National Audit Office

Report
by the Comptroller
and Auditor General

Cross-government

The effectiveness of Official Development Assistance expenditure

HC 2218 SESSION 2017–2019 20 JUNE 2019

Key facts

£14.1bn

UK Official Development Assistance expenditure in 2017

23

number of UK public bodies contributing to the Official Development Assistance target in 2017

28%

proportion of Official Development Assistance expenditure by bodies other than the Department for International Development in 2017

5	number of years the UK has met the United Nation's Official Development Assistance target of spending 0.7% of Gross National Income on overseas aid
138	number of countries in receipt of Official Development Assistance expenditure in 2017
23%	increase in Official Development Assistance expenditure between 2013 (the first year the target was met) and 2017
2020	year by which the UK Aid Strategy targeted improvements in transparency of UK aid spending
17%	proportion of bilateral Official Development Assistance spent on humanitarian aid in 2017 – the highest proportion by sector
53%	proportion of bilateral Official Development Assistance spent in countries classified as least developed in 2017 – down from 55% in 2013

Summary

1 In 2010, the coalition government committed to spending 0.7% of UK gross national income on overseas aid – known as Official Development Assistance (ODA) – from 2013 onwards. This is the proportion of a nation's income that the United Nations has said developed countries should aim to spend on overseas aid. The UK has met the 0.7% target each year from 2013 to 2017. In 2015 this commitment became legally binding. The increase in the UK's gross national income and the UK's commitment to the 0.7% target has led to an increase in total UK ODA expenditure.

2 The Department for International Development (DFID) has always spent the majority of the UK's ODA expenditure. But the proportion of total ODA it spends has decreased from 89% in 2013 to 81% in 2015 to 72% in 2017.[1] DFID's ODA expenditure is at the same level in 2017 as in 2013 – just over £10 billion.[2] ODA spending by other government departments (such as the Foreign & Commonwealth Office and the Department for Business, Energy & Industrial Strategy), by cross-government funds (such as the Conflict, Stability and Security Fund), and through other payments and attributions has almost trebled over this period (**Figure 1** overleaf).

Scope of this report

3 This is our fourth report on the UK's ODA spending. **Figure 2** on page 7 summarises the scope of the first three.

4 This study builds on our other reports on DFID's and wider government's management of ODA by focusing on what this spending is achieving in practice. We considered whether:

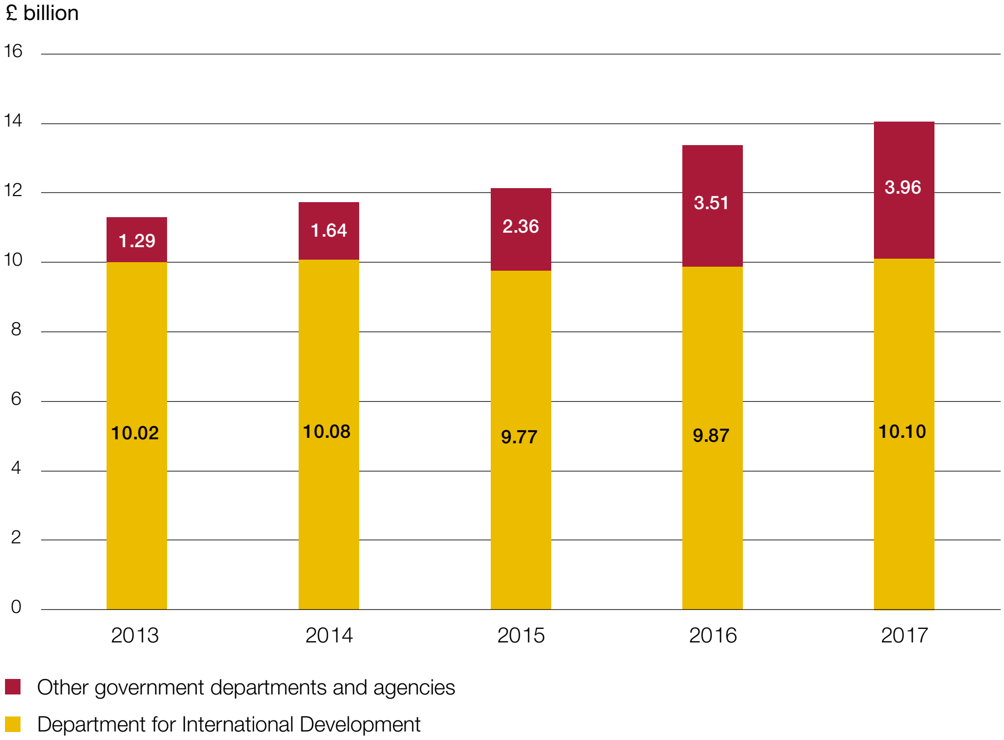
- the allocation of ODA across-government focused sufficiently on effectiveness;
- departments' ODA projects are meeting their planned objectives; and
- the centre of government maintains good oversight of the effectiveness of ODA spending.

1 Provisional figures for 2018 show this proportion has increased to 75%.
2 Provisional figures for 2018 show Department for International Development's expenditure as £10.9 billion for 2018.

Figure 1

Annual Official Development Assistance expenditure by the Department for International Development and other government departments and funds, 2013–2017

The Department for International Development's total Official Development Assistance (ODA) expenditure has remained broadly the same between 2013 and 2017 but has fallen each year as a proportion of the UK's total ODA expenditure



Source: National Audit Office summary of the Department for International Development's Statistics on International Development

Figure 2

An overview of the National Audit Office's previous reports on Official Development Assistance

We have reported on Official Development Assistance (ODA) expenditure three times since the target was met

	January 2015[1]	December 2015[2]	July 2017[3]
Report	Managing the Official Development Assistance target	Trends in total UK Official Development Assistance and the Department for International Development's expenditure	Managing the Official Development Assistance target – a report on progress
Scope	An examination of how the Department for International Development managed and responded to the ODA target, covering the Department's management of the ODA target and the large increase in budget	An overview of trends in spending on aid during 2015	An examination of how government managed and oversaw the ODA target and departments' progress in managing their ODA expenditure
Departments and other bodies featured	Department for International Development	Department for International Development	Department for International Development; 9 other government departments; 2 cross-government funds

Notes

1 Comptroller and Auditor General, *Managing the Official Development Assistance target*, Session 2014-15, HC 950, National Audit Office, January 2015.

2 Memorandum for the House of Commons International Development Committee, 15 December 2015.

3 Comptroller and Auditor General, *Managing the Official Development Assistance target – a report on progress*, Session 2017–2019, HC 243, National Audit Office, July 2017.

Source: National Audit Office summary of its previous reports and memoranda on Official Development Assistance

5 We assess effectiveness by examining the extent to which departments have achieved the outputs and outcomes established at the start of a project. We do so by using evaluative criteria for each of the following:

- how ODA-funded programmes are managed;
- how progress and performance are assessed; and
- how programmes respond to assessments of performance.

6 We also consider how departments assess the impact their portfolio of ODA-funded programmes is having – for example, the extent to which they consider impact at country and thematic level.

7 Our previous reports highlighted a number of challenges departments across government faced in meeting the ODA target. For example, making sure they had sufficient ODA eligible programmes on which to spend the budget. We also noted the support DFID had provided, such as on programme management, to departments which had seen a sudden and considerable increase in their ODA allocations.

8 For this report, we have considered the effectiveness of ODA expenditure in the context of the complex and often dangerous environments in which it is spent. Departments and cross-government funds are looking to implement and secure value for money from ODA-funded programmes while managing multiple challenges (**Figure 3**).[3]

Key findings

Government-wide findings

9 Responsibilities for considering the effectiveness of ODA expenditure are fragmented across government. For example, HM Treasury considers business cases for ODA expenditure, but does not have a role in considering the impact of actual expenditure. Departments are responsible for securing value for money from all their expenditure, including ODA. While a cross-government group of ODA spending departments exists, its focus on the effectiveness of that expenditure is limited (paragraph 1.4, 1.12 and 1.13).

10 Departments and cross-government funds use ODA expenditure to deliver a range of strategies, creating complexities in considering programme performance. The UK Aid Strategy in 2015 set the government's strategy for spending ODA, establishing four objectives for that expenditure. At the same time the government set three objectives for the National Security Strategy. Alongside these cross-government approaches, country-level and thematic strategies (focusing on, for example, women and girls, migration and on economic development) have been developed. Departments looking to work together overseas are taking steps to bring these strategies together when implementing programmes. But the number of strategies – and their overlap – creates difficulties in terms of reviewing and then reporting performance. This undermines government's ability to align performance with the objectives set out in strategies and with poverty reduction more broadly. Despite the country and theme focus of these strategies, HM Treasury's allocation process remains heavily department-focused (paragraphs 1.2 and 1.3 and Figure 4).

3 Funding for some programmes will be 100% funded by Official Development Assistance (ODA); others are funded by a mix of ODA and non-ODA budget.

Figure 3

Challenges faced implementing projects overseas funded by Official Development Assistance expenditure

We identified five challenges departments might face when looking to secure value for money from Official Development Assistance (ODA) expenditure

Challenge	
Working in rapidly changing environments overseas	Departments often work in fragile states, and in dangerous environments with unpredictable and sensitive political and social backdrops. Programmes need to be flexible enough to respond to changes while allowing enough time to achieve long-term impacts.
Working alongside other donors	Different donors make varying demands on implementing partners (for example, regarding management information) – creating potential tensions that need careful management. The involvement of multiple donors in programmes also creates complicated attribution issues.
Maintaining oversight of multiple delivery partners	UK government departments operating overseas work with and through each other, as well as with governments in the host country (both central and local), multilateral organisations, international and local non-governmental organisations, and with private sector and civil society organisations. Oversight requires a multi-layered approach – as each body outlined in the previous row has different operating practices and cultures that need to be accommodated to work successfully.
Accessing good-quality data to monitor and evaluate performance	Some outputs and outcomes are easier to measure than others. Where there are multiple donors to a project it is not always possible for the UK to control the project's outcomes. Isolating the impact of separate programmes with shared goals is challenging. For some interventions, government must rely on third-party verification due to security concerns around the UK government operating within a country or region.
Managing ODA and non-ODA expenditure	For example, cross-government funds manage programmes funded from both ODA and non-ODA budgets. This can create a challenge in isolating the contribution to performance made by these two sources.

Note

1 For example, an output might be the number of children attending a primary school; an outcome might be the improvement in education standards which result from increased attendance.

Source: National Audit Office

11 Shifts in government's aid priorities have had both a positive and negative impact on progress against objectives in the UK Aid Strategy, illustrated below.

- Meeting its ambition to spend ODA across a wider range of departments, DFID's share of expenditure has declined year on year between 2013 (when the UK met the ODA target for the first time) and 2017.[4]
- The areas on which ODA expenditure has been targeted highlight changing priorities for the UK. For example, bilateral spending on humanitarian interventions increased by more than 15% between 2015 and 2017. It now represents the largest category of expenditure. This is aligned with the Strategy's objective to "strengthen resilience and response to crises". Consequently, expenditure on other categories of interventions (such as education) has declined as a proportion of total expenditure.
- The UK Aid Strategy made a commitment to increase by 50% by 2020-21 ODA expenditure on support to developing countries to respond to the challenges presented by climate change. Actual expenditure to date in this area is in line with the annual plan agreed as part of the Spending Review in 2015.
- The proportion of bilateral ODA expenditure going to countries classified as 'upper middle income' has increased both in absolute terms (from £525 million in 2015 to £694 million in 2017) and as a proportion of total ODA expenditure (from 11% to 14%). This is partly a consequence of increased expenditure in countries such as Turkey that have been affected by the Syria crisis. As a result, the proportion of expenditure going to countries at the lower end of the income scale has decreased. Adjusting for the impact of interventions related to Syria shows that the proportion of ODA expenditure going to 'upper middle income' countries has remained stable over recent years (Figure 6).

4 Provisional data shows a three percentage point increase in Department for International Development's share of total Official Development Assistance expenditure in 2018 compared with 2017.

12 **Taking ODA expenditure as a whole, government has placed insufficient emphasis on demonstrating its effectiveness and on progress against the UK Aid Strategy.** At departmental level, we found evidence that programme performance was monitored and then evaluated when the programme came to an end. But more widely, government has only just started to consider the effectiveness of ODA expenditure across departments and what this says about progress in implementing the UK Aid Strategy. In 2019 departments agreed a framework which sets out, for each of the four objectives in the UK Aid Strategy, 'indicators of success' as well as illustrations of the performance achieved. But the framework does not bring these measures together with expenditure, which is necessary to support an assessment of value for money (paragraphs 1.12 and 1.13).

13 **Neither DFID nor HM Treasury has assessed whether allocating the ODA budget to departments other than DFID has had the impact intended.** ODA-funded programmes generate challenges such as making sure expenditure is eligible to count towards the target and managing programmes in hostile environments. However, government wanted to draw on skills across-government when spending ODA to respond to changes in emphasis in the challenges it faced (such as mass migration and the impact of global warming). It therefore allocated more of the ODA budget to these departments from 2016 onwards. But it did not set out in detail the benefits it expected to achieve from this approach. Nor has it assessed whether its intentions have been delivered in practice (paragraph 1.14).

14 **The wider allocation of ODA creates additional risks.** For departments other than DFID the changed approach to allocating ODA creates an opportunity to access new funds at a time when many feel their core funding is under great pressure. In the programmes we reviewed we did not find direct evidence of poorer value for money in other departments, but we do think it is important to point out the risks. Depending on each department's experience of managing ODA expenditure and the relative significance of ODA to its overall budget, departments could feel incentivised to propose spending without challenging its value for money as rigorously, or even in the knowledge that it would be more effective to spend it on other, non-ODA eligible activity. There is a risk departments might also be tempted to seek the ODA funds without a full understanding of whether they have the capability to carry out the work (paragraph 2.3).

15 **Departments need to improve the transparency of their ODA expenditure.** Government is clear that transparency of ODA expenditure is an important aspect of securing value for money. DFID publishes good-quality information on ODA expenditure across government – for example, how much is spent, by which department and in which country (paragraphs 1.15 to 1.20, and Figures 11 and 12).

- We found limitations in departments' publicly available information. For the seven departments and cross-government funds that accounted for more than 60% of non-DFID ODA expenditure, only two referred to the effectiveness of this spending in their annual report.
- Government has recognised more needs to done to meet its ambition that, by 2020, each department should be ranked as either 'very good' or 'good' against an independent assessment of transparency. Only DFID has met the target. DFID is funding a review of government's progress towards the target, the results of which will be publicly available in December 2019. This timetable leaves little time to act if DFID's assessment about the likelihood the target will be achieved is pessimistic.

16 **The impact of EU Exit on ODA expenditure remains unclear.** The European Union is one of the UK's key partners for its international development interventions. In 2017, the year for which the most up-to-date information is available, £1.4 billion of the UK's ODA expenditure – 10% of the total – was through EU institutions. The government has agreed to honour part of this commitment – to the European Development Fund (£443 million in 2017) – until 2020. DFID has stated that it is in the UK's interest that it continues work with the EU once the UK leaves the EU. What this relationship looks like in practice and the impact it will have on the distribution of the ODA budget and the achievement of the target are currently unclear. DFID told us that it has developed plans for a number of scenarios. Depending on the nature of the UK's exit from the EU, and given the annual nature of the target, the government may need to redistribute up to £1.4 billion quickly – a situation which would create a risk to value for money (paragraphs 1.22 to 1.27 and Figure 12).

Departmental and country office findings

17 **Departments have put in place structures to support target setting and performance assessment.** We found that departments representing 86% of overall ODA expenditure had structures in place to support the planning, implementation and monitoring of ODA-funded programmes. For example, programmes were supported by business cases and an explanation as to how intended outcomes might be secured. Departments also produced frameworks setting out milestones against which progress could be assessed. The approach taken by each department was particular to its circumstances, which has an impact on the approach taken to the oversight of performance (illustrated below).

- The Department for Business, Energy & Industrial Strategy (BEIS) delegates responsibility for some its ODA expenditure (such as the Global Challenges Research Fund) to implementing partners. Here, it receives regular updates from its partners on a project's financial position and activities. But this information does not allow BEIS to consider the effectiveness of its expenditure in these areas.
- Two of the five British Council projects we reviewed were country projects within wider programmes. For those two projects we saw outcomes set for the whole programme with project level targets for, for example, participants and other outputs rather than impact. In both cases, the British Council had either evaluated the impact of its intervention or was collecting information which would enable it to do so in the future (paragraphs 2.4, 2.5 and Figure 16).

18 **Departments' assessment of effectiveness can be limited, either when setting targets or considering actual performance.**

- For most of the programmes we reviewed, departments had some measure of progress and performance in place. Good examples of considering effectiveness were evident (such as in the Provincial Health and Nutrition Programme). But it was not always the case that a department's targets helped it consider a programme's effectiveness. For example, programmes might establish targets on inputs, activity, and outputs but not for impact. This in part reflects the nature of some of the programmes (such as the Foreign & Commonwealth Office's expenditure on aid-related front-line diplomacy).
- Departments sometimes faced practical difficulties in accessing good-quality information needed to assess performance and the complexity of the environment in which they operated. For example, information might not be readily available from locations that present a high security risk; or from implementing partners that work with different systems and to different standards (paragraphs 2.7 and 2.8, and Figures 17 and 18).

Departments operate in challenging and dangerous environments, which can make the assessment of effectiveness difficult. Moving from the consideration of inputs to the assessment of outcomes and impact can take many years and requires significant expertise.

19 Departments' responsiveness to reviews of their programmes' performance was variable. Timely monitoring of performance can help departments to reallocate a programme's budget either within the programme or into other programmes. Across the 26 programmes we examined we found a mixed picture with respect to departments' responsiveness to reviews. For example, DFID raised its performance targets for its Provincial Health and Nutrition Programme in Pakistan in response to a review which concluded that they were not sufficiently stretching. But BEIS has only now taken commissioned work to develop performance measures for its Newton Fund, following a review in 2016 which concluded that BEIS should improve its approach to gathering evidence on the outputs and outcomes generated by the Fund (paragraph 2.16 and Figure 19).

20 DFID has a well-developed approach to assessing project progress but overall grades in annual reviews can mask poor results for parts of a project. Each output is assessed and graded separately, but a heavily weighted component of the project can lead to an overall grade that feels out of kilter with overall progress. This might undermine corrective action and skew DFID's perspective on the performance of its portfolio. DFID is aware of this issue; and our own assessment of project reviews reinforced the concern. Seventeen of the programmes we examined had one or more annual reviews. In 14 reviews, the overall grade awarded exceeded the grade achieved by half or more of the project's outputs (paragraphs 2.9 to 2.11).

21 We identified some projects that were extended or had their budgets increased without an evaluation of the project's performance. Evaluations help to support the development of future programmes and were encouraged by all of the departments we looked at as part of this review. We found that, across the 26 projects we reviewed, many had contract extensions or were subsequent phases of particular projects. For some of these the case, for extending the project was made, drawing on evidence of performance. In others, the phases of projects overlapped, without the project's impact being considered. This approach, which has the merit of maintaining a continuity of provision, means that projects can proceed without a thorough consideration of which areas need to be improved (paragraphs 2.17 to 2.20).

Conclusion on value for money

22 Government's success in meeting the ODA spending target is clear – it has done so for the last five years. It provides clear reporting on which departments and other bodies are spending the ODA budget and on what types of assistance.

23 However, there is insufficient focus on departments' capacity to implement programmes and on their effectiveness. Centrally, government makes limited use of performance information generated by departments, inhibiting its ability to make changes to improve effectiveness. Consequently, it still remains unclear whether government is achieving its objectives in the 2015 UK Aid Strategy. Widening ODA expenditure to other departments has increased risks to effectiveness and it is not clear whether the intended benefits of drawing in wider skills have been realised. Government's desire to demonstrate the value secured from ODA spending is further undermined by its lack of progress improving transparency, a key objective of its own aid strategy.

24 Taking this together, whilst there is good evidence that many programmes within the £14 billion portfolio are securing an impact individually, overall government is not in a position to be confident that the portfolio in its totality is securing value for money.

Recommendations

25 HM Treasury should, as part of the next Spending Review:

- develop a systematic approach to assessing departments' capability and capacity to deliver their plans for ODA expenditure and their plans to consider the effectiveness of that spending; and
- consider each department's and cross-cutting fund's actual ODA expenditure against the budget agreed as part of the Spending Review 2015, to contribute to its assessment of each department's capacity to deliver programmes funded in this way.

26 HM Treasury should, when agreeing the framework for assessing progress against the objectives in the UK Aid Strategy, allocate responsibilities for monitoring progress.

27 HM Treasury should develop guidance on how departments and cross-cutting funds might make the impact of their ODA expenditure more transparent as part of, for example, the annual report and accounts process.

28 HM Treasury and DFID should set out the steps they will take, across a range of scenarios, to make sure the UK meets its legal obligation regarding the ODA target in the light of the UK's decision to leave the European Union.

29 Each department should, depending on the outcome of the DFID-funded review of transparency performance, produce a plan for the actions required to help it meet the target.

30 Departments should:

- classify their programmes according to the type of performance measure (such as activities, outputs and outcomes) to which they are best suited; and
- then, working together, share information on the approaches they take across these classifications.