NGO Statement on Follow-Up to the Board of Auditors on the Financial Statements for Previous Years

Agenda Item 4 (a)

Mister Chairperson,

We read with interest CRP 5 on the follow-up to the recommendations of the Board of Auditors on the financial statements for previous years. We would like to take this opportunity to discuss four issues mentioned in the paper: efficiency, risk, overhead, and multi-year funding. These issues are now under consideration by stakeholders discussing the “Grand Bargain on Efficiencies” in the context of the High Level Report on Humanitarian Financing and preparations for the World Humanitarian Summit.

Efficiency vs. Effectiveness

The Board has called on UNHCR to enable “stronger management review of cost challenges” and “record key efficiency outcomes.” When discussing education programming, it has recommended “strengthening the process of programme scrutiny to further challenge and document at headquarters level the cost-effectiveness of proposed interventions, as well as developing essential performance metrics to enable comparison among country offices.”

With due respect for the Board of Auditor’s focus on efficiency, we take this opportunity to call for a balanced approach that prioritizes effectiveness and quality, and allows for contextualized responses tailored to the particular needs of a given situation. We have observed an increasing trend system-wide to pressure aid organizations to cut costs, which could come at the expense of delivering effective, quality programming to persons of concern.
Risk

In the paper there are several references to the issue of risk. The BOA notes that the “quality and consistency of partners’ reports have improved, but scope remained to focus verification visits on a risk basis.” The Board also recommended that UNHCR extend checks to ensure accountability for the use of assets, and UNHCR thereby introduced specific provisions in the standard project partnership agreement regarding handling of assets by a partner. The Board previously expressed concerns regarding the absence of any systematic process to identify fraud risks, and UNHCR has therefore undertaken to identify and assess risk against an internal control framework to identify any gaps in mitigation measures.

We would support a risk-based approach rather than a heavy, blanket approach to verify every report. In the context of the larger discussions underway regarding humanitarian financing, a key element that must be added to the conversation is how to improve risk management frameworks, achieving a better common understanding of residual risk and the management, mitigation, and sharing of risk for principled humanitarian action. At the end of the day, it should be about principled and effective humanitarian action.

Overhead

The BOA recommended scrutinizing administrative costs that UNHCR funds under agreements with international partners, and UNHCR has responded by accepting to disclose, starting with the reporting cycle for the year 2015, the total of its contributions to project headquarters support costs of international partners in an additional note to the financial statements.

We urge the BOA to temper its approach to scrutinizing administrative costs. In general, NGOs struggle to recover the overall costs of running operations when donors clearly prefer to fund only direct project costs (rather than indirect project costs). NGOs are being asked to comply with increasing requirements related to accountability, audit, reporting, etc. and need adequate indirect program cost support to effectively implement. Funds given to partners are for direct operational costs for providing frontline protection and solutions; such costs should not be seen and classified as administrative costs and inefficiencies.
Multi-Year Approaches

We support UNHCR’s efforts to advocate for predictability of funding, including multi-year contributions, and seek these approaches to be passed along to UNHCR’s partners.

According to CRP5, UNHCR has carried out an analysis of the use of multi-year partnership agreements and verified the practices adopted by other UN agencies and concluded that, given the constraints and risks, entry into multi-year agreements with partners cannot be adopted as a standard practice at this stage.

We believe multi-year funding is particularly important to cope with protracted crises. We see the need for further analysis on the barriers to multi-year funding, and consideration of a multi-year view on measuring impact and investing in the capacity of national and local actors.

Copies of this statement will be made available at www.icvanetwork.org.

Thank you Mister Chairperson.