# Government Response to the International Development Committee Report on the Draft International Development (Official Development Assistance Target) Bill

**March 2010**

**Cm 7866**

# Government Response to the International Development Committee Report on the Draft International Development (Official Development Assistance Target) Bill

**Presented to Parliament by
the Secretary of State for International Development
by Command of Her Majesty**

**March 2010**

Cm 7866 £5.50

**© Crown Copyright 2010**

The text in this document (excluding the Royal Arms and other departmental or agency logos) may be reproduced free of charge in any format or medium providing it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.
Where we have identified any third party copyright material you will need to obtain permission from the copyright holders concerned.
For any other use of this material please contact the Office of Public Sector Information, Information Policy Team, Kew, Richmond, Surrey TW9 4DU or e-mail: licensing@opsi.gsi.gov.uk

ISBN: 9780101786621

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

ID P002358341 03/10

Printed on paper containing 75% recycled fibre content minimum.

This response is also available on the DFID website at www.dfid.gov.uk

# Contents

# Introduction

The Department for International Development (DFID) published the draft International Development (Official Development Assistance) Bill on 15 January 2010. The Government is grateful to the International Development Committee (IDC) – and all those who made submissions and gave evidence – for the time and effort they gave to scrutinising the proposed draft legislation. We welcome the report and are grateful for the helpful way in which it highlights areas where further work should be carried out.

The Committee focused its inquiry on a series of questions central to the aims of the Bill. These included whether legislation of this kind was necessary, whether the proposed accountability measures contained in the draft Bill were sufficient, whether it would impact on the decisions of other donor countries or affect the predictability of aid for recipient countries, and the likely impact on the contribution to UK official development assistance (ODA) from other government departments. We note the Committee's overarching conclusion that the legislation is widely welcome and their reiterated support for the Government's commitment to meet the 0.7% target by 2013. At the same time, we acknowledge that there are areas where further work is required.

We would like to repeat our thanks to the Committee for making arrangements to undertake pre-legislative scrutiny of this draft Bill so swiftly. If taken forward, this legislation would provide an important signal in the run up to the United Nations Millennium Development Goal Summit in September 2010, and could provide further encouragement towards reaching the goals by 2015. The Government has requested parliamentary time be allocated in the first session of the next parliament to pass the Bill into law.

# Summary

The Government welcomes the International Development Committee's report on the International Development (Official Development Assistance Target) Bill. The Government is pleased that the Committee supports the intention of the legislation. The Bill aims to put beyond doubt the UK's determination to deliver on our commitment to spend 0.7% of gross national income (GNI) on official development assistance (ODA) by 2013, and ensure this level is maintained in perpetuity thereafter.

The Government has given careful consideration to the Committee's recommendations. We note the criticisms of the accountability measures contained in the draft Bill. The Government strongly believes that it should be accountable to Parliament in the event that the UK misses the target. The references criticised by the Committee were designed to ensure full transparency in the way Government reports to Parliament. We appreciate the Committee's concerns about how the references might be interpreted and we undertake to look again carefully at these before taking the Bill forward. The Government also notes the Committee's recommendation that in the event of the Government failing to achieve the target, an action plan be included in the Departmental Annual Report mapping out steps to ensure it is met the following year. The Government will consider appropriate amendments before taking forward the Bill. We have reflected on the Committee's recommendation regarding the transparency of ODA expenditure by other government departments and will undertake appropriate amendments before taking forward the Bill. The Government also agrees with the Committee's concern to protect the future integrity of ODA reporting, but does not believe that making all UK ODA subject to the 2002 International Development Act is the only way to achieve this. The Government acknowledges the Committee's criticism of the Impact Assessment which accompanied the draft Bill and undertakes to include a more comprehensive impact assessment of the Bill when bringing it forward.

# Response to conclusions and recommendations

## Galvanising other donors

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

We welcome the Committee's view that UK legislation could provide a demonstration of support for the target ahead of the United Nations summit. In contrast to the Committee, the Government believes that the UK's example could help increase pressure on all donors to keep their promises. Several of your witnesses supported this view. Karen Jorgensen (from the Organisation of Economics Cooperation and Development's Development Assistance Commitee – OECD DAC) noted that the UK is already a leader on development and that it has a certain amount of leverage 'to keep pushing other donors to follow suit and honour their commitments.' Oxfam noted that: 'UK legislation would send a powerful signal to other donors…'

While particular circumstances faced by some donors mean they face difficulties meeting their commitments, we believe that passing this Bill would demonstrate UK leadership and may help invigorate donors as a group to re-commit to achieving the Millennium Development Goals (MDGs). The legislation would make the UK the first G8 country to give a permanent commitment to reach and maintain the 0.7% target, providing an important signal, particularly in the run up to the UN MDG Summit in September 2010. The Government has requested parliamentary time be allocated in the first session of the next parliament to pass the Bill into law.

## Increased predictability for developing countries

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

The Government welcomes the Committee's finding that the Bill would provide a degree of predictability at the macro level. We agree with the Committee's view that stability in the total UK aid envelope would send a positive message to developing countries. The Committee's report focuses attention on the fact that the cash equivalent of any percentage official development assistance/gross national income (ODA/GNI) ratio will fluctuate year on year and that the cost of meeting the 0.56% 2010 target has declined by £700 million. However, it is also important to note that the Comprehensive Spending Review in 2007 set nominal ODA levels, which, when applied to 2007 forecasts equated to 0.56% ODA/GNI in 2010, and that while GNI has altered over the CSR period, actual UK ODA levels have not. This reflects the determination of the Government to meet its international development commitments. The Government re-states the importance of securing the 0.7% funding envelope, both symbolically and in practical terms.

The Government agrees with the Committee that providing predictability to our partner governments is central to working in partnership with them. This is why DFID has instructed its country offices to give rolling three-year indicative resource allocations to partner governments in all Public Service Agreement countries where DFID provides resources through government. DFID publishes information in its Annual Report showing how it is doing this in these countries. In addition DFID has paved the way for increased predictability through innovative use of 10 year Development Partnership Arrangements with some countries.

## Ensuring ODA achieves poverty reduction

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

The Government accepts the committee's recommendation regarding the transparency of ODA expenditure by other government departments. We are committed to full transparency in our reporting of UK ODA expenditure. It should be recognised that DFID currently publishes ODA expenditure by other government departments in Statistical Releases available on DFID's website. We also report details of all UK ODA to the OECD DAC – right down to project level. This is available on the DAC website. Non-DFID ODA can be clearly identified. We will consider appropriate amendments before taking forward the Bill.

The Government recognises and agrees with the Committee's concern, but does not believe that making all UK ODA subject to the 2002 International Development Act is the only way to ensure the future integrity of UK ODA reporting. The 2002 Act provides powers for the Secretary of State for International Development to spend money on International Development. Other government departments spend money under a large number of other powers and can support a wider array of development activities, all of which meet the DAC's definition of ODA even if they do not all meet the poverty reduction test required by the 2002 Act. The Government strongly supports the DAC definition of ODA as the international standard. It is highly beneficial that ODA statistics are comparable across donors. The Government believes that the best way of ensuring the future integrity of ODA reporting by the UK and other donors is to ensure rigorous application of the DAC definition. The Government will continue to support the DAC in its efforts to further refine and clarify the detailed guidance on what can be reported as ODA (particularly on refugee costs, climate change, and peacekeeping support) to ensure greater consistency across donors. The Government has given a clear commitment that the UK will limit aid expenditure for climate change to 10% of ODA. As a further safeguard on the integrity of our ODA reporting, the Government is also making efforts to secure the ODA/GNI ratio as a UK national statistic.

## Accountability measures

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

The Government notes the Committee's concern and will consider this issue further before taking forward the Bill. In the event of the target not being met in a given year, clause 2(3) would require the Secretary of State to lay a statement explaining why the target has not been met. The statement is only required to contain references to the effect of fiscal, economic and international circumstances if they are relevant.

These references are intended to ensure that the Secretary of State's statement must, where relevant, provide a full account of any wider circumstances at a macro-economic level that may have lead to the target not being met. They aim to reassure Parliament that a statement under Clause 2(3) should not be limited to a narrow interpretation of events, but should also include bigger picture issues that may have affected the Government's performance against the target. This clause also takes into account the inherent difficulty of meeting a target for which the numerator (ODA) is in the Government's control, but the denominator (GNI) effectively is not. The underlying purpose of Clause 2(3) is to ensure full transparency and the reference to these circumstances might enhance transparency, though we appreciate the Committee's concerns about how the provisions might be interpreted.

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

The Government notes the Committee's recommendation and will consider appropriate amendments before taking forward the Bill. If the Government misses the target in a given year, this won't be confirmed until the OECD/DAC verifies the figures reported by the UK, and GNI estimates are issued by the Office of National Statistics. These figures will then be published in DFID's Annual Report. There is a tight timeline for production of the figures against which the Government's achievement of the 0.7% target will be assessed. The Government strongly believes that it should be accountable to Parliament in the event that the UK misses the target, and agrees that publishing an action plan could be useful in ensuring that accountability. It will be important that this doesn't delay the publication of DFID's Annual Report, which will contain the definitive figures on the ODA/GNI ratio. The Government will give this careful consideration before taking forward the Bill.

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

The Government welcomes the Committee's agreement that the Government's accountability for this duty should be to Parliament. The Government believes that Parliament is best placed to hold Government to account for its commitment on international development spending. The courts will play a vital role in ensuring that money is spent by DFID in accordance with the terms of the International Development Act 2002. However, this Bill deals with the allocation of resources to meet an international commitment – which Parliament has traditionally seen as its preserve. This approach follows the precedent set by the Fiscal Responsibility Act 2010.

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

The Government notes and agrees with the Committee's view.

## Impact Assessment

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

The Government accepts the Committee's recommendation and will include a more comprehensive impact assessment of the Bill when bringing it forward.

The Government also accepts the Committee's concern that DFID improve the way it communicates the achievements of development to taxpayers. It should be noted that the Government is undertaking a considerable amount of work in this regard. In response to previous recommendations from the Committee and DFID's annual tracking survey *(Public Attitudes to Development)*, a new logo - *UKaid* - and message guide have been introduced to help the Government and the sector communicate the positive impact of development more clearly and address public concerns about corruption. The Government is also talking more with members of the public about its work through an enhanced effort by Ministers and officials to attend events and festivals and give outreach talks. DFID's Annual Report contains an increasing amount of information on the impact of development assistance, including the aggregation of results across countries, using standard indicators developed in key sectors such as health, education and infrastructure. DFID has reviewed its longer term funding to engage children and adults on development issues, putting this on a sound footing with increased focus on impact assessment as well as strategic engagement with other government departments such as DCSF.

TSO
information & publishing solutions

Published by TSO (The Stationery Office) and available from:

**Online**
**www.tsoshop.co.uk**

**Mail, telephone, fax and email**
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/general enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

**The Parliamentary Bookshop**
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/general enquiries: 020 7219 3890
Fax orders: 020 7219 3866
Email: bookshop@parliament.uk
Internet: http://www.bookshop.parliament.uk

**TSO@Blackwell and other accredited agents**

**Customers can also order publications from:**
TSO Ireland
16 Arthur Street, Belfast BT1 4GD
Telephone orders/general enquiries: 028 9023 8451
Fax orders: 028 9023 540

ISBN 978-0-10-178662-1
9 780101 786621