

TaxPayers' Alliance submission to the international development committee inquiry on effectiveness of UK AID

Executive summary

1. More government departments using the aid budget has eroded accountability. The secretary of state for international development should have to approve all aid projects to ensure taxpayers can hold someone responsible for waste in the budget.
2. High turnover of ministers at the Department for International Development has curtailed the department's ability to direct aid spending on a strategic level. Cooperation with the Foreign and Commonwealth Office should be further increased to mitigate the effects of this in the future.
3. Increasingly, other government departments have used the aid budget to cover their day-to-day spending commitments. This raises the question of whether the 0.7 per cent target is inappropriately sapping other departments of necessary funding.
4. In times of significant economic disruption, the UK aid budget should be diverted towards domestic spending priorities. This is lawful under the International Development Act 2015.
5. The UK spends significantly more than most major aid donors, and is the only one with a dedicated department.

The definition and administration of UK aid – who should be responsible, and accountable, for targeting and spending aid?

6. The 0.7 per cent target was introduced in 2013, and was written into law in 2015. The TaxPayers' Alliance believes that the target is arbitrary and should be scrapped.¹
7. When the target was introduced in 2013, British aid spending was highly centralised. The Department for International Development (DFID) was responsible for 87.7 per cent of the budget and other government departments spent 7.5 per cent of the total.²
8. Since then, DFID's share of the Overseas Development Assistance (ODA) budget has fallen to 73 per cent while other departments now spend 22 per cent (including the Conflict, Security and Stability Fund (CSSF) and the Prosperity Fund). In 2010, there were just three government departments using the aid budget. By 2018 this had risen to 14 (excluding cross-government funds).³
9. The aid budget now constitutes a majority of Foreign and Commonwealth Office (FCO) spending. When factoring in the CSSF and Prosperity Fund, the FCO uses more of the aid budget than any other department apart from DFID, totalling 8.1 per cent of the total.⁴ Since 2015-16, the aid budget has made up more than half of the FCO's total spend,⁵ leading to concerns that normal diplomatic activities have been "badged as ODA" without any substantial change to merit that.⁶
10. As more departments use the aid budget, accountability is eroded and it becomes harder to apportion blame for wasteful spending. Whilst the development secretary remains appropriately responsible for DFID's waste and held accountable for that annually by Parliament, other secretaries of state are not held to the same standards for their aid spending. To overcome this failure of accountability, the secretary of state responsible for international development should ultimately have to sign off all ODA funds used by other departments, and so be held responsible in cases of poor use of the aid budget.

¹ TaxPayers' Alliance, *DFID: "A juggernaut out of control"*, 17 April 2015, https://www.taxpayersalliance.com/dfid_a_juggernaut_out_of_control (accessed 28 April 2020).

² Department for International Development, *International Development Statistics 2015*, 3 December 2015, p.18.

³ Department for International Development, *International Development Statistics: Provisional UK aid spend 2019*, 7 April 2020, p.10.

⁴ This calculation relies on data relating to what proportion of the CSSF and PF were spent by the FCO from 2018 but using 2019 figures, and as such is an estimate. Ibid; Department for International Development, *International Development Statistics 2018*, 19 September 2019, p.15.

⁵ Foreign and Commonwealth Office, *Annual Report and Accounts 2018-19*, 11 July 2019, p.70.

⁶ International Development Committee, *Definition and Administration of ODA*, 5 June 2018, p.32.

11. However, DFID's ability to direct aid spending on a strategic level has been significantly curtailed in recent years due to a high turnover of ministers.

12. Since 2016, for example, there have been five development secretaries. Three of these passed through DFID in 2019 and all had different priorities. Some of them, like Rt. Hon. Priti Patel MP, entered with the full intention of disrupting how the aid budget was spent in order to crack down on waste. Others, like Rt. Hon. Rory Stewart MP, hoped to prioritise new challenges like climate change. None were ultimately kept in post long enough to fulfil their goals.

13. It is encouraging that the government has tied the department closer to the FCO, which has not suffered from such short-termism of political appointments. However, this does raise the question of whether DFID's existence as an independent department is necessary, or even desirable.

14. If aid is to be better targeted in alignment with Britain's global interests, the Foreign and Commonwealth Office is better suited to provide that direction, leaving little need for DFID's existence as an independent department.

15. Until that time, however, the aid secretary should bear full responsibility for signing off aid spent by other departments, ensuring clear accountability.

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?

16. DFID has shown willingness to be transparent with its use of the aid budget. The online Devtracker tool makes finding out about individual projects easy, with each project explained in detail and accompanied with relevant documents. This is complemented by the annual development statistics.

17. This degree of transparency is not uniform across all users of the aid budget.⁷ The data available for DFID and non-DFID projects in the annual aid spending data release, for example, varies significantly.⁸ DFID-led projects are typically clearly described on Devtracker which provides relevant documents, detailed project costs and evaluations, and reduces the need to seek further data. This high standard is often not replicated by other departments that often only publish generic broad strategy documents with little, if any, connection to an individual line of spending.

19. It is also difficult to assess all departments by the same standards as DFID because they use the development budget in a different manner.⁹ The FCO uses the budget in large part to supplement its day-to-day activities through 'aid-related frontline diplomacy'. In 2018, the FCO spent £543.2 million on this and 'Frontline Diplomatic Enabling' activities paid for with UK aid. According to the FCO, typical examples of these activities include:¹⁰

- Supporting inward or outward visits, and other tailored events and activities in eligible countries
- Assistance to groups in eligible countries to participate in national, regional, and international events
- Support for technical assistance, provision of specialist expertise, training etc including through provision of expert seminars, workshops or facilitated dialogues
- Scoping visits to identify whether a full-scale project is feasible

20. These examples are simply not convincing uses of the foreign aid budget, which taxpayers are consistently told exists for life-saving humanitarian operations, not for seminars and workshops. This indicates that the 0.7 per cent target distorts departmental spending priorities. It increases waste and creates a sense that, as long as funds are used to help meet the target, what it is spent on does not necessarily matter. In the meantime, key functions and programmes that cannot be badged as ODA are left competing for unprotected funding.

⁷ Publish What You Fund, *How Transparent is UK Aid?*, January 2020, p.10.

⁸ Department for International Development, *Data underlying SID publication, 19 September 2019*, www.gov.uk/government/statistics/statistics-on-international-development-final-uk-aid-spend-2018, (accessed 15 April 2020).

⁹ Hutton, J., *First Aid: Fixing International Development*, The TaxPayers' Alliance, March 2018, p. 18-20.

¹⁰ Foreign and Commonwealth Office, *Frontline Diplomatic Enabling Activity in Support of FCO Priority Outcomes: objectives 2018 to 2019*, 20 September 2018, www.gov.uk/government/publications/official-development-assistance-oda-fco-departmental-programme-spend-objectives-2018-to-2019/frontline-diplomatic-enabling-activity-in-support-of-fco-priority-outcomes-objectives-2018-to-2019, (accessed 15 April 2018).

21. Other departments push the limit of what constitutes responsible aid spending even further. The Department for Business, Energy and Industrial Strategy (BEIS), for example, has signed off some particularly wasteful projects. In 2017, BEIS spent £332,000 on programmes to reduce personal salt intakes in China and £240,000 tracking small boats in Madagascar.¹¹

22. If other departments are using the aid budget to cover what is effectively day-to-day spending, then this suggests that the 0.7 per cent target is fundamentally altering departmental budgets and not being used in the ways portrayed to the public.

How should the national interest be defined, and what weight should it be given, in relation to targeting UK aid?

23. Broadly speaking, the national interest should be defined as activities that protect or advance the security or economic conditions of the UK and the wellbeing of the British people (including British Overseas Territories).

24. Approval for programmes should only be granted on the understanding that the project is in line with the UK national interest and global strategy. This could mean more emphasis on projects focused upon governance and security, for example, similar to those handled through the CSSF.

25. With the FCO being the majority spender of CSSF funds, it may be the case that it is better suited than DFID to handling non-humanitarian aid spending in the future.

26. The UK is a beneficiary of a peaceful world in which countries are free to trade and cooperate peacefully and it is in the national interest to preserve this. In recent years, however, the number of ‘free’ countries has fallen into decline.¹² As the TaxPayers’ Alliance showed in 2014, the prior decade’s foreign aid spending did nothing to advance freedom in the world.¹³ In light of that, Britain’s future development strategy should prioritise those developing countries that are free or are demonstrating a commitment to advancing freedom within their societies. This would both prevent the aid budget being used within increasingly authoritarian countries whose national interests rival Britain’s own, and serve to incentivise developing countries to increase public freedoms within their societies.

27. The ongoing covid-19 crisis also presents a relevant example of how the aid budget is best used. As a recession looms and the economic impact of the crisis remains unknown, public spending is set to be severely impacted. In such a scenario, spending an above average proportion of Gross National Income (GNI) upon international development is a luxury that taxpayers cannot afford.

28. In such a recession, the government should reduce aid spending, in favour of other domestic spending which may be in the national interest. The International Development Act 2015 permits this amongst a small number of cited scenarios as reason to pause adherence to the act listed below:¹⁴

- Any substantial change in GNI as a result of economic circumstances.
- A change in fiscal circumstances impacting tax take, public spending and public borrowing.
- Circumstances arising outside the United Kingdom.

29. This requires no change to legislation, only that the government explain the circumstances to Parliament in a statement made in the reporting year. As international development reporting typically lags by almost two years, this could be expected to happen in 2022.

How is official development assistance defined, administered and targeted elsewhere in the world?

¹¹ Hutton, J., *First Aid: Fixing International Development*, TaxPayers’ Alliance, 2018, p. 19.

¹² Repucci, S., *Freedom in the World 2020: A Leaderless Struggle for Democracy*, Freedom House, 2020.

¹³ TaxPayers’ Alliance, *Does international aid increase freedom in recipient countries?*, 13 October 2014, www.taxpayersalliance.com/does_international_aid_increase_freedom_in_recipient_countries accessed 4 May 2020).

¹⁴ UK Parliament, *International Development Act 2015 – Provision 2*, 26 March 2015, www.legislation.gov.uk/ukpga/2015/12/section/2/enacted, (accessed 15 April 2020).

30. ODA has a uniform definition common to all Organisation for Economic Co-operation and Development (OECD) members. The UK is different from most members of the OECD in two ways: it has an entire government department dedicated to international development; and it spends 0.7 per cent of GNI on ODA.

32. Of the below 13 major OECD donors, as defined by Donor Tracker, just two spend above 0.7 per cent of GNI on ODA and only the UK matches 0.7 per cent. Although Germany almost reached 0.7 per cent in 2016, this was largely due to in-country refugee costs and has since fallen.

33. At the 2005 G8 Gleneagles summit, France, Germany, Italy and the UK all pledged to reach the 0.7 per cent target by 2015, although only the UK accomplished this.¹⁵

34. The UK is also alone in being the only country to have its ODA spending directed by a government department dedicated solely to the task. Other countries direct their ODA through the principal foreign ministry of that country. Germany is an exception. ODA priorities are set by the Federal Ministry of Economic Cooperation and Development (BMZ). Unlike DFID, BMZ also supports economic development within Germany and other European Union countries in addition to developing countries.

35. Unlike the UK, German aid spending is highly targeted at alleviating domestic pressures relating to refugee costs. The main priority, for instance, is ‘fighting the root causes of displacement’.¹⁶ This clearly links to the substantial numbers of refugees accepted into Germany in recent years and is an attempt to address that at the source.

36. French aid spending, meanwhile, is largely targeted at French-speaking countries in western Africa. As such it is, to a degree, less global and more concentrated than UK aid. The French also give far more in loans and equity investments than most Development Assistance Committee members. Furthermore, a high proportion of aid spend never leaves France due to student costs, debt relief and, like Germany, in-country refugee costs.¹⁷

37. Despite these countries having more concentrated and focused aid programmes than the UK, they are still considered as having reputable aid programmes. This shows that there is significant room for Britain to adapt its aid strategy to better suit its own interests, and any changes would bring the UK into line with comparable nations.

Chart of major OECD donors highlighting the government department responsible for ODA and the amount of GNI spent on ODA in 2018^{18,19}

| Country | Responsible department | % of GNI spent on ODA |
|-------------|---|-----------------------|
| Australia | Department of Foreign Affairs and Trade | 0.23 |
| Canada | Global Affairs Canada | 0.28 |
| France | Ministry of Europe and Foreign Affairs | 0.43 |
| Germany | Federal Ministry of Economic Cooperation and Development | 0.61 |
| Italy | Ministry of Foreign Affairs and International Cooperation | 0.24 |
| Japan | Ministry of Foreign Affairs | 0.28 |
| Netherlands | Ministry of Foreign Affairs | 0.61 |
| Norway | Ministry for Foreign Affairs | 0.94 |
| South Korea | Ministry of Foreign Affairs/ Ministry of Economy and Finance | 0.14 |

¹⁵ G8 Gleneagles. *The Gleneagles Communiqué*. 2005. Annex II.

¹⁶ Donor tracker, *Germany*, 2020, <https://donortracker.org/country/germany> (accessed 27 April 2020).

¹⁷ Development Initiatives, *Investments to end poverty*, September 2013, p. 168.

¹⁸ Hutton, J., *First Aid: Fixing International Development*, TaxPayers’ Alliance, 2018, p. 5.

¹⁹ Donor tracker, *Donor Profiles*, 2020, <https://donortracker.org/> (accessed 15 April 2020).

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|---|---|------|
| Spain | Ministry of Foreign Affairs, European Union, and Cooperation | 0.21 |
| Sweden | Ministry of Foreign Affairs | 1.04 |
| United Kingdom | Department for International Development | 0.7 |
| United States | State Department | 0.16 |
| Total average | 0.45 | |
| OECD Development Assistance Committee average (2016) | 0.31 | |

Conclusion

38. The TaxPayers' Alliance believes the 0.7 per cent target is wasteful and should be scrapped. The existence of the target has led to increased waste, reduced accountability and a loss of strategic thinking.

39. Since the UK began following the 0.7 per cent target, the number of departments spending the aid budget has risen substantially. This has eroded accountability and, in some cases, may have led to unnecessary projects being approved. A single secretary of state should have clear responsibility for the aid budget, signing off all aid projects to ensure sufficient accountability is restored.

40. However, high turnover of ministers at DFID has brought the department's ability to strategically direct aid spending into doubt. So that aid spending can be best targeted across government and in the UK national interest, responsibility for it should be returned to the FCO, and DFID should be abolished.

41. The high level of transparency currently practiced by DFID would then be expected from the FCO, or any department accessing aid money.

42. The use by other government departments of the aid budget on areas usually considered day-to-day spending commitments also raises the question of whether the aid budget is draining those departments of resources. In times of significant economic disruption, this will become increasingly apparent. The UK should recognise this and divert the aid budget towards domestic spending priorities, such as during this coronavirus crisis. This is lawful under the International Development Act 2015, which allows for such a diversion.

43. Comparatively, the UK is one of the world's highest-spending aid donors and also the only one amongst fellow major donors with a dedicated development department. The UK also lacks the strategic focus of similar countries, like France and Germany, who more readily use their aid budget in support of their own domestic interests.