



International Development Committee

House of Commons, London, SW1A 0AA

Tel: 020 7219 1223 Email: indcom@parliament.uk Web: www.parliament.uk/indcom Twitter: [@CommonsIDC](https://twitter.com/CommonsIDC)

From Sarah Champion MP, Chair

Rt Hon Dominic Raab MP

Secretary of State for Foreign, Commonwealth and Development Affairs

Foreign, Commonwealth and Development Office

By email

28 May 2021

Dear Dominic,

ICAI budget

I have recently seen your reply, dated 24 May, to the letter from my colleague, Theo Clarke MP, Chair of the Sub-Committee on the Work of the Independent Commission for Aid Impact, relating to the Independent Commission for Aid Impact's (ICAI) annual budget.

I am extremely dismayed to read that the programme element of ICAI's 2021/22 budget has been cut substantially.

As you will recall, the work of the International Development Committee and, in particular, the Sub-Committee, relies heavily on the reviews and information notes produced by ICAI in order to better inform our scrutiny of UK Official Development Assistance (ODA) expenditure. My understanding is that ICAI's programme budget of £2.8 million for 2021/22 is approximately £0.5 million below the amount it bid for – £3.29 million. This 15% reduction means that ICAI will be unable to deliver its full 2021/22 work programme of evaluative reviews and information notes. The cut in budget would mean ICAI making difficult choices on progressing its work programme, which may mean significant delays to the publication of several of its reviews, including those on Education, the Humanitarian Response to Covid, Democracy and Human Rights, and Peacebuilding.

You will be aware that ICAI's Framework Agreement sets out in various places the role that the International Development Committee has in relation to ICAI. I know that the FCDO and ICAI are working on a refreshed Framework Agreement, but that in lieu of a new Framework Agreement, the ICAI/DFID Agreement still holds. Paragraphs 3.2 and 4.1 of that Agreement sets out the role the International Development Committee has in agreeing ICAI's work plan. I trust that you do not intend that the progress of this work plan – already agreed by the International Development Committee – be hindered in any way.

Furthermore, ICAI's operational independence is crucially underpinned by the fact that it has a four-year spending ceiling agreed with Government at the start of each

“Phase”, the current phase running from 2019 to 2023. My recollection is that the settlement for this phase is in the region of £15 million. Your letter states:

“We have sought to protect ICAI's budget as much as possible despite the challenging financial climate. When compared to the previous 4-year settlement of £11.1m, this amount constitutes a flat settlement and should allow ICAI to continue with the majority of its 21/22 workplan”.

The phrasing in your letter is unclear. It refers to the amounts of previous settlements, but does not clearly set out the amount of this settlement. I am concerned that through changes to the settlement, and in particular failing to provide the programme budget that ICAI has bid for, the FCDO risks undermining ICAI's independence.

I am aware that ICAI returned funds to Government last year, when its work programme was delayed for a number of reasons, not least Covid-related disruption. I understand that ICAI stands ready to do the same again, should unforeseen circumstances arise. However, the work of ICAI should not be restricted from the beginning of the year. I also do not believe this approach accords with the statement in your 1 April letter to Theo Clarke that “The Foreign, Commonwealth and Development Office is committed to ensuring that ICAI is providing independent evaluation and scrutiny at the highest possible standards”.

You will be aware that ICAI's Framework Agreement sets out in paragraph 3.4.2, that:

“The sponsorship team shall, after appropriate consultation with ICAI and the IDC, advise DFID's Director General – CPG, Permanent Secretary and Secretary of State on an appropriate budget for ICAI in the light of the UK Government's overall public expenditure priorities”

I am not aware that the Committee has been consulted in any form about ICAI's budget. I also understand that the consultation with ICAI would not be described by them as appropriate.

This correspondence raises the following questions relating to ICAI's independence and how the FCDO are ensuring this endures:

1. In light of the above, most notably the fact that a spending ceiling for the 2019-2023 phase had already been agreed and that ICAI returned funds to the Government in 2020/21, what scope is there for revisiting the decision to reduce ICAI's programme budget?
2. Can you guarantee that the agreed £15 million spending for the 2019-2023 phase still holds?

If that is not the case, can you explain in detail what the funding settlement is for the phase as a whole and what the allocation is for each individual financial year?

3. How was the decision to reduce the programme budget by £0.5 million made?
 - a) Can you describe the process by which FCDO negotiated this reduction with ICAI?
 - b) How was the amount of £0.5 million decided upon?
 - c) What do you expect ICAI to not do in the absence of that sum?
 - d) What steps did the FCDO take to consult with the International Development Committee on an appropriate budget for ICAI, in accordance with the Framework Agreement?

In addition to these questions, there are two general points I wish to make. The first is that the decision on ICAI's budget and the way it has been communicated, both to ICAI and to the Committee, is one of a growing list of instances where the FCDO has been less than transparent and somewhat unhelpful to the Committee and to Parliament. The second is that this is one of many areas within FCDO where operating budgets have taken longer to finalise, and it presents an image of a disorganised department struggling to adapt to an ill thought through decision for a merger.

ICAI is an organisation which exists to ensure ODA is spent effectively for those who need it most, and in ways that deliver value for money for UK taxpayers. It is for this reason that it is not sensible to inhibit ICAI's effectiveness. At this point, when the UK is stepping back from previous aid commitments, it is more crucial than ever to give the taxpayer certainty that aid is being spent well and can have the greatest impact. Cutting the budget of the scrutiny body who can give that certainty seems a curious approach.

As we are already well into the 2021/22 financial year, I would be very grateful for a reply by 10 June.

Yours sincerely,

A handwritten signature in blue ink, appearing to be 'S', on a light blue background.

Sarah Champion MP,
Committee Chair