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International Development (Official Development Assistance Target) Bill

Bill 14 of 2014-15

RESEARCH PAPER 14/48 10 September 2014

The *International Development (Official Development Assistance Target) Bill 2014-15* (Bill 14 of 2014-15) was introduced on 2 July 2014 by Michael Moore MP. Second reading is scheduled for 12 September 2014.

The bill would enshrine the 0.7% aid target – of spending at least 0.7% of national income on aid – in legislation. The UK met the 0.7% aid target for the first time in 2013. The Government have committed to meet it in subsequent years.

Following pledges in the Conservative and Liberal Democrat manifestos, the Coalition Agreement committed the Government to enshrine the target in law. The Government have not yet introduced legislation to do this themselves but have said that they support this bill. The Labour party have also said that they support the bill.

As well as putting the aid target in legislation, this bill would create a new body – called the Independent International Development Office (IIDO) – to carry out independent evaluation of the relevance, impact, value for money and sustainability of aid spending.

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14/45	National Insurance Contributions Bill [Bill 80 of 2014-15]	21.08.14
14/46	Economic Indicators, September 2014	02.09.14
14/47	Social Indicators 2014	03.09.14

Research Paper 14/48

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ISSN 1368-8456

Contents

Summary

The *International Development (Official Development Assistance Target) Bill 2014-15* (Bill 14 of 2014-15) was introduced on 2 July 2014 by Michael Moore MP, who came second in the Private Members' bill ballot for the 2014-15 session. Second reading is scheduled for 12 September 2014.

The bill would enshrine the 0.7% aid target in legislation, from 2015. The 0.7% aid target is a target for donor countries to contribute 0.7% of their Gross National Income (GNI) as aid (Overseas Development Assistance or ODA). Countries' proximity to the target and their commitment to achieve it is regarded by the international community as being an indicator of the generosity of individual countries' aid policies. The UK met the 0.7% aid target for the first time in 2013, spending an estimated £11.4billion. The Government have committed to meet the target in subsequent years.

Following pledges in the Conservative and Liberal Democrat manifestos, the Coalition Agreement committed the Government to enshrining the aid target in law. The Government have not yet introduced legislation to do this themselves but have said that they support this bill. The Labour party have also said that they support the bill.

The aid target has been criticised by some, on the grounds that its usefulness is limited because it does not take into account the effectiveness of aid; its theoretical foundation is out-dated; aid is no longer the key financing mechanism for investment in developing countries; or because aid money would be better spent elsewhere. However, the target still continues to have the support of the Government and many charities on the grounds that aid plays an important role in improving the welfare of the world's poor. Supporters say that legislation would improve the predictability of aid and would set an example to other donor countries.

The bill would also create a new body – called the Independent International Development Office (IIDO) – to carry out independent evaluation of the relevance, impact, value for money and sustainability of aid spending. At present, scrutiny of aid spending is largely done by the Independent Commission for Aid Impact, along with Parliament and the National Audit Office.

1 Introduction

The *International Development (Official Development Assistance Target) Bill 2014-15* (Bill 14 of 2014-15) was introduced on 2 July 2014 by Michael Moore MP, after he came second in the Private Members' bill ballot for the 2014-15 session. Second reading is scheduled for 12 September 2014. The bill extends to the whole of the UK.

The bill would enshrine the 0.7% aid target in legislation, from 2015. The 0.7% aid target is a target for donor countries to contribute 0.7% of their Gross National Income (GNI) as aid (Overseas Development Assistance or ODA – see the box for definitions of these terms). Countries' proximity to the target and their commitment to achieve it is regarded by the international community as being an indicator of the generosity of individual countries' aid policies. The UK met the 0.7% aid target for the first time in 2013. The Government have also committed to meet it in subsequent years.

Following pledges in the Conservative and Liberal Democrat manifestos, the Coalition Agreement committed the Government to enshrine the commitment to meet the target in law. The Government have not yet introduced legislation to do this.

The bill would also create a new body – called the Independent International Development Office (IIDO) – to carry out independent evaluation of the relevance, impact, value for money and sustainability of aid spending.

Key definitions in the 0.7% aid target

The target is for net Overseas Development Assistance to be 0.7% of Gross National Income from 2013.

Official Development Assistance (ODA) – often just called 'aid' in this research paper **–** is the standard international definition for aid. Aid flows count as ODA if they:

- go to countries and territories on the OECD's Development Assistance Committee's List of ODA Recipients (which covers most low and middle income countries, and all Least Developed Countries) or to multilateral institutions, such as the World Bank,
- are provided by official agencies, including state and local governments, or by their executive agencies;
- are administered with the promotion of the economic development and welfare of developing countries as its main objective; and
- are either grants or loans that have a substantial benefit to the borrower compared to a loan at market rate.

There are also some specific limitations on what aid can be reported as ODA, for example no military equipment or services are reportable as ODA, and anti-terrorism activities are excluded. However, the cost of using donors' armed forces to deliver humanitarian aid is eligible, as are the additional costs of certain activities relevant to development within peacekeeping operations, such as election monitoring or mine clearance (if carried out for development reasons).[1]

Gross National Income (GNI) is a measure of output which values goods and services produced by the residents of a country. It differs from GDP, which is the most widely used measure of output, because it includes income such as dividend and interest payments received from other countries, less similar payments made abroad. GDP measures output within a country's territorial borders whereas GNI measures output produced by residents of a country, regardless of whether they are produced in the country or not.

2 The adoption of the target

The 0.7% aid target came out of discussions and debates in the late 1950s and 1960s (which are described in the appendix). The target was formally recognised in October 1970 when the UN General Assembly adopted a Resolution with the goal that:

> Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product at market prices by the middle of the decade.[1]

In the UK, the 0.7% target was accepted in principle by the newly-elected (Labour) government of February 1974.[2] Conservative governments then also accepted the target, without a date for its attainment.[3] On coming to power in 1997, the Labour government maintained this position.[4]

In the 2004 Spending Review the Labour Government said that it wished to continue to raise aid at the rate of growth it planned to achieve in 2007-08, "which would mean that total UK overseas development assistance (ODA) would reach 0.7 per cent of GNI by 2013".[5] It reaffirmed the 2013 timetable for meeting the 0.7% target on several occasions, for example the Department for International Development's 2009 White Paper stated that the Government will "dedicate 0.7% of national income to development assistance by 2013".[6]

Following pledges in the Conservative and Liberal Democrat manifestos,[7] the Coalition Agreement committed to meet the 0.7% target from 2013, and to enshrine it in law.[8] The target was met for the first time in 2013.

3 Recent debate about the 0.7% target

3.1 Criticism of the target

Support for the 0.7% aid target amongst governments and charities that emphasize the impact of aid on the welfare of the poor has remained strong over the last decade or so. However, there have been critics, from various sources.

Within the UK Parliament, perhaps the most stringent critique came in a March 2012 report on the *Economic Impact and Effectiveness of Development Aid* by the House of Lords Economics Affairs Committee. The report stated that: "we do not accept that meeting by 2013 the UN target of spending 0.7% (£12bn) of Gross National Income on aid should now be a plank, let alone the central plank, of British aid policy". The Committee gave the following reasons for their recommendation that the Government abandon the target:

> a) it wrongly prioritises the amount spent rather than the result achieved;

1 International Development Strategy for the Second United Nations Development Decade", UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 42. The decade in question was the 1970s. Gross national product is an older name for Gross National Income (GNI).

2 HC Deb 11 November 1992 c795-6W

3 See for example HC Deb 06 June 1989 c128W

4 HC Deb 21 May 1997 c698-701

5 HM Treasury, 2004 Spending Review, July 2004

6 Department for International Development, *Eliminating World Poverty: Building our Common Future*, p. 92, July 2009

7 *Invitation to join the Government of Britain: the Conservative Manifesto 2010*; *Liberal Democrat Manifesto 2010*

8 The Coalition, *Our Programme for Government*, p 22

> b) it makes the achievement of the spending target more important than the overall effectiveness of the programme;
>
> c) the speed of the planned increase risks reducing the quality, value for money and accountability of the aid programme;
>
> *[One witness told the House of Lords committee that the target encouraged officials "to turn a blind eye to flagrant abuse in the pressure to get the money out of the door"];*
>
> d) reaching the target increases the risk ... that aid will have a corrosive effect on local political systems.
>
> *[Professor Adrian Wood of Oxford University told the House of Lords Committee: "If you give a country too much aid for too long you damage its basic governance structure because the politicians pay more attention to the donors than they do to their citizens"]*;

The House of Lords Economics Affairs Committee concluded that "the core of aid policy should be choosing and funding the best ways of promoting international development and stability, rather than finding new ways to spend ever-increasing resources". [9]

Another argument expressed in the House of Lords report and in the press is that a target for ODA is now largely irrelevant as aid is no longer the main financing mechanism for development.[10] A European Commission report pointed out that:

> the biggest source of financing for development available to governments is the domestic revenue — this also explains why the primary responsibility for development lies with the developing countries themselves. Aid from development partners complements this, and can catalyse other flows, but is in itself not the major element for many developing countries. It is, however, international trade, investments and money sent back home by migrants that can stimulate the real economy, given the right conditions. There are also outflows from developing countries, which need to be taken into account.[11]

In 2012, workers' remittances to low income countries were worth $32billion while net ODA to these countries (from all donors) was worth $30billion.[12]

The importance of trade and remittances in financing development has led to the argument that the Commitment to Development (CDI) Index, published annually by the Centre for Global Development, which reports on how development friendly a donor country's policies and international positions actually are in terms of aid, trade, investment, migration, environment, security, and technology, is a better indication of how well a country is helping other poorer nations that a simple ratio of ODA to GNI.[13]

The 0.7% aid target also has critics in some think tanks and lobby groups. A 2005 working paper by the Centre for Global Development argued that the 0.7% target is conceptually wrong. The authors of the paper pointed out that the target is based on academic growth models of the 1950s that used global conditions at the time – income levels, savings rates,

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[9] House of Lords, Select Committee on Economic Affairs, 6th Report of Session 2010–12, *The Economic Impact and Effectiveness of Development Aid*

[10] House of Lords, Select Committee on Economic Affairs, 6th Report of Session 2010–12., para 11; The Guardian, *Poverty Matters Blog*, *Is the 0.7% target still relevant,* 2 August 2012

[11] European Commission, *Improving EU support to developing countries in mobilising Financing for Development* (2012)

[12] World Bank, *Migration and Development Brief 22* (April 2014); OECD Stat Table DAC2a [as 22 July 2014]

[13] Commitment to Development Index 2013

and global capital flows – to make estimates of the total 'financing gap' which could be filled by aid to allow poor countries to reach a desirable rate of economic growth. However, they argued that such conditions are no longer prevalent – since the 1950s, the rich countries have got even richer and the savings of even the poorest countries have increased. Using the same methodology that was used to formulate the 0.7% aid target but with 2003 data, the authors found that an aid goal of just 0.01% of rich-country GDP for the poorest countries and *negative* concessional aid flows to the developing world as a whole is required – a finding which they argued highlights weaknesses in the basic premise of the target itself. In the paper, the authors proposed that the 'financing gap' model, which forms the theoretical foundation of the target and is used to stipulate that shortfalls in investment required by developing countries can be financed through aid, is fundamentally flawed as there is little empirical evidence showing a relationship between aid, investment and growth. Finally, the authors concluded that the right amount of aid for poor countries should not be based on the size of rich economies but on the needs of a particular poor country itself.[14]

Criticism of the 0.7% aid target often overlaps with broader opposition to relatively high levels of aid spending. It is claimed that it is ineffective and props up corrupt and/or brutal regimes in recipient countries. These arguments have been deployed by some Conservative backbenchers and lobby groups like the Taxpayers Alliance.[15] Critics have also argued that – especially at a time of financial constraint in the UK – increased spending should be directed to areas other than aid, including a range of domestic needs. There have also been email campaigns along these lines.[16] Concerns of this nature were raised in Parliament following the severe floods that affected parts of the UK in early 2014.[17]

In recent years, concerns have also been expressed that, as levels of aid spending have rapidly risen, the Government might seek to appease critics by re-categorising activities as aid (ODA) that should not be considered as such. Some have gone so far as to argue that the Ministry of Defence, whose budget has not been protected in the way that the Department for International Development's has been in spending reviews since May 2010, has been trying to define more of their activities as aid (ODA).[18] The Secretary of State, Justine Greening, in an interview with *The Times* on 5 July, indicated that there would remain strict limits on the extent to which this could be done.[19]

3.2 Support for the target

The Government has defended its support for the target against critics, although the official opposition has accused it of failing to do so with sufficient energy and enthusiasm since the 2010 general election.[20] Responding to the 2012 Lord's Committee on Economics Affairs report that proposed scrapping the target, the International Development Secretary at the time, Andrew Mitchell, emphasised what increasing amounts of UK aid will achieve for the world's poor:

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14 *Ghost of 0.7%: Origins and Relevance of the International Aid Target*, Michael A. Clemens and Todd J. Moss, Centre of Global Development, Working Paper Number 68, September 2005

15 "David Cameron's overseas aid spending target is arbitrary, random and could be seriously counterproductive", Taxpayers Alliance, 27 September 2012

16 "Viral emails protesting about government spending on international aid", House of Commons Library Standard Note SN06682, 9 July 2013

17 House of Commons Hansard Debates for 05 Mar 2014 (pt 0001)

18 Paul Murphy, "Defending aid?", Saferworld, 23 May 2013; "Ministry of Defence campaigns for overseas aid to pay for military patrols", *Guardian,* 30 April 2013

19 "Keep your hands off aid budget, minister tells colleagues", *Times*, 5 July 2014. The OECD is currently conducting a review of how ODA should be defined in the "post-2015 world". See the OECDs 'external financing for development' webpage.

20 Ivan Lewis MP, "0.7% legislation – a victim of Cameron's malaise", *Huffington Post*, 9 May 2013

> it will get 11 million children into school, vaccinate 55 million children against preventable diseases and stop 250,000 newborn babies dying needlessly. Going back on this promise would cost lives.[21]

Charities involved in aid also disagreed with the Lords Committee's recommendation. According to Lord Paddy Ashdown, UNICEF's UK President:

> Scrapping the 0.7% commitment would not make aid more effective it would simply deny vital assistance to millions of poor and vulnerable people throughout the world.[22]

Oxfam argued that:

> the Committee is guilty of presenting a false choice between delivering high quality aid and increasing its quantity – the Government can and should do both. Ministers deserve real credit for keeping our commitments to the poorest during these tough times – it is one of the things that allows Britain to hold our head high on the world stage.[23]

Christian Aid also highlighted the importance of the target in maintaining UK's reputation as a leader in development aid:

> The UK has long been seen as a leader in international development, and maintaining the pledge to deliver on the 0.7% target, which all major parties have signed up to, will enhance our ability to lead on broader questions of international development policy by joining the group of countries that meet the 0.7% threshold.[24]

There was a chorus of approval from charities when it was confirmed in April 2014 that the Government had met the target on schedule in 2013 (see below).

Supporters of the target have not claimed that meeting it is sufficient unto itself. Some have adopted a relatively nuanced position that acknowledges the force of some of the criticisms that have been made of the target. The Overseas Development Institute, while clearly in favour of the target, put forward the following arguments about its "long-term relevance" in a June 2013 written submission to the International Development Committee's inquiry on the future of international development co-operation:

> ***The long term relevance of the 0.7% ODA target***
>
> 1.1 The 0.7% target was first agreed under the auspices of the UN in 1970. It has never been a strongly evidenced target, more a political tool, which implies that discussions about changing it will be at least as much political in nature as technical. A range of factors imply that the current definition and target of ODA are no longer fit for purpose.
>
> 1.2 Studies suggest that extreme poverty is continuing to decline rapidly, although there is continued discussion about the likely future "geography of poverty" (Sumner 2010, Kharas and Rogerson 2012).
>
> 1.3 Most developing countries are increasingly moving away from reliance on aid, even in Africa (Actionaid 2012, Glennie 2008), which raises questions over whether there will still be demand for traditional aid in the future.

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[21] DFID Speeches and Statements, *The Power of the UK's Aid target*, 29 March 2012
[22] DFID Speeches and Statements, *The Power of the UK's Aid target*, 29 March 2012
[23] DFID Speeches and Statements, *The Power of the UK's Aid target*, 29 March 2012
[24] DFID Speeches and Statements, *The Power of the UK's Aid target*, 29 March 2012

> 1.4 Amongst the broader goals (beyond poverty reduction) that future ODA could help to mobilise finance for the provision of are addressing climate change and environmental sustainability, global health challenges and security—often grouped under the heading Global Public Goods (GPGs) (Severino 2009, ODI forthcoming). The implications of a more ambitious agenda addressing GPGs alongside poverty reduction might be the need for more resources overall, and the need to focus even on countries where extreme poverty is no longer prevalent.
>
> 1.5 The growing volume of development assistance coming from Southern donors and new development cooperation actors is a crucial additional factor. ODI estimates that these flows were equivalent to at least 30% of OECD donor contributions in 2011 and are growing fast (Greenhill *et al* 2013). ODI's Claire Leigh and Jonathan Glennie have proposed that all countries, even the poorest, might contribute something to global development financing in the future (Leigh and Glennie 2013).
>
> 1.6 This discussion began some time before the process of agreeing development goals to succeed the MDGs and a package of measures to pursue them (for example see Severino 2009), but has been given added impetus by this process.
>
> 1.7 There appear to be two broad scenarios. Either aid gradually declines as poverty is reduced globally and countries rely more on non-concessional flows. Or aid continues to be of importance, as objectives multiply and the unique character of public finance at a global level is considered important. In the former scenario, the 0.7% target would seem too high; in the latter it may not be sufficient.[25]

The International Development Committee's report on the future of international development co-operation was published in February 2014. On the 0.7% target, the Committee concluded (bold and italics are its own):

> 17. […] The Secretary of State expressed continued support for the international commitment to 0.7%. She said that other countries might take a slightly different view of the benefits of investing in development, but that the UK wanted to see them live up to the commitment, and that it was in the UK's national interest to continue to meet the target:
>
> "Ultimately, I believe that spending this 0.7%, if done effectively, is absolutely in our national interest. ... It is in our interest to help countries stay stable, so that we can stay safe and have a better chance of reducing terrorism. It is absolutely in our interest as a country to be working in that next wave of emerging countries."
>
> 18. **There has been huge progress in developing countries. The number of people living in extreme poverty since 1990 has halved, and the prospect of ending extreme poverty by 2030 is within reach. Aid is still of critical importance, especially for reaching the very poorest people in Low Income Countries and we believe that they should remain the priority for UK aid. Aid programmes can help to build mutually beneficial trade and economic cooperation relationships with emerging economies and we believe that a stronger emphasis on economic development can be fully consistent with poverty reduction.**
>
> […]
>
> 20. ***We recommend that, in general, Middle Income Countries should graduate from aid, but in a controlled manner which takes account of needs and***

[25] International Development Committee, Written evidence submitted by the Overseas Development Institute, June 2013

> ***resources. During the transition period, we recommend that aid programmes make more use of technical assistance, support to NGOs, and loans, as discussed later in this Report.*** **Meeting the needs of the poorest in Low Income Countries should remain our priority, but supporting transition in Middle Income Countries, and financing global public goods all make the case for significant development finance. We plan to hold a separate inquiry in the future into climate finance.** ***We fully support the international commitment to the 0.7% aid target and believe that it should be maintained.***[26]

4 Targets in legislation

Putting targets in legislation has become more common in recent years in the UK. Examples include targets relating to child poverty and to climate change.[27]

Targets being put in legislation are a strong signal of a long-term commitment to the outcome they define. They are also a way of influencing decision making into the future, including for future governments.

Objections to legislated targets include the problem of poor targets distorting behaviour, policies and outcomes.[28] The way they limit the actions of future administrations can also be seen as a negative, reducing the ability of Ministers to respond to future events.[29]

The penalties, or lack of penalties, for not meeting a legislative target can also be controversial. Commenting on the 2010 draft International Development (Official Development Assistance Target) Bill, the Institute for Government said:

> Government can take measures to try to limit the potential role of the courts. The draft (never enacted) Official Development Assistance Bill of 2010 included an "ouster clause" which stated that there would be no legal consequences for missing the target.
>
> This makes it clear that the target is an aspiration rather than a mandated goal, but at the same time undermines the power of the legislated commitments and brings into question the point of putting a target into law in the first place. [30]

5 Existing scrutiny arrangements for aid spending and effectiveness

The Department for International Development has a long tradition of having its programmes and projects evaluated. Its evaluation policy requires that evaluations are independently quality assured, that there is a timely management response to each evaluation and that the results are made available online.[31]

The department's work, and that of other official aid sources, are currently scrutinised by the International Commission for Aid Impact, the National Audit Office and by Parliament.

As a member of the OECD Development Advisory Committee (a group of major aid donor countries), the UK's aid programme is also periodically 'peer reviewed'. The aid programme of each DAC member country is peer reviewed roughly every four years with two main aims:

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26 International Development Committee, 8th Report of 2013-14, The Future of UK Development Co-operation: Phase 1: Development Finance (HC 334)

27 Climate Change Act 2008; Child Poverty Act 2010

28 Institute for Government, Legislated Policy Targets: Commitment device, political gesture or constitutional outrage? August 2012

29 Paul Goodman, Being pro-aid doesn't mean putting a target into law, *Conservative Home*, 3 July 2014

30 Institute for Government, Legislated Policy Targets: Commitment device, political gesture or constitutional outrage? August 2012

31 Department for International Development, DFID Evaluation Policy 2013, 30 May 2013

to help the country understand where it could improve its development strategy and structures so that it can increase the effectiveness of its investment; and to identify and share good practice in development policy and strategy. The UK's last review was in 2009 – the review found that the UK "plays a leading role in the international development community, actively engaging in key areas such as responding to climate change and the global economic crisis. Other donors see the United Kingdom's efforts to reduce poverty as a model of good practice." The next review is due in November 2014. [32]

5.1 Independent Commission for Aid Impact

The Independent Commission on Aid Impact (ICAI) was unveiled in October 2010 by the then Secretary of State for International Development, the Rt Hon Andrew Mitchell MP.[33] It was then officially launched in May 2011.[34] ICAI is sponsored by the Department for International Development.

ICAI's strategic aim is to provide independent scrutiny of UK aid spending, to promote the delivery of value for money for British taxpayers, and the maximisation of the impact of aid. ICAI's work is overseen by a Board of four Commissioners who are independent from Government. They are supported in their work by a small secretariat of 4.5 people, which carries out day-to-day management of a contracted-out service provider, which in turn is responsible for undertaking reviews on behalf of ICAI and sending draft reports to the Board for their approval. The current service provider, which has been given a four-year non-exclusive contract, is KPMG in partnership with Agulhas Applied Knowledge, the Centre for Effective Global Action (CEGA) and SIPU International.[35] In 2013/14 ICAI published 12 reports.

ICAI is not a statutory body. The *Framework Agreement between DFID and ICAI* sets out the broad framework within which ICAI operates at present, as an Advisory Non Departmental Public Body, sponsored by the Department for International Development. The framework agreement requires it to report directly to Parliament through the International Development Committee.[36]

A *Triennial Review of the Independent Commission for Aid Impact (ICAI)* was published in December 2013. The review concluded that the functions performed by ICAI are still required, subject to some refinements to promote clarity and maximise value for money. The review also explored whether ICAI's functions could be better delivered by a different type of body, for example through a merger with the National Audit Office or by setting ICAI up as an executive agency through legislation – the report concluded that the current form was the most appropriate one.[37]

The International Development Committee recently published a review of ICAI's work in 2013/14. While praising ICAI's work, the report emphasised the need for ICAI to retain its independence from the Department for International Development in the future. The Committee's Chair, Rt Hon Sir Malcolm Bruce MP, said:

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32 OECD, United Kingdom - DAC Peer Review of Development Co-operation; Peer reviews of DAC members (1); Peer Reviews of DAC Members (2) [online, accessed 6 September 2014]

33 Department for International Development, *New independent commission unveiled*, 29 October 2010

34 Independent Commission for Aid Impact, *Chief Commissioner speech at the launch of ICAI*, 24 May 2011

35 Department for International Development, *Triennial Review of the Independent Commission for Aid Impact (ICAI),* 30 December 2013

36 *Framework Agreement between DFID and ICAI*

37 Department for International Development, *Triennial Review of the Independent Commission for Aid Impact (ICAI),* 30 December 2013

> "ICAI got off to a slow start in 2011 but has become an increasingly effective scrutiny body for the Department for International Development (DFID), issuing 12 excellent reports over the past year.
>
> Significantly, it has proved willing to challenge the Department – most notably by uncovering major failings in a flagship DFID trade programme for Southern Africa.
>
> Contracts for the current ICAI commissioners, contractor consortium and staff all end in May 2015. We are worried about the future of this important scrutiny body and the future continuity of its work. DFID must put effective transitional arrangements into place."

Fabian Hamilton MP, Chair of the IDC's sub-Committee on ICAI, added:

> "ICAI scrutiny of DfID represents excellent value for money to the taxpayer. It is crucial to protect the independence of this body which reports to Parliament via our Committee. This accountability must not be compromised so we question plans to relocate ICAI to sit within DfID itself." [38]

5.2 National Audit Office

The National Audit Office (NAO) scrutinises (non-devolved) public spending – including on aid – on behalf of Parliament. Its work has two main strands:

- Auditing the financial statements of all central government departments, agencies and other public bodies – including those of major aid spending departments such as the Department for International Development.

- Producing value for money studies looking at how specific government projects, programmes and initiatives have been implemented[39] – typically two or three a year look at aspects of aid spending. Examples of recent reports include ones on action against malaria and on the Department for International Development's oversight of the Private Infrastructure Development Group.[40]

The NAO produces reports for the International Development Committee as well as the Public Accounts Committee.

5.3 International Development Committee

The International Development Committee – chaired by Rt Hon Sir Malcolm Bruce MP – monitors the policy, administration and spending of the Department for International Development and its associated public bodies and takes an interest in the policies and procedures of the multilateral agencies and non-government organisations to which the Department for International Development contributes.

The Committee has a sub-Committee dedicated to examining the work of the Independent Commission on Aid Impact, chaired by Fabian Hamilton MP.

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[38] International Development Select Committee, Aid watchdog must maintain independence (Press release, 5 September 2014)

[39] National Audit Office, What we do [online, accessed 7 September 2014]

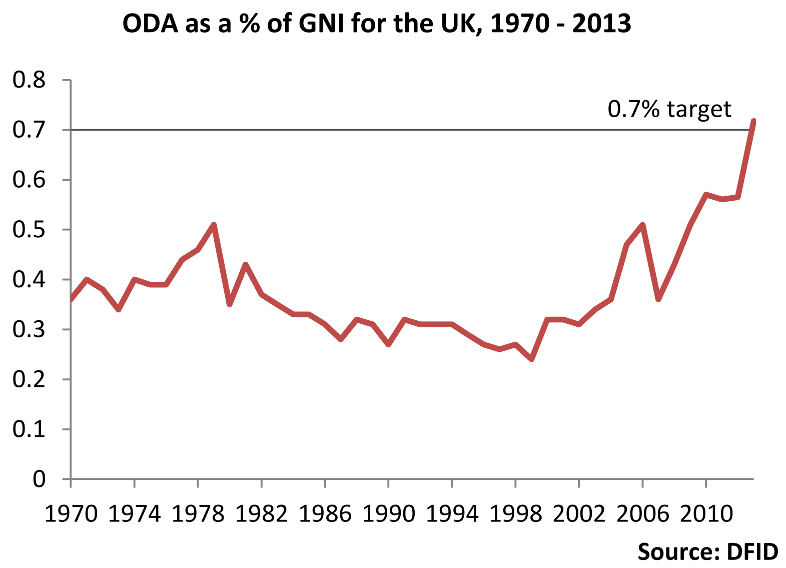
[40] National Audit Office, Oversight of the Private Infrastructure Development Group, 4 July 2014; National Audit Office, Malaria, 3 July 2014

6 Aid spending statistics

The UK hit the aid target for the first time in 2013, with provisional statistics suggesting that ODA was 0.72% of GNI.[41]

In absolute terms, ODA in the UK has increased from £3.85billion in 2003 to £11.44billion in 2013, with a particularly sharp jump of £2,671m between 2012 and 2013.[42]

Most UK official aid spending is from the Department for International Development (£10,040 million or 87.8%). The next biggest sources of ODA are the Department of Energy and Climate Change (£412 million or 3.6%) and the Foreign & Commonwealth Office (£289 million or 2.5%). While most international development spending comes from the UK government, the Scottish government also spent £11 million in 2013 and the Welsh government £1 million.[43]



6.1 International comparisons

In meeting the aid target in 2013, the UK has joined a very select group – as well as the UK, only Norway, Sweden, Denmark, Luxembourg and the United Arab Emirates spent more than 0.7% of their national income in aid in 2013. Overall the major donors that are members of the OECD's Development Advisory Committee spent 0.30% of their national income on aid in the same year.

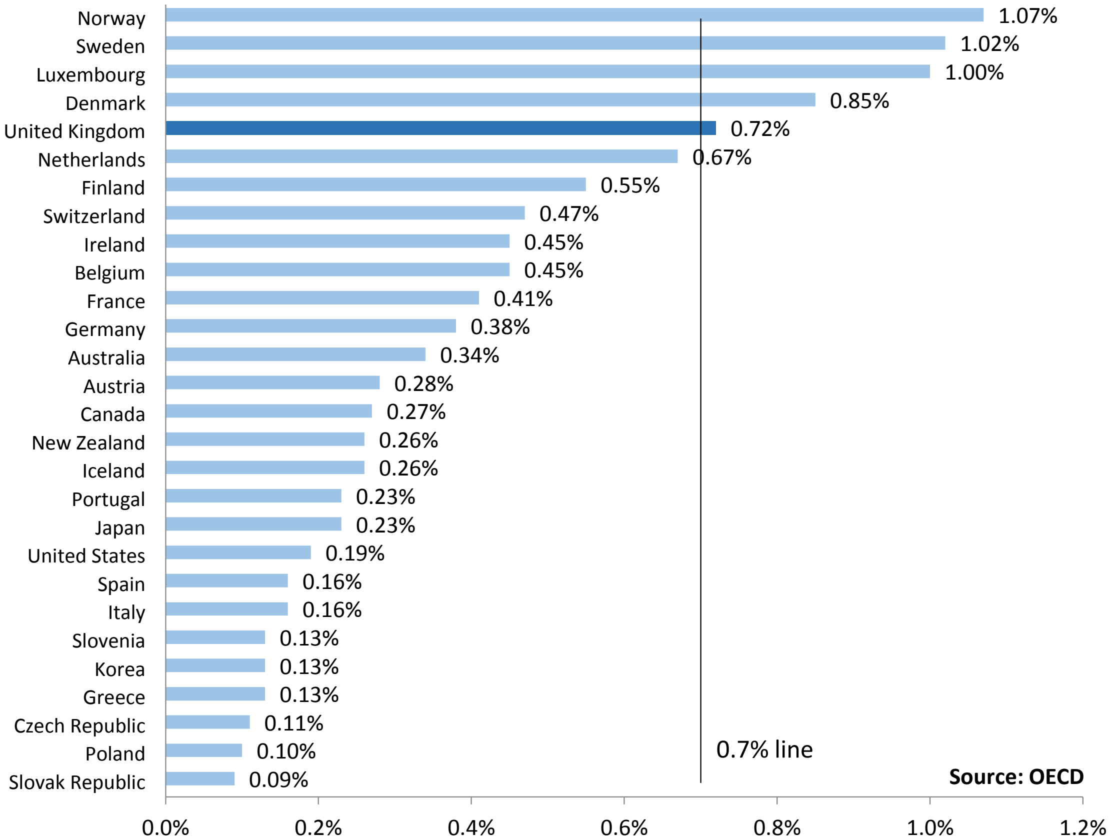
Only the United States (which spends 0.19% of its GNI on aid), spends more than the UK in absolute terms – in 2013 it spent 76% more than the UK.[44]

41 Estimates of GNI are expected to be revised upwards in the second half of 2014, when the methods used to produce them will be changed. This upward revision to GNI will mean that aid as a proportion of GNI will be lower. A large revision could mean the aid target for 2013 is not achieved using the new figures for GNI. DFID have said that they will publish figures for performance against the aid target using both versions of GNI (under the old and the new methodologies).

42 Department for International Development, Annual Report and Accounts 2013-14 – Table B1, 15 July 2014. Figures for 2013 are provisional.

43 Department for International Development, Provisional UK Official Development Assistance as a proportion of Gross National Income 2013, 2 April 2014; Department for International Development, Annual Report and Accounts 2013-14 – Table B1, 15 July 2014

44 OECD Stat



6.2 How UK aid is spent

UK aid can be divided into bilateral spending – which is allocated to particular projects, programmes and geographical areas – and multilateral aid – which is given as a core contributions to multilateral organisations such as the World Health Organisation that then spend it on aid projects themselves. In 2013, about three fifths of the total was bilateral (£6.67 billion) and two fifths was multilateral (£4.77 billion). Larger recipients of multilateral aid include the World Bank group (£1.61 billion in 2013) and the European Commission (£1.27 billion).[45]

The countries that had the most UK aid spent on them in 2013 were Ethiopia and Pakistan.

Top ten recipient countries for UK bilateral aid, 2013

	Spend (£million)
Ethiopia	318.1
Pakistan	317.0
Bangladesh	266.8
Nigeria	240.0
India	183.9
Tanzania	170.4
Afghanistan	163.9
Congo (Dem Rep)	155.4
Kenya	146.2
South Sudan	132.9

Source: DFID Annual Report and Accounts 2013-14

Note: Figures are provisional and only cover aid that can be allocated to a particular country. Country breakdowns for some spending was not available at the time of publication.

[45] Department for International Development, Annual Report and Accounts 2013-14 – Table B1 (15 July 2014). Figures are provisional

Much of the Department for International Development's spend in Ethiopia is on health (about two-fifths of spending in 2013/14) and education (about a quarter of spending).

Education was also a major part of the department's spending in Pakistan (about a third of spending in 2013/14). Poverty, hunger and vulnerability was also significant (about a quarter of spending in 2013/14), as was governance and security (accounting for about a sixth of the spending in 2013/14).[46]

Overall, across all countries and sources, almost half of bilateral UK aid is spent on social infrastructure and services – 11% of total gross bilateral aid in 2013 was spent on education, 13% on health, and 10% on government and civil society[47].[48] Humanitarian assistance accounted for 12% of bilateral aid spending.[49]

As well as growing over the current Parliament, aid is also changing:

- More aid has been promised to fragile and conflict-affected states, with the proportion of aid going to these countries rising from 22% in 2010/11 to 30% by 2014/15. [50]

- As a result of the 2011 Bilateral Aid Review, the Department for International Development is increasingly focussing aid on a narrower group of countries, with, for example, aid to China and Russia being stopped. It has also been announced that there will be no new financial grant aid to India, and direct financial support to South Africa will end by 2015.[51] In addition bilateral aid to certain countries has at times been suspended.[52]

- In 2011, the Department for International Development published its Multilateral Aid Review which assessed the performance of 43 multilateral organisations – following the review the department stopped providing core funding to four of the organisations. An update to the Multilateral Aid Review was published in 2013, with the next full review planned for 2015. [53]

6.3 Results

Results of aid projects and programmes are many and varied. Under the current Government the Department for International Development report that, by 2013–14, the UK had supported:

- 6.7 million people with cash transfer programmes, meeting our target of 6 million

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[46] Department for International Development, Annual Report and Accounts 2013-14, 15 July 2014

[47] This last category includes public administration, financial management, elections, human rights, democratic participation and civil society, conflict prevention and resolution, peace and security.

[48] Gross bilateral aid differs from net bilateral aid (the concept used in the target) because net bilateral aid includes the repayment of the (principal) of loans.

[49] Department for International Development, Annual Report and Accounts 2013-14 – Table B3, 15 July 2014 Figures are provisional and do not include spending from some government departments that have not yet been broken down by sector. Final figures are due to be published in *Statistics on International Development 2014* in October.

[50] HMG *Securing Britain in an Age of Uncertainty: The Strategic Defence and Security Review*, p.44 and 45, 2010

[51] DFID, *Bilateral Aid Review Technical Report*, March 2011; DFID, *Supporting development in India,* March 2013; DFID, *UK to end direct financial support to South Africa*, April 2013

[52] Due to evidence of Rwanda's involvement with the conflict in the Democratic Republic of Congo, concerns that aid money may have been misused in Uganda, and economic and governance concerns in Malawi (HC Deb 22 Jan 2013 c 150W and DFID, *Rwanda: UK freezes budget support to government* (Nov 2012))

[53] The four organisations were the United Nations Human Settlements Programme (UNHABITAT); the United Nations International Strategy for Disaster Reduction (UNISDR); the International Labour Organization (ILO); and the United Nations Industrial Development Organization (UNIDO).
Department for International Development, *Multilateral Aid Review*, March 2011

■ 3.6 million births delivered with the help of nurses, midwives or doctors, meeting the target of 2 million

■ 85.8 million people to hold their authorities to account and have a say in their community's development, meeting the target of 40 million

■ 54.4 million people with access to financial services, providing the means to help support people to work their way out of poverty, meeting the target of 50 million

■ 43.1 million people with access to a water, sanitation or hygiene intervention

■ 19.3 million children under 5 or pregnant women with nutrition programmes. [54]

7 Previous legislation

The International Development Act 2002 forms the basis for the Department for International Development's work, setting out that the Secretary of State may provide aid for poverty reduction, humanitarian assistance or for British overseas territories.

The International Development (Reporting and Transparency) Act 2006 requires the Secretary of State to report annually to Parliament on development policies and programmes. It requires progress against the 0.7% target to be reported to Parliament, but does not compel the Secretary of State to meet the target.

The International Development (Gender Equality) Act 2014 – introduced as a private members' bill by Sir William (Bill) Cash MP – requires that the Secretary of State consider gender-related needs before providing development or humanitarian assistance.

7.1 Draft International Development (Official Development Assistance Target) Bill

In January 2010, under the previous Labour government, the Department for International Development introduced a draft Bill that would have enshrined the 0.7% target in law, although the change in Government after the 2010 general election meant that the draft Bill never progressed within Parliament.

The draft Bill stated:

> It is the duty of the Secretary of State to ensure that the target for official development assistance ... to amount to 0.7% of gross national income ... is met by the United Kingdom in the year 2013 and each subsequent calendar year.

The Impact Assessment explained that putting the commitment in law would "help ensure the predictability of aid flows to developing countries … and, by setting an example, galvanise other donor countries into meeting the 0.7% target themselves. [55]

The Bill also imposed a requirement on the Secretary of State to make a report to Parliament, if the target was not met, to "explain why the 0.7% target has not been met in the report year". The explanation could refer to:

> (a) economic circumstances and, in particular, any substantial change in gross national income;

54 Department for International Development, Annual Report and Accounts 2013-14, 15 July 2014.

55 Draft International Development (Official Development Assistance Target) Bill, Cm 7792, January 2010 – document includes explanatory notes and impact assessment.

> (b) fiscal circumstances and, in particular, the likely impact of meeting the target on taxation, public spending and public borrowing
>
> (c) circumstances arising outside the United Kingdom;[56]

The draft Bill was scrutinised by the International Development Select Committee at the time. The Committee recommended removing the references in Clause 2 (3) to economic, fiscal and external circumstances, set out above because it argued:

> If the target becomes law, it should be expected that it will be met each year by the Government. Should the target not be met, a robust explanation of this failure would be expected by Parliament. The Bill should not try to pre-empt or legitimise failure by including a list of acceptable reasons for missing the target.[57]

The Committee was also sceptical that such legislation will "galvanise other donors, especially those suffering the worst effects of the recession, to meet their aid commitments". However, it concluded that the:

> Bill would provide a degree of predictability at the macro level—that the total UK aid envelope would not significantly change—and this would send a positive message to developing countries about the UK's overall commitment to international development.[58]

The 2014-15 bill is substantially the same as the 2010 draft bill, except that the 2014-15 bill has an additional clause and schedule to set up an Independent International Development Office.

7.2 Previous Private Members' Bills

In June 2012, Mark Hendrick MP introduced the *International Development (Official Development Assistance Target) Bill 2012-13* as a Private Member's Bill, the first part of which was almost identical to the draft Bill introduced by the previous Government in January 2010. The then Minister of State for International Development, Alan Duncan, expressed the Government's support for the first part of the Bill, which would have put the 0.7% aid target in legislation:

> Today stands to be one of the most important days in the history of international development. The United Nations and other organisations have been campaigning for more than 30 years to put a fixed figure on what wealthier countries should spend in the aid they give to those who are less fortunate. Today, the hon. Member for Preston (Mark Hendrick) has moved a Bill that would establish just that. We bear him no grudge for pipping the Government to the post by moving the Second Reading of a Bill that would enshrine in law our having to spend 0.7% of our national income on official development assistance. He has beaten our Bill for reasons the House well understands, but I assure him that our Bill is ready and that we have—or had—every intention of putting it to the House. To a large extent, the first half of his Bill is almost identical to what we would have tabled. …
>
> I want to make it clear to the hon. Member for Preston that Her Majesty's Government support the Bill and have no intention of opposing it.

The Minister indicated that the Government did not agree with the second aspect of the Bill, which was not in the 2010 draft act, and which would have set up an Independent

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56 Draft International Development (Official Development Assistance Target) Bill, clause 2, subsection 3

57 International Development Committee, Seventh Report, HC 404, 23 March 2010, para 30

58 International Development Committee, Seventh Report, paras 12, 19

International Development Office. He pointed to the Independent Commission for Aid Impact, which performs a similar function, suggesting the proposal in the bill "would do the same thing, with no particular added value, but at a higher cost".[59]

The Bill however failed to complete its passage through Parliament before the end of the 2012-13 session.

In June 2013, Thomas Docherty MP introduced the almost identical *International Development (Official Development Assistance Target) Bill 2013-14* but it did not have a second reading.

The 2012-13 and 2013-14 bills are essentially the same as the 2014-15 bill (except that certain dates have been updated).

8 Clauses of the bill

Clause 1 of *International Development (Official Development Assistance Target) Bill 2014-15* would place a duty on the Secretary of State to ensure that the aid target is met in 2015 and in each subsequent year.

The International Development (Reporting and Transparency) Act 2006 requires that the Secretary of State reports various statistics annually, including the aid target measure of overseas development assistance (ODA) as a percentage of national income. These reports would be used to assess whether the target has been met.

Clause 2 states that if the target is missed, the Secretary of State must make a statement to Parliament explaining why it was missed. The clause states that this must include references to economic or fiscal circumstances or international conditions, if these are relevant factors.

If the target was missed in the most recent year reported on, then the Secretary of State must describe what has been done to ensure that the target will be met in the following year.

Clause 3 sets out that accountability for not meeting the duty to hit the target is only through laying a statement before Parliament (under the previous clause).

Clause 4 repeals the obligation in the International Development (Reporting and Transparency) Act 2006 that the Secretary of State report annually on when she expects the aid target to be met.

Clause 5 sets up a new body, the Independent International Development Office (the IIDO).

The **Schedule** gives more information about the proposed IIDO, which would be responsible for carrying out independent evaluation of the relevance, impact, value for money and sustainability of aid spending.

The IIDO would consist of a chair and six other members, appointed by Secretary of State with the consent of the International Development Committee of the House of Commons. The Committee may have Parliamentary oversight of the work of the IIDO. The Secretary of State would produce responses to the IIDO's reports and table them in Parliament.

59 HC Deb 13 July 2012 cc639-44

9 Responses to Michael Moore's announcement of the bill

On making his announcement of the bill on 1 July, Michael Moore wrote on the 'Liberal Democrat Voice' website:

> Having given serious consideration to a couple of possibilities, I have now decided to introduce a Bill to make good on a long-standing Liberal Democrat commitment about international development: to create a legal requirement for the UK government to meet the UN's target of contributing 0.7% of our Gross National Income each year as Official Development Assistance to developing countries.
>
> I am proud of the fact that we as a party have had a long term commitment to this goal and more recently to legislate to commit current and future governments to maintain spending at this level. And I am very proud to have been a member of the first UK government to reach the target. Now I want to see Liberal Democrats legislate for the commitment to keep achieving it.
>
> We won't do this by ourselves and nor should we. I recognise and welcome the fact that for some years now there has been cross party consensus, and widespread support from NGOs, on the need to make a legal commitment to this level of UK support for developing countries.
>
> When I was the party's shadow international development spokesperson before the 2010 election, the Labour government introduced a draft Bill to this effect, which we supported. At the general election the three main UK parties each included a commitment to legislation in their manifestos and, of course, in the Coalition Agreement we signed up to making good on that promise.
>
> The Coalition's priorities over the past four years may have worked against having the Government time necessary for the Bill, but I am delighted that my good fortune in the Private Member's Bill ballot allows us the opportunity to provide the time. Since I intend to build on the work of people in our party and in the Conservatives and Labour, I hope the consensus will be maintained and the Bill will pass. For my part, I will work across the parties inside Parliament and with interested people outside to make that happen.[60]

This announcement triggered responses from a number of quarters.

9.1 Responses of the Government and the larger parties

Following pledges in the Conservative and Liberal Democrat manifestos,[61] the Coalition Agreement committed the Government to meeting the 0.7% target from 2013, and to enshrining it in law.[62]

On 3 September 2014, the Secretary of State for International Development, Justine Greening, said in Parliament that the Government supports the Bill:

> **Debbie Abrahams (Oldham East and Saddleworth) (Lab):** Will the Secretary of State confirm that Ministers of both parties will be voting in favour of the Bill enshrining our 0.7% commitment to development in law?

60 "Michael Moore writes… securing the UK's commitment to international development", Liberal Democratic Voice, 1 July 2014

61 *Invitation to join the Government of Britain: the Conservative Manifesto 2010*; *Liberal Democrat Manifesto 2010*

62 The Coalition, *Our Programme for Government*, p 22

> **Justine Greening:** The most important thing is that for the first time ever, this country and this Government have met their pledge to hit 0.7%, which is an achievement that we should be proud of, and we support the Bill.[63]

It has been reported that while the Government support the bill, they will not whip the vote.[64]

The previous Labour government produced draft legislation for the target, and the party included a pledge to legislate in its manifesto.[65] The party has continued to express support for legislation and has said that "Labour will do everything we can to ensure that this Bill becomes a law".[66] The Shadow Secretary of State for International Development, Jim Murphy, said on 1 July:

> With this Bill, a vote in Parliament can save lives across the world. British aid makes a huge difference to millions - we should be proud of what our generosity can do for those in need and what it says about us as a country.
>
> Labour has always led the way in development. The last Labour government helped drop the debt, secure global agreement on the Millennium Development Goals and set the UK on course to meet its historic commitment to spend 0.7% of Gross National Income on Official Development Assistance - and it was our pledge to enshrine that commitment in law that forced the other two parties to follow our lead.
>
> Labour has been demanding that Ministers keep their promise to legislate on 0.7% for years. It is a shame that this government have resisted their commitments for so long, but if reports that this government will finally fulfil its promise are true, then that is a welcome if belated step and the Bill will of course have our support.[67]

The SNP has previously condemned the UK Government for not legislating for the target and it is reported that they will support the bill.[68]

9.2 Responses in Parliament

On 8 July, Roger Williams MP tabled EDM 239, "International Development Spending Target":

> That this House welcomes the presentation of the International Development (Official Development Assistance Target) Bill and looks forward to its second reading on 12 September 2014; highlights the cross-party consensus on development aid which underpins the UK's commitment to fulfilling the UN target to spend 0.7 per cent of gross national income on official development assistance; and further welcomes the Bill's intent to enshrine this level of development spending in law.[69]

The EDM had 58 signatures on 8 September.

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63 HC Deb 3 September 2014 c273

64 Guardian, *Lib Dems' bid to enshrine UN aid target in UK law is pre-election hand grenade,* 1 July 2014

65 *A Future Fair for All*, Labour Party Manifesto 2010, page 8:3

66 Jim Murphy MP, *Labour's effort to enshrine UK aid in law is far from over*, Labourlist, 3 July 2014. See also Jim Murphy MP, *The UK Is A World Leader In Development - For Labour, That's A Source Of Pride*, Buzzfeed Community, 12 August 2014

67 "Labour has been demanding that ministers keep their promise to legislate for years – Jim Murphy", Politicshome.com, 1 July 2014

68 SNP, *UK still refusing to enshrine overseas aid target*, 16 June 2013; Michael Moore MP, Why we need to enshrine the 0.7% aid target into law, 10 July 2014

69 EDM 239, Session 2014-15

However, in comments to a journalist soon after Michael Moore's announcement, Peter Bone MP, a Conservative backbencher who played a significant role in preventing Mark Hendrick's 2012 Bill reaching the statute book, indicated that he would also oppose the new Bill:

> One MP who has already declared war on Moore's bill is Peter Bone, who is concerned a set target will result in the money being spent inefficiently.
>
> "I can quite understand why a Liberal Democrat would want to go ahead with that because they don't believe in financial management and are keen to get rid of taxpayers' money," he said.
>
> "But the issue goes back to how does a percentage of GNI ever relate to need?
>
> "We need to have overseas aid based on need.
>
> "What happens [with a fixed target] is you get close to the end of the financial year and lots of money gets doled out by the overseas aid department because they have to reach the target."[70]

9.3 Responses beyond Parliament

Since Mark Hendrick MP's bill fell in 2012, there has been an undercurrent of criticism of the Government from some international development charities for showing little apparent interest in making it part of its legislative programme and so honouring a manifesto commitment. Some observers have linked this reticence to mounting evidence of opposition to the 0.7% target amongst some Conservative backbenchers, prompted at least in part by campaigning against it by lobby groups and grassroots party members. In addition, most charities have focused their attention much more on pushing for the year-on-year increases in ODA expenditure that culminated in the Government announcing that the target had finally been reached in 2013. However, now that this goal has been achieved, they have been quick to welcome Michael Moore's announcement that he would sponsor another private member's Bill to enshrine the target in law.

On 1 July, BOND, the UK membership body for NGOs working in international development, welcomed the announcement:

> Bond welcomes this initiative from Michael Moore MP and hopes that this bill will make its way through parliament smoothly and swiftly, ensuring that the government delivers its coalition commitment in this final session. Enshrining the UK's aid commitment in law would protect this budget in future parliaments and allow the debate to move its focus from the quantity to the quality of UK aid. It would also send a strong signal to other donors that they too should meet and maintain their aid targets.[71]

OXFAM also did so on the same day:

> Responding to Michael Moore MP's announcement that he would introduce a private member's bill to enshrine the UK's aid promise in law, Kathleen Spencer Chapman, Oxfam senior policy adviser, said:
>
> "We're delighted Michael Moore has taken this chance to champion the fight against global poverty, we hope his Bill will command all-party support.
>
> "This is a great opportunity for the Government to make good on its pledge to enshrine

70 "Tory right could wreck overseas aid bill", politics.co.uk, 2 July 2014
71 "0.7% members bill", BOND press release, 1 July 2014

> our commitment to the world's poorest in law thereby protecting it from future political fashions."[72]

In the run up to the Second Reading of the Bill in the House of Commons on 12 September, supportive NGO's have been busy lobbying MPs.[73] The Trades Union Congress has also expressed its support.[74]

However, the responses beyond Parliament have not been wholly positive. Fraser Nelson, the editor of the *Spectator* magazine, said on Twitter on 1 July:

> If government can commit to spending 0.7% of GDP on overseas aid, why can't it commit to 2% of GDP on defence as per Nato pledge?[75]

Kiran Stacey of the *Financial Times* wrote on 1 July: "Presumably ministers won't actually vote for the 0.7% aid target - the bill will be objected to as has happened before..."[76]

On 2 July, an article by Alex Stevenson on the politics.co.uk website claimed that some Conservative backbenchers might work together to prevent the Bill passing.[77]

On the same day, the BBC's Mark D'Arcy discussed the possibility that the Bill might become caught up in political tussles over another Private Member's Bill – the Referendum Bill, brought in by Robert (Bob) Neill MP. This Bill would make it a statutory obligation to hold a referendum on British membership of the European Union in 2017. Michael Moore, who is sponsoring the current 0.7% target Bill, came second in the private member's bill ballot; Robert Neill came third.[78]

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72 "Responding to Michael Moore MP's announcement that he would introduce a private member's bill to enshrine the UK's aid promise in law", OXFAM press release, 1 July 2014

73 See, for example, the "Turn up, save lives" campaign by RESULTS UK.

74 "100 MP's needed to protect Britain's aid budget", TUC, 19 August 2014

75 https://twitter.com/FraserNelson/status/484007401360994304

76 https://twitter.com/kiranstacey/status/484004037038465024

77 "Tory right could wreck overseas aid bill", politics.co.uk, 2 July 2014. At the end of May the *Mail Online* claimed that the Prime Minister, David Cameron, had been forced to abandon plans to include a Bill to enshrine the 0.7% aid target in law from the upcoming Queen's Speech, "after failing to convince Tory MPs". "Tory rebels force Cameron to abandon promise to pass law on spending 0.7% of GDP on foreign aid", 28 May 2014

78 "Private members bill chicken", *BBC News Online*, 2 July 2014

Appendix 1 – Origin of the 0.7% aid target

The 1% target

The 0.7% target for aid budgets as a share of developed countries national income dates back before the 1960s. The target emerged out of an earlier suggestion that donor countries should aspire to transfer 1% of their income to developing countries to aid development. This idea was first advanced for international consideration by the World Council of Churches in 1958.[79] The proposal was circulated to all United Nations delegations, and in 1960, the UN General Assembly expressed the hope that the:

> flow of international assistance and capital should be increased substantially so as to reach as soon as possible approximately 1 per cent of the combined national incomes of the economically advanced countries".[80]

The 1% referred to both private and public flows of aid. The target was refined through the 1960s and started to refer to individual donors rather than being a simple global target. The second UNCTAD (United National Conference on Trade and Development) in 1968 endorsed the newly strengthened target, and the DAC (Development Assistance Committee)[81] High Level Meeting that year "reaffirmed the intention of its Member countries to make their best possible efforts to comply with [UNCTAD's] Recommendation".[82] The 1% target remains the only target to have been endorsed by all DAC Members.[83]

However, the target soon came under criticism because governments had little influence over the private element of capital flows, which in many years are more than half the total. As the DAC Chairman argued in 1972:

> It is a little irrational for those governments who have subscribed to it [the 1% target] to have done so, since they have little influence on the annual volume of disbursements ... and since few of them are disposed to adjust ODA volumes to compensate for fluctuations in private flows, often quite wide.[84]

The chart below shows that total flows for DAC countries as a proportion of GNI has been subject to far greater fluctuations than ODA since 1970.

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79 *Christian Concerns in Economic and Social Development*, August 21-29, 1958, Appendix XIV, p. 125. – cited in OECD, *Development Co-operation, 1999 Report*

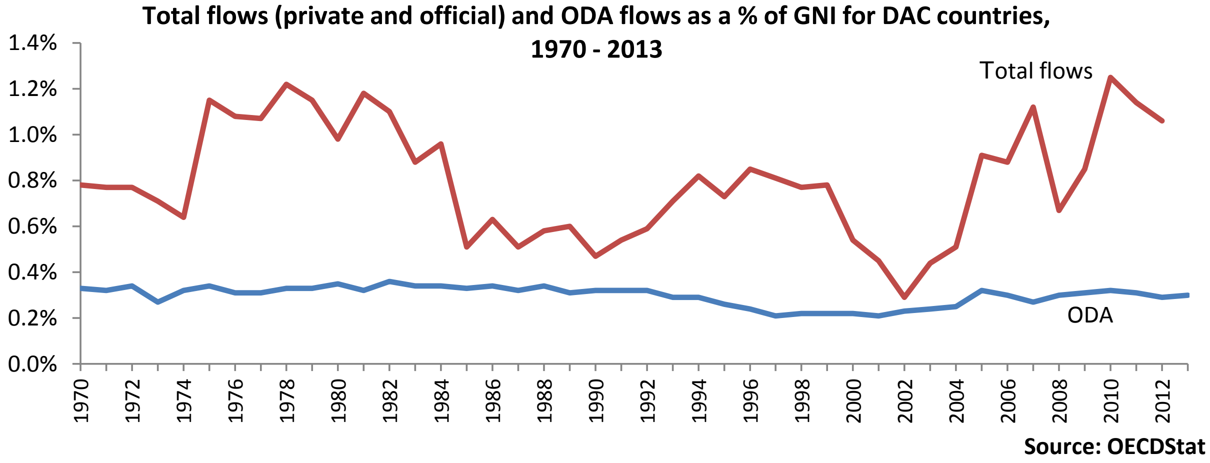
80 Resolution 1522 (XV), 15 December 1960

81 The Committee consisting of many established funders of aid: http://www.oecd.org/dac/

82 UNCTAD Recommendation A/IV.2.

83 For background on the 1% target , see the source for much of this paragraph – OECD, *Development Co-operation, 1999 Report*

84 Development Co-operation Report, 1972, p. 13 – cited in OECD, *Development Co-operation, 1999 Report*



Emergence of the 0.7% target

The inability of governments to predict or control private flows stimulated efforts to define a separate sub-target for official flows and further efforts to refine the 1% target. The Dutch economist Jan Tinbergen led this work after he was appointed Chairman of the United Nations Committee on Development Planning in 1964. Tinbergen estimated the capital inflows developing economies needed to achieve desirable growth rates, and proposed a target for official flows of 0.75% of GNI, to be achieved by 1972.[85] In 1969, the Pearson Commission,[86] which was set up to review the previous 20 years of development assistance and make recommendations about the future, argued that that there should be a target but just for concessional aid flows.[87] This built on the target of 0.75% of official flows. Since the non-concessional component of official flows (loans at the market or near-market rate) is repayable, its net volume in official flows was deemed to be small. In its report, Partners in Development, the Pearson Commission proposed a new target for ODA (concessional flows) to be 0.7% of donor GNI "by 1975 or shortly thereafter and in no case later than 1980."[88]

Some but not all developed countries accepted the 0.75% target for total official flows, but without the date, at the second meeting of UNCTAD, held in New Delhi in 1968.[89] The late 60s saw intense negotiations in the United Nations over a development strategy for the next decade. For most of the course of the negotiations leading up to a General Assembly session in 1970, developing countries pressed for the UNCTAD target of 0.75% of GNI in total official flows. But when negotiations stalled a couple of weeks before the General Assembly was due to vote on the Resolution, they substituted the Pearson Commission target for ODA of 0.7%. Although most donor countries expressed some continuing reservations, the 0.7% target was formally recognised in October 1970 when the UN General Assembly adopted a Resolution including the goal that:

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85 OECD, *History of the 0.7% target*

86 In August 1968, Former Canadian Prime Minister Lester B. Pearson accepted an invitation from Robert S. McNamara, then President of the World Bank, to form a commission to review the previous 20 years of development assistance, assess the results, and make recommendations for the future. Pearson was a former diplomat and Nobel Peace Prize winner who had played an active role in UN affairs.
(Source: World Bank, *Pages from World Bank History: The Pearson Commission*)

87 This applies a restriction to that part of aid that is given in the form of loans – loans are only concessional if their terms are more favourable to the borrower than those currently attached to commercial market terms.

88 OECD, *History of the 0.7% target*

89 The Proceedings of the United Nations Conference on Trade and Development (UNCTAD), Second Session, Annex 1, Decision 27(II), paragraph 7, specified that some developed countries declared their willingness, within the framework of the 1% target for total flows, to provide 0.75% of GNP in net flows of official resources. The decision was adopted by 69 votes to nil, but with 8 abstentions.

> Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7% of its gross national product at market prices by the middle of the Decade.[90]

Through the 1970s, the new target gained in acceptance, though countries sometimes had a different approach to it. The United States made clear that, while it supported the general aims of the Resolution, it did not subscribe to specific targets or timetables. Switzerland was not a Member of the United Nations at the time, and did not adopt the target. According to the OECD, all other DAC Member countries have at one time or another accepted it, at least as a long-term objective, and "it has been repeatedly re-endorsed at international conferences on aid and development down to the present day".[91] Despite this, as the chart shows, ODA as a proportion of GNI across DAC countries has never reached above 0.4%. This is partly because the large economies who give the most in terms of volume of ODA, such as the US, tend to spend a smaller proportion of their GNI as ODA, whereas it is the smaller Scandinavian countries such as Norway that have exceeded the target.

In 2002, the declaration of the UN Financing for Development meeting in Monterrey, Mexico called on developed countries to "make concrete efforts" towards the goal of contributing 0.7% of GNI towards ODA.[92] At the March 2002 European Council in Barcelona, EU Member States had committed to reaching ODA levels of 0.36% of GNI by 2006, as a step towards the 0.7 % target set by the United Nations.[93] In May 2005, EU Member States pledged to meet the 0.7% ODA/GNI target by 2015. Newly-acceded Member States agreed to a lower target of 0.33% by 2015.[94] Elsewhere, South Korea has a target of 0.25% in 2015[95] and Australia's previous government had a target of 0.5% in 2017/18.[96]

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90 International Development Strategy for the Second United Nations Development Decade", UN General Assembly Resolution 2626 (XXV), 24 October 1970, paragraph 42. The decade in question was the 1970s. Gross national product is an older name for GNI.

91 OECD, *History of the 0.7% target*

92 United Nations, Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002, para 42

93 European Commission, Translating the Monterrey Consensus into practice, updated 27 May 2008, as one of eight commitments (including on effectiveness, untying aid, trade related assistance, among others)

94 http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/gena/85008.pdf, 23 & 24 May 2005, para 4, p. 22

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