

THE PREDICTED CONSEQUENCES OF THE UK'S CUTS TO ODA

In the 2020 Spending Review, the Chancellor Rishi Sunak announced that Official Development Assistance (ODA) as a share of Gross National Income (GNI) will be reduced from 0.7% to 0.5%. This was announced as a “temporary measure” and the Chancellor stated that the target will return to 0.7%, when the “fiscal situation allows”¹. If ODA spending is reduced to 0.5% of GNI in 2021, then it will be cut by £4.5 billion, or a cut of 30% relative to 2019². It is difficult to assess which programmes will be affected by the proposed cuts, as there has been extremely limited information published, nor has there been much consultation with external stakeholders in the cuts process. This briefing sets out some scenarios outlining what the cuts could look like and their potential impacts.

SUMMARY

To put it simply, it will be extremely difficult for the Government to make the proposed cuts, whilst also protecting their priority areas in 2021. ONE analysis shows that the pre-existing commitments that need to be met in 2021 total £6.2 billion. Following this, the Government will only have £3.8 billion (a fall of 63% from 2019) left to spend on bilateral aid in its priority areas. Moreover, this figure is reduced even further if the Government decides to make the multilateral commitments which have rolled over from 2020.

We analyse 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.**

The impact of the cuts will be severe. 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.

Thus, the decision to reduce the UK's aid budget from 0.7% to 0.5% of GNI will have severe consequences both in the UK and around the world.

¹ Spending Review 2020 speech. <https://www.gov.uk/government/speeches/spending-review-2020-speech>

² An Overview on the Impact of Proposed Cuts to UK Aid. Centre for Global Development. <https://www.cgdev.org/publication/overview-impact-proposed-cuts-uk-aid>

WHAT DO WE KNOW ABOUT AID SPENDING IN 2021?

The Foreign Secretary has identified seven international priorities for aid spending in 2021. These are: climate and biodiversity; COVID-19 and global health security; girls' education; science, research and technology; defending open societies and resolving conflict; humanitarian assistance; and promoting trade and economic development³. More specifically, the Government has said that the five year £11.6bn commitment to fighting climate change will be maintained, that the UK will remain the largest donor to the World Bank and that the UK will be a 'major donor' to the World Health Organisation (WHO)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 budget⁵. In addition, the Government has already made commitments to large multilaterals including Gavi and the Global Fund, which are very difficult to withdraw from while maintaining the UK's international reputation. Multilateral commitments to the World Bank, EU, Global Fund, Gavi and WHO come to £3 billion, or 30% of the entire aid budget for 2021.

Beyond multilateral commitments, the Government will need to budget for in-donor refugee costs, an international obligation which can be scored as ODA under OECD rules, and administrative costs. All these commitments are summarised in the table below, along with their 2019 values.

TABLE A: COMMITMENTS

	2019 (£m)	2021 (£m)
EU	<u>1,832</u>	<u>1,200</u>
Gavi⁶	<u>200</u>	<u>330</u>
Global Fund⁷	<u>370</u>	<u>440</u>
World Bank (IDA)	<u>891</u>	<u>1,000</u>
WHO core contributions⁸	<u>47.5</u>	<u>47.5</u>
Climate⁹	<u>1,160</u>	<u>2,300</u>
In donor refugee costs	<u>477</u>	<u>400</u>
In donor administration costs	<u>759</u>	<u>500</u>
Total	<u>5,737</u>	<u>6,218</u>
Total ODA	<u>15,200</u>	<u>10,000</u>
Remaining ODA	<u>9,460</u>	<u>3,783</u>

Once this set of commitments are considered, **the Government will have just £3.8 billion remaining to deliver remaining strategic priorities. This represents a fall of 63% from 2019.**

³ Written Statement, Foreign Secretary. <https://questions-statements.parliament.uk/written-statements/detail/2021-01-26/hcws735>

⁴ Letter from the Foreign Secretary regarding the future of the UK aid. December 2020. <https://committees.parliament.uk/publications/3683/documents/38142/default/>

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

⁶ Gavi welcomes UK funding pledge, <https://www.gavi.org/news/media-room/gavi-welcomes-uk-funding-pledge>

⁷ Overview of ODA Cuts, CGD <https://www.cgdev.org/publication/overview-impact-proposed-cuts-uk-aid#ftnref8> (Declared budget for 2021)

⁸ 2019 figure taken from SID multilateral ODA – we have assumed that this will be the same amount in 2021 (although we understand that the government have committed to an increase in WHO spending). <https://www.gov.uk/government/statistics/statistics-on-international-development-finance-uk-aid-spend-2019>

⁹ 2021 estimate based on annualising the 5 year commitment. <https://www.gov.uk/guidance/international-climate-finance>

The Independent Commission for Aid Impact rapid review on the Management of the 0.7% ODA Spending Target showed that 68% of savings in 2020 were found by rescheduling multilateral commitments¹⁰. The cuts in 2020 are estimated to be £2.9 billion. Furthermore, using ICAI's assessment in their rapid review, the savings made in 2020 indicate that £1.9 billion of these were multilateral commitments that were rolled over - these will need to be paid eventually. **If these are paid in full over the course of 2021, the UK Government will have only £1.9 billion to allocate to ODA to its strategic priorities.**

In addition, there are several smaller multilateral organisations that the UK funds. ONE analysis assumes that those commitments will be cut entirely in 2021. These smaller multilateral organisations include the African Development Fund, which received £177 million in 2019. Donations to UN agencies from the UK totalled £350 million in 2019.¹¹ Payments to the UN are particularly pertinent in this context as they are assessed contributions. The Government will have to meet these obligations or risk severely damaging the UK's relationship with the UN by simply choosing not to pay. Thus, if the Government opts to continuing meeting these obligations, it will need to make even deeper cuts to bilateral aid.

ALLOCATING UK ODA TO STRATEGIC PRIORITIES

Given the list of priority spending areas identified by the Foreign Secretary, we assume that the £3.8bn remaining budget will be allocated primarily to those areas. Table B (below) identifies bilateral spending to those sectors in 2019. It is difficult to get an exact read-across between the Foreign Secretary's priorities and sectors as reported by the Government, so we have had to approximate in some areas. These include, assuming all health spending will achieve the Foreign Secretary's goals on COVID-19 and global health security, that all education spending will support girls' education, and that economic infrastructure and services will meet the Foreign Secretary's commitment to trade and economic development. We exclude climate and biodiversity from this table because is it covered under the climate commitment above. We do not include spending on science, research and technology or open societies and conflict resolution as sector information on these areas is not published separately.

TABLE B: GOVERNMENT PRIORITIES¹²

Sector	Bilateral spend in 2019 (£m)
Humanitarian aid	<u>1536</u>
Health	<u>1431</u>
Education	<u>789</u>
Economic infrastructure and services	<u>1195</u>
Total	<u>4,951</u>
Bilateral budget available in 2021 (assuming no rollover of spending from 2020)	<u>3,783</u>
Required cut	<u>24%</u>

¹⁰ Management of the 0.7% Spending Target. ICAI. <https://icai.independent.gov.uk/news-management-of-0-7-spending-target/>

¹¹ Statistics for International Development Final Spend Table A8 <https://www.gov.uk/government/statistics/statistics-on-international-development-final-uk-aid-spend-2019>

¹² The figures below may include bilateral spending through multilaterals such as the EU and Gavi.

Table B shows that **even if the UK Government does not allocate any funding to any other area (including food aid, agriculture, governance, and WASH¹³), the four priority sectors that we have outlined above will have to be cut by almost a quarter in 2021. If the £1.9bn multilateral spending deferred in 2020 is rolled over to 2021, then the cut will be 62% even for priority sectors.**

HOW WILL THE CUTS BE ALLOCATED ACROSS DEPARTMENTS?

We have some more information about how the cuts will be made across departments, as this information has recently been published by the Foreign Secretary:¹⁴

TABLE C: ODA BY GOVERNMENT DEPARTMENT

Department	2019 (£m)	21/22 (£m)	Change	% Change
FCDO ¹⁵	11962	8115	-3847	-32%
BEIS	960	706	-254	-26%
CSSF	659	337	-322	-49%
DCMS	12	6	-6	-50%
DEFRA	87	92	5	6%
DHSC	222	207	-15	-7%
HMRC	13	4	-9	-69%
HMT	80	3	-77	-96%
HO	452	470	18	4%
ONS	0.316	3	2.684	849%
Other	70	42	-28	-40%
Total¹⁶	14517	9985	-4532	-31%

Table C (above) indicates that there may have been attempts to protect Real Aid¹⁷ from cuts, thus meeting the Foreign Secretary's objective to 'get the best impact for the money we spend.'¹⁸ While very limited information has been published, it appears that the BEIS research funds have been cut, given that BEIS has seen an overall decrease in spending of 26% despite commitments to maintaining climate finance. This is welcome news given that these funds do not constitute Real Aid¹⁹. Furthermore, the CSSF, which only scores moderately on Real Aid²⁰, has seen cuts of almost 50%. It is worth noting that in absolute terms, the FCDO has seen the largest cut to its budget. It is also the department with the largest bilateral ODA portfolio and the department that is most focused on LDCs. This further indicates that cuts will dramatically fall on bilateral ODA programmes in the poorest countries.

13 Although some funding to WASH and food aid might be covered by humanitarian assistance

14 Written Statement, Foreign Secretary <https://questions-statements.parliament.uk/written-statements/detail/2021-01-26/hcws735> and 2019 ODA from Statistics on International Development: Final Spend 2019 <https://www.gov.uk/government/statistics/statistics-on-international-development-final-uk-aid-spend-2019>

15 Combined total for DFID, FCO and Prosperity Fund in 2019

16 This figure is different to the reported total UK ODA in 2019 as the government table does not include all ODA spending departments such as devolved governments. Written Statement, Foreign Secretary <https://questions-statements.parliament.uk/written-statements/detail/2021-01-26/hcws735>

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

18 Letter from the Foreign Secretary regarding the future of the UK aid <https://committees.parliament.uk/publications/3683/documents/38142/default/>

19 <https://www.one.org/international/real-aid-index>

20 <https://www.one.org/international/real-aid-index/>

IMPACTS OF THE CUTS IN DEVELOPING COUNTRIES

In the Appendix, we estimate the impact of the ODA cuts in five countries who are either among the largest recipients of UK aid (Ethiopia, Nigeria, and Pakistan), or for whom the UK is one of the top three donors (DRC, South Sudan). It includes scenarios for cuts of both 24% and 63% in the four sectors for which disaggregated results are available: girls' education, nutrition, family planning and humanitarian aid. Of these, family planning is not a priority sector, so the Government can either cut bilateral family planning support entirely, along with others sectors such as WASH, and make cuts of 24% in girls' education and humanitarian spending, or they can cut every sector by 63%. Therefore, our analysis includes both scenarios.

THE INDICATORS USED WERE²¹:

- **Girls education:** Number of girls supported to get a decent education
- **Family planning:** Number of girls and women using modern methods of family planning with UK aid support
- **Humanitarian aid:** Number of people reached with humanitarian assistance (food aid, cash, and voucher transfers) through DFID support
- **Nutrition:** Number of children under 5, women of childbearing age and adolescent girls reached by DFID through nutrition-related interventions

THE MOST SEVERE CUTS OF 63% WOULD MEAN:

- In Nigeria, nearly 9 million women, children and adolescents will no longer receive nutrition support
- In Ethiopia, 1.5 million women and girls will no longer get access to modern methods of family planning
- In Pakistan, 669 thousand girls will no longer get an education
- In South Sudan, 106 thousand people will no longer get humanitarian aid

CONCLUSIONS

The decision to reduce the UK's aid budget from 0.7% to 0.5% of GNI will have severe consequences both in the UK and around the world. To meet this cut, the UK will have to either:

- Renege on existing commitments, including important obligations to multilateral organisations, damaging its global reputation and undermining support for multilateralism, just when there is growing support for multilateralism amongst our key allies, or
- Completely stop all funding to the UN and the African Development Bank, and all bilateral programmes aside from a small number of priority areas such as health, education, and humanitarian spending. This will mean completely stopping programmes in water, agriculture, and governance. However, priority areas will still see cuts of almost 25%.; or
- Completely stop all funding to the UN, African Development Bank, and cut all bilateral programmes by 63%.

²¹ DFID results estimates: 2015 to 2020. August 2020. <https://www.gov.uk/government/publications/dfid-results-estimates-2015-to-2020>

These cuts will be even more severe if the UK wishes to make payments in 2021 that were rolled over from 2020, which we estimate to be £1.9bn.

The proposed cuts will have a drastic impact on the poorest people. Cuts of 63% will mean that in Nigeria, nearly 9 million women, children and adolescents will be at risk of malnutrition. In Ethiopia, 1.5 million women will no longer have access to modern methods of family planning.

APPENDIX: IMPACT OF THE CUTS BY SECTOR AND COUNTRY

The table below shows our projected impacts of the cuts. It assumes that girls' education and humanitarian aid are cut by 24%, as per the scenarios outlined above, and that the family planning and nutrition are cut by 63% as they are not priority sectors.

TABLE D: IMPACT OF THE CUTS IN 5 COUNTRIES (IN THOUSANDS)

Country	Impacts under a 63% cut				Impact under a 24% cut			
	Girls no longer educated	Humanitarian aid	Family planning	Nutrition	Girls no longer educated	Humanitarian aid	Family planning	Nutrition
Ethiopia	<u>366</u>	<u>369</u>	<u>1,502</u>	<u>3,500</u>	<u>137</u>	<u>138</u>	<u>561</u>	<u>1,308</u>
Nigeria	<u>118</u>	<u>146</u>	<u>589</u>	<u>8,951</u>	<u>44</u>	<u>54</u>	<u>220</u>	<u>3,346</u>
Pakistan	<u>669</u>	<u>205</u>	<u>570</u>	<u>700</u>	<u>250</u>	<u>77</u>	<u>213</u>	<u>262</u>
DRC	<u>100</u>	<u>116</u>	<u>96</u>	<u>1,558</u>	<u>37</u>	<u>44</u>	<u>36</u>	<u>582</u>
South Sudan	<u>241</u>	<u>106</u>	<u>15</u>	<u>643</u>	<u>90</u>	<u>40</u>	<u>6</u>	<u>240</u>

*To estimate the impacts, we broadly assume a cut of 63% and 24% (based on the scenarios described above) would be made equally across programmes where aid results (using the UK's 2015 – 2019 aid results which we adjusted to annual figures) were provided for each country²².

22 DFID results estimates: 2015 to 2020. August 2020. <https://www.gov.uk/government/publications/dfid-results-estimates-2015-to-2020>