

# International Development Committee

House of Commons, London, SW1A 0AA

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From Sarah Champion MP, Chair

Rt Hon Dominic Raab MP  
Foreign Secretary  
Foreign, Commonwealth and Development Office  
*By email*

15 December 2020

## **Future of UK aid and reductions to the ODA budget**

Dear Dominic,

On 8 December, the International Development Committee took oral evidence from a range of stakeholders in the development sector, exploring the implications of the reductions to the UK's ODA budget for 2020 and the proposals for 2021 and following years with regard to reduced ODA/GNI gearing.

We discussed with witnesses the potential impacts on both UK aid programmes and projects and the UK's international standing. The Committee also considered the new strategic framework for UK ODA spending, as heralded in your July letter on the 2020 reductions, developed in your letter of 25 November (now 2 December) and summarised for the House in your Statement on 26 November.

We heard that total reduction of UK aid planned could equate to around £25-30 billion over the next five years; concerning in the face of the pandemic in the Global South pushing an extra 100 million people into extreme poverty, keeping 79 million children out of school and causing 105,000 deaths from disrupting non-covid immunisations alone. Cuts to programmes run by small local organisations inhibit communities leading their own development. We were told again that stepping away from the 0.7% commitment damages the UK's international standing at a time when it needs bolstering and, alongside the absence of explicit reference to poverty in the new strategy, may jeopardise our reputation as a global leader in fighting poverty, and leaves little in the tank for new commitments during the UK's G7 presidency. As the UK scales back, the risk is other global powers fill the vacuum.

The cuts were argued to be political choice not fiscal necessity. With UK debt in excess of GDP, a reduction of 0.2% to UK aid would not make a material difference to economic performance; not while substantial new expenditure continues to be authorised in other sectors; some linked to UK influence overseas but without the context or rationale expected from the Integrated Review. We heard concern that, if the reduction were temporary, why not use the existing framework to enable a speedy return to 0.7% in due course.

Greater FCDO oversight of all UK ODA spending was welcomed in the expectation that coherence and coordination would be improved as well as standards of transparency, evaluation and learning and cooperation with ICAI. Other measures aimed at better impact and value for money were also commended.

A fuller summary of the key points from our session is annexed to this letter (and the transcript is attached). Thank you for the answers to our questions on the ODA reductions relating to anticipated GNI for 2020 provided on 9 December. Obviously, these queries pre-dated announcements about the

reduction of the 0.7% commitment to 0.5%. Therefore, we would be very grateful for your further responses to the questions also set out in the annex to this letter.

We look forward to your first appearance before this Committee, now settled for Tuesday 26 January. We trust that your answers to these questions will be provided in good time to inform our exchanges at that session. Best wishes

Yours sincerely,

A handwritten signature in black ink, appearing to be 'S', enclosed in a light grey rectangular box.

**Sarah Champion MP**

**Chair of the Committee**

## **Points heard in oral evidence to the International Development Committee and questions arising for written answer by the FCDO**

### **A. Reduction of UK aid spending**

The Committee heard that the UK's shrinking GNI, combined with the reduction to UK aid spending from 0.7 to just 0.5% of GNI, would equate to around £25-30 billion lost over the next five years. At a time when the World Bank estimates that additional 100 million people will be pushed into extreme poverty as a result of the pandemic, the impact of these cuts on the world's poorest could be devastating; with almost one million children not in school and 105,000 deaths due to a failure to vaccinate against preventable diseases. Cuts to programmes administered by small civil society organisations will not only prevent communities from accessing basic healthcare and clean water, but they will also inhibit the power of these communities take the lead in their own development.

The reduction to the UK's ODA budget would also have a detrimental impact upon the UK's international standing at a time when the UK is seeking to assert itself of the world stage, and jeopardises our reputation as a global leader in fighting poverty. The cuts mean that existing commitments will need to be broken, necessitating brutal decisions about what to cut. They also mean that there will be little space for the UK to make new commitments during its G7 presidency. As the cuts necessitate a scaling back or retreat in some regions, other global powers, such as China, will fill the vacuum.

These cuts are not a fiscal necessity, but a political choice. With UK debt at well over 100% of GDP, a reduction of 0.2% to the aid budget is unlikely to make a material difference to the UK's economic situation. Substantial new public spending continues to be authorised in other sectors; some linked to the UK's influence overseas without rationale provided such as via conclusions of the Integrated Review. Moreover, if these cuts are temporary, then they can surely be adequately administered within the remit of the UK's existing development legislation to enable a speedy return to the 0.7% commitment.

#### Questions:

1. You wrote on 2 December that the intention is to return to spending 0.7% of GNI on ODA "when the fiscal situation allows". What indicators will the Government use to determine this?
2. The International Development (Official Development Assistance Target) Act 2015 sets out circumstances to which the Government may refer if it misses the target, all of which are satisfied by the pandemic. If the reduction to UK ODA spending is a temporary measure, what advice have you received that persuades you of the necessity of new legislation?
3. Will the Government's forthcoming legislation contain a sunset clause, or other provision, to enable efficient reversion to the terms of the 2015 Act?
4. Do you envisage any new legislation proposing any changes other than enabling a reduction of the 0.7% commitment to 0.5%?

## **B. New strategic framework for UK ODA spending**

Concerns were put to the Committee over the absence of an explicit focus on poverty from the new framework (nor does the previous 50% target for spending in fragile states and regions receive mention). Poverty reduction has sat at the heart of UK aid since the passage of the International Development Act 2002, ensuring that aid is focused on the people that need it most. It is seen as both the right thing to do, and strongly supported by the public, with 80% of people surveyed by the ONE Campaign saying that UK aid should be focused on helping people to work their way out of poverty. Without a clear focus on ‘leaving no one behind’, there is a risk that UK aid will move away from areas in which it has an excellent track record in promoting transformative change; in education, health and nutrition.

The UK can achieve the greatest value for money from its aid budget when it spends in countries that can least afford their own development. To that end, it is concerning to see that UK aid must also meet the tests of aligning to the UK’s economic and security interests. An approach not focused upon the world’s poorest and most fragile countries – not all of whom will meet the above criteria – may side-line communities in need.

A greater role for the FCDO in the coordination of the totality of UK ODA spending was welcomed in the expectation that coherence and coordination would be improved as well as standards of transparency, evaluation and learning and cooperation with ICAI. The issue of caps on total operating cost controls, and the consequent contractual arrangements deployed, merited close examination. Hopefully, this change would lead to a move away from mega-contracts and layers of sub-contracting, and towards greater and more direct spending through local partners in-country.

### Questions

5. In your letter of 25 November (now 2 December) you set out seven global challenges which will direct UK ODA spending, whereas in your statement to the House of Commons on 26 November, you only mentioned five priorities. Which set of challenges are you using to allocate, drive and evaluate UK ODA spending?
6. Can we expect a further, and authoritative, aid strategy as part of the conclusions of the Integrated Review?
7. How is the poverty reduction focus of UK aid required under the 2002 Act to be expressed in the new strategic framework for UK aid?
8. Given the: prioritisation of poverty reduction for the ‘bottom billion’ during the recent review of ODA for the 2020 reductions; and your references to poverty in relation to climate change, girls’ education and humanitarian action on 26 November; why does poverty not feature in the list of explicit priorities or global challenges?
9. The framework states that the UK will seek to ‘Lead stronger collective international response to crises and famine’. With a paring back of spending through multilateral organisations, how will you seek to achieve this?
10. Your letter of 25 November (now 2 December) mentions that the UK will seek to “reform the international humanitarian system”.
  - What does this mean in practice? Have you lined up allies in this initiative?

- What key problems have you identified?
  - What proposals have you developed for change?
11. The Integrated Review was intended to provide the basis for the UK's new, integrated, international policy. With many policy announcements relating to development already made (such as the merger, the reduction to 0.5% and the new framework), what role will development play in the Review's conclusions?
  12. Aid spending for 2021 has been reduced by about £5 billion compared to 2019 and the Chancellor placed this in context on 25 November: "Overseas aid is, of course, only one of the ways we play our role in the world. The Prime Minister has announced over £24 billion of investment in defence over the next four years—the biggest sustained increase in 30 years—allowing us to provide security not just for our country, but around the world. We are investing more in our extensive diplomatic network, already one of the largest in the world, and providing more funding for new trade deals." Will more detail be provided on these elements, and their coordination, when the Integrated Review conclusions are announced?

### **C. Quality of aid**

Your letter of 25 November (now 2 December) refers to measures for improving the quality of aid.

#### Questions

13. What measures will you put in place to mitigate the risks that the TOCs limits were originally designed to tackle?
14. Who is responsible for 6.5% of UK aid not now to be spent or allocated by the FCDO; what is that money for?
15. What are the terms of reference, scope and timetable of the review of the CSSF provisional discretionary ODA?
16. You refer to aid projects being assessed in the light of strategic fit, value for money, impact achieved and likely impact, including through advice from FCDO's Head of Mission, and judged through agreed delivery frameworks and Key Performance Indicators. Is there a role for ICAI's review findings in this process?
17. You say that bilateral programmes, with their advantages of effectiveness, local ownership and strategic impact, will be the default delivery model. What evidence and analysis underpins your assumptions about the advantages of bilateral programmes in terms of effectiveness and strategic impact?
18. You refer to 'local ownership' of bilateral programmes. Do you mean ownership by recipient and beneficiary communities, authorities and agencies, or do you mean by UK staff located in-country, or a combination?
19. When will existing centrally managed programmes be reviewed for moving to a bilateral or regional delivery model on efficiency and cost-effectiveness grounds? Please provide a list of the programmes within scope of this process.

20. Please explain further how the new default preference for bilateral programming sits with the UK's commitments to multilateral organisations, funds and partnerships?

#### **D. Total Operating Costs**

##### Questions

21. What was the purpose of the Total Operating Cost condition?
22. What expenditure is included in the Total Operating Cost total?
23. What estimate have you made of the amount to be realised for allocation to frontline development activity – or other purposes – from the lifting of the limits on total operating costs (TOCs)?
24. Please provide examples of interventions where DFID chose a particular delivery route due to the Total Operating Cost condition but which it considered less preferable than alternatives?
25. What estimate have you made of the total additional operating costs arising from the use of management contracts in response to the Total Operating Cost condition?
26. What assessment have you made of the impact on programme quality of the use of management contracts in response to the Total Operating Cost condition?
27. What will be the main differences between the current approach and the 'new administrative cost framework'?
28. How might the move from a Total Operating Cost approach to a new framework affect current contracts? What assessment has the FCDO made of this impact?
29. What is the timetable for introducing the framework? Does it apply in the current financial year or will it apply from 2021-22?