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Draft International Development (Official Development Assistance Target) Bill

Seventh Report of Session 2009–10

Report, together with formal minutes, oral and written evidence

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Summary

In 1970 the UN General Assembly called on the economically advanced countries to provide 0.7% of their income as Official Development Assistance (ODA) by the middle of the decade. To date only five countries have consistently met this target. In 2004 the UK committed to meet the target by 2013. The Government says that it is currently on schedule to do so.

The Government proposes to enshrine in law its commitment to meet the target in 2013 and in each subsequent year. It considers that the target is otherwise vulnerable and that the legislation will help galvanise other donors to meet their commitments as well as offer greater predictability for developing countries about UK aid levels. While the intention of the legislation is widely welcomed, we remain uncertain that it will have the wider impact claimed.

The accountability measures contained in the draft Bill weaken the commitment and provide the Government with an easy excuse for not meeting the target. Governments should not set targets they do not intend to meet and the failure to meet these must be properly explained to Parliament. In such cases the legislation should require the Government to set out its strategy for meeting the target in its Annual Report.

The draft Bill opened the debate about the types of expenditure which may be reported as ODA. It does not propose to make any changes to current practice. However, the 2002 International Development Act stipulates that DFID's expenditure on ODA should have poverty reduction as its primary objective. With increasing pressure to find additional finance for responding to climate change or to new types of security threats, there is a danger that increased amounts of UK ODA will be used for purposes only marginally related to poverty reduction. The Government must take appropriate steps to guard against this whether or not this Bill becomes law.

Our comments in this report should not be read as implying that we do not support the 0.7% target. On the contrary, we consider it to be an important goal for the Government and one for which it should be held to account. The UK already has a high reputation as a donor both in terms of volumes and aid effectiveness which it should maintain and build on.

1 Introduction

1. The Department for International Development (DFID) published the draft International Development (Official Development Assistance Target) Bill on 15 January 2010. The proposed legislation was first announced by the Prime Minister at the Labour Party Conference in 2009.[1] Subsequently the Queen's Speech stated that "draft legislation will be published to make binding my Government's commitment to spend nought point seven per cent of national income on international development from 2013."[2] If enacted, it would enshrine in law the commitment to provide 0.7% of Gross National Income (GNI) as Official Development Assistance (ODA) from 2013 and in each subsequent year. The UK made the commitment to meet this target in 2004 and says that it is currently on-track to do so.[3]

2. We agreed to undertake the pre-legislative scrutiny of the draft Bill in order to inform the House. Because of the proximity of the General Election the Bill will not become law in the current Parliament. The Government has said that, if re-elected, it would seek to pass the Bill before the summer recess and in time for the UN Millennium Development Goal summit in September 2010. This is intended to encourage a "final push" towards the achievement of the goals by 2015.[4]

3. We invited written evidence on the following areas:

- The overall aims and scope of the draft Bill;
- Whether legislation was necessary to achieve the 0.7 % target in 2013 and beyond;
- Whether the proposed accountability measures contained in the draft Bill were sufficient;
- The potential impact of the draft Bill on the actions of other donor countries in respect of meeting their ODA commitments;
- Whether enshrining the ODA target in legislation was likely to affect the predictability of aid levels for developing countries;
- Whether the legislation was likely to affect poverty reduction objectives for ODA expenditure as set out in the International Development Act 2002;
- The likely impact on the contribution to ODA from other government departments (ie non-Department for International Development ODA expenditure).

1 "Gordon Brown's speech to Labour Party conference", www.labour.org.uk

2 HC Deb, 18 November 2009, col 4

3 OECD figures show that UK ODA will be 0.56% in 2010. OECD press release, "Donors mixed aid performance for 2010 sparks concern", 17 February 2010

4 Qs 68, 80 [Gareth Thomas]. The Millennium Development Goals (MDGs) are eight specific goals to be met by 2015 that aim to combat extreme poverty across the world. These goals were agreed at the UN Millennium Summit in New York in 2000

4. We received written evidence from 19 individuals and organisations and held two oral evidence sessions. In the first session we took evidence from Professor Lawrence Haddad, Director, Institute of Development Studies; Alison Evans, Director, and Simon Maxwell, Senior Research Associate, Overseas Development Institute; Ms Karen Jorgensen, Head of the Review and Evaluation Division, Development Cooperation Directorate, Organisation for Economic Cooperation and Development (OECD); Save the Children; Oxfam; and the UK Aid Network (UKAN). In the second session we took evidence from Gareth Thomas MP, Minister of State, DFID and Government officials.

Legislative context of the draft Bill

5. The Department for International Development does not generate much legislation. There are currently two international development Acts. The 2002 International Development Act sets out the Secretary of State's powers to provide development assistance to countries, territories and organisations if he is convinced that such expenditure will contribute to a reduction in poverty. The draft Bill does not propose any alterations to the 2002 International Development Act.

6. Subsequently the 2006 International Development (Reporting and Transparency) Act strengthened parliamentary scrutiny of the provision of development assistance by requiring the Government to report annually on the amount of aid provided by the UK. Under Section 3 of the Act the Secretary of State is required to make an assessment of the year in which he expects that the 0.7% target will be met. The draft Bill proposes to repeal this Section of the 2006 Act and replace it with the duty to meet the target from 2013 onwards.[5]

5 Draft International Development (Official Development Assistance Target) Bill, Explanatory notes; Clause 4

2 Implications for other countries

Galvanising other donors

7. As noted in the previous chapter, the main purpose of the proposed Bill is to place a legal duty on the Secretary of State for International Development to ensure that the target of allocating 0.7% of GNI to Official Development Assistance is met by the Government in 2013 and in each subsequent year. This target was first set by the UN General Assembly in 1970. Resolution 2626 called on the economically advanced countries gradually to increase their development expenditure and use their best efforts to reach 0.7% of their gross national product (GNP) by the middle of the decade.[6] This is generally accepted as a legitimate target for donor countries, and has been reaffirmed in a number of international conferences and agreements since then. However to date only five donor countries—Denmark, Luxembourg, the Netherlands, Norway and Sweden—have consistently met it.[7]

8. The Government believes that this legislation would demonstrate the UK's commitment to reaching the UN target, despite difficult economic circumstances, and galvanise other donors to renew their commitment to the target. It argues that its own commitment to meet the target, announced in 2004 ahead of the 2005 Gleneagles summit, triggered increases in aid levels and helped secure the EU commitment to average expenditure of 0.7% GNI as ODA by 2015.[8] At present OECD DAC donors provide an average of only 0.33% of GNI as ODA.[9]

9. Our 2009 report on *Aid Under Pressure* noted that Italy had reduced its development assistance by 56% in 2002 and that Ireland had made cuts totalling €255 million to its development assistance budget in 2008 and 2009.[10] Recent figures from the OECD note a shortfall in aid from several large donors. The 15 countries which are members of both the EU and the OECD Development Assistance Committee committed to reach a minimum ODA country target of 0.51% of GNI in 2010. Of these, nine will meet it, while six will not. Those falling short are Austria, France, Germany, Greece, Italy and Portugal. The OECD notes that, as a result of under-performance by donors, Africa will receive only US$12 billion of the US$25 billion increase in aid promised in 2005 at the Gleneagles summit.[11]

10. We discussed the potential of the Bill to galvanise other donors to meet their aid commitments with witnesses. The OECD said that enshrining the 0.7% commitment in law would "send a powerful message to EU members who are struggling to meet their

6 A new system of national accounts in 1993 discontinued the term Gross National Product and replaced it with Gross National Income which is considered to be an equivalent concept. See, OECD, Paper on Official Development Assistance: History of the 0.7% target, www.oecd.org

7 OECD Press Release, "Donors mixed aid performance for 2010 sparks concern", 17 February 2010

8 Draft International Development (Official Development Assistance Target) Bill, Introduction and background, p 2

9 OECD, "Donors mixed aid performance for 2010 sparks concern", 17 February 2010

10 Fourth Report of Session 2008-09, *Aid Under Pressure: Support for Development Assistance in a Global Economic Downturn*, HC 179-1, paras 83-86. Ireland will nevertheless provide 0.52% of GNI as ODA in 2010 exceeding the agreed OECD target of 0.51%.

11 OECD, "Donors' mixed aid performance for 2010 sparks concern", 17 February 2010

obligation, and would add to the UK's credibility as a global leader on development."[12] Oxfam noted that:

> Other donors have voiced their concerns around the potential impact of the financial crisis on aid budgets. UK legislation on 0.7% would send a powerful signal to other donors that there continues to be serious public support reinforced by political will for meeting the 0.7% commitment.[13]

Karen Jorgensen, from the OECD, told us that the UK was already a leader on a number of dimensions of development and that by promoting and sticking to its commitments it had gained a certain amount of leverage "to keep pushing other donors to follow suit and honour their commitments." She also said it would help the DAC peer review process by allowing the UK to be held up as an example for other donors. She highlighted that the OECD had been extremely critical of Italy's performance in a recent peer review although it was not clear what effect this would have on Italian domestic political decisions.[14] Simon Maxwell also thought that the UK's commitment could be used as a "campaigning tool" to encourage other countries to "join-in".[15]

11. No other OECD donor has enacted legislation to meet the target, although Belgium has legislation which requires a "solidarity note" to be presented in parliament, alongside the annual budget, setting out how the target will be met.[16] On the other hand, the five other donors who have already met the target have done so without accompanying legislation. Karen Jorgensen commented that even in these countries the target was now under pressure.[17] The Minister believed that the forthcoming UN review of the Millennium Development Goals provided an important moment for the UK to demonstrate its commitment to the goal and to help to galvanise other donors who are currently off-track on their commitments.[18]

12. **We agree that the forthcoming UN summit on progress towards the Millennium Development Goals in September 2010 is an important moment to renew commitments to aid allocations. Some donors have already fallen short of their interim commitments. We understand that countries often fail to meet their aid commitments because of political and economic circumstances unrelated to the acknowledged need for aid. The UK is already seen as a leader in international development both in terms of funding and delivery of programmes. While UK legislation on the target could provide a demonstration of support for the target ahead of the UN summit, we are not convinced that such legislation will necessarily galvanise other donors, especially those suffering the worst effects of the recession, to meet their aid commitments.**

12 Ev 41

13 Ev 43

14 Qs 35-36

15 Q 4

16 Q 38

17 Q 40

18 Q 80

Increased predictability for developing countries

13. The Government says that the proposed legislation will provide greater predictability for developing countries on UK aid levels at a time of economic difficulty.[19] Making aid more predictable is considered to be important for aid effectiveness since it allows developing countries to plan for the longer term.[20] As Simon Maxwell pointed out, "it is incredibly difficult to manage the ministry of finance of a country when people are making aid promises which are then not fulfilled."[21]

14. The 2005 Paris Declaration commits signatories to achieve better outcomes from aid. It said that aid should be based on a number of principles including ownership of aid programmes by developing countries, alignment of aid with developing country priorities, harmonisation among donors, managing for results and mutual accountability.[22] The 2008 Accra Agenda for Action restated these principles and explicitly committed donors to increasing the medium-term predictability of aid.[23] The UK already provides a three-yearly projection of its development assistance spending in the Comprehensive Spending Review, and Country Business Plans usually give a three year funding commitment. The UK has also signed a number of longer term agreements with developing countries for assistance in specific areas, such as the recent seven-year agreement with the UNDP for urban development projects in Bangladesh.[24]

15. We asked witnesses whether they thought the proposed legislation would achieve the desired aim of increased predictability. Many believed that it would and considered this to be important in a period of financial and economic volatility.[25] However Alison Evans, Director of ODI, noted that while aid would be more predictable at the macro level, the amount of Country Programmable Aid (CPA) was a better indicator of aid levels for individual developing countries:

> CPA is the amount of aid that is directly programmable by the donor, so it excludes the most unpredictable elements of aid including humanitarian spend, debt relief, cross-border flows and anything not part of cooperative agreements between governments. Currently the share of UK country programmable aid is 65% of total UK ODA.[26]

She also pointed out that the range of CPA was quite wide even between countries which had already achieved the 0.7% target. In Denmark it was 70% and in the Netherlands 40%. This suggested that "there is no simple correlation between 0.7% and the share that is

19 Draft International Development (Official Development Assistance Target) Bill, Introduction and background, p 3

20 Ninth Report of Session 2007-08, *Working Together to Make Aid More Effective*, HC 520-1 paras 36-39

21 Q 3

22 Paris Declaration on aid effectiveness, 2 March 2005, www.oecd.org

23 Paris Declaration on aid effectiveness and the Accra Agenda for Action, 2008, para 26, www.oecd.org

24 Third Report of Session 2009-10, *DFID's Programme in Bangladesh*, HC 95-II Ev 110

25 Ev 42,43,46,47,48,52,53,55

26 Ev 34; Country programmable aid is the OECD measure of the amount of bilateral ODA which supports core development programmes in line with priorities at the country level. This is distinct from the amount DFID spends on its bilateral country and regional programmes which was approximately 43% of the total programme budget in 2008-09 – See Ev 57

directly programmable by the donor and therefore directly under the influence of the partner countries themselves."[27]

16. The Minister told us he was not proposing to legislate for the amount of aid which should be allocated to country programmes or multilateral programmes, as this should be a judgement for Ministers. There were a number of reasons why a particular country might not receive its expected level of aid, but overall the legislation would give greater predictability to developing countries and would help the Government to move towards more longer term development partnerships.[28]

17. Other factors affect aid predictability. In our Report on *DFID's Performance in 2008-09 and the 2009 White Paper* we noted the impact of currency fluctuations on aid levels.[29] DFID does not make adjustments to aid allocations in response to exchange rate movements or purchasing power. This has meant that some developing countries received less local currency equivalent assistance than expected in 2008-09.[30]

18. We have also noted that, because the target is a percentage of GNI, the actual amount of ODA fluctuates with changes in the UK economy. It was estimated that the EU pledge to achieve 0.56% of GNI as ODA by 2010 was worth US$4.6 billion less in 2009 than in 2008 because of the economic downturn.[31] To its credit the Government pledged to maintain absolute aid levels in 2009 even though reduced growth predictions meant that the percentage target could have been met by spending £700 million less.[32] The OECD points out that US$4 billion of the overall US $21 billion shortfall in aid this year was the result of lower than expected GNI resulting from the economic crisis.[33]

19. **The extent to which commitment to an overall target could provide greater certainty to individual countries is not clear cut given the range of variables. Legislation may help developing countries to know approximately what the UK's aid budget would be over a period of years, but this will not eliminate yearly fluctuations resulting from changes in GNI since the target is a percentage rather than an actual amount. Nor can the impact of changes in currency values be easily avoided. The most important indicator of development assistance available to developing countries remains the amount of Country Programmable Aid, which the proposed legislation does not address. Nevertheless we agree that the Bill would provide a degree of predictability at the macro level—that the total UK aid envelope would not significantly change—and**

27 Ev 35

28 Qs 82, 84-85

29 Fourth Report of Session 2009-10, *DFID's Performance in 2008-09 and the 2009 White Paper*, HC 48 para 37

30 *Ibid,* para 37

31 Fourth Report of Session 2008-09, *Aid Under Pressure: Support for Development Assistance in a Global Economic Downturn*, HC 179 para 73

32 "Budget 2009: Brown and Darling refuse to cut £9.1 billion pledged for overseas aid" *The Guardian*, 22 April 2009. Based on available projections of future GNI, the House of Commons Library calculates that the fall in GNI means that the Government could spend £740 million less in 2010-11 and still reach the target of allocating 0.56% of GNI to ODA. Projections also show that, If the cash level of pledged development assistance is maintained, UK ODA expenditure will reach 0.61% of GNI in 2010-11.

33 The remaining shortfall of US$17 billion was the result of lower than promised giving. OECD, "Donors' mixed aid performance for 2010 sparks concern" 17 February 2010

this would send a positive message to developing countries about the UK's overall commitment to international development.

Ensuring a poverty reduction focus for ODA

Defining ODA

20. The OECD Development Assistance Committee (DAC) is the body responsible for defining what types of expenditure are reportable as Official Development Assistance. The basic definition of ODA, which has not changed significantly since 1972, refers to financial flows:

> "to countries on the DAC list of ODA recipients and to multilateral development institutions which are provided by official agencies or by their executive agencies, and each transaction of which is administered with the promotion of the economic development and welfare of developing countries as its main objective; and is concessional in character and conveys a grant element of at least 25 per cent."[34]

21. The OECD recognises that there may be some subjective interpretations of this definition and has thus identified a number of limits on ODA reporting. For example:

- Military aid may not be reported as ODA although expenditure incurred on the cost of using donor military forces to deliver humanitarian aid or perform development services may be reported.
- Civil police training is reportable as ODA but using donor police services to control civil disobedience is not.
- Assistance to refugees in developing countries is reportable as ODA as is temporary assistance to refugees from developing countries arriving in donor countries and the costs associated with any eventual repatriation.[35]

Karen Jorgensen told us there were no plans to revise the current definition of ODA but there were ongoing discussions about what types of security and climate change expenditures met the basic ODA definition. However she said there was no great appetite to loosen the existing parameters. [36]

Ensuring ODA achieves poverty reduction

22. All ODA provided by DFID is subject to the 2002 International Development Act which stipulates that the Secretary of State may provide development assistance if he is satisfied that such assistance will contribute to poverty reduction.[37] This is a narrower interpretation of ODA than that used by the OECD. For example we were told that DFID, unlike some other OECD countries, does not report the first year costs associated with

34 OECD, *Is it ODA?* Fact sheet, November 2008

35 OECD, *Is it ODA?* Fact sheet, November 2008

36 Q 28

37 International Development Act 2002, Section 1 (1)

refugees from developing countries as ODA, even though this is permissible.[38] DFID has said it will provide climate change funding to developing countries from its ODA budget but has limited this to 10% of ODA.[39]

23. It is important to note, however, that the 2002 International Development Act applies only to ODA provided by DFID which is currently responsible for only 88% of the total.[40] Other government departments, for example the Foreign Office, also provide ODA but this does not fall under the provisions of the 2002 Act.[41] This means that it need not have poverty reduction as its primary objective, although it must still fall within permissible expenditures as defined by the OECD DAC.

24. Save the Children cautioned that making the 0.7% target a legal requirement might create pressure for items which do not make a clear contribution to poverty reduction to be counted as ODA.[42] Lawrence Haddad questioned whether DFID had the capacity to administer more aid sensibly if 0.7% had to be secured by 2013. He said "if it took 11 years to increase the ODA/GNI % by 0.17 percentage points, an increase of 0.27 percentage points over five years represents a three-fold increase in ramp up. Can this be done in increasingly fragile contexts with a smaller and smaller staff?"[43] We have commented on the extent to which DFID uses its rising budget effectively and efficiently, and on its staffing levels, on a number of occasions, most recently in our report on DFID's 2009 White Paper.[44]

25. Save the Children suggested that more explicit reporting would provide greater transparency about UK aid flows:

> The Secretary of State for International Development should report on the proportion of the overall expenditure that is cash spending on DFID programmes in Low Income Countries. This is an important indicator of actual resource transfer to poor countries, and of whether UK ODA is in fact poverty-focused. The Secretary of State should also be required to set out clearly the proportion of ODA accounted for by (i) spending through other government departments, with these departmental spends itemised (ii) through multilaterals, (iii) attribution of EU budget spending on aid (iv) on debt relief and (v) through the Commonwealth Development Corporation.[45]

Others have also argued that the Departmental Annual Report should include a breakdown of how much ODA is provided by each Department.[46]

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38 Fourth Report of Session 2008-09, *Aid Under Pressure: Support for Development Assistance in a Global Economic Downturn*, HC 179-I, paras 102-104

39 Q 91; DFID, *Eliminating World Poverty: Building our Common Future*, Cm 7656, July 2009

40 Q 97

41 Q 93

42 Ev 46

43 Ev 39

44 Fourth Report of Session 2009-10, *DFID's Performance in 2008-09 and the 2009 White Paper*, HC 48-I paras 32-35

45 Ev 46

46 Ev 31, 42

26. **The draft Bill does not propose any changes to the 2002 International Development Act requirement that DFID funding is spent on poverty reduction. Nevertheless we think that there is a very real danger that, as aid levels increase over the next few years to meet the already agreed 0.7% target, more ODA will be spent through other government departments which are not subject to the 2002 Act. Such expenditure may not therefore have poverty reduction as its primary objective. We are concerned that this would have an impact on the very high reputation of the UK as a donor. To promote greater transparency on ODA expenditure we recommend that the Government make provision in any new Bill for the detailed reporting to Parliament of ODA expenditure by other government departments as part of the DFID Annual Report. We further recommend that the Government explore the possibility of making all ODA subject to the 2002 International Development Act.**

3 Accountability measures

27. We now turn to consider the accountability measures in the draft Bill. Clause 2 sets out the requirement for the Secretary of State to demonstrate his compliance with the Act in his Annual Report. Where the Annual Report shows that the target has not been met, the draft Bill says that the Secretary of State should lay a statement before Parliament "as soon as reasonably practicable after laying the report". Subsection (3) specifies that the statement must explain why the target has not been met and, if relevant:

> [...] refer to the effect of one or more of the following—a) economic circumstances and, in particular any substantial change in GNI; 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.[47]

The statement should also describe any steps the Secretary of State has taken to ensure that the target will be met the following year.

Laying a statement before Parliament

28. The requirement to lay a statement before Parliament is not in itself unusual. However witnesses have commented that making explicit reference to economic, fiscal or external circumstances as reasons for failure to meet the target weakens the Bill. UK Aid Network believed that suggesting reasons for failure on the face of the Bill would make it harder for commentators to argue that this is not a sufficient justification for non-compliance.[48] Oxfam argued that the obligation to meet the target should stand regardless of extenuating circumstances.[49] Results UK also shared this view saying "that language in the Bill should not seek to legitimise, or pre-empt, a failure to meet the 0.7% target."[50] CAFOD commented that any failure to meet the target would be a political decision since the target was a percentage of GNI which already allowed for fluctuations in economic performance:

> We are concerned that if the Secretary of State is encouraged to explain any failure to meet the target specifically in terms of economic, fiscal and external factors, then those factors may be seen to legitimate such a failure. Given that the spending target is a percentage of national income, it should be no more difficult to achieve in periods of recession than those of economic growth—when the UK's income is low, the target would be proportionately smaller. Removing the reference to economic, fiscal and external factors would encourage the Secretary of State to make explicit the political priorities behind a decision not to meet the target.[51]

29. Christian Aid agreed and thus recommended that "In order to take compliance with the Bill more seriously, it will be important to remove all reference to these factors which

47 Draft Bill, Clause 2, subsection 3

48 Ev 52

49 Ev 42

50 Ev 44

51 Ev 30

would explain why the target has not been met".[52] Government officials told us that the reason for including these factors was to provide an indication of the type of report the Secretary of State would have to make to Parliament in the event that the target was not met.[53]

30. **We believe that the draft Bill is weakened by its reference to economic, fiscal or external circumstances as possible reasons for missing the target. If the target becomes law, it should be expected that it will be met each year by the Government. Should the target not be met, a robust explanation of this failure would be expected by Parliament. The Bill should not try to pre-empt or legitimise failure by including a list of acceptable reasons for missing the target. We recommend removing the references in Clause 2 (3) to economic, fiscal and external circumstances.**

An action plan

31. Clause 2 (4) of the draft Bill states that the Secretary of State must "outline *any* steps that the Secretary of State has taken to ensure the 0.7% target will be met by the United Kingdom in the calendar year following the report year in which the target has been missed" [emphasis added]. A number of NGOs have commented that the wording should be more explicit about exactly what would be required of the Government should the target be missed.[54] Christian Aid argued:

> This is not sufficient to ensure that there is a plan to achieve the target in the next year. With this statement it is easy to simply not take any steps towards next year's target, and in that case not report any steps taken. *Instead, clause 2(4) should read "outline the steps that the Secretary of State has taken to ensure that the 0.7% target will be met"*. This, in our view, would make it necessary to demonstrate an action plan to ensure that the target will be met the following year.[55]

32. In contrast to this draft Bill, the Child Poverty Bill contains both a duty to meet targets, *and* a duty to lay before Parliament detailed strategies setting out the measures the Government will take to comply with the duty to meet the targets.[56] We asked the Government about the difference between the two proposals and why there is no requirement for a more detailed action plan in this draft Bill. The Minister told us that since the Bill included an obligation to meet an existing target, "the requirement to publish a separate action plan is obviated by the existing duty to meet the commitment."[57] Officials subsequently clarified that, by the time the Annual Report was published in July, plans would already be in place to remedy any shortfalls.[58]

52 Ev 32

53 Q 103

54 Ev 32, 42, 52, 56

55 Ev 32

56 Child Poverty Bill, Clauses 1 and 8

57 Qs 107-108

58 Qs 112-113

33. **The Government did not provide us with an adequate explanation of why an action plan was not necessary should the target not be met. While we accept that the Government may intend to meet the target and would seek to remedy any shortfalls recorded in its Annual Report, its accountability to Parliament should include a statement of any actions already taken and those planned in order to meet the target in the following year. In such instances we recommend that this action plan be included in its Annual Report, on which this Committee will take evidence and report to the House. The House would then have the opportunity to debate the options set out in the action plan.**

An unenforceable law?

34. Clause 3 states that accountability for missing the target is to Parliament alone and that "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." In other words, a failure to meet the target is not to be considered unlawful and it is not intended that there be legal recourse for failure. The Fiscal Responsibility Bill which passed into law on 20 January 2010 contains the same provisions regarding accountability for failure to meet targets. Legal experts have cautioned against enshrining in legislation "targets" which by their nature cannot be guaranteed and which cannot be enforced in a court of law.[59]

35. We asked the Government what role, if any, it envisaged for the courts should the Government fail to meet the target. The Minister explained that the Bill related to a particular spending commitment and that "it is the constitutional convention that it is Parliament's responsibility to hold the Executive to account in that area."[60] He noted that this would not prevent the courts from investigating particular spending decisions and whether or not these met the definitions of acceptable development spending as set out in the 2002 International Development Act.[61] We have already discussed the importance of the poverty reduction focus of the 2002 Act which this draft Bill does not propose to alter.

36. **It is clear that the Government does not intend compliance with the 0.7% target to be subject to a court of law other than Parliament. We accept that, as the Bill intends only to make a duty of an already agreed target, that the Government's primary accountability for this duty should be to Parliament. We are however aware of, and have sympathy with, legal arguments that such duties should not therefore be enshrined in law.**

37. Some NGOs have also suggested that the accountability measures could be strengthened if scrutiny of the target by this Committee was written into the Bill.[62] **However, this Committee already has within its remit scrutiny of the expenditure of the Department for International Development. We do this annually in our report on the**

59 For example see Joint Committee on the Draft Climate Change Bill, Session 2006-07, *Draft Climate Change Bill*, HC 542-I, HL 170-I, para 113; HC 542-II, HL 170–II, Q4 [Professor Forsyth], Ev 397-398 [Lord Norton of Louth] See also comments by High Court judge, Mr Justice McCombe, *Friends of the Earth and Help the Aged v Secretary of State for Business Enterprise and Regulatory Reform* [2008] EWHC 2518 (Admin), 24 October 2008

60 Q 114

61 Qs 115-120

62 Ev 32

Departmental Annual Report which takes into account DFID's expenditure and we have commented in each recent year on progress by the UK towards the 0.7% target. If the Bill were passed we would continue to examine whether or not the target had been met. We do not therefore believe it is necessary to explicitly set out a role for the Committee in relation to this particular Bill.

4 Impact assessment

38. The impact assessment included with the draft Bill does not contain any monetised costs or benefits for the main affected groups.[63] For example there is no quantification of the cost of reaching the 0.7% target in 2013 and no assessment of the likely impact of the Bill on developing countries from the UK meeting the target. The impact assessment simply notes that the non-monetised benefits of the legislation would be the enshrining in law of the commitment to meet the 0.7% target, greater predictability of aid flows to recipient countries and a galvanising effect on other donors.

39. There are many pressures to reduce international aid volumes.[64] We discussed the impact of the Bill in terms of its potential to divert attention from the debate on the quality of aid. Witnesses commented that DFID was very concerned about aid effectiveness and that the Bill itself should not detract from that.[65] Professor Haddad believed it was more important that, as aid levels increased to meet the 0.7% target in 2013, proper measures were in place to ensure aid quality did not suffer.[66] He further stressed the need for DFID to strengthen its communications with the British people about the benefits of aid.[67] Simon Maxwell assured us that the need for aid was more than sufficient to justify increased levels of aid.[68]

40. We asked the Minister what he thought the impact of the Bill would be and why this was not included in the impact assessment. He said that if the target was met in 2013 there would be an additional £3 billion, above the 2010 ODA allocation, available for development assistance and that:

> That could potentially buy an extra 400,000 classrooms in developing countries. It could potentially train an extra three million teachers or buy an extra two billion textbooks. That is just to use education as one particular example. On health, it is potentially an extra 600 million bed nets, immunisation of another 250 million children or another 500,000 lives saved by strengthening health systems. It is not a perfect science about the potential impact but I think it does give a flavour of the huge potential difference that achieving 0.7% could make in developing countries.[69]

41. **The sparse nature of the impact assessment included with the draft Bill impedes effective scrutiny of it. Moreover, the inclusion of an assessment, however imperfect, of the benefits to developing countries would help gain public support for the Bill. This is especially important in a period when there is scepticism about the impact of development assistance more generally. DFID needs to improve the way it**

63 DFID, Impact Assessment of the Draft International Development (Official Development Assistance Target) Bill, 6 January 2010

64 See Fourth Report of Session 2008-09, *Aid Under Pressure: Support for Development Assistance in a Global Economic Downturn,* HC 179

65 Q 5 [Alison Evans]

66 Q 5 [Professor Haddad]

67 Q 24

68 Q 5 [Simon Maxwell], Qs 6-7

69 Q 130

communicates the achievements of development expenditure to taxpayers. A detailed impact assessment of the draft Bill would have contributed to the public debate. We strongly recommend that the Government include a more comprehensive impact assessment of the Bill if it is brought forward after the General Election.

5 Conclusion

42. The draft International Development (Official Development Assistance Target) Bill proposes to enshrine in legislation a commitment to provide 0.7% of GNI as Official Development Assistance from 2013 onwards. The Government has already made the commitment and has indicated that it is currently on target to meet it. The proposed legislation would therefore make a duty out of an already agreed target which the Government believes would otherwise remain vulnerable.[70] The evidence we received has generally been supportive of the objectives of the draft Bill although witnesses doubted whether it would necessarily achieve the wider impact on other donors or developing countries which the Government claims. The main reasons cited in the evidence for supporting the Bill are that it will help to guarantee that the target will be met in future years when perhaps there is less political support for it, and that it will enhance UK leadership in international development. Both of these are worthy objectives.

43. We have explored the potential impact of the legislation on other donors and on developing countries. We have also looked at the related issue of how ODA is defined. While there is no proposal to change this definition, or to amend the 2002 International Development Act, there are risks that the poverty focus of DFID's ODA may be diluted by the pressure to increase aid levels. Our examination of the accountability measures showed that they were weak and needed to be strengthened by an action plan should the target not be met. In our view there is little point enshrining a duty in law unless there is a means of holding those responsible for that duty to account.

44. We are fully supportive of the UK commitment to meet the 0.7% target in 2013. Our comments on this draft legislation do not alter that long-held view. This is a longstanding international target and the fact that the UK intends to meet it ahead of many other EU and G8 donors, at a time of economic difficulty, marks it out as a leader in the field. It is important that the target is met in 2013 and that it continues to be met whichever political party is in power and whether or not this legislation is taken forward after the General Election.

70 DFID, Impact Assessment of the draft International Development (Official Development Assistance Target) Bill, 6 January 2010

Conclusions and recommendations

Galvanising other donors

1. **We agree that the forthcoming UN summit on progress towards the Millennium Development Goals in September 2010 is an important moment to renew commitments to aid allocations. Some donors have already fallen short of their interim commitments. We understand that countries often fail to meet their aid commitments because of political and economic circumstances unrelated to the acknowledged need for aid. The UK is already seen as a leader in international development both in terms of funding and delivery of programmes. While UK legislation on the target could provide a demonstration of support for the target ahead of the UN summit, we are not convinced that such legislation will necessarily galvanise other donors, especially those suffering the worst effects of the recession, to meet their aid commitments.** (Paragraph 12)

Increased predictability for developing countries

2. **The extent to which commitment to an overall target could provide greater certainty to individual countries is not clear cut given the range of variables. Legislation may help developing countries to know approximately what the UK's aid budget would be over a period of years, but this will not eliminate yearly fluctuations resulting from changes in GNI since the target is a percentage rather than an actual amount. Nor can the impact of changes in currency values be easily avoided. The most important indicator of development assistance available to developing countries remains the amount of Country Programmable Aid, which the proposed legislation does not address. Nevertheless we agree that the Bill would provide a degree of predictability at the macro level—that the total UK aid envelope would not significantly change—and this would send a positive message to developing countries about the UK's overall commitment to international development.** (Paragraph 19)

Ensuring ODA achieves poverty reduction

3. **The draft Bill does not propose any changes to the 2002 International Development Act requirement that DFID funding is spent on poverty reduction. Nevertheless we think that there is a very real danger that, as aid levels increase over the next few years to meet the already agreed 0.7% target, more ODA will be spent through other government departments which are not subject to the 2002 Act. Such expenditure may not therefore have poverty reduction as its primary objective. We are concerned that this would have an impact on the very high reputation of the UK as a donor. To promote greater transparency on ODA expenditure we recommend that the Government make provision in any new Bill for the detailed reporting to Parliament of ODA expenditure by other government departments as part of the DFID Annual Report. We further recommend that the Government explore the possibility of making all ODA subject to the 2002 International Development Act.** (Paragraph 26)

Accountability measures

4. We believe that the draft Bill is weakened by its reference to economic, fiscal or external circumstances as possible reasons for missing the target. If the target becomes law, it should be expected that it will be met each year by the Government. Should the target not be met, a robust explanation of this failure would be expected by Parliament. The Bill should not try to pre-empt or legitimise failure by including a list of acceptable reasons for missing the target. We recommend removing the references in Clause 2 (3) to economic, fiscal and external circumstances. (Paragraph 30)

5. The Government did not provide us with an adequate explanation of why an action plan was not necessary should the target not be met. While we accept that the Government may intend to meet the target and would seek to remedy any shortfalls recorded in its Annual Report, its accountability to Parliament should include a statement of any actions already taken and those planned in order to meet the target in the following year. In such instances we recommend that this action plan be included in its Annual Report, on which this Committee will take evidence and report to the House. The House would then have the opportunity to debate the options set out in the action plan. (Paragraph 33)

6. It is clear that the Government does not intend compliance with the 0.7% target to be subject to a court of law other than Parliament. We accept that, as the Bill intends only to make a duty of an already agreed target, that the Government's primary accountability for this duty should be to Parliament. We are however aware of, and have sympathy with, legal arguments that such duties should not therefore be enshrined in law. (Paragraph 36)

7. This Committee already has within its remit scrutiny of the expenditure of the Department for International Development. We do this annually in our report on the Departmental Annual Report which takes into account DFID's expenditure and we have commented in each recent year on progress by the UK towards the 0.7% target. If the Bill were passed we would continue to examine whether or not the target had been met. We do not therefore believe it is necessary to explicitly set out a role for the Committee in relation to this particular Bill (Paragraph 37)

Impact assessment

8. The sparse nature of the impact assessment included with the draft Bill impedes effective scrutiny of it. Moreover, the inclusion of an assessment, however imperfect, of the benefits to developing countries would help gain public support for the Bill. This is especially important in a period when there is scepticism about the impact of development assistance more generally. DFID needs to improve the way it communicates the achievements of development expenditure to taxpayers. A detailed impact assessment of the draft Bill would have contributed to the public debate. We strongly recommend that the Government include a more comprehensive impact assessment of the Bill if it is brought forward after the General Election. (Paragraph 41)

Formal Minutes

Tuesday 16 March 2010

Members present:

Malcolm Bruce, in the Chair

John Battle
Hugh Bayley
Richard Burden
Mr Nigel Evans
Andrew Stunell

Draft Report (*Draft International Development (Official Development Assistance Target) Bill*), proposed by the Chair, brought up and read.

Ordered, That the draft Report be read a second time, paragraph by paragraph.

Paragraphs 1 to 44 read and agreed to.

Summary agreed to.

Resolved, That the Report be the Seventh Report of the Committee to the House.

Ordered, That the Chair make the Report to the House.

Ordered, That embargoed copies of the Report be made available, in accordance with the provisions of Standing Order No. 134.

Written evidence was ordered to be reported to the House for printing with the Report, together with written evidence reported and ordered to be published on 23 February.

[The Committee adjourned.

Witnesses

Wednesday 24 February 2010 (Morning) *Page*

Professor Lawrence Haddad, Director, Institute of Development Studies, **Dr Alison Evans**, Director, Overseas Development Institute, and **Mr Simon Maxwell**, Senior Research Associate, Overseas Development Institute — Ev 1

Ms Karen Jorgensen, Head, Peer Review and Evaluation Division, Development Co-operation Directorate, OECD — Ev 7

Mr Patrick Watt, Director of Development Policy, Save the Children; **Ms Besinati Mpepo**, Senior Economic Justice Policy Adviser, World Vision, for UK Aid Network (UKAN); and **Mr Max Lawson**, Head of Development Finance & Public Services, Oxfam — Ev 10

Wednesday 24 February 2010 (Afternoon)

Mr Gareth Thomas MP, Minister of State, and **Mr Sam Sharpe**, Director, Finance and Corporate Performance Division, Department for International Development; and **Ms Lizzie Rattee**, Treasury Solicitor — Ev 15

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List of Reports from the Committee during the current Parliament

The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2009-10

First Report	Progress on the Implementation of DFID's HIV/AIDS Strategy	HC 49–I&II (HC 342)
Second Report	Work of the Committee in Session 2008-09	HC 167
Third Report	DFID's Programme in Bangladesh	HC 95–I&II
Fourth Report	DFID's Performance in 2008-09 and the 2009 White Paper	HC 48–I&–II
Fifth Report	Scrutiny of Arms Export Controls (2010): UK Strategic Export Controls Annual Report 2008, Quarterly Reports for 2009, licensing policy and review of export control legislation	HC 202
Sixth Report	DFID's Programme in Nepal	HC 168–I&–II
Seventh Report	Draft International Development (Official Development Assistance Target) Bill	HC 404
Eighth Report	DFID's Assistance to Zimbabwe	HC 252–I&–II

Session 2008-09

First Report	Work of the Committee in Session 2007-08	HC 138
Second Report	DFID Annual Report 2008	HC 220–I&II (HC 440)
Third Report	DFID and China	HC 180–I&II (HC 535)
Fourth Report	Aid Under Pressure: Support for Development Assistance in Global Economic Downturn	HC 179–I&II (HC 1009)
Fifth Report	Sustainable Development in a Changing Climate	HC 177–I&II (HC 1008)
Sixth Report	Scrutiny of Arms Export Controls (2009): UK Strategic Export Controls Annual Report 2007, Quarterly Reports for 2008, licensing policy and review of export control legislation	HC 178 (Cm 7698)
Seventh Report	Urbanisation and Poverty	HC 511–I&II (HC 251)
Eighth Report	DFID's Programme in Nigeria	HC 840–I&II (HC 250)

Session 2007-08

First Report	DFID Departmental Report 2007	HC 64–I&II (HC 329)
Second Report	Development and Trade: Cross-departmental Working	HC 68 (HC 330)
Third Report	Work of the Committee 2007	HC 255
Fourth Report	Reconstructing Afghanistan	HC 65–I&II (HC 509)

Fifth Report	Maternal Health	HC 66–I&II (HC 592)
Sixth Report	DFID and the World Bank	HC 67–I&II (HC 548)
Seventh Report	DFID and the African Development Bank	HC 441–I&II (HC 988)
Eighth Report	Scrutiny of Arms Export Controls (2008): UK Strategic Export Controls Annual Report 2006, Quarterly Reports for 2007, licensing policy and review of export control legislation	HC 254 (Cm 7485)
Ninth Report	Working Together to Make Aid More Effective	HC 520–I&II (HC 1065)
Tenth Report	The World Food Programme and Global Food Security	HC 493–I&II (HC 1066)
Eleventh Report	The Humanitarian and Development Situation in the Occupied Palestinian Territories	HC 522–I&II (HC 1067)
Twelfth Report	HIV/AIDS: DIFID's New Strategy	HC 1068-1&II (HC 235)

Session 2006–07

First Report	DFID Departmental Report 2006	HC 71 (HC 328)
Second Report	HIV/AIDS: Marginalised groups and emerging epidemics	HC 46-I&II (HC 329)
Third Report	Work of the Committee in 2005–06	HC 228
Fourth Report	Development Assistance and the Occupied Palestinian Territories	HC 114-I&II (HC 430)
Fifth Report	EU Development and Trade Policies: An update	HC 271 (HC 622)
Sixth Report	Sanitation and Water	HC 126-I&II (HC 854)
Seventh report	Fair Trade and Development	HC 356-I&II (HC 1047)
Eighth report	DFID's Programme in Vietnam	HC 732 (HC 1062)
Ninth report	Prospects for sustainable peace in Uganda	HC 853 (HC 1063)
Tenth report	DFID Assistance to Burmese Internally Displaced People and Refugees on the Thai-Burma Border	HC 645-I&II (HC 1070)

Session 2005–06

First Report	Delivering the Goods: HIV/AIDS and the Provision of Anti-Retrovirals	HC 708–I&II (HC 922)
Second Report	Darfur: The killing continues	HC 657 (HC 1017)
Third Report	The WTO Hong Kong Ministerial and the Doha Development Agenda	HC 730–I&II (HC 1425)
Fourth Report	Private Sector Development	HC 921-I&II (HC 1629)

Fifth Report	Strategic Export Controls: Annual Report for 2004, Quarterly Reports for 2005, Licensing Policy and Parliamentary Scrutiny	HC 873 (Cm 6954)
Sixth Report	Conflict and Development: Peacebuilding and post-conflict reconstruction	HC 923 (HC 172)
Seventh Report	Humanitarian response to natural disasters	HC 1188 (HC 229)

Oral evidence

Taken before the International Development Committee

on Wednesday 24 February 2010

Members present:

Malcolm Bruce, in the Chair

John Battle	Mr Mark Lancaster
Mr Nigel Evans	Andrew Stunell

Witnesses: **Professor Lawrence Haddad**, Director, Institute of Development Studies, **Dr Alison Evans**, Director, Overseas Development Institute, and **Mr Simon Maxwell**, Senior Research Associate, Overseas Development Institute, gave evidence.

Q1 Chairman: Good morning. It is nice to see you all. You do not really need any introduction for the Committee but for the record I wonder if you could introduce yourselves.
Ms Evans: I am Alison Evans and I am Director of ODI, the Overseas Development Institute.
Professor Haddad: Lawrence Haddad, Director of the Institute of Development Studies (IDS), Sussex.
Mr Maxwell: Simon Maxwell, Senior Research Associate of ODI.

Q2 Chairman: As I say, it is nice to see you all and thank you for coming in. Obviously we are scrutinising this short draft Bill the Government have put forward. The first and most obvious question is why do we really need to have a piece of legislation to meet a long-term target, although the date is now getting closer, given that those countries, a relatively small number of countries, who have achieved the target have managed to do so without any legislation? Why do we need a Bill like this?
Ms Evans: Thank you very much for inviting me to present today. Indeed, as you set out, so far progress against 0.7%, which has actually been relatively underwhelming over its 40-year history, more recently has been achieved in five countries without placing the target into legislation. If you look on balance there are probably three quite compelling reasons why this might be a good thing to do, and maybe I can come to some of the caveats against those three potentially good reasons in a moment. The first thing about placing this commitment into law here in the UK is that it underwrites the UK's position as a committed international development actor, and I think that is put beyond question, if you like, by committing this target into law. The second is that we are in a period of considerable financial and economic volatility and that may persist for some time and, given that and given the fact that the ODA[1] spend is one of the largest pots of discretionary money in the government budget, one could argue that placing it into law is a way of protecting that spend against the incursions of what are many competing demands, both national and international. The final compelling reason is that globally the calls on development assistance are likely to continue to increase and every aid pound is chasing multiple priorities, and to ensure that there is a continued focus on ODA as a contribution to that global pot placing it into legislation again puts that beyond question. However, my own view is that it would be irresponsible not to also consider some caveats at this time. Shall I go on and say a few things about three potentially important caveats?

Q3 Chairman: Actually, we are going to explore that later. Maybe we should hear from your two fellow panellists.
Professor Haddad: Again, thank you for inviting me here today. A couple of weeks ago IDS hosted some PPCs[2] from our local region, the Brighton region, and we started talking about MDGs[3] and one of them said, "What is an MDG?" What am I trying to say here? I am trying to say that the 0.7% is one of the few international development goals that people actually understand and can relate to beyond the immediate development community, so for the kinds of reasons that Alison outlined I do think on balance there are compelling reasons to put this into legislation. I am a bit more sceptical on the risk side and I think that was reflected in my written testimony to you. I would really like to spend as much time as we have possible talking about how we can manage the downside risks of doing so, but I agree with Alison in terms of the three key messages she has.
Mr Maxwell: Thank you also for inviting me. My take is that there is a supply side and a demand side aspect to this. On the supply side what we see is that many countries have been extremely willing to make generous pledges at summits like Gleneagles or at financing for development conferences which are then not delivered in practice. The EU is €20 billion short of the pledges made at Gleneagles and looks very unlikely to meet those pledges. The UK has met the pledges and has been a leader in meeting its commitments but there is an ongoing conversation about public expenditure in the future and there are always risks that aid will be subject to cuts. The Bill protects aid and helps us to make the case for aid. On the demand side, which neither of the others has

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[1] Official Development Assistance

[2] Prospective parliamentary candidates
[3] Millennium Development Goals

spoken about, predictability is a really important issue for developing countries. It is incredibly difficult to manage the ministry of finance of a country when people are making aid promises which are then not fulfilled. Just to give a couple of examples, in 2006, which is a fairly recent year as far as these data are concerned, Sierra Leone had planned for a certain amount of aid but received only half of it. In Cambodia in the same year the World Bank was only able to deliver 50% of what it had promised. Some of that is to do with the absorptive capacity of the countries but quite a lot is to do with the unpredictability and unreliability of aid pledges. It follows that I am a strong supporter of this idea for both the supply and the demand reasons, but particularly on the demand side the Bill helps developing countries to achieve more predictability in managing their public finances.

Q4 Chairman: Just on that one, it might be good for making Britain's commitment a little bit more predictable but internationally what pitch is it going to make? Italy, for all practical purposes, is tearing up its aid commitments and it is just not a credible player. Ireland is a credible player but nevertheless in its financial situation has cut back, so is there any real likelihood that the UK adopting such a piece of legislation will have any impact on any other donor?

Mr Maxwell: It would be nice to think, would it not, that the rolling stone gathered moss as it chased down the hill and that other people joined in? We have seen UK leadership being followed on issues like the commitment to the MDGs, which received political backing from Clare Short when she was Secretary of State, and helping to push the idea through the EU and the UN. As another example, the UK led on budget support, again not just announcing a measure but also campaigning with other countries. I can imagine other countries seeing the value of legislating for 0.7 and wanting to join in.

Q5 John Battle: At the time of the Make Poverty History campaign one of the themes that came out was to increase the aid commitments internationally, and I think it was not just about the non-delivery but to get the amount in each national budget increased. I was the person who tabled the All-Party EDM[4] to try and achieve 0.7% and to say that it should be a pledge. Tom Clarke in his Bill brought accountability, Hugh Bayley was another, and there was an all-party push. I was involved in the conversations with officials and ministers at DFID and at the Treasury, and they were resisting fiercely, not quite on the grounds, "There is simply not enough money and you are making us give an earmarked commitment", but they asked questions that, as someone committed to the pledge, I am now beginning to take more seriously. They were questions around quality versus quantity, and I kind of wonder if we give a commitment to increase the aid, is there a risk it would displace the quality of aid? I do not just mean the non-delivery of what we have said we will give, but because we have got to get rid of the money—there is a percentage there and we will push it across—is there a risk then that it will undermine some of the good monitoring and evaluation that has been built up and so in a sense the process gets undermined by the need to—if I put it in crude terms—shovel aid out? Exactly that happened with urban development money in Britain and I wonder whether there is not a danger of that here.

Ms Evans: One of my caveats about placing the target into legislation at this point is that this is clearly an input target. That in itself is no bad thing. It has been a terrific tool for political mobilisation in many ways, although, looking over 40 years, I am not convinced it necessarily has done its job as well as it might, but it has been also used as shorthand somehow for development and I do not think that that in itself is a good thing. Aid quantity, of course, is essential. Without it we would not be able to do the good things that are done with aid, but at the same time, if we allow it to disguise the commitment to aid quality to impact results, then clearly we are into deep water. This particular Government has shown itself to be extremely concerned about aid effectiveness, so in that sense this is not something that they are suggesting in any way would detract from that, but we are talking about a commitment for the long term and I do think that focusing on the input end of this problem rather than on the deliverable end and the results end is potentially looking at the problem the wrong way round.

Professor Haddad: If you look at the numbers, I think we are about 0.54%, if you look at the recent DAC[5] data that came out last week, so to get from 0.54% to 0.7% in three years is essentially a tripling of the performance of the past 11 years in terms of speed, so it is a very quick ramp-up; it is a three-fold ramp-up in spending, if we take 0.7% seriously, by 2013. I think that will demand a much more beefed-up accountability/impact/quality monitoring mechanism, and I think you cannot have one without the other so I think it is a real risk. I also do not know that the target necessarily makes aid delivery more predictable. It seems to me that in terms of quantity it could add a lot of volatility to the delivery both in terms of the denominator, GNI,[6] but also in terms of this rush to get stuff out and things falling through the cracks.

Mr Maxwell: Just before you come to that, on Mr Battle's precise issue there are two questions here really, are there not? The first is, does quality suffer if we go to 0.7%? The second is, does quality suffer if we legislate for 0.7%? They are both interesting questions but the first question is more difficult than the second. If we are going to give 0.7% anyway, legislating for it and making sure that there is a safety net under that number does not make any difference to the answer to the first question. If the question is the first one, in other words whether we can usefully and well spend for the foreseeable future a sum of money equivalent to 0.7% of GNI in tackling what we know are the enormous problems of poverty and ill health and lack of education

4 Early Day Motion

5 Development Assistance Committee of the OECD

6 Gross National Income

around the world, when we are likely to fail in reaching the MDGs on all those aspects, especially in sub-Saharan Africa, then I think the answer has to be that we know from the evaluation experience and from the record of aid that we can spend the money.

Q6 John Battle: It would not just be the MDGs though, because in terms of the UK's focus at the moment on low-income countries and the policy to move out of Latin American countries, and we have a programme in India, question mark, in China, question mark, that we are looking at and there are issues around that, when countries reach middle-income status they step out of the programme and the programme moves to focus on the poorest. If you increase the volume and the need to get rid of the money, as it were, would that remove the incentive to ensure that there were proper strategies and focus on poor countries? I would worry about, "We will just stick with that for now because that is a way of using the money".

Mr Maxwell: It is, I guess, an empirical question as to whether it is possible to spend large amounts of money well. What do we know from the aid effectiveness literature? A lot depends on good policies in the recipient country. Donors must work much better together to align behind the priorities set by the recipient governments. They must harmonise their procedures following the Paris agenda. The worst case scenario you are painting is that we are committed to 0.7% and we have legislated for it and then find that at the margin the quality of aid is declining. If that were to happen and we had rigorous evaluation (which all parties support) which demonstrated the fact, then I think it would be possible to take remedial action.

Ms Evans: I think the point, as Simon says, is right: we are already in a sense committed cross-party to 0.7%. We might come to the issue of whether we think it is the right number but that perhaps is not entirely for this Committee. Putting it into legislation though, the question in my mind is whether or not we end up having largely a political conversation that is about the target as opposed to about what is being achieved. I have just seen a paper that has been circulated within the Netherlands which is a sort of revisit of their aid strategy in which there is quite a strong criticism of the amount of time that is focused on trying to meet the 0.7% target rather than looking at what it is achieving.

Q7 Mr Lancaster: I want to ask a question about predictability in a second, but I just want to add to that conversation. I am slightly concerned about the pressures, as we have just outlined, about having to meet this target quickly. I fully support it, but already we are seeing that if you want to find an easy way of spending money then you simply double the replenishment to the African Development Bank or another regional bank, and the Government has already done that for the last two or three years. Going upstairs in committee on the various statutory instruments, we seem to be just increasing the large cheques to multilaterals, so I am concerned about how on this effectiveness point this money can be spent effectively. Do you think already the Government has found in many ways the easy way to spend more money quickly? Is that going to be a big problem for us? I am being slightly cynical here but it is just having seen these very large numbers going through committee over the last couple of years.

Mr Maxwell: I do not lie awake at night, I have to tell you, worrying about whether or not we can spend what is still a relatively small amount of money globally usefully with very poor people in developing countries. We have seen a very strong commitment from the Prime Minister, for example, to abolish user fees and ensure free delivery of health and education services in the poorest countries. There is a strong commitment to providing ARVs (antiretrovirals) to HIV/AIDS sufferers around the world. There is a big push going on at the moment on infrastructure, with DFID hosting a large conference on joining up Africa. All these things are very expensive and one of the features of the user fee and ARV commitments is that they are about funding recurrent costs rather than capital costs. If you build a road or a power station that is a capital cost, but if you provide drug treatment for somebody for 20 years that is a recurrent cost.

Professor Haddad: There are certainly lots of things to spend this money on that would not be trivial spends. The World Bank estimates that to halve rates of under-nutrition, which is something I have talked to this Committee about before, would cost about $20 billion. That is just one small part of one sector. There are certainly lots of sensible things to spend money on. The question is can we spend it sensibly.

Q8 Mr Lancaster: From a predictability point of view, and ignoring the country variations, given that it is tied to GNI and that GNI in itself may vary from year to year, how does that work for predictability, given that there could be this variation anyway?

Mr Maxwell: Can I comment on that and I am sure the others will want to as well? What do we do at the moment? We fix public expenditure in the Comprehensive Spending Review as a cash amount (subject to inflation) for a three-year period going forward. If the Treasury were to have a 0.7% target in mind we would get a number which would correspond to 0.7% of their estimates of GNI going forward. If a stronger commitment were made, and 0.7 were required by law, then there could be variations, but they would be relatively small. GNI goes up by a maximum of 2% or 3%, and even in the last recession, the worst for 60 years or a generation or for ever, GNP went down by about 5%. So we are not talking about 30% or 50% variability here; we are talking about a relatively small variation. One of the suggestions in the note I did for the Committee was whether or not a three-year rolling average would enable those variations to be smoothed out. Some people will argue that there may be other sources of volatility in the amount of money which actually reaches countries because once you start with a global aid budget you then start knocking off

money for NGOs and humanitarian aid and so on. My feeling is that those claims on the aid budget will exist however it is managed and so this proposed legislation does not make the aid budget more volatile. The great advantage of countries knowing that if there is a sharp dip in tax revenues they are not going to have aid slashed is really important. Predictability is an issue in the Paris agenda and overall the figure is that even as late as 2007 only 46% of aid to developing countries was predictable. It is incredibly difficult to manage a ministry of finance if you do not know how much money you are going to have the following year. I have talked to officials in developing countries who have said, "Well, yes, we have got all this money promised for education but we do not risk spending it because we cannot hire teachers if we cannot guarantee that we are going to be able to pay those teachers three or five years from now. It is too much of a risk for our public finances".
Professor Haddad: I think this is an empirical question and I would urge the Committee to look in other areas outside of development where governments have enshrined certain funding targets into legislation and had a look before and after at whether it has increased predictability of flows or not. I do not think we have an example from another country, do we, on aid?

Q9 John Battle: Which other departments in the UK, may I ask, are you thinking of?
Professor Haddad: I do not know what they are.

Q10 John Battle: DWP[7] is the only one I can think of.
Professor Haddad: It might be a good thing to do to check that.
Ms Evans: I do not disagree at all that at the most macro level committing 0.7% to legislation provides a degree of predictability, and I rarely disagree with Simon but I think when you come down a level predictability at country level is about the aid relationship. It is about the nature of the agreement and that agreement has relatively little to do with whether or not 0.7% is in legislation.

Q11 Andrew Stunell: You have come to exactly the point I was going to raise. If I am sitting in the ministry of finance in Nepal, a country which we visited recently, do you think I will be rubbing my hands at the thought of this legislation going through the UK Parliament in terms of increasing the predictability of what I get?
Ms Evans: My own view is probably not, frankly.
Professor Haddad: I think you would be a bit more reassured that you would have a basis for discussing predictability with your DFID counterpart, but there is no guarantee.

Q12 Andrew Stunell: It seems to me as an amateur here that it is going to probably depend more on the relative value of the Indian rupee and the British pound than on the growth of the UK economy or alternatively the rigidity with which the 0.7% ODA targets are implemented in London.
Mr Maxwell: Exchange rates, of course, are an issue, but if I were sitting in the ministry of finance in Nepal I would remember with a certain regret the day that I hung the streamers from the ceiling to celebrate the Gleneagles commitments and sat there planning how I would spend the money on health and education services for my people, I would look at the books and would realise how much of that aid had not appeared. I would, of course, always be glad to see the British ambassador to Nepal because Britain has met its pledges, but I would look at Britain and would say, "It is great that all the parties have committed to 0.7%, but just look at the size of the public expenditure crisis that the UK is alleged to be facing. Are they really sure they can continue to deliver that level of aid? Shall I hire that extra teacher on the basis that I have promises from the UK or should I be cautious about it?" There is a risk there, I think, so I would say that knowing that it is in legislation would be a reassurance to me.
Professor Haddad: It is not clear to me what the externality effects are going to be. Are other countries going to start reallocating or not? It is absolutely not clear to me. For countries where UK aid is very important that is probably a good thing but for countries where UK aid is not that important will other countries say, "Great. The UK is committing to legislation. Now we can do less"?
Ms Evans: I think if the commitment to legislation means that the UK is able to enter into more predictable agreements at country level that are of a five- or ten-year nature because the overall envelope is more certain then that is a good thing, but it is how that agreement is brokered and honoured at country level that ultimately matters. Whether or not it is in legislation might not influence that, the binding nature of that agreement.
Professor Haddad: But not just with the recipient country; across the donors in that country as well.

Q13 Andrew Stunell: Just looking at the point you have made, what do you think the impact of this will be on the psychology of the civil servants within DFID? Will it allow them to feel more confident about committing right up to the hilt to Nepal, for instance, or will it not? Do you think the existence of this legislation will have an impact on the administration of aid money in the development of country programmes, or will it make no difference?
Ms Evans: I think we can only hypothesise that that would be a good outcome in the sense of if it provided a clearer benchmark against which commitments could be made but, as I said, I think the process for allocating resources to countries, of course, has a number of dimensions to it, not just the size of the overall envelope. Therefore, the impact of committing this 0.7% to legislation may in the end be relatively modest compared to other factors which weigh very large.
Mr Maxwell: You have put your finger on something very important, which is the approximate time horizon of planning in DFID. In the old days it

[7] Department for Work and Pensions

was very difficult to go beyond annual programming with many aid agencies. We now have a three-year rolling spending framework which gives us at least three years' predictability, but we all know that development is a 20- or 50-year project in which you need long-term predictability of funding. We are at a very particular moment in British history where all the major parties have made public and high profile commitments to maintain the 0.7% aid budget. I think we are very fortunate. I would be surprised if that degree of consensus were sustainable in the very long term. We should expect the possibility that somebody may defect from the collective agreement.
Chairman: Perhaps we can move on to the definition of aid because that obviously is important.

Q14 Mr Evans: The great temptation clearly is to stretch the definition, is it not?
Mr Maxwell: Yes, absolutely.

Q15 Mr Evans: What concerns have you got about that?
Mr Maxwell: My main worries at the moment are about climate finance, internationally rather than in the UK, and about security issues. On climate, we have a very strong policy position from the present Government, and I do not know whether it has been echoed by the Opposition parties, that no more than 10% of the aid budget should be used for climate funding. There are, of course, many ambiguities in what you mean by climate funding. Is this building a dyke to protect against floods, for example, or is it part of an irrigation system? What is climate and what is not is an issue, but as long as we hang on to the policy as expressed, we are more or less safe in terms of protecting the other aspects of development expenditure from predation by people who want to spend money on climate change. More generally we are protected by the International Development Act which specifies that aid must be used for poverty reduction. That has never been tested in the courts and there is a very interesting question about what we mean by poverty reduction. It would be interesting one day for an NGO to find a Pergau Dam type example and test the meaning of poverty reduction. To take a very crude example, is invading Afghanistan a contribution to poverty reduction in Afghanistan? If that were the case almost the entire military budget in Afghanistan could be charged to aid? In terms of security, first of all I think it is legitimate for some aid to be spent, especially in fragile states, on the kinds of things that contribute to security. That much is clearly stated in last year's DFID White Paper. However, we are bound there by the rules of the Development Assistance Committee of the OECD on what can be counted as aid and what cannot. I attached to my evidence—I do not know whether it has been circulated—their little leaflet on what counts as aid. You can charge police training but you cannot charge the police. You can charge the marginal cost of using the military for disaster relief but you cannot charge the core military costs. There is a debate in Paris amongst the members of the Development Assistance Committee about whether or not the definition should be enlarged and quite a lot of governments I think would like to soften the definition of aid at the edges, in order to put in there some things that otherwise would not be.

Q16 Mr Evans: In terms of these other countries that have 0.7%, has an analysis been done as to how imaginative they have been in the spending of that money?
Mr Maxwell: They are all bound by the DAC rules. The DAC rules are permissive in some ways that the UK has not yet taken advantage of. In particular first-year refugee costs can be charged against the aid budget. That costs £2 billion a year which is quite a large chunk of the total aid volume. The UK so far has not charged first-year refugee costs against the aid budget but there is gossip, and I cannot put it more strongly than that, that they are looking at whether or not they should, given the public expenditure situation. It would be wonderful if you could ask.

Q17 Chairman: So that would effectively enable them to achieve 0.7% in one bound?
Mr Maxwell: Not one bound, but it would be one small step.

Q18 Chairman: £2 billion—that would get close to it, would it not?
Mr Maxwell: I suppose it would. I do not know what the number is for the UK—£500 million?

Q19 Mr Evans: Alison, have you got any reservations about this?
Ms Evans: I very much agree with Simon that there are protective limits in place here, and I think the UK Government has been extremely responsible in the way it has managed the ODA definition, as it were, and is a big voice for trying to hold the line on the ODA definition, but we are in a changing world, there is no question about it, and I think the conversation about whether the ODA definition will stay in its current form is going to happen. It has started. It will not perhaps happen in the next few years seriously but it definitely will be on the table at some point.

Q20 Mr Evans: I do not want to be overly cynical but I sat on the National Lottery Bill and all the money that was raised there should have been for additional funding of things and, of course, it was not long before that money was poached for things that would ordinarily have been supported by government departments. If you wanted to be cynical you could say that if they wish to maintain the 0.7% and turn round to all the NGOS and say, "Listen: we are still spending 0.7%", there are ways, clearly, of not doing it and that is nuancing the interpretations; that is number one, on to security and climate change and goodness knows all sorts of other things, and the second one is, "I know. Let us just not reach 0.7% because what is the penalty?" It is a pretty weak penalty if you do not reach 0.7%, is it not? Write a letter about what you are going to do to achieve it next year, just keep on writing those every year.

Mr Maxwell: That is one reason why I propose that you might at least look at the question of automaticity. I have had a bit of correspondence with the Treasury which I suppose I should not share with you but there are some interesting questions you might ask the Treasury about whether it is a feasible option to make it automatic, which would exactly address that question of the embarrassment factor. My view is that it might with some creative thinking be possible to make the Bill slightly stronger.

Chairman: Like a Rooker-Wise amendment!

Q21 Mr Evans: Lawrence, have you got any reservations?

Professor Haddad: The embarrassment factor has to go up, definitely.

Q22 Mr Evans: You just think that it is not sufficiently rigorous at the moment to ensure that any government, when they say they are going to reach 0.7%, will deliver that, although, as you say, all the political parties are at one on this? If we want to make sure that is delivered the Bill has to be beefier than it currently is?

Professor Haddad: As I said in my written testimony, I do not see what the consequence is of not meeting it. I can see the risks but I cannot see the benefits. On the diversion to non-poverty reducing things, I think that temptation is always going to be there because aid is so political domestically and internationally. The question is will a piece of legislation, a Bill, incentivise that kind of diversion away from poverty reduction? On the one hand it could; on the one hand it could make it more transparent what aid is spent on, but Alison is right: this debate is happening right now and I would urge the Committee to encourage the Government to take a position on the definition of aid in relation to this Bill.

Ms Evans: Just very quickly, I mentioned, and you will probably hear about it from later witnesses, this definition that the OECD DAC use of country programmable aid, which is basically that percentage of total ODA which is regarded as programmable by donors directly with countries, and so it is that share of aid that partner countries have an opportunity to have some influence over, if you like, so it excludes things like debt relief and humanitarian assistance and so forth and other cross-border flows. Currently in the UK CPA (country programmable aid) is about 64% of total ODA. It is quite a high number. For those countries that have already achieved 0.7% the number varies quite a lot, so there is not necessarily any direct link between achieving 0.7% and the share of aid that is directly programmable with countries. It is almost that share that I would be more interested in monitoring at this level than the total ODA level.

Q23 John Battle: I would, to get it out of my system, resist Simon's idea that if we rush to the courts for every definition it will be progress. I have spent seven years arguing with a judge at tribunal over an immigration case about whether the word "making" a deportation order is the same as "serving" a deportation order. This is taking seven years while a family waits, so I dread the courts being the ultimate dictionary definition, as it were. I still think there are rows about the definition. I would just like to ask you this question. We are going down the road of definitions, particularly in the poverty field. There is another Bill going through the House of Lords which is to commit the Government to targets of tackling poverty in Britain and I am wondering have you done any cross-reading from the purpose, aims and predictability of the ability of that Bill to fulfil its aims and this Bill? Have you cross-referenced them?

Ms Evans: No.

Professor Haddad: I am completely illiterate on poverty in the UK, I am afraid.

Mr Maxwell: I am not illiterate but I am in first grade. There is, of course, a huge difference between the definition of poverty in the UK and internationally. In the UK the definition is relative and internationally it is absolute. I do think we have an issue coming over the horizon in development about whether or not we should start to look much more closely at relative poverty. We have qualified a number of countries as having moved from low-income to middle-income status and therefore we reduce aid. That is a bit like saying that people in the UK who have reached a certain level of income are therefore somehow no longer of interest to us, whereas policy is driven by the definition of Peter Townsend about relative poverty. Why does the same not apply internationally?

Q24 John Battle: Sure, but even if we had an agreement about the definitions in both contexts you would still have the same problem: what happens if the Government does not meet its poverty targets in Britain? Who do I get my constituents to go and sue, would be the question. In other words, it is the enforceability question, and I just wondered: there are two Bills that seem to me to have the same kind of character that are different from other Bills that would be going through Parliament that set targets but do they mean anything? Do they add up to a row of beans at the end of the day or am I being too sceptical?

Professor Haddad: That is what I was getting at with my earlier comment and you picked up on the DWP. I would like to talk a little bit, if you do not mind, about public perceptions. What will this Bill do for public perceptions of aid? Will it wake people up to the fact that a lot of money is being spent on international development? Will that be a good thing or a bad thing? Will it be a good thing in the short run or in the long run, or a bad thing in the short run or the long run? These are questions that those of you who are more versed in the ways of Westminster need to ask yourselves and your witnesses. It is not at all clear to me that again it will consolidate support. It might make it more divisive. In any case I think DFID and others need to really strengthen their communication of the benefits and the value and the necessity of aid. We have got the morality question and we have got the self-interest question, but I do not think they are communicated in ways that resonate with ordinary people. We have been doing some research on this at IDS and I would be happy to share some of that with you.

Q25 Chairman: You mentioned earlier about the need for the Government to define aid more specifically because Mr Evans has already highlighted that if you simply start redefining things as aid in order to meet the target you have exactly that problem of the public becoming cynical. The public mostly think that we are siphoning all this money off to corrupt dictatorships with Swiss bank accounts anyway half the time and we have a difficulty. So are you saying that it might be more important to ring-fence what we define as aid, even more important than saying that we are going to spend 0.7% on it? Indeed, the danger is that if you say 0.7% you dilute the credibility of the aid you give.

Professor Haddad: I guess what I am saying is that DFID—and I do not think they would disagree—need to get much more sophisticated and creative about communication around the benefits of aid and also the risks of aid.

Ms Evans: Agreed.

Professor Haddad: And that is going to be even more important if this Bill goes through, I am certain.

Chairman: Thank you very much indeed. That has been a very helpful session and we have managed to cram a lot in. Thanks, all three of you, for coming along and sharing your thoughts with us and for the written evidence as well.

Witnesses: **Ms Karen Jorgensen,** Head, Peer Review and Evaluation Division, Development Co-operation Directorate, OECD, gave evidence.

Q26 Chairman: Good morning and thank you very much for coming. Again, just for the record, perhaps you could introduce yourself.

Ms Jorgensen: I am Karen Jorgensen. I am the Head of the Peer Review and Evaluation Division in the Development Co-operation Directorate in the OECD.

Q27 Chairman: Thank you very much for coming in to help us with this report. You will have heard the discussion and the reference to your own organisation in the first panel session. I suppose the starting point is definition, and you have heard some of the cross-currents of discussion. Are you satisfied that the OECD/DAC definition of ODA is appropriate? I am sure it is not an absolutely rigid definition but is it appropriate and does it, in fact, reflect all the activities that might be defined as aid, or should it be narrowed or should it be broadened? What is your fundamental take on definition, because you have already heard how important it is that we know what we are talking about when we are talking about official development assistance?

Ms Jorgensen: The definition of ODA in fact was established in 1969 and it has only changed marginally since in 1972. The definition is basically that official development assistance has to come from official sources, government, obviously, and it has to be for improving economic growth and welfare in developing countries. There is a clause around concessionality that refers to it being grants, or, if loans are given, a certain amount of the loan also has to be in grant form. That is the basic definition. The OECD then has established reporting guidelines and those define what qualifies as reportable as ODA and what does not. That is a very strict set of reporting directives against which all our members report annually. When new activities come up they are discussed in a committee of the OECD to decide whether or not they meet the basic definition of official development assistance and whether they should then be included in the reporting directive, so the definition of ODA is there. Everyone who is concerned with reporting it understands it. They know what they can report as ODA and what they cannot. It has not changed, as I say, and there has been very little movement also in reporting directives over the years, so it is a pretty stable regime. I think the definition that you refer to here is how is it viewed in the UK, and that is what was set out by your Act in 2002, which I think has given, from what we see, very clear guidance to your administration in terms of programming the budget that has been given to the department. I think we feel that compared to other donors it has great strength in meeting the objectives of policy that has been set and the objectives that have been laid out overall in international commitments as far as the Millennium Development Goals are concerned, as mentioned earlier.

Chairman: That is obviously helpful to state, that it is clear and it has been well established over a long period of time, but there are some pressures that you might want to respond to questions about.

Q28 Andrew Stunell: You heard from the previous panel, I am sure, that it was speculated that there was going to be pressure at the international level to broaden ODA definitions in order to make it easier for other countries in general to reach preset targets. Is it your sense at OECD that that pressure is there and that those discussions are likely in the foreseeable future?

Ms Jorgensen: I understand that there are continuous discussions in the network of statistical reporters, and I think there are issues around what was mentioned by Mr Maxwell around security and around climate change, continuous discussions around what is reportable that would still meet the basic ODA definition. We are not seeing any great appetite to loosen those parameters at the moment. We think there are some who might like to see it but there are equally others who resist it, so I think there will be a continuous discussion but we are certainly not seeing the definition widening or even taking on board more than what is already being reported. When it comes to climate change we have had for some years already what we call a climate change mitigation marker in our reporting system and that allows for the identification of activities that are undertaken with development assistance that will have an impact on mitigating climate change. In December the Development Assistance Committee agreed a similar marker on climate change adaptation so it will now allow identifying those activities that contribute to climate change adaptation, but that does not change the overall reporting structure. It does not change the definition of what is ODA. It simply allows within the reported activities the identification of those that also have a purpose to mitigate or adapt to climate change.

Q29 Andrew Stunell: So it will not be possible for a country to invest in a climate change project and claim it is ODA unless there are clear poverty reduction or economic growth elements to it? Is that what you are saying?
Ms Jorgensen: That is correct.

Q30 Chairman: Does that also apply to peacekeeping operations and the like? You have got so many countries engaged, for example, in Afghanistan who might feel that they want to extend the definition. The same criteria would apply and they would have to meet those?
Ms Jorgensen: That is correct. There was a couple of years ago a debate about contributions to the UN peacekeeping operations and, as happens with several international organisations this is a coefficient that can be counted as ODA, a proportion of donations or contributions to those organisations, and there was a slight shift in the coefficient from 6% to 7% when it came to the DPKO or the Department for Peacekeeping Operations contributions, but that was as far as that reached and I do not think there is much appetite to widen that out at the moment, so, as you say, it has to contribute to economic growth and the welfare of populations in developing countries.
Chairman: Okay; that is helpful.

Q31 Mr Lancaster: The 0.7% target was set back in 1970 and very few countries have met that now, some 40 years on, which some have interpreted as a lack of enthusiasm for it, but do you think that target is still appropriate?
Ms Jorgensen: That is a really difficult question to answer because I think it depends on how you measure appropriateness for a particular target. I think it is appropriate because even if we calculate what a 0.7% target would give us in overall global aid flows, and I think the panel before me would have been better placed to answer this, I think that would still fall short of what we estimate are needs required for development and bringing the billion people who are still living in poverty above that level. The UN Secretary General recently reconfirmed this as a target that the UN is very committed to and so I think generally internationally it is regarded as still being a relevant target.

Q32 Mr Lancaster: But do you think the criteria for coming up with 0.7% should be changed? Do you think we should be looking at it from a different angle?
Ms Jorgensen: I am not sure I understand what you mean by the criteria for looking at it.

Q33 Mr Lancaster: Back in 1970 the figure was set at 0.7%. Do you think that the world has changed significantly now and that perhaps the criteria that were used back then should be reviewed as to how we come to 0.7%?
Ms Jorgensen: I am not sure that it is my place to speculate because it would be speculation.

Q34 John Battle: I think some feel that the EU is not actually on track to meet its interim 2010 target of providing 0.56% GNI. Do you concur with that? Do your figures support that analysis to say the EU is well behind?
Ms Jorgensen: That is correct. The EU collectively is not set to meet the target in 2010 based on the projections that we have received for aid in 2010. There are some countries that will not meet the target.

Q35 John Battle: So what do you think the UK can realistically do to bring people into line and to push for the target to be met?
Ms Jorgensen: I think the UK is recognised as being a leader on a number of dimensions that have to do with development, certainly not just on the quantity of aid but also on the quality of aid. I think the UK sets the bar for what other donors should achieve and I think a lot of donors look to what the UK is doing both on the quality and the quantity of the aid, and I think it is really important to keep in view both. I think the UK has taken its leadership from Gleneagles and going forward, really promoting aid commitments and sticking to those commitments, and the fact that the UK was able to put forward projections into the spending for three to four years, which was something that I am aware that only one other donor actually could do and it is a much smaller donor, really sent a signal to others that this was a commitment that we should take and we can take, and so some of them have tried to follow that. Others have not, but I think the leadership position that the UK has played out gives it weight to really keep pushing other donors to follow suit and honour their commitments. You ask will the legislation make other donors enact similar legislation. I think it will help us in our work in DAC, particularly when we conduct peer reviews, to hold this up as an example for other donors and we can recommend that they take similar action if we feel that this is helpful. However, I think one should also look to the opposite and that is what would happen if the UK

did not meet its commitments, and there is, of course the issue: will the legislation help the UK Government in this or not, but I think if the UK did not meet its commitments then large donors would be saying, "The leader in this business was not able to meet its commitments, so how are we supposed to do it?" You really should be thinking of what would be the backlash of the UK not meeting its commitment.

Q36 Chairman: Professor Haddad was picking up the danger that it might have an effect on the British population saying, "Why on earth are we struggling to achieve 0.7% when Italy is tearing up its targets and everybody else is falling behind?"
Ms Jorgensen: It would have been interesting if you had sat in on a recent peer review that we did on Italy which was, I have to say, the toughest that I have delivered, and I have delivered about 18 now, because I have never heard the committee be so critical of a government's lack of performance. It is in the report and it was clear in the committee room that the committee felt that Italy's performance needs to improve significantly and that there was little excuse for not having done that.

Q37 Chairman: Just as a digression, and I know it is early days, to what extent do you think that the committee's view will affect the Italian government because that is another point, how effective is OECD in punishing its members.
Ms Jorgensen: That remains to be seen. Of course, that all plays into local politics in Italy. I think the administration certainly heard the messages very clearly. Whether they can carry political weight, of course, is a different story, but this is where I think the UK at political level can weigh in with moral authority because you are realising your commitments. That would be much harder to do if you were not doing that.

Q38 John Battle: Does the Belgian legislation on the 0.7% target provide any lessons for our draft Bill that we are proposing to put through Parliament?
Ms Jorgensen: The Belgian legislation is a little bit different because it is a clause in an administrative law that requires that a solidarity note, as it is called, accompanies the annual budget to explain how the government is moving forward on achieving the target. What we hear anecdotally is that that note has in fact been quite instrumental in keeping attention on moving forward on the commitment, so I would say, talking to our Belgian colleagues, that they feel it has been quite helpful.

Q39 John Battle: If I were to push you on your previous answer, in a sense the difference that the Government made in 1997 was that we introduced a three-year Comprehensive Spending Review of all budgets. The big problem for administrations everywhere is annual, if not sub-annual, budgets—budgets going from 1 April to 31 March every year and you not knowing whether you are getting the money next year, so no real running-on commitments, and within a narrow span of four to five years of a Parliament. So the three-year Comprehensive Spending Review to give commitments over two or three years across all government departments was one thing but passing into law to meet that particular commitment is another order of magnitude altogether, is it not? It makes it a law to say that money has to be spent regardless of who is in government. Do you see any other government in Europe going down that road?
Ms Jorgensen: I am not aware of anyone else proposing—I have to be careful because there are some bills that are being introduced at the moment of which we do not know the exact contents so it is possible that targets will be there. These are for some of the smaller EU donors so in any case the impact on ODA would not be as significant as yours. However, I think we can look to agreements that have been reached in other countries cross-party in parliaments on setting minimum aid targets, and so they have not been enshrined in legislation but they have been cross-party and they have been agreements that have actually stuck, and I think you can look to Denmark and the Netherlands as very good examples of that. In Denmark, for example, aid came under significant threat some years ago and because there had been this cross-party understanding over a number of years they managed to keep the baseline of what they had agreed earlier.

Q40 Chairman: Clearly, the DAC and the OECD are, if you like, the ring-bearers for this, which is very important. You have mentioned cross-party agreement, which we already have. What are the mechanisms, or, if you put it the other way round, there are five countries that have achieved the target but none of them went via legislation, so what are the factors that have enabled them both to achieve those targets and hold to them and are there any lessons to learn for a country like the UK which is aspiring to be in that group, other than what we are talking about here?
Ms Jorgensen: Some of the factors that have been underpinning this are strong political support, strong public support, the ability to get the cross-party agreement, but I think also what we are facing at the moment is significant financial crises and it is putting the aid budget in all countries, including these five, under scrutiny. There has been a debate in Sweden, there is now a debate in the Netherlands, which is what was referred to earlier, about whether or not they will be able to and whether or not they should continue to meet these commitments. In Sweden the outcome has been yes, they will stick to them, and in fact they are now at over 1% and they will remain at that level. In the Netherlands we are not sure of the outcome yet because the discussion is still ongoing. There is a commitment there to a spending cut throughout government. If the target were enshrined in legislation that would be protected, but it is not in fact enshrined in

legislation. There is only a cross-party agreement which has allowed them to keep to that level up until now, but if the government says a 20% spending cut throughout and that is not protected in law, obviously, that is at higher risk, so I think you do get a little bit of information about that kind of pressure if it is enshrined in law.

Q41 Chairman: Thank you very much indeed. That has been extremely helpful and very clear. I think we will be interested to read the account of the Italian review; it might be instructive.
Ms Jorgensen: And your own, of course, will be coming very soon as well.
Chairman: Thank you very much indeed.

Witnesses: **Mr Patrick Watt,** Director of Development Policy, Save the Children; **Ms Besinati Mpepo,** Senior Economic Justice Policy Adviser, World Vision, for UK Aid Network (UKAN); and **Mr Max Lawson,** Head of Development Finance & Public Services, Oxfam, gave evidence.

Q42 Chairman: Thank you very much for coming in and helping us with this short inquiry. For the record, would you introduce yourselves?
Mr Lawson: I am Max Lawson, I am from Oxfam.
Ms Mpepo: I am Besinati Mpepo, from World Vision, but representing the UK Aid Network.
Mr Watt: I am Patrick Watt, from Save the Children.

Q43 Chairman: Thank you very much. You have all given us written evidence and have said you are not very happy with the accountability measures. If you have not heard the discussion, we have been saying what are the sanctions and what are the excuses? First of all, perhaps, you can just articulate what you think the Bill should say and whether or not you have views as to what might be more effective or stronger in making any such legislation effective and accountable to Parliament and the public.
Mr Watt: Maybe I will start with a few thoughts about the accountability aspects of the Bill. I think the first question is about what are the ramifications of government failing to meet the 0.7% target if this Bill is passed, and at the moment it is unclear whether this is a Bill that requires governments to report on the 0.7% target or to actually meet it. This seems to me a bit ambiguous at the moment on that point. So, on the one hand, it establishes a duty for the government to reach 0.7% but then makes it clear in Clause 3 of the draft Bill that there is no recourse to judicial review, so it is not enforceable through the courts. From the advice from lawyers that we have consulted, we understand this is a fairly unusual state of affairs—this so-called "ouster clause"—which effectively takes a government duty out of court jurisdiction, and it is fairly constitutionally questionable. So I think it is worth the Committee, certainly, investigating that further and questioning whether Clause 3 is in fact appropriate. If we look at other bills that have enshrined government targets, in the Climate Bill in 2008 and the Child Poverty Bill 2009, there was no such ouster clause. So I think we need to ask the question as to why that exists in this draft Bill. That would be one comment, but I will pass to other colleagues.
Ms Mpepo: One of the concerns coming from the UK Aid Network and World Vision was the reference to some of the possible reasons for non-attainment of the target. What we would recommend is that the reasons that have been stated—fiscal, external and economic reasons—should be removed from the draft Bill. We feel that having them there weakens the Bill. We know that in the economic circumstances we would expect the Gross National Income to be lower and, as such, automatically the 0.7% amount in absolute terms will be reduced. So we would say that those three possible suggested reasons should be removed.

Q44 Chairman: I am not an expert in drafting bills but is it not slightly odd to have a Clause 3 which says it is not reviewable anyway and Clause 2 to say what your excuses are? One would assume we would need one or the other but not both.
Ms Mpepo: That is right
Mr Lawson: We would agree that it does have a bit of a "cake and eat it" feel about it, and I think they need to either commit or not commit. We do also think that (we were talking about this outside) that the people making the financial decisions, the Treasury, need to be more explicitly referred to in the Bill. Holding the International Development Minister responsible for a spending decision is probably not the right place to go.

Q45 Chairman: Again, you all suggest that the Committee should have a role. The Committee, in fact, has a role whatever happens, because our job is to scrutinise the Department and we always have the right to summon the Secretary of State. Can you be more explicit on what specific role? Do you think the Committee should, on the face of the Bill, have such a role, and, if so, what would it do that it would not do anyway as a Select Committee of the House?
Mr Watt: I think, as a matter of course, in addition to reporting on this Bill in Parliament there ought to be a session where the Secretary of State appears before the Committee. Not only would Save the Children like to see retrospective reporting against whether the 0.7% target was met but, also, some forward reporting. In some respects, this is a weakening of the 2006 Bill because the 2006 Bill requires forward reporting about the likelihood in which year the 0.7% would, in fact, met. There is now no forward reporting requirement in this draft Bill, and of course the 2006 Bill is superseded by this Bill. I think there is a question there for the IDC in terms of forward as well as retrospective reporting.

Q46 Mr Evans: You are all just afraid, are you, that government in a recession is simply just not going to meet it, then the Secretary of State with this

incredibly worrying penalty that he faces of having to write a letter to say how he is going to achieve it next year, you just think is pointless. Basically, this legislation is hardly worth having in the way that it is framed.
Mr Watt: I think it is worth having legislation that requires government to report and to report in detail on whether or not it has met the commitments it has made and, if so, how it has gone about doing that. So I think that is worthwhile. I think you are right, at the moment, that the Bill risks mild embarrassment to the government of the day, and, probably, not a lot more. I think that is one reason why looking at the legal enforceability of the commitments is important in revisiting Clause 3.

Q47 Mr Evans: There is not going to be even mild embarrassment, is there? Can you imagine, during a period of recession, that a government does not reach its 0.7%, writes a letter to say: "Terribly sorry, but we decided to spend the money in hospitals in Britain instead". Where is the embarrassment there?
Mr Lawson: It is part of our job to provide some embarrassment. I think there is quite a substantive constituency out there who are impressed with the commitment of this Government. We are all agreed that they could have got to 0.7% by now; it has taken quite a long time, but it is good that they are trying to enshrine this in law, and we are broadly supportive of this Bill and making it happen. I think it is important to see a difference between the next two years, getting to 0.7%, and when you are actually there, in terms of the budget discussions. We know this from our Dutch colleagues and our Swedish colleagues, who have been at 0.7% for a very long time; it is actually reasonably easy to have a budget discussion about staying at 0.7%; what is very hard is to give DFID a 13% increase for the next two years in order to get there. I think that is going to be the problem. The political costs of coming back from that target, once we are there, will be substantive. I think it will be quite embarrassing internationally, in the same way that, conversely, Britain is showing enormous leadership on pushing towards the 0.7% as the only G7 country really serious about it. I think it is our job to provide that constituency and I think it does exist; people want us to be at that point. Also, it is a relative thing; it is recognising that this is a very, very small chunk of government expenditure. Our polling shows on a regular basis that the British public think we spend twice, three, four times more on foreign aid than we actually do, so I think it is our job, as agencies, to continue to educate the public that this is a worthwhile investment, and it is not an enormous one either.

Q48 Mr Evans: It is a little bit off piste, this one but those of us who are contesting are going to be fighting a General Election within weeks, and on the doorstep, yes, we hear all sorts of messages. What would you advise candidates to say (all the political parties are the same on this; we all want to see 0.7%) to people who say: "No, charity begins at home"?
Mr Lawson: I would certainly focus on how little it is. I think it is about being British, it is about Britain in the world and it is about a cross-party consensus about doing the right thing. That would be the case I would make. The first thing I would say is: "Do you understand just how small the aid budget is?" As I say, in some polls we did a couple of years ago, the average voter thought we spent more on foreign aid than we did on the NHS. It is no wonder that people have these crazy ideas that it is all lost through corruption. So the first thing is this is not much money, and the influence that Britain buys, the benign influence that we have across the world, with this money is incredibly important.

Q49 Chairman: Specifically on the Bill, obviously, not surprisingly, the Treasury fingerprints are all over it. Simon Maxwell before suggested there should be some automaticity. I used the expression "like a Rooker-Wise amendment" which said, that for example, tax thresholds are automatically indexed unless the Government actually moves against it. As you said, it is a big increase. Would you like to see the Bill saying it is automatic? The Treasury will not like it, of course, and probably will not accept it but it would bind the Treasury.
Mr Lawson: Once we are there, that would be great. It makes perfect sense that once we reach 0.7% then it should be standard that we stay there. I think that is how it works, and we have that in the Scandinavian nations; that is what people expect to happen.

Q50 Mr Lancaster: It is fascinating listening to the conversation, not least because, of course, you are all supporting the principle of the Bill. However, Mr Lawson, you have described it as the Bill is almost trying to have its cake and eat it, and Mr Watt you said it actually may well weaken the 2006 Bill, and when it comes to penalties the worst thing is there could be mild embarrassment to the government of the day. Of course, we can all remember the great fanfare when the Prime Minister stood up at the party conference and said that we were going to have this Bill. Now that we have got the reality, we have not even got a Bill; we have a draft Bill. We have a draft Bill the chances of which seeing the light of day before the General Election are—well, perhaps that is something we can pursue this afternoon. Are you not slightly disappointed that despite all the fanfare we have a draft Bill rather than a Bill? What do you think the political motivations were for a draft Bill? After everything we heard—a draft Bill. Why do you think it is a draft Bill?
Ms Mpepo: It is difficult to say why it is a draft Bill because from the NGO sector, certainly, we wanted to see it as a full Bill right from the beginning. We think that it is a fairly straightforward and simple ask and as such it should have been made full right from the beginning.

Q51 Chairman: Has Ms Mpepo spoken for all of you?

Mr Watt: I think you need to press the Government on why it was introduced as a draft Bill rather than a full Bill. I am sure people in this room have got their guesses as to why—

Q52 Mr Lancaster: What is your assessment? Why do you think, after everything we heard, actually, their mind was changed and we only have a draft Bill? I am asking what your assessment is.
Mr Watt: Certainly I think there is a concern that this does not become a kind of fairly short-term device to create political dividing lines.

Q53 Mr Lancaster: Do you think that is possible?
Mr Watt: I think there is a risk and I think we have seen, very encouragingly, the emergence of a consensus on 0.7% across the parties since 2005. I think that we need to be looking to cement that and make that more durable. I think if this Bill is put forward in the right spirit then that can happen, but I think it is important that it is not used to try to create dividing lines. I think that is a concern.
Mr Lawson: I would agree with that. It would seem to me that the obvious way to avoid that is for all parties to commit to make it law by the MDG summit in September, just to literally stop it being a political football. If there was full commitment to pass this legislation it would no longer be an issue. We are very disappointed that it is not a full Bill and it is not going to happen in time for the Election, but we still think that it should happen this year, it can happen this year, and the leadership that that would show for the next government, as we run into a series of summits—and we have seen figures recently from the OECD that all the other rich nations are not delivering on their promises—I think it is really important. For us, as Oxfam, we are lobbying on these issues all over the world, and British leadership is really helpful to us, and I think this would help with that.

Q54 John Battle: In the light of that, it might be good to build party political consensus on a commitment to a "real Bill mark", as was suggested by others outside this room, including me. However, I think it is important to keep the consensus about getting something that works. As the person that put down the Early Day Motion in Parliament campaigning for 0.7% in the wake of the Make Poverty History campaign, for which we had one of the highest number of signatures of any EDM in the history of this House, and we have got this far, I want to now press to say how effective is it going to be, because I do not like just passing a law for the sake of it, if there is a good intention but there is no follow-through and there are no sanctions, as Nigel has said. I want to know from you particularly about the contributions of other departments, because some of you have made an issue on this. If we say we will meet the target and then include the whole of the defence budget, the whole of the refugee and asylum budget and the whole of the climate change budget, we could do it tomorrow, but it would de-nature what development means. Some of you have said that perhaps we need to be using ODA reporting requirements to actually spell out what goes into that 0.7% and what counts? We have got some way, and it is an all-party commitment, that poverty reduction should be the absolute priority of the work of DFID, and we have gone a long way to get that and other countries have not got there—untying aid, and that kind of thing. How would you respond to the question of the risk that the effective use of ODA might be avoided by having that increased reporting requirement built into the Bill? Do you see us going down that line as a way of strengthening the Bill?
Mr Watt: I think that is important. If we look at what has happened over this current spending round, the share of DFID spend in overall UK ODA has decreased, so more money is going through other departments. That may or may not be a good thing but I think it is very important that we have much more disaggregation of reporting than is currently the case so that it is very clear what has gone through DFID, what has gone through other government departments, what has gone through multilaterals and what has been counted, for example, through the Commonwealth Development Corporation.[8] There are a number of items against which this commitment needs to be monitored, but I think we also need more detail on exactly what the spending, for example, of ODA through FCO, or wherever it is, is going on. That is not terribly clear at the moment from the reports that DFID provides. I also think it would be important for the Committee to recommend that any changes in how the UK reports against ODA are part of the reporting requirement of the Secretary of State, because at the moment the UK does apply the DAC ODA definitions more restrictively than some other donors. It does not at the moment count (at least, we think it does not) UK refugee-related spending against ODA, for example. If that were to change I think it would be extremely important that that is reported on in the year in which that change was introduced.

Q55 John Battle: We need to be particular. For example, funding for the International Organisation for Migration—does that count as refugee work in Britain or internationally? So there are bits of edges that need to be clarified. Are you saying that we should go down that route of particularist reporting requirements and spell those out in the Bill? How far can we go down that road to tie it down? That is what I am really asking. You can pass a general bill saying that we would like to do good things and achieve targets to tackle poverty in the world without even a figure in it. There is a figure but it is whether we can gather round that figure to define it more. Should we do that on the face of the Bill?
Mr Watt: I think so.
Mr Lawson: Yes, I think we would agree. As we have said in our written submission, I think the Bill would benefit from a requirement for the Committee to scrutinise and report on the extent to which the annual targets have been met, in line with the requirements of the International Development Act in 2002. We were very proud and pleased with that

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Act. There has been a lot of talk recently about ODA definitions or not ODA definitions; the ODA definition is pretty baggy, and what has been quite impressive about this country in the last 10 years it is how we have gone beyond that. Substantively, the quality of our aid is held to a much higher standard and we need to keep that standard. We think it should be enshrined in this Bill so that you as a Committee get to scrutinise that.

Ms Mpepo: We would agree.

Q56 Chairman: The fact that the Bill alludes to the previous Act in itself is not enough, as far as you are concerned?

Mr Lawson: No, there could be an element where you get to scrutinise it in line with the spirit of that Bill, so it is basically focusing on poverty reduction and the commitment of all UK ODA spending in that regard, not just talking about DFID but looking at these other departments. As Patrick says, finding out what they are actually spending the money on.

Ms Mpepo: I think the fact that it is referring to the 2002 Act, in the definition of where the ODA will be spent, is in itself a positive thing. I think by bringing the report to the Committee on an annual basis, there is an element of scrutiny that can be provided to ensure that it remains in line with poverty reduction spending. I am not sure whether unpackaging the Bill fully to outline what issues should or should not be considered as ODA spending would complicate the Bill to the extent that it would compromise the current cross-party support for the 0.7%.

Q57 John Battle: It is cross-party support but I can recall conversations over the past years where not a single penny, for example, would have gone from ODA money on policing, yet the debate on fragile states suggests differently; that we should fund policing in fragile states to help them build a police force where there have been conflicts or civil war. So sometimes we change the view of what we want to include as development, and the question is how much that flexibility remains in without tying every penny down. In one sense it is that balance, is it not? The intention ought to be not to let other government departments raid it, particularly defence and climate change.

Mr Watt: Yes, I think we need to be realistic. Given the current squeeze on public spending, which will become very intense after 2011, the incentives for other government departments who do not have similar spending increases locked in to raid the DFID kitty for their purposes is going to increase. It just seems like a prudent measure to introduce some tighter reporting against individual departmental spend.

Q58 Andrew Stunell: Can we just deal with the various definitions that there are? You have said that you want better reporting of any changes but you have been rather neutral in your presentation about whether these changes would be in themselves a good or a bad thing. To what extent do you see the wider OECD definitions as worse than the UK ones? Which of those elements would you be more relaxed about seeing included? Which are the ones which you would reject? Are there things in the UK current definition that you think could be tightened up? These are all issues where, as my colleague said in an earlier session, there is a grey area and people can pull in whatever they choose and push out whatever they choose. Could you tell us from your organisations' point of view what opinion you would want to give us about that debate?

Mr Watt: I think, in particular, it is important for any government to report on actual cash spending on programmes in low-income countries. The OECD DAC uses the definition of Country Programmable Aid (CPA). The public perception is that where aid figures are talked about this is money being spent on poor people in poor countries, but we know that actually that only accounts for, globally, roughly half of all ODA; so an awful lot of ODA is accounted for by other types of expenditure. So I think it is extremely important, as a kind of proxy for the poverty focus of UK aid, to have a clear picture about how much money is actually being spent on DFID programmes in low-income countries. I think that would be one thing. There is a difference between what is covered by the 2002 Act and what is classifiable as ODA. In my understanding of the 2002 Act it covers DFID-voted aid in Parliament, which is a subset of what could be counted as ODA. So already there are things that are being counted as ODA that are not covered by the requirements of the Act about the aid being poverty-focused. I think that is one reason why any increase in non-DFID ODA vehicles could potentially cause concern. I think there are specific items that are currently being counted against the UK aid spend—CDC investment outflows, for example—where I think, at least, it is questionable how poverty-focused that spending really is. I do not know how much detail you want to go into that now.

Ms Mpepo: More broadly, the OECD looks at aid going towards economic development and welfare, and that in itself can be very broad and can be interpreted by governments in various ways. I think what the UK has done in narrowing it down to poverty reduction has been a very positive thing. Looking at some of the specifics, maybe you would look at not counting things such as scholarships; it also depends on the extent of military spending—I know it is a controversial issue. Debt cancellation is something that the UK Aid Network, for instance, has been calling on to not be counted as ODA spending. There is a whole outline of issues that we would recommend should not be counted as ODA.

Mr Lawson: I think it is fair to say I would answer your question that we think that the British definition is better than the OECD one, broadly, but it could be better still. That is the simple answer. 70% of German aid to education is spent in Germany on scholarships. That does not happen in Britain, and that is a good thing; we need money for primary schools in Africa, not scholarships to Cologne. I think keeping that out and keeping refugees expenditure out—keeping away from lending;

people do not realise how much of Japan and France's foreign aid is still loans, so it is still racking up debts for the countries that they are supposedly giving aid to. I think that is also a very important point about British aid. As Besinati said, we have had lots of spats with the Government over the last few years on the issue of debt relief. I think it is a really important point. It is like the policing point. We can do things in developing countries that are very, very beneficial that do not have to be counted as aid—that is the point we are making. So debt relief is a wonderful thing; it has made a massive difference. I saw it myself when I lived in Malawi for a number of years—it is a really amazing thing—but I think the public sees it as an additional thing that is done over and above aid, so we think, quite clearly, that these should be two separate things. Similarly, the next battle happening at the moment is over climate change spending, so it is not to say that DFID will not channel a lot of the money for climate change but we think it is a new and present problem which should be over and above the ODA definition. Could the UK definition be better? Definitely.

Q59 Chairman: Would you want a Schedule attached to the Bill which is a UK definition of what constitutes aid? The point of that is it may make it harder to pass the Bill because it defines it in a limited sense, but if you do not have such a Schedule the Bill is so loosely defined that it is almost meaningless.

Mr Watt: I suppose, ideally, you would have a Schedule that provides some kind of rigour to the Bill but not such a tight Schedule that it significantly reduces the likelihood of it being passed. It is a delicate balancing act and a judgment to be made by the IDC as to what it recommends there.

Q60 John Battle: There are difficulties even on climate change. We have been to two places recently where water management and irrigation are massive issues—we have done reports on water management here and the MDGs—and yet it could easily be seen as climate change now. So not spending money on irrigation or demanding it comes out of the climate change budget could be done yet, at the same time, in development terms, it could be seen as an appropriate means of alleviating poverty. What I am slightly worried about is that if we over-legislate for the definition of poverty we will end up with the definition that the UN used for the World Food Programme, so we have got food relief only and we are back to where we were in the 1960s, that alleviating poverty means food handouts and not real development. I think that is the balance that we have got to get right in this Bill.

Chairman: That is just adding to our complexities. Your initial suggestion was to take a Clause out of the Bill, and now we are thinking about adding a Schedule in. Unless you have any other comments, I think that has been helpful. I do not think we have any other questions. We have the Minister in front of us this afternoon and this has helped us, really, to push a few questions. We know that time is running out for this Parliament and we will be lucky to have produced a report much before the time Parliament is dissolved.

John Battle: However, all the parties will be committing themselves to a Bill.

Mr Evans: All parties are committed to a report, at least, on the draft Bill.

Chairman: All parties are responsible for themselves! Thank you very much indeed.

Wednesday 24 February 2010

Members present:

Malcolm Bruce, in the Chair

John Battle
Richard Burden
Mr Nigel Evans
Mr Mark Hendrick
Mr Mark Lancaster
Mr Virendra Sharma
Andrew Stunell

Witnesses: **Mr Gareth Thomas MP,** Minister of State, and **Mr Sam Sharpe,** Director, Finance and Corporate Performance Division, Department for International Development; and **Ms Lizzie Rattee,** Treasury Solicitor, gave evidence.

Q61 Chairman: Good afternoon again, Minister, it is good to see you here. Could you introduce your team for the record.
Mr Thomas: On my right is Sam Sharpe, who is the Director of Finance from the Department, and on my left is Lizzie Rattee, who is a Treasury solicitor.

Q62 Chairman: A Treasury solicitor might well have been relevant to some of the discussions we have already had! As you know, we took evidence this morning from a number of different panels, including, you might say, think-tank commentators, NGOs and also OECD-DAC on the ODA criteria, but we would ask you the same question that we were testing on them, which is: what is the purpose behind this Bill? What is the point of bringing forward a Bill in draft form at this stage of Parliament, and it might be otherwise, but when it would appear to have no chance of becoming law this side of a General Election?
Mr Thomas: Well, the intention of the Bill is to put beyond doubt the UK's determination to deliver on the 0.7% commitment that we have made. We would be the first G8 country to not only deliver on that 0.7% commitment when we achieve it in 2013, but we will also be the first G8 country to have put a commitment in legislative form on the statute book. I think there are two other points in terms of the significance of the Bill. Firstly, it builds on two previous Acts of Parliament in relation to international development, the 2002 Act and Tom Clarke's private Member's Bill in 2006 and, perhaps most importantly of all, there will be a review conference on progress towards meeting the Millennium Development Goals in September at the United Nations. If this Bill could reach the statute book by the summer recess, and I recognise there is an 'if' to this, I think it would send a huge signal to the rest of the international community about following through on the promises that were made at Gleneagles.

Q63 Chairman: So why not, given it is a very simple measure to say that we are committed to 0.7%, simply introduce the Bill and have a day in Parliament next week?
Mr Thomas: Well, I recognise that there is a whole series of other legislative commitments that we have pledged in the Queen's Speech. We did not know, and we still do not know, when the General Election is going to be held.

Q64 Chairman: But we know by which date it has got to be held though.
Mr Thomas: Well, we do know that. I think even the fact that we were able to secure a draft Bill is important, and I hope that the scrutiny session that we are having today and the other sessions that you have had on this would enable a Bill to get safe passage through both the Commons and the Lords early in the first session of a new Government and a new Parliament. Clearly, I cannot give a cast-iron guarantee that that would happen in a new Parliament, but I hope that the scrutiny sessions we are having would make it easier to do that, and the fact that we have published the draft Bill will also make it easier to do that.

Q65 Chairman: The Prime Minister made great play at the Party Conference of the fact that this Bill was going to be introduced and it was not at that time implied that it was going to be a draft Bill, and indeed the NGOs this morning expressed disappointment that that was the case. They were supportive of the Bill and they were hopeful, as you are, that it would actually become law, but they expressed some disappointment that you were not actually legislating before the end of this Parliament. Is there anything you wish to add to what you have said on that basis?
Mr Thomas: I would be very surprised if they were not always pushing us to do more; I think that is their role and it is entirely proper that they should be pushing parliamentarians, all of us in that sense, to get the draft legislation on to the statute book, but I think the reason why it is a draft Bill is as I have already set out.
Chairman: Okay. Well, let us move on to the Bill itself.

Q66 Mr Evans: You clearly think, Minister, that it is an important Bill to have as a piece of legislation and, as the Chairman said, the NGOs this morning said that they were disappointed that it was draft

legislation, and I am sure you were there at the Party Conference when the Prime Minister announced that this was going to be legislation and promised that it would be on the statute book. When did you first know that it was not going to be legislation, but draft legislation?
Mr Thomas: To be honest with you, I would have to check back the notes of discussions that we had at the time, and I am happy to do that, but what I would say to you, Mr Evans, is that I think the key thing here is the fact that it does build on two previous Acts of Parliament and it does build on substantial progress towards 0.7%. If all political parties want to give this Bill a fair wind in the first session of a new Parliament, then I see no reason why it could not be on the statute book, and that is a challenge to my Party as much as it is a challenge to your Party.

Q67 Mr Evans: Well, I will come to that in a second, but I just want to know who told you that it was going to be draft legislation, not legislation?
Mr Thomas: It is not a question of being told. There would have been a series of discussions, as I say, the exact details of which I cannot recollect, and you discuss whether or not you can get legislation into the Queen's Speech, be it as draft legislation or as full-on legislation. You will recollect that over recent years there has been a series of important Bills that have started out as draft Bills with pre-legislative scrutiny like this, which is deliberately designed obviously to help speed the passage of Bills when they come before the House.

Q68 Mr Evans: But you did not lobby for draft legislation, did you? You lobbied for legislation on this, and that is important.
Mr Thomas: I lobbied for legislation on this, which is important, but I accept that you can have legislation in a number of ways and over a number of timescales. The fact that we have done it as a draft Bill I do not think detracts at all from the commitment that we made.

Q69 Mr Evans: So, when you were told that it was a draft Bill, not a Bill, you did not lobby to change that at all? You said, "Okay, we'll have a draft Bill then"?
Mr Thomas: There is a series of discussions which take place within the Cabinet across Government about the priorities that the Government has and what it is to put on the statute book. My Department was party to those discussions. As I say, given that we did not know the date of the election, frankly, I think it is a credit to this Government that we have brought forward a draft Bill at this stage and I hope that we would get the full Bill through Parliament very soon after the election.

Q70 Mr Evans: So you are just telling us that you cannot remember whether you lobbied for a Bill or not?
Mr Thomas: We lobbied for legislation and we have got legislation.

Q71 Mr Evans: Well, no, you have not, you have got a draft Bill.
Mr Thomas: Well, we have got draft legislation.

Q72 Mr Evans: Can you remember whether you did say, "This isn't good enough, Prime Minister. You promised this as legislation and now it's draft legislation"? You cannot remember whether you did or did not?
Mr Thomas: There is a whole series of conversations that ministers and MPs have with Government about legislation. We have got a whole series of priorities and we want to get as many of them through as we can do. The view that we took collectively was that it was appropriate to bring this Bill forward in draft form first.

Q73 Mr Evans: But you are going to look at your papers and perhaps send the Chairman a letter?
Mr Thomas: Perhaps I will check.

Q74 Mr Evans: You say you do not know when the General Election is and no, we do not, but I do know that this piece of legislation actually has the support of all the parties, we all want to see the 0.7% and, if you were to bring it forward, you could get this legislation through in one day. I will give you an example: last Friday 5 February, there were two Bills that went through, private Member's Bills, that actually went through in one day, so why, with all this goodwill that you have got here, do we not just do it in one day?
Mr Thomas: Well, when we committed to bring forward legislation, there certainly was not clarity with respect to your Party's intentions in terms of the legislation and there has not been until very recently. By that time, we had decided to move forward on a draft Bill and to bring the legislation forward, and I think it is appropriate that we have continued in the way that we have done.

Q75 Mr Evans: Why do you not have a word with the Prime Minister and say, "There is now sufficient goodwill that we can actually get this as a piece of legislation prior to the General Election"?
Mr Thomas: Well, with respect, I think you should talk to your party leadership and get your party leadership to make that offer to my party leadership or get the usual channels to talk.
Mr Evans: All right. Well, I think that is something solid that we can get on the table, and I will tell you why: the NGOs we had this morning said that they did not want this to be a short-term thing as that would create a political dividing line between all the political parties at the General Election. We now have an opportunity to actually get this as an Act prior to the General Election in one day.
John Battle: No, Nigel, that is not true.

Q76 Mr Evans: Could you come to the point then that the NGOs made this morning that they think that this might be a ruse to divide the political parties prior to the General Election?

Mr Thomas: I do not think it is a ruse. We have brought forward draft legislation and, as I say, it builds on two previous Acts of Parliament. There is certainly absolutely no doubt that there is a difference in history in terms of commitment to international development and, I suspect, a difference in substance in terms of the attitude of those who are going to stand at the General Election. Surveys of Conservative candidates have suggested a very different approach to international development from people in my particular political Party, but in terms of this particular Bill, no, it is not a ruse and it builds on previous legislation and previous commitments that we have made.

Q77 Mr Evans: Can you think of another instance whereby the Prime Minister announces legislation, it then goes from legislation into draft legislation and then a campaign is built around it to get the draft legislation made into legislation?
Mr Thomas: Well, there has been a series of Bills that have been published in draft form where there has been strong support for them to be turned into legislation. I am happy to provide you with a list, though I suspect members of the Committee could do their own research quite easily and discover how many Bills have been done as drafts first and gone through pre-legislative scrutiny. This is not a new process, with respect.
Chairman: In the spirit of this being a cross-party Bill, I think the point has been made, although I will allow John Battle to speak.

Q78 John Battle: I put it in a question because I think we should try and keep together on this. I have been on Bills that have been a draft, the Climate Change Bill was one, and in all of these matters, and I am thinking particularly of Tom Clarke's Bill, we had to build a consensus around it and, with no disrespect, Minister, I think we had consensus on the figure of 0.7% because I campaigned on that, but I do not think there was consensus where all parties agreed that we should actually put a Bill before Parliament to build it into law, but we are still, I think, working on building the consensus around that which is why I welcome this approach. However, I just put it to you that, if there were more work quicker to build that consensus, then maybe there is a real chance that this could be on the statute book very quickly, so you could make representation to the usual channels and the Whips to make sure that it happens because, if we could get it as far through this Committee and if we move quickly as a Committee and held the consensus together, could we get a Bill through the House and get it done?
Mr Thomas: Well, it would be fantastic if we could. It does not just depend on our Party, Mr Battle, as you quite rightly alluded to, but it depends on other political parties making the offer and being serious.
Chairman: I think we accept that it cannot be determined by this Committee, although we can make a contribution towards it, but I think, to be honest, it would better if we moved on to the other questions.

Q79 Mr Hendrick: Can I sort of be the devil's advocate in the sense that this focus on the 0.7%, a number of countries, admittedly not in the G8, have managed to meet the 0.7% without legislation. Does focusing the debate on the actual quantity, this magic figure of 0.7%, detract from the aim which should be to ensure that the aid is quality? We have heard stories in the past that millions have been thrown at the World Food Programme so that we meet targets and we meet budgetary allocations for international development, but should it be about quality and not just about the 0.7%?
Mr Thomas: Well, I think it is right that we put the commitment to 0.7% on the statute book. I think the concerns about the quality of aid which have been discussed in many fora over many years, we have robust procedures in place to ensure that the aid is well-spent and delivers good results, and we will continue to have those processes in place and are always looking to learn lessons, be it from other countries or be it from our own programmes, to ensure that the quality of our aid continues to rise in its effectiveness.

Q80 Mr Hendrick: Apart from our commitment to 0.7% and the fact that we want to put it into legislation, is the aim of this to act as a spur to other governments and other countries to legislate in a similar way, or is it the fact that some countries have met the target without legislation and is it that we just feel the need to do it in order to show our commitment?
Mr Thomas: I think there is a particularly significant international moment coming up in September when the Millennium Development Goals are reviewed in terms of the progress made. There is no question that there is a series of other countries who are off-track on their commitments to meeting the 0.7%, so I think that, as well as locking in ourselves to trying to achieve progress towards 0.7%, it would send a very powerful signal to other countries around the globe, other rich countries, to do more to enable more progress more quickly to meet the Millennium Development Goals.

Q81 Mr Hendrick: Do you think the fact that it might not actually result in legislation on the statute book would in any way make our efforts seem a bit feeble?
Mr Thomas: I do not think so. I think that, if you put it in context of the leadership that our current Prime Minister and the previous Prime Minister have shown on development, if you add in the progress in terms of the legislation that has already gone through, I think people will see it as a progression, as a further indication of the journey of renewed commitment to international development that this current Government has initiated.

Q82 Mr Lancaster: One of the stated advantages of this Bill is that it helps underline the degree of predictability for aid, which of course we would all support, but of course, in practice, when you begin to unpack that slightly, because of the fluctuations in gross national income (CGNI) on an annual basis

and indeed the fluctuations in the value of the pound, there is still going to be some unpredictability in aid, so how effective a tool is it, in reality, to delivering the predictability of aid?
Mr Thomas: Well, you are right, there would be some unpredictability still, but what, in reality, you would have is that developing countries would have a lot more confidence in the overall size of the funding envelope, to use the jargon, that is available for development spending by the UK. It would, as a result, help us to move, I think, to do more longer-term development partnership agreements with the developing countries with whom we work, be they five years or ten years in length.

Q83 Andrew Stunell: Just picking that up, if I am sitting in the Finance Ministry in Nepal and looking at the UK aid programme, can you say something about the benefits there will be in terms of predictability, say, to the Government of Nepal in terms of the passage of this Bill?
Mr Thomas: Well, if you forgive me, I do not want to use the example of Nepal because I do not have direct responsibility for our aid programme in Nepal and it is some time since I did, but essentially, if this commitment were to get on to the statute book and we were to follow through as a country in terms of the funding commitment to achieve it, there would be significant additional aid available, for example, to help us to fund more teachers on the ground, to invest in better health systems, perhaps to get more bed nets to those who might otherwise be at risk of being infected by malaria. There is still a huge job of work to do in terms of the level of need in terms of the numbers living in poverty and we would be able to clearly do more with the extra resource that was available as a result of this Bill and the political will that it would imply being available by Government.

Q84 Andrew Stunell: Well, at the moment, say, about two-thirds of ODA goes to country programmes. Would you see that proportion increasing or reducing? It was put to us this morning that there might be a risk, though perhaps 'risk' is the wrong word, but there might be an alternative of using a rapid increase more to support multilateral programmes than country programmes. I wonder if you would like to comment on that and perhaps say whether you think the Bill might have a provision in it that a certain proportion ought to be for country programmes or not less than a certain proportion should be for country programmes.
Mr Thomas: I would not want to have specific amendments to the Bill to say that a particular percentage of our aid should go to country programmes or a particular percentage should go to multilateral programmes. I think we have to make judgments as ministers, and obviously the Select Committee and others will test the quality of those judgments, about the merits of spending through particular country programmes or spending through particular multilaterals. We chart the effectiveness of multilaterals, we evaluate the quality of our own country programmes and then we make judgments as a result about where to allocate our money, depending on where we think it is most effective. I think being prescriptive now about the particular balance of spend would be the wrong thing and would be the wrong approach to take. I think we do need to allow the Department to take a view, which clearly should be tested as we get a better sense of what the particular multilaterals can do or what the particular need is and what the particular political situation is in particular countries.

Q85 Andrew Stunell: So, taking that at its face value, this will not actually increase the predictability in the Ministry of Finance in Nepal because it will still be the range of decisions outwith the statutory which will affect the amount of aid that they get from the UK?
Mr Thomas: I do not think that is a fair characterisation of the answer I have given, although I understand why you say that. There would be a series of reasons why we might not want to increase aid or we might not even be able to follow through on the particular long-term agreement that we had with particular countries, which potentially could relate to the level of commitment to poverty reduction in the particular country, concerns about human rights in that country or concerns about corruption in that country, so, notwithstanding the balance of spend, there could be a series of reasons for not wanting to follow through, but, if the overall funding envelope increases, then we would be in a position to do more longer-term agreements and to give more longer-term predictability as a result to developing countries. What I do not think we should be prescriptive about is the exact balance between multilateral and bilateral and between funding through civil society organisations either. I think you do have to make a judgment on the circumstances at the time, as you see fit, and clearly be willing to be held to account for those decisions.

Q86 John Battle: I think we would accept that you need the flexibility and that must be there, but, if I can put it to you in these terms, I think one of the really good things that DFID has done is to have developed country programmes with partner governments and to work out exactly what predictability and what programmes they could support in the past, and 65% of our ODA goes to those programmes now.[1] My point following Andrew's would be that it would put extra pressure on those programmes, I hope, for the people working up those programmes to absorb more money. Otherwise, there would be a fear, and I put it in these terms, that, if you get a big dollop of extra money coming along and you have not worked on the country programmes, the easiest and quickest way to get rid of it is to shove it into the multilaterals without thinking about it and saying, "Well, it will be our contribution to the World Bank or the World Food Programme" or whatever, and it is just whether the Department is working with the partner countries to say, "Well, actually, if we can meet these targets and we ramp up the aid budget in these terms,

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we would be working harder with you and we will actually be putting more people and resources into working up the country programmes", so that means they will be intensifying the work in-country. Is that the way that the Department is approaching it?
Mr Thomas: No, I do not think so. I think what we would want to do is actually to look at the level of need in particular countries, and we, as you know, have a focus on low-income countries and want to continue, as we said in the last White Paper, to direct more of our aid, in particular, to those countries that are most fragile in terms of low-income countries. What we also want to do is to sit down with the other donor players in the developing countries concerned and look at each other's comparative strengths, whether they are a multilateral or another bilateral, look at the needs of the particular countries there and then make decisions about how each of our aid programmes should be spent. I think there is also a judgment to be made about the particular effectiveness of particular multilaterals in particular countries, and we have a process for evaluating the effectiveness of our multilaterals, but let us take the issue, if we may, Mr Bruce, of the particular country we were discussing yesterday, Zimbabwe. Now, there are a number of different scenarios for the politics, the economic situation and, as a result, the development response in Zimbabwe going forward where certainly at the moment it is entirely appropriate that we use both civil society and international organisations, such as the UN, as the route for our aid. If the best-case scenario were to develop, then maybe that balance would change and, therefore, I do not think it is appropriate for us to be specific about multilateral versus bilateral versus civil society; we have got to look at the situation on its merits at the particular time.

Q87 John Battle: I welcome that, but, if I could lead back then to my colleague Mark Hendrick's questions, I would push to say that, if then you were in Zimbabwe, or let us take Malawi as a slightly less difficult case in a way, if Britain were able to ramp up its country programme in Malawi and we were doing it in conversations with the other donors, quite a few of those other donors ought also to be ramping up their contribution because they should be increasing their targets. Can we use that conversation to put leverage on them to honour their commitments to 0.7% as well because a lot of them are a long way behind us, otherwise, it is us putting all the money in and them doing nothing? Do you see it as sharpening up that conversation so that, as well as the lobby at the EU end or internationally, we are lobbying in-country?
Mr Thomas: There are already discussions that take place at country level about levels of aid which particular bilaterals or indeed particular multilaterals are going to be able to put in to help that country, so, in that sense, those conversations already take place. We speak to our country heads of office about the levels of need in particular countries and we make judgments collectively as a result as to where ministers should put pressure on multilaterals perhaps to do more or on the types of conversations we should have with bilateral donors. Perhaps I could just add in response to Mr Battle's question that I attended what is a regular meeting of European development ministers under the Spanish Presidency this time last week and there was considerable interest in this Bill from the Commission and indeed from other Member States and there was a series of interventions about people being off-track in terms of their commitments, so I think, in that sense, there has already been merit in this Bill being published.

Q88 Chairman: I think we welcome that, but the other issue we have had discussions about this morning is how you define ODA because of course, under our own International Development Acts, we have defined it more strictly and more narrowly than does the DAC, and I think this Committee certainly recognises that, but is there not a danger that enshrining the 0.7% commitment might lead to an attempt to define in a broader way what ODA is? From the Government's point of view, do you actually believe that the definitions, as agreed by the DAC, should be revisited? The evidence we had this morning was that they had not changed and there was no current drive to change them, so does the Government have a view about that?
Mr Thomas: Well, my understanding, and I have not read the evidence that you took from the OECD-DAC this morning, but my understanding is that the DAC are seeking to renew their guidance in a series of areas at the moment, and we will obviously have to reflect on that guidance when it eventually emerges.

Q89 Chairman: Well, perhaps I could put it the other way round: if that is the case, would it be the British Government's input to make it tighter and more robust, or is the pressure the other way? Presumably, the UK Government is in quite a strong position in the OECD in that we are legislating ahead of the game compared with other countries who are not meeting their targets or falling away and might want to loosen the definition of ODA to make it easier for them to improve their performance.
Mr Thomas: No, I think we would want continuing progress to make the definitions as robust as is possible. You ask me more broadly about the question of definitions and we have deliberately not included any definitional clauses in the draft Bill precisely because I think it would certainly dramatically complicate this particular piece of legislation. Also, we have no intention of moving away from the existing commitment we have made in terms of use of the OECD-DAC's guidance for the definition of ODA or that the Department for International Development's spend should be predominantly focused on poverty reduction.

Q90 Andrew Stunell: In the passage of time, there are going to be changes in the priorities that any government has and, perhaps looking at the aid and development climate in a country, it might be that it would be expedient and maybe even good for some of these definitions to be changed, and one could think about security and fragile states and clearly there are issues about policing. There are a number of topics which at the moment are outside the current DFID legislative framework here which it might be convenient to include in the future. Do you think that there is in fact quite a risk that, if we have a much increased, rapidly increased aid budget, there will be some temptation by other departments to look at ways of using this money for purposes outside the current definitions?

Mr Thomas: I am not going to speculate on what might happen in the future or the types of conversations that take place between ministers and officials in future governments. In terms of security expenditure or this debate about the militarisation of aid, which I think has motivated some of the concerns in this area, I think it is a bit of a bogus debate. I think we are very clear that spending around enforcement in terms of security does not count as ODA, but, for example, human rights work, election monitoring and police training within UN missions, which some might see as security, I see as perfectly reasonable spending under our definition of official development assistance and it is perfectly legitimate that it should be included in ODA figures. What, I think, is important actually is that we do not see a substantial change in the definition of ODA, and let me be clear: that is not what the OECD is working on. What they are working on is how you report your ODA and trying to clarify, as I understand it, guidance for Member States in terms of the reporting of their ODA going forward, so it is that type of conversation to get the reporting as robust as is possible and as consistent as is possible which I think is an important piece of work internationally.

Andrew Stunell: So, if I take another topic which would be climate change, I think there has already been evidence, and I think you perhaps were the Minister who gave it to us, where we had to take a double-take on whether some of the money announced for climate change was or was not inside the existing aid budget. There are clearly some grey areas. How do you see that being approached in the future?

Q91 Chairman: Just for the record, I think it was your colleague Mike Foster.

Mr Thomas: I certainly do not remember being scrutinised on that particular issue! I think we said in the White Paper last year that we would bring in from 2013 a 10% cap on ODA spending as climate finance. I think there is a clear overlap between, for example, the work to tackle and prevent deforestation in developing countries and the fact that, when you tackle deforestation, you are actually helping the very poorest people in those developing countries too, so I think it is perfectly reasonable that some ODA should be right to be counted as for climate finance too. What everybody in Government is also clear about is that we will need additional finance both in the comparatively short and the long term to meet all the needs that there are for climate issues. Again, I think the DAC are looking at how climate finance should be reported and I welcome the fact that they are doing so.

Q92 Mr Hendrick: Could I just add on that then that, if you are saying that climate finance is becoming more and more effective in helping to deal with poverty reduction, then why have the 10% cap at all and why not look at raising that cap? Do you think there is any possibility that a future government might actually choose to get to the 0.7% by throwing in things, such as climate change, and actually taking that money from, say, DECC[2] where climate change is obviously one of its responsibilities?

Mr Thomas: Well, I do not know, Mr Bruce, whether you are likely to ask me questions about the extent to which other government departments' spending is counted as ODA.

Q93 Chairman: Yes, we will be coming to that.

Mr Thomas: I sort of feared that that might be the next direction of travel. Some of the spending that certainly DECC has is countable as ODA, as is spending by a number of other government departments, of which the FCO will be the least surprising to the Committee. Quite what the balance will be between departments going forward, I cannot speculate on, but I think the vast majority of ODA, certainly under this Government, will continue to be spent by the Department for International Development.

Q94 Chairman: Well, can I press you on that question then. The 2008 figure we had was that 88.1% of ODA was through DFID and 11.9% was through other departments, so the first question is: does the International Development Act apply to ODA spending by departments other than the Department for International Development?

Mr Thomas: Forgive me, Mr Bruce, my attention was slightly elsewhere.

Q95 Chairman: Well, 11.9% of UK ODA, as defined and agreed by the DAC, is spent by departments other than DFID. Does the International Development Act apply to spending on ODA by departments other than DFID?

Mr Thomas: Well, we would expect this draft Bill and the commitment to 0.7% to require us to count up all ODA spending, whether it is by the Department or by other government departments, in that calculation.

Q96 Chairman: Perhaps I can ask the Treasury solicitor if she might answer that. There is an important point in law: does the Act apply to spending by other departments?

Mr Thomas: Are you referring to the 2002 Act or to the draft Bill that we have before us?

Q97 Chairman: No, the 2002 Act, in other words, the poverty reduction Bill.

[2] Department for Energy and Climate Change.

Mr Thomas: The 2002 Act refers to DFID, to the Department only.

Q98 Chairman: Well, that is where the problem arises because, if that is the case, then is there not a danger that money can be transferred out of the Department in order to avoid that?
Mr Thomas: Well, this Bill is not about the challenge to one particular Department, it is about the challenge to Government as a whole and I think it is right that it should be, with respect.
Chairman: I am not trying to be difficult. What we are trying to explore is the danger which could arise with this piece of legislation that, in order to meet the targets, there will be some temptation to finesse funding accordingly to areas where it will meet this legislation, but where it might undermine previous legislation.
Mr Hendrick: And the work of other departments.

Q99 John Battle: I tell you how I look at it, and there are two ways of looking at it. One is to say that we want to keep development spending purely for poverty reduction, and that was partly the purpose of the 2002 Act, in other words, and anything extraneous, such as building hotels, energy plants that were not absolutely vital, that kind of infrastructure which was not seen as essential and necessary poverty reduction, by and large, was not. Now, I do not see the difficulty in protecting the budget of DFID as being purely for poverty reduction. I think in a situation where this Bill, in the best of all worlds, got through, whatever government is in power, and we agree on the 0.7%, if I were in the Health Department or in the Social Security Department, I would want to raid the budget of DFID because yours would be the only one growing and, if I were a minister there, I would be after your budget to get a slice of it because my budget is contracting and yours is growing, so I would be pulling things across to my Department and claiming that they are ODA and that would allow the Government as a whole to wrap them all around and to say, 'We've met the target". How do you actually ensure that spending by other departments is genuine money spent on poverty reduction in line with that original 2002 Act?
Mr Thomas: Well, government departments have got to have those robust conversations with each other, come what may. What there is is a clear definition in terms of official development assistance and we have the DAC trying to clarify guidance so that there is a more robust and consistent process of reporting what counts as ODA. I think it is important to be clear that what this Bill is focusing on is the commitment to achieving 0.7% of ODA as a part of GNI. The exact balance of how ODA is spent and whether or not it is spent purely on poverty reduction through the Department for International Development is of course a conversation that government departments will have to have and will no doubt continue to have going forward. There are departments, the Department of Health is one, some of whose international spend can legitimately be counted as ODA, but simply because the Department of Health, if you were a minister, might want to try and count some of its spending as ODA does not mean that it could do so because there is a clear definition available for judging that through the Development Assistance Committee, the DAC, and they monitor how governments meet the commitment. The other crucial thing perhaps, in order to give further confidence to the Committee, is that the ODA-GNI ratio is about to become a national statistic, so the Office for National Statistics, which is obviously independent of Government, will also be able to do its own scrutiny of whether or not the definition has been properly adhered to.

Q100 John Battle: That is one of the reasons why poverty reduction was built in so hard and the whole thing about tied aid was of course that there had been discussions in the past and there were reports from this Committee on the CDC[3] which went for major infrastructure development. On the economic development front, there were hard cases that are in the grey area that Mark refers to where people could say that other departments were legitimately helping and were making a contribution because they were going into tourism or energy development or infrastructure and roads, and actually, "We're claiming a bit of your budget", and I am speaking to you as a Minister in DFID, and then you find that that is added into the 0.7% and it is without that hard definition that you can get them under your banner and we would actually see the erosion of the target, and that is what I am actually trying to put to you.
Mr Thomas: Well, that is why I think it is important work that the DAC are doing at the moment to clarify how you report and also why, I think, it is significant that the Office for National Statistics will be able to do their own scrutiny of our figures for ODA-GNI and whether they stack up.
Richard Burden: I wonder if I could just follow up on the last question that Mark Hendrick asked you and it is on the same subject. As far as DFID's spend is concerned, the 2002 Act is relatively clear around the poverty reduction focus and, as far as other government spend is concerned, the DAC criteria apply with greater clarity, hopefully, on what that means and that will be made robust and the Office for National Statistics will help there as well. Given the fact that we started these questions today with issues around the fact that it is important that there is a kind of cross-party consensus around issues of definitions of aid and ODA and what counts and so on, have there been any discussions or any indications from other parties about whether they share the robustness of this Government's definition around poverty reduction and indeed whether they would accept the need to tighten up or reclarify the DAC criteria you have mentioned?

Q101 Chairman: Just on that, in the briefing note there is reference to an article in *The Guardian* which said, "When international attention landed on Yemen's links with Al-Qaeda at Christmas, who at

[3] CDC Group plc (formerly the Commonwealth Development Corporation).

the Whitehall roundtable had a budget line which could pay for 'state-building'? DFID. It puts a whole new light on the Conservatives' oft-repeated pledge not to cut DFID funding", and I think that is a bit unfair because it could also apply to almost any government. "Given that the accepted DFID analysis is that the single biggest determinant of long-term poverty reduction is political stability, then all manner of interventions to secure that stability can be justified as reducing poverty." Now, let us not be party-political specifically, but just generally is that not a danger, unless you have a very clear definition and a very clear understanding?
Mr Thomas: Well, as I have said, I think we have had a robust definition for the work of the Department, and the vast majority of ODA is spent through the Department. We have been continuing to use our influence in the OECD-DAC to press for greater clarity in terms of the reporting of ODA, and I like to think that that is beginning to bear fruit. In terms of conversations with other parties, no, there have not been conversations with other parties. I am aware that the Leader of the Opposition has said that he does not think there is a need for legislation, and he said that in one of his questioning sessions at a meeting in Hammersmith, as I understand it, so I do not know whether that is significant in terms of the context of definitions, but perhaps it is certainly significant in the context of whether or not there would be genuine cross-party support or consensus for this legislation.

Q102 Mr Lancaster: I want to look at the accountability measures. Minister, in your opening statement, you talked about how this draft Bill builds on the 2002 and 2006 Acts, although a number of the recent submissions suggest that the references to the economic, fiscal and external factors should be removed from the Bill as they risk making it more difficult to hold the Government to account, and in fact this morning Patrick Watt from Save the Children actually said that he feared it may result in a weakening of the 2006 Act, so can I simply ask why the Government did decide to include these references to economic, fiscal and external circumstances? Was it because it actually weakened the 2006 Act?
Mr Thomas: No, I do not think it does weaken the Act. If the 0.7% target were not to be met, with the requirement that ministers are very clear about why the target has not been met and, if it is because of economic reasons, that they are particularly clear about those reasons, I think it is a perfectly reasonable ask to make. It also reflects the other most recent piece of legislation which focuses on inputs, if you like, as opposed to outputs, which is the Fiscal Responsibility Act that also makes a similar reference. Obviously, I did not hear the particular evidence from Save the Children, but, if, and I have no reason to doubt it, you are accurate in the way that their comments were reported, I think they have misunderstood the effect of the Bill.

Q103 Mr Lancaster: Mr Sharpe was sitting in this morning, so perhaps he would like to comment.
Mr Sharpe: I think he argued that taking out the clause from the 2006 Act which required reporting on the year in which the Government will meet the target weakened the Act, and I think that is a purely technical change in the 2006 Act because, once we have met the target, how can there be a requirement on the Government to report the year in which it intends to meet it, so I think that was one of the things he was saying certainly and I think that was not correct. The reason those clauses are in is to make it very clear the type of demonstration, the type of report the Secretary of State would need to make to Parliament in the event that the target were not met. Obviously, one scenario the Treasury have asked us to consider is what would happen if there were a surge in GNI during the course of a year, and that is one scenario that might need to be thought about, for example.

Q104 Mr Lancaster: Thank you, Mr Sharpe. I did not want you to think that we did not spot you there this morning! Can I then ask what other accountability measures, apart from these, you considered including in the Bill? What else was on the list and then turned down?
Mr Thomas: Well, I think we have got a very clear mechanism for doing so. I suppose the other device that you might consider would be the use of the courts to hold the Government to account for this particular piece of legislation. I do not think the courts are the appropriate approach as there is a clear parliamentary or constitutional convention that Parliament is responsible for holding to account the Executive for spending commitments and for the progress on international commitments and I think it is right, therefore, that we have focused on Parliament as the institution to hold Government to account on whether the 0.7% is met or not.

Q105 Mr Lancaster: I think we will come on to some of the legality later. The other area of concern which was expressed to us by the NGOs was really about the sanctions if Government fails to meet this 0.7% target, and indeed Mr Lawson from Oxfam this morning said, and Mr Sharpe can confirm this as he was there, that the Government was effectively trying to have its cake and eat it by putting the Bill in place, but actually, if it does not fulfil the requirement, the sanction is to make a report to Parliament, which is not really much of a sanction, so what examples did you draw on when you decided that this would be the process for that sanction?
Mr Thomas: I do not think, with respect, that it is not much of a sanction, a report to Parliament. What Parliament chooses to do with that report or what it chooses to do if 0.7% is not met is clearly a matter for Parliament. As a Minister, I have to say, I would not want to come and have to explain why a commitment to 0.7% had not been met, so, in that way, I think it is a significant sanction and I do not support, with respect, the demeaning of Parliament in the way that your question apparently suggests.

Q106 Mr Lancaster: Well, I am sorry that is what you think I am suggesting. What I am really saying to you is that, effectively, it means that you might be caused a bit of embarrassment, so okay, the Minister will be caused a bit of embarrassment, but what, in effect, would Government be forced to do to rectify the situation? Should there be something in the Bill which outlines that?
Mr Thomas: For my Party, not achieving the 0.7% would be of significant concern to us. That may not be the case for other parties and I cannot comment on that, but the sanction is Parliament taking up the opportunity to hold ministers to account for not having met the target and the reporting to Parliament is the opportunity for Parliament to start to force that conversation and that process of accountability to take place.

Q107 Richard Burden: Could we perhaps move one stage on from the event of the target not being met and the sanction being deployed to what actually would be done to rectify the situation in the future. Now, the draft Bill, as it stands, says that the Government should "describe the steps taken to ensure the target will be met", so the implication there is that what is already going on will be described, which is good stuff, but presumably, if the target has not been met, something rather more than the steps which have already been taken may be required. A number of the NGOs have been saying should there not be some sort of obligation in the Bill to produce some kind of action plan to ensure that the target is met in the coming period, and has the Government looked at that? For instance, it seemed to be a bit weaker than, say, in the Child Poverty Bill where the Government is actually required to publish strategies of what should be done to meet the target in the future.
Mr Thomas: Well, there is an obligation each year from 2013 to deliver on 0.7%, so, in a sense, the requirement to publish a separate action plan is obviated by the existing duty to meet the commitment to 0.7%, so I think, in a sense, you would just be publishing a report when the requirement is already there the following year to make progress, so that is why I do not see an action plan as being necessary.

Q108 Richard Burden: But could the same thing not be said about the child poverty legislation, and yet in that one it is said that regulations need to be published to put into effect the steps the Government is going to be taking?
Mr Thomas: I would have to look at the exact wording of the Child Poverty Act, but, as I say, I think the fact that there is that requirement year on year from 2013 to deliver the 0.7% commitment means that that requirement is already there to make the progress that is required.
Chairman: I think we were told this morning that in one or two of the countries which have met the target it is kind of inbuilt in the budget process that you start with that commitment and you start by saying, "That's our projection for GNI and, therefore, that's our development budget".

Q109 Mr Hendrick: Mr Sharpe made the point that you could get a spike in GNI for whatever reason and, therefore, even if you put it in the budget process, you still might fall foul of the law, but I see this as analogous to the Government setting the inflation target. If the Bank of England did not meet that inflation target, then obviously the Governor would have to write a letter to the Chancellor, explaining what he is going to do about it. Now, this strikes me as perhaps one of the first opportunities by putting the ball in the court of Parliament to say that it then has to answer to Parliament to take it above and beyond necessarily the traditional situation where the whips have some sway over what their party members do to say, "Look, the Government has fallen foul of its own law here" and, therefore, Parliament itself, rather than necessarily individual political parties, will have the say on how it should deal with it, so I would not be too prescriptive in what goes in the Bill because, if Parliament has the say, then this should be above party politics and an issue which all parties could agree on.
Mr Thomas: As I am sitting here as a representative of the Executive, I am not sure it is for me to comment on what Parliament should or should not do.

Q110 Chairman: We have a few votes over the next week or two to change that.
Mr Thomas: We will see.

Q111 Richard Burden: On the issue of parliamentary scrutiny, even with some of the votes that are coming up in the coming weeks, we are not always collectively—Parliament as a whole—that great at scrutinising detail, therefore we need to hone down particular institutions to enable close scrutiny to go on. One of the institutions in parliamentary terms that could play a role in that could be us, the International Development Committee. Is there a case in relation to this legislation, as well as in a sense leaving it up to the International Development Committee to have an inquiry or not to have an inquiry on monitoring the 0.7% year-on-year, where something is formally built in so that there would be an ongoing annual scrutiny of the Department's performance, on the Government's performance, on that issue? Would that be something that you think might be useful?
Mr Thomas: As a Minister, I have never felt under-scrutinised by this Committee or by Parliament in general. I do not recognise the scenario that you paint. If the Committee decides it thinks there should be a clear amendment that references the International Development Select Committee, if this legislation is still my responsibility after the election, then, as I always do when the Committee makes a recommendation, I will consider it very seriously. I do not see why such an amendment would be necessary. I would have thought the Committee is of strong enough character to make sure it is part of the process to hold us to account as Government for

meeting the 0.7% target or not, but I would happily look at the justification the Committee made if that is indeed one of your recommendations.

Q112 Chairman: That proposal has come from evidence to us, not from within the Committee.
Mr Sharpe: Could I just make one technical point about the reference to the report saying what action the Secretary of State has taken? By the time the final statistic is published and the Secretary of State has made his report to Parliament, we will already be well into the subsequent year. If the Secretary of State has not already taken action by that point—that is what the draft is meant to capture—it will be too late for the Secretary of State then to come with an action plan about what would be done in future. The Secretary of State will need to be reporting about what action has already been taken to achieve it in the year that we are already in.
Mr Thomas: The basis for that being that ODA-GNI is calculated on a calendar year. ODA-GNI figures are published so that approximately in April the first provisional ones are verified and we publish them usually towards the end of June, early July.

Q113 Richard Burden: That description of action taken means the assumption would be this would be a list of, in the very literal sense, actions that have been taken—we have increased the budget here or there—and it would also be assumed that one of the actions taken would be plans that have been adopted by the Government but not necessarily yet enacted to meet that 0.7%.
Mr Thomas: Possibly. It would depend on what circumstances there are at the time. We are speculating about a failure to achieve 0.7. The particular political party that I represent is determined to achieve 0.7%.
Chairman: Yes, but the point of passing a law presumably is to ensure that it is followed through and enforceable.

Q114 Mr Hendrick: You mentioned the possibility of court action being taken. What is your view on this? Do you believe that it should be legally enforceable?
Mr Thomas: I do not believe it requires courts to have a particular duty in this regard. The Bill does not create individual rights, for example, in which the courts would traditionally in many circumstances have a role in terms of seeing whether they have been adhered to or not. The Bill relates very particularly to our spending commitment and an international commitment. It is the constitutional convention that that is Parliament's responsibility to hold the Executive to account in that area. What the Bill does not stop is the situation where the courts might look at particular spending decisions, particular projects that have been funded and whether or not they met the definitions in other Acts of Parliament. Perhaps the classic case where courts have been involved is around a particular spending decision, the Pergau Dam affair. Courts are not precluded by the absence of reference in this legislation from still looking at particular projects and whether or not they meet the definitions. Given that this is about a clear spending commitment and an international commitment, I think it is right that it is Parliament that holds the Executive to account.

Q115 Mr Hendrick: Let us use the example you were highlighting. Let us say there was a degree of militarisation, some operations were undertaken which cost a certain amount and that was included in the 0.7%. Somebody might challenge that and say that that really does not meet the definition and the criteria for which it was intended and take that to court. Do you see that as a possible scenario?
Mr Thomas: I believe that it would be possible for such a court action to take place under the existing legislation.
Ms Rattee: Yes. This Bill does not amend the 2002 Act. The powers to challenge decisions of the Secretary of State to spend in accordance with the requirements of that Act are still in place. It does not do anything to change those.

Q116 Mr Hendrick: In terms of meeting the 0.7, if that was included as part of the 0.7?
Ms Rattee: It would have to meet the definition, including the reduction of poverty, in the 2002 Act.
Richard Burden: As far as DFID is concerned, not as far as all of the 0.7.

Q117 Mr Hendrick: This point was made and, with respect, nobody has answered it. The Chairman quoted from *The Guardian* this idea of state building which can be loosely regarded as reducing poverty. Is that the case or not?
Mr Thomas: Yes, absolutely.

Q118 Mr Hendrick: That means any amount of military spend that contributes to that?
Mr Thomas: Absolutely not. The OECD DAC has clarified that, if you like, the enforcement activity of spending in developing countries or elsewhere could not be counted as ODA. Other types of state building were, such as training police, funding civil servants, such as, as we described yesterday, the technical assistance that is given to the Ministry of Finance or other ministries in Zimbabwe and, indeed, in a whole series of other countries, which is state building surely. It is perfectly proper development assistance. Indeed, I personally would see trying to build up the capacity of the state to operate in a way that is transparent, protects human rights and helps to deliver basic services for all the people in the country as a key purpose of development spending. I do not have any compunction in saying that state building is a hugely important part of what we do as a Department.

Q119 Mr Hendrick: And poverty reduction?
Mr Thomas: Absolutely. It is clearly important in terms of poverty reduction. When we do not have confidence in the people who are in power in a particular state, then we do not work through those mechanisms of the state. That is the situation we face in Zimbabwe. It is not the situation that we face in a series of other developing countries.

Q120 Mr Hendrick: That is clear on the 2002 Act now that you have this definition, but what about the enforcement of the 0.7? What does the Bill add in terms of strengthening the commitment to the 0.7 target if there is no legal enforceability?
Mr Thomas: There is a clear distinction between the ability to go to court to question whether or not particular bits of spending are eligible under the 2002 Act and the overall spending commitment and our overall adherence to the international obligation, which we think constitutionally has been up to now the preserve of Parliament and should be in this context too.

Q121 John Battle: I am a little bit confused about the power of the Bill. Is it a legal, enforceable duty or not? I put it in the context of the Child Poverty Bill that I was involved with. We had some of these pre-hearings in my own neighbourhood, in inner city Leeds, where people were discussing the Bill. Generally, a good idea but people said, "Is it an aspiration or is it a legal obligation?" I asked why they asked the question and somebody in the audience rather unhelpfully suggested, "Yes. What this Bill means is that if we do not get our money we can sue our MP". I was left a bit confused about what the legal obligation was. In the context of this Bill, what is the point of it if it is just an aspiration? Is it legally enforceable or is there a cloudy legal area here? I have learned there is a phrase in law, "ouster clauses", that say it is a law but it is not really a law. Is it a law or is it not a law? On the courts, I completely agree with the Minister. I want to keep stuff out of the courts and have either mediation at local level or Parliament sorting it out. People do go to court. They could even go to court and challenge contracts on the grounds that you say it is not working for poverty reduction and they claim it is. I could see court cases over the definitions of poverty reduction and even the older definition of whether they are counted in or not, if somebody were to be minded to go down that route. What is the clarity on the legal issue? Is it a law or is it an aspiration?
Mr Thomas: If it is passed by Parliament, of course it is a law. To link the question of courts and the reporting to Parliament, I suppose you could imagine a scenario à la Pergau Dam where there was such a huge amount of money spent on one particular project it was challenged in the court, the court ruled that it was not permissible spend and could not be therefore counted towards the ODA-GNI ratio. One would hope that the Secretary of State would have to acknowledge that in the report to Parliament. One would certainly assume that Parliament in one guise or another would have the gumption to challenge the Secretary of State over that particular court case. I think there is a difference between this Bill and the Child Poverty Bill. To use another bit of jargon, this is very much about inputs, about the total spend on development assistance. The Child Poverty Bill was about achieving a series of outcomes. Parliament has traditionally fought for all sorts of reasons, as Members will probably know only too well, for the right to hold the Executive to account on spending commitments and on adherence to international obligations. This Bill is drafted in that spirit.

Q122 John Battle: I would not like to see government time spent with Treasury solicitors in the courts arguing over ODA definitions in the next five years. Would you envisage that could happen at all?
Mr Thomas: I would hope not under any government I was part of.
Ms Rattee: There is precedent in the Fiscal Responsibility Act, which was passed on 23 February and given Royal Assent, for these ouster clauses. I think there is a difference in that it is not trying to enforce individual rights. What this legislation is clearly trying to do differently from that is to provide parameters for policy development and to ensure that there is parliamentary accountability and a focus for parliamentary accountability. That is what this Bill is doing as opposed to questions of fines and power which will still be available for challenge as they would be now under the 2002 Act.

Q123 Mr Hendrick: Could I ask if there is the right division of responsibility and power here? It would seem to me, if the Secretary of State has to come to Parliament to report why the Department has not met the 0.7 and in fact there are not sufficient funds coming from the Treasury for the Department or any other section of the government that is contributing to ODA, how can the Secretary of State be held responsible for what is the Treasury's responsibility?
Mr Thomas: It is the Secretary of State's responsibility to lay the report. It is for Parliament to decide who it wants to bring before it or how it wants to take action in response to the report.

Q124 Chairman: The danger is he is going to turn up and say, "The Chancellor of the Exchequer would not let me".
Mr Thomas: There are a series of other ways in which Parliament can hold other ministers to account for decisions that have been taken elsewhere in government. It is not for me to tell Parliament how to do its job in that respect. With respect, there are a number of committees other than just this particular Committee that could look at development funding.

Q125 Chairman: There was, we understood, before this Bill was published—and it was slightly later than expected—some to-ing and fro-ing as to whether it was going to be a DFID Bill or a Treasury Bill. You could argue that it is more of a Treasury commitment than a DFID commitment. You could argue that it is the wrong minister who has been made accountable to Parliament when the minister does not hold the purse strings.
Mr Thomas: We actually moved pretty quickly to publish draft legislation after the Prime Minister made the particular commitment. I accept the point that this relates in part to an area of responsibility for the Treasury but, given it is very specifically about official development assistance, it clearly must be the

responsibility surely of the department that leads on development assistance and for it to be our Secretary of State who takes the responsibility for laying any report before Parliament. It is for Parliament then to decide what it wants to do to hold not just our Secretary of State but government in its entirety to account for progress on 0.7 or not.

Q126 Mr Hendrick: You are saying if the Secretary of State comes along and says, "It's not me, guv. The Treasury would not give me the money", then Parliament has to set about the Chancellor?
Mr Thomas: It would certainly be an interesting conversation but that is not what I am saying, no.

Q127 Chairman: Maybe that is not the right language.
Mr Thomas: It would be a brave Secretary of State who said that.

Q128 Richard Burden: One of the things that has been put to us is that, whilst the Impact Assessment on the draft Bill does say there will be a short-term impact on DFID of the costs of the Bill process, there has not been a proper cost benefit analysis in the Impact Assessment about the draft Bill. How would you respond to that?
Mr Thomas: Let me try and give you some more sense of what might be achievable with the extra money that the Bill essentially flags up. We estimate that in 2008 we spent as official development assistance £6.35 billion. That rose in 2009 to roughly £7.5 billion. That is a provisional figure and we think we will be around £9 billion by the end of this year if spending levels are maintained. It is very provisional. On projections around GNI, in terms of 0.7%, if in 2013 it was met, there would be a £12 billion budget for official development assistance.

Q129 Chairman: Is that money of the day or currency prices?
Mr Thomas: These are very, very rough figures.

Q130 Chairman: It would be cash value at the time?
Mr Thomas: Yes. That implies, roughly speaking, an extra £3 billion being available for development assistance. That could potentially buy an extra 400,000 classrooms in developing countries. It could potentially train an extra three million teachers or buy an extra two billion textbooks. That is just to use education as one particular example. On health, it is potentially an extra 600 million bed nets, immunisation of another 250 million children or another 500,000 lives saved by strengthening health systems. It is not a perfect science about the potential impact but I think it does give a flavour of the huge potential difference that achieving 0.7% could make in developing countries.

Q131 Chairman: Are those not the best selling points of the Bill? Why not put them into the Impact Assessment, even if only as examples?
Mr Thomas: I think I knew that I was going to have the chance to appear before the Select Committee and I wanted to save some of the best lines for this Committee.

Q132 Chairman: The starting point was why have the Bill. The ending point is if you are to have a Bill how are you going to sell the merits of it. What you have just told us, that £3 billion of extra spending is delivered, is a much more exciting outcome than increasing it from 0.52 to 0.7%. Can I suggest that politically turning it into cash and outcomes is much better than defining it in terms of inputs.
Mr Thomas: I hear the point that you make and I take it on-board. I hope that we will see this Bill on the statute book because, as you quite rightly say, I believe it will make a huge difference. There is a very strong moral case for doing what we are proposing. I also believe there is a very strong case that this is in Britain's self-interest for the very reasons that you started to talk about: state building, the sheer number of countries that do not have the type of effective state that we have and the problems that brings in its wake, not just for its own citizens but internationally as well. One thinks of Afghanistan as being a classic example where it is both morally right to do development but it is also in Britain's self-interest to get a more effective state and to help people, for example, move away from growing opium and poppy and finding alternative livelihoods.

Q133 Chairman: I do not think the Committee is going to dissent from that in principle. Our job is to produce a report on this draft Bill and any suggestions or recommendations that seem appropriate. What is needed is a greater public understanding of what development is about. If the Bill can help that, that is a positive outcome. That is why we have had the questions about definition and accountability. Otherwise, there is a danger that we are just increasing the money going to dubious places with dubious outcomes. It really is pretty important that it is not just about spending more money on overseas aid development; it is about spending it more effectively. That is what both the sessions this morning and this afternoon have activated in the Committee's mind. You will see that flavour in the report when we produce it. Is there anything you want to add?
Mr Thomas: I hope that there will be cross-party consensus on the Committee at least to support the Bill. There certainly has not been to date in terms of the comments of the different political leaders. I repeat my concern that the Leader of the Opposition said he does not think there is a need for this particular Bill. I hope the Committee's consideration might help to sway his particular mind as well as the minds of any other sceptics about this Bill.

Q134 Chairman: I suppose the first stage is for this Committee to come to some agreement on what we think about the proposals. The wider discussion is obviously for others to take forward. I think I can

speak on behalf of the Committee rather than the wider political circles. The Committee would not wish to see this piece of proposed legislation become a cause of contention on cross-party agreement that we all want to achieve 0.7%. I am not saying it is intended as such but I think the Committee would not wish it to become such. I certainly hope that what we say will be reflected in our report. As you well know, these committees have to agree their reports behind closed doors and produce results in the end, so I cannot prejudge it.
Mr Thomas: I respect that. I do not believe that there is the scale of cross-party consensus on the issue in general that you describe. I hope in the coming weeks that changes but I do not believe it is there on the scale that you have just described.

Q135 Mr Hendrick: Is it an issue as to whether or not we should have legislation or is it just on the 0.7%?
Mr Thomas: With respect, I think that is a question for others, not for me.

Q136 Mr Hendrick: In terms of your interpretation of what other party leaders are saying?
Mr Thomas: There is a clear quote from the Leader of the Opposition that he does not believe the legislation is necessary. There is also evidence that candidates of one particular political party, 90% of them plus, do not think the international development budget should be ring-fenced.
Chairman: To be fair, the position of the Conservative Party, as I understand it, is that they are committed to achieving the 0.7%.
Mr Hendrick: The leader is.
Chairman: It is not our Committee's job to determine that. That is for other people. We can internalise our discussions but, having said all that, thank you very much for providing us with your views and helping us learn a little bit more about the thinking that is behind it. We have had a couple of very useful sessions. I hope we should be able to produce a report that will add some value to the discussion. Thank you.

Written evidence

Written evidence submitted by the All Party Parliamentary Group on Agriculture and Food for Development

1. The APPG on Agriculture and Food for Development welcomes the Government's decision to legislate for the contribution of 0.7% of their gross national income (GNI) on official development assistance (ODA). The APPG feels that the Government should also be commended on its progress towards achieving UN General Assembly resolution 2626 by 2013, committing all economically advanced countries to providing 0.7% of their GNI to ODA. Indeed, the UK Government should also be applauded for trebling the British aid budget since 1997, however; the APPG wishes to state that more can be done and more must be done.

2. As highlighted in the background to the draft Bill, increasing global aid is a vital step towards achieving the Millennium Development Goals (MDGs) by 2015. The international consensus garnered around these eight targets since the UN Millennium Declaration in 2000 has been of vital importance to the global developmental effort. It is widely agree that in order to meet the MDGs, and indeed to tackle poverty in a meaningful and sustainable manner post 2015, then ODA will need to be maintained at a higher level than present.

3. Noting that the "main objective" of ODA is the "promotion of the economic development and the welfare of developing countries", as outlined in the draft Bill's introduction the APPG on Agriculture and Food for Development would like to encourage the Government to take a further step and legislate for a 10% contribution of total ODA to agriculture programmes in the developing world and the monitoring of its performance in 2013 and subsequent years in the same vein as the 0.7% commitment.

4. The need to legislate in such a way stems from the pressing need to halt, and ultimately reverse, our current global slide towards hunger with specific relevance to the Millennium Development Goals. Currently with over one billion people hungry, in order to meet MDG 1 by 2015 and to reduce by half the proportion of people who suffer from hunger, the world must pull 100 million people per year out of hunger for the next six years, though this is only half of the global hunger problem.

5. According to the FAO, $30 billion of additional funds will be needed annually to rectify this situation in order to meet MDG 1 on time.

6. With some European governments now disputing their ability to afford such provisions, the UK—a leader in international development must take a lead on hunger as part of its commitment to meeting 0.7% GNI for ODA by 2013 and help to put agriculture back at the top of the international development agenda, since few others are either willing or able to do so.

7. To date the UK has actively promoted the MDGs as the guiding framework for development partnerships, yet MDG 1 has been severely neglected. If the UK is to continue to set the agenda and play a leading role in international development it is vital the UK demonstrates its commitment not only to invest in international development per se, but also to invest in the sectors that need it most and which have the greatest multiplying affect.

8. Economists widely accept that a 1% increase in per capita agricultural output leads to a 1.6% increase in the income of the poorest 20% of society. The World Bank estimates that economic growth from agriculture generates at least twice as much poverty reduction than growth in any other sector, whilst the International Food Policy Research Institute (IFPRI) estimates an additional annual contribution of $2.9 billion by 2013 would lift 144 million people out of less than a dollar-a-day poverty by 2020. Agriculture in this respect is unique, and as such its needs to be developed in proportion to the UK's 0.7% target rather than being continually left behind.

> "Investment is needed in sustainable agriculture, which is the most important economic sector for most Africans. African governments have made a commitment to invest 10% of their budgets in agriculture. We will strengthen our support for their commitment."
>
> The Gleneagles Communiqué—G8 2005

> "The tendency of decreasing ODA and national financing to agriculture must be reversed."
>
> The G8 2009

9. Between 2004 and 2008, DFID's overall spending increased in line with the increased budget provision agreed in the 2004 Spending Review.

10. In 2005–06[1] the total voted resource expenditure on poverty elimination increased by 20% to £3.9 billion; In 2006–07[2] the total voted resource expenditure on poverty elimination stood at £4.7 billion and; In 2007–08[3] the total voted resource expenditure on poverty elimination stood at £4.5 billion. In 2009–10 this figure rose to £5.5 billion.

[1] http://www.official-documents.gov.uk/document/hc0506/hc14/1450/1450.pdf
[2] http://94.126.106.9/Documents/publications/dfidresourceaccounts0607.pdf
[3] http://www.dfid.gov.uk/Documents/publications/dfidresourceaccounts0708.pdf

11. Examining the proportion of these budgets allocated to agriculture it can be summarised that: In 2005–06 DFID spent £115 million on agriculture; this is 2.95% of DFID's total budget. In 2006–07 DFID spent £203 million on agriculture; this is 4.3% of DFID's total budget. In 2007–08 DFID spent £172 million on agriculture; this is 3.8% of DFID's total budget.[4] Data for 2009–10 is not yet available.

12. In Sub Saharan Africa[5]—the total spent specifically on agricultural programmes for 2005–06 was £12.57 million, for 2006–07 was £12.23 million, in 2007–08 it was £26.15 million and in 2008–09 it was £20.69 million. The figures represent 0.32%, 0.26%, 0.58% and 0.37% respectively.

13. At the same time, African countries are stuttering towards committing 10% of their national budget on agriculture, as part of the Maputo Declaration (2003)—for them it is all about new, sustainable investment in agricultural productivity. It is vital that DFID's country programmes fully support this emerging agricultural agenda as outlined in Africa owned and Africa led initiatives such as The Comprehensive Africa Agriculture Development Programme (CAADP) of The New Partnership for Africa's Development (NEPAD). Yet to date this is not being done. As such the enshrinement of a commitment of 10% of ODA to agriculture in legislation centrally would allow DFID's country offices to focus on the issues requiring immediate assistance at the local level.

14. For Africa, agriculture is the key to poverty reduction and DFID must be there to help unlock that potential. DFID's continued unwillingness to direct additional budgetary resources towards agriculture out a clear message to African Governments. To date only seven African countries have met the 2003 Maputo Declaration of directing 10% of total Government expenditure to agriculture. It is difficult to believe that it is a coincidence that the 2008 World Bank Report recorded that a mere 4% of official ODA, on average, went to agriculture while also noting that in sub-Saharan Africa public spending for agriculture, on average, stood at 4% of total Government spending.

15. As such the UK Government should use this draft legislation to commit 10% of UK Overseas Aid to sustainable agriculture, thereby almost trebling current commitments—a symbolic pledge to match the Maputo Declaration and provide a much needed boost towards the additional $30 billion a year required to tackle chronic hunger globally. The potential of such a strengthened Act would be to impact positively on the actions of other donor countries in respect of meeting their ODA commitments and thereby moving towards fulfilment of the MDGs; as well as impacting positively on recipient countries to make necessary investments, where possible, in conjunction with increased UK commitments. Indeed, in terms of sustainability and predictability of aid levels for developing countries—such a legal commitment would help the Department provide more sustainable programmes for agriculture[6] based on developing countries ability to plan their long-term expenditure commitments, which the background to the Bill acknowledges are "vital to [the] achievement of the MDGs".

> "Hunger is a moral challenge to each one of us as global citizens, but it is also a threat to the political and economic stability of poor nations around the world."
>
> Prime Minister Gordon Brown

16. The above statement was made by Prime Minister Gordon Brown in April 2008 and closely echoes the background information in the draft Bill which states:

> "But in the 21st Century, development is not merely a moral cause; it is also a common cause. The success and security of other countries profoundly affect our own success and security. Justice, security and prosperity are indivisible: none of us can fully enjoy them unless we all do. Building Britain's future and building our common future go hand in hand."

17. Sentiments such as this are central to agriculture and food security. Hunger is not only a moral issue; it is an economic and social issue; it is a diplomatic issue; it is a security issue; and it is one that requires the developed world to act now if this global slide towards hunger is to be stopped.

18. By complementing the existing draft Bill with legislation to enshrine a 10% commitment of UK ODA to agriculture, the UK can take a vital step towards achieving MDG1, setting the global international agenda for donors and ensure that we also set the standard for developing nations to help themselves in this vital sector for alleviating chronic poverty.

February 2010

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4 Drawn from Hansard: 21 July 2009 : Column 1249W
5 Drawn from Hansard: 21 July 2009 : Column 1242W
6 P7 http://www.publications.parliament.uk/pa/cm200910/cmselect/cmpubacc/282/282.pdf

Written evidence submitted by CAFOD

1. CAFOD welcomes this critical and historic legislation. A legal binding commitment to spend 0.7% of gross national income on aid will fulfil a promise that the UK first made 40 years ago. It stands to transform the lives of millions of people across the developing world.

2. CAFOD is the international development agency of the Catholic Church in England and Wales and part of the global Caritas family. CAFOD works to end poverty and make a just world, helping the poor regardless of race or religion.

3. Legislating on aid volumes will make assistance more predictable for recipient governments, enabling them to improve their planning and use aid more effectively.

4. It comes at a time when aid budgets across Europe are under threat. The bill sets a powerful example to other governments to fulfil their international commitments, and ensure those most vulnerable in the financial crisis are not denied help when they need it most.

5. The draft bill is simple and sensible. For any party that supports the commitment to spend 0.7% of national income on aid by 2013, there is no reason not to support the legislation.

6. CAFOD recommends that the accountability provisions in the draft bill are strengthened. We make four suggestions for how this might be done, including placing an obligation on the Secretary of State to draw up an action plan in the case of non-compliance.

7. CAFOD is proud to repeat the declaration of Pope Paul VI, in his 1967 Encyclical, *Populorum Progressio,* predating the establishment of the 0.7% target by three years, that the new name for peace is development. While aid alone is not sufficient to bring about development, it is a critical ingredient, and is needed more than ever in a world still wracked by conflict and threatened by climate change.

8. CAFOD recommends that all parties unite to pass this bill through parliament.

1. *A critical and historic Bill*

1.1 CAFOD is pleased that this Draft Bill has come before the house. Legislation to spend 0.7% of UK's gross national income on aid would deliver one of the UK's longest standing international commitments and help improve the lives of millions of people across the developing world. An Act establishing the 0.7% target in law would be an added guarantee that there can be no retreat from this goal, to which all three major UK parties are committed.

1.2 The commitment on 0.7% has been unmet in the UK for 40 years. Whilst the current financial crisis has hit the poorest hardest, it is also squeezing aid budgets across Europe, denying those most vulnerable of the assistance they need more than ever. This legislation would confirm the UK as a leading force on international development, and create pressure on other governments to make good on their promises.

2. *The overall aims and scope of the Bill*

2.1 The aim of the Draft Bill is to make a legally binding commitment to spend 0.7% of the UK's gross national income on aid, each year from 2013. It will require the Secretary of State to report to parliament if there is failure to meet the spending target, and describe any plans to achieve it in future years.

2.2 The bill makes no amendment to the 2002 International Development Act which enshrined the purpose of UK aid as poverty reduction, and builds on the 2006 International Development Act which strengthened its transparency and reporting.

3. *Is the legislation necessary to achieve the 0.7% target in 2013 and beyond?*

3.1 The legislation will make it more difficult for the target not to be achieved, but it will not guarantee that it will be achieved. For decades, the UK has failed to meet 0.7% despite widespread support for the target.

3.2 CAFOD believes this is simple, sensible legislation. Any political party that intends to honour the commitment on 0.7% should also support the bill. Given that all major political parties currently share this commitment, the legislation should find cross-party support and make swift progress through both houses.

4. *Are the proposed accountability measures in the Draft Bill sufficient?*

4.1 No. The accountability measures in this bill are not as robust as they could be, and CAFOD recommends that they are strengthened. Suggested amendments are as follows:

4.2 *Remove the reference to economic, fiscal and external factors (Clause 2.3).* We are concerned that if the Secretary of State is encouraged to explain any failure to meet the target specifically in terms of economic, fiscal and external factors, then those factors may be seen to legitimate such a failure. Given that the spending target is a percentage of national income, it should be no more difficult to achieve in periods of recession than those of economic growth—when the UK's income is low, the target would be proportionately smaller. Removing the reference to economic, fiscal and external factors would encourage the Secretary of State to make explicit the political priorities behind a decision not to meet the target.

4.3 *Specify the role of the International Development Committee in scrutinising the Secretary of State's report (Clause 2)*. Any report presented by the Secretary of State to Parliament should be brought to the International Development Committee who should have a clearly specified role in scrutinising progress, particularly that ODA definitions are not being diluted in order to meet the target.

4.4 *Publish a breakdown of Official Development Assistance by Government department*. Also with the aim of facilitating scrutiny on the definition of ODA, we recommend inserting a clause to ensure that the reports that Secretary of State makes to Parliament include a disaggregation of expenditure by Government department.

4.5 *Compel the Secretary of State to draw up an action plan, in the case of non-compliance (Clause 2.4)*. Rather than simply requiring the Secretary of State to describe "any steps" that he or she has undertaken to ensure the target is met in the following calendar year, CAFOD suggests that the Secretary of State should be *required* to draw up an action plan to ensure it is met in the following years.

5. *What is the potential impact of the draft Bill on the actions of other donor countries in respect to meeting their ODA commitments?*

5.1 Positive. Many EU member states are faltering on their aid commitments. They promised to reach a collective aid level of 0.56% by 2010, but the most recent official figures show that levels stood at only 0.4% in 2008. Ireland cut its aid budget by 24% in 2009, and Austria, France Germany, Greece, Italy and Portugal are significantly off-track. The new Member States are also failing to meet their individual 0.17% target. Poland's aid in 2009 is anticipated to be at 0.08%; the Czech Republic at 0.13%; whilst Latvia has cut bilateral aid to almost zero.

5.2 Legislation on 0.7% in the UK sets a powerful example to other donor countries, and creates international pressure for ODA commitments to be fulfilled. The bill process is being followed closely by European neighbours, particularly Ireland. It confirms the UK as a leading force for international development, and demonstrates that aid budgets can be protected in an economic downturn.

6. *Will enshrining the ODA target in legislation affect the predictability of aid levels for developing countries?*

6.1 Yes. The bill will help make aid more predictable for developing countries, which is critical to making aid more effective. As such, the legislation would be an important contribution to the UK's efforts to fulfil the Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008).

6.2 It is currently difficult for the UK government to provide governments in developing countries with concrete funding commitments beyond the years covered by the Comprehensive Spending Review. With legislation on 0.7%, from 2013 it should be possible to make longer term agreements on aid allocations, enabling recipient governments to improve their planning processes and policy design.

7. *Will the legislation affect poverty reduction objectives for ODA expenditure as set out in the International Development Act 2002?*

7.1 No. The Draft Bill defers to the objectives set out in the International Development Act 2002, which established that the UK's aid would be used to reduce poverty. By referring to aid as Official Development Assistance, the bill ensures that UK allocations will be protected by definitions set by the Development Assistance Committee of the OECD. However, the UK government currently has a tighter definition of ODA than the OECD, we want to see that this good practice continues, hence the recommendations made in paragraphs 4.3 and 4.4.

8. *Will the Bill impact on the contribution to ODA from other government departments (ie non Department for International Development ODA expenditure)?*

8.1 Probably not. Contributions to ODA from other government departments will continue to follow the definitions and objectives of aid set out in the International Development Act 2002. As noted in point 4.4, we recommend that a disaggregation of ODA expenditure by government departments is published by the Secretary of State in the annual report.

Written evidence submitted by Christian Aid

1. *Introduction*

1.1 Christian Aid welcomes the opportunity to submit a response to the International Development Committee's Inquiry into the Draft International Development (Official Development Assistance Target) Bill. Christian Aid works with some of the world's poorest people, of all faiths and none, to tackle the causes and consequences of poverty and injustice, and to campaign for change. We work in around 50 countries with more than 650 local organisations where there is great need.

1.2 Our work, though varied and not solely based on the use of aid, benefits greatly from the support of the UK Government and its consistent and exemplary commitment to providing developing countries with Official Development Assistance (ODA).

1.3 Christian Aid believes that ODA has had some significant and important impacts on the reduction of extreme poverty. Looking at the Millennium Development Goals we see that up to 2009, for example, the goal to provide measles vaccination programmes in Northern Africa and Eastern Asia has essentially been met.[7] Much of this success can be attributed to continued ODA, as well as other factors such as relatively stable infrastructure, governance and a strong civil society. In order to achieve progress across all MDGs and in other aspects of poverty, and ultimately to achieve poverty eradication we need the UK to achieve the 0.7% target. Without that, developing countries are less able to build governments and civil societies that can provide for and empower their citizens to exit poverty.

2. *Aim and scope of the Bill*

2.1 We welcome this Draft Bill as we fully support the process to make the Development Assistance Target legally binding at 0.7% of Gross National Income (GNI) by 2013. In Recent years, the United Kingdom government has shown that it is committed to providing significant levels of Official Development Assistance through its yearly targets. Putting this practice into legislation 40 years after the initial agreement by donors is a very welcome action and one that will ensure the UK finally meets its goal of 0.7% of GNI.

3. *Is legislation necessary?*

3.1 Since the United Nations agreement to contribute 0.7% of National Income towards ODA in 1970, there has been no certainty as to what level of aid the UK government would provide, if at all. In recent years targets have been put into the UK budget, but uncertainty has remained. This means that before the budgets are finalised, both ministers and NGOs scramble to influence the decision.

3.2 Legislation is necessary to achieve the 0.7% target in 2013 and beyond because it will bring more certainty to the budget process. This will mean that less ministerial and NGO time, energy and money will be spent on trying to predict or influence our contribution to ODA. Our commitment to international development will be enshrined in the UK legal system, alongside many other international standards, setting a benchmark for other major donor countries to emulate.

4. *Are the proposed measures of accountability sufficient?*

4.1 Though the bill does outline some accountability measures in terms of oversight and the need to report in case the 0.7% target is not met, the proposed measures are not sufficient in terms of providing explanations if the target is not met in a given year, what action to take if it has not been met, and which body is responsible for scrutinising the government's actions in this regard.

4.2 Clause 2 (3) outlines reasons which would explain why the Secretary of State might not have achieved the 0.7% target. Understandably, the reasons stated include economic circumstances, fiscal circumstances and external circumstances. However, putting these explanatory statements in the bill is essentially making it acceptable not to reach the targets and providing excuses for them to fail to meet the target. *In order to take compliance with the bill more seriously, it will be important to remove all reference to these factors which would explain why the target has not been met.*

4.3 Clause 2 (4) states that the SoS must "outline *any* steps that [they have] taken to ensure the 0.7% target will be met by the United Kingdom in the calendar year following the report year." This is not sufficient to ensure that there is a plan to achieve the targets in the next year. With this statement it is easy to simply not take any steps towards next year's target, and in that case not report any steps taken. *Instead, clause 2(4) should read "outline the steps that the Secretary of State has taken to ensure that the 0.7% target will be met…"* This, in our view, would make it necessary to demonstrate an "action plan" to ensure that the target will be met the following year.

4.4 Laying a statement for Parliament, as discussed in clause 2 is not a strong enough response to non-compliance of this bill. Given that this bill is relevant to previous International Development Acts which are scrutinized by the International Development Committee, it is important that this bill follows suit. This would significantly strengthen accountability measures in the event of non-compliance and/or would enable proper scrutiny of the types of government spending which are counted as ODA, including whether they are genuine poverty eradication measures. *Clauses 1, 2 and 3 of this bill should be amended to show that the achievement of the 0.7% contribution to ODA—and the action plan in the case of non-compliance—is scrutinised by the International Development Committee.*

4.5 In addition, the bill should include a clearer statement than that in the previous International Development Act of the acceptable grounds for development expenditure, with the Select Committee explicitly empowered to hold the government to account for the appropriate use of these funds. "Appropriate" in this context should be defined as "with the express and exclusive purpose of poverty eradication in the developing world, excluding climate finance commitments made under the United Nations Framework Convention on Climate Change (UNFCCC) or similar international agreements".

7 http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2009/MDG_Report_2009_Progress_Chart_En.pdf

5. *Potential impact on actions of other donors/predictability of aid levels for developing countries*

5.1 At a time like this when developing countries are struggling to meet both international and national targets of development it is vital to show that the United Kingdom is committed to poverty eradication and is a reliable source of stable, long-term development assistance.

5.2 Additionally, the fact that some developed countries are currently falling back on their ODA commitments means that we are in a position to show a positive example of ambitious development legislation even when economic times are tough. This is likely to increase pressure on other donors (eg Ireland and Italy) who have recently cut back their ODA using the financial crisis as an excuse.

6. *Likely impact on the contribution to ODA from other government departments*

6.1 The impact that this bill may have on the contribution to ODA from other government departments is not exactly straightforward. It may mean that other departments contribute more in order to reach the 0.7% target, or it may mean their spending will not change. Either way, it is important to add more accountability, clarity and transparency to the process of reporting the 0.7% and its sources. Overseas Development Assistance spending should be used to further the goal of poverty eradication and should not be used in order to further military or wider diplomatic aims or to cover climate finance commitments. In requiring a report showing how much each ministry has contributed to ODA, it will be clear what expenditure is considered Overseas Development Assistance in various ministries. *In order to bring more clarity, accountability and transparency to all of the departments contributing ODA, clause 1 of this bill should be amended to include in the annual report a section demonstrating the amount and source of the 0.7% contribution to ODA.*

February 2010

Written evidence submitted by Dr Alison Evans, Director, Overseas Development Institute

1. The Government's draft International Development (Official Development Assistance Target) Bill places a legal duty on the Secretary of State for International Development to ensure that the target of allocating 0.7% of GNI to ODA is met by the UK Government by 2013 and in each subsequent year. In responding to the draft Bill, this written submission considers the following three issues:

(A) whether legislation is necessary to achieve the 0.7% target in 2013 and beyond;

(B) the potential impact of the draft Bill on the actions of other donor countries in respect of meeting their ODA commitments; and

(C) whether enshrining the ODA target in legislation is likely to affect the predictability of aid levels for developing countries.

A. *Is legislation necessary to achieve the 0.7% target in 2013 and beyond?*

2. There is no *a priori* reason why legislation is necessary to achieve the 0.7% target. The UK Government has made important strides towards meeting 0.7 in recent years (albeit from a rather late start) without it being enshrined in legislation. All three major UK political parties agree on the desirability of 0.7. The wider group of OECD/DAC members have, with a few notable exceptions, all laid out plans to meet 0.7 between 2012 and 2015. For the first time in history the consensus on levels of aid spending by the rich nations reaches across the political and institutional landscape. One could then ask why, in this apparently positive authorising environment, is it necessary to turn the UK's commitment into law?

3. There are three potentially compelling reasons:

(a) First, placing the commitment in law underwrites the UK's policy position as a committed and determined international actor. The UK is highly regarded internationally for its progressive approach to development policy and its commitment to aid effectiveness. The legislation places this commitment (at least in terms of aid volume) beyond question.

(b) Second, the impact of the global financial crisis on the public finances of the UK and other OECD countries has altered the authorising environment for ODA. Financial and economic volatility have increased the risk that, as a major (and one of the *few*) source of discretionary spending, aid budgets will be cut. The UK Government has stated clearly that the schedule for reaching 0.7 remains on track but as long as the 0.7 goal remains a policy commitment as opposed to a legal target, then there remains the possibility that the UK ODA share could stagnate or reverse under future Governments.

(c) Third, the public policy challenge facing economically advanced and developing nations is significantly more complex. Global risks have intensified while supporting and managing the global commons has become an increasingly urgent agenda for international cooperation. Such cooperation is financially demanding and up to now the UK has played a full part. But there are going to be difficult choices ahead about how much cooperation and with whom. Placing the

0.7 commitment into law binds the hands of future Governments to meet the core ODA commitment even amidst these growing pressures (and opportunities) for international cooperation.

4. Notwithstanding these compelling reasons it would be wrong to ignore some important caveats to placing the 0.7% target into legislation:

(a) The target is a product of a completely different era in aid and development—one in which financing gaps were fairly simply drawn and the role for the public intermediation of aid was very large. The world is radically different now and the development financing landscape has changed beyond recognition. Not only are there many new sources of private and philanthropic finance, every aid pound is chasing many more priorities than in 1970. A target for aid-effort based on the percentage of national income in rich countries instead of one based on the development financing needs of developing countries themselves, is out-of-step with this changed and changing world. It is not clear whether as a result of this changing world the 0.7% target is too high (because of the scale of other financial flows) or too low (because of the scale of need), but putting the 0.7% target into legislation carries the potential risk of locking in a formula that is inconsistent with (or even worse, irrelevant to) this changing reality.

(b) The current ODA definition is imperfect and is criticised as being inadequate to the task of defining the global policy challenges of the world today. The demands on ODA have also multiplied. While there is not much serious appetite to redefine ODA at the moment there will certainly be some efforts to do so in the not too distant future. Given this, and the fact that we don't yet know the full scale of future financial demands associated with climate change, insecurity and other global risks, is this the right time for the UK to commit a 40 year old target into legislation?

(c) The final caveat relates to whether the focus on aid volume is the right one. 0.7 has been code for "*commitment to development*" for several decades, at least in the eyes of the international campaigning community. But we know that while quantity indeed matters, quality of aid is paramount. A lot of harm can be done with large amounts of poorly delivered aid, while potentially a lot of good can be done with relatively small amounts of high quality aid. Aid quantity targets should not be used as a shorthand for the complex and politically difficult process of development that the UK is looking to support. It almost goes without saying that it is the extent to which aid is leveraged for longer term development effectiveness which matters ultimately. This is a difficult message for Governments everywhere to handle but not one that should be side-stepped or overshadowed by the much simpler and politically appealing messaging on aid volume.

B. *The potential impact of the Draft Bill on the actions of other donor countries in respect of meeting their ODA commitments.*

5. Supporters of the 0.7% aid *target* argue that it has been a commitment by the rich donor nations dating back to the Pearson Commission of 1969 and the UN General Assembly of 1970. But the goal, as it was originally conceived, was not a binding international commitment from the beginning. The UN General Assembly did not vote on it in 1970 and while it has become one of the most durable and memorable points of consensus in the history of international development, it has not had great traction within the donor community until relatively recently.

6. During its 40 year history, as a signalling and commitment device, 0.7 has had a relatively weak record of success. It is worth noting that the five nations that have already achieved 0.7 had done so before the latest push around 2005. Some countries were closer to the target in the past than they are now eg Canada. And no country since 2005 has reached 0.7%. The target has also had its major detractors, most notably the USA which has treated the target with varying degrees of disdain over the last four decades. Little has changed here.

7. While overall ODA levels have risen significantly in the last decade, based on the mixed record to date there is no particular reason to believe that the UK putting 0.7 into legislation will change the behaviour of other donor nations with respect to their ODA commitments.

C. *Whether enshrining the ODA target in legislation is likely to affect the predictability of aid levels for developing countries.*

8. At the most macro level there is reason to believe that committing 0.7 to legislation creates a more predictable aid environment for the UK's partner countries. Yet, total ODA is a less relevant indicator for country-level decision making than the measure of Country Programmable Aid (CPA) now used by the OECD/DAC. CPA is the amount of aid that is directly programmable by the donor, so it excludes the most unpredictable elements of aid including humanitarian spend, debt relief, cross-border flows and anything not part of cooperative agreements between governments. Currently the share of UK country programmable aid is 65% of total UK ODA.

9. It is reasonable to assume that if 0.7 is to increase predictability it is also relevant to monitor the share of CPA. Comparing across countries that have already achieved 0.7 the range of CPA is quite wide, from 70% in Denmark to 40% in the Netherlands and 51% in Sweden, suggesting that there is no simple correlation between 0.7 and the share that is directly programmable by the donor and therefore directly under the influence of partner countries themselves.

10. It is also the case that predictability is as much a function of the *quality* of the aid partnership at country level and the ability of the donor to make credible commitments, irrespective of quantity. The UK has shown itself to be a leader in this respect, establishing medium-term partnership agreements with many partner countries, without the 0.7% legislation in place.

11. In conclusion, for greater predictability, making 0.7 binding in law will only help if the share of CPA is carefully monitored and if it translates into more credible and transparent (medium term) financing commitments in the most important country contexts.

Written evidence submitted by Global Witness

1. Global Witness is a London-based non-governmental organisation that investigates the links between natural resources, conflict and corruption. We aim to promote improved governance, transparency and accountability in the management of the natural resource sector to ensure that revenues from resources are used for peaceful and sustainable development rather than to finance or fuel conflicts, corruption or state-looting.

2. Our investigations and campaigning were a key catalyst in the creation of the Kimberley Process, to tackle the trade in conflict diamonds, and the Extractive Industries Transparency Initiative (EITI), to encourage transparency over payments and receipts for natural resource revenues. We were co-nominated for a Nobel Peace Prize in 2003 for our work on conflict diamonds, and were awarded the 2007 Commitment to Development Ideas in Action Award, sponsored jointly by Washington DC-based Centre for Global Development and Foreign Policy magazine.

3. The government's Draft International Development (Official Development Assistance Target) Bill (referred to from hereon in as "the Bill") is intended to underline the UK's commitment to invest in international development. Global Witness supports this objective, but believes that the scope of the Bill should be extended. Our submission makes the case that increases in Overseas Development Aid (ODA) without concomitant governance requirements on recipient countries can be counterproductive. The Bill should place a duty on the Secretary of State to ensure that UK ODA does not contribute to poor governance or high-level corruption. This is with a view to making the most efficient use of a finite pool of development aid, and upholding the UK's international commitments to anti-corruption, poverty alleviation and human rights.

More Aid + Better Governance

4. As recognised in the Bill, increasing global aid levels is vital to achieving the Millennium Development Goals (MDGs) by 2015. However, the Bill's focus on increasing levels of donor aid fails to address the multi-dimensional nature of the MDG challenge. Improving governance and cutting down on corruption in aid-recipient countries should also be a core concern.

5. Studies are increasingly exploring and underlining the links between governance and wealth creation. For example, World Bank research from 170 countries showed that governance supports wealth creation, but that wealth does not necessarily support good governance.[8] A 2007 UNDP paper titled *Governance for the Millennium Development Goals: Core Issues and Good Practices* describes the high correlation between progress on MDGs, governance and anti-corruption efforts:

6. *On the whole, it appears that for achievement of MDGs, principal areas needing reform and strengthening are economic institutions, either through effective decentralization and/or sector specific improvements in service delivery. Improved transparency and accountability—in particular, combating corruption—along with an appropriate framework for pro-poor policies and improved public administration and civil services are essential. Strengthening of cross-cutting dimensions (for example, human rights and rule of law) is also of importance, as is the supporting role of civil society institutions.*[9]

[8] Kaufmann, D and Kraay, A, Governance and growth: Causality which way? Evidence for the world, in brief, WBI Governance Working Papers and Articles No. 57, Washington, DC: World Bank Institute, 2003.

[9] UNDP, Governance for the Millennium Development Goals: Core Issues and Good Practices, 2007, http://unpan1.un.org/intradoc/groups/public/documents/un/unpan025110.pdf.

7. Poor governance and high level corruption are particularly damaging to development prospects in resource-rich countries. In 2008, aid to Africa totaled US$$44 billion dollars.[10] Total oil and mineral exports meanwhile came to US$393.3 billion dollars.[11] If used properly, these revenues would have the potential to lift a generation of Africans out of poverty.

8. In other words, providing ODA alone is insufficient to eliminate poverty. A dual approach from the UK government is needed: one which combines increases in aid amounts and reliability with concomitant requirements on the recipient countries to curb corruption and improve governance.

9. These findings are borne out by Global Witness' work in resource-rich developing countries over the past 18 years. In countries such as Cambodia, Turkmenistan and Angola, we have documented the emergence of the "shadow state" phenomenon which coexists with political lip service to good governance, development and poverty reduction.[12] In these countries, the mismanagement and outright looting of natural resources fundamentally undermines the ability of the state to provide basic services for its people, diverts funds intended for development, and destabilises whole societies.[13]

10. A donor propensity to continue to give large sums of aid money for the provision of basic services to such states on an ongoing basis, without understanding the underlying political economies or attaching any kind of governance obligations is, in itself, part of the problem.

11. In these contexts, the practice of "working around" predatory elites only serves to inadvertently strengthen them and undermine the state-building process. The influence of donors in the process of state-building and peace-building cannot be described as peripheral or limited to simply the provision of funds: it is a key political contributory factor and needs to be recognized as such.

12. Development aid given into an environment of poor governance without any requirements to improve accountability and transparency, has inadvertently changed the political incentives operating within a country. In short it has worsened the governance environment by making the government less accountable to its citizens and undermined the chances of successful development outcomes. There is a responsibility on the UK government to oversee ODA to ensure that it is being used to effect development. In many countries where Global Witness has worked this is simply not the case.

Recommendations

13. Global Witness recommends that the Bill is amended to reflect the need to recognize high-level corruption and governance as integral to development outcomes. This can be done in the following ways:

14. A governance clause should be inserted within the Bill to place a duty on the Secretary of State to ensure that UK ODA does not contribute to poor governance or high-level corruption.

15. Specifically, the clause should require the Secretary of State to ensure that the disbursement of ODA is dependent upon the recipient countries attaining basic, specific and measurable governance and transparency (not economic) benchmarks.

February 2010

Written evidence submitted by International Alert

Summary

International Alert welcomes the opportunity to comment on the publication of this draft Bill. Our principal argument, however, is that in order to genuinely transform the lives of the most vulnerable in the developing world attention must be paid to how the money is spent not simply how much money is being spent. This is of particular importance to those regions affected by armed conflict where aid, if designed without due care and attention to the specific political environment, can result in harm to those it is intended to benefit.

Therefore we would like the Committee to consider what indicators would be used to adjudge the success or otherwise of British overseas development assistance, in addition to the overall level of that assistance in financial terms.

Recommendations

1. In addition to the repeal of section 3 of the 2006 Act, that the 2006 Act is further amended to require the Secretary of State to report to Parliament on how British aid has been used in those states and regions affected by armed conflict and that such reports include reference to the impact of British aid on building peace and reducing the likelihood of armed conflict.

[10] OECD International Development Statistics http://stats.oecd.org/qwids/

[11] WTO, International Trade Statistics, 2009, p42, http://www.wto.org/english/res_e/statis_e/its2009_e/its09_merch_trade_product_e.pdf.

[12] Global Witness defines the shadow state as one where political power is wielded as a means to personal self-enrichment and state institutions are subverted to support those needs.

[13] See for example, Global Witness reports on Cambodia, Angola and Turkmenistan at http://www.globalwitness.org/media_library.php.

About International Alert

International Alert is an independent peacebuilding organisation that has worked for over 20 years to lay the foundations for lasting peace and security in communities affected by violent conflict. Our multifaceted approach focuses both in and across various regions; aiming to shape policies and practices that affect peacebuilding; and helping build skills and capacity through training.

Our field work is based in Africa, South Asia, the South Caucasus, Latin America, Lebanon and the Philippines. Our thematic projects work at local, regional and international levels, focusing on cross-cutting issues critical to building sustainable peace. These include business and economy, gender, governance, aid, security and justice. We are one of the world's leading peacebuilding NGOs with more than 120 staff based in London and our 11 field offices.

Written evidence submitted by the International Planned Parenthood Federation (IPPF)

Before providing comments on certain points of this Inquiry, IPPF would like to highlight its support for the work of the Department for International Development. The leadership and progressive role demonstrated by DFID internationally has ensured that it is justifiably regarded as a leader in the field of sexual and reproductive health.

Whether legislation is necessary to achieve the 0.7% target in 2013 and beyond

1. IPPF believes that legislation is necessary to achieve the 0.7% ODA target in 2013 and beyond and the ODA promises first made in 1970 at the UN General Assembly and reaffirmed in many agreements since, including in the Monterrey Consensus[14] and the UK-led Commission for Africa's "Our Common Interests". Although many years have passed since the international community first agreed on a specific ODA target, only five countries have reached or exceeded this target. They are: Denmark (0.82%); Luxembourg (0.92%); the Netherlands (0.80%); Norway (0.88%) and Sweden (0.98%). A further 11 countries have stated they will do so before 2015: Austria (2015); Portugal (2015); Greece (2015); Italy (2015); Germany (2014); the UK (2013); Spain (2012); France (2012); Ireland (2012); Finland (2010); Belgium (2010).[15]

2. It should also be noted that in 1991, Finland's ODA reached 0.8%.[16] Since then Finland has failed to reach 0.7%. This demonstrates that ODA can be subject to various factors unrelated to the aims of ODA and poverty reduction, but more to other considerations, such as the state of the economy; changing political priorities etc which could result in a reduction in ODA spending. The evidence of history therefore suggests that unless the target is translated into law, it will not be reached or maintained.

3. By being the first country to legislate on the target, the UK would be able to further demonstrate and highlight its significant leadership and proven commitment on development and social justice issues.

4. Legislating the 0.7% of GNI commitment would require the Secretary of State to be accountable to parliament for this spending and would therefore ensure that the spending allocations were met. Such a measure helps to provide for open and transparent government. In addition, once the target becomes law any changes would be subject to democratic process, including debate of the arguments for and against.

5. Increasing development aid is essential to reaching the Millennium Development Goals (MDGs) at a time when many are unrealised, MDG5 lags behind and issues such as climate change and the financial recession require addressing. It should be noted that if all donor countries were to reach the 0.7% of GNI target, no additional funding for achieving the MDGs would be required.[17] It is our hope that funding for MDG5 in particular would increase, given that this is the MDG least likely to be auctioned. It is time, therefore that governments realized their promises and turned words into concrete actions.

6. By increasing ODA and legislating on 0.7%, controversial issues—such as those related to sexual and reproductive health and rights or the environment, which national governments can be reluctant to fund, could perhaps be funded more easily, as there would be less competition for resources.

7. Although IPPF supports the government's proposal to make 0.7% legally binding, it is discouraged that the Bill is unlikely to come into force before the next parliament.

[14] See Para 42 of the Monterrey Consensus, cited in: The Millennium Project, The 0.7% target: An in-depth look at: http://www.unmillenniumproject.org/press/07.htm

[15] See International Aid—a Solution at: http://www.poverty.com/internationalaid.html

[16] See Net ODA as percentage of OECD/DAC donors GNI—Finland at: http://www.indexmundi.com/finland/net-oda-as-percentage-of-oecd-dac-donors-gni.html

[17] Ibid

The potential impact of the Draft Bill on the actions of other donor countries in respect of meeting their ODA commitments

8.If the UK government were to legislate for "at least 0.7% of GNI" as its ODA contribution, it would send out a clear and positive message to both developing and other donor country governments; and would encourage other donor countries to take similar steps. Although some governments would want to monitor the impact of the UK commitment closely, it would demonstrate that the UK is committed to international development and affirm its status as a global leader in human rights and poverty reduction. In addition, it would oblige recipient countries that are signatories to the Monterrey Consensus, for example, to accelerate progress to improve government. The impact of legislation is therefore, beneficial to both donor and recipient countries.

Whether enshrining the ODA target in legislation is likely to affect the predictability of aid levels for developing countries

9. IPPF supports initiatives to make ODA predictable and commends the government for its commitment to increasing ODA to "at least 0.7% of GNI" by 2013. By enshrining ODA in legislation, aid would become more predictable and support country ownership by allowing recipient countries to plan more effectively. As the intention of ODA is to reduce poverty, stimulate economic development and in doing so, avoid aid dependency, the recipient country must have real ownership of the resources required to make progress on development. An advantage of predictable aid is that long-term agreements can be made between recipient and donor governments—that follow good practice norms with respect to aid effectiveness. This allows the recipient government to plan, budget and implement the long-term programmes and projects that are required to reduce poverty and stimulate the local economy. It is critical civil society is involved in developing such plans.

10. ODA will tackle greater impact on reducing poverty if it is enshrined in legislation. This is because the different political parties, when in government, would face significant challenges in order to reduce ODA. As such, legislation would not only reduce the risk of ODA becoming politicized, but would prevent changing governments from both interfering in, and reducing their financial commitments to development assistance (a potential threat during times of economic uncertainty).

11. If ODA is not predictable, low income governments are unable to commit to longer-term expenditure that are necessary for achieving development goals. It is also likely that these low income countries would be forced into borrowing more in the short term to avoid cutting programmes. As such, financial shortfalls of aid forces recipient countries to borrow more than they had intended with the overall economic impact that they have to repay higher-rate loans, leading to greater economic burdens. Likewise, "unpredictable aid can increase the cost of public procurement in health in some cases by over 20%, and decrease utilization of primary facilities (in some cases by up to 70%)."[18] In addition, aid that is not predictable also leads to macro-economic instability affecting the budgeting processes of recipient country governments. In addition, it is important to recognize the role that civil society organizations play in ensuring that G8 governments approved a debt relief plan for the poorest nations and promised to double aid to Africa. While NGOs welcomed these initiatives, they also regretted that the debt deal only cancelled 10% of the needed debt relief, entirely excluding 44 indebted countries.

Whether the legislation is likely to affect poverty reduction objectives for ODA expenditure as set out in the International Development Act 2002

12. The definition of ODA needs to be modified to ensure that its focus is directed at poverty reduction, without which, social justice and sustainable social and economic development cannot be achieved. At present, ODA is defined as "resource flows to developing countries and multilateral institutions with the express purpose of promoting the economic development and welfare of developing countries as their main objective and, that they are concessional in character, conveying a grant element of at least 25%".[19] Poverty reduction, in its broadest terms, while implicit, is not explicitly recognized within this text. This needs to be altered to reflect the breadth of development issues and to recognize that not all areas of development can be measured economically. Indeed, poverty also relates to a lack of rights and a lack of choice. It should also be noted that economic development will often benefit the few and not the many, and as such, should make reference specifically to the wider community through reference to poverty reduction. However rights, including the human right to health cannot be achieved in a context of poverty.

13. It is important for ODA to be redefined so that it recognizes and measures the impact that it has on the economy of a developing country, rather than just measure the totals being granted/lent by the donor. As such, it should be the impact of the loan/grant on reducing poverty that is important and not the amount lent/granted. Although we recognize the need for more and better aid, it is important that the way the aid is used is measured on the ground.

[18] Beyond Accra: What action should DFID take to meet our Paris and Accra commitments on aid effectiveness by 2010? July 2009, Aid Effectiveness & Accountability Department (AEAD)

[19] Draft International Development (Official Development Assistance Target) Bill, Explanatory Notes, P9, Jan 2010

14. If ODA was restricted to poverty reduction, its impact would be focused on poverty in all its forms. This is because more funds would be spent on measures to actually reduce poverty rather than to areas of development that are only linked tenuously to poverty reduction. Examples of this would include: the funding required to cover the costs of foreign students and the cost of hosting political refugees which are currently allowed under ODA reporting.

Written evidence submitted by Professor Lawrence Haddad, Director, Institute of Development Studies

My comments are framed by the question: will this legislation do any harm?

I have organized my comments around the implicit assumptions in the draft Bill.

I should emphasize a potential conflict of interest—my organization receives approximately 50% of its funding from DFID contracts and grants, hence any increases in UK Aid could be seen as good for IDS. Nevertheless, I hope the following reflections are helpful.

Implicit Assumptions in the Bill

1. More aid is good for development.
   - (a) This is a good bet if aid allocations are driven by a donor-recipient consensus on the evidence about what reduces poverty and if both donor and recipient have the capacity to utilize the ODA.
   - (b) As aid allocations increase they will need to be more carefully monitored and assessed.
   - (c) As aid is increased, this must not distract attention from aid exit strategies in certain countries
2. More aid from the UK is good for development.
   - (a) Leadership is important for inspiring others to increase commitments, but free-riding is all too easy and I would like to see some evidence on whether unilateral increases in aid are merely compensated for by reductions of other DAC members.
   - (b) Does DFID have the capacity to sensibly administer more aid under these tight deadlines? If it took 11 years to increase the ODA/GNI % by 0.17 percentage points, an increase of 0.27 percentage points over five years represents a three-fold increase in ramp up. Can this be done in increasingly fragile contexts with a smaller and smaller staff?
3. UK aid will be more predictable.
   - (a) The previous point emphasizes how quickly ODA will have to increase if the target is to be met. Does this make UK Aid more predictable?
   - (b) If ODA is strictly tied to GNI does this mean ODA amounts become less predictable?
4. Without the Bill, 0.7% will not be protected. With it, it will.
   - (a) Cross-party support for 0.7% seems strong although some have concerns about DFID funds being allocated to climate and military purposes under a Conservative Government.
   - (b) There seem to be several get out clauses that the SoS can appeal to if the target is not met ("the effect of economic or fiscal circumstances arising outside the UK" which seems to offer wide latitude).
5. The UK public is comfortable with the 0.7% by 2013 goal.
   - (a) Will this Bill, and the reporting on any failure to meet the target, strengthen or erode the UK consensus? I can see several newspapers using the Bill and any subsequent failure to meet it to "wake up" its readers about "money being given to corrupt African governments". This will need to be managed and DFID's communication strategy around ODA will have to be substantially strengthened.
   - (b) The timing could be seen as electioneering. If so, this could contribute to the politicization of aid in the UK. If the current Government is re-elected, does the Bill add much? If an Opposition party is elected, any failure on their part to support it could undermine the UK's credibility going forward.

On balance, I am in favour of the Bill. But the Impact Assessment seems rather sanguine about the potential downside risks—these will need active management.

Written evidence submitted by NAT (National AIDS Trust)

1. NAT (National AIDS Trust) welcomes the opportunity to contribute to the inquiry into the Draft International Development (Official Development Assistance Target) Bill.

2. NAT is the UK's leading charity dedicated to transforming society's response to HIV. We develop policy and campaign for change to stop the spread of HIV in the UK and internationally, and improve the lives of people living with HIV. We provide fresh thinking, expert advice and practical resources. An

important part of this work is advocacy and policy in support of critically needed new HIV prevention technologies (NPTs) in development such as microbicides and vaccines, which receive research funding from the UK Department for International Development.

3. NAT particularly welcomes the proposal within the Draft International Development (Official Development Assistance Target) Bill to enshrine into law the target of allocating at least 0.7% of the UK's Gross National Income to official development assistance from 2013. Continued and increased commitment to HIV and NPTs is vital to achieving the Millennium Development Goals (MDGs), particularly MDG 6 on combating HIV.

Is enshrining the ODA target in legislation likely to affect the predictability of aid levels for developing countries?

3. In the current financial climate there have been indications that maintenance of previous levels of support for HIV and NPTs is not guaranteed. While given the economic circumstances this is not unexpected, it is cause for great concern.

4. Placing a legal duty to ensure the target is met will show the UK's commitment to maintaining and increasing our support to providing ODA and increase the predictability of spending on aid. It is vitally important that an appropriate portion of these funds are dedicated to HIV and NPTs development.

What is the potential impact of the Draft Bill on the actions of other countries in respect of meeting their ODA commitments?

5. The UK has been an international leader in terms of HIV and funding the development of NPTs. Other funders often look to the UK to lead in this area. The Bill would act as an important signal to others that the UK remains committed to continuing this global leadership.

6. NAT believes this would encourage other countries to take similar steps to increase their ODA spending on HIV and NPTs development.

Is the legislation likely to affect poverty reduction objectives for ODA expenditure as set out in the International Development Act 2002?

7. Sustained and increased spending on ODA, which the legislation will encourage, is necessary for the successful development of safe, effective and affordable HIV vaccines and microbicides. This in turn would be a step towards meeting the objectives of improving the welfare of the population and furthering sustainable development as outlined in the IDA 2002.

8. Widespread availability of NPTs will dramatically increase the impact of HIV prevention efforts and open the possibility of bringing the HIV and AIDS pandemic to an end.

What is the likely impact on the contribution to ODA from other government departments (ie non-Department for International Development ODA expenditure)?

9. The Department of Health (DH) launched the "Health is Global" strategy in September 2008 which, importantly, adopts an international perspective on health. NAT believes that this Bill would encourage other Government departments, including the DH, to contribute to ODA as an important element in achieving this global health strategy.

February 2010

Written evidence submitted by Karen Jorgensen, Head, Review and Evaluation Division, Development Co-operation Directorate, OECD, Paris

Delivering on its commitment to providing 0.7% of GNI as ODA by 2013 will add to the UK's credibility. Enshrining this target in legislation will deepen the UK's commitment to international development, further enhance aid predictability, and encourage other donors to deliver on their commitments.

— It is crucial that the UK delivers on its ODA/GNI commitment to achieve the 0.7% target by 2013. The G20 has reaffirmed, in London and in Pittsburg, the international aid commitments so that they form an intrinsic part of the broader global governance agenda and arrangements emerging in the wake of the financial crisis and beyond. A rising and more predictable flow of ODA is a key part of the overall effort by all countries—developed, emerging, and less developed—to foster achievement of the MDGs. More immediately, budgets of many developing countries were hit hard by the rises in food and oil prices in the last two years. Their fiscal space is becoming very limited. Whilst the full effects and duration of the financial crisis are still to be seen, and some low-income countries are resuming moderate growth paths, it is important for aid to play a countercyclical role to help balance the sharp reversal in overall flows to developing countries and counter the long-term development impact of the global economic crisis.

— Reaching the 0.7% target would send a significant signal to the international community, underlining the UK's leadership role. Only five countries (Denmark, Luxembourg, the Netherlands, Norway and Sweden) have consistently met this target, which was formally adopted by the UN General Assembly, albeit with reservations by some DAC members, in 1968.[20] Six other countries have committed themselves to a timeline to reach this target before 2015: Belgium, Finland, France, Ireland, Spain and the United Kingdom. In 2008, total net ODA from members of the OECD's Development Assistance Committee (DAC) rose by 11.7% in real terms to USD 121.5 billion. This represents 0.31% of members' combined gross national income (and a DAC average country effort of 0.48%). This is the highest dollar figure ever recorded, but it is still a considerable way from the aggregate commitments made, at a time when the UN Secretary General is calling on world leaders to attend a summit in September 2010 to boost efforts to achieve the MDGs. (http://www.un.org/millenniumgoals/summitstroy.shtml)

— The recognized global leadership role of the UK in the area of development co-operation means that the international community looks at how the UK delivers on its commitments. This is all the more the case since the UK has strongly urged other donors to announce and meet increased aid volume commitments since 2004—when the UK was the first G8 country to announce this ODA/GNI commitment. A legal act establishing 0.7% of GNI as the UK ODA target to be achieved by 2013 would put the UK ahead of the EU commitment (binding for EU members) of achieving 0.7% by 2015. This would send a powerful message to EU members who are struggling to meet their obligation, and would add to the UK's credibility as a global leader on development.

— On the domestic side, this Act would also serve to reinforce the value the UK is placing on development vis-à-vis other priorities, recognizing that in a interdependent world, prosperity, security and health in the UK are increasingly inseparable from events far beyond its borders. The Act would reinforce this message and will make it more difficult for a government to renege on a commitment enshrined in law. This would also be instrumental in budget discussions.

— The UK would thereby be one of the first DAC members to have the ODA/GNI commitment enshrined in law. Just over half the DAC member countries have passed legislation that establishes the priorities and objectives of their development co-operation. So far, only Belgium has a law that permanently prescribes an ODA/GNI target (since 2002[21]). Meanwhile other DAC members (Switzerland,[22] Spain) are considering introducing legal commitments on an ODA/GNI target; and others have long-standing government commitments to do so.

5 February 2010

Written evidence submitted by Oxfam GB

1. Oxfam welcomes this important recognition of the UK's leading role in the field of international development. 2010 marks the fortieth anniversary since the commitment to provide 0.7% of GNI in Official Development Assistance (ODA) was made. So far, only four countries have delivered on this promise. 2010 also marks the tenth anniversary of the Millennium Development Goals (MDGs): with only five years remaining until the deadline for the MDGs, renewed commitments to ensure the MDGs are fully financed will be vital if they are to be met. While we would have preferred to see the introduction of a full Bill, this draft Bill raises the stakes, and if approved by the House will play a substantial role in renewing international support for meeting the MDGs on time.

1.1 To maximise impact, we believe that this draft Bill should now become full legislation before the UN MDG summit in September 2010.

1.2 Oxfam believes that this bill as it is currently drafted is suitable to be submitted to parliament as a basis for legislation. However, we believe that the amendments suggested in this submission would strengthen the Bill's ability to ensure the Government is fully held to account for its commitment to provide 0.7% of GNI in ODA.

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[20] *History of the 0.7% ODA Target*, published in the 2002 OECD/DAC Journal (Vol. 3, No. 4)

[21] Belgium: The law of 31/12/2002 (Chapter 3 on development cooperation, art 458) commits the government to present in a note on solidarity the measures taken to ensure that 0.7% of GNI will be allocated to Official Development Assistance (as defined by the OECD/DAC) from 2010 at the latest.
http://www.dgci.be/fr/dgcd/documents_politiques/moniteur_loi_021231.pdf

[22] Switzerland: Parliament asked in 2009 the Federal Council to outline a growth path to reach a 0.5% ODA/GNI ratio by 2015. The Federal Council is preparing to put this proposal to parliament through an additional bill. However, given the current financial constraints the Federal Council will ask for additional means from parliament for the Multilateral Development Banks as from 2013 only.

2. *The overall aims and scope of the Bill*

2.1 Oxfam welcomes the central objective of this draft Bill to ensure that 0.7% of GNI is provided in aid from 2013. The Bill makes no attempt to depart from the 2002 and 2006 International Development Acts that enshrine UK ODA as directed at poverty reduction. We also welcome the Bill's intention to enhance accountability of the government over its commitment on 0.7% by requiring the Secretary of State to report annually to Parliament on any under-performance where this commitment is concerned, and set out steps for ensuring the financial commitment is met in future years.

3. *Is legislation necessary to achieving the 0.7% target in 2013 and beyond?*

3.1 Oxfam believes that enshrining in law the target to provide 0.7% of GNI in aid from 2013 would embody comprehensive cross-departmental and cross-party commitment to ensure a long-standing contribution from the UK to raising people out of poverty in developing countries. It would allow the public to hold the Government to account over any failure to do so in line with the commitment to provide 0.7% of GNI in aid. Importantly, legislation would also consolidate the UK's role as a leader in development on the international stage, comprising a strong tool for encouraging other international donors to remain committed to global, European and national development targets. Oxfam also considers the legislation can play an important role in demonstrating to the public the Government's absolute and long-term commitment to international development. The draft legislation is both simple and clear and Oxfam believes that all political parties should strongly support the Bill as a sign of their commitment to target of reducing global poverty and inequality.

4. *Are the proposed accountability measures in the Draft Bill sufficient?*

4.1 Well functioning accountability mechanisms are vital for ensuring that this bill will work to deliver the UK's promises on providing 0.7% of GNI as aid. The draft bill as it currently stands does provide some measures for holding the government accountable on its performance if annual targets have not been met. However, we believe that the draft Bill does not go far enough in establishing clear and reliable mechanisms for ensuring the Government can be held accountable over its 0.7% commitment. We would therefore like to suggest a number of amendments, which we believe would enhance the accountability function of the Bill.

4.2 Suggested amendment to 2.3 (a); (b); and (c): These clauses allow the Secretary of State to explain why the 0.7% target has not been met in the report due to a range of extenuating economic and fiscal circumstances. We believe that these clauses contradict the UK's international commitment to provide 0.7% of GNI in aid by 2013 regardless of extenuating circumstances. Retaining these clauses in the draft bill will weaken its impact as a function for holding the government to account over its promises, and we are convinced that the bill would be stronger if these factors for explaining non-compliance with the target were removed. As an alternative, we would suggest amendment to the wording as follows: *A statement under subsection (1) or (2) must explain why the 0.7% target has not been met in the report year, setting out the reasons for this and, in line with planned commitments, detailing what impact this has had and/or will have on the intended country government recipients of this aid.*

4.3 Suggested amendment to 2.4: We welcome the suggested commitment for the Secretary of State to describe any steps they have taken to ensure the target will be met by the UK in the calendar year following the report year, but believe the Bill would benefit from stronger language requiring the Secretary of State to outline steps that they have already taken and will take in the future to rectify this under-performance. We would therefore suggest amending the point to: *A statement under subsection (1) or (2) must also outline the required measures that have already or will be taken to ensure that the 0.7% target will be met by the United Kingdom in the calendar year following the report year.*

4.4 We also believe that the Bill would benefit from including a requirement for the International Development Committee to *scrutinize and report on the extent to which the annual target has been met in line with the requirements of preceding International Development Acts, and in particular, in line with the spirit of the 2002 International Development Act which requires the UK Government to provide ODA contributing to poverty reduction.*

4.5 To ensure full accountability, ODA flows from *all* Government departments must be included in the annual report to Parliament. We therefore suggest that the Secretary of State's annual report includes a detailed and disaggregated break-down of development expenditure by Government department. This is not currently a requirement in the 2006 International Development Act.

5. *The potential impact of the Draft Bill on the actions of other donor countries in respect of meeting their ODA commitments*

5.1 The leadership of the UK on development issues has been critical to driving forward the commitments and actions of other donors. If put in place in the coming months, Oxfam believes the draft Bill would have a significant impact on catalyzing other donors' progress on their respective aid commitments, particularly at the level of European collective progress on aid commitments, where the UK has already played a key role in galvanizing development decisions within the European Union.

5.2 Despite continued public support for meeting aid commitments, several governments are lagging behind on their aid commitments. Italy, Ireland and Estonia have all reduced their aid levels in 2009, with Latvia suspending theirs completely. Other donors have voiced their concerns around the potential impact of the financial crisis on aid budgets. UK legislation on 0.7% would send a powerful signal to other donors that there continues to be serious public support reinforced by political will for meeting the 0.7% commitment. Finally, Oxfam believes the legislation will have the direct effect of encouraging other donors to put their own legally binding timetables and legislation on aid commitments in place.

6. *Whether enshrining the ODA target in legislation is likely to affect the predictability of aid levels for developing countries*

6.1 The draft Bill should allow the Government to plan for longer-term spending commitments than is currently possible under the scope of the comprehensive spending review. It is therefore likely that putting in place a standing commitment to provide 0.7% from 2013 will improve the predictability of UK aid by allowing the government to make longer term aid allocation agreements with developing country governments. This will be a key contribution to the predictability commitments contained in the Paris Declaration on Aid Effectiveness and the Accra agenda for Action,[23] once again signalling the UK's leadership on international development.

7. *Is the Bill likely to affect the poverty reduction objectives of the UK's aid as set out in the 2002 International Development Act?*

7.1 The Bill will not affect the poverty reduction objectives of the UK's aid as the terms of the bill do not make any amendment to the 2002 act requiring the Secretary of State to provide assistance on the basis of its likely contribution to a reduction in poverty, and which will fall within the definition supplied by the Development Assistance Committee of the Organisation for Economic Cooperation and Development (OECD DAC). Subsequently, current internationally agreed definitions of ODA would not be altered by this Bill. The UK currently spends ODA according to a stronger definition by declining to allocate aid to spending on refugee and student costs in the UK.[24] We would therefore urge that in line with our suggested amendment (4.4), the International Development Committee should also report on any departures from the current pattern of spending across all Government departments.

8. *Is the Bill likely to impact on the contribution to ODA from other government departments?*

8.1 As the draft Bill endorses the 2002 act, it is unlikely that there would be any impact on the contribution to ODA from other government departments. In order to ensure that scrutiny in line with all the Government's international development acts is a robust as possible, we refer to our suggested amendment (4.5) that the Secretary of State includes a detailed disaggregated breakdown of development expenditure by Government department.

8.2 We also recommend in line with our suggested amendment (4.4) that the International Development Committee explicitly report back to Parliament on ODA expenditure from all government departments in line with the spirit of the 2002 act, and existing good patterns of spending by the Government.

Written evidence submitted by RESULTS UK

1. *The overall aims and scope of the draft Bill*

(a) RESULTS UK fully supports the overall aims and spirit of this draft Bill and welcomes its introduction. We are keen to see a full Bill presented at the earliest opportunity in the new Parliament.

(b) It is 40 years since the international target for donor countries to spend 0.7% of their GNI on ODA was first set. The fact that only five countries have reached this target to date indicates that a new approach is needed to ensure that the UK—and other donors—meets its commitment.

(c) The draft Bill that has been presented is short and simple. We acknowledge that one reason for this is so that the Bill will be able to gain cross party-support and hopefully a smooth passage into legislation. However, we feel that there are some additions that could be made to the draft which retain its simplicity and yet address some potential loopholes which might allow future governments to go again the spirit of the Bill.

2. *Whether legislation is necessary to achieve the 0.7 % target in 2013 and beyond*

(a) The current government's policy to meet the 0.7% target by 2013 is vulnerable whilst it has no legal basis. The policy will be particularly vulnerable in times of economic downturn and to future changes in government.

[23] http://www.oecd.org/dataoecd/11/41/34428351.pdf
[24] UK Statistics Authority, Statistics on International Development and the ODA:GNI Ratio, Assessment Report 9, July 2009

(b) With only five years to go until the MDGs are to be achieved, it is important to set the trajectory for the UK to maintain its aid levels both up to and beyond 2015.

3. *Whether the proposed accountability measures contained in the draft Bill are sufficient*

(a) Section 3 of the draft Bill provides the Secretary of State with three circumstances that may provide an explanation for why the 0.7% target is not met in a given year. The provision of three "get-out clauses" in this way considerably weakens the Bill.

(b) RESULTS UK believes that language in the Bill should not seek to legitimise, or pre-empt, a failure to meet the 0.7% target and would propose the removal of sub-sections 3a) to 3c).

4. *The potential impact of the draft Bill on the actions of other donor countries in respect of meeting their ODA commitments*

(a) The draft Bill will likely send a short-term signal to other donor countries that the UK government is committed to meeting its ODA target. However the impact of a *draft* Bill will be significantly less than an *Act*.

(b) If the Bill is not passed, the impact on other donors and efforts to increase development assistance could be negative and might dissuade other countries from attempting to put the 0.7% target into law.

(c) If this Bill is passed, the will once again show itself to be a leader in the field of international development. It will set a strong, moral example to the rest of the EU as well as to other G8 and G20 member states and will be in a powerful position to influence other donors to set out their timetable for reaching the target.

(d) The Bill will also send a message to civil society in other countries, encouraging them to put pressure on their own governments to meet their aid commitments.

5. *Whether enshrining the ODA target in legislation is likely to affect the predictability of aid levels for developing countries*

(a) By enshrining the ODA target in legislation the UK will be sending a strong signal to developing countries about its long-term intention to continue investing in the fight against poverty.

(b) This will give developing countries and multilateral agencies the confidence to develop long-term plans based on more accurate predictions of projected resources.

6. *Whether the legislation is likely to affect poverty reduction objectives for ODA expenditure as set out in the International Development Act 2002*

(a) Although the 2002 Act clearly establishes poverty reduction as the over-arching purpose of UK development assistance, the draft Bill makes no reference to poverty reduction or the 2002 Act.

(b) Given these omissions, RESULTS UK is concerned the term "official development assistance" in any new legislation will be interpreted as per the OECD-DAC definition without the additional condition that the Secretary of State be "satisfied that the provision of the assistance is likely to contribute to a reduction in poverty" (Clause 1 of the 2002 Act) being applied.

(c) RESULTS UK is concerned that an expanded aid budget may be used to supplement the budgets of other government departments for purposes other than poverty eradication.

(d) RESULTS UK therefore recommends that a subsection be inserted into clause 1 of the draft Bill to re-iterate that the over-arching aim of all development assistance must be the reduction of poverty.

(e) Whilst RESULTS UK is very supportive of this draft Bill's overall aim, we have concerns about the potential for there to be too much emphasis on the quantity over the quality of UK aid. The Department for International Development will be under considerable pressure to disburse increasing volumes of aid and it is therefore going to be more important than ever that rigorous assessments are made on the impact and effectiveness of that aid. Equally, it is important that the UK does not take short-cuts by disbursing large sums to multilateral institutions that are not performing well or are not delivering excellent outcomes for the poor.

7. *The likely impact on the contribution to ODA from other government departments (ie non-Department for International Development ODA expenditure)*

(a) RESULTS UK believes that the vast majority of ODA should continue to come from DFID expenditure. ODA from other government departments should only count towards ODA if it directly contributes to the objective of reducing poverty as laid out in the 2002 International Development Act.

(b) The current government has pledged that climate change related development projects can count towards no more than 10% of total ODA. RESULTS UK would like to see this commitment incorporated into the draft Bill, recognising that climate spending can positively impact the poor but preserving the core ODA poverty reduction commitment.

(c) The need to mobilise new resources for development has stimulated many new innovative sources of financing, particularly for health. Sources of development financing, raised outside of GNI should be considered as additional and not counted towards the ODA target. To count them towards the 0.7% target would set a dangerous precedent for other countries, who are not on track to meet their ODA targets, to renege on their previous commitments.

4 February 2010

Submission by Save the Children UK

Introduction

Save the Children UK is the world's independent children's charity. We are outraged that millions of children are still denied proper healthcare, food, education and protection. We are working flat out to get every child their rights and we're determined to make further, faster changes.

Summary

1. Save the Children welcomes the Draft Bill, which increases the likelihood of the UK finally meeting the long-standing commitment to give 0.7% of national income in Official Development Assistance (ODA). We believe that the Draft Bill merits the support of the three main parties, given that it is consistent with all their stated commitments to the 0.7% target. As such, the Bill should be passed before the UN MDG summit, in order to leverage further aid commitments from other donor countries that are lagging on the target.

2. The current Draft Bill needs to see a strengthening of the mechanisms for holding government accountable on the 0.7% target. Specifically, the reporting on progress must be more disaggregated than is currently the case; greater parliamentary scrutiny is needed within the provisions of the Bill; and greater clarity is needed on the ramifications of Government's failure to meet the target.

3. The UK Government currently uses a more restricted definition of ODA than is permissible under the OECD rules. We are concerned that the spirit, as well as the letter of the Bill, is followed, and that safeguards are included to ensure that UK continues to use a more limited and poverty-focused definition of ODA.

Why a Bill is Needed

1. By locking in further parliamentary scrutiny of the Government's performance, the Draft Bill increases the likelihood of the UK reaching, and continuing to meet, the UN aid target of 0.7% of national income that was first adopted in 1970. The target has been restated many times, including at the UN Financing for Development summit in 2002.

2. In 2005 the pre-accession EU member states committed to meeting the target by 2015, with the UK and France adopting an earlier date of 2013. Progress towards 0.7% underpinned the Gleneagles declaration at the 2005 G8 of a doubling of ODA to sub-Saharan Africa, as part of a global increase of US$50 billion by 2010.

3. At present, the G8 has delivered on approximately one third of the additional aid it pledged in 2005. Several countries, including France and Germany, are significantly offtrack on delivering on this pledge. In contrast, many non-G8 countries have stuck more closely to their promises. Five countries—the Netherlands, Sweden, Norway, Denmark and Luxembourg, have met the 0.7% target. Other non-G8 donors, such as Spain and South Korea, are also rapidly increasing their ODA commitments.

4. In the current context, the 0.7% Bill is extremely timely, and will place pressure on other countries in the G8 and EU to meet their own pledges. With five years to go before the Millennium Development Goal (MDG) target date of 2015, the world is collectively off track. MDGs 4 and 51—on child and maternal mortality—are furthest off track, MDGs 4 and 525—on child and maternal mortality—are furthest off track, with just 30% and 10% of the necessary progress achieved to date. The slow and uneven progress towards the MDGs should be a particular concern to the UK, given that since 2000 it has been the organising framework for the government's development policy.

5. If the Bill is passed before the MDG review summit in September 2010, it would place the UK in a genuine position of leadership from which it would be better able to leverage resources from other developed and developing countries, in order to accelerate progress towards the MDGs. While aid will not by itself decide whether or not the MDGs are reached, it is clear that without good quality external support the poorest countries cannot make the necessary progress.

6. All three major UK political parties support the achievement of the 0.7% target within the current timeframe. Since 0.7% is a proportional rather than absolute target, the current fiscal constraints should not count against the Bill—when national income falls, so too will the sums required to meet the target. Given

the welcome consensus on 0.7% that has emerged since 2005, we strongly urge the parties to collaborate constructively to pass the Bill. Doing so would send a clear signal that the UK sees poverty reduction as acentral objective of our international policy.

Aspects of the Bill that Need Strengthening

7. Save the Children believes that the current Draft Bill needs strengthening in three key respects if it is to provide an effective accountability check on Government performance against the 0.7% target.

8. First, the Bill must provide evidence to Parliament not only of *whether* the target has been met, but also *how* it has been met. In particular, the Secretary of State for International Development should report on the proportion of the overall expenditure that is cash spending on DFID programmes in Low Income Countries. This is an important indicator of actual resource transfer to poor countries, and of whether UK ODA is in fact poverty-focused. The Secretary of State should also be required to set out clearly the proportion of ODA accounted for by (i) spending through other government departments, with these departmental spends itemised (ii) through multilaterals, (iii) attribution of EU budget spending on aid (iv) on debt relief and (v) through the Commonwealth Development Corporation.

9. Secondly, greater parliamentary scrutiny is needed within the provisions of the Bill. Specifically, a detailed annual report should be provided to the International Development Select Committee, with the Secretary of State appearing before the IDC to answer questions. In addition to providing a *retrospective* view of whether the 0.7% target has been met, which will involve a lag given that the proposed Bill requires reports against OECD calendar year data, the Secretary of State should also be required to provide—on an annual basis—a forward-looking report of whether future government plans over the timeframe of a spending round make it likely that the 0.7% target will be reached.

10. Thirdly, the Bill needs to be clearer about the ramifications of failure to meet the target, beyond the risk of mild embarrassment to the Government. Further measures are needed to strengthen the Bill in this area. In particular, while the formal accountability in the draft bill for reaching the target rests with the Secretary of State for International Development, the decision as to whether it is met is effectively decided by Treasury through the three yearly spending round and annual budget process. Where the target is missed, the Bill should require Treasury to issue a joint report with DFID explaining why it has been missed. Where necessary, Treasury Ministers should be called before the International Development Committee to answer questions.

ODA Definitions

14. It is important that by strengthening accountability around the 0.7% target, the Bill does not create pressure for items to be counted against the UK ODA effort which do not make a clear contribution to poverty reduction, within the terms of the 2002 International Development Act. At present, the UK government uses a more restricted definition of ODA than some other OECD members use, and than OECD rules allow. Save the Children would be very concerned by any loosening of the current definitions, and would question some of the current items that are counted towards the UK ODA effort in terms of their direct and indirect contribution to poverty reduction. Each annual report under the Bill should be required to detail any changes in the methods used to count UK ODA.

February 2010

Written evidence submitted by Simon Maxwell, Senior Research Associate, Overseas Development Institute

Is the basic idea sound?

1. International development is not just about aid, but aid is an important instrument of international development policy.

2. There is no mystique or economic logic underlying the 0.7% target, but it has been in existence for 40 years, and is an accepted benchmark of donor performance.

3. The advantage—and possible disadvantage—of the Bill is that it takes the volume of aid out of the political debate.

4. This is an advantage because:

— it provides predictability of aid flows; and

— it reduces the risk of aid being cut in a time of public expenditure constraints.

5. It could be a disadvantage because:

— political debate about public expenditure levels is legitimate and necessary;

— fixing the size of the aid budget in advance may make it more difficult to increase aid when needs rise, for example in response to natural disaster or global economic crisis;

— aid may fall below predicted levels if GNI falls.

6. My personal view is that the advantages of predictability and long-term guarantees outweigh the potential disadvantages.

Is the Bill strong enough?

7. The Bill requires the Secretary of State to report aid volume against GNI on a calendar year basis. This could presumably be done by January each year, when Q4 estimates of GDP become available from the ONS, though adjustments would be needed to estimate GNI. There might have to be later adjustments as GDP estimates are revised.

8. A stronger way of drafting the Bill would be to say that the level of oda will be fixed automatically in Comprehensive Spending Reviews and Budgets, based on the latest estimates of GNI. Thus

— estimates of future GNI would be reported three years ahead in the Comprehensive Spending Review, and oda fixed accordingly;

— estimates would be updated in Pre-budget reports, and again in the budget; and

— reporting would take place as above.

9. Whichever strategy is followed, there will need to be fine-tuning of the aid budget—unless the level is set far enough above the minimum threshold that small changes in GNI do not affect the total.

10. It is important to make the point that aid statistics are reported in terms of disbursements, not commitments. This is why there are sometimes significant swings from year to year, caused by lumpy payments to eg the IDA. One way round this might be to work on the basis of a three-year moving average.

What other issues arise?

11. There may be a risk that Government side-steps the intent of the Bill by loading onto the aid budget items which are only marginally legitimate. In principle, protection against this can be found in the 2002 International Development Act and in the definition of oda by the Development Assistance Committee of the OECD.[25] The DAC also defines a list of eligible countries. The DAC briefing note on "What is ODA?" is attached for ease of reference.[26]

12. There is, however, an active debate about whether eg climate funding will be financed from existing aid budgets or will be additional. The UK Government has stated that 90% of climate funding should be additional (Gordon Brown speech on the Road to Copenhagen in June 2009).[27]

13. There is also an ongoing discussion in the DAC about the oda definition, especially about military expenditure in or "for" poor countries. The conventional wisdom is that it would be risky to open up the aid definition in this way.

14. Internationally, there is concern about the amount spent from aid budgets to support refugees in host countries: $US2 billion in 2007, according to DAC statistics.[28]

February 2010

Written evidence submitted by Tearfund

Tearfund is a Christian relief and development agency, working in around 40 countries across the globe to alleviate suffering and promote sustainable development. Tearfund welcomes the Draft International Development (ODA Target) Bill and this opportunity to comment. We believe that the passing of UK legislation would signal a firm commitment to the poorest and most vulnerable communities around the world and to meeting the Millennium Development Goals (MDGs) by 2015.

We welcome the increases in UK aid spending over the past decade, and want to see the UK meet and maintain its commitment to deliver 0.7% of national income as aid, a target that was originally set in 1970 and which is still to be met by the majority of aid donor countries The global economic downturn makes this even more necessary—support for poor communities is even more important in tight financial times, as they are most vulnerable to economic crisis and now also need additional resources to tackle climate change. It is also an opportunity for the UK to show leadership internationally, ahead of the MDG Review Summit, and we hope that this legislation would encourage other countries to also stand firm in their commitments to poor men and women.

25 www.oecd.org/dac/stats/methodology
26 http://www.oecd.org/dataoecd/21/21/34086975.pdf
27 http://www.number10.gov.uk/Page19813
28 http://www.oecd.org/department/0,3355,en_2649_34447_1_1_1_1_1,00.html

1. *Is legislation necessary?*

The cross-party consensus which now exists on meeting the 0.7% target is certainly welcome, but Tearfund would like to see this commitment enshrined in law, to ensure that the UK government is legally accountable for this promise. This commitment was first made 40 years ago, and history suggests that without legislation it is currently too easy to backtrack on this.

2. *The aims and scope of the Bill*

The main objective of this Draft Bill is to make the 0.7% aid commitment legally binding for the UK government from 2013. Tearfund believe that the scope of the Bill is appropriate, as it builds on the 2002 and 2006 International Development Acts, which cover the detailed issues of the nature and purpose of UK development assistance.

3. *Are the Bill's accountability measures sufficient?*

Tearfund believes that the accountability measures could be more robust and we would urge the International Development Committee to consider the following:

(i) Tearfund agrees that asking the Secretary of State to lay a statement before parliament, in the event of the 0.7% target not being met, is a reasonable measure. However, we believe that the case for meeting the 0.7% target is significantly weakened by the list of reasons set out in clause 2.3. By explicitly mentioning economic, fiscal and external factors, the draft legislation seems to imply that these are legitimate reasons for failing to meet a legally binding duty. It is worth remembering that the 0.7% target is by definition, a proportion of GNI, and therefore any reduction in gross national income should not be considered appropriate as an explanation for not meeting the 0.7% target. Moreover, other pieces of legislation such as the Climate Change Act and the Child Poverty Bill do not list reasons in this way.[29]

(ii) Whilst it may not be possible to legislate in this regard, Tearfund would also like to see further scrutiny of the Government's position, should it not meet its legal obligations under the Act. We would suggest that there could be a role for the International Development Select Committee in ensuring this takes place.

(iii) Finally, Tearfund would also like to see clause 2.4 strengthened. The inclusion of the word "any" implies that there may not be steps taken by the Secretary of State and we would like to see the following wording inserted instead, "A statement under subsection (1) must also describe *the* steps that the Secretary of State has taken to ensure….etc."

4. *Potential impact of this Bill on the predictability of the UK's aid*

The predictability of aid is vitally important for governments and other recipients. Although decisions about the allocation of aid are outside the remit of the legislation, this Bill would increase predictability, enabling longer-term planning and achieving greater effectiveness as a result.

5. *Is the Bill likely to affect the poverty reduction objectives of the UK's aid as set out in the 2002 International Development Act?*

Tearfund is pleased that the Bill defers to the 2002 International Development Act and its stated aim of aid as delivering poverty reduction. By further defining this aid as Overseas Development Assistance (ODA), it refers to the OECD definitions of ODA, which give guidance about what can be counted as aid. The Bill will not affect the objectives of aid.

6. *Is the Bill likely to impact on the contribution of ODA from other government departments?*

The objective of "poverty reduction" should minimise any significant change in departmental contributions to ODA. However, there is risk that the ring-fencing of ODA (in contrast to other departmental cuts) may result in interest from other departments engaged in activities that could be broadly defined as poverty reduction (such as climate change adaptation). With this in mind, Tearfund would like to ensure that the Secretary of State's annual report, is detailed and transparent in citing the breakdown of ODA across government departments and in offering an explanation to parliament, if there has been any significant change in the balance of contributions.

[29] Clause 15 of the Child Poverty Bill states that economic and fiscal circumstances must be taken to account in preparing a UK strategy but in the event of a UK government not meeting its legal obligations under the Bill it states that, *"If the most recent UK strategy has not been implemented in full, the report must describe the respects in which it has not been implemented and the reasons for this."* (13.5)

7. *Is this Draft Bill suitable to be submitted to parliament as a basis for legislation?*

Tearfund believes that the Bill is clear and concise and will help ensure that the UK meets its international commitments.

Written evidence submitted by the TUC

1. The TUC appreciates the opportunity to take part in the inquiry into Draft International Development (Official Development Assistance Target) Bill by the Department for International Development, expresses support for the proposed legislation and hopes that the UK Government's initiative will be emulated by other developed nations, especially, by G-8 countries.

2. The TUC and its affiliates have long supported increases in Official Development Assistance towards the UN-recommended target of 0.7% of Gross National Income, reiterated our position in previous submissions[30] and led the campaign for increased aid in the international trade union movement.

3. The TUC is of the view that the current commitments and disbursement arrangements are unsatisfactory, as agreements on ODA reached at global level are not binding on the donors. Despite the long-standing consensus on the need for increased aid, only five countries—Norway, Sweden, Denmark, the Netherlands and Luxemburg[31]—have consistently fulfilled the obligation. Their efforts alone, though exemplary and commendable, are inadequate[32] to make a significant impact on the growing needs for development finance. Despite the marked increase in 2005–08 mostly attributable to exceptional factors, the ODA has not kept pace with the increase in the need for resources for development. In fact, total ODA disbursements[33] declined for most of the 1990s in both nominal and real terms.

The Overall Aims and Scope of the Draft Bill

4. The TUC is agreement with the overall aims and scope of the proposed bill and believes that it is in line with the position of the international trade union movement led by the International Trade Union Confederation (ITUC).

Whether legislation is necessary to achieve the 0.7 % target in 2013 and beyond

5. It is nearly 40 years since the consensus on the need to devote at least 0.7% of Gross National Income (GNI) was reached in the UN.[34] However, the trends in total ODA disbursements including those in UK contributions have in the past been rather erratic[35] and shown a tendency to even decrease in real terms. Therefore, we concur with the view that the enshrinement of the commitment in legislation could provide an appropriate guarantee for delivery of aid in adequate quantity.[36] However, it is to be noted that there is no absolute guarantee that any government will strictly adhere to it, for, all that is required under the proposed legislation, if adopted, is that the Secretary of State provides an explanation for the failure.[37] In our view, it would be more appropriate and, certainly, conducive to the achievement of objectives to ensure that any shortfall is carried forward to the subsequent year(s) within a period of three years. Some flexibility could be introduced by making sure that 0.7% of GNI is reached in terms of a moving average over a period of three years.[38] This would present a significant advantage for a government facing difficult financial decisions, as it would enable it to reduce the contribution, for example, for one year in the event of an economic downturn[39] and still be able to adhere to the requirement over the medium-term.

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30 All Party Parliamentary Group for Debt, Aid and Trade, TUC Response to the Inquiry into Increasing Aid Finance, 2007

31 The contributions from the five countries concerned were as follows in 2008. Denmark (0.82%) Luxemburg (0.92%), Netherlands (0.80%), Norway (0.88%), Sweden (0.98%), Net ODA, preliminary data, 30 March, 2009

32 The total contribution from the five countries in 2008 amounted to some USD 18.889bn whereas the UK contribution alone at 0.7% would have been some USD 18.57bn for the same year.

33 See Annex II

34 Resolution 2626 adopted by UN General Assembly in October 1970 recommended 0.7% of GNI as ODA.

35 See Annex 1

36 In 2008, total DAC disbursements amounted to USD 121 billion. At 0.7% of GNI, total disbursements would have been nearly USD 275 billion.

37 See para 3 of the proposed Bill

38 Example

	Year I	Year II	Year III	Moving Average
GNI	1000	998	1002	
ODA	7	6	8	
% of GNI	0.7	0.602	0.799	0.7

39 It should be noted that the obligation to strictly adhere to .07% of GNI, is less onerous than it appears, as there is a commensurate drop in ODA in the event of an economic downturn

Whether the proposed accountability measures contained in the Draft Bill are sufficient

6. The compilation of national statistics and accounts has been standardized to a significant extent to ensure meaningful comparability and consistency within the OECD over the long-term. Moreover, there is consensus on what constitutes official development assistance. We are therefore in general agreement with the proposed accountability measures and safeguards. However, it is necessary to ensure that in line with the current consensus, the grant element[40] in ODA is at least 25%.

The potential impact of the Draft Bill on the actions of other donor countries in respect of meeting their ODA commitments

7. The UK is an important DAC member[41] and wields a great deal of influence on the formulation aid policies in the European Union and international financial institutions such as the World Bank and the IMF. The initiative by the UK to enshrine in legislation a duty or an obligation binding on the Secretary of State for International Development will set a precedent for other developed countries, notably, for other DAC members and is likely to be taken note of by them.

Whether enshrining the ODA target in legislation is likely to affect the predictability of aid levels for developing countries

8. The predictability of aid has been a major concern for many developing countries, especially those highly dependent on aid. The issue has been given careful consideration in the debate leading up to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.[42] Many DAC donors including the UK indicated their willingness to enhance predictability and have, in some instances, striven hard to do so through various arrangements including the signing of Memoranda of Understanding.[43] In our view, the enactment of commitments will go some way towards improving general predictability of aid over the medium term, although commitments to specific countries and/or programmes/projects will not be directly affected by the proposed law. The IMF has long advocated enhanced predictability of aid as a means of supporting developing countries' efforts to strengthen public financial management systems.

Whether the legislation is likely to affect poverty reduction objectives for ODA expenditure as set out in the International Development Act 2002

9. It will not have any adverse impact on poverty reduction,[44] as the objective of the proposed legislation is to add certainty in quantitative terms to the flow of funds to be made available as ODA without making any qualitative changes regarding their use. The achievement of Millennium Development Goals (MDGs) is likely to be given prime consideration in the allocation of funds for countries and/programmes.

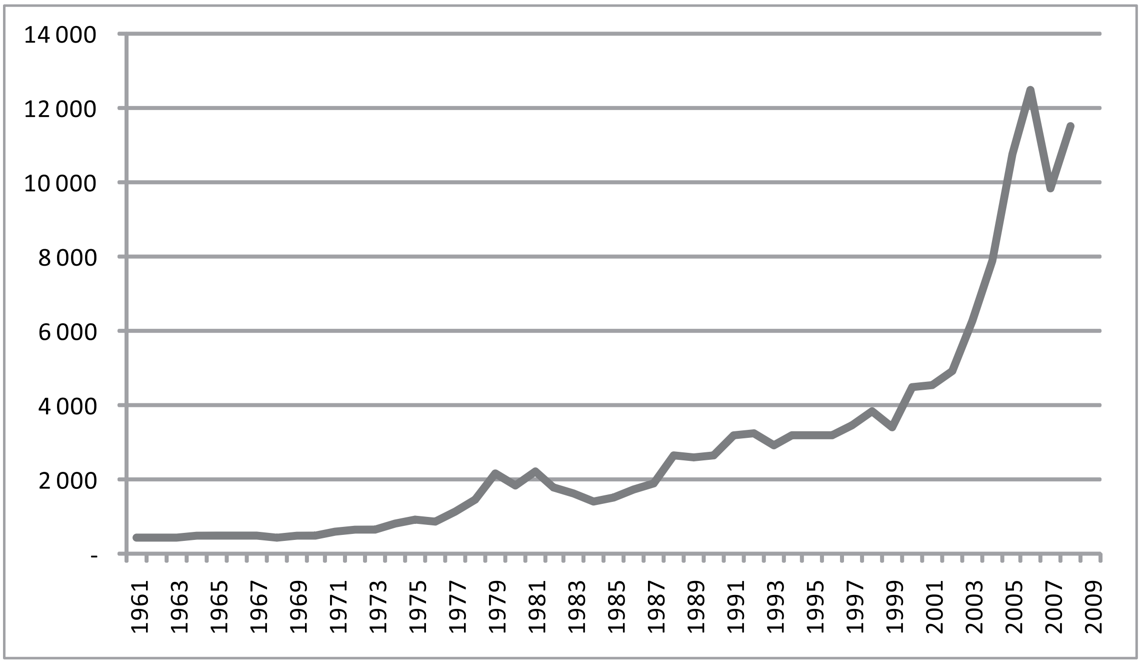
The likely impact on the contribution to ODA from other government departments (ie non-Department for International Development ODA expenditure).

10. There is a commitment by the UK Government to ensure consistency[45] and congruency in action by all government departments contributing to the fulfillment of UK commitments to the official development assistance. We do hope that the Government will ensure that the departments responsible for the implementation of its policies on trade, investment, defence, environment, human rights etc take into account their possible impact on its development policies and the imperatives arising from the UK's commitments to ODA.

[40] UK has been a leading advocate of increased grant element in ODA and often adhered to its commitments in this regard.
[41] UK has been a DAC member since 1961.
[42] "We will increase medium-term predictability of aid", Paris Declaration on aid effectiveness and the Accra Agenda for Action, OECD, para 26.
[43] See the 10-year MOU between the Government of Ethiopia and the UK signed in January 2003, under which the UK Government agreed to provide a substantial proportion of UK Development Assistance as direct budget support (at least £60 million in the following three years).
[44] See emphasis on reduction of poverty, for instance, in Part I, (1)1, in International Development Act 2002
[45] See Section 3, Eliminating Poverty, Challenge for the 21st Century, WP 1997

Annex I

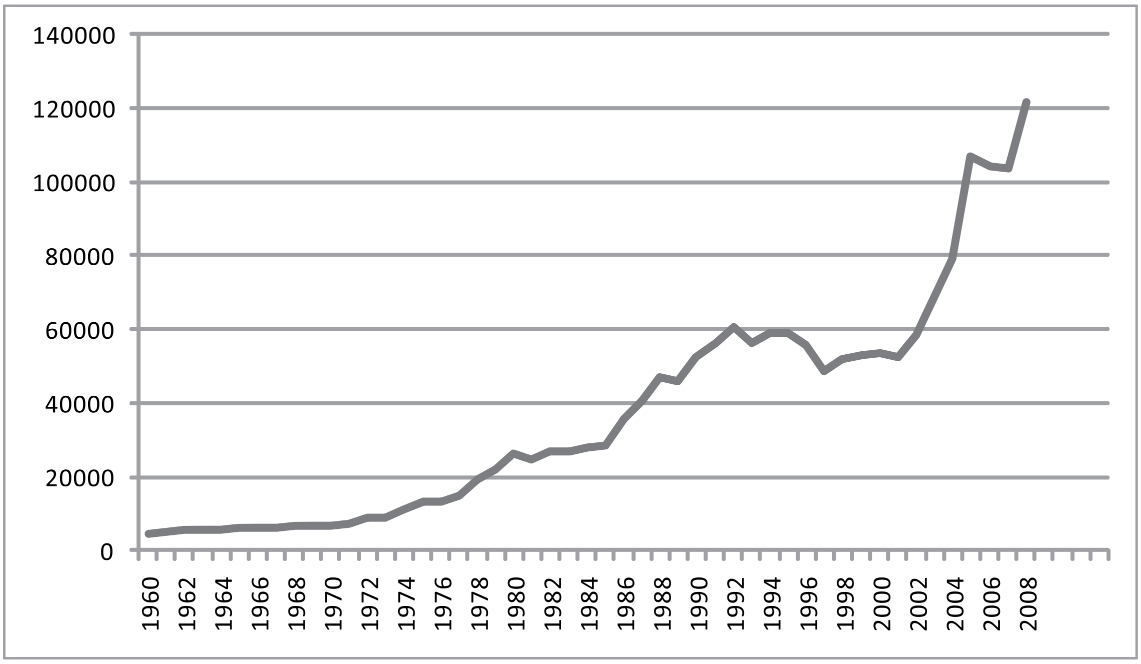
UK OFFICIAL DEVELOPMENT ASSISTANCE
1961–2008 (MILLIONS-IN CURRENT USD)



Source: OECD DAC Statistics

Annex II

TOTAL OFFICIAL DEVELOPMENT ASSISTANCE
1960–2008 (MILLIONS—IN CURRENT USD)



Source: OECD DAC Statistics

Written evidence submitted by the UK Aid Network (UKAN)

About the UK Aid Network (UKAN)—UKAN is the main network of UK development NGOs who work together on aid quantity and quality issues.

UKAN's work is guided by a Steering Group, which currently includes the following organisations—Actionaid UK, BOND, CAFOD Care International UK, ONE, One World Action, Oxfam GB, Publish What You Fund, Wateraid and World Vision UK, who have all endorsed this submission.

In addition, the following UKAN members have also endorsed this submission: Christian Aid, Save the Children and Tearfund.

1. *Introduction*

1.1 UKAN members warmly welcome this Draft Bill, as it represents the start of a process which aims to make legally binding one of the UK's longest standing unmet international commitments—to deliver 0.7% of national income as Official Development Assistance (ODA). We have been campaigning for such legislation to be passed for some time now, and made this one of our key recommendations in a joint BOND submission to the government's White Paper consultation in 2009.

1.2 We believe that there is no more important time to make the UK's ODA commitment legally binding. With enormous challenges facing the poorest countries in meeting the MDGs and facing ongoing financial, food and climatic crises, it will help to deliver vital support to tackle poverty in these countries. In addition, with many developed countries currently falling behind on their ODA commitments, it shows them what types of steps are required to meet these commitments and may inspire renewed commitment from these countries. If the Bill could be passed before the UN MDG Summit in September 2010 it will provide such impetus to this critical gathering.

1.3 We also want to note our previously communicated (in writing to the Government) position, that given the relative simplicity of this Bill and cross-party support for reaching 0.7% by 2013, it should have avoided a Draft stage and instead been introduced as a Full Bill in January 2010.

2. *Is legislation necessary?*

2.1 UKAN members feel that legislation is absolutely necessary, as 2010 marks 40 years since the 0.7% commitment was first made by developed countries, and it may well be that it is only with the help of such legislation that the UK's ODA commitment will finally be met.

2.2 We also believe that the UK's ODA commitment should be treated like many international standards that are adopted, and be enshrined in the UK's legal system in order to ensure it becomes a fundamental part of our national policy.

3. *The aims and scope of the Bill*

3.1 The main objective of this Draft Bill is to make the 0.7% ODA commitment legally binding for the UK government to meet from 2013. Although the major political parties have promised to meet 0.7% by 2013, this Bill will strengthen this commitment and therefore be a major milestone in the UK's development ambitions.

3.2 UKAN members believe that the general scope of this Draft Bill is adequate to achieve this hugely important objective, as it states unambiguously that the UK will meet 0.7% from 2013 whilst relying on previous legislation (the 2002 and 2006 International Development Acts) to deal with issues such as the purpose of the UK's aid, detailed reporting to parliament and other key issues.

3.3 However, we do feel that the accountability measures in this Bill could be stronger and we make recommendations for this in section 4 below.

4. *Are the Bill's accountability measures sufficient?*

4.1 UKAN members believe that the measures in this Bill do provide some oversight of UK government performance on the 0.7% ODA target and a degree of accountability in actually delivering on this commitment. However, we do feel that the accountability measures could be stronger in a number of respects.

4.2 Firstly, because clause 2.3 specifically states that in the case of non-compliance the Secretary of State can refer to economic, fiscal and external factors to explain this outcome, UKAN members believe it will make it harder for those trying to hold the government accountable to argue that any such circumstances referred to are not sufficient justification for non-compliance. Additionally, given that the ODA commitment in this Bill is based on a share of GNI it inherently builds in recognition that as economic circumstances change the absolute levels of aid required to meet this target changes. *We therefore recommend that reference to these factors be removed from the Bill, so that it simply states the SoS must "explain why the 0.7% target has not been met in the report year". This is consistent with the approach taken in the Child Poverty Bill, for example (see Clause 13.5 of the Child Poverty Bill, quoted in Annex 1 to this submission).*

4.3 Secondly, clause 2.4 does not require the SoS to outline measures to achieve 0.7% in the following year in the case of non-compliance, but simply to outline "any" measures to be taken to achieve the 0.7% target in the following year. *We therefore recommend that this Bill state that the SoS must outline the measures required to be taken to ensure the 0.7% target is met in the following year. This is consistent with the approach taken in the Child Poverty Bill, for example (see Schedule 2.3.b of the Child Poverty Bill, quoted in Annex 1 to this submission).*

4.4 Thirdly, we believe that given its responsibility for scrutinising the work of the Department for International Development and overall ODA spending for parliament, accountability around the 0.7% commitment would be strengthened if the International Development Committee (IDC) had a role in scrutinising UK performance in meeting it. This is especially important given the need for compliance with previous International Development Acts that are relevant to such assessments (eg around objectives of aid) and are deferred to in this Bill. *We therefore recommend that the IDC be given a role in formal scrutiny of performance in meeting 0.7% in a manner laid out by previous legislation. This is consistent with the approach taken in the Climate Change Act, which requires a Committee on Climate Change—admittedly not a parliamentary committee but a body supporting parliamentary oversight in this case—to report to parliament on progress in meeting the commitments in this Bill (see Annex 2 to this submission for quotes from relevant parts of the Climate Change Bill).*

4.6 Fourthly, we believe that it is important that there is increased transparency around the contribution of different parts of government to ODA, as such data is crucial to judgements about the 0.7% commitment being met within the parameters of all existing legislation. *We therefore recommend that as part of reporting requirements the Bill require the SoS to report annually on the contribution of different government ministries to ODA levels. This is not currently a specific requirement in the 2006 International Development (Reporting and Transparency) Act.*

5. *Potential impact of this Bill on the predictability of the UK's aid*

5.1 At present the UK government struggles to provide aid recipients with firm funding commitments outside of the years covered by a Comprehensive Spending Review, due to the uncertainty around the level of the aid budget for those years.[46] Given that it has been estimated that unpredictable aid can reduce its real value by up to 20%[47] such a situation is also reducing the effectiveness of the UK's aid.

5.2 Given this, UKAN members believe that a Bill making the 0.7% commitment legally binding from 2013 will provide the UK government with the financial security to make more substantive long term commitments to recipients from 2013, thereby improving the predictability of the UK's aid and its effectiveness.

6. *Is the Bill likely to affect the poverty reduction objectives of the UK's aid as set out in the 2002 International Development Act?*

6.1 By avoiding defining the objectives of the UK's aid, the Draft Bill therefore defers to the 2002 International Development Act's statement that the UK's aid is to be used for poverty reduction. It therefore does not challenge the 2002 Act on these matters.

6.2 In addition, this Bill helps to promote the poverty reduction objectives of the UK's aid by referring to it as Official Development Assistance, a term which is defined by international guidelines (set through the OECD) that define what types of support to developing countries can be counted as aid.

6.3 We would like to highlight that giving the IDC a role in assessing whether the 0.7% commitment has been met (see 4.4) would help to safeguard the poverty reduction objectives of the UK's ODA further.

7. *Is the Bill likely to impact on the contribution to ODA from other government departments?*

7.1 As the Draft Bill defers to the "poverty reduction" objective of the UK's aid set out in the 2002 International Development Act and indirectly endorses the OECD's aid definitions, it maintains the current standards set for aid from other UK government departments to count towards the UK's 0.7% commitment. It therefore is unlikely to have any impact on what levels of ODA are delivered by various government departments, but merely to hold them to account to previously agreed standards for what constitutes ODA.

[46] As an illustration of this, total budget support commitments for 2011–12 are only 2/3 of those for 2009–10, probably in part because commitments outside of the Comprehensive Spending Review have to be discounted because of uncertainty around the aid budget. See DFID's 2009 Annual Report, p199, table F5 for supporting data

[47] See "Aid Effectiveness—Benefits of an EU Approach", EC, Oct 2009

Annex 1

EXTRACTS FROM CHILD POVERTY BILL 2009

13 Reports by Secretary of State

(5) If the UK strategy has not been implemented in full, the report must describe the respects in which it has not been implemented and the reasons for this.

Schedule 2

Duty to maintain targets

2 If the target statement relating to the target year or a renewed target year indicates that the targets have been met in relation to that financial year, the Secretary of State must ensure that they are also met in relation to the financial year following that in which that target statement is laid before Parliament.

Duty to make regulations requiring targets to be met in specified financial year

3 If the target statement relating to the target year or a renewed target year indicates that any of the targets has not been met in relation to that financial year, the Secretary of State must make regulations under this paragraph—

(a) requiring the Secretary of State to ensure that the targets are met in relation to a later financial year specified in the regulations;

(b) requiring the Secretary of State, the Scottish Ministers and the relevant Northern Ireland department to publish strategies;

(c) requiring consultation by the Secretary of State, in relation to any strategy prepared by the Secretary of State, with the persons mentioned in section 9(4)(a) to (c) and consultation by the Scottish Ministers and the relevant Northern Ireland department, in relation to strategies prepared by them, with the persons whom they are required to consult under section 12(3)(a) to (c); and

(d) requiring the Secretary of State to publish annual reports on the implementation of any strategy prepared by the Secretary of State.

4 Regulations under paragraph 3 must be made as soon as reasonably practicable after the time when the target statement referred to in that paragraph is laid before Parliament.

Annex 2

EXTRACTS FROM CLIMATE CHANGE ACT 2008

PART 2

The Committee on Climate Change

The Committee

36 Reports on progress

(1) It is the duty of the Committee to lay before Parliament and each of the devolved legislatures each year, beginning with the year 2009, a report setting out the Committee's views on—

(a) the progress that has been made towards meeting the carbon budgets that have been set under Part 1 and the target in section 1 (the target for 2050);

(b) the further progress that is needed to meet those budgets and that target; and

(c) whether those budgets and that target are likely to be met.

37 Response to Committee's reports on progress

(1) The Secretary of State must lay before Parliament a response to the points raised by each report of the Committee under section 36 (reports on progress).

5 February 2009

Written evidence submitted by WaterAid

1. Introduction

1.1 WaterAid welcomes this Draft Bill. It will strengthen the UK government's support for development, and make financial commitments more secure, in fair times or foul. The commitment to spend 0.7% of national income on ODA dates back to 1970—it is high time that the UK meets it. There is now broad cross-party consensus on this issue. Putting the commitment into legislation will mean that governments now and in the future will find it harder to backslide on aid, and it will set an example for other OECD countries to follow.

2. Scope of the Bill

2.1 The text of the Draft Bill as it stands is adequate to achieve the stated objective of ensuring 0.7% of GNI is set aside for ODA, and making this legally binding from 2013. The accountability conditions set out in section 2 of the bill are clear.

3. Predictability of Aid

3.1 The UK's current aid commitments are tied to the Comprehensive Spending Review (CSR) process. CSRs set out spending commitments only for the subsequent three financial years. This can have a negative impact on aid effectiveness, as it impairs recipient countries' ability to plan more than three years ahead.

3.2 Many development investments, including in the water and sanitation sector, have costs which need to be spread out over a much longer period of time. With this act passed, the DFID could give longer-term guarantees to developing country partners, which would improve the effectiveness of its aid.

3.3 This is also in line with the UK government's commitment to aid predictability under the Accra Agenda for Action—"Donors will provide developing countries with regular and timely information on their rolling three—to five-year forward expenditure and/or implementation plans. … Donors will address any constraints to providing such information."

4. Necessity of this Legislation

4.1 This long-standing commitment has not been met for 40 years, and only recently has the UK set concrete interim targets for achieving it. Legislating on the commitment will make it harder for future governments to renege of their undertakings. However, the Bill will also have impacts beyond the UK.

The Gleneagles commitments on increasing aid volumes have not been followed through by all countries. Many donors have cut their aid budgets in the wake of the recent global recession. This Bill will set an example to other OECD countries that the 0.7% commitment is a an issue of great importance, and will cement the UK's position as one of the most progressive donors.

2 February 2010

Written evidence submitted by World Vision

1. *Introduction*

1.1 Spending 0.7% of UK's GNI on aid would deliver one of the UK's longest standing international commitments and improve the lives of millions of people living in poverty. The introduction of legislation would ensure that this commitment was met, and maintained and that the UK continued to meet this commitment in years to come.

1.2 At a time when the global economy is in downturn, the aid budgets of the richest nations are being squeezed. The downturn is hitting the poorest the hardest and so it is important, more now than ever, that aid is not just maintained, but increased.

1.3 This Bill becoming law confirms the UK as a global leader in aid and development, and can be used by the UK Government to further press other countries to meet their commitments to 0.7% GNI.

1.4 It is essential that any legislation has the appropriate measures to ensure compliance and accountability. Further changes are needed in the current legislation to increase this and improve the quality of this legislation.

1.5 World Vision is pleased to welcome this important and historic bill and encourages cross party consensus on the legislation and a commitment by the next Government to introduce it in the first session of the new Parliament.

2. *Aims and scope of the draft Bill*

2.1 The draft Bill builds on the 2002 and 2006 International Development Acts by making a legally binding commitment to spend 0.7% of the UK's gross national income on ODA each year from 2013. The Bill introduces a requirement for the Secretary of State to report to Parliament on any failure to meet the target, with plans to meet the target in future years.

2.2 The Bill is critical for guaranteeing predictable aid to developing countries. Governments in developing countries need confidence to plan and budget for their essential poverty reduction strategies, much of which is supported through external assistance. Unpredictable aid undermines these efforts and is a blockage to the realisation of poverty related outcomes.

2.3 The legislation will ensure greater predictability of UK aid, as well as providing political leadership globally, to encourage other Governments to take similar steps which would ensure greater predictability.

2.4 World Vision supports the scope of the Bill. We believe is has the highest chance of success and achieving cross party support if it remains a simple Bill. It is sensible and straightforward, and given the cross party consensus on the need to meet 0.7%, there should be no reason why this legislation does not receive cross party support, and why the next Government should not make its immediate introduction a top priority.

2.5 We do believe the Bill can be improved by strengthening the accountability mechanisms in it, which we set out in section 4 below.

3. *Is the legislation necessary to achieve the 0.7% target in 2013 and beyond?*

3.1 In addition to the issue of predictability of aid (2.2–2.3), and the global leadership this provides (1.2–1.3), World Vision believes this legislation is necessary to ensure the long term commitment of 0.7%.

3.2 Commitments have been made in the past which, due to political choices of successive Governments, have not been kept. We are only now in a position to meet the 0.7% commitment which was made forty years ago. The UK has never delivered 0.7% of GNI as aid and so making this commitment a law should ensure that we do not go back to the position of successively missing this target again in the future.

3.3 World Vision does however note that this legislation, as currently drafted, will not guarantee that the target of 0.7% will be achieved. It does however make it more difficult for a Government to not meet it, and will give Parliament an important role in holding Government to account should they fail to meet it.

4. *Are the proposed accountability measures in the Draft Bill sufficient?*

4.1 As stated in 3.3 above, the legislation will not guarantee a future Government will meet 0.7%, but does add an additional barrier against missing it. For the legislation to be effective, the accountability measures have to be made stronger. As the Bill is currently drafted, World Vision does not believe that the accountability measures are strong enough.

4.2 World Vision proposes the following amendments to the Draft Bill:

4.2.1 Remove the reference to economic, fiscal and external factors (clause 2.3). As the 0.7% target is a percentage of GNI, it should be as possible to meet it in times of economic recession as well as growth. The inclusion of this clause legitimizes failure to meet the target on these grounds and to explain the reason in terms of economic, fiscal and external factors, rather than political failure.

4.2.2 Require the Secretary of State to publish an action plan in the target is missed (clause 2.4). The current wording requires that the Secretary of State has to publish "any steps" that they are undertaking. This should be strengthened to require an action plan to be laid before the House outlining how HM Government will meet the 0.7% target in future years, and steps which they will take to ensure it is met.

4.2.3 Strengthen Parliamentary Scrutiny of the Secretary of State's report (new clause in Section 2). The Bill as currently drafted requests that the Secretary of State publishes steps. In conjunction with 4.2.2 above, and to enable fuller scrutiny of both the reasons why the target was missed and the action plan to rectify it, the Bill should enable a committee of the house to report scrutinise the Government's response and to report on it. World Vision therefore proposes that in addition to laying this before the House, that the Secretary of State writes to Chair of the International Development Select Committee (or its successor) with the explanation and action plan, and invite Committee scrutiny.

4.2.4 Publish a breakdown of ODA by Government department. The 2006 Act requires an annual report of ODA, but does not publish how this calculation is made up and from which departments the figure is derived. World Vision recomends a breakdown of ODA to be published by department.

5. *What is the potential impact of the Draft Bill on the actions of other donor countries in respect to meeting their ODA commitments?*

5.1 Many other countries in the EU and G8 are failing to meet their commitments. This legislation is likely to encourage other donor countries to meet their commitments.

5.2 Legislation in the UK creates pressure internationlly for other countries to meet their commitments in full. It ensures that the UK remains as a global leader in international development.

6. *Will enshrining the ODA target in legislation affect the predictability of aid levels for developing countries?*

6.1 As argued in 2.2 and 2.3 above, this will improve predictability of UK aid, but also if it encourages other countries to take a similar position (5.1) then it will improve predictability beyond the UK.

7. *Will the legislation affect poverty reduction objectives for ODA expenditure as set out in the International Development Act 2002?*

7.1 World Vision supports the use of ODA in the Bill which ensures that it is protected by the DAC.

8. *What is the impact on the contribution to ODA from other government departments (ie non Department for International Development ODA expenditure)?*

8.1 World Vision does not expect there to be any impact. As argued in 4.2.4, World Vision recommends a breakdown of ODA by department.

Written evidence submitted by the Department for International Development

During the International Development Committee's oral evidence sessions on the International Development (Official Development Assistance Target) Bill on 24 February, references were made at several points to the proportion of UK ODA which is available to partner countries to spend as part of own public expenditure plans. It might be helpful to clarify two different measures which are relevant to this issue.

First, the amount DFID spent on its bilateral country and regional programmes was £2.4 billion in 2008–09, amounting to 43% of the total programme budget of £5.5 billion. This figure has reduced over recent years as we have increased the proportion of funding provided to multilateral organisations.

Further to this, the results of the last OECD DAC Paris Declaration Survey (2008) show that in the 33 countries surveyed, 71% of DFID's bilateral programme was being spent directly through country systems. This money is disbursed under common arrangements or procedures with partner governments or other donors.

The DAC also measure the proportion of the UK's overall bilateral ODA (ie. not just DFID spending) which is "country programmable". This aims to capture how much of bilateral ODA supports "core" development programmes and in turn the extent to which financing is relevant to decision-making and alignment with priorities at the country level. The DAC reports that UK country programmable aid in 2008 was USD 4.9 billion, or 63% of UK bilateral ODA, which is higher than the DAC average of 58%.

I hope this information is helpful and I look forward to reading the report of your inquiry in due course.

5 March 2010

Supplementary written evidence submitted by the UK Aid Network

Our members (Oxfam, Save the Children and World Vision) were very grateful for the opportunity to give evidence to your enquiry on the 0.7% legislation last week. As I mentioned to you informally after the evidence session, our members who gave evidence were hoping to respond to questions relating to the costs/benefits of legislation and the impact it may have internationally, but in the end these questions were not posed directly to them (the questions posed to them focussed mainly on aid definitions, why legislation is important and whether a consultation was necessary)—although I recognise they were still free to express views on these matters. I therefore wanted to let you know what their planned responses were, in case these can be taken into account.

Firstly, on the matter of costs/benefits, our members were keen to highlight that although there are challenges around spending aid increases effectively (raised by witnesses from ODI and IDS) we need to remember that over the long term we can spend this money more effectively—especially as there are such enormous development needs around the world—and it is not just a matter of what can be done in the next three years as we scale up to 0.7% in 2013. We also feel quite strongly that this legislation will help to promote progress on aid effectiveness as it will allow us all to stop debating aid volumes and focus more intensively on challenges around aid effectiveness. The protection of legislation will also help encourage a more open and challenging debate on aid effectiveness and therefore hopefully to identify critical reforms for making aid more effective.

On the matter of international impacts, we are already aware that campaigners across Europe are using the example of the UK in their campaigning and therefore we believe the UK's approach will lead to pressure being put on other donors to do the same. For example, Oxfam International have just released a press release, which calls for EU member states to make their aid commitments legally binding.[48] We are also working with a coalition of NGOs from across Europe on a report on aid to be released in May, and legally binding commitments will probably be one of our recommendations.

[48] Heed EC warning that European credibility is being undermined by aid failures, says Oxfam, Reuters UK, 5 March 2010.

I do hope you might be able to take these responses into account, as we think they are hugely significant ones for the inquiry to incorporate and we didn't hear them directly addressed in the other evidence that was given.

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Coordinator

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