

# International Development Sub-Committee on the Work of the Independent Commission for Aid Impact

Oral evidence: ICAI's review of the UK's approach to funding the UN humanitarian system, HC 1974

13 March 2019

Ordered by the House of Commons to be published on 13 March 2019.

[Watch the meeting](#)

Members present: Paul Scully (Chair); Richard Burden; Chris Law; Ivan Lewis; Stephen Twigg.

Questions 1 - 33

## Witnesses

I: Tamsyn Barton, Chief Commissioner, ICAI; Paul Harvey, Team Leader, ICAI; Matthew Wyatt, Head of Conflict, Humanitarian and Security Department; Mark Smith, Head of Better Delivery Department, DFID.

## Examination of witnesses

Witnesses: Tamsyn Barton, Paul Harvey, Matthew Wyatt and Mark Smith.

**Q1 Chair:** Thank you very much, everybody. We are going to consider ICAI's review on the UK's approach to funding the UN humanitarian system. Tamsyn, this is the first time you are coming in front of us to give evidence. Thank you very much for coming in front of us. I wonder, before we start, if you would like to say a few words about how you intend to take the work of ICAI forward under your leadership?

**Dr Barton:** Thank you very much, Chair. You may remember that in my pre-appointment hearing I set out some of the general directions that I hoped to pursue. I have been able to develop that thinking in consultation with colleagues in the secretariat and the service provider. I would like to pick out a few themes so that you can get ready for what will be coming up in phase three.

The first and most important theme relates to what I discussed before about public trust. It is enormously important that we demonstrate through our scrutiny that we are ensuring that aid is effective. Ultimately, the best way in which we can possibly do that is by bringing in the voice of the people that we are trying to help into our reviews. We intend to do that wherever it is practical and makes sense in terms of the theme of the review. That is something we are working on. We are going to have our first effort to do that in the context of a portfolio review in Ghana. That is very challenging because it is looking at the entire UK aid footprint in Ghana and thinking about what is appropriate in terms of the voices of people we are trying to help. It is interesting methodologically.

We will also be looking at this in the context of a review on sexual violence in conflict, the PSVI initiative. There it is going to pose particular challenges, because of course we will want to bring in the voice of survivors in an ethical manner. That is one of the first things I would draw to your attention.

The second thing that I would draw to your attention is an increased focus on multilateral spending. 55% of UK aid spending goes through multilateral channels. That has perhaps been a bit under-scrutinised, although of course today we will be looking at it. My thinking is that we should do this in a new way where we consider where the multilateral channels provide particular value for money where it is needed to use multilateral, rather than bilateral channels, what the pros and cons are, and how to think about it in the context of comparing with bilateral spending. As I mentioned, the Ghana review will offer us an opportunity to look at country level and have bilateral and multilateral spending next to each other.



Thirdly, we are going to be experimenting with new products. We need to be communicating a bit more effectively and more broadly about the role of ICAI. We will be doing that beyond our reviews. I will be doing a little bit more work with the media, for example, in an explanatory role, bringing ICAI's unparalleled knowledge of the aid programme and expertise into the debate about the use of aid. In that context, we are going to make sure that we do not only produce very length reviews that are hard for people to read. We will be producing more information and notes, mining old information and bringing them into reviews, particularly in response to the areas that we know you are going to be focusing on as a Committee, making sure that what we do is salient and timely above all.

The last thing is that we have launched a public consultation online and we are using social media and other ways of promoting that so that the public has an opportunity to put in their ideas for what ICAI should be focusing on in the years ahead. That has started and will go on until 23 April. We would be delighted if you were part of that consultation, as well as through the regular channels we use.

**Q2** **Chair:** Thank you very much. Turning to the report, this was done under your predecessor, Dr Evans. Looking at the methodology, given that the UN humanitarian agencies receive support from many different donors, how did you single out DFID's specific contribution?

**Dr Barton:** Indeed, it was not a straightforward task to single out DFID's contribution in some respects, insofar as when you look at the UN agencies, not all of them will trace their core funding through. Our approach was that we triangulated between three different methods of review. We conducted a strategic review, looking at the evolution of DFID's strategy to fund and influence UN humanitarian agencies. We took the time period between 2011 and 2018. We had a literature review, which was looking at the broader evidence and also the synthesis of evaluations. We also did an in-depth financial analysis, mostly drawing on material available from DFID's systems but we were able to get some also from the UN system. That was the strategic review.

The second part of it was reviewing DFID's engagement with six of the major agencies receiving core funds. There we were focusing particularly on headquarters, interviewing DFID staff in London and UN agency staff, as well as missions in New York, Geneva and Rome, to establish whether DFID had brought about positive change in agency systems and response capacity.

The third element was country and thematic case studies. We had one country visit. The plan was for two but unfortunately we could not get visas for Iraq so the other three were desk-based in Bangladesh, Iraq and Lebanon. These were purposively sampled, so we were looking at the biggest range in terms of geography, types of funding for the country studies and the thematic studies looked at the use of cash transfers as a form of emergency relief and the very important theme of accountability



## HOUSE OF COMMONS

of humanitarian agencies to affected populations. In total, we conducted 169 interviews. We think we got a pretty good handle on it.

**Q3 Stephen Twigg:** If I can ask DFID, looking at the funding by DFID of humanitarian spending through the UN, obviously it has grown considerably for obvious reasons with the number of humanitarian crises in recent years. Whilst the total spend has increased considerably, we have seen a slight fall in the funding of the core activities of UN humanitarian agencies. Can you set out why that is?

**Matthew Wyatt:** Yes, certainly. As you have noted, there has been a huge increase in the overall humanitarian needs year on year. There has also been a very big increase in DFID's support, although it is important to recognise that whereas the increase in the needs has been great and the increase in the overall funding has been great, the increase in the overall funding is still not quite keeping pace with the increase on the need.

On your specific question about the levels of core funding, our level of core funding is about between 20% and 30% of our total funding for these agencies. We arrived at that as a figure in two ways. One is a fairly deliberate way, which is when we put together this business case, we made an assessment of what we needed to do in order to make the system better and how we could try to do that. We will probably come on to the PbR as well, as an element within that. We wanted to have sufficient core funding that we would be able to get the attention of headquarters.

The other part of the answer to the question is that a lot of the decisions on channels for funding are made by our country offices at country level. Rather than a central decision to fund UNHCR or the UN, our country offices are looking on the ground at what it is that is going to make the most difference. That may or may not be humanitarian funding, or it may be development funding in particular cases. They will then select the channels appropriately. We do not have an ex ante view of exactly what the split between core funding and specific country funding should be.

**Q4 Stephen Twigg:** Looking at the figures and going back to 2011-12, which predates some of the emergencies we have addressed as a Committee and therefore the quantum was much lower, the core funding was almost equal to the funding for specific emergencies. In 2017-18, there was £191 million core funding against £656 million, which clearly reflects the increase in the number of emergencies. Is there in a sense a deliberate decision, even if it being made at a country office level, that it makes more sense to put money in to specific emergencies rather than giving the freedom and discretion to the UN bodies to work out for themselves how they are going to spend that money? Do you see what I mean?

**Matthew Wyatt:** Yes, I do see what you mean. There is a balance to be struck there. There are also various different instruments that are used at



country level that have different impacts. For example, one of the big instruments that we use and we think is a very useful instrument is the CERF, which of course counts as part of our core funding. Globally, we are the biggest donor for country-based pooled funds. They are held at country level under the leadership usually of the resident co-ordinator or the humanitarian co-ordinator, who then decides what that money should be spent on and which institutions should receive it. In a sense, that is pooled funding. It does not appear in the figures as core funding but nevertheless it does allow choices to be made at country level. The UN leads those choices and the country team influences those choices.

**Q5 Stephen Twigg:** Is there any element of a concern that the core funding does not necessarily reach the beneficiaries whereas the specific funding is more likely to? Am I reading too much into it?

**Matthew Wyatt:** There are two things there. There are advantages to core funding. For example, as you were hinting at earlier, it enables the UN to be able to say, "Where is the money really most needed?" Can we reach beneficiaries perhaps in contexts where DFID may not have offices and may not be able to run programmes more effectively than the UN will? That is a big advantage of core funding.

In terms of the specific question about whether it reaches beneficiaries, there are two answers to that. One answer is that part of the purpose of core funding is to ensure that the agencies function really well and are able to carry out their normative functions. It is not all about directly getting to beneficiaries; it also about funding the co-ordination functions, the lobbying functions of Government on how they might treat refugees, IDPs and so on. Those normative functions are really important.

The other check that we have on making sure that funding we do through core funding reaches beneficiaries is based on the reporting that we get from the UN agencies. We trust that, partly because they have a good track record. We also trust it because we have a lot of due diligence to ensure that we can have confidence in their systems and their reporting that they are reaching beneficiaries. Of course, we triangulate that in the many countries and in crises where we do have country offices. We are able to triangulate that from reporting from our own offices on the ground to ensure it is really reaching beneficiaries.

**Q6 Stephen Twigg:** Tamsyn and Paul, do you want to comment on this aspect?

**Dr Barton:** Broadly speaking, we would agree with the explanation of what core funding is useful for and what funding for specific emergencies is useful for. In the review, we give DFID a lot of credit for the strategic way in which they have approached the core funding. What has been done over a long period in supporting the Central Emergency Response Fund and the Office for the Coordination of Humanitarian Affairs has enormously helped the ability of the UN to co-ordinate. We know that in



## HOUSE OF COMMONS

emergencies, co-ordination and preparation are the key to value for money. That is a balance that we take a lot of account of.

Where we raised questions was in relation to the fact that in recent years there has been an increased burden of reporting and compliance. The reason that we raised questions about this is that at the World Humanitarian Summit in 2016, the UK along with others committed to, for example, harmonising reporting and in other ways reducing that burden. That is where we would raise a bit of a question mark. We also did question whether DFID had sufficient resources at country level to support the normative work of the UN, even though, as just set out, that important role is clearly recognised by DFID. They set the standards and they lead on humanitarian principles. We broadly agree but we would add those points of criticism. Perhaps I should pass to the team leader, Paul, to see if he would like to add anything to that.

**Paul Harvey:** I am fine.

**Q7 Richard Burden:** The ICAI review describes the UN humanitarian system as large and unwieldy. Any of us that have seen it in operation would not be surprised by that description. What would you say the practical implications are of that kind of system in getting help to recipients on the ground? In answering that, could you say something about DFID's own reform agenda and whether you think it really does go far enough to tackle inefficiencies in the way that humanitarian assistance is delivered? I will ask for ICAI's observations in a minute.

**Matthew Wyatt:** Yes, the system is unwieldy but the system does achieve an awful lot. It does reach millions and millions of people in desperate need every year. We have seen that over the last 20 years there has been one famine, the one in Somalia in 2010-11. If you compare that with the rate of famines in the last century, that demonstrates an awful lot of progress. One famine is too many but it is a lot of progress and the humanitarian system is not solely responsible for that but is partly responsible. In a sense, the preamble point I am making is that the system is not broken, it is working but we would agree with you that it is unwieldy. Some of the agencies, including the agencies we support, have overlapping mandates and so on. Perhaps if you were designing the system from scratch now—it has accreted and evolved over years—it might not look quite the way it looks now. That said, it is delivering an awful lot.

In terms of the reform agenda, we see that there is a real need for it to deliver more and better. That is partly because some of the challenges it is facing are changing. Increasingly, the people in need are in protracted crises and we need to bring to bear conflict resolution mechanisms and longer-term development approaches, docking in with humanitarian approaches in order to make a difference. The challenges the system is trying to deal with are changing so the system has to change. In terms of DFID's reform agenda, it is set out fairly clearly in the humanitarian reform policy, which the Committee is familiar with, the kind of thing we



want to see within the system. We have made that much more granular in the business case and funding for the humanitarian system. What we are trying to do is set the right incentives for agencies to co-operate better, work better together, divide their labour more effectively and compete against each other rather less. That is what we are seeking to do.

**Q8 Richard Burden:** How much leverage do you think you have? First of all, one thing that of itself is a good thing is the amount of funding from other donors to the UN system has gone up. That is clearly a good thing. Has one of the consequences of that been to reduce DFID's leverage to pursue the reform agenda? If that is the case, what more do you think you can do to try to get reform higher up the UN's agenda in practical terms? A number of us have discussed reform of the UN; everybody agrees it is necessary but often what comes back is the message, "We are too busy doing what we have to do to put it into practice".

**Matthew Wyatt:** There are quite a few questions in there. Maybe the place to start is that we are the third biggest bilateral humanitarian donor globally. We are a significant donor. We are about 10% to 15% of the total funding for the system. When you look at leverage, you need to look both at leverage and influence, because the difference we can make does depend on us being a significant donor, and we are a very significant donor, but it also depends on the extent to which we are able to bring thought leadership and ideas to the table.

I would contend that with the humanitarian reform policy, we have set out a very forward-looking agenda. It has resonated with a large number of other donors who we work in partnership with. The way in which we approach the core funding of the system and complement that with our country level funding gives us opportunities to influence the system.

I do not want to completely overstate that. We do not control the system. There are other, bigger donors than us out there and they do not all completely share our objectives. Nevertheless, the combination of being a significant donor and being able to put ideas out there that resonate with others does enable us to achieve a degree of change. We have seen in our previous attempts at leveraging change in the system, and also through some of the evidence we have got so far from the current approach and business case, that we are getting some of the changes that we want to see. For example, on cash we have been very much in the lead in terms of trying to get a greater and more effective use of cash in the system. We have seen the amount of cash in the overall system double. We have seen a number of other donors who were initially sceptical coming on board with that and we have seen agencies who were also rather sceptical scaling up their efforts. We are able to make a difference through those two things, both the funding and the intellectual leadership.

**Q9 Richard Burden:** Does ICAI have any reflections on those issues?





**Dr Barton:** Yes. I would like to pick up the point about the unwieldiness and the impact it has on people at the end of this. Absolutely it is true that the system saves a lot of lives. The interesting thing is what they say. There have been some surveys done by an organisation called Ground Truth in Afghanistan, Iraq, Haiti, Lebanon, Somalia and northern Uganda. The first and probably the most important thing is that people do very much appreciate the aid they get and they feel they are treated with respect.

In relation to the unwieldiness, it is striking that they say they are poorly informed about what support they can get from agencies and how. They feel unable to participate in decisions that affect them, which has been shown to increase the effectiveness of results at the end.

The last thing they observe is very relevant to the point made about the connection between humanitarian and development, particularly in protracted crisis, which is that where they are saying they are not getting enough help is in relation to livelihoods. The shorter-term immediate response is more straightforward. That is something we need to keep in mind in thinking about the importance in that it makes a difference for people on the ground if the co-ordination is better.

The second point that I would make is about this leverage question. We have to be realistic. This is one of the reasons I want to approach UK spending through multilaterals slightly differently. There are a couple of agencies, such as WFP and UNHCR, where 50% of their funding is coming from one donor, the US. The capacity for the UK to influence that will be to an extent limited unless the US is also on board. That is why, in DFID's own theory of change about how it gets leverage and change, it has to co-ordinate with other donors to get those changes.

The example of cash was raised. We definitely positively appreciate the way that the UK has worked on cash. That has been done effectively in a co-ordinated way. Where we raised questions was in the Payment by Results approach. It is something we appreciate in terms of the innovation and the efforts to incentivise collaborative working, because that is the key. The risk with cash is that it may encourage more competition. That is an important thing to try to do, but doing it in a hurry, without co-ordinating with other donors, according to DFID's own theory of change, might limit the leverage. It is too early to say at this point but what we would do is encourage more co-ordination with other donors to get those changes.

**Richard Burden:** We may come back to the Payment by Results issue. Thanks very much.

Q10 **Mr Lewis:** My first question is to Tamsyn and Paul. Do we have evidence that multiannual funding delivers better value for money? The question to Matthew and Mark, which is kind of linked, is that when we give that multiannual funding to UN agencies, there seems to be a bit of concern that then does not then get transferred, for example, to frontline NGOs





very efficiently, effectively or quickly.

**Dr Barton:** I will give a short answer of “yes” on whether we have evidence. This is one where it will be helpful to have the expertise of Paul.

**Paul Harvey:** The answer is yes. There is decent evidence from the literature, from our review and from a range of sources that both the multiannual core funding and increasingly multiannual funding at a country level contributes to value of money because it helps agencies to plan and budget more effectively. That helps them deliver value for money and effectiveness. The point you raise about whether those benefits are passed down through subcontracting chains and what that means is one we have raised in the review and is important.

Q11 **Mr Lewis:** What is the evidence? You said that you have evidence. What is it?

**Paul Harvey:** The evidence from the review is interview-based with DFID and the UN. The evidence from the literature review that we did as part of the review, which comes from evaluations of multiannual funding and evaluations of value for money, demonstrates the effectiveness and value for money.

Q12 **Mr Lewis:** Do you want to respond on that?

**Matthew Wyatt:** First of all, I would completely agree the evidence is there for multiannual funding. In one study, as an example of that, WFP was able to save somewhere between 18% and 30% of their funding when they were procuring goods, food and so on because they were able to do it early. If they had had to wait for the funding, they would not have been able to do it. Because they had predictable funding, they were able to get the best value for money, as you would expect, because if you try to procure goods during a crisis they are bound to be more expensive. That is one small example. In general, the idea that you get more effective results if you are able to plan and you have a solid funding basis on which to plan is pretty clear and there is evidence for that.

I do worry about the fact that a number of downstream partners of the UN complain that they are not also getting the benefits of being able to fund multiyear. That is something we are challenging the UN on and we will continue to do so throughout the business case. You are right that that is a concern and a very legitimate one that ICAI have rightly picked up on in their report.

Q13 **Stephen Twigg:** Can I ask DFID about the issues around women and marginalised groups? In the ICAI review, they say that in interviews with UN staff, there was little mention of gender, age or disability being raised by DFID as a reform objective. Why have those key areas not been given higher priority in the reform agenda of humanitarian agencies?



**Matthew Wyatt:** I would argue that they do have high priority. It depends who you talk to. We have conversations with a lot of different people about a lot of different things, and one cannot raise all the priorities in every conversation. In terms of disability and gender, starting from first principles, one of the key humanitarian principles is impartiality and delivering assistance on the basis of need. If you are not taking into account a very inclusive approach to need, you are going to miss people: women and girls' needs, the needs of disabled people, the needs of old people and the needs of children. The list goes on.

The agencies cannot be doing their jobs properly if they are not addressing those issues. Our Ministers have been very clear publicly and they are very clear when they speak with the heads of agencies, as are we at official level, about how important those issues are for us. We have strategies on gender, the strategic vision on gender, and we have the disability strategy now, which has a humanitarian pillar. We have clear policies on gender and disability.

In terms of trying to make sure that they are implemented, we have now included in our memoranda of understanding and in our business case disaggregated data on gender and disability. The disability indicator is in the PbR. We are going to come to talk about the PbR but we have the disability indicators there. We are then able to hold the agencies to account through their reporting mechanisms on this. We also of course do our due diligence on the agencies. When we do that, we are very careful to ensure that gender, disability and other issues of inclusion are being dealt with properly by the agencies. The agencies we fund under this business case all have very solid policies on these issues, such as gender and so on.

I was slightly surprised, I must say, to find that finding within the report, but ICAI found what they found. I am very clear that these remain very high ministerial priorities and ones that we are continuing to drive in our dialogue with the UN.

- Q14 **Stephen Twigg:** One of the challenges is turning good paper policy into practice on the ground, in particular affecting cultural change. Perhaps the most powerful example of that is the challenge around sexual exploitation and abuse. In the review, ICAI argues that the measures taken so far by UN humanitarian agencies in response to events of a year ago are insufficient. What do you see as the barriers to progress in this area? In particular, what is the Department doing? We know the Department has taken a lead and the Secretary of State has taken a lead in this area. In terms of the UN humanitarian agencies, what is the Department doing to support encouraging challenge of the agencies in this area?

**Matthew Wyatt:** The first thing I would say is that things have moved on quite a lot since the report came out. This has been an agenda that has been moving very fast. There has been quite a lot of work that has been happening.



## HOUSE OF COMMONS

In terms of barriers, they are the barriers that one finds in all institutions on these issues: there is denial, shame, cultural issues and also procedural questions about whether the procedures are in place to be able to receive and investigate complaints and so on. There may be financial barriers, in that organisations might worry that if they expose or are seen to expose these things they will lose funding.

What are we doing about it? The Secretary of State wrote to the heads of all these agencies before the summit in October. At the summit in October they all made very strong commitments to address sexual exploitation and abuse. In fact, we already had that because we were rather anticipating this. We were some of the first with memoranda of understanding within DFID to have strong commitments on that written in to the project agreement and into the MOUs that we have.

We have consistently challenged the agencies in board meetings and have often fronted for a broader range of donors. You were talking earlier about how important it is to get other donors on board. We have often drafted statements that we have then delivered on behalf of other donors, in boards and so on, to reiterate the importance we attach to the issues. We have been very clear that we recognise that there are some additional costs involved in terms of making sure that one addresses safeguarding, and that is a legitimate thing for agencies to do. In fact, there is some dedicated funding being put aside now to support smaller organisations—not the ones we are talking about today—to be able to do all that. Of course, it is also part of our enhanced due diligence of agencies. Mark might want to say more about that.

A lot has happened since the report was written. Only time will tell whether this is enough but a lot has happened and it is something we continue to take very seriously. You will be seeing the Secretary of State quite soon, will you not, in the six-month review?

**Q15 Stephen Twigg:** In May, yes. Can I ask a supplementary that arises from that, which might be suitable for Mark to answer? A specific suggestion in the review is that we should look at changing funding mechanisms to encourage collective responsibility, rather than competitive behaviour. What is the Department's view about that? If you are open to that, how might that be pursued because that struck me as a very good suggestion?

**Matthew Wyatt:** Collective responsibility, in a sense, brings us on to the whole question of the PbR.

**Stephen Twigg:** That is the next question.

**Matthew Wyatt:** That is precisely what our approach to PbR is, which has indeed come in for some criticism, and it would be excellent to have a chance to discuss some of that. That is exactly what we are trying to do: to incentivise a collective approach and collective responsibility,



rather than individual-type behaviour. That would perhaps be the best example of that.

**Q16 Stephen Twigg:** Mark, did you want to add anything?

**Mark Smith:** On the due diligence process, following up on Matthew's earlier point, there is some criticism in the report about the transactions that our checks on partners bring about. In part this is trying to be pre-emptive. It is trying to avoid problems before they materialise, and it is trying to ensure that in relation to safeguarding we are not just looking at what the policies say, which is your point, but also looking at how they are applied on the ground.

We are more interested in how we can do that in collaborative ways. With NGOs, we have been experimenting with a more collaborative approach to undertaking assessments so that the results of any of the findings of enhanced safeguarding due diligence are owned not by DFID but by the organisations themselves. That is a good step towards them then being able to share those findings with wider donors and trying to get more collaboration and a joint understanding of what some of the challenges are in implementing high safeguarding standards in complex operating environments.

**Matthew Wyatt:** Relating back to what Tamsyn said about that very worrying Ground Truth study that there was in Uganda and so on. It was a worrying but perhaps not surprising study about how people feel about the assistance they are getting. Relating to this question, we are at the moment working with a number of the agencies to look at ways to have better collective accountability for affected populations. One of the problems that may underlie how people feel in Uganda and elsewhere is that the services they get come from all sorts of different places and they are not quite sure who they get from whom and so on. There should be a more collective approach, and then a collective approach to asking people, "Are you getting what you need?" and, "Are you able to articulate what you need?" because if you are hungry and someone is coming at you with a shelter kit, that is not much help. We are working on that with the UN agencies to try to get better at that. That is an example both of trying to address those Ground Truth study-type findings but also about how to work collectively, rather than individually.

**Q17 Stephen Twigg:** Tamsyn and Paul, there is a sense that things have moved on in a positive way since the review. Do you think that is a fair assessment?

**Dr Barton:** If I could go back briefly to your prior question, I wanted to say how much we appreciate you asking about gender and disability. We do not want to be failing to mainstream, particularly in the case of disability. The next time I come before you will be in the context of the disability review that ICAI did. We are trying to hold ourselves to account in mainstreaming in our own reviews.



## HOUSE OF COMMONS

On your main question about whether things have moved on, it is undoubtedly the case that with the safeguarding unit in place and the galvanisation of all of DFID's systems—and this week is actually safeguarding week, is it not?—so at the moment there is a huge focus on what DFID can do on safeguarding to make sure that everybody is aware of what they should be doing. Without doubt, more has been happening and that has been happening in the humanitarian space.

In terms of our concerns as expressed here, the first was a criticism that does not just apply to DFID but is striking in the context of their recent action, which is that in 2002 there was a very disturbing report about sexual exploitation and abuse. The response of everybody in the system, including the UK, was much too slow. That was our primary criticism.

Our second criticism was really to do with the key question of how best to get real change. There we were raising the obvious point that there is a limit to what you can do with compliance. There are some things you have to do with compliance but culture change is not happening through compliance. I am encouraged to hear that there is a more collaborative approach. That is going to be what is needed. Looking at costs is going to be very important, which in a way often takes us back to the core funding question. Unless there is money set aside, it is possible this will not be given the priority it should be given. I do not know whether there is anything you would like to add to that, Paul.

**Paul Harvey:** There are three points in relation to this. One is around consistency of focus. While it is certainly true that in 2018 safeguarding was a major focus and all sorts of this have been happening, what we found over the longer period of review was perhaps a lack of consistency and focus over the whole period of the review. What we think is needed in relation to this issue, and indeed other reform priorities, is consistency of focus.

The second point is a concern around cascading risk that comes back to the subcontracting thing. If you are putting stronger diligence requirements on organisations that are then passing those requirements down to other organisations in contracting chains, there is risk that you cascade the risk without giving the smaller organisations the resources to deal with it. It is welcome to hear about the extra fund for small organisations. That is a risk that DFID needs to guard against: passing down strict requirements without resources to tackle the problem effectively at a field level.

The final point is around combinations of levers in relation to accountability to affected populations, which is an element of how you get stronger safeguarding. We think DFID could do more to combine its levers of influence with the UN, so combining what it is asking agencies to do in terms of core funding with the other wave in which it can influence the UN. We found it did that very effectively, for instance in cash, which Matthew has already talked about, but perhaps less



## HOUSE OF COMMONS

effectively in some of its other reform priorities in terms of the attention that is given to those issues, sustained over time.

**Q18 Richard Burden:** Could we move on to Payment by Results? You have been clear you see that the purpose of that has been to incentivise changes of behaviour, but there has been some concern that DFID has decided to go ahead with that on its own before getting other donors on board to do so. How would you respond to that?

**Matthew Wyatt:** We certainly did go ahead with Payment by Results. We did have conversations with other donors and so on but it is true that some of the other donors, and some of those whom the ICAI team spoke to, have reservations about the approach to Payment by Results, as indeed do some of the agencies themselves, because they find it a bit uncomfortable. That comes back a bit to the previous question about trying to get the system to work as a whole, in that the traditional approach to funding—and, indeed, under our business case, 70% of the funding that we are providing—is done on the basis of results that agencies are themselves individually accountable for and therefore, to a degree, are within their control. Some of the agencies and some of our other donor colleagues have felt the approach we have with PbR, where we are saying that there is a collective responsibility for meeting the PbR results and that no one agency can do it on its own, may somehow be a bit unfair, because an agency may get less resource because another agency has not done what it should do.

It is still early days with Payment by Results. The jury has to still be out on that, but we do have some evidence that the Payment by Results approach is certainly having an impact and possibly is working. We can see some examples within some of the agencies where they are internalising in their own guidance and so on some of the language we have in our Payment by Results indicators, which they have all agreed to, of course.

I should have said at the beginning that all of the Payment by Results indicators come from Grand Bargain World Humanitarian Summit commitments. We are not imposing anything on agencies that they have not already signed up to. We are simply saying, "You have all agreed to this collectively. Let us see you deliver it collectively". We are seeing in a number of cases that they are internalising it. We also get anecdotal reports from people within the agencies, some of who have been saying that it has been really useful for them to get the issues higher up the agenda with senior management and get some results.

I would probably have to agree with you that we have led from the front on it. We have not brought everyone with us immediately but we are seeing some positive results from it and we are also seeing a lot of interest from other donors in whether or not they might want to consider something along these lines themselves. Overall, it is still early days. We have only had the first cycle and the first release of Payment by Results funding, which was fully released. All the funding was released. It is still





## HOUSE OF COMMONS

early days but we are monitoring it carefully and hopefully we will learn something useful.

- Q19 **Richard Burden:** In a minute, I might ask you to give a few of the examples you are talking about. While you are thinking about that one, could I perhaps raise a more general question mark around Payment by Results? I understand your point about it trying to incentivise changes in behaviour but just before we were talking about the importance of multiannual funding in providing predictability in the system to enable agencies to plan ahead. Does the Payment by Results system not potentially take you into a different direction of building into the system uncertainty and therefore undermining what multiannual funding could achieve?

**Matthew Wyatt:** I would say two things in relation to that. The first is that we do not think there should be uncertainty because the Payment by Results indicators, as I said before, flow from commitments the agencies have all made at the World Humanitarian Summit. The Payment by Results indicators have been agreed with all the agencies as being reasonable and collectively it is within their gift to deliver on them in full and get the funding in full. We think they ought to plan both to deliver the results and also to get the funding. It should not be uncertain funding. It is multiyear. The funding is there every year and, as long as the results are achieved, the funding will be released. It is really within the gift of the agencies to obtain the funding.

While acknowledging that there is something in that—that if you make payments in any way contingent on something else, you are making them somewhat less certain—we were saying earlier that our core funding is a proportion of our total funding to the UN agencies, and our Payment by Results funding is of course only a proportion of that. It is 30% of the core funding business case. It is not the full amount that is contingent on the Payment by Results indicators. You need to draw a balance somewhere. The predictability of the multiyear funding in many of our bilateral business cases and in the other 70% of this business case gives a high degree of predictability.

- Q20 **Richard Burden:** You mentioned about the responsibility for achieving the results that you are paying for being a collective responsibility, particularly in the UN across different agencies. The Payment by Results formulae, however, are applied not necessarily collectively but to individual agencies, including some that do not necessarily deliver a lot directly but are responsible for trying to bring other agencies' work together, for example OCHA and CERF. Do they not in practical terms have little capacity to bring about the changes that DFID wants and that it can influence? Is it really fair to apply Payment by Results formulae to them if they do not have the capacity to make the change on the ground?

**Matthew Wyatt:** That is tricky, I would agree. There are, as you say, potential costs in there, in that no one agency can ensure another agency does the job that it should do. On the other hand, what we are trying to





do is create an incentive whereby all the agencies get together and collectively agree that they will achieve these results. The more agencies you exempt from that, the more you weaken that.

It is an important point that you have made and it is one ICAI made in the report, particularly about the CERF. Is it really for the CERF to be part of the same PbR as all the other agencies? We are reviewing that. We are looking at whether or not we should have a slightly different approach to the CERF. The early indications are that Ministers are very much open to having a different approach to the CERF, for very much the reason that you give: the CERF is a fully operational agency that provides funding for all the others and therefore is a bit different from the other agencies.<sup>1</sup>

Q21 **Richard Burden:** Would OCHA not potentially come in to that category?

**Matthew Wyatt:** Potentially. It is something we ought to look at, but OCHA plays such a fundamental role in the co-ordination of the system that we would want to see them at the centre of efforts to co-ordinate.

Q22 **Richard Burden:** Could we now perhaps hear some of the examples you were talking about? You mentioned how PbR has incentivised a change in the language of different agencies. Beyond the language, what can you point to, to say, "This is the actual change on the ground that is being achieved by it"?

**Matthew Wyatt:** In terms of the first one, for example, OCHA gives central guidance to humanitarian co-ordinators and to country offices on how to develop the humanitarian needs overviews that they do for the various countries. The guidance for 2019 has specific references to cover the requirements within our PbR indicators. That would be an example of how it is infusing into language.

In terms of the impact on the ground, I want to stress—I said earlier but perhaps I did not stress it enough—that it is very early days with PbR. We are certainly not claiming success yet. What we are saying is that there are some indicators that it is working in some areas. That is all we are claiming at the moment, and we really need to keep monitoring this very carefully to ensure that is the case.

In terms of the first year's experience, when we did the reviews all the agreed results had been met by the agencies. There were improvements on things like joint needs assessments, accountability to affected populations, the use of cash and so on, in terms of the indicators that are in the business case, and they were met. There is some evidence that it is working. Maybe it is not the PbR that is driving that; we have to be careful about ascribing causality but at least there is a read across between what is in the PbR and what has been delivered.

---

<sup>1</sup> Clarification from DFID 'The Central Emergency Response Fund (CERF) is a United Nations global emergency response fund which is drawn upon by UN humanitarian agencies.'



As I stress, I do not want overstate the case. It is an experiment. We are trying something different because we have tried many ways in the past of trying to get the system to work better together and we have not felt that they have had the traction. We are trying something different here. It has created a lot of interest and a lot of discussion. It is still controversial and that is why we are monitoring it very carefully, to try to establish whether it really does make the difference that we hope it will.

**Q23 Richard Burden:** I have tried to flag up there some of the concerns that ICAI has raised in your review on this. What would your reflections be in the light of the responses that I have had today?

**Dr Barton:** You summarised very well what our concerns have been. We still have concerns. It is too early to say yet what has worked. We particularly would encourage you to work more with other donors. It is encouraging to know that, so far at least, the expectations and indicators have been met, therefore reducing the level of uncertainty. What we are particularly pleased about is that you have taken on board what we are saying in relation to the CERF, which is the most evident case where there is a clash between the objectives of greater co-ordination, incentivised by Payment by Results, and the certainty and flexibility that are provided by core funding. That is something we will be watching carefully in our follow-up.

**Paul Harvey:** I have a couple of points on this. First, it was a nuanced judgment about PbR in the review, partly because, as Matthew says, it is quite early days. It is certainly true that, very consistently, the people we spoke to in the UN found the whole process difficult and uncomfortable. That is not necessarily a bad thing. It is not DFID's job to make the UN happy; it is DFID's job to try to get the best results for people affected by disasters.

There are three things to raise about how it has been rolled that we had concerns around, one of which we have covered in terms of the inclusion of the CERF. Another is this point about uncertainty. You cannot have it both ways. Either it is a meaningful stick that drives change in UN agencies, in which case there is a threat that they will not get it all and it does create an element of uncertainty, or there is no uncertainty, in which case it is not a meaningful stick. DFID needs to recognise the trade-offs there: they might be introducing an element of uncertainty but that is worth having because it is a meaningful stick, or not. You cannot have it both ways.

The final point is around monitoring. Matthew was saying they are monitoring it very closely. They certainly have strong plans to monitor it very closely. At the point when our review was being conducted, those were not yet in place because of slowness in contracting the independent monitoring that would help to know whether it was working or not. That is true of the core funding through UN agencies. We found in some of our country case studies that something that was more true was that DFID was struggling to put in place strong independent third-party monitoring



systems, despite wanting to have them. That is something they need to look at and figure out how to get them in place earlier, so that they can more clearly track whether or not things like this, which they acknowledge are experimental, are working.

**Q24 Chris Law:** I want to turn our attention with DFID to cash transfers. There has been quite a lot of positivity in the review. When we were in northern Kenya in November we saw an action in a refugee centre that was quite transformational, particularly for those who have been there for many years. I want to ask how the Department ensures itself peace of mind that cash transfer funds provided through UN humanitarian agencies are not being diverted, abused or misused.

**Matthew Wyatt:** There are a couple of things on that. There have been a lot of studies on this to see whether or not cash is riskier than other forms of transfer. The overwhelming wealth of evidence suggests that it is not riskier. It is not more likely to be diverted and in some cases it may be less likely to be diverted, because you do not have lots of stuff moving around if you make a single cash transfer to people; they know what they should get and are able to receive it. The first point is that we do not feel that cash transfers are riskier than other forms of transfer. That of course does not mean they are risky at all. They are risky.

This comes a little bit to the question Tamsyn raised earlier about reporting and so on. Through the due diligence processes we have of how we appraise cash transfer proposals and our assessment of the agencies that are doing those, we reassure ourselves that they can be done properly and there are monitoring and evaluating mechanisms in place to check against that. They are very similar to the ones we would have for any other kind of transfer. There are those two things: first, it is no more risky than other things; secondly, all the same kind of monitoring and tracking processes will apply. Mark, you might want to add a little bit on the way in which we check.

**Mark Smith:** Some of the processes that have come in for criticism in the report are around delivery chain mapping, for example, and due diligence. Part of the reason we have those in place is to ensure that there is the capacity in our partners to see where funds are flowing and to have the capacity to manage risk and the systems in place to ensure that we have some comfort about that risk management, that cash is going to reach beneficiaries and that there is not going to be corruption or loss through the system. That is really important.

At the moment, we are also thinking about how technology and transparency can help. Improving transparency of supply chains, getting more adherence to the International Aid Transparency Initiative and being able to use data that people can upload on to that to provide visibility of where funds are going, which organisations exist within supply chains, in a forum that is open, will be another way in which we can ensure that there is greater visibility and tracking of funds. It is about transparency and technology, but also ensuring our own systems are



## HOUSE OF COMMONS

robust enough to provide the type of assurance that we think we need with UK taxpayers' money.

**Q25 Chris Law:** In terms of cost of delivery, is it quite efficient, more efficient or less efficient than other forms of delivery? Do you have an assessment of that at all?

**Mark Smith:** Do you mean delivery of cash?

**Chris Law:** Yes.

**Matthew Wyatt:** I might have to write to you about the latest academic evidence on that. I would make the point that contexts are very different. The costs of transferring goods and services of any kind vary hugely from one context to another. In general, there are some ways of thinking where markets are working, because cash is not appropriate everywhere. If markets are not working then cash might not be the appropriate method. Where markets are working, it ought to be in theory possible to design cash transfer mechanisms that are cheaper than having to deal with lots of supplies, procurements and so on. I would have to get back to you on the evidence to back that up.

**Q26 Chris Law:** Do you have anything you would like to add, Tamsyn?

**Dr Barton:** Paul may have more to add on the specific evidence in relation to cash as a method. I would like to pick up the point he made in answer to the last question, because the key to your point about assurance is having this consistency of third-party monitoring systems. It was my predecessor who did the review in Syria but my recollection is that that was another case where ICAI said that there was not that consistency and rigour in use of third-party monitoring, which is very important in terms of providing the reassurance that aid is getting through. There is a limit to what you can do only via compliance. I would certainly agree with DFID that the clear weight of multiple rigorous applications is that cash is not worse used than any other form of transfer. Paul, do you have anything to contribute on the evidence and cash being cheaper?

**Paul Harvey:** Yes, certainly. First on misuse, a series of research and evaluation over many years has shown that people who get cash when they are in desperate need in emergencies spend it on things they desperately need. They spend it on food, water, shelter and rent. There is strong evidence of very little diverted or misused, which is not to say that risks do not exist but there is no evidence that cash is riskier.

In terms of efficiency, because every context is different, it is not possible to give a headline figure that cash is always Y% more efficient than alternative in kind options, but there certainly is strong evidence from multiple contexts that cash can help to drive efficiency gains, and also that DFID has been working to make the delivery of cash more efficient. There is lots of scope to make how you deliver cash more efficient by providing cash to meet a range of basic needs through one system and



## HOUSE OF COMMONS

one actor. DFID has played a leading role in taking that forward in different places.

The final point is that, because cash is provided to meet a range of basic needs through one system, there is an enormous opportunity for that to link to stronger collective accountability processes, to tackle the problems raised by the Ground Trust surveys we have been hearing about, so that you can have stronger systems to tackle risks of diverting and misuse that cut across sectors and organisations, and provide stronger accountability systems. That is something that DFID has been doing in places like Somalia, which has third-party monitoring systems in place, and in places like Nepal and Iraq, where it has been supporting collective accountability mechanisms. It can do more to do that more consistently across a wider range of contexts.

**Q27 Chair:** Turning to due diligence in reporting, ICAI recommended that there should be simplified reporting requirements for UN humanitarian agencies, and you responded to that. What practical changes are you proposing to UK aid reporting arrangements?

**Matthew Wyatt:** I will say a couple of words about that and then ask Mark to talk about the kinds of things that we are doing, because what is true for the humanitarian system is also true for other things that DFID is doing.

We detected a little bit of a tension in the ICAI report here because, on the one hand, quite rightly, they are saying, "You have signed up in the Grand Bargain to simplified reporting", and indeed we participated in some pilots on that and so on, under that obligation, and we should be simplifying. On the other hand, in recommendation 4, they are saying, "You need to do more to make sure you know what is happening on your delivery chains and you need to be doing more to make sure you know what is happening on safeguarding". That is not a criticism of the ICAI report. It is a real tension that we face. More and more, there are things that people want to know. Is our money being used properly? Is there sexual exploitation and abuse going on? Are you really reaching the people you want to reach? To answer those questions, you need to get the information. Sometimes the best way to get that is from a reporting requirement.

What we are trying to do, which Mark alluded to earlier, is to, where possible, use open sources of information. All the agencies now are signed up to IATI, for example, so they are publishing certain information. In terms of trying to reduce reporting but still make sure you are getting the information you need, the agencies should want this information themselves anyway in order to know that what they are doing is being successful. If they are able to present that publicly in an open and transparent way, donors such as ourselves ought to be able to hoover that up without having to impose further reporting.



The other thing is, as Mark has already mentioned, the question about digitalisation, the use of technology and so on. For example, we are involved in a pilot programme, a research programme, with OCHA on the use of blockchain technology, distributed ledgers and so on, to see whether or not we can increase the certainty with which we can follow funding down the delivery chain but also reduce the need for bespoke reporting for that kind of thing. That is a general answer. Mark, do you want to say something more on that?

**Mark Smith:** In terms of our reporting, we continually review what we ask of organisations and what our own rules and guidance say. At the moment, we are challenging ourselves on due diligence and reviewing our approach to due diligence. It is really important to keep the two elements of central review of policies and local review of implementation, but to also question whether there are ways we can do that in a more efficient way that is less transactional-heavy in terms of asking organisations for central information.

There is also a capability side to this. Do we have the skills and knowledge in the DFID network to be able to consistently ask the right questions, to be able to conduct high-quality due diligence, to be able to undertake monitoring in a way that is meaningful or to be able to engage with beneficiaries in a way that provides information about the impact our aid is having? We are doing quite a lot of work in terms of building capability in the network. We have a new learning platform coming out this year with new training on some of these aspects of reporting and monitoring. We have just reviewed our guidance on monitoring. We have new guidance on due diligence, safeguarding and delivery chain mapping, all of which has come out in the last six months. There is a continual effort to keep our systems fit for purpose and try to balance this tension that Matthew mentioned between having really robust information and being able to ensure that we are making the best use of public money, while at the same time recognising that the time it takes time away from organisations being able to focus on delivery. We are alive to that tension and continue to work on trying to improve.

Q28 **Chair:** Tamsyn, does that sound like the right balance?

**Dr Barton:** I would have to say that it was a really clear message that came through in the review, both from the agencies and also the DFID specialist staff, that the balance had probably tipped too far and that DFID had become an excessively demanding donor. It was important to reflect that in our review.

It is also worth picking up the point that it is not just about simplifying reporting but harmonising reporting because that is one of the commitments in the Grand Bargain. It was disappointing to find in the review and case study in Iraq, which is a pilot country for harmonising reporting, that DFID decided not to join that pilot. That was because there were operational pressures, but nevertheless our criticisms have some force in that context.





The answer to this difficult question about balance comes back to third-party monitoring. Paul can probably explain in more detail but the way I see it simply is that there is a limit to what you can do by just piling on compliance and due diligence that cascades down the chain and creates huge transaction costs all the way. The important thing is to see what the results are at the end and feed that back in to the system. Ultimately, that is always about talking to the beneficiaries.

- Q29 Stephen Twigg:** On value for money, one of ICAI's findings was that while improving value for money for humanitarian aid through the UN has been a DFID priority, there has been a distinct gap regarding the attention to the UN's role as a subcontractor of non-governmental organisations. Has the Department since the review done any kind of analysis to establish whether working through UN agencies is more or less expensive than DFID directly contracting with those NGOs?

**Matthew Wyatt:** I will ask Mark to come in on this question as well, because this is also about the delivery chain, how far we are peering down the delivery chain and what we know about what the subcontractors are doing and what the additional costs are.

One of the things that the core funding of the UN enables us to do, which I mentioned right at the beginning, is to get results on the ground in places where we do not have offices and where we do not have knowledge. It is much more efficient for us to provide funding to somebody who does, who is then able to contract others. It is a little bit horses for courses. There are places where DFID gets involved itself in the contracting of local organisations but they are few and far between. On the whole, as you know, DFID is more of a wholesaler than a retailer. That is the way we are structured.

There are maybe two things here. The first is about whether the UN is efficient as our tier-one contractor. We have discussed that today. The second is about whether the UN is making sure it is tracking the overheads, efficiencies and so on throughout the way that it manages the NGOs. The answer to that, for us, comes to the answer Mark probably gave a bit earlier about how we try to peer down the delivery chain in a proportionate way.

**Mark Smith:** Monitoring overhead costs is an issue that we are really live to. It is not easy to do, especially given the number of contexts and issues we work on. We have a couple of pilots; we are working with a number of UK NGOs at the moment on a cost template for all accountable grants that will allow much easier standardisation of overhead costs. That will then allow us to make comparisons about overhead costs in a way that we have not been able to do before. Matthew has mentioned the pilot with OCHA on how you can use technology to identify how money flows down delivery chains. We have also mentioned IATI and how fund flows can be captured through joint technologies that sit outside DFID but how we can make better use of that. It is an issue we are very alive to.



**Matthew Wyatt:** It is particularly different in some humanitarian contexts because in some cases you may want to reach people who are very hard to reach, possibly in conflict-ridden areas and so on, where the overheads of reaching them are very high but the benefits of reaching them are very great because they are in such need. It may be very costly but still represent good value for money. Comparing overheads in different contexts is quite difficult, because in some cases you can really expect very low overheads and in others they may be very high but justifiably so.

Q30 **Stephen Twigg:** I take that point and agree with that point. If there are circumstances, though, where you do find through some of the pilots and research you are doing that overheads are excessive, what is then the accountability for the UN agencies to bring about change to reduce those excessive, if they are excessive, overhead costs?

**Mark Smith:** The point is to identify them first and then to be able to have a dialogue and use the instruments that exist through the multilateral business case to be able to escalate that dialogue.

**Matthew Wyatt:** We do due diligence on these agencies and so we have a degree of confidence in their procurement and subcontracting capacity. That should give us some reassurance that they will not be subcontracting agencies with excessive overheads, because they should have the competence and incentives not to do that. Then of course we look at beneficiaries. As Tamsyn and Paul have said, the ultimate point about all this is the beneficiaries. We do track whether or not beneficiaries are receiving what they should be receiving. If overheads are excessive, what they are receiving might go up too.

**Paul Harvey:** There are clearly good reasons for DFID to fund UN humanitarian agencies that then subcontract NGOs, partly because of the UN's ability to operate at scale, partly because of their normative standard-setting role and also because it is difficult for DFID to write lots of totally different objectives to NGOs and it is simpler to support the UN.

The question is whether or not the UN is then supporting NGOs to carry out their role effectively, which is the crucial, at-the-coalface role. What we consistently heard from NGOs and what you also consistently hear in the broader, evaluative literature is that the UN is a really lousy contractor. It gives NGOs very short-term contracts. It does not cover lots of costs so NGOs really struggle to cope with UN contracts. They have to cross-subsidise money raised from the general public, and lots of large and international NGOs do all they can to avoid being contracted by the UN because the contracting is so problematic. What we argue in the review is that DFID should be doing more to use its funding and influence with UN agencies to encourage them to be better contractors and NGOs, so that NGOs can play that critical role more effectively in partnership with the UN.

Q31 **Stephen Twigg:** Do you recognise that and are you doing that?



**Matthew Wyatt:** We do recognise it. It is part of the Grand Bargain agenda. Localisation, support for local organisations and treating them decently ought to be part of that. It is part of the dialogue that we have with the UN on the broader Grand Bargain agenda. Maybe we need to be looking at whether or not there is more we can do in that area.

Q32 **Richard Burden:** On that last point, one of the concerns that ICAI has raised is that whilst, yes, the objective of the Grand Bargain agenda is to try to increase localisation and improve the quality of humanitarian responses, very often in practice DFID country offices just do not have the capacity to do that. They are short-staffed, they do not have the people and they are simply overstretched. How would you respond to that?

**Matthew Wyatt:** It is true that our staff do work very hard. In terms of the numbers of staff that we have, we have 60 humanitarian advisers around the world. Slightly more than half of those are out in developing countries. There is a degree of capacity there. They are heavily stretched; that is true. What they do not have and what they will never have will be the capacity to work with large numbers of local organisations directly. We will not be able to have that, but what they are able to do is have a strong dialogue with the larger NGOs, often who we fund, in country, with Governments and with the UN agencies that we fund, and to question them on how they are taking forward the localisation agenda, and then feed that back to the centre. I would agree with ICAI that our capacity to do this is somewhat limited but we do have some capacity in that. I know that many of our humanitarian advisers are doing just that.

Q33 **Richard Burden:** Does that have the impact, within DFID as a whole, of taking localisation down the priority list? I am conscious that, in a number of the interviews that ICAI had with people in DFID centrally, localisation did not feature as a priority very much. Is that absence or lack of capacity at country level ending up taking localisation down the agenda and making it less of a priority as far as DFID as a whole is concerned?

**Matthew Wyatt:** It is not so much a lack of priority but it is quite a tricky thing to do and to do really effectively, at a time when, as ICAI makes clear in a number of reports, we need to be really clear that our funding is going to agencies that have the capacity to be able to use that funding well, ensure that funding is not diverted, ensure good accountability and ensure that they are managing risks of sexual exploitation, abuse and so on. We have very high expectations of those who use our funding.

In some cases, local organisations may struggle to be able either to do that or show that they are able to do that. It is a really challenging agenda. It is not so much that it is not an important agenda; it is an important agenda. We are involved in a number of capacity-building initiatives. We have a number of channels where we do fund local



## HOUSE OF COMMONS

organisations. We are a founding member of the Start Network, for example, which funds NGOs that can make decisions in-country on releasing funding for humanitarian emergencies as they emerge. They use a lot of local organisations. We do a lot but there are some real challenges in broadening out. It is not so much that it is not an important agenda but it is a challenging agenda.

**Mark Smith:** As an example, I was in the Nepal team when the earthquake happened there. It was a small, stretched team but the resources that that team was able to draw on from the wider humanitarian response network in DFID, and draw on quickly, in the example that ICAI give about beneficiary monitoring and accountability, that was set up very quickly. That was done through drawing in expertise from outside the Nepal office, from the broader network. Although we are stretched, there is really good expertise in DFID and the humanitarian space, which can be drawn very quickly to points of need.

**Dr Barton:** Very briefly, since I know we are out of time, I want to flag up one of the other areas that I intend to focus more on, looking forward to ICAI phase 3, is human resources and capacity, initially in the context of how much the spending is.

On this specific issue, there is a huge amount we could say but to give an illustrative example, on accountability to affected populations there seems to be one single extremely hard-worked adviser who is having to do the heavy lifting on making that happen. We would question whether that is the right balance.

**Matthew Wyatt:** Can I make one reply to that particular question? On accountability to affected populations, we have issued, since the report was written, guidance to all our humanitarian advisers on accountability. It does remain a very high priority for us.

**Paul Harvey:** On localisation, I would make two points. In our interviews, as you pointed out, we found that it did not seem to be a huge priority. We recognise it is challenging. It would clearly be difficult for DFID within its current business model to directly fund more national organisations. If it wants to really make progress on that aspect of the Grand Bargain commitment, it might need to fundamentally rethink its business model. Even within its existing business model, there is scope to do more to fund local organisations better. That links to the previous point about how the UN subcontracts NGOs. If DFID could get the UN to better subcontract national actors, that would help the quality of funding that those national actors are receiving. That is something it can do in its existing business model.

**Chair:** Paul, Tamsyn, Matthew and Mark, thank you so much.