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DAC Delegates and Observers

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UK Mid-term Review, 7th December 2012, London

On 7th December I visited the United Kingdom to conduct its mid-term review accompanied by Karen Jorgensen and Chantal Verger of DCD. I would like to thank Mr Mark Lowcock, Permanent Secretary, and Mr Anthony Smith, Director of DFID International Relations Division and his colleagues, for an excellent programme of meetings and discussions. We met senior staff from DFID as well as representatives of the Independent Commission for Aid Impact (ICAI) and civil society organisations. We discussed issues around implementing the DAC's recommendations from the 2010 peer review. Overall, I found that the United Kingdom has taken the Committee's recommendations seriously and it has made considerable progress against them, although some challenges remain.

While the main purpose of the mid-term review was to focus on the implementation of the DAC's recommendations, we also took into account national and international developments since 2010. For example:

- the Coalition Government's approach to international development, which includes a stronger focus on delivering results, transparency and value for money in UK aid; focusing more on fragile and conflict-affected states; and harnessing the power of the private sector;
- the strategic, forward-looking reform and adjustments of DFID to enable it to deliver all government commitments, including reaching 0.7% of GNI allocated to ODA by the end of 2013 despite the impact of the global downturn and banking crisis on UK's economy and public sector.

A global leader

The UK continues to play a key role in the donor community and is actively involved in shaping the development agenda at the global level. The UK is well placed to continue to promote the development agenda globally and make a meaningful contribution to the post-2015 development framework with the Prime Minister's nomination as a co-chair on the UN high level panel on post MDGs; the nomination of the Secretary of State as a Co-Chair of the Global Partnership for Effective Development Co-operation; and the upcoming UK's presidency of the G8.

A programme focused on reducing poverty, promoting growth and security, and tackling climate change

As was recommended in the 2010 peer review, the UK's development cooperation programme continues to be focused on reducing poverty. It supports actions to meet the Millennium Development Goals, creating wealth in poor countries, strengthening their governance and security, and tackling climate change. I congratulated the UK for maintaining its focus on reducing poverty and for its increased engagement in fragile states and conflict-affected states (30% of UK ODA). Meanwhile the UK government puts a stronger focus on supporting private sector development, an approach which needs to be clarified.

Tailoring the results and value for money approach to specific contexts

DFID conducted a bilateral aid review and a multilateral aid review to improve the allocation of UK aid and ensure that its objectives are achieved in the most cost-effective manner possible. The bilateral aid review introduced a bottom-up approach to decide bilateral allocations and identify the results that UK assistance could

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achieve in each country, which is a commendable approach. The reviews helped DFID to develop a results framework cascading from the MDGs to DFID's intended results, and then to its operations and the way they are managed. This framework helps demonstrate to domestic stakeholders that money is spent well. CSOs confirm that, as a result of these efforts, there is less scepticism among the public about the impact of the UK ODA programme.

Meanwhile the UK needs to continue to nuance its value for money approach, and be realistic about the results it wants to achieve. As was highlighted in the 2010 peer review, there is a risk that DFID's strong focus on results and value for money distorts the way it wants to work, as it may lead to favour numbered outputs and short term achievements, to the detriment of qualitative results and longer term, sustainable impact. The results framework also needs to retain enough flexibility to avoid undermining DFID's key objectives and assets (increased focus on fragile states; flexible, context-based approach to aid programming). In this regards, it is positive that many results that DFID plans to achieve remain country-specific, being outlined in operational plans, but not aggregated in the results framework. DFID also makes it explicit that it does not aim at easy, measurable results, in particular in fragile contexts.

While promoting accountability to the UK taxpayers, DFID does not want to bypass national systems. It provides support to build national statistical capacities and results frameworks, being actively involved in the Busan building block on results and accountability, and contributing financially to Paris 21.

Policy coherence for development

The former system of public service agreements establishing strategic cross-government objectives and targets to which several departments contribute was instrumental in promoting coherence across the UK government. Instead of PSA targets, the government adopted a bottom-up approach linking with government priorities on concrete areas such as trade, stability and conflict, where joint units focus on achieving common results. While these appear as effective whole-of-government mechanisms to address specific challenges, there is still work to do to get other departments such as the FCO and Defence to the same level as DFID regarding the developmental approach, in particular on results, transparency and gender equality.

In response to the recommendation of the 2010 peer review, the UK chose anti-corruption as an area in which to focus efforts to promote cross-government initiatives of development benefit, considering both the supply and demand sides. This move, which is still at an early stage, is welcome. It will build on progress made by the UK on anti-money laundering and anti-corruption, recognised in the follow-up report of the FATF on anti-money laundering (October 2009) and more recently in the OECD report on implementing the OECD anti-bribery convention in the UK (March 2012). The ongoing work should help the UK to address the remaining concerns expressed in the report.

The UK has set up two investigation units, one working on tracing illicitly-acquired assets in the UK originating from developing countries coming into the UK, and the other addressing international bribery by UK citizens and companies. The cost-benefit analysis of these units is impressive, as they recovered in the last five years approximately £ 100 million of illicit flows which will be returned to developing countries for an annual cost of £ 1 million.

Meanwhile DFID is stepping up the fight against corruption and fraud in developing countries, focusing not only on protecting UK tax-payers' money, but also on increasing efforts to tackle corruption in partner countries. The UK also intends to use its internal work to move forward the G8 efforts on anti-corruption.

Aid volume and allocations

I congratulated the UK for keeping its commitment to providing 0.7% of GNI as ODA by the end of 2013, a commitment that the government still plans to enshrine into legislation by 2015. The coalition government has quarantined the scaling up of the aid budget. The last three budgets have held ODA/GNI steady at 0.56%. The trajectory of the scale-up, as outlined in the 2010 Comprehensive Spending Review (CSR), has left the heavy increase for the final year. The CSR document shows that ODA in the 2013 budget should rise by 32%, or around £3 billion, to match the Government's commitment.

The UK tries to avoid introducing further sector and thematic spending targets, as was recommended in the last peer review. While DFID has not set spending targets, a limited number of targets are set by the HM Treasury for the forthcoming Spending Review period, which are difficult to control.

As was recommended in the 2010 peer review, DFID needs to continue its work to develop an inclusive approach vis-à-vis the multilateral organisations, with a view to harmonising data collection and accountability frameworks, and build alliance for the reform agenda. DFID conducted a multilateral aid review (MAR) to guide its allocations to the most robust organisations. The MAR is also a tool for promoting the reform agenda. DFID is an active member of MOPAN and uses its work to collect evidence. However this does not yet cover all the evidence DFID needs, in particular as regards programme and administrative costs.

Another recommendation of the Committee was to improve the quality of information on aid delivered by departments other than DFID. DFID oversees collection of all UK ODA information and provides guidance relating to ODA-eligibility of development activities. While there is still scope for progress here, it is positive to note that the independent evaluation commission (ICAI) covers not only DFID, but all departments involved in delivering ODA.

Organisation and Management

DFID faces a huge challenge of delivering an increased aid programme (USD 16.6 billion in 2013) under high scrutiny and at a time when administrative costs are constrained. DFID has developed strategic forward planning over the last three years to address this challenge and ensure it has the capability and systems to spend increased resources effectively. This is commendable.

As was recommended by the Committee, DFID has maintained its powerful institutional system and taken measures to protect, and even increase, staff on the front-line. DFID's workforce planning defines future staffing numbers and profiles. The number of staff will increase from 2,600 in 2012 to 2,800 in 2015, with more staff in strategic cadres such as fragile states and state building, evaluation and results, and less staff in administrative and corporate work. DFID has already recruited 240 advisers (predominantly based in country offices) in 2011, raising the total number of advisers up to 695. The annual staff survey shows that, despite the changes, the engagement of staff vis-à-vis DFID remains very high, an impressive result in a rapidly changing organisation.

DFID also plans to increase its efficiency and generate administrative savings. This includes outsourcing part of the work (e.g. on research), but also vacating DFID's current London headquarters to a more cost effective location in 2013.

The UK has acted on the recommendation to embed evaluation further within its operations. DFID adopted a new mainstreaming approach on evaluation, and most of the evaluation work is now decentralised and commissioned directly by operational teams. A revised evaluation policy is under preparation and should be published shortly. An Independent Commission for Aid Impact (ICAI) was launched in 2011 as an independent body reporting to Parliament. ICAI reviews the impact of the UK aid money and the delivery of value for money of the UK taxpayer. It helps disseminate results and guide the programme with its short, accessible reports delivered quickly. While DFID has strengthened teams in country offices with specialised skills to report on results, it still looks at how it could streamline its reporting requirements further, through simplifying business planning processes.

Good progress on key aspects of the global partnership for effective development co-operation

The UK has made good progress on time-bound Busan commitments. The UK programme remains totally untied and its efforts toward transparency are commendable. The establishment of the UK Aid Transparency Guarantee and launch of ICAI are key steps to move this agenda forward. The UK is on track to implement a common, open standard for electronic publication of timely, comprehensive and forward looking information on UK aid. DFID's current internal work on tax and transparency and anti-corruption will help the UK deliver and influence the G8 development agenda during its presidency.

DFID has taken on board the recommendation to improve guidance on capacity development. A policy paper delivered in May 2012 and set out in a guidance note will help the staff to ensure that capacity development is taken into account throughout the programme cycle. DFID also widens its approach to include civil society and the private sector.

The UK has also made progress against the recommendation relating to climate change and environment. DFID has made combating climate change one of the six priorities of its business plan 2012-15. The International Climate Fund, split across DFID, DECC and DEFRA, plans to spend £2.9 billion over 4 years on adaptation, mitigation and forestry activities. DFID's share is £1.8 billion, and it now has more than 70 accredited climate and environment advisers. DFID is also ensuring that climate and environment risks, impacts and opportunities are mainstreamed in all of its interventions. It is committed to embedding disaster resilience in all country programmes by 2015 and is making good progress to meet this objective. Meanwhile the UK has continued to play a lead role in climate finance discussions at a global level.

Humanitarian assistance

The UK has acted on the recommendations relating to humanitarian assistance and peace-building/state-building. It published a humanitarian emergency response review (HERR) in March 2011 to help the UK government deliver an effective programme consistent with the good humanitarian donorship principles and Oslo guidelines, and support disaster resilience. It also published a strategy on building stability, which sets a cross-government approach to conflict prevention. This should help implement coherent and meaningful partnerships between civilian and military actors, an important step as DFID plans to engage more in fragile states. DFID is developing a humanitarian evaluation strategy, in line with the recommendation made in 2010.

Conclusion

As evident from the above, significant progress is being made on all of the recommendations and there are some interesting initiatives under way with lessons of value to the Committee. For instance, DFID already shares lessons from the results-oriented financing that it is piloting. The Ministerial decision that no new British financial aid grants will be made to India (as from November 2012) also calls DFID to take stock of the programme there, and look at how to accompany countries as they become richer, and how to engage with MICS. More globally, it is important that the UK maintains its prominent role in the international development community. While DFID reaching the 0.7% target will reinforce its credibility, the combination of its positioning in the UN High Level Panel on post-MDGs and the Global partnership, and its 2013 Presidency of the G8 offer powerful opportunities for the UK to drive the development agenda further. Finally, I wish to particularly thank Mark Lowcock, Anthony Smith and Clare Robathan for facilitating a most enjoyable day in London.

With kind regards

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