

This written submission is focussed on one of the issues I brought up when giving evidence to the Committee on 17 March 2020. It is part of a larger draft paper I am writing with a colleague, which proposes a substantial re-thinking of UK aid. The longer paper should be available from June 2020.

I would like to emphasise that we seek to defend many of the current institutions and agendas of UK aid. This submission, like the longer paper, is intended to enhance the quality, effectiveness and impacts of the Overseas Development Assistance (ODA) budget, and in particular, the world leading work of the Department for International Development (DFID).

The UK faces a peculiar challenge in relation to its commitment of 0.7% of Gross National Income as its aid budget. The 0.7% GNI target is enshrined as a defined spending commitment in UK law, mandating that ODA track UK GNI each year. This means real-time adjustments in budgets, with a moving target based on the vicissitudes of the UK economy.

The public and policy debate around this is dominated by whether or not 0.7% is too much (thereafter, how it should be spent, where, by which channels, and so on). The focus here, however, is the way in which the aid budget is set. We recommend a change which would prioritise spending on objectives rather than volumes, reduce administrative burden, improve planning and efficiency, and enhance accountability to UK taxpayers. The key issue here is not the current ODA target (0.7% GNI), but the unintended consequences of the accounting and planning impacts of an annually shifting *post facto* target.

While commendable in its intention, enshrining the 0.7% GNI target into law has had a range of unintended consequences. Unlike almost all departmental budgets that are set through a four-yearly spending round, the absolute size of the aid budget is unclear until GNI figures are available within each spending year. Each financial year HM Treasury is therefore legally required to either increase or decrease the ODA budget in-year to come in on target. Not only does this create significant programming uncertainty for departments, it also focusses administrative attention on the accounting of ODA rather than its purpose. This can result in other lines of spending being ‘DAC-ed’ to make up shortfalls while large-scale multi-year aid projects are deemed riskier given GNI fluctuation. We suggest that the particular budgeting process used in the UK is harmful to the quality of programming.

We propose therefore that the aid budget be set within the standard four-yearly government spending round. Rather than a ‘floating’ annual aid budget, it would be pegged to GNI at the start of the spending round, and programmed clearly as a set forward budget giving predictability and reducing the accounting administrative burden. While this would mean that funds would be incrementally ‘lost’ over the four year round as (or rather, if) GNI grows. However, flexible programmes could be used mitigate this (e.g. any annual ‘excess’ could be transferred to a humanitarian contingency fund). Even if some losses did accrue over the four year round, they would be offset by the administrative savings, and by enabling civil servants to conduct multi-year programming.

Emma Mawdsley

Reader, Geography Department, University of Cambridge
Director, Margaret Anstee Centre for Global Studies, Newnham College, Cambridge