The more detailed reviews are generally done by external contractors, working to terms of reference. They are not, however, independent reviews. DFID can and does adjust the scores produced by its reviewers. DFID has increased its level of consultation with intended beneficiaries, at our encouragement, which is welcome.

Figure 10: Summary of ICAI findings on strong results management systems

We believe that strong results management systems have the following characteristics:

- ***Clear programme logic:*** In order to monitor effectively, a programme needs to explain how it expects to achieve impact and what assumptions are being made (a 'theory of change');
- ***Monitoring at multiple levels:*** Monitoring should not be restricted to activities and outputs but examine outcomes and, where possible, impact, using qualitative as well as quantitative data;
- ***Clear link between results and management:*** Monitoring information should be used to reassess the initial programme logic and test whether the assumptions are still valid and drive programme adjustments;
- ***Rooted in field experience:*** Results management systems should be the responsibility of the managers and field staff of partner organisations but DFID should validate the reported results;[39] and
- ***Tailored to the programme:*** DFID should adjust its processes according to partners' capacity and the type of programme, rather than applying the same tools to every organisation.

2.68 We have come across numerous examples where annual reviews did not sufficiently challenge results data produced by implementing partners. Our review of TradeMark Southern Africa (TMSA) was a notable example. TMSA claimed to have met 83% of its targets but our review showed that only 21% had been fully met, 39% were partially met and 40% were severely off-track.[40] We found

[39] We have observed a number of occasions in which DFID did not validate monitoring data. For example, see *DFID's Contribution to Improving Nutrition*, ICAI, July 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/07/ICAI-REPORT-DFIDs-Contribution-to-Improving-Nutrition.pdf;
DFID's Trade Development Work in Southern Africa, ICAI, December 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/DFIDs-Trade-Development-Work-in-Southern-Africa-Report.pdf; and
DFID's Private Sector Development Work, ICAI, May 2014. http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf.
[40] *DFID's Trade Development Work in South Africa*, ICAI, December 2013, paragraphs 2.50-51,

similar problems in our reviews of programming on private sector development, security and justice, nutrition and growth and livelihoods in Afghanistan. The poor quality of some of DFID's annual reviews may be linked to work schedules that make it difficult for DFID staff to spend enough time in the field. We are also concerned that pressures on DFID staff to meet ambitious spending targets could create incentives to overlook problems with implementation. DFID has informed us that, in response to concerns about the quality of annual reviews, the Quality Assurance Unit now manages spot checks and more in-depth examination of annual reviews, the results of which are reported to DFID's Investment Committee.

2.69 We suggest that DFID take a more hands-on, investigative approach to programme supervision, not just in annual reviews but throughout the year. When reviewing against logframe milestones, it should not simply probe the accuracy of the results data but also their significance in the wider process of achieving sustainable impact.

Evaluation

2.70 Since 2010, DFID has reorganised its evaluation function. Previously, a central evaluation department decided which parts of the portfolio should be evaluated and commissioned and managed the evaluations. After 2010, the commissioning and management of evaluations were decentralised to country offices and spending teams, which now make their own decisions as to what to evaluate. A reduced central evaluation department leads on evaluation policy, strategy and professional development and provides technical support. DFID also funds various external evaluation partners, including the International Initiative for Impact Evaluation (3iE), the Strategic Impact Evaluation Fund, the Clinton Health Access Initiative and the Nutrition Embedding Evaluation Project, which commission their own evaluations.

2.71 DFID's current evaluation strategy is summarised in Figure 11. Decentralisation has made it difficult for DFID to keep track of the volume of its evaluation work and to ensure its relevance. In its 2013 Annual Evaluation Report, it anticipated 60 evaluations in 2013-14. This estimate was later reduced to 40, while the actual figure turned out to be 31, of which 27 were published. In our review of *How DFID Learns*, we noted that a mapping exercise was underway to obtain a more accurate figure.[41] Coverage across country offices and sectors is notably uneven, as DFID has recognised.

Figure 11: DFID's Evaluation Strategy

DFID's *Evaluation Strategy 2014-2019*[42] defines five 'strategic evaluation outcomes':

- ***Focus:*** evaluations respond to high priority information needs;
- ***Quality:*** evaluations uphold the highest quality standards;
- ***Communication:*** evaluation findings are actively communicated in a timely and useful way;
- ***Partners:*** evaluation enhances the capacity of DFID's partners; and
- ***Culture and use:*** evaluation is integral to the planning, design and implementation of policies and programmes.

2.72 Commissioning and managing evaluations is a specialised field. Devolving the evaluation function meant that it was necessary to build this expertise at country office level. Evaluation advisers have gradually been recruited into country offices, often with broader responsibility for results management, statistics and/or research. The pace, however, has been fairly slow. Of a planned 40 evaluation advisers, 33 (full-time equivalent) positions have so far been filled. As a result, there is still a lack of capacity to manage evaluations. DFID engaged a Specialist Evaluation and Quality Assurance Service (SEQAS) to provide additional technical support. In practice, country offices have reportedly

http://icai.independent.gov.uk/wp-content/uploads/2013/12/DFIDs-Trade-Development-Work-in-Southern-Africa-Report.pdf.

[41] *How DFID Learns*, ICAI, April 2014, paragraph 2.30, http://icai.independent.gov.uk/wp-content/uploads/2014/04/How-DFID-Learns-FINAL.pdf.

[42] *DFID Evaluation Strategy 2014-2019*, DFID, June 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/380435/Evaluation-Strategy-June2014a.pdf.

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found it difficult to integrate this service into their delivery of evaluations.

2.73 There are also constraints on the capacity of the consulting market to meet DFID's increased demand for evaluations. A panel of evaluation providers was established under the Global Evaluation Framework Agreement, to facilitate procurement. Evaluations are, nonetheless, often retendered, due to the lack of a sufficiently qualified supplier. In Ethiopia, for example, plans for a country programme evaluation were shelved due to the absence of a credible supplier.

2.74 So far as we can tell from the available data, there is a good diversity of methodologies across DFID's evaluations. Impact evaluations – that is, those that use rigorous methods to identify the results attributable to an intervention – comprised 12 of the 27 evaluations published in 2012-13 and 78% of the total expenditure. Of these, two were randomised control trials (RCTs). While RCTs have received a lot of attention in recent times, DFID generally strikes an appropriate balance between using rigorous (and expensive) methods to drill down into attribution problems and using qualitative and mixed-method evaluations to gain a more holistic view of impact.

2.75 DFID's evaluations are largely focussed on individual programmes, rather than country portfolio, sectors or thematic areas. Of the 2013-14 evaluations, only one was of a country programme and four of thematic areas. This appears to us to be a weakness of the current practice. Thematic or portfolio evaluations often have greater potential to inform learning. They can explore the interaction of different development interventions in the same area, which as we have said is an important dimension of impact. They also provide greater opportunity for DFID to evaluate its non-aid interventions, such as policy influence.

2.76 For programme evaluations, there are real issues as to their timing in the programme development cycle. It is rare for them to be completed in time to inform the design of the next phase of the programme in question. While evaluations can contribute knowledge to the development community at large, their contribution to DFID's own learning is not always clear. Within the programme cycle, DFID would be able to make better use of lighter, more rapid reviews, to inform real-time adjustment of programmes. Our biggest concern is the lack of mechanisms to translate evaluation findings into learning across the department – a point analysed at length in our report on *How DFID Learns*. Since 2010, DFID has moved away from central strategies and detailed programming guidance, leaving it unclear how lessons from evaluation are translated into practice. In fact, DFID itself is unable to monitor the extent to which its investment in evaluation actually leads to learning. As the OECD-DAC peer review of DFID noted, '[t]he huge increase in the supply of evaluations seems to be exceeding the organisation's capacity to effectively absorb and use the information'.[43]

2.77 Overall, DFID's approach to evaluation is still a work in progress. We suggest that DFID focus on developing more rapid evaluation tools for exploring particular aspects of programmes in real time, so as to shorten the learning cycle. The more that evaluations are seen as prompts to evaluative and strategic thinking by programme teams, rather than products in their own right, the more useful they are likely to be.

Payment by results

2.78 In recent years, DFID has begun to make extensive use of 'payment by results' (PBR). PBR can refer to any financing arrangement whereby funding is provided after the achievement of pre-agreed results, rather than upfront to fund future activities.[44] It has two different areas of application. One is as a new form of aid instrument, whereby funding is offered to governments following their achievement of specified development results. The other is as a form of contracting, where DFID pays its service provider on the achievement of agreed outputs or outcomes.

[43] *OECD Development Co-operation Peer Reviews: United Kingdom*, OECD, 2014. page 80, http://www.oecd.org/dac/peer-reviews/UK%20peer%20review%202014.pdf.

[44] *Sharpening incentives to perform: DFID's Strategy for Payment by Results*, DFID, June 2014, page 4, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323868/Sharpening_incentives_to_perform_DFIDs_Strategy_on_Payment_by_Results.pdf.

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2.79 In theory, PBR offers a range of potential benefits. It can sharpen the incentives of counterparts to deliver results and help make them more accountable to their own constituencies. It has the potential to change the donor-counterpart relationship in important ways. If designed to do so, it can give counterparts the autonomy and flexibility to determine how best to improve development results, rather than compelling them to implement a package of donor-approved reforms.[45]

2.80 For example, in Rwanda, DFID provides the government £100 for each additional child sitting the exams at the end of lower primary school and £50 for each child sitting the exams at the end of primary and upper secondary. While most of the stakeholders we spoke to saw potential in results-based aid, there are many possible variants and a shortage of evidence so far as to what works in which context.[46] In Ethiopia, we heard that the government was concerned about the impact on equity of a purely results-based allocation of resources. DFID has begun to explore the conditions under which results-based aid can be effective and has a number of evaluations underway.[47]

2.81 On the contracting side, DFID has stated that results-based finance will be its 'business as usual' approach to procuring implementers.[48] This change of practice is driven in part by UK Government-wide policies. In the 12 months to September 2013, 71% of DFID contracts issued centrally had a performance-based element.[49] In most cases, payments were linked to the delivery of outputs, rather than outcomes. DFID has, however, signalled a desire to link payments to outcomes, where possible.

2.82 This shift in procurement practice is not without its critics. The UK NGO networks, Bond and the UK Aid Network, informed the International Development Committee that 'the strategy and the pace of its implementation has run ahead of evidence'.[50] Many of the NGOs and contractors we spoke to were concerned that the shift to PBR had happened too quickly and without sufficient attention to detail. In Pakistan, DFID staff informed us that they lacked the information and the commercial expertise to select reasonable targets for supplier performance.

2.83 PBR seeks to sharpen performance incentives by shifting the risk of programme failure from DFID to the implementer. It is not always clear, however, that this is appropriate. DFID may deliberately take on high-risk interventions, as part of a wider risk management strategy. If so, the risk of failure may be more appropriately borne by DFID than the implementer. This is particularly the case in fragile states, where many of the risks are beyond the control either of DFID or the supplier. In such cases, shifting the risk to the supplier may simply drive up costs for the aid programme as a whole.

2.84 There are various other potential negative effects of PBR, which DFID will need to manage carefully. One is that it favours large commercial providers, who have the ability to absorb and manage higher levels of risk than smaller contractors and NGOs. These large firms may not always be the most effective. In fact, if DFID becomes dependent on a small number of large suppliers who are able to operate in difficult environments, its ability to negotiate advantageous contracts may be compromised. DFID needs to pay attention to the effect of PBR on its market of suppliers and, in turn, on their own supply chain.

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[45] Perakis, R. and W. Savedoff, *Payment by Results: One Size Doesn't Fit All*, Blog, Centre for Global Development, November 2014. http://www.cgdev.org/blog/payment-results-one-size-doesnt-fit-all.

[46] Perrin, B., *Evaluation of Payment by Results (PBR): Current Approaches, Future Needs*, Working Paper 39, DFID, January 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/213938/payment-results-current-approaches-future-needs.pdf.

[47] See, for example, Clist, P. and S. Dercon, *12 Principles for Payment By Results (PbR) In International Development*, June 2014, http://r4d.dfid.gov.uk/pdf/outputs/Misc_Infocomm/clist-dercon-PbR.pdf.

[48] *Sharpening incentives to perform: DFID's Strategy for Payment by Results*, DFID, June 2014, page 4, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/323868/Sharpening_incentives_to_perform_DFIDs_Strategy_on_Payment_by_Results.pdf.

[49] *Department for International Development's Performance in 2013-2014: the Departmental Annual Report 2013-14*, Thirteenth Report of Session 2014-15, International Development Committee, March 2015, page 51, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/750/750.pdf.

[50] *Department for International Development's Performance in 2013-2014: the Departmental Annual Report 2013-14*, Thirteenth Report of Session 2014-15, International Development Committee, March 2015, page 52, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/750/750.pdf

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2.85 A second risk is that PBR may drive unhelpful incentives. PBR gives implementers the incentive to push for contracts based on simple activities that they can readily control, rather than complex interventions that are more prone to failure – even if the latter are more likely to deliver sustainable impact. We have heard from contractors that sometimes they have focussed on easy-to-reach beneficiary groups, rather than the poorest and most marginalised, in order to hit output targets. They may also focus on familiar interventions, rather than innovative approaches.

2.86 Some forms of PBR may also reduce flexibility in delivery, which we have identified as a key condition for maximising development impact (see paragraphs 3.23-27 on pages 31-32). In some cases, outputs (and thereby activities) are specified in contracts and can be changed only through a formal contract variation – a cumbersome process involving DFID's overstretched procurement staff in country offices or headquarters. This could create incentives for both DFID staff and implementers to press ahead with pre-programmed activities, even if subsequent events have rendered them inappropriate.

2.87 While PBR could prove a positive innovation, the devil is in the detail. DFID needs a better understanding of what forms work best in which circumstances and how to avoid the risk of perverse incentives. DFID has a range of reviews and evaluations underway to assess this. DFID should pay particular attention to the case of PBR in fragile states, where the risks may outweigh the benefits.

Risk management

2.88 DFID recognises the high levels of uncertainty involved in the delivery of development aid. It states that a high risk appetite is necessary for achieving its objectives. Its corporate guidance on risk management[51] (see Figure 12 for the key definitions) stresses the need for an integrated approach to risk management at the departmental, portfolio and programme levels.

2.89 DFID's approach to risk management is evolving, according to DFID senior managers. The department recently appointed a new Deputy Director to work with the Executive Management Committee, to strengthen the overall approach and prepare guidelines and tools on specific aspects of risk management.

Figure 12: DFID's definitions of risk

DFID defines **'risk'** as any uncertainty affecting the outcome of an activity or the achievement of the department's objectives. **'Risk management'** includes all of the activities required to identify and control exposure to risk, including reducing the probability of risks materialising and their likely impact. It defines **'risk appetite'** as the amount of risk that DFID or any of its operational units are prepared to accept.[52]

2.90 Risk appears in many of DFID's corporate processes and tools: in CPRDs, operational plans, business cases, theories of change, logframes and annual reviews. We looked at risk management in our case study countries and across a sample of programmes. Our principal finding is that risk is dealt with inconsistently across the different tools.

2.91 At the country portfolio level, the CPRD contains a brief assessment of risk, while operational plans have a more detailed risk register of four or five pages. Pakistan's operational plan, for example, covers seven categories of risk: partner risk; climate change; economic; fraud and corruption; conflict; human resources; and value for money and delivery. Risks are assigned a rating, triggers to identify when they are occurring, mitigating actions, an analysis of residual risk (probability and impact), management actions and a risk 'owner'.[53] Across the other countries that we examined, the two risk assessments (in the CPRD and the operational plan) were obviously prepared at different times and cover different risks in different ways. Generally, there is a lack of attention to interdependencies across different risks. According to the 2010 operational plan guidance,[54] risk

[51] *Risk Management in DFID*, DFID, August 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253815/risk-management-guidance.pdf.

[52] *Risk Management in DFID*. DFID, August 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253815/risk-management-guidance.pdf.

[53] *How to note: Preparing an Operational Plan*, DFID, December 2010, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67577/how-to-operational-plan.pdf.

[54] *How to note: Preparing an Operational Plan*, DFID, December 2010,

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registers in operational plans should relate to the Corporate Risks Register (CRR) to enable 'a clear line of sight between the two'. Since then, the CRR has been replaced by a new, more focussed Strategic Risk Register and this line of sight is currently lost.

2.92 At the programme level, risk can appear in various places in business cases, including in the theory of change, the logframe and a dedicated risks section. Of the examples we reviewed, seven out of ten had risk sections, although curiously it was the higher risk programmes that did not. In most business cases, the risks considered in each place were completely different; in others, they overlapped to a degree. While some variation is to be expected, it was not clear to us, either from the guidance or the sample we reviewed, what kinds of risks should be dealt with where. Each programme is assigned a risk level (low, medium or high), which is reassessed in each annual review. Until recently, however, there were no additional mandatory management processes for high-risk programmes. Furthermore, we have heard from DFID staff that they are often uncertain of senior management support, in the event that high-risk programmes fail.

2.93 Annual reviews analyse two types of risks: output risk (risks to the achievement of each individual output); and programme risk (a combination of output and outcome risks). Neither category is clearly defined in the guidance.[55] The annual reviews that we looked at gave most attention to fiduciary risk and did not test whether the original risks in the business case still applied. Overall, the risk analysis is weak on testing the risks and assumptions linking outputs to outcomes and outcomes to impact (this is not explicitly required by the guidance). As a result, the risk assessment is of limited use in adjusting theories of change so as to maximise impact.

2.94 In short, DFID's risk management approach remains unclear and many of the above processes appear to be undertaken purely as a formal requirement. Given the extent of DFID's engagement in fragile states, this is a key weakness to address. We are informed that DFID is now working to develop more risk-based management processes. As part of that improvement, DFID needs to develop ways of balancing risk across each of its country portfolios. We commend DFID for being willing to take risks. A balanced risk profile is a key element in achieving impact, especially in difficult environments. Where it decides to take on high-risk, high-return programmes, DFID should make the rationale for doing so explicit from the outset. This would help to reassure staff that they have the authorisation from management to take difficult decisions. DFID also needs active management processes that are appropriate to high-risk programmes, including short learning cycles and greater flexibility in delivery.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67577/how-to-operational-plan.pdf.

[55] *How to note: Reviewing and Scoring Projects*, DFID, November 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67344/HTN-Reviewing-Scoring-Projects.pdf.

3 The results agenda and sustainable impact

3.1 In this section, we examine how well DFID's results management processes perform against some of the principles that have emerged from our reviews as critical for maximising impact. In our experience, the most impactful programmes are those that:

- invest in long-term impact, both in the development of policies and institutions and in direct impact for intended beneficiaries;
- set realistic objectives for the country context;
- have flexible delivery arrangements with the capacity to learn quickly;
- complement and reinforce other programmes and interventions;
- engage actively with the intended beneficiaries; and
- take a strategic approach to influencing others.

Invest in long-term impact rather than short-term results

Good programming puts in place the building blocks for lasting impact

3.2 To achieve lasting impact at scale, development programmes need to put in place the building blocks for long-term, sustainable impact. This usually includes influencing policies and building institutions and organisational capacity, as well as delivering direct impact for the poor. Getting the balance right among these different dimensions emerges as a critical factor for sustainable impact.

3.3 When working towards long-term, transformational impact, it may be necessary to think in terms of cumulative results across several phases of programming. When complex changes to policies and institutions are required, the initial programme may serve primarily to put in place the building blocks needed in order to achieve transformative impact in subsequent programmes.

3.4 This seems to be a clear lesson from DFID's education programming in Pakistan. DFID has supported the provincial education system in Punjab since 2009. It has a sophisticated package of support, combining financial aid with technical assistance, analytical work, challenge funds on research and innovation, support for political and media campaigns, citizen feedback mechanisms and a structured process of engagement with senior politicians.[56] A great deal of effort has gone into influencing provincial government policies and priorities and building the political commitment necessary to sustain complex reform. The programme has also helped to put in place the institutions required to use public funding more effectively and efficiently.

3.5 As a result of this support, the Punjab government now has a much better understanding of the institutions it needs to address its education challenges. For example, with DFID support, the province is introducing merit-based recruitment of teachers and continuous professional training for teachers, eliminating 'ghost' teachers from the payroll, giving schools more autonomy over their operating budgets, strengthening school committees, developing a standard testing system under an independent examination board and introducing stipends for girls from poor households. These are challenging reforms to implement. Even in the best case, it is likely to be several more years before they start to deliver measurable improvements in education outcomes.

3.6 DFID tried to accelerate this trajectory in Khyber Pakhtunkhwa, a Pakistani province with weaker institutions, less conducive politics and serious security challenges. It designed an overambitious education programme of more than £200 million. Its disbursement of funds was then substantially delayed, while it worked with the authorities to get consensus on core policies and a strategy for institutional reform. The lesson seems to be that, when making a major commitment like this, DFID needs to identify what building blocks are required, in order to scale up its assistance and achieve eventual, transformative impact. In difficult environments, the first generation of programming may need to be quite modest in its objectives, creating platforms for engagement and delivery channels that enable more substantial assistance in the future.

[56] *Evaluation of DFID's Bilateral Aid to Pakistan*, ICAI, October 2012, paragraphs 2.18-22, http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Pakistan-Report_P11.pdf.

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3.7 When focussing on high-level policies and institutions, however, DFID programmes should maintain a clear 'line of sight' to the intended beneficiaries. The interests of the poor must be the starting point at all phases of programming. DFID should have a clear view of how policy and institutional change will affect the poor and whether mitigating measures need to be put in place. It should actively engage with the poor, directly and through intermediaries, using structured dialogue processes, to make sure the poor are able to express their own needs and interests. Neither DFID nor the government officials it works with should presume to know the best interests of the poor, without robust consultation.

DFID struggles to achieve long-term impact with short-term results management processes

3.8 While DFID sometimes takes this long-term, building block approach, its results management tools do not necessarily encourage or facilitate it. In particular, short time horizons for delivering results may work against the delivery of long-term impact.

3.9 We have consistently found that some of the most effective DFID programmes are those where a consistent set of objectives and approaches is sustained over multiple phases. Figure 13 summarises some of the more impressive examples we have seen of the impact of long-term programming. Yet long-term programmes are the exception for DFID. The average length of a DFID programme is three years and 90% of programmes are less than five years in length.[57] While many programmes go on to second or subsequent phases, DFID's results management tools focus only on the current programme cycle. They are not suited for managing impact over several phases of programming.

Figure 13: Achieving sustained impact through long-term programming

The **Odisha Rural Livelihoods Programme** in India is one of the few to be rated an overall 'Green' by ICAI. It resulted in significant reductions in poverty in four of the poorest districts in Odisha. A key element in its success was that it was planned and delivered over a ten-year time scale, giving enough time for successful pilots to be taken to scale and for the results to bed down and become sustainable. We found that, with an even longer timescale, the programme might have done even more – in particular, by moving from raising productivity among the rural poor to linking farmers to markets. Of course, simply keeping the programme open for a long time is not sufficient; it requires consistent DFID engagement throughout the process and a willingness to adjust to changing circumstances and lessons learned.[58]

The Productive Safety Nets Programme (PSNP) in Ethiopia is a social safety net programme that started as a pilot in 2005 and now supports six to eight million chronically food insecure people in the poorest parts of the country. Able-bodied recipients provide labour for community projects, in return for cash or food. They are also enrolled into a household asset-building programme, which helps them to graduate from their safety net. The most vulnerable recipients, such as the elderly and disabled, receive unconditional support. The programme has had a significant impact on food security and had helped several million people to graduate from regular transfers,[59] although we heard some concerns as to the speed of graduation. The programme continues to expand to new regions and shows the potential of a long-term strategy for addressing extreme poverty.

3.10 Figure 14 on page 29 provides a hypothetical example of an education programme, where the project outcome (girls successfully completing primary school) is intended to improve the life chances of marginalised girls. By the nature of the processes involved, this is a 15-20 year trajectory, as girls enter school, graduate and move into adulthood. Achievement of the impact depends not just on education but other factors, such as the

[57] DFID data, excluding humanitarian projects, multilateral aid, administrative projects and all projects under three months (which tend to be research rather than implementation). Longer programmes generally work at a bigger scale and, as such, are generally more resource-intensive. 60% of DFID's budget is spent on programmes of five years or fewer and 20% is spent on programmes of three years or fewer.

[58] *DFID's Livelihoods Work in Western Odisha*, ICAI, February 2013, pages 20-21, http://icai.independent.gov.uk/wp-content/uploads/2013/02/ICAI-Report-DFIDs-Livelihoods-Work-in-Western-Odisha2.pdf.

[59] Hoddinot, John *et al*, *The Impact of Ethiopia's Productive Safety Net Programme and Related Transfers on Agricultural Productivity*, Journal of African Economies, Volume 21, Number 5, pages 761 to 786, September 2012, http://www.researchgate.net/profile/Neha_Kumar4/publication/234025298_The_Impact_of_Ethiopia%27s_Productive_Safety_Net_Programme_and_Related_Transfers_on_Agricultural_Productivity/links/0912f50e5a336af708000000.pdf.

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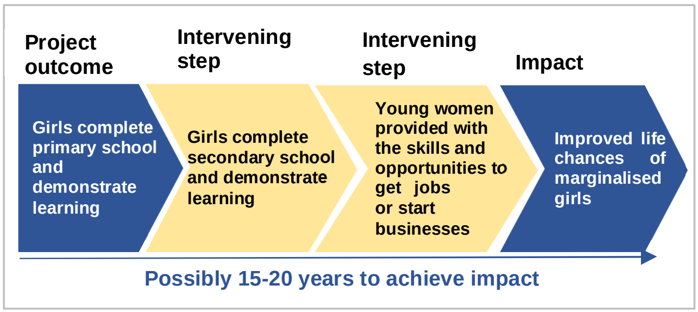
prevalence of adolescent pregnancy and underage marriage and the existence of income-earning opportunities. While a single programme cannot address all these conditions, it should be aware of and dovetail with other interventions and help promote the required policies and capacities. The programme design should anticipate what follow-up measures might be needed and help to prepare for them. At present, however, DFID business cases are largely silent on linkages and longer-term processes, leaving a 'missing middle' between programme activities and their intended impact.

Figure 14: Hypothetical case of the steps from outcome to impact



3.11 We see a risk that DFID's drive for short-term, clearly attributable results distracts staff attention from long-term impact. We saw this in a number of reviews:

- in our private sector development review, we noted that the DRF increases pressure on country offices to set targets that can be attained within a relatively short-term timeframe, leading to a preference for 'quick wins' over systemic change;[60]
- in our review of security and justice programming, we heard that implementing partners feel under pressure to deliver 'reach' (wide geographical coverage and large beneficiary numbers) over depth (more intensive interventions with the potential to achieve transformative change);[61] and
- in our review of DFID's empowerment and accountability programming, we heard that contractors feel under pressure to meet ambitious spending targets, causing them to push ahead with large-scale grant making before the necessary systems are in place for delivering real impact.[62]

3.12 In our review *How DFID works with Multilateral Agencies to achieve impact*, we noted a similar tension between DFID's demand for short-term results and the multilateral agencies' mandate to work on long-term global challenges.[63] The danger is that this detracts from their strategic impact.

3.13 This problem is not inherent in the results agenda. There is no reason why the results management tools used by DFID cannot be employed in the pursuit of transformative or sustainable impact. Rather, the problem is one of how priorities are communicated within DFID and with external partners. If DFID staff and implementers feel under pressure to contribute to ambitious corporate targets expressed in simple quantitative terms, then the incentives generated may work against long-term impact.

Staff turnover is a further challenge for achieving long-term impact

3.14 High levels of staff turnover and poor handover processes in DFID country offices can work against a focus on long-term impact. Advisers moving on to new roles have no ongoing responsibility for their previous work. New advisers arriving in post often feel the need to make their personal mark on programmes by revamping the design. Changes to programme activities and logframes are often poorly documented and difficult to reconstruct from DFID's document management system. This lack of continuity can be disruptive to programme implementation and work against long-term impact. While we recognise that staff turnover is inevitable, it is essential that DFID

[60] *DFID's Private Sector Development Work*, ICAI, May 2014, paragraph 2.113, http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf.

[61] *Review of UK Development Assistance for Security and Justice*, ICAI, March 2015, paragraphs 3.16-21, http://icai.independent.gov.uk/wp-content/uploads/2015/03/ICAI-Report-UK-Development-Assistance-for-Security-and-Justice..pdf.

[62] *DFID's Empowerment and Accountability Programming in Ghana and Malawi*, ICAI, October 2013, paragraph 2.57, http://icai.independent.gov.uk/wp-content/uploads/2013/12/Empowerment-and-Accountability-081013-FINAL.pdf.

[63] *How DFID works with Multilateral Agencies to achieve impact*, ICAI, June 2015, http://icai.independent.gov.uk/reports/how-dfid-works-with-multilateral-agencies-to-achieve-impact/.

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put in place procedures and incentives that reduce the loss in continuity.

3.15 The IDC noted that DFID staff in fragile states often remain in post for only 18 months to two years and suggested this be extended (DFID rejected the suggestion, for operational reasons).[64] This can result in loss of institutional memory, relationships with partners and understanding of the local context and programme history.[65] In our report on anti-corruption, we noted that greater stability of staffing among DFID's implementing partners can compensate somewhat, by bringing experience and knowledge of the local context. It was not apparent, however, that the learning and understanding of private sector contractors were effectively utilised by DFID.[66]

3.16 We are concerned that high staff turnover and DFID's institutional culture favour novelty in design over continuity in implementation. The introduction of Senior Responsible Owners (SROs) under DFID's new *Smart Rules* is, in part, an attempt to address this problem by creating clearer lines of accountability. As we noted in our *Rapid Review of DFID's Smart Rules*, however, the problem is not entirely resolved, as SROs themselves are subject to turnover.[67]

3.17 DFID needs to give more attention to this challenge. It should keep a better record of changes to programmes – for example, through a running narrative document that captures the original rationale for the programme and what has changed over time. It should also consider bringing together all those responsible for a programme over its lifetime for periodic virtual meetings, to review objectives and results. There should be much stronger handover protocols as well, and systems which flag when circumstances have made this difficult so that the risks of discontinuity can be actively managed. This would help to ensure that the original goals are not lost. It would also create a sense of collective accountability for results over the whole life of the programme, counteracting the incentives for novelty.

Setting realistic, context-relevant goals

DFID is yet to adjust its level of ambition to the fragile states context

3.18 In recent years, DFID has become a specialist agency for fragile states. Three quarters of its priority countries – 21 out of 28 – are affected by conflict or political instability. We are concerned that DFID does not always calibrate its objectives appropriately for the fragile states context. We have seen examples of goals and programme structures that are clearly too complex to be feasible in the environment.

3.19 In our review *DFID's Bilateral Support to Growth and Livelihoods in Afghanistan*, for example, we found that the more ambitious, multi-faceted programmes were consistently less successful than those with more limited scope and more straightforward delivery arrangements. Given the intensely difficult environment, objectives such as promoting a 'vibrant' and 'licit' economy, to counter opium poppy production, were too broad-ranging, requiring multiple interventions with different actors.[68] The more complex the programme, the more vulnerable it is to external risk.

3.20 We sometimes find it difficult to follow the logic from DFID's political analysis, which is often sophisticated, to the design of its interventions. In our review *UK Development Assistance for Security and Justice*, for example, we found that DFID's programmes often overestimated the level of political willingness to support security sector reform. The security sector is basic to the survival

[64] *The Future of UK Development Co-operation: Phase 2 – Beyond Aid*, Tenth Report of Session 2014-15, International Development Committee, January 2015, paragraph 82, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/663/663.pdf.

[65] For example, see *DFID's Use of Contractors to Deliver Aid Programmes*, ICAI, May 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-REPORT-DFIDs-Use-of-Contractors-to-Deliver-Aid-Programmes.pdf and *How DFID Learns*, ICAI, April 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/04/How-DFID-Learns-FINAL.pdf. Also see *The Future of UK Development Cooperation: Phase 2 – Beyond Aid*, International Development Committee, January 2015. www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/663/663.pdf.

[66] *DFID's Approach to Anti-Corruption and its Impact on the Poor*, ICAI, October 2014, http://icai.independent.gov.uk/reports/dfids-approach-anti-corruption-impact-poor/.

[67] *Rapid Review of DFID's Smart Rules*, ICAI, December 2014, paragraph 2.14, http://icai.independent.gov.uk/wp-content/uploads/2014/12/ICAI-Smart-Rules-Report-FINAL.pdf.

[68] *DFID's Bilateral Support to Growth and Livelihoods in Afghanistan*, ICAI, March 2014, page 10, http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Report-DFID%E2%80%99s-Bilateral-Support-to-Growth-and-Livelihoods-in-Afghanistan.pdf.

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of political regimes in unstable contexts; a level of political resistance is, therefore, predictable. Yet many programmes were designed around an overoptimistic belief that political support could be built over time, resulting in high failure rates.[69] We had a similar concern about anti-corruption programming in Nigeria.[70]

3.21 In our report *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, we found that the Bilateral Aid Review was originally overambitious as to what could be achieved in fragile states. The resulting operational plans overestimated the pace at which programmes could be scaled up and the likelihood of large programme budgets translating directly into increased impact. The level of ambition was then reduced over time.[71]

3.22 The introduction of CPRDs has helpfully drawn attention to how the underlying political settlement constrains the potential for poverty reduction. It is relatively weak, however, on analysing the capacities of national government and the absorption capacity for external assistance. There is not enough long-term thinking on the path out of fragility, including how to build a more resilient state. Where the UK makes a major commitment to a fragile state, taking on challenging peacebuilding and state-building goals, it needs to plan its engagement over a 15-20 year timeframe. In fragile contexts, the path to impact will be incremental and punctuated by setbacks. This calls for patience and realism, with a balance of short- and long-term goals.

A flexible approach to delivery

DFID programming often lacks the flexibility to learn and adapt

3.23 One of the challenges of planning for long-term impact is dealing with uncertainty. Over two or more programme cycles, it is inevitable that the political context will change and that new priorities and challenges will emerge. While it is important to maintain a long-term set of goals, the pathway for achieving them may have to be continually adjusted. Development programmes are often most effective when they take a flexible, problem-solving approach to achieving their objectives.

3.24 Some of the programmes we have reviewed show that strong results management can be combined with flexible delivery. In Ethiopia, for example, we observed that the Private Enterprise Programme 2012-2019 built in rapid learning loops to ensure that monitoring information informed management decisions. One early intervention was cancelled because preliminary results data indicated that it was unlikely to work. An external impact evaluation is underway, which will conduct its final survey in 2024, five years after the end of the programme, in order to assess sustainability.[72] We were also pleased to note that UNICEF responded to concerns that we had raised about the sustainability of its sanitation programming in DRC, making some useful adjustments to its delivery model.[73]

3.25 We have, however, been consistently concerned that DFID's programme designs and delivery arrangements are not sufficiently flexible to support real-time adjustment. Implementers are often locked into contractual arrangements with ambitious spending targets and timetables for delivering their outputs. While it is usually possible to change outputs, the dominant pressures on both DFID staff and implementers are to press ahead

[69] *Review of UK Development Assistance for Security and Justice*, ICAI, March 2015, page 14, http://icai.independent.gov.uk/wp-content/uploads/2015/03/ICAI-Report-UK-Development-Assistance-for-Security-and-Justice..pdf.

[70] *DFID's Approach to Anti-Corruption and its Impact on the Poor*, ICAI, October 2015, paragraphs 6.17-6.21, http://icai.independent.gov.uk/wp-content/uploads/2014/10/DFIDs-Approach-to-Anti-Corruption-and-its-Impact-on-the-Poor-FINAL.pdf.

[71] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, February 2015, paragraphs 2.2-2.8, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf.

[72] *Private Enterprise Programme Ethiopia (PEPE): Revised Inception Report*, GRM International and others, June 2014. For project design documents, see http://devtracker.dfid.gov.uk/projects/GB-1-202596/documents/.

[73] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, February 2015, paragraph 3.10, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf.

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with delivery, even in the face of changed circumstances.

3.26 Flexibility in turn calls for close monitoring, to allow problems or lessons learned to be identified early and used to inform regular adjustment to the programme. In principle, annual reviews provide the opportunity to test whether the assumptions in the logframe and theory of change continue to hold true. In practice, annual reviews give much more attention to the delivery of outputs than to testing the theory of change set out in the business case. While we have seen examples of theories of change being used as active management tools (for example, in the State Accountability and Voice Initiative in Nigeria[74]), this remains the exception. This problem is exacerbated by high turnover of DFID staff, which can result in limited ownership of the original design.

3.27 Ensuring flexibility is not the same, however, as designing ill-defined umbrella programmes with objectives that are too broad to support good results management. For example, the Supporting Peace in DRC programme was designed as a flexible instrument for supporting a wide range of activities. DFID's own Quality Assurance Unit queried the breadth of its portfolio and how decisions would be made as to which activities to scale up and which to stop.[75] In Afghanistan, we criticised the use of umbrella programmes without a clear internal logic.[76]

Ensure coherent portfolios

3.28 Just as it is rare for a single programme to generate the desired impact with a three to five-year timeframe, it is also rare for programmes to deliver impact in isolation from other interventions. The development results that DFID aims for are usually complex and need to be addressed through multiple, reinforcing interventions. Sometimes, DFID itself will design a suite of linked programmes to deliver complex results. On other occasions, it will also work alongside other development partners and government initiatives. Coherence and synergy have therefore emerged from our review as key drivers of development impact.

DFID struggles to build coherent portfolios at country and sector level

3.29 In our thematic reviews of DFID programming in specific countries, sectors or thematic areas, we have examined DFID's capacity to plan for and deliver a coherent and strategic portfolio of mutually reinforcing programmes. On occasions, DFID does this well. Our nutrition review found that DFID's 2010-12 portfolio of 114 nutrition programmes was well balanced, at both global and country levels (see Figure 15 on page 33).[77] We were also impressed with the way DFID's governance programmes in Nigeria combined supply-side interventions (that is, building government capacity) with demand-side interventions (working with communities and civil society to increase the pressure on government to perform), at both national and state levels.[78]

[74] *DFID's Approach to Anti-Corruption and its Impact on the* Poor, ICAI, October 2014, paragraphs 4.28-30, http://icai.independent.gov.uk/wp-content/uploads/2014/10/DFIDs-Approach-to-Anti-Corruption-and-its-Impact-on-the-Poor-FINAL.pdf.

[75] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States,* ICAI, February 2015, paragraph 2.11, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf.

[76] *DFID's Bilateral Support to Growth and Livelihoods in Afghanistan*, ICAI, March 2014, paragraphs 2.33-36, http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Report-DFID%E2%80%99s-Bilateral-Support-to-Growth-and-Livelihoods-in-Afghanistan.pdf.

[77] *DFID's Contribution to Improving Nutrition*, ICAI, July 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/07/ICAI-REPORT-DFIDs-Contribution-to-Improving-Nutrition.pdf.

[78] *DFID's Approach to Anti-Corruption and its Impact on the Poor*, ICAI, October 2014, paragraphs 3.10-14, http://icai.independent.gov.uk/wp-content/uploads/2014/10/DFIDs-Approach-to-Anti-Corruption-and-its-Impact-on-the-Poor-FINAL.pdf.

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Figure 15: Nutrition – a well-balanced and well-co-ordinated portfolio

Our review *DFID's Contribution to Improving Nutrition* found that DFID's nutrition portfolio was coherent and well thought through at multiple levels:

- at the global level, DFID co-ordinated well with the United Nations, the European Union and other donors;
- at regional or national level, DFID's work supported the national or regional governments in countries such as Zambia and India, which have national nutrition strategies. DFID's work was also well co-ordinated with other donors; and
- at the programme level, DFID has conducted 'nutrition audits' helping it to identify opportunities for promoting improved nutrition across its programmes in countries with high levels of under-nutrition, such as Malawi and Zambia.

3.30 Overall, however, DFID recognises that it needs to do better at portfolio coherence. There is a widespread recognition that an unintended consequence of DFID's results agenda has been to encourage programmes to work in silos. For example, in our review of empowerment and accountability programming, we noted that the programmes were often poorly integrated with sector programming. Our review of DFID's private sector work found that, while many individual interventions were worthwhile, DFID country offices often failed to integrate them into coherent and balanced portfolios. In a complex area like private sector development, sustainable impact requires joined-up initiatives at the micro- (such as microfinance), mid- (for example, making markets work for the poor) and macro levels (for example, regulatory reform). We were concerned that, in many instances, little thought seemed to be given to how these interventions should work together and the implications for their management.[79]

3.31 One reason for the lack of portfolio coherence is that DFID's results management system is designed for individual programmes. It is much less effective in managing the delivery of shared results across portfolios of linked interventions.

3.32 We have also seen instances where a single programme is capable of delivering results across multiple sectors or areas. Where results are defined in narrow terms or based on predefined sector silos, these wider benefits are not given sufficient attention. For example, in our review of the Productive Safety Nets Programme in Ethiopia (see Figure 13 on page 28), we saw how a programme designed primarily to address food insecurity had also helped communities to build their assets (for example, schools, health centres and irrigation works) and empowered them through participatory decision-making processes (such as on choice of beneficiaries and local development initiatives). We heard that this, in turn, had helped to empower women and make them less vulnerable to violence. Many women told us about the way in which one line of programming had led to other benefits. One of these women informed us:

> 'Since the start of the programme, I have become a strong woman. I can resolve my own problems. I am illiterate but my children are educated. Before the programme, no women could make decisions about cash or land, it was all decided by men. Before I had no information. Now I am a decision maker. Now I am educating my girls. Before, women just had to produce children and do farming. Now I know that I and my girls will not put up with violence. Now I'm not afraid even if the programming stops.'

3.33 The programme's results management processes were not designed to capture these wider benefits, missing the richness of the beneficiary experience. This illustrates that development problems and their solutions may well lie in different spheres – to the intended beneficiaries, life is not organised into sectors or programmes. If this is overlooked, there is a risk that programmes are not being managed so as to deliver the breadth of potential results.

3.34 The CPRD proved to be a useful exercise for encouraging multi-disciplinary working within country teams. At the analytical level, it highlighted the cross-sectoral nature of poverty reduction and challenged individual teams to locate their interventions within a wider story. In the next

[79] *DFID's Private Sector Development Work*, ICAI, May 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/05/ICAI-PSD-report-FINAL.pdf.

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resource allocation round, DFID could do more to build this interdisciplinary focus into its results management systems. At present, while there is certainly communication between sector teams in DFID offices, they could do much more to understand how the results of their programmes interact and to manage them in such a way as to maximise their positive interaction.

Greater coherence is needed between centrally-managed and country programmes

3.35 DFID faces a particular challenge in ensuring coherence between its centrally-managed and country programmes. Some centrally-managed programmes include relatively small funding for research and innovation. Others are large-scale delivery programmes, designed to meet UK international commitments (such as the International Climate Fund) or to scale up key results (for example, the Girls' Education Challenge).

3.36 Some central programmes are well integrated with the work of country offices. For example, the Global Fund to fight AIDS, Tuberculosis and Malaria and the global Vaccines Alliance (Gavi) both provide opportunities for country offices to interact and influence their activities. In our review of child mortality programming in Kenya, we found that DFID was active and effective in national co-ordination mechanisms for Gavi and the Global Fund.[80] Similarly, the International Growth Centre, a centrally-managed research and analysis programme based at the London School of Economics, supports DFID country offices in Pakistan and Ethiopia with good quality advice.

3.37 In many instances, however, country offices are not fully aware of what centrally-managed programmes are doing in their countries. In Kenya, for example, we found that key staff in the country office seemed unaware of the Kenya activities of DFID's centrally-managed agricultural research programmes.[81] Our review of DFID's scaling-up in fragile states found a lack of mechanisms to inform country office teams about central programme plans and activities. In Somalia, the Girls' Education Challenge decided to invest substantial resources in the country, even though DFID Somalia had decided to exit the education sector. DFID Somalia no longer had an education adviser to support this work, making it difficult to monitor or build influence through the programme.[82]

3.38 In Rwanda, in its bilateral support for education, DFID was implementing 26 innovation projects in partnership with government, who will in due course select those that are appropriate for scaling up country-wide. Given that, we were surprised to find that a central programme, the Girls' Education Challenge, had commenced an additional innovation project in Rwanda, through a separate mechanism. We heard that the DFID country office was reluctant to commit resources to supporting the additional project. Overall, it was not clear to us how this one project, however, successful, might result in scale-up.

3.39 Our *Review of the UK's International Climate Fund* similarly found that it needed a more coherent approach to portfolio management. We noted many missed opportunities for synergy between interventions with complementary aims. Overall, the review found a need for stronger portfolio management at the country level, to ensure that bilateral initiatives managed by country offices work effectively with multilateral programmes managed from the centre.[83]

3.40 These findings are corroborated by the 2014 International Development Committee (IDC) report on recovery and development in Sierra Leone,[84]

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[80] *DFID's Contribution to the Reduction of Child Mortality in Kenya*, ICAI, March 2014, paragraphs 2.16-17, http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Child-Mortality-FINAL-120714.pdf.

[81] *DFID's Support to Agricultural Research*, ICAI, October 2013, paragraph 2.98, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-Agricultural-Research-report-FINAL.pdf.

[82] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, February 2015, paragraph 2.27, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf.

[83] *The UK's International Climate Fund*, ICAI, December 2014, paragraph 6.19, http://icai.independent.gov.uk/wp-content/uploads/2014/12/ICAI-Report-International-Climate-Fund.pdf.

[84] *Recovery and Development in Sierra Leone and Liberia*, Sixth Report, International Development Committee, September 2014. http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/247/24702.htm.

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which noted that the local DFID office did not know the size of DFID's overall financial contribution to the country. The Committee described it as 'shocking' that DFID's country offices are not consulted on the design and operation of centrally-managed programmes.

3.41 DFID has recently sought to improve co-ordination between country and centrally-managed programmes. A new protocol has been put in place to improve coherence.[85] Furthermore, CPRDs now contain discussion of how centrally-managed programmes contribute to country programme objectives. As part of its CPRD, DFID Pakistan carried out a stocktake of central programmes and prioritised a number for collaboration. DFID Ethiopia informed us that it can only provide in-country support to central DFID initiatives that plan to spend the equivalent of more than 1% of the country programme or are of high strategic importance in relation to the priorities of the Operational Plan. While these were pragmatic decisions, it still leaves unresolved the larger question of how DFID should use its central programming so as to complement, rather than duplicate, country programming.

Quality engagement with intended beneficiaries

DFID's strongest programmes involve intended beneficiaries in design, implementation and monitoring

3.42 There is a growing body of experience in DFID and around the world which shows that beneficiary participation in decision-making produces more effective and sustainable programmes.[86] It can create incentives for better accountability, increase beneficiary choice and control, improve project management, help deliver better results and prevent wastage and leakage through corruption. Our work has repeatedly shown that sustainable impact often depends on community ownership and strong community institutions.

3.43 Our reviews have highlighted good examples of involving intended beneficiaries in programme design. *DFID's Livelihoods Work in Western Odisha*[87] and *DFID's Health Programmes in Burma*[88] both received overall 'green' ratings. In each case, we found that active consultation with beneficiaries during design and implementation was a key factor in the success of the programme. We have seen how community engagement can strengthen programming in fragile states (Nepal, Burma, DRC, Sudan and the Horn of Africa), as well as in more stable countries (India, Ghana), and across a wide variety of sectors and thematic areas. We have consistently found that when programmes give the community a real role in design, implementation, monitoring and feedback, then the impact is likely to be greater and more sustainable.

3.44 We recognise that some programming is focussed on central institutions, with less direct engagement with beneficiaries. We believe that DFID should nonetheless maintain a clear line of sight to the poor people who are the intended beneficiaries of its programmes. It should always be clear and explicit about how its interventions will help poor people. Furthermore, it should give them a voice in choosing priorities and approaches. This helps to avoid the risk that high-level policy and institution development work focusses on the priorities of the government counterpart, rather than the poor. The importance of beneficiary consultation is not limited to community-facing programmes.

3.45 DFID's practice on beneficiary engagement is mixed but improving. In our review *How DFID Learns*, 5 of our 12 case studies revealed significant deficits in how DFID engages with intended beneficiaries.[89] In our review of DFID's work in fragile states, we found that beneficiary

[85] *Centrally managed programmes and country offices: making the most of synergy*, DFID, 2014.

[86] Most of the evidence currently available is from programme reviews and general evaluations. As yet, there are few rigorous impact evaluations. See *Voice, Empowerment and Accountability Topic Guide,* DFID Governance and Social Development Resource Centre, University of Birmingham, 2014, http://www.gsdrc.org/docs/open/GSDRC_VEA_topic_guide.pdf.

[87] *DFID's Livelihoods Work in Western Odisha*, ICAI, February 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-Report-DFIDs-Livelihoods-Work-in-Western-Odisha.pdf.

[88] *DFID's Health Programmes in Burma*, ICAI, July 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-Burma-Health-Report-FINAL.pdf.

[89] *How DFID Learns*, ICAI, April 2014, paragraphs 2.102-104, http://icai.independent.gov.uk/wp-content/uploads/2014/04/How-DFID-Learns-FINAL.pdf.

engagement was sometimes neglected.[90] While beneficiary engagement can be challenging in difficult environments, our own consultations suggested that intended beneficiaries offered strong and nuanced views that could have enhanced programme design. Our review of child mortality programming in Kenya also found that intended beneficiaries are not routinely consulted by DFID on their priorities when undertaking programme design.[91] See Figure 16 for a beneficiary view on the importance of consultation.

Figure 16: Beneficiary view on the importance of listening

'Sometimes leaders ignore our specific needs and vulnerabilities as women, particularly as heads of households. We face many challenges due to socio-cultural barriers; we have different physical labour capacities; we get tired the whole day, because we are always engaged in domestic chores; we have care responsibilities; look after our children and the whole family since the early morning (5 am); and most of the time we are required to do the same work as men in the public works. We heard the programme instruction manual considers our burden; but in practice this is not being implemented.'

Female participant in beneficiary survey, Ethiopia

3.46 We particularly emphasise the importance of consulting intended beneficiaries and frontline workers in annual reviews and evaluations in order to explore issues of targeting, inclusion and exclusion. In our programme reviews, we have found that they have rich insights to offer on whether the programme is reaching the right individuals. Consultation also helps to build legitimacy. In Rwanda, we met with community members who did not understand how the selection of beneficiaries for the (very effective) social protection programme had been done and were uncertain of or lacked confidence in the available redress mechanisms. In a post-conflict context, it is important that programmes not only reach the right beneficiaries but are also seen to do so. DFID has told us that the Government of Rwanda and donors are working to address this issue.

3.47 Front-line workers, such as community health workers, can also be valuable sources of information on how well programmes are addressing the needs of intended beneficiaries. They offer knowledge of beneficiary needs and preferences and how best to deliver impact in the local context. They are often well placed to assess the gaps in development programmes and whether they are achieving meaningful results. For example, our consultations with agricultural extension workers, teachers and health workers in Ethiopia revealed that some had received no training in as long as nine years, while one health worker told us of having to deliver babies at night by the light of her mobile telephone. Some DFID programmes actively engage front-line workers in monitoring, as we saw in the Madhya Pradesh Health and Nutrition programme, but this is generally not the case. DFID should involve front-line workers at all stages of the project cycle, to ensure that the needs of intended beneficiaries are appropriately addressed.

DFID's beneficiary consultation should focus on sustainable impact and not just DFID's programming needs

3.48 DFID has recognised the value of consulting with intended beneficiaries during annual reviews and programming monitoring and has issued a guidance note on the subject.[92] It has also established a beneficiary feedback team to promote innovation.

3.49 There is a risk, however, that DFID's engagement with intended beneficiaries focusses more on supporting DFID's own programme management needs, than on promoting sustainable impact. Figure 17 on page 37 sets out a basic typology of engagement, from simple consultations through to collaboration on programme delivery through to building lasting community institutions. Where DFID prioritises its own project management

[90] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, February 2015, paragraph 2.17, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFID%E2%80%99s-Support-to-Fragile-States.pdf.

[91] *DFID's Contribution to the Reduction of Child Mortality in Kenya*, ICAI, March 2014. http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Child-Mortality-FINAL-120714.pdf.

[92] *How to note: Beneficiary participation in monitoring*, DFID, 2012. The pilot projects will report in early 2016.

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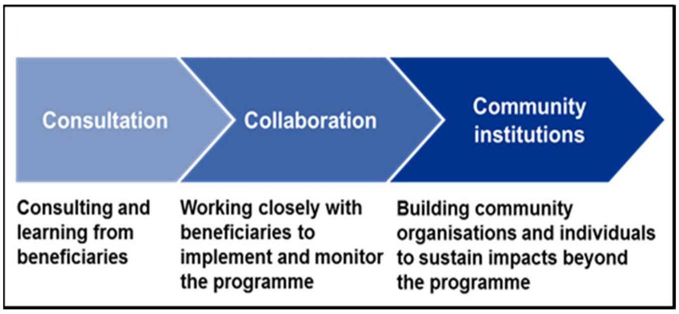
needs, engagement may remain at the level of consultation or limited collaboration, rather than building sustainable community structures. This could be a missed opportunity to deliver benefits beyond the direct scope and lifespan of the programme.

Figure 17: Typology of engagement with intended beneficiaries



3.50 DFID has increased its investment in social accountability over public services – that is, helping to organise communities to monitor the quality of local services and lobby for improvement. As we argued in our empowerment and accountability review, these initiatives appear to be most successful where community empowerment is linked to reforms to government service delivery, so as to create lasting, constructive engagement between service providers and communities. For that reason, we were concerned that many of DFID's empowerment and accountability programmes were not sufficiently integrated with its service delivery programmes.[93]

3.51 The Productive Safety Nets Programme (PSNP) in Ethiopia[94] has invested considerable effort in involving intended beneficiaries in all stages of the programme, resulting in increased empowerment and accountability. We were impressed at the extent to which communities expressed a sense of ownership for the programme. There were risks, however, in the speed at which individual beneficiaries were being 'graduated' from the programme, without the same consultative process. This had resulted in a loss of transparency and community confidence in the process by which beneficiaries are identified for 'graduation'.

3.52 We are concerned that DFID programmes sometimes set out to create community groups or consultation mechanisms that duplicate and compete with existing community institutions. This appeared to the case for the Promoting Basic Services (PBS) programme in Ethiopia, which was setting up Social Accountability Committees that, while doing good work, overlapped other community structures with similar functions, such as development committees, women's committees and parent teacher committees. The proliferation of structures and lines of accountability risks undermining impact and causing citizens to disengage. The next challenge for DFID's social accountability work is to find ways to build on existing community structures or, if absent, to build community participation mechanisms that are properly integrated into the local context and wider governance systems, so as to be sustainable.

Influencing others

DFID's substantial policy influence is not captured by its results management tools

3.53 Influencing policies, attitudes and priorities is a key dimension of long-term impact. It is an area of traditional strength for DFID. In many of our reviews, we have noted the high regard in which DFID is held by partner organisations and the extent of its leadership and influence over development policy, at both national and international levels.

3.54 On nutrition, for example, DFID has worked closely with the UN and other donors since 2009 to set the global agenda on undernutrition. It strongly supported the Scaling-up Nutrition movement (SUN), initiated by the UN Secretary General. It secured high-level political support from the Prime Minister and used the 2012 London Olympics and the 2013 UK G8 Summit as platforms to encourage increased political and financial commitment from donors, partner governments and the private sector. It is now working with the governments of

[93] *DFID's Empowerment and Accountability Programming in Ghana and Malawi*, ICAI, October 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/Empowerment-and-Accountability-081013-FINAL.pdf.
[94] *Ethiopia Productive Safety Net Programme II (PSNP), Annual Review*, DFID, 2014, http://devtracker.dfid.gov.uk/projects/GB-1-200762/documents/.

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Brazil and Japan to ensure that nutrition is a focus in the 2016 and 2020 Olympics.

3.55 DFID is also active in many other global arenas, from promoting joint commitments on ending violence against women in conflict to defining the post-2015 international development agenda. In our review of DFID's support to fragile states, however, we noted that DFID appeared ambivalent about its engagement with the New Deal principles and was not actively leading the process in its priority countries.[95]

3.56 In our review *How DFID works with Multilateral Agencies to achieve impact*, we heard that, in recent years, DFID has chosen to focus its advocacy and influence on supporting its drive for short-term, measurable results. While this has helped to drive stronger results management processes among its partners, it has come at the expense of thought leadership on long-term development impact. DFID does, however, still exercise considerable influence on multilateral partners at the country level, including through its trust fund contributions.[96]

3.57 In our review of DFID's budget support, we found that DFID was very influential on the design of budget support operations, which provided an important platform for policy dialogue with national governments.[97] It did not, however, always use the platform for dialogue in the most strategic way. We recommended a more deliberate strategy for policy influence, focussed on a limited number of key development priorities. DFID has now significantly reduced the number of countries to which it provides general budget support. We saw how effective sectoral budget support and targeted financial aid can be in Ethiopia and Rwanda but we also heard in both Uganda and Rwanda that reduction in general budget support has come at the cost of reduced access to central policy makers on broader development issues.

3.58 DFID therefore needs to come up with alternative approaches to national policy influence. In Pakistan, we saw DFID working effectively with the FCO to build and maintain political support for its priority programmes. It helped to influence an International Monetary Fund programme and contributed to greater willingness on the part of national politicians to tackle unpopular structural reforms. As well as dialogue with senior political leaders, its advocacy strategy included media campaigns and engagement with opposition parties and parliamentarians. It was using data creatively as a tool of influence – for example, by providing parliamentarians with data on the relative performance of their local schools.

3.59 While DFID at its best is very good at policy influence, it does not always approach the challenge with the same energy and creativity. In some countries, it would benefit from more explicit influencing strategies. We note that DFID's influence on policy is not captured by any of its results management tools. Given its importance to the achievement of development impact, this is a notable gap.

DFID needs to build its influence within the UK Government, to promote policy coherence for development

3.60 The recent IDC report on the future of UK development co-operation considered how well DFID works with other UK government partners to promote 'policy coherence for development'.[98] It defined this as the integration of different aspects of international development with wider UK policy.

3.61 The IDC heard evidence of areas where the UK was strong, including cross-government campaigns on ending female genital mutilation, early child marriage and violence against women in conflict and aspects of trade. It also heard examples of weaknesses on issues such as global finance, tax, trade, human rights, drugs, oceans,

[95] The 2011 New Deal, endorsed by the UK Government and over 40 other countries and international organisations, proposes key peacebuilding and state-building goals, focusses on new ways of engaging and identifies commitments to build mutual trust and achieve better results in fragile states, setting out a framework to incentivise partner governments to improve systems and accountability. See http://www.newdeal4peace.org/.

[96] *How DFID works with Multilateral Agencies to achieve impact*, ICAI, June 2015, http://icai.independent.gov.uk/reports/how-dfid-works-with-multilateral-agencies-to-achieve-impact/.

[97] *Management of UK Budget Support Operations*, ICAI, May 2012, http://icai.independent.gov.uk/wp-content/uploads/2012/05/ICAI-Budget-Support-Final-Report-32.pdf.

[98] *The Future of UK Development Co-operation: Phase 2 – Beyond Aid,* Tenth Report of Session 2014-15, International Development Committee, 2014, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/663/663.pdf.

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arms, corruption and private sector development. There were also examples offered by international NGOs of UK positions on global taxation and on international trade policy that work against the interests of developing countries. The IDC concluded that, while the UK's record is at the high end of international performance, it is 'patchy' in many areas and needs to improve.

3.62 The IDC's reservations were echoed recently by *The Lancet* in a recent editorial.[99] While DFID was praised for being a leader in its commitment to global health, the article noted the lack of a coherent, cross-government strategy on the subject. While there are some elements of an integrated approach, in areas such as antimicrobial resistance and women's and children's health, DFID has missed the opportunity to advocate for universal health coverage globally.

3.63 In our security and justice review, we found that cross-government collaboration is under-developed. While there are some good examples of practical co-operation, such as DFID's work with the Metropolitan Police on tackling money laundering from developing countries, there is no overarching policy dialogue on how to tackle global public threats in the security and justice arena, such as terrorism, radicalisation, money-laundering and organised crime.[100] DFID is not well equipped to use other government departments' expertise in its programmes.

3.64 The Conflict Pool, a funding mechanism for conflict prevention activities managed jointly by the FCO, DFID and the Ministry of Defence, was established to combine the skills of the three departments in defence, diplomacy and development into a coherent and multidisciplinary approach to conflict prevention. Our review found that this was only partially achieved. We found that decision-making across the three departments was slow and painstaking and tended to focus on the immediate challenges of administering the Conflict Pool, rather than on larger strategic issues.[101]

3.65 The Conflict Pool has now been succeeded by the Conflict, Stability and Security Fund (CSSF), which is specifically designed to drive greater cross-government coherence in responding to conflict issues in UK priority countries. The instrument will be under the authority of the National Security Council and programming will support implementation of cross-government strategies. It remains to be seen whether this helps to promote coherence between development and other objectives or subordinates international development to other policy agendas.

[99] *The UK general election: a manifesto for health*, The Lancet, Volume 385, March 2015, page 829, http://www.thelancet.com/pdfs/journals/lancet/PIIS0140-6736%2815%2960467-6.pdf.

[100] *Review of UK Development Assistance for Security and Justice*, ICAI, March 2015, http://icai.independent.gov.uk/wp-content/uploads/2015/03/ICAI-Report-UK-Development-Assistance-for-Security-and-Justice..pdf.

[101] *Evaluation of the Inter-Departmental Conflict Pool*, ICAI, July 2012, http://icai.independent.gov.uk/wp-content/uploads/2012/07/Evaluation-of-the-Inter-Departmental-Conflict-Pool-ICAI-Report1.pdf.

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4.1 Maximising the results of UK aid has been a major concern of DFID's in recent years. Given the rapid scaling up of aid over this period, it has been a natural and appropriate focus. It has led to the sharpening up of many of DFID's core business processes, in a constant search for new ways of maximising the return on every pound of the aid budget.

4.2 What has become clear from this analysis of DFID's results agenda is that there are trade-offs inherent in any system for results management. The way DFID frames its results agenda and the tools and processes that support it have a major effect on incentives and priorities across the department. They also influence implementing partners, multilateral agencies and partner countries.

4.3 The results agenda has certainly pushed DFID and its partners to focus more consistently and rigorously on the delivery of results. The organisation now has tighter accountability throughout its business processes. For the first time, it has a mechanism for allocating its budget according to a desired set of global results.

4.4 This emphasis on aggregate results, however, has not been without cost. It has resulted in priority being given to the kinds of result that can be measured and delivered within short programming cycles. It has focussed attention at the lower end of the results chain – on spending, activities and outputs – at the expense of long-term and sustainable impact. DFID points out that the DRF represents only a subset of its impact. While this is undoubtedly true, the DRF sends a signal to DFID staff and partners as to what DFID's priorities are. It also means that the long-term, painstaking efforts required to deliver sustainable results do not always receive the recognition they deserve.

4.5 This is not to say that DFID and its staff are not genuinely focussed on achieving real impact for poor people. DFID remains a highly committed organisation with a strong sense of mission. We suspect, however, that DFID staff increasingly achieve impact in spite of the tools and processes established to manage results, rather than because of them.

4.6 It concerns us that DFID's approach to impact has largely been folded into the notion of VFM. VFM is without question a powerful idea. To be able to compare the return on investment across different development interventions would give DFID an objective basis on which to select the most productive investments in reducing global poverty. In reality, however, VFM assessment methods have not lived up to that promise. It has proved very difficult to come up with standard measures of development results that work across different contexts and programmes. Even moving from the quantity of education (enrolment figures) to its quality (learning outcomes) poses measurement challenges that are yet to be fully resolved.

4.7 As a result, DFID finds itself writing rather inadequate VFM calculations into its business cases, without any real conviction that this helps to improve its programming choices. VFM also leads to pressure on partners to compress the cost of inputs and to deliver simple interventions that can be quickly scaled up, whether or not this is the best way to maximise impact. Whilst the concept of VFM remains important, we believe that it needs to be reoriented towards a more strategic approach, in which sustainable impact is the central consideration.

DFID's tools and processes need to be re-geared to go beyond the short term and focus on longer term impact

4.8 DFID's tools and processes for managing results have evolved rapidly in recent years, in the search for greater accountability and better VFM. The Bilateral Aid Review gave DFID a process for managing its aggregate results at the global level. A selection of these results is set out in the DRF. Most of these are activities or outputs, however, rather than impacts. The DRF enables DFID to report publicly on its achievements, with numbers that sound commensurate with a large aid budget. It gives a limited picture, however, of DFID's actual results.

4.9 We suggest that DFID explore in more depth whether a set of quantitative indicators are the only way to communicate the results of the aid programme. There may be other ways of capturing and communicating transformative impact,

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including policy influence and institutional change. Capturing real impact in the DRF would help to incentivise the right behaviours across the department and its partners.

4.10 We were impressed by the introduction of CPRDs as a new analytical tool for country programmes. It has introduced a shared conceptual model for thinking about poverty reduction in a systematic way and encouraged interdisciplinary thinking. We believe that the CPRD can be improved in various ways – for example, by introducing a longer-term perspective with more emphasis on absorption capacity and long-term trajectories out of poverty. It is, nonetheless, a good foundation to build on.

4.11 Operational plans for country programmes, however, remain relatively weak as portfolio management tools. It is often difficult to trace the connection between DFID's analysis of the country context and the shape of its programmes. While country offices have adopted various tools and approaches, there is no standard process for managing or reviewing results at the portfolio level. This contributes to our finding that DFID is relatively weak at maximising results across portfolios of programmes with linked objectives.

4.12 Under its Smart Rules, DFID has lightened its requirements for the design and approval of programmes. While we welcome this, we believe that a number of basic issues with programme design remain to be addressed. At present, business cases focus more on justifying expenditure than on tracing through all the processes required to deliver meaningful results. We would like to see them giving more explicit consideration to the building blocks (policies, institutions, markets or community structures) needed for long-term results. They should look forward, where appropriate, to second and subsequent iterations of the programme. We suggest that DFID consider innovations to ensure that all staff working on programmes, throughout their duration, have a shared sense of responsibility for long-term results.

4.13 DFID's logframe format has become more rigorous in setting indicators, baselines, milestones and targets. Along the way, we are concerned that its purpose has changed. In the past, it was primarily a tool for participatory design, which ensured that all stakeholders shared an understanding of the goals of the programme and its underlying assumptions and risks. The emphasis now is on management of the contractor, with greater specificity on output targets but less attention to the underlying logic of the programme. We found that logframes often involve large conceptual leaps between outcomes and impacts, with the latter expressed as high-level aspirations rather than concrete results. This can lead to programme teams losing sight of long-term impact and the steps required to achieve it.

4.14 We have raised persistent concerns in our reviews about the way in which DFID supervises its programmes and its implementers. While we endorse the need for accountability through the delivery process, current procurement and programme management practices can lead to rigid approaches to implementation. This works against the flexibility and short feedback loops necessary for maximising impact. DFID's approach needs to ensure both accountability and flexibility.

4.15 We are also concerned about feedback from implementers that the results agenda has led to DFID's procedures becoming increasingly burdensome. One of DFID's traditional strengths has been its flexible procedures, allowing it to work with multiple partners, including smaller, local organisations. We now hear that partners find it increasingly difficult to work with DFID. This is exacerbated by a procurement system (including a shift towards performance-based contracting) which is causing increased reliance on a few multilateral partners and large contractors.

4.16 Finally, getting the right balance of risks and results across the portfolio is key to maximising DFID's effectiveness. DFID states that it has a robust appetite for risk and we agree that this is a necessary part of achieving development impact. The messages about risk coming from senior management, however, are not always consistent. Risk management is an area where DFID recognises it needs to get better. It needs the capacity to balance risk across its portfolios, to identify where high-risk interventions are needed

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and to ensure that they receive management attention commensurate with the risk.

DFID's results management and the drivers of sustainable impact

4.17 Over the course of our work, we have identified a range of principles that we believe are key to delivering and maximising development impact. Comparing DFID's approach to results management with these principles provides some interesting insights on the strengths and weaknesses of its processes.

4.18 We suggest that DFID be more focussed on long-term impact. With programmes averaging three years in length, transformational impact will often occur only over several phases of programming. DFID programmes should be designed around the achievement of long-term impact, helping to prepare the ground for future interventions and linking with other programmes operating in the same space. Business cases need to do better at addressing the 'missing middle' between programme activities and their intended impact.

4.19 For complex interventions, this may call for a more considered process of putting in place the building blocks for lasting impact. Achieving transformational change will involve influencing policies and priorities and building institutions and organisational capacity, across governments, firms, civil society and communities. Putting in place these building blocks may also be a precondition for scaling up assistance effectively. While DFID does this well in many instances, its results management processes do not necessarily encourage it.

4.20 We are concerned that, when setting its objectives, DFID has yet fully to recognise the implications of three quarters of its priority countries now being fragile. In difficult political and operating environments, DFID may need to set more modest objectives and plan its results more gradually, over a 15 to 20-year period. CPRDs should give more attention to thinking through long-term pathways out of fragility and how to set the right balance between short- and long-term goals.

4.21 While pursuing long-term goals, programmes need to take a flexible, problem-solving approach to achieving their objectives. Our reviews have frequently stressed the importance of flexible delivery arrangements supported by quality interaction between DFID and its implementers, with short feedback loops to support continuous learning. We are, therefore, concerned that annual reviews rarely take the opportunity to test the assumptions in logframes and theories of change. We are also concerned that the introduction of PBR is causing greater rigidity in delivery, which can diminish impact.

4.22 Development programmes almost never achieve results in isolation. Coherence across programming is, therefore, a key condition for maximising impact. DFID's results management tools are focussed at programme level. DFID is still relatively weak at managing complex portfolios at the country or sector level, so as to achieve mutually reinforcing results. We see this as an important area for future development, to break down sectoral silos in programming.

4.23 High-quality engagement with intended beneficiaries is another important condition for achieving impact. At our encouragement, DFID has increased its interaction with intended beneficiaries around programme design and implementation, although its practice is not yet consistent. There is a risk, however, that this interaction focusses more on supporting DFID's own programme management needs, than on promoting sustainable impact. We encourage DFID to move towards designing its programmes around sustainable community structures and organisations. We recognise that citizen feedback mechanisms and other social accountability initiatives play an increasingly important part in DFID's approach to service delivery. There is, however, a risk of doing harm by duplicating existing community structures. DFID should, therefore, promote forms of community participation that are properly integrated into the local context and wider governance systems.

4.24 Even when working with central governments on policies and institutions, DFID should keep a line of sight to the intended beneficiaries and ensure that they are given sufficient opportunity to express their needs and preferences. Neither DFID nor its

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government counterparts should presume to know the best interests of the poor.

4.25 Finally, influencing others is a key aspect of achieving development impact but is largely overlooked in a results management system focussed on spending activities. DFID is, for the most part, very influential on development policy at both national and international levels. It has actively promoted the results agenda internationally. We hear from partners, however, that DFID's drive for short-term, measurable results among its partners has come at the expense of thought leadership on long-term development impact. Furthermore, the shift away from general budget support has come at the cost of reduced access to central policy makers on broader development issues. In some countries, such as Pakistan, we have found that DFID is still very strategic in its policy advocacy. In other countries, it could benefit from more explicit influencing strategies. This is currently a notable gap in DFID's results management system.

Recommendations

4.26 We recognise the value of the results agenda and the political imperatives that have driven it. We believe that the results agenda needs to be taken to the next level, focussing not just on short-term, measurable results but also on the more complex challenges of achieving long-term, sustainable impact. This does not have to come at the expense of rigorous impact measurement or clear accountability for results. We believe that DFID's tools and processes could be designed so as to incentivise the right priorities and behaviours across the department and among implementing partners.

4.27 We recognise that DFID's approach to managing results has been evolving rapidly and will no doubt continue to do so. In these recommendations, we point to a number of areas that we recommend should be prioritised for improvement.

Recommendation 1: At the departmental level, DFID should develop a Results Framework that better reflects the range of impacts it seeks to achieve, capturing not just the breadth of its engagement but also its transformative impact, including successes in institution building and policy influence. To do so, it will need to look beyond quantitative indicators towards other ways of capturing the impact of UK aid.

4.28 Aggregating results across a complex aid programme has the inevitable effect of shifting the focus – and, therefore, departmental and partner incentives – down to the activity and output levels. We believe that there is scope to develop a DRF with commitments that are a better reflection of the results that DFID is actually trying to achieve and which minimise the risk of distorting priorities.

4.29 We recognise that genuine impact, across its many elements, is very difficult to convey through quantitative indicators. We believe, however, that there are other options for communicating the results of UK aid to parliament and the public. A traditional results framework could be supplemented by other approaches, such as accounts of the most important policy and institutional changes that DFID has helped to bring about across its priority countries. Furthermore, its results should be put in the context of the scale of the development challenges facing each country – for example, not just the numbers of children attending school through UK assistance but the progress of each country in eliminating out-of-school children and, ultimately, illiteracy. Ultimately, it is the UK contribution to ending global poverty that counts.

Recommendation 2: At the country portfolio level, DFID's Country Poverty Reduction Diagnostic should pay more attention to longer-term change processes, both looking backwards to understand the trajectory of achievements and forward towards potential long-term paths out of poverty and fragility. Its operational plans should contain stronger links between the analysis and programming choices, with more emphasis on how different programmes and sectors interact to produce wider impact.

4.30 For country programmes in fragile and conflict-affected states, CPRDs should provide the basis for more realistic planning. Operational plans should set out a more explicit longer-term pathway

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out of fragility. They should look backwards to the past achievements and failures of development aid, to get a clearer understanding of long-term trajectories of change and constraints on absorption, given the political and economic context. They should contain stronger scenario planning, with objectives and priorities explicitly sequenced through the transition from fragility.

4.31 Country operational plans should be more explicit as to the links between the country analysis and DFID's programming choices. They should explore how programming across different sectors and areas can interact, to achieve mutually reinforcing results. They should be supported by strong country-level results management processes, that capture how programmes interact in the pursuit of shared objectives.

Recommendation 3: At the programme level, DFID's business cases should be more explicit about the route towards long-term impact, including policy and institutional change, setting out the building blocks and pathways required to achieve transformative impact over time. This includes looking beyond the life of the programme to the follow-up actions required and exploring how to work with other programmes and initiatives to achieve mutually reinforcing results.

4.32 DFID pursues long-term development impact through relatively short programming cycles. Its results management processes, therefore, need to look beyond the life of individual programmes. Business cases should consider the wider strategic context for delivering development impact, including what other interventions are taking place and what needs to happen after the life of the programme. This will help programmes to be more strategic in orientation.

4.33 DFID's programme planning tools, especially the theories of change, should analyse the steps needed to move from outcomes to impact and the risks and assumptions involved in bridging this gap.

4.34 In light of high staff turnover, DFID should consider bringing together current and former programme teams periodically but systematically to assess the trajectory of the programme and encourage a sense of shared responsibility for its results.

4.35 Building on the greater flexibility contained in the *Smart Rules*, DFID should empower its staff to select results management tools and processes that are appropriate to the context and that maximise impact. It should take care to avoid placing staff under undue pressure to hit short-term spending or output targets, if they come at the expense of long-term impact.

Recommendation 4: Annual reviews should include an assessment of the assumptions and risks set out in the logframe and theory of change. DFID should work to tighten feedback and learning loops, to enable real-time adjustment of programmes.

4.36 DFID should keep the assumptions underlying its programmes under constant review. Annual reviews provide an opportunity to test the assumptions and risks in logframes, based on the experience gained from implementation. At present, this function is somewhat overshadowed by the need to hold implementing partners to account for their performance. It should be more central to the annual review process. DFID should ensure that the incentives of staff and implementers encourage an investigative, problem-solving approach to programme implementation and a willingness to adjust programmes as necessary in response to lessons learned or changing conditions.

4.37 We note that evaluations are rarely completed in time to influence the design of the next programme iteration. Lighter touch, real-time reviews would be better suited to embedding evaluative thinking into programme management. Larger evaluations can then be used to develop an evidence base for innovative programming and to draw together lessons from DFID's work across sectors, thematic areas or portfolios.

Recommendation 5: DFID should engage with intended beneficiaries throughout the programme cycle, in design, delivery and monitoring. DFID should anchor its interventions in sustainable community

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structures that are integrated into wider governance systems.

4.38 We welcome DFID's greater emphasis on engaging with intended beneficiaries in programme design and monitoring. There are risks, however, that designing beneficiary engagement around DFID's own programme management needs might come at the expense of developing sustainable community structures for long-term impact. When promoting social accountability around public services and development programmes, DFID should ground its initiatives in the local context and wider governance systems, to promote sustainability.

4.39 DFID should issue guidance on how to engage beneficiaries in programming. The guidance should cover all stages of the programme cycle – design, implementation, monitoring, evaluation and learning. It should include how to consult and collaborate with beneficiaries and build community organisations to sustain impacts beyond the programme.

Recommendation 6: In its ongoing review of its risk management processes, DFID should explore how to achieve an explicit and balanced risk profile in its country programmes, including high-risk programming with the potential for transformative impact. High-risk interventions should be identified as such from the outset, with the rationale for action clearly stated, and then be subject to appropriate risk management arrangements.

4.40 DFID states that it has a high risk appetite, which we agree is a necessary element for achieving development results, especially in difficult environments. DFID has also recognised that it needs to strengthen its approach to risk management. As it does so, we suggest that it focus on tools that will help country offices to achieve a balanced spread of risk across their portfolios. Where they take on high-risk, high-return interventions, these should be clearly identified, with the rationale for the risk explicitly stated. This will give staff more confidence in managing high-risk ventures. DFID should review what management processes apply to high-risk programming, so that supervision is commensurate with the risk and lessons are learned quickly, to inform early adjustment.

Recommendation 7: In its procurement processes, DFID should carefully consider both the merits of transferring outcome risk to implementers, particularly in high-risk environments, and the likely impact on its objectives, its supplier base and its overall costs. It should work towards clear guidance on what forms of results-based contracting to use in which circumstances, so as to avoid needless rigidity in programming and unhelpful incentives that do not enhance actual impact.

4.41 In the procurement sphere, payment by results is potentially a useful innovation, with the potential to drive better performance and value for money. We concur, however, with the view expressed by many stakeholders that DFID has pushed into this area without sufficient consideration of the options or understanding of the risks. We are concerned that, in difficult environments, outcome-based contracting might limit the pool of available contractors, driving up costs for DFID's programmes. We are also concerned that it might incentivise behaviours that work against long-term impact. While these risks may well prove to be manageable, we suggest that DFID give careful consideration to what forms of results-based contracting are appropriate in which contexts. It should also provide clearer guidance to its staff on how to design performance-based contracts that avoid creating unhelpful incentives to the delivery of long-term impact.

5 Annex

This Annex comprises the following:

1. ICAI Revised Assessment Framework (Annex A1);
2. Summary of reports and ratings (Annex A2); and
3. List of abbreviations (Annex A3).

5 Annex

Annex A1: ICAI Revised Assessment Framework

1	**Objectives: what impact is the programme trying to achieve?**
1.1	Does the programme have clear, relevant and realistic objectives that focus on the desired impact?
1.2	Is the programme based on both sound evidence and credible assumptions as to how its activities will lead to the desired impact (a theory of change)?
1.3	Are the programme's design and objectives responsive to intended beneficiary needs and to the context?
1.4	Is the programme well designed, with appropriate choices of partnerships, funding and delivery options?
1.5	Does the programme complement the efforts of government and other aid providers and avoid duplication?
1.6	Does the programme comply with the International Development (Gender Equality) Act 2014?
2	**Delivery: is the delivery chain managed so as to maximise impact?**
2.1	Does programme roll-out actively involve intended beneficiaries and take their needs into account?
2.2	Is there good governance at all levels, with sound financial management and adequate measures to avoid corruption?
2.3	Is the programme leveraging resources and working holistically alongside other programmes?
2.4	Is robust programme management in place, ensuring the efficiency and effectiveness of the delivery chain?
2.5	Is there a clear view of costs throughout the delivery chain?
2.6	Are the delivery arrangements flexible enough to respond to risks, opportunities and changing circumstances and has this in fact occurred?
3	**Impact: what is the impact on intended beneficiaries, including women and girls?**
3.1	Are there appropriate arrangements for monitoring inputs, processes, outputs, results and impact? Are the views of intended beneficiaries taken into account?
3.2	Is the programme delivering its planned results?
3.3	Is the programme maximising impact for the intended beneficiaries, including women and girls?
3.4	Are the results and impact of the programme likely to be long term and sustained?
3.5	Is there an appropriate exit strategy involving effective transfer of ownership of the programme?
4	**Learning: How is the programme contributing to learning?**
4.1	Are appropriate amendments made to the programme to take account of the lessons learnt?
4.2	Is there transparency and accountability to intended beneficiaries, UK taxpayers and other parties with a direct interest in the programme?
4.3	Is there evidence of innovation and use of global best practice?
4.4	Is there anything currently not being done in respect of the programme that should be undertaken?
4.5	Have lessons about the objectives, design and delivery of the programme been learned and shared effectively across the organisation and its partners?

5 Annex

Annex A2: summary of reports and ratings

Review		Thematic?	Overall	Obj	Del	Impact	Learn
44	How DFID works with multilateral agencies to achieve impact	✓	G A	A R	A R	G A	G A
43	Business in Development	✓	A R	A R	A R	A R	A R
42	Security and Justice	✓	A R	A R	A R	A R	A R
41	Official Development Assistance spent by departments other than DFID		-	-	-	-	-
40	Scale-up of DFID's Support to Fragile States	✓	A R	A R	G A	A R	G A
39	Smart Rules		-	-	-	-	-
38	International Climate Fund	✓	G A	G A	A R	G A	G A
37	Anti-Corruption and its Impact on the Poor	✓	A R	A R	G A	A R	R
36	Nutrition	✓	G A	G A	G A	A R	G A
35	Private sector development	✓	A R	A R	A R	A R	G A
34	How DFID Learns	✓	A R	G A	G A	A R	A R
33	Child Mortality in Kenya		G A	G A	A R	G A	G A
32	Humanitarian response to Typhoon Haiyan in the Philippines		G	-	-	G	-
31	Growth and Livelihoods in Afghanistan		A R	A R	G A	A R	G A
30	Trade development in Southern Africa		R	G A	R	A R	R
29	Agricultural research		G A	G A	G A	G A	A R
28	Empowerment and accountability in Ghana and Malawi		G A	A R	G A	G A	G A
27	Support for Palestinian refugees through UNRWA		G A	G A	G A	G A	G A
26	Health programmes in Burma		G	G	G	G	G A
25	Capital projects in Montserrat		A R	A R	A R	G A	G A
24	FCO and British Council aid responses to the Arab Spring		G A	G A	G A	G A	A R
23	Use of contractors	✓	G A	G A	A R	G A	A R
22	Programme partnership arrangements	✓	G A	A R	G A	G A	A R
21	UNICEF		G A	A R	A R	G A	G A

5 Annex

Review		Thematic?	Overall	Obj	Del	Impact	Learn
20	Peace and security programme in Nepal		G A	G A	G A	G	R
19	Water, sanitation and hygiene programming in Sudan		A R	A R	A R	G A	G A
18	Livelihoods work in Odisha, India		G	G	G	G A	G
17	Oversight of EU's aid		A R	G A	A R	A R	G A
16	Education in Nigeria		A R	A R	A R	A R	A R
15	Bilateral aid to Pakistan		G A	G A	G A	G A	G A
14	Humanitarian response in Horn of Africa		G A	G A	G A	G A	G
13	Asian Development Bank		G A	G A	A R	G A	G A
12	Conflict Pool	✓	A R	A R	G A	A R	A R
11	Health and Education in India		G A	G	G A	G A	G
10	Education in Ethiopia, Rwanda and Tanzania		A R	A R	G A	G A	A R
9	Budget support operations	✓	G A	G A	A R	G A	A R
8	Electoral support through UNDP		G A	G A	A R	G A	A R
7	Programme controls and assurance in Afghanistan		A R	A R	A R	A R	G A
6	World Bank		G A	G A	G A	A R	G
5	Girl Hub		A R	A R	A R	G A	A R
4	Health in Zimbabwe		G A	G	G A	G A	G
3	Climate change programme in Bangladesh		G A	G	A R	G A	G
2	Anti-corruption (1)	✓	A R	G A	A R	A R	G A
1	Effectiveness and value for money		-	-	-	-	-

Single reviews focus on a country or small set of countries, a programme or small set of programmes, or a single organisation.

Thematic reviews focus on broader and cross-cutting issues and on modalities (that is, the reviews of support for civil society organisations through programme partnership arrangements, budget support and use of contractors).

5 Annex

Annex A3: list of abbreviations

3iE	International Initiative for Impact Evaluation
BAR	Bilateral Aid Review
CAP	Country Assistance Plan
CPRD	Country Poverty Reduction Diagnostic
CRR	Corporate risk register
CSO	Civil society organisation
CSSF	Conflict, Stability and Security Fund
DALY	Disability-adjusted life year
DFID	Department for International Development
DRC	Democratic Republic of Congo
DRF	DFID's Results Framework
FCO	Foreign and Commonwealth Office
GNI	Gross National Income
ICAI	Independent Commission for Aid Impact
IDC	International Development Committee
MDG	Millennium Development Goal
NGO	Non-governmental organisation
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Co-operation and Development's Development Assistance Committee
PBR	Payment by results
PBS	Promoting Basic Services programme
PSNP	Productive Safety Nets Programme
RCT	Randomised Control Trial
SEQAS	Specialist Evaluation and Quality Assurance Service
SRO	Senior responsible owner
SUN	Scaling-up Nutrition movement
TMSA	TradeMark Southern Africa
VFM	Value for money

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