

Written evidence submitted by the Independent Commission for Aid Impact (INR0072)

The Independent Commission for Aid Impact (ICAI) is the independent watchdog for the UK aid programme, with a mandate to scrutinise UK Official Development Assistance (ODA) spent by any department or agency. ICAI was established in 2011 by the then International Development Secretary, Andrew Mitchell, in the context of the commitment to scaling up UK aid to 0.7% of GNI. According to him, that commitment “imposes on us a duty to secure value for money, ensure accountability to the British public and build on what works. To guarantee this, all our aid must be independently evaluated.”¹ The requirement for an independent evaluator was later included in the 2015 legislation governing the 0.7% spending commitment – a role that ICAI has fulfilled ever since. ICAI undertakes a number of well-prioritised, well-evidenced, credible reviews each year, covering a range of sectors, thematic areas, spending channels (including multilateral aid) and partner countries. It reports to Parliament through the International Development Committee, and its reviews are widely discussed in the media and by development NGOs and practitioners. ICAI is a key instrument for ensuring the transparency and accountability of UK aid, and enabling others to play their scrutiny role. It is a model that has attracted interest from other donor countries, including France, which has proposed a similar watchdog in a new international development bill.²

Introduction

In June 2020, the UK government announced the merger of the Foreign and Commonwealth Office (FCO) and the Department for International Development (DFID). Its stated objectives were to maximise the UK’s international influence and, in the words of the Prime Minister, to “bring this country’s strengths and expertise to bear on the world’s biggest problems.”³ In his response to questions in Parliament, Foreign Secretary Dominic Raab stated that the Covid-19 pandemic had heightened the importance of aligning development, trade, security and wider foreign policy objectives, drawing together all the elements that have made the UK a “development superpower”, in order to boost UK impact and influence in the world.⁴

This submission draws together findings from past ICAI reviews to identify some of the key elements that need to be in place to achieve UK leadership on pressing global challenges. It has been prepared to inform the Foreign Affairs Committee’s inquiry into the Integrated Review. It provides examples of where UK aid has enhanced UK international influence, and identifies the key elements of successful influence. It explores differences in systems, processes and cultures between DFID and FCO, and explores some of the elements that will need to be retained if the UK is to remain a leader in international development.

Where has aid enhanced the UK’s international influence?

A number of ICAI reviews have explored how well the UK uses its aid programme to promote international cooperation on pressing global challenges. Many of these areas are ‘global public goods’ – that is, areas where international cooperation serves the interests of

¹ *Report to the House of Commons International Development Committee on ICAI’s Shadow Period: November 2010 – May 2011*, ICAI, June 2011, p. 4, [link](#).

² “Migration, LDCs key concerns for NGOs as French development bill progresses”, *Devex*, 25 February 2020, [link](#).

³ *Prime Minister’s statement to the House of Commons*, 16 June 2020, [link](#).

⁴ “DFID-FCO Merger”, *House of Commons Hansard*, vol. 677, 18 June 2020, Column 946-948, [link](#).

all countries, including developing countries and the UK itself. We have found that, where the UK undertakes sustained campaigns that combine diplomatic engagement, technical expertise and targeted aid spending, it can achieve a leadership role in the global arena. Examples include:

- **Tackling corruption and illicit financial flows** – A March 2020 ICAI information note mapped the UK’s approach to tackling corruption and illicit financial flows. It identified a number of areas where the UK government had successfully shaped global action, including: i) promoting international engagement on illicit financial flows during the UK’s presidency of the G7 in 2017; ii) working through the OECD to promote international standards on bribery in international business; and iii) an international campaign on transparency of beneficial ownership of companies, to tackle tax evasion and money laundering. Although the challenges ahead remain substantial, this work is helping both to protect the resources of developing countries and to create a more level playing field for UK firms trading and investing abroad.
- **International Climate Finance** – The UK has made a major commitment to mobilising international climate finance for developing countries. Having spent £5.8 billion on international climate finance in the five years to 2020, in 2019 the UK pledged to double that figure to £11.6 billion for the next five-year period.⁵ Our 2019 review of UK International Climate Finance (ICF) found that, through this commitment, the UK had been able to exercise substantial influence over the international climate finance architecture and attract finance from other donors. In November 2021, the UK government will host the COP26 UN climate conference, and has stated that it will use its forthcoming G7 and G20 presidencies to push for more ambitious climate action.⁶
- **Reproductive health and family planning** – Through the aid programme, the UK is a strong champion of reproductive health and rights around the world. The UK has been able to step into a leadership role following the US government’s withdrawal from the area and has counterbalanced more conservative voices on women’s rights and equality. Our 2018 review of DFID’s results in improving maternal health concluded that the UK had been an effective supporter of the UN Population Fund (UNFPA) and its effort to promote global access to affordable family planning.⁷
- **International health threats** – Public health is now firmly established as a vital arena for international cooperation. The Centre for Global Development has argued that it should be central to the Integrated Review.⁸ A 2018 ICAI review of *The UK aid response to global health threats* found that the UK had played a strong role in addressing weaknesses in the international health system revealed by the West Africa Ebola crisis, and had helped improve the World Health Organisation’s responsiveness to disease outbreaks.⁹ We also found that the UK was playing a leading role in addressing anti-microbial resistance (AMR) at the global level. Most recently, the UK hosted the Global Vaccine Summit in April 2020, helping to secure resources for Gavi, the Vaccine Alliance. The UK has been Gavi’s largest donor and

⁵ *UK aid to double efforts to tackle climate change*, UK government press release, 23 September 2019, [link](#).

⁶ *New dates agreed for COP26 United National Climate Change Conference*, UK government press release, 28 May 2020, [link](#).

⁷ *Assessing DFID’s results in improving maternal health*, ICAI, October 2018, pp. 21-22, [link](#).

⁸ *Why is global health missing from the UK’s Integrated Review?* Center for Global Development, 12 March 2020, [link](#).

⁹ *The UK aid response to global health threats*, ICAI, January 2018, p. 24, [link](#).

has supported its use of innovative financing mechanisms to give the poorest countries access to affordable vaccines. As well as supporting the immunisation of 300 million more children against common diseases in the next five years, Gavi will be a key player in rolling out an eventual COVID-19 vaccine in developing countries.¹⁰

- **Peacebuilding in Somalia** – In our 2017 review of the role of UK aid in reducing conflict and fragility in Somalia, we found that, through close collaboration between the FCO and DFID, the UK had been a key sponsor of dialogue on a new federal constitution. When Africa Union-led AMISOM forces recaptured territory from the Al-Shabaab insurgency, the UK aid programme was able to deploy aid quickly to newly liberated areas, helping to secure the peace by restoring essential services and local police and justice institutions.¹¹

What are the elements of effective global leadership?

These ICAI reviews show that, when the UK combines aid with other levers of international influence it can indeed play a key leadership role in galvanising international action on global challenges. However, this influence does not flow automatically from having a large aid programme, rather it comes about when the following conditions are in place:

- **A consistent and multi-faceted campaign, sustained over a number of years** – The UK's most effective influencing efforts – such as on AMR and reproductive health – have taken the form of well-formulated, multi-dimensional campaigns, sustained over many years, to build partnerships, mobilise resources, promote shared understanding and build consensus around the required actions. Influence requires sustained effort with a clear strategy.
- **Building up technical expertise and intellectual leadership** – To exercise effective leadership, the UK must invest in building up in-depth knowledge of the subject and developing technically sound solutions, including by tapping the expertise available across the UK government. The UK is most influential when it invests in collecting evidence and sponsors ground-breaking research, enabling it to exercise thought leadership and speak with an authoritative voice in international settings.
- **A clear focus on the global public interest and the needs of developing countries** – There are many areas of development cooperation where the UK national interest and the needs of developing countries are aligned. Many of the UK's foreign policy objectives, such as promoting peace and security, creating a level playing field for trade and investment and mitigating climate change, are equally important for developing countries. However, it is important for its global influence that the UK is seen as championing the common good and the interests of poorer countries, and not simply its own short-term interest. In areas such as girls' education¹² and climate action, the UK has helped to magnify voices from developing countries, contributing to the UK's moral authority and its ability to broker compromise among competing interests. In our 2019 information note on *The use of UK aid to enhance mutual prosperity*¹³, we noted the concern of stakeholders that, if the UK were seen to be

¹⁰ *The UK's work with Gavi, the Vaccine Alliance: Information Note*, ICAI, June 2020, pp. 5-6, [link](#).

¹¹ *UK aid in a conflict-affected country: Reducing conflict and fragility in Somalia*, ICAI, June 2017, [link](#).

¹² *PM steps up UK effort to get every girl in the world into school*, UK government press release, 24 September 2019, [link](#).

¹³ *The use of UK aid to enhance mutual prosperity*, ICAI, October 2019, [link](#)

using aid to promote short-term commercial opportunities for UK companies at the expense of others, it might compromise the reputation and influence of UK aid.

What systems and capacities do aid-spending departments need?

The UK's status as a leader in international development rests not just on the size of the aid programme, but on the UK's reputation for development excellence. As a specialist aid department, DFID has had more than two decades to build up these systems and capacities. While ICAI has never hesitated to point out where DFID has fallen short of its own high standards, the department has developed world-class expertise in many of these areas: the latest OECD peer review stated that it "continues to lead in shaping the global development agenda".¹⁴ Some of the key capacities required for high quality aid spending are summarised in **Table 1**.

Table 1: Key capacities required to achieve value for money in UK aid

ODA compliance	The ability to ensure that aid spending falls within both the international ODA definition and the requirements of the International Development Act – i.e. poverty focus and promoting gender equality.
Local knowledge	Adequate country presence and engagement to design and manage aid programmes that respond to local needs, context and challenges.
Development expertise	The ability to use knowledge of 'what works' in international development, including through research, guidance material and staff development.
Value for money	An ability to appraise and select the best value interventions from among competing options, using sophisticated methods to assess costs and benefits.
Cross-cutting commitments	An ability to meet the cross-cutting commitments that underpin the quality of UK aid, including 'leaving no one behind', gender equality, disability inclusion and climate resilience.
Procurement and commercial	The ability to engage, secure value from and build effective relationships with delivery partners, including firms, NGOs and multilateral organisations.
Project management	Robust capacity to manage complex projects through the delivery cycle, from appraisal and design through implementation to monitoring and evaluation.
Risk management	The ability to manage fraud and corruption risks, comply with rules on human rights and terrorist financing, and ensure that UK aid does no harm.

¹⁴ *OECD Development Co-operation Peer Reviews: United Kingdom*, OECD Development Assistance Committee, 2014, p. 15, [link](#).

Safeguarding	The ability to set standards and manage risks around sexual exploitation and abuse, and to implement environmental and social safeguards.
Results management	The ability to select appropriate objectives, results indicators and targets; to monitor progress; and to ensure independent evaluation.
Adaptability	An ability to adapt programmes in real time in response to changes in context and lessons learned.
Learning	Systems to capture and distil learning from aid programmes, and a culture of using learning to challenge established practices.
Transparency	An ability and willingness to meet international transparency standards, so as to enable external scrutiny and accountability.

Since the 2015 aid strategy,¹⁵ the UK government has allocated a substantial share of the aid budget (26.8% in 2019¹⁶) to departments other than DFID. This has involved building aid management capacity across 17 other departments and funds. As we pointed out in the *How UK Aid Learns* rapid review¹⁷, the scale of this challenge seems not to have been fully recognised at the time. There was no structured process for building aid management capacity in new aid-spending departments, nor for matching aid budgets to systems and capacities. As a result, in many cases aid spending was scaled up before the required capacities were in place, leading to compliance and value for money issues.

Over this period, ICAI has played a key role in scrutinising new aid-spending departments and ensuring that they invested in building the necessary systems and processes. For example, in a 2017 rapid review of the Prosperity Fund, we pointed out a range of shortcomings, including a lack of clarity in governance roles and responsibilities, weak processes for allocating funds to strategic priorities, shortcomings in processes for assessing ODA eligibility, potential conflicts of interest in procurement practices and a lack of transparency.¹⁸ In our follow-up review, we found that many of these concerns had been addressed. The Prosperity Fund had agreed to develop a fund-level strategy with key performance indicators, stronger ODA compliance procedures, a new monitoring, evaluation and learning strategy and a procurement framework.¹⁹ Furthermore, HM Treasury had agreed to slow down the Prosperity Fund's expenditure, to allow the requisite capacities to be put in place.²⁰

Similarly, in our 2018 review of the Conflict, Stability and Security Fund (CSSF), which at the time allocated 72% of its funds to the FCO, ICAI found that it struggled to articulate clear results or theories of change. We wrote: "Many of the programmes we reviewed lacked plausible indicators, baselines, targets or milestones, and therefore had no way of assessing whether they were achieving their intended results."²¹ We also found weaknesses in transparency and learning. In our 2019 follow-up,²² we found that there had been a step-

¹⁵ *UK aid: tackling global challenges in the national interest*, HM Treasury and DFID, November 2015, [link](#).

¹⁶ *Statistics on International Development: Final UK Aid spend 2018*, DFID, September 2019, [link](#).

¹⁷ *How UK Aid Learns: A rapid review*, September 2019, [link](#)

¹⁸ *The cross-government Prosperity Fund*, ICAI, February 2017, [link](#).

¹⁹ *ICAI follow-up review of 2017-18 reports*, ICAI, July 2019, p. 22, [link](#).

²⁰ *ICAI follow-up review of 2016-17 reports*, ICAI, June 2018, pp. 14-17, [link](#).

²¹ *The Conflict, Stability and Security Fund's aid spending*, ICAI, March 2018, p. ii, [link](#).

²² *ICAI follow-up review of 2017-18 reports*, ICAI, July 2019, [link](#).

change in the quality of programme documentation, with improved theories of change, better collection of results data and a stronger annual review process. On ICAI's recommendation, the CSSF had begun to explore how to incorporate influencing objectives more explicitly into its programme designs and to measure influencing results. The CSSF had also responded well to an ICAI recommendation on strengthening its management of human rights-related risks.

The responsible departments have acknowledged the value of this external scrutiny. In November 2017, Robert Chatterton Dickson, then a programmes director in the National Security Council Secretariat, informed the International Development Committee:

“We really welcome the guidance that we had from ICAI. The [Prosperity Fund] is new. We were very conscious that we were stepping into new territory and it is extremely helpful, when you are doing that, to have experienced guides to assess what you are doing, tell you where you are getting it right and suggest areas where you could do things differently. As our response to the report showed, we were very grateful for the work that was done by ICAI and have strived very hard since then to implement the recommendations.”²³

Similarly, in its 2018-19 Annual Report, the CSSF reported positively on its implementation of ICAI's recommendations, stating that “teams were quick to respond to new measures to drive up standards”.²⁴

ICAI reviews have highlighted the different approaches that departments bring to the UK aid programme. The CSSF in particular is designed to be nimble and responsive, enabling quick, tactical interventions in support of UK peace and security objectives. Its cross-government nature and ability to deploy both ODA and non-ODA funding has facilitated the participation of other UK departments, including the MoD and the Home Office. In our review, we saw many examples where the CSSF had enabled the UK to respond quickly and flexibly to threats and opportunities, such as the Colombian peace process, the retreat of Daesh in Iraq and the rise of instability in central Mali.²⁵

However, we also found that the FCO's financial management systems and processes are designed for short interventions, rather than multi-year investments at scale, which remain DFID's comparative advantage. The short-term nature of FCO projects are often a constraint on their effectiveness.²⁶ Furthermore, as a diplomatic agency used to handling highly sensitive material, the FCO's concern with information security works against the sharing of knowledge and learning, which are key foundations for good quality development cooperation. This can be a particular problem in relation to the roles of local staff. The FCO also scores relatively poorly against the transparency commitments made by the UK in the 2015 aid strategy, rated as only 'fair' in the 2020 Aid Transparency Index and ranking 21st among bilateral agencies, compared to DFID's 2nd position.²⁷ This inhibits public scrutiny and debate on the department's aid expenditure.

What are the implications for the new Foreign, Commonwealth and Development Office?

²³ *Hearing on the Global Challenges Research Fund and the Cross-Government Prosperity Fund*, Sub-Committee on the work of ICAI, December 2017, [link](#).

²⁴ *Conflict, Stability and Security Fund: Annual Report 2018/19*, July 2019, p. 3, [link](#).

²⁵ *The Conflict, Stability and Security Fund's aid spending*, ICAI, March 2018, p. 18, [link](#).

²⁶ *The UK's Preventing Sexual Violence in Conflict Initiative*, January 2020, ICAI, p. 19, [link](#).

²⁷ *Aid Transparency Index 2020*, Publish What You Fund, June 2020, p. 6, [link](#).

This summary of past ICAI findings has a number of implications for the establishment of the new Foreign, Commonwealth and Development Office (FCDO). It suggests that, if the UK is to maintain its reputation for development excellence and its leadership role on pressing global challenges, the following principles should be considered in the merger process.

Build on existing capabilities – At present, the specialised systems, processes and capacities for managing large-scale aid programmes and engaging in complex global development challenges are within DFID. Other departments, including the FCO, are at a more basic level. It is important that DFID’s systems and processes for aid management are preserved through the merger and integrated into the new department. If they have to be rebuilt by the FCDO, it would take many years to reach DFID’s current capabilities, with substantial fiduciary and value for money risks in the interim. It is also important to ensure that the contribution made by DFID local staff is not lost.

Maintain a commitment to the international ODA definition, poverty reduction and the global public interest – The 0.7% of GNI spending target is linked to the international ODA definition, which specifies “the promotion of the economic development and welfare of developing countries”²⁸ as the main objective. Poverty reduction remains the legally mandated purpose of UK aid under the International Development Act. Beyond the legal requirements, the UK’s status as a leader in international development depends on it being seen to promote the global public interest and the needs of the poorest countries. A narrow focus on short-term national interest objectives, particularly commercial objectives, would undermine that influence. UK aid best serves the UK national interests by reducing poverty, promoting prosperity and addressing global challenges that matter equally to the UK and developing countries.

Transparency – The UK government committed in the 2015 aid strategy that all aid-spending departments, and all organisations funded by UK aid, would meet global aid transparency standards. DFID has been a global leader on transparency, but most other departments have not met the required standard.²⁹ Transparency is essential to creating a learning culture around UK aid, both across departments and with the wider development community, and will be key to maintaining confidence in UK aid through the transition.

Independent scrutiny – In recent years, ICAI’s reports have provided robust independent assessments of the performance of many aspects of UK aid. A hearing is normally conducted on each ICAI report before the International Development Committee or its ICAI sub-committee, and ICAI follows up on the implementation of its recommendations, providing a strong accountability framework.

Annex - Analysis of FCO and DFID official development assistance (ODA)

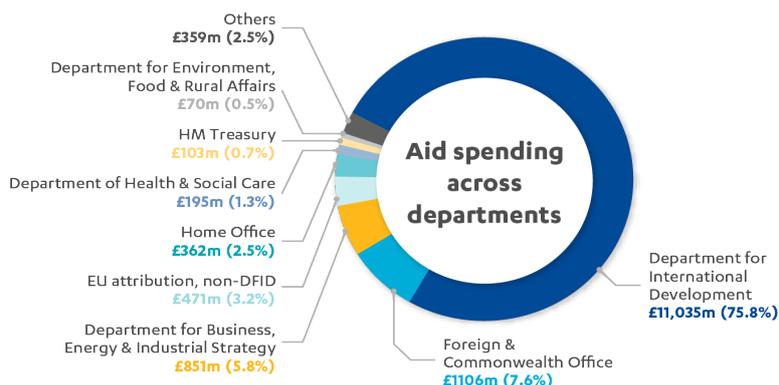
²⁸ *What is ODA?*, OECD: Paris, April 2019, [link](#).

²⁹ *How Transparent is UK Aid?*, Publish What You Fund, January 2020, p. 10, [link](#).

This annex presents analysis on how UK ODA is allocated across government, the key elements of the Foreign and Commonwealth Office’s (FCO’s) ODA spending and how the FCO’s ODA is allocated across regions and countries as compared to that of the Department for International Development (DFID).

Figure 1 provides an overview of how UK ODA is managed across individual government departments, both through their core budgets and allocations from cross-government funds.³⁰ It illustrates that the FCO is the second largest provider of UK ODA, but that its ODA budget is one-tenth the size of DFID’s.

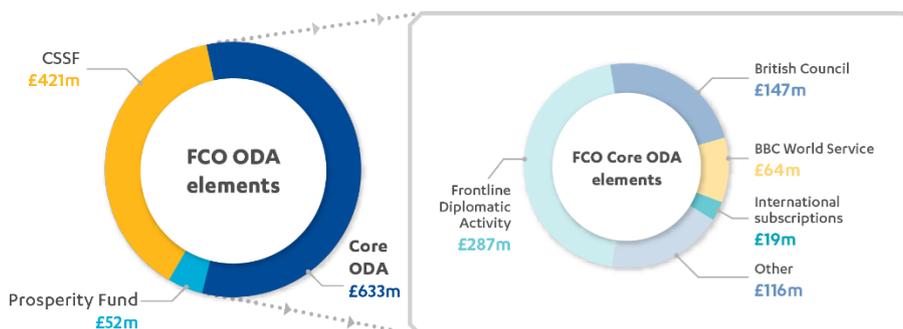
Figure 1: ODA spending across government departments (2018)



Source: DFID Statistics on International Development: Final UK Aid spend 2018, DFID, [link](#)

Figure 2 provides an overview of FCO ODA spending in 2018. Of the total £1.1 billion of ODA spent by the FCO, £633 million (57%) was allocated directly by HM Treasury as core ODA spend, and £473 million (43%) came from the cross-government funds: Conflict, Stability and Security Fund (CSSF) (£421 million) and Prosperity Fund (£52 million). Within the FCO’s core ODA budget, ‘frontline diplomatic activity’ (the salaries and related administrative costs of FCO staff supporting aid expenditure) is the largest item, at £287 million, followed by support for the British Council, at £147 million.

Figure 2: FCO ODA spending elements (2018)



Source: DFID Statistics on International Development 2018, [link](#); FCO ODA reporting, [link](#)

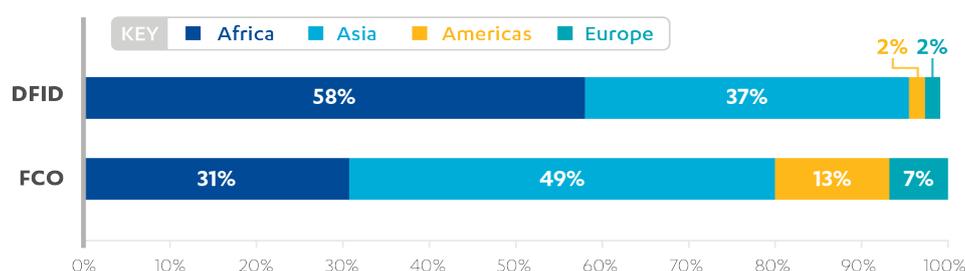
The ODA programmes managed by the FCO and DFID differ substantially in their areas of focus: by region, income group and level of fragility. The figures below explore these characteristics, looking at the core ODA budgets of the FCO and DFID (i.e. excluding funds received from cross-government funds).

³⁰ This includes the Conflict Stability and Security Fund (CSSF) and the Prosperity Fund

Figure 3 illustrates the breakdown of DFID and FCO ODA by region, as a share of their total ODA spend reported by country or region.³¹ For DFID, Africa is the main focus (58% of the total), followed by Asia (37%). In the case of the FCO, Asia is the major focus (49%), followed by Africa (31%).

Figure 4 illustrates the breakdown of DFID and FCO ODA on: i) Least Developed Countries (LDCs) and Low-Income Countries (LICs); ii) Lower-Middle Income Countries (LMICs); and iii) Upper-Middle Income Countries (UMICs), as a share of their total ODA spend reported by country.³² For DFID, 61% of this ODA went to LDCs and LICs, with just 7% for UMICs. For the FCO, only 22% of its ODA went to LDCs and LICs, with the rest split equally between LMICs and UMICs.

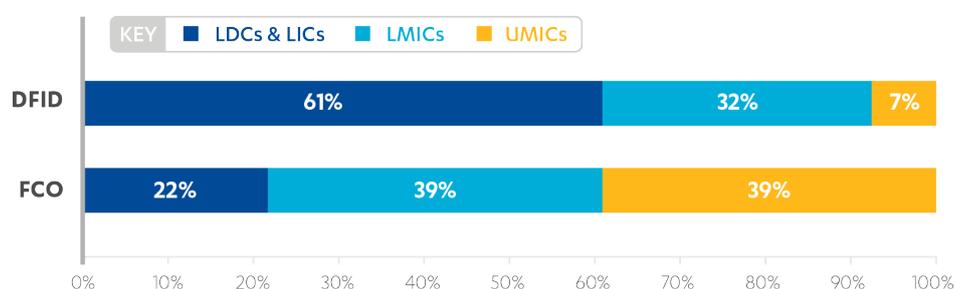
Figure 3: Proportion of DFID and FCO aid by regional groups (2014-18)



Source: *Statistics on International Development*, DFID, 2014 to 2018, [link](#)

Note: Due to rounding, the total for DFID does not add up to 100%

Figure 4: DFID and FCO country-specific aid by income groups (2014-18)



Source: *Merging DFID and the FCO: Implications for UK aid, Development Initiatives*, June 2020, [link](#)

One of the four core priorities of the 2015 UK aid strategy³³ was strengthening global peace, security and governance. DFID is also committed to spending at least half of its budget in fragile countries and regions. **Figure 5** illustrates the proportion of DFID and FCO ODA reported by country³⁴ focused on extremely fragile, fragile and non-fragile countries.³⁵ In the case of DFID, more than a third of its ODA went to extremely fragile countries, and 88% went to countries that are fragile in some way. In contrast, only 13% of FCO ODA went to extremely fragile countries and less than half to countries that are fragile in some way. We note, however, that the FCO also receives funding from the CSSF, which is spent primarily in fragile countries.

³¹ This graph covers 66% of DFID's aid spending and 90% of the FCO's aid spending

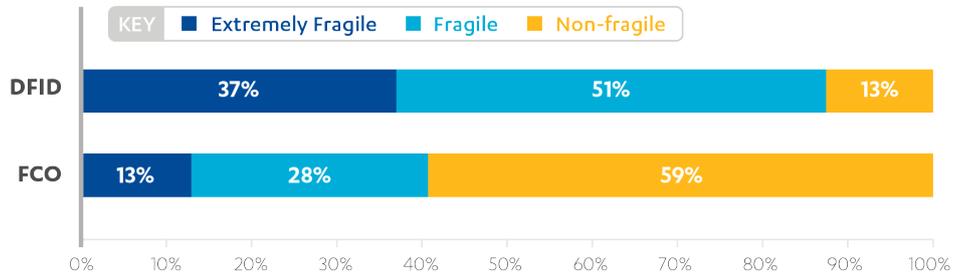
³² This graph covers 57% of DFID's aid spending and 35% of the FCO's aid spending

³³ *UK aid: tackling global challenges in the national interest*, HM Treasury and DFID, November 2015, p. 3, [link](#).

³⁴ See footnote 32

³⁵ This classification and the status of countries is sourced from the OECD's States of Fragility 2018 report, [link](#).

Figure 5: DFID and FCO country-specific aid for fragile and non-fragile countries (2014-18)



Source: *Merging DFID and the FCO: Implications for UK aid*, Development Initiatives, June 2020, [link](#)

Note: Due to rounding, the total for DFID does not add up to 100%

July 2020