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International
aid in brief:
**Who, what,
when, where,
why and how**



About Bond

Bond is the UK network for organisations working in international development. We unite and support a diverse network of over 450 civil society organisations and allies to help eradicate global poverty, inequality and injustice. We work to influence governments and policy-makers, develop the skills of people in the sector, build organisational capacity and share expertise.

Acknowledgements

This briefing was compiled by Mike Green and Amy Dodd, with contributions from Romilly Greenhill, Claire Godfrey, Callum Northcote, Gideon Rabinowitz, Phil Reed, Rosalind Elliot, Felix Colchester, Julian Egan, Lewis Brooks and Helen Stawski.



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Published by Bond, Society Building, 8 All Saints Street, London N1 9RL, UK

Registered Charity No. 1068839 Company Registration No. 3395681 (England and Wales)

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Who does aid go to?

Effective aid is at the heart of creating a safer, more just and prosperous world for all of us – especially for those people most in need. UK aid has helped to improve and save the lives of millions of people around the world, and that is what aid is all about – changing lives for the better and helping to build a better world.

Latest estimates put the number of people still living in extreme poverty at 767 million, of which 385 million are children¹. These individuals live on less than \$1.90 a day (the international poverty line). That means more than one in 10 people in the world live in poverty. At current growth rates, it is estimated that roughly 489 million people will still be living in poverty in 2030.²

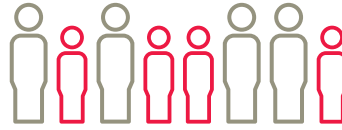
Aid is not the only answer to the challenges of poverty, inequality, conflict or insecurity – these are complex challenges that require sometimes complex responses. But aid is a vital and necessary part of that answer. No other form of finance, and no other intervention, has a primary objective of helping lift those millions out of poverty.

The fact that aid is there to target the poorest and most marginalised is what will help to achieve the ambitions set out in Agenda 2030, in the Sustainable Development Goals (SDGs) to end poverty in all its forms by 2030 and leave no one behind.³

Extraordinary progress has been made – in 1990, nearly half of the population in the developing world lived on less than \$1.25 a day, and this figure has dropped to 14% by 2015.⁴

So, aid is still desperately needed, and we most particularly need to reach those at most risk of being left behind. They include:

- **Those who are economically and socially excluded and marginalised**
For example: women, children, ethnic minorities and the disabled.
- **Those who are affected by conflict or live in fragile environments**
For example, refugees, displaced people, and the landless.



An estimated **767 million** people are currently living in extreme poverty, **385 million** of which are children

By 2030 more than half the world's population living in extreme poverty will be living in fragile and conflict affected states. The impact of these crises, combined with weak institutions and extreme poverty, have forced more than 65.5 million people from their homes, including more than 22.5 million refugees, who have been displaced outside of their home country.⁵

UK aid remains strongly focused on poverty eradication – both in reaching the poorest countries but also the poorest people. The charts on the next page show this in practice, looking at the poverty levels of countries where UK aid was spent. It shows a relatively equal distribution between the poorest countries (bottom three bands) and countries with large numbers of poor people, even if this makes up a relatively smaller proportion of their total population.⁶

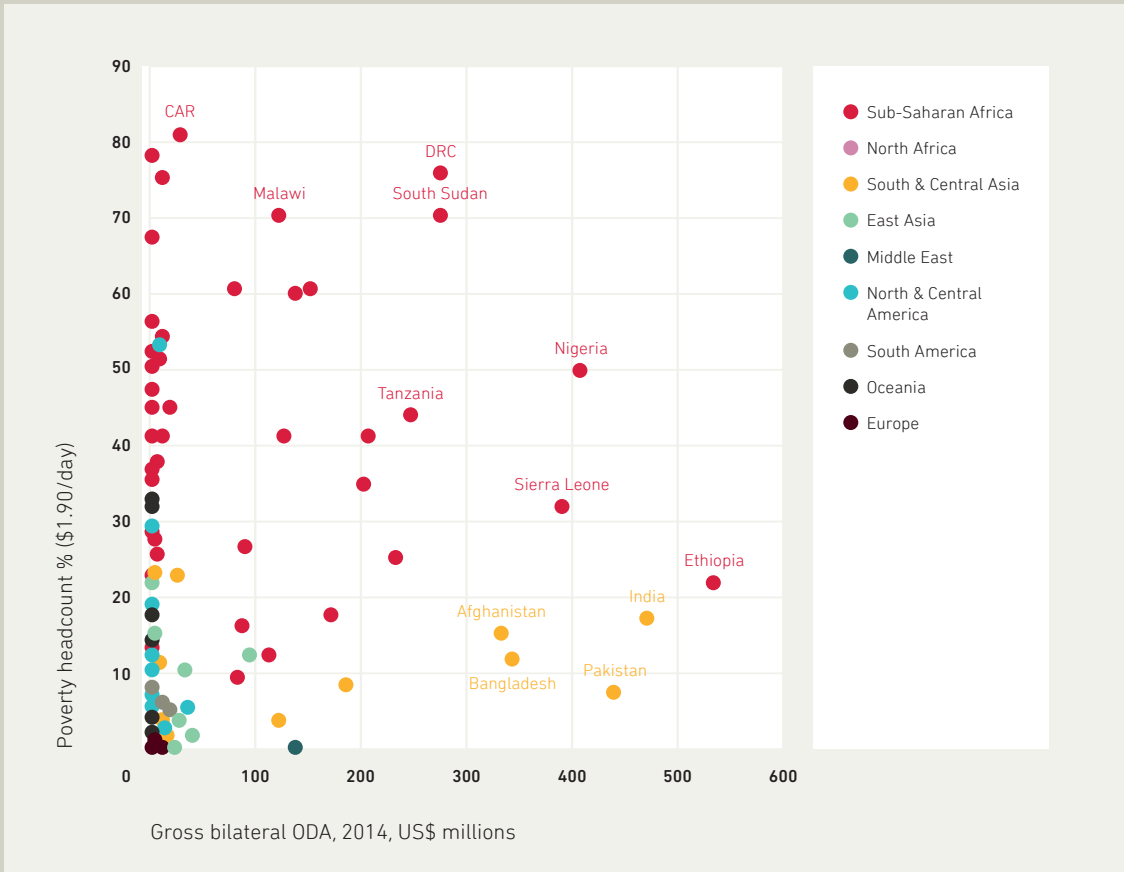
Gender

Gender equality is key to the ambitions of the SDGs. The gender gap between men and women is larger where there is extreme poverty. There can be no sustainable path to development if half the population are prevented from reaching their potential, from being active participants in the workforce and from claiming their democratic and human rights.

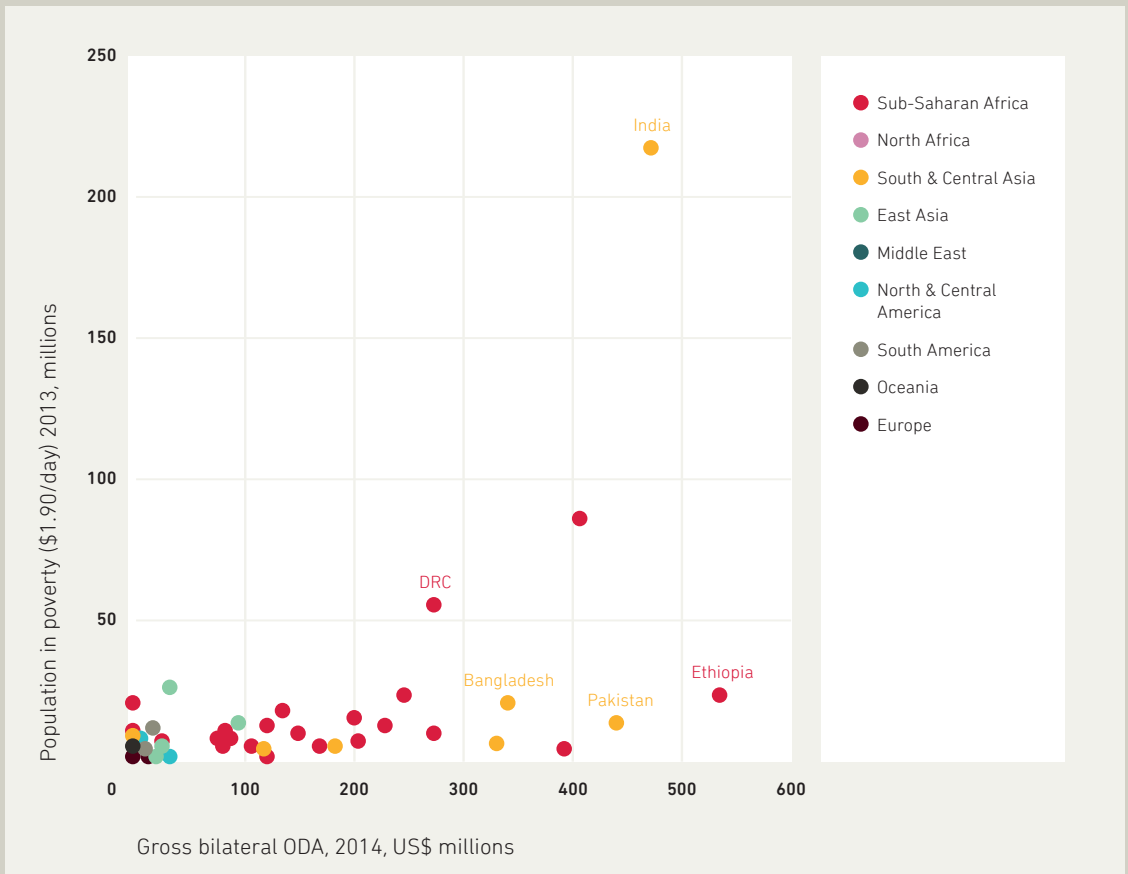
Empowering women and girls provides the best return on aid and development. For example, if women farmers had the same access to productive resources such as land, seeds and capital to invest as men, the result would be between 100 and 150 million fewer hungry people worldwide.

The think tank Copenhagen Consensus Center has estimated that achieving universal access to sexual and reproductive health (SRH) services by 2030, and eliminating unmet need for modern contraception by 2040, will return \$120 for every dollar spent.

UK 2014 ODA by recipient poverty headcount %



UK 2014 ODA by population in poverty



Source: Development Initiatives (Duncan Knox) with data from OECD DAC2a; World Bank Povcal NetNotes: Data accessed 26-10-2016; Official Development Assistance (ODA) data is bilateral gross disbursements and is in 2014 prices; only country allocable ODA has been included; regional poverty headcount averages have been used for 20 countries holding no poverty data; regional poverty headcount averages are not available for eight MENA countries holding no poverty data (including Syria and Yemen) – these are excluded from the scatter plots.

What is aid?

There are a lot of misconceptions about aid and even more misunderstandings about what it is used for.

Is it ODA?

Aid, or to give its official title, **Official development assistance** is defined as those flows to countries and territories on the DAC list of ODA recipients and to multilateral institutions which are:

1. **Official:**

Provided by official agencies, including state and local governments, or by their executive agencies; and

2. Each transaction of which is:

a) **Development:**

Administered with the promotion of the economic development and welfare of developing countries as its main objective; and

b) **Assistance:**

Concessional in character.

Source: Is it ODA? OECD DAC briefing November 2008.⁷

This definition is set and monitored by the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD DAC) of which the UK is a key member.

In practice this definition means that aid must be primarily used for development purposes. The OECD DAC now regularly reviews what activities fall within this definition or not, in effect assessing what can legitimately be reported as aid and ensuring that aid remains fit for purpose in an ever-changing and evolving world.



Aid	Not Aid
Additional costs incurred for the use of the donor's military forces to deliver humanitarian aid.	The supply of military equipment and services.
Expenditure on police training.	The supply of the donor's police services to control civil disobedience.
Promotion of museums, libraries, art and music schools, and sports training facilities and venues.	Sponsoring concert tours or athletes' travel costs.
The peaceful use of nuclear energy.	Military applications of nuclear energy and nuclear non-proliferation activities.
Research directly and primarily relevant to the problems of developing countries.	Forgiveness of debts incurred for military purposes.



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Aid spend by sector

UK aid is used for a wide range of purposes – from supporting girls into school to helping entrepreneurs access financing and financial services. The chart on the next page shows the sectors where UK aid is spent but within these broad sector headings there is a huge variety of activity.



Social infrastructure and services

Social services like health and education.



Economic infrastructure and services

The things that facilitate economic activity like energy and transportation.



Production sectors

Where production happens. Activities like agriculture and industry.



Multi-sector / Cross-cutting

Projects which straddle several sectors as described in other headings.



Action related to debt

Largely debt relief for heavily indebted countries to stop them falling into a debt crisis.



Humanitarian aid

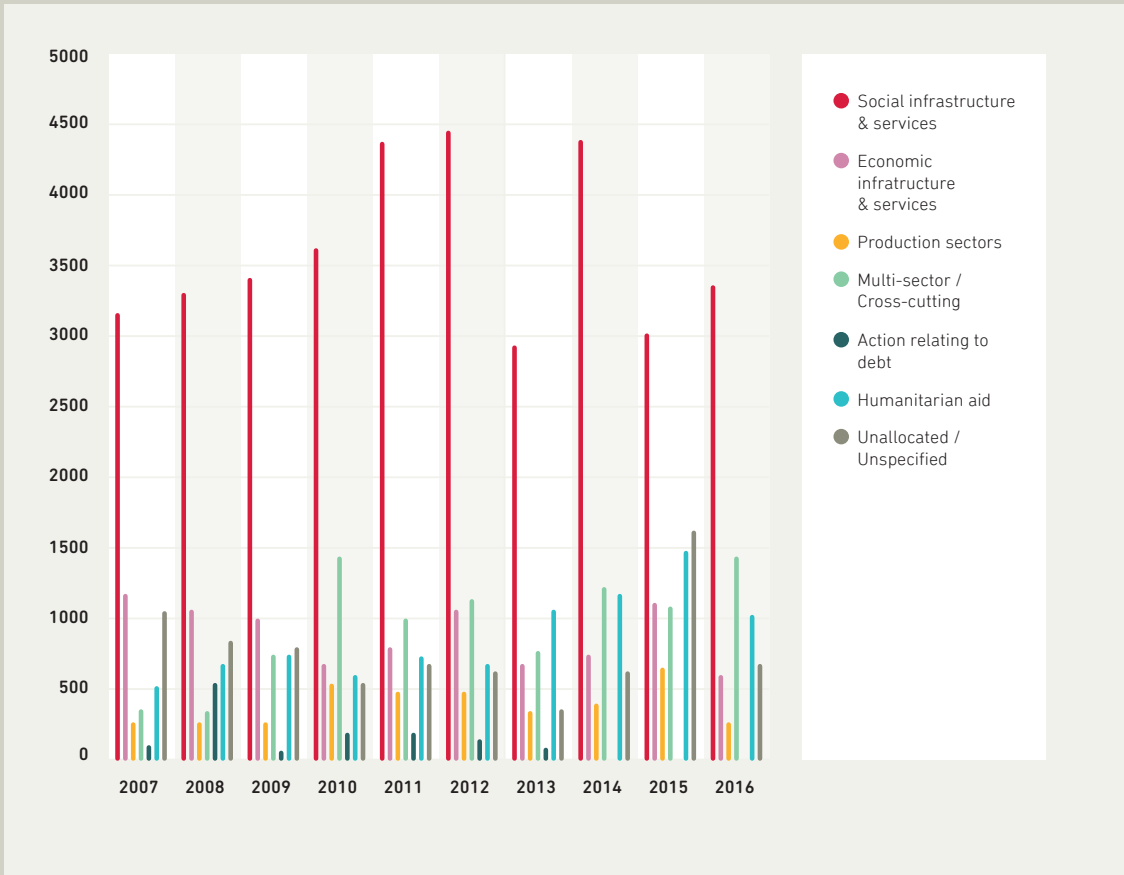
Emergency response to crises like earthquakes or conflict.



Unallocated or unspecified

Interventions which do not fit under other headings or do not have a specific sector objective.

UK Aid by sector (US\$million, current prices)



Source: OECD Statistics Table DAC5⁸

Why must we spend aid?

It's the right thing to do because the UK can be proud to stand as a generous global leader, one who meets its promises to the world's poorest people and does its part to end poverty and inequality. And eventually, to end dependence on aid.

Most fundamentally because it is about **helping the world's poorest and most vulnerable people.**

UK aid also helps fight global diseases, including the recent outbreaks of Zika and Ebola viruses.

UK aid supported international efforts against the recent Ebola outbreak in Democratic Republic of Congo. The Ministry of Health in DRC declared the end of this outbreak in July 2018.



Why 0.7%?

The target of spending 0.7% of GNI on aid is not an arbitrary number. It is a target recognised by UN resolution.

It was based initially on a target of 1%, first suggested by the World Council of Churches, and then moved to a target of 0.75% of gross national product based on the work by Nobel Prize winner Jan Tinbergen. His work sought to address the flaws in the 1% model, and instead estimated inflows required for developing countries to secure sustainable economic growth required this target of 0.75% of gross national product instead.

The 0.7% target agreed finally in 1970 was the outcome of research and analysis to estimate the amount of public finances needed to meet the world's development challenges.



1%

The first target as suggested by the World Council of Churches



0.75%

The second target as suggested by Nobel Prize winner Jan Tinbergen, whose work addressed the flaws in the 1% model



0.7%

The target finally agreed based on research in 1970 and recognised by UN resolution

An end to poverty & inequality

Since 2015, the UK's aid efforts have:

- Reached 17 million people, including 7.3 million women and girls, with humanitarian assistance
- Immunised an estimated 28.7 million children, saving 475,000 lives
- Reached 26.3 million children under five, women of childbearing age and adolescent girls through nutrition related programmes
- Supported 7.1 million children to gain a decent education
- Supported 27.2 million people to access clean water and/or better sanitation
- Supported 30 countries to manage their public finances (including natural resources and extractives) more transparently



Photo: DFID / Vicki Francis.
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In the first decade of the 21st century, dependency fell on average by a third

Prevention is better than the cure...

Aid is the smart thing to do because it is in our mutual interest. Helping the developing world to meet the challenges they face means a world with fewer preventable epidemics, less conflict and less poverty.

It is smart because it creates a better world for all of us and future generations. Aid can be used proactively to lessen the chances of future crises or disasters by investing in resilience measures like climate change adaptation.

Climate change for example is a major threat to development, threatening to undo years of development to which UK aid has made such an important contribution.

For example, typhoons and floods destroy entire communities, damage homes and property, while unpredictable seasons lead to poor or failed harvests for poor farmers, putting millions at risk of hunger.

An end to dependency...

Aid can help to build institutions, resilience, infrastructure and opportunities so countries are no longer dependent on aid. Already in the first decade of the 21st century, dependency fell on average by a third⁹ – by investing in long term development drivers such as:

- Progressive revenue-raising tax systems
- Good systems of governance with accountable governments and executives
- Functioning and reliable service infrastructure
- Sound public finances with sustainable levels of debt

Aid dependency, a state no country or people chooses, exists when a country is unable to perform many of the core functions of government, such as delivering basic public services like schools and clinics, without aid.

Many previously significant recipients of aid are no longer in receipt of aid.

This includes Botswana, Morocco, Brazil, Mexico, Peru, Thailand, Singapore, and Malaysia.

When was and will aid be spent?

The real progress that has been made in the years since the end of World War II – when aid as we understand it first came into being – should not be underestimated.

Underlying all these stats and figures are real people – men, women and children – whose lives are saved and dramatically improved, who have opportunities they never would have had before and who have in turn contributed in return.

Sadly, as the previous section outlines, there is still much need and many times when aid is needed:

- **When there is an outbreak of disease**
Such as the Western African Ebola epidemic in 2014.
- **When natural disasters hit**
Such as the monsoon flooding across South Asia through 2017, affecting 41 million people across four nations.
- **When, through vaccination programmes, diseases like Polio are on the brink of eradication.**
- **When millions of people are supported to claim their democratic and human rights.**
- **At moments when conflict and war destroy citizens lives**
Such as the billions of dollars given for the millions of people affected by the fighting taking place since 2011 in Syria.

- **1968**
DAC members to spend 1% of national income in developing countries
- **1969**
Pearson Commission proposes 0.7% target to be reached no later than 1980
- **1970**
0.7% ODA/GNI target agreed in the UN
- **2000**
UN Millennium Declaration adopted creating the Millennium Development Goals
- **2013**
UK meets 0.7% target
- **2015**
Sustainable Development Goals (SDGs) and Agenda2030 agreed at the UN
- **2015**
UK enshrines 0.7% target in law

Where does aid go?

UK aid is spent in a variety of countries, regions and contexts – which reflects the complex and evolving landscape of poverty in the world today as discussed in section one.

There is a fundamental tension in allocating aid – a pull between targeting those places with the most desperate levels of poverty to those places where high numbers of the world’s poor live, even if they are a smaller proportion of the population. Barriers to development like conflict and fragility – one of the most significant drivers of poverty – create another angle that must be considered in deciding where to spend the valuable and scarce resource of aid.

The following considerations are some the major drivers of UK aid country allocation:

- **Fragility and conflict**
- **Climate change**
- **Middle-income countries**

Fragile states

The share of extreme poor living in conflict-affected situations is expected to rise to almost 50% by 2030. In addition to reducing gross domestic product (GDP) growth by on average 2% per year, conflicts also drive 80% of all humanitarian needs⁹. These harsh realities were behind one of the major policy announcements in the 2015 UK Aid strategy, ‘Tackling global challenges in the National Interest’¹¹, which committed to allocating 50% of DFID’s budget to fragile states and regions.¹² Effective interventions in fragile or conflict-affected contexts have people and peace-building at their core and aim to leave no-one behind.

To effectively promote long-term security, addressing the needs of those living in and amongst conflict – whether it be healthcare, education or insecurity – must remain the primary purpose of all aid. Recently however, there have been increasing concerns about aid being too closely aligned with donors’ domestic security objectives, which undermine aid’s purpose and effectiveness with potentially life costing and damaging impacts. The UK’s national interest will be served by poorer countries becoming more prosperous, less unequal, and better governed.



Middle-income countries are currently home to 70% of the world's poorest people

Climate Change

Aid is often used to help vulnerable countries adapt to climate change and to develop their economies without a heavy reliance on fossil fuels.

Since 2012, UK aid through the International Climate Fund has:

- Supported 34 million people to cope with the effects of climate change
- Improved access to clean energy for 12 million people
- Reduced or avoided 9.2 million tonnes of greenhouse gas (GHG) emissions
- Installed more than 400 MW of clean energy capacity
- Mobilised £2.2 billion public and £500 million private finance for climate change purposes in developing countries¹³

Middle-income countries

The debate about whether or not to spend aid in Middle-income Countries (MICs) is a complex one.

MICs are countries with an average per capita income of between \$1,000 per person a year and \$12,000.

They are a diverse group in terms of size, population and wealth, and while they are not the poorest countries in the world, they are not wealthy and inequality remains a challenge.¹⁴ However there is a duty to help poor people, no matter where they live, and MICs are currently home to over 70% of the world's poor people.¹⁵ While looking at a country's average income level, then grouping these into broad categories, can be useful, it also obscures important and real differences.

From Sri Lanka to countries like Panama and Croatia¹⁶, MICs are diverse. Approaches and interventions therefore also need to be diverse. In MICs with higher domestic resources, ODA plays a supportive role to help establish longer-term innovations and remove bottlenecks to move towards long-term positive change. Examples might be improving the tax system, supporting civil society-led accountability mechanisms, or addressing barriers to participation in education or health. In poorer MICs, aid can play a more traditional role by providing critical support for things like health and education as well as helping to build infrastructure and systems in the longer term.

MICs remain important partners in addressing domestic and global development challenges and aid has a part to play in that.

Distribution of Top 10 bilateral aid recipients as of 2016



How is aid spent?

Aid needs to meet diverse needs in varied, sometimes complex contexts, which require different types of programme responses. Broadly speaking the UK has two main types of aid – Bilateral partners and Multilateral.

Bilateral partners

ie. **Direct UK-run** programmes in a country

Multilateral

ie. **Pooled funding** such as the World Bank or Global Alliance for Vaccines and Immunisation (GAVI) where the UK contributes funding

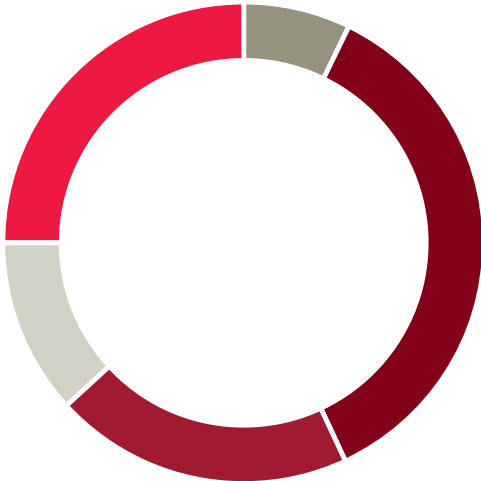
The balance of funding, the choice of partners and how they perform is kept under regular and rigorous review by DFID itself, the Independent Commission for Aid Impact (ICAI), the International Development Select Committee (IDC) and other accountability bodies including the National Audit Office.

The balance of multilateral to bilateral aid, approximately 60% and 40% respectively, has remained steady over the years. Working through these different mechanisms allows the UK to be both focused in its bilateral efforts – in the places where it has the best comparative advantage, on sectors where it has expertise and critically where UK aid is most needed – as well as ensuring that the broad range of development

challenges are addressed through different pooled instruments. Working multilaterally also enables donors to take advantage of any efficiencies or advantages of working at scale or in difficult contexts where nationally-led programmes may be difficult. Through its role on the governing bodies of multilaterals, where the UK is often a significant and important donor, the UK also plays a key strategic role which has seen vital priorities like women and girls gain greater prominence and focus.

DFID ODA is disbursed through a variety of types of organisation, two of which have been referred to earlier in this report, namely governments and multilateral, multi-government organisations. ODA is also channelled via NGOs, contractors and others. The choice of delivery partner matters; while government to government aid remains an important and effective vehicle for UK aid, working through different kinds of partners allows the UK to reach places and people the UK government cannot reach directly or where direct inter-governmental aid is inappropriate. As such, maintaining funding and delivery partnerships with a range of actors enables UK aid to be more flexible with a variety of tools and routes to reach those most in need.¹⁸

UK Country-specific Bilateral ODA Channelled through Delivery Partners 2016



- 355,223
Donor government
- 1,728,068
Multilateral organisations
- 956,784
NGO
- 575,928
Recipient government
- 1,226,096
Other

Development effectiveness principles explained

Ownership
Partnerships for development are led by developing countries and suit country needs.

Focus on results
Investments have a meaningful impact on eradicating poverty and inequality, on sustainable development and strengthening developing countries' capacity.

Inclusive development partnerships
All actors – including business and civil society organisations – contribute to achieving development goals.

Mutual transparency and accountability
Mutual accountability between development partners, as well as accountability to the beneficiaries of development cooperation and their citizens. Transparency encourages better accountability.

Source: Statistics for International Development 2017

Quality, effectiveness and impact of aid

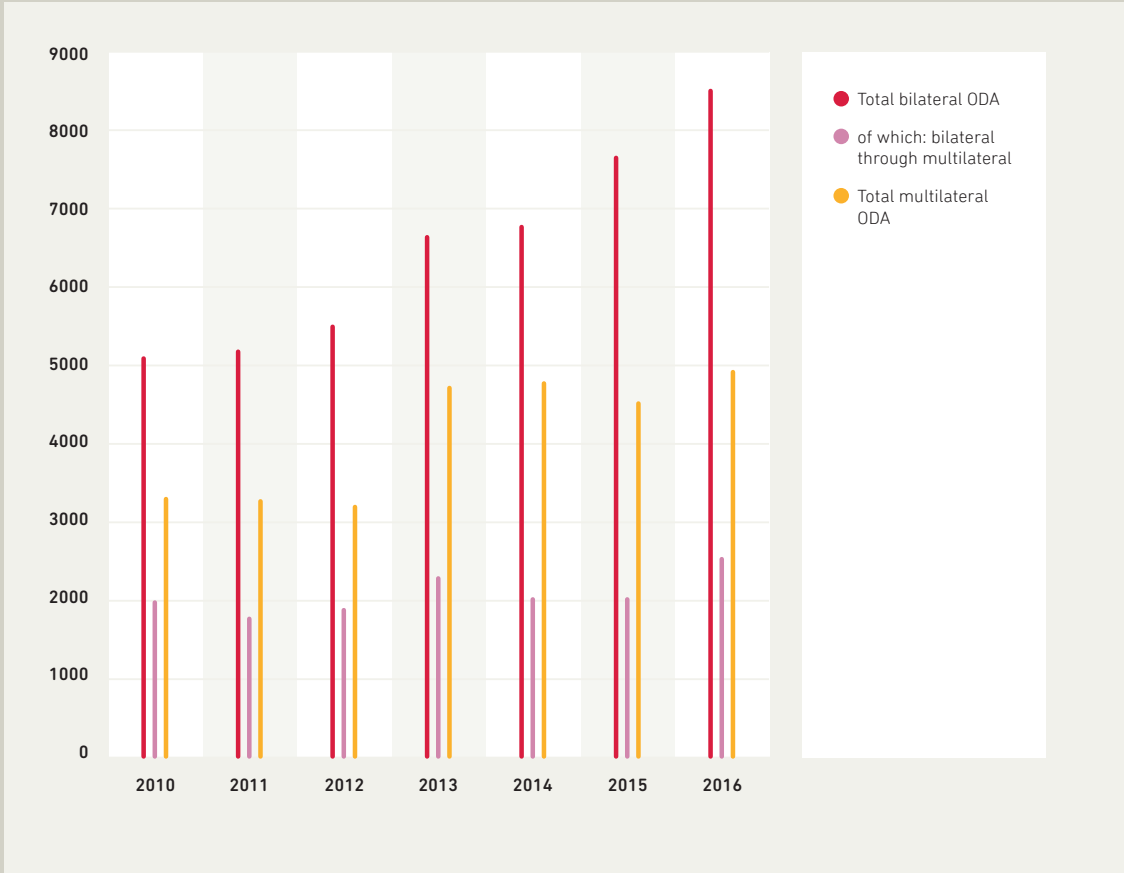
The quality, effectiveness and impact of aid are paramount importance. This is not just because the scale of development challenges in the ambitious Agenda 2030 is higher than ever before, but also because the places and issues aid is being used in and for are also growing more complex. Pressures on public spending also mean there is more need than ever to prove to the UK public and taxpayer that all UK aid is used effectively and efficiently. UK aid is subject to high levels of public accountability with the aid budget being the most scrutinised of all government budgets, with accountability to the ICAI, the IDC, the National Audit Office and the OECD DAC.

Aid works, and there is a substantial body of evidence to support this assertion. The great majority of international projects meet their immediate objectives and aid has contributed to growth and wider development at the sector and country level.¹⁹

The globally agreed development effectiveness principles, agenda and monitoring are key measures of UK aid quality in practice.

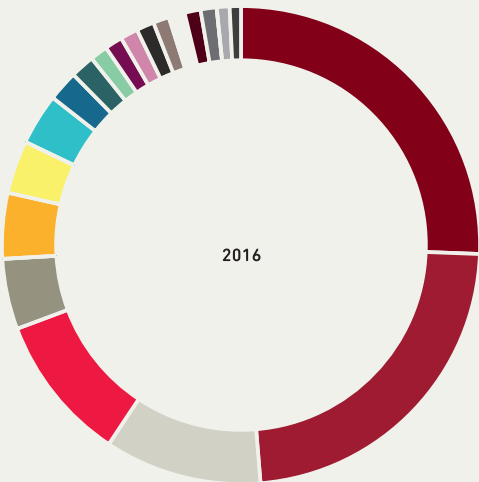
Independent biennial monitoring of effectiveness commitments²⁰ provides an evidence-based snapshot of the UK's performance, seeks to improve understanding, and track progress on how development effectiveness is implemented at country level. The effectiveness agenda is the only globally agreed set of principles that pull together evidence about what matters most to donor countries, to developing countries and to the people living there. These principles provide a best practice guide that puts developing countries in charge of their own development while also ensuring that aid is used effectively to deliver real impact and value for money. This principle of ownership of development by developing countries is also very much at the heart of Agenda 2030 and, as such, success in development effectiveness will also define to some extent how successful the UK is in achieving its broader sustainable development ambitions.

Total UK ODA: by type (bilateral, multilateral) 2016



Source: Statistics for International Development 2017

Top Twenty Recipients of UK Core Funding to Multilateral Organisations (Multilateral ODA)



- 1,145 International Development Association
- 1,031 European Commission - Development Share of Budget
- 473 European Commission - European Development Fund
- 446 International Monetary Fund - Poverty Reduction and Growth Trust
- 214 African Development Fund
- 200 Global Alliance for Vaccines and Immunization
- 162 Green Climate Fund
- 153 Global Fund to Fight AIDS, Tuberculosis and Malaria

- 92 International Finance Facility for Immunisation
- 72 Asian Infrastructure Investment Bank
- 55 Central Emergency Response Fund
- 55 United Nations Development Programme
- 53 Private Infrastructure Development Group
- 53 Global Environment Facility - Special Climate Change Fund
- 51 United Nations Department of Peacekeeping Operations
- 51 Clean Technology Fund
- 50 Asian Development Fund
- 48 United Nations Children's Fund
- 40 World Food Programme
- 35 United Nations Office of the United Nations High Commissioner for Refugees

Source: Statistics for International Development 2016

Footnotes

- 1 World Bank, Poverty and Shared Prosperity 2016, 'Tackling Inequality', <https://openknowledge.worldbank.org/bitstream/handle/10986/25078/9781464809583.pdf>
- 2 Harpinder Collacott, How we must approach poverty eradication in today's world, March 2018, available at <http://devinit.org/post/how-we-must-approach-poverty-eradication-in-todays-world/>
- 3 'Leave no one behind' (LNOB) means prioritising and expediting actions for the poorest and most marginalised people, including those caught in crisis. This speaks to the heart of the question of who aid is for, as globally, people have not benefitted equally from the widespread progress aid and development has achieved. Efforts must therefore be made in prioritising outcomes for marginalised groups and look beyond the averages to identify these groups and their needs.
- 4 The Millennium Development Goals Report, 2015 available at [http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20\(July%2011\).pdf](http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%2011).pdf)
- 5 World Bank, Fragility, conflict and violence <http://www.worldbank.org/en/topic/fragilityconflictviolence/overview>
- 6 Source: Development Initiatives with data from OECD DAC2a; World Bank Povcal NetNotes: Data accessed 26-10-2016
- 7 The complete briefing including more information on what counts as ODA or doesn't is available at <http://www.oecd.org/dac/stats/34086975.pdf>
- 8 For more information on where and what UK aid is spent on see UK Statistics on International Development available at <https://www.gov.uk/government/statistics/statistics-on-international-development-2017>
- 9 ActionAid, Real Aid: Ending Aid Dependency https://www.actionaid.org.uk/sites/default/files/doc_lib/real_aid_3.pdf
- 10 The World Bank Group: Tackling Fragility, Conflict and Violence, May 2017
- 11 More information on the UK Aid Strategy is available at <https://www.gov.uk/government/publications/uk-aid-tackling-global-challenges-in-the-national-interest>
- 12 DFID's working definition of this "countries where the government cannot or will not deliver core state functions to the majority of its people, including the poor"
- 13 International Climate Fund, Policy Paper <https://www.gov.uk/government/publications/international-climate-fund/international-climate-fund>
- 14 Bond, Aid to Middle-income countries: What should be done https://www.bond.org.uk/sites/default/files/resource-documents/middle_income_countries_final_report.pdf
- 15 See World Bank Middle-income Countries available at <http://www.worldbank.org/en/country/mic/overview>
- 16 See World Bank data portal for a complete and current list of countries by income classification available at <https://data.worldbank.org/>
- 17 Copenhagen Consensus Center, <http://www.copenhagenconsensus.com/post-2015-consensus/populationanddemography>
- 18 Official figures for bilateral aid in 2015 indicate that 34% was disbursed via multilateral organisations (so-called bilateral via multilateral aid), 26.3% via the recipient government and 20% through NGOs. Other channels, which include private enterprises, contractors and research institutes, amounted to 14.5% of bilateral ODA, while administrative costs incurred by other donor governments to deliver aid only accounted for 5.2% of UK aid delivery.
- 19 <http://devpolicy.org/2014-Australasian-Aid-and-International-Development-Policy-Workshop/Papers/Keynotes/Roger-Riddell-Keynote-Address.pdf>
- 20 The GPEDC – specifically the joint support team in the UNDP and OECD – undertakes regular monitoring of development effectiveness commitments based on a set of 10 globally agreed indicators. For more information on indicators and monitoring see <http://effectivecooperation.org/monitoring-country-progress/explore-monitoring-data/>



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Bond is the UK network for organisations working in international development.

We advocate to ensure the UK's policies around development and aid are effective, accountable and transparent, and ultimately help free people of global poverty, inequality and injustice.