The International Development Committee

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Summary

The Committee is aware of the excellent reputation of UK aid around the world. This is clearly a result of the UK’s commitment to spend 0.7% of its gross national income (GNI) on Official Development Assistance (ODA); the UK’s respect for the rules-based international consensus and focus on the poorest, most vulnerable and most marginalised people in the world; and the Department for International Development’s (DFID’s) globally acknowledged expertise and professionalism built up over two decades as a standalone development agency. It is this approach—the trust it inspires and the example it sets—that underpins the UK’s global leadership in many development-related areas and generates the influence—the ‘soft power’—so prized by the Government.

When this inquiry was launched in March 2020, the Government had just started its Integrated Security, Defence, Development and Foreign Policy Review. The Review was intended to be a root and branch examination of the UK’s international policy and its role in the world. The Review’s remit includes consideration of the necessary reforms to Government systems and structures to achieve the Review’s goals. There was speculation, but no consultation outside Whitehall, that reforms under consideration included ‘machinery of government’ changes that could see DFID’s functions and resources folded into the Foreign Office, a return to the pre-1997 position.

Our inquiry was intended to help inform the process and findings of that Review. However, at around the same time as the launch of this work, the scale and threat of the COVID-19 pandemic were becoming apparent. The potential socio-economic impacts of COVID-19 on the world have yet fully to emerge, but they are likely to be substantial and long-lasting. In oral evidence, the Secretary of State for International Development told us that the COVID-19 pandemic threatens to undo 30 years of international development work, with a bleak outlook for the world’s poorest.

On 9 April 2020, the Government wrote to the Foreign Affairs, Defence and International Development select committees, announcing that work on the Integrated Review was to be paused across Whitehall to enable the Government to focus upon COVID-19. Work on the Review will resume once the situation becomes clearer. Against the background of this pause, the Committee is using the opportunity to publish an interim report setting out our provisional conclusions and recommendations on the effectiveness of UK aid and the lessons that can be drawn for its administration in the future. On current plans, this report will be followed by final conclusions before summer recess 2020.

Our evidence is clear that UK aid has made major contributions to global development goals. DFID has a high international standing, built up over many years, for its excellence in managing and delivering development assistance; and its transparency and effectiveness. Any reforms to current government systems and structures would potentially impact the fundamentals of what UK aid is spent on, who spends it most effectively, and ultimately undermine our reputation and influence overseas as a ‘development superpower’.
In a time of COVID-19, we need stability and should seek to avoid a potentially disruptive and costly machinery of government reorganisation that will impact on the effectiveness of UK aid.

This Committee advocates strongly for the retention of the current standalone Ministry of State model for international development, with a Cabinet level Minister. If the Government should decide to make significant changes to current systems and structures for administering UK aid, the Government should, as a minimum, present a statement to Parliament setting out an evidence-led rationale for any change; quantifying expected costs and how intended benefits justify the costs; and showing how both will be measured and controlled.
1 Introduction

Purpose of report

1. The world has changed a great deal since the Committee launched its inquiry into the Effectiveness of UK Aid in March 2020. At that time, we had planned that this inquiry would keep pace with the Government’s Integrated Review of Security, Defence, Development and Foreign Policy, providing the Review with our consideration of how UK aid can be as effective as possible and what the future of UK aid spending should look like.

2. Since then, the world has been gripped by the COVID-19 pandemic, impacting developed and developing countries alike. Like other policy areas, the pandemic will shape the future of international development policy for years to come.

3. Against a background in which the UK Government’s Integrated Review has paused, we are using the opportunity to publish an interim report setting out our provisional conclusions and recommendations on the effectiveness of UK aid and the future of UK aid spending. We will continue to digest and take account of written submissions before publishing our final report later this year. We would like to thank everyone who has provided oral and written evidence to the inquiry to date.

What is overseas aid?

4. In its broadest sense, overseas aid is assistance given or loaned by governments and other agencies to help people in poorer countries, or to respond to a disaster. Assistance can be in the form of money, food, materials and manpower.

5. UK aid is spent on a broad range of interventions in a wide range of countries. Examples of UK aid spending include:

- Responding to global health threats by contributing to disease surveillance mechanisms and improving the resilience of national healthcare systems, such as in supporting countries in West Africa in their response to the Ebola crisis.
- Providing humanitarian support in complex crises throughout the world, such as Yemen and Syria.
- Ensuring access to water and sanitation, for example in Nigeria and Ethiopia.
- Fostering strong governance institutions and tackling corruption, for example in support to the Colombian peace process and Ukraine's Anti-Corruption Agency.
- Combating climate change, such as through promoting small scale low carbon energy in Uganda and promoting investment in conservation across Latin America.

1 Independent Commission for Aid Impact (ICAI), the UK aid response to global health threats, Jan 2018
2 Department for International Development (DFID) Development Tracker—Yemen Multisector Humanitarian Response Programme
3 ICAI, Assessing DFID’s results in water, sanitation and hygiene, May 2016
4 DFID Development Tracker—Colombia Peace and Stability
5 GOV.UK, foreign affairs news story, UK programme assistance to Ukraine in 2019–2020, Sep 2019
6 DFID Development Tracker—On and off Grid Small Scale Renewable Energy in Uganda
7 DFID Development Tracker—The eco.business Fund
Supporting women and girls through a diverse range of projects across the world, including access to education in Nigeria,\textsuperscript{8} access to family planning services in Bangladesh\textsuperscript{9} and protection against gender-based violence in Ukraine.\textsuperscript{10}
2 UK aid spending and the UK aid strategy

What counts as aid

6. The UK Government voluntarily adheres to an internationally recognised definition of aid—Official Development Assistance (ODA). ODA was established by the Organisation for Economic Cooperation and Development’s (OECD’s) Development Assistance Committee (DAC), of which the UK is a member and to which it reports its aid spending.

- ODA is designated as assistance given “with the promotion of the economic development and welfare of developing countries as the main objective”. For assistance to be counted as ODA, recipient countries must be designated by the DAC as low or middle income.\(^{11}\)

- UK aid is also bound by the parameters set in the International Development Act 2002 that put poverty alleviation at the heart of the UK aid programme.\(^{12}\)

7. In recent years, some commentators and Government ministers have suggested the definition of what constitutes aid should be broadened or changed to align more with Britain’s national interests and respond to changing global conditions, such as the growing influence of China.\(^{13}\) This Committee’s predecessor cautioned against the UK developing and using its own definition of ODA.\(^{14}\) That caution was echoed in written evidence from former Secretaries of State for International Development, Andrew Mitchell MP and Hilary Benn MP.\(^{15}\)

8. In oral evidence to this inquiry, the Secretary of State for International Development, Anne-Marie Trevelyan MP, reaffirmed the Government’s commitments to spending 0.7% of Gross National Income (GNI) on international development; as defined by the OECD DAC and the provisions of the International Development Act 2002. However, the Secretary of State added that the Government’s Integrated Review of Security, Defence, Development and Foreign Policy offered an opportunity for a conversation with fellow DAC members about what is and what is not ODA eligible, particularly within the climate change space and the funding of peacekeeping.\(^{16}\)\(^{17}\)

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\(^{11}\) OECD website, definition and coverage of Official Development Assistance

\(^{12}\) International Development Act 2002 Further to the International Development Act and the OECD DAC definition, the 2014 amendment to the Act added the duty to consider gender equality and the International Development (Official Development Assistance Target) Act 2015 enshrined the 0.7% commitment into law

\(^{13}\) Qs 2, 3, 18 and 19; and Taxpayers’ Alliance, EUA0029

\(^{14}\) IDC, Definition and administration of ODA, 5\(^{\text{th}}\) Report of Session 2017–19, HC 547 Jun 2018

\(^{15}\) Written responses from: Rt Hon Hilary Benn MP, Secretary of State for International Development, 2003–2007; and Rt Hon Andrew Mitchell MP, Secretary of State for International Development, 2010–2012, EUA0074, WQs 24 and 35

\(^{16}\) Qs 81, 85, 87 and 90

\(^{17}\) 15% of donor contributions to UN-mandated and UN-led peacekeeping operations may be counted as ODA (International Development Committee, ‘Definition and Administration of ODA’ Fifth Report of Session 2017–19, HC 547, paragraph 32)
9. The Committee welcomes the Government’s commitment to spending 0.7% of Gross National Income (GNI) on aid, keeping within the current international rules-based consensus of the OECD’s DAC definition, and preserving the primary focus of UK aid upon poverty reduction.

UK aid strategy

10. In November 2015, the Department for International Development (DFID) and HM Treasury published a new strategy for the UK’s spending on overseas aid - *UK aid: tackling global challenges in the national interest*. The strategy:

- reaffirmed the UK’s commitment to tackling extreme poverty, helping the most vulnerable and meeting the Sustainable Development Goals;
- proposed that, while DFID would remain the UK’s primary channel for overseas aid, a greater proportion of it would be administered by other government departments (OGDs) and through cross-government funds such as the Conflict, Stability and Security Fund (CSSF) and the Prosperity Fund. The Government made this decision as it wanted to draw on skills across government when spending ODA to respond to challenges such as mass migration and the impacts of global warming. The Government expects that the proportion of ODA not spent by DFID will represent up to 30% by 2020, compared with 20% when the strategy was published; and
- introduced a more explicit focus on using UK aid to promote mutual prosperity and the national interest.

DFID is in the process of refreshing the 2015 UK aid strategy, but no date has yet been set for its publication.

11. The UK aid strategy sets out the priorities and principles against which UK aid spending should take place. The refreshed aid strategy will shape ODA expenditure beyond 2020 and should be an important building block in the Government’s forthcoming Comprehensive Spending Review (CSR). Therefore, it is crucial that the refreshed Strategy is in place before the next CSR so that the UK’s aid outputs are based on strategic planning rather than fitting around Whitehall budgets.

12. The focus on using aid to enhance mutual prosperity appears to have intensified in recent years, with some government documents explicitly linking mutual prosperity to the ‘Global Britain’ agenda to reposition the UK internationally and build ties with a wider range of countries. In the opinion of many witnesses to this inquiry, the pursuit of narrowly-defined economic or foreign policy goals can create a tension with UK aid’s other objectives, such as poverty reduction. In oral evidence, Dr Emma Mawdsley told us that the risk of trying to combine economic diplomacy and poverty reduction is that...
neither objective is done very well.\textsuperscript{23} James Rogers, in written evidence, put the counter argument that “Britain should not be afraid of using its ODA resources to reinforce its national interests, particularly given that altruism and interests can intersect”.\textsuperscript{24}

**UK aid spending and the 0.7% target**

13. The UK spent £15.2 billion on ODA in 2019,\textsuperscript{25} equivalent to 0.7% of the UK’s GNI.\textsuperscript{26} (Figure 1.) The UK’s commitment to spend 0.7% of GNI is legally binding through the International Development (Official Development Assistance Target) Act 2015. The UK has met the 0.7% target for seven consecutive years since 2013.\textsuperscript{27} The UK continues to be one of a handful of countries that spends 0.7% of its GNI on ODA.\textsuperscript{28}

- DFID is the biggest spender of ODA of any UK government department. In 2019, it spent £11.1 billion of ODA with the remainder split between OGDs and other payments and attributions.\textsuperscript{29}

- The top ODA-spending OGD in 2019 was the Department for Business, Energy and Industrial Strategy (BEIS, with lead responsibility for climate change) which spent £0.95 billion (6.3% of the total ODA budget) followed by the Foreign and Commonwealth Office (FCO), £0.68 billion (4.5%). The next biggest spender of ODA was the cross-government CSSF which spent £0.66 billion (4.4% of total ODA budget).\textsuperscript{30}

\textsuperscript{23} Q4
\textsuperscript{24} James Rogers, UAE0037
\textsuperscript{25} According to Donor Tracker, this is equivalent to US$19.3 billion (2017 prices)
\textsuperscript{26} Statistics on International Development: Provisional UK spend 2019, DFID Apr 2020
\textsuperscript{27} Ibid.
\textsuperscript{28} OECD, Development aid drops in 2018, Apr 2019
\textsuperscript{29} Statistics on International Development: Provisional UK spend 2019, DFID Apr 2020
\textsuperscript{30} Ibid.
Bilateral aid—aid provided for specific countries, regions or programmes—makes up the majority of the UK’s overseas aid spending.

- Of the £15.2 billion that the UK spent on aid in 2019, £10.1 billion (67%) was spent bilaterally; and £5.1 billion (33%) was spent as core contributions to multilateral organisations such as the World Bank International Development Association.\(^{31}\) (Figure 2 shows DFID’s multilateral ODA expenditure in 2018 by recipient.)

- Between 2014 and 2018 (the latest years for which detailed ODA spending data is available), the share of ODA represented by bilateral spending through
multilateral channels remained fairly constant at around 18% of total ODA. Over the same period, the share of aid spend that went through bilateral only channels increased from 40% to 44%.32

- The UK spent £1.5 billion of bilateral ODA on humanitarian assistance (10% of total UK ODA), representing an increase of £0.2 billion compared with 2018. This was driven in part by UK responses to humanitarian crises in, for example, Yemen.33

- Bilateral aid also includes capital injections into CDC Group, the UK’s Development Finance Institution (DFI). DFID invested some £0.7 billion in CDC in 2018–19 and plans to increase this to almost £1 billion in 2019–20.34

- The vast majority of UK aid is disbursed via “trusted partners” such as NGOs and contractors. A very small amount of UK aid (approximately £15 million) is provided as budget support direct to recipient governments.35

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32 Statistics on International Development, Final UK Aid Spend 2018, DFID Sep 2019
33 Statistics on International Development: Provisional UK spend 2019, DFID Apr 2020
34 DFID annual report and accounts, 2018–19, page 159
35 2019–20 supplementary estimate, Table 2 (Capital Annually Managed Expenditure)
36 Figure provided by House of Commons Library from Data Behind the Statistics on International Development 2018. This marks a significant shift from 15 years ago, when nearly 20% of DFID’s bilateral budget was spent on budget support (Committee on Public Accounts, Department for International Development: Providing budget support for developing countries, Twenty-seventh Report of Session 2007–08, HC 395, page 3)
The changing profile and nature of UK aid

15. Shifts in the UK’s international development priorities have been accompanied by changes in the spending profile of UK aid. Since 2014, DFID’s share of total ODA spending has reduced from 86% to 73%. At the same time, there has been a growing focus on middle-income countries.

Shifts in the UK aid spending portfolio

16. In recent years, the amount of aid spent outside DFID has scaled up rapidly.

- Between 2014 and 2019, the share of non-DFID aid spending increased from £1.6 billion (14%) in 2014 to £4.1 billion (27%) in 2019. In written evidence, the Independent Commission for Aid Impact (ICAI) stated that the amount of non-DFID aid is now larger than the aid budgets of mid-size donors such as Canada and Norway.

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37 Statistics on International Development: Provisional UK spend 2019, DFID Apr 2020; and ICAI follow-up review of 2017–18 reports, ICAI Jul 2019
38 For example, the Prosperity Fund is targeted at assistance to middle-income countries
39 Independent Commission for Aid Impact (ICAI), EUA0028
• Between 2018 and 2019 alone, the amount of ODA spent by the cross-government Prosperity Fund leapt by 87% from £94 million to £175 million; and Home Office ODA spending increased by 34%, from £337 million to £452 million. In oral evidence, Nick Dyer, DFID’s Acting Permanent Secretary told the Committee that the increase in Home Office ODA expenditure was due to a rise in spending to support asylum seekers in the UK, primarily reflecting an increase in Asylum Support volumes in 2019 in comparison to 2018. Under OECD DAC rules, such spending is eligible to be classified as ODA but for one year only.

Aid spending in middle income countries

Bilateral aid spending on middle-income countries

17. While the majority (55%) of the UK’s bilateral aid spending went to Least Developed and Other Low-Income Countries in 2018, the share of the UK’s bilateral aid expenditure spent in countries classified as ‘middle income’ increased in absolute terms (from £1.5 billion to £2.0 billion) and as a proportion of bilateral ODA expenditure (from 36% to 45%) between 2014 and 2018. (Figure 3.)

Figure 3: Total bilateral Official Development Assistance expenditure by country income classification, 2014 to 2018
Effectiveness of UK aid: interim findings

18. There is also a marked difference in where DFID and other government departments and cross-government funds spend aid:

- DFID concentrates its assistance in 33 priority countries. Most are poor countries in sub-Saharan Africa. It also supports several South Asian countries (Afghanistan, Bangladesh, Myanmar, Nepal and Pakistan), runs major humanitarian programmes in the Middle East and has a partnership on climate change with Indonesia.44

- Non-DFID aid has a very different geographical profile, with around three-quarters going to middle-income countries, including China, India and South Africa, pursuing priorities such as reducing carbon emissions, tackling insecurity, building research partnerships and promoting trade and investment ties with the UK.45

- UK aid bilateral aid spending in China and India amounted to around £150 million in 2018.46 ODA interventions in China include projects to reform the business environment and research grants. It also continues to be used to fund activities to counter the illegal wildlife trade, including a project to encourage shoppers not to buy products made with pangolins. ODA to India includes interventions focused upon infrastructure, transport and clean energy.47

- In 2018, DFID spent 62.5% of its country-specific aid in Least Developed Countries (LDCs).48 For non-DFID aid, this proportion was 25.7%, including 21% for BEIS, 17% for the FCO and none for the Prosperity Fund.49 A growing share of UK aid goes towards upper middle-income countries, including 43% from FCO, 49% from BEIS and 89% from the Prosperity Fund (see Figure 4). In its 2019 report into ‘Global Britain and South America’, the Foreign Affairs Committee expressed concern that the growth in FCO-administered ODA, targeted at middle income countries, meant that “budgets may be being allocated to Posts primarily on the basis of their eligibility for Official Development Assistance (ODA), and that this is skewing continent-wide policy priorities and local expenditure.”50

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44 ICAI, EUA0028
46 Statistics on International Development, Final UK Aid Spend 2018, DFID Sep 2019. Bilateral aid spending in India was £94.7 million in 2018. The equivalent amount for China was £55.6 million
47 Statistics on International Development 2018 - Data underlying the SID publication, DFID Sep 2019
48 ICAI, EUA0028. The statistic excludes some ODA spent through global and regional programmes. Least developed countries (LDCs) are 47 countries identified by the UN as facing severe structural impediments to their development: see the OECD list at link. ICAI also included Zimbabwe in the statistic, which is a low-income country but not on the official list of LDCs.
49 Note that the majority of non-DFID aid is not reported against specific countries
50 Foreign Affairs Committee, Global Britain and South America, Twentieth Report of Session 2017–19, HC 1617, September 2019, paragraph 52
19. In recent years, the UK aid budget’s focus has shifted towards middle-income countries that are primarily of interest to the UK from a security, climate change or economic perspective. This shift is driven by non-DFID UK aid spending. To ensure that UK aid is used as effectively as possible, the Government must direct ODA to countries where there is the greatest likelihood of reducing poverty. Accordingly, it should review the growth in ODA directed to middle income countries to ensure that these interventions are helping the world’s poorest and most vulnerable people.
3  Allocation and administration of UK aid

Allocation of UK aid budgets

20. HM Treasury allocates Official Development Assistance (ODA) budgets to each department and cross-government fund in order to meet government priorities and the statutory 0.7% target.\(^{51}\) Allocations are made through Comprehensive Spending Reviews (CSRs) and adjusted as needed through the annual budget process. At the last Spending Review in 2015, which set budgets out to 2019–20, HM Treasury allocated ODA on the basis of bids it received from departments. During this process, departments were asked to consider whether any existing activities could be rebadged as ODA eligible and to identify new areas of ODA expenditure.\(^{52}\)

21. The National Audit Office (NAO) has identified a number of risks to value for money created from the wider allocation of ODA budgets.

- Firstly, for non-Department for International Development (DFID) departments and funds, the changed approach to allocating ODA created an opportunity to access new funds at a time when many felt their core funding was under great pressure.\(^{53}\) In written evidence, the Taxpayers’ Alliance stated that this had led to some departments using ODA to supplement day-to-day activities.\(^{54}\) In 2019, for example, the Foreign and Commonwealth Office (FCO) spent £0.68 billion on ODA. This is more than double the £0.3 billion it spent in 2013 and equivalent to 40% of the FCO’s core departmental allocation of £1.7 billion in 2018–19.\(^{55}\) In oral evidence, the FCO told the Committee of Public Accounts last year that it is now incentivised to make sure that as much of its expenditure as possible can be classified as ODA. This includes the funding of front-line diplomatic activity in ODA eligible countries.\(^{56}\)

- Secondly, departments might be tempted to seek ODA funds without a full understanding of whether they have the capability to carry out the work.\(^{57}\) HM Treasury did not ask for details of departments’ capacity and capability to manage the increased expenditure or their plans for monitoring and evaluating the projects’ outcomes.\(^{58}\) In its review—How UK Aid Learns—the Independent Commission for Aid Impact (ICAI) recommended that, in the next

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\(^{52}\) Comptroller & Auditor General, Managing the Official Development Assistance target - a report on progress, HC 243, Session 2017–2019, National Audit Office, Jul 2017

\(^{53}\) National Audit Office (NAO), EUA0075

\(^{54}\) Taxpayers’ Alliance, EUA0029


\(^{56}\) Committee of Public Accounts (PAC), The Effectiveness of ODA expenditure, 117th Report of Session 2017–19, HC 2048 Sep 2019

\(^{57}\) National Audit Office (NAO), EUA0075

\(^{58}\) Ibid
CSR, the Treasury require departments bidding for ODA to present evidence of their investment in learning and other aid-management capabilities. The recommendation was accepted.

Management and oversight of UK aid

Responsibilities for ODA spending and achieving the 0.7% target

22. HM Treasury is not responsible for monitoring the effectiveness of ODA expenditure by other government departments and cross-government funds. Departments are responsible for managing their ODA expenditure with Accounting Officers responsible for the proper stewardship of their ODA budget.

23. DFID acts as ‘spender or saver of last resort’, adjusting its own ODA spending at the end of each calendar year to ensure that the 0.7% target is met but not exceeded. In written evidence, Dr Emma Mawdsley stated that this means real-time adjustments have to be made to aid budgets, “with a moving target based on the vicissitudes of the UK economy”. This creates, among other things, “significant programming uncertainty” for aid programming and “focuses administrative attention on the accounting of ODA rather than its purpose”.

24. To support ODA spending across government, DFID provides extensive guidance, training and secondments to other departments (in 2019, it had more than 100 staff on loan to other departments). In response to concerns raised by this Committee and others that DFID was not resourced for this supporting role, the Department was allocated £20 million in the September 2019 Spending Round to support its cross-government work.

Gaps in the oversight of ODA spending

25. In written evidence, ICAI drew attention to the significant gaps that it, the NAO and this Committee, have identified in the management of the aid budget.

- First, there is no oversight of whether the aid programme as a whole meets its objectives. The 2015 aid strategy set out high-level objectives for UK aid, but there is no single body responsible for assessing whether the aid programme as a whole aligns with those objectives or is delivering its intended results.

- Second, the distribution of UK aid across countries and sectors is an unintended result of allocation decisions made separately by aid-spending departments and

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59 ICAI, How UK Aid Learns, Sep 2019
60 HM Government Response to ICAI recommendations on: How UK Aid Learns, Oct 2019
62 Ibid
63 Ibid
64 Dr Emma Mawdsley, EUA0039
65 ICAI, EUA0028
funds. This means that no explicit decision is made on how much aid to spend in the poorest countries, even though poverty reduction is the primary objective of UK aid under the International Development Act.

- Third, there is no overall quality control mechanism. DFID and HM Treasury published value for money guidance in 2018. However, there is no requirement to adhere to international standards on aid effectiveness, such as the Paris Declaration. Only DFID has made a public commitment to ‘leaving no one behind’ – the underlying principle of the Sustainable Development Goals Agenda.

- Finally, while the UK government remains committed to untying all UK aid, concerns have been raised by ICAI around the tying of ODA research funds and pushing the boundaries of what constitutes aid.

26. In oral evidence, the Secretary of State for International Development, Anne-Marie Trevelyan, told us that:

“One of the things I am looking to bring back into regular activity, which officials do all the time but Ministers have not done since 2018, is a regular review of what everyone is doing with their ODA and questioning whether we have as strategic and effective an output across the board as we want to have as HMG. [...] We could benefit from a more ministerial-led oversight of that, which is something that I hope to do in the months ahead.”

27. The shift in the increasing amounts of ODA administered outside DFID has created significant challenges for the management and oversight of ODA spending. More than one quarter of the UK aid budget is now spent outside DFID; and, as more bodies become responsible for aid spending, accountability for spending aid well appears to have been eroded. The Ministerial Group which reviews what everyone is doing with their ODA has not met since 2018. We are not convinced that all ODA programmes administered outside of DFID are adequately targeted towards poverty reduction or the most vulnerable. Furthermore, there is a significant risk that non-DFID government departments will rebadge day-to-day spending as aid and push the boundaries of what counts as aid.

28. In this Committee’s view, stronger accountability and oversight is needed to help prevent distortions in the uses of development assistance and undermining the case for aid. For aid spending outside DFID, there should be clearer links to poverty reduction. The Government should put measures in place to ensure there is no return to tied aid. Finally, ministerial-led oversight of the ODA spending budget across Whitehall should be restored.

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67 HM Treasury and DFID, UK Official Development Assistance: value for money guidance, May 2018
68 OECD, Paris Declaration on Aid Effectiveness, 2005
69 DFID, Policy paper: Leaving no one behind: our promise, Mar 2019
70 UN, The sustainable development goal agenda
71 ICAI, Global Challenges Research Fund, Sep 2017; and ICAI, The Newton Fund, Jun 2019
72 Q77
The future of international development spending in a time of COVID-19

29. When the Committee launched its inquiry into the Effectiveness of UK aid in March 2020 we had planned for the inquiry to keep pace with the Government’s Integrated Review of Security, Defence, Development and Foreign Policy, providing the Review with our consideration of how UK aid could be as effective as possible and what the future of UK aid spending should look like. Since then, the world has been gripped by the COVID-19 pandemic, impacting developed and developing countries alike. It is likely that the pandemic will shape the future of international development policy for years to come.

The Government’s Integrated Review of International Policy

30. The Government announced the launch of its Integrated Review in the Queen’s Speech of December 2019. Work on the Review is being led by Number 10 and a team in the Cabinet Office. In the briefing notes to the Queen’s Speech, the Government said the Review:

“[…] will also develop Global Britain’s foreign policy; with a focus on our alliances and diplomacy, trends in shifts of power and wealth, and how the UK can best use our international development resource.”

The Review’s remit includes consideration of the necessary reforms to Government systems and structures to achieve the Review’s goals.

31. In response to a letter from the Chairs-Elect of the International Development, Foreign Affairs and Defence Committees, the Prime Minister resolved “to commit 0.7% of GNI to international development”. However, the Prime Minister’s reply did not explicitly commit to maintaining the International Development Act 2002, which states that UK aid must be “likely to contribute to a reduction in poverty” nor the OECD’s Development Assistance Committee’s (DAC’s) broader definition for ODA spending, which states that aid must be “administered with the promotion of the economic development […] of developing countries as its main objective”. There was also no commitment to an independent DFID.

Closer alignment of FCO and DFID operations

32. Alongside the Integrated Review, there are signs that the Government has started to align more closely operations between the FCO and DFID.

- Following the ministerial reshuffle in February 2020, the Government revised its approach to international ministerial portfolios. All junior ministerial positions within the FCO and DFID have ‘joint’ status between the two departments (previously this had applied to a small number of positions only e.g. Minister for the Middle East and North Africa). In oral evidence, Minister of State, James

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73 GOV.UK Press release, PM outlines new review to define Britain’s place in the world, 26 Feb 2020
74 Correspondence dated 28 Feb 2020 from the Prime Minister, concerning the Integrated Security, Defence and Foreign Policy Review
75 International Development Committee (IDC), Definition and administration of ODA, 5th Report of Session 2017–19, HC 547, Jun 2018, paragraph 2
Cleverly MP, told us that: “There is not an inherent conflict or contradiction between the work that the FCO does and the work that DFID does.” But, because of the Government’s response to coronavirus, working patterns had been distorted and he had found himself “interacting predominantly in [his] Foreign Office capacity”.  

- Reporting lines amongst UK officials working overseas have changed. In March 2020, the Government made changes to overseas reporting arrangements so that DFID officials now answer to British ambassadors and high commissioners.\(^{76-78}\) This represents a return to the pre-1997 arrangements before DFID was created. In oral evidence, Minister of State, James Cleverly MP, told us that the development represented a move towards more coordinated and joined up government: “Ultimately, what we are trying to achieve, and what the Prime Minister has made clear, is that we want to, as effectively as possible, deliver the respective remits of our foreign-facing Departments. The ambassador or high commissioner within a country is the most senior official face of UK Government in a particular country.”\(^ {79}\)

- On the instruction of the Prime Minister, FCO and DFID have been “working through the consequences of closer alignment” and this would be an important area of focus for the Government’s Integrated Review.\(^ {80-81}\)

**The pausing of the Integrated Review**

33. On 9 April 2020, the Government wrote to the Foreign Affairs, Defence and International Development select committees, announcing that work on the Integrated Review was to be paused across Whitehall to enable the Government to focus upon COVID-19. Work on the Review will resume once the situation becomes clearer.\(^ {82}\) In oral evidence, the Secretary of State for International Development stated that the Review would likely resume in the autumn.\(^ {83}\)

**The potential impact of COVID-19 on the developing world**

34. The potential scale and impact of COVID-19 is immense. The Secretary of State for International Development told us that the COVID-19 pandemic threatens to undo 30 years of international development work, with a bleak picture for the world’s poorest:\(^ {84}\)

“...The reality is that the humanitarian picture is bleak right now: we have the threat of famines exacerbated by the worst locust plague for 70 years; weak healthcare systems allowing the spread of the disease; economic disruptions hitting the world’s poorest, threatening a global recession and
a much longer and harder road back to recovery; and the threat of conflict insecurity increasing and those populations already displaced by war and persecution being left out of reach of their homelands for even longer.”

**Potential implications of absorbing DFID’s operations into the FCO**

35. Inquiry witnesses and written evidence submissions drew attention to two potentially significant implications of absorbing DFID’s operations into the FCO: the costs and disruption caused by such a machinery of government reorganisation; and the consequences for Britain’s ‘soft power’.

**Machinery of government reorganisations**

36. In written evidence, the NAO stated that departmental reorganisations can be costly and disruptive. And the disruption can last years. The NAO added that the intended benefits of such reorganisations are often poorly defined, making it difficult to subsequently judge whether the changes represented value for money. In the NAO’s recommendations to government on this topic, it has emphasised that reorganisations need to carefully planned and managed, with full project management disciplines being applied.

**Soft power**

37. The House of Lords Select Committee on Soft Power and the UK’s Influence concluded in its 2014 report on ‘Persuasion and power in the modern world’ that the promotion of British values through the funding of international development projects can yield significant soft power gains. In written responses, former Secretaries of State for International Development, Andrew Mitchell MP and Hilary Benn MP, both argued that British soft power is extraordinarily effective around the world and Britain’s international development work and reputation contribute to its global reputation. Aligning aid more closely with foreign policy goals and national interests have the potential to damage that soft power.

38. International Development Secretary of State Anne-Marie Trevelyan told this Committee that:

> “[H]aving a separate DFID Secretary of State brings to [the UK’s] global leadership and respect, and what we can deliver in trying to achieve the reductions in global poverty, is well served by having both a Foreign

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85 Q63  
86 National Audit Office (NAO), EUA0075  
87 Center for Global Development, Should the UK’s Development Department be Merged with Foreign Affairs and Trade?, Ian Mitchell, 22 Jan 2019  
88 National Audit Office (NAO), EUA0075  
89 Comptroller & Auditor General, Reorganising central government, HC 452, Session 2009–2010, National Audit Office, Mar 2010  
90 House of Lords Select Committee on Soft Power and the UK’s influence, Persuasion and power in the modern world, HL 150 Session 2013–14, Mar 2014  
Secretary and a DFID Secretary. [...] The reality of having those two voices and a Prime Minister who is global-facing is a really powerful message to the rest of the world.”

39. The Committee agrees that it is important to review systems to make sure they are delivering value for money and meeting their strategic objectives. However, there are signs that key decisions regarding the future of DFID have already been made. In a time of COVID-19, now is not the time to take those decisions or make those changes.

40. The Committee would caution against restructuring the way UK aid is administered that might potentially impair the effectiveness of aid, and advocates strongly for the retention of the current standalone Ministry of State model with a Cabinet level Minister.

41. If the Government should decide to make significant changes to current systems and structures for administering UK aid, it should avoid taking such a decision in haste. The Government should, as a minimum, present a statement to Parliament setting out an evidence-led rationale for any change; quantifying expected costs and how intended benefits justify the costs; and showing how both will be measured and controlled.

Lessons from overseas counterparts

Administration of development assistance elsewhere in the world

42. The UK is virtually unique amongst other donor countries in maintaining a separate development Ministry responsible for policy and delivery and headed by a Cabinet level Minister. Witnesses identified this as a key strength of DFID. Speaking to the Foreign Affairs Committee, former US Ambassador the UN, Samantha Power, described the combination of the UK’s diplomatic and development presence as “a striking feature of the UK’s comparative advantage of its value add globally.” Across OECD DAC countries, there are essentially four models for administering development assistance. (Figure 6.) These are:

- **Model 1**: International development is integrated within the Ministry of Foreign Affairs that takes the lead and is responsible for policy and implementation. For example, Denmark and Norway.

- **Model 2**: A directorate or development agency located within the Ministry of Foreign Affairs which leads and is responsible for policy and implementation. For example, Australia, Canada and the Netherlands.

- **Model 3**: A ministry has overall responsibility for policy with a separate executing agency responsible for implementation. For example, United States, France and Germany.

- **Model 4**: A ministry or agency (other than a Ministry for Foreign Affairs) is responsible for both policy and implementation—the UK example.

92 Q89
94 Overseas Development Institute, Merging development agencies: Making the right choice, N Gulrajani, Jan 2018
Figure 6: Models of aid donor governance in OECD DAC countries

Model 1. Ministry of foreign affairs responsible for policy and implementation  
  e.g. Denmark, Norway

Model 2. A directorate or agency within the ministry of foreign affairs leads and is responsible for both policy and implementation 
  e.g. Australia, Canada, Finland, Greece, Hungary, Iceland, Ireland, the Netherlands, New Zealand, Poland, Slovak Republic, Slovenia and Switzerland

Model 3. A ministry has overall responsibility for policy and a separate executing agency is responsible for implementation 
  e.g. Austria, Belgium, Czech Republic, France, Germany, Italy, Japan, Luxembourg, Portugal, South Korea, Spain, Sweden, the United States

Model 4. A ministry or agency other than the ministry of foreign affairs is responsible for both policy and implementation 
  e.g. United Kingdom

Source: Overseas Development Institute, Merging development agencies: Making the right choice, N Gulrajani, Jan 2018, Figure 1

43. Figure 7 shows that the five largest donor countries in absolute terms in 2018—the US, Germany, UK, Japan and France—align most closely to aid donor models three and four in Figure 6. While it is difficult to draw definitive conclusions, it appears that those countries with the largest aid spending budgets tend to have separate aid implementation agencies for administering those budgets.
Figure 7: Spend on Official Development Assistance in 2018 by major DAC donors

<table>
<thead>
<tr>
<th>Country</th>
<th>Responsible department/agency</th>
<th>ODA spend (US$ billion)</th>
<th>% of GNI spent on ODA</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>State Department / United States Agency for International Development (USAID)</td>
<td>34.3</td>
<td>0.17</td>
</tr>
<tr>
<td>Germany</td>
<td>Ministry of Economic Cooperation and Development (BMZ)</td>
<td>25.0</td>
<td>0.61</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>Department for International Development (DFID)</td>
<td>19.4</td>
<td>0.70</td>
</tr>
<tr>
<td>Japan</td>
<td>Ministry of Foreign Affairs</td>
<td>14.2</td>
<td>0.28</td>
</tr>
<tr>
<td>France</td>
<td>Ministry of Europe and Foreign Affairs</td>
<td>12.2</td>
<td>0.43</td>
</tr>
<tr>
<td>Sweden</td>
<td>Ministry of Foreign Affairs</td>
<td>5.8</td>
<td>1.04</td>
</tr>
<tr>
<td>Netherlands</td>
<td>Ministry of Foreign Affairs</td>
<td>5.6</td>
<td>0.61</td>
</tr>
<tr>
<td>Italy</td>
<td>Ministry of Foreign Affairs and International Cooperation</td>
<td>5.0</td>
<td>0.24</td>
</tr>
<tr>
<td>Canada</td>
<td>Global Affairs Canada</td>
<td>4.7</td>
<td>0.28</td>
</tr>
<tr>
<td>Norway</td>
<td>Ministry for Foreign Affairs / Norwegian Agency Development Cooperation (Norad)</td>
<td>4.3</td>
<td>0.94</td>
</tr>
<tr>
<td>Switzerland</td>
<td>State Secretariat for Economic Affairs (SECO) / Swiss Agency for Development and Cooperation (SDC)</td>
<td>3.1</td>
<td>0.44</td>
</tr>
<tr>
<td>Australia</td>
<td>Department of Foreign Affairs and Trade</td>
<td>3.1</td>
<td>0.23</td>
</tr>
<tr>
<td>Spain</td>
<td>Ministry of Foreign Affairs, European Union, and Cooperation</td>
<td>2.9</td>
<td>0.20</td>
</tr>
<tr>
<td>Denmark</td>
<td>Ministry of Foreign Affairs / Danish International Development Agency (Danida)</td>
<td>2.6</td>
<td>0.72</td>
</tr>
<tr>
<td>South Korea</td>
<td>Ministry of Foreign Affairs/Ministry of Economy and Finance</td>
<td>2.4</td>
<td>0.15</td>
</tr>
</tbody>
</table>

Sources: [Donor Tracker](https://donortracker.org), accessed 9 May 2020; [OECD development cooperation report 2019](https://www.oecd.org)

Integration of overseas development and foreign affairs—what can the UK learn?

44. In recent years, Denmark (in the late 90s), Australia (in 2013), Canada (2013), Norway (2014) and Iceland (2016) have merged their aid agencies with their foreign affairs ministries. The evidence on the effectiveness of development mergers is mixed. In 2018, the Overseas Development Institute (ODI) compared pre- and post-merger performance among an illustrative sample of OECD DAC countries that had undertaken development mergers.96

95 Overseas Development Institute, Merging development agencies: Making the right choice, N Gulrajani, Jan 2018; Center for Global Development, Should the UK’s Development Department be Merged with Foreign Affairs and Trade?, Jan Mitchell, 22 Jan 2019; and Devex, What happens when an aid department is folded?, 18 Dec 2019

96 Overseas Development Institute, Merging development agencies: Making the right choice, N Gulrajani, Jan 2018
• While there is some evidence that administrative costs—in the Australian and Canadian cases—fell as a percentage of ODA spending, they only tipped towards the DAC average. DFID, however, still retains one of the lowest administrative cost profiles among DAC countries.

• Evidence on the impact of development mergers on effectiveness is limited—not least because the it is difficult to observe the counterfactual. However, Australia’s aid programme is still in the recovery phase following the initial disruption caused by its merger seven years ago.97

97 Ibid; Devex, What happens when an aid department is folded?, 18 Dec 2019; and The Mandarin, Mixed reviews for DFAT-AusAID merger five years on, 18 Mar 2019
4 Delivery and performance of UK aid

UK aid results

45. The Department for International Development’s (DFID’s) own data and independent assessments performed by the Independent Commission for Aid Impact (ICAI) and the National Audit Office (NAO) show that UK aid is securing impact.

Department for International Development (DFID)

46. DFID publishes its performance against its Single Departmental Plan objectives on its website. These data show that UK aid is producing development assistance results. Table 8 summarises some key achievements.

Figure 8: DFID Single Departmental Plan—Summary performance results achieved by sector and indicator, 2018–19

<table>
<thead>
<tr>
<th>Aid sector or indicator</th>
<th>Performance results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Humanitarian assistance</td>
<td>From 2015 to March 2019, DFID reached 32.6 million people with humanitarian assistance (food aid, cash and voucher transfers).</td>
</tr>
<tr>
<td>Education</td>
<td>Between 2015 and 2019, DFID supported 14.3 million children to gain a decent education.</td>
</tr>
<tr>
<td>Nutrition</td>
<td>Between 2015 and 2019, DFID reached 50.6 million children under 5, women of childbearing age and adolescent girls through its nutrition-related interventions.</td>
</tr>
<tr>
<td>Immunisation</td>
<td>From the start of 2015 until the end of 2017, UK support to immunisation programmes immunised an estimated 56.4 million children, saving an estimated 990,000 lives.</td>
</tr>
<tr>
<td>Polio eradication</td>
<td>DFID supports the Global Polio Eradication Initiative to eradicate polio. The number of polio cases has reduced from 350,000 in 1988, to 74 in 2015 and 33 in 2018.</td>
</tr>
<tr>
<td>Water, sanitation and hygiene (WASH)</td>
<td>Between 2015 and 2019, DFID supported 51.8 million people to access clean water and/or better sanitation.</td>
</tr>
<tr>
<td>Jobs and income</td>
<td>From 2015 to 2019, DFID supported 3.9 million people to raise their incomes or maintain/gain a better job or livelihood.</td>
</tr>
<tr>
<td>Energy</td>
<td>From 2015 to 2019, DFID installed 467 Megawatts of clean energy capacity.</td>
</tr>
<tr>
<td>Portfolio Quality Index (PQI)</td>
<td>DFID uses a Portfolio Quality Index (PQI) score to measure the extent to which its projects are on track to deliver their expected outputs. In 2018, DFID’s PQI score was 103.8 indicating that, on average, DFID’s outputs met or exceeded expectations.</td>
</tr>
</tbody>
</table>

Sources: DFID, Single Departmental Plan—Results Achieved by Sector 2018–19; and DFID, Single Departmental Plan—Results Achieved by Sector 2018–19, Portfolio Quality Index
**Independent Commission for Aid Impact (ICAI)**

47. In its 2019 synthesis report, ICAI concluded that UK aid has made major contributions to global development goals; and the Department for International Development (DFID) has shown strong leadership in driving evaluation; and on the ‘leave no one behind’ principle, in strengthening the international response to challenges such as Ebola and climate change, and in tackling violence against women and girls.99 However, ICAI noted that:

- other aid spending government departments had not embraced the leave no-one behind commitment as comprehensively as DFID; and

- the redistribution of the aid budget among departments and cross-government funds had led to a growing focus on large, middle-income countries, driven by UK security, climate change and economic interests.100

**National Audit Office (NAO)**

48. In written evidence, the National Audit Office (NAO) stated that its value for money work on overseas aid spending by DFID and government more widely has highlighted evidence of individual programmes securing impact.101 Figure 9 summarises the key conclusions from three of the most recent NAO reports. However, the NAO has drawn attention to some difficulties with assessing programme performance, such as impact and value for money:102

- Responsibilities for considering the effectiveness of aid spending are fragmented across government. For example, HM Treasury considers business cases for ODA expenditure, but does not have a role in considering the impact of actual expenditure. Departments are responsible for securing value for money from all their expenditure, including ODA.103

- Taking ODA expenditure as a whole, government has placed insufficient emphasis on demonstrating its effectiveness and on progress against the UK Aid Strategy.104

- Departments may not have put in place targets at the beginning of a programme’s life which help them to consider its effectiveness. For example, departments might establish targets on inputs, activity, and outputs for programmes but not for impact.105

- Departments sometimes face practical difficulties in accessing good-quality information needed to assess performance and the complexity of the environment in which they operate. For example, information might not be readily available from locations that present a high security risk; or from implementing partners that work with different systems and to different standards.106

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99 ICAI, The current state of UK aid: A synthesis of ICAI findings from 2015 to 2019, Jun 2019
100 Ibid
101 National Audit Office (NAO), EUA0075
102 Ibid
104 Ibid
105 National Audit Office (NAO), EUA0075
106 Ibid
As a consequence of these difficulties, while there is good evidence that many aid programmes are securing an impact individually, the government does not know whether all parts of the overseas aid portfolio, taken together, are securing value for money.\textsuperscript{107}

49. UK aid often seeks to create impact in challenging environments, where monitoring impact is difficult. However, this should not preclude departments administering ODA from setting objectives aligned to the UK Aid Strategy and seeking to monitor and evaluate change, in order to achieve the fullest picture possible of the totality of the UK’s aid spend and the impacts it is securing.

Figure 9: Key conclusion from three NAO reports on international development\textsuperscript{108}

<table>
<thead>
<tr>
<th>NAO report</th>
<th>Conclusion(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFID’s investments through CDC Group (2016)</td>
<td>The NAO was broadly positive about CDC’s performance. The report concluded that CDC had addressed many of the weaknesses previously identified by Parliament; and it was achieving the financial and non-financial targets set for it by DFID.</td>
</tr>
<tr>
<td>Effectiveness of Official Development Assistance spending (2019)</td>
<td>The report noted the Government’s success in meeting the 0.7% ODA spending target since 2013; and that many programmes within the ODA spending portfolio were securing an impact individually.</td>
</tr>
<tr>
<td>DFID’s work to improve the lives of women and girls overseas (2020)</td>
<td>DFID had in place some of the management arrangements the NAO would expect to see for DFID to be confident about delivery; and individual programme interventions to improve gender equality were performing well and improving the lives of women and girls overseas. Furthermore, DFID is widely respected internationally for its broad range of influencing activities in this area.</td>
</tr>
</tbody>
</table>

Performance of DFID

50. Oral evidence and written evidence submissions were almost unanimous in their respect for DFID’s international standing as a leading global development agency; and the excellence of its programming and transparency. This should not perhaps be a surprise. Over the two decades of its existence, DFID, as a specialist aid ministry, has had the opportunity to build up a strong track record in development; has invested in its capacity and capability; and has developed systems and expertise for appraising the costs and benefits of competing interventions, managing projects, and measuring, recording and evaluating results.\textsuperscript{109}

51. By contrast, according to ICAI’s written evidence submission, “other aid-spending departments are still putting in place basic aid-management systems and processes. [...] Across our reviews of non-DFID aid, we have found gaps in systems for ensuring ODA eligibility, setting and monitoring results targets, ensuring value for money and managing


\textsuperscript{109} ICAI, EUA0028
complex portfolios”. In written evidence, the Center for Global Development drew attention to its review of 65 ICAI reports that showed 80 percent of DFID spend received amber/green ratings or better, while 80% of FCO spend was amber/red. The Department for Business, Energy and Industrial Strategy (BEIS) has a mixed record but the Department for the Environment, Food & Rural Affairs (DEFRA) and the Department for Health & Social Care (DHSC) achieved amber/green in their single reviews.

52. Nonetheless, other departments and cross-government funds are catching up and improving. Furthermore, according to ICAI, UK aid is benefiting from drawing on the skills and expertise available across government. Examples include:

- BEIS’s partnership on low-carbon development with countries such as Colombia with fast-growing emissions;
- the Foreign Office’s high-quality engagement with the Colombian government on strengthening the rule of law, drawing on the expertise of the National Crime Agency;
- DHSC’s use of ODA to develop vaccines and treatments for neglected diseases, tackle antimicrobial resistance and address the weaknesses in global health systems exposed by the Ebola crisis; and
- HM Revenue and Customs’ support to developing countries to strengthen their tax systems and tackle international tax evasion.

These are positive signs that UK aid spending by other government departments appears to be on a positive trajectory. Reorganising the administration of aid spending at this stage risks disruption and pulling them off that path.

**Transparency and quality of UK aid**

**Transparency of UK aid**

53. The Government is clear that transparency of aid expenditure is an important aspect of securing value for money. The UK aid strategy set an ambition that all UK government departments that spend the ODA budget would be ranked as ‘good’ or ‘very good’ in the International Aid Transparency Index (ATI) by 2020.

- In 2018, DFID ranked third for transparency out of 45 global aid donors. in the 2018 Aid Transparency Index. This compares to the Foreign Office which was ranked 40th out of 45 donors.
- The most recent assessment of departments’ progress by Publish What You Fund, the charity responsible for the Aid Transparency Index, found that seven out of the 10 UK government departments assessed, including the Foreign Office, were failing to meet aid transparency targets (Figure 10). Only two departments – DFID and the Department of Health and Social Care (DHSC) – met the “best practice” threshold.
Effectiveness of UK aid: interim findings

- Publish What You Fund also reviewed, but did not score, the cross-government funds: the Conflict, Stability and Security Fund (CSSF) and Prosperity Fund. It noted that, in response to calls for greater transparency, the Joint Funds Unit, which is responsible for administering the funds, publishes top-level data about CSSF and Prosperity Fund programmes. The CSSF, for example, now publishes programme summaries for the majority of its programmes (83 of 94 in 2019–20). In a letter to the Committee, Joëlle Jenny, Director of the Funds Unit, stated that: “There is a presumption to publish information on all CSSF programmes”. [...] However, given the sensitivity of some of the CSSF’s work it is not always possible to publish information on every single programme.

- Publish What You Fund has now scored DFID as ‘Very Good’ for six consecutive years. In written evidence, Publish What You Fund remarked that the maintenance of DFID’s ‘Very Good’ score was “a noteworthy finding given the volume and complexity of the aid flows managed by DFID compared to other departments”.

54. While DFID scores well on transparency, Publish What You Fund and James Rogers, in written evidence, drew attention to the lack of transparency over the substantial amounts of aid disbursed through large multilateral development partners, such as the World Bank, and CDC Group.

Figure 10: Transparency of UK aid spending: overall scores and rankings of ODA spending departments

Source: Publish What You Fund, How transparent is UK aid? A review of ODA spending departments, Jan 2020, Graph 1

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115 Ibid
116 Correspondence dated 13 May 2020 from the Director, Joint Funds Unit, relating to follow-up on the Effectiveness of UK Aid and the Conflict, Stability and Security Fund
117 Ibid
118 Publish What You Fund, EUA0007
119 Ibid
120 James Rogers, EUA0037
55. The UK Aid Strategy set an ambition that all UK government departments that spend the ODA budget will be ranked as ‘good’ or ‘very good’ in the international Aid Transparency Index (ATI) by 2020. To date, only three departments—DFID, DHSC and BEIS—had met the target. Departments need to improve the transparency of their aid spending. The Government must set out how it intends to measure progress towards the commitment to publish data to global transparency standards, with milestones, and hold relevant Secretaries of State and departmental officials to account for failing to meet target dates.

Quality of UK aid

56. In February 2019, ONE Campaign published the results of its ‘Real Aid Index’ which assessed the quality of UK aid spending—focussing on poverty reduction, effectiveness and transparency—across different government departments.\(^{121}\) DFID scored highly on the index (Figure 11).

57. ONE’s report and the written responses of Romilly Greenhill’s and ONE drew attention to shortcomings in the way that other Whitehall departments spend ODA.\(^{122}\) In particular:

- Some departments allocate aid very poorly in relation to country needs. For example, BEIS spends only 5% of bilateral aid in the least-developed countries and fragile states while the FCO spends only 16%.

- Some programmes and funds fail to identify how their programmes are targeting poverty reduction. In 2017 the FCO spent £240 million on ‘enabling frontline diplomatic activities’, providing support for FCO missions in ODA-eligible countries. Despite the large sums involved, [ONE] found no evidence of the developmental impact of this spending and extremely limited transparency around what it is spent on. (This Committee’s predecessor was also extremely sceptical about the value of frontline diplomatic activities to the achievement of the UK’s development objectives overseas.\(^{123}\))

- There is a widespread consensus within the international development community that identifying the expected results from a development programme, collecting information on whether those results have been achieved, learning lessons about what has and has not been achieved and communicating the results to the public is important to ensure the effectiveness of development projects and programmes. However, [ONE’s] analysis for the Real Aid Index showed that some departments fail to clearly articulate the results that are expected to be achieved from their aid and do not fully specify how these results will contribute to ending extreme poverty.

- Tied aid reduces value for money and effectiveness of aid spending. While all UK aid is legally untied, [ONE] found de-facto tying in some aid programmes. The Global Challenges Research Fund (GCRF) under BEIS requires the initial applicant to be from a UK institution, while the Newton Fund also under BEIS

\(^{121}\) ONE, Real aid index, Feb 2019

\(^{122}\) Written response from Romilly Greenhill (ONE), EUA0074, WQ17

\(^{123}\) ONE, EUA0059
requires applicants to collaborate with or be supervised by a UK university. Students in the Chevening Scholarship programme under the FCO have to study at a UK university.

- An extremely high proportion of contracts are being awarded to UK companies. Where information was available, ONE found that 90% of contracts (including from DFID) were going to UK entities.

**Figure 11: ONE Campaign’s ‘Real Aid’ index findings**

<table>
<thead>
<tr>
<th>DEPARTMENT</th>
<th>ODA IN 2017 (£M)</th>
<th>POVERTY FOCUS</th>
<th>EFFECTIVENESS</th>
<th>TRANSPARENCY</th>
</tr>
</thead>
<tbody>
<tr>
<td>DFID</td>
<td>10,220</td>
<td>STRONG</td>
<td>STRONG</td>
<td>STRONG</td>
</tr>
<tr>
<td>FCO</td>
<td>1,052</td>
<td>WEAK</td>
<td>MODERATE</td>
<td>MODERATE</td>
</tr>
<tr>
<td>BEIS</td>
<td>765</td>
<td>MODERATE</td>
<td>MODERATE</td>
<td>STRONG</td>
</tr>
<tr>
<td>DHSC</td>
<td>101</td>
<td>STRONG</td>
<td>MODERATE</td>
<td>MODERATE</td>
</tr>
<tr>
<td>Home Office</td>
<td>352</td>
<td>WEAK</td>
<td>WEAK</td>
<td>WEAK</td>
</tr>
</tbody>
</table>

Note: The Prosperity Fund is analysed under the FCO

**Independent scrutiny of UK aid spending**

58. In the UK, there is a comparatively robust architecture for scrutinising UK aid, principally the House of Commons International Development Committee (IDC), ICAI, and the NAO. ICAI reports to the IDC through the ICAI Sub-Committee. NAO reports are typically considered by the House of Commons Committee of Public Accounts. Independent scrutiny of ODA spending is recognised in the 0.7% spending target legislation.124

59. In written evidence, the Center for Global Development stated that one of the key strengths of the UK aid system was that it had an operationally independent watchdog (ICAI), accompanied by good parliamentary scrutiny.125

60. UK aid should be scrupulously monitored to help ensure it is fulfilling its remit to eradicate extreme poverty and delivering value for money for the taxpayer. The current independent scrutiny regime is one of the strengths of UK aid. **These scrutiny arrangements should continue—particularly as ODA is increasingly disbursed across government departments. If DFID’s functions are absorbed into another government department, parliamentary scrutiny should continue under a standalone parliamentary committee that scrutinises UK ODA which ICAI should report to.**

124 International Development Committee (IDC), Definition and administration of ODA, 5th Report of Session 2017–19, HC 547 Jun 2018, paragraph 110
125 Center for Global Development, EUA0020
**Conclusions and recommendations**

In a time of COVID-19, we need stability and should seek to avoid a potentially disruptive and costly machinery of government reorganisation that will impact on the effectiveness of aid.

This Committee advocates strongly for the retention of the current standalone Ministry of State model for international development, with a Cabinet level Minister. If the Government should decide to make significant changes to current systems and structures for administering UK aid, the Government should, as a minimum, present a statement to Parliament setting out an evidence-led rationale for any change; quantifying expected costs and how intended benefits justify the costs and showing how both will be measured and controlled.

**UK aid spending and the UK aid strategy**

1. The Committee welcomes the Government’s commitment to spending 0.7% of Gross National Income (GNI) on aid, keeping within the current international rules-based consensus of the OECD’s DAC definition, and preserving the primary focus of UK aid upon poverty reduction. (Paragraph 9)

2. The UK aid strategy sets out the priorities and principles against which UK aid spending should take place. The refreshed aid strategy will shape ODA expenditure beyond 2020 and should be an important building block in the Government’s forthcoming Comprehensive Spending Review (CSR). Therefore, it is crucial that the refreshed Strategy is in place before the next CSR so that the UK’s aid outputs are based on strategic planning rather than fitting around Whitehall budgets. (Paragraph 11)

3. In recent years, the UK aid budget’s focus has shifted towards middle-income countries that are primarily of interest to the UK from a security, climate change or economic perspective. This shift is driven by non-DFID UK aid spending. To ensure that UK aid is used as effectively as possible, the Government must direct ODA to countries where there is the greatest likelihood of reducing poverty. Accordingly, it should review the growth in ODA directed to middle income countries to ensure that these interventions are helping the world’s poorest and most vulnerable people. (Paragraph 19)

**Allocation and administration of aid**

4. The shift in the increasing amounts of ODA administered outside DFID has created significant challenges for the management and oversight of ODA spending. More than one quarter of the UK aid budget is now spent outside DFID; and, as more bodies become responsible for aid spending, accountability for spending aid well appears to have been eroded. The Ministerial Group which reviews what everyone is doing with their ODA has not met since 2018. We are not convinced that all ODA programmes administered outside of DFID are adequately targeted towards poverty reduction or the most vulnerable. Furthermore, there is a significant risk that non-DFID government departments will re-badge day-to-day spending as aid and push the boundaries of what counts as aid. (Paragraph 27)
5. **In this Committee’s view, stronger accountability and oversight is needed to help prevent distortions in the uses of development assistance and undermining the case for aid. For aid spending outside DFID, there should be clearer links to poverty reduction. The Government should put measures in place to ensure there is no return to tied aid. Finally, ministerial-led oversight of the ODA spending budget across Whitehall should be restored.** (Paragraph 28)

6. The Committee agrees that it is important to review systems to make sure they are delivering value for money and meeting their strategic objectives. However, there are signs that key decisions regarding the future of DFID have already been made. In a time of COVID-19, now is not the time to take those decisions or make those changes. (Paragraph 39)

7. **The Committee would caution against restructuring the way UK aid is administered that might potentially impair the effectiveness of aid, and advocates strongly for the retention of the current standalone Ministry of State model with a Cabinet level Minister.** (Paragraph 40)

8. If the Government should decide to make significant changes to current systems and structures for administering UK aid, it should avoid taking such a decision in haste. The Government should, as a minimum, present a statement to Parliament setting out an evidence-led rationale for any change; quantifying expected costs and how intended benefits justify the costs; and showing how both will be measured and controlled. (Paragraph 41)

**Delivery and performance of UK aid**

9. UK aid often seeks to create impact in challenging environments, where monitoring impact is difficult. However, this should not preclude departments administering ODA from setting objectives aligned to the UK Aid Strategy and seeking to monitor and evaluate change, in order to achieve the fullest picture possible of the totality of the UK’s aid spend and the impacts it is securing. (Paragraph 49)

10. The UK Aid Strategy set an ambition that all UK government departments that spend the ODA budget will be ranked as ‘good’ or ‘very good’ in the international Aid Transparency Index (ATI) by 2020. To date, only three departments—DFID, DHSC and BEIS—had met the target. Departments need to improve the transparency of their aid spending. The Government must set out how it intends to measure progress towards the commitment to publish data to global transparency standards, with milestones, and hold relevant Secretaries of State and departmental officials to account for failing to meet target dates. (Paragraph 55)

11. UK aid should be scrupulously monitored to help ensure it is fulfilling its remit to eradicate extreme poverty and delivering value for money for the taxpayer. The current independent scrutiny regime is one of the strengths of UK aid. These scrutiny arrangements should continue—particularly as ODA is increasingly disbursed across government departments. If DFID’s functions are absorbed into another government department, parliamentary scrutiny should continue under a standalone parliamentary committee that scrutinises UK ODA which ICAI should report to. (Paragraph 60)
Formal minutes

Tuesday 2 June 2020

Members present:

Sarah Champion, in the Chair

Theo Clarke  Mr Ian Liddell-Grainger
Brendan Clarke-Smith  Navendu Mishra
Mrs Pauline Latham  Kate Osamor
Chris Law  Mr Virendra Sharma

Draft Report (Effectiveness of UK Aid: interim findings), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 60 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Second Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

[Adjourned till Thursday 4 June at 2.00 p.m.]
Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the inquiry publications page of the Committee’s website.

Tuesday 17 March 2020

Emma Mawdsley, Vice-Principal, Fellow, Newham College, University of Cambridge; James Rogers, Directory of the Society’s Global Britain Programme, Henry Jackson Society; Ian Mitchell, Senior Policy Fellow, Center for Global Development

Tamsyn Barton, Chief Commissioner, Independent Commission for Aid Impact

Tuesday 28 April 2020

Rt Hon James Cleverly MP, Minister of State for Middle East and North Africa, Foreign and Commonwealth Office & Department for International Development; Joelle Jenny, Director of Joint Funds Unit, Cabinet Secretariat

Rt Hon Anne-Marie Trevelyan MP, Secretary of State for International Development, Department for International Development; Nick Dyer, Acting Permanent Secretary, Department for International Development

The following witnesses answered written questions in lieu of oral evidence.

April 2020

Stephanie Draper, Chief Executive, Bond; Romilly Greenhill, UK Director, ONE; Rt Hon Andrew Mitchell MP, former Secretary of State for International Development; Rt Hon Hilary Benn MP, former Secretary of State for International Development

May 2020

Frances Guy, former UK Ambassador; Peter Millett, former UK Ambassador; Sir Stephen O’Brien, former Parliamentary Under-Secretary of State, DFID; Chris Mullin, former Parliamentary Under-Secretary of State, DFID and FCO; Hajir Maalim, Action Against Hunger; Mauro Tadiwe, Saferworld; Su’ad Jarbawi, Mercy Corps
Published written evidence

The following written evidence was received and can be viewed on the inquiry publications page of the Committee’s website.

EUA numbers are generated by the evidence processing system and so may not be complete.

1. Action for Global Health Network (Katie Husselby, Coordinator) (EUA0047)
2. ActionAid UK (Mr Bruce Warwick, Government Relations and Advocacy Adviser) (EUA0040)
3. Adam Smith International (Mr Jonathan Pell, Chief Executive Officer) (EUA0050)
4. APPG on Preventing Sexual Violence in Conflict Initiative (Mr Anthony Mangnall, Chair) (EUA0021)
5. Bond (Paul Abernethy, Government Relations and Public Affairs Adviser) (EUA0064)
7. Bond Conflict Policy Group (Ms Alice Whitehead, Advocacy and Parliamentary Coordinator) (EUA0031)
8. Bond Disability and Development Group (Ms Jazz Shaban, Co-Chair) (EUA0038)
9. The British Council (Mr Calum Mulligan, Policy and Parliamentary Officer) (EUA0022)
10. British Red Cross (EUA0073)
11. CAFOD (EUA0069)
12. CBM UK (Ms Rachel Aston, Policy Manager) (EUA0006)
13. Center for Global Development (Mr Ian Mitchell, Senior Policy Fellow and Co-director, Europe) (EUA0020)
14. Centre for the Study of Existential Risk, University of Cambridge (EUA0068)
15. Charities Aid Foundation (EUA0053)
16. UK Sustainability & Transitions Working Group (Mr James Cole, Co-Chair of Working Group at STOPAIDS, and Co-Chair of Working Group at Results UK) (EUA0062)
17. Concordis International (Mr. Peter Marsden, Chief Executive) (EUA0016)
18. The Drugs for Neglected Diseases initiative (DNDi) (Ms. Michelle Childs, Global Head Policy and Advocacy) (EUA0019)
19. E3G (Mr. Chris Dixon O’Mara, Policy Advisor) (EUA0057)
20. FIA Foundation (Mr Richard Clarke, Researcher) (EUA0052)
21. The Five Foundation (Mr Brendan Wynne, Co-founder) (EUA0004)
22. Global Antibiotic Research and Development Partnership (Mr Matthew Doherty, Head of External Relations) (EUA0067)
23. Global Justice Now (Dr Daniel Willis, Policy & Campaigns Manager) (EUA0014)
24. Global Witness (Mr Adam McGibbon, Senior Campaigner) (EUA0051)
25. CAFOD, Royal Society for the Protection of Birds, Christian Aid, WWF-UK, Oxfam GB, International Institute for Environment and Development (Mr Graham Gordon, Head of Public Policy) (EUA0025)
26. The HALO Trust (Mr Chris Loughran, Senior Policy & Advocacy Advisor) (EUA0036)
27. Health Poverty Action (Tess Woelfenden, Policy and Campaigns Officer) (EUA0012)
28 Human Rights Watch (EUA0060)
29 IAVI (B Coates, Advocacy) (EUA0015)
30 Independent Commission for Aid Impact (Dr Tamsyn Barton, Chief Commissioner) (EUA0028)
31 Institute of Development Studies (Sophie Robinson, External Affairs Officer) (EUA0013)
32 International Alert (Gemma Kelly, Policy Officer) (EUA0054)
33 International Committee of the Red Cross (ICRC) (EUA0070)
34 International Foundation for Electoral Systems (IFES) (Vice President, Global Growth and Outreach Catherine Barnes, Vice President, Global Growth and Outreach) (EUA0056)
35 International Justice Mission (IJM) UK (Mr Euan Fraser, Public and Corporate Affairs Manager) (EUA0010)
36 Global Coalition for Youth Employment (Woollcombe, David and Lefroy, Jeremy) (EUA0003)
37 Leonard Cheshire (Elaine Green, Head of Influencing) (EUA0035)
38 Li, Jie Sheng (EUA0002)
39 London, Mr (EUA0011)
40 Malaria No More UK (Miss Charlotte Dixie, UK Advocacy Manager) (EUA0045)
41 Marie Stopes International (Marie Stopes International Bethan Cobley, Director, External Affairs) (EUA0008)
42 Mawdsley, Dr Emma (EUA0039)
43 Medicines for Malaria Venture (MMV) (Associate Director, External Relations Ivana Sirovic, donor relations) (EUA0044)
44 Mercy Corps (Miranda Hurst, Senior Policy Advisor) (EUA0055)
45 Mines Advisory Group (Michael Boyce, Humanitarian Policy Advisor) (EUA0026)
46 National Audit Office (EUA0075)
47 Oil Change International (Laurie van der Burg, Senior Campaigner) (EUA0043)
48 ONE Campaign (Miss Nasim Salad, Policy and Advocacy Coordinator) (EUA0059)
49 Overseas Development Institute (EUA0071)
50 PATH (Mariana Becerra, Senior Policy & Advocacy Associate) (EUA0061)
51 People and Nature Campaign (Amy Hammond, Consultant) (EUA0065)
52 Publish What You Fund—The Global Campaign for Aid Transparency (Mr Gary Forster, Chief Executive) (EUA0007)
53 Written questions & answers in lieu of oral evidence, May 2020 (EUA0076)
54 Written questions & answers in lieu of oral evidence, April 2020 (EUA0074)
55 Results UK (Ms Lucy Drescher, Head of Parliamentary Advocacy) (EUA0049)
56 Rethinking Security (Richard Reeve, Coordinator) (EUA0023)
57 The Henry Jackson Society (Mr James Rogers, Director of the Global Britain Programme) (EUA0037)
58 Save the Children (Mr Alastair Russell, Senior Public Affairs Adviser) (EUA0030)
59  Sazani (Mr Mark Proctor, CEO) (EUA0001)
60  Sightsavers (Alex Voce, Parliamentary Adviser) (EUA0066)
61  Sir Bobby Charlton Foundation (Mr Nigel Ellway, Advisor) (EUA0009)
62  STOPAIDS (Ms Jenny Vaughan, Senior Advocacy Advisor) (EUA0058)
63  Taxpayers’ Alliance (Mr Jeremy Hutton, Policy Analyst) (EUA0029)
64  TB Alliance (EUA0072)
65  Terre des Hommes UK (Mr Tom Fitzpatrick, Business Development Officer) (EUA0018)
66  U4 Anti-Corruption Resource Center at the Chr. Michelsen Institute (Mr David Aled Williams, Senior Adviser) (EUA0017)
67  UK Collaborative on Development Research (UKCDR) (Laura Scott, Senior Research and Policy Officer) (EUA0042)
68  UK Youth Climate Coalition (Ben Gilbey, Organiser) (EUA0046)
69  VSO (Heather Alcock, External Affairs and Advocacy Manager) (EUA0032)
List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the publications page of the Committee’s website. The reference number of the Government’s response to each Report is printed in brackets after the HC printing number.

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