

Tackling fraud in UK aid through multilateral organisations

Approach summary paper

October 2021

Introduction

This rapid review complements the Independent Commission for Aid Impact (ICAI) review on *Tackling fraud in UK aid*, published in April 2021.¹ The earlier review assessed the effectiveness of counter-fraud measures in UK government departments that spend official development assistance (ODA). The review, however, excluded funding to multilateral organisations because it is subject to specific accountability mechanisms. This further review will therefore assess the extent to which the UK government ensures the effective management of fraud in its core funding to multilateral organisations.²

Background

UK aid to multilateral organisations

Multilateral organisations are central to the UK’s global interests and objectives, and continue to receive a large proportion of UK ODA. The 2016 Multilateral Development Review (MDR) stated that the “multilateral system is vital to the UK and global interests”³ and the UK government fully supports the international system which it said “deliver[s] results that are important to the UK”.⁴

In the 2021 Integrated Review, the UK government emphasised its continued commitment to seeking multilateral solutions to global challenges such as climate change, COVID-19 and global health security. It stated that the UK “will continue to play a leading international role in [...] multilateral governance”.⁵ It also said the UK would work to ensure a “truly transparent, efficient system” and that the UK would link its multilateral funding to performance.⁶

UK ODA spend amounted to £14.5 billion in 2020, in line with the UK’s previous commitment to donate 0.7% gross national income (GNI) as ODA.⁷ The UK government’s predicted ODA spend in 2021 is £10.9 billion (0.5% GNI).⁸ In 2019, 32.5% of ODA was delivered through core funding to multilateral organisations, the focus of this review (see **Figure 1**).⁹

¹ *Tackling fraud in UK aid*, ICAI, April 2021, [link](#).

² The Foreign, Commonwealth and Development Office (FCDO) categorises ODA funding to multilaterals as either “bilateral ODA” or “core multilateral ODA”. Core funding is un-earmarked and pooled with other donors’ funds and dispersed as part of the core budget of the multilateral organisations. Bilateral funding is earmarked spend where multilaterals are engaged to deliver a specific intervention. For further information, see *Statistics on International Development: Final UK Aid Spend 2019*, FCDO, September 2020, p. 10-11, [link](#).

³ *Raising the Standard: the Multilateral Development Review 2016*, DFID, December 2016, p. 5, [link](#).

⁴ *Raising the Standard: the Multilateral Development Review 2016*, DFID, December 2016, p. 28, [link](#).

⁵ *Global Britain in a competitive age: The integrated review of security, defence, development and foreign policy*, HM Government, p. 11, [link](#).

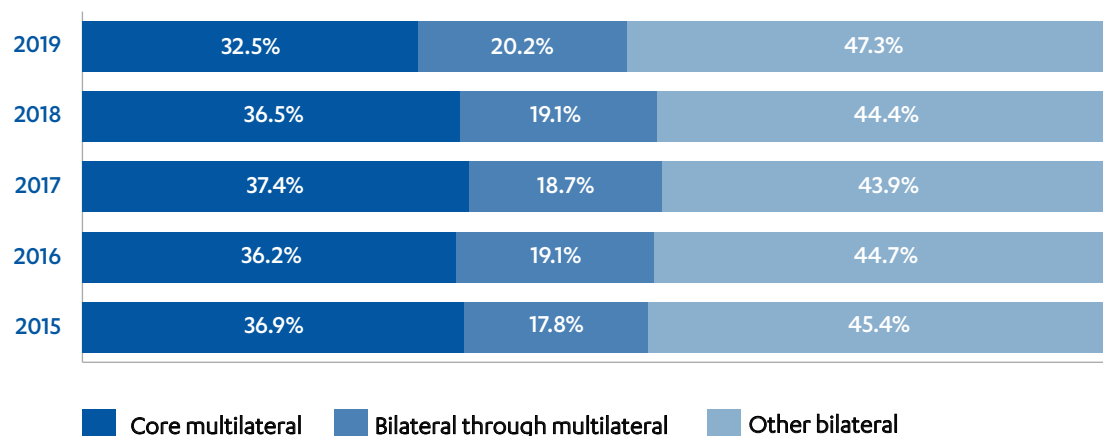
⁶ *Raising the Standard: the Multilateral Development Review 2016*, DFID, December 2016, p. 32, [link](#).

⁷ *Statistics on International Development: Provisional UK Aid Spend 2020*, FCDO, April 2021, p. 3, [link](#).

⁸ *Reducing the UK’s aid spend in 2021*, House of Commons, July 2021, p. 4, [link](#).

⁹ *Statistics on International Development: Final UK Aid Spend 2019*, FCDO, September 2020, p. 11, [link](#).

Figure 1: Total UK ODA by main delivery channel, 2015 to 2019



Source: Statistics on International Development: Final UK Aid Spend 2019, FCDO, p.12, [link](#).

The UK is among the largest contributors to several multilateral organisations, including the World Health Organisation (WHO) and Gavi, the Vaccine Alliance.¹⁰ In 2019, multilateral organisations received £8 billion of UK aid, £5 billion of which was core funding. **Table 1** shows the top 20 multilateral recipients of UK ODA in 2019, by spend.

Table 1: Top 20 multilateral recipients of UK ODA core funding in 2019, by spend

| | Multilateral organisation | 2019 |
|----|--|-------|
| 1 | European Commission – Development Share of Budget | £983m |
| 2 | International Development Association (World Bank) | £891m |
| 3 | European Commission – European Development Fund | £849m |
| 4 | Global Fund to Fight AIDS, Tuberculosis and Malaria | £370m |
| 5 | Central Emergency Response Fund (CERF) | £300m |
| 6 | Gavi, the Vaccine Alliance | £200m |
| 7 | African Development Fund | £177m |
| 8 | Clean Technology Fund | £167m |
| 9 | International Finance Facility for Immunisation | £119m |
| 10 | International drug purchase facility | £93m |
| 11 | Asian Infrastructure Investment Bank | £79m |
| 12 | United Nations Development Programme (UNDP) | £55m |
| 13 | United Nations Children’s Fund (UNICEF) | £48m |
| 14 | United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNWRA) | £48m |
| 15 | United Nations Department of Peacekeeping Operations (DPO) | £47m |
| 16 | International Bank for Reconstruction and Development (IBRD) | £46m |
| 17 | World Food Programme (WFP) | £40m |
| 18 | Global Environment Facility - Special Climate Change Fund (GEF) | £38m |
| 19 | United Nations Office of the United Nations High Commissioner for Refugees (UNHCR) | £35m |
| 20 | World Health Organization - core voluntary contributions account (WHO) | £35m |

Source: Statistics on International Development: Final UK Aid Spend 2019, FCDO, p. 44, [link](#).

¹⁰ Global Britain in a competitive age: The integrated review of security, defence, development and foreign policy, HM Government, p. 8, [link](#).

Definition of fraud and context

Fraud is the deliberate and illegal diversion of funds from their intended purpose. The UK's 2006 Fraud Act defines fraud as "The making of a false representation or failing to disclose relevant information, or the abuse of position, in order to make a financial gain or misappropriate assets."¹¹ Fraud specifically involves deceit or the abuse of position to make a gain, so bribery and corruption commonly involve some sort of fraud. For this reason, we will apply a broad interpretation of fraud for this review, to include bribery and other corrupt acts.

Fraud is usually hidden which means it is hard to detect. As noted in our earlier review, the amount of public spending lost to fraud is difficult to quantify.¹² The UK government's Counter Fraud Centre of Expertise estimates fraud and error losses in UK public spending outside the tax and welfare system to be between 0.5% and 5%.¹³ Overall, fraud in the UK public sector in 2017 was an estimated 5% of public spending.¹⁴ Globally, an estimated 3-10% of gross domestic product is lost to fraud.¹⁵

Although there is no reliable estimate of fraud in UK aid,¹⁶ the amount of reported detected fraud in ODA has been much lower than the above ranges. This is also the case for non-ODA spending by UK government departments and aid spending by other major donors such as the US Agency for International Development and United Nations bodies.¹⁷

Previous reviews

This report builds on ICAI's 2011 review, *DFID's approach to anti-corruption*,¹⁸ its 2015 review, *How DFID works with multilateral agencies to achieve impact*,¹⁹ the 2016 review, *DFID's approach to managing fiduciary risk in conflict-affected environments*,²⁰ and the 2021 rapid review, *Tackling fraud in UK aid*.²¹ The latter two particularly highlighted the importance of robust systems and processes to ensure the control of fraud and corruption in the aid programme. Following our recommendations in the 2021 rapid review, FCDO agreed to strengthen ODA fraud governance across all ODA-spending departments to improve sharing of good practice and increase consistency of approach for counter-fraud activity. It also agreed with our recommendations to: review and streamline reporting systems and procedures and strengthen training for delivery partners; to increase independent oversight of ODA outsourcing; and to invest in collecting and analysing more data and trends. ICAI's standard annual follow-up process will assess the implementation of these recommendations. This will take place after the completion of this review.

Purpose and scope of the rapid review

This review will identify and assess:

- The extent to which the UK government ensures fraud is managed effectively in its core funding to multilateral organisations, including the standards and procedures established at the outset and during the life of an investment.
- When and how the UK is involved in multilateral organisations' counter-fraud systems and practices and engagement between multilaterals and the UK on fraud investigations.
- How the UK has contributed to effective fraud risk management in multilateral aid spending through its relationships, principles, commitments and experience.

¹¹ *Cross Government Fraud Landscape Annual Report 2019*, Cabinet Office, 2020, p. 17, [link](#).

¹² *Tackling fraud in UK aid: Approach Summary Paper*, ICAI, October 2020, p. 1, [link](#).

¹³ *Cross Government Fraud Landscape Annual Report 2019*, Cabinet Office, 2020, p. 15, [link](#).

¹⁴ Public Sector fraud was estimated to be £40 billion by *Annual Fraud Indicator 2017*, Crowe, p. 15, [link](#). Government spending in 2017-18 was £789 billion (*Public Spending Statistics*, HM Treasury, July 2018, p. 12, [link](#)) of which £40 billion is 5%.

¹⁵ *The Financial Cost of Fraud 2019*, Crowe, 2019, p. 9, [link](#).

¹⁶ *Fraud in overseas aid and the challenge of measurement*, M. Button et al, *Journal of Financial Crime*, Vol. 22 No. 2, 2015, p. 195.

¹⁷ Detected fraud reported by department can be found in *Cross Government Fraud Landscape Annual Report 2019*, Cabinet Office, 2020, pp. 25-26, [link](#).

We compared these to the departmental spending figures in *Public Spending Statistics*, HM Treasury, July 2019, p. 9, [link](#) and *Department for International Development: investigation into the department's approach to tackling fraud*, National Audit Office, 2017, p. 29, [link](#).

¹⁸ *DFID's approach to anti-corruption*, ICAI, 2011, [link](#).

¹⁹ *How DFID works with multilateral agencies to achieve impact*, ICAI, 2015, [link](#).

²⁰ *DFID's approach to managing fiduciary risk in conflict-affected environments*, ICAI, 2016, [link](#).

²¹ *Tackling fraud in UK aid*, ICAI, April 2021, [link](#).

- How the UK has been involved in the evolution of multilateral organisations' approaches to tackling fraud over recent years, following the UK government's 2016 MDR, and the extent to which lessons have been learned and applied to fraud risk management systems and practices by the UK.

We will review the due diligence and monitoring documentation kept by the UK's FCDO in relation to multilateral organisations in general, while the following six selected multilateral organisations will be the subject of more detailed case studies.

- European Commission
- Gavi, the Vaccine Alliance
- United Nations Office of the United Nations High Commissioner for Refugees (UNHCR)
- United Nations Population Fund (UNFPA)
- World Bank
- World Health Organization (WHO)

Our selection considered the strategic importance of the organisation, the level of funding it receives from the UK and the findings of the MDR and other FCDO assessments. We also aimed to cover different types of multilateral organisations. During our review, we will:

- analyse how FCDO has engaged with the selected organisations to improve their fraud management;
- review counter-fraud frameworks in the selected organisations and the extent of FCDO involvement in their development and management;
- look at what type of assurance is available to FCDO; and
- review a selection of recently reported fraud cases and relevant programme documentation.

We will use a combination of virtual and in-person methods as appropriate in the context of the COVID-19 pandemic. We aim to visit up to two multilateral hubs in Europe. This will allow us to interview multilateral organisation staff in person and to better explore the role of the UK overseas network.

Review limitations

This review will not attempt to assess the multilateral organisations themselves. Our objective is to review how effectively the government assesses, monitors and influences multilateral organisations to manage fraud risks. While we will explore how FCDO satisfies itself with the effectiveness of counter-fraud measures, we will not verify the application of measures in the field.

This review will not seek to identify new fraud cases or quantify fraud levels in multilateral organisations. We will report any fraud identified through our review via appropriate channels.

This review is not an audit, nor is it intended as a full update to the NAO's 2012 Multilateral Aid Review or the 2016 MDR.²² It will not follow up on the recommendations included in previous ICAI reviews; however, it will draw on and build upon their respective findings.

²² *The Multilateral Aid Review*, National Audit Office, 2012, [link](#); *Raising the Standard: the Multilateral Development Review 2016*, DFID, December 2016, [link](#).

Review questions

The review will address the following questions:

- 1. Relevance:** To what extent does the UK identify, assess and monitor multilateral organisations' fraud risk management frameworks to ensure they have systems, including processes, governance structures, resources and incentives in place to manage fraud risks in the UK's ODA expenditure?
- 2. Effectiveness:** How effective is the UK at working with multilateral organisations and other donors to strengthen fraud risk management in multilateral organisations?
- 3. Learning:** How does the UK capture, apply and share its learning on fraud risk management internally and externally (ie, with multilateral organisations and the international community)?

Methodology

Our methodology comprises the following components:

- 1. Annotated bibliography update:** A short update to the annotated bibliography for the 2021 *Tackling fraud in UK aid*.²³ This will include summaries of literature covering fraud in multilaterals specifically.
- 2. Document review:** We will review documentation relating to FCDO's management and monitoring of multilateral organisations. This will include due diligence assessment documentation, tools and guidance used by FCDO staff to help with decision-making. It will also include documentation relating to monitoring and processes followed when fraud is suspected.
- 3. Case studies:** For six multilateral organisations, we will assess the findings in the 2016 MDR and FCDO's due diligence. We will seek to understand how FCDO set out to address weaknesses and the effectiveness of its efforts. We will also analyse reported fraud data and conduct a detailed review of key FCDO documentation relating to each organisation.
- 4. Stakeholder interviews:** We will consult relevant stakeholders in the FCDO, multilaterals and other key donors to understand the use of tools, policies and processes, how the UK works within the global community and different perspectives throughout the delivery chain. Interviews will support both our assessment of FCDO's overall approach to fraud risk management in its core funding to multilateral organisations and specific case studies.

Timeline

Research for this review began in August 2021 with publication expected in February 2022.

²³ *Annotated bibliography: Tackling fraud in UK aid*, ICAI, 8 April 2021, [link](#).