

# Making UK ODA fit for purpose in a changing world

POLICY BRIEF



This briefing has been prepared by CAFOD (Catholic Agency for Overseas Development), RSPB (The Royal Society for the Protection of Birds), Christian Aid, WWF-UK and Oxfam GB, based on a report by IIED (International Institute for Environment and Development) “*UK ODA and sustainable development*”, November 2019.

## DOWNLOADS

↓ Main report<sup>1</sup>

↓ Appendices<sup>2</sup>

1. <https://cafod.org.uk/About-us/Policy-and-research/SDGs-policy-reports/UK-ODA-sustainable-development>

2. <https://cafod.org.uk/About-us/Policy-and-research/SDGs-policy-reports/UK-ODA-sustainable-development>

## Summary recommendations

- 1** Review all UK ODA spending to ensure that it reflects its core purpose of poverty alleviation and sustainable development, in line with the International Development Act (2002).
- 2** Change the way ODA decisions are made, by drawing more on developing country priorities and local stakeholder consultations, making more consistent use of evidence and in-house expertise, and working over time horizons of 10, 20 or 30 years to enable lasting results.
- 3** Immediately halt damaging investments in large-scale commercial agriculture and fossil fuels and scale up investment in agro-ecology and renewable energy.
- 4** Ensure new climate and nature funds are transformative, with an increased focus on nature-based solutions that tackle climate change and poverty, reflecting the priorities of national governments and local communities.
- 5** Commit new and additional sources of climate and nature finance, beyond ODA, and work with other countries to do the same.
- 6** Develop an integrated approach across all government departments so that all development, diplomatic, security and trade policies tackle poverty, climate change and nature loss as a core objective. This needs to be a central part of the Integrated Review of Security, Defence, Development and Foreign Policy.

There is a growing body of evidence which shows that the loss of land, water, species and ecosystems is increasing, and is having devastating impacts on people and the climate (IPBES 2019). This triple crisis of poverty, nature loss and climate change needs immediate action and a joined-up, sustainable development approach that tackles poverty, protects nature and addresses climate change. In principle there is global consensus on the importance of a sustainable development approach: 193 countries have signed up to the United Nations 2030 Agenda for Sustainable Development, committing them to use the Sustainable Development Goals (SDGs) as a development framework.

The next 18 months provide a clear opportunity for UK leadership to make this happen. The UK government is hosting the UN Framework Convention on Climate Change COP (COP26), with a ten-year window to keep global warming below 1.5 degrees. At the same time, the UN Convention on Biological Diversity COP (COP15) will seek to agree a new plan to reverse the loss of nature and restore the ecosystems on which all of us, and particularly the poorest in society, depend. Countries will face their first five-year review of SDG achievements, and the UN is launching a 'Decade of Action' on achieving the SDGs, but it is already clear that many of the poverty and environmental targets are off track.

The response to COVID-19 will clearly dominate international diplomacy over the coming months and throughout 2021. A focus on sustainable development will ensure a resilient response, tackling the triple of crisis of poverty, climate change and nature loss from the start.

The UK's leadership in global platforms has been recognised in both international aid and climate action, where it has been a strong supporter of coordinated multilateral action. The UK has also led, through specific government commitments to maintain ODA spending at 0.7% of GNI, to make all ODA compatible with the Paris Climate Change Agreement, to double climate

finance and to step up action to protect nature. In fact, sustainable development is a core purpose of UK Aid, with the UK International Development Act (2002) defining development assistance as support that reduces poverty by furthering sustainable development or improving human welfare.

However, these positive steps and the UK's global role are at stake due to current trends in how UK international aid is planned and deployed within developing countries, and this threatens to undermine the effectiveness and impact of such aid.

Over the past decade there has been a shift away from sustainable development and benefits to poor communities, as the core purpose of UK Aid has tilted towards supporting broad economic growth that can generate opportunities for UK business. Major shifts in spending, between departments and sectors, have often seemed politically driven and based on little solid evidence of the impacts. Furthermore, there is a lack of a coherent poverty-centred sustainable development approach bringing together systems and instruments across the growing number of departments and cross-government funds that administer ODA.

These negative trends need to be reversed immediately if UK ODA is to be fit for purpose in the long term.

This will be even more important as countries recover from the impacts of COVID-19 and face the long-term challenges of tackling poverty, and achieving economic development that protects the environment and is sustainable for the population and the climate.

The UK government has the experience, expertise and people to be able to do this, as well as the opportunity to learn from other major donors and international organisations.

## Key Findings

### 1 Long-term shift away from sustainable development as core purpose

Increasing amounts of UK ODA are not being spent to achieve sustainable development but instead to prioritise forms of economic growth that have weak or negative poverty impacts, and towards meeting security concerns, and this risks undermining the effectiveness of aid. Some UK Aid, such as fossil fuel investments, directly undermines sustainable development.

While some funds, such as the DEFRA and DFID-managed Darwin Initiative and Illegal Wildlife Trade Challenge Fund, explicitly aim to integrate poverty and environment objectives, the bulk of cross-governmental ODA goes to funds that are dedicated to stimulating non-targeted economic growth or to addressing security concerns, notably the Prosperity Fund, the CDC (Commonwealth Development Corporation) Group, and the CSSF (Conflict, Stability and Security Fund). While these funds can and do support sustainable development outcomes, this has been the exception and is not yet explicitly part of their core purpose nor adequately reflected in their implementation.

This shift has been evident since the 2014 DFID Portfolio Review and is best illustrated by the move in ODA-funded agriculture investments away from rural development and improved livelihoods towards larger scale, export-oriented, commercial agriculture projects that, as a secondary – or increasingly primary – objective, aim to create opportunities for UK business investment (see Figure 1).

The agricultural development category (the purple line on the graph below) includes large-scale agribusiness, commercial and private sector farming initiatives such as the **Global Agriculture and Food Security Programme**<sup>3</sup>, the **Private Infrastructure Development Group**<sup>4</sup> and

**AgDevCo**<sup>5</sup>, whereas the rural development programmes (the red line) include rural livelihood programmes with a stronger focus on poverty, such as the CHARS Livelihood Programme in Bangladesh and **BRAC: Challenging the Frontiers of Poverty Reduction**<sup>6</sup>.

One of the key findings of the recent IPCC (2019) and IPBES (2018) reports was the need for solutions that integrate livelihood, land management, and environmental protection approaches to tackling poverty and climate change – often called nature-based solutions. UK ODA spending trends over the past ten years have been moving in the opposite direction and appear to be at odds with the nascent work of the Just Rural Transition under the Food and Land Use Coalition, part-funded by DFID.

Additionally, there are ongoing negative investments such as fossil fuel projects and monoculture agribusiness, which have devastating environmental and social impacts. For example, CDC supports several programmes that directly undermine sustainable development, including at least 23 current and recent fossil-fuel investments, as well as large-scale commercial agriculture projects such as Brazilian agribusiness giant Bunge (see Box 3 and Appendix C of background IIED report).

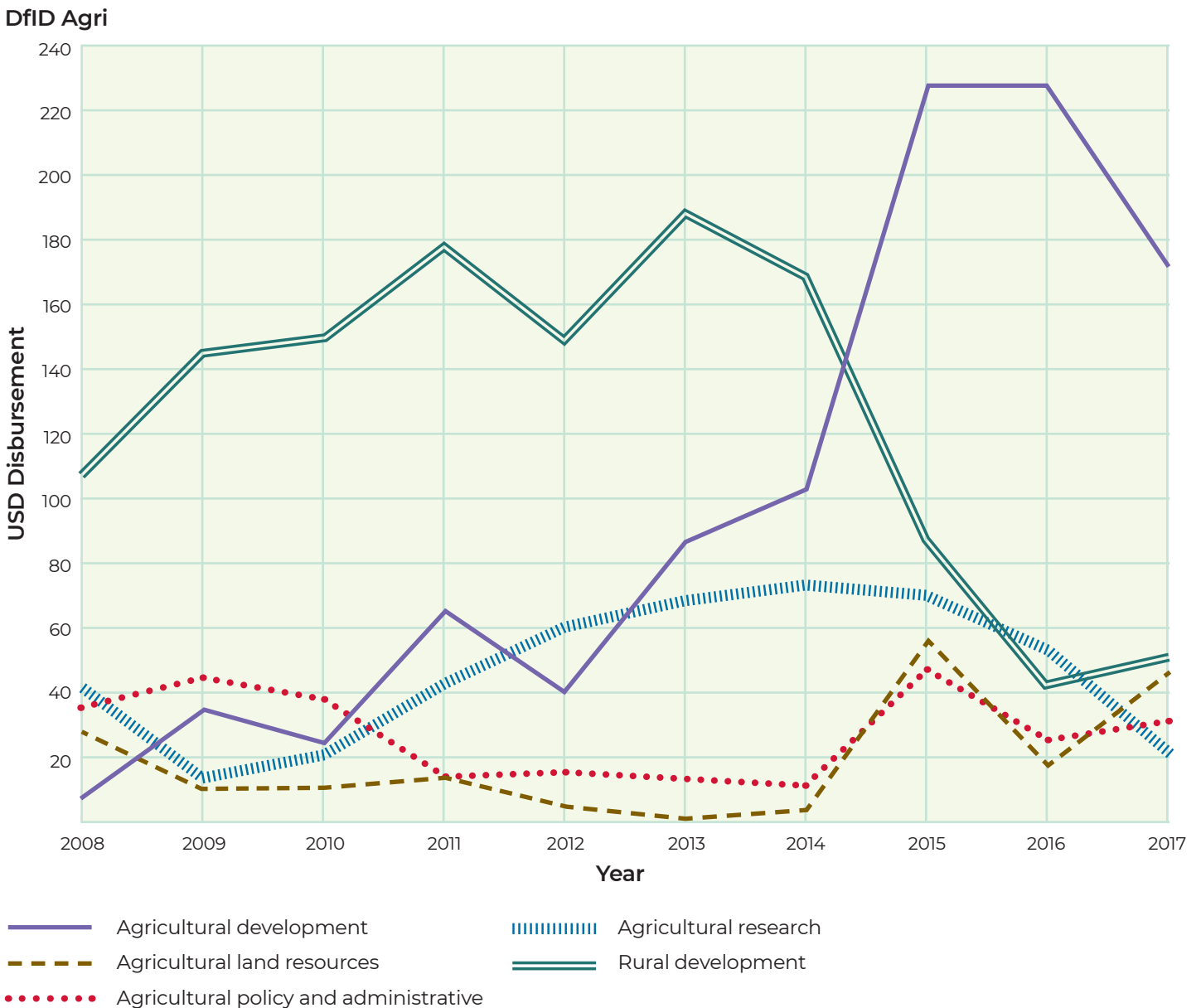
3. <https://www.gafspfund.org/>

4. <https://www.pidg.org/>

5. <https://www.agdevco.com/>

6. <http://www.brac.net/>

Figure 1: Trends in DFID spending on agriculture, 2007-2018 (figures in US\$ dollars)



Source: OECD Creditor Reporting System – bilateral aid

## 2 Major shifts in ODA policy have been politically driven, not evidence-based

The use of ODA over the last decade has been increasingly influenced by political considerations – arguably aimed at selling the idea of ODA to a sceptical public and parliament – and based less on proof of what works, despite the evidence available across many UK ODA programmes and from other donor governments and international organisations.

In 2010 the focus of UK aid shifted from sustainable development to poverty reduction through economic growth. Since 2015 the ‘aid in the UK national interest’

paradigm has dominated, with benefits to the UK and UK business presented as being of at least equal importance as developing country needs and the priorities of local

communities. Recent ministers have used the aid strategy to political advantage by emphasising the potential financial benefits of ODA to the UK, through returns on development investment funds and the creation of business opportunities. This has created a false impression that ODA's principal purpose is to serve the national interest (IDC 2017).

One consequence of this politicised approach is that the selection of development programmes is less likely to be based on solid evidence or evaluations, or on the needs and priorities of developing countries and local communities.

As an example, some excellent programmes have been dropped before they were finished: for example, DFID's

flagship BRACED (Building Resilience and Adaptation to Climate Extremes and Disasters) programme was shut down just four years into its envisioned ten-year span, with activities on the ground halted before they could be scaled up or their impacts could begin to emerge. DFID has supported several other excellent, and often multi-country sustainable development programmes, but they have been 'under the radar' and neither reviewed seriously nor renewed.

At the same time, substantial increases in other funds, such as the Prosperity Fund and CDC, have been made with insufficient priority given to assessing poverty, nature and climate impacts, and with little evidence that this will promote sustainable development approaches (ICAI 2017a, 2018a).

### 3 Current systems not adapted to respond to sustainable development challenges

There is a lack of a coherent, poverty-centred, sustainable development approach across the growing number of departments and cross-government funds administering ODA, and a corresponding lack of coordination and engagement with key stakeholders at country level.

The current 2015 aid strategy pays scant attention to achieving sustainable development and relegates tackling extreme poverty to the least important of its aims, instead prioritising economic growth. The central commitment of the SDGs over the next ten years to 'Leave No-One Behind' is not given the prominence it merits across UK ODA strategies. The aid strategy runs until 2020, so any review needs to have an integrated approach to poverty, climate and nature.

There is a lack of clarity, coordination and sharing of expertise around accountability and impact for ODA spending outside DFID, and concerns that there is no overall body with oversight of ODA effectiveness and coherence (NAO 2017, OECD DAC 2018, IDC 2018a). Other government departments are starting to draw more on DFID's expertise, but there is still a need for more effective overall coordination.

The instruments through which DFID delivers ODA have become more centralised and undermine the principles of country leadership and stakeholder engagement,

which are essential for sustainable development and development cooperation. For example, there has been a move away from direct budget support and towards large centrally-designed and controlled programmes and funds – with short programme cycles and pre-determined programme objectives – which shifts decisions away from stakeholders in developing countries. In addition, administrative budget cuts, economies of scale and staff centralisation have reduced the presence and agency of ODA staff in many partner countries, and undermined the proximity to and dialogue with national governments and local communities.

DFID Smart Rules, introduced in 2014 to guide programme design, are not fit for purpose for current challenges. They bury environmental and climate safeguards below the top-ten broad overarching principles and 37 rules (in an auxiliary guide); they are no longer mandatory; and they have not been adapted to reflect the current ODA focus on big economic development grants. Again, this means that much of the expertise in DFID and other departments is not being used to its full potential.

## 4 Positive trends and new initiatives

In 2019 there were commitments to new funds for nature and the climate, and these have the potential to pioneer the joined-up approach that is needed within UK ODA to ensure they tackle the triple challenges of poverty, climate change and nature loss. The UK also has evidence of what works from different programmes and a wealth of experience and skilled staff.

The government showed leadership by announcing a doubling of International Climate Finance to £11.6 billion over 5 years from 2021 to 2026. It has also shown a poverty-focused approach through previous climate finance with a commitment to 50% going to help poor communities adapt to current changes and develop new livelihood strategies. This focus needs to continue, and the UK should encourage others to follow.

The Biodiverse Landscapes Fund, and other funds announced in September 2019, are a positive recognition of the need for greater protection of nature and its role in tackling climate change and supporting people's livelihoods. Few details are publicly available, but the communications focus so far has centred on benefits to UK business (via the Ayrton Fund) and on iconic species and wildlife corridors, with little explicit recognition of integrating poverty priorities and local communities.

For a truly transformational impact of these funds, there needs to be an integrated approach, starting with poor communities and their environment, otherwise they risk being single-issue projects with little lasting impact, as well as having the potential to damage communities and the natural environment.

The UK also has evidence from its own programmes on which approaches work and there is a wealth of experience from other donor countries. Indeed, the UK stands out for the high quality and significant number of advisers working on the environment, climate and livelihoods, as well as for early and influential work on a number of key aspects of sustainable development, such as sustainable livelihoods and gender. This experience and expertise can be harnessed to bring greater impacts from UK Aid, but is often siloed and not brought into many new flagship programmes such as the Prosperity Fund, CDC and wider spending on economic development.

## Recommendations

Committing to the 0.7% of GNI target and achieving value for money are only meaningful if ODA tackles the triple challenge of poverty, climate change and nature loss in a coherent way across all programmes, funds and delivery channels. To ensure credibility and provide global leadership in advance of the UNFCCC COP26 in Glasgow, the CBD COP15 in Kunming, and the review of the SDGs in UNGA 75, the UK government should:

### 1 Review UK ODA spending to ensure that all future spending is climate- and nature-positive

All future ODA spending should be evaluated explicitly for its impact on poverty, environment and carbon emissions before approval, seeking maximum impact in all of these areas where relevant. This will need a well-evidenced set of diagnostic and planning tools. It should start with a revision of DFID's SMART rules and other policies and processes that govern programme design, implementation and evaluation, drawing on excellent recent lessons from progress in other OECD donors on mainstreaming sustainable development. This will include listening explicitly to the priorities of local stakeholders and developing countries, and making resources available in order to achieve this.

## 2 Change the way ODA decisions are made...

by identifying and responding more faithfully to developing country priorities through national dialogue and local stakeholder consultations, a more consistent use of evidence and in-house expertise, and time horizons of 10, 20 or 30 years that enable lasting results.

## 3 Immediately halt negative investments in large-scale commercial agriculture and fossil fuels

A full-scale review of all ODA will need to look at all land-use projects that support large-scale commercial agriculture over rural development, as well as all support for fossil fuels (coal, gas and oil) through all UK Aid channels. There needs to be a moratorium on any new investments, and existing investments should be reviewed and phased out, setting a clear timetable for disinvestment from existing fossil fuel and other investments that are inconsistent with sustainable development. Money freed from these harmful projects should be invested in agro-ecology and renewable energy.

## 4 Ensure new climate and nature funds are transformative, with an increased focus on nature-based solutions for climate change and poverty reduction and based on the priorities of national governments and local communities

Planned nature and climate funds such as International Climate Finance and the new Biodiverse Landscapes Fund need to integrate poverty reduction, environmental and climate risks and outcomes from the start. They need to give agency to the people and communities whose lands and livelihoods they will impact, championing the land rights and knowledge of local communities, including Indigenous Peoples. These funds should be based on solid evidence and learning from UK ODA and other donors.

## 5 Commit to finding new and additional sources of climate and nature finance

ODA should not be regarded as the sole source from which all overseas spending on climate and nature derives. Indeed, the current lack of substantial dedicated non-ODA finance for climate and nature, and the lack of a coherent poverty-centred sustainable development narrative across the ODA have likely contributed to the apparent loss of ODA's overall focus. The UK government should work with other countries and organisations to explore innovative sources of climate and nature finance commensurate with the urgency of the crisis and the potential for restoration

## 6 Develop a coherent whole-of-government approach...

so that all development, diplomatic, security and trade policies tackle poverty, climate change and nature loss as a core objective, recalling the sustainable development purpose of the International Development Act. This needs to be a core part of the Integrated Review. A coherent approach is needed to ensure that all aid, economic and development policies, trade policies and our global consumption and trade footprint do not result in any further loss of carbon-rich, biodiversity-rich ecosystems. UK government domestic and international commitments such as to the Paris Climate Change Agreement, to net zero and to the SDGs need to be the overarching framework for all government decisions.