

First aid

Fixing international development

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Introduction

As the UK faces the challenges of the modern world, effective international development is seen as an important tool for pursuing the country's national interest. But the political debate has persistently revolved around whether Britain should retain the 0.7 per cent aid target it committed to law in 2015.

While the TaxPayers' Alliance has long opposed the target, in the meantime fresh thinking is required to tackle the orthodoxy that has developed around aid policy. Every pound must be spent as effectively as possible to protect taxpayers' interests.

This paper examines the structures and rules that govern how the aid budget is spent, to identify what potential reforms could be implemented, ensuring that the 0.7 per cent target can be made more relevant and justifiable to British taxpayers.

Key Findings

- The government has met the 0.7 per cent target since 2013, however the legislation is actually very flexible. This means that the government could reform international aid without needing to amend the International Development Act of 2015.
- Linking the 0.7 per cent target to the calendar year has impacted aid planning and leads to higher contributions to multilateral institutions, like the World Bank. Meeting the target instead in the financial year would make the aid budget easier to manage allowing for greater value for money and effectiveness.
- Britain has led efforts to reform international aid rules, achieving some notable successes. There are, however, many more ways that the rules can be changed to better reflect the British national interest, such as on piracy, counter-narcotics and private sector investment.
- The pace of reform is slow and ill-suited to react to immediate events. When pursuing future reforms, the government should not be afraid to practice them unilaterally whilst negotiating rule changes through the OECD, especially when these are reactive changes to ongoing crises.
- International aid rules make it easier for countries to appear to be spending more if they contribute to multilateral agencies, rather than managing their aid projects bilaterally. The relationship with multilaterals must be re-gearred and the proportion of aid they receive reduced.
- These same rules are biased in favour of giant international NGOs at the expense of smaller charities. To level the playing field, the approved organisation list should be made more accessible to smaller charities from the UK, or individual countries should be able to create their own equivalent lists of trusted NGOs.
- When the aid budget is spent by departments other than DfID, it is often spent in ways that are neither contributing to poverty reduction or the national interest. Instead, the aid secretary should sign off and be accountable for every item of non-DfID spend.

Section 1: The 0.7 per cent target

Legislation explained: what are the UK's obligations to the target?

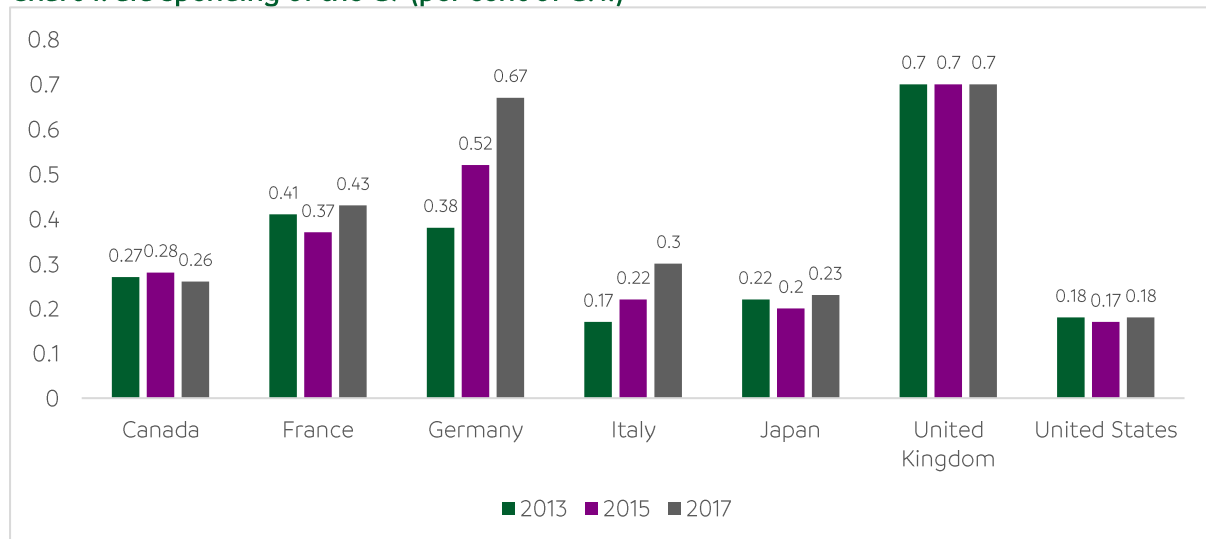
Every year since 2013, the United Kingdom has been one of a handful of countries dedicating 0.7 per cent of Gross National Income (GNI) towards Overseas Development Assistance (ODA). The target was first adopted by the United Nations in 1970, and adopted by Britain at the 2005 G8 summit.¹

The UK pledged to reach the target for the first time by 2013, which it did.² Then in 2015, Britain legislated that in each calendar year 0.7 per cent of GNI should be spent on ODA. This commitment meant that in 2015, the UK spent more money on ODA (\$18.5 billion) than Canada, Italy and Japan combined (\$17.5 billion), with enough spare change to include New Zealand, Greece and Portugal, too (\$988 million).³

As a member of the G7, a group which jointly represents around half of global economic output, the UK has consistently shown itself to be a major player in international development (see chart 1). Every year since 2006, the UK has spent the highest proportion of GNI on ODA amongst G7 members, only nearly matched by Germany in 2016 and 2017.⁴ Despite not adhering to the target as rigidly as the UK, Germany has committed to it in its 'Development Policy 2030'.⁵ Italy, though far from 0.7, has increased its ODA spend considerably in recent years. The 'boot of Europe' actually spent more on aid proportionally in 2017 than it has at any point since 1993.

ODA flows from other G7 members meanwhile have remained constant in the years since Britain achieved the target. Although French ODA spending has remained around a respectable 0.4 per cent. The non-European members of the G7 have all seen their aid spending stagnate at below 0.3 per cent.

Chart 1: aid spending of the G7 (per cent of GNI)⁶



¹ G8 Gleneagles. *The Gleneagles Communiqué*. 2005. Annex II.

² World Bank. Net ODA provided, total (% of GNI), 2019. <https://data.worldbank.org/indicator/DC.ODA.TOTL.GN.ZS?end=2016&start=2002&view=chart%2C>, (accessed 7th March 2019).

³ World Bank. Net ODA provided, total (current US\$), 2019. <https://data.worldbank.org/indicator/DC.ODA.TOTL.CD?end=2015&start=2015&view=chart>, (accessed 7 March 2019)

⁴ World Bank, 2019.

⁵ Federal Ministry for Economic Cooperation and Development. *Development Policy as Future-Oriented Peace Policy*. German Government, 2017. p. 27.

⁶ OECD. *Total flows by donor*, 2019. <https://stats.oecd.org/Index.aspx?ThemeTreeID=36&lang=en>, (accessed 15 February 2019).

That the German spend on ODA has in recent years been near, but not quite at 0.7 per cent, may be due to their commitment to the target being aspirational rather than legislated.⁷ As such, German aid planners are thought to enjoy additional flexibility in terms of project management.

It is, however, a common misconception that the UK's 0.7 per cent target is intended to rigidly dictate the precise level of GNI spent on aid. The International Development (Official Development Assistance Target) Act 2015 declared that it was the duty of the responsible secretary of state to ensure that the 0.7 per cent target was met in each calendar year, and that should it not be met the failure to meet the target must be explained to Parliament. While it definitively locks the target into primary legislation, the legislation does allow for some flexibility. In the event the target is not met, the Act states the following:

"Accordingly, the fact that the duty [the 0.7 per cent target] in section 1 has not been, or will or may not be, complied with does not affect the lawfulness of anything done, or omitted to be done, by any person."

In short, this means that should the government fall short of the target, its only obligation is to explain to Parliament why it has not been met, and what actions may be taken to remedy this the following year. Appendix 1 on page 22 outlines the legislation in full.

The implications of this distinction are significant. Any reforms relating directly to the 0.7 per cent target, such as adjusting the reporting period, are not explicitly prevented by the legislation itself. If policymakers embraced this crucial flexibility that the legislation allows, the British approach to aid spending would actually enjoy many of the same advantages as the more flexible German model.

Aid effectiveness: debating quality, not quantity

Across the 29 high-income countries that compose the Development Assistance Committee (DAC), between 2008 and 2017 the average proportion of aid has never exceeded 0.32 per cent, and currently languishes at 0.31 per cent.⁸ In fact, of the eight countries that have ever met the target, just five did so in 2017. That the UK is in the minority in meeting the target has served as a constant reminder of the amount of taxpayers' money spent on aid.

Nevertheless, it is widely believed that maintaining the development budget at such a high level is of great diplomatic benefit to the UK, even if so few countries have mirrored the British commitment. The Henry Jackson Society's 2019 Audit of Geopolitical Capability report assessed Britain to have the second highest level of diplomatic leverage in the world, narrowly ahead of France.⁹ The report credited Britain's 'developmental capacity' as making the key difference between the two countries in this regard. Additionally, Save the Children described the 0.7 per cent commitment as "vital to its [the UK's] global influence."¹⁰

A key argument of proponents of the 2015 legislation was that as the quantity of Britain's aid rose, so too could the quality. Michael Moore, the MP who introduced the legislation, had said it would "move the debate forward to focus on how we allocate our official development assistance, not how much we spend on it."¹¹ The Independent Commission for Aid Impact (ICAI) was created in 2011 to serve as an independent foreign aid watchdog, actively visiting ongoing and completed aid projects to monitor progress and scrutinise effectiveness.

⁷ Ibid

⁸ Ibid.

⁹ Rogers, J. *Audit of Geopolitical Capability: An assessment of twenty major powers*. Henry Jackson Society, 2019. p.35.

¹⁰ Select Committee on International Relations. *UK foreign policy in a shifting world order*. House of Lords, 2018. p.89.

¹¹ Hansard, 3rd reading of bill: *International Development (Official Development Assistance Target) Bill*. House of Commons, 5th December 2014, column 588.

Additionally, the government announced an Aid Transparency Guarantee which promised high levels of transparency across DfID spending. This included the publishing of expenses over £500, provision of accessible and comprehensive information about all new projects, and opportunities for feedback from those affected by DfID projects.¹²

Michael Moore MP had hoped that cementing the amount spent would lead to greater debate over effect. But ironically, by defining success by the number of pounds spent, less consideration is actually given to effect than before, when civil servants were pressed deliver maximum value.

For example, the first year the UK achieved the target (2013), DfID spent 40 per cent of its annual spending in the last two months of the year in a late attempt to meet the target (see case study 1).¹³ Had the UK 2013 aid spend been in line with what was spent in the first ten months of the year, the UK would have spent 0.6 per cent that year, suggesting the UK spent £1.6 billion more than was necessarily needed just to meet the target. The same report suggested this late-year spending may not have been spent as effectively as possible.¹⁴ These activities have received extensive attention in the British press, continuously reopening questions of pounds and pence.

Case study 1: DfID Contributions to the World Bank

Since 2013, a trend has emerged at DfID to use contributions to the World Bank to reach the 0.7 per cent target when spending is short of the target.

In 2013, the department had spent just 59 per cent of the target in the first ten months of the year. To help the department reach the target, extra promissory notes worth £220 million were issued to the World Bank's International Development Association (IDA) just before the end of the calendar year.¹⁵

This was repeated in 2015 when ODA spending was £50 million short; as such contributions to the IDA were increased to £84 million.¹⁶

Due to an overfunding in other areas in 2016, DfID did not need to resort to additional IDA contributions that year.¹⁷

To definitively move the debate on and address some of the underlying and recurring points of contention in aid policy, some simple reforms could be implemented.

In 2013, the National Audit Office (NAO) reported that the high proportion of the budget spent at the end of that year had been partially caused by the difficulties associated with spending within the calendar year, rather than the financial year.¹⁸ When in 2016 the Treasury implemented a 90 per cent target for non-DfID ODA spending to be allocated within the calendar year, they were forced to relax the target because of fears it incentivised poor value for money.¹⁹

¹² DfID. *UK aid transparency guarantee*, 3 June 2010. <https://www.gov.uk/government/news/the-ukaid-transparency-guarantee>, (accessed 15 February 2019).

¹³ BBC, *£1bn spent to 'to meet UK's overseas aid target'*, 16 January 2015, <https://www.bbc.com/news/uk-politics-30843483>, (accessed 6 February 2019).

¹⁴ National Audit Office. *Managing the Official Development Assistance target*, 2015. p.27.

¹⁵ Ibid.

¹⁶ National Audit Office. *Managing the Official Development Assistance target – a report on progress*, 2017. p.46.

¹⁷ Ibid.

¹⁸ National Audit Office. *Managing the Official Development Assistance target*. 2015. p.19.

¹⁹ National Audit Office. *Managing the Official Development Assistance target – a report on progress*, 18 July 2017. p.22-23.

That ODA must reach 0.7 per cent according to the calendar year was mandated by the 2015 legislation, but as explained, it does not explicitly prevent minor changes in direction or structure. The basis of the problem is that DfID are unable to produce detailed spending plans until after the financial year begins. This jeopardises financial planning and, as was the case in 2013, can lead to hasty bursts of poorly directed spending.

Resolving this would require ODA to be spent according to the financial year in line with the rest of government.

This would mean that under certain circumstances, ODA spending could either exceed or fall below 0.7 per cent. For an approximate example of what this might mean, apply the 2013 top-up example (see case study 1) to a financial year equivalent. If 40 per cent of 2013-14 ODA was spent in the last quarter of the year but 2014-15 spending was spread across the year equally (25 per cent per quarter) that would result in a total spend in the 2014 calendar year equating to 0.8 per cent of GNI. The reverse of this is it would mean that 2013 spending might appear to be about 0.6 per cent of GNI. Ultimately, across the two years an average 0.7 per cent would still be spent but the planning burden would be eased, enabling better project delivery.

Given the nature of the legislation itself, there is no reason that small changes like this cannot be undertaken to improve how ODA is spent. With this approach, a host of other possible reforms can be unlocked. At the same time, the UK's totemic aid commitment would remain unchanged.

Section conclusion

Despite the UK being one of just a handful of countries adhering to the UN target, Britain stands by the 0.7 per cent of GNI and seems willing to continue to do so. But if both taxpayers, and recipients in developing countries, are to get as much value as possible from UK aid, a change to approach is needed.

Achieving this in no way requires scrapping or lowering the target, nor does it mean amending the legislation. All that is required is a pivot towards a more flexible approach, as the 2015 act allows. One way of achieving this would be to spend ODA according to the financial year rather than the calendar year. This small measure would enable government departments to make better informed decisions when financial planning. This wouldn't be a miracle cure, but it would be a step in the right direction.

Critically, this would also open the door to a significant and much needed debate on the rules and structures governing the UK's international aid system.

Section 2: International aid rules and the British national interest.

The rules: who decides what counts as aid?

What may be defined as Overseas Development Assistance is defined at both a multilateral and a national level. The multilateral definition of ODA to which the UK is subscribed is agreed and occasionally amended by members of the DAC, of which the UK is a part. At the national level, additional restrictions and requirements have been implemented by the International Development Act 2002, the Reporting and Transparency Act 2006, the International Development (Gender Equality) Act 2014, and the aforementioned International Development (Official Development Assistance Target) Act 2015.

The Organisation for Economic Co-operation and Development (OECD) defines ODA as flows to those countries which DAC members have agreed to be valid recipients, or to multilateral development institutions. ODA must be provided by official agencies, be administered to primarily promote economic development and welfare in developing countries and should be concessional in character.²⁰ See Appendix 2 on page 24 for the full definition.

The list of countries approved as qualifying recipients of ODA is revised every three years and splits ODA recipients into four categories:

- least developed countries
- other low income countries
- lower middle income countries and territories
- upper middle income countries and territories

The list explicitly excludes any countries within, or actively ascending to, the European Union.

Individual countries may agree to tighten their own aid rules according to national definitions, but they cannot be loosened and still guarantee that all aid spending still qualifies as ODA without first changing OECD rules. The UK is one country to tighten its rules, though in a limited way. Of the four acts mentioned above, the Reporting and Transparency Act 2006 and the International Development Act 2015 did not create restrictions which would change how aid is spent, but requirements concerning the quantity of aid and the transparency of how it is reported.

Conversely the International Development Act 2002, and the 2014 Gender Equality amendment, compel the development secretary to prioritise projects which are likely to contribute to a reduction in poverty, with additional priority given to projects that can concurrently reduce gender inequality.²¹ However, these caveats apply specifically to the Department for International Development rather than all UK ODA spending. The implications of these requirements are explained in section 4.

The effects: how do the rules effect British interests?

In recent years, the UK has shown leadership within the OECD, spearheading efforts to reform development rules so that they both better suit both the UN's 2015 Sustainable Development Goals and are aligned with the UK's 2015 Aid Strategy. Speaking in 2017, former secretary of

²⁰ OECD. *Official development assistance – definition and coverage*. 2019.

<http://www.oecd.org/dac/stats/officialdevelopmentassistancedefinitionandcoverage.htm>, accessed 25 February 2019.

²¹ HM government. *International Development Act 2002*. <https://www.legislation.gov.uk/ukpga/2002/1/contents> (accessed 18 February 2019).

state for international development, Rt Hon Priti Patel MP, said ODA rules “needed to keep pace with the changing world.”²²

Recent changes have recognised tackling violent extremism as a development activity, incentivised donors to cooperate with the private sector, and allowed for some costs of using police and military in peacekeeping operations to be counted as ODA.²³

The next substantial reform to be reached in ODA rules followed the catastrophic effects of Hurricane Irma in 2017.²⁴ A category five hurricane, Irma was one of the strongest storms ever recorded²⁵ and devastated multiple Caribbean islands, including three British Overseas Territories, for almost two weeks. The total costs as a result of the hurricane to these territories was estimated to be approximately \$2 billion USD.²⁶ Immediately, 827 tonnes of humanitarian aid was delivered to the affected islands, including by the Royal Navy. Altogether, the UK spent over £185 million in the aftermath of the hurricane on disaster relief in the Caribbean.²⁷

However, between 2000 and 2014 the affected territories had all graduated from the OECD list of ODA recipients, disbaring them from receiving aid because their levels of income had reached a certain level. This meant that, due to multilateral rules, the UK was unable to provide relief to these countries paid for from the UK’s £14 billion foreign aid budget.

As a direct consequence of this, the British government was forced to draw funds for the response from across multiple government departments, instead of the ODA budget administered by DfID. One unnamed minister commented that this had made it harder for the funds to be gathered, potentially lowering the funding available for the immediate response by up to five times.²⁸

Led by then-secretary of state for international development Rt Hon Priti Patel MP, the UK was able to gather support to change ODA rules to account for this situation.²⁹ Prior to this, there had been no mechanism in place for a country or territory formerly in receipt of ODA to re-qualify for it due to natural disaster. The reform process resulted in the creation of a ‘reverse-graduation’ mechanism enabling affected states to receive ODA if a natural disaster caused their economy to fall below World Bank high-income levels.³⁰ Securing these changes was a notable achievement for current secretary of state, former aid worker and Royal Navy reservist, Rt Hon Penny Mordaunt MP.

Although these rule changes would not allow ODA funding to be used for immediate disaster relief for a high-income state in a similar scenario, it does mean ODA may be used for long-term reconstruction afterwards. But, as explained, the 2015 legislation does allow for flexibility, meaning that in a similar scenario the government could use the aid budget for short-term relief, if it was willing to risk missing the target in a single year.

²² Anders, M. *UK rolls back ultimatum on aid rule changes ahead of DAC meeting*. Devex, 25 October 2017. <https://www.devex.com/news/uk-rolls-back-ultimatum-on-aid-rule-changes-ahead-of-dac-meeting-91377>, (accessed 19 February 2019).

²³ OECD. *The ODA Coefficient for UN Peacekeeping Operations Explained*, 2016. p.1.

²⁴ Hurricane Irma was followed shortly after by another category 5 hurricane, Maria. However Maria had much reduced effect upon the British Overseas Territories than its predecessor.

²⁵ Drye, W. *The strongest hurricanes in recorded history—see how Michael stacks up*. National Geographic, 12 October 2018. <https://www.nationalgeographic.com/environment/2018/10/strongest-hurricanes-in-history/>, (accessed 19 February 2019).

²⁶ Daniell, J et al. *Hurricane Irma Report No.1*, Center for Disaster Management and Risk Reduction Technology, 8 September 2017. p.2.

²⁷ DfID. *Department for International Development Annual Report and Accounts 2017-18*, 2018. p.29.

²⁸ Landale, J. *Hurricane Irma: UK’s aid budget cannot be spent on overseas territories*. BBC, 13 September 2017. <https://www.bbc.co.uk/news/uk-41258435>, (accessed 19 February 2019).

²⁹ DfID. *UK leadership secures vital progress to modernise international aid rules*. 31 October 2017.

<https://www.gov.uk/government/news/uk-leadership-secures-vital-progress-to-modernise-international-aid-rules>, (accessed 19 February 2019).

³⁰ DfID. *UK secures change to international aid rules*. 1 November 2018. <https://www.gov.uk/government/news/uk-secures-change-to-international-aid-rules> (accessed 19 February 2019).

Modernising ODA: the future for the rules

The changes that the UK has achieved to ODA rules form part of a long-term strategy by the British government to reform global aid rules. Fundamentally, the rules remain reactive and, therefore, almost constantly out-of-date. There are numerous areas where ODA rules fail to meet the challenges Britain faces in the modern world.

Examples include areas such as opposing drugs trafficking and cracking down on piracy and organised crime. Such activities can have a serious negative impact upon a country's development. They strangle growth, incentivise corruption and direct the unemployed away from sustainable jobs that help their communities, towards disreputable criminal activities that do the opposite. These are obvious candidates for immediate rule changes.

Another area that could be developed further is the use of insurance to protect developing countries from natural disasters. At present, ODA rules are unclear as to what sort of insurance-based support can be considered ODA. However, following Hurricane Irma the British-engineered Caribbean Catastrophic Risk Insurance Facility paid out over \$50 million to stricken Caribbean governments.³¹ Further expansion of this form of assistance could help developing countries become capable of self-recovery in the event of a natural disaster, allowing them to begin rebuilding instead of waiting for international charity.

The UK is already part of the Private Sector Instruments Task Force, a small group of DAC members who are working together to reform the ODA system to better incentivise private sector investment. A current flaw in the rules is that when aid is used to invest in businesses within poor countries, if that investment is successful and generates profits, it no longer counts as ODA. This means that success is penalised by forcing the donor to spend more in other ways to make up for the investment. Conversely, if the government makes a bad investment then that failure counts as ODA, despite having ultimately done no good. These rules either need to be fixed, so that profits do not count against ODA, or scrapped entirely.

A related issue concerns loan guarantees. Under present rules the costs of guaranteeing a loan only counts if the developing country fails to repay and the donor has to pay up. If rules were changed so that the value of a positive loan also counted as ODA, countries would have greater incentive to guarantee loans, thus helping recipient countries secure financial support.

These challenges cover many different policy areas and require expertise from many different government departments. But under present rules, only the costs of delegates sent by a donor country's development agency to an international organisation may be counted as ODA. By changing this, aid rules could incentivise much better cross-departmental engagement with the international community.

Addressing all of the above areas is in the British national interest, either directly or indirectly. Piracy, for example, threatens to disrupt trade flows through key maritime chokepoints around the world. In 2012, the Foreign Affairs Committee noted that three British ships had been hijacked near Somalia between 2009 and 2010 and commented that "Piracy affects the UK's banking, insurance and shipping industries, and threatens the large volume of goods which are transported to the UK by sea."³²

Similarly, counter-narcotics operations simultaneously impact revenues for organised crime groups in developing countries and keep those same drugs off British streets. In the past six

³¹ DfID. *Annual Report and Statement of Accounts*, 2017-18. p.29.

³² Foreign Affairs Committee. *Piracy off the coast of Somalia*.

<https://publications.parliament.uk/pa/cm201012/cmselect/cmffaff/1318/131806.htm>, accessed (7 March 2019).

months for example, HMS Dragon has seized 15 tonnes of drugs whilst on patrol in the Arabian Sea.³³ RFA Mounts Bay has conducted similarly successful operations in the Caribbean.³⁴

The above are just a few examples of the sorts of operations that are crucial to enable developing nations to achieve prosperity. Criminalisation and corruption walk hand-in-hand and in direct opposition to the work of development agencies, whose aim it is to enable sustainable growth and eliminate poverty. Creating the conditions for stable economic growth in this way meanwhile is a necessary step in attracting investments into developing economies. Use of ODA in this way, where a clear path to prosperity and benefits to the national interest are obvious, is likely to engender much greater public support.

Section conclusion

In recent years, the UK has shown that it wields significant influence within the DAC, no doubt in part a positive consequence of the UK's sizable ODA budget. UK-led efforts have seen peacekeeping reforms implemented, and the creation of the reverse-graduation mechanism to assist high-income countries who have been threatened by natural disasters. These changes, however, took years to negotiate.

There are still many more ways in which multilateral rules can be reformed to suit the changing world and better reflect the substantial commitment that the UK makes to global stability and development. If ODA can be put towards operations that have clearly positive benefits for British taxpayers, then ultimately the political viability of the 0.7 per cent commitment would be better secured in the future for its proponents. The example of how up to 15 per cent of the costs of peacekeeping can be covered through ODA spending sets a precedent for future development in this area, such as with ODA eligible funding for counter-narcotics and anti-piracy operations.

If the government is serious about the security of the target in the long-term, then they must ensure it can be justified regardless of whether other countries adopt it. This will mean continuously pressing for reforms that ensure ODA remains relevant. The government should take advantage of the flexibility in the 2015 legislation and not be afraid to practice any reforms they seek to implement, whilst negotiating rule changes at the DAC. When rule changes are reactive, as in the case of Hurricane Irma, this would mean the ODA budget could be used much sooner to help those in need when they need it. There is no reason the UK cannot decide what should constitute UK aid.

³³ Farmer, B. *Royal Navy warship seizes record £150m of drugs on Arabian Sea's 'has highway' and 'smack track'*. 5 March 2019. <https://www.telegraph.co.uk/news/2019/03/05/royal-navy-warship-seizes-record-150m-drugs-arabian-seas-hash/> (accessed 7 March 2019).

³⁴ Royal Navy. *RFA Mounts Bay £190K drugs bust*. <https://www.royalnavy.mod.uk/news-and-latest-activity/news/2019/march/06/190306-rfa-mounts-bay-drugs-bust>, (accessed 7 March 2019).

Section 3: International aid structures

Systematic bias: how aid rules are rigged in favour of the aid establishment

ODA rules agreed at the DAC also mean that it is easier to meet ODA targets when channelling funds through multilateral institutions. As illustrated in section 1, the UK contributes significant amounts of money to the World Bank. The proportion of the UK ODA budget spent via multilateral programmes however is much more than this, and totalled 39 per cent of spending in 2017-18.³⁵

This is of concern because UK multilateral aid contributions are often untargeted and do not form part of a broader strategy. This was identified by the ICAI in 2015. The 2015 report noted with concern that, “[DfID] has no explicit overarching strategy for its work with multilaterals” and was surprised that “DFID has not done more to define the overall rationale for their [multilateral agencies] use.”³⁶

This is an example of the dangers of Britain’s deference to multilateral institutions. In simple terms, British aid is spent with reduced control or influence from British ministers. Unesco, the UN’s chief cultural organisation, is a notable case of a multilateral organisation which has been criticised for not meeting Britain’s aid strategy, and both Rt Hon Penny Mordaunt MP and Rt Hon Priti Patel MP have called for British funding to the organisation to be cut.³⁷

The overarching reliance on multilaterals can be traced back to structural biases within the international development system, which makes it easier for donating countries to meet development targets when working through the multilateral system.

Up to 100 per cent of ODA to the multilateral development agencies, such as the IDA and the United Nations Development Programme (UNDP), may be considered aid. Ostensibly to assist donors to spend aid responsibly, the OECD provides a list of recommended development organisations through which states can channel their aid budgets.³⁸ Recommended organisations include both multilateral governmental agencies directly administered by the World Bank and United Nations for example, and private international non-governmental organisations (popularly known as NGOs) such as Doctors Without Borders and the Red Cross.

³⁵ DfID. *Annual Report and Accounts 2017-18*, 2018. p. 17.

³⁶ ICAI. *How DFID works with multilateral agencies to achieve impact*, 2015. p.18.

³⁷ Coates, S. *Mordaunt follows Trump and calls for UK to quit Unesco*. The Times, 13 November 2018.

<https://www.thetimes.co.uk/article/mordaunt-wants-to-cut-aid-spending-by-quitting-unesco-kg90sgw7j> (accessed 25 February 2019).

³⁸ OECD. *List of ODA-eligible international organisations*, 2019. <http://www.oecd.org/dac/stats/annex2.htm> (accessed 19 February 2019).

Case study 3: Unnecessary spending by multilateral organisations

Multilateral organisations have been criticised by the British government multiple times for their poor cost effectiveness and transparency.

Examples from the United Nations World Tourism Office (UNWTO), for which 89 per cent of funding counts as ODA, include the following:³⁹

- Opening a new liaison office in Geneva in 2017, one of the world's most expensive cities.
- Holding an annual conference on wine tourism; in 2017 this was in Argentina.
- In 2017 in London, the UN WTO convened 60 tourism ministers and businessmen in London to discuss 'overtourism', which refers to a tourist destination believed to be suffering from too many tourists.

When donors make contributions to any organisation on the approved list, it can provide that funding without any specific project in mind, regardless of what that funding specifically goes towards. For example, UNWTO is eligible for 89 per cent of contributions to be considered ODA, yet it frequently uses these funds with little regard for value (see case study 3).

Multilaterals have shown little regard for cost effectiveness and transparency. A 2016 DfID review concluded that there was 'still too much inefficiency' amongst multilateral development agencies, and insisted upon 'stricter control of daily allowances and travel expenses but also the pay levels of senior staff and boards'.⁴⁰ To remedy this, the review called for multilateral development agencies to 'open up the books', so that they could be held to account.⁴¹

Because of these shortcomings, former secretary of state for international development Rt Hon Priti Patel MP sought reforms at the World Bank to "follow the money, the people and the outcomes," ensuring that accountability existed across the aid supply chain.⁴² Current development secretary Rt Hon Penny Mordaunt MP has insisted on overhauling how UK aid is spent to reduce the proportion of ODA distributed through multilaterals.⁴³ These steps would be very welcome.

If Britain was to reduce reliance on multilaterals, more of British ODA could go directly towards aid, rather than the running costs of multilateral institutions. Unlike the often wasteful UN organisations, 100 per cent of spending by national government development agencies such as DfID cannot be counted as ODA. Instead, only spending earmarked for specific projects can be counted. From 2015-16 to 2017-18 for example, £69.2 million of DfID's spending on overseas programmes did not qualify as ODA⁴⁴, nor did anything DfID spent on running costs.

³⁹ UNWTO. *Annual report 2017*, 2018. p.8-9.

⁴⁰ DfID. *Raising the Standard: Multilateral Development Review 2016*. p.21.

⁴¹ DfID. *Raising the Standard: Multilateral Development Review 2016*. p.5.

⁴² Anders, M. *DfID to drive global aid reform, says Priti Patel*. Devex, 11 Pctpber 2016. <https://www.devex.com/news/dfid-to-drive-global-aid-reform-says-priti-patel-88897> (accessed 15 March 2019).

⁴³ Stevens, J. *Don't waste our foreign aid budget on international agency staff, says Penny Mordaunt*. Daily Mail, 26 February 2019. <https://www.dailymail.co.uk/news/article-6748991/Dont-waste-foreign-aid-budget-international-agency-staff-says-Penny-Mordaunt.html> (accessed 27 February 2019).

⁴⁴ HM Government. *Department for International Development: Overseas Aid: Written question - 202824*, 2018. <https://www.parliament.uk/business/publications/written-questions-answersstatements/written-question/Commons/2018-12-17/202824/> (accessed 27 February 2019).

By contrast, UK contributions to multilaterals may go towards their running costs, and all contributions sent that way will count as ODA.

This structural bias means that bilateral spending is held to much higher standards than multilateral spending. This would be a good thing, but the system nonetheless compels donors to channel funds towards multilateral agencies in a way that de-incentivises bilateral projects. Case study 4 provides one example of the advantages enjoyed by UN-backed multilateral programmes over the alternatives.

One simple and immediate remedy to this compulsion for funnelling ODA towards multilaterals would be to clarify exactly who takes responsibility and leads British policy at some of these institutions. In the case of the World Bank board of governors, the British government is represented by both the chancellor of the exchequer and the secretary of state for international development. Many other countries however, like the USA and Japan, are represented exclusively by their finance ministry or central bank. The UK could quickly re-gear its approach to many multilateral institutions by sending a single representative with an aggressive interest in efficiency and transparency.

Case study 4: DfID education programmes in Nigeria

Over the past 15 years DfID has supported 10 Nigerian states through education programmes; the UNICEF-delivered Girls' Education Programme (GEP); and the Education Sector Support Programme in Nigeria (ESSPIN) which was delivered by Cambridge Education. In total these programmes were budgeted to cost around £228 million.⁴⁵

When reviewed, although ESSPIN was not judged perfect, its performance was generally considered more likely to achieve long-term success by the ICAI and was granted a 'green-amber' rating for performance. The UNICEF-led GEP however was judged to be guilty of significant failures and deemed 'amber-red'.⁴⁶

When the time came to review the performance of GEP2 (the second phase), the ICAI found that no annual reviews had been conducted and censuses were unpublished. Furthermore many construction projects were left unfinished, and even targets to provide textbooks were not met. Despite the project's failures, UNICEF publicised it as evidence of its advocacy for girls' education.⁴⁷

A key difference in the projects' performance lies in the auditing process. ESSPIN was audited externally by a professional firm. Identified weaknesses were addressed in cooperation with DfID. In contrast, GEP is audited by the internal UN audit process. Rather than gaining access to the full audit, DfID was only given a brief statement of accounts. This was not an anomaly but a standard protocol that, according to the ICAI, cannot be changed.⁴⁸

Despite the widespread failures in GEP2, when next phase of the project was awarded, DfID gave it again to UNICEF without competition, despite the superior performance of Cambridge Education.⁴⁹

⁴⁵ ICAI. *DfID's Education Programmes in Nigeria*, 2012. p.1.

⁴⁶ Ibid

⁴⁷ Ibid, p.28-29.

⁴⁸ ICAI. *DfID's Education Programmes in Nigeria*. Independent Commission for Aid Impact, 2012. p.15.

⁴⁹ ICAI. *How DFID works with multilateral agencies to achieve impact*. Independent Commission for Aid Impact, 2015. p.25.

Development monopoly: how international development is rigged against smaller NGOs

A further bias created as a result of this preference for approved multilateral organisations is one against smaller NGOs. To gain a place on the DAC list, an NGO must operate in more than one country; maintain an annual budget of at least \$50 million (USD); and be sponsored by a member of the DAC. And even once an NGO meets those criteria, it must be examined by the OECD and approved by DAC members in a consensus vote.⁵⁰

Although there should be some restrictions preventing un-earmarked funding, this is another example wherein the structure of the international aid system compels donors to practice international development through multilateral aid agencies and giant NGOs. This explicitly places smaller development organisations at a disadvantage. 96 per cent of British development NGOs exist on a budget of below £50 million, and 68 per cent operate on less than £1 million.⁵¹ Most British development charities are omitted from the list, including Sightsavers and WaterAid.⁵² Of the 40 UK-based charities that were part of the UK Aid Match scheme from 2013-16, just four feature in the list of DAC approved organisations.⁵³

To reach such a high budget is an extraordinarily difficult task for any non-profit. The exclusivity of this list serves to restrict the growth and development of these smaller NGOs, by funnelling donor contributions towards the dominant aid establishment effectively facilitating a monopoly.

If the stranglehold which international development organisations and corporations have on the aid sector were to be broken, it would be plausible that a new outcome-model built on competition could be created. This could open up the eligibility list to smaller NGOs, levelling the playing field for smaller NGOs, not just in Britain, but around the world. Alternatively, countries could be trusted to create bespoke lists of smaller NGOs.

Section conclusion

A range of structural biases in ODA rules make it easier for donors to contribute ODA funding to multilateral institutions and giant international NGOs rather than spending it themselves. In contrast to bilateral funding, which may go through smaller NGOs, these contributions are frequently without restriction and can go towards the running costs of organisations.

This is despite criticisms of poor cost-effectiveness and transparency amongst multilateral development institutions. Whilst these institutions are allowed to maintain such a monopoly on aid, the aid system will continue to be skewed in their favour. Meanwhile, smaller NGOs will remain completely reliant on public charity and whatever development contracts they can win.

The creation of a fairer system, that drives down the deference towards the aid establishment and grants greater parity to all NGOs, would allow for a much more competitive international development sector. This could lead to the greater cost effectiveness and transparency which so many people have called for.

⁵⁰ OECD, *Information note on the procedure for proposals for changes to the list of ODA-eligible international organisations*, 2019.

<http://www.oecd.org/dac/stats/annex2-procedure.htm>, (accessed 9 February 2019).

⁵¹ Brockington, D & Banks, N. *Changes in Expenditure, Income and Income Sources for Development NGOs based in the UK*. University of Sheffield, 2017. p.9.

⁵² Birkwood, S. *Top 100 charities' income reached record £9.5bn last year*. Third Sector, 2016. <https://www.thirdsector.co.uk/top-100-charities-income-reached-record-95bn-last-year/fundraising/article/1384411> (accessed 27 February 2019).

⁵³ UK Aid Match. *Annual review*. DfID, 2018. Annex 2.

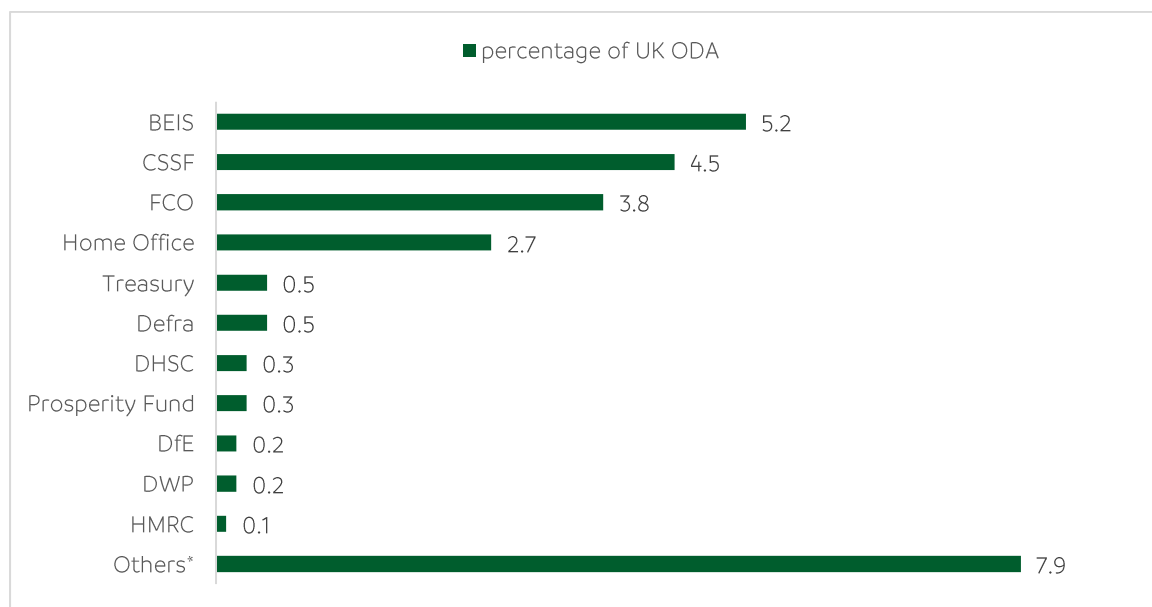
Section 4: How is Britain's aid budget spent?

Diminishing responsibilities: who spends the bilateral aid budget?

Though large proportions of the UK aid budget goes towards multilateral projects, the majority remains spent bilaterally by UK government departments. In 2011, before the UK met the 0.7 per cent target, DfID was responsible for about 90 per cent of the UK aid spend.⁵⁴ Since then, concerted effort has been made to diversify how ODA is spent by allowing other UK departments to conduct aid projects through ODA. This has meant that DfID's share of the aid budget has declined to 74 per cent, while other government departments and additional spenders are now responsible for 26 per cent of UK ODA spending, equal to almost £4 billion.⁵⁵

As shown in chart 2, the government departments utilising the greatest proportions of the ODA budget after DfID are the Department for Business, Energy and Industrial Strategy (BEIS), the Foreign and Commonwealth Office (FCO) and the Home Office, with the cross-department Conflict, Stability and Security Fund (CSSF) also utilising a large proportion of spending. However, as the FCO are responsible for over 70 per cent of the CSSF, and over 90 per cent of the Prosperity Fund, realistically the FCO is likely the largest non-DfID spender of ODA.⁵⁶

Chart 2: UK ODA spending by department 2016 (excluding DfID)⁵⁷



*Other spenders of UK ODA include the MoD, ECGD, DCMS, PGRT, Gift Aid, the BBC World Service, the Scottish Government, Colonial Pensions, the Welsh Government and UK aid sent to the EU without DfID oversight.

These varying spenders of the UK aid budget utilise their aid in different ways according to separate priorities.

The Department for Business, Energy and Industrial Strategy (BEIS) utilised the £696 million it spent on ODA in 2016 to support research and science projects in developing countries and tackling climate change.⁵⁸

⁵⁴ DfID. *Statistics on International Development*, 2013. p.23.

⁵⁵ DfID. *Statistics on International Development 2017*, 2017. p.10.

⁵⁶ Ibid. p.13-14

⁵⁷ Ibid, p.12.

⁵⁸ DfID. *Statistics on International Development 2017*, 2017. p.11.

Aid projects maintained by the FCO meanwhile are concentrated upon conflict and stability, human rights, mitigating climate change and promoting economic/diplomatic reforms to create prosperous societies.⁵⁹ However, 8.9 per cent of the total FCO budget goes towards 'frontline diplomatic activities' which, though considered ODA in most circumstances, is in reality little more than diplomatic administration and, according to the IDC, has little connection with poverty reduction.⁶⁰

Home Office ODA spending moreover is largely concentrated upon asylum support and resettlement. Other examples of Home Office ODA spending may include countering smuggling and improving border security abroad. A notable example is the use of Border Force cutters to counter illegal migrant crossings in the Mediterranean and the Aegean, as £18 million of the costs of the deployment in 2016 came from the aid budget.⁶¹ This use of Home Office resources for development needs was of great value to countering the crisis and welcomed by media outlets and politicians alike.⁶²

The two cross-government funds exist almost exclusively for spending overseas. The Prosperity Fund promotes growth and prosperity overseas, while the CSSF supports countries at risk of conflict or instability.

A problem shared: how DfID lost control of development

Initially, these moves to diversify who spends British aid were welcomed by experts. Amy Dodd, head of the UK Aid Network, said she was "very keen to see a truly cross-governmental approach." However, the differences in standards applied to different departments have often been the cause of concern and has led ODA to be used in ways with little connection to poverty reduction.

As mentioned in section 2, recent UK legislation has applied multiple caveats dictating that projects emphasising poverty reduction and gender inequalities should be prioritised where possible. However, these restrictions only apply to the Department for International Development. As such, critics of the UK aid strategy have highlighted that the ongoing transition towards a cross-government aid approach risks decreasing the focus on poverty reduction.

The CGD rankings (in which the UK fell 15 places for effectiveness since adopting the 0.7 per cent target, see section 1) also noted this as a cause for the UK's falling aid effectiveness. The CGD report highlighted that whilst most DfID spending was in low-income and least-developed countries, other government departments spent 75 per cent of their bilateral aid in middle-income countries.⁶³

ODA projects conducted by other government departments have proven both less effective and transparent. In some cases, they have secured spending on projects which would not otherwise be acceptable to British taxpayers. Although the ICAI mandate covers all UK ODA spending, the IDC found that the watchdog had not always received access to information that would enable them to sufficiently fulfil that mandate.⁶⁴

⁵⁹ FCO. *FCO ODA Allocation, 2019*.

<http://data.parliament.uk/writtenevidence/committeeevidence.svc/evidencedocument/international-development-committee/uk-aid-other-government-departments/written/47410.html>, (accessed 23 February 2019).

⁶⁰ International Development Committee. *Definition and administration of ODA*. 2018. p.32.

⁶¹ DfID. *Statistics on International Development 2017*. 5 April 2018. <https://www.gov.uk/government/statistics/statistics-on-international-development-2017>, (accessed 25 February 2019).

⁶² Ekathimerini. *Britain to provide Greece with more support over refugee crisis*. 27 June 2018.

www.ekathimerini.com/230100/article/ekathimerini/news/britain-to-provide-greece-with-more-support-over-refugee-crisis, (accessed 25 February 2019).

⁶³ McKee, C, Mitchell, I, and Baker, A. *UK Aid Quality Indicators*, Center for Global Development, 2018. p.13.

⁶⁴ International Development Committee. *Definition and administration of ODA*. 2018. p.18.

This weakness in transparency beyond DfID has not gone unnoticed outside of government either, and other government departments have been criticised for their transparency by the Aid Transparency Index. The 2014 index rated the FCO poor and the MoD very poor; in contrast DfID was ranked as the 2nd most transparent aid agency.⁶⁵ Despite a 2015 commitment by the UK government that all UK ODA-spending government departments should be ranked 'good' or 'very good' in the index⁶⁶, by 2018 there had been no improvement in the FCO's transparency which was still rated as poor (the MoD was not included in the 2018 index).⁶⁷

The low standard for ensuring transparency and accountability in other government departments was set at the very beginning of the diversification process, when departments were not required to outline how they would, or if even they realistically could, implement proposed projects.⁶⁸ While spending across other departments generally remains a positive development, this has clearly not been accompanied by the additional improvements in effectiveness and transparency needed to make it a success.

Case study 4: Cyber-safe spaces and online quizzes about gender studies for the world poverty capital

In 2018, Nigeria became the country with the most people living in extreme poverty anywhere in the world.⁶⁹

As the second largest recipient of UK aid, Nigeria benefits from multiple British aid programs. Yet not all these projects would meet a traditional conception of aid.

One such project saw £29m of UK aid allocated to 'developing content and learning on gender and social norms in an online space'.⁷⁰ A DfID-funded project, this began by using 'entertainment-based content' before transitioning towards 'a deeper examination of the issues from a gendered perspective through interactive activities such as quizzes'.⁷¹

Following the failure of the first approach, the project next developed a 'virtual safe space'. This online course proved to be unpopular with up to 73 per cent of users dropping out before concluding the first chapter on 'the difference between gender and sex'.⁷²

Coming home to roost: who takes the blame for wasteful spending?

Although poor transparency and reduced restrictions are not pre-requisites for wasteful use of the aid budget, these flaws have led to multiple instances of non-DfID departments spending irresponsibly on projects that frequently come across as frivolous (though as case study 4 illustrates, DfID is still capable of funding projects of questionable value).

The Prosperity Fund is a prime example of a body spending the aid budget in ways that have little impact on poverty reduction or seem to be in the British national interest. A few examples

⁶⁵ Publish what you fund. *Aid Transparency Index*, 2014 p.9.

⁶⁶ DfID, & HM Treasury. *UK aid: tackling global challenges in the national interest*, 2015. p.21.

⁶⁷ Publish what you fund. *Aid Transparency Index*, 2018. p.7.

⁶⁸ International Development Committee, 2018. p.18.

⁶⁹ Kharas, H, Hamel, K, & Hofer, M. *The start of a new poverty narrative*. Brookings Institute, 19 June 2018.

<https://www.brookings.edu/blog/future-development/2018/06/19/the-start-of-a-new-poverty-narrative/> (accessed 22 February 2019).

⁷⁰ Voices4Change. *Using Online Spaces to Deliver Gender Education in Nigeria*, 2017. p.12.

⁷¹ Voices4Change. *Using Online Spaces to Deliver Gender Education in Nigeria*, 2017. p.5.

⁷² Voices4Change. *Using Online Spaces to Deliver Gender Education in Nigeria*, 2017. p.4.

from 2017 data include multiple projects in China, such as improving the employability of Chinese graduates, supporting the internationalisation of the Chinese film industry and improving museum infrastructure.⁷³ One surprising project exists to help the Chinese clothing industry engage with international markets.⁷⁴ Considering that China already accounts for 35 per cent of global clothing exports, many will ask why UK aid money should go towards raising this market share further.⁷⁵

The Department for Business, Energy and Industrial Strategy (BEIS) meanwhile, in some cases, appears to utilise the aid budget to subsidise everyday spending. In 2017 for example, BEIS spent £5.5 million from the aid budget on nuclear non-proliferation, with payments going to the International Atomic Energy Agency, which Britain has been a member of since 1957.⁷⁶

Other projects conducted by BEIS vary from the obscure (£240,000 spent tracking small boats in South Africa and Madagascar) to the baffling (£332,000 on reducing salt intakes in China).⁷⁷

One of BEIS' forerunner departments, the Department for Business, Innovation and Skills, had also displayed an unconventional approach to spending ODA. Illustrated further in case study 5, this former department used the £1.5 billion Global Challenges Research fund to finance projects that included the development of 'anti-violence computer games' to help children become empathetic.

Case study 5: Anti-violence video games and texts for forgetful cardiac patients

The Department for Business, Innovation and Skills (which merged with the Department of Energy and Climate Change in 2016 to form BEIS) used money from the Global Challenges Research Fund to fund 'cutting-edge research that addresses the challenges faced by developing countries.' Notable projects included:

- 1) the development of 'anti-violence computer games'. An unspecified amount of foreign aid money was given through the GCRF to 'create games that help children become empathetic and, crucially, change negative gender attitudes'. The funding went to None in Three, 'a research centre for the development and evaluation of pro-social games to prevent gender-based violence'. Ni3 lists its study countries as being India, Jamaica, Uganda and the UK.⁷⁸
- 2) a trial to test if text messages help forgetful cardiac patients take their medications in low-income countries. The research cost £151,623 and was conducted by researchers at the London School of Hygiene and Tropical Medicine.
- 3) a study of how social media can 'foster engagement and active citizenship'. The £49,520 study looked at, among other things, how low-income Brazilians and artists in Kenya are 'using digital tools to promote a dialogue around human rights and power structures'. The research was carried out by academics at Bournemouth University.

⁷³ DfID. *Data underlying SID 2017*, 5 April 2018. <https://www.gov.uk/government/statistics/statistics-on-international-development-2017>, (accessed 25 February 2019).

⁷⁴ Ibid

⁷⁵ World Trade Organization. *World Trade Statistical Review 2018*. p.114

⁷⁶ DfID, 2017.

⁷⁷ Ibid (note: the £332,000 total was reached by adding up several projects in China seeking to reduce salt intakes rather than one unique project.

⁷⁸ UKRI. *Growing research capability to meet the challenges faced by developing countries*, UK Research & Innovation, 2017. p.30.

In all of these cases, various departments have been responsible for spending, commissioning or overseeing waste in the foreign aid budget. Understandably this, combined with the opacity of non-DfID spend, leaves the public wondering who exactly is responsible for how their money is being spent. More often than not, the secretary of state for international development will be blamed. This both dilutes responsibility for poor spending and directs undue criticism at the part of government best equipped to sensibly keep costs down.

DfID remains the only department required to justify underspend to parliament and is uniquely placed to influence the ODA rules (which govern the eligibility of aid spend across government) and structures (who departments can give money to). Together this suggests that, while spending by other departments remains largely a positive thing, serious reforms are needed to enforce transparency and effectiveness, alongside a clear line of responsibility to the secretary of state for international development. For example, the development secretary might be required to personally sign off all non-DfID ODA spend, or assign a specialist team of DfID staff to each non-departmental ODA item.

Section conclusion

Since the government began allowing more departments to use the aid budget, it has not escaped the notice of parliamentarians, NGOs and other critics that other departments face less constraints on how they spend their aid. This has been linked to a substantial amount of waste, often the result of government departments utilising the aid budget to cover the costs of projects that would once have been covered by the budgets of those departments directly, or are otherwise unjustifiable to the British taxpayer.

If other government departments were subject to the same high expectations of effectiveness and transparency as DfID, the likelihood of such unnecessary projects being approved would be reduced and the aid budget could instead be used, as advertised, for poverty reduction. Given the closeness of the secretary of state for international development to the ODA rule-making process and structures, it seems likely this is best done through reforms driven by and overseen by DfID itself.

In this way a much clearer line of responsibility could run from the aid budget, to the development secretary, to parliament and, ultimately, right back to taxpayers.

List of Acronyms

General Acronyms

DAC	Development Assistance Committee
ESSPIN	Education Sector Support Programme in Nigeria
G7	Group of 7
GEP	Girls' Education Programme
GDP	Gross Domestic Product
GNI	Gross National Income
IDA	International Development Association
IMF	International Monetary Fund
ODA	Overseas Development Assistance
OECD	Organisation for Economic Co-operation and Development
PRGT	IMF Poverty Reduction and Growth Trust
UKRI	UK Research & Innovation
UNDP	United Nations Development Programme
UNWTO	United Nations World Tourism Office

UK Government Acronyms

BEIS	Department for Business, Energy and Industrial Strategy
CSSF	Conflict, Stability and Security Fund
DCMS	Department for Culture, Media and Sports
Defra	Department for Environment, Food and Rural Affairs
DfE	Department for Education
DHSC	Department for Health and Social Care
DWP	Department for Work and Pensions
ECGD	Export Credits Guarantee Department
FCO	Foreign and Commonwealth Office
HMRC	HM Revenue and Customs
ICAI	Independent Commission for Aid Impact
MoD	Ministry of Defence
NAO	National Audit Office

Appendix 1

International Development (Official Development Assistance Target) Act 2015⁷⁹

2015 CHAPTER 12

An Act to make provision about the meeting by the United Kingdom of the target for official development assistance (ODA) to constitute 0.7 per cent of gross national income; to make provision for independent verification that ODA is spent efficiently and effectively; and for connected purposes. [26th March 2015]

Be it enacted by the Queen's most Excellent Majesty, by and with the advice and consent of the Lords Spiritual and Temporal, and Commons, in this present Parliament assembled, and by the authority of the same, as follows:—

1. Duty to meet United Nations 0.7% target from 2015

(1) It is the duty of the Secretary of State to ensure that the target for official development assistance (referred to in this Act as “ODA”) to amount to 0.7% of gross national income (in this Act referred to as “the 0.7% target”) is met by the United Kingdom in the year 2015 and each subsequent calendar year.

(2) Whether the 0.7% target has been met by the United Kingdom in any year is to be determined for the purposes of this Act by reference to the amounts specified for that year in an annual report (in particular, the percentage specified in accordance with paragraph 1(h) of the Schedule to the 2006 Act).

(3) In this Act—

- “the 2006 Act” means the International Development (Reporting and Transparency) Act 2006;
- “annual report” means an annual report under section 1 of the 2006 Act.

2. Duty to lay statement before Parliament if 0.7% target not met

(1) If an annual report laid before Parliament in the year 2016 or any subsequent calendar year shows that the 0.7% target has not been met in the report year, the Secretary of State must, as soon as reasonably practicable after laying the report, lay before Parliament a statement complying with subsections (3) and (4).

(2) If an annual report laid before Parliament in the year 2015 or any subsequent calendar year shows that the 0.7% target has been met in the report year but—

- a. the report is revised under section 1(4) of the 2006 Act by a subsequent annual report, and
- b. the effect of the revision is to show that the 0.7% target was not met in the report year, the Secretary of State must, as soon as reasonably practicable after laying the subsequent report, lay before Parliament a statement complying with subsection (3).

⁷⁹ HM Government. *International Development (Official Development Assistance Target) Act 2015*. 2015. p.5-8.

- (3) A statement under subsection (1) or (2) must explain why the 0.7% target has not been met in the report year and, if relevant, refer to the effect of one or more of the following—
 - a. economic circumstances and, in particular, any substantial change in gross national income;
 - b. fiscal circumstances and, in particular, the likely impact of meeting the target on taxation, public spending and public borrowing;
 - c. circumstances arising outside the United Kingdom.
- (4) A statement under subsection (1) must also describe any steps that the Secretary of State has taken to ensure that the 0.7% target will be met by the United Kingdom in the calendar year following the report year.
- (5) In this section “the report year”, in relation to an annual report, means the period of 12 months which is the most recent relevant period, as defined by section 1(2) of the 2006 Act, to which the information included in accordance with paragraph 1(h) of the Schedule to that Act relates.

3. Accountability to Parliament

- (1) The only means of securing accountability in relation to the duty in section 1 is that established by the provision in section 2 for the laying of a statement before Parliament.
- (2) Accordingly, the fact that the duty in section 1 has not been, or will or may not be, complied with does not affect the lawfulness of anything done, or omitted to be done, by any person.

4. Repeal of section 3 of the 2006 Act

Section 3 of the 2006 Act (which requires each annual report to include an assessment of the year in which the 0.7% target is expected to be met) is repealed.

5. Independent evaluation of official development assistance

- (1) The Secretary of State must make arrangements for the independent evaluation of the extent to which ODA provided by the United Kingdom represents value for money in relation to the purposes for which it is provided.
- (2) The Secretary of State must include in each annual report a statement as to how he or she has complied with the duty under subsection (1).

6. Short title, commencement and extent

- (1) This Act may be cited as the International Development (Official Development Assistance Target) Act 2015.
- (2) This Act comes into force on 1 June 2015.
- (3) This Act extends to the whole of the United Kingdom.

Appendix 2 - OECD Definitions of ODA (abridged).⁸⁰

Definition of ODA, starting with 2018 data

Official development assistance flows are defined as those flows to countries and territories on the DAC List of ODA Recipients and to multilateral development institutions which are:

provided by official agencies, including state and local governments, or by their executive agencies;

each transaction of which:

a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and

b) is concessional in character. In DAC statistics, this implies a grant element of at least:

- 45 per cent in the case of bilateral loans to the official sector of LDCs and other LICs (calculated at a rate of discount of 9 per cent).
- 15 per cent in the case of bilateral loans to the official sector of LMICs (calculated at a rate of discount of 7 per cent).
- 10 per cent in the case of bilateral loans to the official sector of UMICs (calculated at a rate of discount of 6 per cent).
- 10 per cent in the case of loans to multilateral institutions (calculated at a rate of discount of 5 per cent for global institutions and multilateral development banks, and 6 per cent for other organisations, including sub-regional organisations).

Definition of ODA, up to 2017 data

The DAC defined ODA as “those flows to countries and territories on the DAC List of ODA Recipients and to multilateral institutions which are:

provided by official agencies, including state and local governments, or by their executive agencies; and

each transaction of which:

a) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and

b) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).”

⁸⁰ OECD. *Official development assistance – definition and coverage*. 2019.

<http://www.oecd.org/dac/stats/officialdevelopmentassistance/definitionandcoverage.htm>, accessed 25 February 2019.

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