

# Written evidence submitted by the UK Sustainability and Transition Working Group, to the International Development Committee's inquiry on the effectiveness of UK Aid

## About the UK Sustainability and Transition Working Group

Co-Chaired by STOPAIDS and RESULTS UK, The UK Sustainability and Transitions Working Group is made up of UK based NGOs, and academic institutions working on issues relating to sustainability and transitions.

The group shares information, builds relationships and influences the UK government's policies and approaches to bilateral and multilateral policies, on the sustainability of UK Aid and of the Transition processes aiming to progressively reduce the allocation of external donors' funding in developing countries.

This written submission will address questions 1, 2, 3 and 4.

## Written evidence

**Question 1:** The definition and administration of UK aid – who should be responsible, and accountable, for targeting and spending aid?

1. At the start of 2010 it was clear that DFID's overseas development assistance (ODA) investment approach had changed significantly and would increasingly be driven by a core determination of eligibility based on gross national income (GNI) per capita. If a country that DFID was working in was a middle income country (MIC), particularly upper middle income, DFID would no longer continue to support programmes there and would pull out funding and a DFID country presence as quickly as possible<sup>1</sup>.
  - a. This decision meant UK bilateral aid has been phased out in whole or in part in 18 countries. In some cases, this meant an end to the development partnership whilst in others it was a transition to new partnerships, including on economic development and global development challenges<sup>2</sup>.

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<sup>1</sup> RESULTS UK and STOPAIDS (2019) *Laying the foundations: Principles of a sustainable, successful transition from external donor funding*. Available online: <https://stopaids.org.uk/resources/laying-the-foundations-principles-of-a-sustainable-successful-transition-from-external-donor-funding/> (Accessed 22/04/2020)

<sup>2</sup> Independent Commission For Aid Impact (2016). *When aid relationships change: DFID's approach to managing exit and transition in its development Partnerships*. Available at: <https://icai.independent.gov.uk/wp-content/uploads/ICAI-Review-When-aid-relationships-change-DFIDs-approach-to-managing-exit-and-transition-in-its-development-partnerships-1.pdf>

2. As outlined in more detail within the STOPAIDS membership submission, this approach, still common among most bilateral donors at the time and many still now, was built on two incorrect assumptions about development:
  - a. The first assumption was that countries can be plotted along a linear 'development continuum' - that once you get to a certain national economic threshold (see next assumption) the only direction for all national development indicators is one of improvement.
  - b. The second assumption is that economic growth and its measurement using GNI per capita (GNIpc) can act as a meaningful proxy and the sole determinant (or even sole economic determinant) of where to direct ODA.
  
3. There are three shifting geographies that challenge traditional beliefs regarding ODA:
  - a. The first geography is that of wealth, which is shifting towards the BRICS and a second tier of MICs.
  - b. The second geography is that of poverty. Increasingly the poorest and most marginalised people, who are the focus of our development work, reside in what are now termed MICs.
  - c. The third geography is that of power and knowledge. With economic shifts come changes in geopolitical power, leading to more countries demanding a seat at the table and in decision-making.
  
4. Since 2016 DFID appears to have quietly changed its approach. Since 2015 our understanding is that DFID has not undertaken any more total exits of ODA (often euphemistically called 'transitions' globally) from (usually upper) MICs. Instead the UK Government has undertaken a shift in aid relationships in 3 important ways:
  - a. ODA has been channeled increasingly through different types of interventions, including an expansion of focus on innovative financing and the private sector.
  - b. ODA has been channeled more through other government departments, and
  - c. ODA has increasingly needed to answer whether it also meets the 'national interest'.
  
5. DFID have described they adhere to an allocation model that accounts for: a country's need (measured by extreme poverty), aid effectiveness (the degree to which aid can be translated into poverty reduction), future need, and ability to self-finance<sup>3</sup>. The model also considers 'specific risks, national security priorities, our comparative advantage, the degree to which countries receive aid in comparison to their needs and our ability to deliver the Government's commitments'<sup>4</sup>.

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<sup>3</sup> DFID (2016), Rising to the challenge of ending poverty: the Bilateral Development Review 2016. Available at:

[https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/573889/Bilateral-Development-Review-2016.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/573889/Bilateral-Development-Review-2016.pdf)

<sup>4</sup> *ibid*

6. Within this period DFID have also increased its focus on fragile and conflict affected states, going some way towards recognising that the need for ODA is not solely related to a country's Gross National Income (GNI).
7. Broadly this approach makes some very important steps in the right direction by recognising the ongoing critical role of ODA and the need for increased flexibility and nuance in how ODA can be applied effectively at varying levels and in different ways to achieve development aims. However, key problems also remain or emerge as new.
  - a. This allocation model lacks indicators and it is unclear how and if they are actually applying this model to their priority country programme portfolio. We understand that DFID Country Development Diagnostics are also used to inform investments but summaries of the findings from these reports are not made public.
  - b. The threshold for being in extreme poverty (living on less than \$1.90 a day) is far too low.
  - c. The current DFID approach to aid allocation detailed in the 2016 Bilateral Development Review did not publicly articulate what indicators they use to define 'aid effectiveness' or 'future need'<sup>5</sup>. Without a clearer set of indicators that guides the eligibility or allocation of ODA, the UK government is not being transparent to the taxpayer to facilitate them to understand the basis of deciding where their money is being spent to achieve SDG targets.  
**Recommendation: DFID should publish a clear eligibility and allocation approach for their bilateral and multilateral spending, that includes indicators for each target.**
8. **Recommendation: UK Aid must be targeted towards supporting the poorest and most marginalised, wherever they are. To do so, DFID must strengthen the eligibility and allocation criteria in its assessments so that support and resources can be allocated according to need. Such criteria should include a range of financial indicators including GNIpc, a country's debt burden, fiscal space, level of economic inequality, and a range of social and political measures - levels of poverty, prevalence of health conditions, levels of education, etc.**
9. **Recommendation: Any government department spending UK Aid should include information on citizen needs and preferences as a systematic requirement for portfolio and programme design and management.**

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<sup>5</sup> DFID (2016), Bilateral Development Review: technical note. Available at: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/573890/Bilateral-Development\\_Review-technical-note-2016.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/573890/Bilateral-Development_Review-technical-note-2016.pdf)

**Question 2:** 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?

10. UK aid is a crucial support for laying the foundations of sustainable health systems in developing countries. It supports the most marginalised and the poorest populations to access care and treatments across the world.
11. As mentioned in the latest report from the Independent Commission for Aid Impact, UK Aid in Ghana made important contributions to this country's development results, particularly through its social sector programming<sup>6</sup>. With the shift in aid priorities orchestrated by the Bilateral Development Review, UK government departments other than DFID began to spend ODA in Ghana<sup>7</sup>. The review highlights without DFID's programming, little would have been done on social programming.
12. However, the effectiveness of UK Aid in countries facing a Transition away from Aid might be compromised, without clear Transition policies, and a sustainable plan, involving countries' government and civil societies. Over the last decade, the reduction of UK Aid in MICs, made without developed principles or clear approaches to how Transition is ensured, has been felt keenly by their health sectors, with national governments being unable to replace funding gaps with domestic funding.
13. 'Transition' refers to a process by which a country that was previously receiving external donor funding through overseas development assistance (ODA) has that money reduced, ended or it is transferred to another programmatic aim. The transition can take place slowly or suddenly, leading to a change in aid relationship between the donor and recipient.
14. The results achieved by the allocation of UK Aid should be monitored and evaluated through a comprehensive assessment of performance. Performance of UK aid should be measured by the quality of the outcomes/results that UK aid produces.
15. DFID developed Guidance on Managing Transition, and Working Principles on Transition, and is engaged with the UK Sustainability and Transition Working Group to ensure consistency of DFID Transition policies, with those from key global health multilaterals. These principles should help guide the planning and implementation of transitions, whilst serving to inform all relevant stakeholders involved in transitions of their role in the process and how DFID will engage with them.
16. The UK has continually reaffirmed their commitments to working effectively with civil society. In order to facilitate sustainable and effective transitions, civil society must play a crucial role in minimizing the disruption to crucial programmatic interventions and also play a critical role in holding governments to account as primary duty-bearers.

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<sup>6</sup> ICAI. 2020. *The Changing Nature Of UK Aid In Ghana - ICAI*. [online] Available at: <<https://icai.independent.gov.uk/html-report/ghana/>> [Accessed 6 April 2020].

<sup>7</sup> *ibid*

17. **Recommendation: The UK government, through all relevant Departments, should implement effective, efficient and sustainable transitions that follow clear policies and guidance. All transitions should take place based on the assessment of a set of indicators which can be used to guide transition readiness and that are both flexible and context-specific.**
18. **Recommendation: The effectiveness of UK Aid should be determined by concrete achievements based on health and inequality indices, such as the access to health care, or the reduction of child mortality. These would make reliant indicators to consider whether country recipients of Aid are ready for Transition.**
19. **Recommendation: DFID should remain an independent department in providing transparent and well targeted aid that makes a transformative difference for the world's poorest.**
20. **Recommendation: When DFID exits a country or withdraws support for a particular programme area in a country, it should continue to provide technical assistance and ensure that civil society space does not close down. DFID also needs to clarify how technical assistance is used and to involve civil society in the countries where it is being spent to ensure funds are being used most effectively.**

**Question 3:** How should the national interest be defined, and what weight should it be given, in relation to targeting UK aid?

21. The national interest in allocating Aid, should be defined by the aspiration of supporting developing countries to effectively attain the Sustainable Development Goals, and progressively eliminating the factors of poverty around the world.
22. The current Covid-19 pandemic is an urgent reminder of the need to increase investment in building health systems that reach everyone, prioritising the most marginalised and vulnerable, and building strong international partnerships. Having sustainable health structures in place in developing countries, capable of resisting and to adapt to emerging needs of a population, is crucial to prevent and control epidemics and pandemics from circling back around the globe.
23. Building health systems' resilience, promoting economic growth, and ensuring that everyone can access education and information in developing countries, is therefore a UK national interest, as the achievements resulting from UK Aid will be fundamental to ensure the world's recovery from Covid-19.
24. In terms of the ways UK Aid should be targeted, an enhanced focus on the existing criteria for eligibility is critical, to ensure that the allocation of Aid considers contextual indicators such as public health, education, or disease burden, in order to reach the

most marginalised everywhere, and not depending on their country classification. In this way, the effectiveness of UK Aid would be measured by reliable achievements, ensuring that the solidity of the country's social systems (such as health and education) is not irreversibly compromised by external factors, such as Covid-19.

- 25. Recommendation: To mitigate the impact of future pandemics, the UK must highlight the need for a holistic approach to health systems strengthening that encompasses the full range of health interventions needed to ensure quality primary healthcare and achieve universal health coverage.**

**Question 4:** How is official development assistance defined, administered and targeted elsewhere in the world?

26. Other ODA stakeholders are beginning to review how they define, administer and target ODA to ensure that it is supporting the poorest and most marginalised, wherever they are. Through this, donors are strengthening the eligibility and allocation criteria in their assessments so that support and resources can be allocated according to need; and allowing greater flexibility in the transition process.
- a. For example, regarding the use of GNIpc, the EU recently developed 'Neighbourhood, Development and International Cooperation' instrument creates the possibility to cooperate with all global south countries regardless of their income level and there is no longer graduation "by law". Thus cooperation remains possible regardless of the development status of the country.
  - b. Responding to the collective challenges associated with ongoing donor transitions, UNAIDS launched their sustainability framework and has convened multilateral and some bilateral donors to discuss common approaches. Interventions discussed included building capacities to manage donor transitions, mitigating simultaneous transitions and building sustainability at the start of programs.

- 27. Recommendation: The UK should partner with other large bilateral donors and multilaterals to convene discussions on how to make the best use of ODA to achieve the SDGs and ensure the sustainability of development gains.**

28. As is noted in the first section regarding outdated assumptions driving many bilateral donor eligibility policies, the same was therefore true of many multilaterals up to 2015 because of the substantial influence exerted by donors on their Boards.

29. In 2015, the growing realisation that something was wrong led to the launch of the Equitable Access Initiative (EAI). The aim of the initiative was to explore what criteria should be used to determine eligibility and specifically whether using GNIpc was sufficient on its own. The analyses *proposed that policymakers consider a more comprehensive framework for decision making that accounts for countries' position on a health development continuum; and adhere to eligibility policies that do not only include GNI per capita*<sup>8</sup>.

30. Most bilateral and multilateral donors sidelined the main EAI findings but did recognise the need to mitigate the worst impacts of these eligibility policies by improving transition (donor exit) policies. Most health multilaterals have so far retained limited eligibility approaches based around GNIpc.
31. Donor withdrawal and the inability of national governments to take over these responsibilities have led the international development sector to explore the need for bridge funding to ensure the sustainability of existing results. Sustainability Bridge Funding (SBF) is a concept proposed to mitigate the negative effects of transition and provide support for key essential services for communities and key populations.
- a. In 2018 Open Societies Foundation initiated the project Budget Advocacy and Monitoring in countries of South East Europe. The trial project provided funding to three transitioning countries in the Balkan region to support budget advocacy for harm reduction services<sup>9</sup>. The pilot provides a framework for how SBF could be scaled up and applied in other transition countries.
  - b. **Recommendation: DFID should consider expanding existing emergency funds such as ‘Sustainability Bridge Funding’ to help support civil society and community organisations in transition countries.**

34. The Global Fund To Fight AIDS, TB and Malaria’s (Global Fund) eligibility criteria had led to it withdrawing from a number of countries. The failure of many of these initial transitions, and responding to some of the recommendations from the EAI, the Global Fund Board developed and approved the Global Fund Sustainability, Transition and Co-financing Policy (STC Policy) in April 2016.

- a) This policy is designed to guide implementing countries’ transition from Global Fund support to their own full funding and implementation of their HIV, TB and malaria programs. The STC policy includes a number of policies to mitigate the consequences of transitioning out of MICs including: investing in the development of robust National Health Strategies and Health Financing plans that consider sustainability or programmes; supporting countries to develop transition readiness assessments; and maintaining an allocation methodology that uses indicators that look beyond GNI to make funding decisions.
- c) The Global Fund’s STC policy includes ambitious expectations and requirements for all countries, including low income countries, to increase their contributions and expects countries to co-finance disease program costs, such as purchasing medicines. Even before the Covid-19 crisis, the feasibility of the ambitious co-financing commitments was uncertain for many countries and had the potential to lead to disruptions in services<sup>10</sup>. This uncertainty

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<sup>8</sup> Equitable Access Initiative (2016), Available at: [https://www.theglobalfund.org/media/1322/eai\\_equitableaccessinitiative\\_report\\_en.pdf](https://www.theglobalfund.org/media/1322/eai_equitableaccessinitiative_report_en.pdf)

<sup>9</sup> <https://eecapatform.org/en/sustainability-bridge-funding/>

<sup>10</sup> MSF (2019), Burden sharing or Burden Shifting - HIV and TB. Available at: <https://www.msf.org/burden-sharing-or-burden-shifting>

and danger is dramatically increased with the economic recession already beginning across most Global Fund portfolio countries as a result of the Covid-19 crisis.

35. Gavi, the Vaccine Alliance (Gavi) have been reviewing their transition policies ahead of their June 2020 Board Meeting. There is growing support amongst key stakeholders for GAVI to revise the criteria and indicators used in their eligibility and transition policy to include indicators beyond GNI including other economic indicators, public health indicators equity indicators. Gavi are currently considering new proposals to introduce technical assistance to former and never eligible Gavi countries with a GNIpc of up to \$6,000. This technical assistance would enable Gavi to support countries to procure life-saving vaccines. Gavi is also considering introducing flexible support for countries with a high number of 'zero-dose' children (children with no routine vaccinations).

**29. Recommendation: The UK should utilise their position on the board of the World Bank, Gavi and the Global Fund to ensure synergy and coordination amongst leading multilaterals to mitigate the risk of simultaneous transition.**

**30. Recommendation: DFID should push for global health multilaterals to modify their sustainability, co-financing and transition policies to prioritise sustainability and protect development gains, particularly health outcomes.**

**31. Recommendation: The UK should utilise their position on the board of the World Bank, Gavi and the Global Fund to a) review whether the eligibility and allocations policies of these key multilaterals are still fit for delivering their mandates and, in the meantime, b) ensure synergy and coordination amongst leading multilaterals to mitigate the risk of simultaneous transition, c) push for global health multilaterals to modify their transition policies to prioritise sustainability and protect development gains, particularly health outcomes.**