

The Effectiveness of UK Aid Written Evidence

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

UK foreign aid should always be known as Official Development Assistance (ODA) – assistance that aids economic development and not for foreign policy interests. DFID was set up in 1997 to steer UK foreign aid away from national interests.¹ There has been UK ODA dispersed by other government departments (OGDs), however, with the constant changing geopolitical environment, OGDs have increased their share of ODA. Simultaneously cross-departmental funds such as the Conflict Pool, later known as the Conflict, Stability and Security Fund (CSSF) and recently the Prosperity Fund.²

Ideally, DFID should be the lead department, advising OGDs whether their development programmes are ODA-eligible or not. At the very least, the Cabinet Office should be the overall decision maker for all governmental ODA projects, with the aim of ensuring UK aid is for international developmental purposes or focused towards global targets like the Sustainable Development Goals.

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?

UK ODA dispersed by OGDs is largely declared on the gov.uk website, as is the Prosperity Fund and CSSF disbursements.³ Overall UK ODA disbursements, including aid from DFID, is released on a collection titled ‘Statistics on International Development’⁴ while UK ODA projects can be found via the ‘Development Tracker’.⁵ The UK is therefore very transparent in revealing its overall ODA disbursements. The 2002 International Development Act also legally enforces that all financial disbursements must be for poverty reduction.⁶ As such, UK ODA is extremely transparent, especially compared to the majority of Organisation for

¹ The most famous case of ODA abused for non-developmental purpose was the Pergau Dam affair, see Ireton, B, 2013, Britain’s International Development Policies: A history of DFID and overseas aid, Basingstoke: Palgrave Macmillian, pp.203-209. Also mentioned in

https://www.cgdev.org/sites/default/files/4371_file_WP_70.pdf

² The Prosperity Fund provides ODA and non-ODA funding, spent by the Department of Trade, see section 8 in <https://www.gov.uk/government/publications/cross-government-prosperity-fund-programme/cross-government-prosperity-fund-update#prosperity-fund-non-oda-spend>

³ For example <https://www.gov.uk/government/collections/official-development-assistance-oda--2>, https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/845419/The_Prosperty_Fund_Annual_Report_2018_19.pdf, <https://www.gov.uk/government/organisations/conflict-stability-and-security-fund/about#budget>

⁴ <https://www.gov.uk/government/collections/statistics-on-international-development>

⁵ <https://devtracker.dfid.gov.uk/>

⁶ <http://www.legislation.gov.uk/ukpga/2002/1/contents>

Economic Cooperation and Development (OECD) Development Assistance Committee (DAC) donors and non-traditional donors.

DFID itself stringently monitors and evaluates the effectiveness and outputs of its ODA. In 2011, the Independent Commission for Aid Impact (ICAI) was formed, a commission pushed by former Shadow Secretary, later, Secretary of State for International Development, Andrew Mitchell.⁷ ICAI reviews UK development projects, providing different warning and suggestions and the government responses to its reports.⁸ Aid reviews were also initiated in 2011 and 2016 to measure the effectiveness of DFID bilateral aid—the Bilateral Aid Review (BAR)⁹ and aid through multilateral bodies—the Multilateral Aid Review (MAR).¹⁰ Furthermore, the OECD conducts regular peer reviews of the UK and presents recommendations for the UK to improve its policies.¹¹

DFID ODA via multilaterals is sometimes harder to track for its outcome or effectiveness as the multilateral may use disburse it for other purposes rather than British objectives. The two MARs sought to indicate the effectiveness of a range of multilaterals and where UK ODA should be focused towards. The MARs, however, showed biases towards certain multilaterals such as the World Bank's International Development Association (IDA), which has scored high in both MAR charts.¹² This is despite the IDA and World Bank having faced criticism by the Bretton Woods Project and the ICAI regarding its reform process and project outcomes.¹³

An even more pressing concern is UK non-core aid to trust funds in multilateral organisations, also known as earmarked aid, multi-bi aid or bilateral through multilateral aid. Trust funds are often created by single donors or a collection of donors as 1) bilateral projects cannot be easily created in-country; 2) multilaterals are not reforming fast enough; 3) bilateral donors desire to initiate ad-hoc projects. Trust funds however, 1) may increase transaction costs; 2) weaken the governance of multilateral by bypassing their governance boards; 3) reduce core contributions to multilaterals and 4) create multiple or duplicate projects—this is known as aid fragmentation.¹⁴

DFID has been an avid contributor to trust funds since 2013,¹⁵ providing close to 90% of bilateral aid as non-core aid in the last two financial years.¹⁶ Given this enormous use of non-

⁷ <https://icai.independent.gov.uk/have-your-say-on-overseas-aid-scrutiny-3/>

⁸ <https://icai.independent.gov.uk/reports/>

⁹ <https://www.gov.uk/government/publications/bilateral-aid-review-technical-report> 2011 report
<https://www.gov.uk/government/publications/rising-to-the-challenge-of-ending-poverty-the-bilateral-development-review-2016> 2016 report

¹⁰ <https://www.gov.uk/government/publications/multilateral-aid-review> 2011 report
<https://www.gov.uk/government/publications/raising-the-standard-the-multilateral-development-review-2016> 2016 report

¹¹ The OECD has peer reviewed the UK five times so far 1997/8, 2001, 2006, 2010 and 2014.

<https://www.oecd.org/dac/peer-reviews/peer-review-unitedkingdom.htm>

¹²

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/224875/IDA.pdf and

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/573509/World-Bank-Review.pdf - the 2016 MAR covered the entire World Bank Group.

¹³ See <https://www.brettonwoodsproject.org/2013/10/uk-multilateral-aid-review-update-reveals-limited-progress-world-bank/> and <https://icai.independent.gov.uk/report/the-effectiveness-of-dfid-engagement-with-the-world-bank/>

¹⁴ See OECD 2011 DAC Report on Multilateral Aid p.29 <https://www.oecd.org/dac/aid-architecture/49014277.pdf> or the 2013 or 2015 versions.

¹⁵ See

core aid by the UK, there needs to be a much stronger oversight over such funds. While DFID has acted upon the ICAI's recommendation and created a corporate strategy for its World Bank trust funds¹⁷, this was only a short-term response.¹⁸ Moreover, there needs to be corporate strategies for all the multilaterals that DFID has trust funds in, particularly United Nations agencies. The UK is a strong proponent of core funding to the global multilateral system, yet, it must ensure that 1) there is no large aid fragmentation due to its non-core aid disbursements and 2) its actions do not disrupt aid effectiveness agreements such as the Paris Declaration.¹⁹

The UK should use the Integrated Review to clarify its trust fund policy for DFID, OGDs and cross-departmental funds. It should define why a trust fund must be created as opposed to utilising bilateral aid or funding a resource-dependent multilateral organisation. The UK must identify how its non-core ODA helps to improve global development.²⁰

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

After 1997, the prevailing UK national interest espoused by governments, the majority of parliament and civil society was to spend at least 0.7% of GDP/GDNI on ODA, and this was enacted into law.²¹ While ODA is a means to improve development, this continuous fixation on 0.7% does not really present an effective British national interest. The 0.7% target was a 1970s UN target only to harness global focus on ODA and has increasingly little relevance in today's changing global environment.²² Another part of the British interest is the fixation on achievable targets such as female health or number of children in primary education. While that is welcoming, that is only short-term development and does not always allow recipients to fully develop.²³ The British national interest should be focusing on ensuring long-term human-centred development in recipient countries, allowing them to be increasingly less aid-dependent. A full weightage on this, rather than a focus on an obscure aid target, is a far better means for development.

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

http://documents.worldbank.org/curated/en/618651468159591695/pdf/897860AR0P14680Box0385294B00PU_BLIC0.pdf p.10

¹⁶ See Statistics on International Development: Final UK Aid Spend 2018

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/857904/Statistics-on-International-Development-final-aid-spend-2018d.pdf p.45 and

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/771136/Statistics-on-International-Development-Final-UK-Aid-Spend-2017-jan-revisions.pdf p.10. In donor terminology, non-core aid is counted as bilateral aid.

¹⁷ https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/67428/man-response-World-Bank-engagement.pdf

¹⁸ <https://icai.independent.gov.uk/wp-content/uploads/ICAI-Follow-up-The-Effectiveness-of-DFIDs-Engagement-with-the-World-Bank.pdf>

¹⁹ <https://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

²⁰ The UK should focus on making non-core aid more effective, for example

<https://www.odi.org/sites/odi.org.uk/files/resource-documents/11497.pdf>

²¹ <http://www.legislation.gov.uk/ukpga/2015/12/contents/enacted>

²² See my article criticizing the UK's fixation on 0.7% <https://ipeanddevelopment.wordpress.com/2011/02/27/0-7-0-07-7-the-lure-and-wonder-over-how-much-aid-countries-should-give/> and

<https://www.cgdev.org/publication/ghost-07-origins-and-relevance-international-aid-target-working-paper-68>

²³ For a critique of these short term development statistics, see hajoongchang.net/wp-content/uploads/2012/01/HamletwithoutthePrinceofDenmark-revised.pdf

ODA is not set by each individual donors; the OECD-DAC sets the definition, upon agreement of donor nations.²⁴ Foreign aid itself is skewed by definition by countries. The US is a prime example; its primary aid agency, USAID, provides a majority of its aid for national security purposes, while the Millennium Challenge Corporation (MCC), provides aid for economic development. New or non-traditional donors also give out a mixture of both ODA and other financial flows. China is a prime example: it has no definitive development ministry like DFID and targets is foreign aid to topics like education and infrastructure.²⁵ While China as a new donor is welcomed, its foreign aid like other bilateral donors, is part of a broader means to draw recipients under its national influence.²⁶

²⁴ OECD donors have in recent years agreed to expand the definition of ODA to cover new topics, see <https://www.brookings.edu/blog/future-development/2019/09/26/a-note-on-current-problems-with-oda-as-a-statistical-measure/>

²⁵ See Reilly, J., 2015, *The role of China as an education aid donor*, Paper commissioned for the EFA *Global Monitoring Report 2015, Education for All 2000-2015: achievements and challenges*, Paris: United Nations Economic, Scientific and Cultural Organisation
<http://unesdoc.unesco.org/images/0023/002324/232475e.pdf>

²⁶ Lum, T., Morrison, W.M. and Vaughn, B., 2008, *China's 'Soft Power' in Southeast Asia*, CRS Report for Congress Order Code, RL34310, 4 January 2008, Washington DC: Congressional Research Service