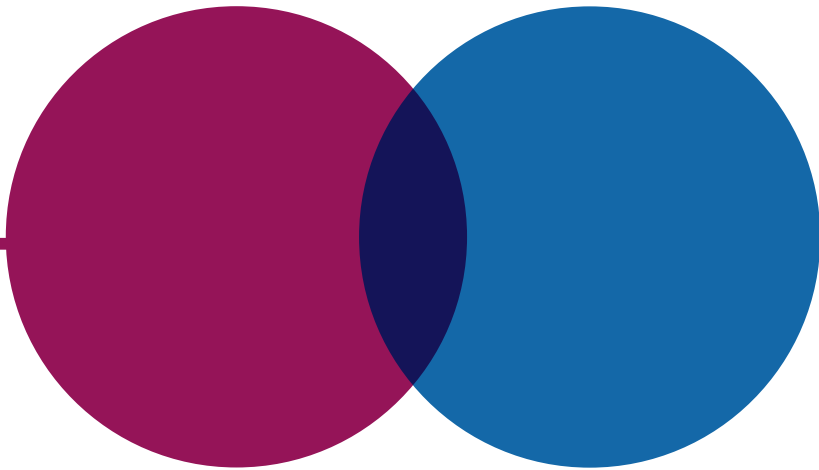




National Audit Office




Managing reductions in Official Development Assistance spending

Foreign, Commonwealth & Development Office

REPORT

**by the Comptroller
and Auditor General**

**SESSION 2021-22
31 MARCH 2022
HC 1146**



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National Audit Office

Managing reductions in Official Development Assistance spending

Foreign, Commonwealth & Development Office

Report by the Comptroller and Auditor General

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Gareth Davies
Comptroller and Auditor General
National Audit Office

23 March 2022

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Key facts

£14.5bn

the UK's Official Development Assistance (ODA) expenditure in 2020, as reported in the Statistics on International Development (September 2021)

£10.3bn

ODA budget for 2021-22 allocated in the 2020 Spending Review, following reduction from 0.70% to 0.50% of the UK's Gross National Income (GNI)

15

of the 44 Foreign, Commonwealth & Development Office (FCDO) country and regional offices with spending in 2020-21 which had their ODA budgets reduced by more than 50% (2021-22 budget compared with 2020-21 spending)

53%

reduction in FCDO's ODA budget at the time of the Spending Review 2020 for bilateral programmes in 2021-22 compared with actual spending in 2020

£1.66 billion

UK's ODA expenditure in 2020 on the global COVID-19 response, including setting up and supporting COVAX, a mechanism for delivering vaccines to 92 of the world's poorest countries

2024-25

financial year the Office for Budgetary Responsibility (based on its October 2021 forecast) expects the fiscal conditions set by government for a return to the 0.70% ODA target to be met

Summary

1 Since 1970, the United Nations has endorsed a target for developed countries to spend 0.70% of their Gross National Income (GNI) on overseas aid spending, known as Official Development Assistance (ODA). The UK met this target each year between 2013 and 2020 and is one of only 14 countries to have ever met the target. Five other countries met the target in 2020.¹ The UK made meeting the target a legal requirement in 2015. The UK looks to meet but not exceed the target. For example, between 2013 and 2020 it aimed to spend exactly 0.70% of GNI on ODA.²

2 In September 2020, the Foreign & Commonwealth Office and the Department for International Development merged to become the Foreign, Commonwealth and Development Office (FCDO). The merger is intended to unite development and diplomacy in one new department and enable the Foreign Secretary to make decisions on aid spending in line with the UK's priorities overseas. When announcing the merger in June 2020, the government reiterated its commitment to meeting the legal target for ODA spending at 0.70% of GNI. However, in the November 2020 Spending Review, the government announced that it would spend only 0.50% of GNI on ODA in 2021, because of the continuing economic impacts of the COVID-19 pandemic and its assessment of the impact of this on public finances. It also set out, at that time, that it intended to return to the previous target of 0.70% "when the fiscal situation allows". The reduction in the target, along with changes in GNI, meant that the government set the 2021-22 ODA budget at £10.3 billion, an actual reduction of 29% compared with expenditure in the calendar year 2020.^{3,4}

3 In December 2020, the then Foreign Secretary set out a new strategic framework for ODA to focus aid spending on the UK's strategic priorities through:

- the introduction of seven new strategic priorities for UK aid spending, to prioritise the areas where UK spending can "make the most difference"; and
- focusing aid spending only on countries where "the UK's development, security and economic interests align, such as east Africa and the Indo-Pacific region".

¹ The countries which met the 0.70% target in 2020 are Denmark, Germany, Luxembourg, Norway, Sweden and the UK.

² This figure is calculated to two decimal places.

³ The government sets departmental budgets on a financial year basis. The ODA spending target is set for a calendar year by combining budgets from two financial years. The government monitors progress towards the target on this calendar year basis.

⁴ The figure of £10.3 billion is made up of the 2021-22 financial year departmental ODA allocation of £10 billion (which excludes non-departmental ODA spending such as Gift Aid and the BBC World Service) set out in the published Spending Review 2020, and non-departmental ODA of £300 million. Allocations made as part of a Spending Review are adjusted over time to take account of the latest fiscal forecasts, and forecasts are subject to change due to various factors.

4 Since 2015 we have published three reports on ODA spending, all in the context of increasing budgets.⁵ We identified risks to value for money from the management of increasing ODA expenditure, including the risk that departments felt incentivised to propose spending without challenging its value for money as rigorously as for other spending, and without making sure they had sufficient programmes to match the increased spending. We also identified risks around year-end spending to meet the target, accuracy of forecasting and the government's ability to assess performance across its ODA portfolio.

Scope of this report

5 In this report we examine the government's management of the reduction in ODA expenditure and the extent to which the government has considered how to protect value for money in implementing this reduction. The majority of ODA is spent through FCDO, but other government bodies also have responsibility for ODA spending. We do not review the basis of the government's decisions to reduce the overall ODA budget or to reduce the ODA spending target from 0.70% to 0.50% of GNI. Instead, we examine the way these decisions were implemented and their initial impact. In particular, we examine FCDO, HM Treasury and other government departments with responsibility for ODA spending, and assess:

- the strategy and decision-making process for reducing ODA spending in 2021;
- the approach to implementing the reductions in ODA spending; and
- the understanding of the impact of reductions in ODA spending and consideration of future challenges.

6 We do not look in detail at the performance of individual projects or organisations but focus on whether FCDO and other departments have mechanisms to understand performance and the impact of the spending reductions overall. Full details of our scope and audit approach are set out in Appendices One and Two. Appendix Three sets out information on our case studies at five of FCDO's country and regional offices.

⁵ Comptroller and Auditor General, *Managing the Official Development Assistance target*, Session 2014-2015, HC 950, National Audit Office, January 2015; Comptroller and Auditor General, *Managing the Official Development Assistance target – a report on progress*, Session 2017-2019, HC 243, National Audit Office, June 2017; Comptroller and Auditor General, *The effectiveness of Official Development Assistance expenditure*, Session 2017-2019, HC 2218, National Audit Office, June 2019.

Key findings

Reducing ODA spending for 2021-22

7 In the 2020 Spending Review, the government announced a reduced target for spending on overseas aid, from 0.70% to 0.50% of UK Gross National Income.

The UK first met the target of spending 0.70% of Gross National Income (GNI) on ODA in 2013. It continued to meet it each year until 2020, with small increases in spending each year reflecting movement in GNI. GNI was forecast to reduce in 2020 due to the impact of COVID-19, although this reduction (and the resulting change in the ODA budget) was lower than initially forecast. In 2015, the UK government passed legislation to make meeting the target of 0.70% a legal requirement.⁶ In 2020, the government spent £1.66 billion – some 11% of its total ODA spending – on interventions in response to COVID-19, reducing the budget available for other activities. In the 2020 Spending Review, the government announced a reduction in the ODA target from 0.70% to 0.50% of GNI.⁷ It considered that sticking to 0.70% was not an appropriate prioritisation of resources in the light of the impact of COVID-19 on the economy. This decision reduced the total ODA budget for 2021-22 to £10.3 billion, compared with spending of £14.5 billion in the 2020 calendar year and £15.2 billion in the 2019 calendar year (before the pandemic)⁸ (paragraphs 1.2, 1.3, 1.8, 1.9 and 1.11).

8 Reducing the total ODA budget by £4.2 billion through a one-year Spending Review, with a very short time for allocation decisions, increased risks to value for money. The government's decision to reduce the UK's ODA budget by around one third was taken less than a month before it was announced in the 2020 Spending Review. FCDO had to move from planning a multi-year continuation of ODA programmes to planning for a significant reduction in spending in the coming year. FCDO's initial allocations were completed quickly. As a consequence, it did not complete a thorough review of the impact on outcomes or long-term value for money ahead of high-level allocations of ODA budget across government's priorities for aid spending. In addition, a one-year Spending Review meant that FCDO's options for managing the reduction in spending by delaying payments to subsequent years were reduced. This exercise followed an in-year budget reduction exercise in 2020 due to COVID-19 pressures. Bilateral programmes, which tend to be multi-year and focused on specific outcomes and are inherently less flexible than multilateral spending, were disproportionately affected in both. The government's decision to meet and not exceed the target also limited flexibility in its spending choices (paragraphs 1.8, 1.9, 2.2, 2.11, 2.14, and Figures 3 and 4).

6 International Development (Official Development Assistance Target) Act 2015. Available at: www.legislation.gov.uk/ukpga/2015/12/contents/enacted

7 Spending Review 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938052/SR20_Web_Accessible.pdf

8 These are outturn figures for total ODA spending in a calendar year and include departmental and non-departmental ODA.

The approach to implementing reductions in ODA spending

9 FCDO had a clear, centralised approach to allocating a reprioritised and reduced ODA budget, but this did not fully consider the impact on outcomes. Following the 2020 Spending Review, FCDO took on more responsibility for allocating ODA across government than had previously been the case. FCDO led a three-stage approach, starting with ring-fencing significant longterm commitments and multilateral payments, followed by allocating funding to other government departments, and finally allocating the residual budget across FCDO.⁹ The approach focused on the seven new strategic priorities and two geographic priority areas for where UK ODA should be spent that had been set by ministers. High-level allocations of the available budget between the priorities were set by the then Foreign Secretary and used to inform cross-government discussions about ODA spending. However, due to the short time available, there was limited consideration of the impact on development outcomes or of different scenarios for allocations across the seven strategic priorities to help inform ministerial decisions (paragraphs 2.2 to 2.6 and Figure 6).

10 Prioritising some existing government spending commitments meant that FCDO's budget for its bilateral programmes was reduced by 53%, more than the overall reduction in ODA. The overall budget for ODA for the 2020-21 financial year was 29% lower than spending in the 2020 calendar year. The first stage of the allocations process resulted in a small increase in FCDO's multilateral spending, with most amounts protected because of legal or political commitments. The budgets for other government departments in the second stage were reduced by an average of 39%. A greater reduction to FCDO's bilateral programme budgets was then required in the third stage. These saw a reduction of 53% compared with spending in 2020 (these programmes had also seen reductions in 2020 compared with the previous year).¹⁰ To allocate the available funding, FCDO set budgets (referred to as 'handrails') for each of its regional directorates, informed by the high-level allocation across the strategic priorities and geographical priorities. All but one of the strategic priorities saw substantial budget reductions compared with spending in previous years, and there was some redistribution of the reduced funding across them. For example, climate change and biodiversity saw its share of the 2021-22 budget more than double compared with spending in 2020, and humanitarian preparedness and response reduced by more than one-quarter (paragraphs 2.7 to 2.13, and Figures 7, 8 and 9).

9 Multilaterals refer to international organisations such as the World Bank, UN agencies and international charities, supported by multiple donors.

10 Bilateral spending is earmarked spending where the donor has specified where and on what the ODA is spent, and is usually to specific countries, regions, or programmes.

11 FCDO's local teams had to make significant reductions in budgets, leading to some programmes being modified or stopped early. FCDO reduced the budget for 35 of the 44 country and regional offices with ODA programmes in 2020-21; 15 of these saw reductions of more than 50%, and a further three were cut entirely. In our five case-study country and regional offices, the reductions in budget ranged from 46% (Myanmar) to 69% (Syria). Despite the scale of changes necessary, FCDO asked country and regional office teams for only limited information and assessments of their new budget proposals, including any projects identified for closure. It did not request information such as spending in previous years, which would have helped put reductions in context. FCDO also did not make any central assessment of the overall impact of the budget reductions, although some local teams have started to assess local impacts on their own initiative (paragraphs 2.14 to 2.17 and 3.2 to 3.7, and Figures 10, 11 and 12; Appendix Three).

12 FCDO's country and regional offices were able to make decisions based on their existing local knowledge and priorities but were not able to consult local partners to inform this exercise. Local offices were responsible for evaluating their own programmes to determine which were best to deliver the priorities and were able to draw on specialist support from central FCDO policy teams. Local teams balanced a range of criteria to make decisions about their programmes, including: a programme's performance; where it was in its lifecycle; the impact of closing or amending it on delivery partners; and whether other donors could take on responsibility for the work. This approach had the advantage of allowing offices to factor in their existing local knowledge and respond to the specific circumstances in their countries, and to focus on highest value and highest priority programmes. However, bilateral programmes had already been through a budget reduction and prioritisation exercise in 2020. This, combined with the scale of the reduction this time, meant that difficult decisions had to be made about programmes which were performing well. There was also limited opportunity to adjust the allocation between priorities if the local office considered that spending on a different priority would be of more benefit in their country. FCDO ministers made the decision that its country offices should not formally discuss planned reductions in budgets with delivery partners. This approach meant that local teams were not able to draw on relevant data and expertise from delivery partners to inform their decisions (paragraphs 3.2 to 3.4).

Understanding the impact of reductions in ODA spending, and future challenges

13 FCDO has a well-established approach for assessing programme and portfolio performance but could do more to assess the overall impact of the changes.

FCDO reviews the performance of all its programmes on an annual basis and brings this information together to provide an assessment of how well its portfolio is performing, under each of its new strategic priorities. Teams responsible for programmes have revised their programmes' progress and performance criteria and aligned these with the amended budgets. However, FCDO has not yet taken steps to understand the overall impact of these changes on the development outcomes it had originally planned. It also has not assessed the impact of its changed portfolio on the overall value for money of its ODA spending. Such analysis would help FCDO plan for any future increases in ODA budget and inform ministerial decisions on the funding balance between priorities (paragraphs 3.6 and 3.7).

14 Lack of transparency in the approach to and outcome of ODA changes affected the quality and scrutiny of the allocation decisions and contributed to uncertainty in the sector.

The government's 2015 aid strategy emphasised the importance of transparency in support of value for money. However, stakeholders and delivery partners were critical of the lack of transparency of this exercise, commenting on the delays in finalising budget allocations and the uncertainty created around their future. For example, information on budget allocations was published over several months, and on an inconsistent basis. The International Development Committee concluded that FCDO's approach undermined the Committee's ability to understand and then scrutinise its decisions (paragraphs 3.8 to 3.12).

15 The autumn 2021 Budget provides some certainty for ODA spending in the medium term, but departments need to plan now for potential scenarios for a return to 0.70%.

The government has said it intends to return to a target of 0.70% when two fiscal tests are met – when fiscal forecasts confirm that, on a sustainable basis, the government is not borrowing for day-to-day spending, and when underlying debt is falling. In the 2021 Spending Review, it expected this to be in 2024-25, based on the Office for Budget Responsibility's October 2021 forecasts. However, this is dependent on how the UK economy performs, and different scenarios are possible. A three-year planning horizon provides departments with a degree of stability against which they can plan. Increasing spending rapidly to 0.70% in year three, which would mean a budget increase across ODA spending departments of 40% or £5 billion, could make it difficult to achieve value for money if departments do not plan now for this possibility and develop a pipeline of programmes (paragraphs 3.16 to 3.18).

16 The government’s proposed new international development strategy presents an opportunity to provide greater coherence for ODA spending and improve its approach to assessing performance. In our 2019 report, we concluded that the government had placed insufficient emphasis on demonstrating the effectiveness of ODA spending and on progress against the 2015 UK aid strategy.¹¹ FCDO is leading on the development of a new international development strategy intended, among other things, to provide coherence for development spending across government. This is an opportunity to clarify roles and responsibilities for allocating and spending ODA, and for monitoring performance across government (paragraph 3.19).

Conclusion on value for money

17 The government’s decision to reduce its target for ODA spending from 0.70% to 0.50% of GNI meant an overall budget reduction of around 30%, from spending of £14.5 billion to £10.3 billion. The speed and scale of the budget reduction, and the lack of long-term planning certainty, increased some risks to value for money. It also allowed for prioritisation of the highest value and highest priority programmes. However, spending on bilateral programmes had been disproportionately cut in 2020 and 2021, and the extent of this reduction meant that programmes performing well also had to be considered. The government had a clear approach to, and parameters for, allocating its ODA budget. FCDO took a leading role in the allocations exercise and looked to its local offices to make decisions about its programmes, taking into account factors such as programme performance. This involved compromises and difficult decisions across all programmes and geographical areas. The government’s decision not to consult delivery partners limited the evidence available to make informed decisions.

18 The speed and depth of reductions, combined with the reprioritisation of spending, has had an immediate impact locally as FCDO country offices looked to modify or bring programmes to an end ahead of schedule. While it is too early to assess the impact of these changes on long-term value for money, building its understanding of this impact will help the government with its approach to future budget allocations – including a return to the 0.70% target – for which it should have more time and certainty.

¹¹ Comptroller and Auditor General, *The effectiveness of Official Development Assistance spending*, Session 2017–2019, HC 2218, National Audit Office, 20 June 2019. Available at: www.nao.org.uk/wp-content/uploads/2019/06/The-effectiveness-of-Official-Development-Assistance-expenditure.pdf

Recommendations

- 19** The recent budget offers a degree of certainty for the next three years, although some aspects of the landscape such as the new international development strategy are in development and the timing of the return to a 0.70% target is conditional. These recommendations are intended to support the government in its next steps.
- a** **FCDO and HM Treasury (HMT) should identify lessons learned from the 2021 budget allocation exercise.** While the extent of the 2021 budget reductions was unusual, it will still be useful to draw out lessons from the approach, and from the previous exercise in 2020, to help inform ongoing allocations activity.
 - b** **FCDO and other ODA spending departments should assess the impact of the reduction and reprioritisation of ODA spending on performance in the short, medium and long term.** This should include, but not be limited to, a focus on the impact on bilateral spending, which has to date been affected the most by budget reductions. Among other things, departments should consider how the proposed return to a 0.70% target might help them address any issues that are identified.
 - c** **FCDO and HMT should work with other ODA spending departments on scenario planning for a return to 0.70%.** One scenario already set out is a potential return to 0.70% in 2024-25, but there may be others to consider. As part of this exercise, FCDO and HMT should review their approach to managing changes in GNI forecasts and consider the impact of greater flexibility in the target for ODA spending.
 - d** **Given the intended return to a 0.70% target, FCDO and HMT should maintain oversight of individual ODA spending commitments for future years and use this information to ensure future budgets are not over-committed ahead of time.** Central oversight is important in the context of a fixed spending target and a possible increase in spending in future years. This is to be balanced with departmental flexibility to plan long-term and commit funding to a reasonable level outside Spending Review periods.
 - e** **FCDO and HMT should consider how to improve the transparency of ODA spending decisions.** This includes publishing details of significant changes to ODA spending in a way which allows for like-for-like comparisons over time and an assessment of the impact of such changes on outcomes the government is seeking to achieve. They should also consider how much time may be required for meaningful consultation with, for example, delivery partners.
 - f** **FCDO should set out how it intends to measure progress against the aims and objectives in its new development strategy.** This should include the indicators and data it needs to monitor progress. It should also set out its responsibilities and those of HMT and other government departments for oversight, implementation and monitoring of the strategy.

Part One

Introduction

1.1 The UK's spending on overseas aid is known as Official Development Assistance (ODA). In this part of the report we:

- describe ODA spending;
- set out responsibilities for ODA spending across government;
- highlight changes in the landscape for ODA spending over the past two years; and
- identify the risks to value for money created by these changes.

Official Development Assistance spending

1.2 The Organisation for Economic Co-operation and Development (OECD), through its Development Assistance Committee (DAC), sets the rules for what counts as ODA. ODA is defined as government aid which promotes and specifically targets the economic development and welfare of developing countries. This definition encompasses a wide range of activities such as programmes tackling gender equality, supporting humanitarian interventions and debt relief. The ODA target is measured on an annual basis by calendar year. The government sets departmental budgets on a financial year basis. The ODA spending target is set for a calendar year by combining budgets from two financial years.

1.3 In 2010 the government committed to spending 0.70% of UK Gross National Income (GNI) on ODA from 2013 onwards.¹² In 2015 the UK Parliament passed legislation which created a legal requirement for the UK to spend an amount equivalent to 0.70% of its GNI on ODA in each calendar year. The UK met this target in each year from 2013 to 2020, with ODA increasing from £11.3 billion in 2013, to £15.2 billion in 2019, before falling in 2020 to £14.5 billion (following the fall in GNI resulting from the COVID-19 pandemic).¹³ The government decided that the UK would meet but not exceed 0.70%.

¹² This is the proportion of a nation's GNI the United Nations says developed countries should aim to spend on overseas aid.

¹³ These are outturn figures for total ODA spending in a calendar year and include departmental and non-departmental ODA.

1.4 The UK's ODA budget is spent through three main channels described below (**Figure 1** and Appendix Three).¹⁴

- **Bilateral ODA** – This is earmarked spending, where the UK donor has specified where and on what the ODA is spent, and is usually to specific countries, regions, or programmes. In 2020 £6.9 billion of ODA was spent in this way – 48% of total spending.
- **Bilateral through multilateral ODA** – Some of the UK's ODA is delivered in partnership with multilateral institutions and is classified as 'bilateral through multilateral'. In 2020 £2.6 billion of ODA was spent in this way – 18% of total spending.
- **Multilateral ODA** – This includes UK contributions to international organisations active in development including the World Bank, regional development banks, the International Monetary Fund's Poverty Reduction and Growth Trust, and Gavi, the Vaccine Alliance. In 2020 £4.9 billion of ODA was spent in this way – 34% of total spending.

Responsibilities for ODA spending across government

1.5 Between the 2015 and 2020 Spending Reviews, responsibilities across government for allocating, spending and monitoring ODA spending were broadly as follows:

- Foreign, Commonwealth & Development Office (FCDO) – Responsible for spending ODA, advising on issues such as whether expenditure is eligible as ODA, and for monitoring progress towards the ODA target.¹⁵ FCDO is also spender or saver of last resort, which means it will adjust its own ODA spending at the end of each calendar year to ensure the 0.70% target is met but not exceeded. On a quarterly basis, FCDO receives financial information from each department and other organisations contributing to meeting the target, to inform a forecast of spending to the end of the calendar year.¹⁶
- HM Treasury – Responsible for allocating the overall ODA budget and supporting FCDO in monitoring progress towards the ODA target. It is also responsible for a small ODA budget.
- Other government departments – Responsible for spending ODA, monitoring performance, and reporting both actual and forecast expenditure to FCDO. Departments remain responsible for making sure they spend their ODA budgets in line with *Managing Public Money*.¹⁷ This covers issues such as the regularity and value for money of spending.

¹⁴ The Foreign, Commonwealth & Development Office's (FCDO's) Dev Tracker website sets out details of ODA funded programmes from all three categories of expenditure. Available at: <https://devtracker.fcdo.gov.uk/>

¹⁵ FCDO was formed from the merger of the Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID) in September 2020. DFID had these responsibilities prior to the merger.

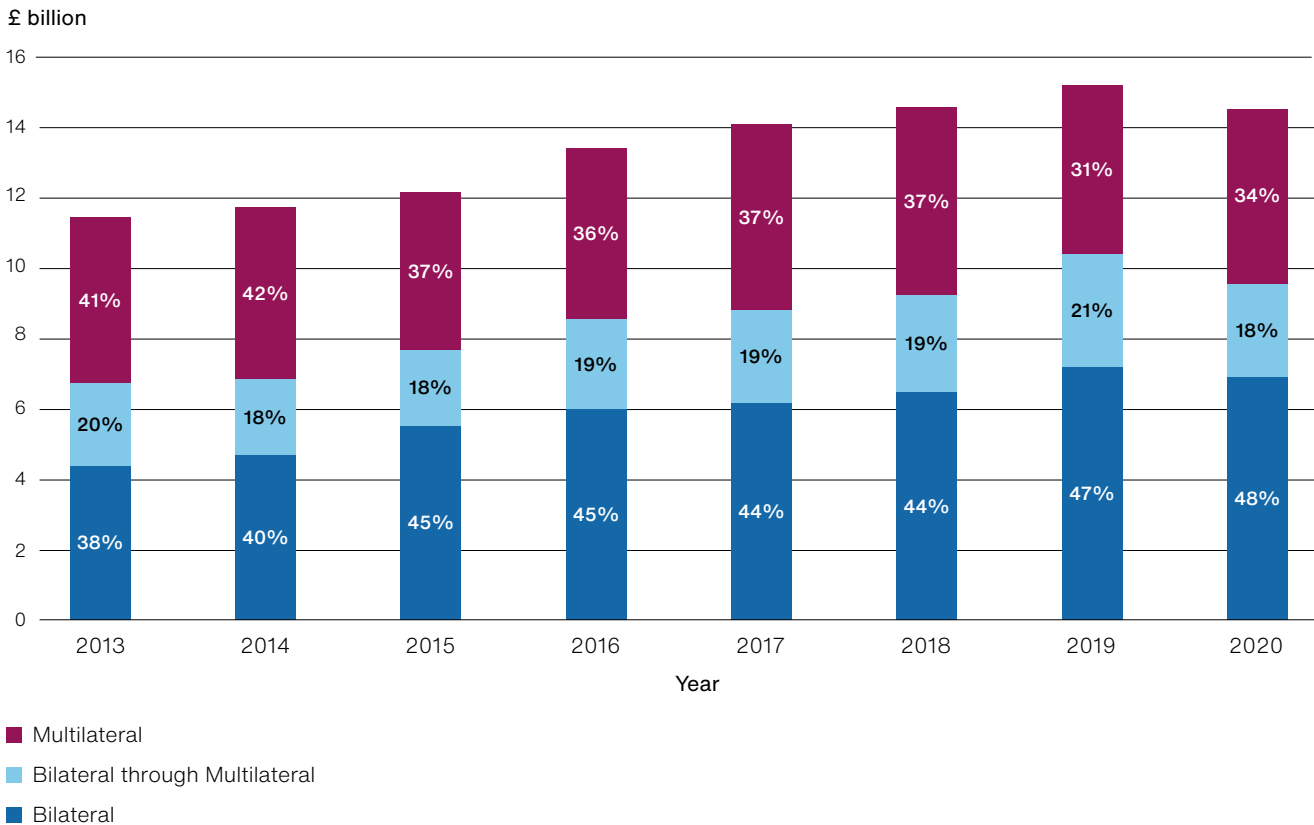
¹⁶ Reporting frequency increases towards the end of the calendar year.

¹⁷ HM Treasury, *Managing Public Money*, May 2021. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/994901/MPM_Spring_21__without_annexes_180621.pdf

Figure 1

UK Official Development Assistance (ODA) spending by channel, 2013 to 2020

The UK ODA budget is spent through three main channels: bilateral, bilateral through multilateral, and multilateral, with bilateral being the most significant channel



Note

- 1 Bilateral ODA is earmarked spending, where the donor has specified where and on what the ODA is spent, and is usually to specific countries, regions, or programmes. Multilateral ODA covers contributions to international organisations where the donor's contribution is pooled with that of other donors. Bilateral through multilateral refers to spending that is earmarked for a specific purpose, but delivered through partnership with a multilateral organisation.
- 2 Percentages may not sum to 100% due to rounding.

Source: National Audit Office summary of the Statistics on International Development

1.6 For the one-year 2020 Spending Review, which announced the reduction in the ODA spending target to 0.50% of GNI, the newly formed FCDO had responsibility for allocating ODA across departments. While HM Treasury set initial allocations, FCDO had responsibility for coordinating and ensuring the coherence of ODA spending across government. The approach was intended to maximise value for money and alignment of UK objectives in the context of the move to the 0.50% target and reduced ODA spending. However, this process changed during the autumn 2021 Spending Review and HM Treasury took back this responsibility, reverting to the approach taken to allocating ODA before 2021-22.

1.7 The majority of ODA is spent by FCDO.¹⁸ Other government departments – 13 in total – the cross-government Conflict, Stability and Security Fund, and other bodies such as the devolved governments also contribute spending towards the ODA target (**Figure 2**).¹⁹ Since 2013, there has been a trend towards an increased proportion of ODA being spent outside the former Department for International Development (DFID) and Foreign & Commonwealth Office (FCO), and subsequently FCDO. In 2013, 10% of total ODA spending was the responsibility of organisations outside DFID and FCO, and by 2020 this figure was 26%.²⁰ Classifying spending as ODA does not remove departments' other responsibilities for oversight of public spending. FCDO is responsible for assessing progress towards the ODA spending target.

Changes in the landscape for ODA spending

1.8 Economic uncertainty in early 2020 meant that forecasts of GNI, produced by the Office for Budget Responsibility, were volatile. FCDO and HM Treasury monitor ODA spending across government against these and other forecasts in order to ensure targets are reached, but not exceeded. This meant that the volatility in the forecasts resulted in volatility in the budget available for ODA. At the beginning of the year, forecasts for GNI suggested the ODA spending required to meet the target would be £15.8 billion. However, by April 2020 the estimate for ODA spending required to meet the 0.70% target was £13.3 billion, and the final figure was £14.5 billion. Similarly, forecast GNI increased by around 10% over the course of 2021, leading to a proportionate increase in the amount of ODA spending required to meet the 0.50% target compared with the expectation at the start of the year.

¹⁸ Prior to the creation of FCDO, the majority of ODA was spent by DFID.

¹⁹ The 13 departments are: Department for Business, Energy & Industrial Strategy; Department for Digital, Culture, Media & Sport; Department for Education; Department for Environment, Food & Rural Affairs; Department for Work & Pensions; Department of Health & Social Care; Department for International Trade; Export Credit Guarantee Department; HM Revenue & Customs; HM Treasury; Home Office; ; Ministry of Defence; Office for National Statistics.

²⁰ This represents the proportion of ODA not spent by DFID and FCO and then the newly merged department, FCDO during 2020.

Figure 2

Proportion of total UK Official Development Assistance (ODA) expenditure (2013 to 2020) and budget 2021-22 attributed to the Foreign, Commonwealth & Development Office (FCDO) and to other government bodies

The 2020-21 ODA budget reversed the trend for an increasing proportion of the UK's ODA to be spent by bodies other than the Foreign, Commonwealth & Development Office



Notes

- ODA spending (2013 to 2020) is reported on a calendar year basis through the Statistics on International Development, whereas the ODA budget (2021-22) is planned on a financial year basis.
- The FCDO figure for the years 2013 to 2019 consists of spending attributable to the former Foreign & Commonwealth Office and Department for International Development, which merged to create FCDO on 2 September 2020.
- Non-FCDO ODA includes spending by other government departments, the cross-government Conflict, Stability and Security Fund, and other bodies such as the devolved governments. Machinery of Government changes mean the number of bodies has changed over time. In 2020-21, 13 other departments had ODA budgets. These were: Department for Business, Energy & Industrial Strategy; Department for Digital, Culture, Media & Sport; Department for Education; Department for Environment, Food & Rural Affairs; Department for International Trade; Department for Work & Pensions; Department of Health & Social Care; Export Credit Guarantee Department; HM Revenue & Customs; HM Treasury; Home Office; Ministry of Defence; Office for National Statistics.

Source: Statistics on International Development 2020 and Foreign, Commonwealth & Development Office documents

1.9 The volatility of forecasts in 2020 led to an in-year exercise to identify areas to reduce spending. In July 2020 the government announced a package of up to £2.9 billion of reductions, including a reduction of £738 million to DFID's bilateral ODA and a reduction of £1,609 million to DFID's multilateral ODA. However, when the GNI forecast improved, funding was primarily returned to multilateral programmes, which are more flexible and more able to adapt to changing budgets than bilateral programmes. The Independent Commission for Aid Impact (ICAI) reported that this had major implications for ongoing bilateral projects including the cancellation of ongoing and planned programmes, reprioritisation of activities within programmes, and postponements.²¹ DFID's bilateral ODA reduced by £700 million and its multilateral ODA by £360 million. In addition to managing these reductions, ODA spending teams across government had to adapt to the impact of the COVID-19 pandemic on their work, which meant that beneficiaries had new and increased needs, while government restrictions limited certain types of activity. During 2020, the UK government spent £1.66 billion of ODA on interventions responding to the pandemic overseas – 11% of total ODA for that year.²²

1.10 DFID and FCO formally merged to become FCDO in September 2020 with the aim to bring together diplomacy and development in one department. FCDO was working through the practicalities of the merger, which included setting up a shared IT system and establishing roles and responsibilities, while planning and implementing reductions in the ODA budget. FCDO's 2020-21 Annual Report and Accounts acknowledges that the merger contributed to significant pressure on staff during 2020-21.

1.11 In the November 2020 Spending Review, the government announced a reduction in the target for ODA from 0.70% to 0.50% of GNI.²³ It stated that this was a reaction to the impact of the COVID-19 pandemic on the economy. Consequently, the government set the budget for overall ODA spending in 2021-22 at £10.3 billion – a reduction of £4.2 billion or 29% compared with spending in the calendar year 2020.²⁴ Alongside the reduction in aid spending, FCDO and other parts of government had to manage changes in strategic priorities and respond to the impact of COVID-19.

21 Independent Commission for Aid Impact, *Management of the 0.7% ODA spending target in 2020*, May 2021. Available at: <https://icai.independent.gov.uk/wp-content/uploads/ICAI-spending-targets-2020-rapid-review.pdf>

22 This included setting up and supporting COVAX, a mechanism for delivering vaccines to 92 of the world's poorest countries.

23 HM Treasury, *Spending Review 2020*, November 2020. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/938052/SR20_Web_Accessible.pdf

24 The figure of £10.3 billion is made up of the 2021-22 financial year departmental ODA allocation of £10 billion set in Spending Review 2020 and non-departmental ODA of £300 million (which includes spending not included in departmental ODA, such as Gift Aid and the BBC World Service). Allocations made as part of a Spending Review are adjusted over time to take account of the latest fiscal forecasts, and forecasts are subject to change due to various factors.

1.12 Alongside preparation of the early Integrated Review in December 2020, FCDO announced a strategic shift to refocus government's aid spending. It announced two geographic priority areas (East Africa and the Indo-Pacific) where the government considers its development, security and economic interests align, and set out seven strategic priorities for aid spending:

- Climate change and biodiversity – This includes maintaining the UK's commitments to spend £11.6 billion between 2021 and 2026 on climate change and supporting countries to develop their own climate action plans.
- COVID-19 and global health security – This includes measures to combat COVID-19 and support more resilient populations in developing countries.
- Girls' education – This includes support for a global commitment to get 40 million girls into education.
- Humanitarian preparedness and response – This includes reforming the international response system and maintaining the FCDO's crisis aid reserve.²⁵
- Science, research and technology – This includes delivering technology and research-led solutions to areas such as health and education.
- Open societies and conflict resolution – This includes strengthening democratic institutions.
- Trade and economic development – This includes helping countries to trade and create better investment environments.

Impact of changes to the ODA landscape on value for money

1.13 We have reported three times on DFID's and wider government's management of ODA expenditure.²⁶ All these reports were against the background of increasing ODA expenditure. Several of the issues we identified remain relevant to government's approach to protecting value for money, having made the decision to reduce the ODA budget. These include considering value for money in individual programmes; making decisions at short notice; establishing governance arrangements to support cross-departmental spending; and considering the effectiveness of spending against the government's objectives for aid spending.

1.14 Since we last reported, the landscape for aid spending has changed considerably. We have identified some risks to value for money which FCDO, HM Treasury and other government departments spending ODA need to manage. These have emerged as consequence of these changes, or are existing risks which have been amplified by these changes (**Figure 3** on pages 20 and 21).

²⁵ The crises reserve contains funding available to allow for the UK's rapid response to a crisis overseas.

²⁶ Comptroller and Auditor General, *Managing the Official Development Assistance target*, Session 2014-15, HC 950, National Audit Office, January 2015; Comptroller and Auditor General, *Managing the Official Development Assistance target – a report on progress*, Session 2017-2019, HC 243, National Audit Office, June 2017; Comptroller and Auditor General, *The effectiveness of Official Development Assistance expenditure*, Session 2017-2019, HC 2218, National Audit Office, June 2019.

Figure 3

Challenges created by changes in the landscape for Official Development Assistance (ODA) spending

We have identified eight main risks to value for money in reducing and reprioritising ODA spending

Challenge/risk	Explanation
Aligning strategic priorities for ODA spending and departmental objectives	The government's approach to allocating ODA for 2021-22 focused on its seven new strategic priorities for aid spending. Departments with responsibility for ODA spending will also have their own objectives for spending which they will need to consider.
Considering the impact on outcomes as well as costs	Departments will want to consider the impact of changes in and priorities for funding on the outputs, milestones and outcomes they want to secure – on a programme by programme basis, and across the portfolio of activity.
Considering the impact of a fixed spending target on spending decisions	The government has decided to spend no more on ODA than is required to meet the target to within two decimal places (0.70%). The Organisation for Economic Co-operation and Development (OECD), through its Development Assistance Committee (DAC), sets the rules for what counts as ODA. The government's established position is that it considers all eligible spending and similar contributions when assessing whether the target has been met. This can limit the flexibility in how ODA is spent, when working to a fixed target. For example, the government has long-term financial commitments (such as payments to multilaterals) and political commitments (such as to climate change interventions) it needs to meet. In addition, some ODA spending is non-discretionary (such as asylum costs and debt relief). The government's donation of vaccines to developing countries during 2021 is valued according to OECD DAC rules and guidance and also counts towards the target.
Making and implementing decisions at speed	<p>If government is making and implementing decisions quickly, then it is likely that it will have to make compromises around its approach - for example, the breadth and type of information considered. There are also challenges in demonstrating good financial management and securing long term value for money when making such a large reduction in spending in a single year.</p> <p>Increasing the ODA budget to 0.70% of Gross National Income (GNI) for the first time in 2013 took around three years from the time government made the decision.</p>
Ensuring transparency of decision making and its outcome	<p>The government has emphasised the importance of transparency to inform considerations of value for money in ODA spending.</p> <p>The Foreign, Commonwealth & Development Office (FCDO) and other government departments implement their ODA projects and programmes through delivery partners. They are a valuable source of evidence on, for example, programme performance, and can therefore help support the implementation of budget changes.</p> <p>Transparency around the outcome of decision making – with information on budgets and spending and planned actual performance – helps support scrutiny.</p>

Figure 3 *continued*

Challenges created by changes in the landscape for Official Development Assistance (ODA) spending

Challenge/risk	Explanation
Managing uncertainty	<p>Given how the ODA target is defined, the government always has a challenge managing the impact of changes in GNI on the total expenditure required to meet the target. This has been exacerbated by the impact of the COVID-19 pandemic on the economy.</p> <p>The Spending Review 2021 set out a settlement for three years, providing some certainty in the medium term based on a 0.50% target. The return to a 0.70% target is dependent on future fiscal conditions and therefore remains uncertain.</p>
Considering reputational risk	<p>The FCDO merger and the reduction in ODA could dilute the effectiveness of the UK as a donor because of the impact on, for example, programme delivery, its ability to influence the international community, and with regard to reputation.</p>
Existing risks to value for money inherent in ODA spending	<p>Working in complex and dangerous environments, through elongated supply chains and with limited access to good quality performance information are ever-present risks to value for money in ODA spending.</p> <p>There are also challenges in showing progress against government's objectives, given the breadth of the portfolio, long-term nature of challenges, interaction with other political and economic factors, and difficulties in understanding effectiveness of interventions/attribution.</p>

Note

- 1 The United Nations has a target for developed countries to spend 0.70% of Gross National Income on overseas aid. The UK committed to this from 2013 onwards and legislated to make it a legal target in 2015.

Source: National Audit Office reports and good practice frameworks

Part Two

The approach to implementing changes in ODA spending

2.1 In this part, we examine the government's approach to allocating the reduced Official Development Assistance (ODA) budget. Specifically, we examine:

- preparing for a reduction in ODA spending;
- the approach to allocating ODA across government; and
- the allocation of funding within the Foreign, Commonwealth & Development Office (FCDO).

Preparing for a reduction in ODA spending

2.2 The 2020 Spending Review was originally planned to cover several years of departmental budgets and to maintain ODA spending at 0.70% of Gross National Income (GNI). However, less than a month before the 2020 Spending Review was due to be finalised, the government decided to reduce the ODA budget for 2021-22 to 0.50% of GNI. It had also, on 21 October 2020, announced that the Spending Review to be published on 25 November would only cover a single year. FCDO therefore adjusted, over a period of a month, from planning for a multi-year continuation of ODA programmes, to planning a significant reduction in spending in the coming year. FCDO has a formal 'Outer Year Limits' mechanism for ODA spending agreed with HM Treasury that allows it to commit funding beyond a Spending Review period. However, in the context of a one-year Spending Review settlement, a greatly reduced budget and uncertainty as to when the government might return to a 0.70% target, this facility was not as useful as it had been in previous years. FCDO worked quickly to respond to this significant change in parameters, and ensured it was ready to deliver a cross-government ODA allocation process once the results of the Spending Review were announced in November 2020. However, the need to act quickly meant that, at the point the allocation process started, FCDO had not:

- consulted country offices and stakeholders in order to determine the feasibility and potential impact of delivering significant spending reductions over a short period of time;
- given country offices and other teams advance warning of the extent of the budget reductions, meaning teams were surprised by this, and were potentially constrained by having entered into delivery contracts that did not allow for changes of this scale; and
- calculated the opportunity costs that would be incurred by reducing budgets, or completed initial work to understand the impact of the different options on aid outcomes, such as life expectancy and health outcomes.

2.3 FCDO's scenario planning, produced to inform ministerial discussions around the reduction, also highlighted that a lack of long-term certainty would reduce its options for managing the reduction. The 2020 Spending Review stated that the government intended to return to the 0.70% spending target when "the fiscal situation allows". However, HM Treasury did not specify how it would assess this until July 2021. When GNI was forecast to reduce in 2020, one of the ways the government was able to manage fluctuations in the available budget was through delaying expenditure to the following year when the budget was forecast to recover. This option was not available after the reduction to 0.50%, as although a quick return to 0.70% was theoretically possible in 2022, spending could not be delayed with certainty. The lack of certainty over when the budget would return to 0.70% also influenced decisions and meant that programmes might have been modified rather than closed, as there remained a possibility of a quick return to this level of spending.

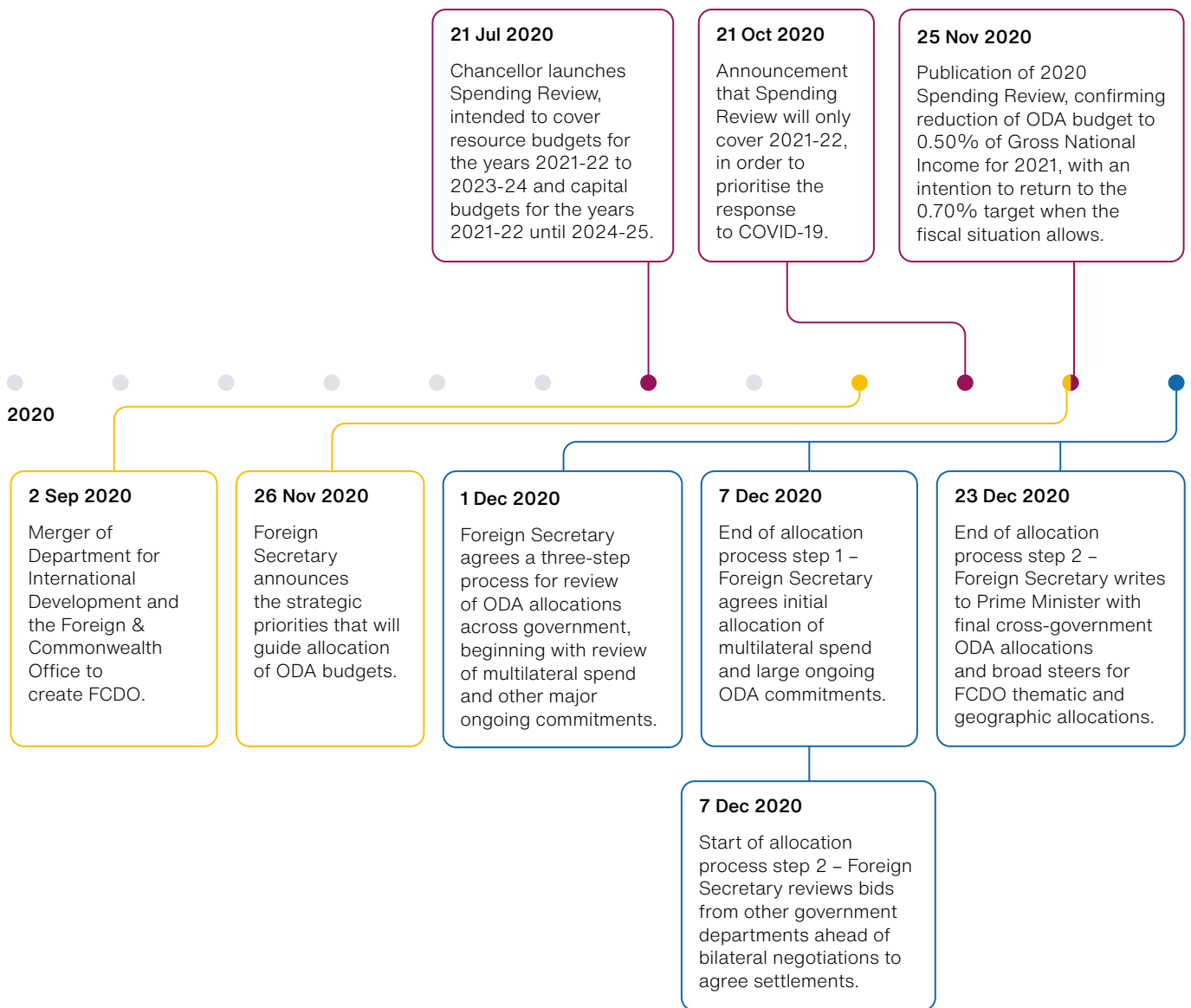
Approach to allocating ODA

2.4 As ODA is managed on a calendar year basis, the government had a short period to determine how to allocate funding between departments and programmes to ensure that adjustments could be made to activities taking place in 2021. In the 2020 Spending Review, HM Treasury set an overall ODA budget of £10.3 billion for the 2021-22 financial year – a reduction of 29% compared with spending in the 2020 calendar year. Following this announcement, FCDO ran an allocation process, as agreed with HM Treasury, from the end of November 2020 to the end of March 2021 (**Figure 4** on pages 24 and 25). Final allocations were agreed by the Prime Minister.

Figure 4

Timeline of decision-making for the 2020 Spending Review and subsequent Official Development Assistance (ODA) budget allocations

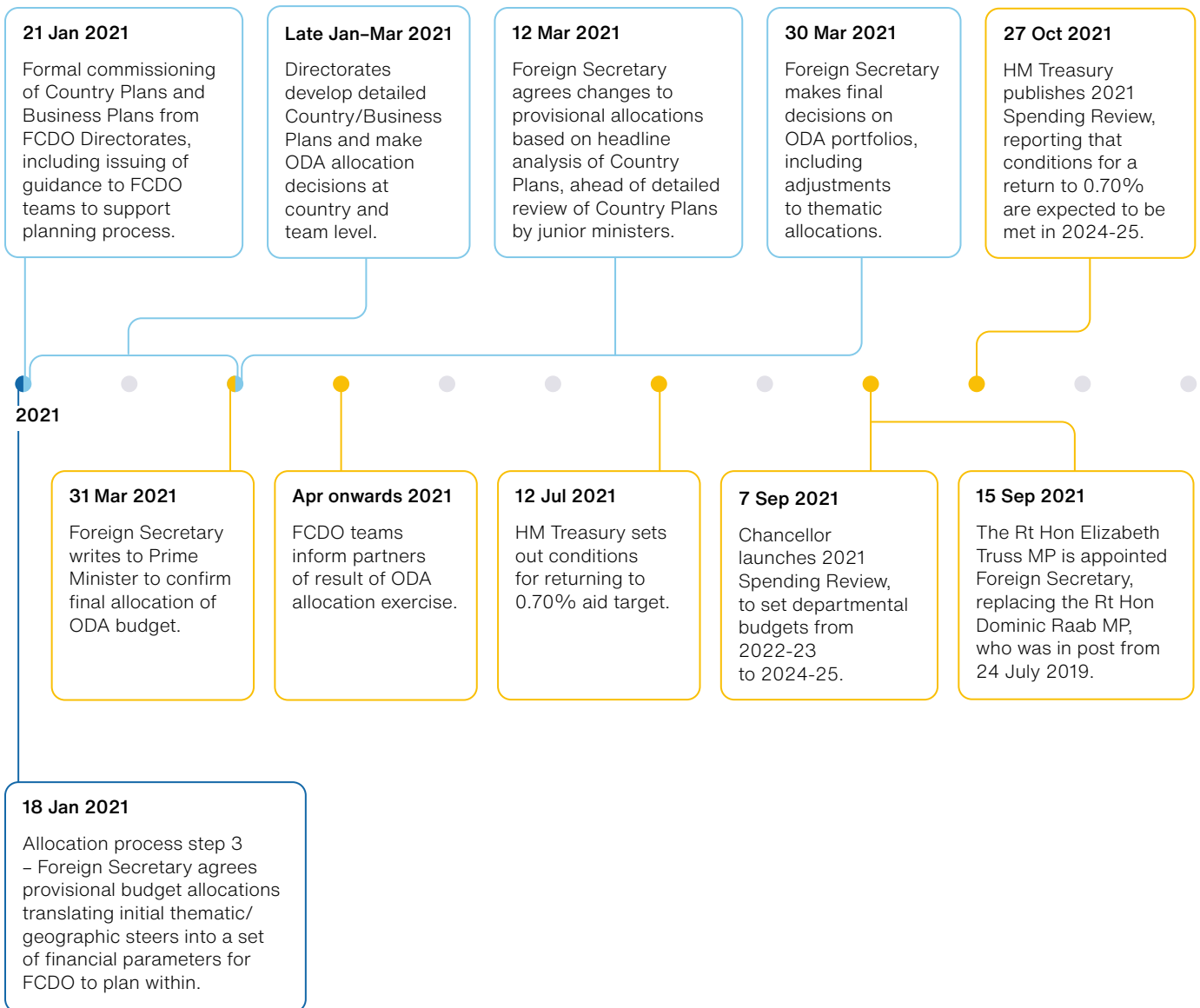
The Foreign, Commonwealth & Development Office (FCDO) had to work quickly to identify significant savings in ODA spending, with most work carried out over the four months between December 2020 and March 2021



Major allocation stages

- Spending Review 2020
- Three-stage allocation between Departments
- Local office allocations within FCDO
- Other events

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's documents



2.5 HM Treasury set initial allocations for departments and then the Foreign Secretary was responsible for coordinating and ensuring coherence of development spending across government, guided by its seven strategic priorities for ODA spending (paragraph 1.12). FCDO prepared a provisional allocation of its budget against the strategic priorities in early December 2020 and combined this with forecasts from other government departments to ensure that total ODA spending across government met a spending profile agreed by ministers (**Figure 5**). This spending profile took account of ministerial views on where UK aid could have the greatest impact and the relative importance between priorities. It was expressed in terms of targets for the percentage of UK ODA to be spent on each priority. Because of the short time available, there was little opportunity for new analysis to inform ministerial decisions on the allocations between priorities, such as detailed consideration of the impact on development outcomes or comparisons of different allocation scenarios.

2.6 FCDO allocated the £10.3 billion cross-government ODA budget in three stages:

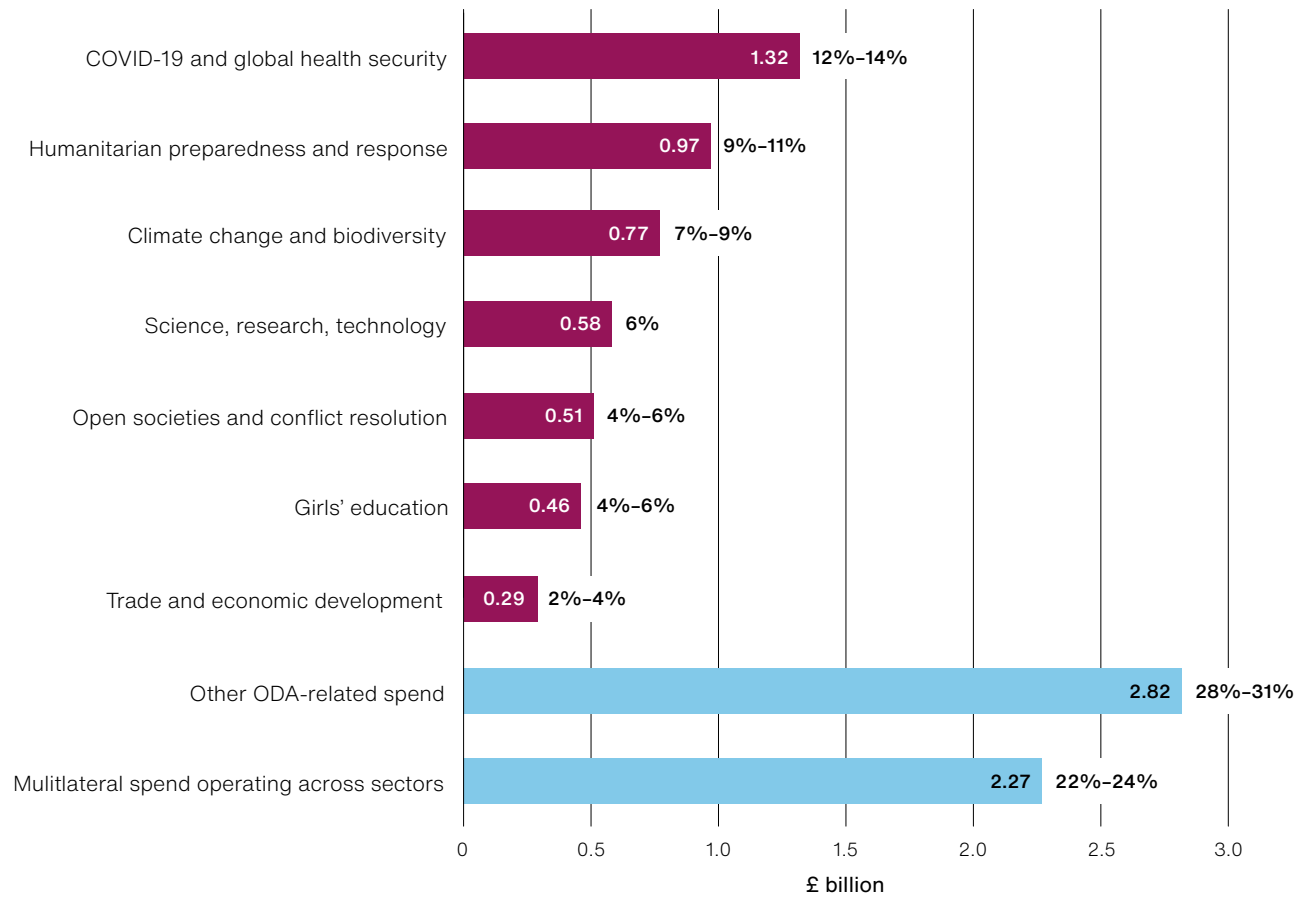
- Stage 1: Confirming major multilateral spending and other significant commitments (paragraph 2.7).
- Stage 2: Agreeing ODA budgets with other government departments (paragraphs 2.8 to 2.10).
- Stage 3: Allocating the residual ODA budget to FCDO (paragraphs 2.11 to 2.13).

The government's aim was for this allocation approach to determine a budget for each department that supported government's overall priorities and could be agreed soon after the Spending Review. Then, more detailed allocations could be resolved within each department. FCDO's allocation for its bilateral programmes was calculated as the amount of budget left after the first two stages of allocations (**Figure 6** on page 28). FCDO told us that its negotiations with other departments took account of the amount of funding that would be left for its own programmes, and whether this was sufficient.

Figure 5

Indicative allocation of the Official Development Assistance (ODA) budget between the government’s seven strategic priorities for aid spending, 2021-22

Ministers agreed initial parameters for how ODA should be allocated against each strategic priority, but this was only applied to around half of the ODA budget for 2021-22



- Global priorities
- Other ODA spend

Notes

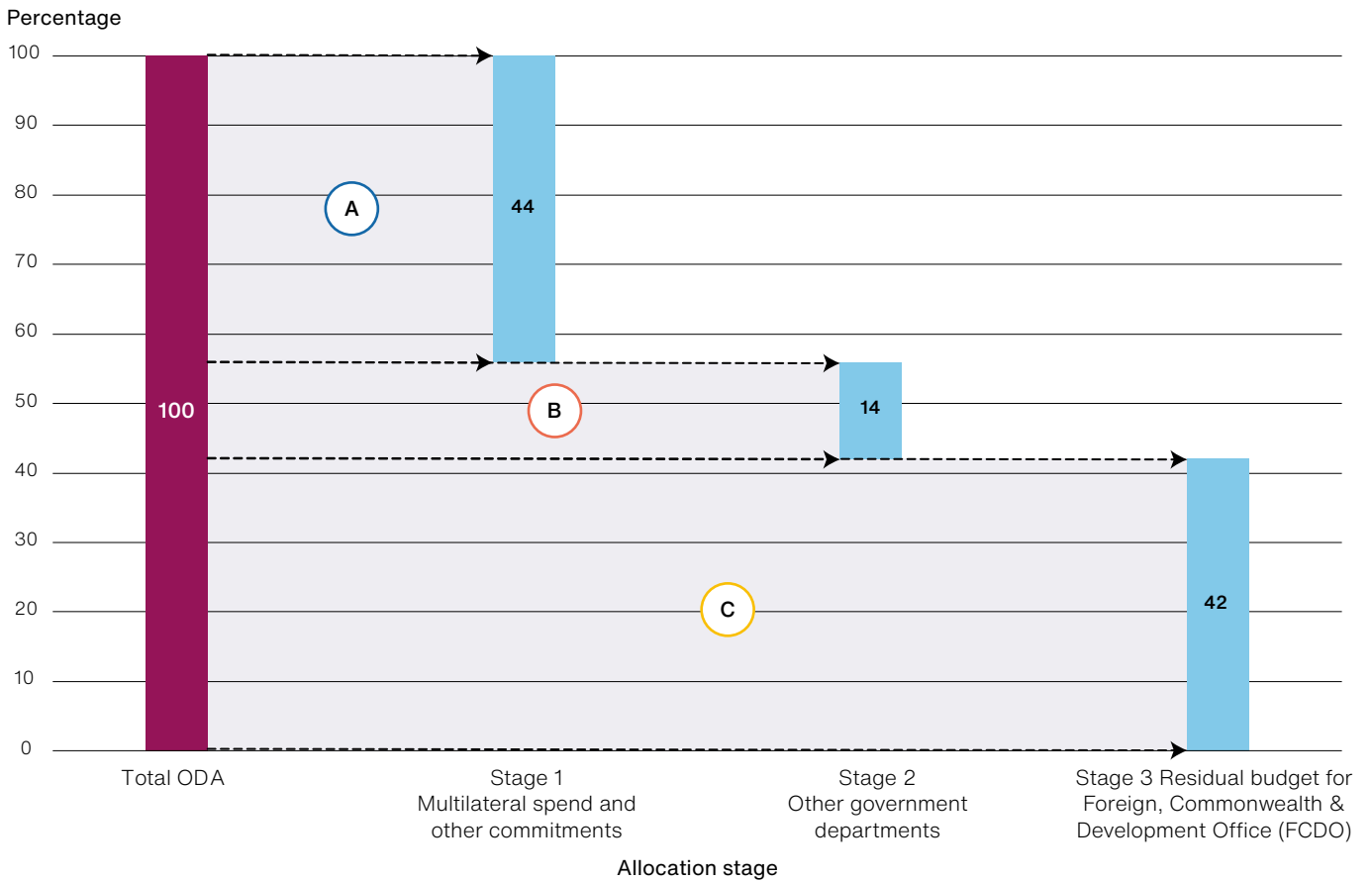
- 1 Indicative allocations as presented to the Foreign Secretary on 9 December 2020, partway through the allocations process. These allocations were used for planning purposes, and subject to refinement during the allocations process. The final allocations between priorities were announced by the Foreign Secretary on 21 April 2021.
- 2 Indicative allocations were set so as to ensure that allocations to each strategic priority were within a target range agreed with the Foreign Secretary. These ranges are indicated in the figure, and do not sum to 100% due to the use of ranges.
- 3 ‘Other ODA-related spend’ includes the Foreign, Commonwealth & Development Office’s (FCDO) exit costs from cutting programmes, international subscriptions, non-discretionary spend deemed out of scope of the allocations process, FCDO operating costs, and financial transactions.
- 4 ‘Multilateral spend operating across sectors’ is funding paid through international organisations that cannot be attributed to a single strategic priority.

Source: National Audit Office review of the Foreign, Commonwealth & Development Office’s documents

Figure 6

The three-stage approach to allocating the Official Development Assistance (ODA) budget

Following the 2020 Spending Review, the Foreign Secretary led a three-stage process to allocate the ODA budget across government



<p>Spending Review 2020 (25 November 2020) Overall ODA budget set as 0.50% of Gross National Income, estimated at £10.3 billion for 2021.</p>	<p>Stage 1 (early December 2020) Large ongoing ODA commitments, such as legal commitments, manifesto commitments and recently announced spend, are identified, reviewed by the Foreign Secretary, and ringfenced, along with agreement of increases to critical multilateral funds.</p>	<p>Stage 2 (mid December 2020) Foreign Secretary reviews bids from other government departments and discusses the proposals with ministers to agree settlements.</p>	<p>Stage 3 (December 2020 onwards) Residual bilateral allocation calculated on the basis of the above and allocated across FCDO teams.</p>
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- Total
- Individual budgets

Note
1 Indicative allocations as presented to the Foreign Secretary on 9 December 2020, partway through the allocations process.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office documents

Multilateral spending and other significant commitments (Stage 1)

2.7 FCDO's first stage of allocating the 2021-22 ODA budget was to identify the FCDO's significant multilateral agreements and other commitments it considered should be maintained at their current level, because they were either legal commitments or subject to a recent funding pledge by the government.²⁷ FCDO identified £4.6 billion of such commitments (**Figure 7** overleaf) including, for example, international subscriptions to the United Nations, support for arm's-length bodies such as the British Council, and funding increases to international finance institutions. This first stage of allocations also included £744 million in operating costs and £155 million ring-fenced for work in Afghanistan. In total £5.5 billion, 55% of the total ODA budget, was allocated in this way. Comparable figures for the calendar year 2020 show spending of £4.4 billion, 30% of total ODA.

Allocating ODA budgets to other government departments for their programmes (Stage 2)

2.8 In addition to FCDO, 13 other government departments have responsibility for ODA spending.²⁸ The departments with the largest ODA allocations outside FCDO are the Department for Business, Energy & Industrial Strategy (BEIS), the Department of Health & Social Care (DHSC), the Home Office and the Department for Environment, Food & Rural Affairs (Defra). These four departments accounted for 79% of the £1.9 billion ODA budget for 2021-22 not allocated to FCDO. An additional £0.3 billion (18%) of the non-FCDO budget was allocated to the cross-government Conflict, Stability and Security Fund.

2.9 The 2020 Spending Review included provisional allocations of ODA for each department. However, unlike in previous Spending Reviews, FCDO had responsibility for finalising these allocations. In this role, FCDO:

- **made significant changes to provisional allocations.** For example, HM Treasury allocated £330 million to BEIS for research and development (R&D) ODA, but FCDO reduced this to £240 million;
- **suggested how departments should spend their ODA budgets.** FCDO's final settlement letters gave indicative budgets at a programme level as well as suggesting closure of certain programmes. These suggestions were non-binding, with departments' ministers responsible for deciding how to spend their ODA budget and their accounting officers responsible for making sure that ODA is spent in line with *Managing Public Money*; and
- **decided the transfer of specific programmes to FCDO.** For example, FCDO earmarked 13 programmes from BEIS's International Climate Finance (ICF) portfolio for transfer to FCDO from April 2022. FCDO gave an indicative spend of £366 million for these programmes in 2021-22, the majority of BEIS's £466 million ICF ODA budget.

²⁷ Other government departments also make contributions to multilaterals. These were considered as part of each department's ODA budgets, in stage 2 of the allocation process (see paragraphs 2.8 to 2.10).

²⁸ See paragraph 1.7 for a full explanation of responsibilities for ODA spending outside of FCDO.

Figure 7

Allocations of Official Development Assistance (ODA) to multilateral organisations and other significant commitments

The Foreign, Commonwealth & Development Office (FCDO) allocated **£4.6 billion** of funding to multilateral organisations and other significant commitments, an increase of 5% compared to 2020

Category	Description	2020	2021-22
		£m	£m
International subscriptions	Compulsory and voluntary subscriptions to bodies such as the Commonwealth, United Nations, and Council of Europe.	76.3	64.3
Binding commitments	International commitments to bodies deemed key multilateral partners which carry a high level of, for example, reputational, legal or financial risk were they to be withdrawn. Examples include multilateral debt relief initiatives, the International Development Association, the European Development Fund, the UK's share of the EU's development budget and the International Finance Facility for Immunisation.	2,763.0	2,722.6
Arm's-length bodies	Funding allocated to FCDO by Parliament for arm's-length bodies, such as the British Council and BBC World Service.	286.6	314.8
General capital increases to international financial institutions	Capital funding which permits the UK voting rights in multilateral institutions such as the World Bank International Finance Corporation.	73.8	97.5
Health funds	Key entities involved in the COVID-19 response such as GAVI and the World Health Organisation.	681.0	820.0
Other funds	UN Central Emergency Response Fund, Green Climate Fund, Global Partnership for Education, Conference of the Parties 26 (COP 26).	516.0	584.6
Total		4,396.7	4,603.8

Notes

- 1 ODA spending (2020) was reported on a calendar year basis, whereas the ODA budget (2021-22) was planned on a financial year basis.
- 2 GAVI refers to Gavi, the Vaccine Alliance, which was previously called the GAVI Alliance, and before that the Global Alliance for Vaccines and Immunization.
- 3 In addition to the amounts in this Figure, on 24 November 2020 the UK pledged £155 million aid to support peace and stability in Afghanistan.
- 4 FCDO's budget for 2020-21 included £744 million fixed operating costs not included in the total above. An equivalent figure for 2020 is not available.

Source: National Audit Office summary of Foreign, Commonwealth & Development Office documents

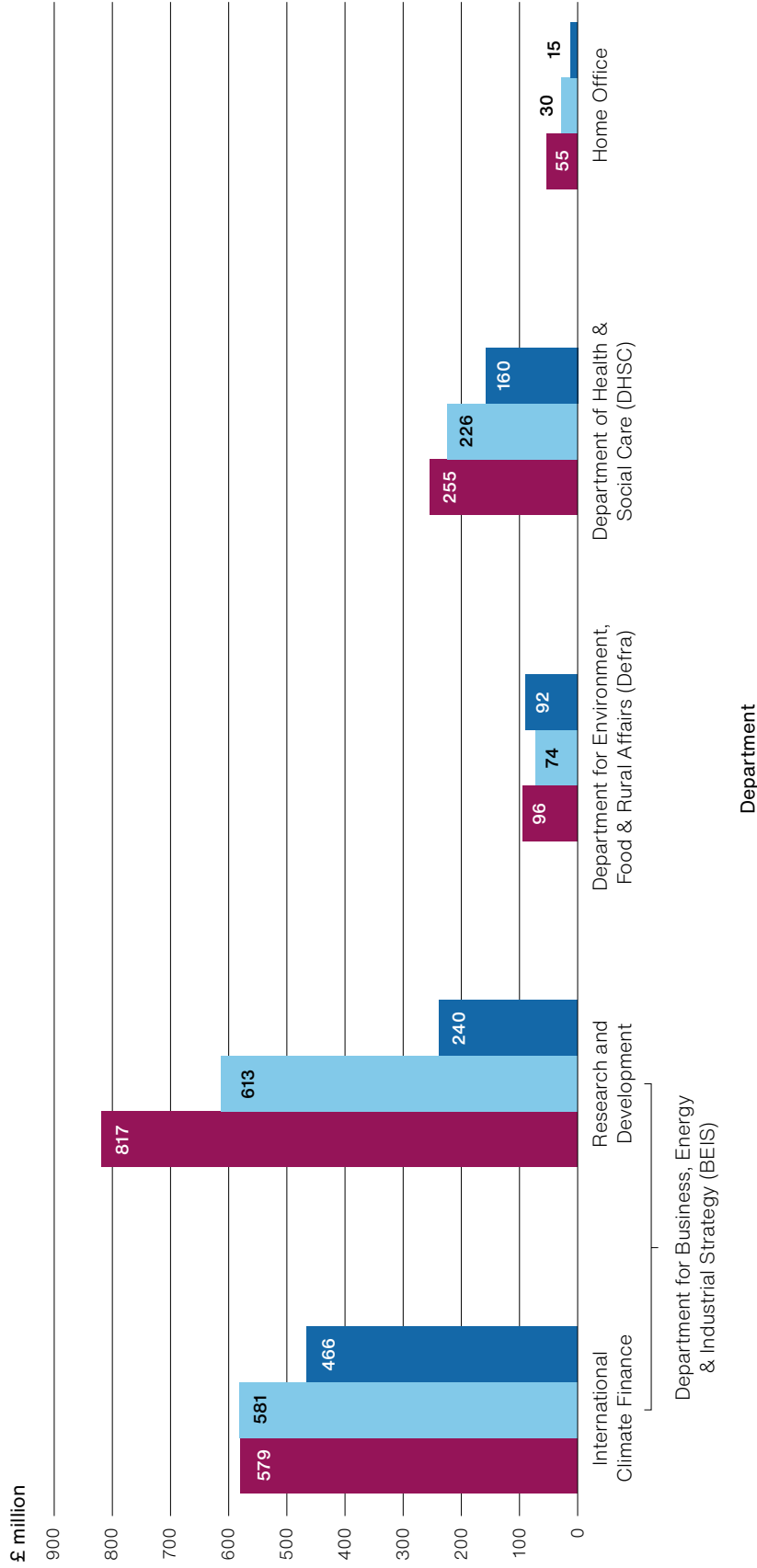
2.10 Overall, the 2021-22 ODA budget for other government bodies was reduced by £1.2 billion compared with 2020-21, a cut of 39%. This reduction was not applied evenly across departments as some of their spending was non-discretionary and not subject to reductions.²⁹ The four departments set out in paragraph 2.8 saw their discretionary budgets cut by an average of 41% compared with their initial allocation for 2020-21, ranging from a 73% cut for the Home Office to a 4.2% cut for Defra (**Figure 8** overleaf). Specific impacts of the allocation process on these departments are set out below.

- **Continuation of climate activities.** BEIS and Defra were largely able to continue their existing ICF activities. The government has committed to spending at least £11.6 billion on ICF from 2021-22 to 2025-26, but the transfer of ICF programmes means that a greater share of this will be concentrated in FCDO.
- **Reduction in new programmes.** Despite being able to protect existing activities, both BEIS (with regard to its ICF activity) and DHSC told us that they had been unable to take new programmes forward because of lack of funding.
- **Withdrawal from contractual commitments.** BEIS's reduced R&D ODA allocation meant it was unable to meet its contractual commitments for 2021-22 and had to withdraw previously committed funding. This brought both reputational damage and a value-for-money risk from work stopping before benefits had been realised. The reduced budget being taken up by existing commitments also limited BEIS's ability to consider value for money in decisions.
- **Reduction of discretionary work.** The Home Office reduced its discretionary ODA activities because of funding reductions, primarily in the areas of modern slavery and overseas capacity building.
- **Delays in decision-making.** For BEIS ICF spending earmarked for transfer to FCDO in 2022-23, FCDO asked to be consulted on all new programmes with financial implications beyond April 2022. This resulted in decisions on these programmes taking longer, causing delays for delivery partners with both operational and reputational impacts. Four programmes from Defra were also transferred to FCDO, in this case from 2021-22. Defra told us that the transfer process was relatively straightforward for new programming that had not started. It also noted that some programmes were amended following transfer to FCDO and that, in some instances, its ability to influence the organisation in receipt of funding had reduced.

²⁹ Non-discretionary spending is not included as it is either fixed (for example, each Member country's annual assessed contribution to the World Health Organisation) or demand-led (for example, Gift Aid). Under Organization for Economic Cooperation and Development (OECD) rules governing what spending counts as ODA, this spending automatically counts towards the target.

Figure 8 Changes in allocations for discretionary Official Development Assistance (ODA) budgets in other government departments

The four departments with the highest ODA spend outside of the Foreign, Commonwealth & Development Office (FCDO) each had a reduction in ODA allocation between 2020-21 and 2021-22



■ 2020-21 allocation ■ 2020-21 spending ■ 2021-22 allocation

Notes

- 1 The four departments in this figure are the four non-FCDO departments with 2021-22 ODA allocations greater than £20 million. The figure excludes the cross-government Conflict, Stability and Security Fund, which was allocated £337 million in 2021-22.
- 2 BEIS figures have been split into International Climate Finance (ICF) and Research and Development (R&D). These are ringfenced areas.
- 3 Non-discretionary spending is not included as it is either fixed (for example each Member country's annual assessed contribution to the World Health Organisation) or demand-led. It was not included in FCDO's review of HM Treasury's provisional allocations. Home Office, DHSC and Defra have non-discretionary ODA budgets.
- 4 2020-21 allocations are as set out prior to a spending reduction exercise that took place in 2020 in response to the COVID-19 pandemic.

Source: National Audit Office analysis of Departmental data

Allocating ODA budgets to FCDO programmes (Stage 3)

2.11 After allocating ODA budget to multilaterals and other government departments, the budget remaining for the FCDO's own programmes was £3.2 billion. This budget was divided between the seven strategic priorities in such a way as to ensure that the total government ODA was in line with the target allocation for each priority that had been set earlier in the allocation process. For example, a 'strawman' portfolio allocation submitted to the Foreign Secretary in December 2020 calculated that, to ensure spending on the climate change and biodiversity priority was between the agreed target of 7% and 9% of the budget, FCDO would have a budget for this work of £300 million. This followed allocations in Stage 1 of £305 million to multilaterals and in Stage 2 of £164 million to other government departments. Because of the large amount of multilateral spend being protected, the staged process meant that the reduction to FCDO's budgets was larger proportionally than the cuts made elsewhere in government, even though FCDO's share of ODA increased overall. For example, the country bilateral portfolio within FCDO was expected to reduce by 53% from £3.4 billion to £1.6 billion, a much greater reduction than the overall average reduction of approximately one-third and the average cut to other government departments of 39%.

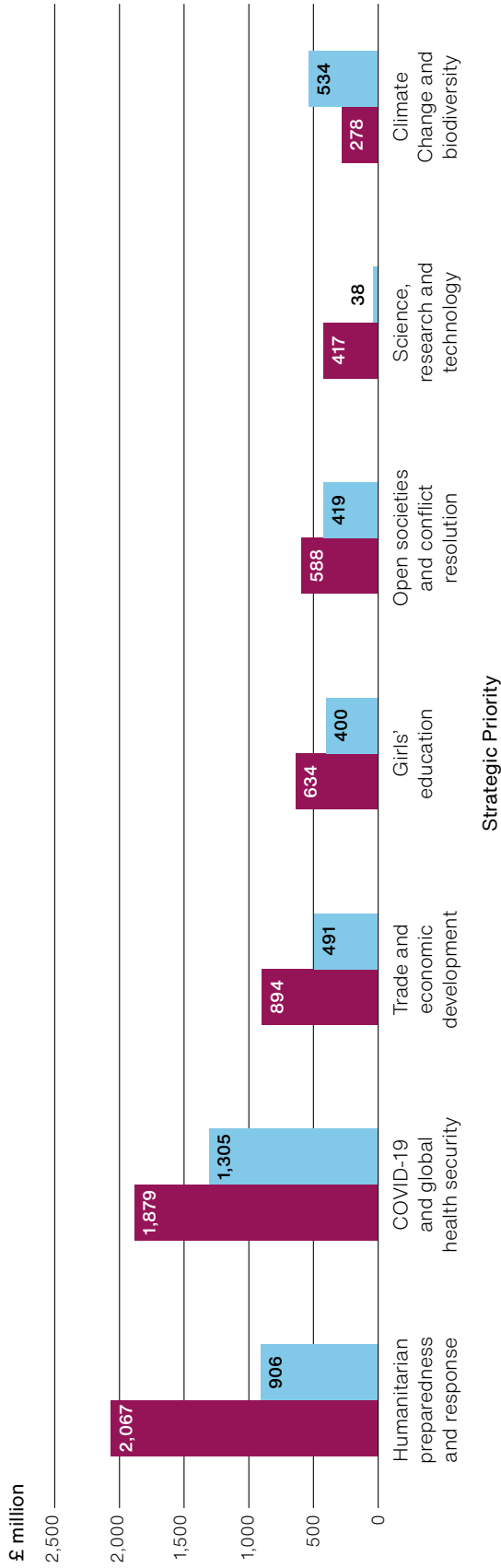
2.12 In January 2021, FCDO used the allocation between the seven strategic priorities to guide funding allocations across FCDO (see Figure 6). It combined the allocations set for the seven strategic priorities with its prioritisation of East Africa and the Indo-Pacific region. This allocation exercise considered where each challenge should be focused. For example, although the climate change and biodiversity priority was allocated 4.2% of FCDO's global budget, 17.0% of the Americas and Overseas Territories Directorate budget was allocated to this priority. These allocations, combining the strategic priorities with a geographic steer, were referred to by FCDO as 'handrails'. Directorates were subsequently responsible for developing specific handrails for each country or regional office.

2.13 The overall scale of reductions and the disproportionate cuts faced by FCDO in its bilateral ODA meant that:

- both priority regions received substantial cuts to their budgets – advice to the Foreign Secretary indicated that Africa would receive a 58% decrease compared with spending in 2020; Indo-Pacific a 42% decrease, and the rest of the world a 55% decrease; and
- all but one of the seven strategic priorities had their budgets reduced compared with spending for previous years. The reprioritisation of budgets between the strategic priorities meant that the reduced budget was redistributed, with the proportion of the budget allocated to climate change and biodiversity more than doubling, while the proportion allocated to humanitarian preparedness and response reduced by more than one-quarter (**Figure 9** on pages 34 and 35).

Figure 9 Budgets set for Foreign, Commonwealth & Development Office (FCDO) directorates by theme, compared with three-year average of prior spending

Most of the strategic priorities set by the Foreign Secretary faced a substantial cut in budget compared with similar spending in previous years, but the reductions were not evenly distributed



■ Three-year average Department for International development ODA spending
 ■ Final FCDO ODA allocation 2021-22

	Three-year average spending		2021 budget		Change in proportion of budget	
	(£m)	(%)	(£m)	(%)	(%)	(%)
Humanitarian preparedness and response	2,067	30.6	906	22.2	-27.6	
COVID-19 and global health security	1,879	27.8	1,305	31.9	+14.7	
Trade and economic development	894	13.2	491	12.0	-9.3	
Girls' education	634	9.4	400	9.8	+4.2	
Open societies and conflict resolution	588	8.7	419	10.2	+17.6	
Science, research and technology	417	6.2	38	0.9	-85.0	
Climate change and biodiversity	278	4.1	534	13.0	+217.1	

Figure 9 *continued*

Budgets set for Foreign, Commonwealth & Development Office (FCDO) directorates by theme, compared with three-year average of prior spending

Notes

- 1 Three-year average Department for International Development (DFID) spending uses average DFID spending and the DFID portion of the Prosperity Fund for 2017-18, 2018-19 and 2019-20 as a proxy for prior year FCDO budgets.
- 2 The three-year average spending figures were calculated by FCDO to provide a point of comparison for use in planning. A direct comparison to the seven strategic priorities is not possible as this categorisation was not in use in previous years. In particular, the three-year average figure for Science, research and technology includes amounts for research and development attributable to other themes, such as Climate change and biodiversity and COVID-19 and global health security. The 2021 budget for Science, research and technology would be £251 million if these amounts were included on the same basis as in the three-year average. Budgets for other themes would be lower due to amounts included in the Science, research and technology budget.
- 3 The budgets provided to FCDO directorates also included allocations for multilateral spending operating across sectors, financial transactions, and FCDO international subscriptions and arm's-length bodies which were not allocated against specific themes and so are not included in this figure.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office documents

Allocation of funding within FCDO

2.14 One of the primary routes through which the residual FCDO budget was allocated was through its 52 country or regional offices. Most of the aid spend by these offices is bilateral, which generally covers a number of years and which is focused on the achievement of specific outcomes. The UK government has full control over where the funding will be spent, and for what purpose. FCDO asked each office to develop a plan for spending across their programmes between January and April 2021.

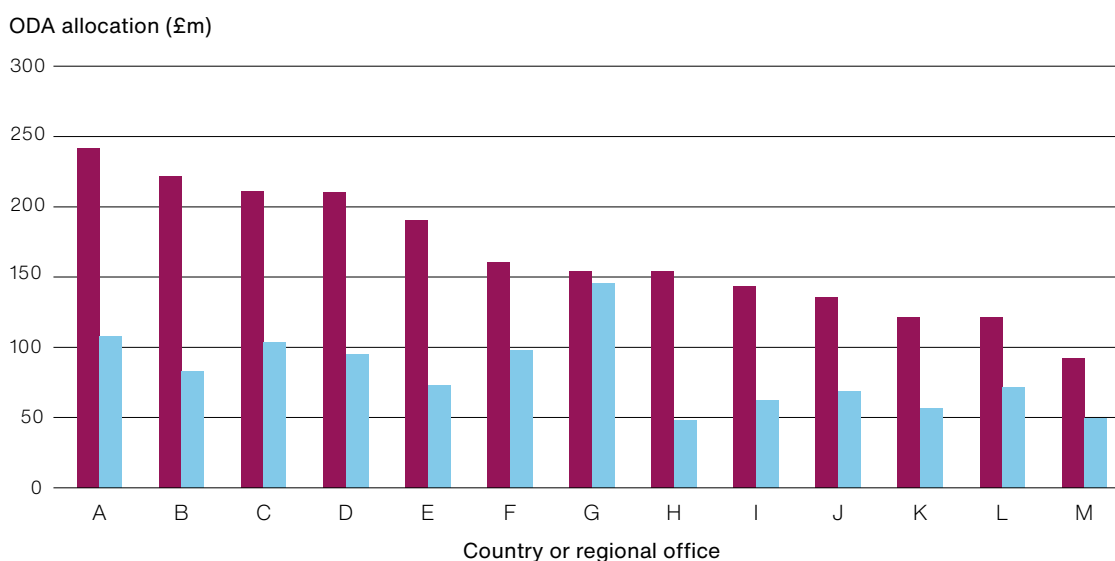
2.15 FCDO's regional directorates were responsible for assigning overall budgets to each office. Although some offices had their budgets increased, budgets allocated were typically significantly lower than in the previous year (**Figure 10** on pages 36 to 39 and **Figure 11** on page 40).

- Of the 44 offices with ODA spending in 2020-21, 35 (80% of offices) saw a reduction in budget; only one of these had a reduction of less than one-third (the average ODA reduction across government). Nine offices had an increase in budget compared to 2020-21. All of these had relatively small budgets in 2020-21 – no higher than £75 million, compared with average spending in 2020-21 of £77 million. In addition, there were eight newly established areas of spending.
- Fifteen offices with continuing activity in 2021-22 had reductions greater than 50%. A further three had their budgets reduced to nil; all three were regional departments which were closed, with their programmes transferred to other parts of the organisation.
- The largest cut in financial terms was to the Yemen office, which received a £138 million reduction (63% of 2020-21 spending). The average reduction across the 35 countries who had a budget cut was £48 million.

Figure 10

Change in country and regional office Overseas Development Assistance (ODA) budgets, 2021-22 expectation vs 2020-21 actual spending

Although the Foreign, Commonwealth & Development Office (FCDO) increased the budgets for some country or regional offices, the majority were significantly reduced



2020-21 spending (£m)	241	221	210	209	190	160	154	153	143	135	121	121	92
2020-21 budget (£m)	108	82	103	95	73	98	145	48	62	68	56	71	50
Percentage (%)	55	63	51	55	62	39	6	69	56	49	54	41	46
	dec.	dec.	dec.	dec.	dec.	dec.	dec.	dec.	dec.	dec.	dec.	dec.	dec.

A = Ethiopia

F = Pakistan

K = Democratic Republic of Congo

B = Yemen

G = Afghanistan

L = Somalia

C = Africa Regional Department

H = Syria

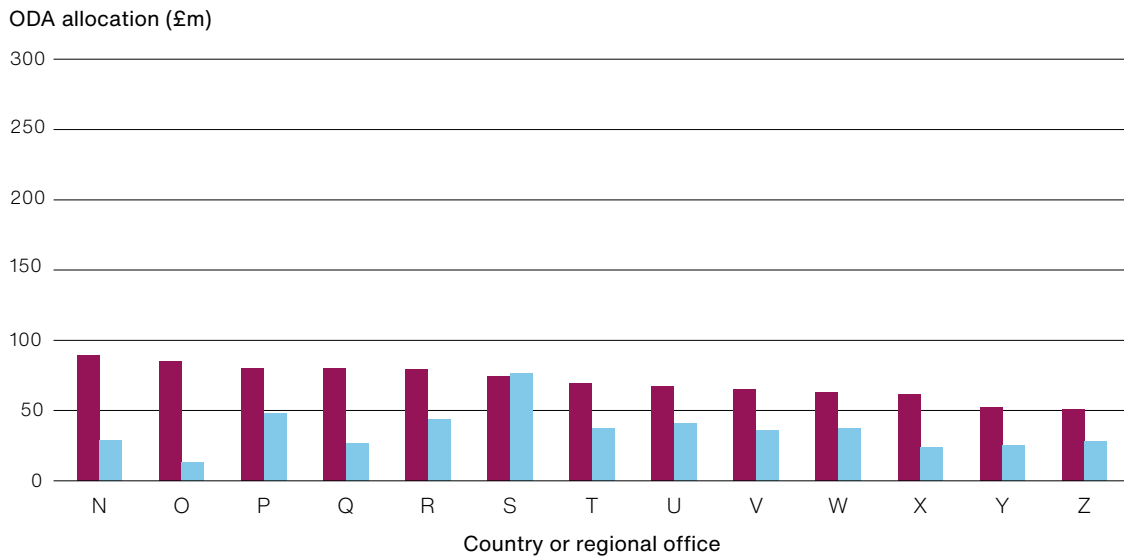
M = Myanmar

D = Nigeria

I = Sudan

E = Bangladesh

J = South Sudan

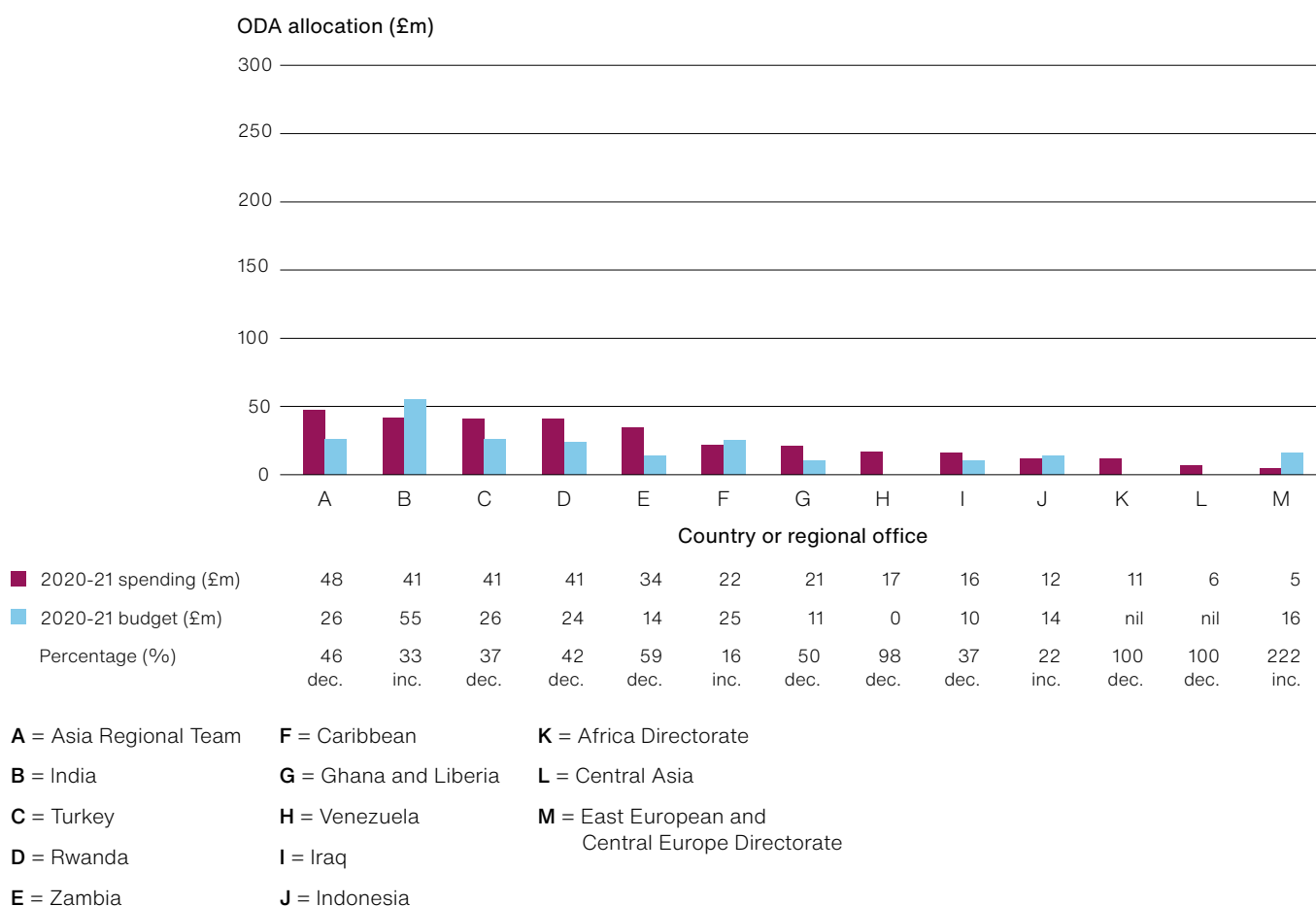


	N	O	P	Q	R	S	T	U	V	W	X	Y	Z
2020-21 spending (£m)	89	85	80	80	79	74	69	67	65	63	61	52	51
2020-21 budget (£m)	29	13	48	27	44	76	37	41	36	37	24	25	28
Percentage (%)	68 dec.	85 dec.	40 dec.	66 dec.	45 dec.	3 inc.	46 dec.	39 dec.	44 dec.	41 dec.	61 dec.	52 dec.	44 dec.

- N** = Tanzania
- O** = Lebanon
- P** = Nepal
- Q** = Occupied Palestinian Territories
- R** = Zimbabwe
- S** = Overseas Territories Department
- T** = Uganda
- U** = Kenya
- V** = Jordan
- W** = Sierra Leone
- X** = Joint Sahel Department
- Y** = Malawi
- Z** = Mozambique

Figure 10 *continued*

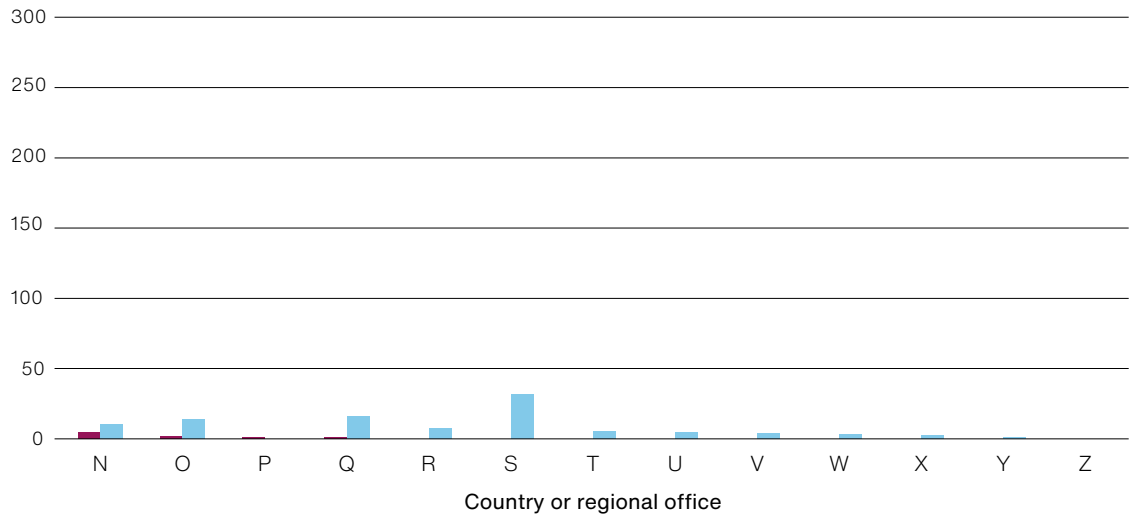
Change in country and regional office Overseas Development Assistance (ODA) budgets, 2021-22 expectation vs 2020-21 actual spending

**Notes**

- Country and regional offices are arranged by 2020-21 spending.
- Percentage increase (inc.) or decrease (dec.) is calculated as the percentage change from the 2020-21 spending to the 2021-22 budget. 'New budget (nb)' indicates that there was no spending in the area in 2020-21, but that a budget was allocated for 2021-22.
- Data are reported against financial years, rather than the calendar year used for ODA budgets. This has the effect of including three months of the 2021 budget in the measure of 2020-21 actual spend and potentially meaning that reductions in budget are understated.
- Figures rounded to the nearest £ million. Amounts shown as £0 million had small allocations. Amounts marked as 'nil' had no allocation.

Source: National Audit Office analysis of Annex A of Foreign, Commonwealth & Development Office Annual Report and Accounts 2020-21

ODA allocation (£m)

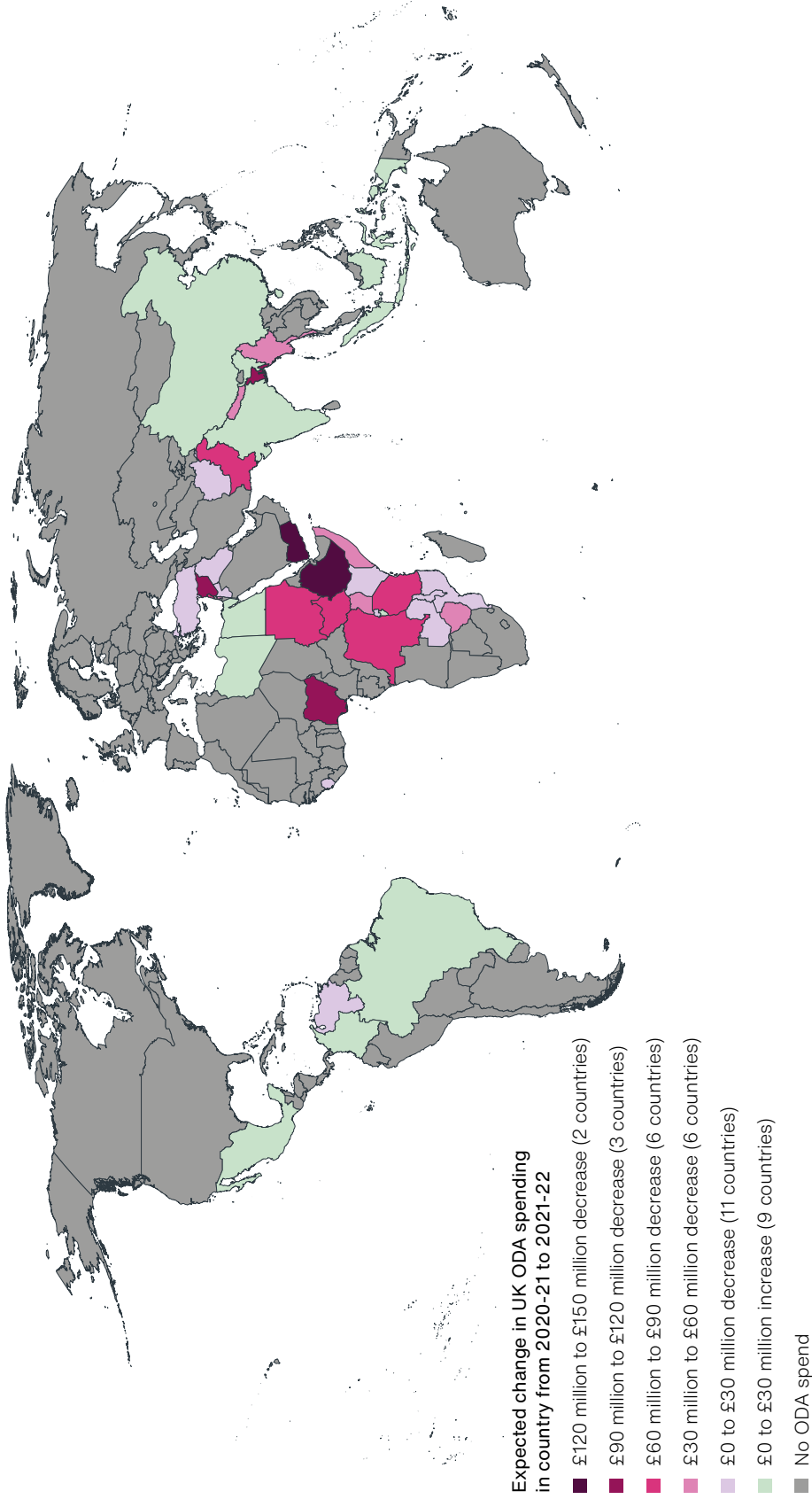


2020-21 spending (£m)	4	2	1	1	0	nil	nil	nil	nil	nil	nil	nil	nil
2020-21 budget (£m)	11	14	nil	16	8	32	5	5	4	3	2	1	0
Percentage (%)	135 inc.	530 inc.	100 dec.	2,065 inc.	6,976 inc.	nb	nb	nb	nb	nb	nb	nb	nb

- N** = Southern Africa
- O** = China
- P** = North Africa Joint Unit
- Q** = Middle East and North Africa Regional
- R** = Brazil
- S** = South East Asia and Pacific Department
- T** = West Balkans Department
- U** = Mexico
- V** = Egypt
- W** = Burundi
- X** = Colombia
- Y** = Libya
- Z** = Pacific Department

Figure 11 Global changes in the Foreign, Commonwealth & Development Office's (FCDO's) Official Development Assistance (ODA) budgets, 2021-22 expectation versus 2020-21 actual spending

Although some offices had small increases in their ODA budgets, most countries where FCDO operates had a substantial reduction in funding



Notes

- 1 Not included on this map are 15 regional offices, covering multiple countries. These offices saw a range of budget changes, from a reduction of £107 million to an increase of £31 million.
- 2 FCDO reports spending data on a financial year basis, rather than the calendar year used for ODA budgets. This has the effect of including three months of the 2021 budget in the measure of 2020-21 actual spend and potentially meaning that reductions in budget are understated.
- 3 Country borders do not necessarily reflect the UK government's official position.

2.16 In January 2021, FCDO’s country offices were informed of their indicative budget allocations and provided with guidance on allocating budgets to programmes. This guidance took a cross-government approach, focusing on identifying programmes which supported the government’s priorities. It also encouraged teams to consider how they might “build the capabilities [they] will need in future years” It recognised that teams would be working over a short time frame that was not ideal but encouraged them to take an evidence-based approach which considered value for money. Final allocations were to be agreed by April 2021. The indicative allocations were the first time most FCDO staff were informed of the exact budget reduction that would apply to their area. FCDO teams in country and regional offices told us they used work they had completed in 2020 to identify ways of responding to budget pressure following the expected reduction in GNI caused by the COVID-19 pandemic to prepare ahead of being informed of their budgets for 2021-22. However, they were planning on the assumption that the overall cut of approximately one-third of the ODA budget would be allocated evenly across government, rather than falling disproportionately upon FCDO. They also had not been informed of the proportion of the budget allocated to each of the strategic priorities.

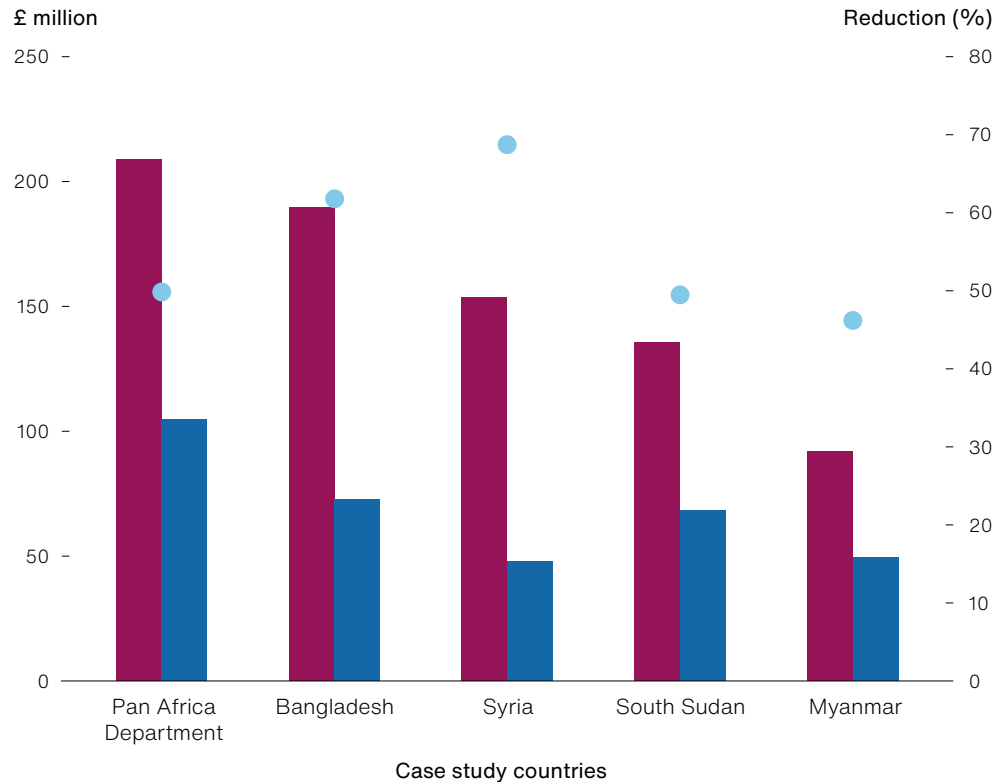
2.17 To help us understand FCDO’s approach to planning the reductions and reprioritisation of ODA budgets within FCDO we undertook detailed work in five of FCDO’s country and regional offices responsible for managing an ODA budget that had received a reduction in budget: Bangladesh; Myanmar; South Sudan; Syria; and the Pan Africa Department.³⁰ Budget reductions ranged from 69% for Syria to 46% for Myanmar (**Figure 12** overleaf). More details on these case studies can be found in Appendix Three.

³⁰ ODA in these country and regional case studies is overseen by the British High Commission Dhaka, the British Embassy Yangon, the British Embassy Juba, the UK Office for Syria, and the Pan Africa Department respectively. Details on how we selected the country and regional offices is set out in Appendix Two. Additional information on each case study is in Appendix Three. These offices should not be seen as representative of the FCDO’s network of country and regional offices as a whole.

Figure 12

The Foreign, Commonwealth & Development Office’s Overseas Development Assistance (ODA) spending (2020-21) and budgets (2021-22) for case study countries

We selected five countries with a reduction in ODA budgets for 2021-22 compared with spending for 2020 as case studies, ranging from 69% for Syria to 46% for Myanmar



	Pan Africa Department	Bangladesh	Syria	South Sudan	Myanmar
2020-21 ODA spending	210	190	153	135	92
2021-22 ODA budget	105	73	48	68	50
Reduction (%)	50	62	69	49	46

Notes

- 1 All data are for financial years.
- 2 Five case study countries were sampled purposively based on the following criteria: size of budget in 2020-21 and 2021-22; percentage change in budget between 2020-21 and 2021-22; ODA spending per capita; and geographic region.

Source: National Audit Office analysis of the Foreign, Commonwealth & Development Office’s Annual Report and Accounts, 2020 21

Part Three

The impact of changes in ODA spending and future challenges

3.1 In this part we examine how the changes in Official Development Assistance (ODA) spending might influence its impact. Specifically, we cover the government's approach to:

- understanding the impact of reductions in ODA spending;
- transparency of ODA allocations and spending;
- identifying and responding to lessons learned; and
- future ODA spending allocations.

Understanding the impact of reductions in ODA spending

3.2 Each of the Foreign, Commonwealth & Development Office's (FCDO's) country and regional offices completed a programme-by-programme review of its activities and submitted this to FCDO centrally. This included advice on whether a programme should continue, continue subject to modification, or be stopped ahead of schedule, for final decisions by ministers. Their submissions also captured information such as programme budgets for future years, the contribution the programme would make to the seven priorities for UK aid spending and an assessment of the non-financial impacts. However, the information on non-financial impacts was limited and FCDO did not request detail such as spending in previous years, which would have helped put reductions in context, although this information was available centrally. Across these country plans 160 programmes were discontinued, 494 were continued with an amendment and 180 were continued in full. In addition, 123 new programmes were introduced.

3.3 FCDO used this information to inform what it described as a ‘light touch’ analysis of the impact of the proposed reduction in ODA spending on equalities.³¹ This exercise concluded that there was likely to be a significant reduction in the number and size of programmes focused on women, girls and people with disabilities, but that programmes with a principal or significant focus on gender equality would not be disproportionately likely to be discontinued. It concluded that it was not possible to mitigate fully the impact on equalities due to fiscal constraints as a consequence of COVID-19, but it identified some actions which FCDO is considering in response, such as including equalities aims within other programmes and increasing advocating and influencing for equalities.

3.4 Figure 13 on pages 46 and 47 sets out examples of what happened with particular programmes in the five country and regional offices we considered as case studies (see paragraph 2.17).

3.5 The scale and speed of decision-making meant FCDO staff were acting under considerable pressure, and there were risks to overall value for money that FCDO found difficult to fully mitigate in the time available. We identified some clear themes in the approaches taken by our five case study offices, with examples of both good practice and issues to be addressed:

- **Zero-based review.** FCDO approached the allocation of aid spending as a “zero-based review”, focused on determining the best programmes to take forward with a reduced budget, rather than identifying areas that could be cut. This was an appropriate approach to managing a large budget reduction. However, bilateral programmes had already been through a budget reduction and prioritisation exercise in 2020. This, combined with the scale of the reduction this time, meant that difficult decisions had to be made about programmes which were performing well. In addition, there was no opportunity to make significant adjustments to the overall allocations between priorities on the basis of the detailed analysis work carried out at a local level.
- **Local flexibility.** Although local teams had to deliver their programmes within an overall budget set centrally (which included allocations against the seven strategic priorities), they could manage their portfolios to ensure local priorities were reflected within these constraints. Offices varied in their approach to determining local allocations. Factors considered included, for example, how well each programme was performing (including considering underperformance), where each programme was in its planned lifecycle (such as whether it was at the start or towards the end), the impact on delivery partners (including the extent to which they could absorb the reduction or secure funding from elsewhere) and whether another donor might be able to take on the work.

³¹ FCDO completed this analysis in March 2021, after decisions had been made about the allocation of the reduced ODA budget across the seven strategic priorities for ODA spending. This work was carried out under the relevant provisions of the International Development Act 2002 (as amended by the International Development (Gender Equality) Act 2014), and the principles of the Public Sector Equality Duty set out in the Equality Act 2010 were applied as a matter of policy.

- **No formal external consultation.** FCDO ministers made the decision that its country offices should not formally discuss planned reductions in budgets with delivery partners until the allocations were finalised in April 2021. Therefore, around a month into the financial year, partners were still not informed of their budgets, or even if their budgets would be reduced. Almost all offices we spoke to reported that this approach, intended to avoid any lobbying from beneficiaries, affected their ability to make good decisions by preventing them from accessing timely data and expertise necessary to support considerations of value for money.
- **Risks to value for money due to disruption.** Departmental ODA guidance emphasises the importance to aid outcomes of long-term reliable funding and consistency; the scale and speed of these budget reductions was correspondingly disruptive. For example, there is a potential loss of value for money in some spending areas as a consequence of being on a smaller scale. Country offices told us that the scale of the reduction to their budgets meant it was perhaps inevitable that there would be an impact on the outcomes they wanted to achieve. They also referred to potential challenges in scaling up activity in the future.
- **Collating information centrally.** FCDO has not completed a central exercise to identify the gaps in performance which resulted from amendments to individual programmes. FCDO also did not make any central assessment of the overall impact of the budget reductions, although some local teams have started this work on their own initiative.

3.6 Some of the concerns raised by FCDO country offices related to their engagement with delivery partners, both locally and internationally. We also consulted directly with a range of stakeholders, including delivery partners and advocacy bodies, on their experiences and views of the ODA reductions process and its outcomes. This included delivery partners funded by various government departments. The key issues emerging from this consultation include limited communication and the impact of delays to finalising budget allocations and align with what we heard from our case study country offices.

3.7 FCDO requires an annual review of every programme, in which the programme teams consider progress against the set of targets and milestones established when the programme was approved (known as a log frame).³² Teams have, where necessary, amended their programme log frames to reflect the reduction and reprioritisation of funding. This means that programmes will be judged against revised progress and performance criteria, aligned with amended budgets. However, the reviews do not capture the original expected performance or how it has changed.

³² A log frame is a summary of milestones and outputs (which might be financial, non-financial, or qualitative) which allows a programme's progress to be assessed. The log frame may be amended in the light of experience.

Figure 13

Examples of changes in the Foreign, Commonwealth & Development Office's (FCDO's) country and regional office programmes as a result of the reduction in Official Development Assistance (ODA)

FCDO programme teams took a decision for each programme to either 'Continue in full', 'Continue with amendment', or 'Discontinue' in response to the reduction in budget. Some new programmes were also introduced

Country/ regional office	Programme name	Status	Commentary
Pan Africa Department	Africa Clean Energy Programme	Continue with amendment	Pan Africa Department identified two pipeline programmes which would not go ahead and that a company funded by the programme to invest in African agribusinesses would take forward fewer investments.
	Southern Africa Regional Trade and Connectivity Programme	Discontinue	The planned Southern Africa Regional Trade and Connectivity Programme was expected to spend £5 million in 2021-22 as a new programme but was discontinued before it was started due to the reduction in ODA resources.
Bangladesh	Bangladesh – Rohingya Response and National Resilience	New programme	FCDO Bangladesh introduced the programme in response to the developing humanitarian situation regarding the Rohingya. The development of the programme saw the consolidation of delivery partners and the identification of cost savings.
	Bangladesh Climate Change and Environment Programme	Continue in full	FCDO Bangladesh concluded that there was a 'high reputational risk' from either exiting or amending the programme given what it described as the government of Bangladesh's buy in to the programme.
Syria	United Nations Relief and Works Agency for Palestine Refugees in the Near East	Discontinue	FCDO Syria identified "significant consequences for a [...] programme that is already extremely stretched". It concluded that the decision would result in a reduction in the programme's health and education activities and considered that other UN agencies would be unable to "step in and fill this gap".
	Syria Humanitarian Protection Programme	Continue with amendment	FCDO Syria concluded that there was reputational risk resulting from its decision to cancel funding for 2021-22 for the United Nations Population Fund (known as the UNFPA), stating that its planned contribution of £7 million for 2021 at the time of the decision to cut funding amounted to more than 50% of the committed donor funding to UNFPA. It set out the activities which the UNFPA supported, such as primary healthcare, and mobile clinics.
	Support to the UN's World Health Organization for the Syria crisis	Continue with amendment	FCDO Syria identified "significant delivery and reputational risks" from amending its programme. For example, 690,000 fewer medical consultations and 260 fewer health facilities.

Figure 13 *continued*

Examples of changes in the Foreign, Commonwealth & Development Office's (FCDO's) country and regional office programmes as a result of the reduction in Official Development Assistance (ODA)

Country/ regional office	Programme name	Status	Commentary
South Sudan	South Sudan Humanitarian Programme 2014–2020	Continue with amendment	FCDO South Sudan calculated that 142,500 fewer people (a reduction of 60%) would receive food assistance as a consequence of the reduced budget. It also considered that decreased funding to UNICEF would create a “funding gap in critical nutrition treatments”.
	Girls' Education in South Sudan Phase II	Continue with amendment	FCDO South Sudan assessed that £6 million was required to prevent the programme's immediate closure – enabling the programme cash transfers for more than 400,000 girls for one year to break down barriers to education and grants to schools to enable safe reopening following COVID-19 closures. FCDO South Sudan also considered that this option allowed it to identify additional funding from other donors.
Myanmar	Burma Humanitarian Assistance and Resilience Programme	Continue with amendment	FCDO Myanmar increased funding for elements of this programme related to the Rohingya by reducing funding for the humanitarian assistance and resilience part of the programme.
	Myanmar UK Partnership for Education	Continued in full	FCDO Myanmar identified reductions in individual components of this programme where it considered they contributed to the new regime's development of policy. For example, around the improvement of teaching quality and to support reforms to teacher education.

Note

- 1 The programmes set out in the figure are intended to be illustrative of, but not representative of, decisions taken by the FCDO's local offices. We have selected them from our five country and regional office case studies. Appendix Two sets out our approach in more detail.

Source: National Audit Office review of the Foreign, Commonwealth & Development Office's country office plans

3.8 FCDO has not assessed the impact of its changed portfolio on the overall value for money of its ODA spending. It brings programme-level assessments of performance together to consider how well its portfolio is performing.³³ In November 2021, it started to consider the performance of each portfolio of programmes under each of the seven strategic priorities. The information can also be analysed by, for example, country office or region. This approach is helpful in tracking year-on-year progress at the output level, such as the number of people attending a clinic. However, FCDO recognises that the approach does not focus on the outcomes it is looking to achieve from its spending, such as the reduction in the maternal mortality ratio, against a baseline. It also does not take account of changes in performance caused by reductions in budgets and changes to priorities. FCDO is completing a project aiming to improve how it assesses progress towards outcomes.

Transparency of ODA allocations and spending

3.9 The Statistics on International Development provides, on an annual basis, a detailed analysis of ODA spending (for the previous calendar year), and FCDO provides details on some of its programmes through its Development Tracker website.³⁴ FCDO also publishes information showing spending by, for example, country and delivery channel.³⁵

3.10 The International Development Committee (IDC) and the Independent Commission for Aid Impact (ICAI) have raised concerns about the transparency of aid spending, which we have also highlighted in our previous work. In particular our last report on ODA spending highlighted limitations in departments' publicly available information on, for example, the effectiveness of aid spending.³⁶ ICAI recently concluded that the lack of transparency and communication around the reprioritisation of aid spending towards addressing COVID-19 increased the uncertainty facing suppliers.³⁷ IDC has highlighted the need for FCDO to meet what it describes as "high standards of transparency" around aid spending, and for FCDO to be open about its approach to budget reductions, to support scrutiny of the changes.³⁸

33 This is known as the Portfolio Quality Index. The assessment of each programme is weighted by the programme's value.

34 Available at: <https://devtracker.fcdo.gov.uk/>

35 Foreign, Commonwealth & Development Office's Annual Report and Accounts, 2021-22. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1019938/FCDO_annual_report_and_accounts_2020_to_2021_accessible.pdf

36 Comptroller and Auditor General, *The effectiveness of Official Development Assistance spending*, Session 2017-2019, HC 2218, National Audit Office, June 2019.

37 Independent Commission for Aid Impact, *UK aid spending during COVID-19: management of procurement through suppliers*, December 2020.

38 The UK Aid Strategy 2015 established an ambition for all departments (spending ODA) to be ranked as 'Good' or 'Very Good' in the International Aid Transparency Index, within the next five years (that is, by 2020).

3.11 The government published some information, but this was on an inconsistent or limited basis. For example, in January 2021 it published information on FCDO and other government departments' ODA allocations for 2021-22. Three months later, in April 2021, it published details of the FCDO's ODA budget analysed by each of the seven new priority areas. However, it did not publish information on the allocation of ODA budgets for other government departments against these priority areas. The government has not made public any information on the changes to its portfolio of programmes. It has also not shared its assessment of the impact on the outcomes it was looking to secure from its planned ODA spending.

3.12 Alongside the transparency of information, stakeholders have raised concerns about the transparency of FCDO's approach to the ODA budget reductions. Consultation takes time and money to do properly, but at this stage of the budget setting process, it can help:

- identify local information to support decision-making which takes account of local context;
- identify and manage risks and uncertainties around programme delivery and value for money; and
- provide greater stakeholder buy-in around decision-making and help manage reputational risk.

3.13 FCDO ministers made the decision that country and regional offices should not formally discuss planned reductions in budgets with delivery partners until they had been allocated a budget and had been given permission to make contact. FCDO told us that this was because it did not want to share information which might change. Evidence from our case studies and consultation with stakeholders and delivery partners suggests this approach had some negative consequences.³⁹ Information from delivery partners on, for example, practical performance issues would not have been available to support decision-making, and the absence of consultation could have an adverse impact on the FCDO's relationship with delivery partners. More generally, delivery partners would have been left uncertain about their futures. Allowing discussions to go ahead once a final budget had been determined reduced the timetable available to scrutinise the changes.

³⁹ Appendix Two explains our approach to the case studies and the consultation exercise in more detail.

Identifying and responding to lessons learned

3.14 In May 2021 ICAI published its report *Management of the 0.7% ODA spending target in 2020*.⁴⁰ While it covers the impact of the volatility of Gross National Income (GNI) on the management of the target, the conclusions are also relevant to considering how to manage the target in the future. ICAI found that the government had used existing and new approaches to manage progress towards the ODA target in response to changing circumstances. For example, the government had increased central oversight of spending in response to the scale of the reduction in GNI, and it continued to use the flexibility inherent in multilateral payments to manage progress towards the target. Departments identified areas of spending which had been disrupted by the COVID-19 pandemic, and deferred spending into later years where possible.

3.15 ICAI also highlighted ways in which the government's approach had increased risks to value for money. For example, it noted a downside to centralised decision-making, saying it moved "decision-making about portfolio and programme adjustments away from those closest to the details of the programmes [heightening] value-for-money risks". It also looked at the impact of volatility in GNI. Initial pessimistic forecasts in 2020 led to the identification of up to £2.9 billion of reductions in spending. In an in-year exercise, cuts to bilateral programmes were identified quickly. When GNI forecasts were later revised upwards, this additional ODA was used to benefit multilaterals, and the bilateral reductions were not revisited (see paragraph 1.9). ICAI noted that the treatment of the spending target as a floor as well as a ceiling left a very narrow margin for error for the level of spending and a lack of flexibility around the timing of implementing budget reductions. In contrast to 2020, in-year forecasts of GNI during 2021 saw an increase of around 10% in the estimate of how much ODA needed to be spent to meet the 0.50% spending target. This increase was absorbed by unplanned ODA spending such as an increase in expenditure in Afghanistan and the cost of vaccines donated by the UK to developing countries.

3.16 FCDO has looked to learn and apply lessons from the approach to allocating ODA in 2020. **Figure 14** summarises the outcome of its lessons learned review, completed in November 2020, and highlights the relevance to the allocation of ODA funding for 2021-22.

⁴⁰ This report followed the November 2020 report *Management of the ODA spending target* which covered ODA spending in the years 2013–2019. The 2021 report is available at: <https://icai.independent.gov.uk/wp-content/uploads/Management-of-the-0.7-ODA-spending-target.pdf>

Figure 14

The Foreign, Commonwealth & Development Office’s lessons learnt review of its approach to allocating Official Development Assistance (ODA) in 2020

The Foreign, Commonwealth & Development Office (FCDO) identified three main lessons from its approach to managing the ODA target for 2020

Observation/area for improvement	Relevance to the allocation of ODA funding for 2021-22
<p>The importance of establishing at the outset a clear steer from ministers on the priorities for where spending should be protected, and what the shape of the final ODA portfolio should be. This would avoid repeated prioritisation exercises and allow savings options to be realised sooner.</p>	<p>While FCDO had a clear set of thematic and geographical priorities for 2021-22, this did not prevent a number of iterations to reach a final allocation of ODA spending. Taking an iterative approach may have been necessary.</p> <p>It is too early to say whether savings options have been realised.</p>
<p>Ministerial decisions made at portfolio-level (across themes), rather than at programme-level as was the case in 2020, would empower teams to make more informed programme-level decisions.</p>	<p>While ministers set the high-level areas of focus for spending, decisions were primarily made locally as to where the budget reductions would be made.</p>
<p>Data needs to be up to date, and budgets need to be flexible to allow teams across ODA spending departments to adjust spending in response to Gross National Income fluctuations.</p>	<p>While up to date data were available, these did not allow for a direct comparison of prior year and planned spending.</p> <p>Flexibility was, in part, built into the decision to place responsibility for the reallocating of funding to take place at a local level.</p>

Source: National Audit Office summary of the Foreign, Commonwealth & Development Office’s documentation

Future ODA allocations

3.17 The three-year settlement set out in the autumn Budget 2021 could help stabilise ODA spending in the short to medium term. In October 2021, the government published its *Autumn Budget and Spending Review 2021*, covering the period 2022-23 to 2024-25.⁴¹ Departmental ODA budgets are set out for each of these three years based on an ODA spending target of 0.50% of GNI (Figure 15 overleaf).

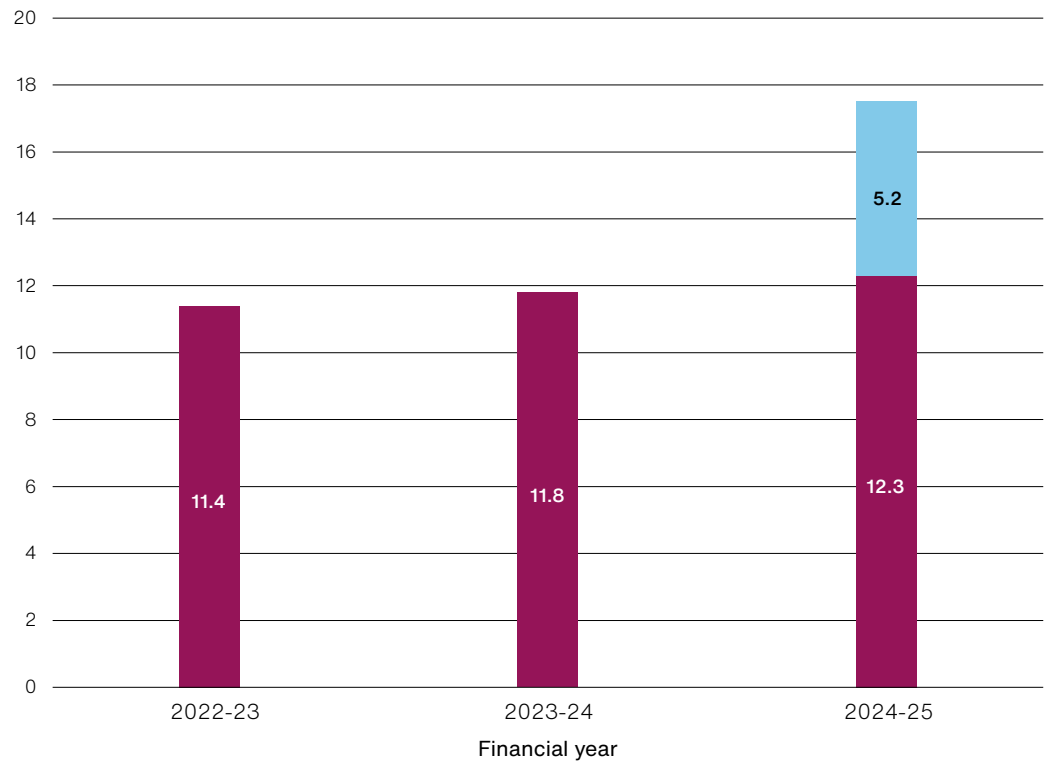
41 HM Government, *Autumn Budget and Spending Review 2021*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1043688/Budget_AB2021_Print.pdf

Figure 15

Autumn Budget 2021 – Official Development Assistance (ODA) departmental budget allocations, 2022-23 to 2024-25

HM Treasury set a three-year ODA budget for government on the basis of the spending target remaining at 0.50% of Gross National Income – but noted the current economic forecast predicts a return to 0.70% by 2024-25, which would enable a £5.2 billion increase in the budget

ODA budget (£bn)



- ODA budget at target of 0.50% of Gross National Income
- Uplift if ODA target returns to 0.70% of Gross National Income

Note

1 The autumn Budget 2021 set out figures for departmental ODA only. It therefore excludes additional non-departmental ODA that will contribute to meeting the target, such as Gift Aid and the BBC World Service.

Source: National Audit Office summary of the *Autumn Budget and Spending Review 2021*

3.18 In the 2021 Budget, the government announced that, based on the Office for Budgetary Responsibility's fiscal forecast in October 2021, it expected that the two conditions agreed by Parliament for returning to a spending target for ODA of 0.70% would be met in 2024-25. This was one year ahead of the previous forecast from March 2021.⁴² HM Treasury has set aside £5.2 billion to accommodate this change – this money has been committed but not allocated to departments and programmes. The two conditions triggering a return to a spending target of 0.70%, agreed by Parliament, are:

- fiscal forecasts confirm that, on a sustainable basis, the government is not borrowing for day-to-day spending; and
- underlying debt is falling.

3.19 HM Treasury is considering the implications of forecasts of economic performance on the return to 0.70%, and FCDO is considering options for scaling up spending should these triggers be met.⁴³ The government has already announced an additional £1 billion for International Climate Finance if the tests for a return to the 0.70% target are met. In the 2021 Budget, the government also announced a preference for an increased focus on bilateral expenditure. FCDO, as spender and saver of last resort, needs to manage the risk that these individual announcements mean its future budgets are already committed before it has had a chance to consider overall coherence and alignment with the forthcoming new international development strategy.

42 Based on the Office for Budget Responsibility's forecasts at March 2021. Available at: <https://obr.uk/download/economic-and-fiscal-outlook-march-2021/>

43 In its Spring Statement 2022, the government noted that in the 2021 Spending Review, it had reiterated its commitment to review and confirm each year whether a return to spending 0.70% of GNI on ODA was possible against the latest fiscal forecast. It said it would determine whether the ODA fiscal tests will be met for 2023-24 at the Budget 2022. HM Treasury, *Spring Statement 2022*, March 2022. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1062486/Spring_Statement_2022_Web_Accessible.pdf

Developing a new international development strategy

3.20 FCDO is leading the development of a new international development strategy for government, which it plans to publish in spring 2022. This is an opportunity to emphasise the coherence of aid spending, clarify roles and responsibilities across government and improve the government's approach to assessing and reporting on the effectiveness of its ODA spending. This would build on the principles set out in the government's *Global Britain in a competitive age: The Integrated Review of Security, Defence, Development and Foreign Policy*, published in March 2021, and the subsequent articulation of strategic priorities for international development. In June 2019, when we reported on the effectiveness of ODA spending, we concluded that government had placed insufficient emphasis on demonstrating the effectiveness of ODA spending and on progress against the 2015 UK aid strategy. For example, we reported that government had, after four years, only just started considering how it would make that assessment. While it had identified 'indicators of success', it had not brought these together with expenditure – a necessary step to support an assessment of value for money.

Appendix One

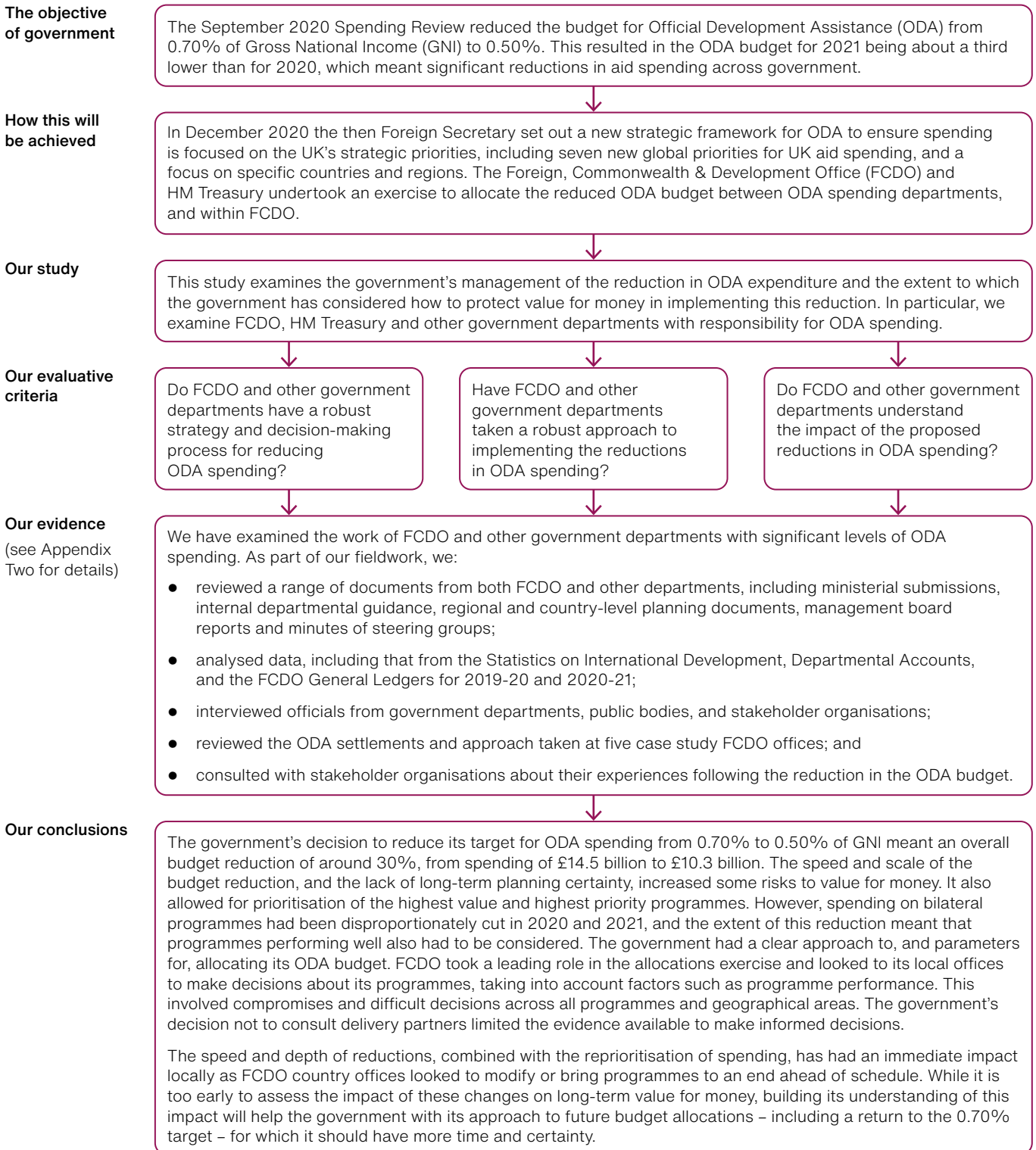
Our audit approach

1 This study examines the government's management of the reduction in Official Development Assistance (ODA) spending and the extent to which the government has considered how to protect value for money in implementing this reduction. The majority of ODA is spent through the Foreign, Commonwealth & Development Office (FCDO), but other government bodies also have responsibility for ODA spending. We did not review the basis of the government's decisions to reduce the overall ODA budget or to reduce the ODA spending target from 0.70% to 0.50% of Gross National Income (GNI). Instead, we examined the way these decisions were implemented and their initial impact. In particular, we examined FCDO, HM Treasury and other government departments with responsibility for ODA spending, and assessed:

- the strategy and decision-making process for reducing ODA spending in 2021;
- the approach to implementing the reductions in ODA spending; and
- the understanding of the impact of reductions in ODA spending, and consideration of future challenges.

2 The scope of the report is set out in the Summary (paragraphs 5 and 6). Our audit approach is summarised in **Figure 16** overleaf.

Figure 16
Our audit approach



Appendix Two

Our evidence base

1 We reached our independent conclusions on the government's management of the reduction in Official Development Assistance (ODA) spending following the 2020 Spending Review based on our analysis of evidence collected between July 2021 and January 2022. The main focus of our audit was the Foreign, Commonwealth & Development Office (FCDO). We also interviewed staff and requested documentation from HM Treasury, the Department for Business, Energy & Industrial Strategy (BEIS), the Department for Environment, Food & Rural Affairs (Defra), the Department of Health & Social Care (DHSC) and the Home Office. Our audit approach is outlined in Appendix One. We examined the government's progress through five main methods:

- Document review of a range of documents from both FCDO and other departments, including ministerial submissions, internal departmental guidance, country and regional-level planning documents, management board reports and minutes of steering groups.
- Data analysis, including of the *Autumn Budget and Spending Review 2021*, data provided regarding the number of contract closures, the Portfolio Quality Index, Statistics on International Development, Departmental Accounts, and the financial and management data included in the FCDO General Ledgers for 2019-20 and 2020-21.
- Interviews of officials from government departments and public bodies.
- Five case studies of FCDO country and regional offices.
- Consultation with stakeholder organisations to ask them about their experiences following the reduction in the ODA budget.

We expand on each of these approaches overleaf.

Document review

2 We reviewed documents and management information prepared by government departments as part of their work to allocate ODA budgets. Where documents raised questions or were incomplete, we went back to the providers for more information.

Key documents reviewed include:

- submissions to ministers relating to the allocation of ODA budgets, particularly in the period December 2020 to January 2021;
- guidance and other communications issued to departmental staff to inform them of the allocations process and their responsibilities;
- documentation relating to our five case studies offices, including country plans.
- letters between ministers regarding the ODA allocation process;
- parliamentary reports published by the House of Commons International Development Committee;
- FCDO management board reports; and
- minutes from relevant steering groups.

Data analysis

3 We analysed three main sources of data:

- Publicly available data from the Statistics on International Development, published by FCDO. At the time of publication the most recent available statistics were for 2020, published 29 September 2021.
- Figures published in FCDO's Annual Report and Accounts for 2020-21, particularly Annexes A and B, which provide annual reporting of statistical information relating to ODA.
- FCDO's general ledger, as used to create the FCDO accounts for 2020-21 and the former Department for International Development's accounts for 2019-20. FCDO assisted us in mapping underlying accounting data to areas of interest.

4 Our data analysis was limited by challenges in comparing data sets between different time periods. While some data are produced on a financial year basis, other data follow the calendar year. Our use of general ledger data allowed us to overcome this limitation in some areas. However, we were also limited by changes in the accounting system as a result of the merger of the former Foreign & Commonwealth Office and Department for International Development to create FCDO in September 2020, and by the movement of programmes between departments as a result of the ODA allocations process.

Interviews

5 We conducted semi-structured interviews with key personnel involved in the ODA allocations process of 2021. Interviewees included:

- representatives from FCDO's executive team and senior staff with formal decision-making powers and strategic oversight of the reduction in ODA spending;
- a ministerial policy adviser involved in supporting the Foreign Secretary during the allocations process;
- FCDO officials working within country offices both in overseas stations and remotely from the UK, including those responsible for direct programme oversight and country office-level management. We also interviewed representatives of teams with specialist expertise in different areas of international development, such as humanitarian assistance. These teams often operate across multiple offices within a region;
- FCDO staff involved in specific thematic areas, including girls' education, climate change and biodiversity, and humanitarian assistance;
- officials from HM Treasury, BEIS, Defra, DHSC and the Home Office involved in managing and implementing the UK ODA budget; and
- representatives of the Institute for Development Studies and Bond (a UK network for organisations working in international development).

Case studies

6 We selected five local FCDO offices for examination as detailed case studies, to provide illustrative examples. These case studies are not representative of all FCDO country and regional offices. We identified a population of country and regional offices, based on the FCDO's geographical priority areas, with a high level of impact from the changes in ODA budget using the below criteria:

- Size of ODA budget in 2020-21 and 2021-22
- Percentage change in ODA budget between 2020-21 and 2021-22
- ODA budget per capita.

7 Our analysis was based on data from the FCDO Annual Report and Accounts 2020-21. We selected case studies to present a range of budgets and percentage changes from within high-impact countries. Two offices were selected from each area of FCDO geographic priority (sub-Saharan Africa and the Indo-Pacific region), and the fifth from the rest of the world. These were Bangladesh, Myanmar, South Sudan, Syria and the Pan Africa Department. More details of our case studies can be found in Appendix Three.

Consultation with delivery partners

8 We conducted a consultation exercise. We identified 180 stakeholder organisations through internet-based research and, in particular, drawing on an open letter regarding the reduction in aid spending published in November 2020. We contacted these organisations with a link to a consultation document hosted on an external website. The consultation was open during August 2021, during which time responses were received from 25 organisations. Organisational responses were anonymised. We analysed for positive, negative and neutral responses, and drew out common themes between stakeholders. Our consultation is non-representative and is only indicative of the views of stakeholders who responded to our consultation.

Appendix Three

FCDO country and regional office case studies

1 This Appendix summarises some key financial and non-financial information from each of our five case studies: Bangladesh, Myanmar, South Sudan, Syria and the Pan Africa Department. This is taken from the Foreign, Commonwealth & Development Office's (FCDO's) own assessments, country and regional plans and programme business cases. Official Development Assistance (ODA) in these areas is overseen by the British High Commission Dhaka, the British Embassy Yangon, the British Embassy Juba, the UK Office for Syria, and the Pan Africa Department respectively. In **Figure 17** overleaf we set out, for each of the five country and regional offices, the following:

- The total number and value of programmes in operation in 2021-22, noting where applicable where that figure includes programmes discontinued by the review that wound down during the year.
- A breakdown of the above figures, showing the number of programmes which were unchanged, modified, ended ahead of schedule, or were newly approved following the review.

Pan Africa Department

2 Regional offices sit between country offices and central FCDO programmes in terms of scope. They deal with a specific area of the world, covering multiple countries, but primarily work from the UK, with some staff based overseas. The Pan Africa Department takes responsibility for programmes which affect multiple regions, borders and administrations among the developing nations of Africa. It primarily works on issues that are trans-boundary such as those affecting the African Union, trade, migration and widespread humanitarian crises. It also supports country offices where they do not have in-house development experience.

3 **Figure 18** on page 63 shows the changing ODA spend for the Pan Africa Department over the course of three financial years. **Figure 19** on page 64 shows a more detailed breakdown of the change in both absolute and relative spend in different strategic areas before and after the review.

4 **Figure 20** on page 65 highlights examples of programmes for which FCDO's Pan Africa Department is responsible.

Figure 17

Impact of reductions in and reprioritisation of Official Development Assistance (ODA) on country and regional office programmes

Responding to changes to their ODA budget, the Foreign, Commonwealth & Development Office’s (FCDO’s) country and regional offices identified programmes which could continue unchanged, modified others and ended some ahead of schedule

Number of programmes



- Unchanged
- Modified
- Ended ahead of schedule
- New in year

Notes

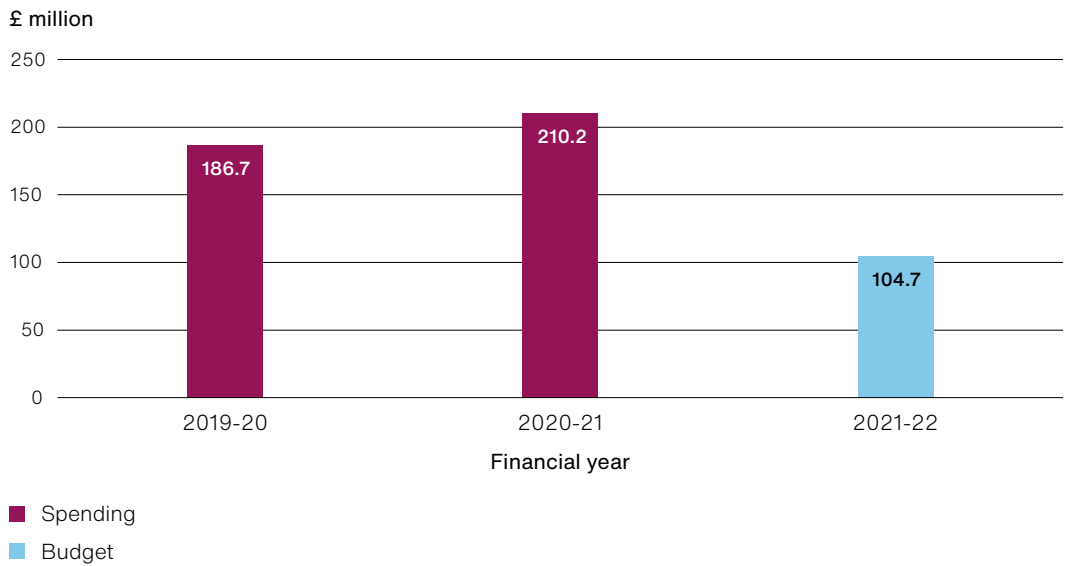
- 1 The Pan Africa Department’s budget was reduced from £210.2 million to £104.7 million following the review. Two planned programmes were discontinued immediately and are not included in the chart above.
- 2 Foreign, Commonwealth & Development Office (FCDO) Bangladesh’s budget was reduced from £189.8 million to £72.7 million following the review.
- 3 FCDO Myanmar’s budget was reduced from £92.0 million to £52.2 million following the review. Four planned programmes were discontinued immediately and are not included in the chart above. This does not include the programmes which were ended immediately following the coup to avoid legitimising the new military regime.
- 4 FCDO South Sudan’s budget was reduced from £135.3 million to £68.4 million following the review.
- 5 FCDO Syria’s budget was reduced from £153.5 million to £48.0 million following the review.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office Annual Report and Accounts 2020-21, Department for International Development and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21, and individual country plans

Figure 18

Bilateral Official Development Assistance (ODA) spending for 2019-20 and 2020-21 and the bilateral ODA budget for 2021-22, Pan Africa Department

Annual bilateral ODA spending by the Pan Africa Department increased slightly in 2020-21 with allocations for 2021-22 decreasing substantially



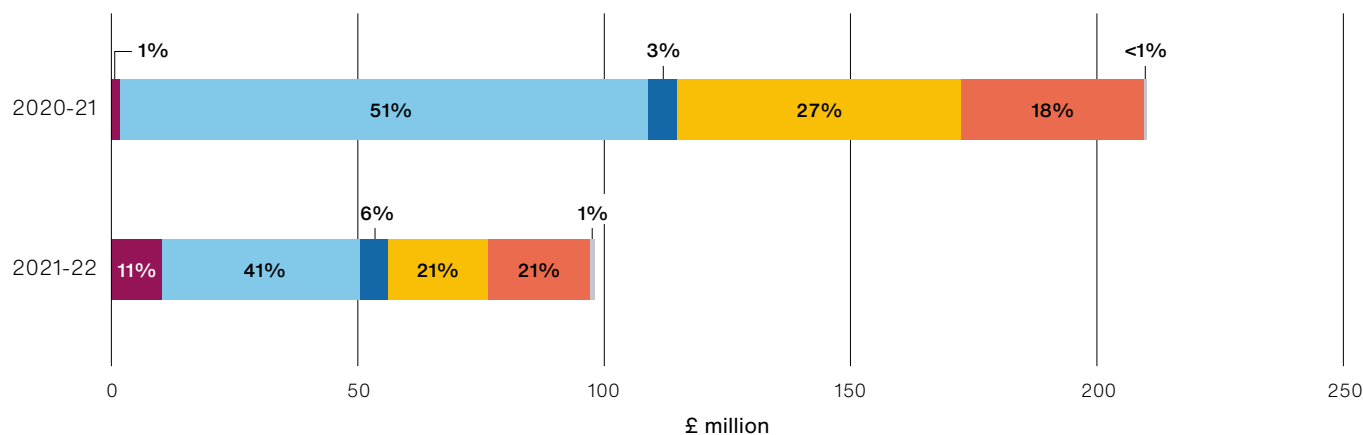
Source: National Audit Office analysis of the Statistics on International Development; the Foreign, Commonwealth & Development Office Annual Report and Accounts 2020-21; Department for International Development and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21; and Department for International Development analytics data for 2020-21

Figure 19

Distribution of the Pan African Department’s bilateral programming by theme, 2020-21 actual spending against 2021-22 allocations

The overall distribution of bilateral programming across the seven strategic priorities remained relatively stable, with ‘COVID-19 and global health security’ being the largest focus of the Pan Africa Department

Financial year



- Climate change and biodiversity
- COVID-19 and global health security
- Open societies and conflict resolution
- Humanitarian preparedness and response
- Trade and economic development
- Other cross-cutting

Notes

- 1 Figures for 2020-21 are actual spending (£210.2 million).
- 2 Figures for 2021-22 are budget allocation (£98.1 million).
- 3 2021-22 percentages do not sum to 100% due to rounding.

Source: National Audit Office analysis of Department for International Development (DFID) and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21, individual country plans for 2021-22, and DFID analytics data for 2020-21

Figure 20

The Foreign, Commonwealth & Development Office's Pan Africa Department – examples of programmes

This figure presents illustrative examples of how programmes in the Pan Africa Department were affected by the change in the Official Development Assistance (ODA) budget

Pan Africa representative programmes	Programme status	2020-21 spending (£m)	2021-22 budget (£m)
Weather and climate Information and Services for Africa (WISER)			
To develop user-led weather forecasting and early warning systems to help build capacity of local meteorology agencies and scientists to improve accuracy and timeliness of weather forecasts, and systems which can help save lives (for example the roll-out of improved weather forecasting in Lake Victoria). This aimed to enable people to take decisions on, for example, agriculture, which are key to their resilience/adaptation to climate change.	Discontinued	3.6	1.2
Africa Clean Energy Programme (ACE)			
ACE aims to deliver access to electricity in poor rural communities, targeting 1.7 million people. It intends to expand off-grid energy markets, strengthen private sector companies to deliver quality services, strengthen governments' enabling environments for private sector delivery, and strengthen quality standards to ensure consumer confidence in products. ACE should contribute to green recovery, increase public and private investment, and strengthen relations with the World Bank and the African Development Bank on clean energy, particularly in the run-up to COP 26.	Continued with amendment	7.6	4.5
Supporting Humanitarian Operations in Central African Republic and the Region (SHOCARR)			
This programme is intended to save lives and reduce suffering of the population affected by the ongoing crisis in the Central African Republic. It will look to achieve this aim through a multi-year, multi-sector response to the protracted crisis. The programme will seek to address urgent needs by providing emergency healthcare, livelihoods support and protection activities. It also focuses on the improvement of accountability for affected populations through support to a system-wide accountability project.	Continued with amendment	19.2	10.4
Womens Integrated Sexual Health (WISH)			
WISH seeks to ensure access to and quality of sexual and reproductive health rights services. It looks to increase the number of people using modern methods of voluntary family planning, with access for the poorest and for adolescents. WISH aims to provide essential health services and longer term strengthened health systems, and to mitigate the impact of COVID-19.	Continued with amendment	79.8	33.3

Source: National Audit Office review of Foreign, Commonwealth & Development Office Africa Directorate Business Plan

Bangladesh

5 Bangladesh is a rapidly developing nation with a population of more than 133 million people. There has been a degree of political stability over the past few years, with the incumbent government receiving the vast majority of the vote. There has also been progress in health, education and economic growth. FCDO's work in Bangladesh focuses on, among other things, improving access to services, diversifying exports, building climate resilience and addressing the needs of Rohingya refugees. It also implements programmes intended to improve transparency and accountability.

6 A significant amount of the budget is spent on Rohingya refugees. The latest UN data show 751,862 refugees arrived in Bangladesh between August 2017 and September 2021. The other significant area of humanitarian expenditure is responding to cyclones and flooding, which happen frequently.

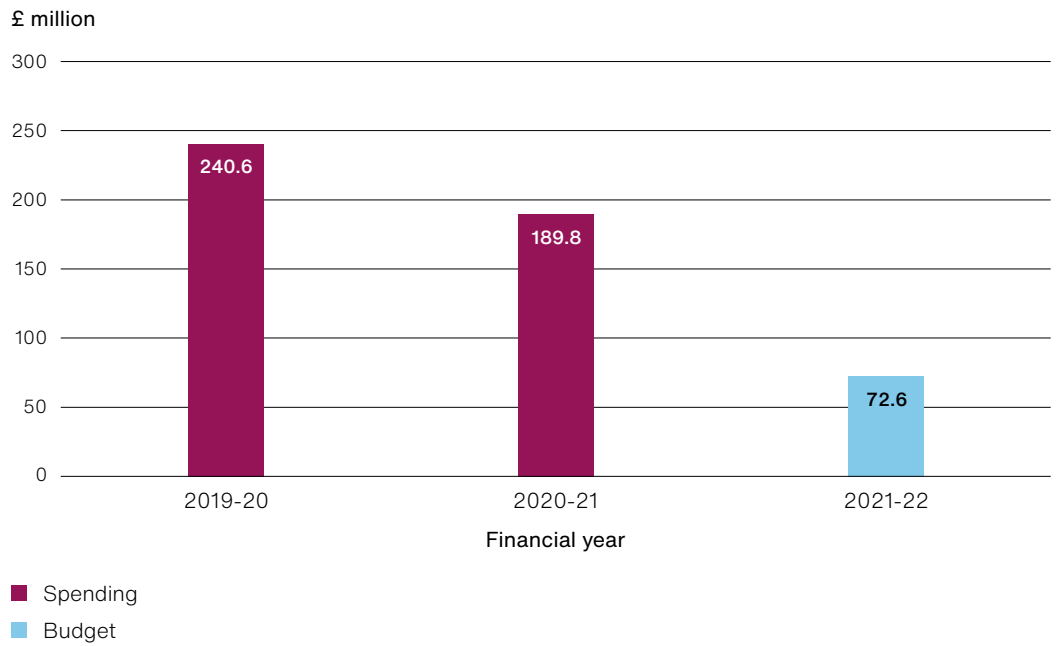
7 **Figure 21** shows the changing ODA spend for FCDO Bangladesh over the course of three financial years. **Figure 22** on page 68 shows a more detailed breakdown of the change in both absolute and relative spending in different strategic areas before and after the review.

8 **Figure 23** on page 69 highlights examples of programmes for which FCDO's Bangladesh office is responsible.

Figure 21

Bilateral Official Development Assistance (ODA) spending for 2019-20 and 2020-21 and the bilateral ODA budget for 2021-22, Bangladesh

Bilateral ODA spending by the Bangladesh country office decreased substantially from 2019-20 to 2020-21, with allocations for 2021-22 being a further substantial decrease



Note

1 Figures for 2021-22 are from the actual budget allocation (£72.6 million) rather than the country plan (£78.8 million). Variance derives from contingency overprogramming.

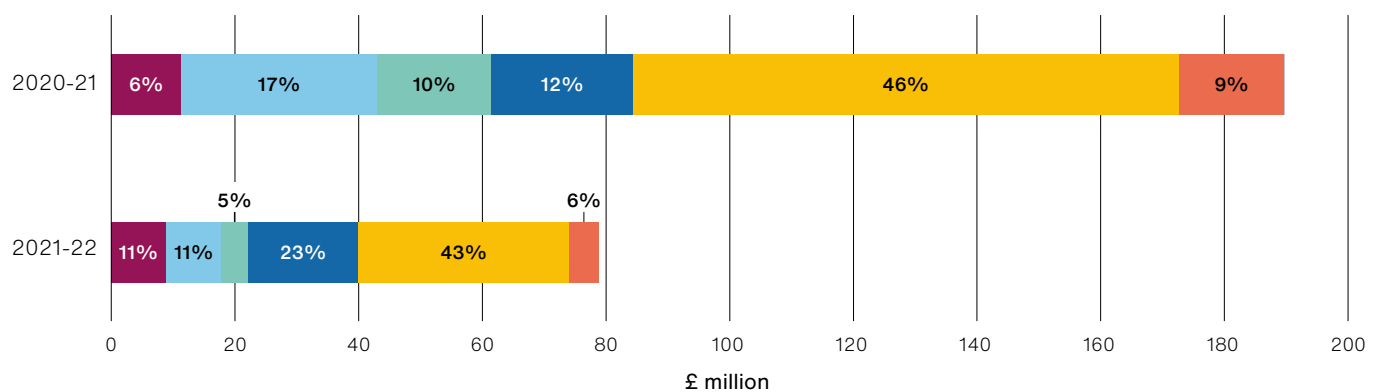
Source: National Audit Office analysis of the Statistics on International Development; the Foreign, Commonwealth & Development Office's Annual Report and Accounts, 2020-21; Department for International Development (DFID) and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21, internal Foreign, Commonwealth & Development Office Bangladesh office management data, DFID analytics data for 2020-21

Figure 22

Distribution of the Bangladesh country office's bilateral programming by theme, 2020-21 actual spending against 2021-22 allocations

The allocation for Bangladesh decreased from 2020-21 spending of £189.8 million to the 2021-22 allocation of £72.6 million with substantial decreases in planned expenditure for 'COVID-19 and global health security' and 'Girls' education' programming

Financial year



- Climate change and biodiversity
- COVID-19 and global health security
- Girls' education
- Open societies and conflict resolution
- Humanitarian preparedness and response
- Trade and economic development
- Other cross-cutting

Notes

- 1 Figures for 2020-21 are actual spending (£189.8 million).
- 2 Figures for 2021-22 are from the country plan (£78.8 million); actual budget allocation was £72.6 million, but the spending proportions across the themes remain broadly the same. Programmes may contain an element of contingency overprogramming to absorb underspending elsewhere.
- 3 2021-22 percentages do not sum to 100% due to rounding.

Source: National Audit Office analysis of the Department for International Development's (DFID's) and the Foreign, Commonwealth & Development Office's general ledger data for 2019-20 and 2020-21 and individual country plans for 2021-22, internal Foreign & Commonwealth Office Bangladesh office management data, and DFID analytics data for 2020-21

Figure 23

The Foreign, Commonwealth and Development Office's Bangladesh office – examples of programmes

This figure presents illustrative examples of how programmes in the Bangladesh country office were affected by the change in the Official Development Assistance (ODA) budget

Bangladesh representative programmes	Programme status	2020-21 spending (£m)	2021-22 budget (£m)
Bangladesh – Rohingya Response and National Resilience (RRNR)			
RRNR aims to help Bangladesh manage a protracted refugee crisis, while a political solution is sought to allow voluntary repatriation to Myanmar. It will provide humanitarian support to improve the lives of 890,000 refugees and poor host communities. It will deliver food, cooking gas, clean water, sanitation, improved schooling, protection, forest rehabilitation, and livelihood opportunities. It will also aim to strengthen the national response to disasters.	New programme	n/a	33.1
Excluded People's Rights in Bangladesh (EPR)			
EPR is a broad-ranging rights programme. It promotes rights and equality for 1.64 million people in Bangladesh who are at the highest risk of being excluded, including poor women and girls, people with disabilities, ethnic and religious minorities, 'Dalits' (untouchables), children working in vulnerable situations (including modern slavery) and youth.	Continued with amendment	8.2	6.0
Pathways to Prosperity for Extremely Poor People in Bangladesh (PPEPP)			
PPEPP aimed to enable one million people to exit extreme poverty through a graduated approach involving livelihood and nutrition support, time-bound life-cycle grants (linked to points or events in the life-cycle, for example pregnancy or early childhood or old age) topping up social security payments, community mobilisation and market systems development, while actively promoting public and private provision of the core services (such as the provision of health care and education) required to eradicate extreme poverty. Nearly all the targeted households were extremely climate vulnerable communities in either coastal or flood-prone areas.	Discontinued	2.6	2.7
Better Health in Bangladesh			
The programme supports the Bangladesh government's health sector programme and: <ul style="list-style-type: none"> • aims to delivery of equitable and quality healthcare including COVID-19 response, with a focus on ending preventable deaths; • aims to enable health systems including early warning systems and antimicrobial resistance, to function better and improve regulation; and • generates evidence for policy/planning. 	Continued with amendment	18.8	6.6

Note

1 All programmes may contain an element of contingency overprogramming to absorb underspending elsewhere.

Source: National Audit Office review of Foreign, Commonwealth & Development Office Bangladesh country plan

Syria

9 FCDO describes the situation in Syria as volatile and dangerous due to a decade of ongoing conflict and insecurity. The conflict has affected public infrastructure and services. It has identified restrictions on political activity and describes violence against women and girls as normalised. Almost 90% of Syrians now live below the poverty line with a record 13 million Syrians in need of humanitarian assistance – with women, people with disabilities, young and the elderly the most vulnerable.

10 FCDO has identified the conflict in Syria as posing serious risks to UK interests, including the stability of the wider region, migration and counter-terrorism. FCDO helps deliver the UK's overall strategy, which seeks to end the conflict and bring about an inclusive political settlement that will reduce these risks. FCDO's interventions focus on humanitarian needs and look to strengthen Syrians' ability to withstand the impact of the conflict. FCDO also supports refugees and Turkish host communities with essential services and support to help create the conditions that mean refugees are less likely to fall prey to people smugglers.

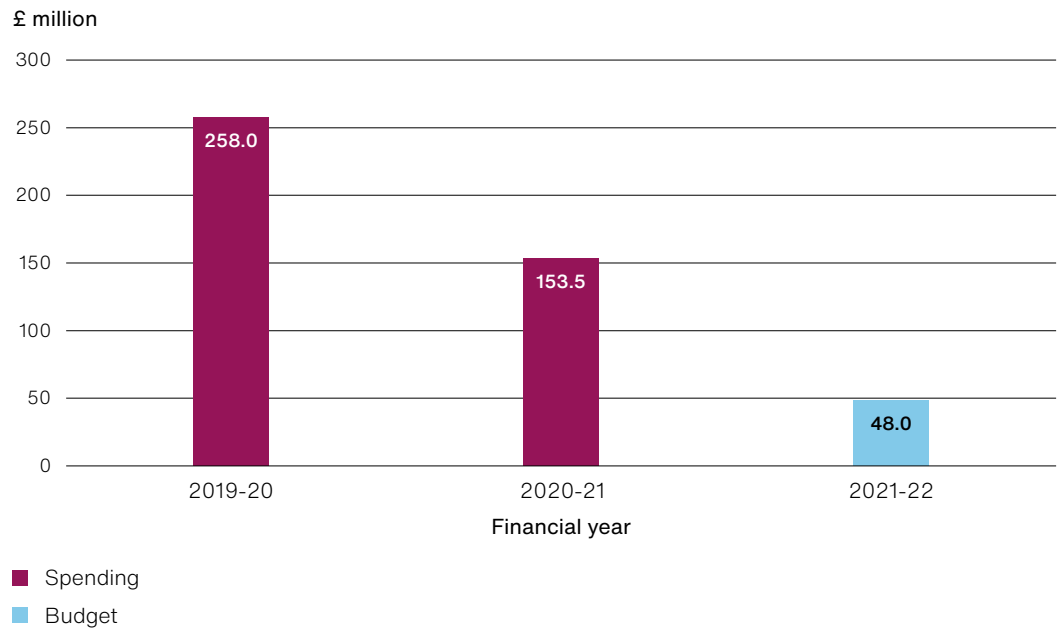
11 **Figure 24** shows the changing ODA spend for FCDO Syria over the course of three financial years. **Figure 25** on page 72 shows a more detailed breakdown of the change in both absolute and relative spend in different strategic areas before and after the review.

12 **Figure 26** on page 73 highlights examples of programmes for which FCDO's Syria office is responsible.

Figure 24

Bilateral Official Development Assistance (ODA) spending for 2019-20 and 2020-21 and the bilateral ODA budget for 2021-22, Syria

Bilateral ODA spending by the Syria country office decreased substantially from 2019-20 to 2020-21, with allocations for 2021-22 being a further substantial decrease



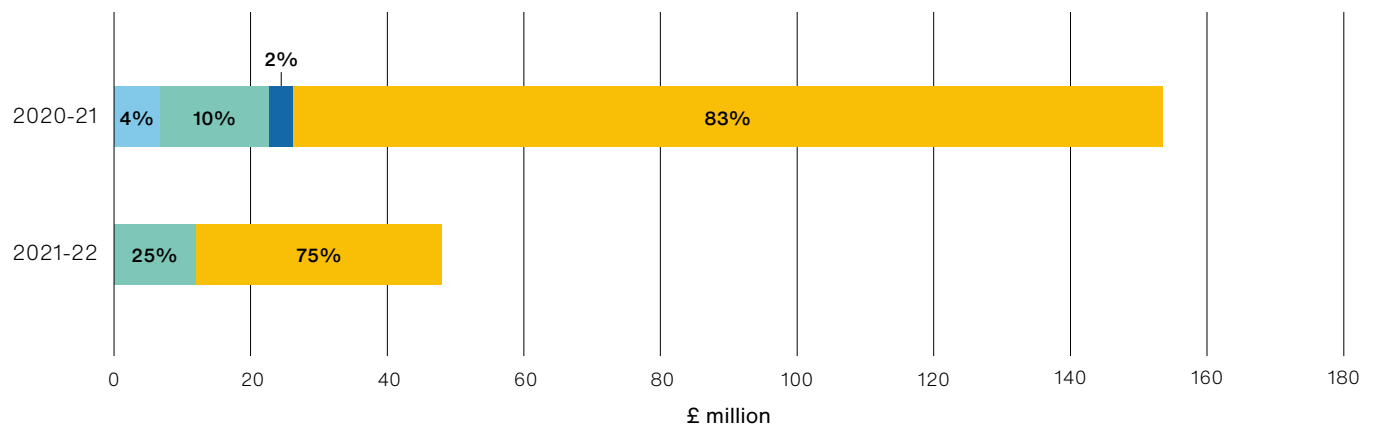
Source: National Audit Office analysis of the Statistics on International Development; the Foreign, Commonwealth & Development Office's Annual Report and Accounts 2020-21; Department for International Development (DFID) and Foreign, Commonwealth & Development Office (FCDO) general ledger data for 2019-20 and 2020-21, internal FCDO Syria office management data, DFID analytics data for 2020-21

Figure 25

Distribution of bilateral programming by the Syria country office, 2020-21 actual spending against 2021-22 allocations

Allocations for Syria decreased from the 2020-21 spend of £153.5 million to £48.0 million in 2021-22, with spending against 'Open societies and conflict resolution' programmes being eliminated

Financial year



- COVID-19 and global health security
- Girls' education
- Open societies and conflict resolution
- Humanitarian preparedness and response

Notes

- 1 2020-21 percentages do not sum due to rounding.
- 2 Figures for 2020-21 are actual spend (£153.5 million).
- 3 Figures for 2021-22 are budget allocation (£48.0 million).

Source: National Audit Office analysis of Department for International Development (DFID) and Foreign, Commonwealth & Development Office (FCDO) general ledger data for 2019-20 and 2020-21 and individual country plans for 2021-22, internal FCDO Syria office management data, DFID analytics data for 2020-21

Figure 26**The Foreign, Commonwealth & Development Office's Syria office – examples of programmes**

This figure presents illustrative examples of how programmes in the Syria Office were affected by the change in the Official Development Assistance (ODA) budget

Syria representative programmes	Programme status	2020-21 spending (£m)	2021-22 budget (£m)
Preventing Violent Extremism in Northeast Syria			
The programme looked to prevent violent extremism in northeast Syria, operating alongside other counter-terrorism interventions by the UK and international partners. The aim was to mitigate the susceptibility of individuals and communities to extremism by managing grievances with local governance and service delivery, reducing incentives for violence and strengthening community cohesion.	Discontinued	n/a	n/a
Syria Education Programme (SEP)			
The Syria Education Programme plans to reach 300,000 children (50% girls) in Syria in 2021, supporting children to access education, provide protection, prevent violent extremism, and improve learning outcomes. FCDO's assessment of contributions to outcomes are as follows: <ul style="list-style-type: none"> • Humanitarian: "Education provides life-saving support through school-embedded protection services". • Resilience: "Education can build resilience and stability. Greater equality in education attainment between males and females decreases the likelihood of conflict". • Girls Education: "Girls in SEP achieved 157% improvement in becoming proficient readers; contributing to girls' education KPIs". 	Continued with amendment	16.1	12.0
Better Aid Targeting to Syria			
This programme looks to support the delivery of multi-sector life-saving humanitarian aid to those in most acute need in Syria through the United Nations Office for the Coordination of Humanitarian Affairs (UN OCHA) pooled funds. The programme aims to fund rapid response to sudden-onset crises, as well as meeting critical humanitarian needs, including to COVID-19 and health. It is intended to provide a more strategic approach to international development through support for better information on needs and targeting, strengthened coordination, and enhanced leadership. It also aims to provide annual unearmarked funding to the Office of the United Nations High Commissioner for Human Rights (OHCHR) to monitor, analyse, report and advocate on international humanitarian law/international human rights law violations.	Continued with amendment	29.9	11.0

Source: National Audit Office review of Foreign, Commonwealth & Development Office Syria country plan

South Sudan

13 FCDO's assessment of South Sudan is that the country continues to face huge development challenges since gaining independence in July 2011. This includes chronic poverty, high inequality, ongoing conflict, a fragile peace agreement, vulnerability to climate shocks, weak health and education systems, limited capacity and infrastructure, and extreme levels of acute food insecurity and malnutrition. For example, more than 8.3 million people are in need of humanitarian assistance.

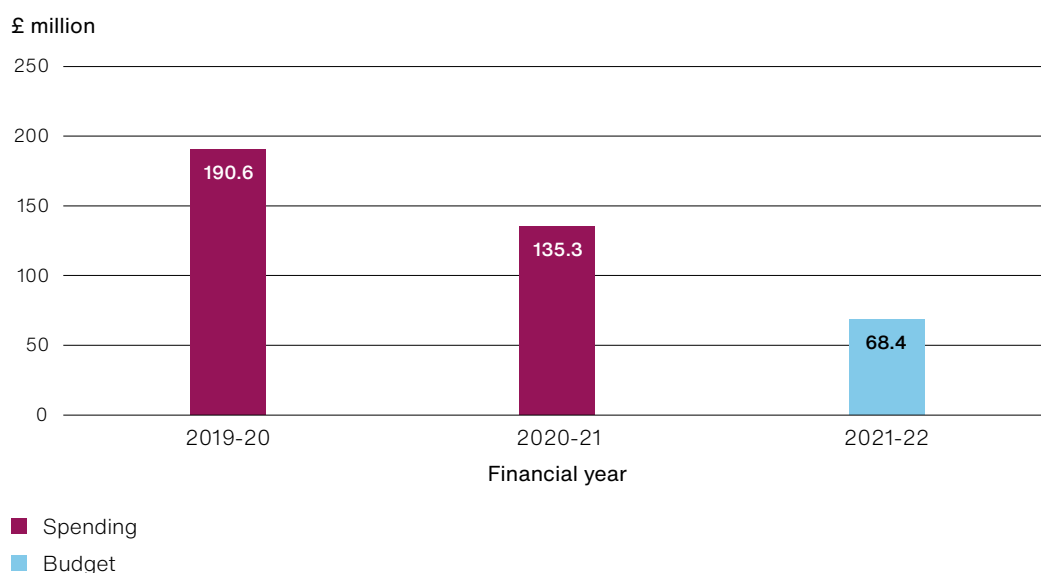
14 FCDO's work in South Sudan focuses on: building stability; improving governance and accountability, including the empowerment of women; essential service delivery; saving lives; and building resilience. **Figure 27** shows the changing ODA spend for FCDO South Sudan over the course of three financial years, and **Figure 28** shows a more detailed breakdown of the change in both absolute and relative spend in different strategic areas before and after the review.

15 **Figure 29** on page 76 highlights examples of programmes for which FCDO's South Sudan office is responsible.

Figure 27

Bilateral Official Development Assistance (ODA) spending for 2019-20 and 2020-21 and the bilateral ODA budget for 2021-22, South Sudan

Bilateral ODA spending by the South Sudan Country Office decreased substantially from 2019-20 to 2020-21, with allocations for 2021-22 being a further decrease



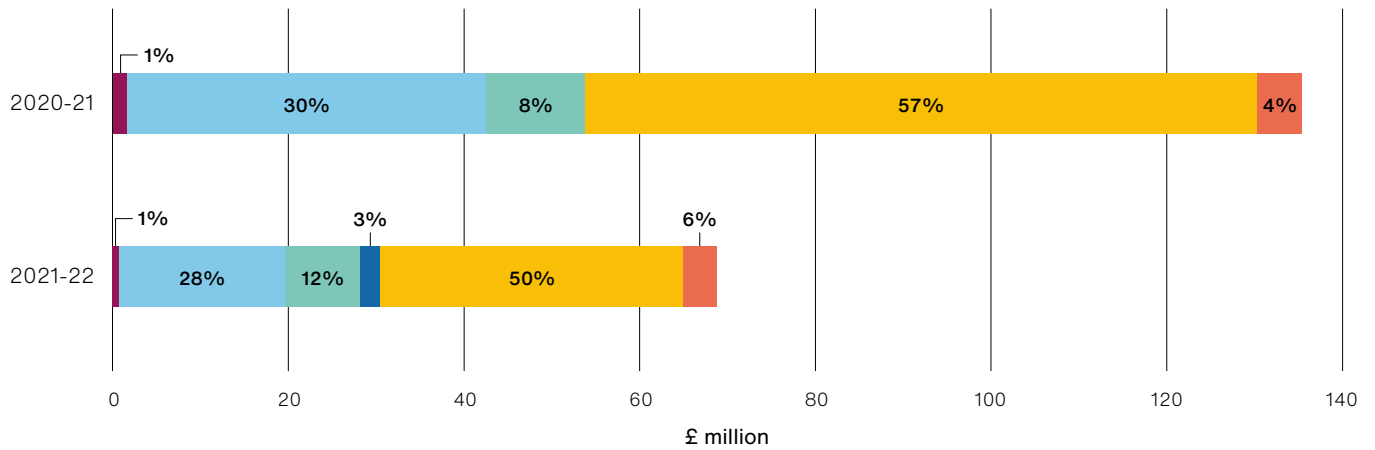
Source: National Audit Office analysis of the Statistics on International Development; the Foreign, Commonwealth & Development Office's Annual Report and Accounts 2020-21; Department for International Development (DFID) and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21, DFID analytics data for 2020-21

Figure 28

Distribution of bilateral programming by the South Sudan country office, 2020-21 actual spending against 2021-22 allocations

Allocations for South Sudan have decreased from the 2020-21 spending of £135.3 million to £68.4 million in 2021-22 with 'COVID-19 and global health security' programming seeing substantial reductions

Financial year



- Climate change and biodiversity
- COVID-19 and global health security
- Girls' education
- Open societies and conflict resolution
- Humanitarian preparedness and response
- Trade and economic development

Notes

- 1 Figures for 2020-21 are actual spending (£135.3 million).
- 2 Figures for 2021-22 are budget allocations for the financial year (£68.4 million) plus an additional £0.4 million in contingency overprogramming to absorb underspends in other regions.

Source: National Audit Office analysis of Department for International Development (DFID) and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21 and individual country plans for 2021-22, DFID analytics data for 2020-21

Figure 29

The Foreign, Commonwealth and Development Office's South Sudan office – examples of programmes

This figure presents illustrative examples of how programmes in South Sudan were affected by the change in the Official Development Assistance (ODA) budget

South Sudan representative programmes	Programme status	2020-21 spending (£m)	2021-22 budget (£m)
Girls' Education in South Sudan Phase II			
Provides direct financial support to girls to support retention and completion; provision of grants to schools to support infrastructure, learning materials and access for children with disabilities; development of training materials with the wider education cluster; "integrated accelerated learning and livelihood training" for adolescent girls up to 18 years of age previously excluded from education and a conflict sensitive approach to programming that is adaptable to changes in context, for example displaced populations.	Continued with amendment	11.2	8.5
South Sudan Health Pooled Fund Phase III			
Provides a government-led effective health system that aims to deliver improved access to quality health services across eight states in South Sudan. The Health Pooled Fund (HPF3) aims to reduce maternal and under-five mortality rates in South Sudan, through; (i) the delivery of a basic package of health and nutrition services; (ii) promoting community engagement in health as a public good and (iii) supporting local health systems stabilisation; and (iv) family planning services.	Continued in full	25.9	19.0
South Sudan Humanitarian Programme (HARISS) 2014–2020			
This programme aims to reach an estimated two million people with at least one form of humanitarian assistance; and build the capacity of an estimated one million people to recover and cope better with shocks. This programme will provide food, shelter and access to water and health services to millions of vulnerable people, including women and children.	Continued with amendment	90.3	34.5

Source: National Audit Office review of Foreign, Commonwealth & Development Office South Sudan country plan

Myanmar

16 The democratically elected government in Myanmar was overthrown by a military coup in February 2021. The coup means that FCDO’s ability to operate in the country is severely limited and sanctions have been imposed on businesses linked to the regime. Prior to this there had been a decade of political and economic reforms which the Department for International Development (DFID) considered had led to significant changes to the aid landscape. In this environment, FCDO focused on interventions to promote good governance, inclusive growth and responsible investment, and to contribute to the process of peace building and ethnic reconciliation.

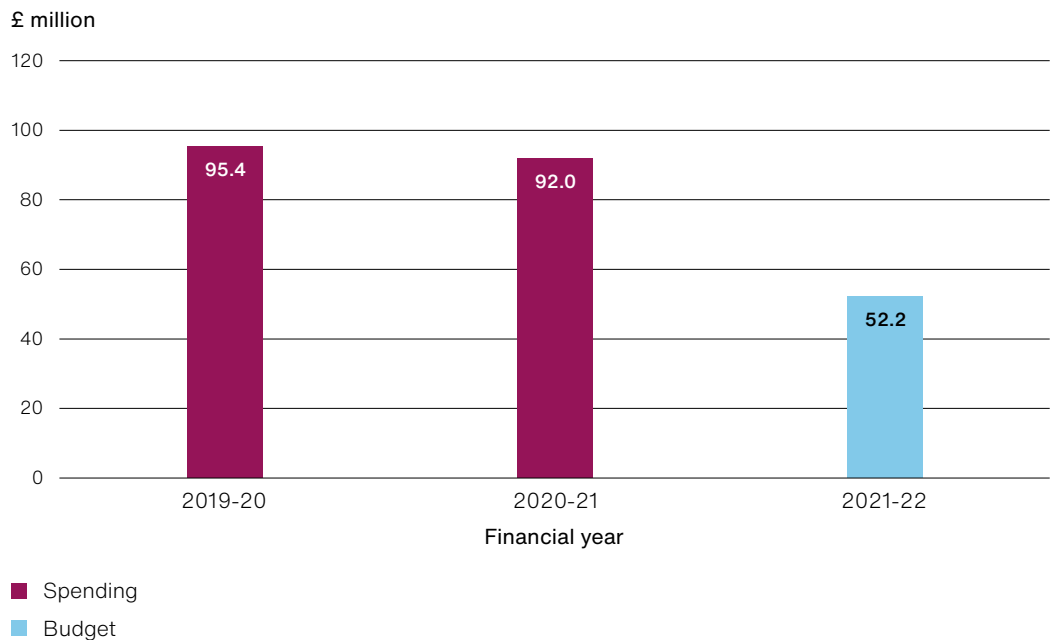
17 **Figure 30** shows the changing ODA spend for FCDO Myanmar over the course of three financial years. **Figure 31** overleaf shows a more detailed breakdown of the change in both absolute and relative spend in different strategic areas before and after the review.

18 **Figure 32** on page 79 highlights programmes for which FCDO’s Myanmar office is responsible.

Figure 30

Bilateral Official Development Assistance (ODA) spending for 2019-20 and 2020-21, and the bilateral ODA budget for 2021-22, Myanmar

Bilateral ODA spending by the Myanmar country office decreased moderately from 2019-20 to 2020-21, with allocations for 2021-22 being a further decrease



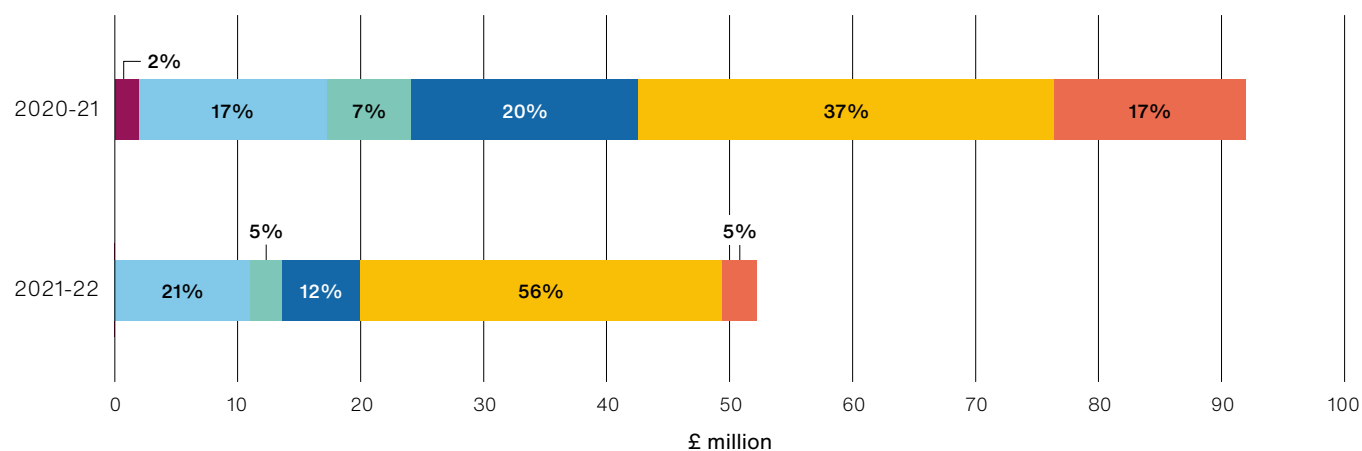
Source: National Audit Office analysis of the Statistics on International Development; the Foreign, Commonwealth & Development Office’s Annual Report and Accounts 2020-21; Department for International Development (DFID) and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21, DFID analytics data for 2020-21

Figure 31

Distribution of bilateral programming by the Myanmar country office, 2020-21 actual spending against 2021-22 allocations

Thematic distribution of bilateral Official Development Assistance spending by the Myanmar country office is broadly consistent across 2020-21 and 2021-22, with ‘Humanitarian preparedness and response’, ‘COVID-19 and global health’, and ‘Open societies and conflict resolution’ being priorities

Financial year



- Climate change and biodiversity
- COVID-19 and global health security
- Girls' education
- Open societies and conflict resolution
- Humanitarian preparedness and response
- Trade and economic development

Notes

- 1 Figures for 2020-21 are actual spending (£92.0 million).
- 2 Figures for 2021-22 are budget allocation (£52.2 million).
- 3 2021-22 percentages do not sum to 100% due to rounding.

Source: National Audit Office analysis of Department for International Development and Foreign, Commonwealth & Development Office general ledger data for 2019-20 and 2020-21 and individual country plans for 2021-22

Figure 32

The Foreign, Commonwealth & Development Office's Myanmar office – examples of programmes

This figure presents illustrative examples of how programmes in Myanmar were affected by the change in the Official Development Assistance (ODA) budget

Myanmar representative programmes	Programme status	2020-21 spending (£m)	2021-22 budget (£m)
Burma Humanitarian Assistance and Resilience Programme			
This programme aims to save lives, reduce poverty and suffering of 400,000 crisis affected people in Myanmar and refugees in Thailand through providing humanitarian assistance, enhancing resilience and building local and international organisations' capacity to respond to future humanitarian need in Myanmar.	Continued with amendment	32.8	22.5
Myanmar UK Health Partnership Programme			
The UK intends to invest £97million over five years to develop the Myanmar-UK Healthcare Partnership. The partnership aims to: involve UK health institutions to develop skills-based medical education, training and accreditation in Burma, together with support to related reforms to strengthen health systems; combat global health threats through stemming the spread of drug-resistant malaria and drug-resistant tuberculosis; and improve health care in conflict-affected ethnic areas as part of the UK's peace-building support. It also aims to contribute to UK commitments to improve access to family planning, nutrition interventions and to effective treatment of malaria.	Continued in full	13.8	11.0
UK Local Governance Support Programme			
To assess key local institutions and to understand the issues and incentives that affect local governance and service delivery, and to test new ways to support a focus on accountable local governance and support policy and learning.	Continued in full	1.8	1.3

Source: National Audit Office review of Foreign, Commonwealth & Development Office Myanmar country plan

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