A. Introduction

1. Bond is the UK membership body for non-governmental organisations (NGOs) working in international development.

www.bond.org.uk

2. The UK Aid Network (UKAN) is a coalition of UK-based development NGOs working together to advocate for more and better quality aid through joint policy, lobbying and advocacy work.

www.ukan.org.uk

B. Summary and key recommendations

3. This submission includes analysis and recommendations, including input from Bond and UKAN member organisations, on the following areas of the inquiry:

   i. The coherence of policies which affect development
   ii. The impact of the UK’s non-aid policies on developing countries
   iii. The underlying government mechanisms needed to support any changes, including:
       a. The role of DFID in facilitating other UK Government departments and other UK organisations to assist developing countries;
       b. The role of DFID in influencing the policies of other Whitehall departments;
       c. Whether a stand-alone Department for International Development has a long-term future.

4. There is growing consensus that eradicating poverty should be the overarching objective of the post-2015 Sustainable Development Goals. This is a shared agenda that was championed by the Prime Minister in his role as co-chair of the post-2015 High Level Panel and by the UK Government in subsequent on-going post-2015 negotiations. This official position significantly strengthens the case for retaining the Department for International Development (DFID), reinforces DFID’s added value in influencing other departments and provides an important organizing principle for wider UK policies impacting positively on development.

5. The UK, and DFID in particular, continue to play a strong and important global leadership role in international development, most notably last year in meeting the 0.7% aid target. At the same time, DFID and other UK Government departments are adapting and changing to meet new and emerging development challenges including having to work more closely together to tackle complex, often global and interconnected issues beyond so-called traditional aid policy interventions.

6. The UK can and should continue to play a strong global role in international development. To do so, the long-term future of DFID as a standalone department must be protected. DFID has a key role to play in ensuring that other Whitehall departments are aware of the potential impact of their actions overseas as well as in ensuring that Whitehall departments are joined up and deliver positive results on matters of development.

7. Other key recommendations:
i. **Increase the focus on coherence across and between Whitehall departments on issues relating to development** - focusing on the coherence of policies which affect development must mean focusing on good and effective development, in keeping with the UK’s commitments on development effectiveness, including ensuring good monitoring and evaluation of the development impact of non-aid policy.

ii. DFID should be tasked with leading the development and roll-out of a Cross-Whitehall Policy Coherence for Development strategy/action plan and lead a cross-departmental task force to track and monitor the implementation of the strategy. The primary purpose of this strategy would be to avoid any unintended, negative consequences of other departments’ policy and practice on international development and ensure that a ‘whole-of-government’ approach is mobilised to maximise the positive impact of the UK’s development efforts.

iii. As such DFID, as well as all other government departments engaging globally, must ensure that all such projects or interventions strive to **meet as stringent a development and poverty eradication tests as aid projects do including ownership, transparency and accountability, results and inclusiveness.**

iv. **Recognise that aid remains an important, though not exclusive, element of development policy** and ensure that increased awareness of the range and scope of development challenges and tools **must not come at the expense of effective aid policy particularly in those countries which need it most** (i.e. LDCs and LICs) and are still reliant on aid to fund basic social services. Aid should also be recognised as an important part of the equation in Middle Income Countries (MICs) where a growing majority of the world’s poor and marginalised and excluded communities live.

v. Strengthen other departments’ **responsibility to consider the development impact of policies affecting development** through joint country strategies for example.

vi. Strengthen monitoring and evaluation by **broadening the remit of the IDC and ICAI to look beyond DFID to all departments with policies affecting development** including through the creation and/or use and strengthening of Joint Committees where appropriate.

vii. Ensure that **all legislation from relevant departments considers whether it will have an impact on development** and that its provisions are in keeping with the UK’s commitments and ethos on development and development effectiveness.

viii. Ensure greater cohesion between development and humanitarian policy and interventions across all government departments.

ix. **Cross departmental working should be clearly incorporated into the job descriptions of relevant civil servants.**

C. The coherence of policies which affect development

8. The Secretary of State, alongside many others, has rightly highlighted both the successes of the Millennium Development Goals (MDGs) in mobilising action and focusing global efforts. There has been a focus in recent years on the elements that with hindsight are evidently missing from the MDGs – not least of which was action to address the full range of development challenges, including complex and challenging issues such as a global agreement on taxation or how to ensure that international institutions and architecture were fit for purpose, representative and accountable.

9. In looking at policy coherence across Whitehall, it is important to be clear about why this matters. While ensuring value for money for the British taxpayer is rightly a concern for DFID and other
Whitehall departments, policy coherence is also key to ensuring the best and most impact in terms of poverty reduction and development for the intended beneficiaries of British development interventions. This requires clear and evidence-based theories of change to inform policy and practice. For example, while the UK gave over £11 billion in aid and other DAC donors committed over US$134 billion last year, the cost of illicit financial flows was estimated to be many times that size, unrestricted capital in the form of FDI continues to flow out of many countries at a faster rate than it flows in and furthermore climate change continues to disproportionately affect the poorest and most vulnerable communities and people. Similarly, many other areas of UK policy can have unintended, negative consequences on developing countries and as such any initiative to increase the coherence of UK policies affecting development must also be focused on increasing development impact. The UK does not have an unblemished track record on policy coherence as regards development – for example, with regard to trade policy, there are a number of ongoing trade negotiations, such as the EPA between the EU and East Africa, or Transatlantic Trade and Investment Partnership (TTIP), where there is a risk that the outcome will undermine the UK’s development agenda, and where it is not clear that the developing country impact is being properly considered. As a minimum, the UK government should ensure that policies which directly or indirectly impact on development do not actively undermine development efforts.

10. Greater policy coherence is fundamentally about ensuring our development efforts are effective and in keeping with our development effectiveness commitments from Busan and Paris, ensuring that all development efforts are aligned and coherent, transparent and accountable, deliver real results that are in keeping with national development strategies and, most importantly, that support developing countries’ ownership and right and ability to steer their own development. In practice this means that development policy and policies affecting development should ensure that poverty eradication and inclusive development are at the heart of development efforts and not be crowded out or undermined by expanding British trade, investment, or other interventions.

11. The UK should be leading the way, as it has previously, in improving the effectiveness of aid and in ensuring that all our global interventions are effective and coherent. This approach should be applied across the whole of government.

12. Furthermore, it should be recognised that aid and other forms of public financing are still essential, not only because of our responsibility to the world’s poor but also practically. For example, in particular in LICs, many will remain for some time heavily dependent on aid to finance basic social services, much needed for global public goods, etc. In addition, not all MICs have the ability or willingness to pay for services, such as full funding for their HIV responses or health services for marginalised populations such as LGBTI people, people who use drugs and sex workers, so UK aid should talk a tailored, country by country approach to MICs which is guided by a DFID strategy.

D. The impact of the UK’s non-aid policies on developing countries

13. Supporting and encouraging non-aid related activities such as supporting greater domestic tax collection/closing tax loopholes or a better enabling environment for the growth of job-creating private and public sectors are crucial to long-term, sustainable development and reduced dependence on aid. Some specific examples include:
14. **Illicit financial flows** – Africa alone has a net loss of $35.3 billion to illicit outflows each year. If you take all illicit flows, on the basis that illicit inflows (for example weapons) are also harmful, this figure rises to $60.0 billion. In almost all of the affected developing countries the largest component of illicit outflows (GFI estimates 60-65%) is commercial tax evasion. In addition to tax evasion, the networks of secrecy facilitate various other forms of illicit flows ranging from drug trafficking and arms trading to terrorism. The World Bank analysed 213 cases of large-scale corruption between 1980 and 2010 and found that 70% of cases used anonymous shell companies. The 2nd biggest offenders were companies registered in the UK and its crown dependencies and overseas territories. Further, the UK is routing aid money itself through tax havens, a recent report revealed that CDC used tax havens for almost 50% of its aid investments. Last year DFID and DECC decided to register for tax purposes the Climate Public Private Partnership Asia Fund (CP3 Asia) in the Cayman Islands; this is an ODA financed project with £60m of ODA invested in it (this money is routed via a parallel vehicle registered in Scotland).

15. **Debt and debt sustainability** - since the global financial crisis began, lending to African governments has boomed, increasing from $9.9 billion in 2006 to $23.4 billion in 2012. This is building up a debt bubble for the future. The UK government gives $1.3 billion of aid a year as loans, via contributions to multilateral institutions such as the World Bank. They have also given some loans directly as aid to countries to help them adapt to climate change. This includes loans to the government of Grenada, which has stopped paying some of its debts because they are already unaffordable. Furthermore, in February 2014, the International Development Select Committee recommended that the UK government give significantly more of its aid as loans. This may further contribute to the debt crisis.

16. Despite calls from African debt campaigners for all loans contracts to be made publicly available before they are signed, and to require ratification by national parliaments many lenders refuse to disclose information. For example, UK Export Finance, the part of the UK government which backs loans for other countries to buy British exports, refuses to disclose loans it is guaranteeing for up-to a year after they have been signed.

17. **Actions of UK companies** - British companies are among the most active in Africa, ranked by Ernst and Young as the top source of "greenfield" investment into Africa in 2012 and 2nd behind the US between 2003 and 2012. In keeping with its commitment to implement the UN Guiding Principles on Business and Human Rights and with the expectations set out in the FCO-BIS Action plan on Business and Human Rights regarding human rights due diligence, the UK (in particular BIS, DFID and FCO in collaboration) should take action to curb irresponsible activities by MNCs including putting in place regulatory frameworks to control the operations of investing foreign companies, including provisions which allow for protection of people and the environment. The UK should play a constructive role in efforts at the United Nations to draw up a binding international agreement on transnational corporations to protect human rights. There is also opportunity for greater policy coherence and collaboration across Whitehall. For example BIS could provide more leadership on mandatory corporate reporting and on improving global supply chains.

18. **Climate change** - the Climate Vulnerability Monitor estimates that climate change led to 400,000 additional deaths worldwide in 2010, from such causes as natural disasters (floods, landslides, and storms), heat- and cold-related illnesses, diarrheal infections, meningitis, malaria and other vector-
borne infections, and malnutrition. Of these deaths, 335,000 took place in only 20 highly vulnerable countries – 13 of which are in Africa. Climate change also poses financial costs to developing countries. Annually Africa is forced to spend $26 billion on adaptation and 10.6 billion mitigation measures as a result of emissions by the rest of the world. The UK is one of the top 10 global greenhouse gas emitters. The UK has committed to a target to keep global temperature rises below 2°C to avoid more catastrophic climate change impacts in the future. To have a reasonable chance of achieving this, the Intergovernmental Panel on Climate Change (IPCC) has found that energy sector emissions will need to be cut globally by at least 80% by 2050. A major transformation of the energy sector is needed. In keeping with this goal the £2.9bn of UK ODA assigned to international climate finance (ICF) is intended to promote, amongst other things, a transformative approach to low carbon development. To be consistent the UK needs to also adopt more ambitious domestic targets and policies on renewable energy production and to end the subsidies and tax breaks it currently gives to the fossil fuels sector.

19. **UK sales of arms** - since 2008 the UK has approved arms export licences (including both military and dual use) worth £51,133,673,291\(^1\). In 2013 the Committees on Arms Export Controls reported that the UK had issued 3,000 export licences for military and intelligence equipment worth £12.3bn to countries which are on its own official list for human rights abuses.

20. It is also true that not all non-aid development activities have been good or produced the results hoped for. There are lessons to be learnt from aid policy and practice in this regard. For example, the TradeMark South Africa project\(^2\) demonstrated quite clearly some of the potential pitfalls and problems that may arise from poorly designed, implemented and monitored projects. DFID, as well as all other government departments engaging internationally/globally, should ensure that all such projects or interventions strive to meet as stringent a development and poverty eradication test as aid projects.

21. It is also important to remember that many non-aid development policies and activities build on and are made possible by aid-supported activities – for example, support to national tax collection agencies, support to national governments or for particular sectors such as education, financial services, etc. or projects such as TradeMark East Africa which help streamline regional trade infrastructure and architecture.

22. These activities will have the most impact – the most long-term and sustainable impact for the poorest, most vulnerable and marginalised – where they are conducted effectively and in keeping with the principles of development effectiveness including ownership, transparency and accountability, results and inclusiveness. Moreover, for the post-Busan agenda to live up to its promise, these principles must be applied as rigorously to non-aid related activities and to all actors and stakeholders equally.

**E. The underlying government mechanisms needed to support any change**

- **a. The role of DFID in facilitating other UK Government departments and other UK organisations to assist development.**

\(^1\) [http://www.caat.org.uk/resources/export-licences/](http://www.caat.org.uk/resources/export-licences/)

\(^2\) See ICAI review available at [http://ica.i.independent.gov.uk/2013/12/06/dfids-trade-development-work-southern-africa/](http://ica.i.independent.gov.uk/2013/12/06/dfids-trade-development-work-southern-africa/)
23. Cross-Whitehall development coherence - DFID has a key role to play in ensuring that other Whitehall departments are aware of the potential impact of their actions overseas as well as in helping to ensure that Whitehall departments are joined up on matters of development. This does not take away from the responsibility of other Whitehall departments to engage constructively with such efforts and to continue working to ensure internally that the processes and procedures are in place to meet the high standard set by DFID in terms of transparency of development efforts – aid and beyond. This is particularly important in the context of a shifting development landscape, in particular one where a growing majority of the world’s poor live in Middle Income Countries (MICs), that will require a more joined up approach. It should be noted however that past experience suggests that DFID lacks influence and UK economic or political interests override development objectives. It is critical for DFID to be empowered to defend the UK’s development objectives and as such it is vital that the role of DFID is supported by political will to achieve development objectives and appropriate mechanisms across all departments.

24. Europe - DFID also has a vital role to play in coordinating UK government and Whitehall development-related engagement and influence with European institutions and other Member States and their relevant departments. For example, many of the trade negotiations that are currently cause for concern (TTIP, the CAP sugar reform and the EU’s East African Community EPA) are being negotiated through the EU as trade negotiations are largely an EU competence. In addition EU policies such as the CAP have implications for developing country imports due to the impact on tariff regimes. So DFID has to be able to make its case in Brussels and look to work more closely with like-minded departments in other countries.

25. DFID and the Foreign and Commonwealth Office - There should be greater collaboration between DFID and the FCO to address issues relating to human rights for key marginalised groups (notably women and girls, LGBTI populations, sex workers, people who use drugs and prisoner populations). DFID could prioritise support for inclusive development programming within its own strategy i.e. expecting recipient countries to demonstrate how inclusion of key populations is going to be addressed whilst the FCO uses diplomatic measures to raise issues of human rights violations and harmful existing or new legislation of the types we have seen introduced in Uganda and Nigeria of late. There was a strong message sent from the last International AIDS Conference about the importance of doing this – enshrined in the Melbourne Declaration. DFID should work closely with the FCO on the UK's implementation of the UN Guiding Principles on Business and Human Rights and set out how the steps it is planning to take to deliver on the commitments in the UK's Business and Human Rights Action Plan. DFID particularly needs to work closely with the FCO in fragile and conflict-affected states to ensure that the UK champions aid strategies that are conflict-sensitive and grounded in robust political analysis and political strategies that help address the underlying drivers of poor development. DFID and the FCO should work together to reduce conflict and disaster risk and to mobilise rapidly and effectively in response to early warnings.

26. DFID and the Department for Health

i. As has been widely reported, there is a chronic shortage of health workers in many countries, which inevitably has a serious impact on the quality of health care delivered. The Global Health Workforce Alliance suggests that an estimated 4.2 million more are needed to
bridge the gap.\footnote{Global Health Workforce Alliance website: http://www.who.int/workforcealliance/en/} Africa has 24\% of the world’s disease burden but only 3\% of the world’s health workers.\footnote{WHO, Density of Physicians statistics (2014), available at: http://www.who.int/gho/health_workforce/physicians_density_text/en/}

ii. In 2010, VSO’s “Brain Gain” research found that a majority of African health workers interviewed in the UK\footnote{VSO, Brain Gain, (2010), available at: http://www.vsointernational.org/Images/Brain_Gain_tcm76-28869.pdf} had a strong desire to return to their country of origin and use their skills to make a difference in the health service or by sharing their skills with others.

iii. DFID and the Department of Health should work closer together to strengthen global health workforces, including better UK health workforce planning, and recognising the impact of the brain drain as a result of migration to the UK, target financial and technical support to those countries that have made the biggest contribution to UK health services.

iv. We recommend that steps should be taken to facilitate circular migration for those Diaspora health workers in the UK who wish to work in their home countries. For example, the UK could pilot a scheme with specific countries for health workers come from developing countries to the UK for two years. It could also be made much easier by the DH to release UK health workers who want to work for periods overseas as part of their career and personal development.\footnote{For more evidence on the benefits of this, please see, for example the APPG for Global Health’s report on the benefits of overseas volunteering to the NHS: http://www.appg-globalhealth.org.uk/reports/4556656050}

27. DFID and the Department for Business, Innovation and Skills - Greater coherence across Whitehall to ensure that BIS, particularly as the department responsible for leading on the UK’s trade negotiations at the EU level, provides the necessary leadership, input and support in driving improvements in the way British businesses work overseas so that the transformative potential of business and growth is harnessed for development. Past and current experience suggests that, while the DFID-BIS Trade Policy Unit does actively listen to civil society concerns, the UK Government’s goals, particularly relating to building the economies of developing countries, have not always been fully in trade negotiations have lost out to other departments’ concerns. This should include - mandatory corporate reporting and a more coherent approach to regulatory oversight of supply chains to strengthen companies commitment to improving work and human rights conditions (for example, including overseas suppliers in regulations regarding anti-slavery).

28. DFID and the Ministry of Defence - There are important synergies between the work of DFID, particularly in humanitarian and fragile or post-conflict contexts, and the work of the MoD. These synergies could be enhanced by greater transparency of MoD development and aid interventions – an area where DFID has provided vital leadership.

29. DFID and the Department for Environment, Food and Rural Affairs - DEFRA and DFID share joint responsibility for sustainability in food chains with differentiated responsibility for UK and developing countries respectively. These two responsibilities are inextricably intertwined and linked and as such the lack of coherence between the two departments is cause for concern. To improve this coherence, for example DEFRA should, as part of the British Food Plan or School Food Standards,
incentivise businesses to supply goods that are sourced from developing countries on fair and ethical terms.

b. The role of DFID in influencing the policies of other Whitehall departments

30. DFID plays a vital, if at times challenging, role in encouraging reform and improvements in other government departments as outlined in the points above.

31. Furthermore, DFID’s impact on other departments includes the increased drive to improve the transparency not just of UK aid but also of other flows and interventions.

32. This is important because DFID is the only department empowered to make the arguments about why these issues matter, arguments that stretch beyond a domestically focused view of the UK’s self-interest to a broader, more enlightened and more nuanced understanding of how development happens and thus how we achieve the more secure and more prosperous world the Prime Minister refers to in his arguments about the Golden Thread and the post 2015 ambition of eradicating poverty.

33. Further progress and synergies could be encouraged by:

i. The development and roll-out of a Cross-Whitehall Policy Coherence for Development strategy/action plan, led by DFID.

ii. Strengthening other departments’ responsibility to consider the development impact of policies affecting development through joint country strategies for example.

iii. Strengthen monitoring and evaluation by broadening the remit of the IDC and ICAI to look beyond DFID to all departments with policies affecting development including by the creation of Joint Committees where appropriate.

iv. Ensure that all legislation from relevant departments considers whether it will have an impact on development and if this impact is in keeping with the UK’s commitments and ethos on development and development effectiveness.

v. Cross departmental working should be clearly incorporated into the job descriptions of relevant civil servants.
c. Whether a stand-alone Department for International Development has a long-term future.

34. We strongly support the continuation of DFID as a standalone department and would also urge the Committee to make a clear statement in support of the continuation of DFID in their forthcoming report.

35. The key reasons for this are:

i. Most importantly, the loss of DFID would have a real, if difficult to quantify, impact on the world’s poorest and most marginalised people as the UK (the world’s 2nd largest donor in volume terms) would lose some of the drive, innovation and impact that have characterised UK development since 1997.

ii. A stand-alone department ensures that the UK has a more effective, predictable, coherent, transparent and systematic approach to development, including tackling the root or structural causes of poverty, which has made the UK a global leader on development. DFID is widely considered to be a leader in the sector and a model to be aspired to, with a cadre of experts who have first-hand experience of operating in developing countries and of providing concessional finance to those countries. Independence has given DFID the space and capacity to deliver results and be a thought-leader in the sector. If the UK Government were to decide to collapse DFID back into another department, the UK would also lose its position as a leader in international development on both the European and global stage.

iii. DFID is the only government department with the explicit mandate to reduce poverty in developing countries. Its loss would leave UK development assistance more vulnerable to being used to advance narrow or short term political agendas, rather than having a clear, long term and strategic focus on the needs of the world’s poorest and most marginalised people.

iv. Several examples of this leadership and its impact include:

a. Improving aid transparency and pushing to improve the transparency of other development finance flows which has come almost entirely from DFID.

b. Focusing the attention of the development community more broadly on issues of governance and accountability, with DFID leading the way in urging the sector to address underlying, structural drivers of poverty.

c. Advancing the MDG agenda on the international stage, helping to put human development and poverty reduction at the centre of development assistance internationally.

d. Its role in advancing and championing the aid and development effectiveness agenda both in the UK and internationally.

e. Ensuring that human development is at the core of post-war reconstruction such as in post-conflict contexts like Afghanistan.

f. Supporting approaches like ‘making markets work for the poor’ – helping to develop replicable models for advancing market development from the bottom-up which have since been adopted by other donors and practitioners.

v. DFID’s is a global leader in putting women and girls at the heart of development, as recognised through the Strategic Vision for Girls and Women. As the Secretary of State has
recognised, it is critical that this focus on gender equality and putting girls and women first continues in the future UK approach to development.

vi. It highlights the political commitment of the UK government to tackling poverty. This is important both internationally and domestically. Having a cabinet level position enables the Secretary of State to be a much stronger position to ensure policy coherence across Whitehall.