

International Development Committee - Aid Effectiveness Inquiry – Bond submission

1. Bond is the UK network for organisations working in international development and humanitarian aid. It unites over 400 organisations, ranging from small specialist charities to large international non-governmental organisations (INGOs) with a worldwide presence.
2. Bond and its members welcome this inquiry by the International Development Committee and look forward to using our experience and expertise as organisations working in support of the world's poorest and most vulnerable communities and for sustainable development.
3. The Integrated Review is the first real opportunity for the Government to demonstrate their vision for a 'Global Britain'. The Government should use the Integrated Review process to position the UK as a country which uses its global influence to target poverty and inequality in all its forms, push for decisive action on the climate and nature emergencies, strengthen and defend international rules and norms, and act as a principled and positive force for change in the world.

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

4. Overseas development assistance plays a very specific role, and fills very specific gaps, that it's only appropriate for international public finance to do. In order to effectively play this role, UK aid must be: coherently and effectively planned, delivered and overseen; well-targeted; rules and values based; climate and nature positive; clearly and transparently monitored and reported; and sufficient to the scale of the challenges the world faces.
5. In practice, this means that the UK should:
 - provide at least 0.7% of GNI as Overseas Development Assistance (ODA) under the internationally-agreed definition;¹
 - adhere to the International Development Act (IDA) 2002 and have poverty reduction and sustainable development as the primary focus of its aid;
 - respect the OECD DAC rules governing Overseas Development Assistance (ODA) and support the principles underpinning them;
 - provide aid that is untied in both formal and practical terms, and respects existing international aid effectiveness principles (Paris²/Busan³);
 - actively support the implementation and delivery of the Sustainable Development Goals and promote respect for universal human rights, international labour standards, democratic public participation and a free and dynamic civil society and media;
 - embed the Leave No One Behind (LNOB) principle through all of its programmes to ensure that aid is focused on helping the most vulnerable and marginalised communities;⁴

¹ New and additional (to 0.7% GNI) sources of finance have also been promised but not yet delivered by the UK as climate finance to support developing countries tackle climate change. Currently all UK climate finance comes from ODA. This new and additional climate finance is urgently needed to enable developing countries pursue a net zero and resilient future.

² The Paris Declaration on Aid Effectiveness - <https://www.oecd.org/dac/effectiveness/45827300.pdf>

³ Busan Partnership for Effective Development Co-operation - <https://www.oecd.org/dac/effectiveness/49650173.pdf>

⁴ Including women, children, older people, ethnic and religious minorities, LGBTQ people, disabled people, refugees and the

- be administered in a way that is sensitive to conflict and gender dynamics, and invests in reducing the root causes of violent conflict;
 - be aligned with the goals of the Paris Agreement and contribute to efforts to limit global temperature rise to 1.5°C. No UK aid spend should harm the natural environment, and where possible it should contribute to the rehabilitation of degraded natural resources and strengthening of the ecosystems on which lives and livelihoods depend⁵;
 - provide information about UK aid spending that is clear, comprehensive and easily accessible, with all government departments spending UK aid demonstrating equally high levels of transparency.
6. Given its expertise and experience, an independent Department for International Development (DFID) with cabinet-level representation should remain the primary channel for ODA and should also have a coordinating and oversight function in relation to ODA spending by other government departments (OGDs), with responsibility for maintaining coherence and ensuring OGD spending complements the department's existing programmatic focuses.
 7. This should include rebuilding DFID's country office capacity (particularly in middle income countries) to ensure it is able to act as the lead UK development actor at a country level, and establishing a formal central management and accountability mechanism for DFID oversight of ODA spent through OGDs and cross-government funds.

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?

8. Our ability to assess aid's effectiveness is dependent on its transparency - to the extent that aid spending by other government departments is less transparent, it is also more difficult for external stakeholders to assess its effectiveness against its objectives.
9. Bond member Publish What You Fund's latest rating of UK ODA-spending department's transparency performance (published in January 2020) found that the DFID continued to be the strongest performer on aid transparency, with only DFID, the DHSC and BEIS meeting the target of a "Good" ranking or above that the government has previously set for all ODA-spending departments in the 2015 Strategy,⁶ and several other aid-spending departments (especially the FCO) continuing to underperform badly in terms of their overall transparency performance.
10. DFID bilateral aid programming is typically amongst the more transparent categories of UK aid spending with more detailed disclosure of programme objectives, metrics and performance, however there remain important areas of insufficient or absent disclosure

displaced.

⁵ As such, the UK must immediately halt damaging investments in fossil fuels and commodities associated with unsustainable production practices, and scale up investments in sustainable transport, agroecology and renewable energy.

For further information please see the Bond & Climate Coalition Glasgow Action Plan:

<https://static1.squarespace.com/static/58b40fe1be65940cc4889d33/t/5e5fb6d2fb61a745961d95e4/1583331080712/TCC+and+Bonds+Glasgow+Action+Plan+04%2F03%2F20>.

⁶ The UK Aid Strategy committed departments to achieving a 'Good' or 'Very Good' rating in the Publish What You Fund (PWYF) Aid Transparency Index by 2020.

related to aid priorities, allocations and programming across all departments (including DFID).

11. Given that DFID is responsible for the majority of the UK's multilateral aid expenditure (both core multilateral and multi-bilateral) and for capital transfers to CDC Group, and the current lack of shared metrics against which to judge effectiveness between different projects and departmental activities, it is difficult to be categorical about the effectiveness of all UK aid spending managed by DFID relative to that managed by OGDs.
12. The NAO's 2019 report on UK aid effectiveness stated that as the number of departments spending significant amounts of aid has increased, the overall effectiveness of the UK's aid budget is becoming increasingly difficult to determine⁷.
13. In the UK, DFID has historically been the department primarily tasked with delivering UK international development assistance and has had a remit to do so in accordance with the IDA 2002 which mandates it to prioritise poverty reduction and sustainable development.
14. If the UK Government is committed to the rapid reduction of extreme poverty this will require a clear focus on increasing support for public health, education and social protection⁸ - all areas of programming in which DFID specialises.
15. DFID has, or had, developed the policies, systems, processes and institutional capacities necessary to manage effective poverty-focused ODA at scale. While there are other departments with substantial experience of delivering some forms of ODA, for example BEIS in relation to climate finance, DFID remains the department with the greatest experience and expertise in delivering effective aid, and is also the principal source of oversight, training and guidance for the delivery of UK development assistance (as evidenced by the fact that it had 150 staff on loan to other government departments as of October 2019, including 96 to the FCO).⁹
16. The 2015 UK Aid Strategy stated that: "All departments spending ODA will be required to put in place a clear plan to ensure that their programme design, quality assurance, approval, contracting and procurement, monitoring, reporting and evaluation processes represent international best practice." It also stated that DFID would support other departments in delivering and quality-assuring their ODA spend, and that departments will draw on DFID's Smart Rules for programme delivery. DFID is not, however, currently responsible (and therefore accountable) for ODA spending by OGDs or cross-government funds, with the Treasury having ultimate responsibility for allocating ODA funding to departments and funds.
17. There is a problem of differential oversight, engagement and effectiveness between DFID, Other Government Department (OGD) ODA spending and other ODA spending, and also within DFID's total spending envelope (between for example multilateral versus bilateral spending, or programmed spending and capital transfers to CDC Group which now account for a substantial percentage of DFID's remaining bilateral spending).

⁷ <https://www.nao.org.uk/wp-content/uploads/2019/06/The-effectiveness-of-Official-Development-Assistance-expenditure.pdf>.

⁸ <https://www.odi.org/publications/11187-financing-end-extreme-poverty>

18. DFID's financial investments, which totalled £10.8bn as of end March 2019 and are set to increase at a rate far higher than total ODA expenditure, are currently subject to limited reporting. For example, CDC Group, which is solely owned by DFID, had total investments of £4.3bn as of December 2018 within total net assets of £5.8bn. Of these, £2bn are investments in companies through intermediary funds (the original investment values of which CDC Group does not disclose).

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

19. If the outbreak of COVID-19 has taught us anything it's that we live on an interconnected planet – a healthy, more prosperous world benefits us all. Climate change is another clear example of the global threats that we all face; therefore, our own national interest is directly linked to the ability for all nations to achieve net zero and climate resilience quickly, which we must support and not undermine through UK aid and additional finance. The triple emergency of poverty, nature loss, and climate change is the result of a failure to pursue sustainable development, resulting in a global existential threat that affects us all.
 20. Achieving UK aid's current statutory objectives of poverty reduction and sustainable development in the developing world is clearly in the national interest, and supporting their effective achievement should be the primary basis for targeting UK aid.
 21. In doing so the UK should give due weight to the promotion of global public goods and international institutions, and recognise and reflect the UK's historic relationships with many countries in the developing world (including but not limited to members of the Commonwealth) and responsibility to support their development.
 22. With that in mind, however, aid should primarily be targeted towards the most efficient means of meeting its objectives under the IDA.
 23. To ensure the effectiveness of UK development cooperation, and protect and enhance the UK's reputation as a leading international development actor, UK aid should not be used to pursue narrowly-defined economic, security or foreign policy objectives. In addition, UK aid objectives should not be compromised or contradicted by other elements of UK foreign, migration, trade, investment or climate policy.
 24. A recent ICAI review found that 'are risks that the poverty focus of UK aid may be diluted, with the mutual prosperity agenda creating the risk of pressure to spend aid in developing countries that are most likely to be important trading partners'.¹⁰
 25. The principal concerns for the UK aid sector are: is UK aid being directed primarily towards the populations and regions in need; and is the aid being directed to these populations and regions being spent in ways that promote sustainable development and directly benefit the lives of the poorest and most marginalised?
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26. The delivery of effective UK aid has been compromised by previous policy decisions to rationalise country office programming and reduce or end bilateral aid for poverty reduction in key middle-income countries without using appropriate metrics to judge countries' readiness for exit. This disengagement has been followed by a re-engagement led by other less poverty-focused departments and institutions, meaning that UK bilateral aid activity in middle-income countries is often now less explicitly poverty-focused than that delivered (and overseen largely by DFID) in Less-Developed Countries (LDCs). There is therefore an argument for re-expanding the UK's (and especially DFID's) aid programming in high-poverty middle income countries.

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

27. Overseas Development Assistance (ODA) by members of the OECD DAC has to meet the OECD DAC definition, which is to have "the promotion of the economic development and welfare of developing countries as its main objective". The UK meets and goes beyond this standard to mandate an active focus on poverty reduction and sustainable development, and also commits not to formally tie its aid (according to the OECD's definition of the practice).
28. The majority of UK aid projects are delivered by multilateral institutions (including multi-bilateral programming, 56% of UK aid was delivered through multilaterals in 2018), and are therefore subject to collectively developed methods of administration.
29. There exist a wide variety of approaches to ODA administration, both between different countries' bilateral aid programming - for example some countries (such as the US) continue to explicitly tie a portion of their ODA to the purchase of US goods and services, and others (such as Japan) may make far more extensive use of loan rather than grant-based support than other countries - and, as with the UK, between different aid institutions within the same country, reflecting differing purposes, priorities, institutional frameworks and budgets.
30. While there are examples of good practice in many countries, the Nordics - Sweden, Norway and Denmark - are typically among the best performers in the administration, monitoring, reporting and impact evaluation of aid programming.

Accountability of the 'Government systems and structures' recommended by the Integrated Review (including arrangements for parliamentary scrutiny)

31. Bond and our members welcome the Integrated Review, and support a well-funded and effective aid programme, with poverty reduction and sustainable development as the primary objectives, working closely with other government departments and institutions in support of the poorest and most vulnerable.
32. But there are worries from stakeholders working in the international development sector that the whole process is a vehicle for HMG to subsume DfID into the Foreign Office in order to bolster the budget and reputation of the Foreign Office – something that the Prime Minister has stated publicly on a number of occasions.

33. It is true that the Foreign Office core budget has been subject to sustained funding cuts, however the answer to this underfunding is to restore the FCO's unrestricted funding, not to seek to repurpose aid spending or merge departments.
34. In terms of priorities, the Integrated Review taskforce team should focus on cross-government measures to promote the sustainable development priorities set out in the answer to Question 1. In terms of structure this means:
 - It should ensure that an independent DFID, with cabinet-level representation, remains the primary channel for UK aid spending,
 - establish a formal central management and accountability mechanism for DFID oversight of ODA spent through OGDs and cross-government funds,
 - set out a roadmap for strengthening DFID's country office capacity (including in middle-income countries) to ensure it is able to act as the lead UK sustainable development actor at a country level.
35. Any government systems and structures recommended by the Integrated Review for coordinating and managing the UK's external relations should have a clear remit for promoting UK development cooperation in accordance with IDA principles, and include clear mechanisms for meaningful and deliberative engagement with Parliament and civil society organisations.
36. When conducting inquiries and reviews, the IDC and ICAI should continue to fully scrutinise all ODA spending, regardless of government department or institution (and including multilateral agencies and CDC Group), to ensure that ODA is accountable to Parliament.
37. As such, other government departments, cross-government funds (including the CSSF and Prosperity Fund) and CDC Group should clearly account for their ODA spending to the IDC and ICAI in a regular and transparent manner. This should include supporting and working with the Committee and ICAI on reports and inquiries, but also include regular reporting in line with existing requirements for government departments, including detailed ODA reporting in their annual reports and departmental main and supplementary estimates, and regular disclosure on ODA priorities, performance and spending to the IDC.
38. Other committees to which these departments already report on non-ODA spending should also play a stronger role in scrutinising their development work.
39. Civil society engagement is critical. We know from experience that social dialogue, along with democratic decision making, is most effective when it is inclusive, meaningful and deliberative, and rooted in a well-structured and consistent process that promotes accountability and transparency. Civil society organisations and trade unions can offer information from partners and programmes on the ground, contextualising experiences of vulnerable groups. We can draw on our operational presence and experience and help the Integrated Review taskforce reach the communities where trust is key and state capacity is weak.
40. Up to now government ministers have made vague statements and commitments that they want to consult with a wide range of experts, but without meaningful and deliberative

engagement with civil society groups and NGOs on the ground, they run the risk of diminishing the Integrated Review's credibility and legitimacy.

41. Now that the process has officially been put on pause¹¹, we urge the committee to monitor the situation to ensure that no key decisions are taken by the government without proper parliamentary scrutiny. We also recommend to the committee that it looks to gather further evidence once the Integrated Review process has started again.

¹¹ <https://twitter.com/CommonsDefence/status/1250408538469367810?s=20>