

Submission of Written Evidence: The Effectiveness of UK Aid

Introduction

Save the Children was founded in 1919 in London. It is now a global movement operating in 120 countries, fighting to ensure that all children survive, learn and are protected. We have worked extensively with the Department for International Development (DFID) both on policy and programmes around the world since its inception. Based on our experience, we believe that UK aid is most effective when it is focussed on the eradication of poverty and suffering, and is targeted at the furthest behind. This is how the UK can make the biggest contribution to creating a healthier, safer and more prosperous world, and these considerations should be the starting point for the definition and administration of UK aid. The creation of DFID was an acknowledgement of the benefit of a specialist home for the administration of UK aid, and our experience working with DFID and other departments is that this decision remains as right today as it was in 1997. Aid spent through DFID is better focussed on achieving the Sustainable Development Goals and provides better value for money for British taxpayers, more transparently, than that spent by other departments.

Summary of Recommendations

1. The Government should produce a new UK aid strategy that requires all aid spending to meet the terms of the International Development Act (2002) and formalises the primary objective of UK aid as contributing to the Sustainable Development Goals. This should give DFID oversight of aid spending by all departments, with the Secretary of State for International Development as ultimately responsible for the focus and impact of all aid spending.
2. The UK must remain a leading member of the OECD Development Assistance Committee (DAC) and define its aid according to the DAC rules. Any changes the UK seeks to the DAC rules should aim to increase the impact of Overseas Development Assistance (ODA) in eradicating poverty and suffering.
3. UK aid should abide by the principles set out in Save the Children's report *Transformative Aid*.¹
4. The Government should ensure that their stated prioritisation of ending preventable child deaths and promoting girls' education is reflected in urgently reversing the downward funding trends in those areas. The Government should also reverse the decrease in the proportion of the aid budget spent on responding to humanitarian crises.
5. The UK should retain an independent Department for International Development and moves to improve cohesion between DFID and the Foreign and Commonwealth Office (FCO) should not come at the expense of DFID's ability to operate independently.
6. Where aid is spent by departments other than DFID, DFID staff should be practically involved to assist in ensuring programming is effective and focussed on the eradication of poverty and suffering.
7. The cross-Government funds should be re-assessed on the basis of their impact on the eradication of poverty and suffering and their contribution to the Sustainable Development Goals and the system of bidding for the cross-Government funds should be reviewed to ensure parity of access for suppliers.
8. The Government should prioritise improving the transparency of aid spent outside DFID.
9. We would encourage the Committee and its staff to offer support to other Select Committees in encouraging their scrutiny of the ODA spent by the departments to which they relate.
10. No weighting should be given to the benefits to the UK, commercial or otherwise, that could arise from an ODA funding decision. Funding for global public goods and in-donor costs such as refugee resettlement should not be over-reliant on the ODA budget.

¹ Save the Children, *Transformative Aid*, 2019: <https://bit.ly/3b1GprJ>

1. The Definition of ODA

1.1 Save the Children welcomes the Government’s confirmed commitment to spend 0.7% of GNI as ODA, and it is a welcome sign of the consensus behind this position that all major party manifestos at the 2019 General Election included it. It is further encouraging that the 2019 Conservative manifesto abandoned the party’s 2017 proposal to reject the OECD DAC rules that define aid spending if they were not reformed. It is important that the definition of aid spending is constantly interrogated to ensure that it continues to reflect needs, but a multilaterally agreed set of standards is vital to maintaining aid quality and consistency across donors. A commitment to spend 0.7% of GNI as aid is only as good as the definition that governs it.

1.2 We support the requirement of the OECD DAC that to qualify as ODA, spending must have “the promotion of the economic development and welfare of developing countries as its main objective”.² Indeed **we want to see all UK ODA spending meet the terms of the International Development Act (2002)**, which clarifies the purpose of aid spending as “reducing poverty”.³ It is vital that the motive of poverty reduction and sustainable development is at the heart of all ODA if it is to contribute towards meeting the Sustainable Development Goals – an ambitious global agenda that was secured thanks to UK leadership. The 2015 UK Aid Strategy represented an effort to make the aid budget work harder to meet more of the Government’s international priorities, and to assuage concerns about cuts in departmental budgets by increasing the amount of aid spent outside DFID. **A new Aid Strategy is required that explicitly ties the UK aid budget’s objectives to the International Development Act (2002) and formalises the purpose of the aid budget as the UK Government’s most powerful tool in working to achieve the Sustainable Development Goals.**

1.3 One of the benefits of a multilaterally agreed definition of aid spending is the ability of the UK to shape the way in which other donors can spend ODA. The UK was central to the creation of the DAC rules and has frequently been successful in negotiating changes subsequently. However, we are concerned that the UK’s recent efforts to reform the DAC rules have sought to broaden eligibility (such as in changes to eligibility for small island states and to the percentage of peacekeeping costs attributable as ODA) and so reduce the amount of ODA available for the areas that can make the biggest impact on the lives of the poorest children.

1.4 It is essential to the UK’s role in helping to achieve the Sustainable Development Goals that it remains a leading member of the OECD DAC, defines its ODA according to the OECD DAC rules, and when it seeks to amend the rules it does so only with the objective of ensuring that its existing aid budget can make a greater impact to eradicate poverty and suffering, rather than to allow it to count other existing spending as ODA, thus reducing other ODA spending.

2. Priorities for UK Aid

2.1 As we set out in *Transformative Aid*, UK aid must not only save lives but also help to build the capacity of the poorest countries to provide essential services.⁴ This means prioritising the furthest behind, maintaining development effectiveness standards and providing aid in a way that contributes to countries’ ability to finance their own health, education and social protection systems and citizens’ nutrition in the long term. We proposed a new approach to aid that maximises impact by focussing on four key principles:

- **Invest in the basics;** reducing poverty by investing in human capital.

² OECD, Official development assistance, definition and coverage, <https://bit.ly/3b011db>.

³ International Development Act 2002 S1 (1A)

⁴ Save the Children, *Transformative Aid*, 2019: <https://bit.ly/3b1GprJ>

- **Encourage other governments to step up;** by using parts of the aid budget to strengthen in-country tax capacity and institutions, and encourage governments to increase efforts to focus funding on essential services;
- **Ensure accountability;** by stepping up efforts on aid transparency, democratic ownership and participation, no matter which department channels aid;
- **Reach the most vulnerable;** prioritise those furthest behind by focussing efforts on the Least Developed Countries and conflict-affected and fragile states, as well as the most deprived and marginalised groups within all countries.

2.2 In terms of sectoral focus, we welcome the Government’s prioritisation of helping to end preventable child deaths by 2030 and helping to ensure that every girl can benefit from twelve years of quality education. Achieving significant progress against these goals will be critical to the UK’s role in helping to meet the Sustainable Development Goals. While there has been some encouraging practical action in these areas, particularly the UK’s pledge this month to the Gavi replenishment, **it is vital that DFID does more than pay lip-service to these priorities, and they are reflected in the allocation of resources within the aid budget.** DFID’s 2018 Statistics show spending on education at 7.4% of bilateral aid, its lowest ever level. A slight increase in spending on health is due only to an increase in the amount of ODA spent through the Department of Health and Social Care on research, against a longer-term downward trend in ODA spending on health. The COVID-19 pandemic is an important reminder of the importance of strong health systems, and it is critical that this is at the core of DFID’s approach to funding health programming. Despite malnutrition being a factor in half of all preventable child deaths, nutrition funding does not even feature as a category in DFID’s statistics, which is a worrying reflection of the level of prioritisation it has received.⁵ If the Government is sincere in its determination to make an impact in these areas then it must urgently reverse these trends and focus more of the aid budget on health, nutrition and education.

2.3 Alongside these priorities it is of course vital that the UK continues to play a leading role in assisting countries afflicted by conflict or humanitarian disasters. However, this sector saw the largest decrease in funding in 2018, from 16.5% of bilateral ODA to 14%, despite major ongoing humanitarian crises such as the conflict in Yemen and the Rohingya refugee crisis, with UN appeals consistently underfunded. Save the Children’s 2019 report *Stop the War on Children* found that 149 million children are now living in high-intensity conflict zones worldwide.⁶ **Providing the services that these children, and those affected by natural disasters and other crises, need to ensure that they can survive and thrive relies on the UK to increase rather than the decrease the proportion of its aid budget allocated to humanitarian response.**

3. The Administration of UK aid

DFID’s relationship with the Foreign and Commonwealth Office

3.1 The independent Department for International Development underpins the UK’s role as an international development superpower. It not only ensures that humanitarian and development concerns are heard in Cabinet, through its secretary of state, but it ensures that policy and funding decisions are made on the basis of international development considerations, rather than coming under the umbrella of wider foreign policy objectives.

3.2 An independent Department for International Development is also important to retaining a centre of excellence in the expertise required to administer the aid budget effectively. Research by the Overseas Development Institute (ODI) notes that where other countries have moved from having an independent department to a merger with ministries of foreign affairs they have seen significant loss of expert staff to the private sector and civil society and an increased reliance on contractors, reducing value for money. The ODI also finds that “there

⁵ DFID, Statistics on International Development, Final UK Aid Spend 2018: <https://bit.ly/2SBnXQq>

⁶ Save the Children, *Stop the War on Children*, 2019: <https://bit.ly/2yjE3r4>

are real risks that mergers do not deliver on promised gains for global development” and that “efficiency, performance and greater policy coherence... may even be hampered by the process of structural integration itself”.⁷

3.3 We are cautious about efforts that the Government has made to improve cohesion between DFID and the Foreign and Commonwealth Office (FCO). While there are certainly benefits in the departments working more closely together, there is a significant risk of the focus of the aid budget being jeopardised by the FCO’s influence, given its mandate to prioritise the national interest. We are yet to see the full effects of the move to increase the number of joint ministerial roles between the departments, or to change in-country line management arrangements so that DFID country offices now report to Ambassadors. However, the direction of travel illustrated by both of these measures is to reduce the ability of the Department for International Development to operate independently of the FCO, the likely outcome of which is for the objectives of the more ‘senior’ department - the FCO - to be prioritised over the more junior DFID.

3.4 With a formalisation of DFID’s role as the preeminent department in aid spending, there are moves that could improve cohesion between the departments without this risk, and bring better consistency across the aid budget. **Single country plans that cover all aid spending by all departments and funds in each country, as well as coordination at regional level, could help to ensure that maximum value for money was being achieved in working to meet the Sustainable Development Goals in the given country.**

DFID’s role in aid Spending by Other Government Departments

3.5 To ensure that aid spending by all departments contributes to achieving the Sustainable Development Goals, the Government should give DFID oversight of aid spending by all departments, with the Secretary of State for International Development as ultimately responsible for the focus and impact of all aid spending, rather than simply for the responsibility to spend 0.7% of GNI as ODA, as per the International Development (Official Development Assistance Target) Act 2015. This was a recommendation of the Committee’s predecessor during the 2017 Parliament and is one that we strongly support.⁸ Furthermore, while the expertise of departments other than DFID can be an important asset in the administration of aid to meet the objectives of sustainable development, when aid is spent by other Government departments (OGDs), the UK risks abandoning a significant comparative advantage, in DFID’s experience of working in developing countries, their expertise, reach and networks. DFID’s understanding of individual country contexts is essential to its ability to deliver effective aid, so any department neglecting this puts itself, and the people it seeks to serve, at a disadvantage. DFID currently has a relatively high level of involvement at a financial level in ensuring that OGD ODA spend is properly accounted for, and DFID staff are involved in the administration of cross-government funds, but the extent of its practical support in programme design and delivery, and ability to monitor the development impact of cross-government aid spending remain unclear. To ensure that ODA spending best combats poverty, disease, disaster and injustice, OGDs must learn from DFID’s track record at every opportunity.

3.6 There are benefits to spending ODA outside DFID, but we remain concerned about the objectives, implementation, and transparency of cross-government aid spending. When poverty reduction or humanitarian objectives are best met by the application of the expertise and capabilities of a department other than DFID, it is right that ODA should be spent by them. However, it must not be the case that a department spends ODA to meet its own objectives by drawing on funds that could be better deployed in pursuit of the development and welfare of developing countries.

4. Aid Spending by Other Government Departments

⁷ Gulrajani, Nilma *Merginf Development Agencies, Making the Right Choice*, Overseas Development Institute, 2018: <https://bit.ly/35un5IO>

⁸ International Development Committee, Definition and Administration of ODA, 5th June 2018, HC 547 2017-19.

4.1 As previously stated, there is potential benefit in applying the expertise of other departments to humanitarian and development challenges. It is right that the Government uses all the tools at its disposal to help alleviate poverty and suffering in the world's poorest countries. However, there is significant evidence to suggest that ODA spending by other Government departments is less focussed on the development impact than that of DFID. While 62.5% of DFID ODA in 2018 was spent in Low Income Countries, only 25.7% of spending by OGDs was spent in the same group.⁹ A significant amount of non-DFID ODA is spent in the UK on in-donor refugee costs and research projects. While these are of merit, by their nature as UK-based programmes they achieve lower value for money than spending in developing countries. As such there is a strong case for the proportion of non-ODA funding allocated to such projects to be increased.

4.2 DFID's budget has remained largely stable at around £10 billion since 2013, while ODA spent by OGDs has tripled in the same period.¹⁰ This does not illustrate a strategy for augmenting the work of DFID with the expertise of other departments where appropriate, rather it suggests that ODA funding is being used to make up for cuts to non-ODA departmental budgets elsewhere. **A new UK aid strategy should make it a requirement for ODA spending by all departments to meet the terms of the International Development Act (2002) and contribute to achieving the Sustainable Development Goals.**

The Cross-Government Funds

4.3 The introduction of the joint funds – the Prosperity Fund and the Conflict, Stability and Security Fund, was a core part of the 2015 aid strategy's attempts to ensure the aid budget met wider national security objectives and could be spent by more departments. This was a flawed strategy and the funds have by-and-large been a flawed mechanism. Successive investigations, by the Committee's predecessor in the last Parliament, the Independent Commission for Aid Impact (ICAI) and the National Audit Office have raised concerns about the transparency and impact of these funds, while the amount of money spent through them has increased significantly.^{11,12,13,14} Criticisms of the funds have noted that the blended nature of their ODA and non-ODA funding has posed problems of transparency as well as a lack of clear direction in trying to meet both development and either commercial or security objectives, calling into question the desirability of combining them. Aid is at its best when it is targeted at people living in poverty, without being muddled by a desire to further the national interest. There are other channels for achieving that goal, and indeed commercial or security benefits can often be a side-effect of well-spent aid, but the experience of the funds so far raises questions as to whether we risk not achieving either objective if we try to bring the two together. **The cross-Government funds should be re-assessed on the basis of their impact on the eradication of poverty and suffering and their contribution to the Sustainable Development Goals.**

4.4 The funds also present administrative challenges for suppliers. As well as introducing competition between departments, they have created a system of bidding separate from DFID's. This acts as a barrier to entry for many small NGOs and companies, which lack capacity to assess the array of tenders across portals. The shorter tender periods preferred by the funds reduce the ability of NGOs of all sizes to bid successfully, as they have less capacity in this area. Requirements for named staff on proposals also disadvantage NGOs, as they are often only able to recruit staff for a programme once funding is secured. This means that large contractors are better placed to win business. This trend runs contrary to the work carried out by DFID to encourage more small suppliers. **The system should be reviewed to ensure parity of access.**

⁹ DFID, Statistics on International Development, Final UK Aid Spend 2018, September 2019: <https://bit.ly/2SBnXQq>

¹⁰ National Audit Office, The effectiveness of Official Development Expenditure, 22 June 2019: <https://bit.ly/3b1YdmK>

¹¹ International Development Committee, Definition and Administration of ODA, 5th June 2018, HC 547 2017-19.

¹² ICAI, The Cross-Government Prosperity Fund, A Rapid Review, February 2017: <https://bit.ly/35wHQNV>

¹³ ICAI, The Conflict, Stability and Security Fund's Aid Spending, A Performance Review, March 2018: <https://bit.ly/3fjEMJh>

¹⁴ National Audit Office, The effectiveness of Official Development Expenditure, 22 June 2019: <https://bit.ly/3b1YdmK>

Transparency

4.5 In setting out its plans to increase aid spending by OGDs in the 2015 Aid Strategy, the Government committed to achieving a ‘Good’ or ‘Very Good’ rating for all departments in the Aid Transparency Index by 2020. Only three of the ten departments assessed achieved this goal. This is a very serious concern both for the lack of clarity it demonstrates over the ability of aid spending by OGDs to achieve their stated objectives, and for the seriousness with which the Government takes its responsibility to demonstrate result to taxpayers and partners. The lack of transparency in spending outside DFID is more than just an abstract concern, it hinders public confidence in aid spending, risking damage to the taxpayer consent on which the continuation of the UK’s international development role relies. A lack of transparency also reduces the ability of departments to learn and improve results on the basis of prior performance. **The Government should prioritise improving the transparency of aid spent outside DFID.**

Scrutiny

4.6 The International Development Committee, the Independent Commission for Aid Impact and the National Audit Office are essential guarantors of the quality of UK aid spending. We would be deeply concerned by any efforts to downgrade the level of scrutiny to which UK aid is subjected, whichever department were responsible for it. We welcome the Committee’s scrutiny of aid spent outside of DFID. Scrutiny and accountability, both public and parliamentary, are vital to ensuring that British aid is well spent, achieves the greatest possible impact, and maintains public support. **We would encourage the Committee and its staff to offer support to other select Committees in encouraging their scrutiny of the ODA spent by the departments to which they relate.**

5. The National Interest

5.1 We have been concerned by efforts from successive Secretaries of State to promote the aid budget on the basis that it serves the national interest. It is insincere to present the objective of aid spending as self-interest if it is aimed at the alleviation of poverty elsewhere, and it is ineffective aid spending if its sincere objective is the pursuit of the national interest. As discussed with reference to the cross-Government funds, attempts to combine these objectives have largely been unsuccessful at achieving either. The UK’s leadership in international development, and the budget that underpins it are in the national interest because they are in the global interest – in alleviating poverty and suffering the UK contributes to creating a healthier, safer and more prosperous world. Development done well also brings soft power, both through clout on the world stage and positive sentiment in-country. This is a significant by-product of an effective aid budget, but should not be its aim. **No weighting should be given to the benefits to the UK, commercial or otherwise, that could arise from an ODA funding decision.** This is particularly important as the UK seeks new trade deals - any suggestion of ‘aid for trade’ would set a highly alarming direction of travel towards the return of tied aid.

5.2 The current COVID-19 pandemic is an urgent reminder that no nation is immune to the impact of global challenges, and the impact of climate change will also provide an increasingly clear example of this. It is right, and in the national interest, that the UK contributes to tackling such global challenges, however they must only be funded by ODA where they clearly relate to the assistance of developing countries. It is therefore appropriate that a proportion of the UK’s funding for vaccine research, for example, is attributable as ODA, however this must correlate to the extent to which it is likely to benefit developing countries. **The ODA budget should not represent the extent of the UK’s contribution to global public goods, and where there is clearly a benefit to the national interest it is right that non-ODA funding is used.**

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