Evidence Submission for the Review of the Independent Commission for Aid Impact

Strengthening ICAI

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This note responds to the call for evidence on the Independent Commission for Aid Impact (ICAI).

The Center for Global Development (CGD) is an independent non-partisan think tank that works to reduce global poverty and improve lives through innovative economic research that drives better policy and practice by the world's top decision makers.

This response draws on our programme of research on ICAI and its effectiveness. This includes i) a review of ICAI's reviews between 2011-18; ii) a workshop with current and previous lead commissioners and other leading thinkers; iii) discussions with the former Chair of the International Development Select Committee and the ICAI sub-committee and iv) new analysis undertaken for this consultation (see annex & attached spreadsheet) on ICAI's recommendations.

We addresses the three of the core questions covered by this review:

1. ICAI's purpose and remit to examine the effectiveness of UK ODA and to focus on identifying what works best – i.e. what has the maximum impact - in UK ODA policies, programmes and interventions
2. ensuring that ICAI's output includes timely, action-orientated recommendations as well as broad critical analysis
3. options for ministerial engagement with ICAI's work

We take each in turn and make **ten recommendations numbered and in bold** for ease of reference.

1) Purpose and focusing on maximum impact

For ICAI to properly scrutinise aid spend, its independence is crucial and should be strengthened. As with bodies like the Office for National Statistics, the Bank of England and the Office for Budget Responsibility, ICAI's effectiveness is underpinned by its ability to set its agenda; and to reach independent conclusions.

Incentives structure to ensure sound decision-making
To maximise impact, and ensure a focus on what works, as well as its direct recommendations (see below) ICAI needs to set its approach to incentivise a sound approach to decision-making. Major decisions on aid are taken by Ministers using business cases - and ICAI should incentivise officials and Ministers to use the best evidence as well as realistic assumptions in making those decisions. Our workshop and review identified two key steps:

It has now implemented the first in all of its most recent reviews; that is, **ICAI must consider the latest evidence and publish its literature reviews with every report (1)**. These are important and valuable resources that open its judgements up to scrutiny.

Second, to ensure impact is assessed against Minister's expectations, ICAI should focus on results - that is, **compare actual (or the latest expected) results with those anticipated in original decisions and business cases (2)**. Business cases are the key decision-making tool and by considering every review in relation to (business case) expectations, this would ensure that officials and Ministers have strong incentives to ensure realistic estimates in business cases. ICAI have made steps towards this with at least one 'results review' per year - but this examination of results and expectations in the business case should happen in every review.

2) Timely, action-orientated recommendations

Our research suggests the **traffic-light ratings that ICAI awards are an important communication tool (3)**. Our workshop in spring 2019 of researchers, think-tanks, and policy officials inc from overseas; all but one of around fifteen attendees positively agreed the traffic-lights are useful. With 69 reviews using this method, it is possible to consider trends over time and compare between projects. Our analysis of review spend and ratings by Department was one input to HM Treasury thinking on the spending review. Removing the traffic-lights would bring significant ambiguity to the degree of concern over impact. If more nuance is needed, then a fifth amber category could be introduced.

In terms of ICAI's wider recommendations; our workshop suggested these could sometimes be subjective. We think our core recommendations: tying them more closely to evidence and expected results (see above) will address this criticism.

To consider how practical ICAI's recommendations were, we undertook new analysis looking back at the 348 recommendations made by ICAI over its lifetime and the Government's response (see annex & attached spreadsheet). It is striking that the Government only rejected 14 (4%) of these; and further investigation shows that in the majority of these cases (8) the Government had already implemented or begun

implementing the recommended actions. So, fewer than one in fifty recommendations are rejected by the Government.

Government Response to ICAI Recommendations
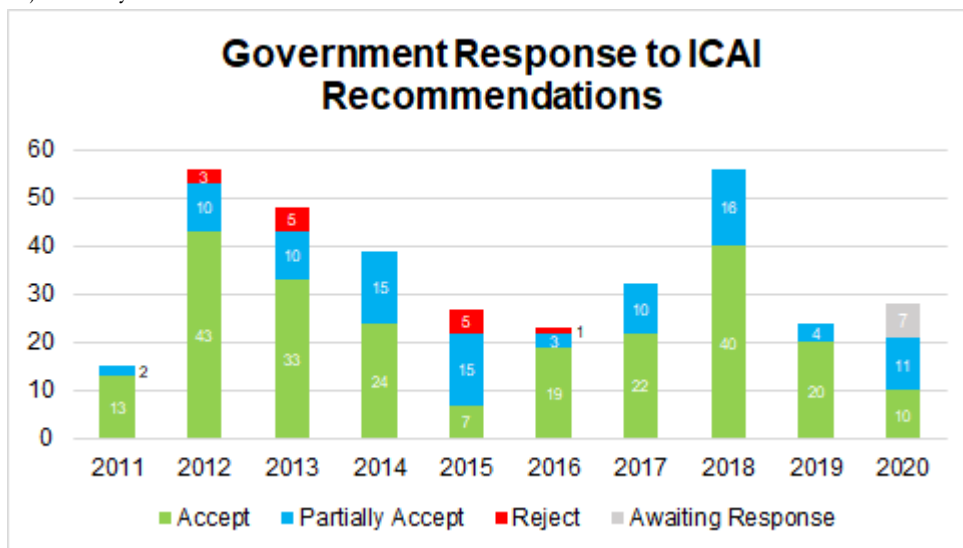
Source: CGD analysis

Most ICAI reviews have provided between 3 and 5 recommendations across the 79 published since 2011, without significant variation across time. Across the period, there has been a fairly even split between recommendations advising action at the policy and programme levels (44% and 56% respectively, with no systematic trend between 2011-20). The former have tended to concern strategies, plans, priorities and guidelines; whilst the latter focus on management, implementation, procurement, monitoring, evaluation and learning. ICAI has consistently followed-up on implementation of its recommendations since 2016.

In summary on ICAI's recommendations, if any conclusion emerges from this analysis it may be that - with only one in fifty rejected - ICAI's **recommendations have not been challenging enough; rather than insufficiently practical (4)**. A further observation is that almost none of the reviews identified projects whose assessed impact is so limited that they have led to projects being stopped (or significantly expanded). We **recommend that an ICAI and Ministers could work more closely (5, and see 10 below) on closing projects** when ICAI uncover serious issues with evidence and impact.

3) Independence and Ministerial engagement

For ICAI to properly scrutinise aid spend, **its independence should be at least maintained and ideally strengthened (6)**. As with bodies like the Office for National Statistics, the Bank of England and the Office for Budget Responsibility, ICAI's effectiveness is underpinned by its ability to set its agenda; and to reach independent conclusions. The review should seek to reinforce this independence.

We believe that **ICAI would be most-effective as a Parliamentary body, rather than as an NDPB (7)**. At the moment, its independence is "operational" in that the FCDO Secretary of State appoints the lead commissioner and sets ICAI's budget.

If its ICAI's NDPB status is maintained, it should **continue to have strong ties to Parliament to support its independence and relevance (8)**: taking advice on its agenda; reporting to it a relevant committee; and having Parliamentary pre-approval of the lead commissioner.

We have reviewed all 272 NDPBs (in 2015 data), and only 4 are independent and concern evidence. The Office of Budgetary Responsibility is ICAI's closest comparator - it has its entire 4-person Council pre-approved by Parliament; and any dismissal of its head must also be approved. These additional controls may be unnecessary but ICAI's **one-term appointment is valuable (9)** in avoiding any incentives to 'go easy' to help future reappointment.

Ministerial engagement
If Ministers are able to shape ICAI's agenda, this would enable them to direct ICAI away from potential embarrassments and will fundamentally undermine ICAI's ability to identify waste and add value. Clearly, ICAI's lead commissioner will wish to take on Ministers' views of priorities but this should be entirely at his or her discretion.

In terms of recommendations though, we do see a case for ICAI and Ministers engaging sooner on recommendations, particularly where there are more fundamental recommendations (see above section), to work to agree an adequate response (including project closure). Ministers could use ICAI's interim findings to act as a catalyst for making bigger reforms, and proactively demonstrate to tax-payers and the media that lower value aid programmes are being stopped or re-focussed. This would also enable ICAI to make more radical recommendations where appropriate. **We recommend that interim findings and major concerns are shared with Ministers early in each review; and that Ministers take the opportunity to make reforms in response (10).**

Conclusion

ICAI is an important part of the UK's development architecture - providing additional scrutiny for Parliament and tax-payers on spending whose recipients are unable to give feedback directly through the UK political system as in other areas of spend.

ICAI's recommendations are sometimes subjective or incidental - and we propose the solution to this is to put evidence on impact and what works more firmly at the centre of ICAI's approach; and to focus on how impact compares to the evidence used for the decision. The effect would multiply ICAI's effectiveness by establishing incentives for all officials and Ministers in current decision making.

ICAI has been used as a model by the French as they step-up their own aid spending; and the Institute for Government (IfG) have showcased its approach to show how external scrutiny can improve policy in other parts of Whitehall. Central to this has been ICAI's independence and ability to set its own agenda. Most of all, we hope Ministers recognise the value of an independent, evidence-based institutions like ICAI and be cautious of making well-intentioned reforms that ultimately undermine it.

**Annex - Analysis of ICAI Recommendations & UK Government Response**

In the House of Commons, Foreign Secretary Raab has stated his hope that this review will refine ICAI's mandate to provide "practical recommendations alongside critical analysis." This objective has been formalised in the review's Terms of Reference: one of whose three core questions is "ensuring that ICAI's output includes timely, action-orientated recommendations as well as broad critical analysis".

Providing actionable recommendations is already a core part of ICAI's review process; and departments are required to provide a written response (accepting, partially accepting or rejecting each recommendation). Finally, ICAI follows-up to track implementation of these recommendations.

In order to provide some evidence on whether ICAI does provide "practical recommendations", we have assembled a dataset collating information on each ICAI recommendation, the UK Government Response, and ICAI's follow-up reviews.

Recommendation acceptance
This dataset collates information on 348 of ICAI's recommendations across 79 reviews between 2011 and 2020. Over this period, the Government accepted 231 (66%), partially accepted 96 (28%), and rejected 14 (4%) while 7 recommendations (2%) came from reviews published within the last six weeks and are awaiting a response. Of those rejected, the majority (8 out of 14) were dismissed as they were either already implemented or else implementation was underway. So, just 6 out of 351 recommendations were rejected (under one in 50).
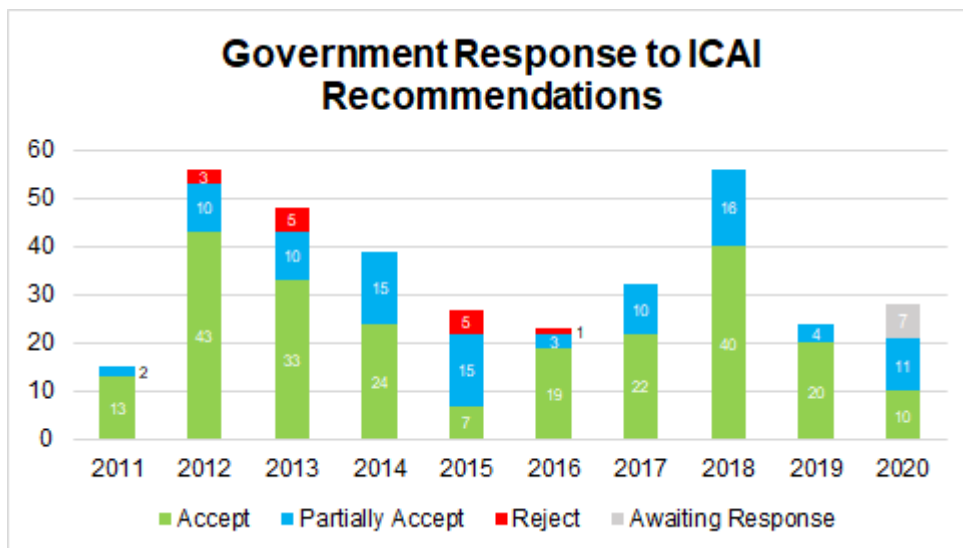
ICAI has provided an average of 4.4 recommendations per review; and 80% of reviews have provided between three and five. This average has not varied significantly over time. The fluctuation in the number of recommendations shown in the above chart is instead driven by large differences in the number of reviews published each year (e.g. thirteen reviews published in 2012, compared to six published in 2016). It is also noteworthy that the number of recommendations provided in each review is not associated with the gradings awarded.

Number of Recommendations per ICAI Review, 2011-20
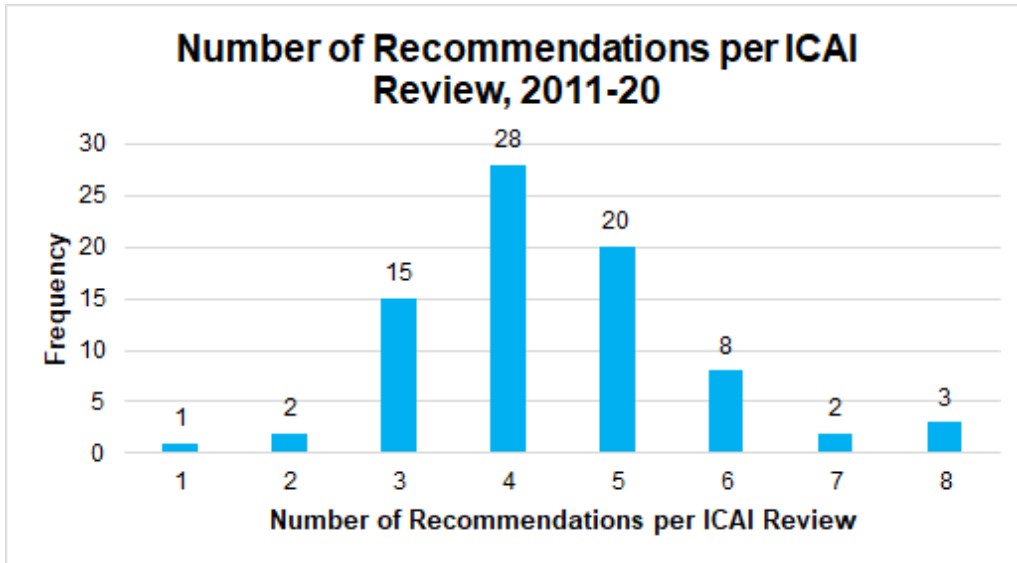
Recommendation focus

Our findings show that ICAI has indeed consistently provided a large number of recommendations over its lifespan - the vast majority of which have been accepted by the UK Government. It may be, however, that the issue is not of quantity, but quality.

We have produced a simple classification of ICAI recommendations, coding them actionable at the policy-level; or at the programme-level. The former includes recommendations on strategies, plans, priorities, and guidelines. The latter includes issues on management, implementation, procurement, staffing, monitoring, evaluation and learning. Not all recommendations neatly fit into just one of the above two categories - but we consider the exercise still to be informative as a first step.

We find that ICAI has consistently provided a mix of both policy- and programme-level recommendations from 2011 to date. Out of its 348 recommendations, we classify 152 (44%) as policy-level, and 196 (56%) as programme-level.

Types of ICAI Recommendation
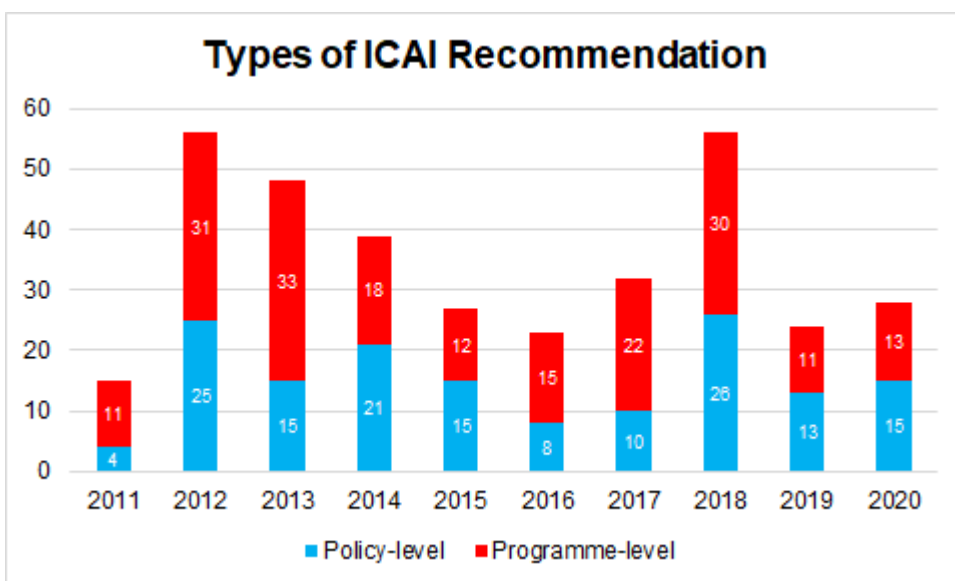
Finally, we find that 37 of the 79 reviews have a published follow-up review. These follow-up reviews tend to be published a year after the initial review. ICAI has maintained this practice since 2016: 28 of their 29 reviews published between 2016-19 already have a published follow-up (note that it is too soon for reviews published in 2020 to yet have a follow-up).

We attach our compiled dataset as part of this evidence submission.