Ringfencing aid may do more harm than good

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Nilima Gulrajani *explains that Increasing the aid budget as other departments cut theirs will erode the long-run effectiveness of the development programme.*

The Department for International Development (DFID) is a highly performing development agency, the world's best in many global rankings of aid donors and a powerful symbol of Britain's commitment to international development. Nevertheless, supporters of foreign aid need to reflect on the value for money that their cause is getting with the coalition government's announcement to expand DFID's budget as other departments are slashed and burned. Immunity for DFID from fiscal belt-tightening may not be desirable for achieving a sustainable and effective foreign aid programme in the long run.

Eradicating global poverty is a complex task, particularly in the politically messy environments of the developing world. DFID has managed to engage in such contexts better than most. It is staffed by some of the foremost experts on development, many of whom are located on the frontlines of the impoverished communities they serve.

Notwithstanding calls for greater transparency and accountability, DFID has generally served as a model of both these over the last 10 years when compared to other aid agencies. Government capability reviews consistently praise DFID as an unqualified civil service success.

Nevertheless, there are a number of reasons why supporters of international development policy should be wary of the announcement that Britain's aid budget will increase by 50% over four years to £11.5bn. Granting exceptional status to foreign aid increases the pressure on it to deliver quick, measurable wins. But this is not the same thing as delivering long-lasting development impact. Making health systems run or schools work or growth take off requires more than higher cash investment in hospitals, schools or roads.

For sustainable results, domestic champions for external engagement need to be created, political coalitions need to be fostered, domestic resources must be mobilised to limit aid dependency and risks will generally need to be taken. To date, DFID has been a champion of these innovative, softer and subtler forms of engagement even as audit cultures have noticeably gained influence. But with even greater scrutiny and value for money now essentially the quid pro quo for the massive expansion of its budget in a time of retrenchment, DFID's comparative advantage as a flexible and entrepreneurial donor is no longer politically tenable.

With running costs reduced to 2% of total spending by 2015, in other words falling to half the global donor average of 4%, DFID will be in the unusual position of having an increased budget managed with a reduced headcount. This threatens to divert monies to quick-disbursing multilateral funds at the World Bank or United Nations, where value for money can be even harder to ascertain. If we accept that poverty reduction is not fundamentally a financial problem but a problem of weak institutions, pressures to disburse large sums of money with limited staff oversight and in situations of fragile governance appear an unlikely recipe for development success.

Meanwhile, as a greater percentage of aid resources now service strategic defence and foreign policy objectives, this threatens the poverty-focus of British aid spending for which it has received worldwide kudos. A case could be made that the growing links between development spending and national security betrays the spirit of the2002 International Development Act, which stipulates that all UK aid must have the purpose of sustainable development or welfare improvement and be likely to contribute to poverty reduction. It is precisely in these surreal times of fiscal retrenchment that the government should be held to account for maintaining its commitment to the act.

Winning the ministerial lottery in the comprehensive spending review is too high a price to pay for turning a blind eye to the erosion of the aid programme's raison d'etre. As the opportunity cost of development spending becomes increasingly stark, public support for foreign aid falls. In a recent survey, 63% of respondents thought aid needed to be cut to help deal with the budget deficit and over half did not support the coalition government's policy of ringfencing aid spending.

Singling DFID out for special treatment is sacrificing public support for aid that has been so critical for DFID's past successes. This looks set to worsen as DFID phases out programmes to foster development awareness among the British public as part of recently announced efficiency savings measures. An entire generation of supporters of sensible development and aid policies is now at risk of never being fostered.

A reasonable discussion is required of the ways programmatic and operational savings can be achieved in DFID alongside its ministerial brethren without unduly threatening the modus operandi at DFID that has been so successful to date. But let's be clear; removing the ringfence should not be taken as an invitation to rip into the foreign aid budget. There are lessons to be learned here from Canada's debt-reduction programme in the mid 1990s, when the Canadian International Development Agency (CIDA) bore a disproportionate burden of departmental cuts (a three-year reduction of 20.5%) compared with foreign affairs and national defence. Domestic development education programmes were also especially hard hit in Canada.

These cuts demolished CIDA's size and profile to such a degree that they are still blamed for the decline of Canada's longstanding humane internationalist tradition. Their legacy is an electorate that has been content to sacrifice global development on the altar of narrower domestic concerns, recently exemplified by Canada's relatively weak support for a global climate change deal at Copenhagen and a G20 pledge to support maternal and child health conditional upon denying access to safe abortions to impoverished women. The irony, perhaps, is that if diminishing public support is the legacy of dramatic and targeted cuts to foreign aid in Canada, this legacy risks being exactly the same in Britain where the foreign aid budget is exceptionally protected.

Be forewarned, Britain – a robust and sustainable foreign aid programme can only be maintained by judicious evenhandedness in its fiscal management during these austere times.

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