DFID'S AID PRIORITIES AND AFRICA

A Report on the Bilateral Aid Review by the Africa All Party Parliamentary Group

January 2012

Africa All Party
Parliamentary Group

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Photograph courtesy of James Crawford

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Acronyms

APPG – All Party Parliamentary Group

BAR - Bilateral Aid Review

CAFOD – Catholic Overseas Development Agency

CDI – Commitment to Development Index

CIFP-FFS – Country Indicators for Foreign Policy – Failed and Fragile States

CPIA – Country Policy and Institutional Assessment

CSO – Civil Society Organisation

DECC – Department of Energy and Climate Change

DFID – Department for International Development

DRC – Democratic Republic of Congo

EAC – East African Community

HDI – Human Development Index

HLF4 – Fourth High Level Forum

HMG – Her Majesty's Government

IATI – International Aid Transparency Initiative

ICAI – Independent Commission for Aid Impact

IDS – Institute of Development Studies

M&E – Monitoring and Evaluation

MAR – Multilateral Aid Review

MDG – Millennium Development Goal

NEI – Needs-Effectiveness Index

NGO – Non-Governmental Organisation

ODA – Overseas Development Assistance

ODI – Overseas Development Institute

OECD – Organisation for Economic Co-operation and Development

OT – Overseas Territory

SDSR – Strategic Defence and Security Review

Introduction by the Chair

In 2010/11 the UK gave £4,254m in bilateral assistance to 78 countries (of which 37 received direct financial aid), a 7% increase from 2009/10, when UK bilateral assistance totalled £3,958m. Of this, £1,760m went to sub-Saharan Africa in 2010/11. This is part of a steady increase in DFID's total programme, which has grown on average by 11 per cent per annum since 2006/07, and which will increase further as the UK meets its commitment of increasing spending on ODA to 0.7% of GNI in 2013/14. The Bilateral Aid Review was conducted to ensure these increases are spent as effectively as possible.

The basic premise of the Bilateral Aid Review (BAR), that by reducing the number of countries in which DFID operates bilateral programmes DFID will reduce administrative overheads and improve aid effectiveness, is well conceived. The process of allocating budgets based on proposals by the DFID country teams is welcome. The BAR's results are largely sensible, seeing the closure of DFID offices in countries where the UK has little comparative advantage, such as Niger, and in countries which are no longer considered to have a significant development need, such as Kosovo and Vietnam. However we have some reservations about how the Review was carried out, which have implications for some of the decisions made.

The Africa APPG looked in detail at the methodology used for the BAR. Our concerns relate to the lack of objective criteria used to select focus countries, the lack of transparency of this process and the poor quality of some of the information on which these decisions were based. The Needs-Effectiveness Index (NEI) appears to have been used to justify the subjective decisions of officials, rather than to make objective decisions. DFID did not provide a clear and convincing explanation of why its Needs-Effectiveness Index was constructed in the way it was, and our study shows that alternative and equally credible assumptions would have pointed to significantly different results. While asking the focus country teams to produce "results offers" produced considerable amounts of information used to develop country budgets, this information was not available until after the focus countries had been selected and was therefore unable to support decisions about the choice of countries.

The methodology employed has in effect favoured countries with large populations. There is little evidence to suggest that aid will be more effective in such countries and there is no convincing moral argument for doing more to aid poor people in large countries than poor people in smaller countries. In particular we disagree with the decision to close DFID's bilateral programme in Burundi, a small, extremely poor, fragile country recovering from decades of civil war, which is highly dependent on aid and whose stability has deep consequences for the wider region. When our alternative assumptions are used in the Needs-Effectiveness Index, Burundi ranks as the number one country, and, had these

criteria been used to select focus countries, DFID's programme in Burundi would not have been selected for closure.

The BAR has led to considerable changes in the way UK aid is spent in Africa and elsewhere, and we discuss the implications of these for Africa. In particular we consider how to ensure UK aid is spent effectively in the focus countries and what to do if it appears not to be. We highlight the importance of getting the right balance between simple, short-term development outcomes and addressing the more complex and longer-term issues, in which DFID has a particularly strong track record. We discuss the need for UK aid to be accountable, not just to HMG, but also to the communities that it purports to help, and their elected representatives in national Parliaments.

Overall the Bilateral Aid Review has allowed DFID to refocus its bilateral work where it has the potential to be used most effectively. We hope DFID will realise this potential by ensuring its country programmes address the full complexities of the issues with which it deals.

Hugh Bayley MP
Chair
Africa All Party Parliamentary Group

1. The Bilateral Aid Review

The Bilateral Aid Review (BAR) was commissioned in May 2010, in parallel to a Multilateral Aid Review and in the context of the Government's Spending Review, in order to establish the priorities for the Department for International Development's (DFID's) bilateral aid expenditure. The Review was published in March 2011, and has allowed DFID to "refocus … its aid programme to make the most difference and secure 100 pence of value for every pound spent" (Secretary of State, in a letter to the APPG dated 30th June 2011).

A central plank of this strategy is to refocus UK bilateral aid expenditure "in fewer countries so that we can target our support where it will make the biggest difference and where the need is greatest" (DFID, 2011[1]). To do this, Ministers decided to reduce the number of significant bilateral programmes from the 43 operating in 2008/9 to 27 country programmes, as well as three Overseas Territories and three regional programmes, by 2016. In addition the Review refocused DFID's activities in order to meet the obligations set out in the 2010 Strategic Defence and Security Review (SDSR): to increase the percent of Official Development Assistance (ODA) spent supporting fragile and conflict-affected states and tackling the drivers of instability from 22% in 2010 to 30% in 2014[2].

The 27 country bilateral programmes were selected by Ministers, using three criteria:-

- Development need
- Likely effectiveness of assistance
- Strategic fit with UK government policies.

Although the review did rank countries according to the Needs-Effectiveness Index that had been used in DFID's Multilateral Aid Review (MAR), this was used to provide *ex post* justification for the country selection, rather than to aid the actual decisions[3].

In order to allocate resources between the selected country programmes, the 27 DFID country teams were then asked to set out a "results offer" detailing what they could realistically achieve in their country or region over the period April 2011 – March 2015, what this would cost and how this would provide value for money. Their results offers were presented against the five pillars of the DFID Business Plan: wealth creation, climate change, governance and security, direct delivery of the Millennium Development Goals (MDGs) and humanitarian assistance. Following a thorough review of each of the country offers, Ministers chose which they wished to take up. This "bottom-up" approach was designed to ensure decisions were based on needs and evidence on the ground, as well as being consistent with the Coalition Government's priorities.

The Bilateral Aid Review has resulted in major changes to the way UK aid is spent. DFID's plans to work through larger bilateral aid programmes in fewer countries have inevitably

[1] DFID (2011) *UK aid: Changing lives, delivering results*
[2] SDSR, p.44
[3] See Items 19 and 21 of the Technical Report

created both “winners” and “losers”, and the greater emphasis on transparency, cost-effectiveness and value for money will influence the way international development programmes are implemented. With this in mind the Africa All Party Parliamentary Group (APPG) set out to consider the impact of the Bilateral Aid Review on Africa.

2. The Impact of the Bilateral Aid Review on Africa

The Africa APPG defined seven specific questions relating to the effect of the Bilateral Aid Review on African countries in May 2011, as detailed in the Terms of Reference. The Group sought both factual evidence and points of view on:-

1. How DFID should work with the governments of partner countries in Africa, which will receive substantial increases in aid to ensure that they have the absorptive capacity to use that aid effectively.

2. The outcome which DFID's aid is expected to achieve between now and 2014/15 in each country in Africa in which it has a programme, and as a result of its Africa Regional Programme.

3. The steps which DFID and governments of African countries should take to improve the efficiency and effectiveness of UK bilateral aid.

4. The actions which DFID should take if its bilateral programme in a particular country fails to achieve the expected outcomes.

5. What flexibility DFID has to increase or decrease funding to a particular bilateral partner during the next four years.

6. What contingency DFID has to respond to humanitarian emergencies or other unexpected events in Africa over the next four years.

7. The impact on African countries which will cease to receive UK aid.

This report details the APPG's assessment of both the process and results of the BAR and addresses each of these points. It is based on desk research and consultations with stakeholders working in Africa or on Africa-related issues.

3. The APPG's Assessment of the BAR Process

3.1 Overview

The Africa APPG believes it made sense for an incoming Government to commission fundamental reviews of our bilateral and multilateral aid programmes.

We welcome the Coalition Government's decisions to

- Keep poverty reduction the overriding purpose of UK aid
- Reaffirm the previous Government's commitment to increase UK aid to 0.7% of GNI by 2013.

We also welcome the new emphasis on

- Transparency and accountability
- Working in conflict states

We support the emphasis placed in the reviews on achieving both results and value for money for the UK taxpayer – provided this does not entail chasing "easy wins" at the expense of attempts to address the more complex, broader structural causes of poverty. We recognise that the review has made a coherent case that spending more bilateral aid in fewer countries will deliver better value for money. Operating fewer programmes should not only reduce administrative costs, but also ensure DFID works only in places where it has a deep enough understanding of the country context to work effectively. We recognise that the fragmentation of aid poses a number of challenges to recipient governments and believe this is an important step towards an international aid architecture characterised by fewer, larger aid programmes in each recipient country. We therefore support the general approach taken in the BAR.

3.2 Methodology

The Bilateral Aid Review took what it described as "an entirely new approach: identifying and scrutinising from the bottom-up the results that UK assistance could achieve in each country" (Technical Report, Item 2). To date, this process has been subject to little scrutiny, although commentators have welcomed it as systematic and thorough.

"DFID have undertaken a very challenging and complex task in a systematic and rigorous way", CAFOD[4]

"It is a thorough review and a decisive one, but not a reckless one", Lawrence Haddad, Director of IDS[5].

"an unusually careful and systematic review", Simon Maxwell[6]

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[4] CAFOD (2011) *The UK Bilateral Aid Review – Analysis and Response*

[5] http://www.developmenthorizons.com/2011/03/six-things-we-learned-from-DFIDs-aid.html

The methodology of the BAR can be considered as two main steps: the selection of focus countries and regions, and the allocation of resources between them.

3.2.1 Selection of Focus Countries

Transparency of Methodology
While the Africa APPG supports the decision to run larger bilateral aid programmes in fewer countries, we believe the Department for International Development should have been more transparent in its selection of countries that will continue to benefit from UK aid. This is in the context of an increasing emphasis on transparency and accountability of aid, both internationally, for example through the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action, and within the UK, through the BAR itself, and reflected in the formation of the UK Aid Transparency Guarantee[7] in 2010.

The Technical Report details that Ministers decided that DFID should focus on "at most 27 country programmes" (Technical Report, Item 15). It remains unclear how this figure was derived, in particular whether it was selected before or after certain countries – those where the UK was thought to have limited comparative advantage and those considered ready to "graduate" from aid – were excluded from the bilateral programme. The Report states that a degree of flexibility will be maintained in cases of sudden onset emergencies (Item 23), and that each country Operational Plan will be reviewed annually (Item 45), but gives little indication of the scope to change the number of DFID's bilateral partners should circumstances change. We believe it would be beneficial for Ministers to be clearer about how the figure of 27 countries was derived and the extent to which this can be adjusted for changes in circumstances.

The Bilateral Aid Review states that three criteria were used to assess country programmes:- development need, the likely effectiveness of assistance, and strategic fit with UK government priorities[8]. It gives examples of clear-cut cases where one of these criteria was predominant in the decision of whether to continue or close the bilateral programme. For example the UK has a limited comparative advantage in Niger and the Gambia and is therefore unlikely to be able to work effectively in these countries, and economic growth has meant that development need in Vietnam has decreased considerably in recent years. It does not however explain how these criteria were combined to decide whether each country programme would be continued in less clear-cut cases, or explore the sometimes conflicting nature of these three criteria.

We are supportive of a *qualitative* decision-making process that allows individual circumstances to be taken into account, but question how *systematic* this was, given the lack of information about this process provided in the Technical Report.

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[6] http://www.simonmaxwell.eu/blog/looking-behind-the-headlines-of-DFIDs-bilateral-and-multilateral-aid-reviews.html
[7] http://www.DFID.gov.uk/ukaid-guarantee
[8] Technical Report, Item 13

Criteria for Selecting Countries

The Africa APPG welcomes the Government's choice of criteria to select the focus countries:- development need, likely effectiveness of assistance, and strategic fit with UK government priorities. However we question what information was used to assess countries against these criteria and how these criteria were prioritised.

The DFID country teams in the 27 focus countries were given the opportunity to discuss, in detail, what was required in their countries, how this might be achieved and how this could provide value for money, through the "results offers". Although it would have increased the costs of the BAR, asking all 43 countries with significant existing bilateral programmes to complete a results offer, rather than just the 27 focus countries, would have provided considerable amounts of detailed information, allowing a more thorough assessment of development need and likely effectiveness of assistance in each of the countries being considered. This would have ensured conditions on the ground were taken into account in the selection of countries, as well as in the allocation of resources between them – and the "bottom-up" approach hailed by DFID could have been applied to both stages of the methodology.

The prioritisation of the three selection criteria is particularly important because of an inherent tension between two of the criteria: the effectiveness of assistance and the strategic fit with UK government policies, in particular the need to increase considerably spending in fragile and conflict-affected states to meet the obligations of the Strategic Defence and Security Review. Put simply, providing development assistance is likely to cost more in conflict-affected regions, where costs of transport, communication and staffing are likely to be higher, and state capacity lower. The BAR does not explain how it balances this tension.

Validation of choice of countries: use of the NEI

The Needs-Effectiveness Index used in the Multilateral Aid Review was used to validate the country selection of the BAR[9]. With 19 out of DFID's 27 countries in the top quartile of the index, where aid has the potential to be most well used[10], this appears to justify the Ministers' choices. However as the weighting of the components of the index strongly influences this result, the construction of the index is crucial to its application in justifying the country selection.

The Needs-Effectiveness Index is derived from the following data:-

- The Human Development Index (HDI), itself derived from life expectancy, literacy, education enrolment and GDP per capita. The reciprocal of HDI is used, so that *lower* human development generates a *higher* needs-effectiveness score.
- A fragility index produced by Carleton University (the Country Indicators for Foreign Policy Failed and Fragile States index, or CIFP-FFS), itself derived from a large

[9] Technical Report, Item 21
[10] See Technical Report, p.7

number of indicators[11]. Higher CIFP-FFS scores indicate greater fragility and a higher NEI score.

- The number of people living on less than $2 per day (to the power of 0.2 to mitigate its overall weight in the index).
- The World Bank's Country Policy and Institutional Assessment (CPIA) score, itself based on 16 indicators of quality of governance. Higher CPIA scores indicate more effective governance and a higher NEI score.

The HDI, poverty numbers and fragility index are used to capture development need, and the CPIA score to capture the likely effectiveness of aid. The BAR does not explain why these particular indicators were chosen, rather than others which could also have captured "need" and "effectiveness", for example people living on less than $1, rather than $2, per day could have been used to represent development need.

The Technical Report states that HDI and population under $2 a day have the greatest influence on the index, followed by CPIA and fragility (p.21). This can be explained by the fact there is a correlation between the CIFP-FFS fragility index, which adds to a country's NEI score, and the CPIA governance index, which subtracts from it; in essence, fragile countries are more likely to have poor governance, and countries with poor governance are more likely to be fragile. This means the two indices considerably off-set each other and therefore have little influence on the final NEI rank. This is highlighted by Figure 1, which shows the Needs-Effectiveness Index rank to be highly correlated to a pure "needs" index rank, which excluded the fragility and governance indicators entirely.

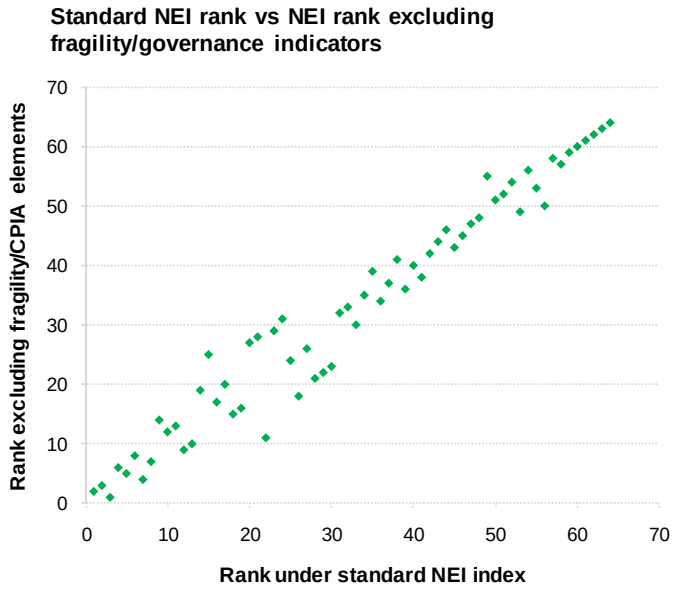

Figure 1: Standard NEI rank vs NEI rank excluding fragility and governance indicators

This serves to highlight the tensions between the objectives of selecting both fragile states (to meet the obligations set out in the Strategic Defence and Security Review) and states where aid will be effective (to provide value for money). The NEI would rate fragile states where aid will be effective the highest, but an assessment of CIFP-FSS and CPIA scores shows very few of such countries exist; of the countries included in the BAR, only Kenya and Uganda have both a CIFP-FSS fragility score of over 6, and a CPIA governance score of over 3.5[12], indicating a fragile country with a relatively strong governance score. As such, in effect the NEI rates highest those countries with a large "development need", with the likely

[11] Full list of indicators available at: http://www4.carleton.ca/cifp/ffs_indicator_descriptions.htm
[12] CPIA score based on 2010 IDA Resource Allocation Index (IRAI) scores. Analysis excludes countries where data was unavailable: Indonesia, Iraq, Serbia, Occupied Palestinian Territories, Somalia and South Africa.

effectiveness of aid having only a small influence on the overall ranking. This raises questions about the appropriateness of using the NEI to assess a list of countries selected using two additional criteria – likely effectiveness and strategic priority – as well as development need.

Another issue concerning the use of the NEI to justify the choice of countries relates to its use of poverty numbers (the number of people living on less than $2 a day), rather than poverty rates (% of the population on less than $2 a day). While this may be appropriate when considering how to apportion spending between different countries, it is less suitable for establishing whether there is a need for development assistance, and how great this need is in the first place, as it systematically favours more populous countries. As a result populous countries such as India (1.2bn people), Nigeria (155m), Ethiopia (83m), Bangladesh (162m) and Pakistan (170), rank much higher than small but poor countries such as Lesotho (2.1m), Mauritania (3.3m) and Burundi (8.4m). This acts to justify DFID's choice of focus countries, where the average population is 81.6 million[13], compared to an average of 32.1 million in the countries that did not make the final list[14].

Finally, the appropriateness of using the NEI to validate the choice of focus countries depends on the rigour of the input data.

In several countries included in the BAR, the indices that make up the NEI have not been calculated, for example in 2010 23 countries were not allocated an HDI score due to data deficiencies in the underlying components. Significantly, the countries missing data are often those that would be likely to rank highly in the NEI. The BAR does ascribe NEI values to these countries, but does not explain how it calculated NEI scores for countries such as Somalia, which has never been assigned either an HDI or a CPIA score.

However, even where data are available, serious questions remain about their application as part of the NEI. For example, although literature on the CPIA is limited, likely a consequence of the fact that until 2006 the World Bank kept secret the country scores – used to determine how much money a country receives from its International Development Association –it questions what exactly the numbers represent.

3.2.2 Allocation of Resources amongst the Focus Countries

In order to allocate resources between programmes, DFID teams in the focus countries and regions each completed a results offer template, detailing the outcomes they could offer and the costs of the interventions they were proposing. These were set out according to the five pillars of the DFID Business Plan 2010-2015:-

- Wealth Creation
- Climate Change
- Governance and Security
- Delivery of the MDGs
    - Education

[13] 2009 World Bank figures
[14] Excluding Russia and China, whose aid programmes had been announced to close prior to the BAR.

    - Health
    - Water and Sanitation
    - Poverty, Hunger and Vulnerability
- Humanitarian Assistance.

Although the DFID country teams were not expected to address all five pillars, they were asked to explain the rationale for excluding particular areas. The template gave them the opportunity to explain how their programmes would meet DFID objectives, including information such as baseline need, both qualitative and quantitative measures of value for money, and a consideration of how the offer reflects wider HMG priorities (including those of the National Security Council).

These offers were reviewed by a team of over 100 DFID technical advisers, a panel of independent experts and Ministers in a process that included face-to-face discussions, meetings and a presentation to a Scrutiny Panel. The Scrutiny Panel weighed the offers against estimated in-country need and considered how realistic and evidence-based each was, for over 60 or 90 minutes respectively. It should be noted that although the panel was external to the BAR, half of its members were not external to DFID[15].

Ministers then selected the costed offers they wishes to take up, ensuring their selections put DFID on track to meet the commitment in the Strategic Defence and Security Review to spend at least 30% of aid in fragile and conflict-affected states, and contributed to low carbon and climate resilient development. These were used to develop programme budgets.

The APPG welcomes the use of results offers to obtain detailed information about the development needs and possible responses in each of the countries. However, there is a question about the extent to which the capacity of the DFID country office influenced the allocation of resources; it seems probable that larger offices would be more likely to have the time and resources to prepare detailed results offers. Nonetheless, we believe the panel of independent experts provided a degree of external scrutiny to the process and the level of detail of information obtained was sufficient to make informed decisions.

3.3 Discussion of Methodology

The BAR certainly provides a more rigorous and systematic assessment of UK bilateral aid than has been attempted before. This is welcomed and provides a strong evidence base from which DFID can make critical decisions about its approach to aid.

We note that the two stages of the BAR methodology, selecting focus countries and allocating budgets to them, appear to have been conducted in different ways. Little information has been released into the public domain about the first, however we question whether the BAR had access to sufficient information about all the countries being considered to make this judgement fairly. The second appears to have been conducted

[15]See: http://www.DFID.gov.uk/get-involved/making-a-difference/bilateral-aid-review/

systematically, and decisions were based on as much in-depth information about the country circumstances as was practical to collect within the time and financial constraints.

We are pleased that the BAR's "bottom up" approach engaged the DFID country teams in the allocation of resources between countries, if not the initial selection of focus countries. There was however little engagement *beyond* the DFID country teams, either with host governments, broader civil society in recipient countries, or other donors. We regard this as a significant weakness in the BAR. As Christian Aid wrote in their submission to this inquiry: *"The Bilateral Aid Review (BAR) process did not ensure full and proper consultation with civil society in all countries where DFID is engaged"*. This was an important omission in a context where local ownership, country-led programmes, mutual accountability and donor harmonisation are critical determinants of aid effectiveness. It may be telling that the only place where the Paris Declaration and the Accra Agenda are mentioned in the Technical Report is Annex A: key issues raised by civil society. Nevertheless, the APPG acknowledges that the involvement of the country teams in the process allowed for a more detailed investigation into the situation on the ground than would have been possible otherwise.

We welcome the focus on results, but add a note of caution that **easy wins should not be prioritised over tasks that are more complex, longer term, or have a higher risk of failure in order to meet targets**. DFID has a strong track record and a comparative advantage in areas which are often difficult to quantify: working to address the longer term, structural causes of poverty; this should continue to be capitalised upon. This is a view shared by many in the NGO community:-

"it's great to focus on results, as long as support for the intangible things like building a country's tax system or anti-corruption institutions continues alongside schools and bednets. In the long run the intangibles may contribute as much or more to ending poverty" Richard Miller, Executive Director of Action Aid UK[16]

We note that "likely effectiveness of aid" is poorly represented by macro-level indicators and extremely difficult to assess; as Progessio wrote in their submission *"Finding the right methodology and indicators...when work in building good governance is a long term and complex task, involving multiple actors, can be challenging".* As such we question the extent to which it was possible for likely effectiveness of aid genuinely to inform decision making.

The allocation of country budgets as a response to proposed programmes, rather than the reverse, is a welcome change, adding a layer of accountability to the country offices. However **it is important that DFID makes use of the renewed focus on results to ensure accountability to local communities, as well as to the UK Government.**

[16] http://www.actionaid.org.uk/102798/governments_continuing_support_a_resounding_endorsement_that_aid_works_says_actionaid.html

4. Country Indicators

Given the issues surrounding the use of the needs-effectiveness index to justify the selection of focus countries, the APPG decided to investigate how the needs-effectiveness rankings differ under alternative assumptions. Three alternative indices were developed:-

- Poverty rates and HDI
- Poverty rates, HDI and CIFP-FFS
- Poverty rates, HDI and CPIA.

Poverty rates were selected instead of the poverty numbers used in the Government's NEI for the reasons discussed in the previous section: that while the number of people living in poverty may be a good indicator of the *amount* of support required, it is less appropriate for determining the need for assistance in the first place. The effect of the CIFP-FFS and CPIA scores on the ranking exercise were investigated by including them separately, rather than combining them, because when combined the two indices cancel each other out to a large extent, as previously discussed. In addition, it was decided to use a country's *rank* for HDI and CIFP-FFS, normalised to lie between 0 and 1, rather than the absolute value to remove the effect of the differing distributions of the components on the overall score.

This exercise faced similar challenges in data availability as the BAR's NEI exercise. In particular, only 32 out of 48 sub-Saharan African countries have a country-specific poverty rate, as these rely on country surveys, often difficult to conduct. In this case, the regional average is used for those countries without poverty rates, and those without HDI scores have been omitted. For countries missing the CPIA score, it was assumed that a country's position with respect to the other weighted components of the index is reflective of its position with respect to the CPIA score. It was not possible to calculate the NEI for three countries: Occupied Palestinian Territories, Iraq and Somalia, due to missing data. It should be noted that the input data to these indices may not necessarily refer to the same years as the DFID input data, however the influence of this on the overall rankings is expected to be minimal in comparison with the different combinations of data used in the various indices.

Missing Data: the Case of Somalia

Somalia is one of three countries for which the Africa APPG's inquiry was unable to calculate a Needs-Effectiveness Index due to missing data. Specifically, Somalia has never been ascribed either a CPIA score or an HDI score. It has however been given a CIFP fragility score, which ranks it as the second most fragile country in the world.

We welcome the inclusion of Somalia as a focus country, despite the lack of available data, and believe this illustrates the need to take into account context, as well as figures, while making decisions about where and how UK aid should be spent. In addition, we recognise that, although country-wide indicators provide useful information about countries under consideration, there are huge differences within countries that must be recognised. Although Somalia's CIFP ranking reflects a chronic state failure, Somaliland, an un-recognised but functioning democracy in the north of the country, has provided significant stability and security for its citizens. We therefore welcome that 40% of the £63m of Somali aid goes to Somaliland, where there is an opportunity to support the democratisation process, and where the more favourable security situation means DFID has a greater opportunity to work effectively.

Whereas 19 of DFID's 27 focus countries feature in the top quartile[17] (27 countries) of all ranked countries using the NEI used in the BAR, slightly fewer countries - 15, 16 and 15 - are found in the top 27 countries[18] when the alternative assumptions are used. These figures are considered more realistic as the use of poverty rates, rather than numbers, in the three indices presented here, is argued to be a more robust indicator of development need. These are however reasonably high figures, suggesting that in general the BAR has selected countries with high development needs.

Figure 2 shows the country rankings for the three alternative NEIs, as well as for the original NEI used by the BAR. This table shows only the 43 countries which have existing significant bilateral programmes, as only these were considered for future programming.

[17] Quartile 1 corresponds to the 25% of countries with the highest NEI

[18] As the APPG assessed more countries than the BAR (which assessed online Low and Low Middle Income Countries), this is fewer than the top quartile. However this number has been chosen in order to make comparisons with the BAR results, as well as being the number of DFID focus countries.

	DFID NEI: Poverty Number, HDI, Fragility and CPIA	Poverty Rate and HDI	Poverty Rate, HDI and Fragility	Poverty Rate, HDI and CPIA
1	India	Burundi	Burundi	Rwanda
2	Nigeria	Liberia	Liberia	Mozambique
3	Ethiopia	Mozambique	Congo, Dem. Rep.	Tanzania
4	Bangladesh	Congo, Dem. Rep.	Ethiopia	Zambia
5	Pakistan	Malawi	Nigeria	Niger
6	Uganda	Niger	Sudan*	Nigeria
7	DRC	Rwanda	Afghanistan*	Ethiopia
8	Afghanistan	Zimbabwe*	Sierra Leone	Ghana
9	Tanzania	Tanzania	Zimbabwe*	Uganda
10	Niger	Ethiopia	Niger	Malawi
11	Kenya	Zambia	Nepal	India
12	Burundi	Sierra Leone	Angola*	Bangladesh
13	Mozambique	Nigeria	Rwanda	Burundi
14	Rwanda	Afghanistan*	Malawi	Swaziland*#
15	Myanmar	Sudan*	Tanzania	Kenya
16	Sierra Leone	Nepal	Bangladesh	Liberia
17	Indonesia	Angola*	Mozambique	Sierra Leone
18	Yemen	Bangladesh	Zambia	Lesotho
19	Ghana	Gambia, The	India	Nepal
20	China	Lesotho	Yemen, Rep.	Myanmar#
21	Sudan	India	Uganda	Gambia, The
22	Malawi	Swaziland*#	Pakistan	Congo, Dem. Rep.
23	Zambia	Uganda	Swaziland*#	Vietnam
24	Cameroon	Ghana	Kenya	Zimbabwe*
25	Nepal	Pakistan	Gambia, The	Cambodia
26	Liberia	Yemen, Rep.	Myanmar#	Indonesia#
27	Angola	Cambodia	Cameroon	Afghanistan*
28	Iraq	Myanmar#	Cambodia	Angola*
29	Vietnam	Kenya	Ghana	Sudan*
30	Cambodia	Tajikistan	Indonesia#	Kyrgyz Republic
31	Gambia, The	Indonesia#	Tajikistan	Yemen, Rep.
32	Lesotho	Cameroon	Lesotho	Pakistan
33	Tajikistan	Vietnam	Kyrgyz Republic	South Africa#
34	Kyrgyz Republic	South Africa#	South Africa#	Tajikistan
35	Swaziland	Kyrgyz Republic	Vietnam	Cameroon
36	Zimbabwe	China#	China#	Moldova
37	Occupied Palestinian Territories	Moldova	Moldova	China#
38	Somalia	Bosnia and Herzegovina#	Russian Federation#	Bosnia and Herzegovina#
39	Moldova	Serbia#	Serbia#	Serbia#
40	Serbia	Russian Federation#	Bosnia and Herzegovina#	Russian Federation#
41	Bosnia and Herzegovina			
42				
43				
Countries not assessed:	South Africa	Occupied Palestinian Territories	Occupied Palestinian Territories	Occupied Palestinian Territories
	Russia	Iraq	Iraq	Iraq
		Somalia	Somalia	Somalia

Shading indicates DFID focus country

* uses regional poverty rate
\# no CPIA score available

Figure 2: Country rankings by alternative NEIs. Includes only the 43 countries with significant existing bilateral programmes.

The use of poverty rates instead of poverty numbers has some implications for the selection of countries. The clear outlier when poverty rates are used is Burundi, which ranks number one in both the poverty rate and HDI index, and the poverty rate, HDI and fragility index (compared to 12th out of the 43 countries with existing programmes in the BAR NEI), and is likely to have been included as a focus country had these indices been used. Although Niger ranks relatively highly across all the indices, we recognise that the UK has little comparative advantage in Niger and that it makes sense to close this programme.

At the other end, Kyrgyzstan and Tajikistan, both DFID focus countries which rank relatively low, also ranked low in the BAR NEI, but were selected by Ministers as countries where a distinctive British bilateral programme could make a significant impact. South Africa, which was not even assessed by the BAR NEI as it is not a Low or Low Middle Income Country, ranks low, but was selected on a similar basis. As these three countries were selected

despite their ranking by the BAR NEI, the use of the alternative NEI does not affect their selection, even although it does not highlight them as priority countries.

The use of a poverty rate, rather than a poverty number, is however significant to the selection of Pakistan and, to a lesser extent, Yemen, both focus countries seeing major expansions to their bilateral programmes. At 5 and 18 out of the 43 existing DFID countries, these were ranked highly by the BAR's NEI exercise, but rank much lower when the poverty rate is used. This raises questions about the inclusion of these countries, or at the very least the fact that these two countries have seen the largest percentage increase in their budgets out of all the countries in the BAR, at 148% and 175%[19]. We would like DFID to respond specifically to this question.

These issues are explored in further detail in subsequent sections.

[19] Based on comparison of spending in 4-year period 2007/08 – 2010/11 with proposed spending in 4-year period 2011/12-2014/15. House of Commons Library Standard Note 2011.

5. APPG's Commentary on the BAR Results

5.1 Overview

The Bilateral Aid Review has resulted in major upheavals within the UK bilateral aid infrastructure, including the closure of 16 significant bilateral programmes, but it is generally well received by UK development NGOs.

"*We are very pleased that the Government has kept its promises to the world's poorest people at a time when they need help the most. Offering a helping hand in the bad times as well as the good represents the best of British values*." Barbara Stocking, Oxfam Chief Executive[20]

"*CAFOD's top line message is that we are pleased with the Bilateral Aid Review*"[21]

"*Islamic Relief recognises the tough financial climate the country is facing and endorses the need to ensure improvements in impact for beneficiaries and greater value for money and accountability towards British tax payers. We therefore welcome the Government's reviews of Bilateral and Multilateral Aid and are pleased with its commitment to fighting poverty in some of the poorest regions in the world*".[22]

5.2 Regional perspective

Figure 3 shows how DFID bilateral expenditure is distributed between regions, both before the BAR (up to 2010/11) and during the BAR period (2011/12 – 2014/15).

[20] http://www.oxfam.org.uk/applications/blogs/pressoffice/2011/03/01/oxfam-welcomes-government-aid-reviews/
[21] CAFOD (2011) The UK Bilateral Aid Review. Analysis and Response.
[22] http://www.islamic-relief.com/NewsRoom/4-342-ir-statement-in-response-to-DFID-s-bilateral-aid-and-multilateral-aid-reviews.aspx

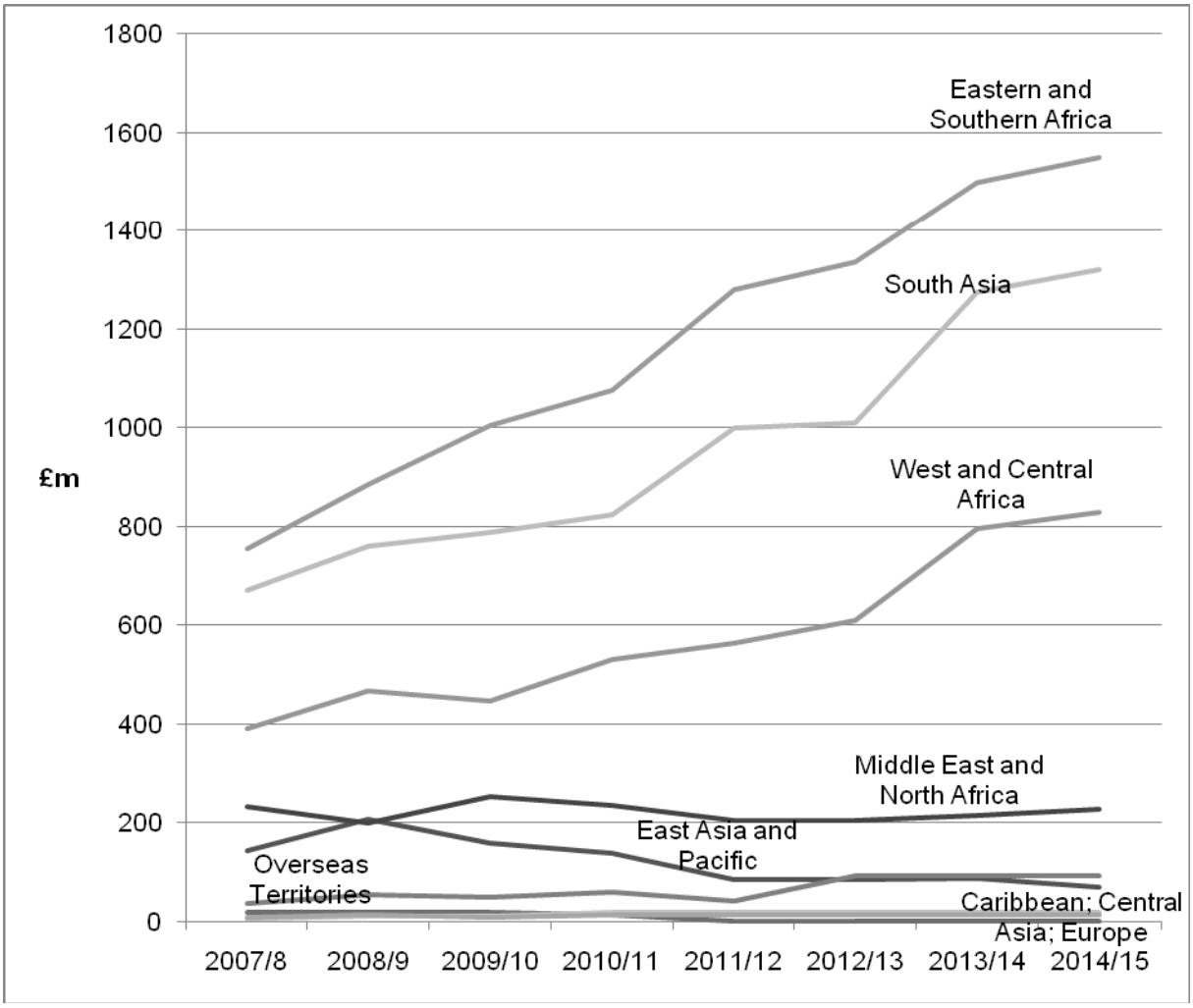

Figure 3: DFID spending by region[23]

NB: Asia regional programme included in South Asia. Africa regional programme included in Eastern and Southern Africa. Europe regional programme included in Europe.

While the total bilateral expenditure is expected to increase considerably over this period, this is largely absorbed in Eastern and Southern Africa, South Asia and West and Central Africa. The Overseas Territories additionally see approximately a 50% increase in spending over the BAR period. East Asia and Pacific and Europe on the other hand see considerable cuts to bilateral expenditure. The Africa APPG welcomes this regional refocus towards sub-Saharan Africa and South Asia, where development needs are highest. We discuss the increase in aid to the Overseas Territories below.

Overseas Territories

The UK provides significant assistance to three of its 14 Overseas Territories (OTs): St Helena, Montserrat and Pitcairn Island, which have long term financial dependency and substantial budget deficits, and face specific challenges including structural and natural barriers to growth, regional isolation and access constraints, small or declining population bases, limited natural resources and susceptibility to natural disasters. With spending in the Overseas Territories expected at around £320 million over the period 2011-2015, this is a

[23] Data based on Annex F of the BAR Technical Report and Statistics on International Development 2011

relatively small DFID programme. However at £307.50 per capita per year, the Overseas Territories will receive 84 times the average for other developing countries on a per capita basis[24]. Despite this, the Overseas Territories receive very little mention in the BAR reports.

The Africa APPG recognises that the UK is generally responsible for the defence, security, international relations and overall good governance of the Territories and the well-being of their citizens, and that aid to the Territories is therefore not discretionary. Aid to the OTs is exempted from a poverty reduction criterion by the International Development Act 2002, and as such the criteria used to assess other country programmes by the BAR did not apply, but instead the priorities detailed in the Operational Plan are:-

- To meet the reasonable assistance needs of OT citizens cost effectively
- To accelerate aid-dependent OTs towards self sufficiency
- To manage the UK Government's financial liability for non-aided Caribbean OTs in crisis.

Given these quite different priorities, **we question if and how the BAR assessed the Overseas Territories.**

5.3 Size of Countries

The countries set to close have considerably smaller existing programmes than those that made the final 27: an annual average spending (2007/8 – 2009/10) of £12.3 million, compared to £78.6 million[25], or an annual per capita spending of 88 pence, compared to £3.08. With the exception of Vietnam, the 16 programmes set to close make up an identical list to DFID's 16 smallest bilateral aid programmes in 2009/10[26].

While we accept the logic that it may be more cost-effective to expand existing large DFID programmes than to scale-up smaller ones, this has the effect of introducing a bias towards larger countries, which is highlighted by the country selections; the countries set to close have an average population of 32 million, compared to 82 million[27]. This is further endorsed by the use of the poverty number, instead of the poverty rate, in the Needs-Effectiveness Index.

This raises two issues. First, it risks excluding small countries with high development needs, such as Burundi, which is discussed below. Second, it implies that it is more effective to work in larger countries than smaller ones. While the APPG cannot judge whether it is "easier" to work in larger countries, it is worth considering that larger countries often have federal or decentralised governance systems, for example Nigeria has 37 states and the DRC has 11 provinces (due to increase to 26). Working through additional layers of

[24] According to CAFOD calculations in their Analysis and Response to the UK Bilateral Aid Review (March 2011).
[25] When Russia and China are excluded from the analysis, as their bilateral programmes had already been announced to close.
[26] This applied when we take into account the fact that Tajikistan and Kyrgyzstan are part of the Central Asia regional programme rather than bilateral programmes in their own right.
[27] 2009 World Bank figures. Countries set to close excludes Russia and China, which were announced to close in advance of the review.

Government may incur additional costs, which need to be balanced against the cost savings of having access to a larger number of people in poverty under the remit of a single country programme. It may be as effective to work through regional programmes that group smaller countries together, as the current Central Asia programme does, as it is to work in large countries with an additional state level institutional structure. **We recommend DFID consider the option of grouping smaller countries together**, particularly in cases such as Burundi, as discussed below, where it may be possible to run an effective and efficient bilateral programme from the DFID office in Kigali.

Burundi

The decision to exclude Burundi from UK bilateral aid expenditure has drawn criticism in a number of fora. In their submission to this inquiry, Christian Aid argues strongly against the decision to close the DFID Burundi office in 2012. Burundi is one of the ten poorest countries in the world, and a fragile state still emerging from decades of a devastating civil war. It is additionally heavily dependent on aid, with around half of the national budget funded by external donors. Although DFID's annual contribution of roughly £12 million to the country has been smaller than some donors[28], it has had significant leverage and played a leading role, particularly in the governance sector. Withdrawing from Burundi at this point risks undermining the results DFID has helped Burundi to achieve so far, as well as having consequences for the stability of the wider Great Lakes region, where DFID continues to invest. The lack of alternative donors positioned to take over in these areas further compounds these risks.

As a result of the high levels of poverty in Burundi and DFID's decision to continue to support other countries in the region, the House of Commons International Development Select Committee conducted an inquiry into this decision. The report of the inquiry, published in October 2011[29], concludes that the decision to close the Burundi programme was the wrong one. The Committee emphasises that DFID is continuing to run bilateral programmes in all the countries in Eastern Africa and the Great Lakes Region; not only is it inconsistent with their stated policy objectives to withdraw only from the most fragile country in the region, but it also risks undermining DFID's expenditure elsewhere in the Great Lakes Region, due to the regional dimensions of the conflicts in the area.

The results of the NEI exercise conducted by the APPG (See section 4) further endorse the conclusion that DFID should continue to work bilaterally in Burundi. By using a poverty rate, instead of a poverty number, and thus eliminating the systematic bias towards larger countries, Burundi ranks as number one in both the index comprised of poverty and HDI, and the index incorporating poverty, HDI and fragility. This suggests an extremely high development need.

The APPG therefore support the conclusions of the International Development Select Committee, that DFID should consider re-installing a bilateral aid programme in Burundi, either by scaling up the existing programme, or by supervising a Burundi programme from the DFID office in Kigali.

[28] France and Belgium gave £71m and £56 million in 2008-9 according to OECD statistics
[29] Available at: http://www.parliament.uk/business/committees/committees-a-z/commons-select/international-development-committee/news/burundi-substantive-/

5.4 Balance between the different pillars

The country Operational Plans break spending down into the pillars of the DFID Business Plan (2011-2015) over the BAR period. These broadly follow the balance between the pillars set out as planned departmental expenditure (given for 2011/12 in the DFID Business Plan).

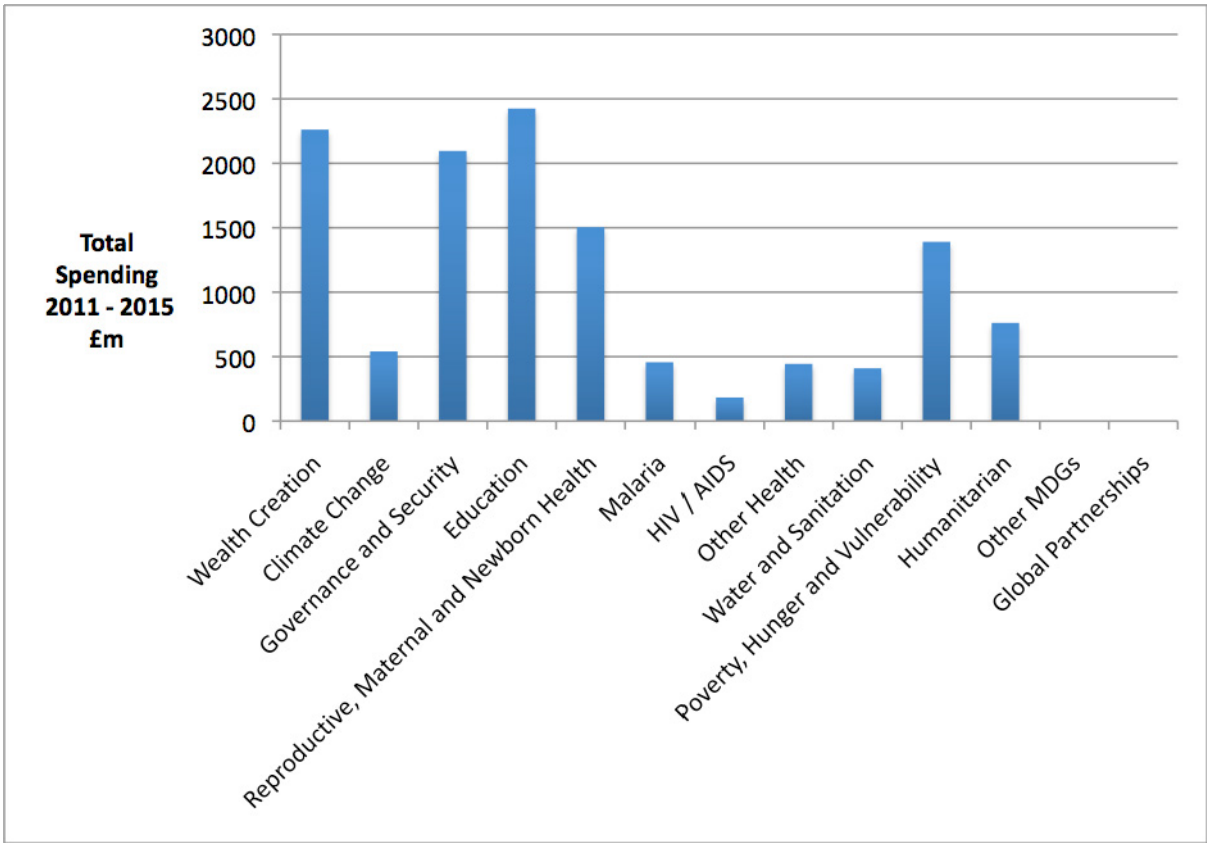

Figure 4: DFID bilateral spending by the "pillars" of the DFID Business Plan

It is difficult to suggest if, and to what extent, the BAR has led to a *change* in the balance between the different pillars, as DFID activities were not categorised in this way before the Business Plan was released. However it is interesting to note that health and education are the highest spending priorities (when the four categories of reproduction, maternal and newborn health, malaria, HIV/AIDS and other health are combined), closely followed by wealth creation, and governance and security, which are both explicitly set out in the Business Plan as coalition priorities. The APPG welcomes these four priority areas. Climate change, also identified as a coalition priority, sees considerably lower spending, at around ¼ of that of education, health, wealth creation and governance and security. This is discussed in more detail in the text box overleaf. Water and sanitation programmes make up an even smaller proportion of the budget.

Climate Change

As one of the coalition priorities identified in the DFID Business Plan, it is perhaps surprising that climate change expenditure over 2011-15 makes up only £541 million, approximately a quarter of that spent on each of health, education, wealth creation and governance and security, and that only nine country programmes selected climate change as a priority.

Climate change is a relatively new addition to the development agenda and it is doubtful whether there is yet sufficient capacity to spend larger sums on these issues, both within recipient countries and within the DFID country offices. Although there are a plethora of examples of successful climate change adaptation and mitigation, major questions remain around how to scale these up, and considerable uncertainties surrounding the nature of the impacts we can expect mean climate change needs are often uncertain. This means we are often not sure how to spend money on climate change. Additionally its cross-cutting nature means it is often difficult to separate it from other pillars, such as water and sanitation, poverty, hunger and vulnerability, and humanitarian, and climate change activities may be mainstreamed within these programmes, whether as part of a conscious decision or not. This cross-cutting nature also means the institutional environment surrounding it is extremely complex, and a wide range of actors are involved; as new climate change institutions are evolving, it remains unclear who exactly is responsible for what both within many countries and across the international arena. Finally international obligations for climate finance to be "new and additional" (to ODA), and therefore sourced separately, add yet more complexity to this situation.

The Technical Report details that some of the £1.5 billion that has been retained for allocation in later years will be put towards climate change priorities, in partnership with the Department of Energy and Climate Change (DECC), and subject to approval by the International Climate Finance Board. The APPG welcomes this, but emphasises that **it will be necessary for DFID to review continuously their climate change spending plans as the climate change debate moves forward.**

5.5 Securitisation of Aid

The BAR has enabled UK bilateral aid expenditure to be refocused to meet the commitments of the Strategic Defence and Security Review, of increasing ODA spending in fragile and conflict-affected states from 22% in 2010 to 30% in 2014 (SDSR, p.44). The additional complexities of getting development to "stick" in conflict-affected states warrants additional attention from the UK, as argued by Saferworld (Feb 2011[30]), and as such the Africa APPG is supportive of the BAR's decision to prioritise fragile and conflict-affected states. This does however raise questions about the so-called "securitisation" of aid; there are genuine concerns about the risk of concentrating aid in countries and regions seen to threaten donors' own immediate security, rather than where needs are greatest, as well as about how aid can best be delivered in conflict situations[31].

This view, that fragile countries should be prioritised but that aid should be allocated where needs are greatest, is generally shared by the NGO community:-

"*The Government's focus on fragile states is welcome - they are among the poorest places on earth. To make every penny count it is important that aid is allocated on the basis of need."* Barbara Stocking, CEO, Oxfam

[30] http://www.saferworld.org.uk/Securitisation%20briefing%20pages.pdf
[31] See this Oxfam report for a discussion of these issues:
http://www.oxfam.org.uk/resources/policy/debt_aid/downloads/bp145-whose-aid-anyway-100211-summ-en.pdf

In their own report of the Bilateral Aid Review, CAFOD used a range of indicators for "security interests" including troop deployment, number of terrorist incidents, and FCO security advice, to investigate whether the BAR had in practice resulted in a shift towards countries with security interests which affect the UK. They found that although the BAR had led to changes in the choices of conflict-affected countries which benefit from UK aid – for example withdrawing from Iraq, Indonesia and Niger and increasing aid to Pakistan, Yemen and Somalia – there is no overarching trend towards spending aid in countries where UK security interests are high. They therefore conclude that overall there is not evidence of a shift towards giving aid to countries with greater security interests to the UK.

This will reassure those who wish to see aid allocated on the basis of need. There are however examples of individual countries which have seen budget increases beyond that which would be justified purely on the basis of "need". These include Yemen and Pakistan, which see the largest budget increases out of any programmes, at 175% and a 148% respectively over a four year period ending in 2013/14[32], and which are discussed in more detail in the next section.

Overall however, the APPG welcomes the fact that the Bilateral Aid Review appears to have succeeded in putting UK aid expenditure on track to meet the SDSR targets, whilst largely maintaining the focus of UK bilateral aid on countries with the greatest needs.

Yemen

Yemen has been allocated the largest percentage increase in total bilateral support of any country included in the Review with a 175% increase in spending between the period 2007/08 – 2010/12 and the period 2011/12 to 2014/15[33]. While this is, at least in part, aimed at reducing the risk of state failure in Yemen, a recognised UK objective[34], this increase appears to be disproportional to Yemen's development needs. With a poverty rate (<$2 a day) of 45%, compared to a South Asian regional average of 74%, and a sub-Saharan regional average of 73%, Yemen falls far behind many countries in both the pure "needs" index, for example placing 47th on the Poverty rate-HDI index, and 55th on the Poverty rate-HDI-CPIA index . Even the index which does incorporate fragility ranks Yemen as 28th, just outside the top 27 countries.

As well as questioning whether Yemen's development needs warrant this increase in expenditure, we question how DFID expects to reduce the risk of state failure in Yemen. Although there is a sizeable literature on how to provide *development assistance* in conflict-affected countries, the direct relationship between development assistance and peace-building has been subject to less scrutiny. We note that although aid *can* play a role in addressing the underlying causes of instability, thus contributing to peace-building, it does not always – and there are examples of cases where donors have even inadvertently undermined state-building processes[35]. As such, if DFID Yemen is to meet the stated objective of reducing the risk of state failure, it is imperative that bilateral aid is spent on the issues, and through the channels, that contribute most effectively to peace-building. DFID Yemen is keeping the details of its programme, including its Operational Plan, under close review due to "serious instability in Yemen"[36], which makes it difficult to assess the extent to which DFID's engagement in Yemen will meet this objective. However **we ask DFID to clarify how exactly they expect increased UK bilateral spending to reduce the risk of state failure in Yemen.**

[32] House of Commons Standard Note SN05906 (2011): The bilateral and multilateral aid reviews
[33] House of Commons Standard Note SN05906 (2011): The bilateral and multilateral aid reviews
[34] P. 13 BAR Technical Report
[35] See: OECD (2009) Do No Harm. International Support for Statebuilding. Available at: http://www.oecd-ilibrary.org/development/do-no-harm_9789264046245-en;jsessionid=1stdrfwnbfpnn.epsilon
[36] See: http://www.DFID.gov.uk/Where-we-work/Middle-East--North-Africa/Yemen/

6. Key Questions for Africa

The Bilateral Aid Review has led to considerable changes to the UK's relationship with Africa. We asked the Secretary of State for International Development and other bodies submitting evidence to address the following questions:

1. How DFID should work with the governments of partner countries in Africa which will receive substantial increases in aid to ensure that they have the absorptive capacity to use that aid effectively.

Secretary of State's response: The Bilateral Aid Review took a different approach to the previous top-down resource allocation process, by starting with the results that UK aid could achieve in each country. This helped DFID to allocate resources based on real evidence of how aid will deliver results and value for money, taking into account analysis of the needs in the country, other donors' activities and the effectiveness of the Government. DFID is confident that the resources committed will be used effectively and will have rigorous monitoring and evaluation systems in place to ensure that this will be the case. Anticipated results and HMG strategies to deliver them are being set out in Operational Plans for each business unit in DFID. Those plans will be reviewed annually to allow flexibility and to adjust for changes in country or regional circumstances if required.

Africa APPG's comments: Ensuring the governments of partner countries which will receive substantial increases in aid have the absorptive capacity to use that aid effectively therefore depends on both the effective monitoring and evaluation (M&E) of DFID bilateral programmes, and the flexibility DFID maintains to respond to information gained from these systems. We therefore welcome the emphasis placed on M&E in the country Operational Plans, and **ask that this be reported fully in the public domain, by including annual progress reports from each bilateral programme in DFID's annual report.** We welcome the reference made to the *commitment value* in a number of the Operational Plans, emphasising that the allocated budgets refer to the potential size of the programmes, dependent on performance, as this suggests a degree of flexibility within programme budgeting. However we note little detail has been made available about *how* this flexibility will be ensured and *how* programme budgets may be altered should it become apparent that governments of partner countries do not have the absorptive capacity to use increased levels of aid effectively.

However, DFID can also play a more active role in ensuring countries have sufficient absorptive capacity, than simply involving the country teams in the resource allocation process and adjusting programme budgeting should circumstances change. An ODI Briefing Paper[37] highlights a number of constraints to absorptive capacity. It is imperative DFID country programmes actively address these constraints in countries which will see considerable scaling-up of UK aid.

These constraints include:-

- **Macro-economic constraints**, for example a "Dutch disease" effect, when the exchange rate appreciates, harming exports; aid volatility may trigger volatility in inflation, interest and exchange rates; labour market pressures, when aid programmes increase demand for skilled labour, driving up wages.

[37] http://www.odi.org.uk/resources/download/1369.pdf

- **Institutional and policy constraints**, for example public expenditure management systems (e.g. budget systems and accountability systems) unable to absorb additional resources; negative incentives for reform, and government accountability shifting from domestic to international actors.
- **Technical and managerial constraints**, for example a lack of human capital such as qualified medical professionals; a lack of infrastructure and equipment reducing the impact of additional spending on the standard of living; socio-cultural factors limiting demand for services, for example families choosing not to send their children to school,
- **Constraints generated by donor behaviour,** for example small, dispersed projects impose high transaction costs on governments; unpredictable aid flows hamper efforts on medium and long term planning.

The country Operational Plans do address these some of these constraints, but there is a risk the need to show results will provide an incentive to focus on other issues that are less complex and easier to evaluate. **We strongly recommend DFID continues to address issues such as the capacity of governments in Africa (and elsewhere) to manage budgets, and human capital development, in order to ensure partner countries have the absorptive capacity to use aid effectively.**

2. The outcome which DFID's aid is expected to achieve between now and 2014/15 in each country in Africa in which it has a programme, and as a result of its Africa Regional Programme.

Secretary of State's response: Over the next four years in Africa UK aid will deliver significant results. The large populous countries of Nigeria, Ethiopia and DRC will account for approximately half the results to be delivered in Africa. Based on current estimates, we will:

- Support nearly 3m people to have enough food throughout the year;
- Help 4m of the world's poorest people escape extreme poverty;
- Support 5m children in school;
- Help 8m children get better nutrition;
- Give 14m people access to drinking water;
- Supporting 20m people to hold authorities to account;
- Protect 30m people from malaria.

We will also deliver significant results not captured by the headlines above. These include support to improvements in Public Financial Management across the region. In addition, we will help halve the time taken to transit 10 national borders through the African Free Trade. Further details of the Africa Regional Programme are set out in the Operational Plan available via the DFID website.

The recent publication "The engine of development: the private sector and prosperity for poor people" outlines DFID's intention to put the private sector centre-stage in its work to generate prosperity for poor people in developing countries, including in Africa. The UK will seek to harness the expertise and resources of private enterprise to boost investment, create jobs and income opportunities and provide better public services in the poorest countries. A key part of this approach will be to make it easier for all businesses, including small and medium enterprises, to operate and grow by cutting red tape and expanding markets and trade.

Africa APPG's comments: We welcome the emphasis on Public Financial Management, African Free Trade and the private sector, which complement the more direct development indicators set out in bullet points.

We note that these outcomes raise important questions about how to measure success in Africa; whereas it is relatively easy to record output indicators such as whether schools and clinics have been built – and perhaps as importantly, to determine how much of this is a result of UK aid, gaining reliable statistics on impact indicators is extremely difficult. This challenge will be greater in countries where decentralised or federal structures mean there is no one coordinating agency responsible for monitoring, such as Nigeria where each state takes responsibility for statistics, and in fragile and conflict-affected states, such as the DRC, where monitoring is particularly difficult, expensive and unreliable. It is noted that a number of Operational Plans highlight the importance of increasing the capacity of recipient governments to monitor trends, for example DFID Nigeria is supporting the Nigerian government to monitor teacher numbers and utilisation of health posts, but we question the extent to which it will be possible to measure success against these criteria. **We ask DFID to clarify what exactly these headline figures mean, in particular the contribution that UK bilateral aid will make to them, and how this will be assessed.**

We note that, while these expected outcomes are significant, UK bilateral aid is only able to scratch the surface of Africa's development needs, for example aiming to help 4 million to escape extreme poverty, compared to the 597 million in sub-Saharan Africa the World Bank state live on less than $1.25 a day. Africa's development is dependent on a much broader range of factors than aid. The Commitment to Development Index (CDI)[38] scores developed countries on how they help poor countries across seven areas: aid, trade, investment, migration, environment, security and technology. The UK ranks well (8th) on foreign aid, but is considerably weaker in other areas, such as security and migration. While not under the mandate on the Bilateral Aid Review, **it is imperative the UK recognises the impact its non-aid policies have on Africa if it is to reap the highest rewards from its aid expenditure.**

3. The steps which DFID and governments of African countries should take to improve the efficiency and effectiveness of UK bilateral aid.

Secretary of State's response: The UK is already recognised as one of the most effective providers of aid. To further improve and deliver better results – both for poor people in Africa and for the UK taxpayer – DFID now wants to see a much stronger focus on results, value for money, transparency and accountability. We want to refocus efforts in order to achieve the greatest possible impact, shifting the focus away from inputs to results, as reflected strongly in the Bilateral Aid Review.

Increasing aid and fiscal transparency will increase the openness and accessibility of information. This will in turn help reduce the risk of corruption and waste, improve the quality of decision making and increase public accountability. Currently eight African country governments have signed up to the International Aid Transparency Initiative (IATI). More African governments signing up to IATI would be a good step towards more effective aid. Independent scrutiny is essential to help ensure accountability and improve impact and value for money of aid. The Independent Commission for Aid Impact (ICAI) has been set up to undertake independent evaluation of UK aid. ICAI will identify approaches that work well or less well, enabling the UK and partner country governments to improve results and value for money. Strong external audit is also important.

[38] Available at: http://www.cgdev.org/section/initiatives/_active/cdi/

Achieving tangible results, value for money, improved transparency and accountability are also key drivers behind DFID support to civil society organisations, working in Africa and elsewhere. I will be writing to all Members of Parliament in July[39] about the work that DFID is supporting through the new Global Poverty Action Fund and encouraging them to inform their constituents.

Internationally, 2011 is a key year for improving aid effectiveness and impact with the Fourth High Level Forum (HLF4) on Aid Effectiveness being held in Busan in November. Strong political leadership from UK and African governments will be needed for a positive outcome, including international commitments that focus efforts on the most important changes needed to help achieve the MDGs by 2015. Results and value for money are best achieved when the path to development is set by partner countries and there is a focus on achieving results with all resources, including the partner government's and other donors. Priority areas for Busan include results, value for money, transparency and accountability, including a focus on areas of fragility and conflict.

Africa APPG's comments: We welcome the focus on transparency and accountability, and also encourage African governments to sign up to the International Aid Transparency Initiative. In addition, we welcome the emphasis placed on the Fourth High Level Forum on Aid Effectiveness, which was held in November of this year. Improving the efficiency and effectiveness of UK bilateral aid however goes beyond monitoring and evaluation, and international agreements.

Programmes must be designed to address the issues of most importance. This includes finding the right balance between working towards long-term outcomes in challenging situations and seeking shorter term impacts. Without addressing the underlying structural causes of poverty, progress in the long-term will be severely limited, but considerable short-term progress can also be made by focusing on quicker and easier wins. **It is important DFID considers both short and long term results when assessing its efficiency and effectiveness.**

Addressing in particular these longer term issues requires an approach that is tailored to local circumstances and involves civil society. For example, the international development charity Progressio described to this inquiry how their experiences working in Zimbabwe, Somalia and Malawi have highlighted the importance of prioritising support for CSOs and networks working for good governance and political freedoms. We therefore welcome the emphasis in the BAR of DFID's work with civil society.

Working effectively demands that solutions must be tailored to the local circumstances, for example Progressio highlights how Somali society has a specific cultural place for outside intervention and Zimbabwe places very high reliance on sovereignty and non-interference. **DFID must ensure its democratisation and development programmes take these local circumstances into account if they are to be effective.**

Finally, effectiveness and efficiency should be measured by local communities and their elected representatives, as well as by donors. **Although ensuring accountability to local communities is difficult, we strongly encourage DFID to include this as an important plank of their assessment of their programmes. In particular we recommend that DFID country offices should meet at least once a year with appropriate Members of**

[39] This letter asked MPs to encourage organisations working to help people out of poverty in the developing world to apply for funding from CPAF.

the country's national Parliament (for example members of Finance, Development and Public Accounts Committees, and MPs playing a leadership role in sectors in which DFID is active, such as health, education and trade), to report on the work which DFID is funding in the country, and to obtain feedback on its effectiveness.

4. The actions which DFID should take if its bilateral programme in a particular country fails to achieve the expected outcomes.

Secretary of State's response: All DFID programmes are regularly reviewed and monitored. If programmes and projects fail to deliver good Value for Money and deliver the results expected, taking into account the political and economic context, then we will consider again the case for further funding. All DFID projects and programmes must set out and publish the expected results and Value for Money that they should achieve, prior to implementation.

Africa APPG's comments: In order to assess whether particular countries are achieving the expected outcomes, it is important that the country teams report progress in a timely manner. **We recommend DFID places a high value on this.**

It is imperative that DFID thoroughly assesses the reasons why a programme did not deliver the expected results, and what measures could be taken to prevent this from being repeated, before further funding is ceased. In cases where it becomes apparent that the governments of partner countries in Africa do not have the capacity to use aid effectively, **we highlight the importance of seeking alternative delivery mechanisms.** This approach is already utilised in countries such as the DRC and Nigeria, both expecting large increases in UK bilateral aid, whose Operational Plans state that they do not channel aid through government systems or budgets, due to the context in these countries and concerns about fiduciary risks.

5. What flexibility DFID has to increase or decrease funding to a particular bilateral partner during the next four years.

Secretary of State's response: DFID recognises the complexity and uncertainty of the environments in which it operates and will closely monitor results delivered transparently to ensure that everyone can see how and whether UK aid is delivering results. DFID would expect, in the first instance, to engage partners in serious dialogue to understand why results are not being delivered. All budgets for future years are subject to performance and sensitive to political and economic circumstances and allocations can be reduced or reallocated. A proportion of the funding has been retained for additional allocations in the later years of the Spending Review period to provide flexibility to support more ambitious proposals, to respond to new priorities, and to maintain strong incentives for innovation.

Africa APPG's comments: We welcome that the Secretary of State recognises the need for flexibility in funding, and recognise that the £1.5 billion retained for allocation in the later years of the Spending Review (Technical Report, Item 47) provides a degree of flexibility within the country budgets. However, as it has been estimated that resources will be needed to meet the SDSR target and priorities on climate change, it remains questionable the extent to which this fund will be available for non-fragile countries and for pillars other than climate change.

6. What contingency DFID has to respond to humanitarian emergencies or other unexpected events in Africa over the next four years.

Secretary of State's response: The Humanitarian Emergency Response Review will help DFID and its partners respond effectively to disasters and emergencies of the future – delivering a response that is fit to deal with the unexpected and new humanitarian challenges of the 21st century.

Humanitarian assistance is a significant component in many of the countries in which we focus, such as Kenya, but we also continue to respond to humanitarian emergencies where DFID does not have a presence, as was shown recently in Cote d'Ivoire. In Cote d'Ivoire UK aid is providing: food for 27,000 displaced and refugee men, women and children; treatment for thousands of children and women with malnutrition and; clean safe drinking water, sanitation facilities, shelter and medical treatment to over 10,000 people.

A specific humanitarian contingency, averaging £40 million per year for the next four years, is held centrally to help DFID respond to Africa's most acute humanitarian emergencies quickly and flexibly. The centrally-held reserve allows us to save lives and alleviate suffering where the need is greatest.

Africa APPG's comments: We welcome that DFID will continue to respond to humanitarian crises in countries where it does not have a specific bilateral programme. **We emphasise the need for a quick response to early warning signals**, noting that it took several months for the international community to respond to the current crisis in the Horn of Africa, and therefore welcome the contingency fund to help DFID respond quickly and flexibly.

We note that DFID also contributes towards pooled humanitarian contingency funding, mostly notably the Common Humanitarian Fund, the Central Emergency Response Fund, the Emergency Response Fund and the Office for the Coordination of Humanitarian Affairs. **We question whether the £40 million annual humanitarian contingency described by the Secretary of State is additional to these pooled funds.**

7. The Impact on African countries which will cease to receive UK aid.

Secretary of State's response: UK aid will focus on those countries where, pound for pound, we can achieve the best results in fighting poverty and building a safer world. As a result of the Bilateral Aid Review, our bilateral programmes in Angola, Burundi, Cameroon, Gambia, Lesotho and Niger will end. In all cases graduation and closure will be a phased process, honouring existing commitments.

These countries will continue to receive support through the UK's increasing share of multilateral programming through organisations such as the World Bank, African Development Bank and European Commission. In addition, for example, in Burundi, DFID believe that its greatest comparative advantage lies in facilitating the growth of the private sector through deeper economic integration within the East African Community (EAC) and the region. For example, UK aid will continue to support this through regional contributions to Trade Mark East Africa. In the Gambia DFID has provided a Seconded National Expert to the EU Delegation Office. In Cameroon UK aid is co-funding a Senior Forestry Adviser with the World Bank to provide technical advice and policy guidance to the Government of Cameroon until 2012.

Africa APPG's comments: The closure of DFID programmes will have varying effects on the different countries which will cease to receive UK aid. We believe Burundi will be particularly severely affected for a number of reasons including its extremely high development needs, highlighted by its ranking top in our Needs-Effectiveness Index (see p.11), the fragility of the state following decades of civil war, its high dependence on aid, which accounts for around half of the national budget, and the lack of alternative donors positioned to take over. Withdrawing at this point risks progress that could be made on the MDGs, for example ending support to Burundi's joint-donor basket fund for education will create uncertainty around the future of the fund and could undermine the Burundian government's ability to deliver its commitments on providing universal free primary education. It also risks the stability of Burundi, where peace is fragile and the ingredients for renewed conflict are still present[40], as well as across the wider region. We show that minor, but realistic, changes to the Needs-Effectiveness Index would have indicated that Burundi has a very strong case for continuing to receive UK aid. **We accept the general conclusion of the BAR that reducing the number of countries receiving UK bilateral aid will improve the effectiveness of UK aid but we believe that the wrong decision has been made to end the bilateral programme in Burundi and we recommend that the Government reverses this decision.**

We welcome the Government's commitment to phased closures, but note that, with the exception of Burundi whose Operational Plan is published online, very little detailed information about how the programme closures will be undertaken has been made available. This, along with the timescales involved, lead us to question how DFID will ensure the closure of these programmes will be gradual. **We ask DFID to clarify how they will ensure programme closure is a phased process in each of the named countries.**

We recognise the importance of multilateral aid to Africa, particularly in countries where bilateral aid programmes are set to close. However we note that DFID cannot specify the destination, sector or project of its multilateral contributions[41], and **we therefore question the role DFID can play in ensuring the countries it has withdrawn from continue to be supported by multilateral programmes.**

[40] Christian Aid – submission to this inquiry
[41] DFID does "earmark" some of the money it gives to multilateral institutions, but this is considered bilateral, not multilateral, aid.

7. Conclusions and Recommendations

The Africa APPG welcomes the Bilateral Aid Review, which provides a more rigorous and systematic assessment of UK bilateral aid than has been attempted before, providing a strong evidence base from which DFID can make critical decisions about its approach to aid.

We do however believe the Department for International Development should have been more transparent in its selection of countries that will continue to benefit from UK aid, and in particular the criteria used to make these decisions. In addition, we believe a wider consultation, both with DFID country offices not selected as focus countries, and beyond the DFID country teams, with host governments, broader civil society in recipient countries, and other donors, would have strengthened the BAR. The use of results offers to allocate country budgets is a welcome change, adding a layer of accountability to the country offices. However asking all 43 countries with significant existing bilateral programmes to complete a results offer, rather than just the 27 focus countries, would have provided considerable amounts of detailed information, allowing a more thorough assessment of development need and likely effectiveness of assistance in each of the countries being considered. We also question the extent to which it was possible for likely effectiveness of aid, extremely difficult to measure, to genuinely inform decision making.

We welcome the focus on results, but add a note of caution that **easy wins should not be prioritised over tasks that are more complex, longer term, or have a higher risk of failure in order to meet targets. It is important that DFID makes use of the renewed focus on results to ensure accountability to local communities, as well as to the UK Government** (see Section 3.3).

7.1 Comments on BAR Results

The Africa APPG welcomes the regional refocus towards sub-Saharan Africa and South Asia, where development needs are highest, although it questions the increase in aid to the Overseas Territories. **We ask DFID to clarify if and how the Overseas Territories were assessed by the BAR** (see Section 5.2)**.**

We note that the BAR had a systematic bias towards larger countries, which risks excluding small countries with high development needs, such as Burundi, and implies that it is more effective to work in larger countries than smaller ones.

The APPG supports the conclusions of the International Development Select Committee, that DFID should consider re-installing a bilateral aid programme in Burundi, either by scaling up the existing programme, or by supervising a Burundi programme from the DFID office in Kigali (see Section 5.3)**.**

More generally, **we recommend DFID consider the option of grouping smaller countries together** to address the bias towards larger countries (see Section 5.3)**.**

We welcome that health and education are the highest spending priorities (when the four categories of reproduction, maternal and newborn health, malaria, HIV/AIDS and other health are combined), closely followed by wealth creation, and governance and security, which are both explicitly set out in the DFID Business Plan as coalition priorities.

We recognise the specific challenges in addressing climate change and note that **it will be necessary for DFID to review continuously their climate change spending plans as the climate change debate moves forward** (see Section 5.4)**.**

The Africa APPG is supportive of the BAR's decision to prioritise fragile and conflict-affected states, and welcomes that the Bilateral Aid Review appears to have succeeded in putting UK aid expenditure on track to meet the SDSR targets, whilst largely maintaining the focus on countries with the greatest needs.

We note that the relationship between aid and state stability is not necessarily clear cut however and **we therefore ask DFID to clarify how exactly they expect increased UK bilateral spending to reduce the risk of state failure in Yemen** (see Section 5.5)**.**

7.2 How DFID should work in Africa

1. *How DFID should work with the governments of partner countries in Africa which will receive substantial increases in aid to ensure that they have the absorptive capacity to use that aid effectively* (see Section 6.1)

We welcome the emphasis placed on M&E in the country Operational Plans, and **ask that this be reported fully in the public domain, by including annual progress reports from each bilateral programme in DFID's annual report.** We note little detail has been made available about *how* flexibility will be ensured and *how* programme budgets may be altered should countries prove to lack the absorptive capacity for additional aid.

We argue that DFID can also play a more active role in ensuring countries have sufficient absorptive capacity. **We strongly recommend DFID continues to address more complex issues such as the capacity of governments in Africa (and elsewhere) to manage budgets, and human capital development, in order to ensure partner countries have the absorptive capacity to use aid effectively.**

2. *The outcome which DFID's aid is expected to achieve between now and 2014/15 in each country in Africa in which it has a programme, and as a result of its Africa Regional Programme* (see Section 6.2)*.*

We welcome the emphasis on Public Financial Management, African Free Trade and the private sector, which complement the more direct development results expected by DFID. We note the challenges of assessing impact indicators, and **we ask DFID to clarify what exactly their headline expected impact figures mean, in particular the contribution that UK bilateral aid will make to them, and how these will be assessed.**

We note that **it is imperative the UK recognises the impact its non-aid policies have on Africa if it is to reap the highest rewards from its aid expenditure** (see Section 6.2)**.**

3. *The steps which DFID and governments of African countries should take to improve the efficiency and effectiveness of UK bilateral aid* (see Section 6.3)*.*

We welcome the focus on transparency and accountability, and also encourage African governments to sign up to the International Aid Transparency Initiative. In addition, we welcome the emphasis placed on the Fourth High Level Forum on Aid Effectiveness to be held in November of this year. **Although ensuring accountability to local communities is difficult, we strongly encourage DFID to include this as an important plank of their assessment of their programmes. In particular we recommend that DFID country offices should meet at least once a year with appropriate Members of the country's national Parliament (for example members of Finance, Development and Public Accounts Committees, and MPs playing a leadership role in sectors in which DFID is active, such as health, education and trade), to report on the work which DFID is funding in the country, and to obtain feedback on its effectiveness.**

Improving the efficiency and effectiveness of UK bilateral aid however goes beyond monitoring and evaluation and international agreements. In order to be effective, **it is important DFID finds the right balance between short and long term results and ensures its democratisation and development programmes take local circumstances into account.** We additionally welcome the emphasis in the BAR of DFID's work with civil society.

4. *The actions which DFID should take if its bilateral programme in a particular country fails to achieve the expected outcomes* (see Section 6.4).

We recommend DFID places a high value on the timely reporting by the DFID country teams in order to assess this**.**

In cases where a particular country fails to achieve the expected outcomes, i**t is imperative that DFID thoroughly assesses the reasons why the programme did not deliver these, and what measures could be taken to prevent this from being repeated, before further funding is ceased.** In such cases, **we highlight the importance of seeking alternative delivery mechanisms.**

5. *What flexibility DFID has to increase or decrease funding to a particular bilateral partner during the next four years* (see Section 6.5).

Although £1.5 billion has been retained for allocation in the later years of the Spending Review, it remains questionable the extent to which this fund will be available for non-fragile countries and for pillars other than climate change.

6. *What contingency DFID has to respond to humanitarian emergencies or other unexpected events in Africa over the next four years* (see Section 6.6).

We welcome that DFID will continue to respond to humanitarian crises in countries where it does not have a specific bilateral programme. **We emphasise the need for a quick response to early warning signals.**

We question whether the £40 million annual humanitarian contingency described by the Secretary of State is additional to the pooled funds that the UK already contributes to.

7. *The Impact on African countries which will cease to receive UK aid* (see Section 6.7).

The closure of DFID programmes will have varying effects on the different countries which will cease to receive UK aid. We believe Burundi will be particularly severely affected. Withdrawing at this point risks progress that could be made on the MDGs, for example ending support to Burundi's joint-donor basket fund for education will create uncertainty

around the future of the fund and could undermine the Burundian government's ability to deliver its commitments on providing universal free primary education. It also risks the stability of Burundi, where peace is fragile and the ingredients for renewed conflict are still present[42], as well as across the wider region. **DFID should consider re-installing a bilateral aid programme in Burundi, either by scaling up the existing programme, or by supervising a Burundi programme from the DFID office in Kigali.**

We note that very little detailed information about how the programme closures will be undertaken has been made available. This, along with the timescales involved, lead us to question how DFID will ensure the closure of these programmes will be gradual. **We ask DFID to clarify how they will ensure programme closure is a phased process in each African country which will cease to receive UK aid.**

We recognise the importance of multilateral aid in Africa, particularly in countries which will cease to receive UK bilateral aid, and **we question the role DFID can play in ensuring the countries it has withdrawn from continue to be supported by multilateral programmes.**

[42] Christian Aid – submission to this inquiry

Africa All Party Parliamentary Group

The Africa All Party Parliamentary Group (APPG) was established in 2003 by Hugh Bayley MP and Lord Lea of Crondall. Its purpose is to raise the profile of Africa and pan-African issues in Westminster.

The current officers of the Africa APPG are:

President:	Lord Steel of Aikwood
Vice-President:	Baroness Chalker of Wallasey
Chair:	Hugh Bayley MP
Vice-Chairs:	Lord Chidgey
	Lord Lea of Crondall
	Pauline Latham MP
Treasurer:	Lord Brooke of Sutton Mandeville
Secretary:	Jeremy Lefroy MP
Executive Committee:	Paul Blomfield MP
	Nigel Dodds MP MLA
	Mike Gapes MP
	Baroness Kinnock of Holyhead
	Rt. Hon. Alun Michael MP
	Pamela Nash MP
	Mark Pritchard MP
	Lord St. John of Bletso
	Earl of Sandwich.

The Group has a membership of almost 90 MPs and Peers. The administrative costs are covered by the Royal African Society (www.royalafricansociety.org).

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