



House of Commons
International Development
Committee

Definition and administration of ODA

Fifth Report of Session 2017–19



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*Report, together with formal minutes relating
to the report*

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The International Development Committee

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Summary

Under the International Development (Official Development Assistance Target) Act 2015, the UK Government enshrined in law a commitment to spending 0.7% of Gross National Income (GNI) on Official Development Assistance (ODA). The UK Aid Strategy, also launched in 2015, included details of how the 0.7% target would be met, including through the movement of an increasing proportion of the UK's Official Development Assistance (ODA) to departments other than the Department for International Development. Our inquiry considered questions relating to both the definition and administration of ODA.

The definition of ODA is determined by the OECD's Development Assistance Committee, and specifically excludes any assistance to high-income countries. High-income countries or territories occasionally fall back into middle-income status, but there is no established procedure for re-admitting such countries or territories to ODA eligibility. Following pressure from the UK, the DAC has agreed to consider introducing a 'reverse graduation' mechanism—an idea which we support.

The ODA definition does not preclude the UK from providing humanitarian assistance wherever needed, including to high-income countries and territories: it simply prevents the Government from reporting such assistance as ODA. Following Hurricane Irma, the UK provided significant humanitarian assistance to the affected British Overseas Territories (including Anguilla, the British Virgin Islands and the Turks and Caicos Islands). Little of this assistance counted as ODA because almost all of the territories affected are classed as high-income. We recommend that the UK continue to provide humanitarian assistance where appropriate, irrespective of the ODA eligibility status of the recipient countries and territories. In particular, the UK should continue to provide whatever assistance is needed to its Overseas Territories.

The Conservative Party's 2017 election manifesto included a commitment to seek changes in the ODA definition and—if unsuccessful—to use a UK-specific definition instead. However, we believe unilateral action by the UK to develop and use its own ODA definition would be an own goal. The UK's reputation as a leading development actor stems from its expertise and professionalism, its commitment to multilateralism and the international system and its commitment to, and delivery against, the 0.7% target. All three of these 'assets' would be damaged by trying to manipulate the shared understanding of what aid is.

The movement of ODA outside of DFID provides opportunities to harness skills and networks from across Whitehall to enhance the quality of ODA. However, moving increasing amounts of ODA outside of DFID also creates inherent risk in three areas; coherence, transparency and focus upon poverty reduction. Without effectiveness in these areas, the quality of the UK's ODA output will suffer.

DFID is an experienced administrator of ODA and should play the leading role in equipping other government departments with the skills required to ensure consistently excellent levels of ODA administration, from transparency in reporting to poverty reduction driven programming. With ODA spread across Whitehall, there is a risk of duplicate or contradictory programming. Furthermore, with no central point for

oversight, the overall story of UK ODA spend risks being lost amongst the outputs of different Whitehall departments. Clear and strong oversight mechanisms are essential to ensure that accurate accounts of UK ODA spending are recorded and to prevent misdirected spending from occurring. The Secretary of State for International Development should have ultimate responsibility for oversight of UK ODA.

The increasingly prominent role played by the cross-government funds raises particular concern given their shortcomings in focus upon poverty reduction and transparency. We found that, in practice, many Prosperity Fund projects showed very weak targeting at their primary objective, with negligible targeting towards helping the poorest and most vulnerable. We also received contradictory reports in evidence about the approach of the CSSF towards redacting programme information; the Joint Funds Unit told us that there was a presumption to publish all data, whereas other evidence suggested that information was routinely redacted in programmes that contain a mixture of ODA and non ODA-eligible components on national security grounds. This lack of clarity risks undermining faith in the UK aid brand.

DFID has the experience and know-how to administer ODA in a targeted, effective and transparent way, and should continue to play the central role in the delivery of the UK's ODA. To ensure the primacy of poverty reduction as an objective for all UK ODA, we recommend that all ODA, including that administered outside of DFID, should conform in practice with this requirement. Poverty reduction should underpin all of the UK's ODA, helping the poorest and more vulnerable and ensuring that no-one is left behind.

1 Introduction

UK Aid Strategy

1. In 2015, the Government published its strategy *UK aid: tackling global challenges in the national interest*. The strategy outlined a new cross-government approach to administering Official Development Assistance (ODA), increasing the amount of ODA administered outside of the Department for International Development (DFID) and broadening the number of implementing departments. It stated:

DFID will remain the UK's primary channel for aid. But to respond to the changing world, more aid will be administered by other government departments, drawing on their complementary skills.¹

The strategy also contained a commitment to reform the ODA rules, stating that:

The government will continue to work closely to modernise the definition of ODA at the OECD, ensuring it reflects the breadth of the new international development agenda set by the new UN Global Goals, and fully incentivises other countries to meet these goals.²

Objectives of the UK Aid Strategy

- Strengthening global peace, security and governance
- Strengthening resilience and response to crises
- Promoting global prosperity
- Tackling extreme poverty and helping the world's most vulnerable

Definition

2. Under the International Development (Official Development Assistance Target) Act 2015, the UK Government is committed to spending 0.7% of Gross National Income (GNI) on ODA. The definition of ODA is determined by the OECD's Development Assistance Committee (DAC). The DAC defines ODA as those flows to countries and territories on the DAC List of ODA Recipients, and to multilateral institutions, which are:

- a) provided by official agencies, including state and local governments, or by their executive agencies; and
- b) each transaction of which:
 - i) is administered with the promotion of the economic development and welfare of developing countries as its main objective; and
 - ii) is concessional in character and conveys a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent).

1 HM Treasury and Department for International Development [UK Aid: Tackling Global Challenges in the National Interest](#) (November 2015) para 2.13

2 *ibid*, para 2.15

The DAC List of ODA Recipients includes all low-income countries and almost all middle-income countries (the only exceptions are Romania and Croatia on the grounds of EU membership; and Russia on the grounds of its membership of the dormant G8).

3. A small amount of DFID spending is not ODA-eligible. This includes support to the Overseas Territories (the International Development Act 2002, which governs all DFID spending, requires DFID to provide such assistance irrespective of whether such territories are ODA-recipient); and humanitarian assistance to countries which are not ODA-recipient.

4. The Conservative Party's 2017 election manifesto stated that:

We do not believe that international definitions of development assistance always help in determining how money should be spent, on whom and for what purpose. So we will work with like-minded countries to change the rules so that they are updated and better reflect the breadth of our assistance around the world.³

Legislation

5. Under the International Development Act 2002, ODA provided by DFID (indeed all DFID spending with the exception of (i) humanitarian assistance in high-income countries; and (ii) support for the Overseas Territories) must be “likely to contribute to a reduction in poverty.” ODA provided by other departments is not explicitly subject to the requirements of the Act, though the Government's view is that all ODA provided by cross-Government funds (though not necessarily that provided by departments other than DFID) meets the requirements in practice. However, “likelihood of poverty reduction” is not clearly defined; this gives wide discretion to Ministers in how aid is spent by their department”.

6. Further to the International Development Act and the OECD DAC definition, the 2014 amendment to the Act added the duty to consider gender equality and the International Development (Official Development Assistance Target) Act 2015 enshrined the 0.7% commitment into law.

7. Additionally, the UK has reaffirmed its commitment to the Sustainable Development Goals, with their universal call to end poverty. The Government has also committed not to tie aid (i.e. not to make UK aid conditional on being spent on goods and services from UK companies).

Who spends ODA?

8. When DFID was first established, it was responsible for the entirety of the UK ODA spend. By the end of the Labour Government in 2010, this had shifted slightly, with just over £450,000 of the £8.5 billion aid budget being spent by other departments (such as through the cross-government Conflict Pool, predecessor of the current Conflict, Stability and Security Fund (CSSF)). When the UK hit the 0.7% of GNI target for official development assistance (ODA) spending in 2013, DFID was still responsible for administering nearly

3 Conservative and Unionist Party, [Forward, Together: Our Plan for a Stronger Britain and a Prosperous Future](#), 18 May 2017

87.8% of the aid budget, with an increased number of other departments spending small amounts. At that point, the predominant other ODA-spending was via the Conflict Pool, the Department of Energy and Climate Change and the Foreign and Commonwealth Office. The DFID proportion continued to fall over the subsequent two years so that, over the entire 2011–15 spending review period, DFID was responsible for spending about 85% of the total UK ODA spend.⁴

9. According to the Government's official ODA statistics for 2016, DFID spent 73.8% of the UK's total ODA (down from 80.5% in 2015). As a result, ODA spent by other government departments (OGDs) rose from 19.5% in 2015 to 26.2% in 2016.⁵ The table below shows the breakdown by department.

4 Department for International Development, [Statistics on International Development 2015](#)

5 Department for International Development, [Statistics on International Development 2017](#) (November 2017)

Table 3. Breakdown of UK ODA: by Government Department and Other Contributors of UK ODA¹

2012, 2015 and 2016

	2012		2015 ²		2016 ³		Change since 2012		Ordered by 2016 ODA	
	£m	% UK ODA	£m	% UK ODA	£m	% UK ODA	£m	%	£m	%
	7,624	86.6%	9,772	80.5%	9,874	73.8%	2,250	29.5%	102	1.0%
Department for International Development^{2,3}										
Of which:										
EU Attribution ⁴	699	7.9%	426	3.5%	498	3.7%	-201	-28.7%	73	z
Total non-DFID	1,178	13.4%	2,364	19.5%	3,507	26.2%	2,328	197.6%	1,143	48.4%
Of which:										
Department for Business, Energy and Industrial Strategy ⁵	288	3.3%	527	4.3%	696	5.2%	407	141.3%	168	32.0%
Conflict Pool/Conflict, Stability and Security Fund (CSSF) ^{6,7}	188	2.1%	324	2.7%	601	4.5%	413	220.2%	277	85.4%
Foreign & Commonwealth Office	282	3.2%	391	3.2%	504	3.8%	222	78.9%	114	29.1%
Home Office	29	0.3%	222	1.8%	360	2.7%	330	1128.7%	138	62.1%
HM Treasury	0	0.0%	0	0.0%	73	0.5%	73	z	73	z
Department for Environment Food and Rural Affairs	22	0.3%	57	0.5%	66	0.5%	45	200.6%	10	18.4%
Department of Health	15	0.2%	32	0.3%	46	0.3%	31	208.5%	14	43.5%
Prosperity Cross- Government Fund ⁸	0	0.0%	0	0.0%	38	0.3%	38	z	38	z
Department for Education	0	0.0%	22	0.2%	28	0.2%	28	z	7	30.8%
Department for Work and Pensions	10	0.1%	9	0.1%	24	0.2%	14	143.7%	15	181.1%
HM Revenue and Customs	0	0.0%	2	0.0%	9	0.1%	9.30	z	7	414.7%
Ministry of Defence	5	0.1%	9	0.1%	5	0.0%	0	-2.2%	-4	-45.5%
Export Credits Guarantee Department ⁹	20	0.2%	0	0.0%	2	0.0%	-17	-88.6%	2	z
Department for Culture, Media and Sports	2	0.0%	~	0.0%	2	0.0%	~	-25.3%	~	107.9%
Office for National Statistics ^{10,11}	0	0.0%	0	0.0%	~	0.0%	~	z	~	z
CDC Group PLC	103	1.2%	0	0.0%	0	0.0%	~	z	~	z
Other contributors of UK ODA										
EU Attribution (non - DFID) ^{4,7}	109	1.2%	509	4.2%	478	3.6%	369	z	-32	z
IMF Poverty Reduction and Growth Trust (PRGT)	0	0.0%	120	1.0%	446	3.3%	446	z	326	272.4%
GfR Aid	91	1.0%	105	0.9%	90	0.7%	-1	-1.6%	-15	-14.6%
BBC World Service	0	0.0%	20	0.2%	24	0.2%	24	z	4	18.9%
Scottish Government	10	0.1%	11	0.1%	12	0.1%	1	14.1%	1	4.9%
Colonial Pensions administered by DFID	3	0.0%	2	0.0%	2	0.0%	-1	-30.6%	0	-12.2%
Welsh Government	1	0.0%	1	0.0%	1	0.0%	~	11.3%	0	2.1%
Total UK ODA	8,802	100.0%	12,136	100.0%	13,377	100.0%	4,579	52.0%	1,245	10.3%

1. Figures may not sum to totals due to rounding.
 2. The total figure for DFID no longer includes DFID's share of the Conflict Pool/CSSF. See section 1.4 for more details.
 3. DFID's figures for 2015 and 2016 include the capital contribution to CDC.
 4. The methodology for EU attribution changed in 2016, and therefore a comparison with the estimate in 2015 is strictly not applicable.
 5. The Department for Business, Energy and Industrial Strategy (BEIS) is a government department created in July 2016. In previous publications the Department comprised the former Department for Energy and Climate Change (DECC) and Department for Business, Innovation and Skills (BIS).
 6. In 2015 the former DECC spent £336m and the former BIS spent £191m of the BEIS total.
 7. In 2016 the former DECC spent £319m and the former BIS spent £370m of the BEIS total.
 8. In April 2015, the Government introduced the CSSF replacing the Conflict pool. The 2015 figure reflects Conflict Pool spend from January - March 2015 and the CSSF spend from April - December 2015.
 9. CSSF/Conflict Pool includes the UK's contribution to EU peacekeeping activities as it is the fund responsible for the spend. This contribution is not counted in the EU attribution (non-DFID) figure to avoid double-counting. The overall EU attribution figure has not changed.
 10. The cross-government Prosperity Fund and Office for National Statistics are new ODA providers in 2016.
 11. ODA is the debt relief granted by the Export Credits Guarantee Department.

10. ONS ODA for 2016 was £56,335, less than the last significant figure presented in the table.
 Figures for 2015 have been revised - see note on revisions in Statistics on International Development: 2017.
<https://www.gov.uk/government/statistics/statistics-on-international-development-provisional-uk-aid-spend-2017>
 Figures for 2016 have been revised following OECD DAC decision. See background note 7.2 found with this link:
<https://www.gov.uk/government/statistics/statistics-on-international-development-provisional-uk-aid-spend-2017>
 "z" is not applicable, "0" is null and "~" is less than half the smallest unit displayed.

Source: Statistics for International Development
 Last updated: 5 April 2018
 Next update: November 2018

Email: statistics@dfid.gov.uk
[Notes & Definitions](#)
 The figures in this table are National Statistics

10. The nature of ODA spending differs considerably between DFID and other government departments. 95% of DFID’s bilateral ODA spending in 2015 resulted in a transfer of cash, technical cooperation or commodities to developing countries, whereas 52% of FCO ODA and 93% of Home Office ODA was spent on administrative costs (e.g. relating to diplomacy or on in country refugee costs).⁶

11. The Department for Business, Energy and Industrial Strategy (BEIS) is currently the largest non-DFID spender of ODA. BEIS’ ODA spend aims to support the goals of the UK Aid Strategy by,

reducing poverty by generating and putting into use technology to address global development challenges which affect the poorest people and countries⁷

The largest amount of BEIS ODA is apportioned to the International Climate Fund (ICF), which aims to “deliver the UK’s commitment to spend at least £5.8bn in climate finance from 2016 to 2020.”⁸ BEIS also has two major research funds: the Global Challenges Research Fund, which is worth £1.5bn from 2016 to 2021 and funds UK research and innovation to tackle global development challenges; and the Newton Fund, which has £585m for 2016 to 2021 and funds science and innovation partnerships with developing countries.⁹

12. The Foreign and Commonwealth Office is set to administer an increasing share of ODA and become the largest non-DFID ODA administering department, chiefly due to its responsibility for two significant funds, the Prosperity Fund and the Conflict, Security and Stability Fund (CSSF) (further information on the cross-government funds is given below). In written evidence, the FCO states that its ODA:

is primarily focused on delivering three of the four pillars of the strategy (strengthening global peace, security and governance; strengthening resilience and response to crises; and promoting global prosperity).¹⁰

The FCO states that the primary element of its ODA is aid-related frontline diplomatic activity which it says “makes an important contribution to the achievement of the UK’s development objectives overseas”.¹¹ FCO ODA also includes contributions to international organisations, such as the British Council and the BBC World Service.

The Cross-Government Funds

13. The National Security Council oversees two cross-government funds: the Conflict, Stability and Security Fund (CSSF) and the Prosperity Fund, which use both ODA and non-ODA eligible funds. A very substantial proportion of UK ODA spending is channelled through these funds, with CSSF alone ranked as the third largest non-DFID administrator of ODA.¹²

6 [Development Initiatives ODA0013 para 4.3](#)

7 [Department for Business, Energy and Industrial Strategy ODA0026 para 1](#)

8 [Ibid para 15](#)

9 [Ibid para 7](#)

10 [Foreign and Commonwealth Office ODA0015](#)

11 [Ibid](#)

12 Department for International Development, [Statistics on International Development: Provisional UK Aid Spend 2017](#) (April 2018)

14. The CSSF aims to promote the economic development and welfare of developing countries by strengthening peace and resilience where there is actual, or a risk of, conflict and instability (aligning with national security objectives of “Protect our People” and “Project our Influence”).¹³ In 2016, the CSSF’s total budget was £1.127bn, of which £600.9m was spent on ODA-eligible activities.¹⁴

15. The Prosperity Fund aims to support the economic growth and reform needed for development, aligning with the objective to “Promote our Prosperity”.¹⁵ The Fund’s secondary aim is to create opportunities for international business, principally for UK companies. The Prosperity Fund’s main geographic focus lies with Middle Income Countries (MICs) who are DAC recipients such Colombia, India and South Africa. In 2016 the Fund spent £38m that was ODA-eligible.

16. From April 2018 the funds have been administered through a new Joint Funds Unit, based in the Foreign and Commonwealth Office. The main function of the Unit is to provide “oversight and advice on the respective Fund portfolios” with individual programmes delivered within Departments or at Posts.¹⁶ Ultimate ownership of the funds sits with the Minister for the Cabinet Office who chairs a newly established Ministerial Committee, comprising of Ministers from ODA-spending departments. The Government states that these funds “enable the UK Government to use ODA flexibly to respond to the constantly changing global landscape”.¹⁷ The Government argues that interventions undertaken through these funds in supporting fragile states and driving prosperity “are not just right morally—they are firmly in our national interest”.¹⁸ The use of ODA through the funds has attracted substantial criticism which is explored further in this report.

International comparison

17. We found that a growing share of ODA spent through government departments other than the main aid agency is not an uncommon trend in international terms. In Switzerland, 38.0% of ODA spending in 2016 was by departments other than the Swiss Agency for Development and Cooperation, and, in Canada, 21.4% was delivered by government bodies other than Global Affairs Canada in 2015–16.¹⁹ In Sweden (which spends 1% of GNI annually on ODA), only roughly half of ODA spending was managed by Sida (the Swedish government authority for development cooperation). The majority of other ODA eligible expenditure was undertaken via its Ministry for Foreign Affairs.²⁰ The UK is the only DAC donor to have an independent government department headed by its own senior minister to administer ODA.²¹

13 [National Security Secretariat ODA0005 para 4](#)

14 HCWS123, 21 July 2016; Department for International Development, [Statistics on International Development 2016](#) November 2017

15 HM Government, [National Security Strategy](#) (2015) para 4

16 National Security Secretariat evidence TBC, Q4

17 HM Government, [National Security Strategy](#) (2015) para 1

18 Ibid

19 [Overseas Development Institute ODA0004 para 26](#)

20 [Swedish Ministry of Foreign Affairs ODA0030 page 2](#)

21 Nilima Gulrajani, [Merging Development Agencies](#). Overseas Development Institute. January 2018 page 3

2 Definition

Reverse graduation

18. Under DAC rules, countries classed by the World Bank as ‘high income’ are not ODA Recipients and a financial transfer received cannot be defined as ODA by the donor.²² High-income countries have of course received humanitarian assistance (typically in the aftermath of a natural disaster). In 2011, for example, Japan received humanitarian assistance from a number of countries following the Tohoku earthquake and tsunami—none of this was counted as ODA.²³ More recently, following Hurricane Irma, the UK provided significant humanitarian assistance to the affected British Overseas Territories (including Anguilla, the British Virgin Islands and the Turks and Caicos Islands). Little of this assistance counted as ODA because almost all of the territories affected are classed as high-income.²⁴

19. As countries develop economically, and their GNI rises, they are regarded as first ‘in transition’ and then ‘graduating’ from one income category to another. Once a country has ‘graduated’ to high income status (US\$12,236 p.a. GNI) it stops being an ODA recipient.²⁵

20. Recently, however, an issue arose in relation to the potential impact of natural disasters on small states. If a natural disaster was particularly severe, it might cause a small or otherwise fragile country or territory to fall back into middle-income status. Anguilla, for example, might fall back into middle-income status once the economic consequences of Hurricane Irma become apparent. Blondel Cluff, Anguilla’s Representative to the UK and EU, has pointed out that unlike the other Overseas Territories affected by the hurricane, Anguilla only graduated from being an ODA Recipient relatively recently, in 2014.²⁶

21. The DAC rules do not currently provide specifically for ‘reverse graduation’ back into ODA eligibility. Brenda Killen, Deputy Director of the DAC’s Secretariat, was keen to stress to us that reverse graduation was in fact neither permitted nor prohibited. In its High-Level Communique of 31 October 2017, following pressure from the UK Government, the DAC stated:

We recognise the particular vulnerability and fragility that graduate countries can face in the event of a humanitarian crisis. More holistic consideration should be given to financing needs for resilience and recovery. We request the Secretariat to develop for DAC consideration evidence-based proposals for reinstatement. Further, the DAC will, in consultation with relevant stakeholders, establish a process to examine short-term financing mechanisms available to respond to catastrophic humanitarian crises in recently graduated HICs, including, without prejudice, a possible role for ODA spending based on objective criteria while ensuring no diversion of resources from existing ODA recipients.²⁷

22 OECD, ‘[DAC List of ODA Recipients](#),’ accessed 14 May 2018

23 “[Lincolnshire fire team to join Japan rescue effort](#)”, BBC News, 12 March 2011

24 “[One month on from Hurricane Irma](#)”, DFID press release, 6 October 2017

25 OECD, ‘[DAC List of ODA Recipients](#),’ accessed 14 May 2018

26 Blondel Cluff CBE, Government of Anguilla [ODA0034](#)

27 OECD, ‘[DAC High Level Communique: 31 October 2017](#)’

22. In its written evidence to our inquiry, the Government explained its rationale for supporting the notion of a reverse graduation mechanism:

There is a precedent in the development community outside the DAC of such requirements. For example, since the foundation of the International Development Association (IDA), 44 countries have graduated and nine of these graduates have since re-entered IDA [...]. Establishing rules for reinstatement should therefore be consistent with the DAC's reputation for the rigour of its principles, but provide additional flexibility and responsiveness to the evolving needs of countries in the context of the sustainable development goals.²⁸

23. The proposal enjoys overwhelming support from NGOs.²⁹ The Overseas Development Institute (ODI) is also supportive, arguing in its evidence that:

A formal mechanism for adding countries to the DAC's ODA eligible list when they move from high income to upper middle income status would be beneficial. This particular transition in countries' income status is not particularly common—nine countries have moved from high income to upper middle income status over the past decade since FY2009—and it would therefore likely not have much impact on existing ODA patterns. There are precedents in other institutions, such as the World Bank, for countries to regain access to concessional assistance.³⁰

24. ODI also pointed out, for practical purposes, that the mechanism and timeframe should be more rapid for reinstating countries than for removing them. ODI said:

Currently, the DAC assess revisions to the list of eligible countries every three years, and then only removes a country after it has crossed the income threshold for three consecutive years, effectively resulting in a four- to six-year wait. However, even a rapid reinstatement mechanism will not address the issue of high income countries requiring immediate humanitarian aid, as changes in official GNI figures are published only the following year.³¹

25. There was, on the other hand, near-universal opposition from witnesses to our inquiry to more far reaching changes such as allowing all humanitarian assistance to be counted as ODA even if the recipient country is high-income. ONE, in its written evidence, states:

the fact of experience of a humanitarian situation or natural disaster should not, by itself, qualify a country to access ODA. High-income countries are highly likely to have the capacity to deal with natural disasters or catastrophic events using their own domestic resources and, as a general rule, should not be able to access ODA even after catastrophic events. It would fundamentally undermine the principles and purpose of aid if the USA, or Japan for example, could use their aid budgets to finance disaster

28 Department for International Development [ODA0024](#)

29 CAFOD [ODA0008](#); ONE Campaign [ODA0023](#)

30 Overseas Development Institute [ODA0004](#)

31 Ibid

relief after a hurricane or earthquake at home. Given the costs involved in responding to natural disasters in high-income countries, it could also lead to a significant diversion of resources intended for the poorest countries.³²

26. It seems logical that countries and territories whose GNI falls back below the high-income threshold should be re-admitted to ODA eligibility. The lack of a standard and established procedure for re-admission in such circumstances is a gap in otherwise sensible arrangements. *The Government should continue to use its influence within the OECD-DAC to ensure that a reverse graduation mechanism is established as soon as possible.*

27. We note the near-universal opposition to other, more far reaching proposals such as allowing all humanitarian assistance, irrespective of the economic status of the recipient country or territory, to be counted as ODA. We agree that allowing humanitarian assistance to high-income countries to be counted as ODA would clearly undermine the concept of international assistance. It would also be complicated and plausibly divisive to have to define the size and severity of an ‘ODA-eligible disaster.’ *The Government should oppose any proposals which would allow all humanitarian assistance - irrespective of the economic status of the recipient country - to be counted as ODA.*

28. The ODA definition does not preclude the UK from providing humanitarian assistance wherever needed, including to fellow high-income countries and territories: it simply prevents the Government from reporting such assistance as ODA. *The UK should continue to provide humanitarian assistance where it judges it appropriate to do so, irrespective of the ODA eligibility status of the recipient countries and territories. In particular, the UK should continue to provide whatever assistance is necessary to its Overseas Territories, as required under the International Development Act 2002.*

Incorporating qualitative criteria

29. Some of the evidence we received suggests that—in determining ODA eligibility—the OECD should consider vulnerability and resilience as well as GNI. Development Initiatives argues that:

Official aggregate GNI may bear little resemblance to the income of (and security of people living in) countries affected by crisis or catastrophic shocks, and is a crude indicator of a country’s need for international assistance. We believe that other criteria, such as national and sub-national poverty and measures of fragility and vulnerability, should also be considered.³³

30. However, one of the benefits of GNI is its inherent simplicity. In her evidence to us Amy Dodd, Director of the UK Aid Network, argued that:

It has the benefit of being simple, straightforward, and very black and white: you are either below or above this.³⁴

32 ONE Campaign [ODA0023](#)

33 Development Initiatives [ODA0013](#)

34 [Q106](#)

31. **It is clear that GNI is something of a blunt instrument for determining ODA eligibility. In practice, however, the use of a more nuanced indicator would not change much. With the possible exception of a small number of resource-rich countries with very inequitable distributions of wealth, it is difficult to see which currently ineligible countries would become eligible if a more nuanced indicator were used. Moreover, there is inherent benefit in having a simple and understandable indicator such as GNI. We therefore recommend that the Government support the current GNI-based system: low-income and middle-income countries should remain eligible for ODA, and high-income countries should remain ineligible.**

Security-related spending

32. Changes introduced in 2016 permit some additional items of security-related expenditure to be reported as ODA, providing they meet particular criteria:

- a) Development or humanitarian aid delivered by military forces;
- b) Training of military forces in developing countries on topics including international humanitarian law, democratic control or the protection of women in conflict;
- c) Humanitarian aid delivered by donor military forces;
- d) 15% of donor contributions to UN-mandated and UN-led peacekeeping operations (rather than 7% as previously);
- e) Some counter-terrorism projects including education initiatives, support for the rule of law, work with civil society groups and capacity building of security and justice systems.³⁵

33. The Government welcomed the changes in its written evidence:

Peacekeepers can not only help protect civilian populations, but create the conditions to allow economic activity to take place and provide an environment in which parties can work towards sustainable political settlements. [...] The test should be whether these activities support Goal 16—and not who undertakes the activities. We should be open to peacekeeping delivering multiple effects simultaneously—building a road may allow ease of movement by peacekeepers but it equally allows ordinary people to access markets and opportunities.³⁶

34. In her evidence to us in January, the Secretary of State suggested that she would like to see a further increase in the ODA coefficient for peacekeeping operations, beyond the current level of 15%. DFID's Permanent Secretary, Matthew Rycroft, agreed, stating:

Everything is interconnected. When you have a peacekeeping operation, it has more than a 15% impact on poverty eradication and development.³⁷

35 Independent Commission for Aid Impact [ODA0031](#)

36 Department for International Development [ODA0024](#)

37 Oral evidence taken on 31 January 2018, HC (2017–19) 726, Q23 [Matthew Rycroft]

35. Others are more sceptical, and caution against any further moves in this direction. In its written evidence, ONE states that:

In 2016 the OECD-DAC agreed to amend the rules to widen the range of military and security expenditure that can be counted as ODA. Along with other development NGOs ONE did not support these proposals. We believe that whilst important, these costs should be met by other sources of financing, reserving ODA for activities with a clearer, poverty reduction focus. Considering our opposition on these changes, we would not like for the rules to be relaxed even further. However, given that these changes have already been agreed we do not believe there is a good case for re-opening these rules so soon after the most recent changes were adopted.³⁸

36. We agree with the Government that peacekeeping activities can and do contribute to poverty reduction, and we welcome the recent increase in the proportion of UN peacekeeping operations which can be counted as ODA. However, it is clear that such activities are not entirely focused on poverty reduction - they are also designed to deliver other benefits which are not directly linked to poverty. In view of this, the 15% coefficient seems appropriate. We recommend that the Government oppose any further increase in the proportion of UN peacekeeping operations which can be counted as ODA.

Developing a UK-specific definition

37. The Conservative Party's 2017 election manifesto stated that:

If [our attempt to change the definition] does not work, we will change the law to allow us to use a better definition of development spending, while continuing to meet our 0.7 per cent target.³⁹

38. However, we are not aware of any work being done in Government on a UK-specific definition.⁴⁰ The notion of the UK using its own definition has been criticised by a range of organisations, including Development Initiatives and the UK Aid Network. The OECD itself argues that:

Reporting by the UK to the OECD follows agreed DAC reporting rules and would not be affected by any unilateral change of legislation in the UK. [...] This could present a reputational risk for the UK and compromise the credibility which the UK currently enjoys as a result of meeting the 0.7% target using the agreed DAC definitions. In its public communication, the OECD would be obliged to signal that the UK definition differs from the DAC definition of ODA. The domestic measure would have little value internationally, and would likely create confusion. It could also be perceived as undermining transparency, for which the UK has been a champion. Questions could be raised by civil society on the legitimacy of such a measure.⁴¹

38 ONE Campaign [ODA0023](#)

39 Conservative and Unionist Party, [Forward, Together: Our Plan for a Stronger Britain and a Prosperous Future](#), 18 May 2017

40 [Q114](#)

41 OECD Development Co-operation Directorate ([ODA0027](#))

39. In her evidence to us, the Secretary of State said that she would prefer to continue using the DAC definition, but went on to say that:

If I am presented with a stark choice, I will always pipe up and say that the course of action the United Kingdom should take is the one we think is right; the one that will alleviate suffering; the one that will help our friends if they are in trouble.⁴²

40. We believe unilateral action by the UK to develop and use its own ODA definition would be an own goal. The current internationally-recognised definition places no restriction on the activities which the UK can undertake; it merely prevents the UK from reporting certain spending (such as humanitarian assistance in high-income territories) as ODA. The UK's reputation as a leading development actor stems from its expertise and professionalism, its commitment to multilateralism and the international system and its commitment to, and delivery against, the 0.7% target. All three of these 'assets' would be damaged by trying to manipulate the shared understanding of what aid is. The Government should continue to use the internationally-recognised ODA definition even if it fails to secure the changes it is seeking to the current rules.

Benefits of stability

41. Many stress the importance of having a stable ODA definition. In its written evidence, Development Initiatives argues that:

The changes agreed for modernising ODA at the OECD DAC HLM in October 2017 are some of the biggest changes to aid rules in decades and represent the culmination of a process that began in 2012. Given this, we would not recommend the UK tries to achieve further changes to the ODA definition at this time. There would be little appetite for this from other DAC members and UK efforts for further reform may be unproductive.

We do agree that the definition of ODA should not remain static and needs to take into account changing global context. It may therefore be appropriate to agree with other DAC members a periodic review process for 2030 and beyond.⁴³

42. Bond and the UK Aid Network, in their joint submission, make a similar argument:

As many of [the] agreed reforms are relatively new or yet to be finalised there is an argument to allow those changes to 'bed in' so that implications and impact are understood before pursuing further reform.

Balancing predictability with the need to meet new or evolving needs could be usefully addressed by systematising ODA reform so there is a regular (5 years for example) process to propose, develop and implement new changes without ending up in a constant round of reform.⁴⁴

42 [Q283](#)

43 Development Initiatives [ODA0013](#)

44 UKAN & Bond [ODA0020](#)

43. Whilst it is important to ensure that the ODA definition remains relevant and up-to-date, continual changes might cause unnecessary confusion. A regular review process would provide greater certainty. *The Government should encourage the OECD-DAC to establish a credible and consensus-based process for reviewing the ODA definition at regular intervals, such as every five years, and should oppose any proposals for ad hoc changes in the interim.*

3 Administration

44. The Secretary of State for International Development made a speech on 12 April 2018 setting out her ‘Mission for Global Britain’, and stated that “whoever spends [ODA] needs to spend ODA really well and the public should always know what, where, how and why”.⁴⁵ With increasing amounts of ODA administered by government departments other than DFID, we have examined concerns relating to ODA systems and processes, notably relating to coherence and transparency, which might hamper the effectiveness of ODA administered by other government departments and damage the UK aid brand as a whole.

Bidding for ODA

45. As part of the 2015 Spending Review, HM Treasury allocated ODA budgets to departments across Whitehall and cross-government funds for each year from 2016–17 to 2020–21. During this process, departments were asked to consider whether any existing activities could be classed as ODA and whether they could increase the amount of their ODA expenditure. They were also asked to submit bids for new ODA eligible activities.⁴⁶

46. HM Treasury received 61 bids with a value of £18 billion, some of which were for existing activities not previously classified as ODA. £7 billion worth of bids were accepted.⁴⁷ A ‘Challenge Panel’ comprising of HM Treasury, DFID and the Major Projects Authority considered these bids.⁴⁸ We found it extraordinary that during the bidding process, departments were not routinely asked for details of their capacity or capability to implement their proposed projects or their plans for monitoring and evaluation of the projects’ outcomes, nor to consider how the bid contributed to the objectives of the UK Aid Strategy. However, when this information was proactively presented by other government departments it was considered.⁴⁹

47. We are concerned that the current bidding process enables departments to bid for ODA without due regard being made of their capability to administer these programmes effectively. Consequently, we recommend that the bidding process is amended to include an evaluation of a department’s staffing, systems and knowledge capacity to administer ODA. We also recommend that departments detail their plans for monitoring and evaluation of projects, including how the Independent Commission for Aid Impact (ICAI)⁵⁰ will have access to this information.

45 Speech by the Secretary of State for International Development, [The Mission for Global Britain](#). Delivered 12 April 2018

46 National Audit Office, [Managing the Official Development Assistance Target – a report on progress](#). 2017 para 1.21

47 [Q45](#)

48 *Ibid* 1.22

49 *Ibid* 1.23

50 ICAI scrutinises UK aid spending, operating independently of government and reporting to Parliament.

Capability and Capacity of Other Government Departments

48. The movement of increasing amounts of ODA to other government departments places new demands upon these departments to administer ODA spending effectively. There are considerations to applying ODA that do not apply to domestic expenditure. Under the UK Aid Strategy, all departments spending ODA are required to:

put in place a clear plan to ensure that their programme design, quality assurance, approval, contracting and procurement, monitoring, reporting and evaluation processes represent international best practice.⁵¹

49. In a report of July 2017, the National Audit Office identified that departments had “taken positive steps to build their capacity to spend larger ODA budgets” including expanding teams and adopting learning from DFID on monitoring and measuring impact. However, progress across programmes was deemed to be variable.⁵² Written evidence to our inquiry also expressed concern about the capability of other government departments to swiftly adapt internal processes and systems to the demands of administering ODA especially in relation to transparency.⁵³

50. Increasing the amount of ODA spent by departments other than DFID will necessitate an increase in capacity (both in staffing levels and in departmental knowledge), combined with the refinement of internal systems, in order to ensure that ODA is administered effectively and that the impact of this expenditure can be demonstrated.

Support Offered to Other Government Departments

51. DFID has taken the lead in providing support and guidance to other government departments on administering ODA, supported by HM Treasury. The Secretary of State for International Development has expressed her eagerness for DFID to develop capacity across Whitehall, telling us,

My Department is where the real expertise in development sits, and we need to get out and enable other Government Departments to have that expertise.⁵⁴

52. This support has included workshops, technical support and training to other government departments on how to compile their ODA returns as well as broader advice on programme management. DFID has expanded its central ODA team to increase its capacity to advise other government departments. The National Audit Office told the Committee that DFID had “provided a lot of support to Departments that had more of an uplift in their ODA spending” especially in considering ODA eligibility and managing development programmes.⁵⁵ DFID has also recently published a ‘UK ODA: Value for Money Guidance’ document, a handbook which outlines best practice in administering

51 HM Treasury and Department for International Development [UK Aid: Tackling Global Challenges in the National Interest](#) (November 2015) para 4.6

52 Ibid Summary para 22

53 For example, ICAI: “The Foreign and Commonwealth Office manages a large share of expenditure under both the Prosperity Fund and the CSSF. Past ICAI reviews have found that the FCO’s financial management system is not well suited to supporting the management of complex aid programmes”.

54 [Q257](#)

55 [Q47](#)

and spending ODA. These actions suggest that DFID is keen to take the lead in developing ODA administration capacity across Whitehall and promote a ‘tightening up’ of ODA processes.

53. HM Treasury also publishes guidance documents for use by ODA-administering departments. It provides written guidance to other government departments through its ‘Managing Public Money’ document which sets out the responsibilities of departments and accounting officers in ensuring effective and proper handling of funds (each department remains responsible for meeting its requirements).⁵⁶ HMT also provides guidance and advice in supporting the appraisal and development of spending proposals.

54. HMT told us that it had worked together with DFID to centralise guidance documents, signposting ODA-administering other government departments to broader guidance such as the UK Aid Strategy and DFID’s Smart Rules.⁵⁷ However, we have not been able to ascertain how evenly this support has been applied across other government departments and how receptive they have been to this advice.

55. DFID has a crucial role to play in ensuring that all other government departments understand how to administer ODA programmes effectively and efficiently, including programme management and reporting, and highlighting when required administration standards are not being met. DFID is willing and able to perform this leading role, but our key concern is whether other government departments are willing or able to absorb it.

56. DFID should play the leading role in developing the capacity of ODA-administering departments across Whitehall, driving consistently high standards for ODA administration and tightening up practices. It should continue to second staff to other government departments, developing skills and promoting a poverty reduction-focused culture in ODA programmes across Whitehall. Recognising the burden this places upon DFID, the Government must ensure that DFID receives adequate resources to cover backfill within DFID.

Cross-government oversight of ODA

Central ODA Oversight Mechanisms

57. Whilst individual departments retain responsibility for their ODA spends, HMG has established three main groups to oversee ODA across Whitehall; the Cross-Ministerial Group, the Senior Officials Group and the new Ministerial Committee for the Cross-Government Funds (established in April 2018).

58. The Cross-Ministerial Group, co-chaired by the Chief Secretary to the Treasury and the Secretary of State for International Development, focuses on value for money and ODA delivery. In addition, the Secretary of State told the Committee that “Ministers have regular bilateral discussions with Ministers from other ODA spending departments on specific issues”.⁵⁸

56 [HM Treasury ODA0033](#)

57 [HM Treasury ODA0033](#)

58 [Ibid](#)

59. The Senior Officials Group on ODA is a Director-level cross Whitehall group co-chaired by HMT and DFID. The group's principal objective is to monitor progress towards the 0.7% target, whilst also improving collaboration and promoting value for money in the delivery of ODA programmes.⁵⁹ HMT told the Committee that it meets on a regular basis (4 times in 2017).⁶⁰ Additionally, both DFID and HMT stated in written evidence that they are in daily contact on ODA delivery and policy issues.

60. The National Security Capability Review, published in late March 2018, announced the creation of a Ministerial Committee to oversee governance of the cross-government funds to be chaired by the Minister for the Cabinet Office. The Committee will be attended by Ministers from ODA-spending departments and the first meeting will be held in June 2018. The Cabinet Office told us that the Committee will prioritise requests for funding and provide final approval for any ODA allocations. It will also complement the work of the cross-government Ministerial ODA Group.⁶¹

61. There are a number of other mechanisms at fund or thematic level promoting coherence, many of which have fostered a joined-up approach to ODA delivery, resulting in tangible benefits to ODA programmes. For example, during the outbreak of the Zika virus, information gathered by International Forward Look (a weekly briefing for relevant departments and agencies) was used to inform decisions on accelerating use of the DFID-Wellcome Trust partnership to fund research on the impact of the outbreak.⁶² **We believe that this collaborative approach is an example of cross-department ODA at its best, using skills and experience from across Whitehall nimbly to deliver benefits for global health.**

The gaps

62. The Secretary of State has acknowledged that the current mechanisms leave the potential for gaps in coherence, stating that:

In terms of what we do, where we do it and why, I think we need to create better mechanisms⁶³

In practice, the actions of these groups are largely limited to determining whether activities meet the criteria defined in the DAC's ODA definition, and assessing levels of spending. DFID and HM Treasury monitor overall other government department expenditure but each individual department retains responsibility for ensuring value for money of its ODA. Furthermore, there is no single document which maps out this division of responsibility. Therefore, no one part of government has responsibility for overseeing implementation of the UK Aid Strategy, nor for monitoring the overall effectiveness, quality and coherence of ODA expenditure as a whole.⁶⁴

59 [Department for International Development ODA0024](#)

60 [HM Treasury ODA0033](#)

61 [Cabinet Office ODA0039](#)

62 ICAI, [The UK Aid Response to Global Health Threats](#), January 2018, Box 13

63 [Q225](#)

64 [Ibid 2.15 and Figure 2, Independent Commission for Aid Impact ODA0031](#) para 3.5

Who should oversee ODA?

63. We received a variety of views on who should ultimately have oversight of the totality of the UK's ODA. The Overseas Development Institute suggested one option could be the creation of a separate arms length body based within a central agency such as HM Treasury or Cabinet Office "that has the resources to oversee operations, demands transparency and hold line ministries to account", and that such a body could "play a real role in both monitoring policy achievements, overseeing resource allocation and ensuring coherence and coordination of development policy."⁶⁵

64. Much other evidence suggested that this oversight role would be best performed by DFID. For example, the Institute of Development Studies said:

DFID should fundamentally be responsible for UK aid spending. It is more capable of ensuring that all UK aid is effective, coherent and efficient. This does not mean that there is not a role for other departments and funds who bring their own expertise and value to development. But rather that coherence, and thus impact, of UK aid could be strengthened by introducing more coherence across government.

Oxfam concurred:

Given that DfID has the most significant expertise on development, the SDGs and aid effectiveness standards across Government we urge the Government to give DFID more powers to scrutinise/promote the effectiveness of aid managed across Government. This should include mandating DFID to set more detailed and more robust effectiveness guidance for all Departments/Funds, quality assuring programme compliance with this guidance and some form of co-implementation role across all major aid programmes and Funds to ensure these standards are being met.

65. When asked whether DFID should regain responsibility for administering the entirety of the UK's ODA budget, the Secretary of State felt this would not be effective:

I think that just hoovering money back into my Department is not necessarily going to be the best way of doing it. We need to ensure that anyone who spends ODA money in the future is equipped to do it well, that we are very strategic in how we are allocating those budgets and that across Government we have complete coherence about what it is we are trying to do, the understanding of where Britain can make a difference and that we are being consistent in how we are operating ODA with other countries.⁶⁶

66. Strong and effective cross-government mechanisms should form the bedrock of an effective system of cross-government ODA. The current arrangements leave opportunities for gaps in coherence and ambiguity in where oversight of ODA lies across Whitehall. This creates a risk of duplication, overlap or conflicting priorities in programmes. Without a single person responsible, this also means that there is no single check on the overall coherence or quality of UK ODA as a whole and no central point for capturing examples of added value. There is a conundrum in any joined-

65 [Overseas Development Institute ODA0004](#)

66 [Q250](#)

up or cross-government working, which is the balance between the opportunity of benefitting from different views and new skills and expertise and the risks of strategic incoherence, duplication and other unintended consequences.

67. *The existing coordination and oversight groups - notably the cross-Ministerial and Senior Officials Groups - must be more proactive in targeting their activities explicitly towards poverty reduction and the SDGs to give greater focus across Whitehall. The Government should set out a process for capturing the added value gained as a result of greater cross-Whitehall working.*

68. *The Government should publish a clear statement outlining individual departmental responsibilities in delivering, overseeing, monitoring and coordinating ODA, including how they correspond to the aims of the UK Aid Strategy. This should also state explicitly that the International Development Committee may perform oversight of any ODA spending across Whitehall, including via partnership with other select committees as appropriate.*

69. *The Secretary of State for International Development should have ultimate responsibility for oversight of the UK's ODA and the Department should have final sign off of all ODA.*

70. *Just as DFID commissions agencies to conduct work on the ground or pays into multi-lateral funds, whilst retaining oversight of UK ODA and ensuring quality control of ODA spending, the Government should consider whether other government departments should only receive ODA money if it has come via DFID so that they have oversight and ensure that the money 'cannot be better spent'.*

Research

71. Following the spending review in November 2015, the UK Government increased its funding for international development research, from approximately £400m in 2015 to an expected level of £1.29bn by 2020–21.⁶⁷ Accordingly, a number of cross-government ODA funds were launched, including the Global Challenges Research Fund (GCRF), the Newton Fund and the Ross Fund.

72. These funds can contribute to building improved research capacity in ODA recipient countries, potentially supporting better systems for generating and analysing data on development activities. As we have suggested in our previous inquiry into DFID's Work on Education,⁶⁸ an improved evidence base is crucial to support better programme development and monitoring. Partnerships with UK institutions can help develop this research capacity in ODA recipient states, as well as improving context-specific knowledge on the part of UK based researchers. The greatest gains are likely to be made in low income countries, where research capacity is likely to be lower.

73. The Strategic Coherence of ODA-funded Research (SCOR) Board was formed in November 2017 to provide a mechanism for promoting coherence in UK development

67 [Strategic Coherence of ODA Research Board ODA0035](#) para 2

68 See our report [DFID's Work on Education: Leaving No-one Behind?](#)

science and research. The SCOR Board aims to build coherence across all significant government funded development science and research and to maximise impact, identifying opportunities for joint working, identifying strategic gaps and reducing duplication.⁶⁹

74. Alongside CSOs and universities, the UK development community includes a number of specialist development research institutes such as the Institute for Development Studies and the Overseas Development Institute which provide an evidence base for development activities. Written evidence has raised concerns about the ramifications of increased administration of ODA by other government departments for engagement with research institutions and civil society, and a potential negative knock-on effect upon the quality of development interventions. For example, the Institute for Development Studies wrote that:

Through DFID, the UK has an international reputation for research and evidence-based policy making for development. It is vitally important that this is not diluted or lost as more ODA is spent by other government departments.⁷⁰

75. The close relationship between DFID, research and civil society organisations has facilitated a holistic approach to crises. For example, during the Ebola crisis, DFID was able to draw upon the research experience of the Institute for Development Studies to ensure a culturally sensitive approach to the crisis, incorporating knowledge of local burial practices into planning alongside the immediate medical response.⁷¹

76. The UK is respected worldwide for the quality of its ODA research base and the consequent benefits it affords in enabling context-sensitive and targeted aid interventions. This strong base, building upon established relationships, must not be jeopardised by a shift of ODA away from DFID.

Transparency

77. In the 2015 UK Aid Strategy, the Government committed to all UK ODA-spending government departments improving the quality and quantity of the data they publish relating to their ODA spending by attaining a ranking of ‘good’ or ‘very good’ in the Aid Transparency Index within the next five years. After the 2014 Aid Transparency Index, the eligibility criteria to appear on the Index were amended and consequently only DFID has been eligible to appear on the 2015 and 2016 indexes.

78. DFID received praise in evidence for the quality and timeliness of its data, described by the Overseas Development Institute as having “world-leading standards on data disaggregation and transparency”. DFID scores consistently well, achieving an IATI rating of ‘very good’ and ranked fourth amongst all global development agencies.⁷²

79. By comparison, most ODA from other government departments and cross government funds received criticism, with considerable variance in the quality and quantity of data made public. In the 2014 IATI, the FCO scored ‘poor’ (ranked 35th) and the MoD scored

69 Ibid paras 14 and 15

70 [Institute of Development Studies ODA0022](#)

71 Ibid para 4.2

72 [Overseas Development Institute ODA004](#)

‘very poor’ (ranked 60th).⁷³ In evidence, Development Initiatives states that “At present, only four departments—DFID, FCO, MOD and DECC (BEIS)—are currently publishing to IATI in a meaningful way”.⁷⁴ In written evidence, Publish What You Fund state that most other government departments are unlikely to meet the criteria for inclusion in the 2020 Index.⁷⁵

80. We found that it was difficult to get a full picture of how UK ODA is spent in an individual country. To take an example, BEIS spends ODA in China (an estimated total spend of £26.3m in 2016⁷⁶) but it is hard to understand where funding is spent and through which funds (e.g. Newton Fund, International Climate Fund). Details of individual projects are contained within a sub table of the Statistics on International Development; however, the table does not state which fund the project is allocated to, and hence which fund project spending will be recorded against. Similarly with the FCO’s ODA spend in China, some FCO data is more readily available than that of other departments (for example, the FCO publishes a breakdown of its Prosperity Fund project spending), but the granularity of spends is not easily accessible.

81. Given the level of spending involved, we are concerned that departments are not publishing fuller details of their ODA spending as this lack of clarity clouds the public’s ability to see good and bad spending. *The Government must outline how it intends to measure progress towards the commitment to publish data to IATI standards by 2020, providing regular milestones to track progress towards this target.*

82. The cross-government funds received particular criticism for their lack of transparency, especially given the considerable level of spending involved (£601m of ODA in 2016⁷⁷). The situation is further complicated by the CSSF’s blend of ODA and non-ODA activities which has resulted in the redaction of large tranches of information for national security reasons, making it difficult to assess the quality of significant elements of programming. In their recent Review of the CSSF, ICAI stated that:

Sometimes sensitivity and confidentiality are used as arguments for the decision not to share information ... Although this may be valid in specific circumstances, our evidence indicates that this justification is over-used ... we found that different people classified CSSF documents in different ways, with some restricting access as the default option, and others not.⁷⁸

83. We took evidence from Melinda Simmons and Christian Denny from the Joint Funds Unit, the administrative hub for the funds. They stated that “[There] is a presumption to publish. That is the starting point”.⁷⁹ However, they also acknowledged an issue with transparency of the funds and they committed to

73 Publish What You Fund, [2014 Aid Transparency Index](#). Accessed 1 May 2017

74 [Development Initiatives ODA0013 para 4.5](#)

75 [Publish What You Fund ODA011](#)

76 Department for International Development [Statistics on International Development 2017](#), Data underlying the SIDs

77 Department for International Development, [Statistics on International Development: Provisional UK Aid Spend 2017](#) (April 2018)

78 ICAI (2018) [The Conflict, Security and Stability Fund’s Aid Spending](#). March 2018 para 4.96

79 [Q90](#) [Christian Denny]

making sure that our own internal resource is being most efficiently used to run the processes of what we publish, where we publish and how we publish. We are also looking at driving some further efficiencies in the training offer we provide across our staff and network.⁸⁰

84. The redaction of large tranches of CSSF information makes it difficult to assess the effectiveness of programmes. Without access to this information, the taxpayer cannot see examples of well-spent money on well targeted programmes, nor identify poorly targeted programmes. This lack of clarity undermines trust in the fund.

85. The Joint Committee on the National Security Strategy's report into the CSSF identified a number of practical ways in which the CSSF could improve its transparency. In oral evidence to this inquiry, Melinda Simmons said:

We have come an awfully long way in the last year. When the JCNSS was conducting its inquiry, we had not yet begun to publish. In the last year, the CSSF has published its first annual report. It has put out project documents. It has put out annual summaries. It has a live webpage on gov.uk. Sitting where we are now, compared to a year ago, it feels like a really different place.⁸¹

86. The Joint Funds Unit employs 29 staff to ensure compliance with transparency commitments and results management. However, the JCNSS' recommendations have only partially been met. For example, only selected individual case studies are provided on the website rather than detailed information on programmes and projects in each region. As Christian Aid told us:

“positive outcomes on poverty reduction cannot be assumed in a context of very low levels of transparency”.⁸²

87. The cross-government funds must improve significantly their transparency levels as a matter of urgency to reverse the damaging lack of confidence in the quality of the funds' interventions. *Without transparency it is impossible to assess the effectiveness of the cross-government funds and consider whether they are creating the benefits espoused by the government. CSSF programmes must publish programme information as a matter of course unless a clear national security reason is cited for redaction.*

88. *In light of widespread concerns about the Funds, including from the JCNSS, we recommend that ICAI should be given responsibility to scrutinise the totality of the cross-government funds, as well as other blended ODA/non-ODA programmes.*

Conclusion

89. The UK's ODA output must be underpinned by strong administrative systems and processes to ensure that all ODA activities are as effective, transparent and joined-up as possible. We urge DFID to develop more detailed and robust guidance for all departments and funds managing ODA on how to meet effectiveness standards, ODA legislation and rules and other cross-Government development commitments. We are

80 [Q101](#) [Christian Dennys]

81 [Q88](#) [Melinda Simmons]

82 [Christian Aid ODA0009](#)

concerned that the movement of ODA from DFID to other government departments appears to have been started before adequate systems and standards were in place, and further capacity building is required across Whitehall to achieve the necessary standards required. The Government must ensure that UK ODA is delivered to a consistently high standard, regardless of whether it is delivered by DFID or another government department. Accordingly, DFID should take the lead in promoting excellence in ODA administration across Whitehall.

90. If the increase of ODA via other government departments is aimed at benefitting from individual departments' skills and knowledge then the Government must now establish the means to monitor and report to Parliament on the added value of this additional expertise when balanced against the dilution of control by DFID.

4 Objectives - Poverty reduction and national interests

91. In keeping with the UK Aid Strategy, poverty reduction should be the central pillar of UK ODA spending. However, evidence submitted to us has suggested that ODA programmes administered by other government departments are not always targeted adequately towards poverty reduction and some existing departmental activities, with only marginal poverty reduction purposes, are being badged as ODA.⁸³ Indeed, in oral evidence to us, even the Secretary of State for International Development expressed her concern about spending outside of DFID:

I am not going to say that the cross-Government funds or spending that has been going on in other Government Departments is good.⁸⁴

92. We heard extensive evidence about the development of “dual purpose” aid, whereby a development objective forms the primary objective of an ODA-eligible activity accompanied by a secondary national interest objective, such as increasing trade or protecting national security. We considered whether dual objectives create inherent tension in these programmes and whether secondary national interests risk eclipsing the primary aim of reducing poverty. This concern was most prominent in our evidence relating to the cross-government funds.

Prosperity Fund

Priming markets

93. Evidence to our inquiry highlighted concerns about the use of ODA for the promotion of UK trade relationships. The Prosperity Fund cites its primary objective as poverty reduction and development in partner countries with a secondary benefit of the creation of opportunities for business, including UK business. The Fund’s website heavily references opportunities for UK business and “our new trading partners of the future”.⁸⁵ Evidence to the inquiry expressed concern about this emphasis, with NGO coalition Bond stating,

It is worrying to see so much reference to UK companies in the Prosperity Fund report. Once you open that up as an acceptable way, that counts as a priority equally with poverty reduction ... the choice of countries very much looks at countries that would be important in a post-Brexit scenario.⁸⁶

In written evidence, Oxfam’s analysis suggested that around 20% in value terms of the Prosperity Fund’s projects in 2016/17 involved explicitly promoting the capabilities of UK entities alone and that half of all projects in China involved explicitly showcasing the capabilities of UK entities and promoting UK-China collaborations.⁸⁷ This raises concerns about the potential to lead to tied aid, with the receipt of aid dependent upon

83 For example, [Oxfam ODA0025](#)

84 [Q232](#)

85 [Cross-Government Prosperity Fund](#) Accessed 8 May 2018

86 [Q18](#)

87 [Oxfam Annex A ODA0032](#)

granting the UK trade partnerships. This concept was enshrined formally in the ‘Aid and Trade Provision’ of the late 1980s and heavily discredited in a series of issues culminating in the Pergau Dam scandal.

94. In oral evidence, Dr Emma Mawdsley added that the dual purpose of the Prosperity Fund risks diluting both aims:

We look at the Prosperity Fund and others, and I share the primary concern: “Is it achieving poverty reduction?” There is another side to it and it seems that here it is: “Are we actually achieving the other thing that it is meant to achieve, the secondary benefits of supporting UK or international trade and businesses?” It seems to me that it is neither fish nor fowl.⁸⁸

95. The heavy emphasis of the Prosperity Fund upon promoting UK trade risks losing the rightful emphasis of the Fund upon the primacy of poverty reduction, and is a step towards the return of tied aid.

Geographical focus

96. The Prosperity Fund focuses upon MICs including Brazil, China, Mexico and India. 73% of the world’s poorest people live in MICs⁸⁹ and 76% of poor people in the Asia Pacific region live in rural areas, mostly involved in agriculture.⁹⁰

97. The FCO defended the importance of departments other than DFID undertaking ODA eligible work in MICs:

The work we are doing, which is done in a very integrated way, recognises the fact that we all bring different strengths to this broad range of aid work. Of course, there are the specific countries in extreme poverty that DFID deals with, but there are a range of other countries that are still suffering from elements of poverty. It is absolutely right that the skills that the Foreign Office brings to bear are applied there, just as the skills of BEIS and other Departments are.⁹¹

98. As a case study, we examined ODA spending in China. The Secretary of State for International Development told us:

We do spend some money in partnership with China, but it is not benefiting China. We work on global health initiatives together in partnership. We like doing that because we think we can shape what they do, but it is not through their Government. We might do things, for example, with research institutes, but it is pretty small sums of money. Other Departments do work with China.⁹²

99. However, this does not fit with examples of other government department-administered projects we learned about. UK ODA programmes are providing direct benefits to China. Some of these projects, for example BEIS spending on earthquake

88 [Q69](#) [Dr. Emma Mawdsley]

89 [World Bank 2018](#)

90 International Fund for Agricultural Development, [Rural Development Report 2016](#). Page 108

91 [Q169](#)

92 [Q230](#)

resilience and climate change research, demonstrated a clear development focus. However, other projects we uncovered had much weaker focus on development, such as projects to reduce tobacco consumption by migrant workers and to reduce salt intake by Chinese children.⁹³

100. The FCO told us that:

UK ODA to China now focuses on areas where the UK can provide policy and commercial expertise in support of inclusive economic growth and development, working on global issues in a mutually beneficial way.⁹⁴

Amongst the FCO-administered Prosperity Fund projects, we found many weaker examples including projects to develop the Chinese film industry, improve the Chinese museum infrastructure and improve the credit bond rating system in China.⁹⁵

101. **It is unclear to us how these types of interventions will benefit the very poorest people; both those living in the countryside and the urban poor. We acknowledge the importance of providing ODA to MICs, where 73% of the world's poorest people live. However, we are concerned to have uncovered Prosperity Fund projects within MICs which show inadequate, or negligible, targeting at improving the lives of the very poorest and most vulnerable communities in these countries. We are also concerned by the disconnect between DFID's intention to use ODA in China for broader development benefit compared to the activities of other departments and the reality of what spending is being badged as ODA.**

102. *Prosperity Fund programming should be targeted at helping the very poorest. Accordingly, we recommend that Prosperity Fund programmes should have a particular focus upon development in rural areas and the urban poor to transform the lives of the very poorest people in MICs. In the light of our concerns, we recommend that existing programmes should be reviewed.*

Conflict, Stability and Security Fund

103. We are also concerned that the choice of countries receiving ODA through the CSSF is being governed primarily by national security interests rather than the potential to reduce poverty. The recent National Security Capability Review includes a commitment to increase efforts on security and justice as part of the UK's development agenda,⁹⁶ which the Government argues will reduce the insecurity which drives extremism and other security threats. In written evidence, Save the Children told us:

The criteria for establishing priority countries for the CSSF are the level of instability and the level of UK interest, rather than considerations about need in these countries. While stability is an important aspect of development,

93 Department for International Development [Statistics on International Development 2017](#), Data underlying the SIDs

94 Foreign and Commonwealth Office Annex A ODA0041

95 Foreign and Commonwealth Office [Official Development Assistance \(ODA\) Prosperity Fund: FCO programme spend April 2017 to December 2017](#).

96 HM Government [National Security Capability Review](#), March 2018, page 41

these sole priorities suggest that the CSSF does not have “promotion of the economic development and welfare of developing countries” as its main objective.⁹⁷

104. Furthermore, John Gaventa from the Institute of Development Studies told us that “simply addressing security does not mean that you are going to reduce poverty”⁹⁸ and that a holistic approach is needed to tackle underlying issues within these countries such as unemployment and education. Both the Prosperity Fund and CSSF will outline which SDGs are being met in their Annual Reports from 2018/19 onwards. The SDGs have been built into the Prosperity Fund’s theory of change, but this has not yet been implemented for the CSSF.⁹⁹

105. We note the value of spending ODA in fragile and conflict affected states to promote peace and stability. We also acknowledge that CSSF programming offers the potential to deliver dually beneficial outcomes of increasing national security whilst also reducing poverty. However, selecting countries based upon security rationale alone risks side-tracking the primary aim of poverty reduction.

106. The choice of countries for ODA CSSF projects must be led first and foremost by the aim of reducing poverty. To this end, ODA CSSF programmes must contain a detailed theory of change outlining how they will directly contribute to a reduction in poverty. These theories of change should be revisited and assessed during mid-term reviews and programmes adjusted if necessary.

107. The Government states that the money spent on the CSSF cannot be spent anywhere better for ODA and following the ICAI report we are not convinced that this is the case. We therefore recommend a review of the continuation of the CSSF in its current form.

FCO ODA and Diplomatic Interests

108. The FCO states that the primary element of its ODA is Frontline Diplomatic Activity (FDA), costs associated with diplomatic administration connected to development, which it says “makes an important contribution to the achievement of the UK’s development objectives overseas”.¹⁰⁰ FDA is permissible in ODA-eligible states and consequently charged in 127 Posts. The FCO told us:

The OECD Development Assistance Committee’s (DAC) statistical ODA directives state that costs related to diplomatic staff assigned wholly or in part to aid-related duties may be scored as ODA (paragraph 80). In line with these directives and the practice of other DAC members, the FCO captures the ODA-eligible administrative costs borne by its diplomatic network as part of the UK’s operational delivery of development assistance in DAC-listed recipient countries. The costs are incurred by the FCO network

97 [Save the Children ODA0021](#)

98 [Q19 \[John Gaventa\]](#)

99 [Cabinet Office ODA0039](#)

100 [Foreign and Commonwealth Office ODA0015](#)

directly in the developing country, centrally by staff based in the UK, or from another regional country where services are provided to a developing country in which the UK has no permanent presence.¹⁰¹

109. In 2017, FDA accounted for £173m of the FCO's provisional ODA spend.¹⁰² This represents 8.9% of its total budget. FDA covers staffing, estate maintenance and other operational costs in accordance with DAC rules (for example, as consular activities are not permissible, these costs are excluded when calculating the amount of ODA spent). It also includes diplomatic engagement on ODA activities; for example, in China this includes lobbying on human rights issues including the death penalty and encouraging China to meet international commitments on issues such as the illegal wildlife trade.¹⁰³

110. **We are concerned that the use of ODA for administrative purposes is misdirected and that in some cases existing diplomatic activities are being badged as ODA without any additional targeting to lead to a reduction in poverty.**

Conclusions

111. **The Government's explicit strategy to increase the proportion of ODA administered by other government departments presents opportunities and risks. The benefit identified by the Government is harnessing relevant expertise, resources and networks available in another department to enhance development projects in the policy area of that department. There may also be promotion of a development focus across Whitehall. However, the risk identified throughout our evidence is the reverse, that other departments' priorities will dilute or damage ODA's primary purpose which is poverty reduction for the poorest, most vulnerable and marginalised and ensure that DFID has oversight of all ODA spending.**

112. **At worst, programmes administered with dual objectives (notably the cross-government funds) risk delivering on neither their primary poverty reduction purpose, nor their secondary national interest objective. ODA must be directed primarily at reducing poverty, helping the very poorest and most vulnerable rather than being used as a slush fund to pay for developing the UK's diplomatic, trade or national security interests. ODA eligibility should not be a question of meeting a threshold or badging activities as part of a mandatory spend to protect departmental budgets during a time of austerity. Rather, departments should be actively identifying how they can apply their unique skillsets and expertise to deliver high quality development programming which enhances the quality and effectiveness of UK aid even further.**

113. ***To ensure the primacy of poverty reduction as an objective for all UK ODA, ODA spending departments should conform in practice with the terms of the International Development Act 2002. All ODA programming should contain theories of change which explicitly link to the SDGs. The Government should make systematic improvements to coherence, transparency and - most crucially- the poverty focus of cross-government fund projects before increasing their share of UK ODA any further, and ensure that DFID has oversight of all ODA spending.***

101 [Foreign and Commonwealth Office Annex A ODA0041](#)

102 Ibid

103 Ibid

Conclusions and recommendations

Definition

1. It seems logical that countries and territories whose GNI falls back below the high-income threshold should be re-admitted to ODA eligibility. The lack of a standard and established procedure for re-admission in such circumstances is a gap in otherwise sensible arrangements. *The Government should continue to use its influence within the OECD-DAC to ensure that a reverse graduation mechanism is established as soon as possible.* (Paragraph 26)
2. We note the near-universal opposition to other, more far reaching proposals such as allowing all humanitarian assistance, irrespective of the economic status of the recipient country or territory, to be counted as ODA. We agree that allowing humanitarian assistance to high-income countries to be counted as ODA would clearly undermine the concept of international assistance. It would also be complicated and plausibly divisive to have to define the size and severity of an ‘ODA-eligible disaster.’ *The Government should oppose any proposals which would allow all humanitarian assistance - irrespective of the economic status of the recipient country - to be counted as ODA.* (Paragraph 27)
3. The ODA definition does not preclude the UK from providing humanitarian assistance wherever needed, including to fellow high-income countries and territories: it simply prevents the Government from reporting such assistance as ODA. *The UK should continue to provide humanitarian assistance where it judges it appropriate to do so, irrespective of the ODA eligibility status of the recipient countries and territories. In particular, the UK should continue to provide whatever assistance is necessary to its Overseas Territories, as required under the International Development Act 2002.* (Paragraph 28)
4. It is clear that GNI is something of a blunt instrument for determining ODA eligibility. In practice, however, the use of a more nuanced indicator would not change much. With the possible exception of a small number of resource-rich countries with very inequitable distributions of wealth, it is difficult to see which currently ineligible countries would become eligible if a more nuanced indicator were used. Moreover, there is inherent benefit in having a simple and understandable indicator such as GNI. *We therefore recommend that the Government support the current GNI-based system: low-income and middle-income countries should remain eligible for ODA, and high-income countries should remain ineligible.* (Paragraph 31)
5. We agree with the Government that peacekeeping activities can and do contribute to poverty reduction, and we welcome the recent increase in the proportion of UN peacekeeping operations which can be counted as ODA. However, it is clear that such activities are not entirely focused on poverty reduction - they are also designed to deliver other benefits which are not directly linked to poverty. In view of this, the 15% coefficient seems appropriate. *We recommend that the Government oppose any further increase in the proportion of UN peacekeeping operations which can be counted as ODA.* (Paragraph 36)

6. We believe unilateral action by the UK to develop and use its own ODA definition would be an own goal. The current internationally-recognised definition places no restriction on the activities which the UK can undertake; it merely prevents the UK from reporting certain spending (such as humanitarian assistance in high-income territories) as ODA. The UK's reputation as a leading development actor stems from its expertise and professionalism, its commitment to multilateralism and the international system and its commitment to, and delivery against, the 0.7% target. All three of these 'assets' would be damaged by trying to manipulate the shared understanding of what aid is. *The Government should continue to use the internationally-recognised ODA definition even if it fails to secure the changes it is seeking to the current rules.* (Paragraph 40)
7. Whilst it is important to ensure that the ODA definition remains relevant and up-to-date, continual changes might cause unnecessary confusion. A regular review process would provide greater certainty. *The Government should encourage the OECD-DAC to establish a credible and consensus-based process for reviewing the ODA definition at regular intervals, such as every five years, and should oppose any proposals for ad hoc changes in the interim.* (Paragraph 43)

Administration

8. We are concerned that the current bidding process enables departments to bid for ODA without due regard being made of their capability to administer these programmes effectively. *Consequently, we recommend that the bidding process is amended to include an evaluation of a department's staffing, systems and knowledge capacity to administer ODA. We also recommend that departments detail their plans for monitoring and evaluation of projects, including how the Independent Commission for Aid Impact (ICAI) will have access to this information.* (Paragraph 47)
9. Increasing the amount of ODA spent by departments other than DFID will necessitate an increase in capacity (both in staffing levels and in departmental knowledge), combined with the refinement of internal systems, in order to ensure that ODA is administered effectively and that the impact of this expenditure can be demonstrated. (Paragraph 50)
10. DFID has a crucial role to play in ensuring that all other government departments understand how to administer ODA programmes effectively and efficiently, including programme management and reporting, and highlighting when required administration standards are not being met. DFID is willing and able to perform this leading role, but our key concern is whether other government departments are willing or able to absorb it (Paragraph 55)
11. *DFID should play the leading role in developing the capacity of ODA-administering departments across Whitehall, driving consistently high standards for ODA administration and tightening up practices. It should continue to second staff to other government departments, developing skills and promoting a poverty reduction-focused culture in ODA programmes across Whitehall. Recognising the burden this places upon DFID, the Government must ensure that DFID receives adequate resources to cover backfill within DFID.* (Paragraph 56)

12. We believe that this collaborative approach is an example of cross-department ODA at its best, using skills and experience from across Whitehall nimbly to deliver benefits for global health. (Paragraph 61)
13. Strong and effective cross-government mechanisms should form the bedrock of an effective system of cross-government ODA. The current arrangements leave opportunities for gaps in coherence and ambiguity in where oversight of ODA lies across Whitehall. This creates a risk of duplication, overlap or conflicting priorities in programmes. Without a single person responsible, this also means that there is no single check on the overall coherence or quality of UK ODA as a whole and no central point for capturing examples of added value. There is a conundrum in any joined-up or cross-government working, which is the balance between the opportunity of benefitting from different views and new skills and expertise and the risks of strategic incoherence, duplication and other unintended consequences. (Paragraph 66)
14. *The existing coordination and oversight groups - notably the cross-Ministerial and Senior Officials Groups - must be more proactive in targeting their activities explicitly towards poverty reduction and the SDGs to give greater focus across Whitehall. The Government should set out a process for capturing the added value gained as a result of greater cross-Whitehall working.* (Paragraph 67)
15. *The Government should publish a clear statement outlining individual departmental responsibilities in delivering, overseeing, monitoring and coordinating ODA, including how they correspond to the aims of the UK Aid Strategy. This should also state explicitly that the International Development Committee may perform oversight of any ODA spending across Whitehall, including via partnership with other select committees as appropriate.* (Paragraph 68)
16. *The Secretary of State for International Development should have ultimate responsibility for oversight of the UK's ODA and the Department should have final sign off of all ODA.* (Paragraph 69)
17. *Just as DFID commissions agencies to conduct work on the ground or pays into multi-lateral funds, whilst retaining oversight of UK ODA and ensuring quality control of ODA spending, the Government should consider whether other government departments should only receive ODA money if it has come via DFID so that they have oversight and ensure that the money 'cannot be better spent'.* (Paragraph 70)
18. The UK is respected worldwide for the quality of its ODA research base and the consequent benefits it affords in enabling context-sensitive and targeted aid interventions. This strong base, building upon established relationships, must not be jeopardised by a shift of ODA away from DFID. (Paragraph 76)
19. Given the level of spending involved, we are concerned that departments are not publishing fuller details of their ODA spending as this lack of clarity clouds the public's ability to see good and bad spending. *The Government must outline how it intends to measure progress towards the commitment to publish data to IATI standards by 2020, providing regular milestones to track progress towards this target.* (Paragraph 81)

20. The redaction of large tranches of CSSF information makes it difficult to assess the effectiveness of programmes. Without access to this information, the taxpayer cannot see examples of well-spent money on well targeted programmes, nor identify poorly targeted programmes. This lack of clarity undermines trust in the fund. (Paragraph 84)
21. The cross-government funds must improve significantly their transparency levels as a matter of urgency to reverse the damaging lack of confidence in the quality of the funds' interventions. *Without transparency it is impossible to assess the effectiveness of the cross-government funds and consider whether they are creating the benefits espoused by the government. CSSF programmes must publish programme information as a matter of course unless a clear national security reason is cited for redaction.* (Paragraph 87)
22. *In light of widespread concerns about the Funds, including from the JCNSS, we recommend that ICAI should be given responsibility to scrutinise the totality of the cross-government funds, as well as other blended ODA/non-ODA programmes.* (Paragraph 88)
23. The UK's ODA output must be underpinned by strong administrative systems and processes to ensure that all ODA activities are as effective, transparent and joined-up as possible. We urge DFID to develop more detailed and robust guidance for all departments and funds managing ODA on how to meet effectiveness standards, ODA legislation and rules and other cross-Government development commitments. We are concerned that the movement of ODA from DFID to other government departments appears to have been started before adequate systems and standards were in place, and further capacity building is required across Whitehall to achieve the necessary standards required. The Government must ensure that UK ODA is delivered to a consistently high standard, regardless of whether it is delivered by DFID or another government department. Accordingly, DFID should take the lead in promoting excellence in ODA administration across Whitehall. (Paragraph 89)
24. If the increase of ODA via other government departments is aimed at benefitting from individual departments' skills and knowledge then the Government must now establish the means to monitor and report to Parliament on the added value of this additional expertise when balanced against the dilution of control by DFID. (Paragraph 90)

Objectives - Poverty reduction and national interests

25. The heavy emphasis of the Prosperity Fund upon promoting UK trade risks losing the rightful emphasis of the Fund upon the primacy of poverty reduction, and is a step towards the return of tied aid. (Paragraph 95)
26. It is unclear to us how these types of interventions will benefit the very poorest people; both those living in the countryside and the urban poor. We acknowledge the importance of providing ODA to MICs, where 73% of the world's poorest people live. However, we are concerned to have uncovered Prosperity Fund projects within MICs which show inadequate, or negligible, targeting at improving the lives of the very poorest and most vulnerable communities in these countries. We are also

concerned by the disconnect between DFID's intention to use ODA in China for broader development benefit compared to the activities of other departments and the reality of what spending is being badged as ODA. (Paragraph 101)

27. *Prosperity Fund programming should be targeted at helping the very poorest. Accordingly, we recommend that Prosperity Fund programmes should have a particular focus upon development in rural areas and the urban poor to transform the lives of the very poorest people in MICs. In the light of our concerns, we recommend that existing programmes should be reviewed.* (Paragraph 102)
28. We note the value of spending ODA in fragile and conflict affected states to promote peace and stability. We also acknowledge that CSSF programming offers the potential to deliver dually beneficial outcomes of increasing national security whilst also reducing poverty. However, selecting countries based upon security rationale alone risks side-tracking the primary aim of poverty reduction. (Paragraph 105)
29. *The choice of countries for ODA CSSF projects must be led first and foremost by the aim of reducing poverty. To this end, ODA CSSF programmes must contain a detailed theory of change outlining how they will directly contribute to a reduction in poverty. These theories of change should be revisited and assessed during mid-term reviews and programmes adjusted if necessary.* (Paragraph 106)
30. The Government states that the money spent on the CSSF cannot be spent anywhere better for ODA and following the ICAI report we are not convinced that this is the case. *We therefore recommend a review of the continuation of the CSSF in its current form.* (Paragraph 107)
31. We are concerned that the use of ODA for administrative purposes is misdirected and that in some cases existing diplomatic activities are being badged as ODA without any additional targeting to lead to a reduction in poverty. (Paragraph 110)
32. The Government's explicit strategy to increase the proportion of ODA administered by other government departments presents opportunities and risks. The benefit identified by the Government is harnessing relevant expertise, resources and networks available in another department to enhance development projects in the policy area of that department. There may also be promotion of a development focus across Whitehall. However, the risk identified throughout our evidence is the reverse, that other departments' priorities will dilute or damage ODA's primary purpose which is poverty reduction for the poorest, most vulnerable and marginalised and ensure that DFID has oversight of all ODA spending. (Paragraph 111)
33. At worst, programmes administered with dual objectives (notably the cross-government funds) risk delivering on neither their primary poverty reduction purpose, nor their secondary national interest objective. ODA must be directed primarily at reducing poverty, helping the very poorest and most vulnerable rather than being used as a slush fund to pay for developing the UK's diplomatic, trade or national security interests. ODA eligibility should not be a question of meeting a threshold or badging activities as part of a mandatory spend to protect departmental budgets during a time of austerity. Rather, departments should be

actively identifying how they can apply their unique skillsets and expertise to deliver high quality development programming which enhances the quality and effectiveness of UK aid even further. (Paragraph 112)

34. *To ensure the primacy of poverty reduction as an objective for all UK ODA, ODA spending departments should conform in practice with the terms of the International Development Act 2002. All ODA programming should contain theories of change which explicitly link to the SDGs. The Government should make systematic improvements to coherence, transparency and - most crucially- the poverty focus of cross-government fund projects before increasing their share of UK ODA any further, and ensure that DFID has oversight of all ODA spending.* (Paragraph 113)

Formal minutes

Tuesday 22 May 2018

Members present:

Stephen Twigg, in the Chair

Richard Burden	Mr Nigel Evans
Mrs Pauline Latham OBE	Lloyd Russell-Moyle
Paul Scully	Mr Virendra Sharma
Henry Smith	

Draft Report (*Definition and administration of ODA*), proposed by the Chair, brought up and read.

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

Paragraphs 1 to 113 read and agreed to.

Resolved, That the Report be the Fifth 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 (Standing Order No. 134).

[Adjourned till Tuesday 5 June at 9.40 am.]

Witnesses

The following witnesses gave evidence. Transcripts can be viewed on the [inquiry publications page](#) of the Committee's website.

Tuesday 16 January 2018

Question number

Professor John Gaventa, Director of Research, Institute of Development Studies; **Tamsyn Barton**, Chief Executive Officer, Bond [Q1–20](#)

Rupert Simons, Chief Executive Officer, Publish What You Fund; **Dr Nilima Gulrajani**, Senior Research Fellow, Overseas Development Institute [Q21–43](#)

Tuesday 13 March 2018

Keith Davis, Director, National Audit Office; **Terry Caulfield**, Audit Manager, National Audit Office [Q44–62](#)

Professor Diana Mitlin, Managing Director, Global Development Institute, University of Manchester; **Dr Emma Mawdsley**, Fellow, Newnham College, University of Cambridge. [Q63–81](#)

Dr Christian Dennys, Acting Head of the Joint Programme Hub, Conflict Stability and Security Fund, National Security Secretariat; **Melinda Simmons**, Director of Implementation, Cross Government Funds, National Security Secretariat [Q82–102](#)

Tuesday 27 March 2018

Harpinder Collacott, Executive Director, Development Initiatives; **Amy Dodd**, Director, UK Aid Network [Q103–114](#)

Blondel Cluff, Representative of the Government of Anguilla to the UK and EU [Q115–138](#)

Brenda Killen, Deputy Director, OECD Development Co-operation Directorate [Q139–152](#)

Wednesday 25 April 2018

Harriett Baldwin MP, Minister of State, Foreign and Commonwealth Office; **Dr Liane Saunders**, Strategy Director, Foreign and Commonwealth Office; **Mr Sam Gyimah MP**, Minister of State, Department for Business, Energy and Industrial Strategy; and **Dr Sharon Ellis**, Director of International Science and Innovation, Department for Business, Energy and Industrial Strategy [Q153–206](#)

Jean-Christophe Gray, Director, Public Services, HM Treasury [Q207–224](#)

Wednesday 2 May 2018

Rt Hon Penny Mordaunt MP, Secretary of State for International Development and **Darren Welch**, Director of Strategy, Department for International Development [Q225–283](#)

Published written evidence

The following written evidence was received and can be viewed on the [inquiry publications page](#) of the Committee's website.

ODA numbers are generated by the evidence processing system and so may not be complete.

- 1 Blondel Cluff CBE, Government of Anguilla ([ODA0034](#))
- 2 Blondel Cluff CBE, Government of Anguilla Annex A ([ODA0036](#))
- 3 British Council ([ODA0014](#))
- 4 Cabinet Office ([ODA0039](#))
- 5 CAFOD ([ODA0008](#))
- 6 CBM UK ([ODA0018](#))
- 7 Christian Aid ([ODA0009](#))
- 8 Conscience ([ODA0003](#))
- 9 Department for Business, Energy and Industrial Strategy ([ODA0026](#))
- 10 Department for Business, Energy and Industrial Strategy Annex A ([ODA0038](#))
- 11 Department for International Development ([ODA0024](#))
- 12 Department of Health ([ODA0028](#))
- 13 Development Initiatives ([ODA0013](#))
- 14 Dr Jie Sheng Li ([ODA0002](#))
- 15 Foreign and Commonwealth Office ([ODA0015](#))
- 16 Foreign and Commonwealth Office Annex A ([ODA0041](#))
- 17 Health Poverty Action ([ODA0017](#))
- 18 HF Trust ([ODA0037](#))
- 19 HM Treasury ([ODA0033](#))
- 20 Independent Commission for Aid Impact ([ODA0031](#))
- 21 Institute of Development Studies ([ODA0022](#))
- 22 Met Office ([ODA0010](#))
- 23 National Security Secretariat, Cabinet Office ([ODA0005](#))
- 24 OECD Development Co-operation Directorate ([ODA0027](#))
- 25 ONE Campaign ([ODA0023](#))
- 26 Overseas Development Institute ([ODA0004](#))
- 27 Overseas Development Institute Annex A ([ODA0029](#))
- 28 Oxfam Annex A ([ODA0032](#))
- 29 Oxfam GB ([ODA0025](#))
- 30 Professor Ian M. Johnson ([ODA0001](#))
- 31 Professor Peter Piot, Independent Chair of the SCOR Board ([ODA0035](#))
- 32 Publish What You Fund ([ODA0011](#))
- 33 Reprieve ([ODA0040](#))

- 34 RESULTS UK ([ODA0019](#))
- 35 Save the Children ([ODA0021](#))
- 36 Scotland's International Development Alliance ([ODA0006](#))
- 37 Sightsavers ([ODA0016](#))
- 38 St Helena Government ([ODA0007](#))
- 39 STOPAIDS ([ODA0012](#))
- 40 Swedish Ministry of Foreign Affairs ([ODA0030](#))
- 41 UKAN & Bond ([ODA0020](#))

List of Reports from the Committee during the current Parliament

All publications from the Committee are available on the [publications page](#) of the Committee's website. The reference number of the Government's response to each Report is printed in brackets after the HC printing number.

Session 2017–19

First Report	DFID's work on education: Leaving no one behind?	HC 367
Second Report	Bangladesh and Burma: the Rohingya crisis	HC 504
Third Report	Bangladesh and Burma: the Rohingya crisis - monsoon preparedness in Cox's Bazar	HC 904
Fourth Report	Bangladesh, Burma and the Rohingya crisis	HC 1054
First Special Report	DFID's use of private sector contractors: Government Response	HC 322
Second Special Report	UK aid: allocation of resources: Government Response	HC 323
Third Special Report	DFID's work on education: Leaving no one behind?: Government response	HC 914
Fourth Special Report	Bangladesh and Burma: the Rohingya crisis: Government response	HC 919