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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

Peer Review

Mid-term Review of the United Kingdom

The mid-term review of the United Kingdom was conducted in 2023 following the 2020 peer review.

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Director
DEVELOPMENT CO-OPERATION DIRECTORATE

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To: DAC Delegates and Observers

United Kingdom's Mid-term Review, 30 November-1 December 2023, London

On 30 November and 1 December 2023, I conducted the mid-term review of the United Kingdom together with Anita King of the Development Co-operation Directorate (DCD). I thank Minister of State Andrew Mitchell, Second Permanent Under-Secretary Nick Dyer and officials at the Foreign, Commonwealth and Development Office (FCDO), including in the United Kingdom's High Commission in Zambia, for their engagement. My thanks also to the Chair of the International Development Committee (IDC), officials from HM Treasury, Home Office and the Department for Environment, Food and Rural Affairs (Defra) and civil society and think tank representatives for taking the time to meet, and to the Chief Commissioner of the Independent Commission for Aid Impact (ICAI) for exchanging virtually as part of the review. I appreciated the good co-operation of Victoria Hermon and Catherine McMullan (FCDO) in preparing the review.

Since the 2020 OECD-DAC Peer Review the United Kingdom's development co-operation architecture, Official Development Assistance (ODA) budget and priorities have shifted substantially. Significant cuts to ODA from 2020 and the merger of the former FCO and DFID coincided with the United Kingdom's exit from the European Union and the Covid-19 pandemic, affecting the government's ability to manage changes effectively. More recently the significant increase in the share of the ODA budget spent domestically – with in-donor refugee costs accounting for 29% of ODA in 2022 – has compounded the impact of budget cuts on the United Kingdom's international partnerships.

Just prior to my visit the new International Development White Paper was published, articulating greater aspiration for international leadership and the return to a more ambitious, SDG-driven strategy. I also welcomed its strong focus on climate action and clearer commitments on poverty reduction. The re-instatement of a cabinet level development minister in October 2022 and creation of a Second Permanent Undersecretary position have also brought greater leadership back to international development both within and beyond FCDO. I was pleased to see that both the IDC and ICAI continue to play their critical oversight roles, functions that are central to the impact and reputation of the United Kingdom's ODA.

In sum I found the United Kingdom had made good progress on two of the 10 recommendations made in the 2020 peer review and some progress against a further six. The many commitments set out in the new International Development White Paper, efforts by FCDO to strengthen cross-government coherence and ongoing work to invest in and strengthen development capability within FCDO, position the United Kingdom well to make further progress on the recommendations in the second half of the review period.

The United Kingdom can do more to protect the quality of its ODA by not losing sight of poverty reduction as the driving principle.

In November 2020, the Government announced ODA would fall from 0.7% to 0.5% of gross national income (GNI) as a "temporary measure", resulting in an overall budget reduction of around 30%. The scale and timing of the subsequent cuts hit partnerships hard, with reductions to country programmes enacted in-year and with very little notice to partners. The compounding nature of the budget cuts, with a larger share of funding also spent at home, has impacted FCDO's ability to programme ODA effectively over successive years. This has shifted resources away from partner countries including those in crisis and with an impact on quality. Recent efforts by FCDO to protect core programmes and the move to a two-year budget in 2023 are helping to mitigate some of the challenges, although we heard that some uncertainty over programme budgets remains.

The International Development Act (2002) continues to require that ODA must be "likely to contribute to a reduction in poverty." However, varied understanding of ODA eligibility among other ODA-spending departments, implications of the merger and capacity constraints has made delivering on this challenging and the completeness and coherence of the United Kingdom's statistical reporting to the OECD has declined. Meeting the DAC's commitment to take a conservative approach to counting in-donor refugee costs and building understanding and capacity on ODA standards and statistics will be important. I encourage the United Kingdom to return to stable multiyear planning and to formalise and protect the core ODA budget of FCDO. Implementing a cap on the amount of ODA that can be spent domestically or a floor on FCDO spending, as recommended by ICAI, would help to prevent the negative impact of sudden increases in in-donor costs on programming in future. Doing so will also be an important baseline as the United Kingdom returns to its 0.7% ODA/GNI commitment. Given the scale of the cuts after 2020 and the increases now required to return to 0.7% ODA/GNI, a clear timeframe is needed to support planning and the rebuilding of programmes.

Further work is needed to fully seize the opportunities of an integrated ministry.

The new FCDO has been able to seize opportunities presented by the closer integration of political and development efforts in a merged ministry, for example in response to Russia's large-scale war of aggression against Ukraine. Building on this potential will be important, for example with strengthened engagement on human rights and civil society in partner countries where these are under pressure. Keeping sight of the risk that development is deprioritised in an integrated ministry particularly where resources are stretched, and protecting the stable, long-term planning that was previously a hallmark of the United Kingdom's development assistance, will be critical. As recommended in 2020, FCDO should continue reflecting on how to ensure oversight and risk management support adaptive, innovative programming, particularly where embassies are reporting to geographic desks without a strong development focus.

Preserving and rebuilding FCDO's expertise on development will also be important to help achieve the objective of greater synergy between diplomacy and development co-operation. The 2020 peer review highlighted the critical role of country-based staff in delivering quality programmes and partnerships. The decision in 2020 to no longer offer local staff mobility across Posts, coupled with the downward pressure on pay and restrictions on hiring non-British nationals, has impacted the United Kingdom's ability to attract and retain talent, with some Posts highly stretched. As the Government continues to address the changes brought by the merger, reintroducing local staff mobility and building a common FCDO culture that values development knowledge and promotes and listens to local staff as a vital source of expertise will be key. The FCDO's recent internal development capability review and planned external recruitment rounds for advisors in 2024 are positive steps towards addressing these challenges and to building back the breadth and depth of expertise that the United Kingdom's development work is known for. I look forward to seeing the results of these efforts at the next peer review.

Stronger cross-government engagement and coherent policies would better deliver on the United Kingdom's commitments to partnership.

While fewer ministries are now responsible for ODA spending, recent ICAI reports point to the continued need to strengthen whole-of-government coherence, as recommended in the 2020 peer review. Current domestic debates on asylum and immigration policies and the changes in approach to meeting the United Kingdom's domestic net zero targets are among the areas where greater coherence would align policy with the United Kingdom's critical global role and better meet its commitment to building "patient partnerships." To help meet financing gaps, the International Development White Paper commits to mobilising resources from the London financial sector including through pension funds. Doing so will require regulatory adjustments and a more concerted effort to build support and understanding for policy change.

Conclusion

This mid-term review came at a moment of transition following a difficult, turbulent period of change since the 2020 peer review. Drawing lessons from recent changes and rolling out the White Paper's vision for development in a now integrated FCDO, and across government, is a crucial opportunity. The United Kingdom's actions and voice in multilateral fora are essential to shaping international efforts, clearly demonstrated in its leadership on international climate action. I count on the United Kingdom to continue engaging in and beyond the OECD to shape international action and policies that meet the needs of developing countries. The next peer review in 2027 will be an opportunity to assess progress against this as well as actions to rebuild the United Kingdom's long-term, poverty-focused development programme.

Yours sincerely,

Pilar Garrido

CC: Ambassador Carsten Staur, DAC Chair
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Annex: Table on progress against the 2020 peer review's recommendations

Annex - Progress against the 2020 Peer Review's recommendations

Keywords	Recommendation	Progress
ODA levels and poverty focus	1. The United Kingdom should continue to allocate at least 0.7% of its GNI to ODA and retain the legislative requirement to have a direct line of sight between ODA and poverty reduction.	*Limited progress.* As a share of GNI, the UK's ODA was 0.50% in 2021 and 0.51% in 2022, the first time it has fallen below 0.7% since 2013. The Government has stated that it aims to return to a 0.7% ODA/GNI ratio when two fiscal tests are met: on a sustainable basis, the government is not borrowing to finance day-to-day spending, and underlying debt is falling. These are not projected to occur until 2028. Management of the ODA/GNI targets as both a maximum and minimum, the downward pressure on the ODA budget, larger share of ODA spent at home and the impact of the FCDO merger on staffing, have undermined transparency and the quality of programming. The cross government "ODA Board" established in 2022 has potential to better scrutinise ODA spending and drive value for money. Investing in the quality of statistical reporting would also strengthen the UK's ODA reporting to the OECD. Following weaker emphasis on poverty reduction since 2020, the new International Development White Paper provides the framework to put poverty reduction front and centre in policy.
Flexible financing instruments	2. The United Kingdom should expand its range of funding instruments that can blend ODA and non-ODA funds in order to ensure that it can make best use of its resources and allow a comprehensive and flexible response to complex challenges.	*Some progress.* At the time of the peer review, two cross-government funds were in place to blend ODA and non-ODA resources: The Conflict, Stability and Security Fund (CSSF) and the Prosperity Fund. The Prosperity Fund was closed in March 2021. The CSSF is expected to be replaced by the Integrated Security Fund (ISF), to be launched in February 2024 with a remit covering a broader range of security threats. It is expected to work both internationally and domestically and continue to blend ODA and non-ODA funds. Further parameters are still being defined. In 2022, the UK established British Investment Partnerships (BIP) with the aim of bringing together different institutions and instruments to incentivise private investment in partner countries. BIP appears to have good potential to make more coherent and comprehensive use of different UK instruments. British International Investment (BII), the UK's Development Finance Institution, and MOBILIST are also part of the BIP initiative. Ensuring that these entities are working effectively together with demonstratable outcomes from BIP would be important. The focus on taking a more systemic and strategic approach to promoting reforms to support investment is also welcome.
Policy Coherence for Sustainable Development	3. As the United Kingdom begins to formulate new domestic and international policies, it should use available evidence to ensure these policies are coherent with its development objectives and systematically seek to understand the impact of domestic policies on developing countries.	*Some progress.* The National Security Council serves as a platform to bring development perspectives to cross government discussions, with the development minister's seat a key enabler of this. The reinstatement of a cabinet-level development minister in 2022 was therefore important. The Government's 2021 Integrated Review of Security, Defence, Development and Foreign Policy, and its subsequent refresh in 2023 describe how the UK will seek to build domestic and international resilience in tandem, making sustainable development and poverty reduction key priorities in addressing the root causes of geopolitical instability. The new International Development White Paper further recognises the need for whole-of-government policy coherence. Several cross-government thematic boards facilitate discussion and consideration of the transboundary impacts of UK policy, including a Global Health Oversight Group which has a role in driving coherence between international development and other cross government strategies. The new Developing Countries Trading Scheme launched in 2023 is an example of how the UK can adjust domestic policy to support developing countries. Legislation to prevent illegal deforestation in UK supply chains also reflects an effort to advance on responsible business conduct commitments. Beyond individual initiatives, and as highlighted in the peer review, there is scope for a more systematic approach to identifying the positive and negative transboundary impacts of domestic regulations and legislation. Enabling more transparent monitoring would also be in line with the OECD Recommendation on Policy Coherence for Sustainable Development.

Policy framework: vision and allocations	4. The United Kingdom should set out a comprehensive vision for its support to international development that reinforces its policy priorities, engages the public and guides its resource allocations within and beyond the ODA budget.	*Some progress.* The new white paper published in November 2023 has helped to cut through the confusion created by previous shifts in policy direction, with the International Development Strategy (IDS) published in May 2022 followed in May 2023 by the Integrated Review Refresh (IRR23). While it is early to assess the extent to which the new white paper will guide ODA and non-ODA allocations, the extensive consultation process has helped to generate ownership of the vision and it has been broadly positively received. Several Written Ministerial Statements have also helped to clarify and articulate priorities and programme allocations. In terms of engaging the public, articulating and communicating on a set of clear, measurable objectives would be important. This should be tested at the next peer review.
Oversight and accountability: Whole-of-government	5. The United Kingdom should develop an overarching framework to enable oversight and accountability for the whole-of-government contribution to international development.	*Some progress.* FCDO are in the process of establishing a new Development Governance and Accountability team to manage several new internal oversight structures established since the merger. At a cross-government level the ability of the ODA Board offers good potential to scrutinise spending and drive value for money (c.f. Recommendation 1 above). Recent ICAI studies - for example on the Blue Planet Fund - note ongoing challenges around cross-Whitehall co-ordination, a weaker focus on poverty reduction and the needs of developing countries by other ODA spending ministries, and room to improve the overall coherence of the portfolio.
Results, monitoring and evaluation; using country systems	6. The United Kingdom should develop a harmonised approach to results, monitoring and evaluation for development co-operation that: reflects good practice; meets a range of diverse needs; can be applied to all departments; and includes incentives to strengthen and use partner countries' data, statistics and results frameworks.	*Limited progress.* Since the peer review, FCDO has developed a new FCDO evaluation policy which is positive. However, less progress has been made in developing common results, monitoring and evaluation approaches across government. The creation of an Evaluation Quality Assurance and Learning Service (EQUALS2) for FCDO and other ODA-spending actors is therefore a positive signal. Within FCDO, the ability to track results at country level remains relatively strong. However challenges remain at the portfolio and aggregate level, an area where FCDO recognises more work is needed. Development of a corporate-level outcomes measurement framework that reflects all FCDO work is under consideration. As part of FCDO's ongoing work, and as recommended in the peer review, it would be valuable for the UK to reflect on how it is strengthening and using partner countries' data, statistics and results.
Private finance and poverty focus	7. The United Kingdom should set out a clear and comprehensive whole-of-government approach to inclusive prosperity in developing countries, including fragile contexts, which retains a focus on poverty reduction while making strategic use of all tools to encourage private finance.	*Some progress.* The peer review saw scope to bring a development perspective more explicitly to non-ODA instruments. For example, the trade work conducted in Posts as well as within the former CDC, now British International Investment (BII). The British Investment Partnerships (BIP) appear to enable a valuable platform for greater coherence and co-ordination across different tools and instruments (c.f. Recommendation 2 above). It will be important to ensure this is based on analysis and understanding of the needs of countries and communities. Since the peer review, the UK's use of guarantees to increase lending by multilateral development banks to developing countries is a positive development generating additional lending including for climate objectives (for example, through JETP), and there is good scope to build on this further. The white paper is ambitious in terms of mobilising resources from the London financial sector although greater detail on how this will be achieved in practice will be important, as this has been a longstanding commitment.
Risk-based management and engaging in fragile contexts	8. The United Kingdom should take further measures to enable risk-based management of development co-operation programmes, remaining committed to taking informed risks and to engaging in fragile and crisis-affected contexts, while avoiding heavy reliance on compliance and control.	*Good progress.* In April 2021, FCDO launched a new Programme Operating Framework (PrOF) bringing together approaches used in FCO and DFID. The PrOF was updated in 2023 to better reflect requirements for low value and low risk programmes. FCDO are also working to reduce bureaucracy, speed up approval processes including streamlining programme documentation and introducing central Due Diligence Assessments with selected NGO partners. Continuing to reflect on how to deliver risk-based management in an integrated ministry, and ensuring Posts are adequately empowered and resourced, will be important as the UK continues to embed the merger. The white paper makes

		commitments to the poorest and most fragile countries, which is positive. The next peer review is an opportunity to explore how this is translated into the UK's risk management approaches.
Partnerships and country ownership: consultation and transparency	9. The United Kingdom should go further to enable partners to engage with the development of policies and strategies and clarify approaches to consultation and publication. In particular, whole-of-government country strategies that are based on evidence and broad consultation and include both development co-operation objectives and indicative budgets should be formulated for all partner countries and made publicly available.	*Some progress.* Given the white paper's focus on partnerships, recommendations 9 and 10 remain an important area for further work. The peer review highlighted that the UK could do more to use its funding and engagement to reinforce the independence, mandates and effectiveness of diverse partners. To achieve this, the review encouraged the UK to step-up its engagement in two-way dialogue with partners and to strengthen and use partner country systems to build institutional capacity in partner countries. FCDO has made recent progress on transparency by publishing 43 new Country and Regional Development Partnership Summaries (CDPSs) in July 2023. These provide the public with more information on how FCDO operates. The CDPSs do not capture whole-of-government contributions, covering only FCDO development activity and excluding FCDO core multilateral contributions and regional programmes that other FCDO departments deliver. Plans to update the CDPSs based on feedback from civil society, Posts and other stakeholders will be important in line with the white paper's commitments around partnership and locally led development.
Partnerships and country ownership: guidance and building capacity	10. The United Kingdom should ensure that all strategic guidance recognises the importance of effective partnerships and country ownership for achieving sustainability of development outcomes, including the need to build institutional capacity in developing countries.	*Good progress.* The broad consultations on the new International Development White Paper reflects an important step-change in terms of recognising the importance of effective partnerships, with the emphasis on country ownership, accountability, transparency and common values particularly valuable. The Country and Development Partnership Summaries (CDPS) were produced in consultation with key stakeholders in country to ensure they reflect a joint vision for development, which is welcome. Templates and guidance encourage staff to consider local actors when developing the Summaries. FCDO's October 2022 Policy on Financial Aid also includes language recognising the importance of effective partnerships, of ownership and of improving the long-term capability and capacity of partner governments. There is an opportunity for the UK to further integrate this approach in how it sets priorities at country and programme level to bring in diverse voices and perspectives in how it works, including through planned updates to the CDPS.
DAC Declaration on Paris Alignment	The UK has demonstrated significant ambition and has helped to mobilise meaningful international action on climate change, including by working closely with multilateral partners. The UK played a crucial role in the 2021 DAC Declaration on Paris Alignment, in ensuring that COP26 was a success and finalising the Paris Rulebook. The UK also put its diplomatic effort behind COP28, including announcements on loss and damage. Efforts have touched upon all aspects of climate-related action that are relevant to development co-operation, including mainstreaming, establishing the link with biodiversity and nature, and greening finance, among others. The 2023 international development white paper also aims to bring climate, environment and poverty issues together. Much of the UK's climate financing to date has been in the form of grants, with the deliberate approach to grant financing for LDCs to be welcomed. While the International climate finance strategy published in March 2023 reiterates the UK government's commitment to spending GBP 11.6 billion on international climate finance between 2021-22 and 2025-26, climate finance disbursements have generally been slow and it is still unclear how the UK will deliver on its commitments under the reduced ODA budget including how several targets and pledges relate to each other. A Written Ministerial Statement in October 2023 set out a pathway for how the UK expects to meet the GBP 11.6 billon pledge through to 2025-26 at a global level. Additional detail, including geographic allocations, could help provide greater predictability for developing country partners.	