

How to Enhance UK Aid Effectiveness

Written Evidence to the International Development Select Committee

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Overall, the UK has strengths in relation to several important dimensions of aid effectiveness. In relation to COVID-19, the UK can be proud of its international contribution to date—as the only major donor to [voluntarily fund core WHO costs](#); a founding member of GAVI in 2000 (the vaccine alliance); responding with substantial funds used multilaterally; and calls to keep trade open, and making solutions accessible.

The UK's approach shows strengths which include the use of evidence and business cases; working through multilateral agencies; the transparency of much of its work; its general avoidance of tied aid; and an operationally independent watchdog (Independent Commission for Aid Impact, ICAI) with good Parliamentary scrutiny.

Still, the UK has **stepped back from its leadership role on development and effectiveness**. In aid effectiveness, there are four significant areas for improvement in its approach.

First, UK aid effectiveness has fallen in our suite of [aid quality indicators](#). In particular, the UK provides a smaller share to poorer and fragile countries than it used to; aid recipients report less ownership, and more fragmentation; and other countries have overtaken it in several areas, including on [transparency](#).

Figure 1. Aid quality and quantity, 2016



Second, DFID's budget has remained flat in real terms for five years, and the amount allocated to other Departments [has risen to £4bn](#) despite a mixed record. Our review of 65 studies by the Independent Commission for Aid Impact showed [80 percent of DFID spend received amber/green or better, while 80 percent of FCO spend was amber red](#). BEIS has a mixed record but DEFRA and DHSC achieved amber/green in their single reviews. It's not clear this has influenced aid allocation.

Third, no Minister has overall responsibility for the UK's development strategy and aid allocation. The National Audit Office (NAO) have pointed this out and that "[it still remains unclear whether government is achieving its objectives in the 2015 UK Aid Strategy](#)". The "aid in the national interest" strategy of 2015 was a joint HM Treasury and DFID document—but neither department now owns it. The consequence is that ineffective aid projects are allowed to persist and policy coherence is lacking. It's also unclear whether any spend is rejected as not qualifying for aid. The Government needs to empower the Development Minister, or Chief Secretary, to demand more on aid effectiveness.

Finally, high income countries have [repeatedly committed to drive forward aid effectiveness](#) at a series of international meetings over 15 years. The UK has largely stepped back from its leadership role on this agenda—and is missing the chance to positively influence all aid providers' approach to effectiveness.

Conclusion

The UK stepped up to meet the 0.7 percent target in 2013 but its strategy since has seen it step back from its leadership role on effectiveness. Addressing the above areas would make a big difference to the poorest people, improve value for the UK taxpayer and also do more for the UK's national interest. It would also positively influence other countries approach and accelerate development.

Below we respond briefly to the five specific questions posed.

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

Ministers should remain responsible for the targeting and impact of aid. However, there needs to be:

- i) New independent scrutiny—**from the Office of National Statistics** on what qualifies as aid. It's not clear that any spend has failed to qualify under current processes, and OECD scrutiny is limited.
- ii) Overall responsibility—**a single Minister at DFID or HM Treasury, needs to be responsible for the UK's overall approach to development**, including allocating aid between departments in line with evidence on effectiveness.

- *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?*

DFID compares well internationally on transparency and effectiveness.

But [seven of ten Departments have still not met the Government's own target standard for transparency](#), despite having five years to do so.

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

It's [legitimate for the UK's interest to be served](#) by the aid budget; and **Ministers should reach judgements on any trade-off between UK interest, and that of the main (developing) beneficiaries** (as required of ODA spend). As with other areas of Government spend according to guidance in the Green book, this should be on the basis of an appraisal of benefits in the business case, including distributional impacts and should be an explicit and documented part of decision-making. The Green Book barely mentions ODA—and should be expanded to give more guidance on dealing with benefits and uncertainty for the extreme poor.

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

All the major development actors—US, UK, Germany, Japan, France and China—have (at least one) separate development agency. Of those, the UK and Germany have agencies with a separate cabinet-level Minister. This enables expertise to develop, and prioritises developing countries. In smaller (sub \$5bn) providers, notably Australia and Canada, development agencies were recently merged into Ministries for Foreign Affairs. Both are perceived to have damaged their development effectiveness and international reputation (see for example, [Overseas Development Institute work](#) on this).

- *Accountability of the “Government systems and structures” recommended by the Integrated Review (including arrangements for parliamentary scrutiny)*

As above, the **NAO have rightly questioned who is responsible for the UK's aid** strategy. The previous document was published but not owned by HMT, and DFID does not have the mandate to oversee it. The UK's system of transparency and oversight (from ICAI, the Select Committee, and the NAO) means that Ministers' decisions on aid are largely clear.

One big opportunity is to use **non-spending policy levels** in support of development. Despite the substantial sums of aid spending outside DFID, policies on intellectual property rights, security, investment standards have not been considered as a policy tool.