

# **ICAI follow-up of: How DFID works with multilateral agencies**

a summary of ICAI's full follow-up review

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# Executive summary

Each year, ICAI follows up on the response to the recommendations it made in reviews published the previous year. The process is a key link in the accountability chain, providing Parliament and the public with an account of how well DFID and other government departments have responded to ICAI reviews. It also provides feedback to the responsible staff, and serves as a useful learning exercise for ICAI in our quest to achieve greater uptake of our findings and recommendations.

This document is a summary which focused only on the results of our follow up of How DFID works with multilateral agencies. The full Follow Up report of all our year five reviews, including overall conclusions from the process and details of our methodology, can be found on our website.

# Findings

## How DFID works with multilateral agencies

The multilateral system receives approximately 40% of UK aid in core contributions, and another 20% through contracted projects. ICAI's review of how DFID works with its multilateral partners was published in June 2015, under the previous commissioners. It awarded DFID an overall **green-amber** score, recognising its influence within the multilateral system and its success in increasing its partners' focus on results and value for money. ICAI made recommendations in seven areas, summarised in Table 1. In 2016, we decided to postpone the follow-up of this report by a year, as DFID's Multilateral Development Review (MDR) had not yet been released. It was published in December 2016.<sup>1</sup>

Table 9: Area of recommendations and DFID's response

Subject of recommendation	DFID's response
Adopting a global strategy for the multilateral system	Reject
Articulating country-level objectives for working with multilateral partners	Reject
Strengthening the staffing of DFID's multilateral engagement	Reject
Working more with other bilaterals on multilateral issues	Reject
Improving multilateral transparency and accountability	Partially accept
Promoting integrated working across multilateral agencies	Accept
Communicating with UK taxpayers on multilateral aid	Partially accept

DFID's formal reaction to the review was disappointing. Even though ICAI had engaged in open and constructive discussion of the recommendations with DFID officials, the department decided to reject four of the seven recommendations. Since the publication of our report, DFID's stance towards the multilateral system has changed in important ways – partly as a consequence of the decision to leave the European Union. We are pleased to note that many of DFID's subsequent actions have been consistent with our analysis and recommendations.

### Global and in-country strategies on working with multilaterals

The review concluded that DFID's lack of a global strategy for the multilateral system was a significant weakness. It left staff uncertain as to how to engage with key multilateral partners, at both global and country levels. It also meant that DFID's influencing focused on business processes within individual agencies (especially results management and value for money), rather than strategic issues. While DFID rejected the recommendation, the 2016 MDR contains important elements of this kind of strategy. DFID has now articulated reform objectives for the multilateral system as a whole and not just for individual agencies. The MDR commits DFID to promoting greater coherence of the multilateral system in specific sectors, such as health and humanitarian aid. New performance agreements with multilateral partners include mechanisms for judging how effectively they work with others. DFID has also introduced a key relationship management approach to its partnerships. These measures create a useful platform for a more strategic engagement in the future.

<sup>1</sup> *Raising the standard: the Multilateral Development Review 2016*, DFID, December 2016, [link](#).

The review was also concerned about the lack of explicit objectives in DFID's country strategies for engaging with multilaterals, and about a consequent disconnect between its relationships with key multilateral agencies at the global and country levels. ICAI suggested that working with multilaterals be integrated more fully into DFID's diagnostic work and country plans, and that DFID engage with its multilateral partners on development strategy as well as on business processes. While this recommendation was also rejected, there have nonetheless been some significant and positive developments. The MDR process included a greater focus on ensuring coherence between bilateral and multilateral aid, and a director-level coherence group has been created to take this forward. DFID now has two smart guides to help staff work effectively with multilaterals. Heads of country offices are now more involved in multilateral reform. DFID is also beginning to coordinate its multilateral engagements at a regional level – for example, multilateral departments are working with country offices to address common performance concerns for multilateral development banks in Asia and for Unicef in Africa. However, DFID offices are still not required to articulate clear objectives for influencing multilateral partners at the country level. We believe more could be done to integrate the multilateral system into country planning.

### Staffing levels and collaborating with others

While multilateral agencies spend around 60% of DFID's budget, they receive a far smaller proportion of management and staff time. The ICAI review pointed out that DFID did not nominate senior staff to manage its most important multilateral relationships, and was not staffing its influencing work adequately or at the right levels of seniority. DFID rejected the finding that its multilateral partnerships were under-resourced. Its introduction of the key relationship management approach is a step in the right direction, but has not fully addressed ICAI's core concern.

The review noted that DFID enjoys a strong leadership role among bilateral donors on multilateral reform, but is perceived as often preferring to work alone – even though experience demonstrates the value of joint working. ICAI recommended that DFID increase its collaboration with other bilateral donors. While DFID rejected the recommendation, it has improved its collaboration in a number of areas, such as performance-based funding of multilaterals. The secretary of state has convened a forum for political leaders from major donor countries to promote UN reform. As the MDR itself notes, the Brexit vote has spurred the UK government to be even more engaged internationally and to take on a stronger leadership role.<sup>1</sup>

### Transparency, accountability and integrated working

The report found that DFID had made significant progress in encouraging its multilateral partners to improve their focus on results and value for money, but less progress on promoting transparency and accountability. ICAI suggested that greater transparency would lessen the need for DFID to negotiate additional oversight arrangements. DFID informs us that multilateral transparency is also a ministerial priority, and that an internal task force has been established to address this issue. DFID made transparency a major focus of the MDR process. It is pushing for more publication of financial information, expenditure and results data – including by improving the quality and accessibility of reporting under the International Aid Transparency Initiative<sup>2</sup> – and for increased accountability to beneficiaries through more effective feedback mechanisms. These initiatives have the potential to drive significant improvements in the multilateral system, and we look forward to seeing how they develop.

ICAI also recommended that DFID do more to promote integrated working among multilateral agencies at the country level. Drawing on the experience of the 'cluster system' for humanitarian aid, ICAI suggested that coalitions of multilateral agencies might be formed around the Sustainable Development Goals, to better coordinate development assistance. This has also been a focus of the MDR process, but achieving meaningful change will require sustained attention. So far, progress on integration in development assistance lags behind coordination in the humanitarian sphere.

1. *Raising the standard: the Multilateral Development Review 2016*, DFID, December 2016, p. 5, [link](#).

2. The International Aid Transparency Initiative (IATI) is a voluntary initiative among donors, partner countries and civil society organisations to increase the transparency of aid flows by publishing expenditure data under the open access IATI Standard, [link](#). The non-governmental organisation Publish What You Fund produces an annual Aid Transparency Index, scoring development agencies on their transparency. The results can be found here: [link](#).

## Communicating with taxpayers

The 2015 review found that DFID said very little in its public communications about UK aid spending through multilateral agencies and what this achieves. Beyond humanitarian response, public knowledge of the multilateral system appeared to be low. ICAI suggested that DFID communicate more effectively to taxpayers about the role, impact and importance of multilaterals. DFID partially accepted this recommendation. DFID informs us that, from 2017, it has adopted a much more proactive approach to communicating positive messages about the aid programme to the public, to counteract negative media coverage. DFID staff also noted the need for a clearer narrative on the value of UK multilateral aid and the UK's role in multilateral reform, but that it is challenging to communicate this in an accessible way. So far, there has been limited progress on this beyond the publication of the MDR itself.

## Conclusion

DFID was initially unwilling to accept most of the recommendations from this review. However, the context has changed significantly since the review was published and many of DFID's subsequent actions have been consistent with the thrust of ICAI's recommendations. DFID has put in place several elements of a strategy for engaging with the multilateral system. It is trying to make its relationships with key multilateral partners more strategic in nature, and to achieve greater coherence across its multilateral and bilateral portfolios. DFID has positioned itself well to push for progress on greater transparency. Overall, the new political context since the Brexit vote is encouraging DFID to become more outward-leaning in its orientation.



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