How DFID works with multilateral agencies to achieve impact

Independent Commission for Aid Impact

Report 44 – June 2015

Contents

The Independent Commission for Aid Impact (ICAI) is the independent body responsible for scrutinising UK aid. We focus on maximising the effectiveness of the UK aid budget for intended beneficiaries and on delivering value for money for UK taxpayers. We carry out independent reviews of aid programmes and of issues affecting the delivery of UK aid. We publish transparent, impartial and objective reports to provide evidence and clear recommendations to support UK Government decision-making and to strengthen the accountability of the aid programme. Our reports are written to be accessible to a general readership and we use a simple 'traffic light' system to report our judgement on each programme or topic we review.

G	**Green:** The programme performs well overall against ICAI's criteria for effectiveness and value for money. Some improvements are needed.
G A	**Green-Amber:** The programme performs relatively well overall against ICAI's criteria for effectiveness and value for money. Improvements should be made.
A R	**Amber-Red:** The programme performs relatively poorly overall against ICAI's criteria for effectiveness and value for money. Significant improvements should be made.
R	**Red:** The programme performs poorly overall against ICAI's criteria for effectiveness and value for money. Immediate and major changes need to be made.

Executive Summary

Multilateral agencies are an important part of the international development system. DFID spends almost two thirds of its annual budget (£6.3 billion in 2013-14) through them. This review considers how well DFID engages with multilateral agencies. We also review how well DFID leverages this engagement to achieve impact.

Overall *Assessment: Green-Amber*

DFID has significant influence in the multilateral system. For many key agencies it is the largest funder and DFID has used this leverage to promote reform, particularly on impact and value for money. But it could do more. Our review found that DFID lacks a clear strategy for its engagement. DFID's focus on improving agencies' management processes has often been at the expense of strategic dialogue on what multilaterals do and how they do it. DFID should work with other donors to improve further the multilateral system and individual organisations within it.

Objectives *Assessment: Amber-Red*

Multilateral agencies are a major part of the world's development architecture, they can deliver at scale and have wide legitimacy but also face real challenges. Agencies have varied and often overlapping mandates, competencies, structures and business models. Each faces a challenge of relevance in a changing world. More complex post-2015 goals, evolving expectations of host governments and the growing capacity of new entrants demand new approaches. DFID sets reform objectives for individual agencies through the Multilateral Aid Review process but its approach is fragmented. DFID's focus has been on improving organisational effectiveness and value for money. Higher-level strategic and coherence concerns have been crowded out as a result. We saw no examples of clear country-level strategies for DFID's work with multilateral agencies.

Delivery *Assessment: Amber-Red*

Multilateral agencies extend DFID's ability to deliver aid. DFID holds agencies to account for results and delivery has improved. Delivery chains and partnerships are better and there is more collaboration. Despite this, DFID needs to hold agencies to account less for how they work and more for what they achieve. DFID should focus on strategic challenges and long-term impacts. Agencies need improved leadership, simpler delivery processes and a clearer view of costs. Transparency, as opposed to process scrutiny, should be the priority for DFID. Beneficiary consultation remains inadequate. The number and seniority of DFID staff allocated to multilateral work should be enhanced, given the resources DFID spends through agencies.

Impact *Assessment: Green-Amber*

DFID's results depend greatly on the contribution of multilateral agencies and multilaterals rely heavily on DFID funding. DFID has succeeded in focussing agencies on key global challenges, such as gender, promoting reform and improving results. DFID works to improve multilateral effectiveness at country level but the sustained impact on the lives of beneficiaries is inconsistent. DFID can increase effectiveness by leveraging its funding to align agencies at global, national and local levels around key development themes.

Learning *Assessment: Green-Amber*

DFID funds substantial research through multilateral agencies. Multilateral staff rotation and regional offices provide opportunities for cross-country learning. We saw contextual learning improving delivery within programmes. Inter-agency information flows are sometimes limited and feedback loops from country to HQ weak. The system does not adapt quickly in response to learning, due to its scale and bureaucracy. DFID can do more to stimulate learning, particularly with regard to effectiveness in fragile states and focussed collaboration. DFID has not communicated the role of multilateral agencies to taxpayers adequately.

Recommendations[1]

Recommendation 1: DFID should have a strategy for its engagement with the multilateral system as a whole at the global level.

Recommendation 2: DFID needs clear objectives for its work with the multilateral system in its country-level strategies.

Recommendation 3: DFID should address the low proportion and limited seniority of its core staff resources devoted to managing its relationships with multilateral agencies.

Recommendation 4: DFID should continue to press for greater transparency and accountability of multilaterals.

Recommendation 5: DFID should promote more integrated working amongst multilateral institutions at country level.

Recommendation 6: DFID should work more collaboratively with other bilaterals in its engagement with multilateral agencies.

Recommendation 7: DFID should communicate more effectively to taxpayers about the role, impact and importance of multilaterals.

[1] See Section 6 on page 43 for detailed recommendations.

1 Introduction

1.1 Almost two thirds (£6.32 billion or 62.9%)[2] of DFID's £10.1 billion total expenditure was spent through multilateral agencies in 2013-14. UK aid can, therefore, only provide value for money and be delivered effectively if multilateral organisations perform well and if DFID's engagement with them is well managed.

Figure 1: Multilateral Aid Agencies

The Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD DAC) defines multilateral agencies as 'international institutions with governmental membership. They include organisations to which donors' contributions may be reported, either in whole or in part, as multilateral Official Development Assistance as well as organisations that serve only as channels for bilateral ODA.'[3]

Source: In Multilateral Aid Report, 2012, OECD-DAC[4]

1.2 We have identified 47 multilateral agencies with which DFID engages. These include (among others) UN agencies, global and regional development banks and funds addressing global challenges (see Annex A1).[5] We have also included the European Union (EU), although this is not strictly a multilateral agency (see paragraph 1.21 on page 6). ICAI has previously issued several reports that assess DFID's relationship with individual multilateral agencies.[6,7] Other ICAI reports have also commented on how multilateral agencies deliver UK aid.[8]

The purpose of this review

1.3 This review considers how well DFID leverages and engages with multilateral agencies to make a difference to the lives of people living in poverty. It is not an assessment of how well multilateral agencies perform. Rather, it assesses how DFID works with them. The report describes the overall system of multilaterals, key categories of multilateral agencies and key individual agencies in order to provide a context for that assessment. The report's descriptions and findings do reference the effectiveness of the system insofar as this informs where and how DFID could engage. The report makes recommendations on how DFID might improve its engagement in the future.

Why the UK says it uses multilaterals

1.4 DFID says that multilateral agencies 'are an essential part of the international system for humanitarian and development aid'.[9] DFID sees multilateral agencies as able to support the UK's international development objectives because of their particular capabilities. According to DFID, '[q]uite simply their size, reach and expertise allow them to deliver global solutions to global problems'.[10]

1.5 DFID has described the capabilities of individual multilateral agencies as including:

- a global presence and the legitimacy to work even in politically sensitive contexts where national governments are not welcome;
- the ability to provide a neutral platform for negotiating treaties on trans boundary issues;
- the ability to broker international agreements and monitor adherence to them;

[2] See paragraph 1.30 on page 8 and https://www.gov.uk/government/publications/statistics-on-international-development-2013-to-2014-gpex-tables.
[3] See *Reporting Directives for the Creditor Reporting System*, OECD, Paris, 2010.
[4] *Multilateral Aid Report,* OECD DAC, http://www.oecd.org/dac/aid-architecture/DCD_DAC(2012)33_FINAL.pdf.
[5] The EU has been included in this review. EU and DFID officials note that the EU is a pooled bilateral donor. They indicate that legal and treaty obligations, different funding mechanisms and the role of the European Parliament all play a significant role in how Member States engage with the EU institutions.
[6] *The Effectiveness of DFID's Engagement with the World Bank*, ICAI, March 2012; *The Effectiveness of DFID's Engagement with the Asian Development Bank*, ICAI, July 2012; *DFID's Work through UNICEF*, ICAI, March 2013; *Evaluation of DFID's Electoral Support through UNDP,* ICAI, April 2012; *ICAI Report on DFID's Oversight of the EU's Aid to Low-Income Countries*, ICAI, December 2012; *DFID's Support for Palestine Refugees through UNRWA*, ICAI, September 2013. All these reports are available at http://icai.independent.gov.uk/.
[7] Annex A2 summarises our ratings.
[8] *DFID's Support to the Health Sector in Zimbabwe*, ICAI, November 2011; *DFID's Humanitarian Emergency Response in the Horn of Africa*, ICAI, September 2012; *DFID's Contribution to the Reduction of Child Mortality in Kenya* ICAI, March 2014; *Evaluation of DFID's Bilateral Aid to Pakistan*, ICAI, October 2012; *DFID's Water, Sanitation and Hygiene Programming in Sudan,* ICAI, February 2013; *DFID's Health Programmes in Burma,* ICAI, July 2013; *DFID's Education Programmes in Three East African Countries*, ICAI, May 2012; *Department for International Development's Education Programmes in Nigeria*, ICAI, November 2012; *DFID's Support for Agricultural Research*, ICAI, October 2013. All these reports are available at http://icai.independent.gov.uk/.
[9] *Multilateral Aid Review Update 2013: Driving reform to achieve multilateral effectiveness,* DFID, December 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/297523/MAR-review-dec13.pdf.
[10] *UK aid: Changing lives, delivering results,* DFID, 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67584/BAR-MAR-summary-document-web.pdf.

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- the ability to create a global platform for action;
- the ability to mobilise large-scale funding and to deliver aid on a large scale;
- the ability to use a wide range of aid instruments to meet the needs of all countries;
- the legitimacy to lead and co-ordinate development and humanitarian assistance;
- specialist technical expertise; and
- the ability to develop and share knowledge about what works and why at a global scale.[11]

1.6 The UK also works with multilateral agencies when responding to localised or regional challenges. Disasters such as famine in the Horn of Africa,[12] Typhoon Haiyan in the Philippines[13] and Ebola in West Africa are examples of international crises which have required responses beyond those of an individual nation. There are an increasing number of such situations as a result of both man-made and natural incidents.

Substantial engagement with multilaterals plays a key role in the UK's global influence

1.7 The UK is one of the world's major economies and holds one of the five permanent seats in the UN Security Council. Its relative position as a global power is changing, however, as new economies emerge. As the Lords' Select Committee on Soft Power and the UK's Influence noted, it is important that the UK continues to shape 'the international networks and global 'system' in which it plays a part, and not just relations within that system'.[14] The review's interactions with senior UK representation at the UN included commentary that the UK's engagement with multilaterals reinforces its role as a global power.

There are various categories of multilaterals and they carry out different functions

1.8 This section considers the functions multilaterals perform, their mandates and how they have developed over time. It includes discussion of their roles, including:

- maintaining global norms and standards;
- acting as specialist delivery mechanisms; and
- tackling specific global challenges.

The maintenance of global norms and standards

1.9 Some multilateral agencies seek to support the development of global norms and standards. Many of the UN agencies have this primary responsibility. UNICEF's role in enabling nations' adherence to the global convention on the Rights of the Child is one example of this normative role. UN Women performs a similar function relating to the rights of women.[15] Other agencies' particular expertise may enable them to provide technical leadership and set standards at a global scale. For instance, the Food and Agriculture Organization (FAO) leads on global research on food security.[16] The World Health Organization (WHO) is accountable for setting the global standards for health and disease treatment.

Specialist delivery mechanisms

1.10 A large number of multilateral agencies deliver services directly to developing countries. ICAI has reported how UNICEF's support is providing water and sanitation services to schools and communities in emergency situations, for example. UNICEF also helps to deliver anti-malarial bed nets in countries like Ghana and Sierra Leone.[17] UNDP

[11] *Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations*, DFID, March 2011 (modified from *Multilateral Aid Review 2011,* DFID, 2011), https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67583/multilateral_aid_review.pdf.

[12] *DFID's Humanitarian Emergency Response in the Horn of Africa*, ICAI, September 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-FINAL-DFIDs-humanitarian-emergency-response-in-the-Horn-of-Africa11.pdf.

[13] *Rapid Review of DFID's Humanitarian Response to Typhoon Haiyan in the Philippines,* ICAI, March 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Philippines-report-FINAL.pdf.

[14] *Persuasion and Power in the Modern World,* Select Committee on Soft Power and the UK's Influence - First Report, House of Lords, March 2014, http://www.publications.parliament.uk/pa/ld201314/ldselect/ldsoftpower/150/15002.htm.

[15] UN Women's three key tasks are to (1) support inter-governmental bodies, such as the Commission on the Status of Women, in their formulation of policies, global standards and norms; (2) help Member States to implement these standards, standing ready to provide suitable technical and financial support to those countries that request it, and to forge effective partnerships with civil society; and (3) lead and co-ordinate the UN system's work on gender equality, as well as promote accountability, including through regular monitoring of system-wide progress. See http://www.unwomen.org/en/about-us/about-un-women.

[16] See http://www.fao.org.

[17] *DFID's work through UNICEF*, ICAI, March 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-DFIDs-work-with-UNICEF.pdf.

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regularly provides support to elections around the world[18] and is increasingly supporting renewable energy initiatives. In Gaza for example, UNDP has helped to install solar panels in schools and healthcare facilities.[19] The World Bank and regional development banks are playing a large role in developing and upgrading critical infrastructure across the globe. Some multilateral agencies (such as UNICEF) perform both normative and delivery functions.

Tackling particular challenges

1.11 Agencies can be set up to tackle specific challenges. UNAIDS was established in 1994 to accelerate and lead the global response to HIV/AIDS. Gavi, the Vaccine Alliance, (hereafter referred to as Gavi) was created in 2000 to bring together public and private sectors to increase access to vaccines for children living in the world's poorest countries.[20] UN Women was also put in place in 2010, rationalising four previously distinct parts of the UN system.[21] Particular agencies can also convene specific efforts to fill gaps in knowledge. The United Nations Educational, Scientific and Cultural Organization (UNESCO), for instance, publishes annual updates on the status of global literacy.[22] In East Africa, UNESCO also worked to establish a regional initiative to identify sustainable water supplies through satellite mapping.[23] UNRWA (the United Nations Relief and Works Agency for Palestine Refugees) was established to provide particular assistance to specific people in need.[24]

Multilaterals were set up for particular tasks

1.12 Many of the agencies DFID works with were established specifically to overcome conflict at the global level. They have unique mandates. For instance, the United Nations grew out of 26 countries' common desire for world peace in 1942.

Figure 2. Article 1 of the Charter of the United Nations

The Purposes of the United Nations are:

1. To maintain international peace and security, and to that end: to take effective collective measures for the prevention and removal of threats to the peace, and for the suppression of acts of aggression or other breaches of the peace, and to bring about by peaceful means, and in conformity with the principles of justice and international law, adjustment or settlement of international disputes or situations which might lead to a breach of the peace;

2. To develop friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, and to take other appropriate measures to strengthen universal peace;

3. To achieve international co-operation in solving international problems of an economic, social, cultural, or humanitarian character, and in promoting and encouraging respect for human rights and for fundamental freedoms for all without distinction as to race, sex, language, or religion; and

4. To be a centre for harmonizing the actions of nations in the attainment of these common ends.

Source: The United Nations Charter[25]

Organisations' mandates are often enshrined in law

1.13 Some agencies have unique roles protected by international law. For instance, the mandate of the International Committee of the Red Cross (ICRC) is to support those affected by conflict, such as prisoners of war and civilian internees. This mandate stems from the 1949 Geneva Conventions.[26]

Mandates can change

1.14 The roles and goals of the agencies can change through time. UNICEF initially had a narrow mandate to provide emergency relief to the children of Europe who had suffered in the Second

[18] *Evaluation of DFID's Electoral Support through UNDP,* ICAI, April 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/UNDP-report-FINAL.pdf.
[19] *Gaza school going solar,* UNDP, undated, http://www.undp.org/content/undp/en/home/ourwork/ourstories/gaza-school-going-solar/
[20] See http://www.gavi.org/about/.
[21] The Division for the Advancement of Women (DAW); International Research and Training Institute for the Advancement of Women (INSTRAW); Office of the Special Adviser on Gender Issues and Advancement of Women (OSAGI); and United Nations Development Fund for Women (UNIFEM).
[22] See http://en.unesco.org/gem-report/
[23] See GRIDMAP, http://www.unesco.org/new/fileadmin/MULTIMEDIA/FIELD/Nairobi/pdf/GRIDMAP%20Flyer.pdf
[24] *DFID's Support for Palestine Refugees through UNRWA,* ICAI, September 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-UNRWA-report-FINAL-110913.pdf.
[25] See http://www.un.org/en/documents/charter/chapter1.shtml.
[26] See https://www.icrc.org/en/who-we-are/mandate.

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World War.[27] UNICEF now works to promote global adherence to the 1989 Convention on the Rights of the Child.[28] The Bretton Woods Institutions (the World Bank and IMF) were also initially put in place to enable global reconstruction in the aftermath of the Second World War.[29] They now seek to support global development and the eradication of poverty.[30]

The number of organisations has increased over time

1.15 Multilateral agencies have proliferated since the middle of the twentieth century. As global priorities have changed, the UN system has established new agencies. The UN system has more than 30 affiliated organisations; these include UN programmes and funds (for example, UNDP and UNICEF) and specialised agencies (for example, the World Bank, FAO and ILO).[31] Many multilateral agencies have mandates and roles that overlap.

The multilateral development banks

1.16 DFID provides funding to multilateral development banks. These can work globally (for example, the World Bank) or regionally (for example, the Asian and African Development Banks). They aim to help countries access large-scale funding for development investment where the commercial sector is unable cost-effectively to provide it. The multilateral development banks provide grants (requiring no repayment), loans at low rates of interest (concessional lending), as well as higher, more commercial, rate loans. DFID funds all three mechanisms of funding through the banks.

1.17 Funding for a particular activity (for example supporting school construction) may include a blend of the different forms of finance. In this example, grants may be used to fund capacity-building elements and loans to fund infrastructure. DFID sometimes chooses to fund the grant elements of such activities in parallel to finance provided through multilateral development banks. An example of this is the Primary Education Development Programme II in Bangladesh.[32]

1.18 As countries become richer, they reach a point where they 'graduate' from conditions placed on poorer developing countries.[33] They may also, over time, gain access to a greater range of commercial finance on the open market. Graduation also restricts their eligibility for concessional lending from the multilateral development banks.[34]

New banks are emerging

1.19 The New Development Bank (previously called the BRICS bank - see paragraph 2.10 on page 14) aims to build wider South-South leadership in global development. Even as this review was being drafted, it was announced that the UK (alongside France and Germany) would be one of the prospective founder members of a new Asian Infrastructure Investment Bank (AIIB) to be established by China.[35]

1.20 With a reported initial capitalisation of US$50 billion (£35 billion), AIIB will provide funding for infrastructure to the Asia-Pacific region. The size of the UK's contribution is not yet known. DFID currently funds infrastructure investment across Asia through a number of channels. It provides similar assistance through the World Bank (both the International Development Association and the International Bank for Reconstruction and Development, established in 1942),[36] the Asian

[27] UNICEF was established by resolution UN/GA/57 (I) on 11 December 1946 as the United Nations International Children's Emergency Fund (UNICEF) to 'provide relief for the suffering children in war-devastated Europe'. See http://www.unesco.org/archives/sio/Eng/presentation_print.php?idOrg=1033.

[28] See an introduction to the Convention on the Rights of the Child at http://www.unicef.org/crc/.

[29] They were named this because of the location of their founding conference in Bretton Woods, New Hampshire, United States, in July 1944. The goal of the conference was to establish a framework for economic co-operation and development that would lead to a more stable and prosperous global economy. See here for a brief history: http://www.federalreservehistory.org/Events/DetailView/28.

[30] The World Bank currently has two goals: (1) End extreme poverty by decreasing the percentage of people living on less than $1.25 a day to no more than 3%. (2) Promote shared prosperity by fostering the income growth of the bottom 40% for every country. See http://www.worldbank.org/en/about/what-we-do.

[31] See page 56 for a full list of abbreviations used in this review.

[32] DFID provided £62 million to support the improvement in quality and coverage of primary education in Bangladesh. See http://devtracker.dfid.gov.uk/projects/GB-1-107478/. This effort was primarily structured (in collaboration with six other donors) as a 'sector loan' from the Asian Development Bank. Funding was provided to the Bangladesh Government in the form of loans and grants.

[33] *Monterrey Consensus on Financing for Development*, UN, 2002, http://www.un.org/esa/ffd/wp-content/uploads/2014/09/MonterreyConsensus.pdf.

[34] An example of a country that has recently graduated in this way is Vietnam (see Figure 19 on page 36).

[35] See https://www.gov.uk/government/news/uk-announces-plans-to-join-asian-infrastructure-investment-bank.

[36] The World Bank is a term used to cover two associated agencies: International Bank for Reconstruction and Development (IBRD) and International Development Association (IDA). The World Bank Group is comprised of these and three other organisations: International Finance Corporation (IFC), Multilateral Investment

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Development Bank (established in 1966),[37] the European Union (established in 1993) and the Private Infrastructure Development Group (established in 2002).[38]

The EU is a special case

1.21 The EU is the world's third-largest aid donor after the United States and the UK, providing aid to more than 150 countries. It is not strictly a multilateral but a 'pooled bilateral', spending money on behalf of its Member States.[39,40] Funding is provided through two channels: the EU budget itself and the European Development Fund (EDF). The EDF, while not formally part of the EU's budget, is administered by it. The EDF provides aid to 79 African, Caribbean and Pacific countries (or ACP).[41] Almost half (48%) of the EU's aid spending takes place in middle income countries. The size of the EU's total aid spending, together with its influence on issues such as trade, finance, energy and climate change, makes its potential impact on developing countries significant.

The Vertical Funds

1.22 Vertical funds provide earmarked funding for specified purposes. They are usually global programmes supported by many funders. Prominent examples include Gavi,[42] the Global Fund to Fight AIDS, Tuberculosis and Malaria (GFATM),[43] the Global Partnership for Education (GPE)[44] and the Green Climate Fund.[45] The UK has been prominent in the birth and expansion of global funds, especially in Gavi and GFATM. The UK contributes approximately 30% of the overall budget for Gavi.

Guarantee Agency (MIGA) and International Centre for the Settlement of Investment Disputes (ICSID). See http://www.worldbank.org.

[37] See: http://www.adb.org.

[38] See: http://www.pidg.org.

[39] As per confirmed net official development assistance in 2013, see http://www.oecd.org/dac/stats/documentupload/ODA%202014%20Tables%20and%20Charts.pdf.

[40] For statistical reporting purposes, however, the EU is treated as a multilateral agency. It is included on the OECD DAC's list of ODA eligible multilaterals.

[41] See http://www.acp.int/content/secretariat-acp.

[42] See http://www.gavi.org.

[43] Also known as The Global Fund, see http://www.theglobalfund.org/en/.

[44] Previously the Education for All Fast Track Initiative, see http://www.globalpartnership.org.

[45] See http://www.gcfund.org/about/the-fund.html.

DFID has to respect the mandates of multilaterals

1.23 The role, operation and management of multilateral agencies are governed by their mandates, rules and protocols. These will shape each agency's approach, for instance, to governance and transparency. DFID must respect these, as must other funders and partners.

The types of funding DFID provides to multilaterals

1.24 The UK funds multilateral agencies in different ways, depending on their functions, structures and rules. Some of this funding is mandatory: the UK must pay as a condition of membership (termed **assessed** or **non-discretionary** payments). Other funding is **discretionary:** the UK volunteers to pay.[46] Some agencies receive both non-discretionary and discretionary contributions. There are no readily reported data to show how this funding is split amongst agencies.

1.25 The key mechanisms that DFID uses can be summarised as:

a) **Capital Increases** of the development banks (and the IMF), funded periodically. Such funds provide the basis for the banks' lending. This funding is non-discretionary.

b) **Assessed Contributions** to some specific institutions of the United Nations, where such funding is a condition of membership. This funding is non-discretionary.[47,48]

c) **Voluntary Contributions** to UN agencies. These are generally annual contributions by DFID, based on multi-year agreements (for example, for UNICEF this runs from 2011-12 to 2014-15). The UK is thus able to target funding to agencies that

[46] Discretionary and non-discretionary funding may or may not be combined within agencies' budgets, depending on the organisation and the purpose to which the funding is put (for example, capital replenishment or core budget contribution).

[47] The UN organisations applying assessed contributions include: FAO - Food and Agriculture Organization; ILO - International Labour Organization; UNESCO - United Nations Educational, Scientific and Cultural Organization; UNIDO - United Nations Industrial Development Organization; WHO - World Health Organization; ICAO - International Civil Aviation Organization; IMO - International Maritime Organization; ITU - International Telecommunication Union; UPU - Universal Postal Union; WIPO - World Intellectual Property Organization; WMO - World Meteorological Organization; IAEA - International Atomic Energy Agency; and UNWTO - World Tourism Organization.

[48] If assessed contributions are not paid, the UK has to withdraw from membership. This happened in 2011 when, as a result of the 2011 Multilateral Aid Review assessment, the UK ceased funding to the United Nations Industrial Development Organization (UNIDO).

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support its policy and reform priorities. Funding includes contributions to the agencies' core budgets.

d) An **Assessed Share** provided to the European Union Budget. The amount the UK provides is determined through the executive and parliamentary procedures of the EU. Some of this funds development activities.[49]

e) **Negotiated Replenishments,** [50] where DFID negotiates such voluntary contributions along with other donors to a regular timetable (for example, every three years for the World Bank International Development Association).[51,52] The UK's contribution to the European Union's European Development Fund is also determined through negotiated replenishments.[53]

f) **Global Pooled Funding Mechanisms.** These include funds and appeals, such as the Office for Coordination of Humanitarian Affairs' (OCHA's) Central Emergency Response Fund (CERF – which the UK was instrumental in establishing[54]). This approach includes funding for the global response to climate change, provided through the central International Climate Fund.[55] These funds are discretionary.

g) The UK also provides funding to many of the multilateral agencies as part of its in-country bilateral activities. In most of these cases, the agency is contracted as a delivery partner for a specific DFID or donor programme (this is often termed **multi-bi** funding).[56, 57] This funding is discretionary.

h) **Trust Funds,** which have a defined purpose and may (or may not) be significantly under the control of partner governments. DFID's funding for most of these trust funds is provided through its bilateral programme. We highlight the trust fund mechanism here because, as we will discuss, until this review, DFID did not report expenditure through trust funds separately (see paragraphs 3.46-3.47 on page 31).[58] This funding is discretionary.

Shareholding

1.26 DFID is also a shareholder in key multilateral agencies, as set out in Figure 3.

Figure 3: UK shareholding in key agencies[59]

Agency	Share	Rank
Caribbean Development Bank – Special Development Fund	10.4%	2[60]
European Bank for Reconstruction and Development	8.52%	2[61]
International Finance Corporation	5.04%	4[62]
International Monetary Fund	4.51%	4[63]
World Bank	4.22%	5[64]
Asian Development Bank	2.1%	8
African Development Bank	1.69%	17
Inter-American Development Bank	0.96%	16

[49] This is to fund the EU's development activities outside 79 ACP countries in Africa, the Caribbean and the Pacific (see http://www.acp.int/node/7).
[50] ICAI has considered Gavi (see http://www.gavi.org) as part of *DFID's Contribution to the Reduction of Child Mortality in Kenya,* ICAI, March 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Child-Mortality-FINAL-120714.pdf.
[51] Concessional funding provided by the regional development banks, the UK's funding of Gavi and GFATM and contributions to the European Development Fund are other examples of such negotiated replenishments.
[52] See here for a description of the IDA replenishment process: http://www.worldbank.org/ida/ida-replenishments.html.
[53] The European Development Fund, although an instrument of the EU, sits outside its budget. It supports activities in the 79 ACP countries in Africa, the Caribbean and the Pacific and other 'Overseas Countries and Territories'. See http://ec.europa.eu/europeaid/node/22_en.
[54] See http://www.unocha.org/cerf/.
[55] *The UK's International Climate Fund,* ICAI, December 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/12/ICAI-Report-International-Climate-Fund.pdf.
[56] Multi-bi funding is also commonly referred to as non-core funding and as bilateral funding through a multilateral. For consistency, this report uses the term multi-bi funding throughout.
[57] Note that the OECD DAC does not report separately on multi-bi funding.
[58] Most trust funds are multi-donor; hence they are regularly termed Multi-Donor Trust Funds (MDTFs). 'An MDTF takes contributions from a variety of donors and administers them under a single governance structure with a goal to support development-related programmes through a predictable and reliable funding source. This support can be 'on-budget', meaning that it is provided directly to a recipient government in order to support its operations, or 'off-budget', in which case the fund supports development programmes and objectives through funding to international organisations, non-governmental organisations (NGOs) and other entities.' Barakat S., K. Rzeszut and N. Martin, *What is the track record of multi donor trust funds in improving aid effectiveness? An assessment of the available evidence,* EPPI-Centre, University of London, May 2012, http://r4d.dfid.gov.uk/pdf/outputs/systematicreviews/Q48_Multidonor_trust_fund_2012Barakat(2)FINAL.pdf.
[59] Information as of September 2014.
[60] Joint ranking with Canada.
[61] Joint ranking with Japan, Italy, Germany and France.
[62] Joint ranking with France.
[63] Joint ranking with France.
[64] Joint ranking with France.

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1.27 The UK (through DFID) holds equity in the multilateral development banks, based on subscribed capital. This is currently 4.22% in the World Bank, making the UK the equal fifth-largest shareholder with France. The UK shareholding in the African Development Bank is 1.69%. In the Asian Development Bank, the UK has a shareholding of 2.1% and is in a constituency led by Germany with a total voting power of 7.2%.[65] Shareholders include both donor and borrower countries and are hard to change. They do not reflect the pattern of current financial contributions.

1.28 In the IMF the UK has a quota, currently 4.51%, based on the size of its economy. This is the major determinant of its voting share, currently 4.29%.

How DFID funds these agencies

1.29 DFID's funding to multilaterals is provided from both its central budget and its country budgets for work in particular locations, thus:[66]

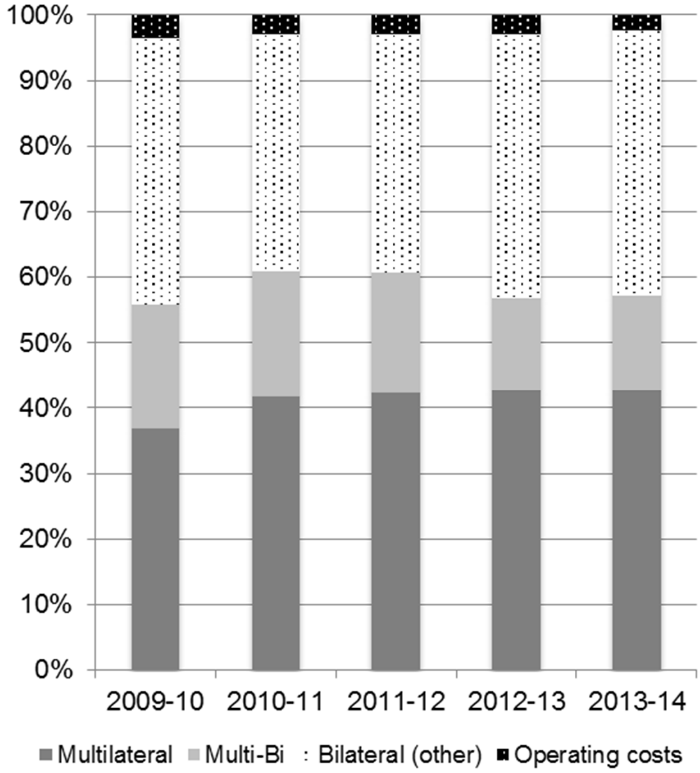
- it provides **core funding** to multilateral agencies' headquarters and vertical funds such as Gavi, directly from DFID's central budget; and
- it also channels funding from DFID's bilateral programmes for particular specified activities through multilateral agencies in places where DFID works (this is often termed **Multi-bi Funding**).

Most UK aid is provided through multilaterals

1.30 Figure 4 below shows the officially reported proportion (according to OECD DAC requirements) of DFID's funding channelled through multilaterals.[67] It indicates that this share has remained roughly constant (between 56% and 61%) since 2009-10.

1.31 The UK does not formally cap its spending through multilaterals. An internal recommendation was made in 2003 that DFID's funding be split 60%/40% multilateral/bilateral. This review has found no clear explanation for this proportion. The recommendation appears to have been carried through.

Figure 4: Official proportion of multilateral and bilateral in DFID budget 2009-10 to 2013-14 [68]



Source: DFID

A few multilaterals receive the majority of funds

1.32 The majority of DFID's spending to the 47 agencies set out in Annex A1 goes to a few partners. Figure 5 below sets out the total received by them in the five years to 2013-14. This shows the split between allocations from DFID's main budget (core spending) and from its bilateral budget (bilateral).

[65] In 2013, the Asian Development Bank's other major shareholders were Japan (15.7%), United States (15.6%), China (6.5%), India (6.4%), Australia (5.8%), Canada (5.3%), Indonesia (5.2%), Republic of Korea (5.1%), Germany (4.3%), Malaysia (2.7%).

[66] We have chosen not to follow the official classification of aid in this list. The OECD DAC classifies aid inflows in four ways: (1) Bilateral; (2) Multilateral; (3) Bilateral, core contributions to NGOs and other private bodies/PPPs; and (4) Bilateral, ex-post reporting on NGO activities, funded through core contributions. See http://www.oecd.org/dac/stats/dacandcrscodelists.htm.

[67] DFID publishes these figures in its *Statistics On International Development* publication. See Table 9 in GPEX Tables (2013-14) at https://www.gov.uk/government/publications/statistics-on-international-development-2013-to-2014-gpex-tables.

[68] This chart does not match the figure given in paragraph 1.1 – see paragraph 1.36 on page 9 for an explanation.

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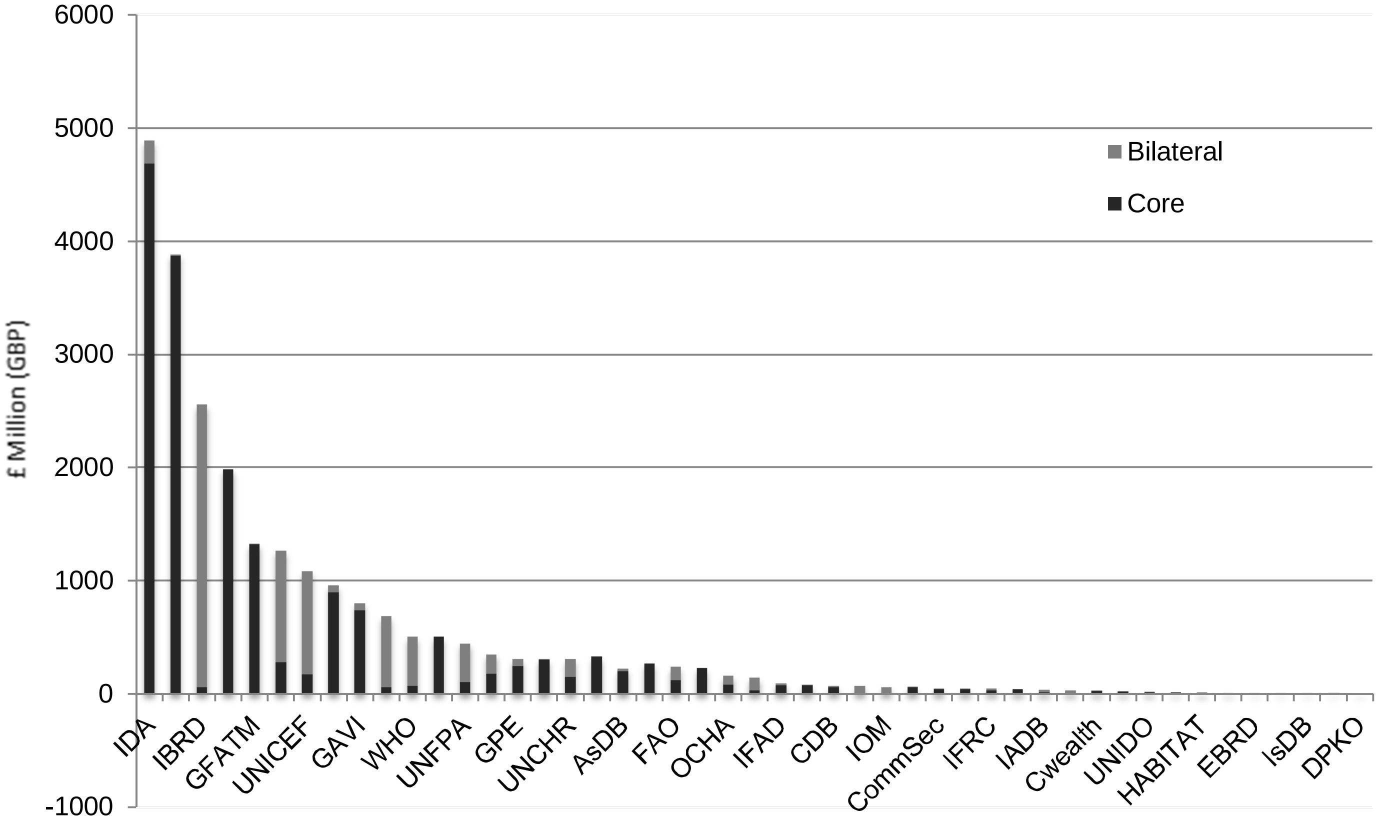
Figure 5: DFID core and bilateral spending through multilateral agencies 2009-10 to 2013-14



1.33 In 2013-14, the 15 multilateral agencies listed in Figure 6 on page 10 together received 85% of DFID's funding to multilaterals.

The World Bank and the EU receive most

1.34 The World Bank, in the form of the International Development Association (IDA), and the International Bank for Reconstruction and Development (IBRD) received over 27% of all DFID's multilateral funding in 2013-14 (£1.74 billion).[69] When the European Commission share of the development budget is added to DFID's contribution to the European Development Fund, then the EU receives over 17% of DFID's multilateral funding (£1.1 billion).

1.35 DFID data show that over 36% (£2.02 billion) of all its bilateral programme was spent through multilateral agencies in 2013-14.[70] Figure 7 on page 11 summarises how DFID's funds flow to multilateral agencies. It shows the split between contributions specifically for multilaterals and those that are channelled through multilaterals from DFID's bilateral budget. It also indicates the largest recipients of funding.

Official reporting understates the total amount

1.36 Using DFID's figures, we assess that DFID spent 62.9% of its budget through multilaterals in 2013-14.[71] This is more than the proportion indicated in DFID's summary reporting, shown in Figure 4 on page 8, since some bilateral funding channelled through multilateral agencies is not formally

[69] Contributions to the wider World Bank Group increase this figure further; DFID provided £76.18 million to IDA's Multilateral Debt Initiative, £59.6 million to the International Finance Corporation and a further £25.97 million to the World Bank Group as core funding in 2013-14.

[70] See Table 9 of GPEX Tables (2013-14) at https://www.gov.uk/government/publications/statistics-on-international-development-2013-to-2014-gpex-tables.

[71] See https://www.gov.uk/government/publications/statistics-on-international-development-2013-to-2014-gpex-tables.

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classified as multi-bi under the statistical system used for reporting.[72,73]

1.37 DFID and HM Treasury are about to change how DFID reports its budget. This will have a significant impact on financing of multilateral agencies, in particular applying 'floor targets' to particular types of spending (such as loans). Our report is retrospective and has not considered these implications in detail. See Annex A4, however, for a summary.

Our approach

1.38 This report is about the ability of DFID to leverage and impact the multilateral system to achieve the UK's development objectives of achieving impact for the poor. It is not an assessment of the multilateral system as a whole or of the effectiveness or impact of individual agencies. Where the impact or results of individual agencies are considered, it is to illustrate how the UK's objectives were achieved through them.

1.39 We considered the influence of DFID on the effectiveness of the agencies at three main levels:

- the corporate relationships between DFID headquarters and the multilaterals' headquarters;
- the country-level interactions between DFID (or the UK Government) and the national presence of the agencies in host countries; and
- the programme-level interventions made by DFID staff to oversee delivery in-country.

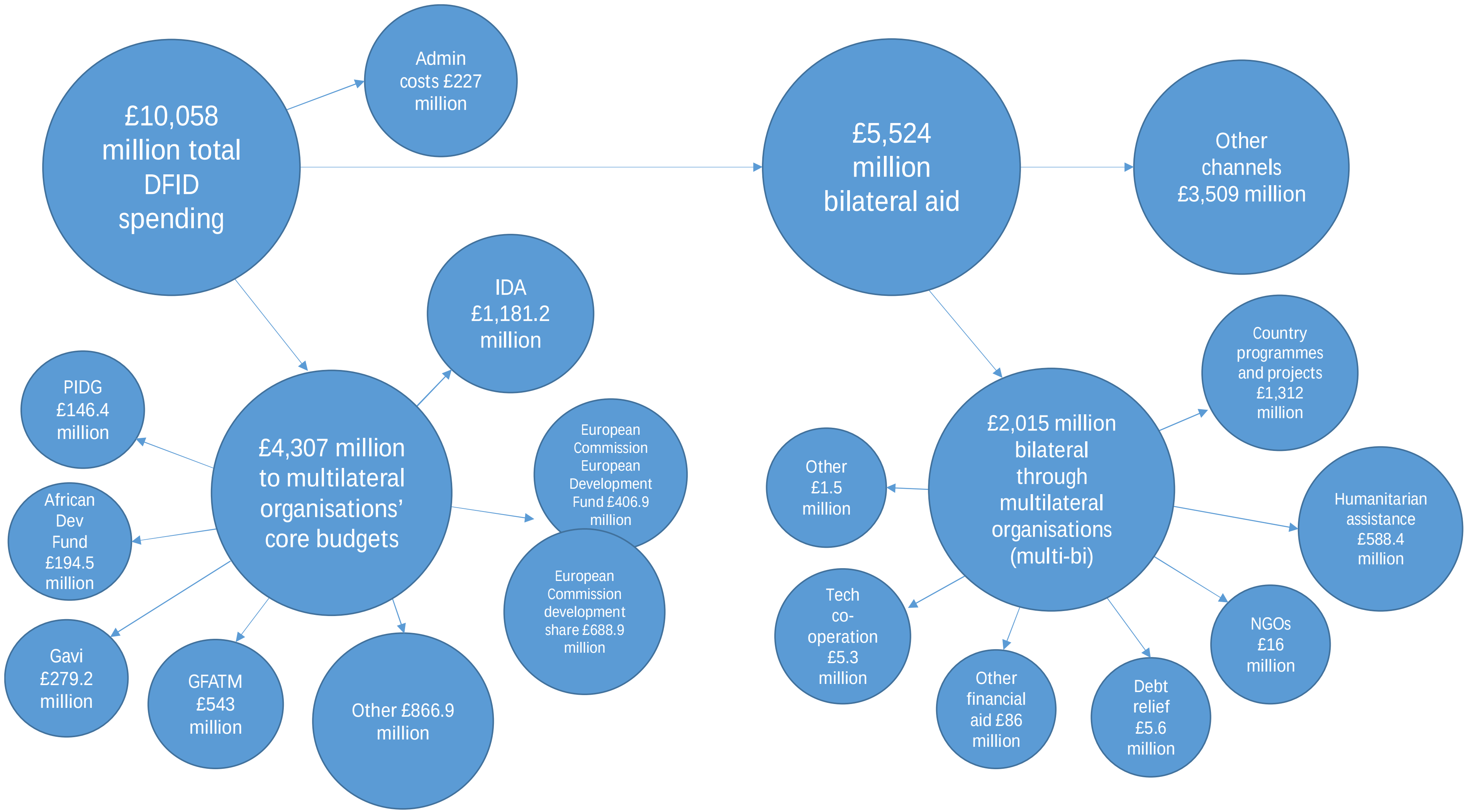
Figure 6: Largest recipients of DFID funding through multilaterals in 2013/14[74]

DFID's main multilateral funding ranked by total(£ Million)					
	Organisation	**Core funding**	**Multi-bi**	***Total***	**Share**[75]
1	International Development Association (World Bank)	1,105.00	0	*1,105.00*	17%
2	European Commission - Development Share of Budget	688.89	0	*688.89*	11%
3	International Bank for Reconstruction and Development (World Bank)	25.05	605.84	*630.88*	10%
4	Global Fund for AIDS, Tuberculosis and Malaria	543.04	0	*543.04*	7%
5	European Commission - European Development Fund	406.88	0	*406.88*	6%
6	Global Alliance for Vaccines and Immunization	279.22	44.11	*323.33*	5%
7	UNICEF	46.00	270.08	*316.08*	5%
8	World Food Programme	20.00	271.05	*291.05*	5%
9	United Nations Development Programme	55.00	191.09	*246.09*	4%
10	African Development Fund	194.50	7.09	*201.60*	3%
11	World Health Organization	14.50	152.84	*167.34*	3%
12	Private Infrastructure Development Group	146.39	6.04	*152.43*	2%
13	United Nations Population Fund	20.00	100.10	*120.10*	2%
14	United Nations Office of the High Commissioner for Refugees	25.00	73.26	*98.26*	2%
15	Food and Agricultural Organization	37.99	53.30	*91.29*	1%

[72] See Tables 1 and 9 of https://www.gov.uk/government/publications/statistics-on-international-development-2013-to-2014-gpex-tables.
[73] In practice, a further proportion of those funds identified under bilateral (other) in Figure 7 is spent through multilaterals. This includes other types of aid such as humanitarian assistance or debt relief. How DFID identifies the funding is a result of its application of the OECD-DAC's classifications.

[74] *Statistics on International Development 2013 to 2014: GPEX tables*, DFID, https://www.gov.uk/government/publications/statistics-on-international-development-2013-to-2014-gpex-tables.
[75] This is the share of DFID's total multilateral funding being routed through each agency.

Figure 7: Actual annual spending through multilateral organisations in 2013-14[76,77]



[76] Figures derived from DFID Annual Statistics, available at https://www.gov.uk/government/publications/statistics-on-international-development-2013-to-2014-gpex-tables.
[77] IDA figure of £1,181.2 million includes £76.2 million spent through the Multilateral Debt Relief Initiative

1 Introduction

Methodology

1.40 This is a thematic review. It had two phases: i) an initial mapping phase; and ii) the main review phase to gather evidence.

1.41 From the mapping phase, we identified a shortlist of 17 multilateral agencies on which to focus.[78] These agencies were selected to represent the range of sectoral, thematic and geographical coverage of the multilaterals that DFID funds. We used this initial analysis to shape the terms of reference of the final review. Some of the main questions we have focussed on include:

- To what extent are the objectives of the multilateral agencies and DFID aligned?
- How does DFID work with the multilateral agencies to achieve impact both globally and in country?
- How does DFID seek to ensure that there is a coherent impact of its funding to multilateral agencies?
- Are DFID and the multilaterals learning effectively to enhance their mutual impact?

1.42 We reviewed ICAI's reports and findings to date, identifying key themes and areas of interest. We also undertook a literature review that identified and listed approximately 50 different reports, evaluations and think pieces.

1.43 We reviewed DFID's performance data on its work with multilateral agencies, for example by gathering evidence from annual reports and project completion reports relating to multilateral organisations from 2009-10 to 2013-14.

1.44 We also undertook a specific assessment of the comparative costs of different agencies (focussing on the area of infrastructure). This used publicly available data.

1.45 We conducted meetings with key agencies and related stakeholders in their headquarter locations in New York, Washington, Brussels, Paris and Geneva (in person and by telephone).

1.46 We undertook four individual country case studies (two desk-based and two involving country visits). Uganda and Madagascar were selected for the country visits and Burma and Vietnam for desk-based case studies. These were selected to be representative of both Asia and Africa and to include countries both with a DFID office and where DFID provides significant multilateral funding but has no country office (Madagascar). We required at least one country to be a fragile or conflict affected state (Burma, Uganda) and one to be a middle-income country (Vietnam).

1.47 We interviewed 98 individuals from 22 multilateral agencies, 78 DFID staff and 28 UK-based thought leaders and staff from NGOs. We used both semi-structured interview and focus group approaches. We also consulted with over 35 country officials and more than 200 beneficiaries in the two countries we visited.

[78] These were African Development Fund (AfDF); Asian Development Fund (AsDF); Climate Investment Funds (CIFs); European Development Fund (EDF); Food and Agriculture Organization (FAO); Gavi, the Vaccine Alliance; Global Environment Facility (GEF); Global Fund for Aids, Tuberculosis and Malaria (GFATM); International Committee of the Red Cross (ICRC); International Development Association (IDA); Islamic Development Bank (IsDB); Private Infrastructure Development Group (PIDG); United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA); United Nations Development Programme (UNDP); United Nations High Commissioner for Refugees (UNHCR); United Nations Children's Fund (UNICEF); and World Food Programme (WFP).

2 Findings: Objectives

Objectives *Assessment: Amber-Red*

2.1 This section considers whether DFID's objectives for using multilaterals to deliver a significant portion of its aid budget are appropriately focussed on how to achieve the best impact. We first look at the strategic challenges facing multilateral agencies. This describes the system as a whole, the governance and coherence of the system and the need for and pace of reform.

2.2 The section goes on to assess the extent to which DFID's objectives recognise and match the strategic challenges facing multilateral agencies. It then discusses how DFID sets objectives for working at the global and local levels.

The strategic challenge facing multilateral agencies

The multilateral system remains a key component of the international development architecture

2.3 The multilateral system continues to be a key part of the international response to promote global development. In all the countries ICAI has reviewed for our reports, multilateral agencies have had a large presence, at work across many sectors. We have seen that they provide a mix of finance, leadership, delivery support and advice to host nations.

2.4 The number, size and breadth of these agencies makes the system as a whole difficult to change. This can be both a positive and a negative. As large bureaucracies, the agencies can have a high degree of organisational inertia. It does, however, also make them resilient to short-term fluctuations or fashions in development.

Agencies compensate for state failure

2.5 In many fragile and post-conflict environments, multilateral agencies are providing vital assistance to populations in the place of weak host nation governments. They are often the only international organisations able to remain active when political challenges drive out other agencies, especially bilateral donors. It is notable, however, that a number of donors, including DFID, have tended to diversify away from multilaterals as delivery partners in fragile states in recent years as alternative models, such as private contractors, have become available.

2.6 We have also seen multilateral agencies consolidating their role over recent years as the fulcrum of the international response to humanitarian disasters. The reinforcement of the roles of OCHA and UNDP at the heart of the UN-led cluster system has been relatively effective in recent disasters such as Typhoon Haiyan.[79] The recently-adopted protocols around a Level 3 response – how the system responds to the most severe, large-scale humanitarian crises[80] – have also had a positive impact.

The multilateral system is no longer the only option

2.7 The overall importance of the multilateral system to global development is still significant but in decline. As the IDC recently noted, 'the nature of international development is changing'.[81] Countries increasingly have choices between a range of public and private sources of funding and assistance.[82] As countries become more confident and self-sufficient, they look with a more discerning eye on the whole architecture of international development and feel more able to pick and choose which agencies they deal with and on what terms. This applies to donors such as DFID as well as to the agencies themselves.

There is no central forum ensuring equity

2.8 The OECD DAC reports that, in 2011, more than US$38 billion (£26 billion) in core resources was provided as multilateral Official Development Assistance (ODA).[83] Given the global scale, organisational complexities, and subjective judgements involved, it is not surprising that there

[79] *Rapid Review of DFID's Humanitarian Response to Typhoon Haiyan in the Philippines,* ICAI, March 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Philippines-report-FINAL.pdf.
[80] See http://www.unocha.org/where-we-work/emergencies.
[81] *The Future of UK Development Co-operation; Phase 2: Beyond Aid,* Tenth Report of Session 2014-15, International Development Committee (IDC), January 2015, http://www.publications.parliament.uk/pa/cm201415/cmselect/cmintdev/663/663.pdf.
[82] See, for instance, evidence from *Infrastructure Financing Trends in Africa*, The Infrastructure Consortium for Africa (AfDB), 2014, http://www.icafrica.org/fileadmin/documents/Annual_Reports/ICA-2013-INFRA-FIN-TRENDS-AFRICA-2013-FINAL-WEB.pdf.
[83] *Multilateral Aid Report 2012,* OECD DAC, http://www.oecd.org/dac/aid-architecture/DCD_DAC(2012)33_FINAL.pdf.

2 Findings: Objectives

is no mechanism for ensuring that the overall distribution of ODA across these agencies is appropriate or equitable.[84] It is, therefore, incumbent upon DFID and the wider UK Government to continue to ensure that the right organisations, with the best chance of making the most difference, receive the appropriate UK support.

2.9 We saw how Madagascar, one of our case study countries, receives almost all of its support from multilateral agencies and yet is significantly under-aided.[85] Other areas, such as the poorer regions and people groups in middle-income countries (where it is estimated that over 70% of the world's poor live) have also been identified as under-supported.[86]

Governance of the system is now unrepresentative

2.10 A key issue is the lack of progress in reforming the governance of the multilateral system.[87] The new aid providers (the BRICS [88] and Middle East countries) see key parts of the multilateral system as outdated.[89] At worst, they see it as a mechanism for reinforcing traditional power structures.[90] Other G20 countries also continue to call for reform.[91] The five BRICS countries have 13% of the voting rights at the World Bank, yet they contain 46% of the world's population, generating 20% of global income.[92] The creation of the AIIB (see paragraphs 1.19-1.20 on page 5) and the New Development Bank (formerly known as the 'BRICS Bank') are direct manifestations of the newly powerful economies' demand for more influence.

The system is fragmented

2.11 Objectives and activities of agencies often duplicate each other, as is discussed in relation to the multilateral banks in paragraph 1.20 on page 5. The work of different agencies can also overlap and/or complement each other, as is the case, for example, with The Global Fund to Fight AIDS, Tuberculosis and Malaria,[93] UNITAID[94] and UNAIDS.[95]

2.12 Since 2000, the Millennium Development Goals (MDGs) have enabled agencies and donors to share common high-level objectives.[96] The forthcoming Sustainable Development Goals (SDGs) are intended to perform the same function.[97] It is to be noted, however, that the MDGs were successful in part because they allowed individual agencies to contribute towards the relatively basic goals in the framework – for example, UNICEF could play its part in getting more children into school. It is less clear, however, that this has led to truly integrated action between overlapping agencies to achieve the goals. The challenge of the far more numerous and more complex SDGs is likely to be even greater. While the SDGs themselves reflect previous learning,

[84] The OECD-DAC records where multilateral organisations spend their money. It also acts as a forum for dialogue over the use and distribution of ODA and it identifies where countries might be under-aided. It does not, however, ensure equitable allocations.
[85] *Identification and Monitoring of Potentially Under-aided Countries,* OECD, October 2013, http://www.oecd.org/dac/aid-architecture/Identification%20and%20Monitoring%20of%20Potentially%20Under-Aided%20Countries.pdf.
[86] For a discussion on the 'New Bottom Billion', see A. Sumner, *The New Bottom Billion: What If Most of the World's Poor Live In Middle-Income Countries?* CGD Brief, Centre for Global Development, March 2011, http://www.cgdev.org/sites/default/files/1424922_file_Sumner_brief_MIC_poor_FINAL.pdf.
[87] See, for instance, D. Messner, S. Maxwell, F. Nuscheler and J. Siegle, *Governance Reform of the Bretton Woods Institutions and the UN Development System*, Friedrich Ebert Stiftung, 2005, http://library.fes.de/pdf-files/iez/global/50095.pdf.
[88] Brazil, Russia, India, China, South Africa.
[89] See comments by the then President Medvedev of Russia: 'The world financial system is outdated and needs to be reformed. It does not take into account the significant role played by the BRICS countries.' http://www.voanews.com/content/brics-nations-inch-toward-development-bank-144890255/180116.html.
[90] The United States and Japan have just under 16% of the voting rights for the ADB. China (whose gross domestic product has been above Japan's since 2010) has 5.5% of the voting rights. India has 5.4%. H. Reisen, *Will the BRICS bank change the global financial architecture?,* German Development Institute, July 2014, http://www.die-gdi.de/uploads/media/German_Development_Institute_Reisen_28.07.2014.pdf.

[91] See *Communiqué G20 Finance Ministers and Central Bank Governors Meeting,* Istanbul, G20, 9-10 February 2015, https://g20.org/wp-content/uploads/2015/02/Communique-G20-Finance-Ministers-and-Central-Bank-Governors-Istanbul.pdf.
[92] Members from the OECD countries, in total, hold 64.6% of the capital and 58.5% of ADB voting rights.
[93] The Global Fund is designed to accelerate the end of AIDS, tuberculosis and malaria as epidemics. See http://www.theglobalfund.org/en/.
[94] UNITAID uses innovative financing to increase funding for greater access to treatments and diagnostics for HIV/AIDS, malaria and tuberculosis in low-income countries. See http://www.unitaid.org/en/.
[95] UNAIDS aims to achieve universal access to HIV prevention, treatment, care and support; to halt and reverse the spread of HIV; and to contribute to the achievement of the Millennium Development Goals. See http://www.unaids.org/en/aboutunaids.
[96] For a summary of the MDGs, see http://www.un.org/millenniumgoals/.
[97] For a summary of the SDGs, see https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals.

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their complexity may limit opportunities for increased strategic coherence.

2.13 In 2006, the High-level Panel on UN System-wide Coherence reported 'systemic fragmentation' across agencies.[98] While referring to UN agencies, its conclusions apply more widely and remain relevant today (see Figure 8).

Figure 8: UN Delivering as One statement 2006

'… we have also seen how the UN's work on development and environment is often fragmented and weak. Inefficient and ineffective governance and unpredictable funding have contributed to policy incoherence, duplication and operational ineffectiveness across the system. Cooperation between organizations has been hindered by competition for funding, mission creep and by outdated business practices.'

Source: Delivering As One: Report of the Secretary General's High Level Panel, 2006.[99]

The UN system has not reformed quickly enough

2.14 The UN's 'Delivering As One' reform (often termed 'One UN') was evaluated in 2011.[100] The evaluation concluded that, while there had been some rationalisations at country level, there was no evidence of reduced transaction costs or improved achievement of the MDGs as a result of Delivering as One.[101] The system as a whole remains fragmented.[102]

Mandates can make relationships with host governments complex

2.15 We have noted that the mandate of UN agencies can be problematic. They have to maintain a relationship with partner governments. This means that they sometimes do not behave in as independent (or as challenging) a way towards partner governments as DFID and other donors might wish them to.[103]

The European Union's role in aid is challenging

2.16 The European Union's role in aid is complex. Development co-operation is a 'shared competence' between the Commission and Member States. The EU has its own substantial aid programmes (it is a 'pooled bilateral', not a multilateral agency). The OECD DAC classifies the EU both as a bilateral donor and a multilateral agency. For statistical reporting purposes, however, the EU is treated as a multilateral agency.

2.17 The EU has a unique role to increase the co-ordination of 28 Member States' programmes. The European Commission develops common strategic frameworks and plans of action approved by the European Council and binding for both the EU institutions and the Member States.[104]

2.18 The relationship between Member States and the EU in setting policy and planning and implementing projects remains problematic. The OECD DAC review of EC aid in 2012 noted that the response to central EU initiatives from Member States is variable.[105] It commented that the relationship required further work. A recurrent issue is the level of autonomy versus accountability that the development arms of the EU have from and to Member States.

2.19 Of even greater potential significance is the EU's role in promoting policy coherence and a commitment to take into account development objectives in all policies, which is embedded in the European Consensus on Development.[106] This covers issues as diverse as climate change, trade,

[98] *Delivering As One: Report of the Secretary General's High-Level Panel,* United Nations, 2009, http://www.un.org/events/panel/resources/pdfs/HLP-SWC-FinalReport.pdf.

[99] *Delivering As One: Report of the Secretary General's High-Level Panel,* United Nations, 2009, http://www.un.org/events/panel/resources/pdfs/HLP-SWC-FinalReport.pdf.

[100] DFID funded this evaluation and associated pilots (see http://devtracker.dfid.gov.uk/projects/GB-1-202255/documents/)

[101] 'Simplification and harmonization of business practices at the level of the United Nations system has been relatively slow.' In *Evaluation of Delivering as One*, United Nations, 2012, http://www.un.org/en/ga/deliveringasone/pdf/mainreport.pdf.

[102] There are notable exceptions, such as the creation of UN Women.

[103] *Evaluation of DFID's Electoral Support through UNDP,* ICAI, April 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/UNDP-report-FINAL.pdf.

[104] These have included commitments on development financing, including aid to GDP ratio targets which have been missed, the 2007 EU Code of Conduct on Complementarity and Division of Labour governing the activities of European donors in developing countries, the 2008 EU Agenda for Action on the Millennium Development Goals, and the EU Plan of Action on Gender Equality and Women's Empowerment 2010-15.

[105] *European Union Development Assistance Committee (DAC) Peer Review 2012,* OECD, http://www.oecd.org/dac/peer-reviews/50155818.pdf.

[106] *The European Consensus on Development*, European Parliament/Council/ Commission, 2006, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ%3AC%3A2006%3A046%3A0001%3A0019%3AEN%3APDF.

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investment and agriculture. In practice, however, this is patchy. We have previously noted that 'we did not see evidence in our case study countries that wider EU levers, such as trade and energy policies, were being effectively integrated into the co-ordination and planning of development programmes'.[107]

The UK's objectives for multilaterals

2.20 During the last decade, DFID has made multiple statements on the need for reform of the multilateral system.[108] It has been particularly critical of the pace of change of reform in the United Nations (see Figure 9).

Figure 9: DFID statement on the need for UN reform

'The United Nations has a unique mandate and is uniquely placed to help where others cannot. If the UN were not there we would create it. But I'm not sure we would create it with thirty or more separate bits all working in development…Delivering as One can and is helping…but it needs to go further, faster…'

Minister of State, the Rt Hon Alan Duncan MP, June 2010[109]

DFID's approach has evolved over time

2.21 Prior to 2002, DFID had Institutional Strategy Papers that acted as guides for its engagement with (and funding of) individual multilateral agencies. In 2003-04, DFID developed the Multilateral Effectiveness Framework (MEFF) to improve its assessment of the capacity of each funded agency.[110] The MEFF aimed to strengthen DFID's Institutional Strategies.[111]

2.22 DFID found that it was very difficult to compare results for multilateral agencies, owing to information shortages and attribution problems. DFID decided instead to focus on organisational effectiveness, using a Balanced Scorecard approach derived from Results-Based Management theory.[112]

The Multilateral Aid Review supports agency level reform

2.23 In 2006, DFID undertook a second round of 14 MEFF assessments, as inputs into the UK Government's Zero-Based and Comprehensive Spending Reviews. The approach taken in the MEFF developed further, eventually becoming the Multilateral Aid Review (MAR) in 2010 (see Figure 10).

Figure 10: The Multilateral Aid Review (MAR)

The MAR assesses all multilateral agencies to which DFID gives at least £1 million in annual core funding. It aims to score their:

a) Contribution to UK development objectives, specifically their:
- critical role in meeting development objectives;
- attention to cross-cutting issues;
- focus on poor countries; and
- contribution to results.

b) Organisational strengths, specifically their:
- strategic / performance management;
- financial resource management;
- cost and value consciousness;
- partnership behaviour; and
- transparency and accountability.

It also assesses the likelihood of positive change.

Scores on a scale of 1-4 for each of the criteria above are combined into two indices (for a) and b)). These provide overall value for money scores for each organisation. Areas that DFID wishes to prioritise are identified. DFID uses the scores to influence funding choices. DFID published the first MAR in 2011[113] (of 43 organisations), updating it in 2013[114] (37 organisations). The Secretary of State has committed to undertaking a full reassessment of the value for money that multilateral organisations offer in 2015[115].

[107] *DFID's Oversight of the EU's Aid to Low-Income Countries,* ICAI, December 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

[108] 'When we look at the principal institutions of multilateralism – the UN, the World Bank and International Monetary Fund, the World Trade Organization, and the European Union – the chief characteristics they share is that they were all the result of the 1945 post-war settlement. They were, in other words, institutions built for a world very different from today's…' in *Eliminating world poverty: Making governance work for the poor,* DFID White Paper, DFID, July 2006, http://webarchive.nationalarchives.gov.uk/+/http:/www.dfid.gov.uk/wp2006/whitepaper-printer-friendly.pdf.

[109] See https://www.gov.uk/government/speeches/delivering-as-one-uk-speech-from-minister-of-state.

[110] The MEFF aimed to support institutional strategy development, strengthen DFID's accountability under its performance agreement with HM Treasury (Public Service Agreement) and inform its financing decisions.

[111] DFID changed the name of its Institutional Strategy Papers to Institutional Strategies in 2003.

[112] In 2004, baseline assessments of 23 organisations were carried out.

[113] *The Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations,* DFID, March 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67583/multilateral_aid_review.pdf.

[114] *The Multilateral Aid Review Update: Driving reform to achieve multilateral effectiveness,* DFID, December 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/297523/MAR-review-dec13.pdf.

[115] It is not clear yet whether this will be in the format of another MAR.

2 Findings: Objectives

2.24 The MAR has been subject to various assessments, not least by the National Audit Office (NAO) in 2012[116] and the IDC in 2013.[117] Both were broadly positive. The NAO found the MAR 'a more thorough and comprehensive process for assessing multilateral organisations than previous assessments'.[118] Both reports highlighted challenges, however, particularly with regard to obtaining consistent and comparable data across the organisations. The NAO recommended that 'in the future, the Department could complement the Review by considering key issues for the multilateral system as a whole. The Review focussed on individual agencies and did not systematically address wider issues of coherence, gaps and overlaps in roles. Including more focus on how organisations work together to achieve development results in the next review would enable the Department to demonstrate how the organisations it funds support the multilateral system to meet the UK's requirements'.[119] Our review of DFID's engagement with the Asian Development Bank (July 2012) also found that the MAR lacked sufficient analysis of multilateral performance at the country level.

Alternatives to the MAR need strengthening[120]

2.25 Nineteen countries (including the UK)[121] work together to review multilaterals' capacity through the Multilateral Organisations Performance Assessment Network (MOPAN).[122] The MOPAN programme focusses on assessing five dimensions of organisational effectiveness (strategic, operational, relationship, knowledge management and results) but has not (to date) allowed simultaneous comparison of organisations.[123] DFID respondents told us that the independence and quality of the MOPAN assessments had also been questioned from time to time. DFID has not yet formally used MOPAN findings for decision-making. DFID supports the strengthening of the MOPAN process.[124] DFID staff indicated to us that, if and when MOPAN strengthens sufficiently, a separate MAR or equivalent might not be necessary. Until it does, DFID will continue with the MAR process.

The MAR has focussed the attention of DFID on particular challenges facing individual agencies

2.26 DFID staff use the MAR as the principal reference point for their engagement with multilateral agencies (see paragraph 3.17 on page 25). The MAR has been an effective tool for beginning to distinguish the institutional strengths and weaknesses of DFID's partner organisations and helping to set high-level reform objectives. It does not routinely assess the performance of organisations in-country, although limited country-level evidence on multilateral performance does support the wider review.

2.27 In practice, the MAR has focussed the attention of DFID staff on particular priorities. These include improving agencies' cost and value consciousness and financial resources management as well as the prioritisation of gender and climate change. By setting some objectives common to several agencies (such as gender, see paragraph 4.19 on page 35), it has enabled the system as a whole to strengthen in those areas.

[116] *Department for International Development: The multilateral aid review,* NAO, 2012, http://www.nao.org.uk/wp-content/uploads/2012/09/1213594.pdf.
[117] The IDC reported on the 2011 MAR and 2013 updates. *Multilateral Aid Review;* Fourth Report of Session 2013-14, IDC, July 2013, http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/349/349.pdf.
[118] Paragraph 6, *Department for International Development: The multilateral aid review,* NAO, 2012, http://www.nao.org.uk/wp-content/uploads/2012/09/1213594.pdf.
[119] *Department for International Development: The multilateral aid review,* NAO, 2012, paragraph 16. http://www.nao.org.uk/wp-content/uploads/2012/09/1213594.pdf.
[120] A number of other bilateral donors have also prepared their own assessment tools, including Australia (2012), Denmark (2011), Sweden (2011) and the Netherlands (2011)**.** *2012 DAC Report on Multilateral Aid*, OECD DAC, July 2012, http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DCD/DAC(2012)33&docLanguage=En.
[121] Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Ireland, Japan, Korea, Luxembourg, the Netherlands, Norway, Spain, Sweden, Switzerland, the UK and the USA, although DFID informs us that Belgium has recently withdrawn from the MOPAN network.
[122] MOPAN's reports are available online at http://www.mopanonline.org.
[123] See http://www.mopanonline.org/about/. MOPAN previously reviewed up to six organisations each year. We were informed that from 2015, it will seek to assess 13-15 over each two year cycle.
[124] The IDC recommended that 'DFID should support the strengthening of MOPAN, and should encourage MOPAN to increase the number of organisations it assesses in any given year.' Paragraph 32, *Multilateral Aid Review;* Fourth Report of Session 2013-14, IDC, July 2013. DFID was part of the Evaluation Steering Committee that led the evaluation, which underpinned the recent changes to MOPAN. http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/349/349.pdf.

2 Findings: Objectives

DFID has no single strategy for its work with multilaterals

2.28 While DFID has made many calls for reform, it currently has no clear strategy statement on how it seeks to achieve reform of the system as a whole.[125] It has no explicit overarching strategy for its work with multilaterals. This is a key deficit. The recent DAC peer review of DFID puts this in the context of a wider strategic weakness: '…there is no explicit overarching strategic vision for promoting development in a changing world and the UK's role in addressing current and emerging challenges.'[126]

2.29 Given the huge proportion of DFID's resources that pass through multilateral agencies, it is surprising that DFID has not done more to define the overall rationale for their use. The MAR sets out some high-level priorities (see Figure 10 on page 16). The Departmental Results Framework identifies how some agencies contribute to specific results (see paragraph 4.11 on page 33). It remains unclear, however, what DFID thinks their *overall* contribution should be. It is not clear, for example, how DFID sees the multilateral development banks contributing to a future strategic focus on infrastructure or how the organisation should use UN agencies as programme management capacity in places where it does not have access.

2.30 Our interactions with the headquarters of the multilaterals exposed their concerns at the lack of true strategic engagement by DFID on the current challenges of development. The agencies saw effective and frequent interventions from the UK on issues such as results frameworks and the core policy themes. In contrast, few reflected that DFID had strategic clarity on what it sees as the agencies' core competencies.

[125] This has not always been the case. See Chapter 6 of the White Paper, *Eliminating World Poverty: Building our Common Future*, DFID, July 2009, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/229029/7656.pdf. This appears to be the last clear statement of DFID's strategic approach.

[126] *OECD Development Co-operation Peer Reviews: United Kingdom 2014*, OECD, December 2014, Page 35, http://www.oecd-ilibrary.org/development/oecd-development-co-operation-peer-reviews-united-kingdom-2014_9789264226579-en.

Promoting integrated delivery at country level

Multilateral agencies at country level are not fully co-ordinated

2.31 The multilateral agencies have a presence in all of the countries that DFID recognise to be a priority.[127] Multilateral agencies each develop their country strategies, ideally aligning behind national agendas. The UN operates its UN Development Assistance Framework (UNDAF)[128] model as an attempt to align the country strategies of each UN agency. Our experience has been that these are usually cumulative plans (rather than a top-down integrated plan). The planning cycles are often different from each other and from donors' own cycles. Multilateral development banks, in particular, have strategies for how countries will be helped to graduate from aid dependence and for sustainability. These strategies are often long-term, beyond the life of DFID country plans.

2.32 We have seen how, as a result of their continuing presence in-country, the agencies take a long-term view as to their role and areas of focus. This is especially the case where they have a more normative role. The donors (particularly DFID) tend to have country results targets that are shorter term (linked to their three or five year planning cycles).[129] Priorities and areas of work can change from plan to plan. On our field visits, we gathered a number of views from heads of agencies who felt that DFID's priorities now change too quickly. This can lead to a lack of alignment and harmonisation.

2.33 In Madagascar, the multilateral system has become more fragmented than previously, after the 2009 coup left a number of agencies reconsidering their role in the country. We found agencies such as UNICEF, the World Bank and the African Development Bank pushing forward their own programmes. While they did this within the constraints of the local context, they were not coming together to help the government drive

[127] They are also present elsewhere, including in those countries which DFID has chosen not to prioritise due to their move towards middle-income status.

[128] United Nations Development Assistance Framework describes the collective actions and strategies of UN agencies to achieve national development priorities.

[129] Evidence from our assessment of internal DFID annual reviews and project completion reports on core funding to 17 sample multilateral agencies over the period 2009-10 to 2013-14 (as well as previous ICAI reports).

2 Findings: Objectives

forward development in a more integrated fashion. In this case, DFID was not present to facilitate such alignment.

The search for local funding can reduce coherence

2.34 We also saw evidence of a growing dependence by agencies on non-core funding provided by donors in-country. This is linked to an overall decline in core funding. In 2010, core funding to the UN, for example, declined by 3%, while non-core funding increased by 6%.[130] This can bias agencies towards finding short-term proposals to match donor priorities and away from longer-term strategic approaches. It can also lead to agencies working outside their core area of focus. We heard how the FAO in Uganda, in line with other FAO initiatives since 2010, was trying to initiate gender-based violence and health programming. It was also notable that the WFP had redefined its core purpose away from food security to 'livelihood resilience' because that was 'what the donors wanted to hear'.

Efforts to rationalise have been partial

2.35 In Pakistan and Rwanda, we have found that the more mature and sophisticated the host government planning processes are, the greater the chance that agencies' efforts will be focussed.[131] The 2005 Paris Declaration on aid effectiveness and the 2008 Accra Agenda for Action[132] sought to align and harmonise donors and multilateral agencies behind country-led priorities and plans. Poverty Reduction Strategies (PRSs) acted as the focus for such alignment for many countries.[133] It was notable that many respondents reported to us that individual donor countries (including the UK) were no longer wholeheartedly supporting aid effectiveness principles. Several informed us that 'the Paris agenda is dead'. There was an increasing trend towards unilateral, rather than joint, action.

2.36 The Fourth High Level Forum on Aid Effectiveness, in Busan in 2011, endorsed the International Dialogue on peacebuilding and state building between the g7+ group of countries and international donors. This is structured around the 'New Deal for Peace' focussing on fragile states.[134] In our recent Fragile States review, we saw in Somalia that the New Deal (which sought to reinforce the ownership of fragile state governments of their development activities) had not, in fact, clarified how alignment and harmonisation should take place in practice. The UN agencies, the bilateral donors and the government all had different expectations of how they should work.[135]

Vertical funds may increase fragmentation

2.37 We have seen how vertical funds can also add to fragmentation. Their strengths are perceived to be innovation, rapid delivery and a focus on specific results. They usually involve a wide range of stakeholders, often including civil society and the private sector. Their perceived weaknesses are that they cut across countries' own priority-setting.[136] We have been told in several countries that it is easier to get HIV drugs financed by vertical funds than more basic medicines. There has been much discussion that vertical funds also risk diverting resources from core systems strengthening. In the health sector, for example, there is only a limited input from vertical funds on building core health systems (which has resulted in regular criticism of them).[137]

[130] *Analysis of funding of operational activities for development of the United Nations system for the year 2010,* Report of the Secretary General, United Nations, May 2012, http://www.un.org/esa/coordination/pdf/2012_funding_report-figures_and_tables.pdf.

[131] *DFID's Approach to Delivering Impact*, ICAI, June 2015, http://icai.independent.gov.uk/reports/dfids-approach-to-delivering-impact/.

[132] See http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm.

[133] PRSPs were launched in 1999 by the World Bank and IMF. They seek to put in place a 'country-driven, results-orientated' plan that would enable countries to benefit from concessional lending and debt relief. PRSPs seek to link country development with the MDGs and enable the alignment of donor support. See https://www.imf.org/external/np/exr/facts/prsp.htm.

[134] See http://www.newdeal4peace.org.

[135] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, 2015, paragraph 2.18-2.19, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFIDs-Support-to-Fragile-States.pdf.

[136] Browne, S. and R. Cordon, *Vertical Funds: Lessons for Multilateralism and the UN,* Future United Nations Development System, January 2015, http://futureun.org/media/archive1/briefings/FUNDS_Brief25_Jan2015_WHO_GAVI_GF.pdf.

[137] See commentary on such criticism here: *Should All Vertical Funds just Lie Down?*, blog by Ruth Levine, 2007, Centre for Global Development, http://www.cgdev.org/blog/should-all-vertical-programs-just-lie-down.

2 Findings: Objectives

One UN Reform has been particularly slow in most countries

2.38 The reform agendas of most multilateral agencies are lagging behind the pace of change in operating environments. We saw in Uganda that the UN had made very slow progress on One UN reform. The UN country team had only recently begun to build integrated working into key processes such as the UNDAF. Under a particularly vigorous country team lead from UNDP, there had been an attempt to regularise the UN country team meetings. Sharing of agency plans among the different agency heads had sought to encourage alignment before they became fixed in the UNDAF. It was evident in Uganda, however, that the accountability of UN agency local offices back to their headquarters was significant. This exerted more leverage over the agencies' operations than attempts at in-country convergence. It is a pattern we have observed elsewhere. We have heard of several examples of failure in attempts to create pooled funds to enable in-country working and cross-fertilisation (for example, in Vietnam). In Vietnam other aspects of the One UN pilot made good progress but there is little evidence of the system delivering more effectively as a result (see Figure 19 on page 36).

2.39 There are a number of places across the globe where we have seen shared 'campuses' where UN agencies are located on the same site (the largest in a developing country being in Nairobi, Kenya). Similar sites are being planned elsewhere (for example, in Uganda). DFID provided £0.5 million to support the construction of a 'One UN House' in Vietnam. The benefits of co-location are clear but only when combined with the right approach to convergence of planning and delivery.

Convergence provides opportunities to drive reform

2.40 We have seen the multilateral system being effective when it seeks to converge around specific themes at, or close to, the point of delivery. We saw in Uganda's Karamoja Region how DFID can, by funding multi-agency programmes, help to drive convergence and alignment close to the point of delivery (see Figure 11).

Figure 11: Enhancing Resilience in Karamoja Programme (ERKP)

This programme was developed by DFID in 2013 as a 'wrapper' for integrated resilience programming in Karamoja, a highly vulnerable region in northern Uganda. It builds on earlier projects and lessons learned from the region. The £38.5 million EKRP is implemented by three UN agencies – WFP, UNICEF and FAO. The convergence and co-ordination of these agencies is helping to increase effectiveness, value for money and impact. The programme focusses on access to high impact nutrition services, food and livelihoods security, early warning systems, development co-ordination and evidence and learning. In the first year of operations it reached more than 250,000 people, exceeding targets for nutrition interventions and demonstrating improvements in systems and processes. DFID has reported higher levels of co-ordination of service delivery and better quality of services being delivered.[138]

2.41 DFID's approach built on opportunities provided by the 'One UN' approach in-country. In Uganda, early pilots around convergence thinking are helping UN agencies to think collectively about their impact in three important areas (women's empowerment, youth empowerment and maternal and child health). In Karamoja, we heard that the maternal and child health convergence group is helping agencies to complement one another to ensure access to comprehensive services for women and children. We also saw, however, that the efforts at convergence in Uganda in the UN system had led to some agencies thinking that they could work outside their natural remits. We note, however, that implementation of such initiatives depends on local leadership; the lack of a truly concerted drive by the UN to build integrated operations remains.

DFID can make a real difference

2.42 We have seen multiple examples of how DFID leverages its intellectual weight, scale of funding and collaborative approach to influence multilaterals in-country (see paragraphs 4.23-4.27 on pages 35-36). The UK has often shaped how the aid architecture works. In Vietnam, for instance, DFID led on establishing a new Development Partners Forum and has helped to

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[138] *ERKP Annual Review,* DFID, October 2014, http://devtracker.dfid.gov.uk/projects/GB-1-203603/documents/.

bring the private sector into the development architecture. DFID is often the donor that is seen as the most respected and neutral stakeholder. As a result, it is able to convene the various organisations in structures that promote alignment. Most countries have donor co-ordination mechanisms or development plan steering structures and DFID often co-chairs such models. It is evident that this does help to align the key activities and at least make them more mutually visible. From time to time, they can drive discussions on the division of labour (for example, in Somalia, where it was agreed that the EU would take control of education).[139]

Reaching the poorest and involvement of beneficiaries are consistently identified as weaknesses

2.43 Very few agencies to which we spoke had an explicit focus on hard-to-reach communities. Beneficiary engagement is patchy or is not adequately integrated into programme decisions.[140] At micro-level in Uganda, we saw evidence of beneficiaries participating in programme development and objective setting. Beneficiary consultation is important for ensuring that the design of a programme responds appropriately to the needs of poor people. In Madagascar, for example, we heard that intended beneficiaries were not using high-tech landing sites built in coastal villages to help bring fish ashore. Programme design remains driven by technicians. DFID needs to play a role in keeping multilateral agencies focussed on the involvement of beneficiaries both in objective setting and during implementation.

[139] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, 2015, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFIDs-Support-to-Fragile-States.pdf.
[140] Evidence from DFID's annual reports and project completion reports on EDF, Gavi, GEF, WFP and, UNHCR make this point.

3 Findings: Delivery

Delivery *Assessment: Amber-Red* A R

3.1 In this section, we discuss the UK's engagement with multilateral agencies as delivery partners. We identify some key challenges.[141]

It is appropriate that the UK uses multilateral agencies for delivery

Multilateral agencies extend DFID's delivery capacity

3.2 We can find no clear strategic statement of the major role that the multilateral agencies play (or should play) in bilateral programmes in-country. DFID chooses to use multilateral agencies as a delivery partner due to their status, global reach and relationships with other donors and governments. In Zimbabwe, we saw how DFID provided aid through the UN in a difficult political context where UK government relations were strained. [142] DFID sometimes sees multilateral agencies as a mechanism to deliver aid where the security of the delivery chain is vital and where the risk of corruption is high. [143,144,145]

3.3 This occurred in Uganda after a corruption scandal in the Prime Minister's office led to the UK suspending general budget support in 2012. DFID subsequently looked to strengthen its suite of joint programmes with (among others) the UN agencies to achieve its development objectives. Similarly, subsequent to the 2009 Madagascar coup, the World Bank and UN agencies (especially UNICEF) remained in the country as other donors and agencies withdrew. This allowed (primarily emergency) assistance to continue to be provided.

3.4 DFID also uses multilateral agencies in order to promote a unified approach. DFID spent 90% of a £200 million humanitarian budget for the Horn of Africa through UN agencies, multi-donor funds or the ICRC.[146] We found that 'working towards an effective multilateral approach is…essential to prevent a haphazard response that would fail to ensure that humanitarian needs are met'.[147]

Multilateral agencies are effective ways for DFID to spend large volumes of ODA

3.5 Multilateral agencies enable DFID to allocate large amounts of finance in pursuit of its objectives. DFID is configured to commission the majority of its work. As such, it does not have the mechanisms or the capacity to manage directly the disbursement of all of the UK's aid allocation. Spending through multilaterals allows it to leverage their scale and distributive capacity. Many agencies are able to absorb significant volumes of expenditure. The NAO reported in January 2015 that 'the need to increase spending was a factor the Department considered when it decided…on the size of promissory notes it subsequently issued in December 2013 to the World Bank's International Development Association and to the Global Fund to Fight AIDS, Tuberculosis and Malaria.' [148] The agencies are institutionally positioned to accept significant funds and have the mandate to disburse funds across the world. They are not, however, necessarily equipped with the capacity to disburse such funds at a particular time, in particular environments.[149]

[141] The majority of ICAI Delivery scores in multilateral reports have been Amber-Red; see Annex A2.
[142] *The Department of International Development's Support to the Health Sector in Zimbabwe*, ICAI, November 2011, paragraph 2.16, http://icai.independent.gov.uk/wp-content/uploads/2013/12/DFIDs-Support-to-the-Health-Sector-in-Zimbabwe.pdf.
[143] 'UNDP is able to deliver electoral assistance even in very difficult environments. Its global mandate also helps to provide legitimacy to donor involvement in an area that touches closely on questions of national sovereignty.' paragraph 2.19, *Evaluation of DFID's Electoral Support through UNDP,* ICAI, April 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/UNDP-report-FINAL.pdf.
[144] 'Its proximity to governments and its global presence are major reasons why DFID chooses to partner with UNICEF' (paragraph 2.2); 'DFID relies heavily on UNICEF to take on the challenge and risk of working in difficult environments, often where few others will work…' (paragraph 3.1), *DFID's work through UNICEF*, ICAI, March 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-DFIDs-work-with-UNICEF.pdf.
[145] World Bank Trust Funds enable donors to '…pool resources and take advantage of the reach and expertise of the multilateral agency.' *The Effectiveness of DFID's Engagement with the World Bank*, ICAI, March 2012, paragraph 1.23, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-World-Bank-Final-Report_P1-7.pdf.

[146] *DFID's Humanitarian Emergency Response in the Horn of Africa*, ICAI, September 2012, paragraph 2.31, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-FINAL-DFIDs-humanitarian-emergency-response-in-the-Horn-of-Africa11.pdf.
[147] *DFID's Humanitarian Emergency Response in the Horn of Africa*, ICAI, September 2012, paragraph 2.33, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-FINAL-DFIDs-humanitarian-emergency-response-in-the-Horn-of-Africa11.pdf.
[148] *Department for International Development: Managing the Official Development Assistance target,* NAO, January 2015, http://www.nao.org.uk/wp-content/uploads/2015/01/Managing-the-official-development-assistance-target.pdf.
[149] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States,* ICAI, February 2015, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-

3 Findings: Delivery

DFID has exerted influence on results through its management approach but may have tipped the balance too far

DFID cannot fully control how it engages

3.6 DFID's engagement with multilaterals is 'shaped by the privileges, immunities and financial rules and regulations which apply'.[150] Multilateral agencies often do not see themselves as delivery agencies but as partners with a role mandated by international treaty or agreement. We have seen that, when a substantial proportion of an agency's in-country funding is multi-bi (rather than core funding), the delivery role of the agency dominates. The agency may not consider that it is any more accountable to DFID as a result.

3.7 This can cause problems. In Nigeria, we saw that 'UNICEF regards itself as a development partner rather than a sub-contractor and, as a UN agency, adopts a standard approach to working with different donors, which makes performance management and programme modifications more difficult'.[151] In Bangladesh, we saw how DFID found it difficult to hold the World Bank to account for delivery.[152] This was in spite of funds coming from the local DFID budget and being governed by a local memorandum of understanding.

The UK is able to influence the EU to a degree but is not having a sufficient impact at country level

3.8 EU aid to Africa, Caribbean and Pacific is managed through the European Development Fund (EDF). While EDF replenishment negotiations provide opportunities for DFID policy influence, the UK is only one among many funders. Aid elsewhere is financed through the EU budget (see paragraph 1.21 on page 6). A separate EU institution, the European Investment Bank (EIB), provides long-term finance to support EU external co-operation and development objectives. EIB provides this finance by borrowing on the capital markets. Its use of grants, loans and equity alongside policy dialogue and influence gives the EU a wider range of instruments than most traditional donors. Respondents in the EU told us that, if the UK aligns with other large funders (notably the French and the Germans), its influence could be significant.

3.9 DFID is active in EU co-ordination and dialogue yet lacks specific strategies and objectives for co-ordinated delivery at country level. At the Fourth High Level Forum on Aid Effectiveness in Busan in 2011, the EU stated that making progress on joint programming was a clear priority. DFID has had only limited engagement in this. Given the scale of resources and the combined impact of UK and EU funds, there is scope for substantial improvement on delivery, based on clear guidance for DFID country programmes as to how they should relate to the EU. DFID rightly relies on the EU's own performance management systems but these remain weak. We have previously noted the potential for greater influence by DFID at country level, particularly in relation to procurement processes, value for money, beneficiary engagement, performance management and results frameworks.[153]

DFID has recently sought to increase accountability

3.10 DFID traditionally took a lighter touch in managing multilateral partnerships and contracts than it did with other partners. It did this either due to agencies' mandates and their management protocols or because it trusted them.

3.11 DFID has changed its relationship with multilateral agencies during the last five years to improve their accountability to the UK. This was a necessary shift. The scale of the funds involved (see Figures 6 and 7 on pages 10 and 11 above) necessitated a change of approach. This was reinforced by increased expectations regarding transparency from stakeholders in the UK. There was a very

Report-Assessing-the-Impact-of-the-Scale-up-of-DFID's-Support-to-Fragile-States.pdf.

[150] *DFID's work through UNICEF*, ICAI, March 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-DFIDs-work-with-UNICEF.pdf.

[151] *DFID's Education Programmes in Nigeria*, ICAI, November 2012, paragraph 2.68, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-Nigeria-Education-report.pdf.

[152] *The Department of International Development's Climate Change Programme in Bangladesh,* ICAI, November 2011, http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Report-DFID-Climate-Change-Programme-in-Bangladesh-FINAL1.pdf.

[153] *DFID's Oversight of the EU's Aid to Low-Income Countries*, ICAI, December 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

specific increase in focus on results emerging from the MAR.

3.12 We have seen how DFID has increasingly transferred practices from managing commercial contractors into some of its relationships with multilateral agencies. In 2013, DFID country offices began due diligence of financial and technical capacity of partners, including multilaterals.[154] DFID has increased scrutiny of its portfolio of work with specific multilaterals. DFID's engagement with agencies at senior level was dominated by efforts to align them behind disciplines similar to those to which the department was holding itself. This activity was an important stimulus for change in the system and the agencies themselves acknowledged to us that they have found much of this additional discipline useful.[155] We observe that such scrutiny has not been replicated in DFID's engagement with EU country offices.

The MAR dominates the nature of DFID's relationships

3.13 The degree of scrutiny may now, however, have gone too far and DFID has not necessarily increased accountability in the right way. DFID staff focus on the MAR priorities, particularly on results.[156] We heard (from multilateral agencies and DFID staff at headquarters and country level) that this can, in practice, crowd out dialogue on wider delivery and technical issues. Details dominate, with staff micro-managing partners and getting too 'down in the weeds', losing sight of strategic priorities. We heard that DFID's contribution to ideas and insights has diminished. This is particularly the case where DFID's staff resources are constrained and there is limited contact between DFID and the agencies it funds.

3.14 Multilateral agencies report that DFID is increasingly regarded as a 'difficult donor'. Several of our respondents (particularly from agencies' headquarters) said that DFID was 'arrogant'. The recent DAC peer review notes that 'while DFID is a respected leader, UK-specific reporting requirements and a heavy approach to managing partnerships have tarnished its otherwise excellent reputation among partners (multilaterals, bilaterals and CSOs)'.[157] It is appropriate for DFID to make requirements on the multilateral system, although ICAI has also noted some overly cumbersome and bureaucratic approaches to DFID's programme management.[158]

DFID has good models of engagement it can use

3.15 DFID's engagement with the World Bank could be the template for its work with other multilaterals. We have noted that 'DFID provides effective oversight of the World Bank, both as a shareholder and as a donor. The nature of the relationship between the two organisations is that DFID does not micro-manage the Bank. In our view, DFID's combination of on-going engagement through the Executive Board, assurance of effectiveness of the Bank's processes and risk-based country monitoring is a sensible approach.'[159] We have also noted that DFID relies on the effectiveness of World Bank assurance processes, which it has assessed to provide adequate control. DFID then uses a risk-based approach to monitor performance, relying on information from a small sample of countries.[160] Beyond these countries, there is limited central monitoring by DFID of World Bank projects at risk.[161] It is notable that DFID resources its relationship with the World Bank relatively well (see paragraph 3.42 on page 30).

[154] Local UNICEF offices were amongst the first to be assessed under this initiative. See: *DFID's work through UNICEF*, ICAI, March 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-DFIDs-work-with-UNICEF.pdf.
[155] This was a consistent finding from our interviews with multilateral agencies.
[156] We also found evidence of different DFID staff having their own interpretations of value for money and due diligence, which can further complicate relationships.
[157] *OECD Development Co-operation Peer Reviews: United Kingdom 2014*, OECD, December 2014, http://www.oecd-ilibrary.org/development/oecd-development-co-operation-peer-reviews-united-kingdom-2014_9789264226579-en.
[158] *DFID's Support for Civil Society Organisations through Programme Partnership Agreements*, ICAI, May 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-REPORT-DFIDs-Support-for-CSOs-through-PPAs.pdf.
[159] *The Effectiveness of DFID's Engagement with the World Bank*, ICAI, March 2012, Conclusions, page 21, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-World-Bank-Final-Report_P1-7.pdf.
[160] Of its IDA funding.
[161] *The Effectiveness of DFID's Engagement with the World Bank*, ICAI, March 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-World-Bank-Final-Report_P1-7.pdf.

3 Findings: Delivery

Moving from control to transparency

3.16 DFID reporting shows that processes and policies for tackling fraud and corruption in multilateral agencies are generally sound.[162] The agencies have, generally, put in place strong processes and controls, which match the ability of the UK to identify gaps and weaknesses. It seems to us that DFID staff should not be spending most of their time engaging with partners around administrative improvements. We think that, by further driving efforts to improve transparency (such as the International Aid Transparency Initiative[163]), DFID could reduce its detailed engagement with multilaterals on their financial and cost reporting, whilst having appropriate fiduciary oversight.

DFID's engagement at country level could be stronger

The MAR is not sensitive to country-by-country difference

3.17 Once an individual multilateral agency has scored positively in the Multilateral Aid Review, this effectively provides a 'DFID accreditation'.[164] Country teams see the MAR as providing a strong steer for choosing agencies.[165] Other donors have also drawn on DFID MAR ratings in their own funding strategies. Higher scoring agencies are seen as 'safe bets'. DFID staff reported to us that the risk of DFID headquarters querying business cases is reduced if agencies have a high MAR score. We have, however, seen DFID analysis suggesting that there is no relationship between the MAR value for money ratings and the project scores of multi-bi projects.[166] Individual agencies can vary considerably between various countries. The MAR does not assess the capacity of the agencies in each context where they work.

3.18 We have found that the biggest determinant of effectiveness of a particular agency is often the leadership on the ground and, in particular, the office and programme leadership in a given sector. This too can be subject to change as staff are continually rotated to different countries or back to headquarters. It is also clear that context has a big impact on the effectiveness of a given agency intervention, especially at the policy level. Different agencies have varying levels of policy influence at different times (as we saw with the World Bank in Madagascar or the UNDP in Uganda).[167]

DFID's choice of multilaterals as a delivery partner is not always evidence based

3.19 The Country Poverty Reduction Diagnostic (CPRD) process, which DFID uses to assess the drivers for development planning in a given country, does not involve an assessment of partners' delivery role and capacity. There is no country planning process that explicitly incorporates an assessment of the capacity of multilaterals. DFID has no systematic evaluation of the local positioning or competence of the multilateral partners that could make a difference. There is no process to assess whether or not to use them.[168]

3.20 DFID does not always consider alternatives to multilaterals in-country, making it hard to ensure transparency and value for money.[169] For instance, we reported how UNICEF was reappointed to deliver the third phase of a programme in Nigeria without competition when its programme had many problems and it may not have been the best available provider.[170] There is a natural inertia to programme partner choices, which is exacerbated for high scoring MAR multilaterals.

3.21 We have, however, seen evidence in DRC and Somalia that the repeated failure of the UN agencies has led to a switch to private sector contractors or NGOs to lead certain key initiatives

[162] For instance, set out in DFID's annual reporting of AfDB, ADB, CIF, EDF, FAO, GEF, ICRC, and UNHCR, see http://devtracker.dfid.gov.uk.

[163] See http://www.aidtransparency.net.

[164] *Evaluation of DFID's Electoral Support through UNDP,* ICAI, April 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/UNDP-report-FINAL.pdf.

[165] While we have observed this generally to be the case, we also saw exceptions, such as DFID Burma.

[166] Internal unpublished DFID reporting.

[167] We heard from DFID Burma that the International Labour Organization was particularly effective locally. The 2011 MAR, however, scored the ILO as a poor performer and DFID consequently ceased providing core funds.

[168] DFID does assess due diligence and looks at individual organisations' competencies as part of its business plan for a particular project. This type of assessment differs however, to an overall assessment of the potential strategic capability of all local agencies in support of DFID's country and regional objectives.

[169] *Evaluation of DFID's Electoral Support through UNDP,* ICAI, April 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/UNDP-report-FINAL.pdf.

[170] *DFID's Education Programmes in Nigeria*, ICAI, November 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-Nigeria-Education-report.pdf.

in the past few years.[171] We would like to see more evaluation of the capacity of agencies to deliver (as done in DRC and Somalia). This not only applies to fragile contexts. It is equally the case in more stable environments, where relationships may be more settled but also stale.

DFID applies the wrong kind of scrutiny to its in-country partners

3.22 The challenges which the multilateral head offices have experienced with DFID's greater focus on results and process are also reflected at country level. We heard from the UN in Uganda that if DFID continues to insist upon its results framework and push for increased monitoring it will find itself unable to select the UN agencies for work. They will look for other, less demanding, donors. The World Bank in Uganda also commented that the micro-management of joint infrastructure programmes and the mismatch of expectations with regard to medium-term versus short-term objectives was making DFID an 'impossible partner'.

Key delivery challenges for multilateral agencies

3.23 The following section sets out what we think are the key delivery challenges that DFID should seek to address in its work with multilaterals.

The need for effective leadership

3.24 We have seen how the capacity and calibre of leadership in multilateral agencies vary greatly, both within agencies and between countries. Leadership makes a significant difference to agencies' capacity. It enables them to be good counterparts to government or to play a valued role in co-ordination mechanisms. DFID itself is respected and plays a significant role globally, not least because of the calibre of its staff. They need to seek effective collaborators in multilateral partners.

3.25 Some multilateral agencies have credible leadership with big country teams containing both technical and programme management expertise (for instance, many World Bank and UNICEF offices).[172] Others are much smaller and weaker (for instance, the smaller UN agencies). These variations may arise from funding constraints and weaknesses in the agencies' human resource strategies. Staff churn is also a problem (as it is for DFID). Rapid changes in advisors and leaders (particularly in-country) often result in inconsistent decision-making: in Burma, we heard how agency staff without the historical knowledge were struggling to understand the context. When we reviewed the UNICEF 'Villages Assainies' programme in DRC we saw the impact that a gap in sector and programme leadership created for a key initiative.[173]

The role of the EU

3.26 The EU provides an important channel for UK support. In countries where both DFID and the EU are active, there is significant potential for complementarity, particularly given the EU's focus in many countries on infrastructure, including roads. In-country EU co-ordination can be highly-structured and cumbersome, usually based around meetings of EU heads of missions. ICAI has also heard from DFID staff, and seen for itself, that there is great variation in the competence and leadership of the EU's work in-country.[174]

3.27 At the same time, we observed that DFID's engagement with the EU varies from country to country. DFID does not always fully have sight of, or seek to influence, how the EU plans its programmes and spends its budget (paragraph 3.9 on page 23 above). Just as there is an opportunity to improve the country-level strategy tools for other multilateral partners, the EU's activities and roles can also be more coherently and effectively included in DFID's country-level planning.[175]

[171] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, February 2015, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFIDs-Support-to-Fragile-States.pdf.

[172] We saw this, for instance, in Madagascar.

[173] *DFID's work through UNICEF*, ICAI, March 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-DFIDs-work-with-UNICEF.pdf.

[174] *DFID's Oversight of the EU's Aid to Low-Income Countries*, ICAI, December 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

[175] *DFID's Oversight of the EU's Aid to Low-Income Countries*, ICAI, December 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

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The need to improve the pace of delivery

3.28 ICAI has found several instances where multilateral agencies' cumbersome governance and decision-making processes slow down delivery (for instance, UNRWA in the Palestinian Territories).[176] The IDC made a similar point about the EU: 'there still seemed a long way to go to reduce bureaucracy on procurement.'[177] Multilateral projects often either take too long to get approval or too long to spend after approval.[178]

Figure 12: The case of roads in Uganda

President Museveni of Uganda has prioritised road building in the run-up to the country's 2016 elections. We heard from government officials that the Government of Uganda's choice of partner for the road construction programme was heavily influenced by the relative speed of delivery. We were told that projects financed by the World Bank were the slowest option, taking 30 months to move from conception to work beginning. Approval processes were elaborate; key decision-makers remained in the USA. EU-financed projects were faster but reporting requirements were more elaborate. Officials, however, did praise the social and environmental safeguards provided through the World Bank and EU.

In contrast, Chinese state bank financed projects were relatively quick. Decisions were taken rapidly, with decision-makers coming to and staying in Uganda until planning and approval were finalised. Ugandan government staff noted that this might result in a total elapsed time (from conception to completion) of 18 months for a 100 km road. We saw an example of a road financed and approved in this way in Karamoja.[179]

3.29 As the example in Figure 12 illustrates, if the multilateral agencies are to be successful in delivering infrastructure projects, they will have to speed up delivery in an increasingly competitive market. This will be important, as other funders may not provide similar benefits (such as environmental and social safeguards).

The need to simplify delivery chains

3.30 Projects provided through multilaterals often have long chains of delivery partners. In Karamoja, Uganda, we saw examples of DFID funding the same international NGO for similar activities, directly and indirectly through a multilateral. This layering and duplication may lead to increased overheads. It also impacts upon the primary service deliverers and beneficiaries. In Uganda, we saw that voluntary health teams in the communities were seen by a range of agencies as the best local delivery vehicles, leading to overload.

3.31 Many of the delivery chain choices make sense. For instance, the multilateral agencies' use of local NGOs to deliver gender-based violence protection in Karamoja, Uganda was appropriate and effective. We found in an earlier ICAI report on Nepal[180] that longer delivery chains could be beneficial, introducing additional levels of monitoring, extending DFID's reach into communities and building up local capacity. DFID needs to be much more aware, however, of the nature of these networks and relationships as it assesses the specific in-country capacity of an agency. DFID needs to recognise the cost and risk implications of each.

The need to create local/regional delivery networks

3.32 Local delivery networks put in place by multilateral agencies can act as an effective way of understanding context and managing delivery. During our field visits, we saw good examples of this in the UNHCR refugee camp network in Uganda and the education network of UNICEF offices across the districts in Madagascar. In Karamoja, the UN had sought to create a single delivery team for the particular region and this was proving relatively valuable. The presence of the Stabilisation Unit team in Goma, DRC, was

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[176] *DFID's Support for Palestine Refugees through UNRWA*, ICAI, September 2013, page 9, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-UNRWA-report-FINAL-110913.pdf.

[177] *DFID's Oversight of the EU's Aid to Low-Income Countries*, ICAI, December 2012, page 14, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

[178] We have seen evidence of this in DFID's annual reports and project completion reports for AfDB, ADB, CIF, Gavi, Global Fund, FAO, and UNDP. DFID reports that a focus on this issue has led to improvements. See http://devtracker.dfid.gov.uk.

[179] In the past, DFID played a key role in the sector in Uganda, complementing the work of the World Bank. 'The key to these successful experiences was use of the relative flexibility of the DFID funding to enable bank staff to undertake outreach, networking and policy engagement activities which they ordinarily are unable to undertake (and would not have been able to undertake if the DFID funds had been merely used to supplement mainstream bank resources).' D. Booth and F. Golooba-Mutebi, *Aiding Economic Growth in Africa: The Political Economy of Road Reform in Africa*, Working Paper 307, Overseas Development Institute, 2009, http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/4965.pdf.

[180] *DFID's Peace and Security Programme in Nepal,* ICAI, February 2013, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-DFIDs-Peace-and-Security-programme-in-Nepal.pdf.

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bringing real focus to the contextual insight into peace-building and conflict resolution in this difficult environment. By contrast, the remote management of much of the Somalia activity from Nairobi by several agencies had severe limitations. The more that DFID can align its own drive towards local presence and regional networks with the multilateral system, the better the integration of real activity on the ground.[181]

The need for a clearer view of agencies' costs

3.33 We saw in our case studies how agency core budgets often cover only a minimum network of country offices and very limited programme funding (WHO and UN Women, for instance). Attempts by agencies to increase their revenue by accessing bilateral resources can, however, provide a driver for fragmentation. We were particularly concerned in one UN agency in Uganda that this had led to significant 'mandate creep' as it was performing tasks outside its remit.

3.34 Agency structures and costs are not always consistent or visible at country level. This makes benchmarking across the agencies difficult as donors try to achieve value for money. We saw evidence in Uganda, where DFID renegotiated multilateral costings for its Karamoja programme, that there was poor understanding in DFID of the real cost structures and business model and how to achieve genuine reductions in overhead costs.

3.35 In many cases, agencies levy a flat percentage management charge on DFID. This may hide the true cost of delivery through other intermediaries. In some instances, the use of the UN led to high administrative costs and missed opportunities for local capacity development, as well as to delays.[182]

3.36 DFID has pushed hard for improved cost effectiveness in agencies. This is recognised throughout the system. There are good examples of market shaping and procurement cost savings, particularly in vertical funds.[183] Attention to value for money by agencies has increased under DFID's influence. Unit costs for delivery, however, remain very difficult to assess.[184] We undertook an exercise to compare unit costs between agencies for infrastructure projects (see Figure 13 below).

Figure 13: Multilateral cost comparisons

We compared unit costs for multilateral agencies looking at 156 projects in roads, water and energy. This included projects from AfDB, ADB, IDA, CIFs, PIDG and UNHCR. On power generation we looked at 30 projects, where costs varied from less than $1m/MW to more than $6m/MW. Variation within agencies was at least as great as the variations between them. Different scales of project, geographical locations and means of generation made comparisons difficult. Similar issues arose for road rehabilitation, where we looked at 39 projects. Data on costs in $m/km had a lower quartile of 0.09, a median of 0.15 and an upper quartile of 0.35. Quality, urban/rural issues, inclines and numbers of bridges all, however, complicated results.

3.37 We concluded that the data do not enable ready comparison. They can highlight outliers to general trends that may require further investigation. They cannot, however, be used to assess whether particular agencies are more or less cost-effective. The number of variables means detailed case-by case analysis is needed. Similarly, we found it almost impossible to make cost effectiveness comparisons between bilateral and multilateral programmes, due to a huge number of variables. The business models of individual agencies are very different. There is potential for agencies to collect data in a way that makes comparisons easier and we share the NAO's view that DFID should do more in this area.[185]

3.38 Cost effectiveness and unit cost comparisons are, however, ultimately less important than impact. We discuss in paragraph 3.31 on page 27 some examples we identified in Nepal of the benefits of

[181] *Assessing the Impact of the Scale-up of DFID's Support to Fragile States*, ICAI, February 2015, http://icai.independent.gov.uk/wp-content/uploads/2015/02/ICAI-Report-Assessing-the-Impact-of-the-Scale-up-of-DFIDs-Support-to-Fragile-States.pdf.

[182] *The Department of International Development's Support to the Health Sector in Zimbabwe,* ICAI, November 2011, paragraph 2.15, http://icai.independent.gov.uk/wp-content/uploads/2013/12/DFIDs-Support-to-the-Health-Sector-in-Zimbabwe.pdf.

[183] For instance, Gavi and GFATM.

[184] Unit Cost: the cost of producing one single product, calculated by dividing the cost of producing a group of products by the number produced.

[185] *Department for International Development: The multilateral aid review,* NAO, 2012, http://www.nao.org.uk/wp-content/uploads/2012/09/1213594.pdf.

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longer, potentially more costly, delivery chains. There is an opportunity for DFID to focus the dialogue of cost effectiveness more sharply on the impact to be achieved and then to look at the general effectiveness of the system. Unusually high costs should be identified and scrutinised but routine analysis could be reduced or better managed. We are not recommending a new international initiative on data standards but the development of bottom-up initiatives to improve outcomes and impact.[186]

DFID's capacity to manage its engagement

DFID needs to revisit its allocation of staff, given the proportion of funds it spends through multilateral agencies

3.39 DFID's core funding to multilateral agencies contributes to the running costs of organisations, including staff. Recent figures suggest that UNICEF has approximately 12,800 staff globally, ICRC 12,700 and the Asian Development Bank 3,062. Fewer than 4% of DFID staff work in DFID's central multilateral departments (see Figure 14). This is in contrast to the vast size of some multilateral agencies and the 43% of its funds that DFID spent as core contributions to multilaterals (see Figure 15).

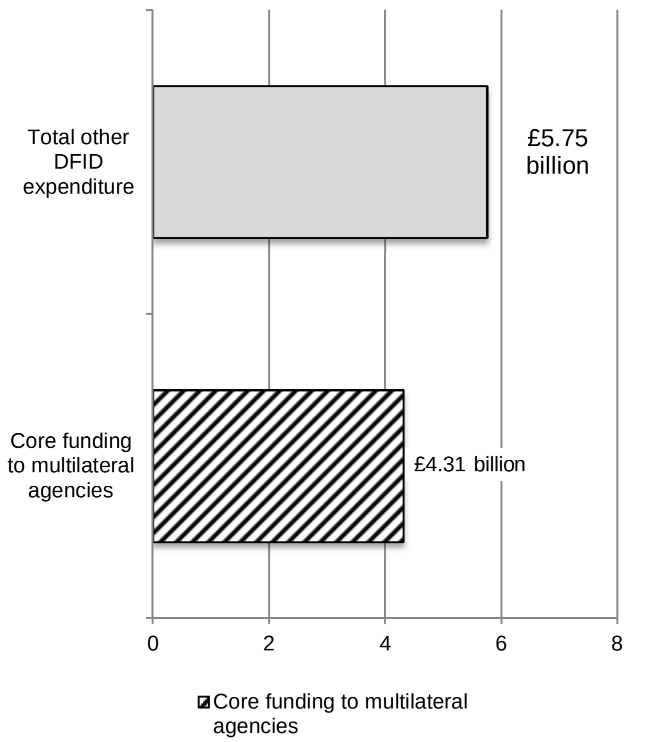
DFID ownership of key multilateral relationships is dispersed and not strategic or systematic enough

3.40 There are different levels of relationship management across DFID for the different agencies. Many Senior Responsible Officers are at middle management levels in Multilateral Departments and provide active scrutiny of MAR indicators. Interviews with Management Board members revealed that they are actively involved in meetings with multilateral agencies on a regular basis, including portfolio reviews. Whilst there are clear leads for some multilaterals, there is no systematic allocation of responsibilities.

Figure 14: Staff[187] managing core funding to multilateral agencies (by department)[188]

DFID Department	Number of staff
Climate and Environment Department	7
UN and Commonwealth Department	22
Europe Department	18
Private Sector Department	7
Multilateral Effectiveness Department	13
International Financial Institutions Department	18
Global Funds Department	13
CHASE	7.5
TOTAL	105.5
Other DFID staff[189]	2806.5

Figure 15: DFID's core funding to multilateral agencies[190] (2013-14)[191]



[186] *DFID's Approach to Delivering Impact*, ICAI, June 2015, http://icai.independent.gov.uk/reports/dfids-approach-to-delivering-impact/.

[187] Expressed as Full Time Equivalents (FTE).
[188] As estimated by DFID in February 2015.
[189] Based on total permanent staffing figures, as reported in DFID's Annual Report 2013-14.
[190] Based on DFID Aries reporting as at February 2015.
[191] Based on total DFID expenditure, as reported in DFID's Annual Report 2013-14.

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Figure 16: How DFID oversees the EU

DFID's Europe Department leads on overseeing the UK's contributions to EU ODA. It has 18 staff covering policy, delivery and results. A team of five in Brussels also works on EU ODA oversight, through engagement with EU institutions and forums, as part of the wider UK representation in Brussels, known as UKREP. Evidence from IDC[192] and OECD reports in 2012 suggested that the quality of EU aid has been improving over the previous five years. DFID rightly relies on the EU's own performance management systems but these remain weak. In previous reports, we have highlighted the need for improvement in areas including risk management, value for money, slow procurement processes and beneficiary engagement.

3.41 In its management response to the IDC's commentary on DFID's work with the EU, DFID noted that 'the UK will continue to support the Commission in its plans to improve the policy capacity of the EU in the field of aid and development. DFID currently seconds between 25 and 30 UK experts into the Commission… and related institutions in areas of strategic performance in order to improve the performance and value for money of EU aid. The UK will ensure that DFID's secondment programme supports the necessary improvements in the EU's policy capacity and works to deliver the UK's development priorities.'

3.42 In spite of such interactions and secondments, the seniority and frequency of interaction with agencies does not seem to reflect the high proportion of funds that pass through these channels. Many partners commented that the personnel DFID applies to the relationship are process-oriented and are not providing the thought leadership that they valued in the past. We have seen that the relationships work well when there is consistent engagement from experienced staff, particularly on the technical level. Some agency relationships, such as the World Bank, are well resourced but these appear to be the exception. We have seen how the quality of DFID offices' engagement with the EU at country level is variable.[193] ICAI Commissioners have heard from at least two DFID heads of country office that working with EU counterparts is particularly 'frustrating'.

3.43 We heard that DFID country offices place high value on having senior DFID staff operating at the centre of multilaterals, either in delegations or as secondees. These individuals are not included in the staffing figures provided by DFID (see Figure 14 on page 29). This allows offices to get key issues followed up and technical questions resolved more rapidly.

3.44 DFID has implemented its Key Supplier Management framework for those of its multilateral partners who are major contractors for its work. Approaching agencies as suppliers may provide challenges alongside the subtler relationships that DFID needs with the bodies on whose Boards it sits. The two approaches may not be fully compatible. We also note that, as reported in our Business in Development review, DFID has instituted a Customer Relationship Management (CRM) system for its interactions with key private sector partners.[194] This kind of broad strategic relationship approach could be codified with multilateral partners, especially where the relationship is not seen predominantly as a 'supplier' relationship.

3.45 In focus groups, DFID staff reflected that there was a lack of clarity on how they should engage with multilateral agencies in-country. In particular, they want clearer indications from DFID corporately on what they could or could not negotiate about. The corporate relationship needs to be set and communicated from headquarters level, creating the framework for DFID staff in-country to work accordingly. This guidance should also reflect the potential for risk sharing or risk transfer that is appropriate for the different classes of relationship. At present, the agencies are seen half as partners and half as suppliers of goods and services.

[192] *EU Development Assistance,* Sixteenth Report of Session 2010-12, IDC, April 2012, http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/1680/1680.pdf.

[193] *DFID's Oversight of the EU's Aid to Low-Income Countries*, ICAI, December 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

[194] *Business in Development*, ICAI, June 2015, http://icai.independent.gov.uk/2015/05/21/business-in-development/

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Oversight of the multilateral portfolio within DFID, particularly of trust funds, remains variable

3.46 We have noted in several reports that DFID does not have a clear picture of the portfolio of programmes it funds through multilaterals. For instance, our review of DFID's programme of work with the World Bank noted that there was no one person within DFID responsible for overseeing the department's portfolio of trust funds (with the World Bank) and ensuring strategic coherence. [195] Similarly, we noted that there was insufficient oversight of major projects co-financed by DFID and the Asian Development Bank. [196] DFID has however, improved its oversight of projects co-financed with the Asian Development Bank since our report was published in July 2012. [197]

3.47 DFID still does not have full clarity on what it spends through multilaterals; most notably it is not capturing all trust fund spending (although it is putting a system in place).[198] As Annex A3 shows, DFID's spending through Trust Funds has risen significantly (from £267 million in 2009-10 to £476 million in 2013-14. We remain concerned that these funds are not being fully integrated into the overall oversight and management of UK aid. Similarly, DFID does not clearly report what proportion of its core funding to multilaterals (42.8% of its total budget) is spent in its priority countries or in fragile states.[199]

3.48 The same is true at country level. DFID does not clearly have sight of all the activities it funds outside the specific bilateral funding channel.[200] In Bangladesh, we found multiple channels of funding for climate change that were not being managed or overseen by the DFID country office, even though UK money was the bulk of that provided in some cases. [201] In countries where DFID has no permanent presence, such as Madagascar, there is no regular review by the UK of funding through multilateral channels. We saw limited evidence that such work is being undertaken either by DFID's regional departments (for example, for Africa) or by the FCO.

[195] *The Effectiveness of DFID's Engagement with the World Bank*, ICAI, March 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-World-Bank-Final-Report_P1-7.pdf.

[196] *The Effectiveness of DFID's Engagement with the Asian Development Bank,* ICAI, July 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-The-effectiveness-of-DFIDs-engagement-with-the-Asian-Development-Bank-FINAL.pdf.

[197] See *ICAI Annual Report 2013-14,* ICAI, June 2014, http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Annual-Report-13-14-FINAL.pdf for follow up reporting on this review.

[198] DFID informs us that it is now capturing all World Bank Trust Fund spending.

[199] See https://www.gov.uk/government/statistics/statistics-on-international-development-2014'

[200] *DFID's Oversight of the EU's Aid to Low-Income Countries*, ICAI, December 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

[201] *The Department for International Development's Climate Change Programme in Bangladesh,* ICAI, November 2011, http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Report-DFID-Climate-Change-Programme-in-Bangladesh-FINAL1.pdf.

4 Findings: Impact

Impact *Assessment: Green-Amber*

4.1 This section assesses the impact that DFID achieves through its work with multilateral agencies. It includes some commentary on the impact made by the multilateral system as a whole and the effectiveness of individual agencies. The assessment, however, is focussed on the nature of the impact on DFID's own results and the influence that DFID exerts on the agencies and their work.

The impact of the multilateral system

4.2 Since the middle of the twentieth century, the multilateral system has enabled much of the global response to critical development issues. For instance, the Millennium Development Goals have supported a focus on key priorities by multiple agencies and countries. While poverty has been reduced globally as a result of a complex interaction of factors, multilateral action has clearly resulted in specific challenges being addressed (for example, on polio and maternal mortality).[202]

The multilateral system will continue to exist but will face challenges to remain effective

4.3 The current multilateral system will remain the primary governance architecture for the world's nations for the foreseeable future. It will continue to play a key role in the resolution of global challenges. It will bring ideas, competence and funding to critical aspects of the global development agenda (for example, the SDGs, women's and girls' rights, nutrition and climate change). As the relevance and credibility of the agencies is questioned, however, it will be harder for agencies to retain their influence in the coming decades without major reforms.

4.4 The cross-border nature of challenges such as climate change, migration, regional conflicts and economic development ought to be the basis for greater global co-operation. It is notable, however, that the multilateral system sometimes finds it hard to make a real difference in these areas. The difficulties experienced in achieving a truly coordinated approach to climate change stand out. The combination of many large organisations with complex accountabilities trying to address global-scale challenges means achieving impact is likely to be inherently difficult.

4.5 It is also likely that development challenges will become split between helping the world's poorest individuals in more remote and fragile countries and places and lifting emergent middle income environments to the next level. The system needs to adapt its approach to these differing challenges. New multilateral organisations may emerge with different core competences. This will further add to the complexity of the system.

The multilateral system is achieving impact in its humanitarian response, although chronic situations remain a problem

4.6 Over the past decade, the effectiveness of the multilateral system in meeting humanitarian challenges has improved. The system has become more coordinated and the application of principles of local resilience has dramatically reduced the fatalities resulting from many common natural disasters, such as Typhoon Haiyan [203] and cyclones in Bangladesh.[204] The multilateral system has, however, been put under pressure by chronic situations such as the extended Syria crisis, repeated Horn of Africa famines and, recently, the Ebola outbreak. The ability to balance multi-year interventions that bring resilience and straddle the worlds of emergency response and livelihood protection has been a challenge for the system.

DFID depends on multilaterals for its results

Multilaterals are crucial to DFID's bilateral results

4.7 It is notable that many of DFID's bilateral results are identified as being delivered through multilateral channels. These include results on

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[202] For a discussion of the impact of the MDGs, see J. MacArthur, *Own the Goals: What the MDGs Have Accomplished,* Brookings Institute, 2013, http://www.brookings.edu/research/articles/2013/02/21-millennium-dev-goals-mcarthur.

[203] *Rapid Review of DFID's Humanitarian Response to Typhoon Haiyan in the Philippines,* ICAI, March 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/03/ICAI-Philippines-report-FINAL.pdf.

[204] *The Department for International Development's Climate Change Programme in Bangladesh,* ICAI, November 2011, http://icai.independent.gov.uk/wp-content/uploads/2011/11/ICAI-Report-DFID-Climate-Change-Programme-in-Bangladesh-FINAL1.pdf.

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primary education, cash transfers and water, sanitation and hygiene (WASH). The results of projects funded in this way can be directly attributed to DFID.

4.8 Such results can be clearly announced as a UK-funded achievement. This has presentational advantages to DFID. It may create an incentive for DFID staff to fund multilateral projects through bilateral channels (multi-bi funding) rather than through core funding mechanisms.[205]

4.9 DFID's results and reporting approaches do not facilitate the different agencies working collaboratively. We heard many complaints from host governments and coordinating agencies of the proliferation of reporting required by different donors. As individual agencies are contracted to work on specific programmes by DFID and other donors, all using different models and approaches, they find it hard to combine their results to create a clear and aligned impact. DFID does not appear to have a strategy for working towards joint results reporting with other donors.

4.10 DFID's Departmental Results Framework is split into bilateral and multilateral indicators.[206] DFID reports achievements against these annually.[207] Internal DFID assessments show that the World Bank Group, UNICEF and UNDP deliver the majority of contributions to the Departmental Results Framework.[208]

Attribution of results to DFID and earmarking

4.11 For multilateral agencies which receive core funding, DFID reports an agency's total results that relate to particular indicators. DFID cannot and does not claim that any agency's results to which it contributes through core funding are directly attributable to the UK. DFID does, however, publish results achieved by agencies alongside figures showing the proportion of overall financing the UK provides. By doing this, DFID implies the proportion of the agency's results that may be attributed to the UK.[209, 210]

Bilateral and multilateral project performance is similar

4.12 An internal assessment by DFID in 2014 found that, overall, there is no evidence that multi-bi projects perform better or worse than those managed directly by DFID.[211] The same assessment found that there was also no link between the performance of non-core funded projects and agencies' MAR ratings. There was, equally, no link between the number of projects a multilateral implements and individual project performance. The same assessment identified (unsurprisingly) a correlation between lower project performance and higher project risk assessments. This points to a more thorough analysis of agency capability in-country and a view of its capacity against the key development priorities being more valuable than the top-down MAR-type assessment. This could be part of the CPRD (see paragraph 3.19 on page 25).

4.13 DFID reports that many multilateral agencies have contributed to significant progress against several Millennium Development Goals. All but two multilateral agencies receiving core funding met or exceeded expectations in their last reporting period.[212] ICAI's reports to date are consistent with this positive picture; most of our reports rate impact of multilateral agencies and programmes as Green-Amber (see Annex A2).

[205] See Annex A3 for a summary of DFID's funding through trust funds.

[206] See Table 2a for bilateral indicators and Table 2b for multilateral indicators in DFID's results framework, available at https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/360906/DFID-external-results-Sep_2014.pdf.

[207] *Annual Report and Accounts 2013-14,* DFID, 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/331591/annual-report-accounts-2013-14a.pdf.

[208] *Annual Report and Accounts 2013-14,* DFID, 2014, pages 42-43 and 91-116, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/331591/annual-report-accounts-2013-14a.pdf.

[209] See for instance, page 29 of *Annual Report and Accounts 2013-14,* DFID, 2014, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/331591/annual-report-accounts-2013-14a.pdf.

[210] It may be that, in certain cases, the results that a multilateral agency achieves in-country result from multi-bi funding *and* core funding. All results, however, might be aggregated into the overall results achievements for that agency. This could imply that DFID achieved greater results than it actually contributed to.

[211] DFID made this assessment, based on its annual review and project completion report scoring. There are possible differences, however, in the most fragile contexts, which DFID is analysing.

[212] Information taken from our assessment of internal DFID annual reviews and project completion reports on core funding to 17 sample multilateral agencies over the period 2009-10 to 2013-14.

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Multilaterals depend on DFID

4.14 DFID has been a consistent and substantive donor to the majority of the agencies it funds. The UK gave more money in multilateral core contributions than any other DAC country in 2012. It was second only (behind the US) in the volume of non-core funding provided through multilateral agencies. Figure 17 below shows that the UK is now the largest donor to many multilaterals (see Figure 6 on page 10 for the size of the most recent contributions to each).

Figure 17: The UK's rank by size of funding contribution to a selection of agencies (2012)

Agency	Rank	Agency	Rank
AfDF	1	UNAIDS	5
ADB	4	UNDP	5
FAO	2	UNESCO	4
Gavi	1	UNFPA	1
GEF	4	UNHCR	4
GFATM	5	UNICEF	1
ICRC	2	UNOCHA	1
IFRC	1	UN Women	2
IOM	4	WFP	2
PIDG	1	WHO	1

Source: Internal DFID assessment.[213]

4.15 As the House of Lords has noted (see paragraph 1.7 on page 3), the UK maintains a unique global role through its UN Security Council, EU and Commonwealth roles, supported by its large aid programme. We were consistently told how the UK exercises strong leadership in the multilateral system. The contribution of the UK's ideas, political will and money has helped to maintain the relevance and momentum of the system. This position gives the UK almost unrivalled opportunity to influence the policy direction, results agenda and programme focus of the agencies it funds.

4.16 We heard from multilateral agencies that UK representatives on their boards are seen as engaged participants, reinforcing policy priorities and digging into the detail of specific proposals.[214] The governance structures of some of the multilateral agencies are representative of all of their members. This means that, as is often the case with international organisations, the increasingly large scale of UK funding is not necessarily reflected in a larger voting share, although it is generally marked by an increasing UK influence with those international organisations' staff.

4.17 There is some evidence of the UK collaborating with other countries to influence the direction of the system and bring pressure to bear on particular agencies. The combined influence of the UK and the Germans in the governance of the Asian Development Bank has been noted in prior reports. We heard from EU officials how the UK's collaboration with the Germans and French was particularly effective when they combined to influence EU policy and planning.

DFID can help to improve agencies' performance

4.18 DFID can be effective at using its funding and reputation to push for improvements in performance and seeking to set specific agendas with its partner multilateral agencies. Many partner respondents commented positively on the benefits of DFID pressure. The IDC (2013)[215] and NAO (2012)[216] have also noted this positive influence. DFID's strong focus on cost effectiveness and results means that many agencies have strengthened their results frameworks. For instance, DFID found that FAO needed to improve its performance. DFID guided the organisation through developing a better results framework, leading to greater impact.[217] Similarly, the 2011 MAR highlighted that IDA needed an improved contribution to results. This became the theme of the subsequent replenishment negotiations for IDA. The MAR update in 2013 reported significant improvements, corroborated by our own observations (see Figure 18 on page 35).

[213] DFID compiled this information from published annual reports, financial statements and the OECD DAC database.

[214] Also supported by information taken from our assessment of internal DFID annual reviews and project completion reports on core funding to 17 sample multilateral agencies over the period 2009-10 to 2013-14.

[215] *Multilateral Aid Review,* Fourth Report of Session 2013-14, IDC, 2013, http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/349/349.pdf.

[216] *Department for International Development: The multilateral aid review,* NAO, 2012, http://www.nao.org.uk/wp-content/uploads/2012/09/1213594.pdf.

[217] DFID annual reviews and project completion documents for FAO from 2011 to 2013.

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Figure 18: DFID's global influence on delivery of the Climate Investment Funds[218]

DFID invested in the Climate Investment Funds (CIFs), administered by the World Bank. The UK has a seat on all CIF Trust Fund committees as one out of (usually) eight donor members. DFID has been able to influence the CIFs at both Board and technical level through a process of on-going engagement and dialogue. Examples of influence include:

- *Results:* strengthening results frameworks;
- *Private sector*: targeted development programmes;
- *Gender*: comprehensive review of approach and recruitment of a specialist; and
- *Increasing transparency and inclusiveness:* project documents are now being published and governing committee sessions are now open to the public.

DFID can drive ideas and help focus the system on particular themes

4.19 DFID's unilateral focus on specific issues can lead to improvements in multilateral impact in line with UK priorities. We saw how DFID has had particular success in pushing for agencies to improve how they address gender equality. DFID's 2011 Multilateral Aid Review[219] highlighted the need for the World Bank to address better the needs of girls and women through IDA funding. DFID successfully ensured that improved performance measures on gender were included when it negotiated the IDA16 replenishment. This included new targets for including gender, a World Development Report on gender equality and integration of gender issues into every Country Assistance Strategy. [220] DFID's 2013 Annual Review of its contribution to IDA16 reported that IDA had exceeded the target for 56% of its projects to be gender-informed, achieving 97%. [221] The target was then changed to have a focus on measuring gender results from 2014. We heard first hand from the World Bank that DFID's pressure on this issue was valuable and important in changing its corporate approach to results and key areas of work (such as gender).

DFID and multilateral agencies' mutual dependence

4.20 We have become concerned that the mutual dependence of DFID and its multilateral partners might mean that those relationships are now considered 'too big to fail'. DFID's ability to challenge or question its partners' behaviour or operations should not be constrained because of the size of funding the UK provides.

4.21 A question remains: if the UK is to be such a major funder, should it be able to have a proportionate influence on how and where its money is spent? The UK's members of the different governance boards represent the UK perspective on certain initiatives. Their ability to shift fundamentally the focus of the organisations is, however, constrained.

4.22 Similarly, is it appropriate for the UK to become the dominant donor to so many agencies? We note that this may, in fact, undermine their legitimacy as multilateral organisations. In the most extreme case, DFID has provided 70% (US$662 million) of all funds to PIDG, for example and, as a result, PIDG is not seen as a neutral party by recipient governments.[222]

Impact of DFID on multilateral agencies in-country

DFID is highly influential

4.23 We consistently heard that DFID contributes thought leadership and co-ordination to improve multilateral impact at the country level.

[218] *The UK's International Climate Fund,* ICAI, December 2014, http://icai.independent.gov.uk/wp-content/uploads/2014/12/ICAI-Report-International-Climate-Fund.pdf.

[219] *Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations,* DFID, March 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67583/multilateral_aid_review.pdf.

[220] *The Effectiveness of DFID's Engagement with the World Bank*, ICAI, March 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-World-Bank-Final-Report_P1-7.pdf.

[221] DFID reports improvements across several dimensions, including: the number of programmes aimed at women and girls; data disaggregated by gender; better representation of women in governance; and measurable outcomes benefiting women and girls.

[222] Between 2002 and 2013, DFID contributed US$662.8 out of a total US$958.8, disbursed to the PIDG Trust. See page 15 of the PIDG 2013 Annual Report, available at http://www.pidg.org.

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Figure 19: DFID's approach in Vietnam

UK aid to Vietnam peaked at £54 million in 2009 but was never more than 4% of total ODA to the country. The country sustained 7% growth over a 20-year period, reducing its poverty headcount from 58% in 1993 to 14% in 2010. Vietnam achieved middle-income country status in 2009.

DFID chose to direct almost all of its funds either through government (52%) or the multilaterals (41%), principally the World Bank. It invested heavily in building the in-country capacity of the multilaterals. It used trust funds very strategically to increase World Bank capacity and focus on DFID priority areas, thereby gaining considerable policy influence. It supported Vietnam's One UN reform pilot (less successfully). It put fewer resources into influencing the Asian Development Bank or the European Union. DFID's exit strategy includes preparing the multilaterals to continue providing policy advice and technical assistance.

4.24 DFID brings specialist advice and normative pressure to bear (for example, in areas such as gender, governance, public financial management, environment and water and sanitation). DFID also regularly acts as the chair for donor co-ordination and leads the various forums that are created to bring coherence of impact at country or sectoral levels. DFID can be particularly effective at fostering collaboration.

4.25 In the emergency operation in the Horn of Africa, DFID was seen as 'leading the multilateral response'. This was critical to the co-ordination required of hundreds of agencies on the ground in the early weeks.[223] In Burma, we heard how DFID also played an important co-ordination role. DFID was able to broker relationships between long-standing agencies who were in the country during the sanctions and those arriving since sanctions have been lifted.

4.26 DFID's influence and impact depends critically on the head of office, as well as the UK's overall relationship with a particular country. In Madagascar, we saw that the absence of DFID in terms of a specific country presence put a huge load on the shoulders of the FCO to expand into development issues and direction (see Figure 21 on page 37).

Figure 20: DFID's Impact in Uganda

Uganda has been a priority country for DFID for over 25 years. In 1998 it pioneered having aid provided through general budget support.[224] Among the donors, DFID led the effort to move to this modality. Donor co-ordination arrangements were restructured as a result. In 2011-12, 33% of DFID's £76 million final expenditure in Uganda was channelled as budget support.[225] In November 2012, DFID indefinitely suspended budget support following corruption allegations in the Ugandan Prime Minister's Office. This led most other donors also to pull out of the approach. Donor co-ordination arrangements have had to be rebuilt as a result.

4.27 In Vietnam, DFID contributed to the 'One Plan Fund' pilot, intended to encourage collaboration among UN agencies under the leadership of the Resident Coordinator. The pilot did not have enough funding to make a substantial difference and the UN did not make a convincing enough case to ensure continued funding. DFID concluded that the reform made some improvements to a largely dysfunctional system but failed to produce evidence that the delivery had improved outputs. The pilot had, in fact, increased transaction costs.

[223] *DFID's Humanitarian Emergency Response in the Horn of Africa*, ICAI, September 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-report-FINAL-DFIDs-humanitarian-emergency-response-in-the-Horn-of-Africa11.pdf.

[224] *The Management of UK Budget Support Operations,* ICAI, May 2012, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-Budget-Support-Final-Report-31.pdf.

[225] Planned DFID support to Uganda in 2011-12 was higher (£100m), with a lower proportion (25%) allocated for budget support. See *Business Case: DFID Uganda Budget Support 2011/12--2014/15,* DFID, August 2011, available at http://devtracker.dfid.gov.uk/projects/GB-1-202747/documents/.

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Figure 21: Madagascar: Where DFID is not present

Madagascar sits in the bottom quartile of most development indices.[226] The UK has no bilateral aid programme (DFID provides £1 million funds out of its bilateral budget through its Africa regional programme). We calculated that at least some £30 million ($45 million) of UK money finds its way to the island via core contributions to multilaterals. The UK has no mechanism to identify to what extent this expenditure aligns with key UK development priorities. We found that issues such as gender, climate change and economic development were relatively low on the priority list of the agencies.

The UK is playing an active role with agencies, through the FCO. It is trying to bring the various parties to a common perspective and set of focus areas. There is an energetic, committed ambassador who, with limited resources, is actively engaging himself in many aspects of the development agenda. DFID remains hugely respected for its research and insights, which are being leveraged from time to time. The opportunity for DFID to play a more active role, either directly or via a more structural link to the FCO, is real. We found, however, that the absence of both a clear regional view from DFID and a local presence is having a detrimental effect on the ability of the UK to understand the context and influence the overall system.

DFID could press for more beneficiary engagement

4.28 We believe that, for aid to be effective, beneficiaries need to be consulted throughout the lifecycle of programmes and projects. This is more than asking for beneficiary feedback after aid is delivered. Involving beneficiaries in both the design of and assessing the impact of programmes is an important way of cross-referencing the outcome targets and ensuring that the programme has the right focus on beneficiary benefit.

4.29 There is more to do to involve beneficiaries in contributing to the design and assessment of impact of programmes at country level. DFID highlights this as an area for improvement, in both its MAR and its Annual Reviews, yet we found weak evidence that DFID has followed up on multilaterals that had poor beneficiary engagement. There are exceptions; for example, DFID reports indicate that there are good examples from ICRC. We heard that beneficiary consultation in Northern Uganda allowed WFP and its implementing partners to identify risks to cash transfers in this region. These challenges included the long distances that rural families would have to travel to markets to buy food. As a result, WFP is now focussing on food for work instead of cash for work. This means that more families now have regular access to food in a highly vulnerable region.

[226] See the Human Development Index, available at http://hdr.undp.org/en/content/human-development-index-hdi-table.

5 Findings: Learning

Learning *Assessment: Green-Amber*

5.1 This section first considers what multilaterals do to promote learning. It then reviews DFID's role and influence to improve this.

How multilaterals promote learning

Multilateral agencies set normative standards and drive global research

5.2 The multilateral system plays an important role in setting normative standards and driving important aspects of global research. WHO's international guidelines for drinking water quality[227] are one example of normative standards shaping the international system. UNICEF's research projects are stimulating debate on global children's issues, for example exploring governance and the rights of the child.[228] The World Bank's Knowledge for Change Programme (KCP) is working to promote knowledge that can support poverty reduction and sustainability.[229]

5.3 Multilateral agencies regularly engage with the research community around different topics and development ideas. The Ethical Research Involving Children Project is a joint initiative by UNICEF and its partners in the research community.[230] Over 400 members of the international research and NGO communities have contributed to developing ethical guidance for child-related research. Another current example of joint working taking place is around the SDGs.[231] At the global level, multilateral agencies are clear about the importance of research for driving future development approaches.

5.4 DFID also has a substantial commitment to research and supports knowledge development and innovation across the development spectrum. We have seen that DFID regularly undertakes joint research activities with multilateral agencies. DFID has, for instance, supported a WHO-led research programme carried out in collaboration with UNDP, UNFPA and the World Bank. This research sought to generate knowledge around sexual and reproductive health to improve the quality and availability of services in developing countries.[232] In 2013, DFID also supported a WHO-led global review on the cost effectiveness of community health workers. This research was expected to contribute to increasing universal access to community health services.[233] DFID also has a five-year (2014-2019) strategic partnership with the World Bank on economic growth research. This partnership is expected to improve the use of evidence-based decision-making by developing countries.[234]

The multilateral system brings people and ideas together

5.5 The multilateral system has demonstrated a strong convening power and provides thought leadership in a number of important areas. The current MDGs and the ongoing process around the new SDGs are examples. We have also seen specific initiatives, such as the Scaling Up Nutrition (SUN) Alliance, leaning heavily on multilateral leadership. In Madagascar, for example, where national co-ordination is weak, UNICEF is leading the SUN platform.

Multilateral reforms are not moving fast enough, despite progress in some areas

5.6 We have seen that there is significant intellectual and managerial capacity in the headquarters of multilateral agencies. We found that staff at this level exhibited sound knowledge and self-awareness of the relevance of their organisations as well as their relative strengths and weaknesses. The sheer scale of the organisations, however, and their bureaucratic resistance to change have consistently delayed progress against reforms. The

[227] *Guidelines for drinking-water quality*, fourth edition, 2011, World Health Organization, http://www.who.int/water_sanitation_health/publications/2011/dwq_guidelines/en/.
[228] See http://www.unicef-irc.org/research/262/.
[229] *Knowledge for Change Program*, World Bank, available at http://web.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTKNOWLEDGEOFCHANGE/0,,menuPK:491554~pagePK:64168176~piPK:64168140~theSitePK:491543,00.html.
[230] Childwatch International Research Network, Centre for Children and Young People at Southern Cross University and Children's Issues Centre at the University of Otago; see http://www.childwatch.uio.no/news/2013/launched%3A-ethical-research-involving-children.html.
[231] https://sustainabledevelopment.un.org/topics/sustainabledevelopmentgoals.

[232] *Research4Development Project Record: UNDP/UNFPA/WHO/World Bank Special Programme of Research: Human Reproduction Programme (HRP) 2008-2013,* DFID, undated, http://r4d.dfid.gov.uk/Project/60656/.
[233] See http://r4d.dfid.gov.uk/Project/61111/Default.aspx.
[234] See http://r4d.dfid.gov.uk/Project/61256/Default.aspx.

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MAR makes direct reference to bureaucratic processes undermining delivery of results in one UN agency.[235] It also highlights disappointing progress on some important thematic areas, for example the empowerment of women and girls. One objective of the One UN reform agenda was the improvement of cross-organisational learning.

Multilateral agencies have systems in place for learning but it is not a priority area for some

5.7 Multilateral agencies have their own internal processes in place for learning. These include regular monitoring and evaluation of programmes and online networks and forums to facilitate information sharing. There are some good examples of learning and innovation taking place within individual institutions. One UN agency, for example, has recently worked with MasterCard to leverage industry best practice for cash transfers. The World Bank has also established the HIVE[236] to help to form a global community of practice for sharing learning and experiences from fragile and conflict-affected states.

5.8 Learning has not, however, been a focus area for all multilateral agencies. DFID is pushing this as an important reform area through the MAR and through its dialogue at board level. UK lobbying recently led to changes under the 11th EDF implementing regulation. These changes now allow evaluation, including recommendations and follow-up actions, to be discussed in the EDF Committee. More effort is still, however, required. A small number of multilateral agencies, such as Gavi, have also introduced real time learning and some now include learning as a key objective (for example, CIFs and EDF).[237.]

There is insufficient learning being fed back from country offices to headquarters

5.9 We saw some evidence of multilateral agencies improving design and delivery of operations based on programme evaluations and experiences at the country and regional levels. The regional offices of multilateral agencies can help to promote global learning. In Burma, for example, we heard that regional offices are playing a key role in the dissemination of lessons learnt from across Asia, particularly from middle-income countries. Overall, however, we found limited evidence that the multilateral system has strong feedback loops able to influence global policy. Country offices are not systematically sharing learning with their headquarters. Headquarters staff do visit the field but such visits tend to focus on monitoring and the redirecting of local activity and/or funding. They rarely focus on enabling learning at the institutional level.[238]

Multilateral agencies know they need to improve learning

5.10 Applying knowledge appears to be a continuous problem for agencies. In 2014, the World Bank identified that much of the knowledge it generated was not being used, in its study *Which World Bank Reports Are Widely Read?*[239] The authors concluded that 31% of the 1,611 policy reports in the World Bank produced between 2008 and 2012 were never downloaded. 87% were never cited. Only 13% were downloaded more than 250 times. The report also identifies the difficulty in tracking the application of learning across the World Bank. The World Bank has, however, long been acknowledged as a leader in the field of knowledge management (which was a particular corporate priority between 1990 and 2000).[240] There is no

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[235] *Multilateral Aid Review Update: Driving reform to achieve multilateral effectiveness,* DFID, December 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/297523/MAR-review-dec13.pdf.
[236] See http://www.thehivefcv.org/_layouts/WBHive/WhatIs.aspx.
[237] Information taken from our assessment of internal DFID annual reviews and project completion reports on core funding to 17 sample multilateral agencies over the period 2009-10 to 2013-14.

[238] See, for instance, *Learning and Results in World Bank Operations: How The Bank Learns,* Independent Evaluation Group, World Bank Group, July 2014, https://ieg.worldbankgroup.org/Data/reports/chapters/learning_results_eval.pdf.
[239] Doemland, D. and J.Trevine, *Which World Bank Reports Are Widely Read?* World Bank, May 2014, http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2014/05/01/000158349_20140501153249/Rendered/PDF/WPS6851.pdf.
[240] See for instance *Action Review of Knowledge Management Report and Recommendations*, L. Prusak, 1999, undertaken for the World Bank's Knowledge and Learning Council, http://siteresources.worldbank.org/WBI/Resources/213798-1099435725267/ActionReviewKM.doc.

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evidence that other multilateral agencies are any better than the World Bank.

Learning in and with the EU needs to be strengthened

5.11 Learning is not a central feature of the relationship between DFID and the EU at country level. This was confirmed by our interviews. The OECD DAC review of EU aid in 2012 also concluded that the EU needed to enhance wider learning.[241] The EU has produced central initiatives that have demonstrated learning. These include the 2006 European Consensus on Development, the 2007 EU Code of Conduct on Complementarity and Division of Labour governing the activities of European donors in developing countries, the 2008 EU Agenda for Action on the Millennium Development Goals and the EU Plan of Action on Gender Equality and Women's Empowerment 2010-15.[242] DFID's engagement with these initiatives at country level has been limited. We are concerned that, while there appears to be a proliferation of guidelines and directives, there is limited likelihood that country offices can really absorb them. The ICAI review of EU programmes concluded that: 'we did not see evidence in our case study countries that wider EU levers, such as trade and energy policies, were being effectively integrated into the co-ordination and planning of development programmes.'[243] The UK Government response to the IDC report stressed a commitment that 'EU aid should reach the world-leading quality of UK aid'.[244] There is a need for more mutual learning between DFID and the EU at all levels.

The multilateral system is weak at sharing information between different agencies

5.12 There is even less evidence of learning and knowledge being shared between different multilateral agencies at the global and regional levels. Individual agencies retain a strong organisational identity with management and incentive structures largely focussed internally. There are relatively few structured opportunities for shared learning within a country. While DFID reports that there are global cross-agency expert groups working at a global level, we saw no evidence of these having an effect at country level. In Uganda, the UN country team lead reported that plans for the coming cycle were being shared among different agencies for the first time.

5.13 We consistently heard in the field that the high turnover of staff in multilateral agencies can also undermine institutional learning and effectiveness. There is a high reliance on the individual relationships between leaders and members of teams to make connections and drive common working. There is no real institutional momentum in this direction. During headquarters level conversations in Washington and New York, we heard that the World Bank and the UN are currently sharing more information because a Korean American and a South Korean head the two agencies.

5.14 The lack of systematic learning between multilateral agencies puts a high burden on a major contributor like the UK to connect the dots and nudge the system towards convergence. The reality, however, is that the UK's influence is diminishing in a multi-polar world. It is not clear where the pressure for structural co-ordination will come from in the future.

Learning is taking place but is not systematic

5.15 We have seen examples of learning in multilateral agencies at country level and, at times, between countries. The global and regional rotation of staff encourages experience sharing and introduces new ideas, facilitating learning at country level. Aid co-ordination systems (for example, sector working

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[241] *European Union: Development Assistance Committee (DAC) Peer Review 2012*, OECD DAC, March 2012, http://www.oecd.org/dac/peerreviewsofdacmembers/50155818.pdf.

[242] *The European Consensus on Development: The Development Challenge*, (2006/C 46/01), EU Parliament/Council/Commission, 2006, http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ%3AC%3A2006%3A046%3A0001%3A0019%3AEN%3APDF.

[243] *DFID's Oversight of the EU's Aid to Low-Income Countries*, December 2012, paragraph 2.28, http://icai.independent.gov.uk/wp-content/uploads/2013/12/ICAI-EU-report-061212-FINAL.pdf.

[244] *EU Development Assistance*, Sixteenth Report of Session 2010-12, IDC, April 2012, http://www.publications.parliament.uk/pa/cm201012/cmselect/cmintdev/1680/1680.pdf.
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5 Findings: Learning

groups and UN cluster meetings) also provide opportunities for learning.[245] The application of learning and feedback loops into headquarters is, however, weak across most agencies. We heard reports from an agency in Madagascar, for example, that limited staff resources had a negative impact on institutional learning.

5.16 There is limited evidence of specific initiatives jointly to develop learning and knowledge at programme level. Where there is a specific focus on learning, however, we were able to see some progress. The programme we saw in Northern Uganda (see Figure 11 on page 20) includes an output on generating increased evidence and learning. This output is reported on annually by DFID and in the first year of operations two evidence products were produced.[246]

Multilateral agencies can drive innovation

5.17 We saw evidence of innovation at programme level. In two districts in Uganda, we saw solar suitcases[247] providing a sustainable light source to assist midwives in delivering babies at night. UNICEF has also developed a birth cushion to empower pregnant women in Northern Uganda.[248] Both initiatives are encouraging more mothers to deliver at health facilities, reducing the risk of them dying in childbirth.[249] The UN Joint Programme on Population also provides transport vouchers to encourage deliveries at health facilities, complementing these innovations. In Madagascar, UNICEF is currently working with the World Bank on linking cash transfers to health and nutrition outcomes.

The Influence of DFID

DFID has a key role to play but is not consistent in its approach to learning

5.18 DFID has a significant impact on the policy and research agenda of multilateral agencies. DFID's input is valued by multilateral agencies, which see DFID as an effective thought leadership partner for learning. We heard that DFID secondees at headquarters level regularly provide an opportunity for mutual learning and play a key role in driving institutional reform. We heard from respondents in multilateral agencies and bilateral donors that DFID is seen as a key thought leader. DFID has the capacity and resources; and has had the desire to prioritise learning and knowledge. It has encouraged initiatives such as developing more effective evaluation. Respondents external to DFID noted that DFID has led much of the global development agenda in the past, not least because of its commitment to learning. We also heard reports, however, that DFID's contribution to thought leadership has diminished in recent years. This is linked to DFID's shift towards a more transactional as opposed to transformational focus in its interactions with multilateral agencies.

The MAR is helping to drive improvements in learning

5.19 The MAR has been an effective instrument for driving lesson-learning at the institutional level to increase organisational effectiveness. The Global Fund to fight Aids, TB and Malaria (GFATM), for example, is now focussing on learning how to operate more effectively in fragile contexts.[250] This is partly in response to the MAR, which found that GFATM policies and practices were insufficiently flexible or responsive to fragile contexts.[251] OCHA has also shown a commitment to increase lesson-learning from evaluations and audits following the MAR.[252]

[245] See http://www.unocha.org/what-we-do/coordination-tools/cluster-coordination.

[246] *Economic Assessment of the Impacts of Climate Change in Uganda: Lessons learned from previous economic assessments* and *Regional-scale Climate Change Projections of Annual, Seasonal and Monthly Near-Surface Temperatures and Rainfall in Uganda*, reported in *ERKP – Annual Review,* DFID, October 2014, http://devtracker.dfid.gov.uk/projects/GB-1-203603/documents/.

[247] *Midwives test the solar suitcase: 'we don't have to fear delivering at night anymore',* UNICEF, July 2014, http://unicefstories.org/2014/07/03/midwives-test-the-solar-suitcase-we-dont-have-to-fear-delivering-at-night-anymore/.

[248] *Birth cushion designed to meet traditional delivery practices in Uganda,* UNICEF, October 2013, http://unicefstories.org/2013/10/01/birth-cushion-designed-to-meet-traditional-delivery-practices-in-uganda/.

[249] *Solar suitcases make midwives feel comfortable conducting deliveries at night,* UNICEF, undated, http://www.unicef.org/uganda/media_13331.html.

[250] *Multilateral Aid Review Update: Driving reform to achieve multilateral effectiveness,* DFID, December 2013, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/297523/MAR-review-dec13.pdf.

[251] *Multilateral Aid Review: Ensuring maximum value for money for UK aid through multilateral organisations,* DFID, March 2011, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/67583/multilateral_aid_review.pdf.

[252] *Multilateral Aid Review update: Driving reform to achieve multilateral effectiveness,* DFID, December 2013,

5 Findings: Learning

Multilateral agencies are increasing their focus on results monitoring and reporting

5.20 DFID's focus on results has influenced multilateral agencies at country level. Individual agencies in the field recognise the importance of results monitoring to judge whether their actions are making a difference. All multilateral agencies have monitoring and assessment processes in place, albeit to varying degrees; and there is good reporting of results at programme level. We also saw evidence of clear reporting against milestones in DFID's own annual reporting. There is evidence, as outlined earlier, that some of the transactional scrutiny applied by DFID is seen as being at the cost of longer-term development and/or local capacity-building priorities.

DFID works closely with multilateral agencies to shape delivery on the ground

5.21 We heard positive reports of DFID staff as 'thinkers', able to provide challenge and knowledge at country level. DFID tends to share its research initiatives and insights with multilateral agencies, for example through its online portal Research for Development (R4D).[253] This input and openness is appreciated, particularly as DFID has not always been so open in the past. DFID's increased focus on programme management and monitoring can, however, be at odds with its desire to see innovation, learning and piloting by its partners.

DFID does not communicate the importance of its multilateral spending to the UK public

5.22 DFID does not focus on the role played by multilateral agencies in its communications with the UK public. There is limited awareness of what multilateral agencies are and how they operate. Many members of the UK public see UNICEF as an NGO, for example, rather than as a UN agency that commands large resources on a global scale. There is also limited awareness that multilaterals represent such a large proportion of the UK's aid spend.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/297523/MAR-review-dec13.pdf.

[253] See more about R4D here: http://r4d.dfid.gov.uk.

5.23 The UK public has not been adequately informed about the number and range of ways in which multilateral agencies are operating, both at global and country levels (beyond UNICEF or WHO for example). Members of the public also have not been given insight into the workings of the multilateral development banks and the EU, which receive the majority of the UK's funds. This is a significant knowledge gap which undermines the credibility of the whole UK aid effort with these key stakeholders.

5.24 It is notable that the dominant messages coming from DFID have been about the UK ensuring that 'all our investment is in the right places, on the right things and being spent in the right way'.[254] There is a need for greater transparency around the importance of multilateral funding channels to UK objectives and a new commitment to explaining the rationale for a bias towards its use. DFID will need to remake the case for working with multilaterals in an environment that is both critical of the aid agenda and largely distrustful of big global bureaucracies. As the next wave of deficit reduction bites and the political commentary raises new questions as to the impact and value for money of aid expenditure, DFID can expect to face more pressure around its budget. A multilateral 'primer' will be key for both internal and external consistency of messaging.

[254] See the introduction to the *The Multilateral Aid Review Update: Driving reform to achieve multilateral effectiveness,* DFID, December 2013, https://www.gov.uk/government/publications/multilateral-aid-review-update-2013.

6 Conclusions and Recommendations

Conclusions

6.1 The current multilateral system has a continuing role to play in the world's development. The system faces increasing challenges, however, to its legitimacy, governance and relevance.

6.2 DFID depends greatly on the multilateral system to achieve its results. The multilateral agencies currently provide much of the capacity to disburse the funds required by the UK to reach its target of spending 0.7% GNI on ODA. Equally, many multilateral agencies now depend on DFID; it is often their largest funder.

6.3 DFID is a very influential partner with the multilateral agencies. DFID promotes positive change and has contributed to demonstrable reform in some individual agencies over recent years. DFID has goals for individual multilateral agencies based on the MAR. We are concerned, however, that the focus has shifted from strategic partnership to a more detailed and burdensome scrutiny. DFID's scrutiny effort should be more balanced. It should be clearly directed towards key challenges such as strategy, delivery competence and thought leadership. It should not simply be directed at procedural detail in respect of fiduciary concerns, where agencies already have robust systems and reporting mechanisms in place.

6.4 DFID is operating without a clearly articulated strategy for its engagement with the system as a whole. A more explicit DFID strategy would help to guide the UK's resource allocation and prioritise areas for further reform. DFID needs to be clear what contribution it sees the agencies collectively and individually making to its plans, globally and in-country. It needs to ensure that agencies are doing the right things and that they have the right quality of leadership and staff to deliver them.

6.5 We have seen how DFID has consistently encouraged multilateral agencies to focus on value for money and to develop robust results frameworks. Although the system as a whole has been slow to change, individual agencies have responded well to challenge. They have improved value for money at both country and project levels. There is an increasing focus on cost effectiveness across the multilateral system. It remains, however, very difficult to make direct cost comparisons between agencies and activities.

6.6 Multilaterals need to improve further their pace of delivery and their mutual collaboration in basic functioning coalitions. Delivery chains need to be simplified. Some multilateral agencies remain weak in their focus on the poorest communities, beneficiary engagement and consultation.

6.7 DFID plays a key role within the international community in countries where it has an office. The UK has often been at the forefront of promoting donor and multilateral agency co-ordination.

6.8 Multilateral programmes are generally aligned with the MDGs and country-level strategies. This is not necessarily sufficient to ensure that there is strategic coherence in their plans and activities. Convergence around key themes and the new environment created by the Sustainable Development Goals may provide opportunities for improvement. As we have noted earlier, this may be a considerable challenge in practice.

6.9 DFID chooses multilateral delivery channels in a rational way to achieve its objectives but does not take sufficient account of country-level variations in multilateral capacity and performance. Using the MAR as an accreditation for country-level partnerships is not fully justified. We have seen that agencies can perform very differently in different country contexts. We have also seen that some funding and allocation decisions to multilaterals, especially to the World Bank, are driven by the ability to absorb cash flows at a given time as opposed to targeted need.

6.10 The individual programmes undertaken by the multilateral system as funders, co-ordinators or deliverers are having an impact. This impact is not, however, necessarily greater than that being achieved by other delivery mechanisms. In fragile states, DFID has, in some cases, found alternative delivery partners to multilateral agencies.

6.11 DFID's influence is maximised where it is able to deploy skilled and experienced staff to influence decision makers. Getting the right people in the right places is challenging. The level and seniority

6 Conclusions and Recommendations

of DFID staff allocated to multilateral work should be reviewed, given the resources that are spent through multilateral agencies. Enhancing regional departments to have more extensive geographical coverage, either in London or in a region itself, will require significant staff and operational resources.

6.12 DFID needs to strengthen the transparency of its approach to multilaterals, including better data on the amounts spent through them, particularly through trust funds.

6.13 DFID funds substantial research with and through the multilateral system. The global system engages with the research community, for example on developing the SDGs. Multilateral staff rotation and regional offices provide opportunities for cross-country learning but risk a loss of contextual knowledge at both country and programme levels. We saw evidence of learning and innovation within programmes. DFID shares learning between geographical departments and central departments engaging with the agencies. The system as a whole, however, remains weak in terms of the feedback loops from countries to headquarters. Levels of inter-agency sharing are also low.

6.14 DFID has not communicated the role of multilateral agencies adequately to taxpayers and other stakeholders. DFID could do more to make the impact of multilaterals clearer.

Recommendations

Recommendation 1: DFID should have a strategy for its engagement with the multilateral system as a whole at the global level.

6.15 The strategy should include setting out how DFID works with key categories of agencies at the global level, as well as individual agencies. DFID needs to be clearer about the rationale for the split between multilateral and bilateral funding. It needs to be clear about the roles that it expects the different types of agencies to play, such as standard setting, co-financing, policy shaping and delivery.

6.16 DFID needs to ensure that it has a clear strategy for governance interventions for each multilateral agency that matches its needs. DFID headquarters should give clarity to staff on what the global relationships are between DFID and individual agencies. It should set out what the scope is for engagement at country level. This would provide a framework for developing multilateral objectives at country level. The end of the MDG era in 2015 and the forthcoming Sustainable Development Goals provide a good opportunity for developing such a strategy.

Recommendation 2: DFID needs clear objectives for its work with the multilateral system in its country-level strategies.

6.17 DFID should clearly set out how it supports the overall international system to meet country priorities and objectives. DFID should reinvigorate some of its attention to building alignment and harmonisation of effort, as emphasised by aid effectiveness principles. Formal analysis of the country-level capacity of multilaterals (including the EU) should form part of the CPRD and country strategy-making process. This analysis should contribute to decision-making about how DFID engages with and funds the agencies. Since together the EU and World Bank account for over a quarter of the department's entire expenditure, DFID should focus its new integrated planning and strategy efforts with these organisations at country level.

6.18 DFID should set targets and milestones for country-level impact over a longer time horizon than at present. Our report on *DFID's approach to delivering impact* concludes that there is an opportunity to look at more long-term development goals. This approach could be the basis of a more strategic dialogue with multilateral partners.

6.19 DFID's due diligence efforts in-country should be focussed more on the content and ideas of the agencies rather than purely their processes and fiduciary controls – which are rarely found wanting by DFID's own assessments. DFID should be smarter in its approach, with a more balanced attention to include agencies' strategy and the calibre of staff.

6 Conclusions and Recommendations

Recommendation 3: DFID should address the low proportion and limited seniority of its core staff resources devoted to managing its relationships with multilateral agencies.

6.20 The DFID Senior Management Team should own the multilateral strategy as a whole and the most important multilateral relationships should have a senior owner at Management Board level with responsibility for maintaining key personal relationships and overseeing the network of staff across DFID organisations that interact with the given agency.

6.21 Experienced and senior DFID staff can have a huge influence on multilateral agencies, through both their presence in UK delegations and secondments. Although we have seen evidence of substantial senior management engagement with agencies, this is not systematic. The existing level and allocation of resources is focussed on process improvements. This often limits the ability for more strategic level intervention and professional policy dialogue.

6.22 We recognise the constraints on DFID's running costs and the desire to focus its bilateral programmes. DFID should see itself, alongside other key donors, as having a responsibility at the global level for ensuring that the multilateral system that it funds delivers for all countries in need. We note the significant level of UK funding which goes into countries where there is no DFID presence through its imputed share of multilateral programmes.

6.23 DFID's central multilateral departments, such as the United Nations and Commonwealth Department (UNCD) and Global Funds Department, should have a role in highlighting where there are under-aided countries and issues. This could be supported by analysis from DFID's central policy departments, which would identify key countries and sectors to focus on in the context of broader progress against international standards and goals and greater transparency from the multilateral organisations themselves on country-level expenditure. This may mean having experts who are able to work on a part-time or full-time basis in UK delegations or central DFID multilateral departments with a mandate to engage with the staff of the multilateral institutions who are working on the countries and issues concerned.

6.24 DFID should seek further clarity on what it spends through multilateral agencies and where it is spent. In particular, DFID should clearly report what proportion of its core funding to multilaterals (42.8% of its total budget) is spent in its priority countries or in fragile states.

Recommendation 4: DFID should continue to press for greater transparency and accountability of multilaterals.

6.25 DFID has been successful in stimulating improvements in performance and value for money of specific multilateral agencies through the MAR.

6.26 DFID and others should continue to press for greater openness and clarity about how money is spent. We see a specific opportunity for more transparency at country level. In contexts where transparency and accountability are working well, we see the potential for reducing the burden of scrutiny on agencies. DFID should avoid duplication in its information requests and ensure that these are reasonably spaced out over time. Agencies should, however, continue to be held to account for identifying and dealing with any issues of fraud and corruption. They need to demonstrate their capabilities in this area.

Recommendation 5: DFID should promote more integrated working amongst multilateral institutions at country level.

6.27 We agree that multilateral reform is better achieved through targeted institutional changes (as driven by the MAR) rather than by grand plans to reform the architecture. There is potential, however, for achieving additional improvements at country level by encouraging agencies to work together around development outcomes. This is already modelled by the humanitarian cluster system and lessons could be learnt from this for broader development work.

6.28 The new Sustainable Development Goals may provide a framework both for national development strategies and for the multilateral agencies to work together. We hope to see coalitions forming to

6 Conclusions and Recommendations

meet specific goals. The framework also promotes a focus on 'no-one left behind'. This may encourage multilaterals to improve their focus on equity and the hard to reach and improve their accountability and feedback to beneficiaries.

Recommendation 6: DFID should work more collaboratively with other bilaterals in its engagement with multilateral agencies.

6.29 Other bilateral agencies (and the multilaterals) have huge respect for DFID's skills and capacity. DFID's relative dominance is described by some, however, as leading to arrogance and self-sufficiency. Where DFID works collaboratively with other bilaterals, the outcomes are often positive. Although there is no fixed 'like-minded' group, there is substantial potential for DFID to work with other agencies on specific issues at both headquarters and country levels. It is important to link resources to the scale of DFID inputs. This again suggests an even greater focus on the EU and World Bank.

6.30 DFID has been very committed to strengthening MOPAN, which is about to take on a much larger and more comprehensive range of reviews, covering between 26 and 30 agencies over a four-year period. It offers the potential to be a more important part of DFID's multilateral assessment in the future. DFID should support multilateral processes, such as MOPAN, as much as possible, using the MAR only to assess alignment with DFID objectives and any gaps left by the MOPAN process.

Recommendation 7: DFID should communicate more effectively to taxpayers about the role, impact and importance of multilaterals.

6.31 DFID says very little in its public communications about the resources that it is delivering through multilaterals and the achievements of those organisations. We believe that the level of knowledge of taxpayers about multilateral agencies, particularly outside humanitarian situations, is likely to be very low. This is mirrored by a lack of public debate about the multilateral system and agencies within developing countries.

6.32 DFID should seek to communicate more clearly how more closely working with the multilateral system ensures that the money we spend with it is targeted at the development priorities that matter most to the UK.

Annex

This Annex provides more detailed background information to the review. It comprises the following:

1. The multilateral organisations with which DFID engages (Annex A1);
2. Previous ICAI ratings of multilateral agencies and programmes (Annex A2);
3. Summary of DFID's trust funds (Annex A3);
4. Changes to DFID funding classifications for multilateral agencies (Annex A4);
5. Bibliography (Annex A5); and
6. List of consultations (Annex A6).

Annex

Annex A1: The multilateral organisations with which DFID engages

This Annex lists 47 multilateral agencies and funding channels that DFID has worked with in the period 2011-14 and that have been identified for inclusion under this review. ICAI has considered 8 of these explicitly and another 18 have been referenced in previous reports (those shown with a star below).

European Agencies

- European Commission Budget*
- European Commission Humanitarian Aid and Civil Protection (ECHO)*
- European Development Fund (EDF)*

Multilateral Development Banks

- African Development Fund (AfDF)*
- Asian Development Fund (ADF)*
- Caribbean Development Bank – Special Development Fund (CDBDB SDF)
- European Bank for Reconstruction and Development (EBRD)
- Inter-American Development Bank (IDB)
- International Development Association (IDA - World Bank[255])*
- International Bank for Reconstruction and Development (IBRD – World Bank)*
- International Finance Corporation (IFC – World Bank Group[256])*

United Nations

- Central Emergency Response Fund (CERF)
- Food and Agriculture Organization (FAO)*
- International Fund for Agriculture Development (IFAD)
- International Labour Organization (ILO)*
- International Organization for Migration (IOM)*
- Joint United Nations Programme on HIV/AIDS (UNAIDS)
- United Nations Children's Fund (UNICEF)*
- United Nations Development Programme (UNDP)*
- United Nations Educational, Scientific and Cultural Organization (UNESCO)
- United Nations Environment Programme (UNEP)*
- United Nations Expanded Delivering as One Funding Window (EFW)
- United Nations High Commissioner for Refugees (UNHCR)*
- United Nations Human Settlements Programme (UN-Habitat)
- United Nations Industrial Development Organization (UNIDO)
- United Nations Office for Disaster Risk Reduction (UNISDR)
- United Nations Office for the Coordination of Humanitarian Affairs (OCHA)*
- United Nations Department for Peacekeeping Operations (DPKO)
- Office of the High Commissioner for Human Rights (OHCHR)
- United Nations Peacebuilding Fund (UNPBF)
- United Nations Population Fund (UNFPA)*
- World Food Programme (WFP)*
- World Health Organization (WHO)*

Global Funds

- Climate Investment Funds (CIFs)*
- Global Partnership for Education (GPEPE)
- Gavi, the Vaccine Alliance*
- Global Environment Facility (GEF)*
- Global Facility for Disaster Reduction and Recovery (GFDRR)
- Global Fund to Fight AIDS, TB and Malaria (GFATM)*
- UNITAID

Others

- Development Programmes of the Commonwealth Secretariat
- International Committee of the Red Cross (ICRC)*
- International Federation of Red Cross and Red Crescent Societies (IFRC)*
- Private Infrastructure Development Group (PIDG)
- African Union (AU)
- International Monetary Fund (IMF)*
- Islamic Development Bank (IDB)

[255] The World Bank comprises IBRD and IDA. See http://www.worldbank.org/en/about.
[256] The World Bank Group includes IBRD, IDA, IFC, Multilateral Investment Guarantee Agency and International Centre for Settlement of Investment Disputes.

Annex

Annex A2: Previous ICAI ratings of multilateral agencies and programmes

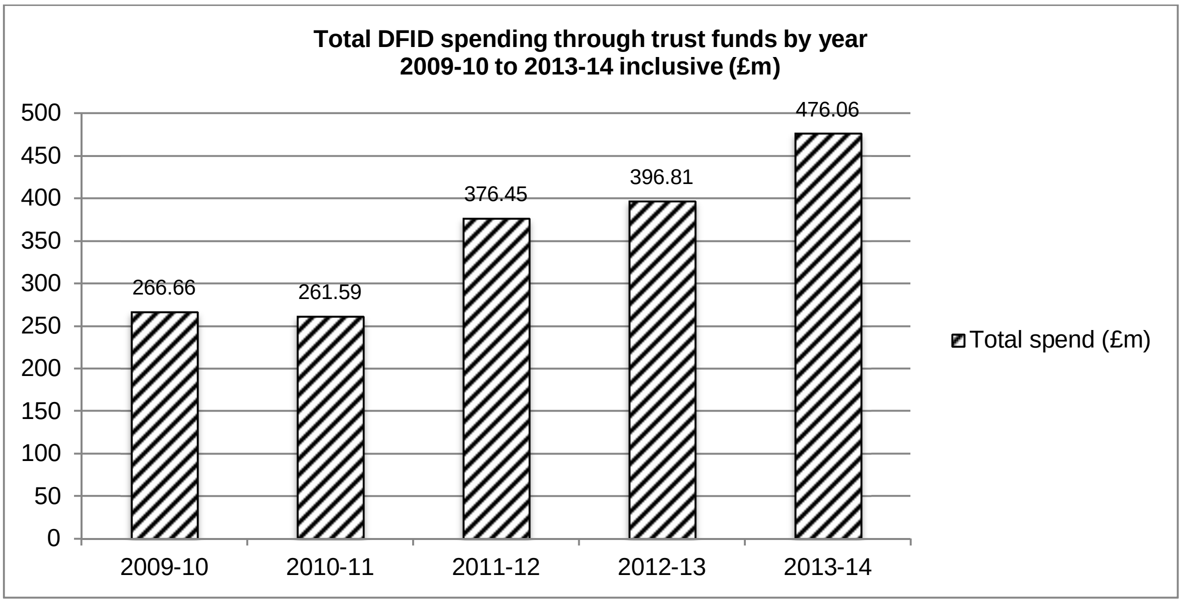
This Annex sets out the ratings for all previous ICAI reviews that have included a focus on multilateral agencies and/or programmes. It shows the overall score for each review and how each review rated on objectives, delivery, impact and learning.

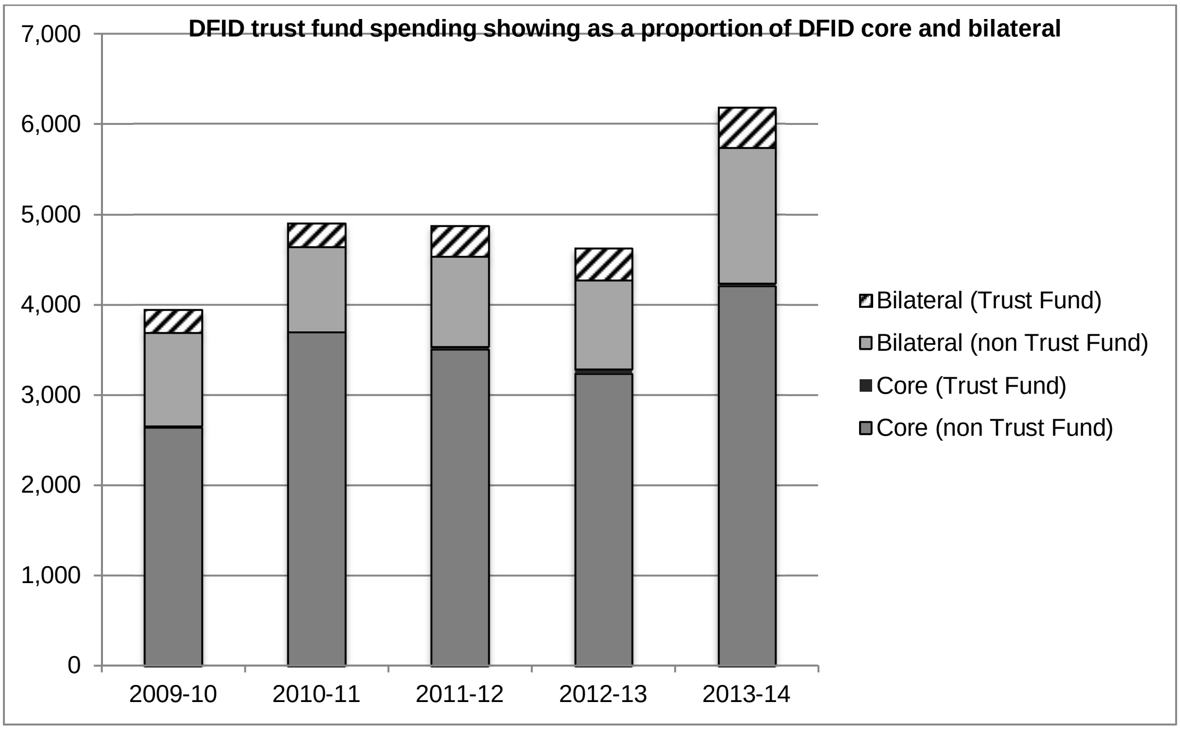
ICAI Report	Overall	Objectives	Delivery	Impact	Learning
The effectiveness of DFID's engagement with the Asian Development Bank, 2012	G A	G A	A R	G A	G A
The effectiveness of DFID's engagement with the World Bank, 2012	G A	G A	G A	A R	G
DFID's oversight of the EU's Aid to Low-income Countries, 2012	A R	G A	A R	A R	G A
ICAI Evaluation of DFID's Electoral Support through UNDP, 2012	G A	G A	A R	G A	A R
DFID's work with UNICEF, 2013	G A	A R	A R	G A	G A
DFID's Support for Palestine Refugees through UNWRA, 2013	G A	G A	G A	G A	G A

Annex

Annex A3: Summary of DFID's trust funds

The following charts show an estimate of DFID's total funding through trust funds over the last five years. DFID has not systematically tracked its expenditure through trust funds in the past; these figures may, therefore, not reflect all trust funds and the figures should be treated accordingly.





Annex

Annex A4: Changes to DFID funding classifications for multilateral agencies

Grants, loans, returnable capital (new HM Treasury definitions)

DFID has recently decided to use two new terms to define the type of funds it provides:[257,258]

- ***Development Capital Investment*** (DCI) which describes a transfer that DFID makes – usually in the form of a loan, equity or guarantee – that counts as non-fiscal expenditure (see below). It will be accounted for as an asset on DFID's balance sheet; and
- ***Development Capital Grant*** (DCG) which describes a transfer that may end up as a loan, equity or guarantee, yet does not count as non-fiscal expenditure (see below). That is, it will not appear as an asset on DFID's balance sheet. It may, however, appear as an asset on the balance sheet of an intermediary organisation.

DFID commitments to multilaterals can count as either fiscal DCG (grant) or non-fiscal DCI (loans or equity), depending on the entity and use:

- **Fiscal Expenditure.** Creation of a capital asset (such as a bridge, school or road) which is – or could be – recorded on the recipient's balance sheet.
- **Non-Fiscal Expenditure.** A loan – where it will be paid back to DFID and is accordingly treated as an asset on DFID's balance sheet.
- **Non-Fiscal Expenditure.** A payment into an organisation that provides DFID with an economic and legally viewed interest (equity) in the organisation. DFID's interest in this organisation is reflected as an asset on its balance sheet.

The use of 'floor targets' by HM Treasury may drive decisions

HM Treasury has imposed a target on DFID that no less than £692 million of its 2015-16 budget must be 'non-fiscal'. The 2015-16 target is a significant increase on actual non-fiscal expenditure of £416m in 2014-15 and approximately £98 million in 2013-14. This risk was identified in a recent NAO report.[259] The requirement to spend a certain amount of expenditure in this way affects investment decisions and their timing. Large programmes or commitments that allow DFID rapidly to deploy large amounts of funding that qualify as non-fiscal become useful. As of November 2014, DFID was planning to make loans to, or purchase equity in, the multilateral development banks amounting to around £189 million in 2015-16.

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[257] Until the end of 2014, DFID used the term 'returnable capital'. We have not been able to find a definition of what DFID meant by this. It was intended, we understand, broadly to cover 'investments'. See: *Business in Development,* ICAI, May 2015, http://icai.independent.gov.uk/2015/05/21/business-in-development/.

[258] The IDC defined 'returnable capital' as 'a term used to refer to 'loans, equities, guarantees and other similar financial instruments'. *The Future of UK Development Co-operation: Phase 1: Development Finance*, Eighth Report of Session 2013-14, IDC, February 2014, Volume I, page 28, footnote 107, http://www.publications.parliament.uk/pa/cm201314/cmselect/cmintdev/334/334.pdf.

[259] *Managing the Official Development Assistance target*, NAO, January 2015, paragraph 1.46-1.47, page 31, http://www.nao.org.uk/report/managing-the-official-development-assistance-target.

Annex

Annex A5: Bibliography

This annex lists documentation to which we refer in this report and which we reviewed during the scoping phase of the review and the main evidence collection phase.

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We also reviewed a large number of DFID programme documents, including Operational Plans, Programme Memoranda/Business Cases, Annual Reviews and Project Completion Reports. We looked at DFID programme documents for core funding to multilateral agencies and for multilateral programmes funded by DFID in specific countries, including in Burma, Madagascar, Uganda, Vietnam and Burma.

Annex

Annex A6: List of consultations

Location	Organisations met	Location	Organisations met
UK	DFID		WaterAid
	PIDG		Care
	ODI		Blue Ventures
	Bretton Woods Project		Water & Sanitation for the Urban Poor
	Save the Children		World Wildlife Fund
	Centre for Global Development		Local implementing NGOs
USA	UNDP		Ministry of Finance
	UNICEF		Ministry of Infrastructure
	CIFs (World Bank)		Programme beneficiaries
	GEF (World Bank)	Uganda	DFID
	World Bank		Foreign and Commonwealth Office
	UK Mission to the United Nations		AfDB
Switzerland	UN Office for the Coordination of Humanitarian Affairs		EU
	ICRC		World Bank
	GFATM		Embassy of the Federal Republic of Germany
	Gavi		Royal Danish Embassy
	UNAIDS		U.S. Agency for International Development
France	UNESCO		Irish Aid
	French Ministry of Foreign Affairs		Japanese International Cooperation Agency
	OECD		WHO
By 'phone	BMZ – German Ministry for Economic Cooperation and Development		UN Women
	DANIDA – Danish Ministry of Foreign Affairs		FAO
	Dutch Ministry of Foreign Affairs		UNDP
	AfDB		UNFPA
	ADB		UNAIDS
	WFP		UNHCR
	UNHCR		WFP
	EU		ICRC
	OECD		NGO Forum
	UNESCO		ActionAid International
Madagascar	Foreign and Commonwealth Department		Oxfam
	AfDB		Office of the Prime Minister
	World Bank		Ministry of Health
	IMF		Ministry of Finance, Planning and Economic Development
	EU		Ministry of Works and Transport
	French Development Agency (AFD)		Uganda National Roads Authority
	Royal Norwegian Embassy		National government officials
	Embassy of the Federal Republic of Germany		District government officials
	U.S. Agency for International Development		Programme beneficiaries
	Japanese International Cooperation Agency	Vietnam	DFID staff
	International Fund for Agriculture Development	Burma	DFID staff
	UNDP		
	WFP	Total Beneficiaries	224
	UNICEF		

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Abbreviations list

AfDB	African Development Bank
AIIB	Asian Infrastructure Investment Bank
ADB	Asian Development Bank
BRICS	Brazil, Russia, India, China and South Africa
CERF	Central Emergency Response Fund
CIFs	Climate Investment Funds
CSO	Civil society organisation
DAC	Development Assistance Committee
DFID	Department for International Development
DRC	Democratic Republic of Congo
EDF	European Development Fund
EU	European Union
FAO	Food and Agriculture Organization
GBV	Gender-based violence
Gavi	Global Alliance for Vaccine and Immunisations
GEF	Global Environment Fund
GFATM	Global Fund for Aids, Tuberculosis and Malaria
IADB	Inter-American Development Bank
IBRD	International Bank for Reconstruction and Development
ICAI	Independent Commission for Aid Impact
ICRC	International Committee of the Red Cross
IDA	International Development Association
IDC	International Development Committee
IFRC	International Federation of the Red Cross
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
MAR	Multilateral Aid Review
MDGs	Millennium Development Goals
MEFF	Multilateral Effectiveness Framework
MLAs	Multilateral agencies
MOPAN	Multilateral Organisation Performance Assessment Network
MoU	Memorandum of Understanding
NAO	National Audit Office
NGO	Non-governmental organisation
OCHA	Office for the Coordination of Humanitarian Affairs
ODA	Official Development Assistance

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OECD	Organisation for Economic Co-operation and Development
PIDG	Private Infrastructure Development Group
PRSP	Poverty Reduction Strategy Paper
PSNP	Productive Safety Nets Programme
PWP	Public Works Programme
SDGs	Sustainable Development Goals
SUN	Scaling Up Nutrition
TA	Technical assistance
TB	Tuberculosis
UN	United Nations
UNAIDS	United Nations Programme on HIV/AIDS
UNCD	United Nations and Commonwealth Department
UNDAF	United Nations Development Assistance Framework
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organization
UNFPA	United Nations Population Fund
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
UNRWA	United Nations Relief and Works Agency for Palestine Refugees
VFM	Value for money
WASH	Water, Sanitation and Hygiene
WFP	World Food Programme
WHO	World Health Organization

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