House of Commons
International Development Committee


Fourth Report of Session 2014–15

Report, together with formal minutes

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International Development Committee

The International Development Committee is appointed by the House of Commons to examine the expenditure, administration, and policy of the Office of the Secretary of State for International Development Committee.

Current membership

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Fiona O'Donnell MP (Labour, East Lothian)
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The following member was also a member of the committee during the parliament:

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Richard Burden MP (Labour, Birmingham, Northfield)
Mr James Clappison MP (Conservative, Hertsmere)
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Powers

The committee is one of the departmental select committees, the powers of which are set out in House of Commons Standing Orders, principally in SO No 152. These are available on the internet via www.parliament.uk.

Publication

Committee reports are published on the Committee’s website at www.parliament.uk/indcom and by The Stationary Office by Order of the House.

Evidence relating to this report is published on the Committee’s website at Independent Commission for Aid Impact’s Performance and Annual Report 2013–14

Committee staff

The current staff of the Committee are Dr David Harrison (Clerk), Chloe Challender (Senior Adviser), Louise Whitley (Committee Specialist), Adam Mellows-Facer (Committee Specialist) Richard Ratcliffe (Committee Specialist) Anita Fuki (Senior Committee Assistant), Paul Hampson, (Committee Support Assistant) and Hannah Pearce (Media Officer).

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Summary

The Independent Commission on Aid Impact (ICAI) is an independent commission which reports to the House of Commons International Development Committee, not to the Department for International Development (DFID). We ensure its accountability to Parliament in two main ways: through a sub-Committee, which takes evidence on the reports published by ICAI; and through an inquiry each year carried out by the full Committee into ICAI’s Annual Report.

2013–14 has been a busy year for ICAI, with 12 reports published on a wide range of DFID’s activities. ICAI’s Annual Report contained three headline findings for DFID this year. Firstly, tighter management of multilateral partners is needed. Secondly, DFID needs to continue to improve its aid programme management capacity, especially where contractors are implementing programmes. Thirdly, DFID’s corporate results agenda—and in particular its use of ‘reach indicators’—is distorting programming choices.

We share ICAI’s concerns on these issues and intend to follow up its recommendations in two forthcoming inquiries this autumn: Beyond Aid; and DFID’s Departmental Annual Report 2013–14.

DFID spends a large amount of money—at least £200 million—on self-evaluation. However, it cannot provide an exact total. We question this large expenditure, especially given that an ICAI evaluation recently found that DFID staff struggle to use self-evaluation material in their work.

The contracts of the current ICAI commissioners, contractor consortium and staff all end in May 2015. While staff contracts may be renewed, new commissioners and contractors must be recruited. Planning is underway for the transition to the next phase of ICAI: all possible efforts must be made to ensure this goes as smoothly as possible.
1 Introduction

The Independent Commission on Aid Impact (ICAI)

1. The Independent Commission on Aid Impact (ICAI) was established in May 2011 by the then Secretary of State for International Development, the Rt Hon Andrew Mitchell MP. ICAI is a Non-Departmental Public Body (NDPB) sponsored by the Department for International Development (DFID). ICAI’s strategic aim is to provide independent scrutiny of UK aid spending, and to promote the delivery of value for money for British taxpayers and the maximisation of the impact of aid.

2. ICAI is an independent commission which reports to the International Development Committee, not to DFID. It was founded in May 2011, and was established with a four-year term (12 May 2011–11 May 2015). Importantly, the ICAI’s Framework Agreement notes that the Commission has the mandate to scrutinise any UK aid classified as Official Development Assistance (ODA)—so although DFID is the sponsor Department, ICAI benefits all UK Government Departments responsible for spending ODA. ICAI has four Commissioners, Graham Ward CBE (Chief Commissioner); Mark Foster; Diana Good; and John Githongo.

3. The relationship between this Committee and ICAI has similarities to that between the Public Accounts Committee/Commission and the National Audit Office. We ensure its accountability to Parliament in two main ways: through a sub-Committee, chaired by Fabian Hamilton MP, which takes evidence on the reports published by ICAI; and through an inquiry each year carried out by the full Committee into ICAI’s Annual Report.

4. As part of this inquiry, we assessed: the quality of ICAI’s work over the past year; DFID’s response to ICAI’s reports; ICAI’s independence from DFID; and the effectiveness of ICAI’s engagement with our Committee. Our short report this year will focus on three aspects of ICAI’s recent work, namely: DFID’s relationship with multilaterals; its attempts to improve programme management; and its focus on results. We then explore DFID’s self-evaluation function, and finally look at prospects for ICAI’s transition as a new set of Commissioners are appointed.

ICAI’s performance in 2013–14

5. ICAI’s Annual Report 2013–14 was published in June 2013. It sets out ICAI’s activities and expenditure during Year 3 of ICAI’s operation (May 2013–May 2014). It also follows up the reports it published during Years 1 and 2. In written evidence, independent consultant—and specialist adviser to our Committee—Simon Maxwell said the Annual Report was “well done, comprehensive in its coverage of ICAI’s work (including follow-up of previous reports) and with a useful analytical overview of findings to date.”

6. ICAI published 12 reports in Year 3 (see Annex). Two reports were awarded ICAI’s highest ‘traffic light’ score (green), five green–amber, four amber-red and one red. The reports were well-received by witnesses. Adam Smith International told us, “ICAI has
added significantly to accountability in the UK. We now have one of the most accountable aid programmes in the world, if not the most accountable.”

**Expenditure**

7. ICAI’s overall four-year budget (from 2011–15) is £13.76 million. Expenditure figures were not provided in Year 1 of the annual report series, but we welcome the provision of a budget breakdown in both this year’s and last year’s reports. The budget for 2013–14 was revised down from £4.26 million to £3.81 million following excess programme funds from the previous year.3 Last year saw an underspend of around £350,000, the same as for the 2012–13 financial year. We asked ICAI to explain this consistent underspend. It told us:

> We keep a tight control on costs—one of the reasons for the underspend—and are confident that we are using our funds efficiently. Contractor fee rates have remained fixed for the four-year contract term (2011–15) and the cost of each of our reviews is negotiated with the contractor on the basis of the amount of work expected to be needed to fulfil Commissioners’ requirements. Another reason for the underspend was our decision to move the delivery of certain complex pieces of work, notably the thematic private sector development review and the annual report synthesis, into the 2014–15 financial year, in order to allow sufficient time to produce high-quality outputs.4

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2 Adam Smith International submission (ICAI 02) para 1.2
3 Further information on ICAI’s budget can be found on page 53 of this year’s report and on page 38 of the 2012–13 report.
4 ICAI (ICAI 05) para 1
The Triennial Review of ICAI

8. NDPBs are subject to review every three years in line with Cabinet Office (CO) guidelines. The CO carried out a Triennial Review of ICAI last year, published on 17 December 2013. It had three implications of relevance to us. The first was that ICAI should focus on “in-depth thematic reviews addressing wider development issues”, alongside retaining the ability to produce “shorter reports on topics of particular interest to stakeholders”—the narrower, ‘snapshot’ reports produced by ICAI thus far. The second was that our Committee should be given a formal role in signing off ICAI’s annual workplan and any significant changes to the workplan. The third was that members of our Committee should be invited to be represented on the selection panel for future Commissioners. We welcome the recommendations made in the Cabinet Office’s Triennial Review of ICAI. We are pleased to see that ICAI has already undertaken two broader, thematic inquiries (‘How DFID Learns’, and ‘DFID’s Private Sector Development work’), and that a number are included in the Year 4 workplan. However, it is important to keep IDC and ICAI work distinct. ICAI’s memorandum of understanding with DFID prevents it from trespassing into policy areas, and whilst we currently have no cause for concern, we will ensure that ICAI keeps to its MOU when pursuing its new, more wide-ranging inquiries.

9. Following the Triennial Review, our sub-Committee Chair has participated on the selection panel for ICAI’s future Chief Commissioner. We will hold a pre-appointment hearing for the Secretary of State’s preferred candidate for Chief Commissioner in the autumn. We will continue to develop our formal role in signing off ICAI’s workplan.

Innovations following the Review

10. This year, our sub-Committee has begun taking formal evidence on each ICAI report shortly after it is published, as opposed to the informal meetings we have held previously. ICAI has appointed a contractor to carry out work on its behalf. The current contractor consortium (until May 2015) is led by KPMG in partnership with Agulhas Applied Knowledge, the Centre of Evaluation for Global Action (CEGA) and the Swedish Institute for Public Administration (SIPU). We have taken evidence from the relevant ICAI Commissioner and a representative from the contractor consortium each time, as well as relevant DFID officials who have answered questions about the implications for their work arising from the ICAI report in question.

11. We have ensured that our respective inquiries avoid duplication, and indeed are complementary where possible. We have reinforced each other’s work in a number of areas. ICAI’s evaluation of health programmes in Burma provided a useful basis for our inquiry into DFID’s work in Burma. We have also drawn upon a number of other ICAI evaluations in our work, notably its study of DFID’s Health Programmes in Burma in our Burma inquiry; DFID’s support for Palestinian refugees through the UN Relief and Works...
Agency (UNRWA) in our Middle East inquiry; and its evaluation of DFID’s Contribution to the Reduction of Child Mortality in Kenya in our health systems inquiry.

12. Our new practice of taking formal evidence—as opposed to simply holding an informal meeting—for each ICAI report as it is published is working well. The process has helped strengthen the collaboration between us and the Commission; and it has enhanced our scrutiny of DFID. We plan to continue with the model over Year 4 of ICAI’s operations. We have found it useful when ICAI has submitted evidence to our own inquiries, and request that ICAI does this whenever it can.
3 Lessons for DFID

13. In its Annual Report, ICAI identified nine key lessons for DFID emerging from the past year (see Box 1). In this chapter we will briefly survey two of these lessons—programme management, and DFID’s focus on results—plus a third not listed by ICAI: the issue of managing multilateral agencies. We intend to follow up a number of ICAI’s other lessons in our forthcoming inquiries this autumn.

Box 1: ICAI’s headline lessons for DFID, 2013–14

i. DFID’s global portfolio faces many new challenges in the coming years.

ii. DFID’s strategies and theories of change are usually strong at the individual programme level but weaker in respect of more complex interventions with multiple components.

iii. DFID’s corporate results agenda has brought greater rigour and discipline but can also distort programming choices.

iv. With a few exceptions, DFID effectively targets the most vulnerable with its assistance.

v. DFID’s choice and oversight of its delivery partners has emerged as a key vulnerability in the effectiveness of UK aid.

vi. Sound programme governance and an active role for intended beneficiaries are key success factors.

vii. DFID is paying more attention to the fiduciary protection of UK funds but lacks clear strategies for ensuring overall value for money.

viii. DFID staff learn well as individuals but corporate learning is not pursued consistently.

ix. DFID’s programmes are not flexible enough to maximise learning within the lifecycle of each project.

Source: Simon Maxwell (ICAI 02)

DFID and multilateral organisations

14. A headline concern of ICAI’s this year relates to DFID’s management of delivery partners, particularly multilateral organisations. It is especially concerned about DFID’s in-country capacity to manage multilaterals who are helping implement the Department’s programmes. In its Annual Report, ICAI states:

Because multilateral institutions are seen as development partners, rather than contractors, they are not as closely monitored by DFID—a consistent finding across our UNICEF, World Bank, Asian Development Bank and European Union reviews.
This can lead to poor risk management and an insufficient focus on results. In practice, funding the delivery of bilateral programmes by multilateral institutions often entails cumbersome management processes and high (and not very transparent) overheads.\(^8\)

15. In following up Year 2 reports on multilateral agencies—notably reports about UNICEF, and the EU—within its Annual Report, ICAI made it clear that it believes DFID needs to operate tighter in-country management of multilaterals. ICAI published two reports relevant to UNICEF in Year Two: ‘DFID’s Work through UNICEF’, which focused on DFID’s use of UNICEF as a delivery partner for its bilateral programmes; and ‘DFID’s Education Programmes in Nigeria’, which assessed two education programmes in Nigeria, the Education Sector Support Programme in Nigeria, run by Cambridge Education, and the Girls’ Education Programme, led by UNICEF.\(^9\) The former was found to be far more effective than the latter.

16. ICAI Commissioner Diana Good told us that, with regard to the Nigeria programmes, whilst “significant efforts have been made by DFID to improve that oversight and relationship” at a central level, “our concern as to the ability of the multilaterals to deliver consistently and well at country level remains, and our follow-up review of education in Nigeria absolutely illustrates that point.”\(^10\) Ms Good said

> For there to be two programmes in Nigeria, both of them trying to achieve the same things in terms of education, one performing so much strikingly better than the UNICEF one, indicates that there is still an issue. We recommended some very serious changes to the UNICEF programme and to the overall programming, and it is with considerable regret that we observe that it took nearly a year for DFID to decide to put the UNICEF part of the programming on to a programme improvement plan. […] We, yesterday, in our meeting with management asked what was happening, and they said they did not know whether the report had yet come through and it would take them some months to absorb it. […] There is a question as to whether, in terms of culture and oversight in-country, a multilateral like UNICEF is becoming almost too big to fail in DFID’s eyes.\(^11\)

Adam Smith International questioned whether the performance of UN agencies was sufficiently strong for them to be given major tasks on a non-competitive basis.\(^12\)

17. On the EU, ICAI’s Annual Report notes that, while DFID had committed to developing a strategy and guidance for country offices’ engagement with the EU, it had not completed this. ICAI said this was a “missed opportunity to take the engagement with EU Delegations in developing countries on to a new, more effective level.” It recommended that DFID increase its focus on gathering more on-the-ground evidence about EU programmes.\(^13\)

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8 ICAI Annual Report 2013–14
9 See Annex for list of ICAI reports
10 Q6
11 Q6
12 Adam Smith International (ICAI 01) para 2.10
13 ICAI Annual Report 2013–14 p.21
18. ICAI said, “These examples illustrate the importance of a focus on working with and understanding the capabilities of multilaterals at a country level as well as overall. We urge DFID to take full account of this in the 2015 Multilateral Aid Review.” Adam Smith International recommended that ICAI itself “examine much more deeply the major UN organisations to which DFID provides funds […] ICAI needs to help rectify this problem by conducting more of that detailed scrutiny itself.”14

19. DFID’s Director General for Policy and Global Programmes, Nick Dyer, responded by saying:

> We have a range of mechanisms by which we are engaging with the multilaterals to try to improve their performance. I know one of the challenges has been that we are not doing enough to bring our in-country experience to bear in our engagement with multilaterals. It is getting better. I suspect one of the challenges is that, even if we were to do that, across all our programmes we have still only got 28 country programmes, and many of these organisations are dealing in 70 or 100 different countries. There, it is a question of what knowledge we have, alongside building and drawing on the knowledge of other donors and the multilateral systems themselves.15

20. We have noted ICAI’s ongoing concerns about the ability of multilateral agencies to deliver consistently and well at country level. Like ICAI, we are anxious that improvements to the central management of multilaterals filter down to country level. We were concerned by the failings in engagement with the EU which ICAI noted. We welcome ICAI’s forthcoming inquiry on multilaterals; it should look particularly at the extent to which bilateral and core funding of multilaterals are ‘joined up’. DFID plans to carry out a Multilateral Aid Review in 2015. We recommend that, at the same time, it also undertakes a bilateral aid review. These simultaneous reviews should include comparisons between delivering aid multilaterally and bilaterally so that the relative opportunities and challenges connected with both mechanisms can be assessed. We also recommend that DFID ensure that the 2015 Multilateral Aid Review includes a careful analysis of the Department’s in-country capacity to manage multilateral partners, and that the Department has the right skills and processes in place to ensure its funds are spent wisely.

**Programme management**

21. A related concern for ICAI is DFID’s in-country relationships with contractors, who also often implement DFID programmes. ICAI’s Year 2 report on ‘DFID’s Use of Contractors to Deliver Programmes’ (May 2013) criticised the way DFID engages with contractors, highlighting the Department’s poor end-to-end programme management practices and the apparent lack of priority given to project management skills in DFID’s staffing.16 In our inquiry into *DFID’s Performance in 2012–13*, for which ICAI provided a memorandum, we questioned the Permanent Secretary on the improvements he intended to make.

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14 Adam Smith International (ICAI 01) para 2.10
15 Q89
16 ICAI Annual Report 2013–14 para 5.5
22. DFID has since scaled up support for programme management in order to manage its contractor relationships more efficiently. Amongst other actions, it has introduced a new Head of Profession for Programme Management. ICAI’s Annual Report this year welcomed these steps. However, ICAI remains concerned that DFID has yet to develop strategic guidance on when and how contractors of different sizes and specialisms can deliver most effectively so that the appropriate contractor is engaged for the programme or project. ICAI says that the choice about the delivery route is still left to programme teams on a case-by-case basis supported by central or in-country procurement resources.

23. ICAI’s December 2013 Red-rated evaluation of ‘DFID’s Trade Development Work in Southern Africa’ uncovered major financial mismanagement and poor governance within DFID’s £100 million TradeMark Southern Africa (TMSA) programme. This demonstrated the consequences of poor programme management. As a result of weak oversight by DFID staff, the programme contained what ICAI termed “major failings” including “excessive” spending, “inadequate focus on the poor” and misreported results. In one case, ICAI found TMSA had said 83% of its targets had been met whereas the figure was only 21% in its project results. Following the project’s deficiencies, £67 million of UK taxpayers’ money sat unused in a trust fund since 2010.

24. The Secretary of State responded to ICAI’s findings by closing down TMSA with immediate effect. She also stated that programme management controls will be further strengthened including in relation to mandatory annual reviews and programme improvement plans so that under-performing programmes are properly reported and that remedial steps can be taken when programmes are failing to deliver. [...] In addition, I am expanding DFID’s internal audit capability to enable an enhancement of its risk based approach targeting internal audit effort more effectively and increasing its frequency of review of key areas.

25. We asked Richard Calvert, DFID’s Director General for Finance and Corporate Performance, what action had taken place since the Secretary of State’s announcement. He said

We immediately had an exercise across the Department to ensure that we were more consistent in completing, and ensuring that sufficient attention was given to, annual reviews. [...] Secondly, we have been working on a new set of programme management procedures and control points throughout the programme cycle. This has been brought together in something we have called the new Smart Rules [...] [which are] the new programme management tool kit for the organisation [and provide for] the establishment of a senior responsible owner, for each project intervention in the organisation. [...] We have created a framework for programme management professionalization [with a] learning and development programme, for

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17 ICAI Annual Report 2013–14 para 10
18 ICAI Annual Report 2013–14 para 4.6
19 ICAI, ‘DFID’s Trade Development Work in Southern Africa’, p.2
20 Written Ministerial Statement, 17 December 2013
both programme management staff and those aspiring to programme management roles.\footnote{Q60}

As we indicated in our report on \textit{DFID's Performance in 2012–13}, like ICAI, we welcome the measures DFID is taking to improve programme management. But we note ICAI’s concern that DFID has yet to develop strategic guidance on when and how contractors of different sizes and specialisms can deliver most effectively so that an appropriate contractor is engaged for the programme or project. We will follow up these and related concerns about programme management, including progress in implementing changes, in our report on DFID’s Departmental Annual Report this autumn.

26. The revelations about TradeMark Southern Africa in December 2013 demonstrate the damaging consequences of weak programme management. We were disappointed that DFID’s Director General Finance and Corporate Performance could give us no updated information on the improvements to DFID’s internal audit promised by the Secretary of State when she closed down TMSA in December 2013. \textit{DFID should provide an update on internal audit in its response to this report.}

\textbf{Results focus}

27. The Coalition Government has introduced a number of measures aiming to increase DFID’s focus on results, and on value for money. ICAI found that DFID’s corporate results agenda has brought rigour, but is too focused on headline indicators, which ICAI fears are distorting programme choices. In its Annual Report, ICAI highlighted its 2012 review of education in East Africa, in which it found a narrow focus on enrolment (which—in bureaucratic terms—means only that a child attends school on the first day of the year), rather than on wider measures such as pupil or teacher attendance. ICAI is particularly concerned at the proliferation of ‘reach indicators’, which record the numbers of people nominally benefiting from DFID programmes, “whether or not they experience developmentally significant change.” ICAI gives the example of DFID’s pledge to reach 20 million children under–five and pregnant women with its nutrition-relevant programmes. An individual is “reached” if they have received one or multiple interventions. This can involve an individual being given as few as one of a number of interventions that they would need to improve their nutrition. In its Annual Report, ICAI advised DFID to avoid this kind of results inflation and to focus on “meaningful results measures, rather than superficially impressive ones.”\footnote{ICAI Annual Report 2013–14, para 5.3}

28. ICAI is concerned that DFID’s corporate results agenda—and in particular its use of ‘reach indicators’—is distorting programming choices. This is something we intend to keep an eye on. We will follow up ICAI’s points in two forthcoming inquiries, Beyond Aid, and DFID’s Departmental Annual Report 2013–14.
4 DFID’s self-evaluation function

29. In this chapter, we will comment briefly on DFID’s self-evaluation function. The way DFID carries out self-evaluation has changed, with functions decentralised; evaluations are now integrated within the design of individual country programmes. DFID programme management teams and embedded evaluation advisers within its country offices commission DFID evaluations, with DFID’s Evaluation Department playing a supporting role. According to ICAI’s recent report How DFID Learns, DFID does not know exactly how much it spends on self-evaluation. However, it has committed over £200m to evaluation from central budgets alone.23

30. ICAI’s report states

Embedding evaluation into DFID country offices was intended to promote the use of evidence within the department […] ICAI was mandated to provide robust external scrutiny of the UK aid programme […] Together, these two ends of the evaluation spectrum should help to drive the continuous improvement of UK aid.24

However, witnesses were concerned that this co-ordinated approach is not happening. David Peretz, a consultant who previously headed the predecessor body to ICAI, the Independent Advisory Committee for Development Impact (IACDI), said he would like to see “ICAI making more use of DFID’s internal self-evaluation material in its work.”25

31. ICAI’s March 2014 report on How DFID Learns said that insufficient priority is placed on learning during implementation, and that DFID staff struggle to apply lessons from the enhanced amount of self-evaluation material. It recommended that information from evaluations should be synthesised so that the relevant lessons are accessible and readily useable across the organisation.26 Further, the report also talked of a “culture where staff have often felt afraid to discuss failure.” One head of department even told the authors that DFID “does not fail.”27 The Department is taking steps to improve its attitude to failure: DFID’s management response to the report said that the Department’s Evaluation Professional Development Conference planned for October 2014 will discuss ‘failure’ and lessons learnt from DFID evaluations with the explicit purpose of encouraging open discussion of what does not work.28

32. We find it worrying that DFID does not know how much exactly it spends on self-evaluation. However, the amount committed from central budgets alone is £200 million, which is a huge amount. Such spending might be justified if the lessons learnt were widely diffused through the organisation but it appears they are not: ICAI’s recent

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23 ICAI, How DFID Learns (April 2014), para 2.30
24 ICAI Annual Report 2013–14 para 7.2
25 David Peretz (ICAI 03) p.1
26 ICAI, How DFID Learns (April 2014) para 3.24
27 ICAI, ‘How DFID Learns’ (April 2014) para 2.15
28 DFID Management Response to ‘How DFID Learns’ (April 2014)
finding that DFID has a culture where staff often feel afraid to discuss failure is of great concern to us. DFID’s spending on self-evaluation dwarfs ICAI’s costs, which at only £3 million per year represent good value for money. In its response to this report, DFID should state the total amount that it spends on self-evaluation.
5 Transition

33. ICAI’s current mandate runs to May 2015. The Cabinet Office’s Triennial Review found that there was a continuing need for ICAI’s function. A new Chief Commissioner is in the process of being recruited to replace the current postholder, Graham Ward CBE, whose (non-renewable) contract expires in May 2015. The contract for the contractor consortium will also come to an end at that point.

34. In its Annual Report, ICAI said it has concerns about the transition:

> We are concerned that the ending of Commissioner and Contractor contracts in May 2015 presents a significant continuity risk. DFID has started the process of appointing a new Chief Commissioner and another Commissioner by the end of 2014. We are also working with DFID to move forward with procurement of a contractor team, starting with early market engagement in June 2014. We are concerned that, given the scale of the transition required, there is a significant risk of disruption to ICAI’s activities, particularly if the timelines for Commissioner recruitment or contractor procurement slip. We are working with DFID to make the process as efficient as possible in order to mitigate this risk.29

35. In oral evidence, the Head of ICAI’s Secretariat said ICAI was attempting to mitigate the risks posed by transition by planning ahead for the handover “at all levels to make sure that all the learning from the last four years is not lost.” She said that a new organisational structure was being considered for ICAI, with a larger secretariat bringing together the contractor team and the secretariat. She said this would help avoid duplication and improve the resilience of the team.30 We agree with ICAI that all possible effort must be made to ensure a smooth transition for Commissioners, contractors and the Secretariat in May 2015. There are many risks: for example, whether the new contractors are appointed on time. We are concerned that there is a risk of a big gap in 2015 in reports and other ICAI functions is minimised. Another priority for us that possible organisational changes, and changes in personnel, do nothing to impede ICAI’s independence from DFID. In its response to this report, DFID should set out how it is managing the risks. We will be keeping a watchful eye on preparations for the transition, as well as DFID’s progress in addressing the important recent ICAI findings set out in this report, all of which we intend to follow up in forthcoming inquiries this autumn.

29 ICAI Annual Report 2013–14, para 10.3
30 Q30
Annex

Year 3 (May 2013–May 2014)
1. FCO and British Council Aid Response to the Arab Spring
2. DFID’s Health Programmes in Burma
3. DFID’s support to Montserrat
4. DFID’s Support to Refugees through UNRWA
5. DFID’s Approach to Empowerment and Accountability
6. DFID’s Support to Agricultural Research
7. DFID’s Trade Development Work in Southern Africa
8. DFID’s bilateral support to Growth and Livelihoods in Afghanistan
9. Rapid review of DFID’s humanitarian response to Typhoon Haiyan in the Philippines
10. DFID’s Contribution to the Reduction of Child Mortality in Kenya
11. How DFID Learns
12. DFID’s Private Sector Development Work

Year 2 (May 2012–May 2013)
1. DFID’s Engagement with the Asian Development Bank
2. Evaluation of the Inter-Departmental Conflict Pool
3. UK Humanitarian Emergency Response in the Horn of Africa
4. DFID’s Bilateral Aid to Pakistan
5. DFID’s education programmes in Nigeria
6. DFID’s Oversight of the EU’s Aid to Low-Income Countries
7. DFID’s Peace and Security Programme in Nepal
8. DFID’s Water, Sanitation and Hygiene Programming in Sudan
9. DFID’s Livelihoods Work in Western Odisha, India
10. DFID’s work through UNICEF
11. Programme Partnership Arrangements (PPAs)
12. DFID’s Use of Contractors to Deliver Aid Programmes

Year 1 (May 2011–May 2012)
1. ICAI’s Approach to Effectiveness and Value for Money.
2. DFID’s Approach to Anti-Corruption.
3. DFID’s Climate Change Programme in Bangladesh.
4. DFID’s Support to the Health Sector in Zimbabwe.
5. The effectiveness of DFID’s Engagement with the World Bank.
6. DFID Programme Controls and Assurance in Afghanistan.
8. Evaluation of DFID’s Electoral Support through UNDP
10. Evaluation of DFID’s Support for Health and Education in India.
11. DFID’s Education Programmes in Three East African Countries
Conclusions and recommendations

The Triennial Review of ICAI

1. We welcome the recommendations made in the Cabinet Office’s Triennial Review of ICAI. We are pleased to see that ICAI has already undertaken two broader, thematic inquiries (‘How DFID Learns’, and ‘DFID’s Private Sector Development work’), and that a number are included in the Year 4 workplan. However, it is important to keep IDC and ICAI work distinct. ICAI’s memorandum of understanding with DFID prevents it from trespassing into policy areas, and whilst we currently have no cause for concern, we will ensure that ICAI keeps to its MOU when pursuing its new, more wide-ranging inquiries. (Paragraph 8)

2. Following the Triennial Review, our sub-Committee Chair has participated on the selection panel for ICAI’s future Chief Commissioner. We will hold a pre-appointment hearing for the Secretary of State’s preferred candidate for Chief Commissioner in the autumn. We will continue to develop our formal role in signing off ICAI’s workplan. (Paragraph 9)

3. Our new practice of taking formal evidence—as opposed to simply holding an informal meeting—for each ICAI report as it is published is working well. The process has helped strengthen the collaboration between us and the Commission; and it has enhanced our scrutiny of DFID. We plan to continue with the model over Year 4 of ICAI’s operations. We have found it useful when ICAI has submitted evidence to our own inquiries, and request that ICAI does this whenever it can. (Paragraph 12)

Lessons for DFID

4. We have noted ICAI’s ongoing concerns about the ability of multilateral agencies to deliver consistently and well at country level. Like ICAI, we are anxious that improvements to the central management of multilaterals filter down to country level. We were concerned by the failings in engagement with the EU which ICAI noted. We welcome ICAI’s forthcoming inquiry on multilaterals; it should look particularly at the extent to which bilateral and core funding of multilaterals are ‘joined up’. DFID plans to carry out a Multilateral Aid Review in 2015. We recommend that, at the same time, it also undertakes a bilateral aid review. These simultaneous reviews should include comparisons between delivering aid multilaterally and bilaterally so that the relative opportunities and challenges connected with both mechanisms can be assessed. We also recommend that DFID ensure that the 2015 Multilateral Aid Review includes a careful analysis of the Department’s in-country capacity to manage multilateral partners, and that the Department has the right skills and processes in place to ensure its funds are spent wisely. (Paragraph 20)

5. As we indicated in our report on DFID’s Performance in 2012–13, like ICAI, we welcome the measures DFID is taking to improve programme management. But we note ICAI’s concern that DFID has yet to develop strategic guidance on when and how contractors of different sizes and specialisms can deliver most effectively so that
an appropriate contractor is engaged for the programme or project. We will follow up these and related concerns about programme management, including progress in implementing changes, in our report on DFID’s Departmental Annual Report this autumn. (Paragraph 25)

6. The revelations about TradeMark Southern Africa in December 2013 demonstrate the damaging consequences of weak programme management. We were disappointed that DFID’s Director General Finance and Corporate Performance could give us no updated information on the improvements to DFID’s internal audit promised by the Secretary of State when she closed down TMSA in December 2013. **DFID should provide an update on internal audit in its response to this report.** (Paragraph 26)

7. ICAI is concerned that DFID’s corporate results agenda—and in particular its use of ‘reach indicators’—is distorting programming choices. This is something we intend to keep an eye on. We will follow up ICAI’s points in two forthcoming inquiries, Beyond Aid, and DFID’s Departmental Annual Report 2013–14. (Paragraph 28)

**DFID’s self-evaluation function**

8. We find it worrying that DFID does not know how much exactly it spends on self-evaluation. However, the amount committed from central budgets alone is £200 million, which is a huge amount. Such spending might be justified if the lessons learnt were widely diffused through the organisation but it appears they are not: ICAI’s recent finding that DFID has a culture where staff often feel afraid to discuss failure is of great concern to us. DFID’s spending on self-evaluation dwarfs ICAI’s costs, which at only £3 million per year represent good value for money. **In its response to this report, DFID should state the total amount that it spends on self-evaluation.** (Paragraph 32)

**Transition**

9. We agree with ICAI that all possible effort must be made to ensure a smooth transition for Commissioners, contractors and the Secretariat in May 2015. There are many risks: for example, whether the new contractors are appointed on time. We are concerned that there is a risk of a big gap in 2015 in reports and other ICAI functions is minimised. Another priority for us that possible organisational changes, and changes in personnel, do nothing to impede ICAI’s independence from DFID. In its response to this report, DFID should set out how it is managing the risks. We will be keeping a watchful eye on preparations for the transition, as well as DFID’s progress in addressing the important recent ICAI findings set out in this report, all of which we intend to follow up in forthcoming inquiries this autumn. (Paragraph 35)
Formal Minutes

Tuesday 2 September 2014

Members present:

Sir Malcolm Bruce, in the Chair
Sir Tony Cunningham  Fabian Hamilton
Jeremy Lefroy  Sir Peter Luff

Draft Report, *(ICAI’s Performance and Annual Report 2013-14)* proposed by the Chair, brought up and read.

*Ordered*, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 35 read and agreed to.

Annex and Summary agreed to.

*Resolved*, That the Report be the Fourth Report of the Committee to the House.

*Ordered*, That the Chair make the Report to the House.

*Ordered*, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Adjourned till Tuesday 14 October at 10.00 am
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the Committee’s inquiry page at Independent Commission for Aid Impact’s Performance and Annual Report 2013–14

Tuesday 8 July 2014

Graham Ward CBE, Chief Commissioner, Independent Commission for Aid Impact, Diana Good, Commissioner, ICAI, Mark Foster, Commissioner, ICAI, Alexandra Cran-McGreehin, Head of Secretariat, ICAI, Richard Calvert, DG Finance and Corporate Performance, Department for International Development, Nick Dyer, DG Policy and Global Programmes, DFID, and Pauline Hayes, Acting Director, Western Asia Division, DFID

Published written evidence

The following written evidence was received and can be viewed on the Committee’s inquiry web page at Independent Commission for Aid Impact’s Performance and Annual Report 2013–14. ICA numbers are generated by the evidence processing system and so may not be complete.

1 Adam Smith International (ICA0001)
2 Simon Maxwell (ICA0002)
3 David Peretz (ICA0003)
4 Conscience (ICA0004)
5 Independent Commission for Aid Impact (ICA0005)
List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the Committee's website at [www.parliament.uk/indcom](http://www.parliament.uk/indcom).

The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

**Session 2014–15**

**First Report**  
UK Support for Humanitarian Relief in the Middle East  
HC 248

**Second Report**  
Scrutiny of Government’s UK Strategic Export Controls Annual Report 2012, the Government’s Quarterly Reports from October 2012 to September 2013, and the Government’s policies on arms exports and international arms control issues  
HC 186

**Third Report**  
The UK’s Development Work in the Occupied Palestinian Territories  
HC 565

**Session 2013–14**

**First Report**  
Global Food Security  
HC 176 (626)

**Second Report**  
Violence Against Women and Girls  
HC 107 (624)

**Third Report**  
HC 205 (CM 8707)

**Fourth Report**  
Multilateral Aid Review  
HC 349 (694)

**Fifth Report**  
ICAI’s Annual Report 2012–13  
HC 566 (946)

**Sixth Report**  
Implications for development in the event of Scotland becoming an independent country  
HC 692

**Ninth Report**  
Democracy and Development in Burma  
HC 821

**Tenth Report**  
HC 693 (522)

**Eleventh Report**  
Disability and Development  
HC 947 (336)

**Session 2012–13**

**First Report**  
DFID’s contribution to the Global Fund to Fight AIDS, Tuberculosis and Malaria  
HC 126 (609)

**Second Report**  
HC 419 (CM 8441)
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