

**WRITTEN EVIDENCE SUBMITTED BY THE OVERSEAS DEVELOPMENT INSTITUTE
TO THE INTERNATIONAL DEVELOPMENT COMMITTEE INQUIRY ON
THE EFFECTIVENESS OF UK AID**

ABOUT ODI

ODI is an independent, global think tank working towards a sustainable and peaceful world in which every person thrives. We harness the power of evidence and ideas through research and partnership to confront challenges, develop solutions and create change.

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EXECUTIVE SUMMARY

- 1. There are notable risks to fragmenting ODA spending across government; and, while the 2015 UK Aid Strategy called for other government departments (OGDs) beyond DFID to spend ODA, neither DFID nor the Treasury has assessed whether this has achieved its intended impact.**
- 2. Research has substantiated concerns about the effectiveness of aid delivered through OGDs: DFID performs best amongst UK aid spending departments while the FCO, the second largest spender, performs worst. In addition, there is limited use of performance information generated by departments - exacerbating uncertainties over whether the objectives of the 2015 Strategy are being achieved.**
- 3. The Secretary of State for International Development is not mandated to ensure the coherence and effectiveness of UK aid across government; but could be incentivised to exercise oversight through the International Development Act 2002 to ensure OGDs are compliant with the Act.**
- 4. National interest is a significant objective of the 2015 UK Aid Strategy, but the term has not been adequately defined - or reconciled with the aims of the 2002 International Development Act, which places poverty reduction at the centre of ODA.**
- 5. Notably, the UK ranked second in ODI's Principled Aid Index. However, its overall score has declined over time - being dragged downwards by its above average correlation between aid flows and arms exports, as well as its tendency to informally tie its aid.**
- 6. The high turnover of Secretaries of State for International Development in recent years may impact the effectiveness of UK aid and in particular DFID which is responsible for three-quarters of aid spending.**
- 7. Internationally, there is momentum behind bilateral donor efforts to integrate foreign policy and development objectives by altering the institutional set up of development cooperation. However, efficiency, coherence and effectiveness**

arguments to support institutional reform have not always materialised once reforms have taken place.

8. Given that aid flows are expected to suffer from fiscal retrenchment in major donor countries, managing exit from aid effectively and forging new relations beyond financial assistance are significant considerations for donor governments. Donors, including the UK, acknowledge the need to have a formalised strategy for transition from aid but are yet to implement one.
9. The UK is not a global outlier in terms of the percentage of ODA it channels through OGDs, or indeed the number of OGDs it uses to distribute aid. However, the 2015 UK Aid Strategy created and encouraged new actors into UK development policy without necessarily ensuring robust processes for coordination, cooperation and coherence.
10. Governments that possess a senior champion to lead development policy can improve aid effectiveness. In contrast, UK aid is overseen by high-level coordination groups, but without a single minister or body responsible for all ODA.
11. ODI has previously recommended to the International Development Committee that the government should consider empowering a single central agency - such as the Cabinet Office or Treasury - to ensure coherence across OGD activities, as well as accountability towards the broader UK Aid Strategy.

THE DEFINITION AND ADMINISTRATION OF UK AID

12. The UK is one of the world's largest ODA donors, spending £15.2 billion on ODA in 2019 and meeting its legal commitment to spend 0.7% of GNI on ODA. This was an increase of £688 million on the previous year.¹
13. The government's 2015 UK Aid Strategy stipulated that UK aid would rely on a whole of government approach to its international development effort, with more aid administered by other government departments (OGDs) and cross-government funds (including, the ODA Crisis Reserve, Prosperity Fund and the Conflict Stability and Security Fund)².
14. Although DFID remains the largest contributor of UK aid (73.2% of ODA in 2019), its share of spend has been decreasing over time as expenditure by OGDs grows. In 2019, there were six OGDs spending more than £100 million of UK ODA.³ Meanwhile, the proportion of spending through multilateral aid channels continues to fall, with 33.4% of UK aid spent via multilateral channels in 2019.⁴

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/878395/Statistics-on-International-Development-Provisional-UK-Aid-Spend-2019.pdf

² <https://www.gov.uk/government/publications/uk-aid-tackling-global-challenges-in-the-national-interest>

³ The largest of these was the Business, Energy and Industrial Strategy (BEIS), followed by the Foreign and Commonwealth Office and the Home Office

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/878395/Statistics-on-International-Development-Provisional-UK-Aid-Spend-2019.pdf

⁴ Ibid.

15. **There are notable risks of fragmented aid spending across Government.** As the NAO points out in a 2019 report, "widening ODA expenditure to other departments has increased risks to effectiveness and it is not clear whether the intended benefits of drawing in wider skills have been realised."⁵
16. **Neither DFID nor the Treasury has assessed whether allocating the ODA budget to departments has achieved intended impacts.**⁶ Allocating ODA potentially creates opportunities for OGDs to access new funds at a time when they feel fiscally stretched, with less commitment to delivering impact.
17. Government departments are accountable for the quality and impact of their own ODA programmes. **The Secretary of State for International Development is responsible for the ODA target and overall reporting against ODA criteria, but is not mandated to ensure coherence and effectiveness of UK aid.**⁷ This circumscribed responsibility is appropriate given the Secretary of State lacks oversight of spending across over a quarter of UK aid.
18. Nevertheless, the Secretary of State could be incentivised to exercise her right in the International Development Act 2002 to report on "*policies and programmes pursued by Government departments on— (a) the promotion of sustainable development in countries outside the United Kingdom, (b) the reduction of poverty in such countries*".

THE EFFECTIVENESS AND TRANSPARENCY OF UK AID

19. An analytical review of 65 ICAI reviews published between 2011-2018 found that DFID spending performed best across all departments, with almost four-fifths of spending graded strong or satisfactory.⁸ The FCO, the second largest spender of UK aid, performed worst.
20. The 2015 UK Aid strategy set a target for all government departments to be ranked as "Good" or "Very Good" in the Publish What You Fund Aid Transparency Index methodology within five years. In a recent analysis, DFID maintained its "Very Good" score, ranking first among ten assessed departments (not including the Conflict Stability and Security Fund (CSSF) and the Prosperity Fund (PF)).⁹
21. Both OGDs and DFID can be immensely valuable in the context of countries exiting from aid. Both have a role to play as countries transition to a diplomatic relationship based on mutual equality, and where opportunities for knowledge transfer and trade and investment opportunities abound.¹⁰

⁵ <https://www.nao.org.uk/wp-content/uploads/2019/06/The-effectiveness-of-Official-Development-Assistance-expenditure.pdf>

⁶ <https://www.nao.org.uk/wp-content/uploads/2019/06/The-effectiveness-of-Official-Development-Assistance-expenditure.pdf>

⁷ <https://www.nao.org.uk/wp-content/uploads/2017/07/Managing-the-Official-development-Assistance-target-a-report-on-progress.pdf>

⁸ <https://www.cgdev.org/sites/default/files/quality-uk-aid-spending-2011-2018-analysis-evaluations-independent-commission-aid-impact.pdf>

⁹ https://www.publishwhatyoufund.org/wp-content/uploads/dlm_uploads/2020/01/How-Transparent-is-UK-Aid_Digital.pdf

¹⁰ Gulrajani, N., Mawdsley, E., & Roychoudhury, S. (2020). *The new development diplomacy in middle-income countries. The changing role of traditional donors in India*, (February). ODI Working Paper. Retrieved from

22. Two cross-government funds channel UK ODA to government departments in a predictable manner. Both the PF and the CSSF are directed by the National Security Council (NSC). The Joint Funds Unit manages the CSSF, and also provides oversight for the Prosperity Fund.
23. The CSSF is roughly £1.26 billion and pools ODA and non-ODA funding to tackle instability and insecurity in countries and regions of importance to the UK. Funding is allocated in accordance with the individual country, regional and thematic strategies set by the NSC. **Critical reports in 2016 by the Joint Committee on the National Security Strategy and by ICAI in 2018 raised serious concerns about the accountability and transparency of the CSSF.**¹¹
24. An ICAI follow-up review in 2018 highlighted progress on "commitments to improving its results management processes" but still indicated CSSF makes "some unsubstantiated results claims".¹² **There remains no singular ministerial accountability over the CSSF, although a new National Security Council Sub-Committee offers a degree of oversight** (comprised of Secretaries of State and Ministers from all NSC departments).¹³
25. The PF is meant to dually achieve UK and global economic prosperity ambitions. The fund has an allocated budget of £1.2bn up to 2023 and targets middle-income countries to generate opportunities for the private sector, including UK businesses, as a secondary objective.¹⁴
26. **An ICAI rapid review of the PF in 2017 was followed up in 2018, with the latter noting slow improvements regarding transparency on spending and results.**¹⁵ **There are now calls for greater access to NSC strategies and greater transparency of publication reports and annual reviews covering both the CSSF and the PF.**¹⁶

<https://www.odi.org/publications/16604-new-development-diplomacy-middle-income-countries-changing-role-traditional-donors-india> Prizzon, A. and Jalles d'Orey, M. (2019) Exit from Aid an Analysis of Donor experiences. (April) ODI Working Paper Retrieved from <https://www.odi.org/publications/11297-exit-aid-analysis-donor-experiences>

¹¹ <https://publications.parliament.uk/pa/jt201617/jtselect/jtnatsec/208/208.pdf> p. 13

<https://icai.independent.gov.uk/report/cssf/>

¹² <https://icai.independent.gov.uk/wp-content/uploads/ICAI-follow-up-of-2017-18-reviews.pdf> See also: <https://www.devex.com/news/controversial-cssf-responding-to-criticisms-as-it-continues-to-grow-95314>

¹³ <https://www.gov.uk/government/organisations/conflict-stability-and-security-fund/about>
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/818585/CSSF-Annual-Report-2018-to-2019.pdf

¹⁴ https://www.publishwhatyoufund.org/wp-content/uploads/dlm_uploads/2020/01/How-Transparent-is-UK-Aid_Digital.pdf

¹⁵ <https://icai.independent.gov.uk/wp-content/uploads/ICAI-Follow-up-Prosperity-Fund.pdf>

¹⁶ https://www.publishwhatyoufund.org/wp-content/uploads/dlm_uploads/2020/01/How-Transparent-is-UK-Aid_Digital.pdf

NATIONAL INTEREST AND ITS RELATIONSHIP TO UK AID

27. The allocation of aid to serve the national interest is a key ambition of the 2015 UK Aid Strategy, entitled 'Tackling global challenges in the national interest'.¹⁷
28. Without a clear definition of how specific aid activities, allocations and approaches within these broad aims tangibly serve the collective national interest in ensuring all societies are sustainable, stable and prosperous, there is a risk is that the ambition of a principled national interest degenerates into the pursuit of more parochial, nationally-circumscribed one.¹⁸
29. **The UK ranked second in ODI's Principled Aid Index based on 2017 ODA data. Nevertheless, its overall score has declined over time – from 25.9 in 2013 to 23.9 in 2017.**¹⁹
30. **The UK's high ranking is testimony to its commitment to sectors addressing critical development need, as well as a strong investment profile supporting global institutions and investing in global public goods.**
31. **Its ranking is dragged downward, however, by its above average correlation between aid flows and arms exports and its performance on a tied aid variable that considers both formal and informal tying practices.**
32. Understanding the relationship between aid and the UK national interest also requires reconciling this ambition with the 2002 International Development Act.
33. **The 2002 Act is intended to ensure that UK ODA spending furthers the sustainable development and welfare of developing countries and is likely to contribute to a reduction in poverty. However, it does not bind all OGDs to this commitment. Spending UK aid through OGDs and cross-government funds require greater demonstration of compliance with the 2002 Act**²⁰
34. It is worth considering how the impacts of investments by both the CSSF and PF are dually meeting UK national interest and developmental objectives given they profess to satisfy both. Greater transparency is required to identify when and why tradeoffs might need to be made.
35. **UK aid should state unambiguously its commitment to a principled national interest, one that delivers collective benefits to all peoples and countries while at the same time serving the UK.**
36. Indeed, the UK could serve as a champion of such an agenda globally, levelling the playing field amongst a growing group of assistance providers and reducing the risk of traditional DAC donors diluting their high standards of engagement.
37. The current COVID-19 pandemic also highlights the ways the national interest is advanced by supporting multilateral efforts that coordinate, create and distribute global public goods. This crisis invites reflection on the appropriate balance between

¹⁷ <https://www.gov.uk/government/publications/uk-aid-tackling-global-challenges-in-the-national-interest>

¹⁸ Gulrajani, N., & Calleja, R. (2019). *The Principled Aid Index*. ODI Policy Brief. Retrieved from <https://www.odi.org/sites/odi.org.uk/files/resource-documents/12635.pdf>

¹⁹ <https://www.odi.org/opinion/10502-principled-aid-index>

²⁰ <https://www.cgdev.org/blog/what-does-uk-law-say-aid-how-new-development-secretary-mordaunt-can-meet-her-aid-effectiveness>

multilateral and bilateral channels, and within the multilateral spend the appropriate use of core, core-like and earmarked forms of finance.²¹

HOW AID IS DEFINED, ADMINISTERED AND TARGETED ELSEWHERE

38. While development used to sit alongside diplomacy as a distinct but related policy arena, greater intermingling between governments' developmental and strategic interests has put traditional donorship in a state of flux.
39. **Globally, there is momentum behind bilateral donor efforts to integrate foreign policy and development objectives by altering the institutional set up of development cooperation.**
40. The empowerment of ministries of foreign affairs, and their traditional cadre of diplomats, over development agendas and actors proceeded most prominently in the case of formal departmental mergers like that in Australia and Canada in 2013.
41. However, countries have also adopted less onerous reforms to shift the division of labour between their development and diplomatic arms - for example in Norway in 2019.²²
42. **There is evidence that countries that possess a senior champion and publicly accountable figure to lead a donor's development policy does matter for aid effectiveness, as does an institutional configuration that integrates policymaking and implementation functions.**²³
43. We also see greater engagement by line ministries in development policy. The broad-based ambitions of the Sustainable Development Goals (SDGs) encourages all OGDs to explore the global aspects and impacts of their domestic policy mandates. This has opened space for line ministries to assume greater importance in development policy setting but especially in its implementation.²⁴
44. In 2017, OECD-DAC donors channeled ODA through an average of 12 OGDs, with donors using between 3 and 36 ministries beyond the lead agency to distribute aid. Ten countries channeled their ODA through a larger number of OGDs than the UK.

²¹ Gulrajani, N. (2016) *Bilateral versus multilateral aid channels: strategic choices for donors*. ODI Working Paper. London Retrieved from: <https://www.odi.org/publications/10371-bilateral-versus-multilateral-aid-channels-strategic-choices-donors>. See also Greenhill, R., & Rabinowitz, G. (2016). *Why do donors delegate to multilateral organisations*. ODI Working Paper. London. Retrieved from: <https://www.odi.org/publications/10632-why-do-donors-delegate-multilateral-organisations-synthesis-six-country-case-studies>

²² https://www.regjeringen.no/en/aktuelt/reform_aid/id2644737/

²³ Faure, R., Long, C., & Prizzon, A. (2015). *Do organisational and political models for development cooperation matter for development effectiveness?* ODI Working Paper. London: ODI. Retrieved from: <https://www.odi.org/publications/9309-future-development-agencies-organisational-political-models-development-cooperation-development-effectiveness>

²⁴ Gulrajani, N., Mawdsley, E., & Roychoudhury, S. (2020). *The new development diplomacy in middle-income countries. The changing role of traditional donors in India*, (February). Retrieved from <https://www.odi.org/publications/16604-new-development-diplomacy-middle-income-countries-changing-role-traditional-donors-india>

The UK is not a global outlier in terms of the percentage of ODA it channels through OGDs, or indeed the number of OGDs it uses to distribute aid.²⁵

45. At least 75 countries globally now possess formal institutional apparatus that oversee development cooperation, most of which are clearly not DAC members.²⁶ Attempts to document the institutional structures of non-DAC donors suggests the executive branch of government and/or ministries of foreign affairs possess the primary institutional mandate over development policy.²⁷
46. Given this trend, there are therefore considerable pressures on traditional donors like the UK to emulate these efforts, if only to stay competitive with Southern donors bundling aid, trade and investment modalities to achieve both development and geo-economic benefits.²⁸
- 47. Bilateral donors committed to the integrity of their developmental mission must stay alert to this risk of such instrumentalisation. Efficiency, coherence and effectiveness arguments to support institutional reform have not always materialised once reform has taken place.²⁹**
- 48. In a context where aid flows are expected to suffer from fiscal retrenchment in major donor countries, managing the exit effectively and forging new relations beyond financial assistance are becoming important now more than ever.**
49. Practical solutions to manage transition from aid effectively, without jeopardizing results achieved so far, will be required. However, there are very few examples (including the EU's Development Cooperation Instrument) where criteria have been put in place for both transition and exit from development programmes.
- 50. Some donors, including the UK, acknowledge the need to have a formalised transition from aid strategy but have yet to implement one.** The UK has not produced principles for transition, or at least made them available in the public domain.³⁰

ACCOUNTABILITY AND ARRANGEMENTS FOR SCRUTINY OF UK AID

- 51. The 2015 UK Aid Strategy created and encouraged new actors into UK development policy, without necessarily ensuring processes for coordination, cooperation and coherence.**

²⁵ Calleja, R. and Gulrajani, N. (forthcoming) *Managing aid through multiple ministries: Mapping the use of other government departments across OECD-DAC donors.*

²⁶ Fuchs, A., & Müller, A. (2018). *Democracy and Aid Donorship.* Aid Data Working Paper. Retrieved from <https://www.aiddata.org/publications/democracy-and-aid-donorship>

²⁷ AMEXCID-GIZ. (2019). Estudio comparativo de 16 Agencias de Cooperación Internacional para el Desarrollo : Insumos para su análisis y reflexiones. Retrieved from https://www.gob.mx/cms/uploads/attachment/file/474927/Estudio_Compartivo_Agencias_de_Cooperaci_n-comprimido.pdf

²⁸ Mawdsley, E. (2019). South-South Cooperation 3.0? Managing the consequences of success in the decade ahead. *Oxford Development Studies*, 00(00), 1–16. <https://doi.org/10.1080/13600818.2019.1585792>

²⁹ Gulrajani, N. (2018). Merging development agencies, (January). Retrieved from <https://www.odi.org/publications/10968-merging-development-agencies-making-right-choice>

³⁰ <https://www.odi.org/publications/11297-exit-aid-analysis-donor-experiences>

52. UK aid is overseen by a cross-governmental Senior Officials Group and a Ministerial Group. While no single minister is responsible for all aid spending and individual departments are ultimately accountable for their own spending, these groups try to ensure a consistent and collaborative approach to ODA.³¹
- 53. There is limited central use of performance information generated by departments, which leaves considerable uncertainty over whether the objectives of the 2015 Strategy are being achieved.**³²
54. **The high turnover of Secretaries of State for International Development may impact the effectiveness of UK aid and DFID**, with greater focus on mastering new portfolios rather than championing and delivering specific agendas. For example, between June 2010 and February 2020 seven Secretaries of States had been in post.³³ Relatedly, this high turnover limits opportunities for substantive public and parliamentary accountability.³⁴
55. As outlined in evidence to the Committee in 2018, **ODI has recommended the government considering empowering a single central agency - such as the Cabinet Office or Treasury - to ensure coherence across OGD activities, as well as accountability towards the broader UK Aid Strategy.**³⁵
56. Central agencies are at arm's length (i.e. they do not manage or spend large sums as in the case of the departments involved in the Senior Officials Group or the Ministerial Group), are mandated to work across departments, possess credibility and authority at the heart of Whitehall and have a sense of the 'bigger picture'. In Parliamentary democracies, they monitor policy achievements, oversee resource allocation and ensure coherence and coordination of development policy. As some countries are now discovering,³⁶ given a symphony of domestic development actors, a neutral *maestro* conductor is a valuable asset.

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https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/815787/ARA-2019.pdf

³² <https://www.nao.org.uk/report/the-effectiveness-of-official-development-assistance-spending/>

³³ By contrast, across the same time period, there have been only three Health Secretaries and five Foreign Secretaries.

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<https://www.instituteforgovernment.org.uk/sites/default/files/publications/IfG%20accountability%20discussion%20paper%20april%202018.pdf> p. 13

³⁵ ODI's written evidence to the IDC's inquiry on the Definition and Administration of ODA (2017);

<https://www.parliamentlive.tv/Event/Index/091c25c8-9d5c-4119-9c85-d3228b992070>

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/international-development-committee/definition-and-administration-of-oda/written/77033.pdf>

³⁶ For example, 2018 it was reported modernisation of France's development assistance would establish a new coordination and strategic decision-making body for development called the Development Council that would be supervised by the French President. See <https://donortracker.org/country/france>