

# INTERNATIONAL DEVELOPMENT COMMITTEE (IDC) INQUIRY

## Future of UK aid: reductions to the aid budget

### Memorandum by the Foreign, Commonwealth and Development Office (FCDO)

May 2021

The International Development Committee (IDC) has invited written evidence, focusing on recent changes to the ODA budget, as part of their ongoing scrutiny work into the future of UK aid.

### Summary of FCDO evidence

1. The Government has had to take the tough but necessary decision to temporarily reduce the UK's commitment to spend 0.7% of gross national income (GNI) on overseas development assistance (ODA). As the Chancellor of the Exchequer set out to Parliament in November 2020, the seismic impact of the Covid pandemic sees the UK facing the worst economic contraction in three hundred years and a budget deficit of almost £400 billion – double that of the 2008 financial crisis.
2. The move to 0.5% ODA is a temporary and proportionate reduction in scale, driven by prevailing fiscal circumstances. The UK remains a global leader on international development, with an ODA budget on track to exceed £10bn this year. Based on OECD data for 2020, the UK will be the third largest ODA donor in the G7 as a percentage of GNI in 2021.
3. UK ODA continues to serve the primary aim of reducing poverty in developing countries and the Government remains committed to the ODA rules set by the OECD's Development Assistance Committee. The UK will return to the 0.7% GNI target when fiscal circumstances permit.

### Strategy

- ***The strategic targeting of UK aid spending, including the focus areas set out by the FCDO's seven global challenges and their alignment with the conclusions of the Integrated Review***
  - ***Whether these focus areas address the most pressing global development challenges***
  - ***The effectiveness of the Government's policy to focus ODA spending on countries where UK economic, security and development interests align***
4. The Integrated Review sets the strategic framework for UK foreign and development policy for the years ahead. It is the product of over a year of work across government and consultation with a huge range of external organisations and thinkers. It outlines the government's strategy on issues ranging from trade and climate change to countering state threats and terrorism, and meeting global health challenges.

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5. UK ODA spend for 2021/22 has been scrutinised and tested by Ministers to ensure the final portfolio is coherent and consistent with the priorities of the Integrated Review. Within this context, the internal allocations process that followed the 2020 Spending Review has also taken into account levels of need, HMG's capabilities and comparative advantage to deliver, the UK national interest, and our public and legal commitments.
6. All UK ODA will be focused on addressing seven global challenges with the overarching purpose of poverty reduction. These are: climate change and biodiversity; Covid and global health security; girls' education; science, research and technology; open societies and conflict resolution; humanitarian preparedness and response; and trade and economic development.
7. This year the FCDO will deliver an ODA portfolio of £8.1bn, over 80% of the total ODA spend across government. Other departments will deliver ODA programmes of £1.9bn. A full breakdown is detailed in the Foreign Secretary's Written Ministerial Statement of 26 January. This is available at: <https://questions-statements.parliament.uk/written-statements/detail/2021-01-26/hcws735>
8. The FCDO's internal ODA allocations against the seven global challenges are detailed in the Foreign Secretary's Written Ministerial Statement of 21 April. This is accessible at: <https://questions-statements.parliament.uk/written-statements/detail/2021-04-21/hcws935>
9. UK ODA will be spent in parts of the world where the UK's development, security and economic interests align. We have ensured a high level of support to sub-Saharan Africa and reflected the UK's tilt towards the Indo-Pacific Region outlined in the Integrated Review. We have honoured our commitments to the multilateral system, and maintained our pledges to international financial institutions and regional development banks.
10. This is the right portfolio for this year of British leadership. It sets the tone for the UK's international engagement in the decade ahead, which starts with our presidency of the G7 and the Cornwall summit in June, the Global Partnership for Education, which we will co-host with Kenya in July, and culminating in the 26th UN Climate Change Conference in Glasgow in November.
11. Whilst the Government recognises there will be visible reductions across our ODA portfolio compared to 0.7%, we have focused on maintaining support to the world's poorest people, and are proud of the UK's ongoing leadership and advocacy on international development. UK ODA is focused on sectors where the UK holds a strong comparative advantage and is best placed to lead. The internal process to review and appraise the 2021/22 portfolio has brought maximum strategic coherence, impact, and value for money to our spend.
12. The UK remains a world leader in international development, not only through the impact of these financial allocations but also through the creation of the FCDO, integrating diplomacy and development to deliver greater impact.

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13. The full breakdown of UK ODA in 2021/22 – including the split between bilateral and multilateral delivery mechanisms – will be published in the normal way through departmental annual reports and Statistics for International Development.

#### Administration

- ***Changes to the administration of UK ODA, including the FCDO assuming responsibility for deciding the final departmental allocation of ODA and administering the majority of UK ODA.***
  - ***The split between bilateral and multilateral ODA spending, and the effectiveness of these channels for the delivery of UK aid.***
14. In January the Foreign Secretary concluded a cross-government review to appraise and finalise all departmental ODA allocations for 2021/22. This review ensured that all UK ODA focuses on the global challenges, and programmes are managed by departments holding the right capabilities and expertise to deliver the best impact and value for money. This has ensured stronger coherence and strategic oversight of the overall UK aid budget, and will drive greater impact on the ground.
15. The Foreign Secretary has agreed with the Prime Minister that the Government will sustain and amplify the strategic governance of ODA across government through the new international development strategy that will be published later this year.
16. The ultimate responsibility for finalising and delivering department ODA settlements remains the responsibility of individual departments. Secretaries of State and Permanent Secretaries remain fully accountable for the good governance of their ODA portfolios, in accordance with existing HMT spending control arrangements. They are also responsible for ensuring compliance with the relevant legislation.
17. As the Integrated Review sets out, the UK remains deeply committed to multilateralism, and delivering ODA through and with multilateral partners. We will work to strengthen those institutions that are vital to the future functioning of the international order, particularly the UN agencies, WTO and WHO, and deepen our engagement in those that are growing. This supports collective global action and delivers across a wide range of UK priority areas.

#### Process and impact of changes

- ***The FCDO's approach to the process of implementing in-year changes to the aid budget during the 2020-21 financial year, including its communication with stakeholders***

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- *The FCDO's approach to setting ODA budget allocations for the 2021-22 financial year, including its communication with stakeholders*
- *Impact upon communities in lower income countries*
- *Impact upon organisations implementing UK ODA programmes*

18. The FCDO has worked over the last year with our supply partners in both the private and voluntary sector to help them adapt to the impact of the pandemic on the UK aid programme. Civil Society Organisations (CSOs) and Non-Governmental Organisations (NGOs) are essential partners in promoting open societies and human rights and are important partners at the forefront of delivering UK aid and developing policy.

19. Following the move to 0.5%, FCDO Ministers engaged with over 80 NGOs, partners and parliamentarians, including through a roundtable for civil society. Our partners feed in their views on priorities and programmes to officials and Ministers on a regular basis.

20. Allocation decisions for 2021/22 have been taken by Ministers in line with the objectives set out in the Integrated Review. These took account of a full range of factors, including analysis of potential impacts on beneficiaries of UK aid. Ministers were appraised of qualitative analysis, sectoral analysis of thematic trends, and further quantitative analysis of draft business plans to assess the impacts of ODA reductions.

21. Ministers have considered the impact on people with protected characteristics, including any potential impact on equalities. An overarching Equalities Assessment analysed impact across bilateral country spend. This was considered by Ministers as they reviewed plans. As the Foreign Secretary told the IDC, the assessment showed no evidence that programmes supporting those with protected characteristics are more likely to be reduced or discontinued than other programmes.

22. We are mindful of the impact that reducing or closing programmes may have on our supply partners, and have considered FCDO programme managers' advice on how best to manage changes to specific programmes. Together with senior officials, Minister of State Lord Ahmad has engaged directly with suppliers, managing relationships and discussing the impact of ODA reductions. These discussions have been well received by our partners. However, the legal and primary purpose of UK ODA is poverty reduction and support to the world's poorest and most vulnerable people. This remains the guiding principle for decisions relating to the 2021/22 ODA portfolio.