Call for Evidence Opened on Impact of UK Aid Cuts

About ONE:

The ONE Campaign is an international development advocacy and campaigning organisation, working to end extreme poverty and preventable diseases, especially in Africa[1]. ONE members raise their voices and put pressure on governments to keep their promises to the world's poorest people. ONE has been at the centre of campaigns to increase development budgets to raise vital funds for the fight against poverty, and to call for measures to ensure that aid is spent effectively and meets high standards of transparency. We believe that this is vital for maintaining public confidence in our aid budget. We have significant expertise in development finance. Our Real Aid Index reports on how poverty focused, effective and transparent the largest ODA spending government departments are[2].

The Integrated Review and the UK Aid Cuts

The Integrated Review set out to articulate the UK's policy objectives across security, defence, development, and foreign policy, combining previously separate reviews into one. And yet, it was disappointing to see that the development component was very light in the review. There seems to be a good read across between the seven global challenges outlined by the Foreign Secretary and the Integrated Review. However, given the lack of detail on development, it is extremely difficult to determine whether there is full alignment.

The proposed aid cuts also pose a challenge in determining the strategic targeting of UK aid spending. The Integrated Review reiterates the government's position that the UK will return to its commitment to spend 0.7% of gross national income on development when the "fiscal situation allows". This ambiguous target will make strategic planning difficult for the government and other implementing agencies. Already, we have seen many examples of programme funding being cut, such as cutting malnutrition programmes by 80%, leaving thousands of children hungry and at risk of starvation[3].

ONE analysis has shown that it will be challenging for the UK government to protect its seven priority areas, whilst dramatically reducing its aid budget[4]. The UK government has previously made several commitments that will be difficult to renege on. These include continued obligations to the EU's development programmes[5] and a five-year £11.6bn commitment to fighting climate change[6]. In addition, the government has already made commitments to large multilaterals including Gavi[7] and the Global Fund[8], which are very difficult to withdraw from while maintaining the UK's international reputation. The sum of these commitments totals £6.2 billion in 2021; given that the total allocated

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1 ONE Campaign. https://www.one.org/international/

2 Real Aid Index, ONE Campaign. https://www.one.org/international/real-aid-index/

3 'UK government set to cut malnutrition programmes by 80 percent'. Save the Children. May 5th 2021. https://www.savethechildren.org.uk/news/media-centre/press-releases/uk-government-set-to-cut-malnutrition-programmes-by-80-percent

4 'Predicted Consequences of the UK Cuts to ODA'. ONE Campaign. 30th March 2021. https://www.one.org/international/policy/the-predicted-consequences-of-the-uks-cuts-to-oda/

5 Foreign Secretary letter to the International Development Committee. February 2021. https://committees.parliament.uk/writtenevidence/23087/default/

6 '2020 UK Climate Finance Results'. UK Government. August 2020: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/911393/ICF-Results-Publication-2020.pdf

7 'Gavi welcomes UK Funding Pledge'. Gavi. April 2020: https://www.gavi.org/news/media-room/gavi-welcomes-uk-funding-pledge

8 'Government Donors: United Kingdom'. The Global Fund: https://www.theglobalfund.org/en/government/profiles/united-kingdom/

Official Development Assistance (ODA) budget is £10 billion, this means the government will only have £3.8 billion to spend on its priority areas this year.

TABLE A: COMMITMENTS

	2019 (£m)	2021 (£m)
EU	1,832	1,200
Gavi[6]	200	330
Global Fund[7]	370	440
World Bank (IDA)	891	1,000
WHO core contributions [8]	47.5	47.5
Climate[9]	1,160	2,300
In donor refugee costs	477	400
In donor administration costs	759	500
Total	5,737	6,218
Total ODA	15,200	10,000
Remaining ODA	9,460	3,783

ONE analysed four sectors which have been identified as priorities by the Foreign Secretary. These are: humanitarian aid, health, education and economic infrastructure and services. Bilateral ODA to these four sectors in 2019 totalled £4.9 billion. This figure exceeds the £3.8 billion of ODA that the government has left to spend on bilateral aid in 2021. This means that even priority sectors such as health and education face being cut by 24% - and non-priority sectors face being cut completely[9]. Since ONE's analysis, the Foreign Commonwealth and Development Office (FCDO) have published budget allocations for their seven priorities. As our analysis outlined, it is difficult to have a full read across between categories in the Statistics for International Development (SID) data, and the priorities outlined by the Foreign Secretary. Due to this, it is challenging to understand exactly where the cuts have fallen.

TABLE B: GOVERNMENT PRIORITIES[12]

Sector	Bilateral spend in 2019 (£m)
Humanitarian aid	1536
Health	1431
Education	789
Economic infrastructure and services	1,195
Total	4,951
Bilateral budget available in 2021 (assuming no rollover of spending from 2020)	3,783
Required cut	24%

[9] Predicted Consequences of the UK Cuts to ODA'. ONE Campaign. 30th March 2021. https://www.one.org/international/policy/the-predicted-consequences-of-the-uks-cuts-to-oda/

The impact of the cuts will be severe. A cut of 24% could mean that in Nigeria, more than 3 million women, children and adolescents will be at risk of malnutrition because of these cuts. Additionally, in Ethiopia, 500,000 women will no longer have access to modern methods of family planning[10].

A Focus on Africa

While the severe cuts will undoubtedly have deep repercussions in Africa, there is nonetheless a regional focus on Africa in the Integrated Review. ONE welcomes the focus on Africa in the Integrated Review. Through partnership in development, the continent could become the UK's next generation trading partner. The potential for growth in Africa is massive, and it will involve ramping up investment in evidence-based programmes with the greatest return on investment.

The Integrated Review highlighted East Africa, Nigeria, Ghana, and South Africa as focus areas. Many of these are strong emerging economies which should continue to receive UK support and investment; however, it is crucial that the UK must continue to spend at least fifty percent of its ODA budget in Least Developed Countries (LDCs). The Integrated Review also outlined a stronger focus in the Indo-Pacific. This shift in dial could mean less money on other areas, which is why it is important to protect spending for LICs and fragile states.

It is commonly argued by those supporting a greater focus of UK aid spending on Middle Income Countries (MICs) that a large percentage of extremely poor people live in MICs. While this may be true, it is also the case that MICs have considerably greater access to non-ODA sources of finance than LICs. ODI have shown that MICs have 100 more tax than LICs and could raise a further $1,960 billion, which could cover most of the costs of ending poverty; LICs could only raise another $11 billion and still not even cover half the costs needed for investment in public sectors such as education, health, and WASH[11]. The focus of UK ODA should be to support countries that are unable to finance their own development, which is why ONE recommends that at least 50% of UK aid should be allocated to LDCs.

Girls' Education

The UK has been a global leader in helping to ensure that every girl in the world has access to at least 12 years of quality education. The Integrated Review outlines the global target for girls' education: to increase the number of girls attending school by 40 million[12]. As host of the G7 and the Global Education Summit this year, the UK has an unparalleled opportunity by securing buy-in from other countries to reach these global targets, turn the tide of the global learning crisis and enable more girls to achieve their full potential.

Higher levels of education will lead to an increase in income, and with it, a reduction in poverty. And yet, ONE's Lost Potential Tracker indicates that since 2015, 399 million children have not gained basic literacy skills by the age of 10, missing a critical milestone to secure a better future[13]. Investing £600 million between 2021-2025 in the Global Partnership for Education (GPE) is a means to this ambition. However, it is extremely concerning that the proposed aid cuts will negatively affect bilateral aid to education and to GPE. The Centre for Global Development (CGD), indicate that the

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[10] Predicted Consequences of the UK Cuts to ODA'. ONE Campaign. 30th March 2021. https://www.one.org/international/policy/the-predicted-consequences-of-the-uks-cuts-to-oda/

[11] Financing the reduction of extreme poverty post-Covid-19. ODI. November 2020. https://cdn.odi.org/media/documents/reducing_poverty_post_covid_final.pdf

[12] 'Integrated review'. Cabinet Office. March 2021. https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy

[13] Lost Potential Tracker. ONE. https://lostpotential.one.org/

allocation for education in 2021 is a cut of more than 40 percent[14]. ONE analysis shows that a cut of 40 percent would mean 3 million fewer girls having access to an education in 2021[15]. To maintain its status as a global leader on education, the UK must reverse the aid cuts, and continue to invest in bilateral education as well as supporting multilaterals such as GPE. There is a risk that a low UK pledge to GPE will also encourage further low pledges from other donors.

Global Health

The Integrated Review rightly outlined global health as a priority. Beating COVID everywhere as quickly as possible is the fastest way to protect people and livelihoods and get economies back on track. The Rand Corporation estimate that vaccine nationalism could cost the global economy up to $1.2 trillion a year[16]. G7 governments must lead the way by fully funding the ACT-Accelerator and rapidly sharing surplus vaccine doses via COVAX. As of May 2021, 80% of doses administered were in high-income and upper-middle-income countries, while just 0.4% have been in low-income countries[17].

Analysis from ONE found that G7 countries plus the EU bloc have pre-purchased enough vaccines to protect 100 percent of their population and still have nearly 1.7 billion doses left over[18]. This means that G7 countries will soon have a rapidly growing supply of COVID-19 vaccines amid waning demand. ONE analysis indicates that the UK will have 223 million doses left over even if it vaccinates 100% of its population[19]. At the G7 this summer, Prime Minister Johnson and other leaders should commit to sharing doses as well as fully financing the ACT-Accelerator and COVAX.

Rejecting vaccine nationalism is also backed by the British public: a poll conducted by ONE found significant public support for COVID19 vaccines being made available to all countries at the same time[20]. There needs to be clear leadership to implement a fair distribution of a vaccine, a role that the UK can play extremely well, given its expert leadership in global health.

Economic Recovery

The Integrated Review highlights the government's ambition to shape an "open and resilient global economy"[21]. However, there was no mention of supporting poorer countries with debt suspension. COVID-19 is not just a health crisis, but a massive economic crisis costing the global economy more than US$300 billion a month — roughly US$10 billion a day — over six years[22]. Government finances have been hit hard due to strict lockdowns, and dramatic declines in global trade, commodity prices, and tourism. While every country is affected, not every country has equal means to respond. The IMF published data which shows that advanced economies spent on average roughly 17% of GDP on stimulus packages and another 11% on equity, loans and guarantees, whilst low-income only spent

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[14] 'As it Assumes Leadership of the Global Education Agenda, the UK Slashes Its Own Aid to Education'. Center for Global Development. April 2021. https://www.cgdev.org/blog/it-assumes-leadership-global-education-agenda-uk-slashes-its-own-aid-education

[15] Calculated using, DFID results estimates: 2015 to 2020. https://www.gov.uk/government/publications/dfid-results-estimates-2015-to-2020

[16] COVID-19 and the cost of vaccine nationalism. Rand Corporation. 2020. https://www.rand.org/pubs/research_reports/RRA769-1.html

[17] 'Data dive: the astoundingly unequal vaccine rollout'. ONE. https://www.one.org/africa/issues/covid-19-tracker/explore-vaccines/

[18] Rich countries on track to stockpile at least 1 billion surplus C19 vaccines. ONE. 18 February 2021. https://www.one.org/international/policy/rich-countries-on-track-to-stockpile-at-least-1-billion-surplus-c19-vaccines

[19] Data dive: the astoundingly unequal vaccine rollout'. ONE. https://www.one.org/africa/issues/covid-19-tracker/explore-vaccines/

[20] 'Brits see global approach as key to ending pandemic'. ONE. December 2020. https://www.one.org/international/press/new-poll-brits-see-global-approach-as-key-to-ending-pandemic/

[21] 'Integrated review'. Cabinet Office. March 2021. https://www.gov.uk/government/publications/global-britain-in-a-competitive-age-the-integrated-review-of-security-defence-development-and-foreign-policy

[22] 'Why the G20 need to agree on an economic response package for global recovery'. ONE. February 2021. https://www.one.org/international/blog/g20-economic-response-global-recovery/

1.8%[23]. Many wealthy countries moved swiftly to keep their economies afloat through stimulus packages worth nearly US$10,000 on average for every citizen. But LDCs were only able to mobilise spending equivalent to US$17 per person, nearly 580 times less than spending in developed countries[24].

Developing economies are facing a liquidity crisis, and the needs are immense. The World Bank and IMF estimate that Africa is facing external financing needs of about US$1.2 trillion for 2020-2023, with roughly half of this expected to be used to service debt[25]. The UK should support the suspension of debt for the poorest countries.

In addition to debt suspension, world leaders and international institutions can use Special Drawing Rights (SDRs) to prevent a collapse of economies. SDRs are international reserve assets created by the IMF to supplement the existing official reserves of member countries. They can be traded in for foreign currency during financial crises. They were used in particular during the 2009 financial crisis to support economies. In April 2021, the IMF Board announced support for a new allocation of US$650 billion in SDRs[26], of which only 5% (around $30 billion) would go to Africa under current rules for the allocation of SDRs[27]. ONE's position is that wealthier countries do not actually need additional SDRs, since they have access to a broader range of monetary tools and reserve cash. That is why IMF member countries should quickly agree a re-allocation of SDRs that is commensurate with the financial need of developing countries.

Fragile and Conflicted Affected States

Lastly, the Integrated Review lacked a focus on fragile and conflicted affected states. According to projections from the World Data Lab, by 2022, more than half of the world's people living in extreme poverty will be living in fragile states. By 2030, this proportion is expected to rise to 63%[28]. Investments in long-term strategic goals help the UK achieve its foreign policy objectives, and improve both national and global security, while retaining its leadership role in the global effort to reduce conflict and fragility.

Investing in poverty reduction, peacebuilding and conflict prevention will do more to help our national interest than using aid to support short-term national security and economic priorities. In Rwanda, for example, every $1 invested in peacebuilding has saved $16 through the costs of conflict[29]
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Mutual Prosperity

Fundamentally, the core objective of ODA should be to reduce poverty and alleviate suffering. It is problematic when aid is reduced for a country with high levels of poverty, in favour of increasing aid to a wealthier developing country from which the UK can secure more immediate commercial or diplomatic benefits. An example that helps to illustrate this point is provided by projects being

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[23] Database of Fiscal Policy Responses to COVID19. IMF. April 2021. https://www.imf.org/en/Topics/imf-and-covid19/Fiscal-Policies-Database-in-Response-to-COVID-19
[24] 'Why the G20 need to agree on an economic response package for global recovery'. ONE. February 2021. https://www.one.org/international/blog/g20-economic-response-global-recovery/
[25] 'Why the G20 need to agree on an economic response package for global recovery'. ONE. February 2021. https://www.one.org/international/blog/g20-economic-response-global-recovery/
[26] 'Communiqué of the Forty-third Meeting of the IMFC' IMF. 8 April 2021
[27] 'SDRs are key to a global economic recovery. What on earth are they?'. ONE. March 2021https://www.one.org/international/blog/sdrs-global-economic-recovery-what-are-they/
[28] 'Poverty and fragility: Where will the poor live in 2030?'. Brookings. April 2021. https://www.brookings.edu/blog/future-development/2021/04/19/poverty-and-fragility-where-will-the-poor-live-in-2030/
[29] 'Reaping the Benefits of Cost-Effective Peacebuilding'. Global Observatory. July 2017. https://theglobalobservatory.org/2017/07/peacebuilding-expenditure-united-nations-sustaining-peace/

implemented by the Cross-Government Prosperity Fund (£1.2 billion over 2015-21, overseen by the National Security Council and implemented largely by the FCDO) in India's financial sector[30]. The projects supported by the fund are focused on India's engagement in transnational capital markets, e.g., international trading of the Rupee and development of the Indian Bond market. In this case, mutual prosperity seems to be the driver of programming, rather than poverty reduction.

There must be a distinction between long-term and short-term national interest. ODA is quite reasonably in the UK's long-term national interest and it is fair to suggest that using ODA will yield great economic and diplomatic benefits to the UK, particularly in Africa, a continent that by 2030 is expected to contain up to 42% of the world's youth[31]. These are the young people that, given the right skills and opportunities, will drive the global economy of the future, so investing now will likely yield economic and political returns. However, it is problematic when ODA is allocated to suit short-term foreign, security or commercial imperatives. It is crucial that investments which use ODA, are evidence-based programmes, with the greatest return on investment and are focused on those that need it the most.

ODA investments which are used to directly benefit UK companies, is known as tied aid. Aid tying can increase the costs of development projects by 15 to 30 percent and limits opportunities for local procurement in developing countries[32]. This reduces value for money and makes aid less effective, undermining the benefits to the UK in the long run. This type of aid is also not supported by the public. The Aid Attitude Tracker, a long-term study of public attitudes to aid, found that most of the UK public think that aid should be primarily for the purpose of helping people in poor countries who need it the most[33].

ODA Budget Allocations 2021-22

It has been extremely difficult to analyse the effectiveness of the 2021-22 budget allocations outlined by the FCDO[34]. Firstly, the allocations were determined by the seven priority areas highlighted by the Foreign Secretary. There is not an exact read across between the priority areas, and sectoral categories in the government's own reporting in the Statistics for International Development data (SID). Secondly, the government have allocated these budgets for the financial year, when ODA is reported by the calendar year, again making it difficult to assess which programmes have been affected. Lastly, the allocations only reflect the FCDO ODA budget. There has been minimal information on how other government departments will be allocating their ODA budgets, nor is it clear how much of the FCDO allocations reflect multilateral spending. In summary, the FCDO and other ODA administering departments, need to be much more coherent and transparent when publishing information on the aid cuts.

[30]' UK-INDIA Partnership on National Investment and Infrastructure Fund - Green Growth Equity Fund'. Devtracker. https://devtracker.fcdo.gov.uk/projects/GB-GOV-50-PF-16-GGEF

[31] 'Africa's Future: Youth and the Data Defining Their Lives'. PRB. October 2019. https://www.prb.org/africas-future-youth-and-the-data-defining-their-lives/#:~:text=By%202030%2C%20young%20Africans%20are,critical%20now%20more%20than%20ever.

[32] 'Untied Aid'. OECD. https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/untied-aid.htm

[33] Aid attitude tracker. Development Engagement Lab. Data provided upon request. https://www.birmingham.ac.uk/schools/government/departments/international-development/research/projects/2019/aids-attitude-tracker.aspx

[34] Written statement, Foreign Secretary. April 2021. https://questions-statements.parliament.uk/written-statements/detail/2021-04-21/hcws935