

Bond is the UK network for organisations working in international development and humanitarian aid. It unites over 400 organisations, ranging from small specialist charities to large international non-governmental organisations (INGOs) with a worldwide presence. We are supporting our members to adapt their programmes and operations in response to the current reduced UK ODA budget and the recent pressures on the budget from in-donor refugee costs.

1. With estimates of this year’s in-donor refugee spending topping £3bn or around 25% of the UK’s total ODA budget, the committee’s inquiry into this topic is welcome. The uncapped rises in spending on hosting refugees in the UK have highlighted ongoing issues with the UK’s approach to the DAC rules, its management of the ODA target, and the impact of the temporary reduction of the target to 0.5% GNI. The reporting of certain in-donor refugee costs as ODA is technically permitted under the DAC rules, but is not universally accepted as an appropriate use of ODA. Moreover, reporting these costs is not a requirement, and a number of donors choose not. For the last several years, the UK has pursued a particular approach to the aid budget, whereby any and all eligible costs are reported as a way of maximising the utility of the target for the UK’s wider priorities. This approach has seen an increasing portion of ODA spent by non-development focused departments and in the UK.
2. The UK’s management of the ODA threshold (0.7/0.5% of GNI) as both a floor and a ceiling exacerbates the negative impact of these decisions on the effectiveness of the aid budget in delivering its primary purpose – the reduction of poverty in low- and middle-income countries. As a greater portion of UK ODA is allocated to other departments, less and less is available for humanitarian and development programmes. For example, only £1.4 bn of the total £11.4 bn budget went to the least developed countries. This has become more apparent since the suspension of the 0.7% target as the ODA budget envelope is now significantly smaller. It is time to reverse this trend and re-center poverty eradication, the sustainable development goals, and the commitment to ‘leave no one behind’ in the allocation of UK ODA.

What proportion and sum of the overall aid budget (a) has been since 2015, (b) is and (c) is planned to be expended on supporting refugees in the UK?

3. From 2015-2019 UK ODA spending on in-donor refugee costs (adjusted and reported in Table B.4 of the 2020 Final Statistics on International Development) ranged from £244 million and was between 2.0% and 3.2% of the overall ODA budget. By 2020, spending on hosting refugees in the UK had grown to over £600 million and topped 4% of the budget. It grew in absolute terms to over £1 bn in 2021, despite the decision to reduce the overall ODA budget to 0.5% of GNI. Together these changes saw the UK’s allocation for in-donor refugee costs reach 9.2% of the overall ODA budget to become the single largest sector. The amounts for 2022 are not yet available but estimates suggest spending on refugees in the UK could have **tripled** from last year and take up to a quarter of the ODA budget (Source: [CGD](#)).

Year	Total ODA budget (£ million)	In-Donor Refugee Spend (£ million)	Percentage
2015	12,138	£244	2.01%
2016	13,377	£410	3.06%
2017	14,100	£378	2.68%
2018	14,600	£370	2.53%
2019	15,197	£477	3.14%
2020	14,479	£628	4.34%
2021	11,496	£1,052	9.21%
2022*	12,000 (estimated)	£3,000 (est)	25% (est)

What goods and services to support refugees in the UK have been purchased using the aid budget?

4. The OCED has produced an overview of in-donor refugee spending for each member state, including the UK. It outlines in general what and how those costs are calculated. The [paper](#) illustrates how the UK makes full use of the rules to report eligible costs as ODA. These vary by population as support for resettled refugees varies and is again distinct from how support to destitute asylum seekers awaiting decisions and unaccompanied minors is calculated. The Home Office and local authorities report funding to support refugees (accommodation, subsistence allowance); the departments and Health and Education report estimated costs for providing their respective services and certain costs linked to support for asylum application processes. The twelve-month clock for asylum seekers starts when they apply for assistance (rather than make their asylum application) and for resettled refugees when they arrive in the UK.
5. In [response](#) to a written question in the House of Lords, the Home Office provided some additional information on support to Ukrainian refugees in the UK. It set out payments for sponsors (£350 per month) as well as local authority allocations (£10,500 per person) plus an additional allocation for education costs.

How the use of the aid budget to support refugees in the UK relates to OECD guidance on development spending?

6. The OECD DAC updated the guidance for reporting in-donor refugee costs as ODA in 2017. DAC guidance is agreed upon unanimously by DAC members, including the UK. The 2017 guidance sets out what costs can and cannot be counted. Eligible items include anything related to temporary sustenance (food, shelter, education, and language training (but not vocational training), healthcare, pocket money for subsistence costs, and assistance in the asylum procedure). Overhead administration costs associated directly with the provision of temporary sustenance can also be reported, as can transportation of resettled refugees, voluntary repatriation, and rescue of refugees at sea. The guidelines recognise the difficulty of calculating exact costs and call for a conservative approach to estimating costs to be reported.
7. The UK takes full advantage of the OECD DAC's rules on support to refugees in the UK and as such reports an estimate of all eligible costs for destitute asylum seekers from ODA-eligible countries ([source](#)). This is presented as part of their commitment to the DAC rules.

What effect the use of the aid budget to support refugees in the UK has had on the delivery and maintenance of UK-funded programmes in low-income countries;

8. Until 2021, the reporting of support to refugees in the UK as ODA will have had only a small impact on the UK's funding of programmes in low-income countries. While it was part of the trend toward ODA spending by other government departments, the sums involved were a small proportion of the overall ODA budget. That said, in 2020 the UK spent as much ODA supporting refugees in the UK as they did in Afghanistan (£226 mn), Yemen (£221 mn) and Syria (£181 mn) combined. The decision to cut the ODA budget to 0.5% of GNI has had a knock-on effect of increasing the percentage of ODA allocated for in-donor refugee costs. This means that even if the UK's ODA allocation for in-donor refugee costs had not increased in 2021, a greater proportion of the overall ODA budget would have been spent. As it stands, the UK's ODA-eligible in-donor refugee costs rose by £424 mn to become the highest sector by spend and doubled as a percentage of ODA spending.
9. At over £1 billion in 2021 (and likely treble this year), the level of spending on refugees in the UK coupled with the overall drop in the ODA budget will have contributed to very difficult decisions about funding to low-income countries and other priorities. For example, in 2021 the amount of bilateral ODA going to LDCs dropped by £916m to £1.4bn. If the increased spend on refugees in the UK had instead been directed towards LDCs, this could have halved the cuts made in these countries. If no ODA had been counted toward UK refugee costs under the 0.5% target, this would have freed up enough money to avoid any cuts to LDCs at all.

Similarly, bilateral spending on health fell by £619m and humanitarian aid by £743m between 2021 and 2022, a cut which could have been reduced or avoided had the ODA spent on refugee costs been directed elsewhere.

Whether spending from the aid budget to support refugees in the UK is an (a) efficient, (b) effective and (c) ethical use of public money;

10. Accepting and welcoming refugees and asylum seekers is a foundational duty of the current international order, enshrined in the 1951 UN Convention on Refugees. The UK also has a long and proud history of hosting the persecuted and displaced. The welcoming of refugees and asylum seekers and supporting them is an ethical use of public money, particularly as the majority of refugees and asylum seekers in the UK cannot work while their claims are being assessed. However, the UK's political leadership has created a situation where money spent on refugees in the UK is allocated at the expense of other ODA recipients. One could make a case that in-donor refugee costs should not be eligible to be reported as ODA. The OECD DAC members have made a different decision, although some (the US and Germany) still choose not to report those costs. But it is not the DAC rules alone that create the UK's moral dilemma. The crux comes with the decision to count everything that can be reported under the ODA target (now reduced to 0.5%) and to treat this target as both a ceiling and a floor. This creates a 1:1 relationship between money spent on refugees in the UK with money that is then not available for people and communities overseas living with marginalisation and precarity or experiencing acute humanitarian emergencies. The aid cut to 0.5% and mounting Home Office costs mean that the UK's commitment to 'leaving no one behind' looks increasingly difficult to stand up, with the amount of bilateral ODA going to LDCs cut by 50% in 2021 down £961m to a total of £1.4bn (of an £11.4 bn total). There is then an ethical question around the UK's decision-making on ODA if such a small percentage reaches those countries that most need it.
11. This is relevant for both the efficiency and effectiveness components of this question which becomes 'is this an effective and efficient use of ODA'? There should be no question about the UK supporting refugees and asylum seekers in this country. However, it is a poor use of funding intended to "target the economic development and welfare" of low- and middle-income countries.
12. There are also specific concerns about the value for money of the UK's domestic refugee spending. According to the [Centre for Global Development](#), the UK's per refugee cost has almost doubled in the past two years to £21,500 in 2021. This was almost three times the DAC average (£7,400) and behind only Hungary in per-person costs. Some of this increase is likely to have been driven by rising costs during the pandemic, but we have yet to see them fall back to pre-pandemic levels as has happened in most other countries. For the reasons we will explore below, there is little incentive for the Home Office or other departments spending on in-donor refugee costs to maximise value for money in their refugee hosting costs, at least for the first twelve months. It is also not clear how these amounts are calculated or how accurately they approximate costs.

How the FCDO and other Government Departments work together to allocate, account for and control aid expenditure in the UK?

13. As the spender and saver of last resort, the FCDO is ultimately responsible for ensuring the UK's ODA target (0.7%/0.5%) is met but not exceeded to within two decimal points. This is due to the strict management of the target as a ceiling as well as a floor. ICAI's reviews of the target management ([published 24/11/20](#)) have highlighted some of the challenges of this practice and its impact on value for money.
14. The UK government's decision to report all eligible in-donor refugee costs as ODA creates a unique challenge for the FCDO's role as spender and saver of last resort. Unlike areas of aid spending which are allocated a fixed amount and budgeted accordingly, the spend on in-donor-refugee costs is determined by the number of refugees and asylum seekers arriving in the UK and the costs of hosting them. As we have seen this year, there is no cap on that amount. This effectively means the FCDO backstops spending on ODA-eligible in-donor refugee costs. In a normal year, this would cause modest fluctuations in spending that were able to be managed using the existing system. It is still the case that one department's (FCDO) budget is linked to spending outside of its control.
15. At somewhere around £3bn, this year's spending on in-donor refugee costs had a major impact on the management of the ODA budget. The FCDO was unable to publish its forward-looking budget for the financial

year in its 2022 Annual Report and Accounts. This was attributed to unanticipated in-donor refugee costs. The scale of that increase also contributed to a four-month ‘freeze’ of non-essential FCDO ODA spending announced in July as the department sought to re-work spending plans for incoming ministers.

Whether the use of the aid budget to support refugees in the UK is sufficiently transparent to facilitate scrutiny by Parliament, taxpayers and civil society.

16. Greater scrutiny of the UK’s in-donor refugee costs would be welcome. There is limited information in the public domain on how those costs are calculated or what they include. The statistics on international development provide only a top-line total of what is spent each year. Improved transparency would bring this increasingly significant area of ODA spending into line with other areas of ODA.