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My Dear Sarah

Thank you for your letter of 25 April 2023 about the provisional statistics on international development for 2022. I am writing in response to the questions you have raised.

Bilateral/ multilateral split

The provisional data shows that the FCDO spent 40% of its ODA budget on core multilateral funding in 2022 (£3.05 billion). Of this, around 60% went to organisations for whom our agreements are legally binding. Multilateral organisations remain essential partners in achieving the UK's goals.

In-donor refugee costs

Provisional figures for 2023 will be published in Statistics on International Development in spring 2024. There are several factors which determine the proportion of UK ODA for in-donor refugee costs:

The number of individuals qualifying for ODA eligible support: A key factor that will determine spend in 2023 is the number of asylum seekers and the number of individuals within resettlement and visa schemes in the UK who are considered ODA eligible under the DAC rules. The Home Office forecasts the number of arrivals for 2023 but due to the

demand-driven nature, it is difficult to forecast accurately. The Government is working to reduce irregular arrivals of individuals in small boats.

The cost of ODA-eligible support per individual: Under the DAC rules, the provision of certain items such as food, shelter and training is ODA eligible. These costs are determined by the government departments responsible. The Government is working to reduce costs of support provided, for instance in relation to accommodation in hotels.

Total ODA spend in 2023 will be driven by GNI and additional resources provided in the last Autumn statement. A change in the level of GNI means a change in the volume of ODA spend, which will affect the proportion of ODA spent on in-donor refugee costs.

Recognising the unanticipated costs incurred to support the people of Ukraine and Afghanistan to find refuge in the UK, at the last Autumn Statement the government announced additional ODA resources of £1 billion in 2022-23. A further additional £1.5 billion is being provided in 2023-24 to help meet the significant and unanticipated costs incurred in supporting the people of Ukraine and Afghanistan to escape oppression and conflict and find refuge in the UK.

You noted that the recently published aid allocations for 2023/24 show significant cuts to bilateral aid, and asked to what extent has the decision to spend such a high proportion of ODA in the UK influenced the cuts elsewhere? All ODA eligible spending carried out in the UK must be managed within the ODA budget, which is currently set at 0.5% of GNI. Recognising the unanticipated costs incurred to support the people of Ukraine and Afghanistan find refuge in the UK, the government provided additional ODA resources of £1 billion in 2022-23, and is providing an additional £1.5 billion in 2023-24. Difficult prioritisation decisions have had to be made, and ODA spending will remain at around 0.5% of GNI until the fiscal situation allows a return to 0.7%.

You also asked if I anticipate that the overall proportion of UK aid spent on in-donor refugee costs in 2022 is likely to change as a result of new methodologies for new ODA-eligible schemes relating to in-donor refugee costs. The UK's methodology for estimating in-donor refugee costs was published by the OECD in June 2021, before the introduction of the Ukraine visa schemes and Afghanistan Citizens Resettlement scheme.

The reference in Provisional Statistics on International Development (SID) to an 'updated' methodology report is referring to updating this document to incorporate the methodologies developed to estimate the ODA-eligible costs by departments administering the new schemes. These updated methodologies were used to estimate the provisional in-donor refugee costs for 2022 included in Provisional SID, so we do not expect figures for 2022 to be revised with the updated report.

More generally, there can be differences between Provisional and Final SID, as more detailed ODA data is provided, and quality assured. This is explained in background note 7.3 of Provisional SID.

You asked in what ways is counting in-donor refugee costs as ODA compliant with the International Development Act 2002, namely with section 1(1) of that Act. Whilst the International Development Act 2002 covers the majority of UK ODA spend, there are cases when ODA spending by departments other than the FCDO relies on powers in their own legislation. For example, Part 6 of the Immigration and Asylum Act 1999 provides for

a power to support asylum seekers. Supporting refugees has always been part of our humanitarian efforts and certain support to refugees in the UK is recognised as an eligible ODA charge by the OECD DAC.

Newly spending other government departments

You asked if the FCDO had provided training to DLUHC officials in administering ODA. It is not the responsibility of the FCDO to train departments on how to administer ODA. However, the FCDO provides assistance and guidance to departments, particularly on the ODA rules and reporting requirements:

- Every year, all government departments spending ODA are invited to a working-level ODA learning day, delivered by the FCDO. The sessions cover the ODA rules, managing the UK's ODA commitment and reporting in line with the ODA rules. DLUHC attended the most recent one in May this year.
- In addition, the FCDO provided targeted support and advice to DLUHC which included:
 - i. Advice on applying the ODA eligibility rules to DLUHC costs;
 - ii. Guidance on developing a methodology for estimating DLUHC costs in line with the ODA rules and facilitating a cross-government working group to share best practice and ensure methodologies took a consistent approach where relevant;
 - iii. Reporting this spending in line with the DAC's reporting directives.

The FCDO also continues to offer further support to DLUHC officials in publishing to the International Aid Transparency Initiative (IATI) Standard – both directly and through the cross-HMG Transparency Community of Practice. This has included bilateral briefing sessions for key officials, detailing HMG ODA transparency policy and IATI requirements as well as technical guidance on how to publish to the IATI Standard (and associated tools). In addition, the FCDO has offered to participate in DLUHC working groups focusing on IATI publication and advise on the delivery of activities such as transparency plans and milestones. The FCDO has also supported DLUHC to build bilateral relationships with other ODA-spending departments to share good practice and lessons learnt. This work is ongoing, and FCDO officials working on aid transparency continue to meet with and support their DLUHC counterparts.

The FCDO also chairs the HMG Transparency Community of Practice. This is a forum focused on improving overall HMG aid transparency performance, building on the UK HMG 2020 Aid Transparency Review and recommendations. All ODA-spending government departments are invited to discuss aid transparency and share best practice. The FCDO has invited DLUHC to attend the quarterly Community of Practice, which will provide DLUHC with the opportunity to network with other relevant departments, seek technical advice, and explore challenges and opportunities in aid transparency.

Other government departments with significant reductions

There are two key reasons for a reduction in OGD-based ODA. Firstly, programmes were transferred back to the FCDO. Secondly, as a result of this transfer, funds were re-profiled or scaled back.

You asked specifically which BEIS programmes were stopped, suspended or curtailed as a result of the reduction to that Department's ODA spend. The BEIS International Climate Finance (ICF) budget for 2021/22 decreased to £466 million from £618 million in 2020/21. No BEIS ICF programmes were stopped or reduced as a result of the reduction in our ODA spend between 2021 and 2022. The BEIS ICF allocation took into account that several programmes were transferred to the FCDO from April 2022. The 2022 ODA spend figures were further reduced compared to 2021 because of re-profiling of spend in response to a cross-government pause on all non-essential ODA spend during the 2nd half of 2022.

Neither the then active Global Challenges Research Fund (GCRF) nor Newton Fund were terminated/suspended, but both were scaled back significantly, including with some projects within them being cancelled (the Newton Fund was reduced by 62%, GCRF by 71% compared to 20/21 equivalent budgets).

With regard to the Conflict, Stability and Security Fund (CSSF), this does not represent a strategic shift away from conflict and stability related programming. Like other parts of HMG, the CSSF has had to adapt to the cross-government reductions in ODA spending caused by the economic impact of the Covid pandemic. A pause in ODA spending for a period in 2022 required further re-prioritisation of activity. However, the Fund continued to prioritise spending on those geographies and thematic issues linked to conflict, stability and security overseas, aligning closely with priorities identified in the Integrated Review, including cyber, state and trans-national threats.

Oversight of UK ODA expenditure

The ODA Board met for the first time on 3 May, when Ministers agreed measures to improve the predictability of in-donor refugee spending and its impact on the ODA budget. The Board will next meet in the summer to discuss International Climate Finance. I expect the Board to meet three or four times a year. Minutes will not be published, but I will be happy to update the International Development Committee on progress at the Board.

The upgrade to the FCDO's financial systems will allow republication of IATI data in June 2023, at which point Development Tracker will also be updated. This work is in the final stages and is on track. At the point of publication, all activities will be brought up to date, retrospectively publishing any material that would normally have been published while the system upgrade was taking place.

British International Investment

British International Investment (BII) receives capital injections from the FCDO in the form of financial transactions. These are recorded in the FCDO's ODA [financial transactions] databases, which is the primary data source used to produce the FCDO's Provisional Statistics on International Development. The Provisional SID publication provides a UK total and high-level breakdowns of UK ODA for the previous calendar year. The BII capital injection is included in these totals but is not separately identifiable. The Final SID (normally published in the autumn) includes more detailed analysis of UK ODA and includes the detailed activity-level dataset¹ used to produce the publication. The expenditure relating to BII can be found by searching for BII or CDC.

The data on FCDO region-specific bilateral ODA does not include expenditure by British Investment International because it is the capital injections that are reported in the ODA statistics. These are not earmarked for a specific country or region. BII's annual reports identify each of the commitments made each year.

With ever going well to you and
your committee, your ever
Andrew

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