

Written evidence submitted by the United Nations Development Programme (UNDP)

On the ICAI review of DFID's Electoral Support delivered through UNDP

Executive Summary

1. The United Nations Development Programme (UNDP) welcomes the ICAI review. The report highlights areas where UNDP needs to do better, including learning; attention to cost effectiveness and the use of appropriate technologies; and implementing the electoral cycle approach. DFID's management response also presents opportunities for UNDP and DFID to collaborate in improving the design and delivery of electoral assistance, including through development of a new methodology for assessing value for money in electoral assistance and preparations for the next UNDP Strategic Plan (2014-2017).
2. UNDP is the one of the world's largest providers of electoral assistance. Between 1999 and 2011, UNDP assisted 83 countries with expenditures of approximately \$2.2 billion. Assistance today averages 60 countries annually. UNDP brings together technical expertise, UN norms and principles, trusted relationships with partner governments, and coordination and funds management.
3. UNDP, as the leading technical electoral assistance provider and the Department of Political Affairs of the UN (DPA), through its Electoral Assistance Division (EAD), as the clearing house for UNDP's assistance, have arrived at significant agreements on the UN's common approach, which is solidly founded on the "electoral cycle" notion.
4. Today 65% of UNDP electoral assistance is delivered through the electoral cycle approach, which entails engaging multiple stakeholders while working through the pre-electoral, electoral and post-electoral periods. The electoral cycle approach includes support to election events, but grounds such support within a wider context of democratic institution building. UNDP seeks to implement the electoral cycle in order to build sustainable capacity. But this is difficult when the electoral management body is constituted late, or its staff frequently replaced (Malawi and Burundi), or when donor funding fails to materialize until impending elections (Afghanistan).
5. The independent evaluation of UNDP electoral assistance (to be submitted to the UNDP Executive Board in September 2012) concluded that "UNDP is uniquely placed to address the real, usually long-term, challenges faced in a democratization process, to which credible electoral processes are indispensable. Its development perspective, larger democratic governance portfolio of programmes, long-term relationship with host governments and United Nations-system status are its strongest assets. These provide UNDP with the standing, expertise and moral authority to advise countries on these sensitive and highly political national processes."

6. The four country case studies examined in the ICAI review (Afghanistan, Bangladesh, Burundi and Malawi) present relevant lessons. It is also important to note however that the range of experience in collaboration between DFID and UNDP extends far beyond and includes additional lessons. DFID is one of UNDP's most important electoral partners. The two organizations are working in contexts as diverse as DRC, Kenya, Nigeria, Sierra Leone, Tanzania, Yemen and Zambia.
7. There are many instances where UNDP has argued in favour of lower costs and lower technology solutions (Sierra Leone) and documented cases where UNDP has sought to advise national electoral management bodies about the pitfalls of using certain technology (Sierra Leone, Zambia, Yemen). UNDP has also moved toward promoting south-south cooperation, adopting the role of knowledge broker (India, Nigeria, Uganda). More broadly, electoral project budgets and staff in many countries are trending downwards. In Nepal the number of international advisors was reduced from 80 to 1 in the transition from a UN political mission to a non-mission development context, and in Bangladesh the programming budget for electoral assistance was reduced by a factor of five.
8. Joint strategic oversight over programmes is maintained in many ways, including through participation by donors in strategic-level steering committees that set the policy framework and high-level results and strategies. Donors also participate in technical committees that look into practical specifics of the technical assistance and management of funds.

Introduction

9. UNDP is submitting this written evidence to the International Development Committee of the House of Commons at the invitation of the Committee, extended to the UNDP Administrator during her visit to Parliament on 25 April 2012.
10. Electoral assistance represents a range of between five and 27 percent of all UNDP democratic governance assistance and between two and 10 percent of total UNDP support. The higher end of such ranges reflects UNDP assistance during years of large post-conflict elections, such as those in Afghanistan and DRC. Approximately 95 percent of electoral assistance funding comes from non-core sources (earmarked funds) mobilized at country level from bilateral and multilateral donors. The European Union is the largest contributor to UNDP's electoral assistance, contributing in 2011 approximately €67.7 million. In 2011, UNDP provided support to 58 countries (28 in Africa, 10 in Latin America and the Caribbean, nine in Asia and Pacific, six in the Arab States, and five in Europe and the CIS).

Factual Information

Policy Framework

In reference to ICAI recommendation 2 that DFID "should encourage the UN to resolve differences in approach to elections between UN agencies".

11. UNDP provides electoral assistance within a larger United Nations context. A United Nations Focal Point for Electoral Assistance Activities was appointed in 1991, by General Assembly resolution 46/137, to provide a consistent response to Member States' requests for electoral assistance and to channel such requests to the appropriate responder within the UN system. The Focal Point, currently the Under-Secretary-General for Political Affairs, assisted by EAD, makes formative decisions about whether and how the United Nations provides assistance. UNDP assistance begins with a country government request or mandate from the United Nations Security Council or General Assembly. The nature of the request and the DPA-led needs assessment mission define the parameters for UNDP action, and, in some cases, may limit UNDP's ability to address some key components of the electoral support process. The Department of Peacekeeping Operations and EAD typically take the lead in electoral assistance in peacekeeping and political mission contexts, though UNDP usually plays a supporting role.
12. The DPA-led needs assessment is the initial vehicle to set the political and strategic framework within which UN assistance takes place. The practice is to consult key interlocutors, including the UK in its capacity as a development partner. A key goal is to agree on overall objectives. Most interlocutors identify a mix of short- and long-term objectives – some are more “political”, some are more “technical”. The process is designed to facilitate agreed strategic objectives for the UN's assistance, placed within the larger political and development agendas. It is often but not always possible to facilitate agreement amongst key stakeholders. This can be because the UN has a multilateral mandate which give it a status different from an “implementer”.
13. The entire UN system not only supports, but is obligated to follow the electoral cycle approach as defined by the General Assembly as " assistance...throughout the timespan of the entire electoral cycle, including before and after elections, as appropriate, based on a needs assessment and evolving needs of requesting Member States, bearing in mind sustainability and cost effectiveness" (A/RES/66/163). The UN has also embraced the holistic approach to electoral assistance laid out by the Secretary-General in his report to the 66th General Assembly (A/66/314).
14. The Secretary-General's Policy Committee decisions 2010/23 and 2011/23 have clarified pending issues of division of labor among different parts of the UN working in electoral assistance, from how policy is formulated to how the UN should respond to demands for electoral assistance from Member States. UNDP and DPA have also signed a Note of Guidance on Electoral Assistance (September 2010) which governs the division of labor in this area. DPA and UNDP have also collaborated on a new policy directive on Principles and Types of Electoral Assistance and on Needs Assessment Guidelines which define the types of UN electoral assistance that are typically provided and the principles governing such assistance, and outline how the UN assesses whether to provide electoral assistance, respectively.

Multiple Roles of UNDP

In reference to ICAI recommendation 5 “DFID should ensure that each example of electoral support is anchored in a strategy for democratic development. This should include how the elections assistance relates to governance objectives beyond the time frame of a specific election”.

15. UNDP combines a normative and principled-based framework, electoral technical expertise, coordination at country level, and funds management. The independent evaluation of UNDP electoral assistance concluded that UNDP is “uniquely placed” to address democratization challenges, and that its assets “confer upon UNDP the legitimacy to represent the international community in its collective efforts to support these processes and help ensure that they meet international standards.”

Planning and Design

16. In many cases planning and design processes begin several years in advance of an election and even before the official request or UN assessment process. In Burundi and Malawi, UNDP prioritized the electoral cycle approach (and capacity development) but was hampered in following through due to the constraints of late electoral administration appointments and the impact on what could be done. In Burundi UNDP went further in introducing the notion of a “Democratic Cycle” in order to emphasize the complementarity with strengthening other democratic institutions. While initially the DFID funding was to be used exclusively for the holding of the 2010 elections, UNDP ensured that post-election activities were planned and included in the project document and advocated for further support.

17. In Afghanistan, UNDP prioritized the electoral cycle approach with the design of the Enhancing Legal and Electoral Capacity for Tomorrow (ELECT) Programme in late 2005. However, no donor was willing to fund this programme until 2008. The challenges of implementing the electoral cycle approach in contexts of impermanent or frequently changed electoral management bodies or where donor funding is unpredictable or untimely (such as in Malawi and Burundi) need to be distinguished from any possible internal UN differences in position on the approach. In addition, we see cases where UNDP tried to interest donors in other entry points through the electoral cycle, such as in Burundi where the original electoral project design included political party work, thereby opening the scope. But this attempt did not succeed because of funding constraints and other donor priorities. Any technical assistance provider in such cases will face difficulties in implementing the electoral cycle approach.

Value for money in electoral assistance

In reference to ICAI recommendation 3 “DFID should place greater emphasis on ensuring value for money in electoral assistance. This means encouraging more realistic budget processes and advocating appropriate electoral systems and technologies. DFID also needs to improve its identification of costs of different aspects of electoral systems in different countries, to enable better cost control”.

18. While there are many challenges with implementing the electoral cycle approach, UNDP has seen that full implementation of the approach reduces electoral project budgets – including the spending on election day support – and staff providing in-country assistance. At UNDP’s last global electoral practice meeting (March 2011, Botswana), several country examples illustrated a strong focus on national capacity development, clear exit strategies and a reduction in resources and personnel used. This has for instance been the case in Nepal and Bangladesh where both staffing and budgets have been reduced significantly over the last cycle.¹ Some Member States, such as Brazil, Mexico and South Africa, have transformed from ‘net importers’ of UN electoral assistance to providers of expertise and south-south support. In such cases the role of UNDP has evolved from that of a technical assistance provider to a broker of knowledge, standards, partnerships and information. In other cases, such as in the Pro-PALOP (for lusophone African countries and Timor Leste) and SADC-ECF regional projects, UNDP brokers south-south exchanges among electoral management bodies.
19. Consultations on project design are generally wide and collaborative. In Malawi (2009), the project was prepared through close collaboration between the Malawi Electoral Commission (MEC), UNDP, Development Partners and the Malawi Government. The Trust Fund arrangement for the first time integrated bilateral work done by DFID on the voter registry, civic and voter education activities of various donors, and core support to the MEC. The formulation process was done under considerable pressure due to the late appointment of the Election Commissioners, which may have created the impression that consultations (e.g. with civil society organizations) were not as extensive as they could have been.
20. UNDP’s sustained long-term relationship with the host government often results in strong national ownership over the processes supported. This enables UNDP to rapidly bring together national and international partners to provide a substantive technical response. For instance, in Bangladesh the obstacles to holding credible elections were both technical and political. However, with the new interim government and election commission in place, UNDP’s standing as an organization responsive to the needs and preferences of its national counterparts provided a window of opportunity. The Resident Coordinator, cognizant of the political obstacles and realities, quickly seized the opportunity to bring together all relevant stakeholders, fostering coordination and cooperation, to provide the comprehensive support required. This included the enormous task of registering 81 million voters.

Cost and ICT

21. There are many instances where UNDP has argued in favour of lower costs and simpler technology solutions. For example, in Sierra Leone UNDP shared comparative experiences in use of technology, argued for lower-cost solutions, and endeavoured to budget realistically for electoral assistance. In the case of Afghanistan, costs have been going down with every election (the difference between the 2009 and 2010 elections was over US\$ 50 million). At

¹ The combined budgets for electoral assistance to Bangladesh went from USD 96 million over the period 2005 to 2010 to USD 20 million for the period 2011 to 2016 (these figures exclude one 47-million project that rolls over both periods).

other times, the late arrival of funds resulted in truncated supplier timelines which drove up costs.

22. There are also a number of instances where DFID and UNDP undertook an analysis of the cost-effectiveness of election budgets or made use of cross-country comparators to assess value for money. Both were done in Sierra Leone. UNDP invested considerable time in trying to develop a more realistic budget for the National Election Commission (NEC). UNDP also shared with the NEC experience and lessons learned from other African countries on biometric registration, including through a comparative paper produced by UNDP which gave a clear sense to the NEC and partners of the processes and challenges of adopting technology as experienced elsewhere. At a corporate level, UNDP has invested in this capacity, hiring in 2009 a global expert to advise country offices and programme countries (largely in Africa) on electoral budgeting, procurement and use of appropriate technology to pre-empt these issues.
23. Accurate electoral budgeting is a challenge everywhere but there are documented cases where UNDP sought to advise national electoral management bodies about the perils and pitfalls of using technology when the innovation has not been adequately studied, designed and planned with sustainability in mind. These include the cases of Sierra Leone, Zambia and Yemen where UNDP worked hard to advise on realistic budgets and/or comparative use of technology. We also see that in many contexts, budgets for electoral processes and their corresponding electoral assistance projects are going down not up (see previously cited cases of Afghanistan, Bangladesh and Nepal). In addition, despite concerns about cost-effectiveness and sustainable solutions being important considerations in electoral assistance programming, there are limitations in how well these costs can be managed when, for example, a country makes a sovereign decision to adopt expensive systems and technologies, a national legal framework calls for certain technology to be used or funding arrives late and drives up procurement costs.
24. In the area of electoral technologies also, UNDP has moved toward promoting south-south cooperation, adopting the role of knowledge broker for Member States to share experiences. This has, for instance, been the case with India exchanging experiences on its electronic voting technology with Nigeria and Uganda.
25. Where an element of a UNDP-administered programme is implemented by another UN agency, UNDP only levies 1% of administrative charges. This is based on UNDP's accountability framework when acting as an Administrative Agent.
26. UNDP will continue to work closely with DFID in the follow up of the recommendations of the Multilateral Aid Review and in select actions outlined in DFID's management response, including the development of a methodology for assessing value for money in electoral assistance.

Strategic Oversight

In reference to ICAI recommendation 4 “DFID should strengthen governance arrangements over UNDP-managed programmes”.

27. Joint strategic oversight is maintained in many ways, including through participation by donors in strategic-level steering committees that set the policy framework and high-level results and strategies for electoral assistance, as well as participation in technical committees that delve more into practical specifics of the technical assistance and management of the funds to do so. Combining political and strategic level engagement on electoral assistance with technical delivery ensures that the technical assistance is fully informed by political considerations and long-term democratic goals, rather than divorced from them. In cases where electoral assistance is provided in furtherance of a Security Council mandate, objectives are framed by the Council which maintains strategic oversight.

Audit

28. In its decision 2011/23 (<http://web.undp.org/execbrd/adv2011-second.shtml>), the Executive Board requested UNDP, UNFPA and UNOPS to present an information note containing “a proposal for the remote viewing of internal audit reports.” The Joint Note was presented at the Joint Segment of the Executive Board outlining the information technology solutions that are proposed by UNDP, UNFPA and UNOPS to facilitate the remote viewing of internal audit reports.

Recommendations

UNDP has recently undertaken several lessons learnt studies on various aspects of its electoral support (forthcoming) and an independent evaluation by the Evaluation Office examined the role of UNDP in strengthening electoral systems and processes from 1990-2011.

Other knowledge products (http://www.undp.org/content/undp/en/home/librarypage/democratic-governance/electoral_systemsandprocesses/) provide deeper insight into UNDP’s support and contributions to electoral processes in various countries. It is therefore recommended that the Committee review such documentation as supporting evidence to the ICAI review.

June 2012

Written evidence submitted by Karen Hudes

1. I am a lawyer and economist who worked for twenty years in the legal department of the World Bank. Ten years ago, Board interventions under the Strategic Compact designed to build accountability into the Human Resources function at the World Bank were dismantled. I was a member of the Committee appointed by the Board to formulate human resources reforms, and have continued to inform the World Bank's oversight agencies on these matters. Mr. Luigi de Magistris, the Chairman of the European Parliament's Committee on Budgetary Control, stated in June 2011: "I share the opinion expressed by the Members of the Committee that it was very interesting and inspiring to learn about your case at the World Bank and especially the ideas you have presented to us to make whistleblowing more effective."

2. The Independent Commission for Aid Impact has not been sufficiently rigorous in its examination of the UK Government engagement with the World Bank. ICAI concluded that "DFID provides effective oversight of the World Bank, as a shareholder and as a donor" without the required transparency, impartiality or objectivity. How could ICAI find that DFID demanded accountability from the World Bank after ICAI was informed of serious internal control lapses currently before the World Bank's oversight agencies, including the UK's Executive Director, Governor, Ambassador in Washington, Serious Fraud Office, the International Organization of Supreme Audit Institutions, the International Organization of Securities Commissions, the National Advisory Council for International Monetary and Financial Policies, Fitch Ratings, Moodys, and Standard and Poors?

3. In November 2005, Mr. Pieter Stek, then Executive Director of the Netherlands constituency and Chair of the World Bank Board Committee on Development Effectiveness, stated:

In a multilateral institution which should be governed by the rule of law and high standards of probity the charge of concealment from the Board of Executive Directors of information relevant to the exercise of its duty of supervising management and the persecution of the person who brings this to light is extremely serious. If correct, which I believe, this poisonous cocktail undermines good governance and ultimately the effectiveness of the Bank in fulfilling its mandate. I shall continue to assist Ms. Hudes in her efforts to have due process brought to bear, preferably by the Bank itself, on these issues of governance.

4. After hearings on accounting irregularities at the World Bank, including cost over-runs on the renovation of the World Bank's headquarters and over-charges to World Bank borrowers, the US Congress required independent arbitration to protect whistleblowers in the Foreign Operations, Export Financing, and Related Programs Appropriations Act of 2005, 119 Stat. 2172, the Lugar Leahy Amendment, 22 U.S.C. 2620-445 The reforms required by Congress in the appropriations legislation did not materialize.

5. Instead, there was an investigation of the World Bank's Institutional Integrity Department by Paul Volcker. The Volcker Panel report was discredited after "deliberate and substantial

interference with this supposedly independent commission" came to light.

<http://www.commondreams.org/newswire/2010/04/06-3>

6. When the World Bank refused to cooperate with a US Government Accountability Office inquiry into transparency at the World Bank requested by three Senators, Congress refused to approve a capital increase for the World Bank.

<http://foreign.senate.gov/hearings/hearing/?id=33c66777-5056-a032-525a-a0a5806634e9> and <http://kaygranger.house.gov/index.cfm?sectionid=12&iontree=4.12&itemid=983> The requirements in US 2012 Appropriations legislation are in Section 7082 of H.R. 2055: <http://www.whistleblower.org/storage/documents/whistleblowerlanguageinHR2055.pdf>

7. On 5 February, 2012 I sent the following email to ICAI:

Dear Sirs,

I am a lawyer and economist who worked 20 years in the World Bank's Legal Department and reported corruption and internal control lapses to the US Congress. Three Senators requested a US Government Accountability Office inquiry into these lapses, but the World Bank stonewalled and the inquiry was scrapped. I met with the UK Serious Fraud Office on September 28, 2010, and on October 12, 2010 the UK Serious Fraud Office called the US Securities and Exchange Commission about compliance of the International Bank for Reconstruction and Development on the capital markets. I testified to the European Parliament's Committee on Budgetary Control on May 25, 2011. <http://www.europarl.europa.eu/document/activities/cont/201105/20110518ATT19540/20110518ATT19540EN.pdf> The US Congress has required "substantial progress" prior to disbursement of the general capital increase. I will keep you informed of further progress.

Sincerely,
Karen Hudes
Law Offices of Karen Hudes

8. ICAI did not investigate my serious allegations. Instead, ICAI justified its decision to hire KPMG UK to participate in its review of DFID's relationship with the World Bank:

ICAI felt that it did not constitute a conflict of interest for the KPMG led Consortium to undertake a review on behalf of ICAI for a number of reasons. KPMG US are responsible for the World Bank audit, whilst KPMG UK, a distinct legal entity, is responsible for the ICAI review. Such potential conflicts arise regularly in KPMG's work and there are therefore strict procedures in place to provide safeguards in respect of any potential conflict of interest. KPMG have strong ethical dividers between different teams within KPMG and the IPMG ICAI team has no access to audit files used in the World Bank audit and vice-versa. There was no sharing of files, nor exchanging of data between the teams. KPMG US had no influence over our report.

9. ICAI is incorrect that KPMG UK was able to carry out an independent review of the Bank's evaluation system to provide assurance on the quality of World Bank investments. There was no effective firewall between KPMG US and KPMG UK. The failure by KPMG US to observe Generally Accepted Auditing Standards in its audit of the internal controls over financial

reporting of the International Bank for Reconstruction and Development was documented in detail both to the Chairman of KPMG International and to KPMG International's hotline.

10. On March 29, 2012 the Economic Affairs Committee of the UK House of Lords recommended that funding to the World Bank should be reduced "while a more detailed re-evaluation is carried out."

<http://www.publications.parliament.uk/pa/ld201012/ldselect/ldeconaf/278/27802.htm>

11. Recommendation: that IDC consider issuing the following statement to the World Bank. This statement is also under consideration by the Committee on Budgetary Control of the European Parliament:

An 8th April, 2005 letter¹ from the Joint Economic Committee of the US Congress to the World Bank inquired whether "the Bank's Board of Executive Directors always is in possession of accurate and timely data on the Bank's accounting and financial position." The UK Parliament's Select International Development Committee [and the European Parliament's Committee on Budgetary Control] share[s] the Joint Economic Committee's goal "that the Board of Directors and the public are being presented with accurate and timely financial information and that any accounting irregularities are promptly discovered, disclosed and corrected....Under the World Bank's COSO framework, it is also necessary to determine whether the World Bank's internal control system has the necessary critical underpinnings.

June 2012

¹ (Poor) online copy: <http://kahudes.net/wp-content/uploads/2012/05/exhibit2.pdf>

Written evidence submitted by The UK Aid Network (UKAN) and BOND

Bond and UKAN with our members are grateful for the IDC to open this inquiry and to ask for input into the work and recent reports of the Independent Committee for Aid Impact (ICAI). In the following submission we focus on the way ICAI conducts their evaluations, on their value for money methodology and of the approaches they have taken to their reports published in 2012.

1. ICAI's overall structure and ways of working

- 1.1** The UK NGO sector broadly welcomes ICAI's role in adding an additional, independent layer of scrutiny for the impact and effectiveness of UK aid. However, based on our initial submission on the formation of ICAI¹, some key concerns remain about the way ICAI is set up and operates.
- 1.2** We welcome the strong and active role that the Commissioners and Chief Commissioner Graham Ward play in the ICAI reports. Yet, we are still concerned that while the Commissioners represent a range of important areas of expertise, there is still no Commissioner with extensive international development expertise (i.e. from the academic, programme implementation or evaluation side of this field). We believe that an additional Commissioner with such a background would add great value to ICAI's work. We would therefore be very interested to see this inquiry explore with ICAI whether their work has in any way suffered from not having such experience amongst its Commissioners and future steps to address such challenges if they are in fact relevant.
- 1.3** We are aware that ICAI has been trying to include the voice of aid recipients in its reports, consistent with its approach as outlined in their value for money methodology that the intended beneficiaries of aid must come first. However, it is not clear to us to which extent they have been successful in achieving this goal, especially given the limited time available for field visits in the process of producing their reports.
- 1.4** As part of its effort to include the voice of intended beneficiaries ICAI has been making efforts to consult Bond members during some of their studies. These efforts have been greatly appreciated, although in many cases there has been limited notice given for meetings, hindering efforts to gather insights from NGO field offices, and also in some cases such meetings have come quite late in the process leaving little space for influencing the findings. ICAI has now started to systematically publish Terms of Reference for its studies on their website before they are finalised which is helpful in encouraging input from Bond members. However, it is not clear how

¹http://www.bond.org.uk/data/files/Bond_joint_submission_to_the_ICAI_Consultation.pdf

submissions our members have made are being used and what impact they might be having.

1.5 We are aware that ICAI reports do have a strong impact on DFID's practise and that DFID is keen to implement suggestions as outlined in the reports and ICAI therefore represents a key evaluation function of DFID's programmes. Yet, as mentioned above, we do have concerns about the limited timeline for each report and the ambitious ICAI 3 years plan and want to stress that time constraints should not undermine a thorough evaluation of DFID's programmes and long term impact.

2. ICAI's value for money methodology and traffic light system

2.1 We welcome ICAI's value for money methodology which outlines 4 criteria – objectives, delivery, impact and learning – to assess DFID's performance and do deliver a comprehensive view of DFID's efforts. The used traffic light system to present DFID's performance in an accessible way is useful to see shortfalls of programmes and approaches and get an idea of overall performance. Yet in a media context this traffic light system can be too simplistic as UK media has mainly picked up on the negative headlines from each report over the past months. There should be a discussion on how ICAI interacts with the media given that the nature of evaluations is to highlight challenges and shortcomings and give advice on how to improve work. We believe ICAI should be less focusing on active media work and more on working closely with DFID to improve programmes, procedures and policies.

2.2 We welcome the addition of equity as a 4th 'E' alongside economy, efficiency and effectiveness in the methodology. This speaks to the goal of NGOs to ensure that their work benefits the poorest and most marginalised

2.3 We welcome the focus the need to demonstrate value for money across objectives, delivery, impact, and learning, and the recognition that strong programme design, monitoring, evaluation and learning is essential making a strong case for value for money. Whilst econometric value for money methodologies and statistical methods such as randomised control trials can produce some interesting data and results, we agree with ICAI that these methodologies are not essential to a robust value for money assessment.

2.4 We agree with the ICAI's statement that it is "important not to shy away from the difficult to measure" (3.4) and the recognition that a combination of quantitative and qualitative methods are needed to measure performance. Concerns have been raised that the value for money agenda will drive organisations towards implementing more easy-to-measure interventions, and this is a welcome commitment by ICAI

ensuring that difficult-to-measure changes such as improvements in empowerment and accountability will not be disadvantaged.²

2.5 We welcome ICAI's commitment to taking a high quality and rigorous approach to assessing effectiveness and value for money that states that "the intended beneficiaries come first" (4.3.i) and that in most cases "direct engagement with individuals such as intended beneficiaries, programme staff, delivery chain partners and independent observers" (4.15) will form part of the assessment. Beneficiaries should take the lead in defining 'value' in a value for money assessment and their views on programme effectiveness and value for money should have a high profile place in ICAI's future assessments.

Yet, as stressed before, it is not clear to us how much this is translated into practice for each report given very limited and short time frames and less focus on consultations with civil society. The key challenge, we see for ICAI and the organisations who deliver the evaluations, is to collect sufficient and the right data in the short time frame they have.

2.6 Organisations working in international development acknowledge that aid delivery also has a strong political component. ICAI's methodology doesn't really cover nor does it mention concepts of long term social change, rights based approach and empowerment.

3. ICAI's approaches to their reports

3.1 ICAI's reports have addressed a wide range of important challenges that DFID faces in implementing its programmes effectively and this scrutiny and the recommendations ICAI has made will certainly help to improve the effectiveness of its programmes. Having said this we do want to raise some questions about some elements that may be under-emphasised in ICAI's reports and therefore neglected in its scrutiny efforts.

3.2 Firstly, ICAI's reports to date have predominantly focused on the management, compliance and oversight side of DFID's programmes and there has been limited focus to date on the actual impact of its work and the challenges of day to day programme implementation, a focus which is critical for DFID to learn from and improve its practice. The Afghanistan and Budget Support studies are good examples of how this focus has predominated, and even in the India education and health study, which aimed to explore the performance of DFID's work in India it highlighted the need for DFID to better track how its work is catalytic and influences Government policy but made little effort to explore some of these impacts itself.

² Also see Bond's Value for Money Paper: <http://www.bond.org.uk/pages/bond-effectiveness-value-for-money-1069.html>

3.3 Secondly, ICAI's reports only very weakly address questions about how DFID should work in a multi-donor environment and strategically work with and compliment the activities of other donors, despite the fact it is working alongside many donors in every country in which it is operating and donor coordination is one of the biggest challenges facing the aid community. Such analysis is especially important when it comes to issues such as the mix of aid modalities DFID should use and steps it should take to undertake oversight of programmes, as DFID cannot do everything on its own and needs to coordinate efforts with others. As an example, ICAI's India and Budget Support studies recommend DFID moves more towards technical assistance without any detailed assessment of what other donors are doing in these areas and how it can compliment this work.

June 2012

Written evidence submitted by Saferworld

1. Saferworld welcomes the International Development Committee's decision to conduct an inquiry into ICAI's work. Saferworld has prepared this submission based on more than 20 years of work to prevent violent conflict, drawing on its presence in 15 conflict-affected and fragile states. It focuses on the areas of the International Commission on Aid Impact's (ICAI) work on which Saferworld has expertise and experience and concentrates on ICAI's approach to assessing DFID's impact and value for money.
2. The International Development Committee has recently conducted two inquiries into UK aid in conflict-affected and fragile states, and is in the process of conducting a third.¹ The first two reports rightly highlight that making aid effective in conflict contexts requires different factors to be taken into account as compared to stable contexts. Saferworld recommends that the Committee apply these insights when examining ICAI's work, to help ensure that the scrutiny provided by ICAI takes full account of the Government's conflict prevention agenda and the approach to development assistance it entails.

ICAI's role and approach

3. Saferworld strongly welcomes ICAI's role in ensuring accountability and effectiveness of UK aid both for the recipients of aid and the UK taxpayer. In particular, Saferworld recognises ICAI's potential to generate a more evidence-based debate with the UK media, electorate and policy community on how the UK's resources can be best used to achieve development and peacebuilding impacts over the long term.
4. The UK Government has committed to spending 30% of official development assistance in conflict-affected and fragile states, and the Secretary of State for International Development has named conflict prevention as one of his top two priorities for development spending.² Building on the recognition that fragile and conflict-affected states are the furthest behind in progress towards achieving the Millennium Development Goals, it is particularly important that ICAI scrutinises aid spending in fragile contexts in order to ensure that long-term development and peacebuilding impacts are achieved.
5. Saferworld is in broad agreement with ICAI's approach to analysing DFID's impact and value for money. At the same time, we urge ICAI to allow more time and go to greater lengths to consult with civil society and the public in assessing the impact of DFID spending, and to deepen its focus on the impact of UK aid on conflict dynamics.
6. The UK Government recognises that preventing conflict can make an important contribution to poverty reduction. It is therefore vital that DFID should ensure that UK aid supports peacebuilding and does not inadvertently contribute to drivers of conflict, even in relatively stable environments. ICAI's evaluations thus far have tended to focus on the effectiveness of DFID programming in terms of service delivery and direct impacts on poverty reduction, but could be strengthened through more routine consideration of the impact of UK aid on governance and conflict dynamics. As an illustration of how ICAI could integrate a focus on conflict and governance issues into its work, this submission sets out below a case study which offers a reading of ICAI's report on the management of UK budgetary support operations from a conflict prevention perspective.

Case study: Comments on ICAI's report on the management of UK budgetary support operations from a conflict prevention perspective

7. The injection of large amounts of resources into a conflict-affected country can have an impact on the political economy of conflict – both positive and negative. Thus a report on this issue area should duly highlight risks relating to conflict sensitivity. These risks include that of supporting states that lack legitimacy through general budget support, which could help to entrench autocratic regimes and contribute to future fragility, undermining development gains.

¹ International Development Committee, *Working effectively in fragile and conflict-affected states: DRC and Rwanda* (2012) and *South Sudan: prospects for peace and development* (2012).

² Andrew Mitchell, 'International development in our national interest' speech to Conservative Party Conference, 2 October 2011, http://www.conservatives.com/News/Speeches/2011/10/Mitchell_International_development_in_our_national_interest.aspx

8. ICAI's report on the management of UK budgetary support operations³ is right to argue that "the amount of budget support should... be determined by reference to the policy and institutional environment". At the same time, the report could go further by elaborating on what kind of policy and institutional environments provide an appropriate context for budget support, and on the risks associated with providing budget support under the wrong circumstances – including the risks of fuelling conflict or supporting deteriorations in governance.
9. The ICAI report notes that DFID "needs clearer criteria for determining the amount of budget support to provide and a greater willingness to adjust the level in response to changes". It argues that "DFID should determine the amount of budget support to provide based on an assessment of how much poverty reduction can realistically be achieved through expanding public expenditure given the quality of national policies and institutions." Clearer criteria are indeed needed for making decisions on budget support, but the report could go further by pointing out that they should include criteria related to conflict prevention much more explicitly.
10. ICAI argues that DFID should increase its focus on public financial management, anti-corruption and managing fiduciary risk when delivering budget support. Managing financial risks is an important aspect of managing conflict risks, as corruption can be a driver of public disaffection and marginalisation that can lead to conflict. However, these are related but separate risks, and the report could have made this clearer by elaborating further on how to manage conflict-related risks with increased attention.
11. While the report touches on issues of good governance and accountability, particularly in the case of Tanzania, it does not consider the impact of budgetary support in conflict-affected and fragile states as directly as it could. It is Saferworld's view that effects on governance and conflict dynamics are a prime consideration in at least half of the countries where DFID provided budget support in 2010-2011. ICAI notes that among the 14 recipients of UK budget support in that period, only Sierra Leone and Nepal are 'fragile states', however Saferworld would argue that impacts on governance and conflict dynamics would also be a central issue in Rwanda, Moldova, Ethiopia, Pakistan and Uganda.
12. From a conflict prevention perspective, it would have been particularly useful for ICAI to include a case study of Ethiopia (the second largest recipient of UK aid in 2009-2010) in its report on budget support. The Human Rights Watch report *Development without Freedom: How Aid Underwrites Repression in Ethiopia* underscores the direct links between budget support and conflict dynamics in that context.⁴ ICAI does note that, "In 2005, the then Secretary of State for International Development terminated general budget support to Ethiopia following large scale violence during an election campaign. This was, however, replaced shortly afterwards with a sector budget support programme supporting local service delivery but without channelling funds through central government." However, the discussion on this in ICAI's report could go further, since even sectoral budget support can be misused or free up resources for expenditure that is not in line with DFID's approach to development, human rights and conflict prevention.
13. As ICAI notes, DFID does have policy criteria designed to avoid reinforcing actors who are not committed to good governance, peacebuilding and human rights fulfilment: "budget support should only be provided to a government that demonstrates a credible commitment" to "respecting human rights and other international obligations". DFID also takes into account "whether the budget seeks to address inequalities between different regions or social groups". Both of these are important commitments that could help ensure that DFID supports actors who are committed to addressing drivers of conflict. Thus it is useful for ICAI to point out that "no minimum standard for compliance with international human rights obligations is specified" by DFID. However, again, ICAI's analysis on this point could go further: its finding is that "DFID is now well informed about the human rights situation in its partner countries, both through its periodic Country Governance Analysis and through more regular monitoring". However it remains to be assessed how being better informed about the human rights situation will inform DFID's decision-making on budget support at country level in practice. ICAI could go further in analysing what the "credible commitments" by governments that qualify them to receive UK budget support could look like across different issue areas, to help the UK ensure that it supports the efforts of only those governments who themselves are committed to making progress on human rights and peacebuilding.

³ ICAI, *The Management of UK Budget Support Operations* (2012), <http://icai.independent.gov.uk/wp-content/uploads/2012/05/ICAI-Budget-Support-Final-Report-32.pdf>

⁴ <http://www.hrw.org/sites/default/files/reports/ethiopia1010webcover.pdf>

14. ICAI rightly encourages DFID to “capture the transformational effects of UK budget support” as part of its lesson learning in this area. Considering that budget support is likely to impact on the political economy of conflict affected states where it is used, Saferworld would suggest that ICAI should support DFID in further analysing the intended and unintended impacts on conflict and governance dynamics of budget support. Initial efforts by Saferworld to consider a broad range of views among civil society on these issues have provided some interesting findings which illustrate some of the perspectives that need to be taken further into account.⁵

Conclusion

15. The case study above provides one illustration of how ICAI could better ensure that its inquiries take into account the impacts of DFID programming on conflict dynamics. Given the Government’s commitment to reducing poverty by seeking to prevent violent conflict through its aid spending, this is a crucial element of ensuring that UK aid is effective. Saferworld therefore recommends that a conflict prevention perspective should be incorporated into all of ICAI’s inquiries in order that it can better support DFID in achieving value for money and meeting its objectives.

June 2012

⁵ Saferworld, *Local views on international aid in situations of conflict and fragility* (2011), background paper for the International Dialogue on Peacebuilding and Statebuilding, <http://www.saferworld.org.uk/Saferworld%20background%20paper%20-%20local%20views%20on%20aid%20in%20situations%20of%20conflict%20and%20fragility.pdf>

Written evidence submitted by Graham Ward CBE, Chief Commissioner for the Independent Commission for Aid Impact

In addition, please find below our response to your additional questions following our hearing.

1. *There has been some criticism that ICAI chooses its study subjects in an ad-hoc fashion, with little sense of how these fit into a broader evaluation strategy. What is your response?*

ICAI's overall aim, as set out in our May 2011 work plan was and remains to "do justice to the breadth, depth and complexity of UK aid expenditure". Our intention is to provide Parliament and the taxpayer with a balanced picture of that expenditure, identifying both good and poor practice.

The ICAI work plan was developed based on input from a range of sources, including your Committee, responses to our public consultation and discussions with DFID, other Government Departments and stakeholders.

To establish what we would look at in our first three years we used our four criteria of materiality, risk, coverage and interest, as set out in our work plan. In developing a more detailed proposal for our Year 2 work plan we continued to use these four criteria and overlay them with inputs from your Committee and other stakeholders.

In addition, in our first year we have published reports that have helped us to learn about DFID's business and to understand some of the wider challenges the UK aid budget faces. Subjects covered in this way have included multilateral expenditure, fragile states, corruption, budget support and programmes designed in support of the MDGs.

Overall, our first year has covered reports which loosely fit into three categories: 'thematic' – e.g. Anti-Corruption, Budget Support; 'key relationships' e.g. World Bank, UNDP; and 'specific programmes in country' e.g. Bangladesh, Zimbabwe and India.

In our second and subsequent years we will continue to provide a balanced picture with coverage of new subjects. We expect to focus more on (a) formal follow-up of early reports and (b) some of the thematic issues we consider important. These may include, for example, corruption, fragile states, engagement with multilaterals and delivery channels, as well as ODA expenditure by other Government Departments. By doing this we plan to get a broader and more in-depth picture of UK ODA spending.

When considering our work plan we consider a number of issues, including the breadth of coverage and the overall programme. Whilst we have limited resources and cannot scrutinise all ODA spending, it is our intention that ICAI's body of reports will add up to a comprehensive review of the UK aid programme. Our Year 2 Annual Report will draw out some wider key themes

from the first two years and make more in depth comment on the broader issues.

2. How do you respond to the criticism that you have chosen some subjects that are too early for evaluation work?

Our snapshot approach to independent evaluation can look at the success of a programme or policy area at any stage of its delivery.

We have made the decision to look at certain programmes or areas of the aid budget using our four criteria. Our criteria explicitly set out the possibility that we might look at something because it is new or innovative. We believe that it is important to review some programmes at an early stage, in order to ensure that they are effective and on a trajectory to ensuring maximum impact for intended beneficiaries. If a project is not on the right trajectory, or if the right processes are not in place from the beginning, the long-term sustainable impact may be adversely affected.

For example, we took the decision to review Girl Hub when it had been in operation for two years and had spent £2.9m of its £15.6m budget. Whilst still in its early stages, we chose to undertake this review because there was a large amount of money still to be spent and we wanted to ensure that the early course of action was appropriate, so that future spending would have the maximum impact. As the report shows, there was a lack of clarity about what Girl Hub should address. We, therefore, made some specific recommendations that, if implemented at this stage, will support Girl Hub to deliver improved impact for adolescent girls.

The ICAI report on DFID's Support to the Health Sector in Zimbabwe, however, looked at the programme after it had spent £100m in support of the health sector over the previous eight years. This enabled us to examine a programme with a large spend in one sector and to look at the impact over a number of years. As a further illustration, we plan to carry out a post implementation evaluation of the DFID-funded Western Orissa Livelihoods Project. This will enable us to look at whether the previously observed benefits have proved sustainable and whether the lessons from previous impact assessments and evaluations have been used to influence other activities and evaluations in Orissa.

Your final question was on whether ICAI could provide the Committee with our analysis of DFID's work on anti-corruption once we have undertaken this exercise. We are currently planning to deliver this work as a full ICAI report in our third year and will ensure that we consult with the Committee as we formulate the scope of this work.

July 2012