



Department
for International
Development



DFID Response

12 February 2019

DFID Response to the Independent Commission for Aid Impact recommendations on: The UK's Approach to Funding the UN Humanitarian System, December 2018

DFID welcomes this Independent Commission for Aid Impact (ICAI) performance review. In the face of today's unprecedented humanitarian needs, DFID is committed to working for a more efficient and effective global humanitarian system that helps save more lives and reduces suffering.

We welcome ICAI's conclusion that **"DFID has a strong strategy for using its funding and influence to strengthen UN humanitarian agencies and global humanitarian practice"**. We also welcome ICAI's recognition of DFID's thought leadership on several reform priorities, such as cash-based assistance, our successful efforts to build agency capacity to respond to crises more effectively, and our innovative funding practices, such as performance based funding. We will continue to use UK funding, partnerships and influence to strengthen, improve and reform the humanitarian system.

Recommendation 1: In the next annual review of its joint business case for core funding for UN humanitarian agencies, DFID should assess the practical implications of payment by results for agency budgets, planning and operations (particularly for the CERF) and whether the resulting incentives are in fact accelerating implementation of the Grand Bargain.

Accept

We are committed to learning lessons from our long history of funding the UN system and using evidence to refine our approach. We recognise the importance of increased and sustained consultation with others as our PBR mechanisms evolve, and will continue to work with donor counterparts to share the learning and emergent evidence about the impact of PBR.

We are investing in an independent monitoring and evaluation function to assess the effectiveness and impact of payment by results (PBR) in core funding. The contractor will evaluate the strengths and weaknesses of the PBR approach, the implications for DFID's partners and whether PBR has incentivised reform as intended. The first evaluation reports are expected at the end of 2019.

We recognise that there are particular implications for the CERF of PBR based on collective performance, given its status as a global pooled fund, rather than an operational agency. We will reflect further on the most appropriate performance based funding mechanism for the CERF, and the implications of any change in approach for the wider humanitarian system, in the coming months.

Recommendation 2: DFID should step up its engagement with the international working groups that are translating the Grand Bargain principles into practical measures for improving humanitarian action, and develop guidance for country offices on how to prioritise and pursue these measures at country level.

Partially Accept

The UK's Humanitarian Reform Policy (HRP) sets out our firm commitment to supporting a more efficient and effective humanitarian system. We remain fully committed to delivering on our Grand Bargain commitments, evidenced by the progress set out in our [2018 annual report](#) and our recent term on the Grand Bargain Facilitation Group from August 2017 to October 2018.

We note the 2018 Independent Annual Grand Bargain Report, which found that signatories were struggling with the scope of the commitments and should target efforts towards those where most progress can be achieved. Grand Bargain workstream co-conveners have subsequently prioritised and streamlined the original fifty-one commitments into a 'core ten' for all signatories. The UK supported this process, including with funding for independent expertise to guide it, during our term on the Facilitation Group.

DFID has focused its efforts on the Grand Bargain commitments that are the most critical enablers of transformative change. These are reforms where DFID can deploy its limited resources to achieve greatest impact and value for money. Amongst our priorities, we have focused on increasing cash transfers, doubling their use in humanitarian crises, and supporting critical new commitments to measure cash and vouchers separately. We are supporting international efforts to develop a new methodology and evaluation criteria for Joint Needs Assessments, and have introduced new requirements for common beneficiary accountability mechanisms in our country programmes.

We are currently reviewing our approach to delivering the UK's Humanitarian Reform Policy. This will include reflecting on the best way to prioritise and sequence our activities and resources to reinforce our commitment to the Grand Bargain as a whole, improve synergies within DFID and across HMG, and help deliver a reformed humanitarian system.

DFID will also continue to develop, share and promote guidance and best practice for our Humanitarian Advisers and country offices on relevant reform priorities, such as a recent guidance note on accountability to affected populations. We have already provided guidance that supports our country offices to align their asks of UN agencies, reinforcing our Grand Bargain commitments and expectations at the field level.

Recommendation 3: DFID should develop a plan for simplifying its reporting requirements for UN humanitarian agencies, in accordance with its Grand Bargain commitment. This should take account of the trade-offs between increased oversight and transaction costs, with a focus on proportionate solutions.

Partially Accept

DFID's reporting and due diligence requirements are necessarily rigorous in order to safeguard vulnerable people and ensure value for money for the UK tax-payer. We expect all DFID partners, including UN agencies, to meet these high standards. Nonetheless, we take our Grand Bargain commitment on reporting seriously. Following our participation in the Grand Bargain harmonised reporting pilots, we will look to ensure that lessons generated through the pilot process informs our approach to reporting, whilst still ensuring close oversight and accountability for tax payer funds.

DFID is already streamlining its due diligence processes. We will also soon launch a new learning package, with a wide range of online training modules aligned to DFID's Programme Delivery Capability Framework (including on reporting). This will support greater understanding and consistency of reporting requirements across DFID's country network. We will continue to monitor the internal and external reporting burden to ensure we maintain an appropriate level of compliance, principally through regular meetings with suppliers and partners.

DFID is also reviewing its approach to measuring results to ensure greater focus on outcomes and long-term, sustainable change. We are considering for example how our reporting requirements could focus more on measuring the quality and impact of our interventions. This will help to ensure our focus on value for money balances diligence on costs with the ability to get the best possible outcomes for our beneficiaries.

Recommendation 4: DFID's engagement with UN humanitarian agencies on effectiveness and value for money should address how they subcontract NGOs and the management overheads involved in doing so, as well as promoting compliance with safeguarding requirements through their delivery chains.

Accept

DFID carries out due diligence assessments on all the UN agencies we work with at country level; downstream delivery, such as through NGOs or other partners, is a core pillar of this assessment. This reflects DFID's commitment to making clear its expectations about risk management and how due diligence should be cascaded further down the delivery chain. On safeguarding in particular, we have introduced new enhanced due diligence which requires partners to ensure that appropriate safeguarding standards are applied down their delivery chains. We have also added

specific language on safeguarding in MoU templates and programme logframes, including that the partner will take all reasonable steps to prevent sexual exploitation, abuse and harassment (SEAH) by its employees and by those of any downstream partner. We will continue to engage with UN partners to seek assurance that commitments presented at the October Safeguarding Summit in London are implemented and further progress is made to keep people safe from harm.

We will also consider how we can strengthen our understanding and analysis of the management overheads throughout the humanitarian delivery chain, and what implications this has for value for money. In doing so, we recognise the challenge of obtaining complete and comparable data across all UN agencies.

Recommendation 5: DFID should review how it supports the normative functions of UN humanitarian agencies, particularly at country levels, and ensure that staff resources and budgets are available to support UN-led initiatives to improve the quality of humanitarian response.

Accept

The UK has a long-standing commitment to flexible core funding for our multilateral partners, and levels of core funding have increased significantly in the time period of this ICAI review. Our multi-year core funding is a vital resource for UN agencies; it supports rapid responses when disaster strikes, as well as other critical functions such as normative roles, performance monitoring, and evaluation.

In line with this recommendation, DFID is reviewing the different functions provided by UN agencies and other actors in the humanitarian cash sector in particular. Our aim is to analyse the process for delivering cash based assistance and focus on partnering with agencies where they have a specific comparative advantage. By identifying the most effective way to support the provision of cash transfers at country level, we hope to support more efficient and effective humanitarian response.

We agree that strategic investments in smaller scale reform initiatives can support wider efforts to improve the quality of humanitarian response. DFID has recently launched a new £4.5 million [Humanitarian Policy Fund](#), which will support policy initiatives, interventions and catalytic work that will contribute to implementing the UK's Humanitarian Reform Policy and improving the global humanitarian system. Our first annual review of this Fund will take place later this year.