

February 2021

Cuts to the UK 2020 aid budget: What IATI data tells us

briefing

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Introduction

On 22 July 2020, the UK's Secretary of State for Foreign, Commonwealth and Development wrote a [letter to the chairs of three Parliamentary committees](#) updating them on how the Government would continue to meet, but not exceed, the 0.7% GNI spending commitment on ODA in light of the economic downturn caused by Covid-19. He confirmed he had chaired a review to identify a £2.9 billion package of reductions, including underspends, delaying activity and stopping some spend.

On 25 November 2020, the Chancellor of the Exchequer announced that at a time of unprecedented crisis, the Government would reduce UK aid spending to 0.5% of GNI in 2021, allocating £10 billion to overseas aid in the spending review. The day after, the Foreign and Development Secretary's statement to Parliament confirmed that the reduction to 0.5% in 2021 was a temporary measure. He set out his priorities for UK aid, which were further elaborated in a letter to the chair of the International Development Committee on 2 December.

On 26 January 2021, the Secretary of State for Foreign, Commonwealth and Development issued a written ministerial statement, setting out ODA allocations for all government departments 2020–2021. These total £9.985 billion, of which £8.115 billion (81%) will be spent directly by FCDO. Coming on top of the reductions already made in 2020, this represents a cumulative cut of around £5 billion or one-third of the UK aid budget over two years compared to 2019.

So far, no details have been made public on where cuts to the aid budget, in line with the contraction of GNI, were made in 2020, or where much deeper cuts will fall in 2021 as the UK aid budget is reduced from 0.7% to 0.5%.

This briefing sheds light on the first of these questions by analysing the data published to the International Aid Transparency Initiative (IATI) by UK's Foreign, Commonwealth and Development Office (FCDO). A subsequent briefing will analyse the breakdown of budgets assigned for 2021 and beyond.

The FCDO was created by the merger of the Foreign and Commonwealth Office (FCO) and the Department for International Development (DFID) in September 2020. However, the 2020 IATI data remains split into transactions related to programmes that were formerly DFID's, and programmes that were formerly the FCO's. For more information on this, see our Methodology.

The IATI data that is now available shows all spend¹ for 2020 from the former DFID and their revised budgets (retrospective and future) for the lifetime of all activities.² This enables us to assess the impact of the first tranche of cuts that took place in 2020, adjusting spend to the reduction in GNI as a result of the Covid-19 pandemic. Our analysis compares:

- 2020 spend with 2019
- 2020 spend against 2020 budgets
- trends in spend on new activities started in 2020 with ongoing activities that were initiated before 2020
- trends in spend by recipient type, poverty focus and sector.

This briefing provides the context for the much deeper cuts that will be made in 2021, as the UK's ODA is reduced from 0.7% to 0.5% of GNI.

Key findings

- In 2020, the former DFID disbursed a total of **£9.3 billion**. This was a reduction of **£1.1 billion** compared with its disbursements for 2019, a drop of 10.3%.
- Recipient countries were disproportionately affected by these cuts. Of new activities started in 2020, only **17%** of spend has gone bilaterally to countries compared to **37%** in 2019.
- The proportion of aid targeted towards the poorest countries remained largely unchanged. However, in terms of volume, least developed countries (LDCs) saw disbursements drop by a total of **£346.5 million**.
- As expected, sector spending saw an increase to health, with **37%** of spend on new activities in 2020 going to the health sector.³
- In addition, **39%** of spend on new activities went to international financial institutions (IFIs) and multilateral agencies.⁴
- Comparing disbursements⁵ with budgets, **£2.1 billion** budgeted for pre-existing activities plus **£134 million** budgeted for new activities was not spent.

Total aid spending during 2019 and 2020

In 2020, the former DFID disbursed a total of £9.3 billion. This is a reduction of £1.1 billion compared with its disbursements for 2019, and a drop of 10.3%.

FCDO disburses about eight tenths of all UK ODA. FCDO programmes formerly run by DFID distribute around 90% (89.1% in 2019) of this aid. This means former DFID programmes are shouldering the vast majority of any proposed cuts. Moreover, they will also experience the majority of future cuts to aid. Despite most economists projecting recovery through 2021 and therefore an increase in GNI, any resulting increase in UK ODA will be outweighed by the cut in commitment from 0.7% to 0.5%.

The latest estimates for 2020 declines in GNI – the metric used to measure the UK’s aid commitment – are lower than projected falls of GDP cited by the Chancellor in his November statement on the Spending Review. Based on Office for National Statistics data for January to September, and applying the Bank of England’s final quarter-estimate for GDP to that for GNI, DI calculates that in 2020 GNI fell an estimated 6.6% from 2019 levels.⁶ This is notably lower than the 11.3% fall in GDP that was forecast by the Office for Budget Responsibility in November, and lower than the 10.3% drop in former DFID disbursements in 2020. Forecasting remains challenging in the current climate as figures continue to be regularly revised.

Recipients

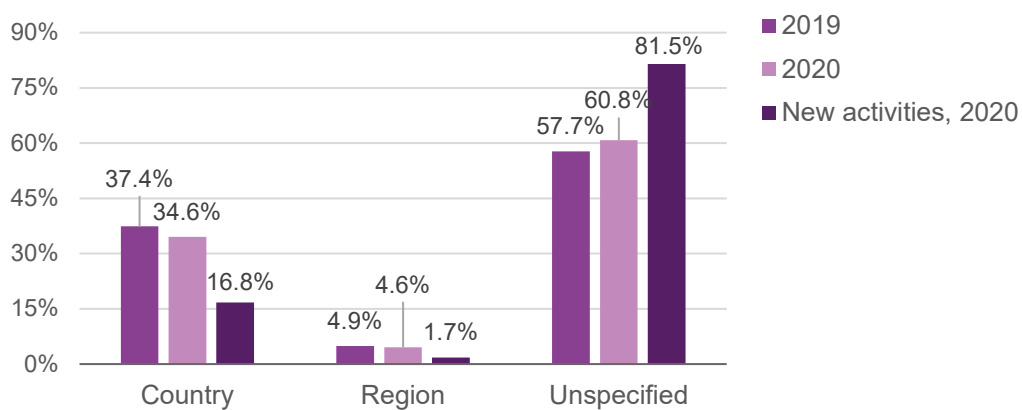
The £1.1 billion of reductions has been unevenly distributed between different recipient groupings – countries, regions and geographically unspecified (which mainly includes disbursements to global institutions).

Recipient type

- Recipient countries have been disproportionately affected by these cuts. Of activities started in 2020, only 17% of spend has gone bilaterally to countries, compared to 37% in 2019. If this trend continues it would appear to confirm a statement on 26 January by Sarah Champion, Chair of International Development Committee, that “Our ambassadors have today been instructed by the Foreign Office to cut 50–70% from the aid budget”.⁷ This would represent about double the cut required to hit the 0.5% target proportionately for country programmes.
- As a proportion of all disbursements, countries have observed a 2.8 percentage point drop between 2019 and 2020, a drop of £664.2 million. Global projects with an unspecified recipient have seen a 3.1 percentage point increase. This is a £328.5 million decrease in volume terms. Table A1 in the Appendix shows 2019 and 2020 spending across recipient groups.

Figure 1: Cuts to new projects (run by former-DFID programmes) budgeted in 2020 have disproportionately hit recipient countries

Proportion of disbursements by recipient type for 2019, 2020 and new activities in 2020.



Source: Development Initiatives based on IATI data.

Note: 'New activities, 2020' refers to activities which were not budgeted for in January 2020 but had disbursements in the calendar year 2020.

Targeting of country spend on poverty

Historically, UK ODA has been well-targeted towards the poorest countries, scoring significantly above the DAC average across a range of metrics. While cuts have disproportionately hit countries overall, analysis of the 2020 data shows few changes to how countries are being targeted.

Income groups

- Country-allocable disbursements, in volume terms, have dropped in 2020 in all income groupings.
- Proportionally, low-income countries have seen an increase of 2.6 percentage points, with small decreases observed in both upper- and lower-middle income countries.

Least developed countries

- Both LDCs and non-LDCs have seen a drop in disbursements in volume terms into 2020.
- LDCs have seen disbursements drop by £346.5 million, but a slight increase in the proportion of ODA they receive, up by 1.8 percentage points.

Poverty

- Countries where between 5% and 20% of the population live in extreme poverty have observed a 2.2 percentage point increase in the proportion of ODA they receive. This is a £51.2 million decrease in volume terms.
- Countries with the highest percentage of their population living in extreme poverty (over 40%) have seen no proportional increase – a drop of £388.6 million in volume terms.

Sectors

Many activities published by FCDO are classified with an 'unspecified' sector. DI has re-coded these to better understand sectoral priorities.⁸ After re-coding large-volume activities, comparison of 2019 disbursements with 2020 disbursements shows, as would be expected, a transition towards health funding.

- 37% of spend on new activities in 2020 went to the health sector.⁹ This is substantially more than the 22% share to health across all 2020 spend.
- 39% of spend on new activities went to IFIs and multilateral agencies.¹⁰ This is 20 percentage points more than the share across all 2020 spend.
- New spend on emergency response was 10% less than overall spend in this sector.

Table A2 in the Appendix shows the top 10 sectors by disbursement volume in 2020, after DI's re-coding.

Table A3 in the Appendix shows 2019 spending on sectors, 2020 spend on all activities and 2020 spend on new activities.

Comparing spend and budget

Activities started prior to 2020

Comparing the budgets for activities as published in January 2020 with the total spend for 2020 (as published to IATI on 3 February 2021) reveals that:

£2.1 billion budgeted for existing activities in the January 2020 budget was not spent.

- Only £4.9 billion of the £7.0 billion budget was disbursed in the calendar year.
- 492 activities disbursed more than was initially budgeted. 1,298 disbursed less than was initially budgeted.
- 86 activities had an underspend of £5 million and over. 18 had an underspend of £20 million and over. The ten activities in 2020 with the largest underspend are detailed in Table A4 of the Appendix.
- This includes an underspend of £274 million (later revised to £250 million) to the European Development Fund. It also includes a revised budget to a CDC Programme of Support in Africa and South Asia, resulting in a disbursement £410m less than the original budget.

Activities started during 2020

Comparing activities started in 2020 with their 2020 budgets (as published to IATI on 3 February 2021) reveals that:

£134 million budgeted for new activities in 2020 was not spent.

- During 2020, 467 new activities were started.
- Their 2020 budgets, as published in February 2021, amounted to £3.026 billion. Of this, £2.891 million was spent.
- 33 activities underspent their budgets by more than £1 million. The ten new activities in 2020 with the largest underspend are detailed in Table A5 of the Appendix.
- This included the activity 'COVID-19 response funding to African Union', which had a budget of £15 million for the last quarter of 2020 that has not been disbursed.¹¹
- 101 activities with assigned 2020 budgets received no spend at all.
- This included the activity 'COVID-19 Therapeutics Accelerator, Wellcome Trust', which had a budget of £26.5 million but no spend.¹²

Methodology

In this briefing we focus exclusively on the programmes and activities previously managed by DFID. Even after the DFID–FCO merger, the data FCDO published to IATI for 2020 remains split into transactions related to programmes that were formerly DFID’s, and programmes that were formerly the FCO’s. FCO data is not yet complete for 2020, with some fourth quarter spend still outstanding.

Programmes that were formerly DFID’s publish their IATI data monthly, which means we now have the ability to compare complete data for 2020 with 2019.¹³

Between 2011 and 2020, DFID published timely and comprehensive data on all its activities, and was consistently ranked among the top ten publishers in Publish What You Fund’s annual Aid Transparency Index. With regard to spend, it was a credible source publishing disaggregated financial transactions. Its revised budgets were disaggregated quarterly which allows for analysis by both calendar and financial year.

Up until July 2019, DFID published commitments (amounts it planned to disburse) for all activities. These were set out in the total planned budget at the outset of each activity and were a useful source of data to understand policy intentions moving forward.

This practice was stopped when the data was refreshed in August 2019, and commitment values are now incomplete and unusable. FCDO also does not publish original, as well as revised, budgets, so it is currently not possible to track activity-level budget cuts with any degree of accuracy.

The data used in this analysis comprises:

- Transaction data downloaded on 3 February 2021 from FCDO
- Snapshots of budget data downloaded from the IATI datastore in January 2020 and February 2021

On 17 March 2021 this briefing was updated to show that new spend on emergency response was 10% less than overall spend in this sector.

Notes

¹ Spend includes all transactions classified in IATI as disbursements, expenditure and purchase of equity.

² Activities refer to project components in DFID's reporting framework.

³ All health-related funding coded by FCDO as 'Unallocated/Unspecified' (e.g. disbursements to WHO, Global Fund and GAVI, the vaccine alliance) have been recoded by DI as health.

⁴ This excludes disbursements to global institutions for specific health, education, climate and emergency purposes, which we have re-coded under those sectors.

⁵ Actual spend in fulfilment of a contract.

⁶ At the time of writing GNI figures had been published by ONS for Q1–3, with Q3 published on 22 December 2020. No Q4 projections for GNI are available (nor for the full 2020 period). The Bank of England's February 2021 Monetary Policy Report provides the most recent Q4 GDP assessment: 8% lower than Q4 2019. We have applied this percentage change to GNI values to estimate Q4 GNI, and using Q1–3 actuals, estimate UK 2020 GNI to be £2059.3 billion.

⁷ Wintour, P, UK diplomats told to cut up to 70% from overseas aid budget , <https://www.theguardian.com/global-development/2021/jan/26/uk-cut-overseas-aid-budget-costs>, The Guardian, 26 January 2021

⁸ All transactions over £500k with Sector code 998 were re-coded where they were clearly targeted on health (121), education (111), humanitarian (770), climate (410) and debt (600).

⁹ All health related funding coded by FCDO as Unallocated/Unspecified (e.g. disbursements to GAVI, WHO and Global Fund) have been recoded as health.

¹⁰ This excludes disbursements to global institutions for specific health, education, climate and emergency purposes which we have re-coded.

¹¹ d-portal, COVID-19 response funding to African Union, <http://d-portal.org/ctrack.html#view=act&aid=GB-1-205242-108> (accessed 5 February 2021)

¹² d-portal, COVID-19 Therapeutics Accelerator, Wellcome Trust, <http://d-portal.org/ctrack.html#view=act&aid=GB-1-204765-110> (accessed 5 February 2021)

¹³ Fourth quarter 2020 spend by what was the FCO is not yet complete, hence this paper's focus on DFID.

Appendix

Table A1: Disbursements by recipient type

| Geographical focus | 2019 spend, all activities (£ million) | 2020 spend, all activities (£ million) | 2020 spend, new activities (£ million) | 2019 spend, all activities (%) | 2020 spend, all activities (%) | 2020 spend, new activities (%) |
|--------------------|--|--|--|--------------------------------|--------------------------------|--------------------------------|
| Countries | 3,891.5 | 3,227.3 | 485.8 | 37.4 | 34.6 | 16.8 |
| Regions | 508.7 | 428.9 | 50.7 | 4.9 | 4.6 | 1.7 |
| Unspecified | 6,009.9 | 5,681.3 | 2,361.4 | 57.7 | 60.8 | 81.5 |
| Total | 10,410.0 | 9,337.6 | 2,897.8 | | | |

Source: Development Initiatives based on IATI data.

Notes: 'New activities' refers to activities which were not budgeted for in January 2020 but had disbursements in the calendar year 2020.

Table A2: Disbursements by sector, FCDO coding and DI recoding

| Sector | 2020 spend (£ million) (FCDO coding) | 2020 rank | 2020 spend (£ million) (DI recoded) | 2020 recoded rank |
|---|---|-----------|--|-------------------|
| Unallocated/unspecified | 3,372.2 | 1 | 1,716.8 | 1 |
| Health (general) | 483.7 | 6 | 1,366.7 | 2 |
| Emergency response | 1,107.6 | 2 | 1,353.2 | 3 |
| Basic health | 648.8 | 3 | 648.8 | 4 |
| Banking and financial services | 543.6 | 4 | 543.6 | 5 |
| Government and civil society (general) | 518.1 | 5 | 518.1 | 6 |
| General environment protection | 137.4 | 14 | 438.4 | 7 |
| Action relating to debt | 150.0 | 12 | 311.5 | 8 |
| Population policies/programmes and reproductive health | 299.2 | 7 | 299.2 | 9 |
| Industry | 295.9 | 8 | 295.9 | 10 |
| Other multi-sector | 251.5 | 9 | 251.5 | 11 |
| Education (level unspecified) | 171.5 | 11 | 235.8 | 12 |

| | | | | |
|--|-------|----|-------|----|
| Other social infrastructure and services | 231.6 | 10 | 231.6 | 13 |
| Basic education | 142.5 | 13 | 142.5 | 14 |

Source: Development Initiatives based on IATI data.

Notes: We have recoded some activities with 'unspecified' sector published by FCDO to better understand sectoral priorities.

Table A3: Disbursements by sector for 2019, 2020 and new activities in 2020

| Sector | 2019 spend on all activities (£ million) | % of total spend | 2020 spend on all activities (£ million) | % of total spend | 2020 spend on new activities (£ million) | % of total spend |
|--|--|------------------|--|------------------|--|------------------|
| Unallocated/unspecified | 2,016.3 | 19.4 | 1,716.8 | 18.4 | 1,115.9 | 38.5 |
| Health (general) | 1,024.0 | 9.8 | 1,366.7 | 14.6 | 732.6 | 25.3 |
| Basic health | 422.0 | 4.1 | 648.8 | 6.9 | 351.8 | 12.1 |
| Action relating to debt | 234.7 | 2.3 | 311.5 | 3.3 | 150.0 | 5.2 |
| Emergency response | 1,878.1 | 18.0 | 1,353.2 | 14.5 | 132.5 | 4.6 |
| Other social infrastructure and services | 180.3 | 1.7 | 231.6 | 2.5 | 115.1 | 4.0 |
| Government and civil society (general) | 735.9 | 7.1 | 518.1 | 5.5 | 68.6 | 2.4 |
| General environment protection | 235.0 | 2.3 | 438.4 | 4.7 | 46.8 | 1.6 |

| | | | | | | |
|--------------------------------|---------|------|-------|-----|------|-----|
| Development food assistance | 88.4 | 0.8 | 65.7 | 0.7 | 36.2 | 1.2 |
| Banking and financial services | 1,106.2 | 10.6 | 543.6 | 5.8 | 31.5 | 1.1 |
| Education (level unspecified) | 317.7 | 3.1 | 235.8 | 2.5 | 25.5 | 0.9 |

Source: Development Initiatives based on IATI data.

Notes: 'New activities' refers to activities which were not budgeted for in January 2020 but had disbursements in the calendar year 2020.

Table A4: Ten activities in 2020 with largest underspend

| IATI identifier | Budget (£ million) (January 2020) | Disbursement (£ million) (2020) | Underspend (£ million) | Title |
|---------------------|--------------------------------------|------------------------------------|---------------------------|--|
| GB-1-203444-107 | 929.9 | 520.0 | 409.9 | CDC 2nd Capital Increase Non ICF |
| GB-1-200236-104 | 274.0 | 0.0 | 274.0 | European Development Fund 19/20 |
| GB-1-203444-108 | 204.1 | 130.0 | 74.1 | CDC 2nd Capital Increase ICF |
| GB-GOV-1-300339-101 | 55.0 | 0.0 | 55.0 | UK Core Support to the Central Emergency Response Fund (CERF), covering 2017-2021 |
| GB-1-205201-105 | 50.0 | 0.0 | 50.0 | Development Policy Loan through the World Bank GCFF to increase economic growth in Jordan\, boosting Syrian refugees and Jordanian host communities |
| GB-1-205201-107 | 50.0 | 0.0 | 50.0 | Development Policy Loan through the World Bank Global Concessional Finance Facility to increase economic growth in Jordan |
| GB-1-205249-104 | 50.9 | 12.9 | 38.0 | Accelerating the Sustainable Control & Elimination of Neglected Tropical Diseases (ASCEND): Lot 1 (Southern Asia and East Africa): Core delivery costs to September 2020\, excluding MDA costs |
| GB-GOV-1-300751-101 | 57.0 | 20.0 | 37.0 | Contributions to World Bank Multi Donor Trust Fund (MDTF) for Global Risk Financing Facility (GRiF) |

| | | | | |
|-----------------|-------|------|------|--|
| GB-1-204766-101 | 123.1 | 87.4 | 35.7 | Project funding to individual implementing organisations which enables a portfolio of projects to continue into a second phase |
| GB-1-205242-104 | 33.8 | 0.0 | 33.8 | Tackling Deadly Diseases in Africa Programme - Emergency Response |

Source: Development Initiatives based on IATI data.

Table A5: Ten new activities in 2020 with largest underspend

| IATI identifier | Budget (£ million) (January 2020) | Disbursement (£ million) (2020) | Underspend (£ million) | Title |
|---------------------|--------------------------------------|------------------------------------|---------------------------|---|
| GB-1-204765-110 | 26.6 | 0.0 | 26.6 | COVID-19 Therapeutics Accelerator, Wellcome Trust |
| GB-1-205242-108 | 20.0 | 5.0 | 15.0 | COVID-19 response funding to African Union |
| GB-GOV-1-300452-119 | 10.0 | 0.0 | 10.0 | IFC LOCAL CURRENCY FUND FISCAL CDEL |
| GB-GOV-1-300683-101 | 16.0 | 8.4 | 7.6 | Cash and food transfers to chronically food insecure households |
| GB-1-202939-124 | 7.9 | 1.6 | 6.3 | CDC Plus - Within Portfolio (Transactional TA) |
| GB-GOV-1-301168-104 | 17.7 | 12.1 | 5.6 | Policy Division support to Hygiene, Handwashing & Behaviour Change Coalition for COVID19 response |
| GB-1-205093-105 | 4.5 | 0.6 | 3.9 | Technical Assistance Facility “ Eastern Neighbourhood and Ukraine |
| GB-1-205238-116 | 12.5 | 9.2 | 3.3 | Financial Sector Deepening Africa (FSDA) Platform Grant Funding |
| GB-GOV-1-300597-101 | 2.7 | 0.0 | 2.7 | NCA - International Corruption Unit |
| GB-GOV-1-300046-106 | 4.4 | 1.8 | 2.6 | The Adventist Development and Relief Agency - Yemen Multisector Humanitarian Response Programme |

Source: Development Initiatives based on IATI data.

Notes: ‘New activities’ refers to activities which were not budgeted for in January 2020 but had disbursements in the calendar year 2020.

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We provide rigorous information to support better decisions, influence policy outcomes, increase accountability and strengthen the use of data to eradicate poverty.

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