

2013 Budget & UK aid

The Budget reaffirms the UK's long-standing commitment: international aid will reach 0.7% of national income in 2013. A weak economic outlook means actual aid spending will be below previous plans. UK also pledges action on tax havens in its G8 presidency year.

What the Budget means for UK aid

The Chancellor today confirmed the UK will reach 0.7% of gross national income (GNI) as aid this year, and reaffirmed that this level will be maintained until at least 2015/16.

The Government has been widely congratulated for delivering the long-standing commitment of 0.7% of national income as overseas development assistance (ODA), which enjoys cross-party support.

In his 20 March [Budget statement](#), Chancellor of the Exchequer George Osborne MP said:

We also deliver in this coming year on this nation's long-standing commitment to the world's poorest to spend 0.7% of our national income on international development.

We should all take pride, as I do, in this historic achievement for our country.

In a [statement](#), International Development Secretary, Justine Greening MP, highlighted that the UK "will be the first G8 country to keep our promise to the world's poorest people":

Achieving this pledge is not only the right thing to do, it is a smart investment for Britain too, as a group of our top CEOs has recently made clear. International Development is in our interests not just because it creates new markets, but because it can deliver a more balanced, resilient global economy.

Our ultimate aim is an end to aid dependency through growth and jobs

UK aid will therefore reach £11.2 billion this year. While 0.7% was originally conceived as a minimum commitment to the world's poor, few donors have consistently allocated 0.7% of national income to aid.¹ The Chancellor also stated that aid would continue to be protected in the Spending Round on 26 June until at least 2015/16.

The UK continues to show leadership on development issues among the G8 during its 2013 presidency. The Chancellor also stated that the Government wanted to re-write "the global rules governing the taxation of multinational firms" which date from the 1920s to ensure they are relevant to the modern economy. He said the UK will take a lead on tax avoidance through the G8, the G20 and the OECD, issuing a [new strategy](#) on offshore evasion, highlighting international work on "a global shift towards tax transparency", improved information exchange and additional pressure on "non-cooperative jurisdictions".

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0.7% commitment maintained despite a difficult economic situation

Like other donors, the UK is facing economic pressures amid poor growth prospects, making the continued commitment to 0.7% even more significant.

Global economic risks persist, not least the eurozone crisis that has taken a new turn with current events in Cyprus. Economic forecasts continue to be particularly uncertain. The Office for Budget Responsibility forecasts for economic growth, which set the stage for Budget decisions, were revised downwards from those made at the time of the [Autumn Statement](#) in December. Growth expectations for 2013 were halved to 0.6%.

Faced with economic difficulties, other donors have decided to reduce aid budgets. For example, the Netherlands has already announced that aid is to fall from 0.81% of GNI in 2010 to 0.7% in 2012, and more recent announcements mean that its aid as a share of national income may fall below 0.7% for the first time since 1975. Other countries, such as France and Ireland, have also reduced aid budgets.

But slow growth means UK aid will again be less than previously expected

UK aid will rise substantially, by £2.5 billion this year on 2012 levels, but growth forecasts mean this is 2013's aid spend will be £130 million less than was planned in December.

The Government has established a policy of aligning with fixed levels of aid as a share of national income: to meet, but not exceed the 0.7% target in 2013 and beyond (and similarly for 0.56% in 2012). In his [Budget statement](#), the Chancellor confirmed that UK aid spending would be revised downwards to maintain these shares of lower national income forecasts.

Economic forecasts were also downgraded at the time of December's [Autumn Statement](#), which meant that aid spend in 2013 was revised downwards by £350 million. The updated forecasts since then result in a smaller downward revision, but UK aid will now be some £130 million less than planned.

Projected ODA (OBR GNI forecasts), £bn

Year	ODA/GNI (%)	Dec '12	Mar '13	change
2012	0.56%	8.7	8.6	-0.011
2013	0.7%	11.3	11.2	-0.130
2014	0.7%	11.8	11.6	-0.167
2015	0.7%	12.3	12.1	-0.200

Note: in current prices; assumes ODA/GNI is 0.56% in 2012 then 0.7% thereafter

Source: OBR, Supplementary economic tables (Dec '12/Mar '13), table 1.2

Successive downward growth revisions mean that aid in 2013 is now £800 million (around 7%) less than expected at the time 2010's Comprehensive Spending Review.² This may therefore mean some further revisions to spending plans, but the approach may have greater policy impact in 2014 and beyond, once aid spend is already established at 0.7%, if growth forecasts are further downgraded in future.

NOTES

¹ Denmark, Norway, Luxembourg, Sweden and the Netherlands all had ODA above 0.7% of GNI in both 2010 and 2011.

² HM Treasury, [Comprehensive Spending Review 2010](#), table 2.16 (current prices); OBR, Mar 2013 [forecasts](#) (table 1.2)