



The DAC's main findings and recommendations

**Extract from: OECD Development Co-operation Peer Reviews
United Kingdom 2020**

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Development co-operation sits at the heart of the United Kingdom's global brand

Commitment to international development contributes to a positive international image

The United Kingdom's commitment to international development reflects cross-party support during the period under review and is central to its global brand. A resolute champion of inclusion, stability, prosperity and good governance, the United Kingdom uses its economic stature, convening power and membership in key global fora to advocate for an evidence-based and cutting-edge approach to these issues within the development system. This in turn has strengthened the United Kingdom's soft power. The United Kingdom has recently stepped up its leadership on climate change. The United Kingdom's Presidency of the Group of Seven (G7) and the 26th Conference of the Parties (COP26) of the United Nations Framework Convention on Climate Change provide opportunities to further demonstrate that international development sits at the heart of United Kingdom (UK) international policy.

The United Kingdom invests in understanding and addressing poverty and fragility

The United Kingdom ensures a direct line of sight between official development assistance (ODA) allocations and poverty reduction, a commitment which has been backed by legislation since 2002. Recognising that poverty and vulnerability are constantly evolving, the United Kingdom invests in robust data and analysis which is regularly updated. This understanding allows the United Kingdom to respond to both the causes and symptoms of poverty and exclusion in a dynamic and relevant way while ensuring that development co-operation resources remain focused on the most relevant countries and themes. Since 2018, a framework for cross-government co-ordination and coherence – known as the Fusion Doctrine during the review period – has guided the United Kingdom in combining its long-lasting commitment to peace, stability and prosperity with its development co-operation objectives and national interests.

The United Kingdom is widely recognised as a key player in fragile and humanitarian contexts, combining political will with expertise, joint analysis, presence and flexible funding. The cross-government Stabilisation Unit has created, adapted and combined a range of foreign policy, defence and development instruments to engage rapidly and coherently in fragile contexts, combining ODA with other resources. The United Kingdom leads the way in working across the humanitarian-development-peace nexus. The combination of a single Department for International Development (DFID) country budget – integrating both humanitarian and development funding – and the Conflict, Security and Stability Fund (CSSF) has allowed the United Kingdom to draw on a range of innovative response and preparedness tools for both protracted crises and sudden onset disasters.

The United Kingdom's influence stems from leadership, expertise and country presence

An exceptional depth and breadth of expertise coupled with political leadership gives the United Kingdom credibility, convening power and influence in all aspects of development co-operation from technical analysis to policy formulation and brokering global agreements. The United Kingdom draws on relevant expertise from a range of government departments and agencies to tackle development challenges. DFID's knowledge and evidence in particular are recognised by partners and across the government as an asset for the entire development community. Sustaining morale and retaining this level of expertise, including through effective staff engagement, will remain critical.

The United Kingdom's investment in a strong country presence is appreciated by all partners. A powerful combination of funding instruments, expertise, and political and technical networks allows the United Kingdom to achieve breadth, depth and scale in its partner countries and to draw on its country programmes to bring about broader reforms. DFID's country-led model has allowed country offices to allocate resources in a way that reflects local realities. Multilateral partnerships and central programmes, managed from headquarters, are increasingly based on local demands and thus complement the work of country teams. DFID's policy of developing and empowering its local staff is exemplary, and has allowed the United Kingdom to enrich its analysis, expertise and networks and to maintain a presence in fragile contexts.

The United Kingdom can build on its achievements

Combining a significant ODA budget with other finance would allow comprehensive responses to complex challenges while retaining a focus on poverty reduction

Under intense public scrutiny, the United Kingdom has consistently provided 0.7% of its Gross National Income (GNI) as ODA and is one of the six DAC members to have met the United Nations (UN) target of providing 0.20% of GNI as ODA to Least Developed Countries. Sustaining such a significant ODA budget – USD 19.4 billion in 2018 – is a laudable achievement which can inspire other DAC members. The United Kingdom uses ODA to actively support developing countries in raising their own domestic revenues, while encouraging private sector engagement and investment.

The United Kingdom's legislative requirement to spend 0.7% of GNI as ODA each year is countered by public and political pressure not to exceed that target, resulting in tightly-bound annual spending margins. The United Kingdom could draw on the experience of other DAC members who use a range of budget mechanisms to smooth ODA budgets and expenditure over several years, mitigating the impact of annual fluctuations. Over the review period, the ODA target has provided incentives to identify and initiate ODA-eligible activities across government and there is a perception that it has also led the United Kingdom to advocate for broader criteria for ODA eligibility within the DAC, with partial success. There is concern among DAC members and external stakeholders that broadening eligibility criteria might strain the distinctiveness of ODA and the United Kingdom's focus on reducing poverty.

Cross-government funds, particularly the CSSF, have demonstrated that a blend of ODA and resources that cannot be reported as ODA ("non-ODA") can help to ensure that responses to complex challenges are problem-driven and flexible while remaining focused on agreed longer-term objectives. Given the changing nature of development and the recognition that ODA has an important but partial role to play in addressing complex development challenges, there is scope to expand the number of instruments across government that can blend ODA and non-ODA resources. In addition, complementing the current bilateral country model with further investment in regional approaches and instruments would allow the United Kingdom more scope to address complex regional issues such as climate change, epidemics, conflict, trade or migration.

Recommendations

1. The United Kingdom should continue to allocate at least 0.7% of its GNI to ODA and retain the legislative requirement to have a direct line of sight between ODA and poverty reduction.
2. The United Kingdom should expand its range of funding instruments that can blend ODA and non-ODA funds in order to ensure that it can make best use of its resources and allow a comprehensive and flexible response to complex challenges.

Institutional and political changes open up opportunities for an even more coherent approach to sustainable development

Structures linked to the 2030 Agenda for Sustainable Development and the National Security Strategy have provided a forum for political and policy discussions on development co-operation. Having a seat on the National Security Council and on all national security implementation groups has allowed DFID to build awareness across government of how the United Kingdom's domestic policies affect developing countries' ambitions. This has resulted in, for example, the United Kingdom factoring developing countries' interests into upcoming bilateral trade agreements and into domestic commitments on climate change. Monitoring how the United Kingdom's domestic policies are impacting developing countries would allow risks and opportunities to be identified in a more systematic way.

Opportunities to maximise the overall impact of the United Kingdom's development co-operation efforts will increase over the coming years, as the government establishes a new Foreign, Commonwealth and Development Office and formulates new domestic policies in areas formerly covered by European Union directives. Building an evidence base to identify priority actions for Policy Coherence for Sustainable Development would make progress to date more sustainable and ensure that upcoming opportunities to align relevant policies are seized.

Recommendation

3. As the United Kingdom begins to formulate new domestic and international policies, it should use available evidence to ensure these policies are coherent with its development objectives and systematically seek to understand the impact of domestic policies on developing countries.

A clearly articulated vision for development co-operation would help to consolidate the United Kingdom's efforts

The 2015 Aid Strategy has been effective in directing development co-operation efforts across government while reflecting the United Kingdom's national interests. Updating the United Kingdom's vision and objectives for development co-operation – a process which is expected to follow-on from a government-wide integrated foreign policy review which began in February 2020 – is an opportunity to reaffirm the United Kingdom's focus on core issues such as inclusion, gender equality and fragile contexts and to take account of the government's recent commitments on climate change. Reviewing and consolidating the various targets, pledges and commitments which have accumulated over the years would allow the United Kingdom to focus more resources on its core priorities and set out a long-term approach to these issues. A clearly articulated vision for development co-operation will also help the United Kingdom to identify its, and each government department's comparative advantage in each context, particularly as countries

transition to higher-income statuses, as the nature of poverty and fragility changes, and as the number and diversity of development partners increase.

Faced with numerous instances of hostile media coverage, and despite lacking an operational budget for communications, DFID has defended the ODA budget through a proactive communications strategy that engages journalists, policy makers, other government departments and the wider public. Through active media engagement and fact checking, it has quickly refuted unfounded claims. Overall public support for development co-operation remains high. There is nonetheless further scope to promote a whole-of-society understanding of, and contribution to, sustainable development. This would reflect the United Kingdom's modern view of sustainable development and in particular the recognition that many of today's challenges are global and shared.

Recommendation

4. The United Kingdom should set out a comprehensive vision for its support to international development that reinforces its policy priorities, engages the public and guides its resource allocations within and beyond the ODA budget.

A whole-of-government approach is a strong basis for increased efficiency and impact

Since the last peer review, the number of government departments spending the United Kingdom's ODA has increased. In response, structures have been introduced over a relatively short period to support a coherent and co-ordinated approach. Joint initiatives on areas such as anti-corruption, organised crime, global health and domestic resource mobilisation clearly demonstrate the value of a whole-of-government approach to development.

Building capacity to understand, report on and account for ODA across government has come at a significant administrative cost and discussions at senior level between departments appear to have been more operational than strategic during the review period, with a focus on meeting ODA spending targets. Harmonising processes, systems and human resource policies across government could reduce barriers to collaboration. Considering alternatives to the current whole-of-government arrangement that capitalise on the specialised expertise of each department without requiring each department to administer ODA may increase efficiency.

The United Kingdom has recently introduced an internal, overarching monitoring framework for the 2015 Aid Strategy. Building on this to develop a framework that measures success more consistently across government would enable comprehensive oversight and accountability for the whole of government contribution to development, including the use of ODA resources. A common performance framework would also help to consolidate efforts and create a standard interface for external partners and country offices who engage simultaneously with several UK government departments.

Results and evidence remain central to the United Kingdom's programming and new aid-spending departments are building their capacity to manage for results, evaluate their programmes and increase institutional learning. Nevertheless, of the seven departments and cross-government funds that accounted for more than 60% of non-DFID ODA expenditure in 2018, only two referred to the effectiveness of their spending in their annual reports. DFID's experience reflects good practice in the DAC and provides a strong basis for a harmonised approach to results and evaluation across government. In particular, two reforms which were underway in DFID could help the United Kingdom to focus on effectiveness, adaptive management and longer-term change. The first reform was a more tailored approach to results management to meet a range of objectives: communicate to the public, account to parliament, guide strategic direction, and manage for results in projects and portfolios. The second reform was to re-balance

extensive decentralised evaluations with more centralised evaluations to better support strategic decision making. In addition, the United Kingdom currently relies primarily on data collected by its multilateral and non-governmental implementing partners. It could reinforce its investment in partner countries' statistical and data systems by using, and feeding into, partner countries' information systems and results frameworks more consistently.

Recommendations

5. The United Kingdom should develop an overarching framework to enable oversight and accountability for the whole of government contribution to international development.
6. The United Kingdom should develop a harmonised approach to results, monitoring and evaluation for development co-operation that: reflects good practice; meets a range of diverse needs; can be applied to all departments; and includes incentives to strengthen and use partner countries' data, statistics and results frameworks.

Clarifying the United Kingdom's approach to inclusive prosperity would garner support

As seen in Kenya and Jordan, the United Kingdom is careful to distinguish between its dual, inter-related objectives of promoting inclusive prosperity in developing countries and enhancing its own prosperity. DFID's vision for inclusive prosperity – transformative change to create decent jobs through the private sector and a corresponding enabling environment – is based on robust evidence and learning but has been misunderstood by several external observers. The United Kingdom could explain more clearly how it seeks to build mutual prosperity by supporting the private sector and encourages all private sector investments in developing countries – including through equity, guarantees and loans. It would also be useful to set out a continuum of support from early technical assistance to investment at significant scale. Making more non-ODA funds available to enable government departments with trade or other domestic objectives to better support development objectives and advance mutual prosperity, and ensuring that the United Kingdom's ODA and blended finance do not crowd out private capital, would build confidence that the United Kingdom's two prosperity objectives can be achieved in tandem.

Since shifting its investments to fragile contexts, the United Kingdom's development finance institution, CDC Group, has become a catalytic financial instrument with a clear niche. DFID has been instrumental in steering CDC Group in this direction as well as encouraging stronger monitoring and evaluation systems to assess how its investments contribute to poverty reduction. CDC Group's stated objective is to focus on the most difficult markets and it has the political and financial backing to take informed risks. Its financial returns have historically been above agreed targets but are diminishing as its portfolio shifts to more difficult contexts. Enabling and encouraging CDC Group to engage in riskier and more difficult investments will remain important in order to support inclusive growth.

Recommendation

7. The United Kingdom should set out a clear and comprehensive whole-of-government approach to inclusive prosperity in developing countries, including fragile contexts, which retains a focus on poverty reduction while making strategic use of all tools to encourage private finance.

Commitment to an effective multilateral system calls for more consistent support for United Nations reforms

A strong advocate for an effective, rules-based multilateral system, the United Kingdom matches political engagement with replenishments of core funding and plays an active role in multilateral governance structures and reform processes as well as in technical discussions. Allocations to the multilateral system for both development and humanitarian assistance are based on performance and tend to be predictable and multi-annual.

The United Kingdom's approach to planning and implementing could nonetheless be more consistent with its commitment to UN development system reform. In particular, a higher proportion of flexible funding, including pooled funding, would reinforce UN Sustainable Development Co-operation Frameworks in partner countries. Similarly, the shares of core and earmarked support to UN funds and programmes (14% and 86% respectively in 2018) could be better balanced in light of collective targets under the UN Funding Compact. Finally, where a proportion of core funding is linked to performance, more could be done to reduce transaction costs and to ensure that performance targets selected by the United Kingdom do not unintentionally distort the reform agenda agreed by all partners.

The United Kingdom needs to address some challenges

Sharing and managing risk would strengthen partnerships, especially in fragile contexts

The United Kingdom recognises that it cannot achieve its development objectives without supporting high-risk interventions and working in high-risk environments. Within DFID, risks were managed at a strategic, portfolio and grant level, and openly discussed with management, political leaders and partners, all of which represents good practice. However, partners and some staff felt that the ambitions to take informed risks and to encourage innovation were undermined by the checks and balances in place in DFID to identify and manage risks. Partners found that DFID's due diligence requirements reinforced a culture of control and compliance while obliging partners to assume many of the risks, and they would welcome a more joint approach to managing risks.

Recommendation

8. The United Kingdom should take further measures to enable risk-based management of development co-operation programmes, remaining committed to taking informed risks and to engaging in fragile and crisis-affected contexts, while avoiding heavy reliance on compliance and control.

More effective and efficient procedures would reduce transaction costs on all sides

The United Kingdom's well-established, professional civil service has a long tradition of being rules-based with a strong focus on performance. All departments that spend ODA follow Treasury guidance on Managing Public Money and draw to a varying extent on DFID's Smart Rules as a basis for their departmental guidance. Additional joint Treasury / DFID guidance provides further advice on how to achieve the best possible value for money in ODA expenditure. Recent work on sexual exploitation and harassment safeguards illustrates the United Kingdom's capacity and willingness to adapt its internal systems as needs arise.

However, regular updates to processes have not yet streamlined oversight requirements and management processes as recommended in the 2014 peer review. Across the board, partners feel that working with the United Kingdom is administratively time consuming and fear that time spent on due diligence, detailed reporting and forecasting is diverting attention away from more strategic considerations and has a negative impact on their ability to deliver programmes and to engage with others.

Many partners considered DFID to be flexible, aware of field realities and considerate of its partners. They acknowledge that some requirements have improved their systems and increased their focus on achieving value for money. They nonetheless contend that the United Kingdom and its partners would benefit from more efficient procedures. The need for an operational model for the new Foreign, Commonwealth and Development Office provides an opportunity to review processes and procedures to retain the strengths of past approaches while allowing staff and partners more time to engage with, and learn from, each other.

A more deliberate approach to partnership would strengthen country ownership

An engaged, informed and exacting donor, the United Kingdom is adept at drawing on a range of partnerships to deliver its development objectives. However, it could do more to use its funding and engagement to reinforce the independence, mandates and effectiveness of diverse partners, including supporting local organisations in their own right. Doing so would support the United Kingdom's policy objectives for an effective multilateral system; a healthy, vibrant and effective civil society; and broad ownership of development processes in its partner countries.

Firstly, engaging in two-way dialogue with local organisations, including civil society, think tanks and research institutions, would build broad ownership for the United Kingdom's work and help to develop longer-term institutional capacity, including in many fragile contexts. Systematic consultation would allow the United Kingdom to learn from its partners' diverse perspectives, develop joint strategies and shape public debate. In turn, dialogue would allow development partners to draw on the United Kingdom's robust evidence base and country context analysis; better understand the United Kingdom's overall strategy; and help to build public and political support for the United Kingdom's efforts.

Secondly, when providing funding, particularly in partner countries, the United Kingdom could go further to pursue its effective development co-operation commitments. This would involve supporting partners' own strategic plans and finding entry points to strengthen and use countries' own systems. To encourage this approach, strategic guidance on value for money, programme delivery and procurement could explicitly

identify inclusive partnerships and building institutional capacity as valid development objectives in their own right that should be pursued more consistently. Doing so would help all of the United Kingdom's government departments that spend ODA to build a better culture of effective development partnerships.

Finally, while the United Kingdom reports its ODA through the International Aid Transparency Initiative and has a public portal providing detailed information on individual grants, it is difficult to access public information on ODA expenditure at a more consolidated and strategic level. Publishing whole-of-government country and regional strategies that are based on evidence, set out longer-term development co-operation objectives and indicate available budgets would support harmonised approaches and allow partners – particularly in partner countries – and UK taxpayers to hold the government accountable for delivering on its strategies.

Recommendations

9. The United Kingdom should go further to enable partners to engage with the development of policies and strategies and clarify approaches to consultation and publication. In particular, whole-of-government country strategies that are based on evidence and broad consultation and include both development co-operation objectives and indicative budgets should be formulated for all partner countries and made publicly available.
10. The United Kingdom should ensure that all strategic guidance recognises the importance of effective partnerships and country ownership for achieving sustainability of development outcomes, including the need to build institutional capacity in developing countries.

Access the full report

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