

Aid Spending in the UK

Use of the Aid Budget to Support Refugees in the UK

*Written submission to the International Development Committee by Development Initiatives
December 2022*

About Development Initiatives

[Development Initiatives](#) (DI) is a global organisation working with partners to ensure data-driven evidence and analysis are used effectively in policy and practice to end poverty, reduce inequality and increase resilience.

Introduction

The following submission provides our latest evidence on how UK Overseas Development Assistance (ODA) is being spent on in-donor refugee costs (IDRC), in particular by the Home Office. The evidence presented is based primarily on the latest available UK government ODA data at the time of writing (December 2022), from the UK's [Statistics on International Development](#) publication (and related data files), as well as data published by the UK to the [International Aid Transparency Initiative](#)¹, which is currently partial for 2022. We include additional data on asylum applications and resettlement from the [Home Office](#). Development Initiatives would be happy to provide updated analysis to the IDC when further/full data is available for 2022.

1. 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

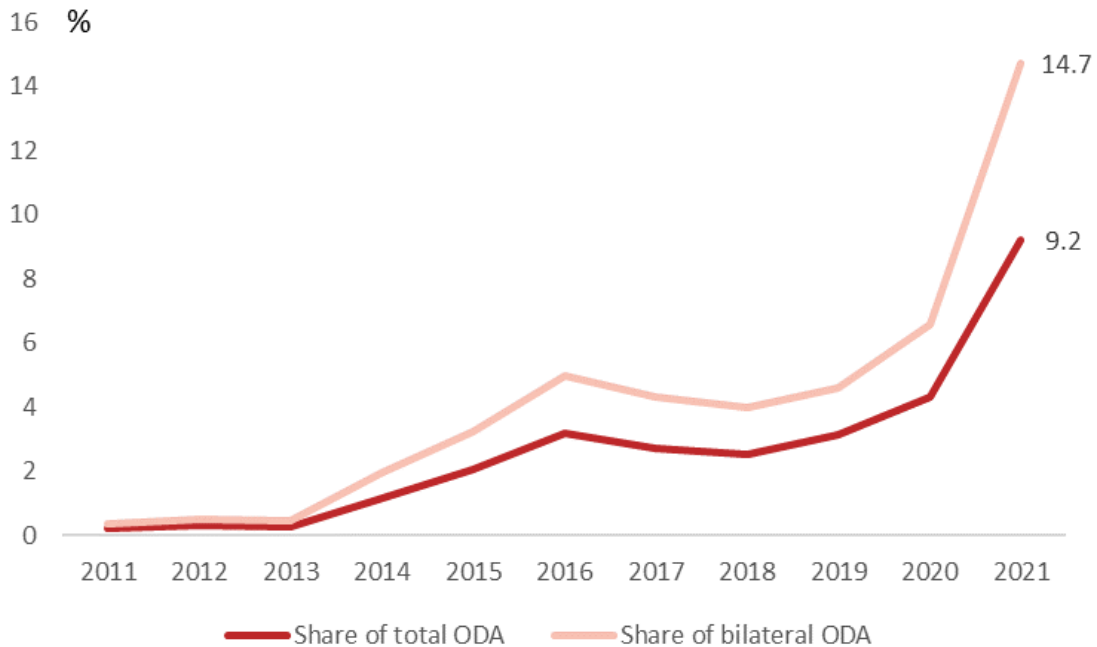
The below responds to points (a) and (b)

As a percentage of the UK's overall aid expenditure, spending on IDRC increased from 2.0% to 9.2% between 2015 and 2021. In this period, total UK aid fell 6% (in current prices) whereas spending on IDRC grew by 324% (from £248 million to £1,052 million). As a percentage of the bilateral aid budget, IDRC increased from 3.2% to 14.7% over the same period (Figure 1).

The 14.7% of UK ODA spent on IDRC was significantly above the DAC average of 4.9% in 2021, but was similar to Germany's share of IDRC in total ODA in the same year. However, while Germany spent around twice as much as the UK in absolute terms (£1,955 million compared to £898 million) it had over four times as many asylum seekers [according to UNHCR](#). This suggests that per capita costs are twice as high in the UK as in Germany. IDRC costs in the UK have been increasing far quicker than numbers of asylum-seekers or resettled refugees. While asylum applications combined with the number of resettled refugees rose by around 22% between 2015 and 2021, IDRC costs increased by 251%. This implies that per-capita costs have risen dramatically, largely because of burgeoning costs of initial accommodation (explored further below).

Figure 1: Percentage share of IDRC in UK's total and bilateral aid budgets, 2011-2021

¹ IATI is a global initiative working to improve the transparency of development and humanitarian resources that address poverty and crises. Set up in 2008, IATI is run by a Secretariat led by the UN Development Programme (UNDP), together with staff from the UN Office for Project Services (UNOPS) and DI. It is a voluntary standard to which many major donors publish, although timeliness, frequency and quality of reporting vary by reporter. Data published by the UK government to IATI allows near real-time insight into where and how financing is being provided to recipients up until October 2022. All transactions reported are subject to change and further reporting for the calendar year of 2022 by the UK is expected into 2023.



Source: Development Initiatives based on data from UK Statistics on International Development 2022

Note: This analysis uses net disbursements

The below responds to point (c). The analysis is based on provisional data and assumptions where data is missing.

Much of the recent analysis and reporting has focused on the impact of the Ukraine crisis on IDRC. However, even if it were not for the war in Ukraine, there would have been a significant increase in the UK's in-donor refugee costs in 2022. This is because of the sharp increase in asylum applications and resettlement in 2021. This increase will not be fully reflected in the 2021 data because the increase occurred throughout the year, and refugees arriving halfway through 2021 will only have half of their ODA-eligible costs recorded in 2021 (and the remainder in 2022).

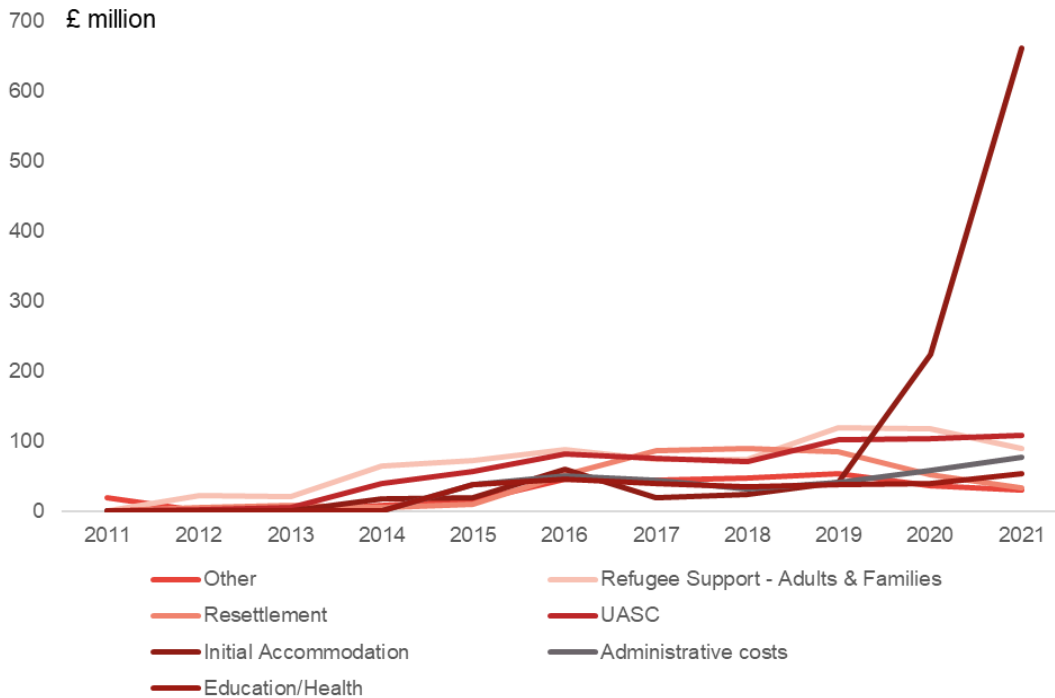
Assuming per capita costs did not change between 2021 and 2022, in-donor refugee costs would have increased by 64% solely based on asylum applications and resettlement decisions in the first three quarters, *without considering Ukrainian refugees*. Given expected GNI for 2022 (based on [OBR forecasts](#)) and including the additional funding of [£2.5bn for ODA announced](#) on the 17th November 2022 - of which £1bn is expected to be for 2022 - IDRC spending would have risen to over 11% of total ODA for 2022, before the inclusion of Ukraine refugee costs. Note: this percentage is based on incomplete figures for 2022 and is therefore an underestimate, although data from Q4 will likely not significantly change the figures, as only a quarter of those costs will be counted.

[Save the Children and others had previously estimated the total costs](#) of hosting Ukrainian refugees in the UK at around £3bn. This will be split between 2022 and 2023, depending on when the refugees arrive. Assuming half will be spent in each year, and the same per-capita costs estimated above, this will bring total IDRC spending in 2022 to around 23% of total ODA. The figure will remain at a similar level in 2023 given the high arrivals throughout 2022 (for which some costs will be counted in 2023). However, this estimate is highly uncertain, and results are provisional. Development Initiatives will continue working on this analysis and is happy to provide updated evidence when new data is available.

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

Aid data is not sufficiently disaggregated to answer this question in detail, in part because the Home Office does not publish necessary aid data to IATI, which would greatly facilitate analysis relevant for the IDC inquiry (for more on aid data transparency, see response to question 6 below). However, as part of the [Statistics on International Development](#) release, the Home Office does report broad categories. Unfortunately, although some elements of the reporting are self-explanatory, there is little detail on what each category includes.

Figure 2: Home Office spend on IDRC by category, 2011-2021 (current prices)



Source: Development Initiatives analysis based on data from UK Statistics on International Development 2022

Notes: UASC stands for unaccompanied asylum-seeking children. "Other" includes small amounts of spending by other departments, such as the Department for Work and Pensions and the Scottish Government, as well as some nondescript categories such as "miscellaneous" and "other IDRC". "Resettlement" includes spending associated with various resettlement programmes (such as the Gateway Programme and Syrian Vulnerable Persons Resettlement Programme). More information, or files used for analysis, available upon request.

As highlighted in Figure 2, the large increase in IDRC in the last two years has been primarily driven by a dramatic increase in expenditure on initial accommodation², which rose from 10% of Home Office expenditure on IDRC in 2019 to 67% in 2021 (£41 million to £662 million³). While 2021 did see a surge in asylum applications, this is not the primary cause: we estimate that per capita spend on initial accommodation increased from £840 to £14,812 between 2019 and 2021.

² The [UK describes these costs](#) as follows: "Upon claiming asylum an asylum seeker may declare themselves destitute, with no means of financial support and/or nowhere to stay. Under Section 98 (s98) of the Immigration and Asylum Act temporary shelter is provided until a time when a decision has been made to determine if support can be provided under Section 95 of the Immigration and Asylum Act."

³ Some spending descriptions have been temporarily removed in 2021. We have adjusted other spending categories upwards proportionately to reflect this. The unadjusted figure is £582.5 million.

Although spending on resettlement programmes fell in 2021, numbers resettled fell much faster because of the freeze in 2020 following COVID restrictions. This means that per capita spending on resettlement programmes more than doubled between 2019 and 2021 (from £15,000 to £35,100).

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

Counting IDRC is generally allowable under OECD DAC rules on ODA, but there has long been ambiguity in what specific costs are eligible, despite multiple rounds of clarifications by the DAC. A detailed overview of how the UK methodology relates to OECD guidance [can be found here](#). Details on how different DAC donors have responded to clarifications can be [found here](#).

The UK has said that it is necessary to follow the DAC rules on counting IDRC as ODA. It is therefore worth noting that some countries, such as Luxembourg, choose not to count IDRC on principle. In addition, DAC rules provide some flexibility, and the UK has adopted a far more inclusive definition than it has in the past. The UK counts some costs that are not ODA-eligible according to DAC guidelines, justifiable under the rules because estimating these costs would “[create disproportionate additional burden to estimate](#)”. Many costs are estimated, such as [health costs](#) which are based on per-capita estimates from the general population. These were not included prior to 2015 (the year in which His Majesty’s Treasury requested other departments to find existing spend that could be reclassified as ODA, see [paragraph 10 here](#)).

While the UK is broadly correct in that the IDRC they report as ODA are eligible according to DAC guidelines, it is nevertheless a political choice to count them within the 0.5% GNI target. The political choice could equally be made by the UK to define the target to only refer to a subset of ODA (for example, [aid which is programmable](#)).

4. 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

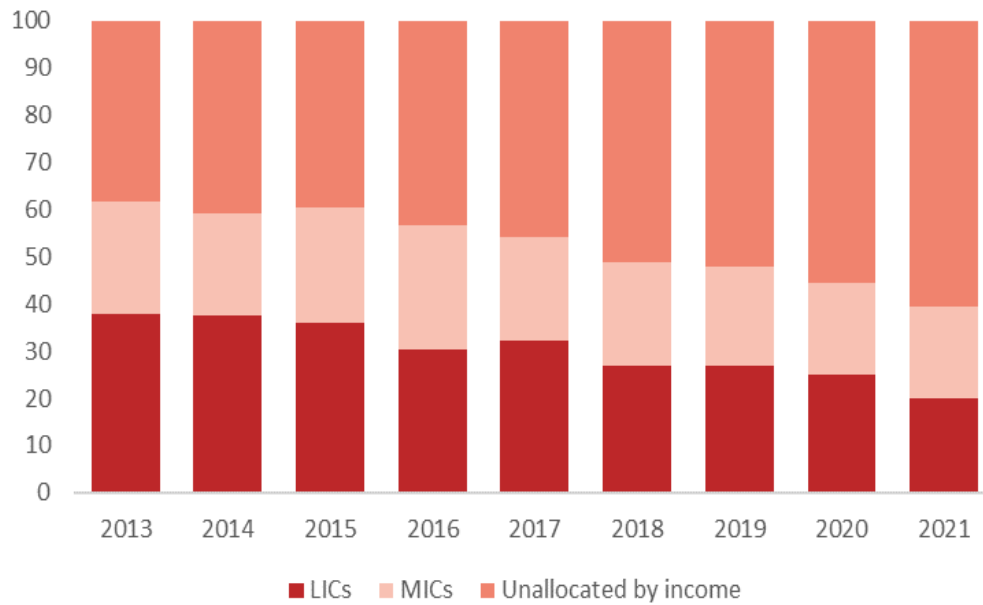
The UK has chosen to interpret the ODA/GNI target as a strict ceiling as opposed to a floor, meaning that aid spent on IDRC necessarily comes at the expense of other planned ODA spending. This is despite IDRC needs [being unpredictable](#) and this resulting in damaging swings in other ODA budgets.

Longer term view:

Recent budget cuts have meant that the UK’s aid budget in 2021 is similar to that in 2013 (£11.4 billion in both cases). However, while UK aid to LICs (including LDCs) in 2013 was £2.5 billion, it was only £1.4 billion in 2021. This partly reflects shifting priorities, but increasing expenditure on IDRC, alongside the GNI/ODA target ceiling, has resulting in there being less aid available to be allocated to LICs. This has been exacerbated by increases in other types of aid spent in the UK, such as administrative costs and scholarships. Consequently, since 2013 the amount of non-transfer⁴ aid (ODA that is spent in the UK) has increased from 2.9% in 2013 to 16.6% in 2021. Bilateral aid which is not allocated by income is closely linked to that which is spent in the UK, such as IDRC. Figure 3 highlights the downward trend in the percent of bilateral ODA going to LICs vs the increase in the proportion not allocated by income group. Figure 4 shows the percentage changes by group from 2013.

⁴ Categories classed by Development Initiatives as non-transfer are: administrative costs not elsewhere classified, promotion of development awareness, imputed student costs (of which the UK has none), in-donor scholarships, debt relief and IDRC. The UK figures in the text also include imputed ODA through Research England, and previously the Higher Education Funding Council (activities from UK research councils that are estimated to be ODA-eligible).

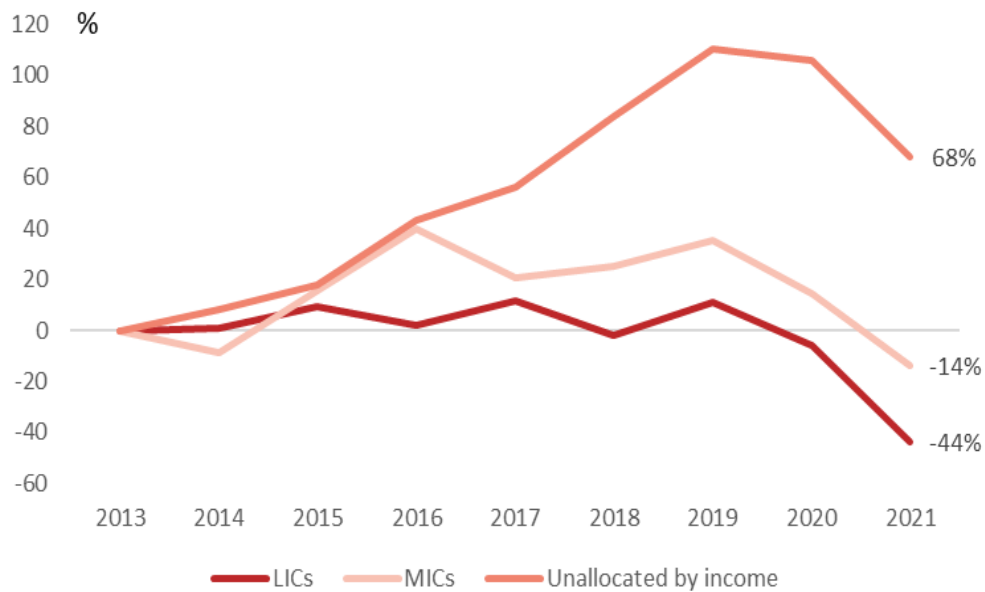
Figure 3: Percent share of bilateral ODA by income group, 2013-2021



Source: Development Initiatives analysis based on data from UK Statistics on International Development, Nov 2022

Notes: LIC category includes some countries classed as Least-Developed Countries that otherwise would be middle-income.

Figure 4: Percentage change in UK bilateral ODA to recipient country income group, 2013 to 2021



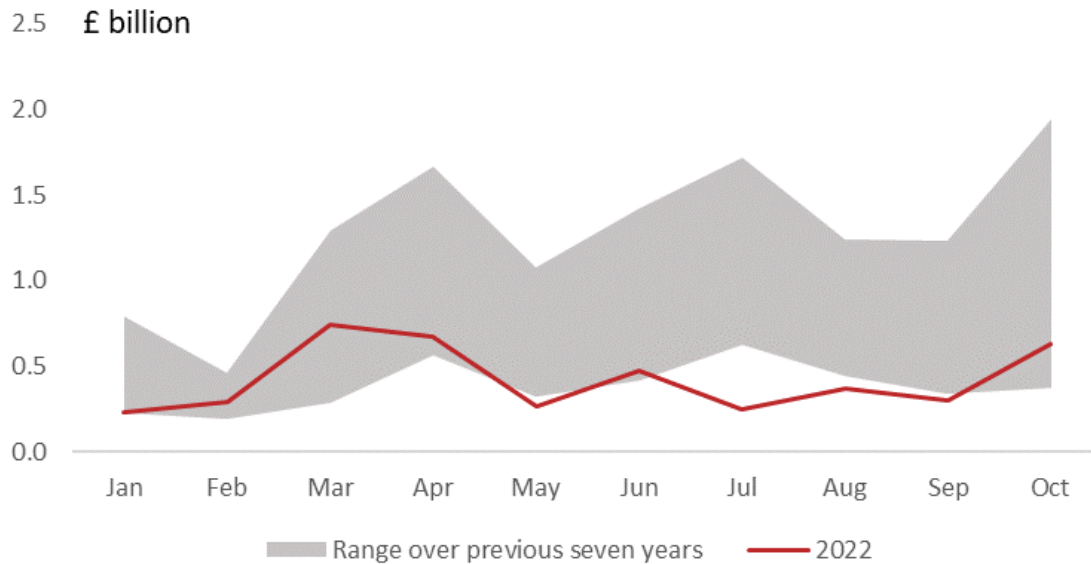
Source: Development Initiatives analysis based on data from UK Statistics on International Development 2022

Notes: LIC category includes some countries classed as Least-Developed Countries that otherwise would be middle-income.

Impact in 2022:

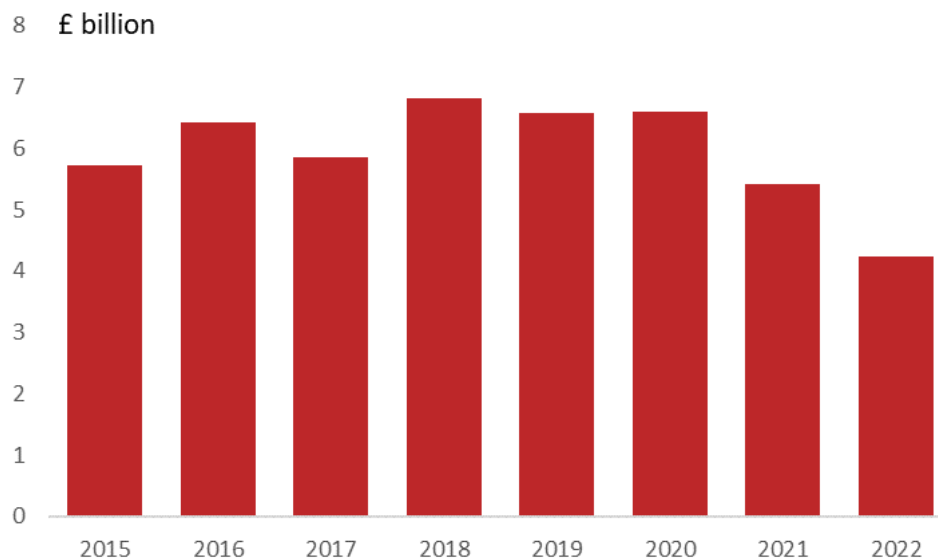
In 2022, aid was reported as being [temporarily frozen](#) due to concerns of HM Treasury regarding the high costs of hosting Ukrainian refugees meaning it would be impossible to keep aid within the 0.5% ODA/GNI target. Consequently, spending from FCDO has grown slower through 2022 than in any year since 2012, as highlighted in Figures 5 and 6. FCDO spending during Q3 2022 was less than half the value of FCDO spend in the same period in 2021 (£2,068 million in Q3 2021 vs. £926 million in Q3 2022).

Figure 5: FCDO spend by month in 2022 and over the previous seven years (current prices)



Source: Development Initiatives based on IATI data

Figure 6: FCDO expenditure between Jan-Oct, 2015-2022 (current prices)



Source: Development Initiatives based on IATI data

5. 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

These questions depend on what is meant by the ‘use of public money’. Supporting refugees is in keeping with the UK’s values and is a good and appropriate use of public money. However, support to refugees does not necessarily promote economic growth or reduce poverty in low- or middle-income countries, and therefore by definition is not effective in achieving the OECD DAC’s stated [objective of ODA](#), and should therefore not be counted against the UK’s ODA budget.

Based on extensive research and consultation, Development initiatives’ [view](#) is that legitimate uses of aid can broadly be classified into five areas: 1) providing and supporting direct programming for poverty reduction, 2) strengthening institutions, systems and enabling environments, 3) leveraging additional finance for poverty-focused development, 4) delivering or supporting global public goods and 5) saving lives and livelihoods through emergency humanitarian assistance. The majority of in-donor refugee costs do not easily fit in any of these categories, which confirms the above statement that they should not count as aid, even if important in their own right.

It is furthermore difficult to see how such spending is consistent with the UK’s [International Development Act 2002](#), which stipulates that spenders of development assistance must be satisfied that the “provision of the assistance is likely to contribute to a reduction in poverty.”

Beyond the aid budget but speaking to related issues, [other organisations](#) have argued that the current treatment of asylum-seekers is both inefficient and unethical, because of restrictions on asylum-seekers’ ability to work. The [Lift the Ban Coalition argue](#) that this both means that asylum-seekers are poorer than they need be, as they are unable to use their skills to earn an income above the small allowance provided by the government, and that the

UK economy is worse off given that it is not benefitting from the skills that many asylum-seekers have. It estimates that the net gain to the UK economy from lifting the ban on asylum-seekers working would generate a net benefit of £97.8 million per year, equal to roughly 10% of Home Office ODA expenditure on in-donor refugee costs in 2021.

6. 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

The Home Office only reports aggregate spending categories as part of the UK's Statistics on International Development and this data is only available at a two-year lag. It is difficult to determine how many refugees/asylum-seekers each spending item pertains to, and therefore difficult to obtain accurate per-capita spending estimates. This lack of data transparency means that we cannot accurately determine the extent to which the increase in costs comes from additional numbers of refugees and asylum-seekers or the extent to which it comes from burgeoning expenses, for example due to the lack of necessary planning resulting in [refugees being hosted in hotels](#). While it is possible to produce estimates, as we have above, the Home Office should make greater effort to harmonise and centrally report data on asylum-seekers/refugees and in-donor refugee costs, with significantly greater granularity and regularity.

In addition, the Home Office does not sufficiently publish aid data to IATI. If the Home Office published its aid data in line with the IATI Standard, we would have a far clearer picture of the impact of the war in Ukraine on the 2022 aid budget, including what budget remains for other priorities, without needing to estimate these quantities from historical figures and third-party data (such as UNHCR). While the Home Office does report some information to IATI, it does not report budget or transaction data for either [asylum support](#) (the largest component of IDRC) or transaction data for [resettlement support](#).

In addition, the Home Office has responded to [fewer and fewer freedom of information](#) requests in recent years further hindering transparency and making accurate analysis increasingly challenging.

Given the significant growth in ODA spent by the Home Office, it is imperative that open and near real time ODA data transparency is enhanced to improve the efficiency and effectiveness of expenditure and to enable accountability to Parliament, UK taxpayers, civil society and those that UK ODA seeks to reach.

In 2022, we welcomed the UK adding a commitment to enhanced aid transparency under their [2021-2030 Open Government Partnership National Action Plan](#). This included a commitment to enhancing UK government wide aid transparency, with all ODA spending departments (which includes the Home Office), to agree how they will address the recommendations of the 2020 [UK Aid Transparency Review](#) and an expectation for a follow-up aid transparency review⁵.

We hope that through this process, the UK will soon outline how it will rapidly work towards the goal of all ODA spending departments, especially the Home Office, achieving a score of "good" or "very good" in the Aid Transparency Index, as previously committed to in DFID's [Transparency Agenda](#) in 2018 and the 2015 [UK Aid Strategy](#)⁶.

⁵ In 2020, Publish What You Fund published an independent review of the aid transparency of all UK ODA spending departments, commissioned by the UK government. The Aid Transparency Index (ATI), the latest of which was published in 2022, only assesses the transparency of FCDO and BEIS. The results from the ATI 2022 can be found [here](#).

⁶ The original target year for the achievement of this goal was 2020.