

Independent Commission for Aid Impact (ICAI)

Effectiveness and Value for Money

Inception report

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1. Introduction

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.

A core part of our mandate is to assess the value for money (VFM) and effectiveness of UK aid. To this end, this study will assist us in the development of our approach to assessing effectiveness and VFM.

This inception report sets out the objectives of this study, the methodology that will be used, the sources of information upon which the study team will draw, timescales for delivery and the level of resources that will be required. It is, however, intended that the methodology and work plan be flexible enough to allow for exploration of new issues and questions emerging over the course of the study.

This report also sets out the key risks to successful delivery of the study, together with how these risks will be mitigated. It concludes by outlining how the study will draw on a range of creative and innovative approaches to ensure that it has a positive and lasting impact.

2. Background

There is much discussion in the aid sector about what VFM means and how that relates to the concept of effectiveness in the context of international development. The Commissioners' view is that, far from being separate and distinct concepts, VFM and effectiveness are closely interrelated. VFM in this context requires a more complex analysis than identifying the lowest cost or only achieving the most efficient chain of delivery. A programme cannot be said to offer VFM if it is not effective i.e. if it fails to deliver the benefits which were the justification for the expenditure in the first place. For example, if the objective was to deliver drugs to hospitals with a view to improving maternal health, a cost-effective delivery chain may not provide real VFM or effective aid if the drugs were not those which the hospital needed or if the hospital lacked other basic equipment. Similarly, the VFM of a programme must be called into question if it meets its objectives at a disproportionate cost.

In the UK, regulators of public funds often define VFM in terms of the three 'E's: Economy, Efficiency and Effectiveness. To this list is sometimes added a fourth 'E' – Equity. Each of these terms has a very specific meaning, illustrated below using the example of malaria net provision:

- **Economy** describes the relative cost of inputs – have malaria nets been bought for the best possible price?
- **Efficiency** measures how much output you get for a given level of input – how many people are actually being protected from malaria given the number of nets bought?
- **Effectiveness** describes the extent to which outputs translate into the desired outcomes – how has the incidence of malaria reduced in people who have been provided with nets?
- **Equity** can be defined in terms of whether the outcomes and perhaps the outputs benefit different types of recipient equally – for example, are children benefiting from the provision of malaria nets?

Whilst this basic framework can be applied equally to Official Development Assistance (ODA), it is particularly challenging to judge VFM in the context of whether aid is having genuine impact. All the 'E's are important in making a rounded judgement about VFM but effectiveness is critically important, whether it is measured in a quantitative or qualitative way. There are wider questions which need to be asked in order to probe effectiveness. For instance, did the provision of malaria nets help communities create a sustainable means of preventing malaria? Was there co-ordinated thinking with other programmes? Did the provision of nets from abroad prejudice the ability of local net producers to sell their own product? What is the cost-benefit analysis of different methods of supply and delivery?

All of ICAI's work programme, whether VFM reviews, evaluations or investigations, is likely to need to make judgements about whether aid delivered to a recipient country has represented VFM and effectiveness. This study needs to set the tone for ICAI, drawing on emerging practice and looking to the future as to what will be useful in evaluating the changing strategy and focus of UK aid. The approach will be tested and developed further through the delivery of the ICAI programme.

3. Purpose

The purpose of this study is to develop, in collaboration with the Commissioners, an approach to assessing and forming a judgement on the VFM and effectiveness of UK ODA. The study will draw on current theory and practice but will also consider emerging thinking and the future challenges facing the aid programme. Most importantly, through the use of illustrative case studies, it will both show how VFM and effectiveness have typically been assessed to date and how ICAI will make judgements in the future.

Key questions that the study will seek to address include:

The Department for International Development's (DFID) and other donors' current approaches

- How are DFID and other donors approaching the measurement of VFM and effectiveness in development assistance?
- What questions is DFID asking about VFM and effectiveness when planning the aid programme?
- How is DFID now evaluating programmes which were set up under a different set of criteria and how is DFID seeking to change programmes as a result?
- How does DFID understand and define costs in relation to aid programmes?

Defining and measuring VFM and effectiveness

- To what extent has a consensus emerged on how VFM and effectiveness should be defined and assessed in an aid context?
- What performance measures should be used to define economy, efficiency, effectiveness and equity?
- What progress has been made in developing standardised output measures for different types of development result? Which areas of the aid programme lend themselves to quantitative measurement of results?
- How are the beneficiaries of aid consulted and involved in the delivery of VFM and effectiveness (e.g. through the design and ownership of aid and through feedback)?
- How do the concepts of VFM and effectiveness need to adapt to help evaluate the changing strategy and focus of UK aid?

Assessing VFM and effectiveness

- Should an assessment of VFM and effectiveness vary according to whether it is bilateral aid, multilateral aid or budget support aid and if so, how?
- What aspects need particular emphasis when assessing VFM and effectiveness in an aid context (e.g. sustainability)?
- How do the governance arrangements at all levels in aid programmes affect their VFM and effectiveness?
- What techniques have emerged for analysing VFM and effectiveness at different levels, e.g. project, bilateral portfolio, multilateral portfolio or corporate?
- Over what period of time is it sensible to form judgements about VFM and effectiveness – how long should we wait after aid has been delivered?
- What methods should be applied to assess VFM and effectiveness? Methods currently in use include randomised controlled trials and community impact assessments.
- What data should (ideally) be available from recipient communities in order to inform donors' judgements about VFM and effectiveness?

Meeting ICAI's requirement

- Overall, what approach best meets the remit of ICAI?
- What kinds of VFM reviews and evaluations might ICAI usefully conduct to complement and/or challenge existing reforms?

The approach developed will support us in our role in scrutinising the VFM and effectiveness of UK aid and will provide guidance on how individual assessments can be undertaken.

4. Relationships to other evaluations / studies

The Secretary of State for International Development has announced that 'value for money will be our top priority for aid'¹ and that 'we need a fundamental change of direction - we need to focus on results and outcomes, not just inputs'.²

At the same time, the House of Commons International Development Committee has expressed concern that channelling more UK aid to fragile and war-torn states will make it difficult to ensure that money is well spent and achieves the most that it could.³ There has also been much public and media interest (often critical) in the UK Government's decision to pledge 0.7% of Gross National Income to international aid from 2013.

Over the past year, DFID has introduced a range of departmental reforms designed to increase VFM in the UK aid programme. These include:

- **Linking funding allocation to results:** through the Bilateral Aid Review, DFID has introduced a new strategic budget process, linking global allocation decisions to expected results across the UK aid programme,⁴
- **Multilateral aid review:** DFID carried out a VFM assessment of 43 multilateral organisations, assessing each on criteria ranging from cost control to pro-poor focus, outcome delivery, accountability and transparency. 25 organisations were found to offer very good or good VFM, while 18 were found to offer adequate or poor VFM.⁵
- **Project-level business cases:** DFID has introduced requirements for a more rigorous business case to support each new project proposal, with greater emphasis on economic analysis of different delivery options to ensure greater VFM.
- **Corporate reforms:** DFID has introduced a range of corporate reforms designed to increase VFM, including reforms to its procurement processes, measures to reduce administrative overheads and the introduction of portfolio reviews for all sectors with more than £1 billion in spending.

A number of recent studies have commented on these initiatives. A 2010 National Audit Office report on DFID's financial management applauded the improved linkages between financial and

¹ *Freeze on UK-based awareness projects*, DFID, Press release, 17th May 2010, www.dfid.gov.uk/News/Latest-news/2010/Mitchell-Immediate-freeze-on-DFID-UK-based-awareness-projects/.

² *Full transparency and new independent watchdog will give UK taxpayers value for money in aid*, DFID, Press release, 3 June 2010, www.dfid.gov.uk/Media-Room/News-Stories/2010/Mitchell-Full-transparency-and-new-independent-watchdog-will-give-UK-taxpayers-value-for-money-in-aid/.

³ *Department for International Development Annual Report & Resource Accounts 2009-10*, International Development Committee, February 2011, www.publications.parliament.uk/pa/cm201011/cmselect/cmintdev/605/60502.htm.

⁴ *Bilateral Aid Review: technical report*, DFID, March 2011, www.dfid.gov.uk/Documents/MAR/FINAL_BAR%20TECHNICAL%20REPORT.pdf.

⁵ *Multilateral Aid Review: ensuring maximum value for money for UK aid through multilateral organisations*, DFID, March 2011, www.dfid.gov.uk/Documents/publications1/mar/multilateral_aid_review.pdf.

performance data and the introduction of more rigorous project appraisal processes. It also, however, noted continuing weaknesses in the way DFID measures results at project level and was concerned that the scaling up of DFID's budget and its eagerness to demonstrate quick results could lead to compromises in the quality of project design.⁶

A 2010 OECD Development Assistance Committee (DAC) Peer Review noted that departmental reforms underway in DFID had the potential to deliver increases in VFM but warned against too rigid an approach, reflecting the concern of some in the development community that the 'value for money approach' is too focussed on efficiency:

'Whilst the value for money approach is valuable for ensuring efficiency, DFID should retain enough flexibility to avoid undermining its key objectives and assets. These include its flexible approach to aid delivery, its increased focus on fragile states and its new approach to civil society organisations. DFID should be cautious in applying the value for money approach, ensuring that decisions like delivering bigger but fewer programmes and closing projects which are not fulfilling their objectives are adjusted depending on contexts and do not weaken DFID's long-term approach to development.'⁷

5. Methodology

We will undertake this study in two distinct phases. In the first phase, we will identify, research and analyse current approaches to assessing VFM and effectiveness in an international aid context, working with funders, regulators and academics to understand the issues involved and how they can be addressed effectively.

In the second phase, we will develop an approach to assessing VFM and effectiveness, together with specific criteria, processes and guidelines for its implementation in practice. We will also outline how this approach could be used to support or challenge DFID's own efforts to improve VFM and effectiveness.

Both CEGA and Agulhas will play important roles alongside KPMG throughout each of these phases.

In both phases we will emphasise the practical application of tests of VFM and effectiveness. Specifically, in Phase One (at task 4) we will use case studies of how VFM and effectiveness have been assessed to date. In Phase Two (at task 9) we will use case studies to provide illustrations of how ICAI will apply its judgements in future studies.

Below we set out the range of tasks we will undertake across the two phases:

Phase One: Identification, research and analysis

Phase one will involve:

- a review of DFID's current approach to ensuring VFM and effectiveness;
- a review of academic and practitioner literature on VFM and effectiveness in the international aid context;
- interviews with key stakeholders in the UK and abroad;
- identification and preparation of case study material; and
- exploration of the Commissioners' current thinking and requirements.

Phase Two: Development and communication

Phase two will involve:

- the development of an approach to assess VFM and effectiveness;
- the preparation of outline processes and guidelines for undertaking VFM assessments;

⁶ Department for International Development: Financial Management Report, National Audit Office, April 2011, www.nao.org.uk/idoc.ashx?docid=8184a4cd-c1d9-4c5e-9e88-4d7e4cbe32e7&version=-1.

⁷ The United Kingdom: Development Assistance Committee (DAC) Peer Review, OECD DAC, 2010, page 64, www.oecd.org/dataoecd/49/20/45519815.pdf.

- consideration of how ICAI can best communicate its judgements on VFM and effectiveness to its target audiences; and
- the development of illustrative case studies to outline how the approach would work in practice.

We now explore each of these tasks in more detail.

Phase One

1. Review of DFID's current approach to ensuring VFM and effectiveness

We will consult with DFID to understand how it seeks currently to maximise the VFM and effectiveness of UK international aid at a macro level, including any specific actions that it has taken and any key measures of performance upon which it relies.

We will seek to identify the information that DFID currently collects in respect of individual aid projects and relationships i.e. at a micro level and to gain an understanding of what nature and level of analysis is feasible within the aid context.

We will undertake this task through discussion with relevant individuals within DFID, together with a review of relevant documentation.

2. Review of academic and practitioner literature on VFM and effectiveness in the international aid context

We will undertake a review of the academic literature on VFM in respect of international aid, with a view to identifying:

- the significant schools of thought around VFM and effectiveness;
- the role of the theory of change in establishing clear links between objectives, activities, outputs and outcomes;
- the range of analytical tools available for assessment, their strengths and weaknesses and the conditions under which they can be applied;
- the significance of donor/recipient relations in ensuring the long-term success of aid projects, for example whether aid is seen as degrading recipients or whether it helps to enhance their sense of confidence and self worth;
- key issues of contention or debate in the assessment of VFM and effectiveness, particularly in the light of the growing international debate on international aid and in the run up to the High Level Forum on Aid Effectiveness in Busan, South Korea; and
- the focus and direction of current research.

We will also review relevant practitioner literature, including VFM and effectiveness guidance prepared by a range of bodies, principally aid providers such as the World Bank, the United Nations, the United States Agency for International Development (USAID), the Millennium Challenge Corporation, the European Commission and the German Federal Ministry for Economic Cooperation and Development.

We will review and consider the full range of approaches to assessing VFM and effectiveness, including both quantitative (e.g. experimental, statistical) and qualitative (e.g. non-experimental, participative) methodologies.

We will also have regard to the different definitions of effectiveness, such as aid effectiveness (the broader relationship between aid donors and recipient countries), programme effectiveness (the effectiveness of individual programmes in delivering the desired impact) and technical effectiveness (the extent to which different programmes interrelate to achieve common objectives).

We will draw extensively on the experience and expertise of our partners at the Center of Evaluation for Global Action (CEGA) at the University of California. They will be able to provide detailed insight into current practice in assessing the VFM and effectiveness of international aid and the issues that

such approaches need to address in order to be effective. For example, they will examine the pros and cons of techniques such as randomised control trials and community impact assessments.

We will undertake this task as a desk-based exercise, drawing on academic databases and journals and on information and publications from practitioner bodies already in the public domain.

3. Interviews with key stakeholders in the UK and abroad

We will build on the literature review above with a series of in-depth interviews with key stakeholders in the UK and abroad to gain their perspectives on and insight into the assessment of VFM and effectiveness. We will focus in particular on those sectors, such as education and health, in which international aid is likely to be targeted.

We will seek to arrange interviews with representatives of the following organisations:

- national funders of international aid, such as DFID and USAID;
- co-ordinators of multilateral aid, such as the World Bank and the United Nations;
- leading academics in this field, such as Carlos Barahona at the University of Reading, as well as researchers at other relevant organisations;
- regulatory bodies, such as the National Audit Office, Ofsted and the Skills Funding Agency; and
- leading international NGOs and organisations that represent them, such as the International Committee of the Red Cross, Oxfam, BRAC (formerly known as the Bangladesh Rehabilitation Assistance Committee) and Bond (formerly known as the British Overseas NGOs for Development).

We will undertake these interviews in a semi-structured manner, allowing us to focus on specific areas of interest while remaining open to active discussion of the issues involved. While we will perform these interviews face to face where possible, for logistical reasons some of them will have to be undertaken by video-conferencing or telephone.

4. Identification and preparation of case studies

In order to provide insight into existing approaches to assessing VFM and effectiveness in international aid, we will identify two real-life case studies for each of three types of aid project, as follows:

- humanitarian aid, to provide short-term relief to countries affected by natural disaster or population displacement because of conflict;
- sector-specific aid, for example to improve education, health or justice sectors; and
- longer-term aid designed to improve governance at all levels and stability.

We will aim to make comparisons between, for example, different types of aid programme in the same country and between the same type of programme in different countries. For each type of aid, we will compare the two projects in terms of how their VFM and effectiveness have been measured and evaluated. We will examine what steps DFID has taken to maximise VFM and effectiveness. We will use these comparisons to illustrate alternative approaches and to inform our discussions with Commissioners. It is, however, not within the remit of this study to assess whether the aid programmes in these case studies actually represent good or bad VFM.

Our provisional suggestion for the six case studies is:

- **Humanitarian aid:** comparison of Pakistan (natural disaster) and Occupied Palestinian Territories (conflict);
- **Sector-specific aid:** comparison of justice and health programmes in Sierra Leone; and
- **Governance and stability:** comparison of Burundi (where the programme is closing) and Liberia (where the programme has just been announced in the Operational Plan 2011-15).

These case studies are also relevant for Phase Two of our work, when developing illustrative case studies to show how ICAI's approach would be applied in practice (see task 9).

When researching and preparing the case studies, we will seek to confirm the information provided to us by DFID staff by means of a 'walk-through' of relevant documentation. We will also review additional documentation pertinent to the case studies, such as independent evaluation reports.

5. Exploration of the Commissioners' current thinking and requirements

We will build on ongoing discussions with the Commissioners to understand further what they mean by VFM and effectiveness and to determine the impact that they would like ICAI's work to achieve. In particular we will hold a mini-workshop with Commissioners on 6 September. A further workshop is planned for early October. In addition, consultations with individual Commissioners will take place outside these sessions.

This will allow us to produce a robust, focussed and responsive approach, which will enable ICAI to draw conclusions and make objective judgements about whether aid programmes are delivering VFM and are effective.

We will undertake this task through discussions with individual Commissioners and through ongoing communication. We will also draw on our discussions with the Commissioners to date and on insight gained during the preliminary work undertaken in respect of this study.

Phase Two

6. Development of an approach to assess VFM and effectiveness

We will use the results of our work to date to develop an approach to assessing VFM and effectiveness in an international aid context. This development process will include:

- gaining a consensus on an approach that best meets ICAI's remit;
- establishing the design principles of the approach;
- establishing the criteria on which an assessment will be based;
- interpreting the findings and results; and
- considering how to arrive at a conclusion.

We will consult with the Commissioners during this stage of the study, potentially in early October, to ensure that the approach that we develop is responsive to their requirements and consistent with how they view ICAI's role.

We will also consult with KPMG senior colleagues operating in different sectors e.g. utilities and infrastructure, to draw on current thinking as to how VFM and effectiveness are measured and assessed, for example in investment appraisal techniques.

7. Preparation of outline processes and guidelines for undertaking VFM assessments

We will prepare outline processes, tools and guidelines for using the chosen approach to undertake VFM assessments in practice. These may include, for example:

- factors that need to be considered in formulating an assessment e.g. economic, social environmental;
- the workflow required for a VFM assessment, which may vary according to the context in which aid is delivered;
- the type and quality of evidence on which a VFM judgement will need to be based;
- how such evidence can be collected and analysed e.g. metrics, analytical methods, standards of accuracy and reliability; and
- the nature and level of conclusions that can be drawn.

8. Consideration of how ICAI can best communicate its judgements on VFM and effectiveness to its target audiences

We will consider how ICAI can best communicate its judgements on VFM and effectiveness, especially given its diverse target audiences. We will discuss options with the Commissioners and clarify whether they would like to adopt a single approach for all VFM work or a suite of approaches upon which they can draw.

9. Development of illustrative case studies to outline how the approach would work in practice

To illustrate how this approach will work in practice, for each of the three types of aid project considered in Phase One (at task 4) we will prepare one case study which will show how ICAI's VFM criteria and assessment process would be applied. These case studies could be used as illustrative material in the final report.

The table below shows how each of the questions set out in section 3 are addressed in the nine tasks set out above.

Question (see section 3 – purpose)

Tasks (see section 5 – methodology)

VFM and Effectiveness – Addressing the Terms of Reference	1: DFID's approach	2: literature review	3: interviews	4: case studies	5: Commissioner input	6: develop ICAI approach	7: outline processes	8: communications	9: illustrative case studies
How are DFID and other donors approaching the measurement of VFM and effectiveness in development assistance?	Y	Y	Y	Y					
What questions is DFID asking about VFM and effectiveness when planning the aid programme?	Y								
How does DFID understand and define costs in relation to aid programmes?	Y								
To what extent has a consensus emerged on how VFM and effectiveness should be defined and assessed in an aid context?	Y	Y	Y		Y				
What aspects need particular emphasis when assessing VFM and effectiveness in an aid context (e.g. sustainability)?	Y	Y	Y	Y	Y	Y	Y	Y	Y

VFM and Effectiveness – Addressing the Terms of Reference	1: DFID’s approach	2: literature review	3: interviews	4: case studies	5: Commissioner input	6: develop ICAI approach	7: outline processes	8: communications	9: illustrative case studies
What performance measures should be used to define economy, efficiency and effectiveness?	Y	Y	Y	Y	Y	Y	Y	Y	Y
What progress has been made in developing standardised output measures for different types of development result? Which areas of the aid programme lend themselves to quantitative measurement of results?	Y	Y	Y	Y		Y	Y		
How are the beneficiaries of aid consulted and involved in the delivery of VFM and effectiveness (e.g. through the design and ownership of aid and through feedback)?	Y	Y	Y	Y		Y	Y		Y
How do the concepts of VFM and effectiveness need to adapt to help evaluate the changing strategy and focus of UK aid?	Y		Y		Y	Y	Y		

VFM and Effectiveness – Addressing the Terms of Reference	1: DFID's approach	2: literature review	3: interviews	4: case studies	5: Commissioner input	6: develop ICAI approach	7: outline processes	8: communications	9: illustrative case studies
What kinds of VFM reviews and evaluations might ICAI usefully conduct to complement and/or challenge existing reforms?					Y			Y	Y
Should an assessment of VFM and effectiveness vary according to whether it is bilateral aid, multilateral aid or budget support and if so, how?	Y		Y	Y	Y	Y	Y		Y
How do the governance arrangements at all levels in aid programmes affect their VFM and effectiveness?	Y		Y	Y		Y	Y		
What techniques have emerged for analysing VFM and effectiveness at different levels, e.g. project, bilateral portfolio, multilateral portfolio or corporate?	Y	Y	Y	Y			Y		Y

VFM and Effectiveness – Addressing the Terms of Reference	1: DFID’s approach	2: literature review	3: interviews	4: case studies	5: Commissioner input	6: develop ICAI approach	7: outline processes	8: communications	9: illustrative case studies
Over what period of time is it sensible to form judgements about VFM and effectiveness – how long should we wait after aid has been delivered?	Y	Y	Y	Y	Y	Y	Y		Y
What methods should be applied to assess VFM and effectiveness?	Y	Y	Y	Y			Y		
What data should (ideally) be available from recipient communities in order to inform donors’ judgements about VFM and effectiveness?	Y	Y	Y	Y	Y	Y	Y		
Overall, what approach best meets the remit of ICAI?					Y	Y	Y	Y	Y

We set out below the information that we will require to undertake this study, together with how we will gain access to it.

Task	Information required	Source	How to be accessed
1	DFID's current approach to ensuring VFM and effectiveness	DFID	Discussions with DFID representatives; and review of relevant documentation
2	Academic and practitioner literature on VFM and effectiveness in an international aid context	Academic article and journal databases; and publications issued by practitioner organisations	Online access to databases; and retrieval of published documents from organisations' websites
3	Views of key funder, regulator, academic and international NGO stakeholders Views of beneficiaries Views of the UK public	Individual stakeholder organisations; and sample surveys or evaluation reports	Discussions with representatives of stakeholder organisations, approached directly, via KPMG client teams or using DFID contacts
4	Information on specific aid projects and VFM work undertaken in respect of them	Individual stakeholder organisations; and published information and reports on existing projects	Discussions with representatives of stakeholder organisations; review of relevant documentation; and retrieval of published documents from organisations' websites
5	Commissioners' views on VFM and effectiveness and its assessment	ICAI Commissioners	Discussions with ICAI Commissioners
6	Commissioners' input into development of approach	ICAI Commissioners	Discussions with ICAI Commissioners
7	No additional information required	N/A	N/A
8	Commissioners' input into development of communication methods	ICAI Commissioners	Discussions with ICAI Commissioners
9	As in Task 4 (above)	Available from Task 4 (above)	Available from Task 4 (above)

6. Roles and responsibilities

The table below shows the roles and responsibilities of the team in the two fieldwork phases.

Team member	Fieldwork – Phase One	Fieldwork – Phase Two
Team leader	Co-ordination and stakeholder meetings	Co-ordination of approach
Team member 1	Sources of evidence & current thinking on VFM approaches	Advice on developing ICAI's approach
Team member 2	Literature search + VFM techniques	Advice on developing ICAI's approach (especially VFM techniques)
Team member 3	Literature review & write up	n/a
Team member 4 (KPMG)	Stakeholder meetings - DFID, NGOs, academics	Lead on developing ICAI's approach
Team member 5	VFM approaches in the UK + stakeholder meetings	Process and guidelines for ICAI's approach
Team member 6	Develop case studies, including DFID meetings	Illustrative case studies for the report

Team Leader (KPMG)

He is a very experienced KPMG Director who has worked across the UK public sector on strategy development, cost reduction and service transformation. VFM and performance measurement and management have featured strongly in his work for regulatory bodies such as the Audit Commission and the National Audit Office (NAO) and in assignments for central government, local government and the NHS. He has carried out many high-profile and politically sensitive assignments. His primary role in leading the team will be to ensure the timely delivery of a VFM and effectiveness framework which meets ICAI's needs and which is based firmly on robust evidence, current leading-edge thinking and international best practice.

Team member 1 (Agulhas)

With over 15 years in policy analysis, he has worked for a variety of clients on a range of high-level policy issues including implementation of the Paris Declaration, aid effectiveness and fragile states. A Director in Agulhas, he is an authority in international law and human rights and has written widely on post-conflict reconstruction, state-building and the restitution of property. He has more recently specialised in aid effectiveness and governance processes, including policy development, programme design and evaluation. He will advise the core team throughout the study on sources of evidence, the use and development of case studies (especially drawing on Agulhas' experience) and the recommended conceptual approach to the VFM and effectiveness assessment framework. He too will attend key meetings with the ICAI Secretariat and Commissioners.

Team member 2 (CEGA)

Her focus area is public health, although she has led initiatives in agricultural development, environment and microfinance. She has considerable experience in the public sector, having served as a legislative analyst with the U.S. Senate Committee on Health, Education, Labour and Pensions and as a science policy analyst for the U.S. National Institutes of Health. She (and CEGA) will play a key role in the research stage as well in advising on metrics, tools and techniques for VFM and effectiveness assessments. She will meet with the Commissioners at an early stage in the study.

Team member 3 (KPMG Associate)

He has extensive experience as a public financial management advisor to governments and development agencies on governance, financial management and institutional reforms in developing and transition economies in Africa, Asia, Eastern Europe and Central Asia. He was formally a senior manager at the World Bank in Washington DC and, prior to that, was a partner in a public accounting practice. He has conducted many Public Financial Management (PFM) assessments and recently researched and authored a stock take of PFM Diagnostic Tools for the OECD DAC PFM Task Force and well as a number of impact studies. He will play a lead role in the literature review of approaches to VFM and effectiveness that have been adopted worldwide.

Team member 4 (KPMG)

He is an experienced auditor and advisor who has worked closely with the NAO and with a range of central government departments. He has particular expertise in analysing complex information and in identifying and clarifying significant issues and their impact on organisational systems and processes. He has worked on the development of several audit and assessment tools for the NAO. He will carry out around one-third of the fieldwork and will take the lead in drafting the approach and its accompanying processes and guidelines.

Team member 5 (KPMG)

She will assist with stakeholder interviews and will use her experience of VFM approaches used by UK regulators and inspectorates.

Team member 6 (KPMG)

Her main role will be to assist with the research and development of case studies to illustrate both how DFID assesses VFM and effectiveness and how ICAI will approach this issue.

Quality assurance

Subject-matter experts will be used to undertake a peer review of analysis and findings.

7. Management and reporting

We would welcome consultation with ICAI Commissioners, both individually and collectively. Project staff from KPMG, Agulhas and CEGA will hold a mini-workshop with Commissioners in early September. We would expect to meet and consult with various Commissioners either side of that event. We will produce a first draft report on 30 September, with time for subsequent revision and review prior to completion and sign-off in November 2011.

8. Expected outputs and timeframe

Outputs

The output from this study will be a written report setting out the approach for assessing the VFM and effectiveness of international aid projects and programmes, supported by outline implementation processes, tools and guidelines. We will also prepare a set of three case studies to illustrate how this approach would look in practice and how it builds upon existing methodologies in this area.

Initially we will prepare a draft report for issue to ICAI in the week ending 30 September for its review, comment and further discussion with DFID. We will then take on board the Commissioners' comments in preparing a final version of our report for ICAI in readiness for submission to the International Development Select Committee for its meeting in the autumn.

Timescales

We set out here the timescales for the delivery of each of the tasks within this study.

	August 2011	September 2011	October 2011
Initiation	■		
Task 1		■	
Task 2		■	
Task 3		■	■
Task 4		■	
Task 5		■	
Task 6			■
Task 7			■
Task 8			■
Task 9			■
Draft Report			■

The proposed key dates in this study are:

- Tuesday 6 September – mini-workshop with all ICAI Commissioners
- Week ending 30 September – submission of a discussion draft and further consultation with one or more ICAI Commissioners.

9. Risks and Mitigation

We set out here our assessment of the key risks to successful delivery of the study, together with how we propose to mitigate them.

Risk	Level of risk	Specific Issues	Mitigation
Lack of access to people and information	Low / Medium	Unable to meet with the individuals and/or organisations that have been identified and unable to gain access to required information e.g. on case studies.	Not dependent on any one individual, organisation or source of information for our work but have identified a range of potential sources for each aspect of our research. Expect to identify more contacts from engagement with DFID.
Approach does not meet ICAI's needs	Medium	Commissioners are at an early stage of putting ICAI's remit into practice. This agenda setting review is tackling an issue – VFM and effectiveness in an aid context – that has been researched and documented extensively but ICAI need the approach to be fit for their specific purposes.	Engaging Commissioners near the start of the study (6 September) to understand their needs and discuss early findings. Ongoing liaison with Commissioners to discuss findings and seek feedback. Approach will be flexible in that it can be adapted by ICAI in the light of practical experience.
Approach is not considered robust or relevant by aid funders and recipients	Medium	Organisations will already have their own frameworks and VFM assessment criteria, even if only partially developed. The output of this study may challenge conventional thinking.	Use KPMG's experience of developing assessment frameworks in multi-stakeholder situations, as well as CEGA's and Agulhas' experience of VFM assessments and evaluations. Consultation with a wide and diverse range of stakeholders to ensure we understand and fully take account of their views on assessing VFM and effectiveness.

10. How this study will make a difference

The study will enable ICAI to reach a judgement on the VFM and effectiveness of individual aid projects or programmes. ICAI's approach to this must be fit for purpose. This enables the production of timely reports that can help to inform Government spending decisions and are relevant to Parliament and to the international aid community. ICAI's judgements will use language that is meaningful to the wider community who are not specialists in international aid but have a vested interest as taxpayers, electors or beneficiaries. ICAI's approach, therefore, needs to be comprehensive, coherent and consistent and produce judgements that are communicated clearly to a variety of audiences.