



National Audit Office

Report

by the Comptroller
and Auditor General

International Development Committee

Managing the Official Development Assistance target – a report on progress

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Managing the Official Development Assistance target – a report on progress

Report by the Comptroller and Auditor General

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Sir Amyas Morse KCB
Comptroller and Auditor General
National Audit Office

11 July 2017

This report looks at the government's management and oversight of the Official Development Assistance (ODA) target and departments' and others' progress in managing their ODA expenditure.

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Key facts

£12.1bn

UK 2015 spending on aid – Official Development Assistance (ODA)

0.7%

2015 ODA as a percentage of the UK's gross national income

14

number of central government departments and funds that spent ODA in 2015

80.5% proportion of total 2015 UK ODA spent by the Department for International Development, expected to drop to 70% by 2020

4 number of objectives in the 2015 UK aid strategy

19.8% proportion of total UK ODA accounted for by promissory notes

Summary

1 In 2010, the coalition government committed to spend 0.7% of UK gross national income on overseas aid – known as Official Development Assistance (ODA) – from 2013 onwards. 0.7% is the proportion of a nation's income that the United Nations has said developed countries should aim to spend on overseas aid.

2 In 2015, ODA expenditure was £12.1 billion, 0.7% of gross national income. The United Kingdom therefore met the target for the third year in a row, having met the target for the first time in 2013.¹ Because of increases in gross national income, the UK had to spend 3.7% more than in 2014 to meet the target, and 6.4% more than in 2013. As part of the Spending Review 2015, the government estimated that ODA expenditure will be £16.3 billion by 2021. It updates this figure if there are significant changes to economic forecasts.

3 The Department for International Development has always spent the majority of ODA expenditure (just over 80% in 2015). The remaining fifth is made up of spending by central government departments (such as the Foreign & Commonwealth Office and the Home Office), cross-government funds (such as the Conflict, Stability and Security Fund), and by other payments and attributions.

4 There have been two important developments since the UK first achieved the target in 2013:

- In June 2015, the International Development (Official Development Assistance Target) Act came into effect. This enshrined the 0.7% ODA target into legislation. The government is now legally obliged to meet the target.
- In November 2015, the government published a new aid strategy. The strategy proposed that while the Department for International Development would remain the UK's primary channel for overseas aid, a greater proportion of it would be administered by other government departments and through cross-government funds. The government expects that the proportion not spent by the Department for International Development will represent up to 30% by 2020, compared with 20% when the strategy was published. In practice, this means that while the number of departments with spending that counts as ODA will remain about the same, they will be managing larger budgets and may be involved in new areas of activity.

¹ In April 2017, the Department for International Development published provisional ODA statistics that estimate the UK government has met the target in 2016 as well.

Scope of this report

5 In 2015, we reported on the Department for International Development's management of its increased budget to meet the ODA target. We identified some steps that the Department for International Development had taken to prepare for the increase in its budget. We also identified a number of challenges that it had, at that point, to overcome.

6 Given the increased emphasis on ODA spending by other government departments this report takes an early look at government's preparedness for, and progress in, managing this new landscape for ODA expenditure.

7 This report supports the work of the International Development Committee. Specifically we examined:

- government's management and oversight of the ODA target; and
- progress by government departments in managing their ODA expenditure.

8 We have not looked at the effectiveness of ODA expenditure. We have however considered whether departments and other bodies with such expenditure have mechanisms in place to measure effectiveness.²

9 Appendices One and Two explain our audit approach and evidence base. Appendix Three explains the sources of ODA expenditure outside the Department for International Development. Appendix Four sets out a timeline of how the Department for International Development managed delivery of the 2015 and 2016 target. Appendix Five sets out trends in ODA expenditure.

Key findings

Government's management and oversight of the ODA target

10 The new UK Aid Strategy changed the focus of ODA expenditure in two ways.

First, it established four objectives – for example, 'Strengthening global peace, security and governance' and 'tackling extreme poverty and helping the world's most vulnerable' – for the UK's spending on overseas aid. It stated that ODA expenditure would be aligned to these objectives. Second, it set out that more expenditure would come from departments and cross-government funds, with less in relative terms from the Department for International Development (paragraphs 1.2 to 1.4).

² Through our programme of value-for-money work we do look at the effectiveness of expenditure in government departments. The Independent Commission on Aid Impact, which reports to the International Development Committee, also has a role in scrutinising the UK's overseas aid budget.

11 With only one of the four of the UK Aid Strategy’s objectives supported by measurable targets, it is not possible to assess progress in its implementation.

The government can measure progress against aspects of its objective of ‘tackling extreme poverty and helping the world’s most vulnerable’. However, it cannot do the same for its other objectives, for example, ‘promoting global prosperity’. The absence of measures across the strategy limits the government’s ability not only to assess progress but also to consider the coherence of its ODA expenditure (paragraphs 1.5 and 1.6, and Figure 1).

12 The government has yet to decide how it will assess whether it has met its commitment to improve the transparency of its ODA expenditure.

The UK Aid Strategy sets out the aim for “all UK government departments to be ranked as ‘Good’ or ‘Very Good’ on the international Aid Transparency Index, within the next five years”. However, the Department for International Development was the only department to receive a rating in 2016. The organisation that maintains the Index no longer assesses organisations with annual expenditure under \$1 billion (or £833 million), excluding all UK government departments apart from the Department for International Development and the Foreign & Commonwealth Office. The Department for International Development has set aside some funding for an assessment of departments’ transparency but it has not yet decided what form this assessment might take (paragraphs 1.7 to 1.10).

13 Since 2013, the government has met the ODA target. Over that period, sources other than the Department for International Development have contributed an increasing proportion of total ODA expenditure.

The amount of ODA attributable to the Department for International Development fell from almost 88% in 2013, when the target was first met, to just over 80% in 2015. Expenditure by other government departments, cross-government funds, and other sources increased. Like the Department for International Development, this expenditure might be on programmes or payments to multilateral organisations. HM Treasury is responsible for making a number of ODA payments that are not considered departmental ODA expenditure. This includes, for example, the relevant part of the UK’s contribution to the European Union (EU) budget that is spent on overseas aid (paragraphs 1.18 to 1.20, and Figures 4 and 5).

14 The Department for International Development and HM Treasury have taken steps to develop cross-government working to support meeting the 0.7% target, ultimately underwritten by the Department for International Development’s status as spender of last resort. Responsibilities for the target are fragmented across government.

For example, HM Treasury is responsible for allocating ODA budgets to departments; and each department’s accounting officer is responsible for the proper stewardship of the ODA funding allocated to their department. The Department for International Development therefore does not control all of the expenditure that contributes to meeting the target, for which in practice it is responsible. HM Treasury established a Senior Officials Group to support the management and delivery of the ODA target, and it issued jointly with the Department for International Development guidance to all departments and cross-government funds to support their approach to managing ODA expenditure. The Department for International Development has typically spent the difference between other departments’ expenditure and the total required to meet the 0.7% target (paragraphs 1.11 to 1.17, 1.21, and 1.29 to 1.34, and Figures 2 and 3).

15 Despite government's efforts to coordinate its approach, we have identified two gaps in responsibility and accountability.

- The UK Aid Strategy was jointly produced by the Department for International Development and HM Treasury. Their strategy did not identify which part of government – either on its own or jointly – has responsibility for implementing it or for checking on its progress, or is ultimately accountable for its delivery (paragraph 1.15).
- The Department for International Development and HM Treasury monitor other government departments' and funds' ODA expenditure. And each department has a responsibility to make sure all of its expenditure, including ODA, secures value for money. But no single part of government has responsibility for monitoring the overall effectiveness and coherence of ODA expenditure (paragraph 2.15 and Figure 2).

16 HM Treasury took an evidence based approach to allocating ODA budgets but did not assess fully departments' capacity to manage increased expenditure.

As part of the Spending Review 2015, HM Treasury asked departments to look at their existing expenditure to see what might be eligible as ODA. It also asked departments to bid for new activities that might be funded through ODA. HM Treasury collected evidence from departments on their planned ODA expenditure – details of the programmes planned, their objectives, and ODA eligibility. However, it did not request information on each department's capacity and capability to manage the increased expenditure, either as part of initial bids or in subsequent requests for more details on departments' spending plans (paragraphs 1.22 to 1.25 and Figure 6).

17 For 2016, HM Treasury put in place a target that requires other government departments to spend 90% of their financial year ODA allocation within the calendar year. HM Treasury sets such a target each year. This approach has the benefit of encouraging departments to meet their spending targets. It also creates a risk that expenditure might be rushed, potentially undermining value for money. In August 2016, HM Treasury relaxed the target based on departments' and funds' monitoring returns and because it was too challenging for some departments to meet, given their lack of capacity and progress with projects (paragraphs 1.27 and 1.28).

18 The Department for International Development has supported other government departments as their budgets have increased. The Department for International Development expanded its central ODA team to increase its capacity to support other government departments on eligibility issues. This team has provided advice, workshops and tailored training to other government departments on several occasions. The Department for International Development has also provided support to other government departments to build their project management capability (paragraphs 1.31 and 1.34).

Progress by government departments in managing their ODA expenditure

19 The Department for International Development has improved its management of its ODA budget. For example, we previously reported that the Department for International Development spent 40% of its ODA in November and December in 2013. Its spending profile is now smoother. Also for 2014, 2015 and 2016, the Department for International Development had a pipeline of projects the value of which exceeded its budget for those years, creating choice and more opportunities to consider value for money. This contrasts with its position between 2011 and 2013, when planned project expenditure was less than the budget (paragraphs 2.3 and 2.4, and Figure 7).

20 The continued growth in the balance of outstanding promissory notes could undermine the credibility of the ODA target. Promissory notes – a legally binding agreement to provide funding at some point in the future – accounted for 19.8% of the government's ODA in 2015, similar to the amounts in previous years. Promissory notes can enable multilateral organisations to enter into commitments with those organisations that will implement programmes on their behalf. However, this does mean that the year in which the money is actually used for beneficial purposes is not necessarily the same as the year in which the money counted as ODA. The value of uncashed promissory notes issued to multilateral organisations has increased. In March 2014,³ uncashed promissory notes totalled £4.3 billion. At the end of December 2016, they totalled £8.7 billion (paragraphs 2.5 to 2.7 and Figure 8).

21 Departments' governance arrangements for their ODA expenditure developed alongside rather than in advance of planned increases in their budgets. During 2016, all government departments with significant ODA programme expenditure established boards that are responsible for overseeing the department's ODA spending across their various policy areas. All departments also reported their actual and forecast ODA expenditure to HM Treasury and the Department for International Development (paragraphs 2.8 to 2.10 and 2.15).

22 Departments have taken positive steps to build their capacity to spend larger ODA budgets. For example, most departments built their capacity to assess eligibility for ODA expenditure and identified the need for an expanded team with responsibility for that expenditure. Some departments have also started to use the Department for International Development's approach to monitoring and measuring impact, although progress is varied across programmes (paragraphs 2.11 to 2.13).

23 Other government departments and cross-government funds are experiencing similar challenges to those the Department for International Development faced in 2013. For example, five of the 11 bodies we looked at spent more than half their 2016 calendar year budget in the last quarter of the calendar year. And only two of the 11 bodies were able in August 2016 to forecast within 10% accuracy what their spending in the last quarter of 2016 would be (paragraphs 2.14 to 2.18 and Figures 9 and 10).

³ Data on encashments of promissory notes are currently only available on a financial year basis in years up to 2016.

24 Some departments struggled to spend their 2016-17 ODA budgets. A number of projects that were due to start in 2016 were delayed. We identified two reasons for this (paragraphs 2.19 and 2.20, and Figure 11):

- There was a short time span between the Spending Review settlements being finalised and the need to spend money for it to count as ODA expenditure in the same calendar year.
- Departments underestimated the time it would take to set up new international projects, which required the recruitment of specialist skills and coordination with other departments overseas.

25 Other government departments and cross-government funds have developed monitoring and evaluation arrangements that will enable them to measure the effectiveness of their ODA expenditure. Departments that have been managing significant amounts of ODA expenditure previously, such as the Department for Business, Energy & Industrial Strategy, already had monitoring and evaluation arrangements for ODA expenditure in place before the Spending Review. Other departments designed them as part of their bids and spending plans submitted to HM Treasury. For some new ODA programmes there is not yet a plan in place for how the programme will be evaluated, but we did not identify any instances of programmes not being monitored against their objectives (paragraph 2.23).

Conclusion

26 The government has decided that departments and funds other than the Department for International Development should have responsibility for expenditure which contributes to meeting the 0.7% aid target. The landscape for meeting the target has become more complex as a consequence and a number of gaps in accountability and responsibility have appeared. To date the focus, both centrally and in departments, has been on establishing appropriate governance and reporting arrangements so that progress towards meeting the target can be monitored. HM Treasury and the Department for International Development, together with other relevant bodies, should focus on developing ways of capturing the overall effectiveness of ODA expenditure and assessing its coherence across government. Doing so will help them to demonstrate that ODA is being used to achieve the UK Aid Strategy's objectives.

Part One

Government's management and oversight of the Official Development Assistance target

1.1 In this part of the report we examine:

- the impact of the introduction of the UK's new aid strategy;
- responsibilities across government for meeting the target;
- distribution of Official Development Assistance expenditure across government;
- allocating Official Development Assistance expenditure as part of the Spending Review 2015; and
- supporting other government departments with increased Official Development Assistance expenditure.

Introducing a new aid strategy

1.2 In November 2015, the Department for International Development and HM Treasury published a new strategy for the UK's spending on overseas aid: *UK aid: tackling global challenges in the national interest*.⁴ The strategy aimed "to align the government's global efforts to defeat poverty, tackle instability, and create prosperity in developing countries". The strategy had four objectives.

- 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.

⁴ HM Treasury and Department for International Development, *UK aid: tackling global challenges in the national interest* Cm 163, November 2015 (available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/478834/ODA_strategy_final_web_0905.pdf)

1.3 In the new Aid Strategy the government stated that it would “shape” ODA expenditure according to these four objectives. It also made a commitment that both existing and new ODA expenditure would be value for money. In addition, more aid would be administered by other government departments. It emphasised that departments would need a plan to make sure that they had procedures in place to support international best practice in areas such as programme design, monitoring and evaluation. Departments would also have to show how they would use evidence to support spending decisions. The strategy stated that the Department for International Development would provide support to other government departments in this regard.

1.4 The strategy did not set out by how much the Department for International Development’s ODA budget would decrease or which other government departments and funds would see their budget increase. This was done as part of the Spending Review, which HM Treasury published concurrently with the new Aid Strategy. We cover the Spending Review in paragraphs 1.22 to 1.28.

1.5 In the new Aid Strategy, the Department for International Development and HM Treasury did not, for each objective, set measurable targets or specify the outcomes they wished to achieve from the strategy’s successful implementation. Instead, the strategy sets out a number of activities government will undertake, illustrations of which are set out in **Figure 1**. It also sets out the government’s 2015 manifesto commitments with regard to aid expenditure. Progress against some of these can be measured. For example, to immunise 76 million children against killer diseases, and to help 60 million people get access to clean water and sanitation.

Figure 1
UK Aid: tackling global challenges in the national interest – activities supporting the strategy’s objectives

The UK’s new Aid Strategy included a series of activities in support of each of its objectives, but lacked a focus on measurable outcomes

| Strategic Objective | Examples of activities without outcome measures |
|--|---|
| Strategic Objective 1 – Strengthening global peace, security and governance | The government will invest more in tackling tax evasion and avoidance, building on the initiatives led by the UK at the G8 Summit in 2013. |
| Strategic Objective 2 – Strengthening resilience and response to crisis | The government will establish a new £500 million ODA crisis reserve, enabling flexible, quick, and effective cross-government responses to crises as they happen. |
| Strategic Objective 3 – Promoting global prosperity | The government will create a new National Security Council-led Prosperity Fund, worth £1.3 billion over five years to promote sustainable economic reforms in emerging and developing countries. |
| Strategic Objective 4 – Tackling extreme poverty and helping the world’s most vulnerable | The government will lead the world in implementing the Leave No One Behind Promise; an effort to end violence against girls and women. The government will prioritise work that targets the most vulnerable and disadvantaged. |

Source: National Audit Office summary of material in HM Treasury’s and Department for International Development’s *UK aid: tackling global challenges in the national interest* Cm 163, November 2015 (available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/478834/ODA_strategy_final_web_0905.pdf)

1.6 Some, but not all, of the activities set out in the strategy are included in the Department for International Development's Single Departmental Plan covering the spending review period 2015 to 2020.⁵ However, like the Aid Strategy, the plan does not include measurable targets against which progress could be measured. Single Departmental Plans for the other government departments with ODA expenditure did not refer to the strategy. HM Treasury told us that it is working with other government departments to include references to ODA expenditure in their Single Departmental Plans and annual reports and accounts.

1.7 The strategy also set out an aim that all UK government departments would by 2020 be ranked as 'good' or 'very good' under the international Aid Transparency Index – an assessment of donor transparency. Responsibility for achieving this aim rests with individual departments. The Index is maintained by Publish What You Fund. The assessment is based on information submitted by the bodies concerned.

1.8 The coverage of UK departments with ODA expenditure by the Index has been and remains limited.

- The Department for International Development was the only department to receive a rating in 2016 – 'very good', the highest rating possible (which it also achieved in the previous three years).
- The Foreign and Commonwealth Office and the Ministry of Defence were included on the index in 2012, 2013 and 2014. The Foreign & Commonwealth Office was rated 'poor' in each of those years whereas the Ministry of Defence was rated 'poor' in 2012 followed by 'very poor' in 2013 and 2014.
- No other government department has received a rating.

1.9 In 2015, the organisation that maintains the international Aid Transparency Index decided that it would no longer assess organisations with annual spending under \$1 billion (or £833 million), therefore excluding all UK government departments apart from the Department for International Development in 2015 and the Department for International Development and the Foreign & Commonwealth Office in 2016 from its assessment.

1.10 In response, the Department for International Development approved a business case in December 2016 to fund, among other things, an assessment of government departments' data against the international Aid Transparency Index by 2020 (see paragraph 1.7). It has yet to decide how, by whom, and when the assessment will be conducted. Until it completes this work, it will not be possible to assess government's progress against its transparency commitment in the Aid Strategy. However, all government departments told us that they had already or were currently taking steps towards improving the transparency of their ODA expenditure.

⁵ Single Departmental Plans describe the government's objectives for 2015 to 2020 and how departments are fulfilling their commitments.

Responsibilities across government for meeting the target

1.11 The International Development (Official Development Assistance Target) Act 2015 made meeting the 0.7% target a legal obligation for government. It sets out a number of duties for ‘the Secretary of State’, in practice the Secretary of State at the Department for International Development (although the Act does not specify this). An example of the duties required is that the Secretary of State must make sure that the target for ODA is met by the United Kingdom and, if it is not, explain to Parliament why this is the case. The legislation does not impose any duties on any other part of government, such as HM Treasury and other government departments.

1.12 Against this legislative background, we have identified four separate parts of central government that need to work well individually and collectively to make sure that the UK meets the ODA target each year. These are:

- the Department for International Development;
- HM Treasury;
- other government departments; and
- cross-government funds, which are the responsibility of the National Security Council (the main forum for collective discussion of the government’s objectives for national security and how to deliver them, including strategies for countries and regions at risk of instability).

1.13 **Figure 2** explains the role and responsibilities of these four components.

1.14 Figure 2 shows that the responsibilities and accountabilities for meeting the target are not aligned. For example, while in practice the Secretary of State for International Development has a duty to make sure the target has been met, HM Treasury is responsible for allocating budgets for ODA to departments. Those departments are in turn responsible for making sure that they spend the money properly, in line with *Managing Public Money*.⁶ As a consequence, the department ultimately accountable for meeting the target – the Department for International Development – does not control some of the expenditure that contributes to meeting that target.

1.15 In addition, it is not clear which part or parts of government are responsible for making sure the UK Aid Strategy is implemented, or for measuring progress in its implementation.

⁶ HM Treasury’s *Managing Public Money* sets out principles and guidance for departments and other central government bodies as to how they should manage public resources. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-jan15.pdf

Figure 2

Roles and responsibilities for meeting the ODA target

Four separate parts of central government currently have to work together to help meet the target

| Organisation | An overview of responsibilities |
|--|---|
| Department for International Development | <p>The International Development (Official Development Assistance Target) Act 2015 sets out a number of duties for ‘the Secretary of State’, in practice the Secretary of State at the Department for International Development (although the Act does not specify this) – for example, the Secretary of State must make sure that the target for ODA is met by the United Kingdom and, if it is not, explain to Parliament why this is the case.</p> <p>The Department for International Development was jointly responsible with HM Treasury for preparing the UK Aid Strategy which was introduced in November 2015.</p> <p>The Department for International Development is responsible for managing all of its expenditure, including ODA, in accordance with <i>Managing Public Money</i>.¹</p> <p>The Department for International Development does not set the budgets for individual departments – this is the responsibility of HM Treasury.</p> <p>The Department for International Development monitors ODA expenditure by other government departments and cross-government funds.</p> <p>The Department for International Development cannot direct other government departments and cross-government funds to increase their ODA expenditure. Nor can it direct how the expenditure is applied.</p> <p>The Department for International Development is not responsible for monitoring the effectiveness of ODA expenditure by other government departments and cross-government funds.</p> |
| HM Treasury | <p>HM Treasury was jointly responsible with the Department for International Development for preparing the UK Aid Strategy which was introduced in November 2015.</p> <p>HM Treasury is responsible for setting each department’s budget, including the amount of that budget which counts as ODA. It is also responsible for making changes to departments’ budgets, including their ODA budgets.</p> <p>HM Treasury is not responsible for monitoring the effectiveness of ODA expenditure by other government departments and cross-government funds.</p> |
| Other government departments In 2016, 13 contributed the United Kingdom’s spending on ODA | <p>Each department bids for an ODA budget from HM Treasury.</p> <p>Each department’s accounting officer is responsible for the proper stewardship of the ODA budget allocated to it.</p> <p>Each department is responsible for managing all of its expenditure, including ODA, in accordance with <i>Managing Public Money</i>.</p> <p>The Department for International Development cannot direct a department to spend its ODA budget. Nor can it tell a department on what the ODA budget should be spent.</p> <p>Each department must report its actual and forecast ODA expenditure to the Department for International Development and HM Treasury.</p> |
| Cross-government funds In 2016, two funds contributed to the United Kingdom’s spending on ODA | <p>Both funds – the Conflict, Stability and Security Fund and the Prosperity Fund – sit under the National Security Council which provides strategic direction.</p> <p>Any department or agency that is represented on the National Security Council ² can bid for funding from the Conflict, Stability and Security Fund for the delivery of programmes. Any government department can bid for Prosperity Fund resources.</p> <p>Each fund has a central secretariat with staff which coordinate fund activities and makes sure spending targets are met.</p> <p>Individual departments and their accounting officers are responsible for programme delivery and the proper stewardship of that expenditure.</p> <p>Each fund must report its actual and forecast ODA expenditure to the Department for International Development.</p> |

Notes

- 1 HM Treasury’s *Managing Public Money* sets out principles and guidance for departments and other central government bodies as to how they should manage public resources. It is available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/454191/Managing_Public_Money_AA_v2_-jan15.pdf.
- 2 The National Security Council is chaired by the Prime Minister and comprises senior government ministers. It is supported by four ministerial sub-committees.

1.16 Government has put in place a number of mechanisms to help the four separate parts of government work together. HM Treasury increased the size of its team responsible for ODA expenditure issues by one. It also established a cross-department and fund group of senior officials which reports to ministers (see paragraph 1.29). And jointly with the Department for International Development it issued guidance specifically intended to support departments with ODA expenditure (paragraph 1.34). Parliament, the Comptroller and Auditor General and the Independent Commission on Aid Impact scrutinise aspects of effectiveness and value for money of UK aid expenditure.

1.17 In February 2016, we published *Accountability to Parliament for taxpayers' money*.⁷ In that report, we concluded that any system of accountability must have four key features. **Figure 3** describes the system of accountability for ODA expenditure in this context. This shows that there are some weaknesses in three of the four areas.

Distribution of ODA expenditure across government

1.18 The UK has relied on expenditure from a range of sources to meet the ODA target. In 2015, the Department for International Development was responsible for 80.5% of ODA expenditure.⁸ Other government departments (such as the Home Office and Foreign & Commonwealth Office) and cross-government funds (the Conflict, Stability and Security Fund),⁹ and other payments and attributions (for example, to the International Monetary Fund's Poverty Reduction and Growth Trust and to the European Union (EU) made up the remaining 19.5%, split respectively 13.2% and 6.3% (**Figure 4** on page 18).¹⁰ In 2013, the first year the target was met, this proportion was 12.2%. Appendix Three provides more detail on the individual sources of ODA expenditure.

1.19 In 2015, 12 government departments other than the Department for International Development and one cross-government fund, the Conflict Stability and Security Fund, were responsible for 19.5% of ODA expenditure (**Figure 5** on page 19). Across these,

- six saw their ODA expenditure increase by more than 50% compared with 2014 (ranging from 64% to 335%);
- one saw its ODA expenditure increase by 7%; another by 8%
- one saw its expenditure decrease by 1%; and
- four had not reported any ODA expenditure in the previous year.

7 Comptroller and Auditor General, *Accountability to Parliament for taxpayers' money*, Session 2015-16, HC 849, National Audit Office, February 2016. Available at: www.nao.org.uk/wp-content/uploads/2016/02/Accountability-for-Taxpayers-money.pdf

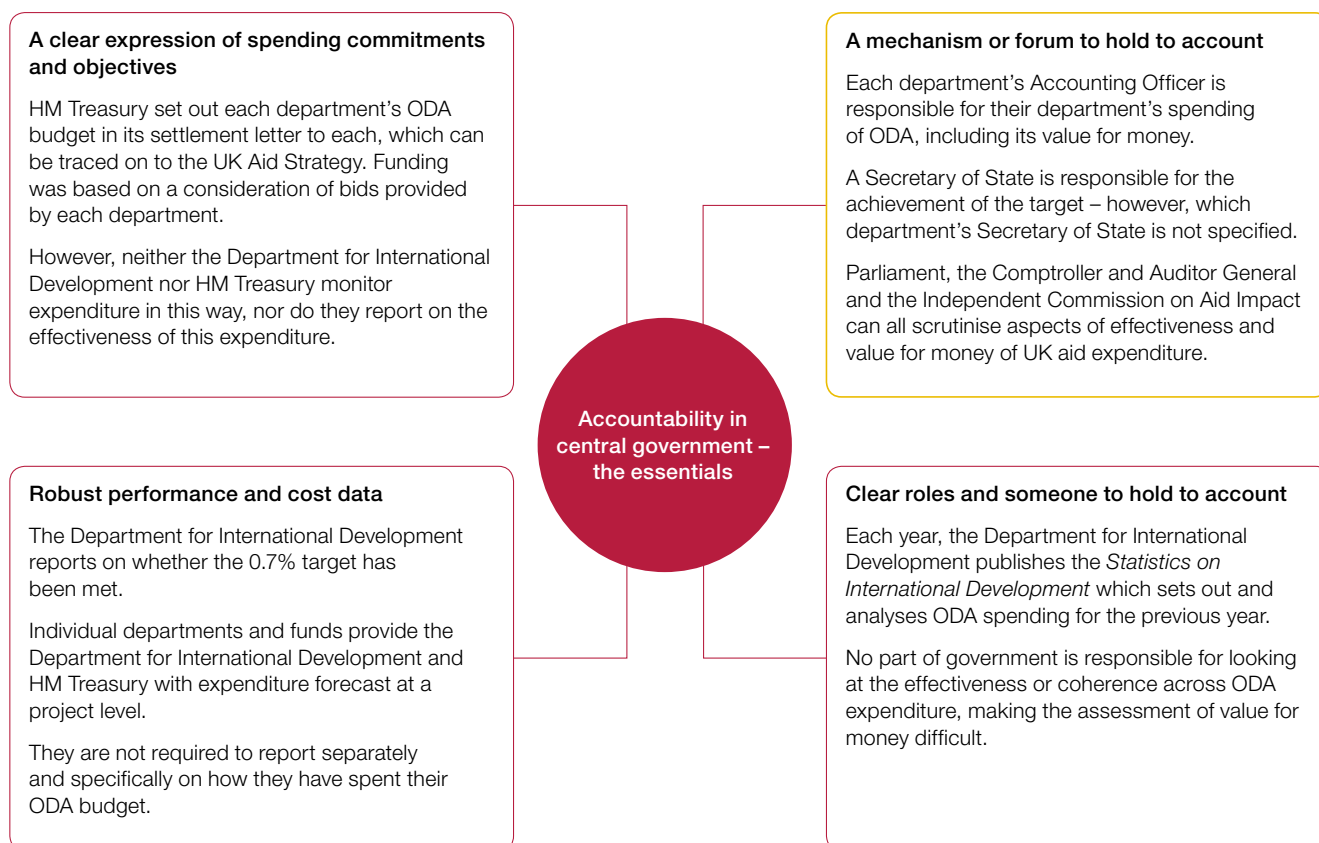
8 In the Department for International Development's provisional ODA statistics, published in April 2017, it estimated that in 2016 it was provisionally 74.0% of ODA expenditure.

9 The Conflict, Stability and Security Fund is the responsibility of a cross-government secretariat.

10 These payments are the responsibility of HM Treasury.

Figure 3
Four key features of accountability

We identified weaknesses in three of the four areas



- Identified areas of weakness
- No identified areas of weakness

Note

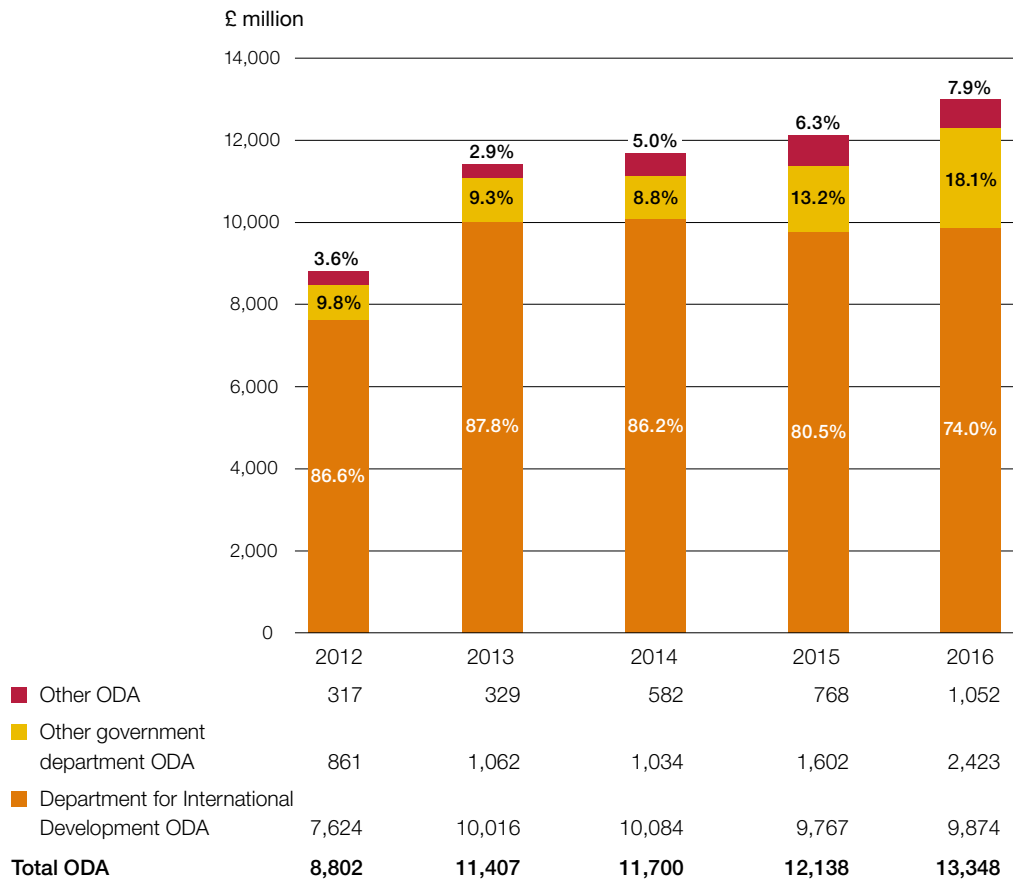
1 The four features are taken from our report *Accountability to Parliament for taxpayers’ money* (February 2016), available at: www.nao.org.uk/wp-content/uploads/2016/02/Accountability-for-Taxpayers-money.pdf.

Source: National Audit Office

Figure 4

Official Development Assistance (ODA) expenditure 2012 to 2016

UK ODA is spent predominantly by the Department for International Development, although the proportion is decreasing



Notes

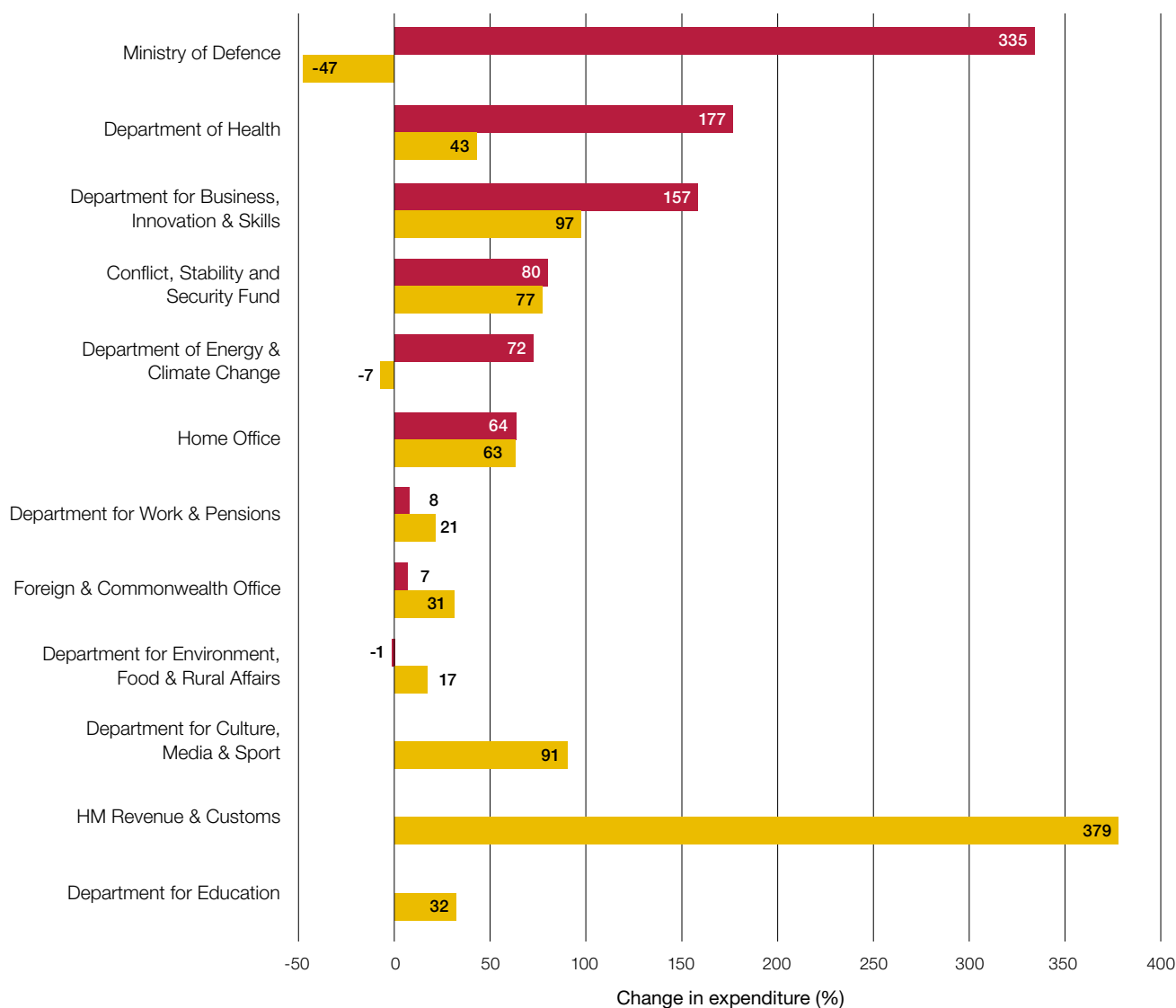
- 1 Figures are on a calendar year basis.
- 2 Appendix 3 of this report explains ODA expenditure by other government departments and other routes.
- 3 2016 figures are provisional.
- 4 Some figures do not sum due to rounding.

Source: Department for International Development Statistics on International Development 2016 (Table A), November 2016 and Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016, April 2017

Figure 5

Changes in other government departments' ODA expenditure – 2014 to 2016

Between 2014 and 2016, government departments and cross-government funds saw an increase in their ODA expenditure



- Percentage change in ODA expenditure between 2014 and 2015
- Percentage change in ODA expenditure between 2015 and 2016

Notes

- 1 The bars are arranged in descending order based on the percentage change from 2014 to 2015.
- 2 HM Treasury is not included on the graph for presentational purposes – HM Treasury's budget increased by 14,100% from £0.5 million to £71 million in 2016 due to a new UK capital contribution to the Asian Infrastructure Bank which comes from HM Treasury's budget.
- 3 The budgets of HM Revenue & Customs, Department for Education and the Department for Culture, Media & Sport also increased from 2014-15 but as they had no spending in 2014, the change cannot be shown on this figure.
- 4 The Prosperity Fund is not included because it was set up in 2015 and 2016 is its first year of spending. The Conflict, Stability and Security Fund was known as the Conflict Pool until March 2015.
- 5 2016 figures are provisional.

Source: National Audit Office presentation of Department for International Development Statistics on International Development 2016, November 2016 and Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016, April 2017

1.20 In 2016,¹¹ five of the 12 departments saw their expenditure increase by 50% or more again compared with 2015 (Figure 5). This trend is set to continue during the Spending Review 2015 period¹² as HM Treasury has allocated seven of the 12 departments incrementally increasing budgets each year until 2020.¹³

1.21 Within the landscape of expenditure set out above, the Department for International Development is the ‘spender of last resort’. In order to make sure the legally binding commitment to meet the target is met, it must spend the difference between ODA expenditure by, for example, other government departments and the total required to meet the 0.7% target.

Allocating ODA budgets as part of the Spending Review 2015

1.22 As part of the Spending Review 2015, HM Treasury allocated ODA budgets to departments and cross-government funds for each year from 2016-17 to 2020-21 (in some cases the allocation was from 2016-17 to 2019-20). It asked departments to consider whether they could increase the amount of their ODA expenditure. Specifically, it asked each department with existing ODA expenditure to:

- determine whether any existing activity could be classified as ODA; and
- submit bids for new activities it would like to undertake that are eligible as ODA.

1.23 HM Treasury received 61 bids with a value of £18 billion,¹⁴ some of which were for existing activity not previously classified as ODA, over the Spending Review period to 2021 from 12 departments. A ‘challenge panel’ made up of HM Treasury, the Department for International Development (to consider, for example, whether the bids were ODA eligible) and the Major Projects Authority (which focused on whether the proposed project could be implemented) considered each bid. Each bid was supported by an evidence note from each department, which set out details on the project’s objectives and costs, its fit with the department’s and government’s strategic objectives, its eligibility as ODA expenditure, and which providers would implement the programme. HM Treasury did not ask for details of departments’ capacity and capability to implement their proposed projects or their plans for monitoring and evaluation of the projects’ outcomes. While departments were not asked to provide this information, we found that some did highlight these issues, while others did not or gave variable levels of detail (**Figure 6**). HM Treasury told us that it did consider capacity and capability issues where this information was available. The challenge panel did not follow up on these areas in its feedback to departments.

11 Based on provisional Official Development Assistance statistics published by the Department for International Development in April 2017.

12 *The Spending Review 2015* covers the period 2016-17 to 2020-21. Departments’ settlements may change as a result of, for example, a Budget.

13 The Prosperity Fund is not included in these 12 as it did not have any expenditure before 2016. It has, however, also been allocated incrementally increasing budgets by HM Treasury in each year until 2020.

14 The value of bids received exceeded the amount available for allocation as new funding over the Spending Review period to March 2021, which was £7 billion.

Figure 6

Information on capability and capacity and monitoring and evaluation of programmes provided by government departments – Spending Review 2015

While HM Treasury did not specifically request this information, we found it was included in some submissions from departments and cross-government funds

| Department | Programme number | Capability and capacity | Monitoring and evaluation |
|--|------------------|-------------------------|---------------------------|
| HM Revenue & Customs | 1 | ● | ● |
| Department for Culture, Media & Sports | 1 | ● | ● |
| Home Office | 1 | ● | ● |
| | 2 | ● | ● |
| | 3 | ● | ● |
| | 4 | ● | ● |
| Foreign & Commonwealth Office | 1 | ● | ● |
| Department for Environment, Food & Rural Affairs | 1 | ● | ● |
| | 2 | ● | ● |
| | 3 | ● | ● |
| | 4 | ● | ● |
| Department of Health | 1 | ● | ● |
| Department for Energy & Climate Change | 1 | ● | ● |
| Conflict, Stability and Security Fund | 1 | ● | ● |
| | 2 | ● | ● |
| | 3 | ● | ● |
| | 4 | ● | ● |

- Yes
- Partly
- No

Note

1 The new Global Challenges Research Fund which the Department for Business, Energy and Industrial Strategy is responsible for (the ex-Department for Business, Innovation & Skills section) is not considered above, as it was not required by HM Treasury to submit a bid or evidence note for it.

Source: National Audit Office review of departments' and cross-government funds' evidence notes to HM Treasury as part of the Spending Review 2015

1.24 Although the challenge panel did not decide on the allocations, HM Treasury told us that all projects recommended by the panel were ultimately selected by HM Treasury and treasury ministers. In January 2016, HM Treasury informed each department of its budget for each year in the period 2016-17 to 2020-21, including how much was allocated as ODA.

1.25 In the final settlement letters in January 2016, HM Treasury required each department to submit a more detailed plan for their ODA expenditure by September 2016. In particular, HM Treasury requested more in-depth information on the planned ODA expenditure (such as the spending profile) and internal processes (such as governance arrangements) to support it. It asked for details of monitoring and evaluation processes but did not request information on the department's capacity and capability.

1.26 HM Treasury also asked each department for confirmation of the legal basis for each department's ODA expenditure. Each department is responsible for making sure that there is a legal basis for its expenditure and that the expenditure is compliant with relevant legislation. Across nine spending plans, we identified two instances where departments did not identify in their submission to HM Treasury a legal basis, and four further instances across two departments where a project team within a department did not do so. Where this information was not initially presented to HM Treasury, it subsequently satisfied itself that all expenditure has a legal basis and is compliant with it. HM Treasury told us that it took departments some time to understand that the International Development Act was more restrictive than the ODA rules, but that this did not lead to any consequences for programmes.

1.27 In the final settlement letters to departments, HM Treasury also put in place a target for departments to spend 90% of their 2016 ODA budget before 31 December 2016 (HM Treasury sets a target each year). HM Treasury told us that the spending target should:

- provide a reasonable degree of certainty about one key variable in the ODA target and lower the risk of not meeting the target;
- incentivise departments to begin delivering programmes as soon as feasible; and
- decrease the cost to the exchequer over the Spending Review 2015 period of meeting the ODA target, all things being equal. This is because of the interaction of calendar year and financial year budgets – higher financial year budgets would be required to lower the calendar year spending target and continue to meet the 0.7% target.

1.28 In 2016, however, HM Treasury did not hold departments to the 90% spending target. This was, in part, because its estimate of the amount needed to meet the ODA target reduced (based on the monitoring returns it received from departments and funds). It was also because HM Treasury and departments had overestimated at the Spending Review how much departments would be able to scale up to and spend in 2016. This became clear to HM Treasury when departments submitted their spending plans (see paragraph 1.25 above). As HM Treasury did not want to incentivise poor value for money of expenditure in order to meet the 90% target, it amended each department's target to the forecast set out in their August 2016 submissions. For the 2017 calendar year, HM Treasury has set other government departments a target of spending 85% of their ODA budget for 2017-18 by December 2017.

Supporting other government departments

1.29 In May 2016, HM Treasury established the Senior Officials Group, comprised largely of directors responsible for ODA expenditure in their department or for their cross-government fund, to support the management and delivery of the ODA target. The group, which reports to ministers (who have met twice since the Spending Review to discuss ODA-related matters), focuses on two issues.

- Supporting departments and funds to demonstrate that their ODA expenditure met the highest standards of value for money.
- Delivering the 0.7% target by ensuring effective cross-government spending control.

1.30 The group met for the first time in May 2016, and has met five times since, in line with their terms of reference. The meetings have focused on issues such as the management of underspending against departments' ODA budgets and the options for oversight of the UK Aid Strategy. The group has not yet focused on issues such as how to assess the effectiveness and coherence of ODA expenditure across government departments, and how to consider progress against the UK Aid Strategy.

1.31 The Department for International Development has acknowledged that departments with increased ODA budgets to manage might face the same challenges it encountered in 2013 when its budget was increased by a third. It therefore expanded its team with responsibility for ODA expenditure. In summer 2016, it established a new role with the key responsibility of helping departments build their capacity to determine independently whether their programmes are eligible as ODA, and to monitor and report their ODA expenditure. The team has provided ad hoc advice, consultations, workshops, and tailored training to other government departments and cross-government funds.

1.32 The Department for International Development also planned for an increased workload for its Better Delivery team – responsible for maintaining and developing best practice standards for programme delivery within the Department. In 2015, the team focused mainly on the Conflict, Stability and Security Fund and the Prosperity Fund. It also discussed with HM Treasury programme management approaches for other government departments with ODA expenditure.

1.33 During 2016, the team received an increased number of requests for support from departments. At the same time, the team also identified more opportunities to help other government departments. The team provided six bespoke pieces of support in 2015-16 (such as sharing the Department for International Development's guidance on delivering programmes); this increased to 15 in 2016-17. All departments we asked told us that any training or workshops they had attended, which were hosted by the Department for International Development, were useful.

1.34 HM Treasury and the Department for International Development have also developed joint value-for-money guidance for UK ODA expenditure, intended to complement *Managing Public Money* (see paragraph 1.14). It sets out broad requirements and guiding principles that should inform departmental decisions related to and processes for ODA expenditure. Specifically, the guidance covers issues such as governance, approval processes, financial management, and reporting. It was shared with other government departments in November 2016. HM Treasury and the Department for International Development do not plan to publish their guidance.

Part Two

Progress by government departments in managing their Official Development Expenditure

2.1 In this part of the report we examine:

- the Department for International Development's progress managing its Official Development Assistance expenditure;
- the development of other government departments' governance arrangements in response to increased Official Development Assistance expenditure;
- departments' steps to assess and improve their capacity and capability to manage their Official Development Assistance expenditure;
- departments' profile of Official Development Assistance expenditure and their approach to forecasting; and
- departments' approach to delivering programmes and measuring results.

Changes in the Department for International Development's performance

2.2 The government's commitment to spend 0.7% of gross national income on Official Development Assistance (ODA) from 2013 led to a 33% increase in the Department for International Development's budget from £7.862 billion in 2012-13 to £10.439 billion in 2013-14. In 2014-15, 2015-16 and 2016-17, the Department for International Development's budget was also around £10 billion. Appendix Four sets out how the Department for International Development managed its budget to make sure the 0.7% ODA target was met.

2.3 In our 2015 report *Managing the Official Development Assistance target* we set out how the Department for International Development had managed its substantial increase in budget.¹⁵ For example, it had completed preparatory work to strengthen many of its business objectives, increased its capacity, and improved its focus on capturing the results of its spending.

¹⁵ Comptroller and Auditor General, Department for International Development: *Managing the Official Development Assistance target*, Session 2014-15, HC 950, National Audit Office, January 2015. It is available at: www.nao.org.uk/wp-content/uploads/2015/01/Managing-the-official-development-assistance-target.pdf

2.4 We also identified a number of areas on which the Department for International Development needed to focus to improve its performance. In particular, we identified it was spending 40% of its budget in the last two months of the calendar year in order to meet the target. We also noted that the Department for International Development’s spending forecasts had weaknesses. And that it did not have a pipeline of projects with a total value in excess of its available budget. This limited its choice of projects to pursue and therefore the opportunities for securing value for money. **Figure 7** shows the Department for International Development’s progress in addressing these concerns.

Figure 7

The Department for International Development’s improvements in managing its ODA expenditure

The Department has made progress against the key challenges we identified in our 2015 report on its management of its ODA budget

| | |
|--|--|
| <p>In 2015, we made the following points</p> <p>The Department spent 40% of its calendar year budget in November and December.</p> | <p>Over the past two years the Department for International Development has made progress in addressing these concerns.</p> <p>In our 2015 report we found that the Department’s spending peaked at calendar year-end. This was partly due to the Department’s scheduled payments to multilaterals.</p> <p>Since then, the Department has ‘smoothed’ its spending profile, which is now more even over the year.</p> |
| <p>The Department lacked a pipeline of projects.</p> | <p>It was not until 2014 that the Department had proposals with sufficient value to allow for choice in its decision making – up to that point it had less opportunity to consider value for money.</p> <p>We found that in 2014, 2015, and 2016 the value of the Department’s pipeline of projects exceeded its budget.</p> |
| <p>The Department added activities at short notice, constraining choice.</p> | <p>In 2015 we reported that the Department identified in May 2013 the target for that year was unlikely to be met. It added activities at short notice to help it meet the target – with its choice limited to those where a payment could be made in that year.</p> <p>Since then, we found that the Department’s management of its expenditure has improved with the result that it has not had to make such short-term decisions.</p> |
| <p>The Department’s spending forecasts had weaknesses.</p> | <p>In 2015, we reported that the Department faced difficulties managing its ODA spending because, for example, its systems were designed to manage spending on an accruals basis with a March year-end – delaying when its forecasts were made.</p> <p>Since then, the Department has improved its forecasting which now gives the Department a more accurate overview earlier in the year.</p> |

Source: National Audit Office

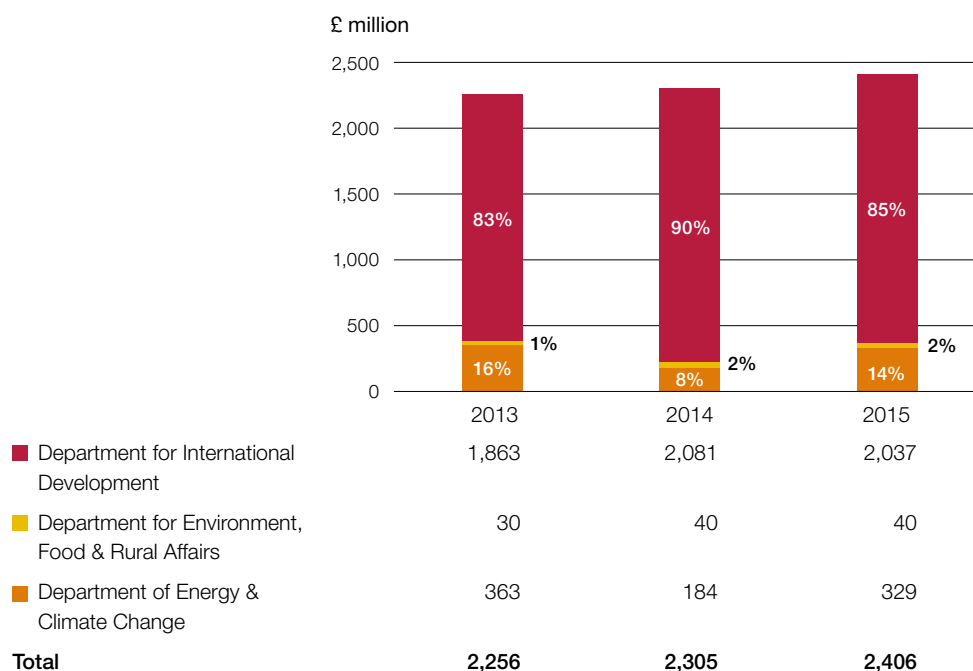
2.5 The majority of the UK's 2015 ODA expenditure were payments made during 2015. The government also made commitment of £2.4 billion in 2015 to pay multilateral organisations for future activity. These commitments are called promissory notes and are legally binding. In line with the Organisation for Economic Co-operation and Development's rules for ODA eligibility, promissory notes count towards the ODA target in the year in which they are raised. This is typically two years or more before they are cashed. Uncashed promissory notes can enable multilateral organisations to enter into commitments with those which will deliver activity on their behalf.

2.6 In 2015, 19.8% of the UK's ODA expenditure was accounted for by promissory notes (approximately the same proportion as in 2013 and 2014). Three departments – Department for International Development, the Department for Environment, Food & Rural Affairs and the (then) Department of Energy & Climate Change – made use of promissory notes. In each of the three years the UK met the ODA target, the Department for International Development was responsible for the majority of expenditure through this channel – ranging from 83% to 90% of the total expenditure through promissory notes (**Figure 8**).

Figure 8

Promissory notes issued by government, 2013 to 2015

The Department for International Development is responsible for the majority of the UK's expenditure through promissory notes



Note

1 Some figures do not sum due to rounding.

Source: National Audit Office analysis of departmental data

2.7 The value of promissory notes issued by the UK has remained largely the same for each of the three years the target was met (Figure 8 shows it increased from £2.2 billion in 2013 to £2.4 billion in 2015). At the same time, the value of uncashed promissory notes issued to multilateral organisations has increased. For example, as at March 2014, uncashed promissory notes totalled £4.3 billion.¹⁶ At the end of December 2016, they totalled £8.7 billion. This means that the UK has substantial and increasing amounts of ODA expenditure which qualifies as having been spent under the ODA rules but which may not be spent by the recipient body or reach a beneficiary for some time.

Establishing governance arrangements in other government departments

2.8 When HM Treasury allocated increasing or new ODA budgets to other government departments in the Spending Review 2015, it did not provide any guidance or advice on the appropriate corporate governance arrangements for controlling and securing value for money from ODA expenditure. The Senior Officials Group (paragraph 1.29) at its first meeting in May 2016 concluded that for most departments appropriate corporate governance would mean including management information on ODA expenditure in board reports. However, it recognised that other arrangements might be appropriate – for example, where ODA expenditure was a very small proportion of the department's total budget.

2.9 All other government departments with ODA expenditure in excess of £10 million a year and which manage multiple programmes have set up departmental boards responsible for overseeing their ODA expenditure. For example, in response to increases in their ODA budgets,

- the (then) Department for Business, Innovation & Skills set up a Research and Innovation ODA Board (with representatives from the department, its delivery partners, HM Treasury, and the Department for International Development) to oversee, for example, its science and innovation partnerships with other countries; and
- the Home Office merged its board responsible for the oversight of its ODA expenditure with its International Strategy Board with the intention of improving oversight across the policy areas with ODA expenditure.

¹⁶ Data on encashments of promissory notes are currently only available on a financial-year basis in years up to 2016.

2.10 We found that departments had set up oversight boards even when their ODA expenditure was a relatively small proportion of their total expenditure. For example, the Department of Health's 2016 ODA budget was only 0.13% of its total budget. This reflects departments' views that this expenditure was new or unfamiliar. It therefore required a level of oversight greater than that which might be implied simply from looking at the amount of expenditure involved. This is consistent with HM Treasury's view – it categorises ODA expenditure 'novel and contentious' for many departments.¹⁷ In such circumstances, it requires the department to produce a business case for new projects, which HM Treasury then approves (usually, delegated limits for departmental expenditure apply to ODA expenditure).

Increasing capacity and capability

2.11 At the time HM Treasury allocated ODA budgets to other government departments, most recognised that there was a need to increase the number of staff with responsibility for an increased level of ODA expenditure, and that different skills were required. However, none had made an explicit assessment of what was required in practice. During 2016, departments took steps to acquire or recruit people. We identified only two examples of departments – the Department for Business, Energy & Industrial Strategy and Department of Health – which were still looking to fill a small number of vacancies.

2.12 To build their capacity, most departments attended training sessions on ODA management and eligibility provided by the Department for International Development. Several departments, such as the HM Revenue & Customs and the Department of Health, explained to us that they have forged good working relationships with both the Department for International Development's central ODA team and relevant policy teams. These relationships allow departments to draw on the Department for International Development's expertise.

2.13 For some teams in government departments it is not relevant to link with a policy team in the Department for International Development because the latter does not have any relevant expertise. This is the case for the Department for Culture, Media & Sports' ODA expenditure, for example, as the Department for International Development has no expertise within cultural protection.

Year-end expenditure and forecasting accurately

2.14 In our report *Managing the Official Development Assistance target*, published in January 2015, we reported that the Department for International Development spent 40% of its 2013 calendar year budget in the last two months of the year. We examined other government departments' and funds' spending data to see if this was an issue for them. Of the 11 other government departments or funds we examined, five spent half or more of their calendar year expenditure in the last quarter (**Figure 9** overleaf).¹⁸

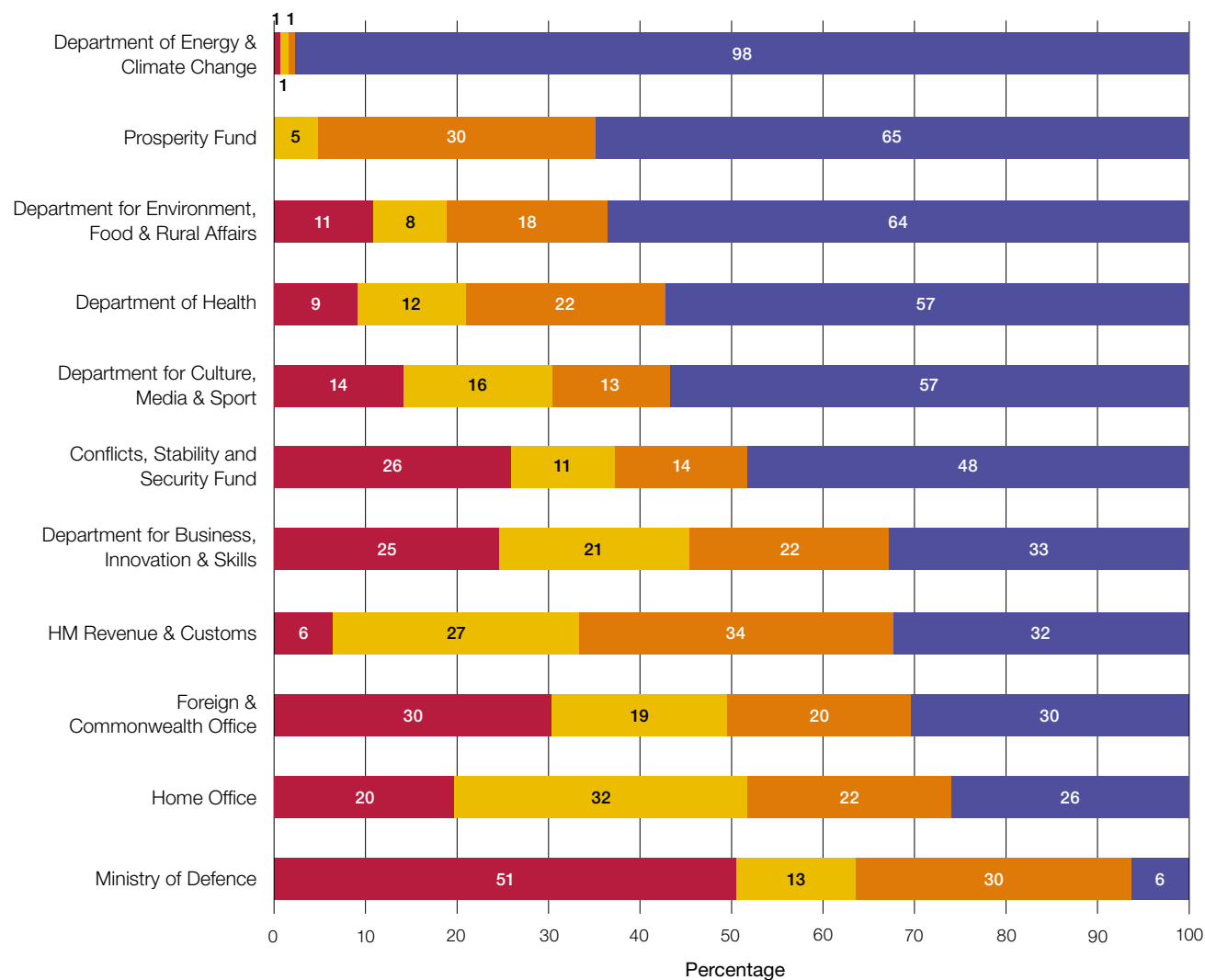
¹⁷ According to *Managing Public Money*, there is a category of expenditure commitments for which HM Treasury cannot delegate responsibility. It is transactions which set precedents, are novel, contentious or could cause repercussions elsewhere in the public sector. HM Treasury consent to such transactions should always be obtained before proceeding, even if the amounts in question lie within the delegated limits.

¹⁸ We have excluded from this analysis those departments whose ODA expenditure consists solely of a one-off subscription – see note 1 of Figure 9.

Figure 9

Profile of 2016 ODA expenditure in other government departments and cross-government funds

In 2016, four departments and one cross-government fund spent more than half their calendar year ODA budget in the last quarter of the calendar year



Calendar year 2016

- Quarter 1
- Quarter 2
- Quarter 3
- Quarter 4

Notes

- 1 Other departments with ODA expenditure in 2016: HM Treasury, Department for Work and Pensions, Department for Education, and Office for National Statistics. They are not included as their ODA expenditure did not include any programme expenditure.
- 2 Some figures do not sum due to rounding.

Source: National Audit Office analysis of departments' actual ODA expenditure in 2016 as reported to the Department for International Development in December 2016 or January 2017

2.15 As part of the Spending Review settlement HM Treasury required departments and cross-government funds to inform it and the Department for International Development of underspends against forecasts. The Department for International Development introduced a template to help departments and cross-government funds to do so. This information replaced the more limited information previously collected (when other government departments' contribution to ODA was less significant). Departments were asked to provide forecasts at regular intervals, initially monthly but increasing as the end of the calendar year drew closer for departments which had outstanding expenditure. Neither the Department for International Development nor HM Treasury requested information on programme performance or the outcomes achieved.

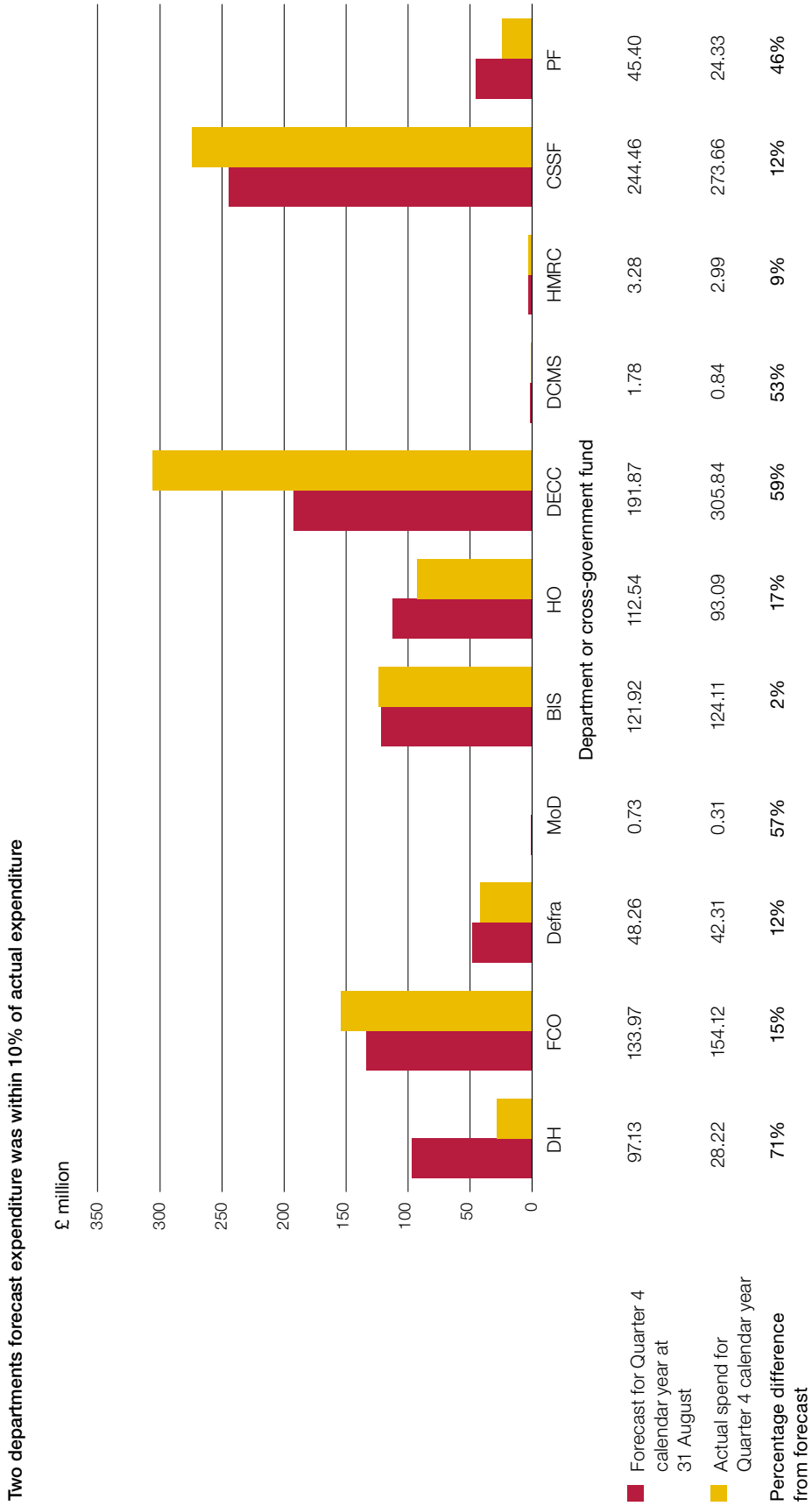
2.16 During 2016, other government departments' forecasts of actual expenditure were generally optimistic. In August 2016, the month in which they put together their spending plans for HM Treasury (paragraph 1.22), only two of the 11 departments and funds we looked at were able to forecast within a 10% accuracy their spending in the last quarter of 2016 (**Figure 10** overleaf). For example, the Prosperity Fund, set up in 2015, forecast it would spend £45 million, but only spent £24 million; whereas the Foreign & Commonwealth Office forecast it would spend £134 million, but actually spent £154 million.

2.17 In some circumstances, departments were forced to amend their forecasts due to events that were difficult to control and predict. This was the case for ODA spent on in-country asylum seekers.

- The cross-government methodology for calculating the number of asylum seekers in the system was streamlined across government under recommendation from the Home Office which leads in this area. The change of counting asylum seekers by night rather than by year led to a reduction in forecast spend for the Department of Health of around £15 million.
- Similarly, the number of asylum seekers entering the country and claiming support in the second half of 2016 slowed relative to the first half. This led to a reduction in actual expenditure on or attributable to asylum seekers by the Home Office, Department of Health, and Department for Education, the impact of which was unclear for one or two months after the quarter had ended due to the lag in data availability.

2.18 In other circumstances, forecasts tended to overestimate expenditure. We identified two reasons for this. First, by overestimating the likelihood of projects scaling up sufficiently towards the end of the year. Second, because procedures for forecasting ODA expenditure were not sufficiently clear or coordinated between the department's central ODA reporting function and its programme teams.

Figure 10 Other government departments' and cross-government funds' forecast and actual Official Development Assistance expenditure, final quarter of calendar year 2016



Notes

- 1 Other departments with ODA expenditure in 2016: HM Treasury, Department for Work and Pensions, Department for Education, and Office for National Statistics. They are not included as their ODA expenditure did not include any programme expenditure.
- 2 DH=Department of Health; FCO=Foreign & Commonwealth Office; Defra=Department for Environment, Food & Rural Affairs; MoD=Ministry of Defence; BIS=Department for Business, Innovation & Skills; HO=Home Office; DECC=Department of Energy & Climate Change; DCMS=Department for Culture, Media & Sport; HMRC=HM Revenue & Customs; CSSF=Conflicts, Stability and Security Fund; PF=Prosperity Fund.

Source: National Audit Office analysis of departments' and cross-government funds' forecasts and expenditure for 2016

Delivering programmes and measuring results

2.19 Several programmes that were due to start or scale up activity in 2016 were delayed. This meant that some departments struggled to spend up to their projections of 2016 ODA expenditure set out in their spending plan submission to HM Treasury. Where we were able to identify individual programmes within departments, eight out of 10 departments had at least one programme that underspent against its spending projection (**Figure 11** overleaf). For example, the Home Office underspent against its plans in three out of four of its new direct delivery projects; and the Department of Health was unable to initiate its new global health research programme as quickly as it had intended.

2.20 We identified two reasons for the delays to the programmes:

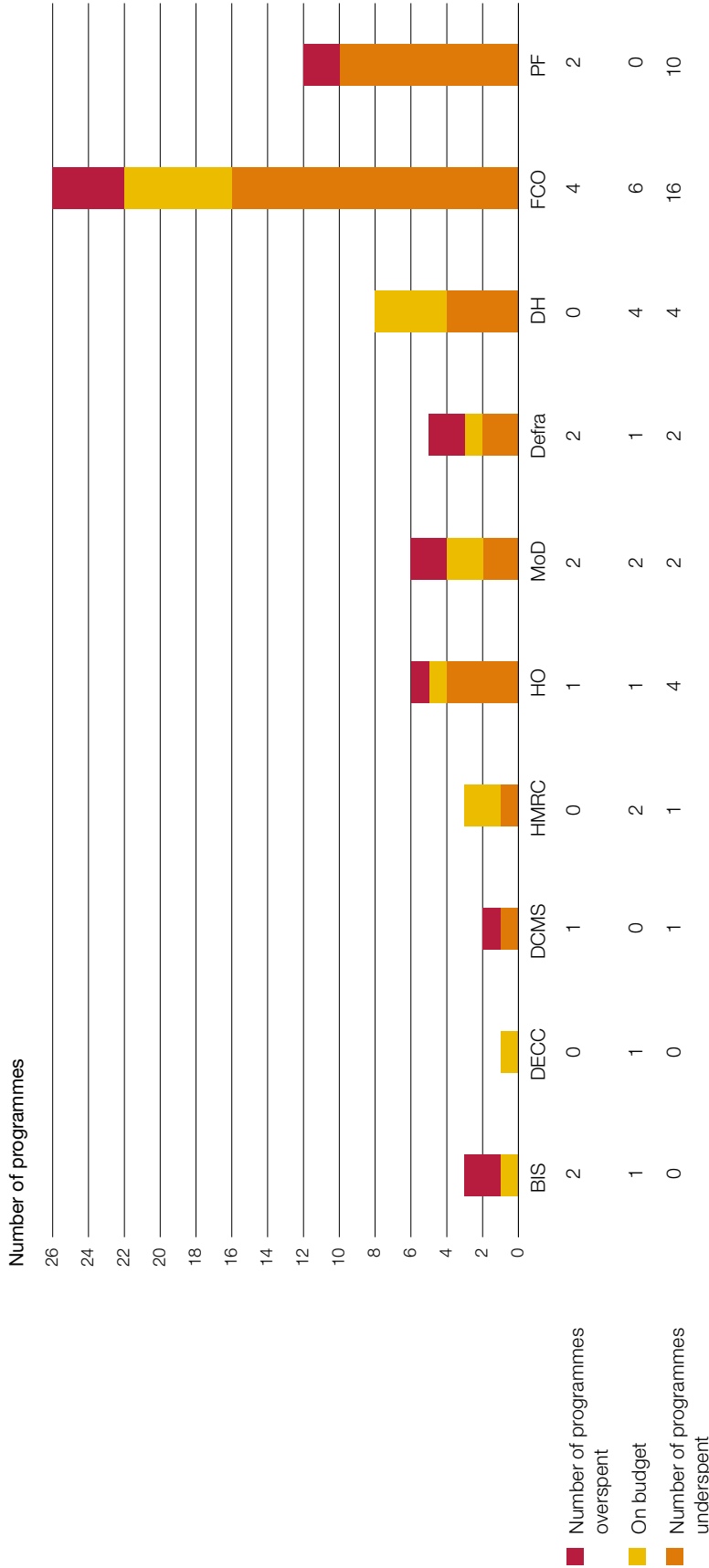
- A short time span between the Spending Review 2015 settlements being finalised and the need to spend money for it to count as ODA expenditure in that calendar year.
- Departments underestimated the time it would take to set up new international projects, which required the recruitment of specialist skills and coordination with other departments overseas.

2.21 We also examined whether departments have considered a pipeline of programmes to fund or deliver over the Spending Review period to 2020. All departments were able to provide us with some evidence they had considered this issue. The Department for International Development's experience is that it required considerable, sustained effort to deliver a credible pipeline of programmes against an increasing budget.

2.22 The nature of pipelines varied significantly across departments. For example, some departments cannot develop a pipeline of programmes to implement because they fund projects within one overall programme that is already designed in response to bids from delivery partners. This is the case for the Department for Culture, Media & Sport's Cultural Protection Fund and for the Department for Business, Energy & Industrial Strategy's Global Challenges Research Fund. Other departments have programmes which necessitate a thorough approach to developing a pipeline, such as the Department for Environment, Food & Rural Affairs and the Department for Business, Energy and Industrial Strategy with respect to their International Climate Fund programming. For example, the Department for Business, Energy & Industrial Strategy has a pipeline of projects for each year up to 2020 with a total value in excess of its available budget. This is in line with the Department for International Development's best practice as described in paragraph 2.4 and Figure 7.

2.23 Some departments have adopted the Department for International Development's approach to monitoring and measuring impact. This involves creating a log frame, a tool that sets out milestones for outcomes and impact against which programme managers can monitor progress; carrying out annual reviews; and commissioning external independent evaluations of the programme. Evaluations should be considered at the design stage of a programme to ensure that the most appropriate data are collected and monitored throughout the life of the programme. However, we identified a number of programmes that have yet to put in place evaluation plans.

Figure 11 Other government department's and cross-government fund's expenditure compared to forecast, by programme – 2016
 In 2016, eight out of 10 departments underspent on at least one of its programmes supported by ODA expenditure



Notes

- 1 Spending projections are taken from the spending plans submitted by departments and cross-government funds to HM Treasury that specified the expected expenditure for each programme in 2016.
- 2 The Conflict, Security and Stabilisation Fund is not included as it does not hold the information in a format compatible with the analysis.
- 3 Other departments with ODA expenditure in 2016: HM Treasury, Department for Work and Pensions, Department for Education, and Office for National Statistics. They are not included as their ODA expenditure did not include any programme expenditure.
- 4 BIS= Department for Business, Innovation & Skills; DECC=Department of Energy & Climate Change; DCMS=Department for Culture, Media & Sport; HMRC=HM Revenue & Customs; HO=Home Office; MoD=Ministry of Defence; Defra=Department for Environment, Food & Rural Affairs; DH=Department of Health; FCO=Foreign & Commonwealth Office; PF=Prosperity Fund.

Source: National Audit Office analysis of departments' and cross-government funds' spending plans and actual expenditure for 2016

Appendix One

Our audit approach

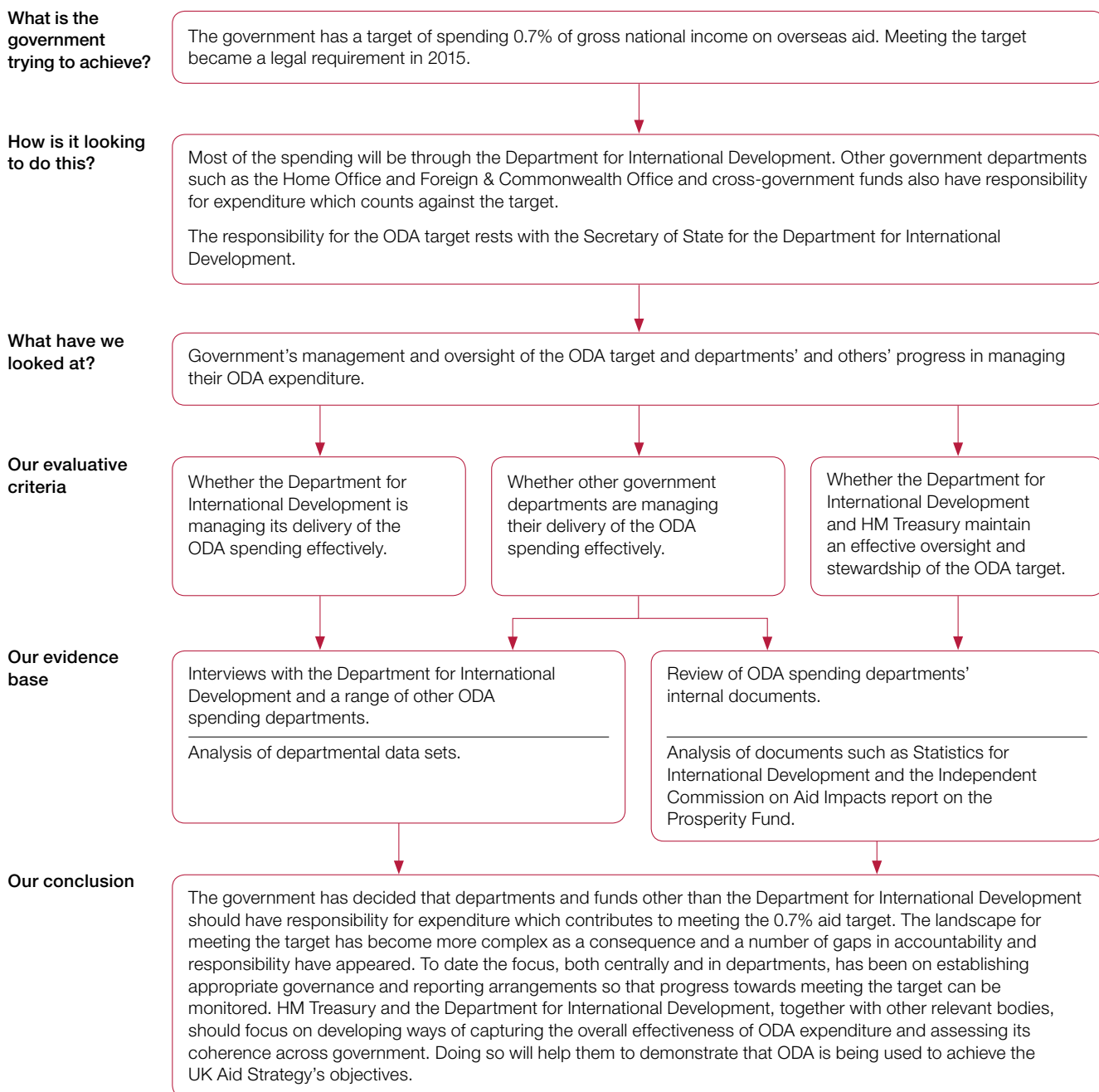
1 This report supports the work of the International Development Committee. Specifically we examined:

- government's management and oversight of the Official Development Assistance (ODA) target; and
- progress by government departments in managing their ODA expenditure.

2 We have not looked at the effectiveness of ODA expenditure. We have however considered whether departments and other bodies with such expenditure have mechanisms in place to measure effectiveness.

3 Our audit approach is summarised in **Figure 12** overleaf.

Figure 12
Our audit approach



Appendix Two

Our evidence base

- 1 We have reached our independent conclusion on government's management and oversight of the Official Development Assistance (ODA) target and departments' and others' progress in managing their ODA expenditure following our analysis of evidence between January and June 2017.
- 2 Our approach is outlined in Appendix One. Our main evidence sources were:
 - **Semi-structured interviews** with departments and others managing ODA expenditure, including senior responsible owners and finance representatives in:
 - Department for International Development
 - HM Treasury
 - Foreign & Commonwealth Office
 - Department for Business, Energy & Industrial Strategy (formerly Department for Business, Innovation & Skills and Department of Energy & Climate Change)
 - Home Office
 - HM Revenue & Customs
 - Ministry of Defence
 - Department of Health
 - Department for Education
 - Department for Culture, Media & Sport
 - Department for Environment, Food & Rural Affairs
 - Prosperity Fund
 - Conflict, Stability and Security Fund
 - **Analysis** of the *Statistics for International Development 2016* covering 2015 data and *Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016* covering 2016 data.

- **A review of key departmental documents**, including: settlement letters and spending plans for the Spending Review 2015; monthly finance reports from the Department for International Development; papers supporting ODA-eligible projects run or initiated in 2015 and 2016 in ODA-spending departments; and papers relating to the development of departments' ODA-related business processes.
- **A review of Parliamentary reports**, including:
 - the Independent Commission for Aid Impact's report on the cross-government Prosperity Fund.
 - the Joint Committee on the National Security Strategy report on the Conflict, Stability and Security Fund (CSSF).
- **Analysis of key departmental data sets**, including: 2016 spending forecasts from the Department for International Development; pipeline data from ODA-spending departments; and the composition and profile of ODA-spending in 2015 and 2016 in these departments.
- **A review of past National Audit Office reports and work**, including published briefings for the International Development Committee.

Appendix Three

An overview of Official Development Assistance expenditure

1 **Figure 13** on pages 40 to 44 provides an overview of which departments have Official Development Assistance (ODA) expenditure, a description of what the department spends this money on, actual expenditure for 2015 and 2016, and planned expenditure for the period covered by the Spending Review 2015 (2016 to 2021). HM Treasury's financial settlement with departments and cross-government funds may change in the future.

Figure 13

An overview of Official Development Assistance (ODA) expenditure by department, fund and other sources, 2015, and for the period of the Spending Review 2015 (2016 to 2021)

| Department | Description | Actual spending on ODA, 2015 | | Actual (provisional) spending on ODA, 2016 | | Planned spending on ODA – 2016-17 to 2020-21 ¹ | |
|--|--|------------------------------|-------------|--|---|---|--|
| | | Amount (£m) | Description | Amount (£m) | Description | Amount (£m) | |
| Department for Business, Innovation & Skills (BIS) (now part of the Department for Business, Energy & Industrial Strategy) | Supported developing countries in research to help promote economic and welfare development through the Newton Fund. | 191 | | 377 | Spending through the existing Newton Fund and the new Global Challenges Fund. | 2,971 | Spending to continue on the existing Newton Fund. New funding for the new Global Challenges Fund. |
| Department for Culture, Media & Sports (DCMS) | From 2016 onwards, supports the Middle Eastern conflict zones to protect and restore their cultural heritage. | 1 | | 1 | Supported the Middle Eastern conflict zones to protect and restore their cultural heritage (Cultural Protection Fund). | 35 | Spending on Cultural Protection Fund to continue. |
| Department for Education (DfE) | Provided publicly funded education to child asylum seekers in the first year of their claim to remain in the UK. | 29 | | 38 | Provided publicly funded education to child asylum seekers in the first year of their claim to remain in the UK. | N/A ² | Provides publically funded education to child asylum seekers in the first year of their claim to remain in the UK. |
| Department of Energy & Climate Change (DECC) (now part of the Department for Business, Energy & Industrial Strategy) | Supported developing countries with low carbon development as well as reduction of emissions from deforestation and forest degradation through the International Climate Fund (ICF). | 336 | | 311 | Supported developing countries with low carbon development as well as reduction of emissions from deforestation and forest degradation through the ICF. | 2,045 | Existing expenditure on ICF to continue. Additional funding for the ICF and co-chairing the Inter-governmental Panel on Climate Change (IPCC). |
| Department for Environment, Food & Rural Affairs (Defra) | Supported developing countries in protecting their natural resources by: promoting sustainable forest management and sustainable agriculture through the International Climate Fund (ICF), providing funding to tackle the illegal wildlife trade, protecting biodiversity through the Darwin Initiative and participating in various multilateral environmental agreements. | 57 | | 67 | Supported developing countries in protecting their natural resources by: promoting sustainable forest management and sustainable agriculture through the ICF, providing funding to tackle the illegal wildlife trade, protecting biodiversity through the Darwin Initiative and participating in various multilateral environmental agreements. | 407 | To support developing countries in protecting their natural resources by: promoting sustainable forest management and sustainable agriculture through the ICF, providing funding to tackle the illegal wildlife trade, protecting biodiversity through the Darwin Initiative and participating in various multilateral environmental agreements. |

Figure 13 *continued*

An overview of Official Development Assistance (ODA) expenditure by department, fund and other sources, 2015, and for the period of the Spending Review 2015 (2016 to 2021)

| Department | Actual spending on ODA, 2015 | | Actual (provisional) spending on ODA, 2016 | | Planned spending on ODA – 2016-17 to 2020-21 ¹ | |
|---|---|-------------|--|-------------|--|-------------|
| | Description | Amount (£m) | Description | Amount (£m) | Description | Amount (£m) |
| Department of Health (DoH) | Contributed to the World Health Organization (WHO), in the form of subscriptions. It also provided assistance to low-income countries to improve their laboratory capacities for dealing with Anti-Microbial Resistance through the Fleming Fund. | 32 | Contributed to the WHO, provided support to asylum seekers, funds the Tobacco Control project and the Global Health research programme, and responsible for amongst other things the Ross Fund projects tackling anti-microbial resistance (such as the Fleming Fund) and responding to diseases with epidemic potential (such as the Vaccines Network) as well as the International Health Regulations project. | 45 | Contributions to the WHO, provides support to asylum seekers, funds the Tobacco Control project and the Global Health research programme, and responsible for amongst other things the Ross Fund projects tackling anti-microbial resistance (such as the Fleming Fund) and responding to diseases with epidemic potential (such as the Vaccines Network) as well as the International Health Regulations project. | 1,426 |
| Department for International Development (DFID) | Contributed core funding to a number of multilateral organisations, as well as bilateral spending focused on priority countries in Sub-Saharan Africa and Asia. | 9,767 | Contributed core funding to a number of multilateral organisations, as well as bilateral spending focused on priority countries in Sub-Saharan Africa and Asia. | 9,874 | To spend on existing and new development commitments, including: priorities outlined through bilateral and multilateral aid reviews; increased spending in Syria and neighbouring countries; on a new £500 million crisis reserve; and on climate finance. | 42,271 |
| Department for Work & Pensions (DWP) | Contributed to the International Labour Organization (ILO) which deals with improving labour conditions and living standards. | 9 | Contributed to the ILO which deals with improving labour conditions and living standards. | 10 | To maintain existing support to the ILO as well as assisting with the Syrian Vulnerable Persons Resettlement programme. | 101 |
| Foreign & Commonwealth Office (FCO) | Contributed through policy programmes, international subscriptions, aid-related frontline diplomacy as well as longer-term capacity building in developing countries. | 391 | Contributed through policy programmes, international subscriptions, aid-related frontline diplomacy as well as longer-term capacity building in developing countries. | 512 | The department is granted additional funding to spend on programmes such as scholarships, Wilton Park, British Council, and BBC World Services. | 2,590 |

Figure 13 *continued*

An overview of Official Development Assistance (ODA) expenditure by department, fund and other sources, 2015, and for the period of the Spending Review 2015 (2016 to 2021)

| Department | Actual spending on ODA, 2015 | | Actual (provisional) spending on ODA, 2016 | | Planned spending on ODA – 2016-17 to 2020-21 ¹ | |
|-------------------------------------|---|----------------|--|-------------|---|------------------|
| | Description | Amount (£m) | Description | Amount (£m) | Description | Amount (£m) |
| HM Revenue & Customs (HMRC) | Assisted the revenue authorities of developing countries to improve their administration and collection of taxes. | 2 | Assisted the revenue authorities of developing countries to improve their administration and collection of taxes. | 9 | Alongside the existing work, additional funding for new programmes such as HMRC Developing Countries Capacity Building, International Tax experts unit and Trade Facilitation Agreement teams. | 53 |
| HM Treasury (HMT) | Administrative costs to undertake development-related activity. | 0 ³ | Oversaw the UK's contribution to the IMF Poverty Reduction and Growth Trust and the UK's capital contribution to the Asian Infrastructure Investment Bank. | 71 | Oversee the UK's contribution to the IMF Poverty Reduction and Growth Trust and the UK's capital contribution to the Asian Infrastructure Investment Bank. | 289 |
| Home Office (HO) | Provided support to the asylum seekers (during their first year of the claim to remain in the UK), refugees and those in need of humanitarian protection (under the Gateway protection and Syrian Vulnerable Persons Resettlement programme). | 222 | Provided support to the asylum seekers, refugees and those in need of humanitarian protection (under the Gateway protection and Syrian Vulnerable Persons Resettlement programme). Also supports development objectives through upstream border capacity building, activities to tackle modern slavery, and protecting children from violence. | 362 | Maintain the current refugee programmes and provide assistance on new areas: Upstream Border Capacity Building and Training, Project Hunter, Chaucer, and on the Modern Slavery International Strategy. | 1,942 |
| Ministry of Defence (MoD) | Provided assistance to a number of humanitarian aid projects, such as the Nepal earthquake, and provides ODA-eligible defence training. | 9 | Provided assistance to a number of humanitarian aid projects and provides ODA-eligible defence training. | 5 | Provides assistance to a number of humanitarian aid projects and provides ODA-eligible defence training. | N/A ⁴ |
| Department for Transport (DfT) | | 0 | | 0 | Provides ODA-eligible aviation security. | 10 |
| Export Credits Guarantee Department | | 0 | Debt relief provided by the UK government. | 2 | Debt relief provided by the UK government. | – |

Figure 13 *continued*

An overview of Official Development Assistance (ODA) expenditure by department, fund and other sources, 2015, and for the period of the Spending Review 2015 (2016 to 2021)

| Department | Actual spending on ODA, 2015 | | Actual (provisional) spending on ODA, 2016 | | Planned spending on ODA – 2016-17 to 2020-21 ¹ | |
|--|--|-------------|--|-------------|---|-------------|
| | Description | Amount (£m) | Description | Amount (£m) | Description | Amount (£m) |
| Prosperity Fund | Promoted economic reform and growth in developing countries. | 0 | Promoted economic reform and growth in developing countries. | 38 | Promote economic reform and growth in developing countries. | 1,257 |
| Conflict, Stability and Security Fund (CSSF) | Contained a number of projects intended to prevent conflict, stabilise countries and regions as well as responding to international crises. | 324 | Contained a number of projects intended to prevent conflict, stabilise countries and regions as well as responding to international crises. | 575 | Contain projects intended to prevent conflict, stabilise countries and regions as well as responding to international crises. | 2,879 |
| Total number of departments and funds (2015, 2016 and 2016–2021 respectively) | 14 | | 16 | | 17 | |
| EU Attribution (Non-DFID) | Attributions made to the EU for peacekeeping activities. | 509 | Attributions made to the EU for peacekeeping activities. | 478 | Attributions made to the EU for peacekeeping activities. | – |
| IMF Poverty Reduction and Growth Trust (PRGT) | HMT oversaw the UK's contribution to the fund which subsidises lending to low-income countries. | 120 | HMT oversaw the UK's contribution to the fund which subsidises lending to low-income countries. | 446 | HMT oversees the UK's contribution to the fund which subsidises lending to low-income countries. | – |
| Gift Aid | Paid to charities by HMRC on donations made by UK taxpayers if donations are ODA-eligible. | 105 | Paid to charities by HMRC on donations made by UK taxpayers if donations are ODA-eligible. | 90 | Paid to charities by HMRC on donations made by UK taxpayers if donations are ODA-eligible. | – |
| BBC World Service | BBC World Service contributed to the BBC's international news mission to address the global gap in provision of trusted news. In developing countries the BBC World Service aimed, through journalism that contributes to accountability and good governance, to improve the welfare and economic development of citizens. | 20 | BBC World Service contributed to the BBC's international news mission to address the global gap in provision of trusted news. In developing countries the BBC World Service aimed, through journalism that contributes to accountability and good governance, to improve the welfare and economic development of citizens. | | BBC World Service contributes to the BBC's international news mission to address the global gap in provision of trusted news. In developing countries the BBC World Service aims, through journalism that contributes to accountability and good governance, to improve the welfare and economic development of citizens. | – |

Figure 13 *continued*

An overview of Official Development Assistance (ODA) expenditure by department, fund and other sources, 2015, and for the period of the Spending Review 2015 (2016 to 2021)

| Department | Actual spending on ODA, 2015 | | Actual (provisional) spending on ODA, 2016 | | Planned spending on ODA – 2016-17 to 2020-21 ¹ | |
|--|--|-------------|--|-------------|---|-------------|
| | Description | Amount (£m) | Description | Amount (£m) | Description | Amount (£m) |
| Scottish Government | Supported a number of development projects in Sub-Saharan Africa and South Asia. Also provides humanitarian funding to support crises as they occur. | 11 | Supported a number of development projects in Sub-Saharan Africa and South Asia. Also provides humanitarian funding to support crises as they occur. | 12 | Supports a number of development projects in Sub-Saharan Africa and South Asia. Also provides humanitarian funding to support crises as they occur. | – |
| Colonial Pensions administered by the Department for International Development | A proportion of pensions paid to former Overseas Civil Service members who were employed by developing countries is ODA-eligible. | 2 | A proportion of pensions paid to former Overseas Civil Service members who were employed by developing countries is ODA-eligible. | 2 | A proportion of pensions paid to former Overseas Civil Service members who were employed by developing countries is ODA-eligible. | – |
| Welsh Assembly | Supported the Wales for Africa programme, which aims to help deliver the Sustainable Development Goals. Also provides small grants to organisations based in Wales to promote development awareness. | 1 | Supported the Wales for Africa programme, which aims to help deliver the Sustainable Development Goals. Also provides small grants to organisations based in Wales to promote development awareness. | 1 | Supports the Wales for Africa programme, which aims to help deliver the Sustainable Development Goals. Also provides small grants to organisations based in Wales to promote development awareness. | – |
| Total number of others (2015, 2016 and 2016–2021 respectively) | 7 | | 7 | | 7 | |

Notes

- 1 The following departments received ODA settlements only up to financial year 2019-20: the Department for Culture, Media & Sport; the Department for International Development; the Home Office and the Conflict, Stability and Security Fund.
- 2 The Department for Education has not been allocated a specific amount. This is due to the difficulties of estimating how many asylum seekers will arrive to the UK from 2016–2020. The amount spent by the Department in any given year is determined at the end of the year using the latest data on asylum seeker flows and departmentally estimated unit costs.
- 3 HM Treasury spent £450,000 in 2015.
- 4 At the Spending Review 2015, the Ministry of Defence was only allocated ODA for 2016-17 (of £5 million). It was decided that Ministry of Defence and Treasury officials should revisit the definition of Ministry of Defence's ODA eligible spend in 2016 following the conclusion of the work being pursued by the UK through the peace and security work strand of the Modernising ODA agenda.

Source: National Audit Office, *Statistics on International Development 2016*

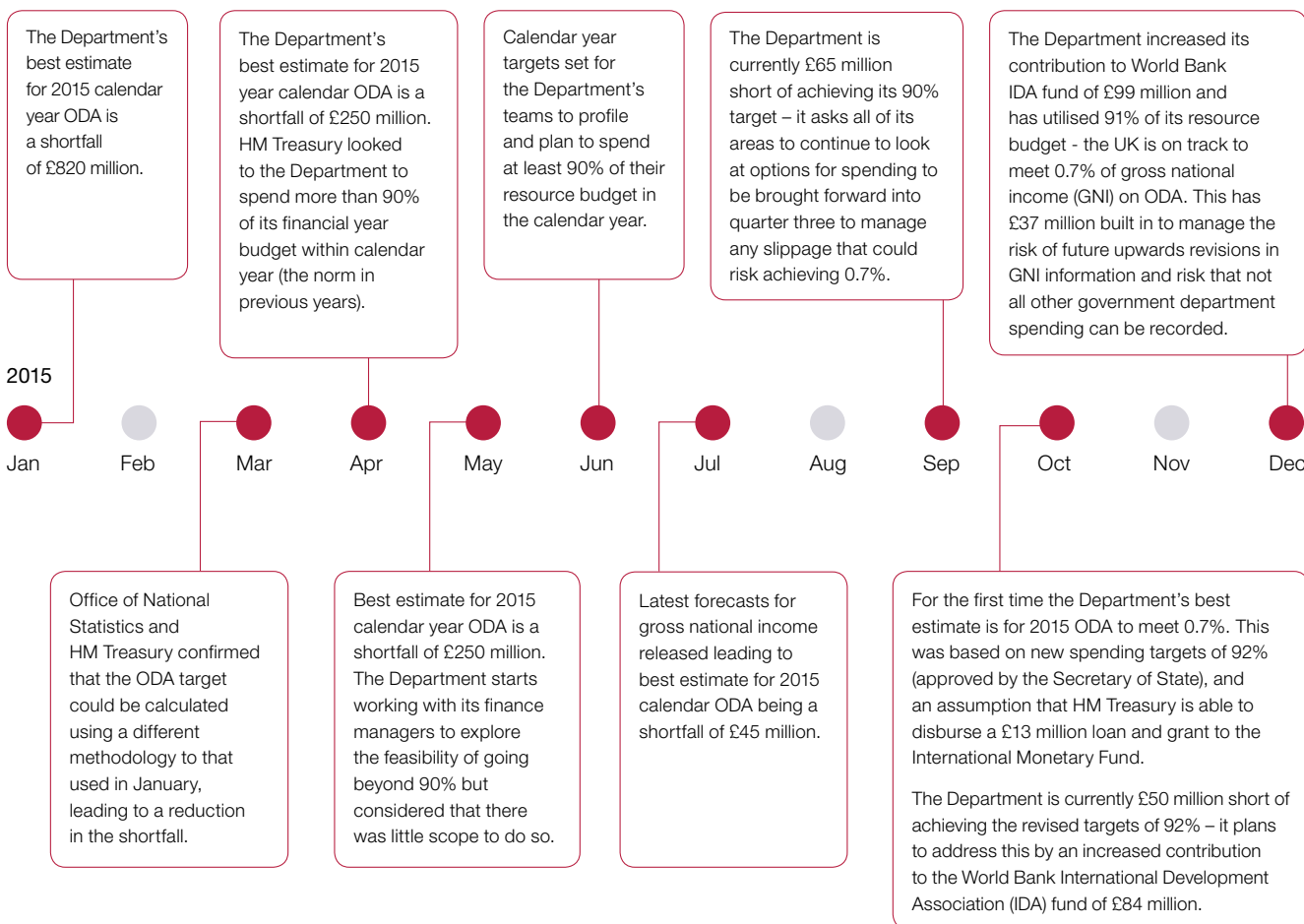
Appendix Four

The Department for International Development – delivering the Official Development Assistance target in 2015 and 2016

1 The design of the UK's ODA target means the Department for International Development (as the spender of last resort) must manage its calendar year spend carefully. Each month it forecasts the amount it needs to spend over the remainder of the year for the ODA target to be met. It then adjusts its spending plans when necessary. To do this, it estimates the target value using economic data and forecasts, and tracks the level of non-Department-managed ODA. **Figure 14** on pages 46 and 47 provides a timeline of key events for the Department for International Development as it worked to hit the ODA target in 2015 and 2016.

Figure 14

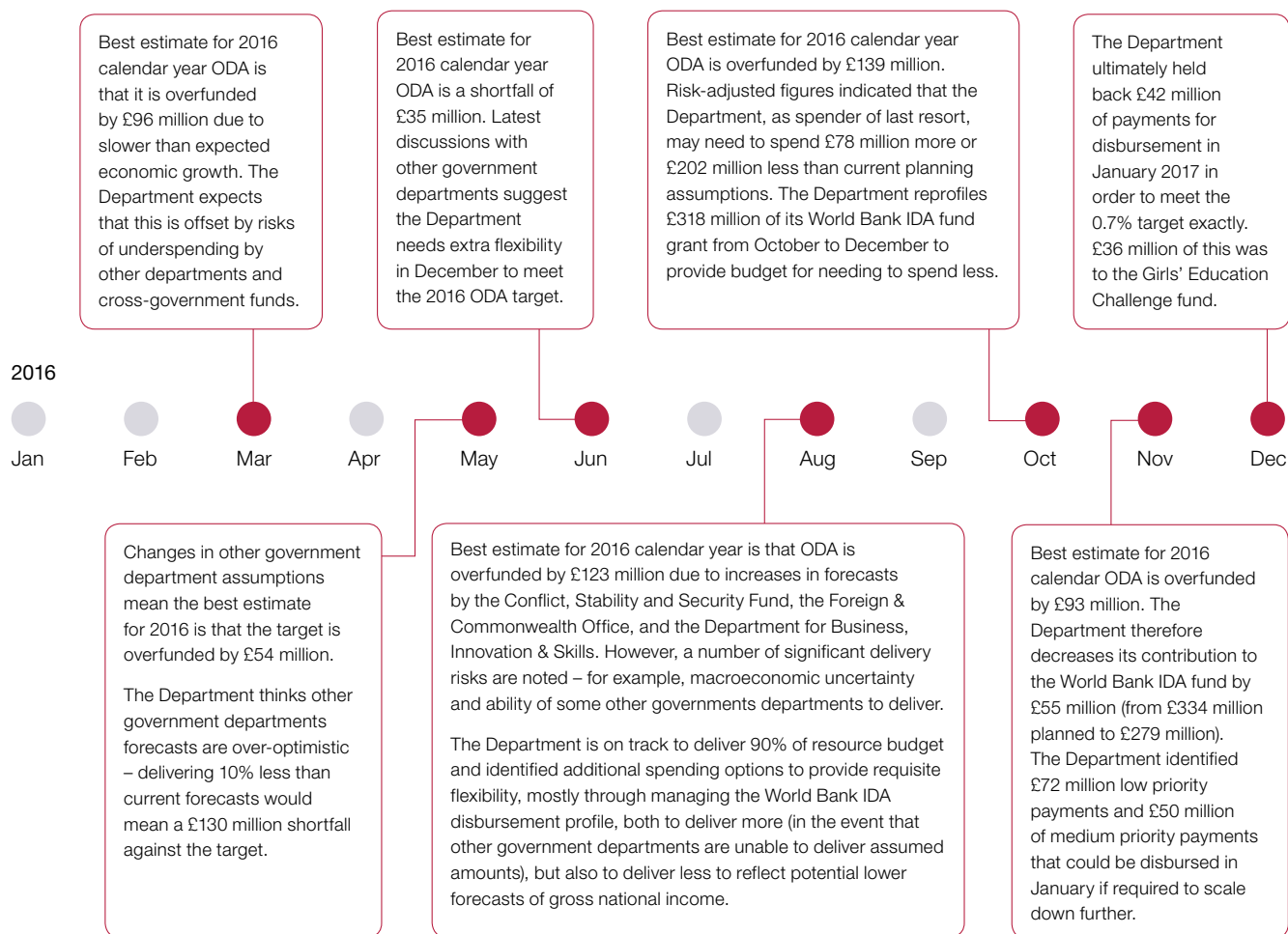
How the Department for International Development managed delivery of the 2015 and 2016 Official Development Assistance target



Note

1 The 2015 ODA target was confirmed to be met in November 2016. Provisional data published in April 2017 suggests that the 2016 ODA target has also been met.

Source: National Audit Office analysis



Appendix Five

Trends in Official Development Assistance expenditure

1 In November 2016, the Department for International Development published statistics on the levels of UK Official Development Assistance (ODA) between 2011 and 2015,¹⁹ and in April 2017, it published provisional statistics for 2016.²⁰ We have examined these statistics, and summarise them under the following four headings.²¹

- Total UK ODA
- Multilateral ODA
- Bilateral ODA
- UK ODA compared with other donors

Total UK ODA

How has UK ODA grown?

2 In 2013, the UK committed to meet the international target of spending 0.7% of its gross national income (GNI) on aid annually – known as Official Development Assistance (ODA). It met the target in 2013 and has met it each year since. In March 2015, Parliament passed the International Development (Official Development Assistance Target) Act which enshrined the 0.7% ODA target into law.

3 Total UK ODA expenditure in 2015 was £12,138 million, which represented 0.7% of GNI. This was an increase of 3.7% or £437 million on 2014. Total UK ODA expenditure has increased every year since 2009. The largest increase was between 2012 and 2013 when the 0.7% target was met for the first time. Growth between 2014 and 2015 has been driven by the UK's GNI increasing.

¹⁹ *Statistics for International Development 2016* published by Department for International Development on 17th November 2016. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/572063/statistics-on-international-development-2016a.pdf

²⁰ *Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016* published by Department for International Development on 5th April 2017. Available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/606290/Provisional_UK_Official_Development_Assistance_as_a_Proportion_of_Gross_National_Income_2016.pdf. The provisional data is a shorter version of the Statistics for International Development's complete version. As a result we could not do all the analysis in this section with the 2016 provisional data, but have made reference to it where possible.

²¹ This section also draws on other publicly available material where relevant, for example, from the Organisation for Economic Co-operation and Development (OECD).

Who spends UK ODA?

4 The Department for International Development spends the majority of ODA. It accounted for 80.5% of total spend in 2015, which was £9,767 million.²² Since meeting the ODA target in 2013, its proportion of ODA expenditure has decreased by 7.3 percentage points. The reduction in the Department for International Development's share of ODA has been greater than the increase in gross national income. This resulted in the Department for International Development spending £249 million less on ODA in 2015 compared with 2013.²³

5 A new UK Aid Strategy was introduced in November 2015. It meant that an increasing proportion of aid, rising from 12% in 2013 to 30% in 2020, would be spent by other government departments or cross-government funds rather than by the Department for International Development. This new direction can be seen in the increase in ODA spending outside of the Department for International Development increasing to 19.5% in 2015, which represented £2,370 million (**Figure 15** overleaf).²⁴

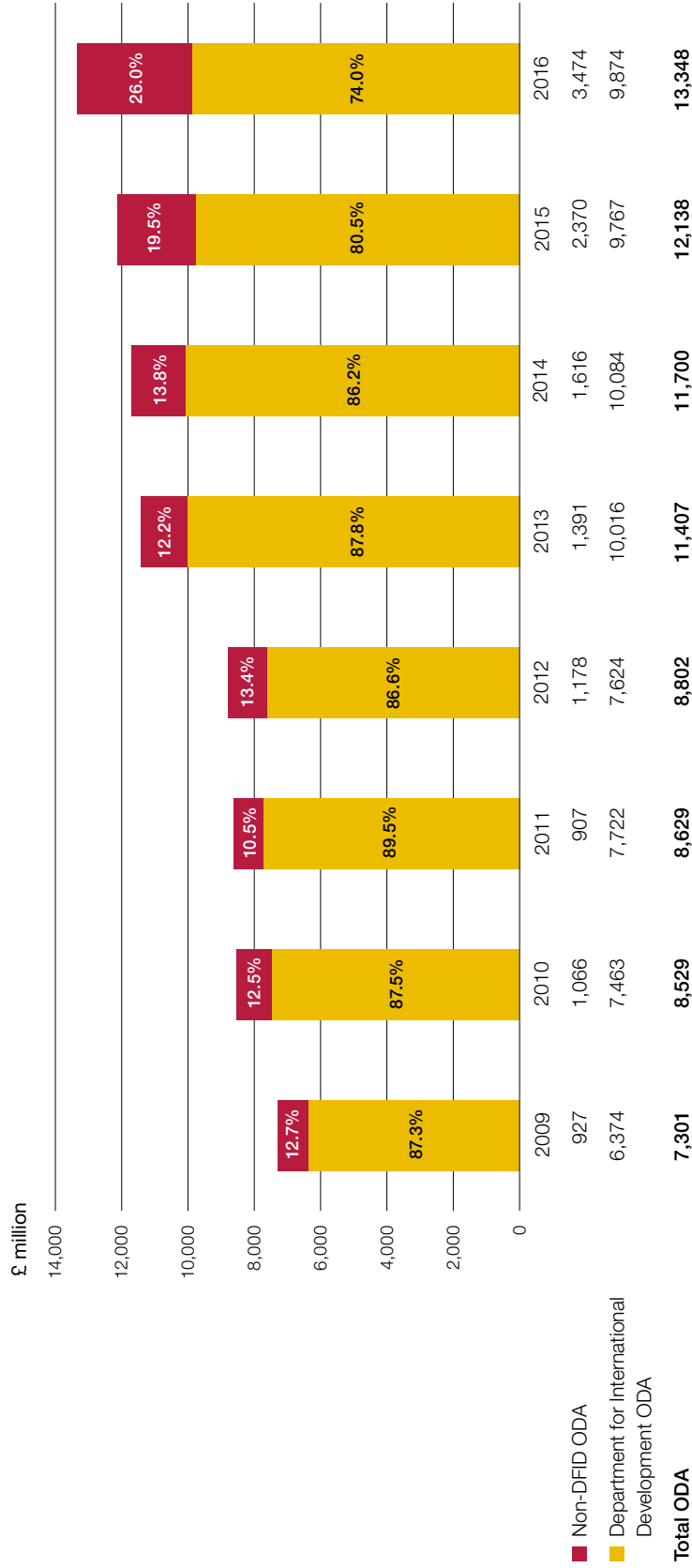
²² This has fallen provisionally to 74% in 2016.

²³ In 2016, the Department for International Development's expenditure has provisionally increased by £107 million to £9,874 million.

²⁴ This has provisionally increased to 26% in 2016, representing £3,474 million.

Figure 15
 Total UK ODA and the split between the Department for International Development's ODA and other ODA, 2009 to 2016

UK ODA is spent predominantly by the Department for International Development, although the proportion is decreasing



Notes

- 1 ODA is reported on a calendar year basis.
- 2 2016 figures are provisional.
- 3 Some figures do not sum due to rounding.

Source: National Audit Office's presentation of data from the Department for International Development's *Statistics on International Development 2016*, November 2016 and *Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016*, April 2017

What is the composition of ODA not spent by the Department for International Development?

6 In 2014, 72% of ODA not spent by the Department for International Development was accounted for by the sums attributed to other government departments for the European Union's (EU's) development expenditure and expenditure by the Foreign & Commonwealth Office (FCO), the Department of Energy & Climate Change (DECC), and the Conflict Pool (**Figure 16** overleaf). In 2015, this proportion had declined to 66%, largely for two reasons. First, there was a large increase to the Department for Business, Innovation & Skills (BIS) ODA spending, up 158% to £191 million. Second, in 2015, the UK contributed for the first time to the International Monetary Fund Poverty Reduction and Growth Trust.^{25,26} Details of other changes in 2015 are set out below.

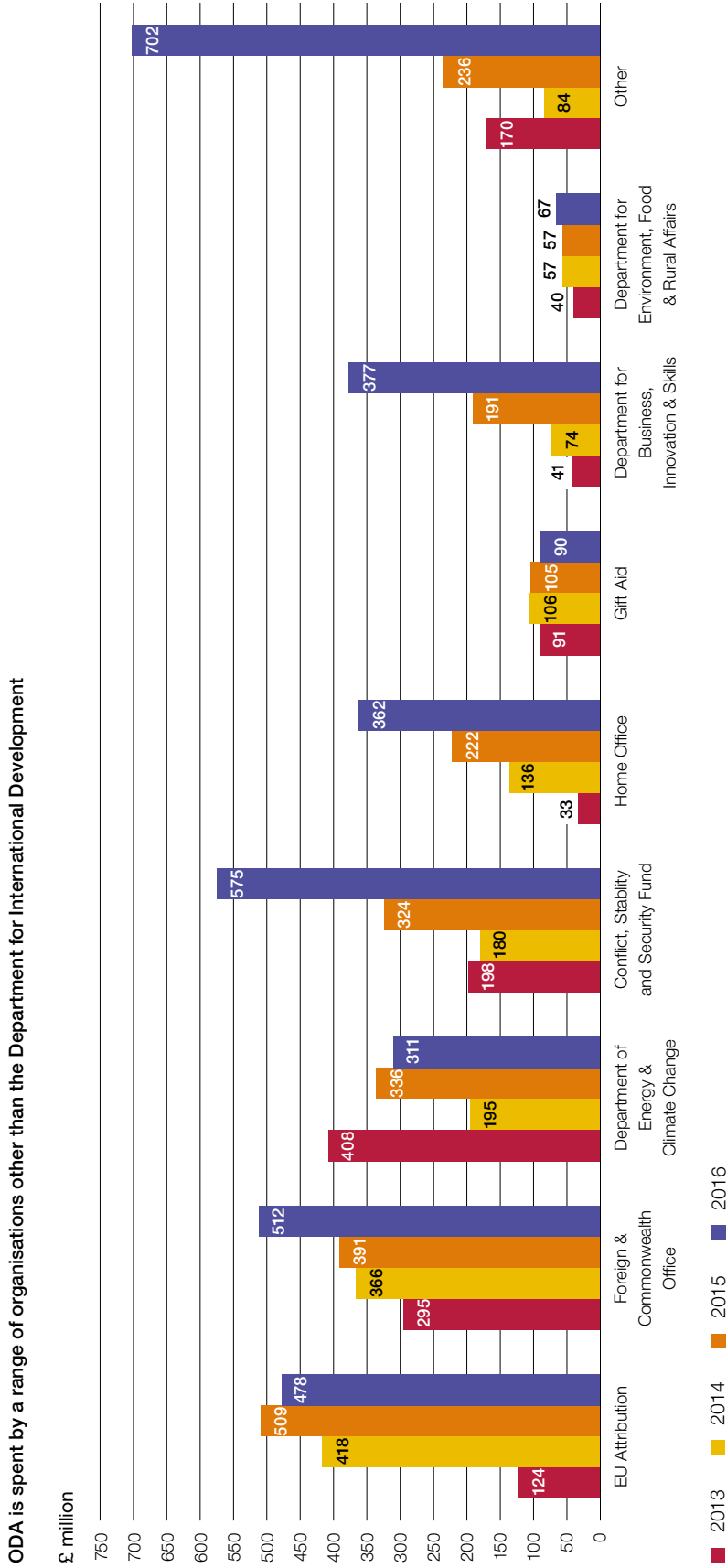
- The largest ODA element other than spending by the Department for International Development remains unchanged as EU attribution. At £509 million this represented 21% of all non-DFID ODA in 2015. There had been an increase of £294 million in the amount attributed to EU's development spending between 2013 and 2014. This was due to changes in HM Treasury's approach to splitting the UK's contribution between UK departments. Between 2014 and 2015, the growth was £91 million.
- The FCO contributed the highest amount of ODA in 2015, spending £391 million. However, its ODA spending increased by 6.8%, compared with the increase in overall non-DFID ODA of 46.7%. The FCO's ODA expenditure included: over £135 million on education projects globally; over £50 million to promote human rights democracy and the role of civil society around the world; almost £10 million on projects aimed at preventing and resolving conflict; and almost £6 million on projects to tackle climate change.
- DECC was the second largest government department that contributed to ODA outside of the Department for International Development. The FCO had overtaken it as the highest spender of ODA. In 2015, the DECC spent £336 million, which was predominantly channelled through the International Climate Fund for climate mitigation, primarily through low carbon development.
- ODA spending by the Conflict, Stability and Security Fund (CSSF) – was £324 million in 2015, up from £180 million in 2014.²⁷ The CSSF is a joint fund that delivers through multiple departments, such as the Department for International Development, the Home Office and the Foreign & Commonwealth Office, which bid for funding. The fund provides the UK's contribution to peacekeeping, security, and defence activities.

25 The International Monetary Fund (IMF) provides low-interest loans under the Poverty Reduction and Growth Trust (PRGT) to support poverty reduction in its poorest member countries.

26 As part of the machinery of government changes in Autumn 2016 DECC was merged with BIS to become the Department of Business, Energy & Industrial Strategy (BEIS). For the purposes of ODA reporting 2015, however, they are still treated as separate departments.

27 In 2014, the CSSF was known as the Conflict Pool.

Figure 16 Composition of ODA expenditure by other government departments than the Department for International Development, 2013 to 2016



Notes

- 1 Gift Aid is paid to charities by HM Revenue & Customs on donations made by UK taxpayers if donations are spent on ODA-eligible activities.
- 2 2016 figures are provisional.
- 3 Other comprises: HM Treasury (£0.5 million in 2015, £71 million in 2016); Department of Health (£32 million in 2015, £45 million in 2016); Department for Education (£29 million in 2015, £38 million in 2016); Department for Work & Pensions (£9 million in 2015, £10 million in 2016); Prosperity Fund (£38 million in 2016); Colonial Pensions administered by the Department for International Development (£2 million in 2015 and 2016); Scottish Government (£11 million in 2015, £12 million in 2016); Ministry of Defence (£9 million in 2015, £5 million in 2016); Welsh Government (£1 million in 2015 and 2016); Poverty Reduction and Growth Trust (£120 million in 2015, £446 million in 2016); HM Revenue & Customs (£2 million in 2015, £9 million in 2016); Department for Culture, Media & Sport (£1 million in 2015 and 2016) Export Credits Guarantee Department (£2 million in 2016); and BBC World Service (£20 million in 2015, £24 million in 2016). Office for National Statistics is not included due to rounding, but had £55,335 of ODA expenditure in 2016.

Source: National Audit Office's presentation of data from the Department for International Development's *Statistics on International Development 2016*, November 2016 and *Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016*, April 2017

7 As part of ODA expenditure incurred outside of the Department for International Development, one element that straddles five departments is in-donor refugee costs. In-donor refugee costs are defined as official expenditure for the sustenance of refugees in the UK during the first 12 months of their stay and can be classified as ODA. Sustenance includes estimates of the Home Office's costs to support refugees and included, for the first time in 2015, departmental costs to provide education and health services. The Home Office's ODA expenditure has increased from £33 million in 2013 to £222 million in 2015 mainly due to changes to the range of Home Office refugee-related activities that could be included as ODA. This followed a review carried out by the Department for International Development and the Home Office in 2014 and advice by the Organisation for Economic Co-operation and Development (OECD).

What ODA is spent through the Department for International Development's priority countries?

8 In 2011, the Department for International Development decided that it would focus its bilateral aid on 28 priority countries with the aim of targeting its support where it would make the biggest difference.^{28,29}

9 In 2015, the UK spent £5,624 million in these countries, up from £5,520 million in 2013, through bilateral and multilateral routes. The Department for International Development itself spent the majority of this – £5,047 million in 2015, down from £5,199 million in 2013. Throughout the period 2013 to 2015, its expenditure in priority countries has accounted for around half of its total expenditure each year.

10 Most of the Department for International Development's spending through its 28 priority country programmes is concentrated on a small number of countries (**Figure 17** overleaf). In 2015, 40% of the £5,047 million that the Department for International Development spent in its 28 priority countries went to the top five countries by value; 63% went to the top 10 countries. These values were almost identical to those in 2013: the top five countries received 40%, and the top 10 countries 64%.

11 Four countries have been in the Department for International Development's top five countries by value in each of the past three years: Bangladesh, Ethiopia, Pakistan and Nigeria. Five other countries have been in its 10 largest countries by value in each of the past four years: Afghanistan, Democratic Republic of Congo, India, Kenya and Tanzania.

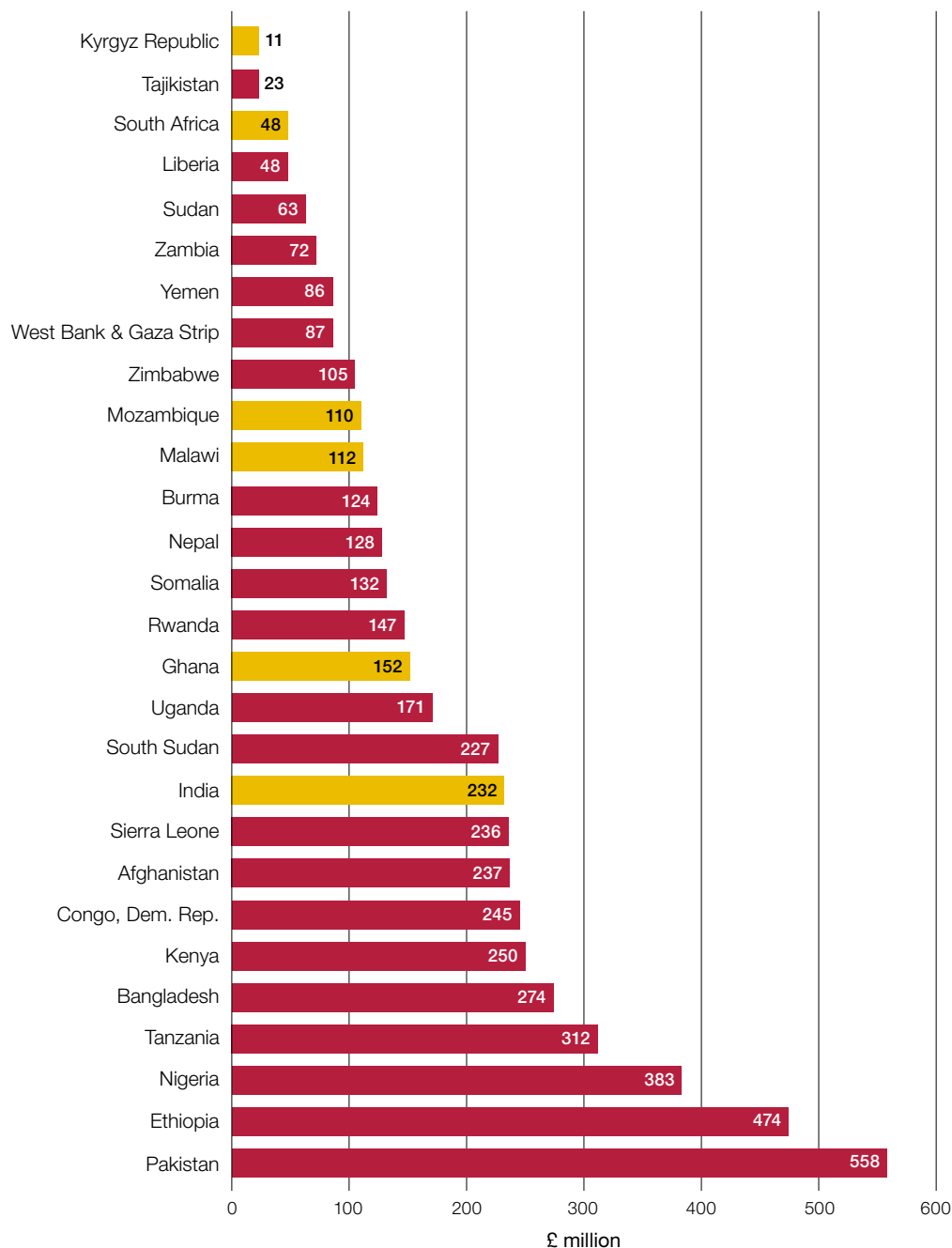
²⁸ Initially, 27 countries were identified as priority countries. When South Sudan was created, it was added to this group.

²⁹ The Department for International Development has told us it is moving away from the term 'priority countries'.

Figure 17

Department for International Development ODA expenditure in its 28 priority countries, 2015

Most of the Department for International Development's spending through its priority countries is concentrated in a small number of countries



Note

1 Countries highlighted in red were classified as a fragile and conflict affected state by the Department for International Development in 2015.

Source: National Audit Office's presentation of data from the Department for International Development's *Statistics on International Development 2016*, November 2016

What ODA is spent in fragile states?

12 From 2010-11, the Department for International Development's priorities have included strengthening governance and security in fragile and conflict-affected countries. It was also responsible for managing the government's target to spend 30% of total UK ODA in fragile and conflict-affected states by 2014-15. The Department for International Development publishes a list of states it considers fragile and conflict-affected, on which the target is based. In 2015, the UK spent £5,624 million in these states, the equivalent of 46% of its total ODA expenditure. The UK therefore met this target.

13 In 2015, the UK Aid Strategy (see paragraphs 1.2 and 1.3) announced that the UK's new target for ODA expenditure in fragile and conflict-affected states would only focus on the Department for International Development. The strategy states that 50% of the Department for International Development's budget should be spent on these states in each year of the current Parliament. In 2015, 57.1% of the Department's total ODA expenditure was spent in fragile and conflict-affected states, up from 48.2% in 2013. The Department for International Development therefore met this target.

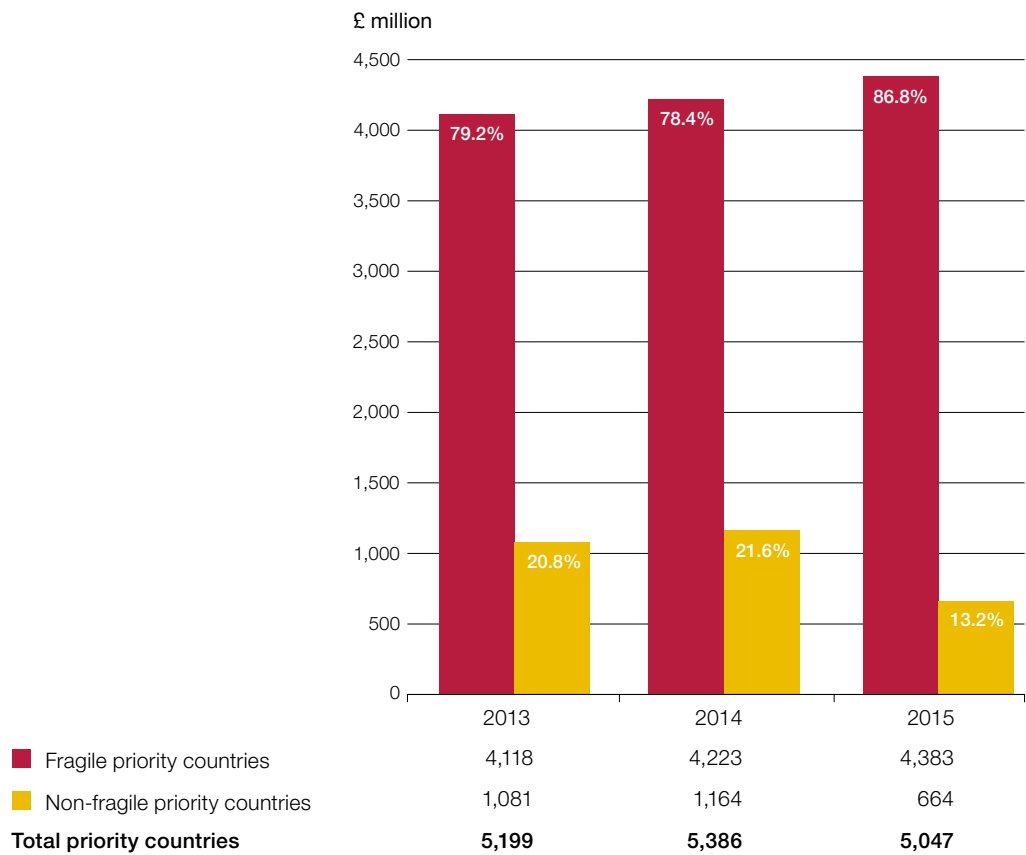
14 The Department for International Development classifies 22 of its 28 priority countries as fragile.³⁰ In the three years to 2015, its spending in the 22 fragile states rose by 6.4%, from £4,118 million in 2013 to £4,383 million in 2015 (**Figure 18** overleaf). In 2015, fragile states accounted for 86.8% of the Department for International Development's total expenditure in its 28 priority country programmes, up from 79.2% in 2013.

³⁰ In 2015, the six countries that were not fragile were: India, Ghana, Malawi, Mozambique, South Africa and Kyrgyz Republic. Prior to 2015, the six countries were different: Tanzania, India, Ghana, Mozambique, Zambia and South Africa.

Figure 18

The Department for International Development’s expenditure in its 28 priority countries programmes: split between fragile and non-fragile states

In 2015, fragile states accounted for 86.8% of the Department for International Development’s ODA expenditure in its 28 priority countries, up from 79.2% in 2013 (based on the Department’s own classification of fragile states)



Notes

- 1 Fragile states based on the Department for International Development’s classification of fragile and conflict affected states for 2015 and pre-2015 respectively.
- 2 Some figures do not sum due to rounding.

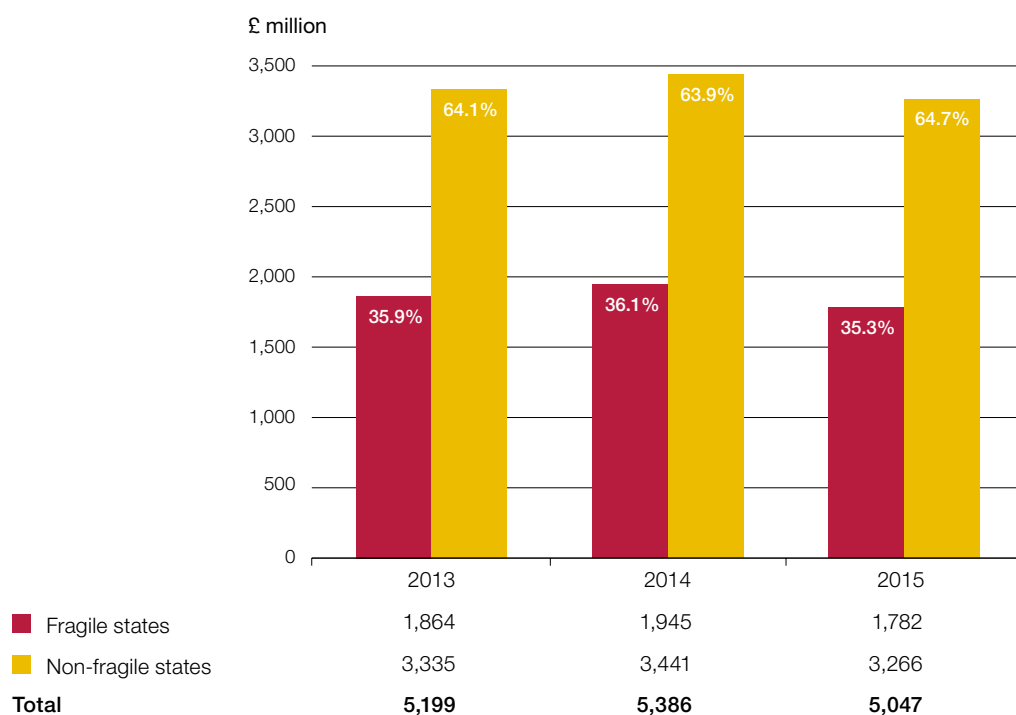
Source: National Audit Office analysis of Department for International Development data, Annual Report and Accounts, between 2010-11 and 2015-16

15 The World Bank also publishes a list of states that it considers fragile and conflict-affected. According to this list, 15 of the Department for International Development’s 28 priority countries are fragile. In the three years to 2015, the Department for International Development’s expenditure in its priority countries in these 15 fragile states dropped by 4.4%, from £1,864 million in 2013 to £1,782 million in 2015 (**Figure 19** on page 57). In 2015, fragile states accounted for 35.3% of the Department for International Development’s total expenditure through its 28 priority country programmes, down from 35.9% in 2013.

Figure 19

The Department for International Development’s expenditure in its 28 priority countries: split between fragile and non-fragile states

In 2015, fragile states accounted for 35.3% of the Department for International Development’s ODA expenditure in its 28 priority countries, down from 35.9% in 2013 (based on the World Bank’s classification)



Notes

- 1 Fragile states based on the World Bank’s list of fragile and conflict affected states for 2015.
- 2 Some figures do not sum due to rounding.

Source: National Audit Office analysis of Department for International Development data, Annual Report and Accounts, between 2010-11 and 2015-16

Multilateral ODA

How much ODA goes to multilateral organisations?

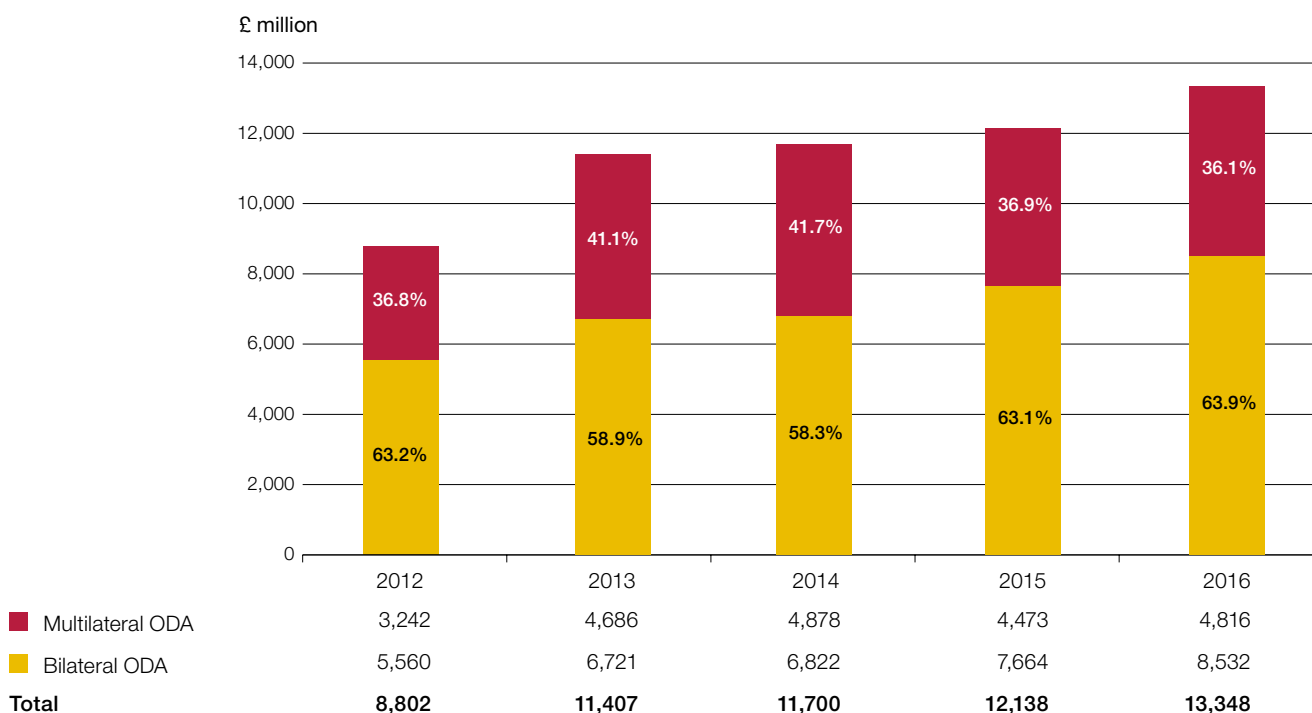
16 Multilateral ODA is the core funding that the UK provides to multilateral organisations. Each multilateral organisation determines how it uses the core funding it receives from donors such as the UK, in ways that are in line with its mandate and agreed by its governing body.

17 In order to meet the 0.7% target, multilateral spend increased to 41.1% of total ODA spend in 2013 and 41.7% in 2014 (**Figure 20**). However, in 2015, multilateral spend decreased to 36.9%, which was a decrease of £405 million (to £4,473 million).

Figure 20

Total UK ODA and the multilateral and bilateral split, 2012 to 2016

The percentage of total ODA going to multilateral organisations has declined since the target was first met in 2013



Note

1 Some figures do not sum due to rounding.

Source: National Audit Office's presentation of data from the Department for International Development's *Statistics on International Development 2016*, November 2016 and *Provisional UK Official Development Assistance as a Proportion of Gross National Income 2016*, April 2017

18 The EU is the largest recipient of UK multilateral ODA, accounting for £1,327 million in 2015 (**Figure 21** overleaf). The main elements were:

- the UK's contribution to the EU's development budget (£935 million in 2015) – the size of which the Department for International Development does not control; and
- payments by the Department for International Development to the European Development Fund (£392 million in 2015).

19 The World Bank received £1,263 million in 2015, 28% of the UK's total multilateral ODA, down from 34% in 2014. The Department for International Development was responsible for all of the UK ODA that went to the World Bank in 2015, with £1,137 million (90%) going to the International Development Association.

Bilateral ODA

How is bilateral ODA spent?

20 Bilateral aid is spending that is earmarked for a specific country, region or project. It is a mix of humanitarian assistance and development assistance. Bilateral ODA was £7,664 million in 2015 (Figure 20), 63% of total UK ODA up from 58% in 2014.

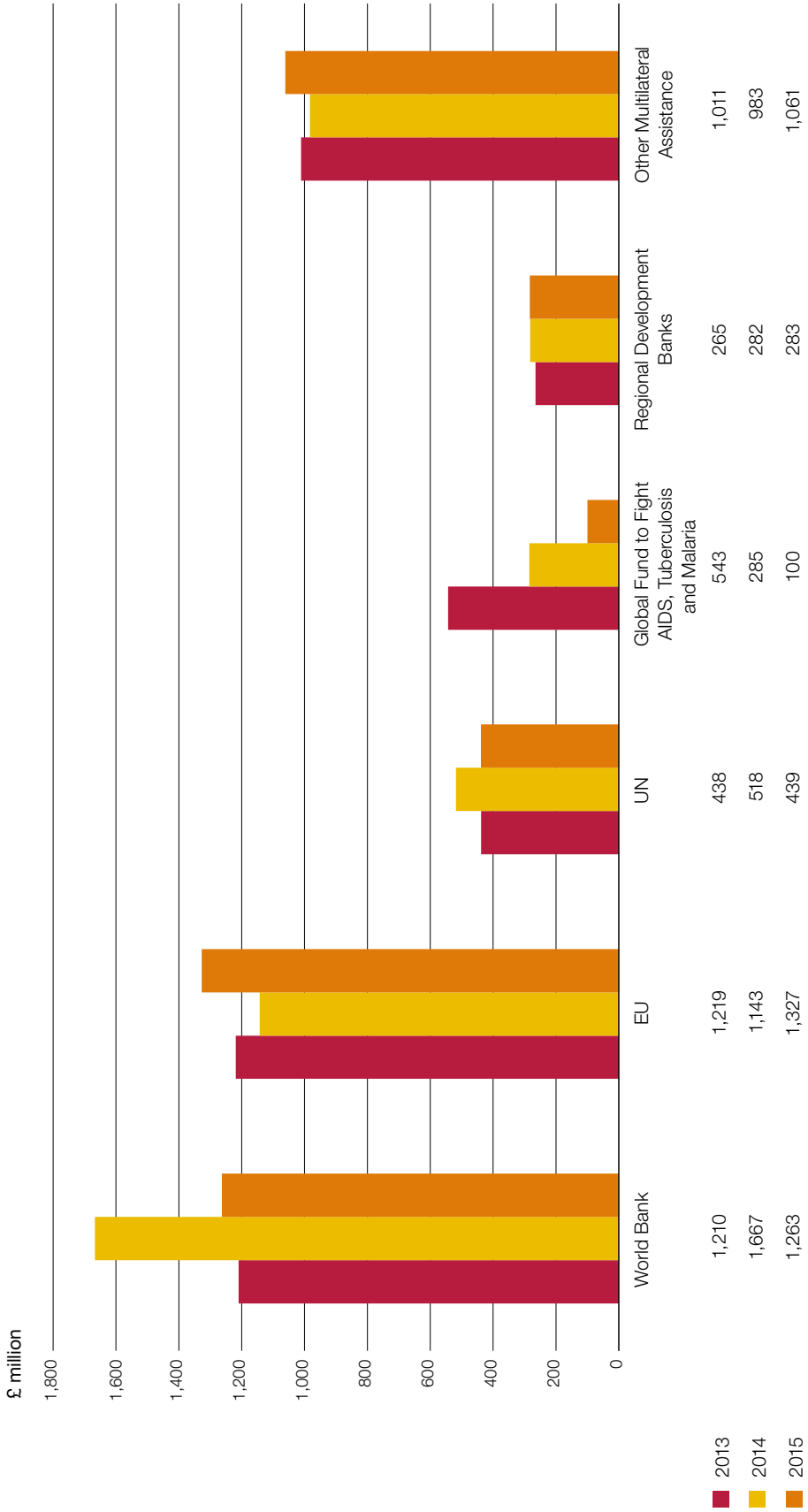
21 The UK delivers its bilateral development assistance through a number of routes. More of its bilateral development assistance goes via multilateral organisations than any other route. In 2015, multilateral organisations received £1,564 million to run development programmes out of £4,656 million.³¹

22 The figures the Department for International Development publishes on which organisations spend the UK's total bilateral ODA are only available for 2015 and not previous years. The analysis below, therefore, only covers the Department for International Development's bilateral spending. Data on the Department for International Development's bilateral spending is available for the period up to 2014-15, where it accounted for £5,449 million. This is a 30.7% increase in bilateral spend between 2012-13 and 2014-15. Multilateral organisations received £1,286 million of this spend to run development programmes in 2014-15 (**Figure 22** on page 61).

³¹ Only this part of the UK's bilateral expenditure can be classified by delivery channel as the publication only provides information on delivery channel for the bilateral expenditure that was allocated to a specific country. This excludes regional expenditure, core expenditure to NGOs, specific programmes or funds managed by international organisations, project-type interventions and in-donor expenditure.

Figure 21
UK multilateral ODA expenditure by organisation, 2013 to 2015

In 2015, the EU was the largest recipient of multilateral ODA



Note

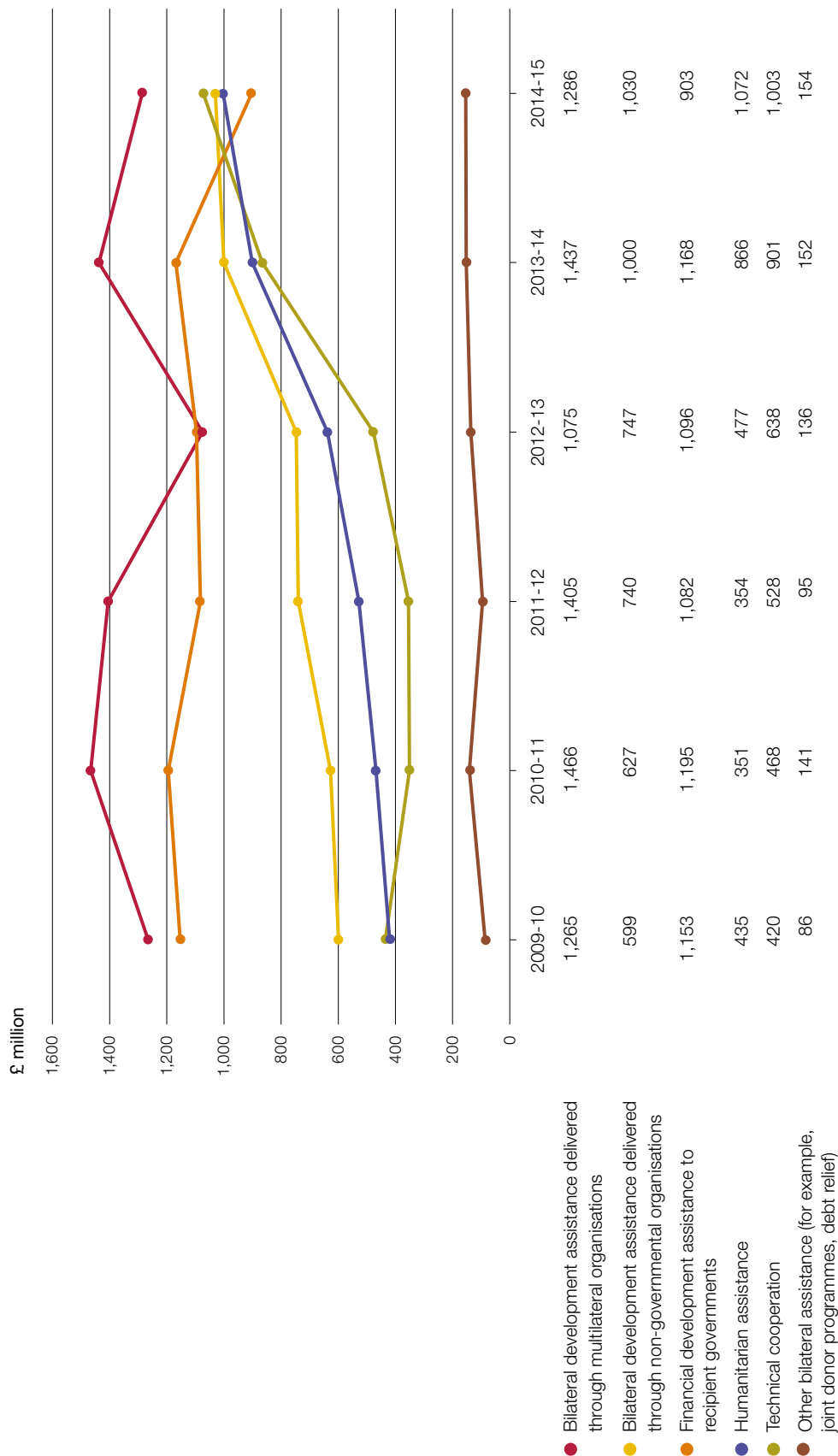
1 Other multilateral assistance in 2014 included: Strategic Climate Fund (£274 million), Global Alliance for Vaccines and Immunization (£269 million), Clean Technology Fund (£112 million) and Private Infrastructure Investment Group (£74 million).

Source: National Audit Office's presentation of data from the Department for International Development's *Statistics on International Development 2016*, November 2016

Figure 22

The Department for International Development's bilateral aid by delivery route

In 2015, multilateral organisations received the largest amount of the Department for International Development's bilateral ODA



Source: National Audit Office's presentation of data from the Department for International Development's *Statistics on International Development 2016*, November 2016

23 The two routes for delivering bilateral development assistance that grew quickest between 2010-11 and 2013-14 were:

- **technical cooperation**, which reached £1,003 million in 2014-15 (up more than 11% from 2013-14) – technical cooperation is often provided by contractors;³² and
- **humanitarian assistance**, which reached £1,072 million in 2014-15 (up 24% from 2013-14 and 125% from 2012-13 reflecting the increasing number of humanitarian crises happening around the world).

24 The total amount of bilateral development assistance that the Department for International Development provided through developing countries' governments has reduced slightly between 2010-11 (£1,195 million) and 2014-15 (£903 million). It provides assistance through governments in two ways:

- **Budget support** (£435 million in 2014-15): contributions to developing countries for them to spend in support of government policy and their expenditure programmes whose long-term objective is to reduce poverty. Funds are spent using the overseas governments' own financial management, procurement and accountability systems to increase ownership and long-term sustainability.
- **Other financial aid** (£468 million in 2014-15): funding of projects and programmes, such as sector-wide programmes, not classified as budget support.

What is the income level of countries that receive UK bilateral ODA?

25 In 2014, the previous International Development Committee recommended that the percentage of ODA that goes to low-income countries should rise over time provided those countries are capable of absorbing it.³³ In 2015, 59.9% of the UK's country-specific bilateral ODA went to low-income countries, according to the current country classification. This was below the level in 2014 (63.6%) and every year since 2011.

26 In 2011, the income classifications of several countries changed. The countries included three of the Department for International Development's priority countries – Pakistan, Nigeria and Ghana – which graduated from low-income to lower-middle-income status. The changes resulted in a large reduction in the reported proportion of UK country-specific bilateral ODA going to low-income countries. In 2010, 75% of country-specific bilateral ODA went to countries classified as low-income at that time. Based on the current income classifications of countries, 58% of country-specific bilateral ODA went to low-income countries in 2010.

27 In 2015, the UK gave £4,622 million in country-specific bilateral ODA. Some £2,766 million (59.9%) of this ODA went to low-income countries, of which £2,505 million went to the least developed countries.

³² Technical cooperation includes activities designed to enhance the knowledge, skills, expertise or productive capability of people in developing countries. It also covers funding of services that contribute to the design or implementation of development projects and programmes.

³³ House of Commons International Development Committee, *Department for International Development's Performance in 2012-2013: the Departmental Annual Report 2012-2013*, Tenth Report of Session 2013-14, April 2014.

28 In 2015, the Department for International Development gave 65% of its country-specific bilateral ODA to low-income countries (**Figure 23**), down from 68% in 2014. In the same year, 32% of country-specific bilateral ODA not spent by the Department for International Development went to lower-middle-income countries; a further 36% went to upper-middle-income countries.

How does the UK compare internationally?

29 Only five of the other 27 national members of the Organisation for Economic Co-operation and Development's (OECD) Development Assistance Committee (DAC) spent more than 0.7% of their gross national income on ODA in 2015 (**Figure 24** overleaf).

30 The other five OECD-DAC countries which met the 0.7% target spent their ODA in similar ways to the UK (**Figure 25** on page 65). For example, in 2015, they spent from 22% to 47%, averaging 35%, on social and administrative infrastructure, which includes expenditure on health and education.

31 In paragraph 23, we explained that the UK's spending on humanitarian aid had increased since 2012. According to OECD data, humanitarian aid represents 11% of total UK ODA in 2015, compared with 5% in 2012. Of the other five OECD-DAC countries, four increased their proportion of ODA spent on humanitarian aid by 1%–7%, whereas one decreased its proportion by 3%. Across all OECD-DAC countries, the average proportion spent on humanitarian aid increased from 2012 to 2015 from 5% to 8%.

32 In paragraph 7, we explained that the UK's spending on in-donor refugee costs had increased in line with OECD advice. The UK spent 2% of its ODA on refugees in 2015 according to OECD data. This contrasts with the majority of other countries meeting the 0.7% target. Sweden spent 34%, the Netherlands spent 23%, Denmark spent 15% and Norway spent 11%. Luxembourg spent 0%.

Figure 23

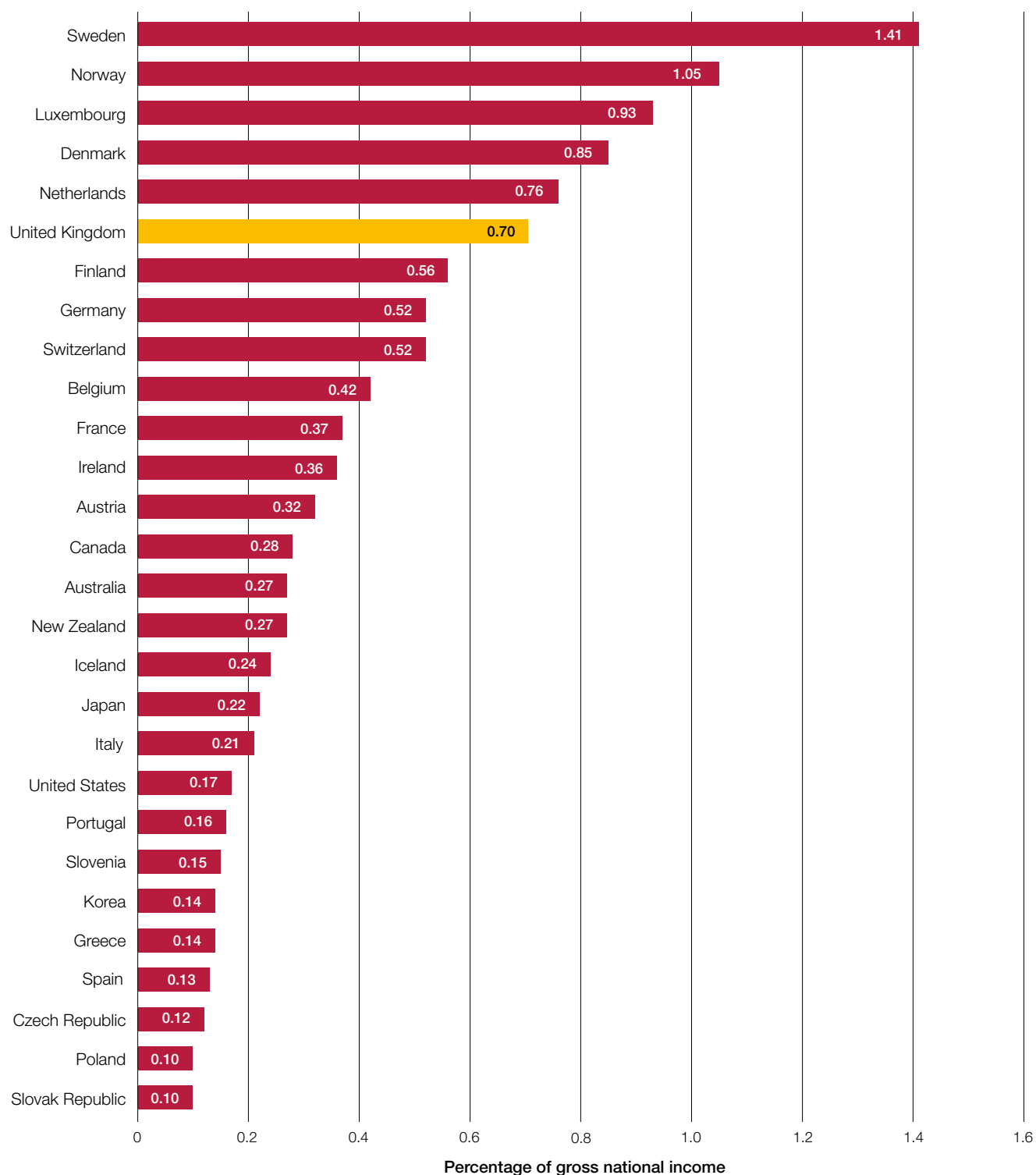
The destination of UK country-specific bilateral ODA by income level of country, 2015

| | Department for International Development ODA | | Expenditure by other organisations | |
|--|--|-----------|------------------------------------|-----------|
| | (£m) | (%) | (£m) | (%) |
| Least developed country | 2,298 | 59 | 207 | 30 |
| Other low-income country | 246 | 6 | 15 | 2 |
| Total for all low-income countries | 2,544 | 65 | 222 | 32 |
| Low middle-income country | 1,105 | 28 | 226 | 32 |
| Upper-middle-income country | 275 | 7 | 250 | 36 |
| Total for all middle-income countries | 1,380 | 35 | 476 | 68 |

Source: National Audit Office's presentation of data from the Department for International Development's *Statistics on International Development 2016*, November 2016

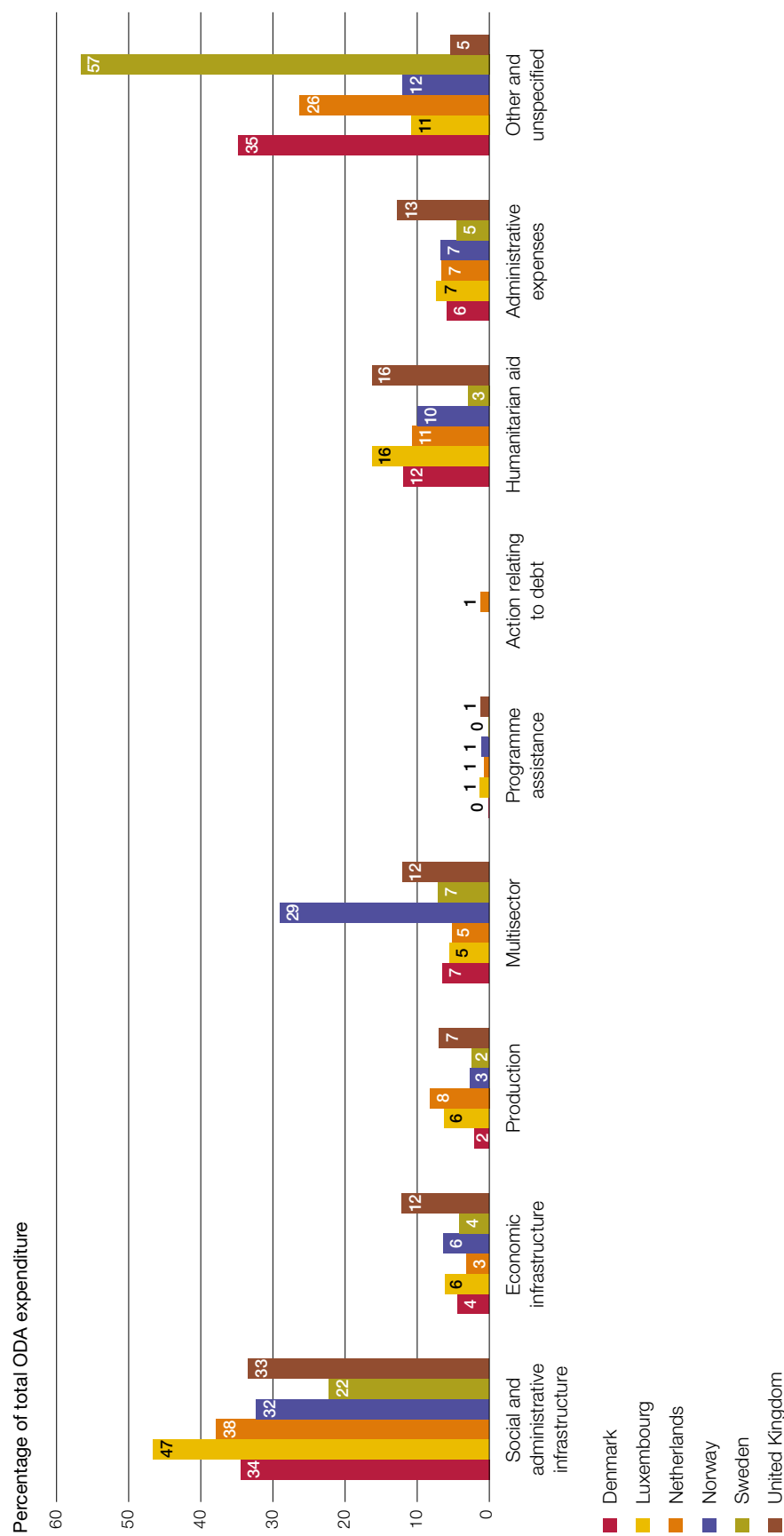
Figure 24

Ranking of OECD–DAC donor countries by ODA expenditure as a proportion of gross national income in 2015



Source: National Audit Office's presentation of the OECD's Statistics on resource flows to developing countries, December 2016. Available at: www.oecd.org/dac/stats/statisticsonresourceflowstodevelopingcountries.htm

Figure 25
 ODA expenditure of the UK and other donors meeting the 0.7% target by sector
 The five other OECD-DAC countries which met the 0.7% target spent their ODA on similar activities to the UK



Source: National Audit Office's presentation of the OECD's Statistics on resource flows to developing countries, December 2016. Available at: www.oecd.org/dac/stats/statisticsresourceflowstodevelopingcountries.htm

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