

Charities Aid Foundation written evidence to the International Development Committee

About Charities Aid Foundation (CAF)

The Charities Aid Foundation is among the UK's largest foundations and works with partners across industry, government, and individual philanthropists to ensure vital funding reaches charities around the world. This enables us to deliver on what we strive to be all about – which is to play our part in providing a fair and sustainable future for all.

We work to stimulate philanthropy, social investment and the effective use of charitable funds by offering a range of specialist financial and philanthropic services to charities and donors, and through advocating for a favourable public policy environment. In 2019/20 the Charities Aid Foundation distributed a record £702m to charities in the UK and 110 countries around the world.

CAF is part of a coalition of charities supporting the [Small but Mighty](#) campaign, working to secure the survival of small, UK-based international development charities in the face of financial pressures.

Recommendations

- In the absence of a reversal to the cuts to the UK overseas aid budget, the UK Government should commit to a clear timeline for a return to the 0.7% of GDP commitment. This would provide certainty to civil society organisations facing severe financial challenges as a direct result of the decision.
- The Government should commit to improving its communications when making major funding decisions. It should seek to avert avoidable challenges, such as those that came as a result of the cancellation of rounds six, seven and eight of the Small Charities Challenge Fund (SCCF), which left a number of charities financially exposed at short notice.
- The FCDO's Seven Global Challenges have the potential to bring welcome clarity to the UK's Development Goals. Despite this, CAF is concerned at the absence of a specific goal of poverty reduction. Poverty is a major driving factor behind all of the global challenges identified and its absence undermines the UK's commitment to the UN Sustainable Development Goals.
- Further details on the potential involvement of both the CDC and UK Export Finance in the UK's future Development strategy would be welcomed. The Government should seek to engage with civil society organisations in order to work out how these and other governmental bodies can fit into the existing development frameworks.
- UK Aid should focus more on “trust-based” funding for civil society organisations. Whilst oversight should remain of paramount importance, effort should be made to reduce the administrative burden on partner organisations in order to free up funding for frontline services.

The Aid Budget Cut

CAF believes that the Government's decision to cut the 0.7% of GDP commitment to international assistance will have a damaging effect on international development charities, both in the UK and abroad.

Charities operating on the frontline have been a cornerstone of the success of UK Aid over recent years, delivering crucial services where other organisations cannot and offering unique insight into complex international challenges.

Unfortunately, the budget cut will force charities to reduce services and cause some to shut their doors altogether. Concerningly, the cuts will disproportionately affect smaller international development charities already under severe monetary pressure as a result of the pandemic.

The UK's aid budget would have fallen dramatically in real terms even without the change, in line with the fall in UK GDP, and the further cut makes an already diminished level of funding even smaller. Whilst Government financial support such as the coronavirus job retention scheme has helped to alleviate some of the financial strain, charities have had their fundraising options severely limited over the last year. Concurrently, organisations in the international aid sector in particular have seen a [sharp increase in demand](#) for their services, with the pandemic causing the first rise in global poverty in 23 years.

The UK is home to a number of world class international development charities and, at a time when the Government is eager to amplify "global Britain", the aid sector is an area where the UK is a genuine world leader, yielding considerable soft power.

Research for the [Small But Mighty](#) campaign, of which CAF is a supporter, has shown that the sector employs more than 10,000 people domestically and these cuts, in addition to putting vital humanitarian work at risk internationally, are risking British jobs and British influence across the world.

Communication & the Timeline to 0.7%

Whilst the decision to cut the budget is immensely disappointing, the Government has stressed that the cut is designed to be a temporary one in response to the financial pressures of the pandemic. CAF welcomes these assurances and would like to see a firm timeline for when stakeholders can expect the aid budget to return to its historic level. A timeline could be implemented by a suitable amendment to existing legislation and would help provide much-needed security to international development charities for their forward planning.

The ongoing uncertainty around future funding levels is of course damaging to those organisations whose current funding model involves regular receipt of UK Government funding, as well as the communities they support worldwide.

This uncertainty was emphasised following the cancellation of rounds six, seven and eight of the Small Charities Challenge Fund (SCCF), when some applications for SCCF grants were still being accepted a month prior. A tremendous amount of administrative work went into grant applications by small charities for funding that was never going to be made available, wasting both the time and the money of organisations. As a result of this, the Small International Development Charities Network has [called on](#) the Government to commit to a £50m package of support in order to help them overcome these sudden shortfalls.

This lack of transparency and engagement with applicants of the SCCF is not an isolated incident and a number of the FCDO's civil society partners have indicated frustration with the Government's lack of detail and open communication.

A coalition of charity partners working in international development [publicly criticised](#) the Government in January 2021 for a lack of public information and in [December 2020](#) the public aid watchdog said that the U.K. government withheld information on development programme cuts from charities and contractors.

It would be a mistake, however, to say that it is only charities reliant on Government funding that have been affected by the decision to cut the international aid budget. With UK international aid projects being cut in countries around the world, development charities of all sizes have stepped in to provide frontline services in their absence. Whilst this may be possible in the short term, many charities have, understandably, not budgeted for this expansion in services and cannot commit to operating this way in the longer term. This reinforces the need for a publicly available timeline to the return of the 0.7% commitment so that charities can engage in prudent budgeting and planning to deliver their services and commitments.

The Government's decision to cut funding was always going to cause friction with the international development sector and it has become apparent that the FCDO's communication with the civil society bodies affected by the decision has done little to ease tensions. Stakeholders have been left without the information they need in order to plan and adapt accordingly. Many of these organisations are long-standing, respected partners of the British international development programme and speedy efforts should be made to rebuild these vital relationships based on a culture of mutual respect.

FCDO Aid Strategy

The Government has committed to maximising the impact of the money spent on international aid and has indicated that there are substantial areas of inefficiency in the 2015 UK Aid Strategy.

The identification of seven specific global challenges could well have the intended benefit of reducing ineffective short term planning and replacing it with more strategic thinking. However, this effect is achievable rather than inherent and requires actions to solidify long-term strategic relationships.

Civil society organisations are an essential driver of social progress and can play a pivotal role in addressing the FCDO's Seven Global Challenges.

The Challenges have been identified as the areas where UK Aid spending can make the most difference, and are listed as:

- Climate Change and biodiversity
- Covid and global health security
- Girls' education
- Science, research, technology
- Open societies and conflict resolution
- Humanitarian preparedness and response
- Trade and economic development:

CAF welcomes all of these as areas of considerable importance to both the international development community and the UK's foreign policy objectives, but there are concerning absences in the list of strategic priorities.

The UK's international development work has a strong history of global leadership on gender and the focus on girls' education in the FCDO list is to some extent a continuation of this. Despite this, the specific focus on girls' education rather than gender equality more widely does amount to a missed opportunity and it seems counterintuitive to limit UK Aid efforts to focus exclusively on educational issues.

Most notable, however, is the lack of an explicit focus on poverty reduction. Although each of the global challenges listed above has its own nuances and driving forces, poverty looms large over each of them as a key route cause.

The international development charity Bond was not alone when it [suggested](#) that the decision to focus on trade and economic development over poverty reduction risked "placing development second to diplomacy". The Foreign Secretary's [letter](#) to the International Development Committee in December 2020 made this priority explicit, saying that the UK Development would "focus only on countries where the UK's development, security and economic interests align, such as sub-Saharan Africa and the Indo-Pacific region. The FCDO will ensure the UK's development and diplomatic efforts are combined".

This language is concerning as the areas where poverty is most endemic are, by their very nature, often not areas that offer substantial trading opportunities for the UK. International development should, at its heart, be driven on the basis of improving lives worldwide rather than primarily as an influencing tool.

Whilst CAF has concerns about the alignment of British economic interests with international development, economic development should remain an important policy goal. In the same letter, the Foreign Secretary committed to "Helping countries to trade, create better investment environments, infrastructure and access to finance, backed by investment from CDC and UK Export Finance".

Indeed, stimulating sustainable economic activity can and should be a vital tool for development and using different arms of the British state to do so is an encouraging step.

Further clarity on the potential involvement of both the CDC and UK Export Finance would be welcomed and Government should seek to engage with civil society organisations in order to maximise the effectiveness of any link between international development and international economic development.

To an extent, the linking of international and British economic interests has already been exemplified over the course of the Covid-19 pandemic. In March last year, the UK's International Aid budget donated over £200m to the Coalition for Epidemic Preparedness Innovations (CEPI), a group initially intended for the developing world but one that has now played a major role in research and development on a number of vaccines, including for Covid-19. Additionally, UK international aid played an essential role in the creation of the ACT-Accelerator partnership, a mix of international charities and businesses who have lead the fight against Covid-19 internationally, and have helped with the distribution and production of vaccines in the UK and around the world. Such examples could be a crucial template for how economic development can fit into the existing international development framework.

Trust-Based Grantmaking

With the FCDO committing to operating with a focus on long-term strategic goals, the distribution of UK Aid funding should adapt to reflect this.

Research in both the UK and internationally [has indicated](#) that one of the positive trends of the pandemic has been the rise of “trust-based” grantmaking, when funding has been provided to trusted organisations without the traditional level of restrictive administration or reporting requirements.

By lessening the administrative burden on charitable partners, money is then freed up to go directly to providing frontline services and can help to dramatically increase the impact of charitable work.

Applying for repeat funding every year can soak up resources and exclude charities lacking in administrative expertise or experience. Multi-year funding with reduced reporting requirements would give international development charities the flexibility to assess and determine where the money would be most effective, and allow for innovation, adaptive thinking, and sustainability. At a time of historic pandemic-induced instability in much of the world, that flexibility could prove vital when adapting services to suit changing circumstances.

With so many international development charities facing an uncertain future financially, the move towards more multi-year funding will offer stability and allow aid recipients to make medium-to-long term plans.

The key with trust-based grantmaking is that it is not a “soft touch” – due diligence of those receiving funding is still of paramount importance. However, efforts should be made to streamline application processes and FCDO could show a willingness to accept applications or reports written for other potential funders, rather than requesting that a charity duplicates existing work. Similarly, in order to help charities ration valuable time and resource, UK Aid funding should be more explicit in the tendering process, with a screening process that specifies the exact nature of the organisations to which they are looking to distribute funding.