

Written Evidence to the International Development Committee into the Effectiveness of UK Aid

About the ONE Campaign

The ONE Campaign is an international development advocacy and campaigning organisation, working to end extreme poverty and preventable diseases, especially in Africa¹. ONE members raise their voices and put pressure on governments to keep their promises to the world's poorest people. ONE has been at the centre of campaigns to increase development budgets in order to raise vital funds for the fight against poverty, and to call for measures to ensure that aid is spent effectively and meets high standards of transparency. We believe that this is vital for maintaining public confidence in our aid budget. We have significant expertise in development finance, our 'Better Aid Scorecards' report on the latest trends in development finance, including by tracking spending on Official Development Assistance (ODA) by the leading donors². Our Real Aid Index reports on how poverty focused, effective and transparent the largest ODA spending government departments are³.

The Definition and Administration of UK Aid

The UK is a world leader in delivering and administering aid. UK aid has helped improve and save the lives of millions of people around the world, whether by enabling 11.4 million children to access education or supporting 40.3 million people to access clean water⁴. The commitment to spend 0.7% of GNI on ODA is crucial to this. The UK's determination not just to be a leading aid donor, but to legislate for it, sets a powerful example and makes a statement about the country's role on the world stage.

The UK has a strong legal framework governing the aid budget. The priority should be to ensure that all UK government departments spending ODA are bound by the relevant acts. At present, it is not clear that departments beyond DFID are bound by the 2002 International Development Act, which states that UK aid 'must be likely to contribute to a reduction in poverty', or the International Development (Gender Equality) Act 2014. Furthermore, as a world leader, it is important that the UK adheres to the internationally agreed OECD DAC rules on ODA.

The expertise, transparency and rigorous external scrutiny of DFID means it achieves excellent value for money for the taxpayer, and the world's poorest people. We can be confident in the impact it achieves as the Centre for Global Development (CGD) analysis of the Independent Commission for Aid Impact's (ICAI) evaluations in the last 8 years demonstrate that 80% of DFID's projects scored green/amber or better⁵. In comparison, 80% of the Foreign Office's programmes were scored amber/red. The ONE Campaigns Real Aid Index⁶ also noted that DFID consistently scored well across all indicators on poverty focus, on effectiveness and on transparency, whereas other government departments failed to do so.

New global challenges such as climate change and Covid-19, mean that different parts of government need to work together to meet the Sustainable Development Goals and ensure that no-

¹ <https://www.one.org/international/>

² <https://scorecards.one.org/>

³ <https://www.one.org/international/real-aid-index/>

⁴ DFID Annual Report and Accounts 2017-2018, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/750989/DFID-Annual-Report-Accounts-2017-18-amended-Oct18.pdf

⁵ <https://www.cgdev.org/publication/quality-uk-aid-spending-2011-2018-analysis-evaluations-independent-commission-aid-impact>

⁶ <https://www.one.org/international/real-aid-index/>

one is left behind. The department for Business, Energy, Industrial and Strategy are experts on climate change, as the Department for Health is on global health, and so it is right that they spend ODA combating these global challenges. However, it is important that whoever spends aid, it is focused on ending extreme poverty and is spent effectively and transparently, this is why ONE advocates that the majority of ODA spending must be maintained by DFID, and other government departments which spend ODA, must ensure that the quality of ODA meets the same standards as DFID.

Detailed analysis carried out by the Overseas Development Institute (ODI) found that having cabinet-level political representation, legislation (such as the international development act) and parliamentary committees are important for safeguarding against inferior aid quality⁷. To ensure cooperation, policy coherence and oversight of the effective use of ODA across government departments, high-level leadership, including cabinet level ministerial representation, a seat on the National Security Council and active involvement from the Cabinet Office is essential.

Irrespective of the department that administers ODA, it remains an area of government spending with a very distinct set of objectives and one that is rightly held to a high standard. The British public expect comprehensive scrutiny of this spending, to ensure it is spent effectively, improving the lives of the most vulnerable people and delivering value for UK taxpayers. This necessitates the importance of the International Development Select Committee and the Independent Commission for Aid Impact with oversight over all aid spending across government departments.

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?

ONE has produced the Real Aid Charter, which advocates that all UK aid spending should be focused on ending extreme poverty and spent effectively and transparently⁸. Adhering to these principles will help to ensure maximum value for money for the UK taxpayer, and that UK aid reflects both the needs of those living in extreme poverty and the priorities of the British public.

The Real Aid Index assesses the top five government departments in the UK that spend more than £100 million of ODA a year against the Real Aid Charter principles. Our 2019 analysis therefore reviewed aid being spent by the Department for International Development (DFID), the Foreign and Commonwealth Office (FCO), the department for Business, Energy and Industrial Strategy (BEIS), the Department for Health and Social Care (DHSC), and the Home Office. Within these departments, we also assessed each of their top 3-5 programmes against the core criteria of poverty focus, transparency and effectiveness. We are in the process of updating our analysis with the latest Statistics for International Development data, which we hope to publish this year.

THE REAL AID INDEX FINDINGS

DEPARTMENT	ODA IN 2017 (£M)	POVERTY FOCUS	EFFECTIVENESS	TRANSPARENCY
DFID	10,220	STRONG	STRONG	STRONG
FCO	1,052	WEAK	MODERATE	MODERATE
BEIS	765	MODERATE	MODERATE	STRONG
DHSC	101	STRONG	MODERATE	MODERATE
Home Office	352	WEAK	WEAK	WEAK

⁷ <https://www.odi.org.uk>

⁸ https://s3.amazonaws.com/one.org/pdfs/charter_for_real_aid.pdf

As the table above illustrates, no department spends aid as well as DFID and there are huge inconsistencies across government departments on aid spending. The Real Aid Index found six main reasons as to why other government departments did not perform as well as DFID:

- **Poverty focus.** Some departments allocate aid very poorly in relation to country needs. For example, BEIS spends only 5% of bilateral aid in LDCs and fragile states while the FCO spends only 16%. Funds such as the Newton Fund address domestic priorities in MICs such as China, and ICAI have noted of the Fund that ‘the pursuit of secondary benefit has been prominent, while the approach to allocating funds has been poorly suited to the primary objective of promoting development impact.’⁹
 - Some programmes and funds also fail to identify how their programmes are targeting poverty reduction. In 2017 the FCO spent £240m on ‘enabling frontline diplomatic activities’, providing support for FCO missions in ODA-eligible countries. Despite the large sums involved we found no evidence of the developmental impact of this spending and extremely limited transparency around what it is spent on. Similarly, the FCO’s Chevening Scholarship programme provides support for students from developing countries to study in the UK, but shows very limited evidence of impact on poverty reduction and is very poorly targeted.
 - The Prosperity Fund analysed under the FCO, scored poorly as it does not directly target poverty reduction and has a secondary objective of promoting opportunities for UK businesses.
- **Results focus.** 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, our 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.
- **Procurement.** 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.
- **Tying.** Tied aid reduces value for money and effectiveness of aid spending. While all UK aid is legally untied, we found de-facto tying in some aid programmes. The GCRF under BEIS requires the initial applicant to be from a UK institution, while the Newton Fund also under BEIS 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.
- **Transparency.** Transparency across a number of departments is very poor. Our Real Aid Index scored programmes which failed to provide good information on spending poorly, so as to incentivise greater transparency. This impacted on scores for the Home Office in

⁹ <https://icai.independent.gov.uk/html-report/the-newton-fund/>

particular, although we are pleased to have seen improvements in transparency across the board over the past year.

- **Consultation and local ownership.** International agreements on development effectiveness over the past 15 years have emphasised the importance of local ownership in achieving long-term development. However, we found limited local consultation or ownership from Home Office or FCO programmes.

ONE analysis of current UK aid spending demonstrates that relative to other government departments, DFID sets the benchmark for poverty focused, effective and transparent aid. We hope that the Real Aid Index will highlight best practice and encourage those departments that are not currently meeting the standards to identify what they can do to improve. This will ensure that every pound of UK aid delivers maximum benefit to the world's poorest people.

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

One of the challenges around the national interest narrative is to discern the degree to which the government is going beyond using it simply as a framing to justify its commitment to 0.7%, versus actually reshaping UK aid policy and practice to promote UK interests.

For example, UK national interests could be promoted by reducing aid to a country with high levels of poverty, in favour of increasing aid to a wealthier developing country from which the UK is able to secure more immediate commercial or diplomatic benefits. An example that helps to illustrate this point is provided by projects being implemented by the Cross-Government Prosperity Fund (£1.2 billion over 2015-21, overseen by the National Security Council and implemented largely by the FCO) in India's financial sector. The projects supported by the fund are focused in India's engagement in transnational capital markets, e.g. international trading of the Rupee and development of the Indian Bond market. In this case, national interest seems to be the driver of programming, rather than poverty reduction.

There must be a distinction between long term and short term national interest. ODA is quite reasonably in the UK's long term national interest and it is fair to suggest that using ODA will yield great economic and diplomatic benefits to the UK, particularly in Africa, a continent that by 2030 will contain more than a quarter of the world's young people. These are the young people that, given the right skills and opportunities, will drive the global economy of the future, so investing now will likely yield economic and political returns. However, it is problematic when ODA is allocated to suit short-term foreign, security or commercial imperatives. It is crucial that investments which use ODA, are evidence based programmes, with the greatest return on investment and are focused on those that need it the most.

UK aid spent on education, health, conflict prevention, promoting gender equality and similar areas can also be highly beneficial for global, and hence UK prosperity. An ODI study in 2017 found that for every \$1 of direct bilateral aid from the UK, exports increased by \$0.22, and that in 2014, \$5.9 billion of UK direct bilateral aid increased UK exports by almost \$1.3bn, creating 12,000 UK jobs¹⁰. Aid spent by the UK and other donors through Gavi, the vaccine alliance, has helped to generate more than \$150bn in economic benefits globally since 2000, because vaccines create healthier workforces and prevent time lost through illness¹¹.

¹⁰ Mendaz-Parra and te Velde (2017) 'Aid, exports and employment in the UK'. London: ODI

¹¹ <https://www.gavi.org/programmes-impact/our-impact/facts-and-figures>

As mentioned previously, ODA investments which are used to directly benefit UK companies, otherwise known as 'tied aid', is problematic. Aid tying can increase the costs of development projects by 15 to 30 percent and limits opportunities for local procurement in developing countries¹². This reduces value for money and makes aid less effective, actually undermining the benefits to the UK in the long run. This type of aid is also not supported by the public: the Aid Attitude Tracker, a long term study of public attitudes to aid, found that the majority of the UK public think that aid should be primarily for the purpose of helping people in poor countries who need it the most¹³.

In summary, a breadth of evidence shows that DFID is high performing department, in its transparency, its effectiveness and its focus on the poorest people, and thus it should continue to spend the majority of ODA. As the world is ever changing, and global challenges continue to arise, it is acceptable that other government departments spend ODA combating these challenges, from climate change to global health pandemics. However, it is critical that these government departments establish the same standards of poverty focus, effectiveness and transparency as DFID.

¹² OECD (2018) 'Untied Aid', last accessed 15/12/2018, available: <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/untied-aid.htm>

¹³ <https://focus2030.org/The-Development-Engagement-Lab-project>