A Closer Union

The Political Abuse of Foreign Aid

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January 2010

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About International Policy Network

International Policy Network (IPN) is a non-governmental, educational and non-partisan organization whose mission is to encourage better public understanding of the role of the institutions of the free society in social and economic development. IPN achieves this goal by interacting with thinkers and commentators in many countries and across many disciplines.

IPN conducts, commissions and disseminates research, directly and indirectly with partner organizations, in the realms of health, environment, trade and development. IPN hopes that as a result of its programs, individuals will be better able to achieve their aspirations, regardless of race, color, creed, nationality or human condition.

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Published by International Policy Press, a division of International Policy Network
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Designed and typeset in Latin 725 by MacGuru Ltd
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Both the Labour Party and the Conservatives have pledged to increase spending on international development through the UK’s Department for International Development (DFID), even in this so-called time of austerity. It is therefore important to evaluate the effectiveness of DFID’s spending. This briefing paper is part of such an ongoing assessment being conducted by IPN.

In our report *Fake Aid* (Sep 2009), we questioned the effectiveness of spending by DFID on non-governmental organisations (NGOs) in the UK.\(^1\) It transpired that funds distributed under ‘publicity’ budgets often stay within the UK.

One recipient of such money is the Trades Union Congress (TUC). In our earlier report, we revealed that the TUC had received £1.2m from DFID since 2003. Since publication, we have become aware of a further £2.4m that DFID recently granted to the TUC; meaning that the TUC will have received a total of £3.6m from DFID between 2003 and 2011.

This briefing paper seeks to ask whether the money transferred to the TUC genuinely aids the development of poor countries and helps improve the condition of the world’s poorest people.

In this paper we outline some concerns over the various grants made to the TUC.

### TUC: Strategic Grant Agreement (2003–2006) – £455,000
- The initial grants were intended to raise awareness of international development issues within the UK’s trade union movement.
- Part of the grant was originally budgeted to go towards an independent evaluation, but the TUC decided that a “full evaluation by an independent consultant was not required.” Meanwhile, it gave its staff pay rises using DFID money and went over budget.\(^2\)

### TUC: Strategic Framework Partnership Arrangement (2006–2009) – £756,000
- Parts of this grant went towards courses which taught trade unions how to obtain more grants from DFID – to “improve union access to DFID funding schemes.”\(^3\)
- An independent review of this grant was unconvinced by the scheme’s worth: “Whilst this strategy appears to have been effective in a number of cases, there is little evidence regarding the effectiveness of the individual projects.”\(^4\)
- Another review reported that some people at DFID considered the TUC to be “too political”.\(^5\)

### TUC: Partnership Programme Arrangement (2009–2011) – £2,400,000
- In spite of the dubious efficacy of initial grants, DFID granted the TUC £2.4m – twice as much as during 2003–2009.
- According to DFID, PPAs are intended for larger NGOs who have a track record in international development. DFID is “breaking the trend” by granting such large, unrestricted funds to the TUC, according to an independent review.\(^6\)

There appears to be no guarantee of an independent evaluation of the efficiency and outcome of these considerable grants. Taxpayer funds given under the auspices of ‘foreign aid’ must be accounted for and spent in ways which deliver maximum benefit to people in less developed countries. Independent oversight and accountability mechanisms must ensure that grants to the TUC and other organisations satisfy these crucial criteria, which unfortunately are far from being met today.
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Introduction

In September 2009, International Policy Network published *Fake Aid*, a report detailing supposed ‘foreign aid’ funds being granted to UK-based organisations, often for projects within the UK.7 Noted in this paper was £1.2m of ‘foreign aid’ granted to the UK’s Trades Union Congress (TUC). The paper noted that the projects listed under these grants to the TUC were not exclusively or even primarily targeted at people in poor countries, while advocacy and lobbying were included as key objectives.

Since publication, a new DfID grant of £2.4m to the TUC has come to light8, and just as with past grants, there is cause for concern. This report questions why the TUC was selected to receive foreign aid money and asks whether its projects genuinely help the world’s poorest people.

The TUC responded to *Fake Aid* in a blog post, accusing IPN of being a “Tory think tank”.9 They claimed that *Fake Aid* had focused on trade unions while overlooking “respectable charities that Conservative Party members and voters support too”. But this strange accusation is incorrect – *Fake Aid* did not focus on trade unions, and the majority of the study highlights problems with DfID’s funding of other organisations. IPN is entirely independent of any political party10, and none of the paper’s three authors have any link to the Conservative Party whatsoever.

The TUC’s members, however, have very close ties to the Labour Party. The Labour Party founded DfID in 1997, which has since 2003 granted the TUC a total of £3.6m. Meanwhile, from 2003 to 2009 over half the money donated to the Labour Party has come from TUC member unions.11

This briefing paper outlines each grant the TUC has received from DfID, and the concerns raised by these grants.

I. TUC: Strategic Grant Agreement12 (2003–2006) – £455,000

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Early 2003”</td>
<td>£255,000 awarded</td>
</tr>
<tr>
<td>2004</td>
<td>£200,000 added (referred to</td>
</tr>
<tr>
<td></td>
<td>as “Mini Learning Fund”)</td>
</tr>
<tr>
<td>Total</td>
<td>£455,000</td>
</tr>
</tbody>
</table>

**Purpose of initial £255,000:** “To raise awareness within the TUC and the wider movement about international development issues and build the capacity of the movement to work in this area.”13

Part of the grant was originally budgeted to support an independent evaluation, but the TUC decided that a “full evaluation by an independent consultant was not required.” Meanwhile, it gave its staff pay rises using DfID money and went over budget.14 The TUC later claimed that an independent evaluation was conducted, and cited a report by Peter Kirby.15 Yet Peter Kirby is, according to the TUC website, “a well known trade unionist”.16 His report can hardly be deemed to be “independent”.

**Purpose of extra £200,000:** “for TUC affiliates to run development education activities with their members.”17

Unfortunately a significant number of DfID-funded TUC activities over the years have focused on their own members within the UK. These activities are often presented as “education” but it is difficult to see just how focusing on educating trade unionists in the UK will benefit the poor overseas.
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review found that “Whilst this strategy appears to have been effective in a number of cases, there is little evidence regarding the effectiveness of the individual projects or about how effectively they were linked to other activities undertaken under the TUC SGA.”

Despite this criticism, the review later suggests that “The PPA [the current grant that the TUC receives from DfID – see next section] may be expanded to encourage the TUC to provide more funds for small grants focused on development awareness.” In other words, grants to individual trade unions might be increased in the future despite an absence of evidence of their previous effectiveness.


Purpose: “To increase engagement of UK unions with DfID and build individual union capacity to internationalise their agenda.”

Under both the SGA and SFPA grants, DfID granted funds to the TUC to develop “tailor-made international development strategies” for unions and to teach them how to obtain more grants from DfID. The aim of these courses was to “increase their [trades unions’] ability to access funding” and to “improve union access to DFID funding schemes.” A recent independent assessment found that “Whilst this strategy appears to have been effective in a number of cases, there is little evidence regarding the effectiveness of the individual projects or about how effectively they were linked to other activities undertaken under the TUC SGA.”

Despite this criticism, the review later suggests that “The PPA [the current grant that the TUC receives from DfID – see next section] may be expanded to encourage the TUC to provide more funds for small grants focused on development awareness.” In other words, grants to individual trade unions might be increased in the future despite an absence of evidence of their previous effectiveness.
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Figure 2  TUC Strategic Framework Partnership Arrangement (SFPA) update

International Women’s Day celebration

With a Caribbean food and musical theme to set the mood the TUC marked the passing of this year’s International Women’s Day with our traditional evening reception. Hosted by Kay Carberry, TUC Assistant General Secretary, around 120 women turned up to celebrate the hard fought for rights of working women. As well as music from Pantasia Steel Band, they heard speeches by Kwasi Adu-Amankwah, ITUC-Africa General Secretary, Kate Allen, Amnesty International UK Director and Adwoa Sakyi, Head of Industrial Relations at the General Agricultural Workers Union, Ghana. The cost of this event, and all previous similar events, were funded by TUC subscriptions and sponsorship from Thompsons Solicitors.

The TUC’s relationship with DFID

In the UK the objective of policy engagement is fulfilled through the regular DFID/TUC trade union forums. The TUC is currently also in talks with DFID over a new agreement to follow the SFPA.

For more information

Please contact Gemma Freedman, the TUC’s SFPA Project Officer on 020 7467 1233 or by email: afreedman@tuc.org.uk.

Report (2,300 words) issued 29 Apr 2009

As with the SGA, the vast majority of funds under this SFPA agreement stayed within the UK for advocacy or “educational” aims. In response to Fake Aid, Owen Tudor, Head of the TUC’s European Union and International Relations Department, wrote:

“Essentially we have in the past used DFID funds to lever up the involvement of unions in international development work – so although we haven’t run programmes in developing countries with the money provided by DFID under the Strategic Grant Agreement and the Strategic Framework Partnership Agreement, that money has been used to increase the amount of unions’ own money (i.e. union members’ money) that is spent on development.”

TUC “too political”: An independent review of DFID’s development strategy since 1999 describes DFID’s relationship with the TUC as “slow to develop into an effective partnership”. A further review highlighted tensions between the TUC and the development community who found the latter to be “too political”. For example:

“DFID staff found the TUC movement too political and too difficult to work with, whereas the TUC considered DFID to be uninterested in developing a deeper understanding of the longstanding role the TUC had occupied in international development and far more interested in pushing its own narrow agenda.”

Source: screenshot as it appears at time of publication (11 January 2010, highlighting added)
Unclear activities: *Fake Aid* criticised the use of public money to fund social gatherings for International Women’s Day. After an article in *The Times* reported this claim, the TUC denied using DFID funds to pay for the annual gatherings and altered the content of its website.

A screen-grab of the page made on 2 October 2009 (Figure 1) shows how the evening reception for International Women’s Day took place in London and was included in the TUC report on its DFID grant as one of the “key achievements from the period of February – April 2009.” The second screenshot (Figure 2) reveals subsequent edits to the page, adding: “The cost of this event, and all previous similar events, were funded by TUC subscriptions and sponsorship from Thompsons Solicitors.” There is no acknowledgement of the change in the text or of the date when the page was updated: it is still given as 29 April 2009.

It is unclear why the TUC should list activities in its annual reports to DFID that they then claim were not paid for by DFID.

III. TUC Partnership Programme Arrangement (2009–2011) – £2,400,000

<table>
<thead>
<tr>
<th>YEAR</th>
<th>AMOUNT</th>
</tr>
</thead>
<tbody>
<tr>
<td>2009 (April)–2010</td>
<td>£900,000 awarded</td>
</tr>
<tr>
<td>2009 – 2011</td>
<td>£1,500,000 to be awarded</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>£2,400,000</strong></td>
</tr>
</tbody>
</table>

**Purpose:** “Reduced poverty and increased rights of workers in developing countries through greater support for and strengthened capacity of developing country trade unions.”

More money to the TUC: Shortly after the publication of *Fake Aid*, IPN discovered that the TUC has recently been granted a further £2.4 million by DFID. The grant has been operational since the end of April 2009 and £900,000 has been awarded to date.

This new grant is a Partnership Programme Arrangement, described by former DFID permanent secretary, Sir Suma Chakrabarti, as “a bit like budget support” only intended for “larger NGOs” who have “a track record of performance” in international development. This is hardly the case for the TUC, whose experience in international development is extremely limited compared to other PPA-grant recipient organisations. The first grant the TUC received from DFID (between 2003–2006) was a Strategic Grant Agreement (SGA). These are given to organisations “for whom international development is not their main focus…”

TUC obviously is not an organisation that has a track record of performance in international development. An independent review into DFID’s work found that in granting a PPA to the TUC, DFID are “breaking the trend of only holding PPAs with organisations traditionally working in development.” DFID has yet to explain just why the TUC should all of a sudden be granted such a large, unrestricted budget.

“Unrestricted funding”: Under this new PPA agreement, the TUC receives “unrestricted funding in support of its own international development objectives, and reporting against those in the attached PPA Performance Framework” – meaning it can choose to spend the money however it likes. This is worrisome, considering that one of the first clauses of the agreement emphasises “activities to build support for development in the United Kingdom that are likely to contribute to a reduction in poverty in other countries.”

Without restrictions on how much is spent on specific projects and goals, there is real risk that the TUC will once again focus on UK-based, not overseas, activities.

**Independent oversight?** As with their previous agreement in which the TUC enlisted a friendly trade unionist to conduct a supposedly “independent” evaluation of its use of DFID funds, evaluations and audits appear weak for this agreement too.

The agreement says that “The Trades Union Congress will demonstrate progress towards the strategic objectives … through an annual self-assessment of the indicators” [emphasis added]. The independence and accuracy of such an evaluation will be questionable if carried out by the very organisation which benefits from the grants.
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Transparency and open competitive tendering are essential components in ensuring that the taxpayer gets value for money in public contracts.

In 2006, Sir Suma Chakrabarti asserted that “the current process [of funding] is very competitive.” Yet many grants, such as some PPAs, are not made through competitive tender.

The DfID website currently states that three competitions for new PPA partners have been run over the past eight years. These are identified as having taken place in 2002, 2004 and 2006 by a PPA consultation document, long before the TUC’s PPA was formed. This suggests that the TUC’s PPA was not a result of any kind of competitive process, and that DfID was making arrangements for the TUC’s PPA while not accepting applications for PPAs from other NGOs. To confirm this, the authors telephoned DfID in the summer of 2009 and asked if they were accepting PPA applications. The authors were informed that applications were not being accepted.

Concluding remarks

We were initially surprised that DfID had decided to support activities undertaken by the TUC. Our surprise turned to amazement when we discovered that not only had they funded activities, but that there appeared to be little evidence that those activities supported DfID’s goals.

Many possible explanations for this behaviour might be postulated. Perhaps DfID officials even had ulterior motives for making these grants. But whatever the explanation, it is now time for DfID’s support for the TUC to end and for all of DfID’s activities to be subject to closer public scrutiny.

Provisions for the “end of funding final evaluation process” are also portentous with regards to transparency: “By the end of 2009 DFID and the Trades Union Congress will discuss and decide on the end of funding final evaluation process.” In its previous SFPA agreement, the TUC effectively had a veto on the requirement of an independent review at the end of the programme. Such a review could be carried out if “requested by either participants and approved by both” (and as mentioned above, the TUC decided against a truly independent review). Even with the significant increase of (unrestricted) funding to £2.4m, it seems as if the TUC may be able to avoid independent evaluations into its spending of these funds.

A secret agreement? The terms of this grant still have not been published on the DfID website, even though DfID publishes the text of other PPA funding agreements on its website (see Figure 3). DfID made this grant in a non-transparent manner.
References


6. Ibid, page 10, clause 2.13: “More recently a PPA has been set up with the TUC breaking the trend of only holding PPAs with organisations traditionally working in development.”


11. Total donations from all types of organisations to Labour from 1st quarter 2003 to 4th quarter 2009 stand at £114,690,759.83, of which £ 68,076,947.72 came from trade unions, the vast majority of which are TUC members. See “Register of donations to political parties” http://registers.electoralcommission.org.uk/regulatory-issues/ regdpoliticalparties.cfm. Full list of TUC member unions available at http://www.tuc.org.uk/tuc/unions_main.cfm.


13. Ibid, page 5


16. “TUC e-newsletter of the South West TUC February 2009”. http://www.tuc.org.uk/the_tuc/tuc-15977-f0.cfm?regional=8: “Peter Kirby is a well known trade unionist in the region.”


19. Ibid, Annex A.


24. Ibid, page 84


29. TUC SFPA Update. January 2009. See “International Women’s Day celebration” section. http://www.tuc.org.uk/international/tuc-16369-f0.cfm. We hold copies of the previous version of the website, with the event listed as a TUC achievement under the DfID grant, without any reference to commercial sponsorship.


32. For details of the Programme Partnership Agreement between DfID and TUC, see Grant Agreement http://www.tuc.org.uk/extras/Memorandumofunderstanding.doc and PPA Programme Objectives http://www.tuc.org.uk/extras/TUCPPAFINAL.doc.


36. House of Commons Committee of Public Accounts. 2007. “DFID: Working with Non-Governmental Organisations and Other Civil Society Organisations to promote Development”. London: The Stationery Office. http://www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/64/64.pdf, Oral Evidence, page 25 of PDF: In the case of the PPAs, they basically involve larger NGOs or CSOs that have a track record of performance.” and “One is a strategic scheme, the PPA scheme, so you are funding strategic outcomes. Essentially, it is a bit like budget support, because these are rather good agencies in terms of the track record.”

37. DFID Glossary. “Strategic Grant Agreements”. http://www.dfid.gov.uk/About-DfID/Glossary/?key=S


42. Ibid, page 3


44. Programme Partnership Arrangements: Who Do We Currently Have PPAs With? http://www.dfid.gov.uk/Working-with-DFID/Funding-Schemes/Funding-for-not-for-profit-organisations/PPAs/.


46. Ibid, page 17: “The Challenge Fund and Partnership Programme Agreement schemes are partly competitive.” [emphasis added] Furthermore, the initial ten PPAs were allocated on a non-competitive basis: “The first ten Agreements were awarded to CSOs which already had long-standing relationships with DFID, and relatively high levels of DFID funding.” National Audit Office. 2006. “Department for International Development: Working with Non-Governmental and other Civil Society Organisations to Promote Development”. London: The Stationery Office. http://www.publications.parliament.uk/pa/cm200607/cmselect/cmpubacc/64/64.pdf, page 19.

47. “Over the last 8 years, we have run 3 competitions for applications for new PPA partners.” Partnership Programme Arrangements. http://www.dfid.gov.uk/Working-with-DFID/Funding-Schemes/Funding-for-not-for-profit-organisations/PPAs/