

International Development Committee, Effectiveness of UK Aid – Written evidence from Health Poverty Action

1. Health Poverty Action is an international NGO that acts in solidarity with health workers, activists and communities worldwide to improve health and challenge the causes of poverty. We currently work across eighteen countries in Africa, Asia and Latin America.
2. We welcome the opportunity to submit evidence to this inquiry exploring the effectiveness of UK Aid. We respond in particular to the following questions outlined in the terms of reference for this inquiry:
 - How should the national interest be defined, and what weight should it be given, in relation to targeting UK aid?
 - The definition and administration of UK aid – who should be responsible, and accountable, for targeting and spending aid?
 - How effective and transparent is the UK aid spent by the Department for International Development (DFID) compared to aid allocated to other Government departments and to the cross-Government funds?
3. As an international development organisation based in the UK, and having worked with DFID for many years delivering projects to some of the world's most marginalised communities, we have an interest in the future work of DFID and how it works with, and relates to, other Government departments.

Context - Recent shifts in UK Aid towards 'mutual prosperity'

1. In recent statements, the UK Government has signalled an increasing emphasis towards 'mutual prosperity' within the allocation of UK Aid. There is no set definition for mutual prosperity, but it broadly refers to using UK aid to 'generate economic and commercial benefits both for recipient countries and for the UK'. While this is not a new phenomenon within the UK's aid spending, the Independent Commission for Aid Impact (ICAI) indicates that the focus on mutual prosperity has been intensifying in recent years. This is especially the case following the UK's 2016 vote to leave the European Union, suggesting that this shift could be related to the perceived need to reposition Britain internationally after Brexit¹.
2. In their recent report, ICAI highlighted serious concerns in their assessment of the use of UK Aid to enhance mutual prosperity, stating that this could result in -
 - a. a lower share of UK Aid being allocated to the world's poorest countries or poorest people as a focus on mutual prosperity could 'skew the allocation of resources of aid towards countries of sectors where the UK has commercial interests, rather than those with the greatest impact on poverty' serving to undermine the UK's commitment to 'leave no one behind'.
 - b. Economic growth for the UK and partner country business but not for poorer countries themselves.
 - c. Benefits smaller than what could have been expected through more 'traditional' aid, for example by staff 'prioritising interventions with a relatively lower poverty reduction benefit in order to secure benefits to the UK'.
 - d. The undermining of poverty reduction as a global development norm².
3. Examples of the shift towards mutual prosperity are evident in some of the UK Government's recent activities. For example, DFID funded the £15 million African Investment Summit that took place in London earlier this year despite concerns that the event focussed too much on trade as opposed to poverty alleviation³. There has been scaled up funding for the CDC – the UK's development finance institution⁴, and increased allocation of UK Aid money to non-DFID departments such as the Foreign

¹ ICAI. 2019. 'The use of UK aid to enhance mutual prosperity'. <https://icai.independent.gov.uk/html-report/mutual-prosperity/>

² ICAI. 2019. 'The use of UK aid to enhance mutual prosperity'. <https://icai.independent.gov.uk/html-report/mutual-prosperity/>

³ Devex. 2020. <https://www.devex.com/news/ngos-protest-as-dfid-foots-bill-for-trade-focused-uk-africa-investment-summit-96381>

⁴ Global Justice Now. 2020. 'Doing more harm than good'. https://www.globaljustice.org.uk/sites/default/files/files/resources/web_gjn_-

and Commonwealth Office (FCO), the Home Office and Department for Business, Energy and Industrial Strategy⁵. There have also been recent moves to integrate the work of DFID and the FCO – both departments now share a junior ministerial team and DFID country directors also now report to the FCO⁶. Each of these examples risk eroding UK Aid’s contribution to tackling poverty and inequality.

4. In the below, we highlight two associated concerns with a mutual prosperity approach to UK Aid in order to respond to the Terms of Reference – the focus of national interest in the targeting and spending of UK Aid, and the implications of this shift for departmental responsibility of administering and targeting UK Aid.

The role of national interest in the targeting of UK Aid

1. As we outline in our arguments below, national interest should not be given weight in approaches to allocating UK Aid. UK Aid must instead remain fully focused on its mandate of poverty alleviation, and its vital function of global redistribution and compensation, particularly in the context of the COVID-19 pandemic.
2. Pursuing the national interest through UK aid risks directly undermining poverty alleviation. For example, the cross-governmental Prosperity Fund’s ‘Better Health Programme’ has stated that it has a secondary ‘benefit’ to ‘create opportunities for international and UK businesses’ in its activity, whilst also working to strengthen health systems⁷. Yet for-profit companies’ involvement in health systems is often associated with people needing to pay out-of-pocket for services, which pushes 100 million people into extreme poverty each year⁸. It is not clear how the programme will ensure it does not contribute to deepening poverty directly through healthcare costs, or indirectly through increasing costs to governments, by involving more UK and global companies in the health systems of countries where the programme is active. Either of these scenarios would be an unacceptable use of UK aid, clearly prioritising the national interest whilst risking the growth of poverty.
3. National interest approaches which privilege UK businesses at the expense of prioritising aims around poverty alleviation also risk returning to ‘tied aid’ - where aid must be used to procure goods and services from the provider of the aid⁹, despite the UK Government’s stated commitment to not use ‘tied aid’.¹⁰ The UK Government’s increased channelling of UK aid through for-profit contractors¹¹, and often Northern and UK-based consultancy firms¹², runs counter to efforts to strengthen country ownership. This applies to all national interest approaches which privilege UK companies in allocating aid and is especially the case when considered alongside the end of traditional budget support to countries, a mechanism which supported country governments directly¹³.
4. Moreover, the idea that the UK should economically and commercially benefit from UK Aid fails to recognise the many ways in which the UK already profits from its relations with countries in the Global South. These relations stretch back to the legacy of colonialism but also include more recent structures which embed global power imbalances, such as unfair global tax and trade rules, and the repatriation of multinational company profits. It is these forms of structural inequality that can be found at the root of poverty worldwide.

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⁵ House of Commons. 2020. ‘UK aid: frequently asked questions’.

⁶ Devex. 2020. <https://www.devex.com/news/dfid-country-directors-told-to-report-to-the-foreign-office-96704>

⁷ Prosperity Fund Better Health programme summary, available at: <https://www.gov.uk/government/publications/prosperity-fund-fco-programme-summaries-global>

⁸ https://www.who.int/health_financing/topics/financial-protection/key-policy-messages/en/

⁹ <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/untied-aid.htm>

¹⁰ Penny Mordaunt, ‘International Development Secretary on UK aid – The Mission for Global Britain’, speech delivered 12 April 2018, available at: <https://www.gov.uk/government/speeches/international-development-secretary-on-uk-aid-the-mission-for-global-britain>

¹¹ <https://publications.parliament.uk/pa/cm201617/cmselect/cmintdev/920/920.pdf>

¹² <https://www.climatechangenews.com/2018/08/01/one-tenth-uk-climate-aid-spent-western-consultants/>

¹³ See HM Treasury and DFID (2015) ‘UK aid: tackling global challenges in the national interest’, available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/478834/ODA_strategy_final_web_0905.pdf

5. The UK Government plays key role in shaping and benefitting from many of these structures. For example, a large proportion of the money extracted from the Global South is through illicit financial flows such as tax evasion and avoidance¹⁴ - the British government bears special responsibility in this regard since collectively our Overseas Territories and Crown Dependencies form the largest network of tax havens in the world¹⁵. Other examples include the UK Government and UK private companies benefitting from loan repayments made by Global South countries as a result of increased loan making following the global debt crisis of 2008¹⁶. In addition, the cost of the climate crisis is falling disproportionately on Global South countries who did very little to contribute to it¹⁷.
6. It is possible to calculate the cost of this extraction to poorer countries. For example, research conducted by Health Poverty Action and allies found that in 2015, \$203 billion was extracted from Sub-Saharan Africa (SSA) annually. This was either directly – mainly through corporations repatriating profits and by illegally moving money out of the continent – or by costs inflicted by the rest of the world through the climate crisis¹⁸. This amount is more than is needed annually to ensure a healthy and full life for all citizens of SSA¹⁹. This research also demonstrated that the amount of money being extracted from the region each year far outweighed the amount of money going in to SSA through aid and other inflows. Figures from the report showed that while \$203 billion was being extracted, only \$161.6 billion was coming into the region, leaving SSA with a net annual deficit of \$41.3 billion²⁰.
7. The table below demonstrates these flows and the net annual deficit calculated –

Summary of the figures

INFLOWS	Latest available annual figure	OUTFLOWS	Latest available annual figure
Net private grants	\$11.8 billion	Debt payments by governments	\$18.0 billion
Decrease in international reserve holdings	\$20.7 billion	Debt payments by private sector	\$9.8 billion
Loans to governments	\$32.8 billion	Increase in international reserve holdings	\$0.0 billion
Loans to private sector (FDI and non-FDI)	\$20.6 billion	Multinational company profits	\$32.4 billion
Net portfolio equity	\$7.2 billion	Illicit financial outflows	\$67.6 billion
Net FDI equity	\$15.8 billion	Outward remittances	\$3.8 billion
Inward remittances	\$31.2 billion	'Brain drain'	\$6.0 billion
Official aid from OECD	\$19.1 billion	Illegal logging	\$17.0 billion
Official aid from non-OECD countries	\$0.6 billion	Illegal fishing	\$1.7 billion
Debt interest received	\$1.8 billion	Illegal trade in wildlife/plants and poaching	\$10.0 billion
TOTAL	\$161.6 billion	Climate change adaptation costs	\$10.6 billion
		Climate change mitigation costs	\$26.0 billion
		TOTAL	\$202.9 billion

Net annual deficit: \$41.3 billion

8. In this context, aid cannot not be seen as a 'generous handout' but a vital form of redistribution or compensation for the losses poorer countries incur at the hands of global north institutions, corporations and governments, including those in the UK. The idea of mutual benefit and national

¹⁴ Global Financial Integrity. 2010. 'Illicit Financial Flows from Africa: Hidden Resource for Development'.

http://www.gfintegrity.org/storage/gfip/documents/reports/gfi_africareport_web.pdf

¹⁵ 'Narrative Report on the United Kingdom'. <http://www.financialsecrecyindex.com/PDF/UnitedKingdom.pdf>

¹⁶ Jubilee Debt Campaign. 2012. 'The State of Debt'

¹⁷ Health Poverty Action. 2014. 'Honest Accounts'. <https://www.healthpovertyaction.org/wp-content/uploads/2018/12/Honest-Accounts-report-web-FINAL.pdf>

¹⁸ Health Poverty Action. 2017. 'Honest Accounts'. <https://www.healthpovertyaction.org/wp-content/uploads/2018/12/Honest-Accounts-2017-1.pdf>

¹⁹ Health Poverty Action. 2014. 'Honest Accounts'. <https://www.healthpovertyaction.org/wp-content/uploads/2018/12/Honest-Accounts-report-web-FINAL.pdf>

²⁰ Health Poverty Action. 2017. 'Honest Accounts'. <https://www.healthpovertyaction.org/wp-content/uploads/2018/12/Honest-Accounts-2017-1.pdf>

interests in UK Aid fails to account for this, and risks extracting more from the countries the UK works with serving to further entrench poverty and inequality in these countries.

9. This evidence also demonstrates that in order to address poverty worldwide, the UK Government must go beyond aid to address the root causes of poverty and inequality. Specifically, they must start to address the unfair global power dynamics, policies and practises that allow for the extraction of wealth from the world's poorest countries - resources which themselves would be enough to ensure a healthy life for citizens of Global South countries.

Departmental responsibility and accountability to targeting and administering UK Aid

1. To reiterate, it is clear that UK Aid must remain focussed on the alleviation of poverty. Given this, it is important to note that DFID is the only UK department legally bound by the International Development Act of 2002 which has poverty reduction enshrined as the main purpose of the UK aid²¹.
2. Furthermore, there have been serious concerns raised over the use of UK Aid money when administered through other government departments, which as outlined earlier, has been increasing in recent years. One example of this includes the administering and targeting of UK Aid through the Conflict, Security and Stability Fund (CSSF) strategically managed by the National Security Council²². Various groups have raised concerns with the use of UK Aid money through this function including The Joint Committee on the National Security Strategy²³, ICAI and numerous human rights groups such as Reprieve²⁴. Such concerns include -
 - A lack of political leadership and accountability
 - A lack of transparency around objectives, operation, success and human rights risk assessments²⁵
 - Concerns that CSSF programmes could be related to human rights abuses, such as funding counter narcotic programmes in countries where the death penalty is still applied to drug related offenses²⁶.
3. ICAI gave the CSSF an 'amber/red' rating in their assessment of the fund in 2018 demonstrating its poor performance at addressing conflict, instability and insecurity, and at promoting sustainable peace, stability and security²⁷. Since then, various improvements have been made as highlighted in ICAI's follow up report in 2019, although serious concerns still apply²⁸.
4. Another example comes from increased funding through the CDC - the UK's development finance institution. A recent report by Global Justice Now highlights the worrying investments made in the name of UK Aid through the CDC which often invests through intermediary companies registered in tax havens, contributing to illicit financial flows; invests in fossil fuels contributing to the climate crisis; and fails to sufficiently assess the complexity of development impacts of its work. For example, its impact assessment mostly measures the rate of return and the number of jobs created without a proper analysis of what kind of jobs are created and for who²⁹. In their 2019 review of the CDC, ICAI

²¹ House of Commons. 2020. 'UK aid: frequently asked questions'

²² UK Government. 2020. <https://www.gov.uk/government/organisations/conflict-stability-and-security-fund/about>

²³ Joint Committee on the National Security Strategy. 2017. 'Conflict, Stability and Security Fund'.

<https://publications.parliament.uk/pa/jt201617/jtselect/jtnatsec/208/208.pdf>

²⁴ Reprieve. 2017. 'Evidence Submission into the International Development Committee inquiry into UK aid: other government departments'. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/international-development-committee/uk-aid-other-government-departments/written/47061.pdf>

²⁵ Joint Committee on the National Security Strategy. 2017. 'Conflict, Stability and Security Fund'.

<https://publications.parliament.uk/pa/jt201617/jtselect/jtnatsec/208/208.pdf>

²⁶ Reprieve. 2017. 'Evidence Submission into the International Development Committee inquiry into UK aid: other government departments'. <http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/international-development-committee/uk-aid-other-government-departments/written/47061.pdf>

²⁷ ICAI. 2018. 'Report: The Conflict, Stability and Security Fund's aid spending'. <https://icai.independent.gov.uk/html-report/cssf/>

²⁸ ICAI. 2019. 'ICAI follow-up of: The Conflict, Stability and Security Fund's aid spending' <https://icai.independent.gov.uk/wp-content/uploads/2019-ICAI-Follow-up-CSSF.pdf>

also noted a lack of transparency and accountability in the delivery of their work, giving the institution an ‘amber/red’ rating highlighting poor performance in the effectiveness of their investments, and their processes around learning and innovation³⁰.

5. We do not suggest that DFID itself does not have areas of improvement in the delivery, accountability and transparency in its work. For example, the 2018 Aid Transparency Index made a series of suggestions on how DFID could improve such as making improvements to its publication of contracts and tenders and encouraging the publishing of more data. However, it is also the case that DFID was scored ‘very good’ in this same index ranking third out of the 45 agencies assessed worldwide, as opposed to the FCO who scored ‘poor’ ranking 40 out of 45^{31,32}.

Recommendations

1. The UK Government has a responsibility to ensure UK Aid retains a focus on poverty alleviation. National interest arguments should not be given weight in the allocation of aid, as they risk undermining poverty alleviation, weaken country ownership, and ignore the structural imbalances which influence global poverty, and in which the UK plays a role. In this context, UK Aid should be seen as a form of compensation.
2. Given DFID’s unique mandate on poverty alleviation, and the issues of effectiveness, transparency and accountability raised in the administering and targeting of UK Aid through other government departments, DFID remains best placed to administer UK Aid.
3. However, in order to truly address poverty around the world, the UK Government must act beyond aid. Specifically, they must start to address the unfair global power dynamics, policies and practises that allow for the extraction of wealth from the world’s poorest countries - resources which themselves would be enough to ensure a healthy life for citizens of Global South countries. This includes addressing unfair trade rules and tax practises, the unfair allocation of responsibility and costs of mitigating the climate crisis to countries who did not create it, and loan making approaches amongst others. This requires robust measures for policy coherence to address UK policies which create and maintain poverty around the world. There are a range of options for such mechanisms, suggestions can be found in evidence to the Committee’s previous Beyond Aid inquiry we submitted on behalf of Action for Global Health³³ but these must include high level political commitment, mechanisms for coordination, and robust monitoring and assessment.

²⁹ GJN. 2020. ‘Doing More Harm Than Good’. https://www.globaljustice.org.uk/sites/default/files/files/resources/web_gjn_-_doing_more_harm_than_good_cdc_-_feb_2020_2.pdf

³⁰ ICAI. 2019. ‘CDC’s investments in low-income and fragile states’. <https://icai.independent.gov.uk/wp-content/uploads/CDC-26.03.19.pdf>

³¹ Aid Transparency Index. 2018. ‘The 2018 Aid Transparency Index’. <http://www.publishwhatyoufund.org/the-index/2018/>

³² Bond. 2018. ‘DFID rated “very good”, FCO “poor”, in aid transparency index’. <https://www.bond.org.uk/news/2018/06/dfid-rated-very-good-fco-poor-in-aid-transparency-index>