

# ICAI's Approach to Effectiveness and Value for Money



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. Our reports are written to be accessible to a general readership and we use a simple 'traffic light' system to report our judgement on each programme or topic we review.

# Executive Summary

The role of the Independent Commission for Aid Impact (ICAI) is to report to Parliament on whether UK aid is maximising impact for intended beneficiaries and achieving value for money for UK taxpayers. Both intended beneficiaries and UK taxpayers should have confidence that aid programmes are having a lasting, positive impact and that funds are not being wasted or even having a negative effect.

This report explains how we will approach our task, specifically setting out what we mean by effectiveness and value for money. We have found that these terms tend to be defined and applied differently in the context of international aid. Having taken these different approaches into account, ICAI's view is that effectiveness and value for money are inextricably linked: how can a programme be value for money if it is not effective; and if there is poor value for money, is the programme being as effective as it could be? In our view:

- effectiveness involves achieving a sustained impact for intended beneficiaries; and
- value for money is the best use of resources to deliver the desired impact.

Aid is delivered in different ways. Some aid is provided directly to individual countries, either through specific programmes or recipient governments. Other aid is channelled through international organisations such as the United Nations and the World Bank. Taking this into account, we have sought to establish a clear set of guiding criteria to provide a common approach for our reviews:

- Does the programme have realistic and appropriate **objectives** and a clear plan as to how and why the planned intervention will have the intended impact?<sup>1</sup>
- Does the programme have robust **delivery** arrangements which support the desired objectives and demonstrate good governance and management through the delivery chain?
- Is the programme having a transformational, positive and lasting **impact** on the lives of the intended beneficiaries and is it transparent and accountable?
- Does the programme incorporate **learning** to improve future aid delivery?

In Section 4, we set out a more detailed evaluation framework built on these guiding criteria, which we will use

to assess programmes.<sup>2</sup> We also discuss how we plan to select evaluation methods to carry out our assessments. We are mindful that there are challenges involved in measuring effectiveness and value for money: results can be hard to measure and long-term benefits are not always immediately apparent.

We will adopt a pragmatic approach to getting to the heart of whether UK aid is fit for purpose and whether it is being used to tackle the most important issues. Key features of our approach will be to test programmes on the ground and to meet intended beneficiaries in order to assess what impact aid is actually having. We will comment, where appropriate, on whether the best impact is being planned and achieved.

Our aim is to draw timely, evidence-based conclusions about whether programmes are working and what needs to be improved. We believe that our approach will give us a practical means to achieve this aim.

We are committed to communicating our findings clearly for a general readership. We will use a simple 'traffic light' scoring system to report our judgement on the effectiveness and value for money of each programme or topic reviewed. We will publish short, accessible reports in which we will seek to draw out good practices that can be replicated in other programmes. We will also make clear recommendations for areas where improvements need to be made.

The Government has committed to respond publicly to our recommendations. The intention is that our conclusions and recommendations and the increased accountability that will arise from this public reporting, will drive tangible improvements in the effectiveness and value for money of UK aid.

Considerable work is being undertaken by academics and practitioners to improve the effectiveness of aid and how it is measured, including ongoing research as well as the forthcoming High Level Forum on Aid Effectiveness in Busan. We look forward to seeing the outcomes from this ongoing debate and will keep our criteria and approach under review as these discussions progress and as our reports and findings develop.

<sup>1</sup> This clear plan is commonly referred to as a 'theory of change'. A theory of change defines the chain of activities required to bring about a given long-term goal.

<sup>2</sup> We use 'programme' to mean aid projects and programmes and other ways that aid is funded, including money given to multilateral bodies such as the World Bank.

# 1 Introduction

- 1.1 The aim of providing UK aid is ‘to reduce poverty in poorer countries, in particular through achieving the Millennium Development Goals’.<sup>3</sup> The purpose of this report is to explain how ICAI will assess the effectiveness and value for money of individual aid programmes. In our view, the key challenge for UK aid spending is to deliver positive, lasting impact for intended beneficiaries with the best use of taxpayers’ money.
- 1.2 In 2010, the UK Government’s net Official Development Assistance (ODA) was £8.45 billion.<sup>4</sup> The Department for International Development (DFID) is responsible for the majority of this – 87% in 2010 - with the remainder being spent by other government departments, including the Foreign and Commonwealth Office and the Department of Energy and Climate Change.<sup>5</sup> This aid is spent on a spectrum of activities, from disaster relief to long-term sector programmes.
- 1.3 UK aid is delivered through many different channels. UK ODA in 2010 can be broken down into:
- **multilateral aid** of £3.26 billion, where funds are channelled through international organisations to support their programmes. The largest recipients are the European Community (£1.30 billion), the World Bank’s International Development Association (£879 million) and United Nations agencies (£371 million); and
  - **bilateral aid** of £5.19 billion, which is spent in specified countries. This is delivered through a variety of channels, including direct financial aid to governments (such as budget support) and through partners, including local and international non-governmental organisations (NGOs) and the local country offices of multilateral organisations.
- 1.4 Assessing the impact of aid programmes delivered in these different ways is sometimes difficult. Results can be hard to measure and long-term benefits are not always immediately apparent. That is no reason, however, to avoid a thorough assessment of impact for intended beneficiaries. We believe that this is of paramount importance: UK aid must always be based on continuous learning and solid evidence of what works and what does not.
- 1.5 The Government must also make sure that it is getting the maximum return on the aid budget. The British taxpayer has a right to expect that the aid budget not only maximises impact but also delivers value for money. This means taking careful account of costs and managing risks effectively. It is important to recognise, however, that striving for the minimum possible cost does not necessarily maximise value for money. In some cases, spending a little more may well deliver significantly better value.
- 1.6 As noted by the Public Accounts Committee earlier this year,<sup>6</sup> the challenge of delivering effective UK aid that represents value for money is made more difficult in the light of:
- the 35% planned increase in DFID’s budget between 2010-11 and 2014-15. To manage this increase well, DFID will need to have robust arrangements in place to ensure that funding allocations achieve the maximum possible impact; and
  - DFID’s decision that a greater proportion of its increased budget will be spent in fragile and conflict-affected states. This will bring additional challenges in terms of delivering effectiveness and value for money, including combating fraud and corruption.
- 1.7 We are aware that there is a vast body of research and debate on this topic which is developing all the time. We have taken these debates into account in developing our own approach to assessing aid programmes. We have designed our approach to enable us to draw timely, evidence-based conclusions and to focus on the areas that we believe are most important.

## Methodology and structure of this report

- 1.8 In Section 2, we discuss how the concepts of effectiveness and value for money are defined and approached, including by DFID and other aid agencies. In Section 3, we explore some of the challenges involved and techniques used in

<sup>3</sup> *DFID Annual Report and Accounts 2010-11, Volume 1: Annual Report*, DFID, July 2011, [www.dfid.gov.uk/Documents/publications1/departmental-report/2011/Annual-report-2011-vol1.pdf](http://www.dfid.gov.uk/Documents/publications1/departmental-report/2011/Annual-report-2011-vol1.pdf).

<sup>4</sup> *Statistics on International Development 2006/07 – 2010/11*, DFID, October 2011, [www.dfid.gov.uk/Documents/publications1/sid2011/SID-2011.pdf](http://www.dfid.gov.uk/Documents/publications1/sid2011/SID-2011.pdf). This is total Official Development Assistance (ODA) spending.

<sup>5</sup> ICAI’s remit is to scrutinise all UK aid spending, including that spent by departments other than DFID.

<sup>6</sup> *DFID Financial Management: Fifty-second Report of Session 2010-12*, House of Commons Committee of Public Accounts, October 2011, <http://www.publications.parliament.uk/pa/cm201012/cmselect/cmpubacc/1398/139802.htm>.

# 1 Introduction

measuring effectiveness and value for money in the aid context.

1.9 We collected this information by carrying out:

- a review of academic literature relating to effectiveness and value for money in the international aid context – a select bibliography is given at the end of this report;
- a review of the approaches taken by DFID and other aid agencies (such as the World Bank and the United Nations) to ensure effectiveness and value for money in their operations; and
- interviews with a range of key stakeholders in the UK and abroad, including leading academics and representatives from aid agencies, UK regulatory bodies and international NGOs and their representative bodies.

1.10 Finally, in Section 4, we set out the approach that ICAI will use to assess effectiveness and value for money. This section includes:

- the principles guiding our reviews, that will underpin our approach to evaluation;
- our guiding criteria and evaluation framework, on which we will base our reviews; and
- the assessment tools and methods we will use to carry out our evaluations.

## 2 Approaches to effectiveness and value for money

2.1 In this section, we review the way in which effectiveness and value for money have been defined and approached to date. We begin by examining a commonly-used framework and then look in more detail at the approaches taken by different aid-related organisations.

### The four Es

2.2 ICAI's approach to the assessment of effectiveness and value for money has been informed by the approaches used by aid agencies and the UK public sector and in other contexts. Many of these have their roots in what are often called the three Es – economy, efficiency and effectiveness. Sometimes, a fourth E – equity – is added.

2.3 Table 1 shows what these terms might mean if ICAI were assessing a programme to deliver anti-malaria bed nets to a country with a high incidence of the disease.

**Table 1: Illustration of the four Es in an aid context**

Definition of the four Es	Application to provision of anti-malaria bed nets
<b>Economy:</b> getting the best value inputs	Were bed nets of the required standard bought at the lowest possible cost?
<b>Efficiency:</b> maximising the outputs for a given level of inputs	Given the number of nets bought, how many people used the nets for their intended purpose?
<b>Effectiveness:</b> ensuring that the outputs deliver the desired outcome	For those people provided with nets, has the incidence of malaria decreased?
<b>Equity:</b> ensuring that the benefits are distributed fairly	Have the nets reached the poorest people and minority groups in more remote areas, as well as those closer to cities?

2.4 ICAI believes that consideration of the fourth element, equity, is particularly important when assessing overseas aid. For example, there are often claims and sometimes evidence that fraud or corruption has prevented aid from reaching the intended beneficiaries. If there is not good governance throughout the programme and its delivery, this is a real risk.

2.5 ICAI will draw on the four Es approach, adapted for the aid context. We will, however, consider the four

Es together, not separately, balancing them to come to a judgement. For example, exporting malaria nets to a country which already has local manufacturers might improve healthcare but seriously affect the economic and social well-being of people who rely on local producers for employment. Where appropriate, we will consider whether the best impact is being achieved by the approach adopted.

### Alternative approaches to effectiveness and value for money

2.6 This is a constantly developing area. The tendency to date has been to develop and agree 'aid effectiveness' principles for how aid agencies should work with recipient countries and with each other.<sup>7</sup> There is also, however, increasing convergence around what the terms effectiveness and value for money mean in the context of international aid. The international community is expected to develop a more results-orientated approach at the High Level Forum on Aid Effectiveness in Busan, South Korea, to be held from 29 November to 1 December 2011.

2.7 Aid agencies across the world have adopted a range of approaches to effectiveness and value for money.<sup>8</sup> Many of these approaches draw on two particular techniques for integrating these concepts into the planning, delivery and review of organisations' activities:

- **Economic analysis:** the aim of this analysis is to target resources effectively. This can be done via a cost-benefit analysis, where the economic benefits of a programme are compared against the economic costs. Where benefits cannot easily be quantified, an alternative is cost-effectiveness analysis, where the costs of various approaches to achieving a given objective are compared. Economic analysis is carried out in various forms by DFID, the World Bank, various United Nations organisations, the European Commission and USAID, among others; and
- **Results-based management:** in recent years, DFID and other donor agencies have made strong commitments to managing their

<sup>7</sup> These are agreed through periodic High-Level Forums organised by the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee and include the Monterrey Consensus (2002), the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008).

<sup>8</sup> For an overview of these approaches see *Research Report: Value for Money, Governance and Social Development Resource Centre*, September 2010, <http://www.gsdr.org/docs/open/HD712.pdf> as well as other resources listed in the select bibliography.

## 2 Approaches to effectiveness and value for money

programmes in order to maximise the results they deliver. This approach aims to bring together objectives, an understanding of what needs to be done to achieve them, performance monitoring and evaluation of what has been achieved. This process is used widely, in a variety of forms, by agencies such as DFID, the World Bank, USAID, various United Nations organisations and the Asian Development Bank.

2.8 International NGOs also have their own approaches to measuring effectiveness and results. An example of one organisation's approach is the performance evaluation framework developed by the Global Fund to Fight AIDS, Tuberculosis and Malaria,<sup>9</sup> which takes an all-round view. It measures the impact of its activities on these three diseases but also assesses value for money, the capacity of the recipient government to sustain the benefits and the way aid agencies work collaboratively.

2.9 The approach that agencies take may justifiably vary according to the timescale over which they wish to achieve their aims. For example, some will focus on bringing immediate relief to disaster-affected zones, others more on the longer-term impacts of bringing about improved governance or stability.

2.10 There is also a focus on improving and refining processes over time. For example, Bond<sup>10</sup> is supporting UK NGOs to self-assess their strengths and weaknesses against peer organisations as part of a three-year programme. This will identify the steps that NGOs need to take to improve their effectiveness and value for money. The programme will also support them to measure, manage and communicate their effectiveness robustly and consistently.

### DFID's approach to effectiveness and value for money

2.11 When DFID designs an aid programme, it prepares a 'logical framework' setting out the overall objectives of the programme, together with the outputs that it will deliver and the impact that DFID wants the programme to have.

2.12 For example, the Gaza Humanitarian Response Strategy Programme was established in response to the crisis in the Occupied Palestinian Territories in

2009. The logical framework for this programme shows that DFID is working to improve access to healthcare and education. This includes, for example, increasing the treatment rate for non-communicable diseases and reducing pupil and teacher absentee rates in schools.

2.13 In addition, during the last year, DFID has been in the process of introducing changes to its practices designed to increase its focus on effectiveness and value for money. According to a recent DFID policy paper, value for money should underpin everything the organisation does, from allocating resources to corporate processes such as procurement and performance management to the design and implementation of individual programmes.<sup>11</sup> Some recent reforms are set out in Table 2.

**Table 2: A summary of DFID's recent reforms**

Reform	Description
Linking funding to results	Through the Bilateral Aid Review (BAR), DFID has introduced a new strategic budget process, linking global allocation decisions to expected results across the UK aid programme.
Multilateral effectiveness	Through the Multilateral Aid Review (MAR), DFID conducted value for money assessments of 43 multilateral organisations, assessing them on criteria such as cost control, pro-poor focus, outcome delivery, accountability and transparency. <sup>12</sup>
Business cases	DFID now requires the preparation of business cases to support each new project proposal, with greater emphasis on economic analysis of delivery options.
Corporate reforms	DFID has introduced a series of corporate reforms, including new procurement processes, measures to reduce administrative overheads and portfolio reviews for all sectors with more than £1 billion in expenditure.

2.14 One example of DFID's changing approach is the Bilateral Aid Review, which was carried out in 2010-11 to provide a strategic basis for bilateral budget allocation decisions for the Spending Review period (2011-12 to 2014-15). It was aimed at 'identifying

<sup>9</sup> *Performance*, The Global Fund, accessed September 2011, <http://www.theglobalfund.org/en/performance/>

<sup>10</sup> Bond is a UK membership body for international development NGOs. <http://www.bond.org.uk/>

<sup>11</sup> *DFID's Approach to Value for Money*, DFID, July 2011.

<sup>12</sup> *Multilateral Aid Review – Ensuring maximum value of money for UK aid through multilateral organisations*, DFID, March 2011, [http://www.dfid.gov.uk/Documents/publications1/mar/multilateral\\_aid\\_review.pdf](http://www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf).

## 2 Approaches to effectiveness and value for money

and scrutinising from the bottom-up the results that UK assistance could achieve in each country'.<sup>13</sup>

- 2.15 The result was to 'refocus DFID's priority bilateral expenditure on fewer places where we could have the greatest impact'.<sup>14</sup> DFID decided to focus its bilateral spending on 27 priority countries and close down 16 bilateral programmes by 2016. One of the programmes to be closed down is in Burundi – the rationale behind DFID's decision is set out in Box 1.

### Box 1: DFID's decision to close its bilateral aid programme in Burundi

DFID decided that its bilateral aid programme to Burundi offered poor value for money compared with other, larger country programmes. DFID said that a large scale-up would have been required to show a significant impact and therefore demonstrate better value for money. DFID believed that achieving this in the short term would have been difficult given capacity constraints in-country.

For this and other reasons, DFID decided to close down the programme and to allocate these resources to larger existing programmes, where it was felt that better value for money and effectiveness could be achieved.

We note that the International Development Committee carried out an inquiry into this decision, concluding that the bilateral aid programme should be reinstated.<sup>14</sup>

- 2.16 We look forward to seeing whether DFID's new initiatives have the intended effects. We particularly welcome the new business case process for introducing greater rigour to the choice of delivery options. We also welcome the requirement to include in business cases a theory of change, that is, a model setting how out the planned intervention will work. This means showing clearly how and why the intended impacts will be achieved by linking the proposed inputs to the target outcomes. As part of our work, we will also consider how the principles of DFID's new initiatives have been applied retrospectively to older programmes.

### ICAI's approach

- 2.17 ICAI's view is that effectiveness and value for money are inextricably linked: how can a programme be value for money if it is not effective; and if there is poor value for money, is the programme being as effective as it could be?
- 2.18 ICAI recognises that aid organisations, including DFID, take a range of different approaches to defining and ensuring effectiveness and value for money. The key aim of our reviews, however, will be to assess the results that have been achieved on the ground. In our view:
- effectiveness involves achieving a sustained impact for intended beneficiaries; and
  - value for money is the best use of resources to deliver the desired impact.
- 2.19 More details of ICAI's approach to assessing aid programmes are set out in Section 4.

<sup>13</sup> *Bilateral Aid Review: technical report*, DFID, March 2011, page 3, [www.dfid.gov.uk/Documents/MAR/FINAL\\_BAR%20TECHNICAL%20REPORT.pdf](http://www.dfid.gov.uk/Documents/MAR/FINAL_BAR%20TECHNICAL%20REPORT.pdf).

<sup>14</sup> *Bilateral Aid Review: technical report*, DFID, March 2011, page 5, [www.dfid.gov.uk/Documents/MAR/FINAL\\_BAR%20TECHNICAL%20REPORT.pdf](http://www.dfid.gov.uk/Documents/MAR/FINAL_BAR%20TECHNICAL%20REPORT.pdf).

# 3 Measuring effectiveness and value for money

3.1 In this section, we discuss some of the commonly identified challenges involved in assessing effectiveness and value for money in the aid context. We have taken these challenges into account in developing our approach.

## Common measurement challenges

3.2 In recent years, DFID and other donor agencies have made strong commitments to managing their programmes in order to maximise the results they deliver but the practical challenges are substantial, particularly as DFID seeks to expand its work in fragile states and areas of conflict.

3.3 Results-based management, as introduced in Section 2, has been adopted by many aid agencies to seek to ensure that all phases in the aid management cycle maximise effectiveness and value for money. This includes:

- having objectives that are focused on the desired outcomes;
- having a clear idea of how the activity is going to lead to the desired results;
- choosing measures or indicators that focus on what is important;
- setting the baseline (that is, measuring conditions at the outset) and targets to be achieved;
- monitoring and collecting data regularly to inform management decisions and enable timely adjustment of activities; and
- conducting periodic independent evaluations to learn lessons and be accountable.

3.4 The success of this process relies in part on being able to measure and assess effectiveness and value for money. There are many common challenges to achieving this in the aid context, notably:

- **Measuring the difficult-to-measure:** some development objectives (e.g. literacy rates or infant mortality) are relatively easy to quantify. Others (e.g. improvement in a government's accountability to its people or lower levels of conflict in a society) are not easily measured. It is these latter, however, that are often the most transformational, achieving a long-term, sustainable difference which empowers intended beneficiaries. Box 2 illustrates an example of this challenge from a DFID

programme in Liberia. It is, therefore, important not to shy away from the difficult-to-measure. Aid agencies need to use a variety of methods, both quantitative (e.g. statistical indicators) and qualitative (e.g. interviews with delivery partners), for measuring performance against such objectives;

### Box 2: Measuring difficult-to-measure, long-term outcomes

DFID is working to improve the transport infrastructure in Liberia and is measuring its success by the number of kilometres of roads constructed or made useable.

The real aim of the programme, however, is to help local people to earn a living and to create wealth. This is the transformation which would change people's lives in the long term.

The challenge for performance measurement is that it is harder to measure whether this is happening. This is particularly the case because these outcomes will not materialise fully during the lifetime of the programme. It is also hard to identify cause and effect in cases like this, where many factors, such as wider economic trends, are at play.

- **Measuring in the long term:** the impact of aid programmes can often be fully assessed only long after the programme has been completed. Programme evaluations, however, usually take place during or shortly after the programme in order to be able to provide timely conclusions. This can present challenges as longer-term impacts may not yet be apparent;
- **Responding to fraud and corruption:** if funds, goods and services are not reaching the intended beneficiaries, then this can affect significantly the operation and impact of a programme. Consequently, identifying fraud and corruption and the risk factors underlying them is critical to measuring effectiveness and value for money robustly;
- **Getting input from the intended beneficiaries:** intended beneficiaries of an aid programme are the best judges of its impact on their lives. Although capturing their views may be difficult, especially in remote geographical areas, with mobile technology this is becoming less of a problem. There are some proven and cost-effective methods such as 'public audits' used in communities and participatory methods

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such as inviting people to report on how often they are asked to pay a bribe to officials;

- **Managing complex delivery chains:** many aid programmes are delivered through long chains of intermediaries and partner organisations. Each of these organisations will have their own approaches to ensuring effectiveness and value for money which may be very different. Therefore, measuring impact in these cases is necessarily complex;
- **Obtaining verifiable data:** for some programmes, particularly those in fragile or conflict-affected states or those responding to a natural disaster, it may be difficult to gather robust, verifiable data about the outputs delivered or outcomes achieved. Reliance may need to be placed on estimated data or proxy measures;
- **Determining attribution:** where a programme is funded by a number of donors or where it forms part of a larger initiative, the impact of one donor's contribution may be capable only of being estimated rather than calculated accurately; and
- **Determining causality:** where changes are observed, aid agencies need to know whether they came about as a result of the aid or some other factor. In a complex and rapidly-changing environment, there may be various plausible explanations.

## Applying evaluation techniques to aid programmes

3.5 Various evaluation approaches are used in the development sector, which are designed to meet the challenges outlined above in different ways. We need to understand the mechanics and merits of different methodologies so that we can:

- scrutinise the robustness of the monitoring and evaluation procedures carried out on the programmes which we assess; and
- develop our own approach to assessing programmes.

3.6 In order to track progress as the programme develops, aid agencies carry out their own assessments, which usually begin with straightforward monitoring of programme implementation. Monitoring should provide useful information, particularly on the nature and quantity of the inputs made, the outputs delivered and the number and diversity of people benefiting from them.

3.7 Evaluation goes beyond monitoring to test whether the programme's objectives and delivery have worked in practice. Evaluating a programme properly needs to involve the whole system, including partner organisations within the delivery chain. This can involve a review of administrative records and interviews with programme managers, partners and other stakeholders. This information is sometimes supplemented by discussions with intended beneficiaries, to learn about the impact that the programme has had on their lives and the influence that they had on the design and delivery of the programme.

3.8 For some programmes, more sophisticated methods of assessing impact are also employed, including an approach known as a randomised control trial (RCT). In an RCT, researchers compare a group of people who are receiving support from an aid programme (the target group) with a group of people who are not (the control group). To work most effectively, RCTs need to be planned and initiated at the design stage of a programme.

3.9 The RCT approach can help to overcome the problem of determining causality, as it is likely that any changes that occur in the target group but do not occur in the control group are due to the aid programme. Such approaches are not, however, suitable in all circumstances, for example when it is not possible to identify a robust control group. They may also raise ethical concerns in some scenarios (for example, if aid with clear benefits is provided to one group of people but not to another)<sup>15</sup> and can be both expensive and very time-consuming, sometimes taking several years.

3.10 An alternative is to use more qualitative approaches to assess effectiveness and impact. These still provide strong evidence on results and allow robust conclusions to be drawn. They include, for example, participatory approaches such as group-based scoring exercises, which seek the views of the intended beneficiaries and other stakeholders involved in the delivery of an aid programme. Approaches like this are likely to be more practicable than RCTs and other intensive processes, particularly in the more fragile countries that DFID is increasingly going to target with UK aid in the future.

<sup>15</sup> RCTs are often undertaken by academic researchers, with review of each study by an independent ethics board to ensure that the rights of study participants are protected.

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## ICAI's methodological approach

3.11 ICAI's aim is to adopt a pragmatic approach, without being prescriptive or mechanistic, to draw timely, evidence-based conclusions about whether programmes are working and what needs to be improved.

3.12 The Government has committed to respond publicly to our recommendations. The intention is that our conclusions and recommendations and the increased accountability that will arise from this public reporting will drive tangible improvements in the effectiveness and value for money of UK aid.

To make this work, we will not have the time to carry out extensive reviews or evaluations which generally take a significant period of time to reach a conclusion. We will, however, make use of longer-term evaluations where they have already been carried out.

3.13 We will, wherever possible, test programmes on the ground and engage directly with the intended beneficiaries to understand what impact the aid is actually having on them. More details of the methodological approach we plan to use are set out in Section 4.

## 4 The ICAI approach to assessing effectiveness and value for money

4.1 In this section, we set out the approach that we will use to assess effectiveness and value for money. This section outlines:

- **the principles guiding our reviews**, that will underpin our approach to evaluation;
- **our guiding criteria and evaluation framework**, on which we will base our evaluations; and
- **the assessment tools and methods** we will use in order to carry out our evaluations.

4.2 We have developed our approach by considering our remit and the principles and focus that we want to deploy, by analysing other approaches and by consulting with a wide range of stakeholders. We will develop our approach further as our work progresses.

### The principles guiding our reviews

4.3 When reviewing the effectiveness and value for money of aid programmes, our approach will be underpinned and driven by the principles set out below:

- i. **The intended beneficiaries come first:** our focus will always be on assessing results for the people that aid is intended to help. Effectiveness must be measured by the impact of programmes on the ground, which Commissioners saw first-hand in Sierra Leone, as described in Box 3 on page 11. Only if programmes are truly 'owned' by the beneficiaries will they realise long-term benefits. We appreciate that with complex and long delivery chains through other governments and partners, the impact on the intended beneficiaries may be hard to assess. We will, however, expect programmes to be designed with this in mind. In our reviews, we will want to ascertain whether the intended beneficiaries are being involved in programme planning, roll-out and monitoring and, if they are not, find out why this is. In our view, the benefit to both the intended beneficiary and the UK taxpayer is reduced if money is spent achieving an ostensibly good aid delivery system but actual needs are not taken into account. If this results, by way of example, in any health programme delivering the wrong drugs or essential items for good health being overlooked, then the programme will not be delivering the desired

impact in the most effective way and will not, therefore, be putting the intended beneficiaries first.

- ii. **Aid should always be delivered with sustainability in mind:** UK aid should aim at empowering local communities, civil society, government agencies and the private sector to take charge of the development process. In time, the development of national capacity and self-sufficiency should mean that aid is no longer required. The UK should avoid approaches that create dependence or produce unsustainable results. We appreciate that disaster and humanitarian relief may need to have an immediate and short-term approach. We will, however, expect to see evidence of longer-term planning to achieve a lasting and beneficial impact and will check to see how this is working on the ground.
- iii. **What matters is not always easy to quantify:** we recognise that evaluating the achievement of many objectives within the UK aid programme – such as increasing accountability and reducing conflict and fragility – may rely more heavily on qualitative than quantitative analysis.
- iv. **Waste and corruption must be addressed robustly:** we will expect to see vigilant governance and stewardship of UK funds used abroad, that tackle waste and corruption robustly and that are not compromised by the pressure to maintain influence in a country or to deliver spending plans. Good governance must be built into programmes at all levels of the delivery chain.
- v. **Demonstrating value for money does not necessarily mean choosing the cheapest option:** it is important to strike a balance between cost and quality in achieving desired outcomes. It may be more expensive, for example, to use more durable materials to build after an earthquake. Doing so, however, is likely to contribute to more lasting benefits for the recipient community as the building will last for longer. Whichever option is selected, we will expect to see robust procurement processes being used.

## 4 The ICAI approach to assessing effectiveness and value for money

- vi. **Well-managed risk-taking is to be encouraged:** complex problems require innovative solutions. We will encourage risk-taking in the design and delivery of programmes, as long as risks are identified clearly and managed effectively. We recognise that increasing the amounts of aid which DFID is proposing to provide to fragile and conflict-affected states creates additional risks. The management of these risks needs to be part of DFID's assessment of effectiveness and value for money. We will expect to see risk assessment and mitigation built into all DFID's resource allocation, planning and monitoring processes.
- vii. **Transparency and accountability matter:** these are both core values in their own right, as well as being central to good governance and to improving the quality of UK aid. They promote a good visibility of spending which helps to ensure that aid funds are used for their intended purpose and not lost to fraud or corruption.
- viii. **We will draw good practice from wherever we find it:** we will use lessons from other areas of government and from the private sector where we think they can add value to the aid programme and will expect DFID to do the same.

4.4 In conducting our assessments, we will be guided by the principles of the Quality Standards for Development Evaluation set out by the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee.<sup>16</sup>

### Our guiding criteria and evaluation framework

4.5 We have developed a common evaluation approach to guide our reviews which focusses on the areas that we believe are most important. This will enable us to produce comparable results across different reviews and draw conclusions about what is and is not working.

### Box 3: Putting the intended beneficiaries first

In the healthcare activity that DFID supports in Sierra Leone, there is a consolidated plan for the five main programmes. This includes assistance in mother and child care, emergency medicines and insecticide-treated bed nets. DFID has committed £71 million to these programmes.

We have not carried out a formal evaluation of these programmes, but we witnessed a number of them in action during our recent visit to Sierra Leone. Our observation of programme delivery at one hospital suggested that the expectations and needs of medical staff and local people could have been addressed more clearly. For example, we learned that the timing of deliveries was uncertain, there was excessive paperwork for supplies and there were times when doctors were sent drugs and equipment they did not need but not the things that they did need. All of this was in the context of a hospital which did not have running water.

This contrasted with the power of the grass roots and holistic approach used in the Justice Sector Development Programme in Sierra Leone, which Commissioners also saw in action.

While we cannot comment on the overall effectiveness of these programmes without carrying out a full evaluation, our observations illustrate the type of issues that we believe must be considered if impact on the ground is to be optimised. Programme activity should, therefore, seek the views of intended beneficiaries (via their proxies where appropriate, for instance doctors or parents) on an ongoing basis.

<sup>16</sup> *Quality Standards for Development Evaluation*, OECD Development Assistance Committee, 2010, <http://www.oecd.org/dataoecd/55/0/44798177.pdf>

## 4 The ICAI approach to assessing effectiveness and value for money

4.6 Our approach is based on **four guiding criteria** built around the logical stages in the planning and delivery of aid programmes.

Objectives	Does the programme have realistic and appropriate objectives and a clear plan as to how and why the planned intervention will have the intended impact?
Delivery	Does the programme have robust delivery arrangements which meet the desired objectives and demonstrate good governance and management through the delivery chain?
Impact	Is the programme having a transformational, positive and lasting impact on the lives of the intended beneficiaries and is it transparent and accountable?
Learning	Does the programme incorporate learning to improve future aid delivery?

4.7 Our guiding criteria form the basis of our more **detailed evaluation framework** – set out in Table 3

on page 13 – which we will use to conduct our reviews. We believe, however, that a 'one size fits all' approach would be inappropriate. The specific focus of our work will depend on the nature and maturity of the programme under review. We will tailor the evaluation framework as necessary for individual reviews.

4.8 We have already used this approach in our first reviews of aid programmes. Over time, we may develop more detailed methodologies for answering particular questions or examining particular areas of expenditure.

4.9 When examining specific programmes, we will also aim to stand back in order to draw wider lessons. These will relate to whether the best impact is being achieved, whether unintended consequences are being avoided and whether the most significant issues and problems are being tackled.

# 4 The ICAI approach to assessing effectiveness and value for money

**Table 3: ICAI's Guiding Criteria and Evaluation Framework**

<b>1</b>	<b>Objectives: what is the programme trying to achieve?</b>
1.1	Does the programme have clear, relevant and realistic objectives that focus on the desired impact?
1.2	Is there a clear and convincing plan, with evidence and assumptions, to show how the programme will work?
1.3	Does the programme complement the efforts of government and other aid providers and avoid duplication?
1.4	Are the programme's objectives appropriate to the political, economic, social and environmental context?
<b>2</b>	<b>Delivery: is the delivery chain designed and managed so as to be fit for purpose?</b>
2.1	Is the choice of funding and delivery options appropriate?
2.2	Does programme design and roll-out take into account the needs of the intended beneficiaries?
2.3	Is there good governance at all levels, with sound financial management and adequate steps being taken to avoid corruption?
2.4	Are resources being leveraged so as to work best with others and maximise impact?
2.5	Do managers ensure the efficiency and effectiveness of the delivery chain?
2.6	Is there a clear view of costs throughout the delivery chain?
2.7	Are risks to the achievement of the objectives identified and managed effectively?
2.8	Is the programme delivering against its agreed objectives?
2.9	Are appropriate amendments to objectives made to take account of changing circumstances?
<b>3</b>	<b>Impact: what is the impact on intended beneficiaries?</b>
3.1	Is the programme delivering clear, significant and timely benefits for the intended beneficiaries?
3.2	Is the programme working holistically alongside other programmes?
3.3	Is there a long-term and sustainable impact from the programme?
3.4	Is there an appropriate exit strategy involving effective transfer of ownership of the programme?
3.5	Is there transparency and accountability to intended beneficiaries, donors and UK taxpayers?
<b>4</b>	<b>Learning: what works and what needs improvement?</b>
4.1	Are there appropriate arrangements for monitoring inputs, processes, outputs, results and impact?
4.2	Is there evidence of innovation and use of global best practice?
4.3	Is there anything currently not being done in respect of the programme that should be undertaken?
4.4	Have lessons about the objectives, design and delivery of the programme been learned and shared effectively?

# 4 The ICAI approach to assessing effectiveness and value for money

## Assessment tools and methods

- 4.10 We will need to develop the right approach to answering the questions we set ourselves for each review. To do this, we will use a wide range of assessment tools, drawing on the most appropriate for the task in hand.
- 4.11 We are mindful of the assessment challenges set out in Section 3. We do not believe it is right to shy away from the difficult-to-measure impacts, as these are often the ones that are most effective in the long term. In our view, it would be a mistake if a drive for value for money resulted in a short-termist approach. The risk would be that this would serve to increase aid dependency rather than ensuring that aid achieves a long-term, sustainable difference which in time empowers the poorest and most vulnerable to reach self-sufficiency.
- 4.12 We understand that the important impacts are often only fully visible in the long term. We do not believe, however, that it is necessary to wait until the end of a programme to establish what is and is not working. We will therefore review programmes at every stage of development. For example:
- for relatively new programmes, we will determine whether they were designed with maximum impact and value for money in mind; and
  - for programmes that are part-way through their lifetime, we will evaluate whether they are on course to achieve their objectives, whether their objectives are appropriate and whether those objectives need any amendments.
- 4.13 Our starting point will usually be the monitoring and evaluation data collected as part of the programme we are reviewing. We will be reliant on the quality of the programme's performance metrics, for example in:
- tracking progress towards desired outcomes via accurate, meaningful metrics. Where these outcomes are long-term (e.g. reducing infant mortality rates), this may need to be supplemented with interim progress indicators (e.g. the prevalence of non-communicable diseases in the under-fives);
  - assessing whether the programme is targeting and reaching intended beneficiaries effectively. This will include monitoring of engagement with and take-up by different groups within the intended beneficiary population, such as women and older people; and
  - collecting data on cost-effectiveness, for example unit costs and efficiency measures. For education, this could include the cost per child educated, the percentage of children in an area enrolled at a school, attendance rates and the proportions of enrolled children completing their course and proceeding to the next level.
- 4.14 To examine costs meaningfully, it is important to have a clear idea of the full cost of the activity or programme in question. We will expect DFID and other delivery partners to have a clear and consistent understanding of the full cost of programmes and of the factors driving these costs, including not just the direct costs of programmes but also relevant partner costs and the associated in-country and central overhead costs.
- 4.15 In most cases, we will test and supplement programme monitoring data through qualitative investigations, including:
- direct observation of what is happening on the ground;
  - direct engagement with individuals, such as intended beneficiaries, programme staff, delivery chain partners and independent observers;
  - interaction with groups of people, such as focus groups of intended beneficiaries, civil society representatives and relevant NGOs;
  - a review of literature, documents and records, such as the results of experimental impact assessments, country studies, programme evaluations and financial records;
  - the application of rigorous audit techniques to test whether the funding has reached the intended beneficiaries; and
  - targeted investigations and detailed analysis of specific issues identified during the planning or undertaking of our work on each review.
- 4.16 On occasion, we may need to conduct more extensive research as part of our review. It will not be feasible for ICAI to employ statistical methods like randomised control trials, as these need to be built into the design of the programme and can take years to complete. Where we have significant concerns about a programme's results and where

## 4 The ICAI approach to assessing effectiveness and value for money

sufficient data are available, however, we may commission additional quantitative analysis.<sup>17</sup>

- 4.17 We may also engage in more extensive qualitative research, to assess local conditions and capture local views in a representative way. For example, we may use participatory impact assessments to capture the impact of programmes through consultations and surveys with intended beneficiary communities – ideally involving the communities themselves in the design and conduct of the assessment. Such approaches can be used to unlock local knowledge and experience, while helping to empower the communities themselves.
- 4.18 The nature and variety of our reviews will call for considerable flexibility in approach. We will produce a tailored methodology for each review during the planning phase. In all cases, however, we will ensure that our conclusions are based on solid evidence, taking into consideration the strengths and weaknesses of our various sources of evidence.

### How we will report our conclusions

- 4.19 We are committed to communicating our findings clearly for a general readership. Each of our reviews will be published as a short and accessible report, describing our methods and setting out our findings and conclusions. We will seek to draw out good practices that can be replicated in other programmes, as well as pointing out any shortcomings that need to be remedied.
- 4.20 We will use a simple ‘traffic light’ scoring system to report our judgement on the effectiveness and value for money of particular programmes or aspects of UK development aid. For each review, we will produce an overall rating and a rating against each of our four guiding criteria, covering:
- objectives;
  - delivery;
  - impact; and
  - learning.
- 4.21 We will apply judgement in the use of these ratings. For example, even one severe shortfall against our guiding criteria could be so important that the rating

will be amber-red or red. Our assessments will have the meanings described in Table 4 on page 16.

- 4.22 Our proposed programme of reviews for the next three years has been published on our website<sup>18</sup> together with the analysis, suggestions and proposals that we have used to compile it.
- 4.23 We will keep our approach under constant review, as thinking in this area develops and critically, as our body of reports on aid impact and reviews of what is happening on the ground grows.

<sup>17</sup> For example, where the data is available, various statistical techniques can be used to construct a suitable ‘counterfactual’ in place of a control group, so as to test for attribution more rigorously.

<sup>18</sup> Independent Commission for Aid Impact – Work Plan, ICAI, 2010, <http://icai.independent.gov.uk/wp-content/uploads/2010/11/ICAI-Work-Plan11.pdf>.

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Table 4: The meaning of ICAI's traffic light ratings

Rating	What it means
	<b>Green:</b> The programme meets all or almost all of the criteria for effectiveness and value for money and is performing strongly. Very few or no improvements are needed.
	<b>Green-Amber:</b> The programme meets most of the criteria for effectiveness and value for money and is performing well. Some improvements should be made.
	<b>Amber-Red:</b> The programme meets some of the criteria for effectiveness and value for money but is not performing well. Significant improvements should be made.
	<b>Red:</b> The programme meets few of the criteria for effectiveness and value for money. It is performing poorly. Immediate and major changes need to be made.

# Glossary

## Aid agency

An aid agency is an organisation dedicated to providing development assistance. Many professional aid organisations exist: as part of government, such as the Department for International Development; multilateral organisations, such as the World Bank; and private voluntary organisations (often called Non-Governmental Organisations or NGOs), such as Oxfam.

## Aid effectiveness

Aid effectiveness is commonly used in international development in the context of the principles for how aid agencies should work with recipient countries and each other (aid effectiveness principles). These are agreed through periodic High-Level Forums organised by the Organisation for Economic Cooperation and Development (OECD) Development Assistance Committee and include the Monterrey Consensus (2002), the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008). They are the subject of a conference in Busan, South Korea from 29 November to 1 December 2011.

## Bilateral aid

Bilateral aid is aid that is provided directly from one country to another, either financially or in the delivery of specific aid projects. In practice, donors usually maintain control over the use of bilateral aid, unless it is provided as general budget support.

## Budget support

Budget support is financial aid (i.e. money) that is given to the government of the recipient country to support the delivery of its own policies, services and initiatives.

## Civil society

Civil society is what we call the totality of the voluntary, social and civic relationships, organisations and institutions that form the basis of a functioning society. It is distinct from the formal structures of the state and the commercial institutions of the market. It is, in essence, the public space between the state, the market and the ordinary household.

## Logical framework

A 'logical framework' is a document that sets out the overall objectives of a programme, together with the outputs that it will deliver and the impact that the programme is intended to have.

## Multilateral aid

Multilateral aid is aid that is provided by donors to a third party such as the United Nations, the European Commission or the World Bank (known as multilateral organisations). The multilateral organisation usually maintains control over the use of multilateral aid.

## Non-Governmental Organisation (NGO)

An NGO is a legally-constituted organisation that operates independently from any government in the pursuit of a social aim or goal for its own sake, rather than as a means to generating profit. NGOs operate at international, national and local levels, depending on the nature, size and aims of the organisation.

## Programme

In this report, we use programme to mean aid projects and programmes and other different ways that aid is funded. This covers, for example, a specific programme in a country funded directly by the UK, as well as the money given to multilateral organisations such as the World Bank and the United Nations.

## Theory of change

A theory of change is a model which sets out how a planned intervention will work and have the intended impact. The assessment of a programme will typically look at this rationale and undertake work to understand what happened and why, so as to test whether the theory of change underlying the aid project has proved to be valid.

## UK aid

UK aid is all the money spent on overseas aid by the UK Government, often referred to as Official Development Assistance.<sup>19</sup> The Department for International Development is the major spender of UK aid but other departments such as the Foreign and Commonwealth Office, the Ministry of Defence and the Department of Energy and Climate Change also have aid-related programmes. ICAI has a mandate to scrutinise all UK aid.

<sup>19</sup> Official Development Assistance (ODA) is defined formally by the Organisation for Economic Cooperation and Development as 'grants and concessional loans for development and welfare purposes from the government sector of a donor country to a developing country or multilateral agency active in development. ODA includes the costs to the donor of project or programme aid, technical cooperation, debt forgiveness, food and emergency aid and associated administration costs.'

# Glossary

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## **Unit cost**

The unit cost of a product or service is the cost per standard unit supplied, e.g. the cost of vaccinating one child. By looking at unit costs, comparisons can be made between aid programmes that can help assess their cost-effectiveness.

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The select bibliography comprises a selection of the sources we have accessed. In the interests of length and relevance we have shortened the full list by including those sources which (a) are referenced in the text, (b) relate closely to the content of the report and (c) are official sources which an informed reader would expect to see in a bibliography.

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