

INTERNATIONAL DEVELOPMENT COMMITTEE INQUIRY: AID SPENDING IN THE UK

WRITTEN EVIDENCE FROM THE FOREIGN, COMMONWEALTH AND DEVELOPMENT OFFICE (FCDO), HIS MAJESTY'S TREASURY (HMT), THE HOME OFFICE (HO), AND THE DEPARTMENT FOR LEVELLING UP, HOUSING AND COMMUNITIES (DLUHC)

INTRODUCTION

1. The United Kingdom is a champion for international development and one of the most generous global aid donors, spending more than £11 billion in aid in 2021. Within the G7, this made the UK the third highest spender of Official Development Assistance (ODA) as a percentage of gross national income (GNI).
2. Due to the severe economic effects of the pandemic, in 2021 the government took the difficult but necessary decision temporarily to reduce ODA from 0.7% of GNI to 0.5% of GNI. We remain committed to returning the ODA budget to 0.7% as soon as the fiscal situation allows, and we are actively seeking multipliers for financing development and aid in areas where the UK is a global innovator and leader.
3. Since early 2022, the UK has hosted hundreds of thousands of people fleeing conflict in Ukraine and Afghanistan. Under international rules, some of these costs (**called 'in-donor refugee costs'**) **qualify as ODA during the initial twelve months** of residence in the UK. At the Autumn Statement, the government provided additional ODA resources of £1 billion in 2022/23 and £1.5 billion in 2023/24 to help meet the significant and unanticipated costs incurred.
4. The evidence in this paper sets out for the International Development Committee the detail of recent government ODA spending on 'in-donor refugee costs', how these costs are managed within departments and across government, and the effect on our development objectives of in-year changes to departmental ODA allocations. This paper is a joint product between four departments, the FCDO, HMT, Home Office, and DLUHC. Several other government departments also spend ODA on in-donor refugee costs.
5. The Minister for Development, Chief Secretary to the Treasury and the Immigration Minister will additionally attend the International Development Committee's evidence session for this inquiry. The ministers look forward to answering the Committee's questions.

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?

6. Official Development Assistance spend data is reported in the UK’s Statistics on International Development report, published annually. The data is measured and reported over each calendar year. In the years between 2015 and 2021, the ODA spend on supporting refugees in the UK (‘eligible spend’) was:

Year	Eligible spend (‘000)¹	Eligible spend as proportion of total ODA
2015	£ 243,845	2.01% of total ODA (£ 12,138m)
2016	£ 409,331	3.06% of total ODA (£ 13,381m)
2017	£ 377,430	2.69% of total ODA (£ 14,059m)
2018	£ 369,676	2.54% of total ODA (£ 14,552m)
2019	£ 477,390	3.15% of total ODA (£ 15,197m)
2020	£ 627,815	4.34% of total ODA (£ 14,479m)
2021	£ 1,052,240	9.21% of total ODA (£ 11,423m)

7. Provisional Statistics on International Development for 2022 will be published in Spring 2023. Changes to departmental budgets necessitated by unanticipated spending to support refugees in the UK in Financial Year 2022/23 will be published through upcoming Supplementary Estimates. Future expenditure will depend significantly on the number of individuals who arrive in the UK requiring ODA eligible support.

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

8. In the most recent year for which we have final figures (2021), £1.05 billion was spent on supporting refugees in the UK. The Department of Education spent £21m on asylum-seeker child education support costs. The Department for Health and Social Care spent £26m on NHS treatment for asylum-seekers. The Department for Work and Pensions spent £4.4m on the VPR refugee scheme.
9. In 2021 the Home Office was responsible for the majority (£996.2m) of the UK’s ODA spend on supporting refugees in the UK, on the following costs:

Area of in-donor spend	Description	2021 spend, £m
Refugee Support - Adults & Families	Cost of accommodation and support provided to asylum applicants in the first twelve months.	78.0

¹ The in-donor refugee cost figures reported to the DAC have been manually adjusted to remove support given by the UK to other DAC member countries so that the table above estimates only ODA eligible support given to refugees/ asylum seekers in the UK for the first 12 months of an individuals’ stay.

Refugee Support - Unaccompanied Asylum-Seeking Children (UASC)	Cost of assistance provided in the first twelve months following application to those granted asylum who are unaccompanied minors.	95.4
Asylum-Seeker Travel	Cost of transporting applicants to and from the initial Accommodation estate.	5.6
Initial Accommodation	Cost of assistance provided in first twelve months following application to asylum applicants whose initial claim is being assessed.	582.5
Children's Panel	Costs of providing independent support for Unaccompanied Asylum-Seeking Children.	1.6
ODA Management Contracted Services	Management costs associated with ODA eligible Asylum Support Administration.	51.9
ODA Administration costs	Administration costs for Asylum support	15.7
UK Resettlement Scheme (UKRS)	The UKRS is a multi-year commitment which sees the UK continue to offer a safe and legal route to vulnerable refugees in need of protection.	28.9
Afghan Citizens Resettlement Scheme (ACRS)	ACRS is a resettlement scheme that prioritises those who have assisted the UK efforts in Afghanistan and stood up for values such as democracy, women's rights, freedom of speech, and rule of law; and vulnerable people, including women and girls at risk, and members of minority groups at risk (including ethnic and religious minorities and LGBT+). Refugees are supported with accommodation, health and education provision. We also fund pre arrival work alongside the UNHCR and IOM.	125.6
Modern Slavery Victim Care Contract (MSVCC)	A contract providing a variety of support to potential victims of modern slavery through many subcontractor organisations. Support includes, but is not limited to providing accommodation, a dedicated support worker, subsistence payments, advocacy and signposting to other support.	11.0
Total		£996.2 million

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

10. The Home Office follows the Development Assistance Committee (DAC) clarifications on in-donor refugee costs, which is provided as Annex 1 to this written evidence and can be found online². The Home Office has also provided the DAC with a methodology, 'Rationale for counting in-donor refugee costs as ODA' which is provided at Annex 2 and can be found online³. The methodology has been updated since it has been published to include how the Afghan Citizens Resettlement Scheme (ACRS) in-donor ODA costs are calculated.

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

11. When the FCDO was formed in 2020, it assumed DFID's position as the spender and saver of last resort for the Government's Official Development Assistance. This requires the FCDO to make in-year ODA saving or spending decisions to help the Government meet its ODA spending commitment.

12. Several factors can lead to variations in ODA spending by other government departments, triggering FCDO's role as spender and saver of last resort. These can include programme over- or under-performance, changes in priorities, unexpected changes to the external context, or the demand driven nature of support as is the case for in-donor refugee costs. Where there are variations to ODA spending which cannot be managed within the spending department, FCDO acts as the spender and saver of last resort. In practice this means that FCDO balances the ODA budget by spending more to make up a shortfall or spending less to reduce an overspend in meeting the UK's ODA commitment.

13. In-donor refugee costs have had a significant effect on government ODA during 2022-23. Due to a combination of a high number of migrants from ODA eligible countries seeking refuge in the UK and the ODA-eligible costs of the UK's support to people seeking refuge here from conflict in Ukraine and Afghanistan, ODA spend on in-donor refugee costs has been much higher in FY22/23 than was originally planned.

14. In July 2022 HM Treasury instructed ODA-spending departments including the FCDO to pause all non-essential ODA spending. This was to give the Government the time and fiscal space to revise departmental ODA budgets to accommodate the unexpected in-donor refugee costs within the overall ODA ceiling.

² [pdf \(oecd.org\)](#)

³ [\[Title\] \(oecd.org\)](#)

15. The Chancellor's 17 November Autumn Statement provided an additional £2.5 billion of ODA to offset some of the pressure in financial years 2022-23 and 2023-24. In the context of these pressures and reflecting its role as spender and saver of last resort, the FCDO's ODA budget was reduced to £7,568 million in 2022-23. The FCDO indicatively planned on the assumption of a similar budget for 2023-24. The Foreign Secretary made a [Written Ministerial Statement](#) about this on 22 November 2022, when the pause on ODA spending was lifted and FCDO was able to outline its priorities for reduced FCDO ODA budgets.

Effect of the pause

16. The FCDO paused its ODA spending from July-November 2022, except for spending that met one or more of a set of criteria:

- a. Humanitarian / critical to survival / access to essential services: where pausing payment would result in an immediate threat to life and wellbeing, or would result in people falling into humanitarian need. This included: cash transfers, non-food items and protection services counted as critical to survival for displaced people, and people in crisis and emergency situations. Also: preventing delays to accessing healthcare, primary education, sanitation and clean water could also be exempted but only services with immediate or short-term delivery, where these could not be delayed.
- b. Legal: where pausing would incur significant legal implications.
- c. Financial penalties: where delayed payment would incur significant financial costs or penalties, such that the project would no longer constitute good value for money.
- d. Reputational: where the payment could not be reprofiled without causing very severe long term reputational damage to UK interests.
- e. Commercial impact on partners: where there would be a very severe impact on partner organisations, specifically affecting their continued solvency or viability.
- f. Payment in arrears: where activity had already taken place and a payment would accrue.

17. The exemption criteria, particularly those for threat to life and well-being, worked well in mitigating the most serious direct harms in the short-term. Critical funding continued in most cases, saving lives and reducing suffering. These programmes often operate in low-income countries. However almost all other programmes were slowed or delayed and the FCDO's ability to deliver on International Development Strategy (IDS) commitments, including those which would benefit low-income countries, weakened.

Effect of revised FCDO budget

18. The FCDO is using a set of guiding principles to allocate its revised ODA budget to its development priorities:
- Spending will be prioritised to help the most vulnerable through our humanitarian and women and girls programmes, while also contributing where possible to IDS targets on climate, nature, and British International Partnerships, in a way that offers the best value for money and development outcomes.
 - The FCDO will meet its commitments to its multilateral partners.
 - Individual decisions about which programmes to continue, and which to end or change, will be made by FCDO development experts around the world, guided by the IDS.
19. As with the ODA pause exemption criteria, these allocation principles will direct funding to some of the issues that are most critical to the development of low-income countries, including reducing suffering, empowering women and girls, tackling climate change and health issues, and providing sustainable finance. Teams have been directed to follow the IDS, which states that the majority of our ODA should be channelled towards low-income countries and only used as necessary in middle-income countries.
20. However, the scale of savings that the FCDO is required to make in 2022-23 and 2023-24 will mean that some programmes in low-income countries need to be changed or stopped. This includes programmes which are effective at delivering their objectives, and which would otherwise have continued unchanged.
21. The principle of delegating to Heads of Mission across the world the decisions on which programmes to continue, and which to end or change, will minimise the negative impacts on partner countries and the people helped by FCDO aid spending. Heads of Mission and their teams, working closely with partner governments and our suppliers, are best placed to understand and manage these impacts. Assessments of the impact of the cuts have been collated and assessed, and are being used to inform advice on adjusting ODA allocations.

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

22. Only a percentage of what the Home Office spends on asylum seekers is Official Development Assistance (ODA) eligible and the Home Office follows the spending principles for all government, as set out in HM Treasury's Managing Public Money guidance.
- a. These standards set out that all spend is carried out:
 - b. in the spirit of, as well as to the letter of, the law,
 - c. in the public interest,

- d. to high ethical standards,
- e. achieving value for money.

23. These high standards are applied across all Home Office spending including our aid budget to support refugees.

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

ODA oversight, allocation and control

24. ODA budgets are allocated to departments at Spending Reviews to meet the government's spending commitment and deliver its strategic objectives.
25. The IDS reaffirms that ODA spending departments are accountable for their expenditure of ODA and will report on progress in implementing this strategy and the SDGs in their annual reports and accounts. Government departments are also responsible for meeting the requirements set out in HMT's [Managing Public Money](#) guidance.
26. In 2022, the Government agreed two new forums for improving ODA strategy, learning and coherence across government. At ministerial level, the 22 November 2022 Written Ministerial Statement announced strengthened ODA governance arrangements, on which Minister Mitchell updated the International Development Committee on 6 December. The new ministerial ODA Board will be co-chaired by Minister Mitchell and the Chief Secretary to the Treasury. It will scrutinise ODA and one of its areas of focus will be to assess the strategic coherence of ODA spending plans with the goals of the IDS, Integrated Review and other government priorities. This will help support good development practice across government. The ODA Board will meet for the first time in early 2023.
27. At official level, the FCDO chairs the cross-government International Development Policy Board (IDPB) which meets every two months. The IDPB first met in July 2022. Its focus is on strategy, coherence and capability in international development across government, including on key learning goals:
- Monitoring implementation of the IDS
 - Measuring progress against the aims and objectives of the IDS according to an agreed framework
 - Driving policy, programming and delivery coherence across government, aiding strategic alignment
 - Enabling departments to share learning and identify opportunities for collaboration to maximise value for money
 - Offering advice and share expertise on issues related to ODA governance, spend and accountability between government departments

- Integrating cross-cutting issues (e.g. gender, climate change); identifying links to and assess coherence with other cross government strategies, providing advice on those strategies as required.
28. The IDPB has a core and wider group that captures all the main ODA spending departments across Government.
 29. An ODA Senior Officials Group, co-chaired by HMT and the FCDO, engages Finance Directors from ODA spending departments to oversee financial management of ODA budgets and, particularly, to ensure the government meets its calendar year spending commitment.
 30. As HMG's main ODA spending department, FCDO shares ODA programming best practice and advice on meeting ODA requirements on eligibility and reporting of spend with other government departments. FCDO's Programme Operating Framework (PrOF), which sets out the mandatory rules, principles, roles & responsibilities and governance for programme delivery, is published on gov.uk to allow other ODA spending departments and partners/suppliers easy access to it.
 31. To support learning and sharing, IDPB members were invited to take part in the FCDO's Development Conference in December 2022, where they heard directly from the Minister for Development about his priorities and attended discussions about how we take forward the IDS. The IDPB will also oversee the cross-government monitoring, evaluation and learning framework for the IDS. This framework will enable a cross-government view of progress against development strategic outcomes, and subsequent learning.
 32. FCDO provides access to its library of guidance on working within the Programme Operating Framework and to its programme management leadership training offer ("Programme Leadership Induction" course) to others in government who are filling programme leadership positions.
 33. On transparency, the FCDO established and runs the cross-government Transparency Community of Practice. This presents regular opportunities for FCDO to share insights and approaches on transparency of aid spend – and for all Departments who participate to learn from each other. In 2024, FCDO will commission an Aid Transparency Review for all ODA spending UK government departments. This will give an independent review of aid transparency amongst ODA spending departments, and the effectiveness and usefulness of that transparency. The intention of this is to drive up performance in a publicly accountable approach.
 34. FCDO facilitated a working group of the departments incurring costs under the Ukraine and Afghanistan schemes. This group provided support in the ODA classification of spend and in the development of a methodology to estimate that spend in line with the OECD's rules.

Refugee and asylum expenditure oversight, allocation and control

35. The Home Office has rigorous processes to oversee expenditure on asylum. This is a major financial pressure for the Home Office.
36. Expenditure in this area is driven by a number of variables including arrivals, cases worked and the accommodation mix. To reduce costs, Home Office has a plan to boost the number of asylum caseworkers, increase the productivity of caseworkers, boost the number of dispersed beds (that are cheaper than hotel accommodation), reduce the nightly costs of hotels and provide alternative accommodation from hotels. Progress against these targets are constantly reviewed and there is an additional review process to look at arrival numbers against forecast volumes.
37. On oversight, the Home Office Finance and Investment Committee reviews the financial forecast on a monthly basis. To manage the financial pressures across Government the Home Office has absorbed costs and reduced spending elsewhere in the Department by c£1bn in the financial year 2022/23. The Prime Minister's plan to tackle Illegal Migration will further reduce costs in the future.

Homes for Ukraine Scheme

38. The Homes for Ukraine scheme represents a significant financial pressure on DLUHC's budgets. Much of the expected ODA expenditure of the scheme is already committed to support over 150,000 Ukrainians who have already arrived in the UK.
39. Expenditure on these schemes is driven by arrivals numbers. Under the HfU scheme, the Government provides local authorities with a per arrival payment for all arrivals. In addition, all sponsors are eligible to receive a monthly 'thank you' payment of £350 per month, rising to £500 per month when guests have been in the country for over a year.
40. Our expectation is that the ODA spend on these schemes will reduce significantly as number of Ukrainians in the UK reach their second year (when government spend is not ODA eligible), though this may change depending on situation in Ukraine in the next few years.
41. In December 2022, HMG announced a package worth over £650m (largely non-ODA) to ensure our continued support for the Ukrainians is sustainable and addresses accommodation pressures. This package will help reduce ODA costs across this Spending Review and included a reduction in year one of the LA tariff from £10,500 to £5,900 for new arrivals from 1 January 2023, the key driver for ODA savings.
42. The Government is working to improve the forecasting accuracy of the Ukraine ODA pressure, including for downstream public service costs, the number of arrivals, and reassessing ODA eligibility figures for the local authority tariff. ODA eligible expenditure is tracked and reported under OECD rules and overall expenditure on the schemes is monitored through a cross-Whitehall process, including quarterly reviews led by DLUHC and HMT.

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

43. The FCDO annually publishes the Statistics on International Development report which provides full information about the UK's ODA spending in the previous year. Tables provide a range of different analyses, including historical perspectives and assessments by country, cost category, thematic area and others. The underlying data is also published alongside the report, allowing the report's audiences to additionally interrogate the government's ODA data in whichever ways they wish. This includes all ODA eligible expenditure supporting refugees in the UK.
44. The FCDO-funded Independent Commission for Aid Impact (ICAI) is currently gathering evidence for its rapid report on 'UK aid funding for refugees in the UK'. Several government departments have provided ICAI with evidence, and relevant officials have been interviewed by ICAI. The rapid report is due to publish in March 2023. This will also set out a view on whether sufficient scrutiny is possible.