

June 2023

# UK aid trends in a challenging global context

briefing

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# Introduction

In this briefing, we set out recent trends in the UK's official development assistance (ODA). The UK is the fifth largest donor and historically has focused its ODA on where it is most needed. However, since 2020 the UK aid budget has been subject to several rounds of cuts, despite global need in low- and middle-income countries increasing due to the Covid-19 pandemic and the fallout from the Russian invasion of Ukraine. The speed and severity of these cuts<sup>1</sup> have damaged relationships with several key partners and impacted the UK's ability to deliver on some of its development objectives, such as promoting food security.<sup>2</sup> The Foreign Commonwealth and Development Office (FCDO) in particular has seen sharp cuts to its bilateral programmes: aside from total UK aid expenditure falling, an increasing amount of it has been absorbed by rising in-donor refugee costs; spent through other departments; or counted as vaccine donations (that many have argued should not be included in ODA<sup>3</sup> at all). Furthermore, aid cuts were disproportionately concentrated in Africa, the region with arguably the greatest need.

In 2022, this trend saw partial reversals. Gross national income (GNI) increased substantially in current terms (by 9.8%,<sup>4</sup> partly due to inflation) leading to an increase in the aid budget. Further to this, Andrew Mitchell – an MP who was prominent in defending the UK's aid budget – was appointed as Minister of State for Development and Africa, and successfully pushed for an additional £2.5 billion in aid<sup>5</sup> to be spent between 2022 and 2023. Consequently, UK ODA increased by 11.8% in current terms.

However, this increase was not enough to keep pace with the increase in in-donor refugee costs resulting from Ukrainians fleeing to the UK following Russia's invasion in 2022. Furthermore, the global context remains challenging. Aside from the impact on in-donor refugee costs, the invasion has also had a significant impact on food security due to the collapse in food exports from both Russia and Ukraine, two of the largest exporters in several important commodities. Additionally, the impacts of the Covid-19 pandemic were still felt in many countries in 2022, the number of countries in debt distress increased, and the impact of climate change became ever more apparent, especially in countries like Pakistan.<sup>6</sup>

What's more, the fallout from the invasion of Ukraine led to a deterioration in the UK's fiscal position, as the government provided households with large energy subsidies to help them cope with the subsequently higher energy prices caused in part by the conflict. This is likely to impact how soon the UK returns to spending 0.7% of its GNI on ODA, which is determined by two fiscal rules agreed by the government in 2021. While last year, fiscal projections from the Office for Budget Responsibility made a return to 0.7% in 2023/4 seem likely, the Treasury is now not expecting this until after 2027/28 at least.<sup>7</sup>

This briefing provides an update on the analysis presented in Development Initiatives' 2022 publication, '[UK aid: Trends in the quality and quantity of UK ODA](#)'. It discusses trends in UK ODA in the context of recent events, evaluating the impact of in-donor refugee costs, situating the UK among other donors, and attempting to provide greater

clarity on where UK aid is actually spent by unbundling the increasing share of ODA that cannot be allocated by region.

### **About the data in this briefing**

This briefing uses data from the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD DAC)<sup>8</sup> which provides complete and verified ODA data, and thus an important and detailed picture of the aid landscape over time. Preliminary top-level data for donor ODA has been made available for 2022 following the OECD DAC April 2022 data release.<sup>9</sup> Fully disaggregated OECD DAC data is, however, published at least a year in arrears, meaning that the latest detailed aid data is available only up to 2021. The OECD DAC data for the UK presented in this paper is in GBP, constant 2021 prices. Where data is compared with other DAC donors, values are shown in USD. This data is supplemented by preliminary data published by the UK government on Statistics on International Development (SID)<sup>10</sup> which includes several additional aggregates not available in the OECD DAC preliminary release.

Where possible, this analysis uses net disbursements which allows for consistent comparisons over the last decade. However, the latest data on UK SID only presents grant-equivalent data from 2018 onwards and therefore analysis from SID generally uses net disbursement up until 2017 and grant equivalent thereafter. The difference is generally small for the UK as it provides very little aid in the form of loans. Where we refer to Foreign, Commonwealth and Development Office (FCDO) data before 2021, this indicates combined data for the Foreign & Commonwealth Office (FCO) and Department for International Development (DFID) prior to their September 2020 merger.

Last year's briefing on UK aid included analysis of the latest data from the International Aid Transparency Initiative (IATI). However, while in previous years FCDO has regularly updated IATI data, allowing for near real-time insight into aid flows from the UK's largest aid-spending department, this has not been the case since December 2022. Consequently, IATI data for FCDO is currently not complete enough to warrant analysis. FCDO have informed us that this is the result of merging data systems previously hosted separately by DFID and FCO.

# Key findings

## The UK remained the fifth largest donor in volume terms in 2022

Multiple countries saw large increases in ODA between 2021–2022, with total DAC ODA increasing by 15% over this period, largely driven by in-donor refugee costs (IDRC). But although the UK has fallen from being the second largest donor in volume terms in 2014 to being the fifth largest in 2022, there is still a clear gap between the top five and the rest of the DAC.

## When in-donor refugee costs are excluded, the UK was the only G7 country to spend less in 2022 than in 2012

Trends in UK aid are out of step with the rest of the G7. The average (unweighted) increase in ODA between 2012–2022 among G7 countries was 74% (when excluding in-donor refugee costs), whereas the UK recorded a decrease of 17%.

## Support for Ukraine meant that FCDO aid to Europe increased sharply

FCDO bilateral aid to Europe increased from £61 million to £296 million between 2021 and 2022 in constant terms, a 381% increase. Consequently, Europe's share of regionally allocable aid increased from 2% to 12%. By contrast, Africa and Asia recorded declines of 23% and 16% respectively.

## UK in-donor refugee costs (IDRC) reached a new peak in 2022, up 234% on 2021 and nearly 600% on 2019

IDRC peaked at £3.5 billion in constant 2021 prices, more than was spent in all the years prior to 2021 combined. While this was partly due to an increase in refugees resulting from the war in the Ukraine, there were pre-existing issues with the costs of hosting asylum-seekers in temporary accommodation that contributed to this increase.

## The UK has by far the highest per capita in-donor refugee costs in Europe, despite comparatively modest costs of living

We estimate that the UK's per capita in-donor refugee costs were *roughly* £19,600 in 2022, around 47% higher than in Ireland which has the next highest IDRC in Europe. France and Italy both have comparable standards of living to those of the UK (as measured by GDP per capita) but each had per capita costs of less than one third of those in the UK.

## Non-region-allocable aid now accounts for nearly half of FCDO bilateral ODA

The percentage of FCDO's bilateral aid which could not be allocated to specific regions increased from 29% in 2012 (DFID and FCO combined) to 45% in 2022. This is a considerably higher increase than the DAC donor average.

The increase in FCDO's non-allocable aid was largely down to increased contributions to British International Investment and the COVID-19 Vaccines Global Access (COVAX) initiative

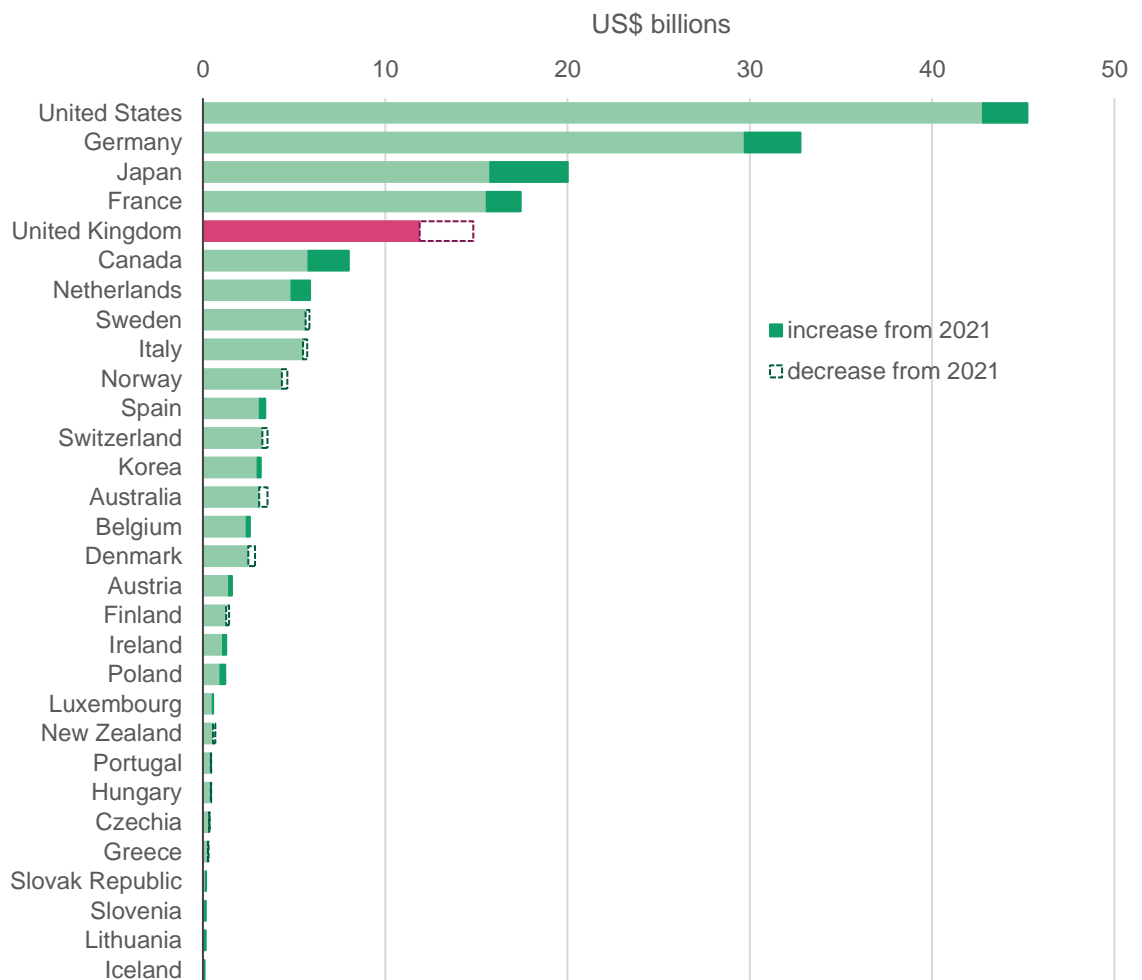
This was driven in part by the way in which contributions to the UK's development finance institution are recorded, which differs from many other countries. Furthermore, the UK significantly increased aid for specific purpose funds during the Covid-19 pandemic (via the donation of vaccines to COVAX, for example).

# Overall trends in UK ODA

## ODA growth among G7 providers from 2012 onwards

The United Kingdom recorded the largest fall in ODA between 2021 and 2022 when in-donor refugee costs are removed.

**Figure 1: Total ODA (net disbursements) by DAC country excluding in-donor refugee costs, US\$ billions constant 2021 prices, change from 2021–2022**



Source: DI analysis of OECD DAC Table 1.

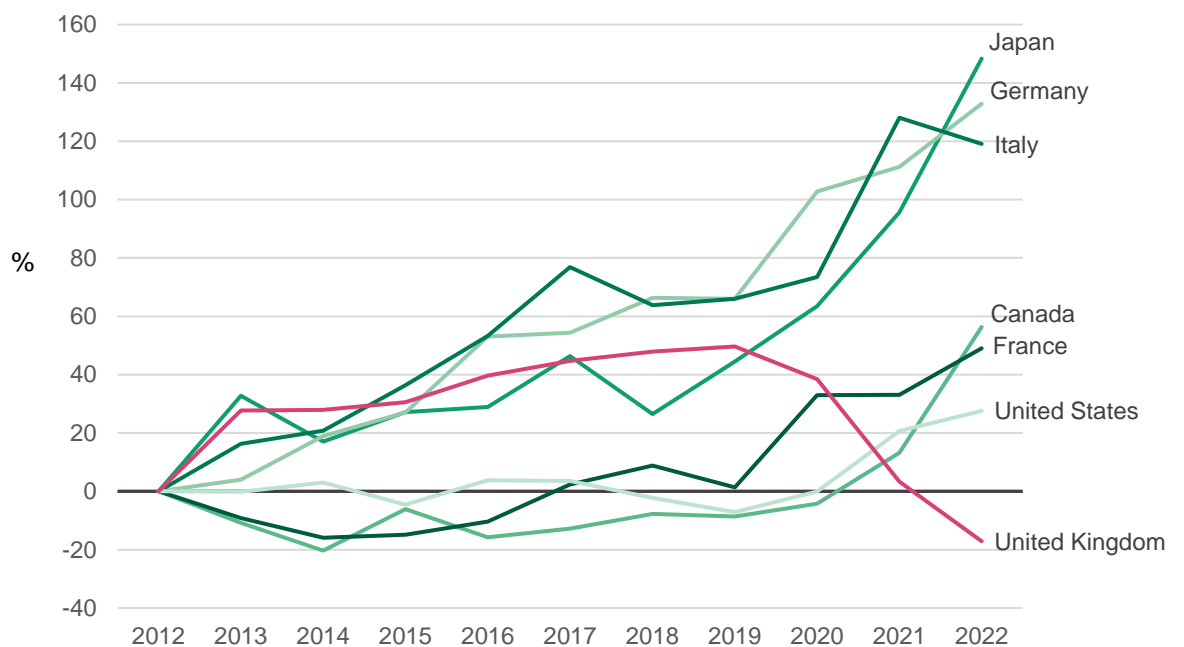
Notes: Data refers to constant US\$ billions, net disbursements.

- Total global ODA increased by US\$28.4 billion (15%) in 2022 and nearly every DAC member recorded an increase (apart from Australia, Greece, Hungary and New Zealand). This was largely due to the provision of humanitarian assistance to Ukraine and the increase in in-donor refugee costs resulting from large numbers of Ukrainians fleeing the war. When aid relating to Ukraine is excluded, global ODA fell by US\$4.9 billion (3%).
- For many countries, in-donor refugee costs dominated aid spending in 2022. Poland, Czechia and Ireland each spent more than half of their ODA on this category in 2022.
- The UK's ODA largely followed the same trend. However, the country recorded the largest absolute increase in in-donor refugee costs in volume terms. It also recorded the greatest fall in ODA out of all the DAC countries (around 20%) when these costs are omitted.

## ODA growth among G7 providers from 2012 onwards

When in-donor refugee costs are excluded, the UK was the only G7 country to spend less on ODA in 2022 than in 2012.

**Figure 2: Percentage change in ODA (net disbursements) excluding in-donor refugee costs, 2012–2022**



Source: DI analysis of OECD DAC Table 1.

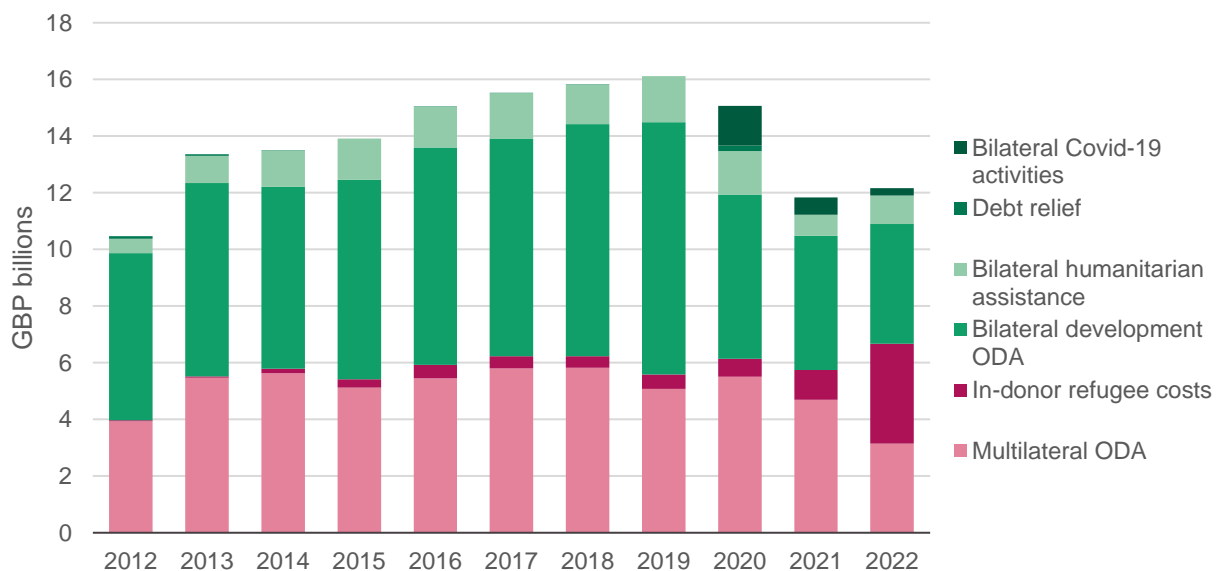
Notes: Data refers to constant US\$ billions, net disbursements.



- In constant 2021 US dollars, aid from the UK increased by 54% between 2012 and 2019, and by 50% when in-donor refugee costs are excluded. However, between 2019 and 2022, UK aid fell by 25% or 45% when in-donor refugee costs are excluded. In 2020, there was a decrease caused by the decline in GNI following actions taken to control the Covid-19 pandemic (the UK chose not to go above the legally mandated target of 0.7% of GNI). In 2021, further cuts were caused by a decision to reduce the target to 0.5%.
- The UK was the only country in the G7 to see a decline in ODA (excluding in-donor refugee costs) in real terms between 2012 and 2022, recording a 17% fall over this period. The US recorded the smallest increase (28%, 45 percentage points higher than the UK's change). Germany, Italy and Japan each recorded increases of over 100% over the same period.
- Consequently, the UK fell from being the second largest donor in 2012 (behind only the US) to the fifth largest in 2022 (having been overtaken by France, Germany and Japan). This is true whether or not in-donor refugee costs are included.

## Breakdown of UK aid from 2012 to 2022

Figure 3: UK aid trends chart, 2012–2022, constant 2021 GBP billions



Source: DI analysis of OECD DAC Table 1 and UK Statistics on International Development.

Notes: Data refers to constant GBP billions, net disbursements.

- UK ODA spending was stable between 2013 and 2020 at 0.7% of GNI, but the UK government voted to temporarily reduce the ODA budget to 0.5% in 2021,

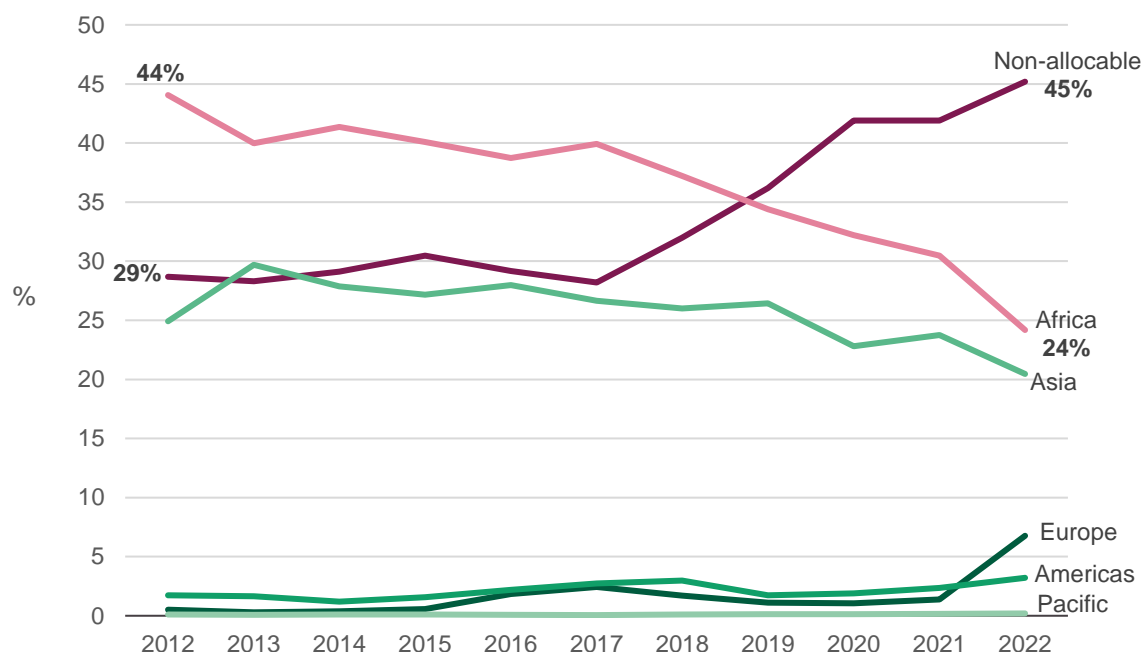
resulting in a substantial fall in ODA between 2020 and 2021. In 2022, the UK increased the amount to 0.51% of GNI, in anticipation of the substantial increase in in-donor refugee costs (which are eligible to be counted as ODA). However, while the increase in both GNI and the share spent on ODA led to an increase of £0.33 billion in total net aid disbursements (in constant 2021 prices), in-donor refugee costs increased by £2.5 billion in 2022, meaning remaining aid fell by £2.1 billion.

- In-donor refugee costs increased more than threefold relative to 2021, when they stood at £1.1 billion, the previous record high. The large increase was partially attributable to the Russian invasion of Ukraine which led to record numbers of refugees in many European countries. But it is also attributable to ongoing issues with providing accommodation for asylum-seekers in the UK. Rough estimates suggest that even if costs for Ukrainian refugees were omitted, in-donor refugee costs could still have amounted to around £1.8 billion (see [Box 1](#)).
- Multilateral aid fell from £4.7 billion in 2021 to £3.1 billion in 2022, its lowest level since 2009 (in constant 2021 prices). This represented a 33% fall, compared to the fall in bilateral aid (excluding IDRC) of 20%.
- As a share of total ODA, multilateral ODA fell to 26%, its lowest share since 2005 when the UK's bilateral aid was boosted by substantial debt relief operations. However, this was largely a result of in-donor refugee costs. Without these, multilateral ODA would represent 36% of total ODA.
- Humanitarian aid increased from £0.7 to £1.0 billion in constant prices between 2021 and 2022. This was partly due to Ukraine, which received £148 million in humanitarian aid from the UK (US\$191 million in current prices). While incomplete, data from the UN's Financial Tracking Service<sup>11</sup> suggests that humanitarian aid to Afghanistan also increased substantially.
- Bilateral aid for Covid-19 activities continued to decline, from £0.6 billion in 2021 to £0.3 billion in 2022.
- Preliminary data for 2022 suggests that the share of total ODA spent through FCDO continued to decline. In 2022, 60% of ODA was spent through FCDO compared with 72% in 2021. However, 2022 was an unusual year given the elevated in-donor refugee costs. When in-donor refugee costs are excluded for both years, FCDO's share increased from 79% to 84% of the total.

## Trends in FCDO bilateral aid by region

FCDO is the UK's primary aid-spending department, and the [preliminary statistics on international development](#) provide more detail on FCDO's spending than the UK as a whole. As in previous years, Africa was the region to receive the highest share of FCDO's region-allocable bilateral aid. However, the gap between Africa and Asia has narrowed substantially. Both are overshadowed by the significant rise in non-allocable aid which now accounts for 45% of FCDO's bilateral aid. Most of this aid reaches recipient countries, but indirectly.

**Figure 4: Trends in bilateral aid by region: percentage of FCDO bilateral aid received by regions each year, GBP billions**



Source: DI analysis of UK Statistics on International Development.

Notes: Data refers to constant 2021 GBP billions, net disbursements until 2017 and grant-equivalent terms thereafter.

- 45% of FCDO's bilateral is not allocable by region. This category includes numerous types of spending, such as contributions to British International Investment (BII – the UK's development finance institution), core contributions to NGOs, and contributions given to multilateral organisations for specific purposes ('multi-bi' aid). While such programmes can be useful, the rise in non-allocable aid (from 29% in 2012 to 45% in 2022) obscures the ultimate beneficiaries of UK aid. We discuss the drivers of this trend [in the section below](#).
- The rise in non-allocable aid is not specific to the UK – the share of DAC bilateral ODA which is non allocable rose from 25% in 2012 to 32% in 2021 – but the FCDO increase has been more extreme.
- As a percentage of FCDO's total bilateral aid, aid to Africa declined from 30% in 2021 to 24% in 2022. This continues the steady decline since 2017 when Africa's share of FCDO's bilateral aid was 40%.
- While 2022 data is not yet available for the UK as a whole, in 2021 Africa received the smallest share of the UK's bilateral aid since the 1970s.
- As a share of region-allocable aid, aid to Africa declined from 52% in 2021 to 44% in 2022. This follows a decline in 2021 from a share of 55% in 2020. The large fall in 2022 is mainly attributable to an increase in aid to Ukraine.

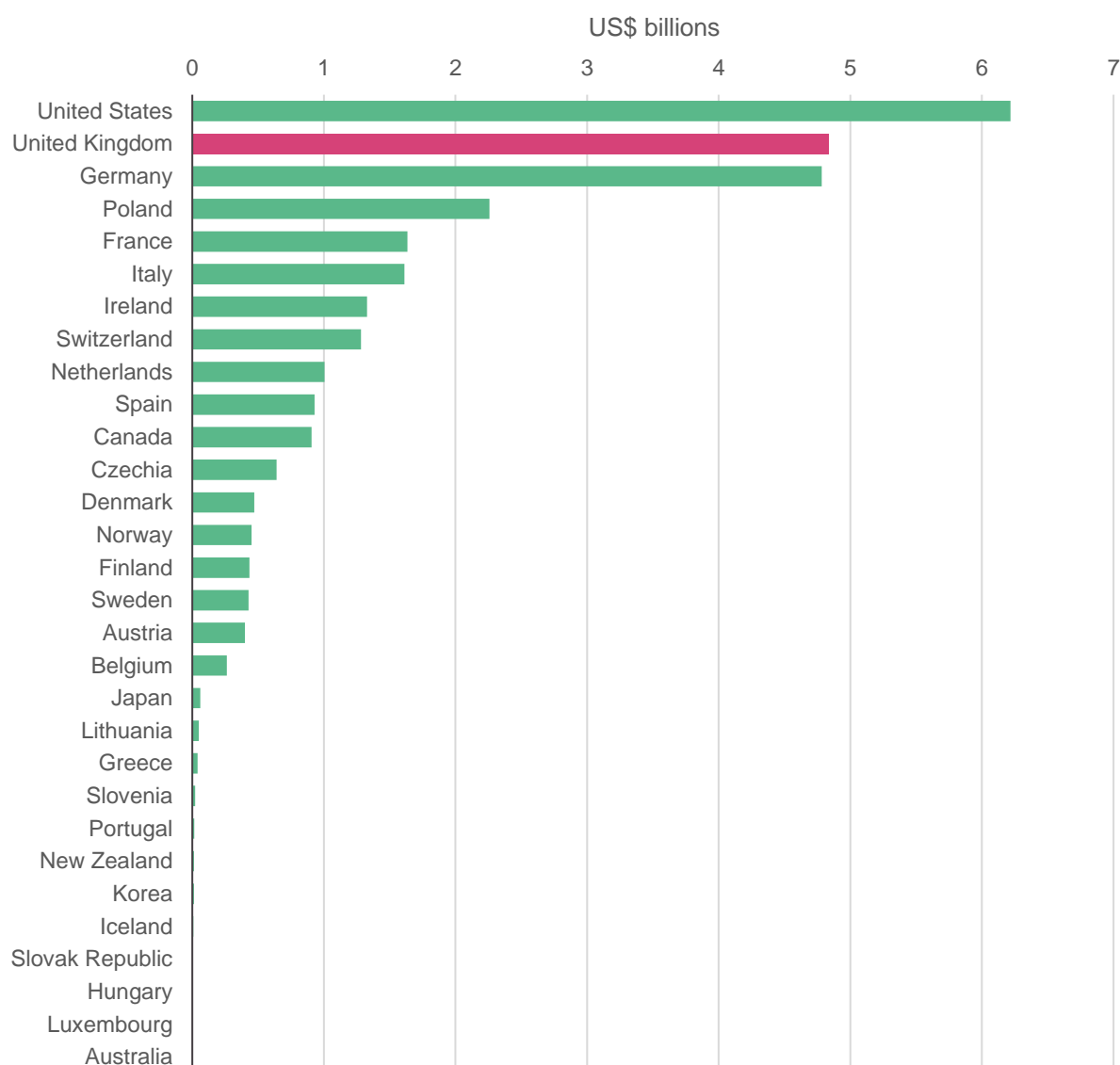
- Europe never accounted for more than 3% of FCDO's bilateral aid, until 2022 when it increased to 7%, from 1% in 2021. Although we do not yet have a country breakdown of bilateral spending in 2022, this is likely accounted for by the increase in aid to Ukraine. Aid to Ukraine in 2022 was estimated to be at £307 million in constant 2021 prices (from the whole of the UK government), which is roughly 50% more than total aid to Europe from the UK in 2021.
- Together, Africa and Asia accounted for 93% of region-allocable aid in 2021, and 81% of aid in 2022. While the sudden fall in 2022 is the result of increased aid to Ukraine, the share of aid accounted for by the two largest regions has declined in recent years, as aid to the Americas has increased, albeit from a low baseline. In 2012, the Americas accounted for 2% of FCDO's regional bilateral aid. By 2021, this had doubled to 4%, and in 2022 it increased to 6% despite the sudden increase in aid to Ukraine.
- The share of regional aid spent in Asia by FCDO has been relatively static. In 2022, Asia received 37% of FCDO's bilateral aid, the same share as in 2010. While it accounted for 41% in 2021, this was still slightly below its peak in 2019, despite the UK's talk of an Indo-Pacific tilt in foreign policy.<sup>12</sup>

## UK's spending on in-donor refugee costs in context

The narrative around aid spending in 2022 was dominated by the reaction to Russia's invasion of Ukraine. This led to large increases in in-donor refugee (IDRC) costs by nearly all DAC countries. For the DAC as a whole, IDRC now accounts for 14% of total ODA. This is a record high: previously, the highest share of DAC ODA that was spent on IDRC was 11% at the height of the 'refugee crisis' in Europe in 2016 following the civil war in Syria.

However, in the case of the UK, this is not the whole story. As we have [documented elsewhere](#), the UK saw sharp increases in IDRC before 2022 owing to the costs of accommodating asylum-seekers in temporary accommodation.

**Figure 5: In-donor refugee costs, US\$ billions, constant 2021 prices**



Source: DI analysis of OECD DAC Table 1.

Notes: Data is in constant 2021 US\$ billions, net disbursements.

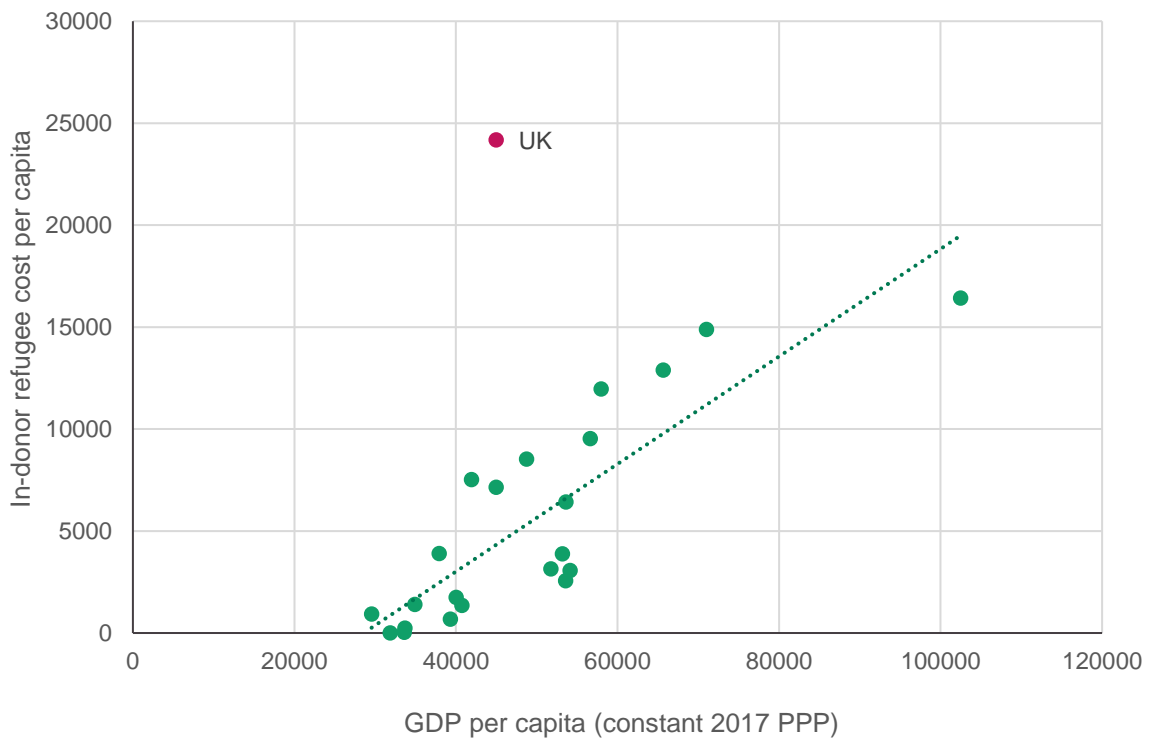
- In absolute terms, the UK spent the second largest amount on in-donor refugee costs out of all DAC members, spending US\$4.84 billion in constant 2021 prices (£3.5 billion in constant 2021 prices). It overtook Germany (which spent US\$4.78 billion) despite Germany having approximately six times more refugees than the UK.<sup>13</sup> The only country to spend more was the US which spent US\$6.22 billion.
- The UK spent 29% of its ODA on IDRC in 2022. This was the fourth largest proportion, behind Ireland (51%), Poland (65%) and Czechia (65%).
- Australia and Luxembourg both choose not to count IDRC in their ODA figures. Several other countries (in particular, the Netherlands and Sweden) are

considering capping the amount of ODA that can spent on this category. This in stark contrast to the UK, where the Development Minister Andrew Mitchell has reiterated several times that all eligible costs would be counted.<sup>14</sup>

- The UK has not always taken this approach. Before 2010, the UK did not record any IDRC despite incurring costs that would have been eligible. Between 2010 and 2012 (when Andrew Mitchell was also Development Minister), the UK counted a very small share of costs. At that time, the UK recorded roughly £780 per person in IDRC, compared to around £20,000 in 2022.

## The UK has the highest per capita in-donor refugee costs in Europe

Figure 6: Estimated IDRC per capita against GDP per capita



Source: DI analysis of OECD DAC Table 1, World Bank Development Indicators, UNCHR population statistics, and UNHCR Ukraine refugee situation data portal statistics past data [hosted by the ONE Campaign](#).

Notes: Estimates of total numbers of refugees by country are a combination of total asylum applications for 2022 (excluding Ukraine) and the number of refugees recorded in each country by UNHCR at the end of 2022. This is an approximation as costs are counted for one year from the date of a refugee's arrival, and so some costs of refugees arriving in 2022 will be counted in 2023. However, UNHCR population statistics are annual.

- While countries record vastly different amounts of IDRC, the population of refugees also differs considerably across countries, and so a more reasonable way of making cross-country comparisons is to examine costs per capita.

However, this is difficult because refugee numbers are not harmonised with ODA figures. For European countries, we estimate the refugee population eligible to receive ODA based on the number of asylum applications within a year added to the number of Ukrainians in said country according to the United Nations High Commissioner for Refugees (UNHCR). For the following analysis on IDRC per capita, it should be borne in mind that this is only an approximation.

- The UK had the highest per capita IDRC among European countries, spending roughly US\$24,000 per refugee/asylum seeker. This is 47% higher than Ireland which spends the second largest amount per refugee (US\$16,000 per capita).
- Per capita costs across countries are closely correlated with average costs of living in those countries. In countries with a higher cost of living, providing the same bundle of services to refugees is more expensive than in countries with lower costs of living, and so per capita IDRC will generally be higher. We approximate cost of living by country with GDP per capita. The correlation between GDP per capita and estimated IDRC per capita is 0.85 (when excluding the UK which is a clear outlier).
- At US\$45,000, the UK's GDP per capita is roughly equal to the median of European DAC members. The UK's per capita IDRC far exceeds those of other countries with a similar GDP per capita. For example, France also has a GDP per capita of US\$45,000, but has per capita IDRC of around US\$7,000, less than a third of that in the UK.
- As explored in [this blog by Development Initiatives](#), UK costs have spiralled because of the cost of hosting asylum seekers in temporary accommodation – primarily commercial hotels. This began as a public health measure during the Covid-19 pandemic when there were restrictions on being in public. But the use of hotels has persisted despite concerns from refugee-focused NGOs.
- Given the asylum application numbers published by the Home Office, it is likely that if it were not for the increase in Ukrainian refugees, IDRC in the UK would reach £1.8 billion in 2022 if per capita costs remained the same as in 2021. This suggests that only half of the UK's IDRC relates to the Ukraine invasion, and that even if the UK had received no Ukrainian refugees, it would still have the third highest IDRC in absolute terms, ahead of Poland which has taken in around 1.6 million Ukrainian refugees.

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### Box 1: Per capita in-donor refugee costs

Along with other DAC countries, the UK sharply increased the amount of aid spent on in-donor refugee costs in 2022. However, whereas for most countries this is largely a result of the inflow of Ukrainian refugees following the Russian invasion, in the case of the UK this is only part of the story, and in-donor refugee costs were already on an upward trend.

Splitting out the impact of Ukraine versus other factors is difficult. However, a rough approximation can be obtained by looking at an estimate of the per capita

costs of hosting refugees in 2021 and comparing this to the number of asylum applications and resettlement figures in 2022, excluding those from Ukraine.

Refugee/asylum-application statistics produced by the Home Office are quarterly, and we combine asylum applications and resettlement numbers. Because costs are eligible to be counted for one year from when the refugees arrive, we assume that all arrive at the beginning of each quarter and attribute costs across years proportionally, i.e. for refugee arriving in the second quarter of 2021, we assume half the costs will be incurred in 2021 and half in 2022. This provides a rough estimate of the number of refugees to which the costs apply.

From these calculations, we estimate that the total number of refugees/asylum seekers in the UK was 52,300 in 2021 and 91,800 in 2022, excluding Ukrainians (and adjusted for quarter of arrival). Assuming the same per capita costs in both years (possibly an underestimate given the upward trend in recent years) would put in-donor refugee costs at £1.8 billion in 2022 before Ukrainian refugees are taken into account. This estimate is highly uncertain, but would mean that in contrast to other countries, only around half of UK in-donor refugee costs in 2022 can be accounted for by Ukraine.

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## Unpacking ‘non-allocable’ aid

By far the largest increase in UK bilateral ODA over the past decade has been in aid that cannot be allocated by region. This accounted for 52%<sup>15</sup> in 2021, up from 47% in 2020. Data for the UK as a whole is not yet available for 2022, but for FCDO specifically, the share of non-allocable aid increased from 42% in 2021 to 45% in 2022. Since 2012, it has increased from 29%. This section unpacks what this means for FCDO’s aid budget and attempts to assess the implications for poverty targeting, focusing on 2021, for which year there is complete data.

### Overall composition in 2021

In 2021, FCDO spent around £1.9 billion on bilateral aid for which no region could be specified. Figure 7 breaks this down into various components.



**Figure 7: Breakdown of FCDO's bilateral aid in 2021 that could not be allocated by region**



Source: DI analysis of OECD CRS data.

Notes: Data is in constant 2021 GBP million, net disbursements, and has been filtered for projects that have the recipient listed as 'bilateral, unspecified'. Covid-19 response includes aid to COVAX, and that marked with purpose code 12264. PIDG stands for Private Infrastructure Development Group. GPE is the Global Partnership for Education. Non-transfer aid includes administrative costs not elsewhere classified, promotion of development awareness, in-donor scholarships, imputed student costs, in-donor refugee costs and debt relief.

### British International Investment (23%)

- By far the largest is FCDO's capital contribution to the British International Investment (BII), which was worth £447 million 2021, and accounts for 23% of total non-allocable bilateral aid from FCDO in 2021.
- Furthermore, BII is primarily responsible for the increase between 2012 and 2021. This is partly a matter of reporting: the UK used to report individual transactions between BII and recipients as ODA, but in 2017 began to count capital contributions into BII instead. As a result, aid through BII was reported at a much more aggregate level.
- BII's portfolio was heavily skewed towards Africa with the continent accounting for 57% of BII's assets.<sup>16</sup> Asia (primarily India) accounts for another 38% (and South Asia specifically, 34%).

### Non-transfer (18%)

- Another £340 million of FCDO's bilateral, non-allocable aid in 2021 was accounted for by 'non-transfer' ODA, that which does not cross a border. The majority of this is accounted for by administrative costs (£306 million). Administrative costs with no region specified have risen from 5% of FCDO's bilateral ODA in 2012 to 7% in 2021.

- Total administrative costs for FCDO are considerably higher and have risen substantially in the last decade, but much of this relates to FCDO country offices and so is attributable to specific countries. This is explored more in [Box 2](#).
- Most of the remainder was accounted for by scholarships which amounted to £31 million.

#### Contributions to specific purpose funds (13%, of which 2% GPE)

- These are funds established for specific purposes that tend to be managed by international organisations and operate alongside their core activities. The largest such example in the case of the UK is core contributions to the Global Partnership for Education (GPE), which accounted for £44 million in 2021, or 2% of total non-allocable aid (shown separately in [Figure 7](#)). Around half of the remainder of this category is channelled through trust funds managed by the International Bank of Reconstruction and Development, UN Population Fund and UNICEF.

#### Covid response (6%)

- A further £119 million (6%) was accounted for by aid responding to the Covid-19 pandemic that could not be directly attributed to individual countries/regions. Of this, the majority (£106 million) was accounted for by donations of vaccines to COVAX – the multilateral facility for distributing Covid vaccines to low- and middle-income countries. The majority of these were donated from the UK's excess supply and provoked controversy as such vaccines were not originally purchased for developmental purposes.<sup>17</sup>
- The remainder was primarily funding for a coalition between Unilever, academics and international NGOs to try and bring about behavioural changes to end the pandemic.

#### Core contributions to NGOs (3%)

- Another £67 million is accounted for by core contributions to individual NGOs. Of this, £38 million is for NGOs based in the UK, and £14 million for those based in so-called developing countries. Some advocates have called for greater funding for NGOs in developing countries.<sup>18</sup>

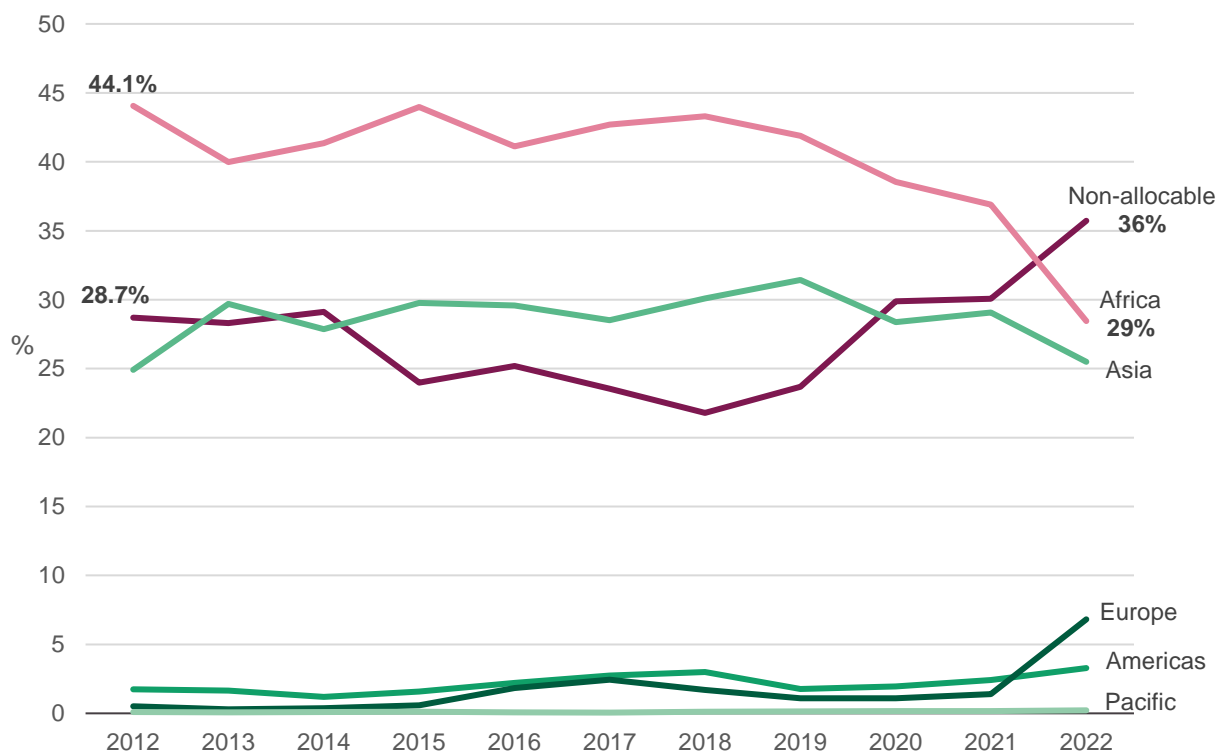
## Implications for regional focus

While a significant portion of non-allocable aid consists of small projects for which the ultimate beneficiaries are not readily identifiable, it is nevertheless possible to estimate the impact that some of the above aid has on changes to the regional distribution of FCDO's aid. This section examines the regional breakdown of the above categories where possible and amends the trend in FCDO's regional aid accordingly. For example, BII primarily invests in Africa, with 57% of their portfolio in the continent, and therefore the same percentage of contributions to BII is attributed to Africa for FCDO's regional distribution. This is similar to the 'imputed multilateral share' calculation<sup>19</sup> by the OECD.

For contributions to BII in 2022, we take the amount disbursed in 2022 currently reported to the International Aid Transparency Initiative. This matches the budget reported at the beginning of 2022 but may be updated at a later date.

Similarly, a significant driver of the increase in non-allocable aid is down to contributions to the Coalition for Epidemic Preparedness for the development of vaccines and to COVAX for the distribution of those vaccines. We allocate this spending according to the percentage of total vaccines received by each region. For example, Africa received 32% of vaccines distributed by COVAX, so we allocate 32% of contributions to CEPI and COVAX to Africa.

**Figure 8: Trends in bilateral aid by region: percentage of FCDO bilateral aid received by each region by year but adjusted for spending through BII and on COVID vaccines**



Source: DI analysis of UK Statistics on International Development, OECD CRS, British International Investment Key Data, COVAX facility interim distribution forecast.

Notes: Data refers to constant 2021 GBP billions, net disbursements until 2017 and grant-equivalent terms thereafter. Contributions to British International Investment have been allocated to regions according to the regional breakdown of its portfolio. Contributions to COVAX and CEPI have been allocated to regions according to the regional distribution of vaccines (excluding countries that received vaccines from COVAX but self-financed). The reason this distribution was used for CEPI as well as COVAX is that the primary purpose of the UK's contributions to CEPI was to develop Covid vaccines.

When these adjustments are made, the general trend towards spending more bilateral aid through programmes that cannot be allocated by region remains. However, the difference is a lot less significant. Whereas the raw data suggests that the amount of non-allocable bilateral aid from FCDO increased from 29% of the budget in 2012 to 45% in 2022, when these adjustments are made the increase is only from 29% to 36%.

Conversely, because BII accounts for a large share of non-allocable aid – and the majority of its portfolio is in Africa – the continent’s share decreased slightly less sharply in the last decade. In the raw data, Africa’s share declined from 44% in 2012 to 30% in 2021, the year before the surge in spending for Ukraine. However, when adjusted for the allocation of both vaccine donations and BII, it only fell to 37%.

This is a very partial analysis of FCDO’s non-allocable aid. But it highlights that reporting changes can have a significant impact on analyses of overall trends. In particular, the steeper rise in the FCDO’s non-allocable aid relative to other donors is partly a function of the way in which it measures contributions to its development finance institution, BII. This is significant as the majority of countries measure such contributions by the ‘instrument’ method (transactions between development finance institutions and firms in recipient countries) and so are more likely to have country information listed.

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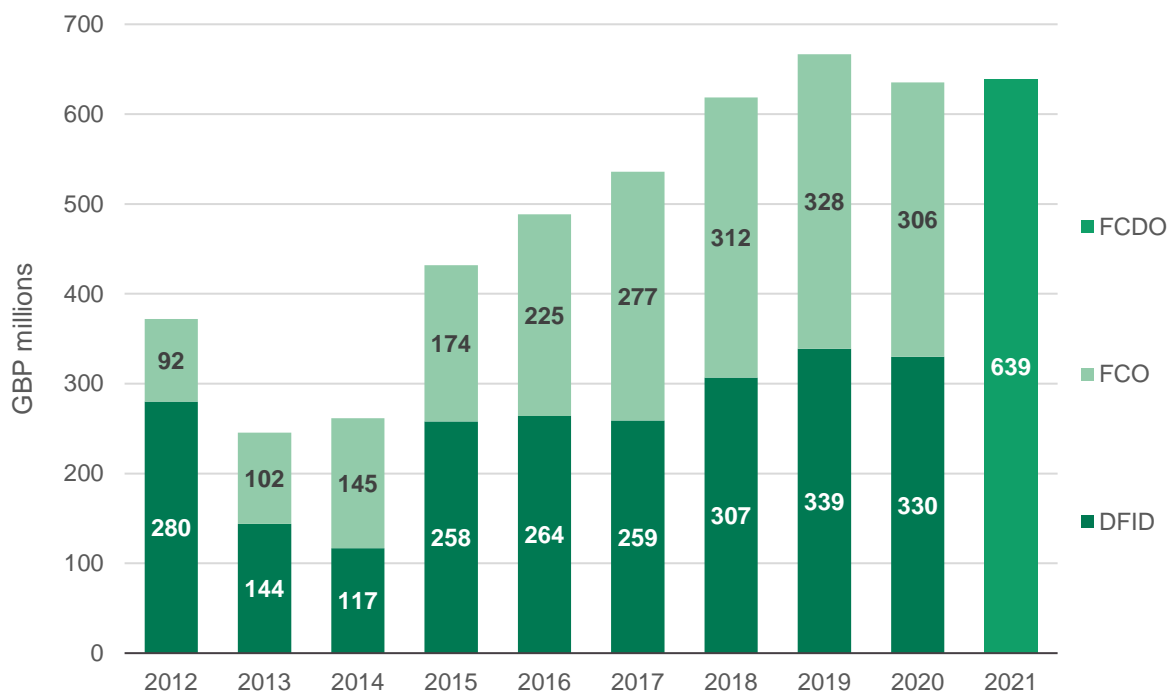
### **Box 2: FCO administrative costs**

FCDO has recorded a dramatic increase in administrative costs. Between 2012 and 2021, the amount that FCDO spent on this category increased from £312 million to £639 million, an increase from 6% to 14% of FCDO’s bilateral ODA spend. This is largely attributable to an increase in administrative spending from what was the Foreign Commonwealth Office (FCO). Whereas between 2012 and 2020 (the last year before the merger), DFID increased its spending on administrative costs by 18% in real terms, FCO increased it by 233% – more than threefold. In 2020, more than half of FCO’s ODA was spend on administrative costs (54%), up from 29% in 2012.

However, a large part of this is attributable to individual countries and therefore does not contribute to the increase in non-allocable aid. These costs arise from estimates of ODA-eligible activities carried out by diplomatic staff in specific countries.

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**Figure 9: Increase in administrative costs not elsewhere classified from FCDO (previously FCO and DFID) between 2012 and 2021, constant 2021 GBP millions**



Source: DI analysis of OECD CRS data and OECD DAC Table 1.

Notes: Data refers to constant 2021 GBP millions, net disbursements, filtered for cooperation modality "administrative costs not elsewhere classified" (CRS variable aid\_t equal to G01).

This increase is far higher than any other country in the DAC. Whereas on average, the amount the DAC spend on administrative costs fell from 5.5% in 2012 to 5.3% in 2021, for the UK as a whole it increased from 3.8% to 6.2% over the same period, with much of the increase coming from FCO.

# Conclusion

The UK remains one of the largest ODA donors in volume terms but is increasingly spending its aid budget on itself. The increase in in-donor refugee costs dwarfed the increase in the overall aid budget between 2021 and 2022, and in per capita terms, the UK is an outlier among other European countries, with costs far higher than the UK's cost of living would suggest. Providing assistance for refugees is important but should not come at the expense of assistance for those in need elsewhere. Furthermore, the UK has seen the largest increase in the share of administrative costs in its overall budget over the past 10 years. This has exacerbated the sharp cuts to the UK aid budget that were made over the past two years.

# Notes

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<sup>1</sup>NAO (2022) 'Managing reductions in Official Development Assistance spending' <https://www.nao.org.uk/wp-content/uploads/2022/03/Managing-reductions-in-Official-Development-Assistance-spending-Summary.pdf>

<sup>2</sup> Development Initiatives (2023) 'FCDO's aid spending for nutrition: 2021' <https://devinit.org/resources/fcdos-aid-spending-for-nutrition-2021/>

<sup>3</sup> Development Initiatives (2023), 'Counting excess vaccine donations as ODA inflated aid in 2021: Here's why they still shouldn't count' <https://devinit.org/blog/counting-excess-vaccine-donations-oda-inflated-aid-2021/>

<sup>4</sup> This is based on Office for National Statistics data, which gives GNI as £2,282,111 million in 2021. In the provisional UK Statistics on International Development (SID), GNI for 2021 is listed as £2,073,880 million, but this appears to be a mistake, as in the previous version of SID this was given as the figure for 2020.

<sup>5</sup> Devex (2022) 'Autumn budget: UK to spend an extra £2.5B to help refugee costs' <https://www.devex.com/news/autumn-budget-uk-to-spend-an-extra-2-5b-to-help-refugee-costs-104478>

<sup>6</sup> Development Initiatives (2022) 'Filling the gap: Addressing climate-driven crises in Pakistan' <https://devinit.org/resources/filling-the-gap-addressing-climate-driven-crisis-pakistan/>

<sup>7</sup> UK Parliament Research Briefing (2022) 'The 0.7% aid target' <https://commonslibrary.parliament.uk/research-briefings/sn03714/>

<sup>8</sup> OECD CRS bulk download: <https://stats.oecd.org/DownloadFiles.aspx?DatasetCode=CRS1> and OECD DAC table 1: <https://stats.oecd.org/Index.aspx?DataSetCode=Table1>

<sup>9</sup> OECD (2023) 'ODA Levels in 2022 – preliminary data Detailed summary note' <https://www.oecd.org/dac/financing-sustainable-development/ODA-2022-summary.pdf>

<sup>10</sup> UK Statistics on International Development: <https://www.gov.uk/government/collections/statistics-on-international-development#statistics-on-international-development-aid-spend-2021>

<sup>11</sup> UN OCHA Financial Tracking Service: <https://fts.unocha.org/>

<sup>12</sup> UK Government 2021, 'Global Britain in a competitive age' [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/975077/Global\\_Britain\\_in\\_a\\_Competitive\\_Age\\_the\\_Integrated\\_Review\\_of\\_Security\\_Defence\\_Development\\_and\\_Foreign\\_Policy.pdf#page=68](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/975077/Global_Britain_in_a_Competitive_Age_the_Integrated_Review_of_Security_Defence_Development_and_Foreign_Policy.pdf#page=68)

<sup>13</sup> This figure is a combination of UNHCR population statistics and the UNHCR Ukraine situation page

<sup>14</sup> UK House of Commons International Development Committee (2022), 'Oral evidence: Future of UK aid, HC 148' <https://committees.parliament.uk/oralevidence/11988/pdf/>

<sup>15</sup> This is taken from UK SID. Calculated from CRS data, this figure is 53%.

<sup>16</sup> British International Investment Key data (accessed 26 June 2023) <https://www.bii.co.uk/en/our-impact/key-data/>

<sup>17</sup> See endnote 3.

<sup>18</sup> See for example CONCORD Aid Watch Report 2022 <https://aidwatch.concordeurope.org/2022-report/>

<sup>19</sup> 'OECD methodology for calculating imputed multilateral ODA': <https://www.oecd.org/dac/financing-sustainable-development/development-finance-standards/oecdmethodologyforcalculatingimputedmultilateraloda.htm>

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#### **Contact**

Euan Ritchie  
Senior Development Finance Policy Advisor  
[euau.ritchie@devinit.org](mailto:euau.ritchie@devinit.org)

To find out more about our work visit:

[www.devinit.org](http://www.devinit.org)

Twitter: @devinitorg

Email: [info@devinit.org](mailto:info@devinit.org)

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#### **GLOBAL HUB**

Development Initiatives  
First Floor Centre, The Quorum  
Bond Street South, Bristol  
BS1 3AE, UK  
+44 (0) 1179 272 505

#### **EAST AFRICA HUB**

Development Initiatives  
Shelter Afrique Building  
4th Floor, Mamlaka Road  
Nairobi, Kenya  
PO Box 102802-00101  
+254 (0) 20 272 5346

#### **AMERICAS HUB**

Development Initiatives  
1100 13th Street, NW, Suite 800,  
Washington DC 20005, US