

ICAI follow-up: The UK's approach to funding the UN humanitarian system

A summary
July 2020

The Independent Commission for Aid Impact works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of government, reporting to Parliament, and our mandate covers all UK official development assistance.

Individual review scores and what they mean



An adequate score means:

- Enough progress has been made in the right areas and in a sufficiently timely manner in order to address the core concerns underpinning ICAI's recommendations.



An inadequate score results from one or more of the following three factors:

- Too little has been done to address ICAI's recommendations in core areas of concern (the response is inadequate in scope).
- Actions have been taken, but they do not cover the main concerns we had when we made the recommendations (the response is insufficiently relevant).
- Actions may be relevant, but implementation has been too slow and we are not able to judge their effectiveness (the response is insufficiently implemented).



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Executive summary

ICAI's follow-up review is an important element in the scrutiny process for UK aid. It provides parliament and the public with an account of how well the government has responded to ICAI's recommendations to improve spending. It is also an opportunity for ICAI to identify issues and challenges facing the UK aid programme now and in the future, which in turn helps to inform subsequent reviews. This year, for the first time, we introduced a scoring element to the follow-up exercises. For each of the reviews we follow up, we provide a score of adequate or inadequate, illustrated by a tick or a cross.

This document is a summary focused only on the results of the follow-up of our review of the UK's approach to funding the UN humanitarian system. The full follow-up report of all our 2018-19 reviews, including overall conclusions from the process and details of our methodology and scoring, can be found on our website.

Findings

The UK's approach to funding the UN humanitarian system

Key aspects of ICAI's recommendations have been taken forward. The third-party monitoring and evaluation function has now been contracted, and the UN's Central Emergency Response Fund (CERF) has been removed from the joint UN agencies business case and payment by results system. Good progress has been made on the Department for International Development's (DFID) support of multilaterals' coordination of joint needs assessments and improving accountability to affected populations.



However, more needs to be done in other reform areas, including localisation, the UN's subcontracting processes, UN-NGO partnerships and how the UN delivers its normative functions at country level.

ICAI's December 2018 review gave a green-amber score to DFID's approach to funding the UN humanitarian system. The performance review concluded that DFID had a strong strategy for using its funding and influence to strengthen UN agencies and global humanitarian practice. However, it also found a mixed record on promoting practical reforms, engaging on UN subcontracting and supporting the UN's normative functions at country level. The review made five recommendations.

Table 1: ICAI's recommendations and the government response

Subject of recommendation	Government response
In the next annual review of its joint business case for core funding for UN humanitarian agencies, DFID should assess the practical implications of payment by results for agency budgets, planning and operations (particularly for CERF) and whether the resulting incentives are in fact accelerating implementation of the Grand Bargain.	Accepted
DFID should step up its engagement with the international working groups that are translating the Grand Bargain principles into practical measures for improving humanitarian action, and develop guidance for country offices on how to prioritise and pursue these measures at country level.	Partially accepted
DFID should develop a plan for simplifying its reporting requirements for UN humanitarian agencies, in accordance with its Grand Bargain commitment. This should take account of the trade-offs between increased oversight and transaction costs, with a focus on proportionate solutions.	Partially accepted

DFID's engagement with UN humanitarian agencies on effectiveness and value for money should address how they subcontract non-government organisations (NGOs) and the management overheads involved in doing so, as well as promoting compliance with safeguarding requirements through their delivery chains.	Accepted
DFID should review how it supports the normative functions of UN humanitarian agencies, particularly at country level, and ensure that staff resources and budgets are available to support UN-led initiatives to improve the quality of humanitarian response.	Accepted

Recommendation 1: Review the practical implications of payment by results for UN agency budgets, particularly for the UN's Central Emergency Response Fund

The ICAI review highlighted how DFID's payment by results system for funding UN agencies is experimental, might have unintended consequences, could pose challenges for supporting Grand Bargain reforms and was unsuitable for funding the UN's Central Emergency Response Fund (CERF). DFID accepted the recommendation to review its business case for UN agencies and the impact of its payment by results system.

Following a delay, a first round of independent verification and assessment of the performance of UN organisations against the payment by results targets was finally undertaken in 2019. The verification process, which involved assessing UN agencies against 30 diverse indicators,¹ seems to have introduced a greater level of rigour and triangulation to agency self-reporting on the targets.

Partly in response to ICAI's review, DFID has conducted an internal review of core support to CERF, which agreed with ICAI that CERF should be removed from the joint UN business case and collective payment by results approach. A standalone business case for CERF is being developed and is planned to be launched in 2020.

Recommendation 2: Increase engagement with Grand Bargain processes, guide country-level implementation

The ICAI review concluded that DFID was not engaging actively with some of the Grand Bargain commitments and lacked agreed positions in some areas. DFID only partially accepted the recommendation, because it did not accept the implication that it was not pushing forward as much as it could on its reform priorities. We were told that Brexit redeployment limited DFID's ability to remain engaged across its reform priorities.

DFID's efforts over the past year to promote the Grand Bargain and other humanitarian reforms have nevertheless been significant. It has led the Grand Bargain cash workstream and supported technical work on joint needs assessments. It is increasing its work on accountability to affected populations and improving its support to country offices to follow through on reform in some areas.

However, it remains the case that DFID's engagement is patchy and unambitious across some key reform areas identified in its business case for UN funding, including localisation, transparency and preparedness.

Recommendation 3: Simplify reporting requirements for UN humanitarian agencies

The ICAI review highlighted concerns that DFID's reporting requirements for UN agencies were becoming increasingly time-consuming, insufficiently focused on the quality of delivery and not monitored for unintended consequences. DFID partially accepted a recommendation to address these issues, emphasising that it was already streamlining its due diligence processes. It continues to implement a Grand Bargain pilot to harmonise its reporting format with other donors and is pursuing joint assurance assessment with the Australian government. These initiatives sound sensible and may bear fruit in the medium term.

However, in interviews for this follow-up, UN agencies stated that they are yet to notice any significant change in what they continue to see as DFID's burdensome reporting and due diligence processes. Despite ICAI's recommendation, DFID has not been tracking centrally the transaction costs associated with its reporting requirements.

¹ Annual review – post April 2018, DFID, 2019, [link](#).

Recommendation 4: Strengthen the management of subcontractors and approach to safeguarding in supply chains

The original ICAI review concluded that DFID was not working actively enough to engage the UN on the effectiveness of its subcontracting of NGOs to address issues such as management overheads and risks of sexual exploitation, abuse and harassment in the humanitarian supply chain. DFID accepted ICAI's recommendation. However, beyond exploring the use of innovative technologies such as blockchain to increase the transparency of transaction costs, DFID is not yet taking effective action with the UN to address these issues. The department recognises that more needs to be done.

Since the ICAI review, DFID has been pushing UN agencies to pass down due diligence requirements on safeguarding and anti-fraud measures to its partners. This is appropriate, but if local actors are not adequately resourced to address this increasing number of requirements, they risk being overburdened and unable to tackle the tasks appropriately.

Recommendation 5: Improve support for the UN's normative humanitarian functions and small-scale strategic UN humanitarian initiatives at the country level

The ICAI review found that DFID did not pay enough attention to how the normative functions of the UN are resourced at headquarters and country levels. It also concluded that DFID lacked funding instruments to support small-scale strategic investments in response to UN-led humanitarian initiatives, especially in country.

DFID accepted the recommendation to address these issues, emphasising that it is responding through providing core funding to UN agencies. However, core funding can be insufficient or unavailable to support UN normative work at country level. DFID planned to conduct an analysis of the costs of delivering normative functions in 2019, but has not yet done so due to staffing constraints.

Regarding support for smaller-scale UN initiatives, DFID highlighted its launch in 2018 of a £4.5 million Humanitarian Policy Fund (HPF) to support research, scoping studies, analysis, pilots, technical assistance and strategic secondments in relation to UN reform. However, the HPF's implementation has been delayed and it is not yet clear if its modest resources can support substantive change to UN processes.

Conclusion

DFID has made progress in addressing this review's recommendations, especially given the disruption of staff being reassigned to Brexit-related activities and, more recently, the response to the COVID-19 pandemic. There is a need to engage the UN more strategically on subcontracting and partnerships and take forward its planned work to support UN normative functions at country level.

The demands the UK, and the UN, face in mobilising an emergency response to the global COVID-19 pandemic will pose challenges for pursuing further substantive reforms in the immediate term. However, the constraints on international travel provide an opportunity to promote locally-led delivery of assistance.



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