



National Audit Office

OVERVIEW

Foreign, Commonwealth & Development Office

Departmental Overview 2021-22

We are the UK's independent
public spending watchdog

February 2023

What this guide is about

This guide has been produced to support the International Development Committee and other Parliamentary Committees in their examination of the Foreign, Commonwealth & Development Office's (FCDO's) spending and performance. It summarises the key information and insights that can be gained from our examinations of FCDO and related bodies in the sector, and in FCDO's Annual Report and Accounts. The former Department for International Development and the former Foreign & Commonwealth Office merged in September 2020 to create FCDO. FCDO is responsible for pursuing the UK's national interests and projecting the UK as a force for good in the world. It aims to promote the interests of British citizens, safeguard the UK's security, defend the UK's values, reduce poverty and tackle global challenges alongside its international partners. FCDO spent just under £10 billion in 2021-22.

The guide includes:

- ➔ how FCDO is structured, where it spends its money, and information about its estate and people;
- ➔ key themes and issues affecting FCDO in 2021-22, including progress with the merger, foreign policy developments and its response to global crises; and
- ➔ Official Development Assistance (ODA) spending patterns and other themes relevant to the international development sector.

How we have prepared this guide

The information in this guide draws on the findings and recommendations from our financial audit and value-for-money programme of work, and from publicly available sources, including the annual report and accounts of FCDO and its bodies.

We have cited these sources throughout the guide to enable readers to seek further information if required. Where analysis has been taken directly from our value for money or other reports, details of our audit approach can be found in the Appendix of each report, including the evaluative criteria and the evidence base used.

Other analysis in the guide has been directly drawn from publicly available data and includes the relevant source as well as any appropriate notes to help the reader understand our analysis.

Other relevant publications

More information about our work on the UK's international commitments and interventions, as well as about our other recent and upcoming reports, can be found on the [NAO website](#).

More information about central government accounting and reporting

You may also be interested in our interactive guide to *Good practice in annual reporting* (February 2021), which sets out good practice principles for annual reporting and provides illustrative examples taken from public sector organisations that are leading the way in this area.



This guide updates our previous overviews on the [Foreign & Commonwealth Office \(FCO\)](#) and the [Department for International Development \(DFID\)](#), published separately in November 2018 and November 2019 respectively, prior to the merger of these departments into FCDO in September 2020.

Departmental Overview

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About the National Audit Office

The National Audit Office (NAO) is the UK's independent public spending watchdog. We scrutinise public spending for Parliament and are independent of government and the civil service. We help Parliament hold government to account and we use our insights to help people who manage and govern public bodies improve public services.

The Comptroller and Auditor General (C&AG), Gareth Davies, is an Officer of the House of Commons and leads the NAO. We audit the financial accounts of departments and other public bodies. We also examine and report on the value for money of how public money has been spent.

In 2021-22, the NAO's work led to a positive financial impact through reduced costs, improved service delivery, or other benefits to citizens, of £926 million.

If you would like to know more about the NAO's work on the Foreign, Commonwealth & Development Office, please contact:

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About FCDO

The Foreign, Commonwealth & Development Office's (FCDO's) mission is to "lead the UK in influencing and inspiring the world".

In September 2020, the Foreign & Commonwealth Office and the Department for International Development merged to become FCDO. The government's ambition for FCDO is to bring the aid budget and development policy together with the global diplomatic network to drive a more integrated approach and increase its impact.

FCDO published its first Outcome Delivery Plan in July 2021, setting out three priority outcomes for 2021-22:

1 Priority outcome 1: Shape the international order and ensure the UK is a force for good in the world by supporting sustainable development and humanitarian needs; promoting human rights and democracy; and establishing common international standards.

2 Priority outcome 2: Make the UK safer and more resilient to global threats.

3 Priority outcome 3: Extend and amplify the UK's influence in the world, including through successful application for Association of Southeast Asian Nation (ASEAN) dialogue partner status.

FCDO published the [UK Government's Strategy for International Development](#) in May 2022 (see page 29), which sets priorities for Official Development Assistance expenditure.

Foreign, Commonwealth & Development Office (FCDO) officially designated overseas posts, October 2022



- FCDO posts
- United Kingdom
- Disputed territories

Note

1 Borders are as recognised by the UK government. Sovereignty in some regions of the world is disputed. Areas where this is the case are displayed separately to claimant countries. This is not intended to be representative of any official UK Government position on sovereignty of disputed territories.

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

FCDO has 282 officially designated overseas posts, comprising:

- 161 embassies/high commissions;
- 63 consulates, consulates-general and deputy high commissions;
- 11 permanent missions;
- 12 overseas territories posts;
- 4 resident commissioners; and
- 31 other representations.

How the FCDO group is structured

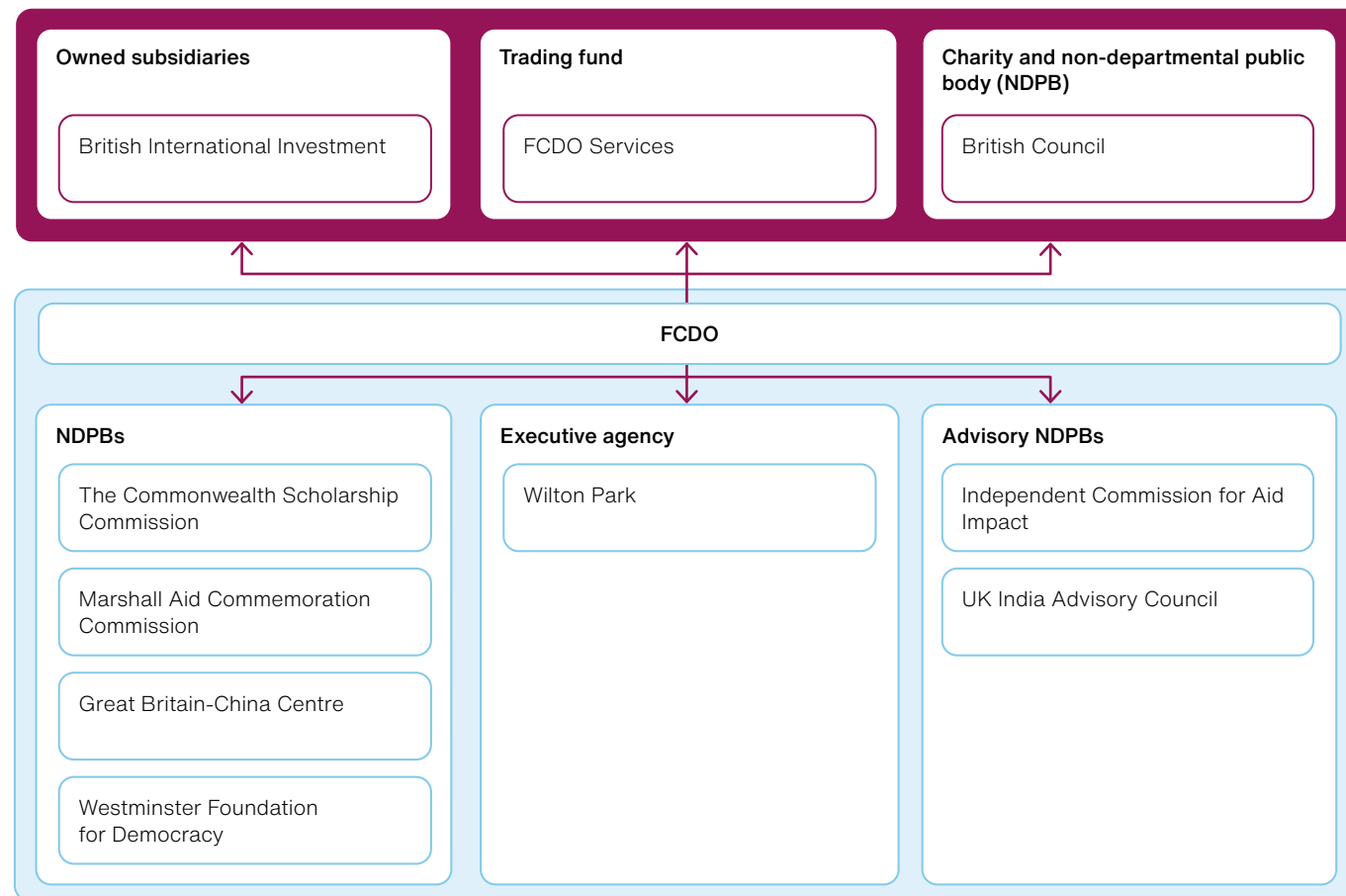
The FCDO departmental group comprises 10 organisations in addition to the core department. It works with multiple stakeholders to achieve its mission.

FCDO's relationship with group entities:

- Executive agencies and non-departmental public bodies (NDPBs):** The Permanent Under-Secretary is responsible for these entities. FCDO's relationship with each NDPB is agreed and set out in a published framework document that covers funding levels, jointly agreed priorities, performance measures and governance.
- FCDO Services and the British Council** are sponsored by FCDO but sit outside FCDO's accounting boundary so their performance is not reflected in FCDO's financial statements.
- British International Investment plc** is 100% owned by FCDO, which operates an arm's-length relationship. This means that day-to-day operations and decision-making take place outside government.

FCDO manages and provides the One HMG overseas shared services platform used by several other government departments. It coordinates with other departments on international objectives, including the UK's response to crises overseas, and in pursuit of cross-government objectives – for example, in the government's counter-terrorism strategy.

Foreign, Commonwealth & Development Office (FCDO) departmental group structure



□ Outside the financial reporting boundary ■ Inside the financial reporting boundary

Notes

- FCDO also owns the British Intergovernment Services Authority, although to date this has not started trading. Gov.uk also lists the BBC World Service as a public corporation of FCDO and describes FCDO as 'working with' the Chevening Scholarship Programme, Government Communications Headquarters and the Secret Intelligence Service.
- Entities inside the financial reporting boundary are included in FCDO's group accounts. Entities outside the financial reporting boundary are not, but they produce their own accounts.

FCDO's internal structure

FCDO is led by the Permanent Under-Secretary who oversees directorates segmented between FCDO's thematic and geographical priorities.

Since the creation of FCDO in September 2020, the structure of the new organisation has gone through a few changes.

The current structure:

- aims to equip the department to meet the immediate and longer-term challenges posed by Russia; and
- attempts to deliver greater accountability by organising FCDO by thematic and geographical priorities.

The organisation is overseen by several boards and committees, most prominently the FCDO Supervisory Board, Management Board and Executive Committee, as well as the Audit & Risk Assurance Committee, the Senior Leadership Board and the Staff Advisory Board.

Machinery of government changes

FCDO assumed responsibility for two policy areas and associated spending from other government departments in 2022:

- In April 2022, the government transferred to FCDO responsibility for the UK's relationship with the European Union, including the Withdrawal and Trade and Cooperation Agreements; 143 staff and the £11.9 million budget for this work have transferred from the Cabinet Office.
- FCDO's 2022-23 [Main Estimate Memorandum](#) also shows a £5.1 million baseline transfer from the Ministry of Defence for the National Cyber Fund.

Foreign, Commonwealth & Development Office (FCDO) directorates

Permanent Under-Secretary

Senior officer for FCDO activity, accountable to Parliament. This role entails taking responsibility for the propriety and regularity of the public finances of FCDO, and for ensuring that appropriate systems and controls are in place. The role also ensures that grants to sponsored bodies are applied for and accounted for appropriately.

Thematic priorities

Defence and Intelligence

International security, including coordination of the new 24/7 Russia-Ukraine Hub

Political

Multilateral relationships and Human Rights

Humanitarian and Development

Accountability for development work

Economics, Science and Technology

Economics, economic security, evaluation research, sanctions and technology

Finance and Corporate

Financial and corporate reporting and management

Legal

Legal advice and analysis including around EU Exit and sanctions

Geographical priorities

Indo-Pacific

Europe

Africa, Latin America and the Caribbean

Middle-East, Afghanistan, Pakistan, USA, Canada and the Overseas Territories

FCDO's Annual Report and Accounts

We outline below the structure and content of FCDO's 2021-22 Annual Report and Accounts, as well as context to explain how we audit or assess each part.

Section	Performance report	Accountability report						Financial statements	
		Accountability report – overall	Corporate governance report			Remuneration and staff report	Parliamentary accountability and audit report		
			Corporate governance report – overall	Directors' report	Statement of accounting officer's responsibilities	Governance statement			
Content	Provides information on the body, its main objectives and the principal risks that it faces. It must provide a fair, balanced and understandable analysis of the body's performance.	Used to meet key accountability requirements to Parliament. It must include a corporate governance report; remuneration and staff report; and Parliamentary accountability and audit report.	Sets out the composition and organisation of the body's governance structures, and how they support the achievement of the body's objectives. As a minimum, it must include the following: <ul style="list-style-type: none"> • directors' report; • statement of accounting officer's responsibilities; and • governance statement. 	Includes the titles and names of all ministers who had responsibility for FCDO during the year, the person occupying the position of the permanent head of FCDO, composition of the management board and potential conflicts of interest.	Required to explain the responsibilities of the accounting officer or chief executive of the body. In preparing the accounts, the accounting officer is required to comply with the requirements of the Government Financial Reporting Manual (the FReM).	Brings together the judgements made by the accounting officer in using resources to allow them to make informed decisions about the body's progress in light of the risks and opportunities that the body is facing. It should provide a clear picture of the control structure of the body, and a sense of its vulnerabilities and resilience to challenges.	Sets out the body's remuneration policy for directors; reports on how that policy has been implemented; and discloses the amounts awarded to directors. Also includes staff numbers, cost and composition; sickness absence data; consultancy expenditure; off-payroll engagements; and exit packages.	Includes the: <ul style="list-style-type: none"> • Statement of Parliamentary Supply, showing expenditure against the amounts authorised by Parliament; • other Parliamentary accountability disclosures; and • Certificate and Report of the Comptroller and Auditor General to the House of Commons. 	Includes the: <ul style="list-style-type: none"> • Statement of Comprehensive Net Expenditure; • Statement of Financial Position; • Statement of Cash Flows; • Statement of Changes in Equity; and • Notes to the accounts.
To what extent is it audited	Reviewed for consistency with information in the financial statements.	Reviewed and tested for consistency with information in the financial statements; opinion provided.	Reviewed for consistency with information in the financial statements and with the auditors' wider understanding of the body.	Reviewed for consistency with information in the financial statements and with the auditors' wider understanding of the body.	Reviewed by: <ul style="list-style-type: none"> • comparing with the requirements of the FReM; and • confirming that the disclosures match the auditors' understanding of the business. 	Reviewed for: <ul style="list-style-type: none"> • compliance with the requirements set out in <i>Managing Public Money</i>; • quality of the content in the context of risks identified during the audit process and the auditors' wider knowledge of the business; and • consistency with the findings of any relevant NAO value for money reports or other work 	Reviewed for consistency with information in the financial statements. Key tables in the remuneration report, staff numbers and costs, and exit packages are fully audited.	Audited and subject to an audit opinion.	Audited and subject to an audit opinion.

Where FCDO spends its money

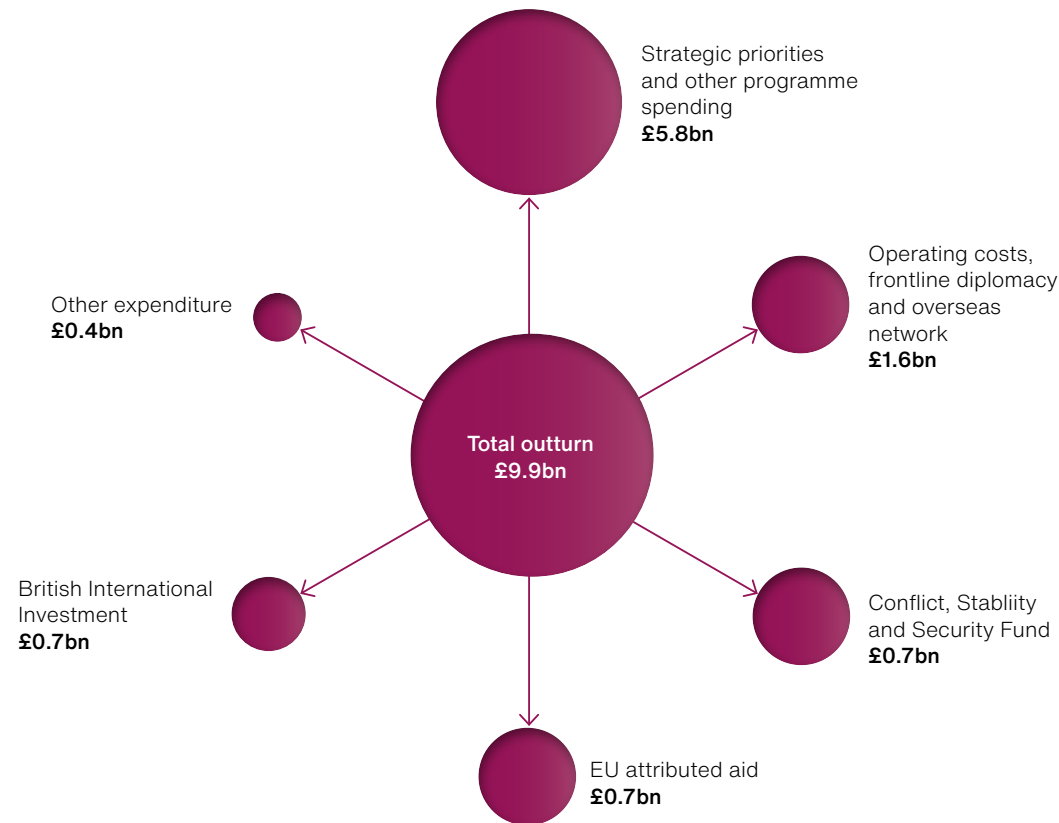
These values are taken from FCDO's Statement of Parliamentary Supply, which presents FCDO's £9.9 billion expenditure against the £11.0 billion budget for the 2021-22 financial year that Parliament has given FCDO statutory authority to use. This budget covers spending on day-to-day resources and administration costs, alongside spending on programme delivery, asset purchases and investments.

FCDO spent its £9.9 billion 2021-22 total expenditure in the following areas:

- **Strategic priorities and other programme spending:** FCDO spent £5.8 billion on programmes including economic development, education and climate change.¹
- **Operating costs, frontline diplomacy and overseas network:** FCDO spent £1.6 billion globally on transactions such as administration and network costs.
- **Conflict, Stability and Security Fund (CSSF):** FCDO spent £701 million on this cross-government fund. The CSSF is spent on activity to prevent instability and conflicts.
- **EU attributed aid:** FCDO spent £684 million on its outstanding commitments under the EU-UK Withdrawal Agreement for EU development projects.
- **British International Investment:** FCDO spent £661 million on the UK's development finance institution (renamed from CDC in April 2022, see page 33).
- **Other expenditure:** this balance – totalling £430 million – comprises spending on international subscriptions, scholarships and the BBC World Service (£319 million), the British Council (£195 million), funding for non-departmental public bodies within the departmental group (£39 million) and (-£124 million) for other central programme and technical costs. The value for other central programme and technical costs is negative because it relates to items such as unrealised foreign exchange gains, the discounting of loans and financial commitments made to the Gavi vaccines alliance.

In 2021-22, FCDO spent £9.9 billion against a budget of £11.0 billion.

Foreign, Commonwealth & Development Office (FCDO) total spending against budget – 2021-22



Notes

- 1 FCDO underspent by £1.1 billion in the 2021-22 financial year against its £11 billion budget for the year. This was largely due to an overestimation of FCDO's Resource annually managed expenditure (Resource AME), an area of spending that is highly volatile in nature, resulting in an underspend of £843 million. This part of the budget was set at a level to provide cover for a reasonable worst-case scenario. However, most categories of this spending were favourably affected by foreign exchange rates, resulting in a lower level of spending than anticipated.
- 2 Other expenditure comprises spending on international subscriptions, scholarships and the BBC World Service (£0.3 billion), the British Council (£0.2 billion), funding for non-departmental public bodies within the departmental group (£0.04 billion) and (£-0.1 billion) for other central programme and technical costs.

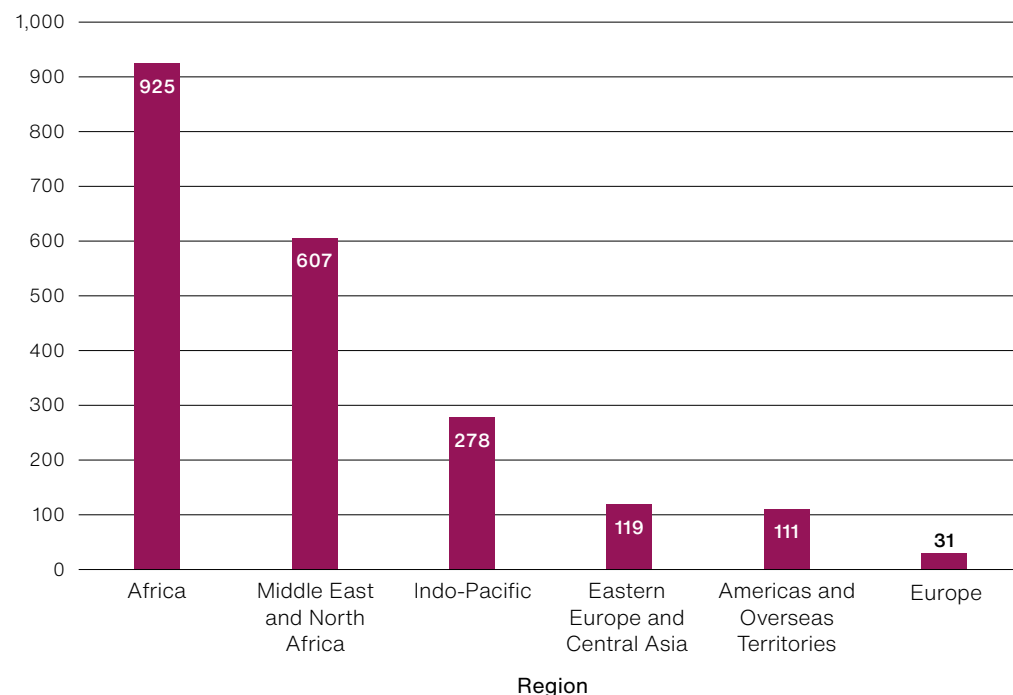
Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Report and Accounts 2021-22

FCDO programme outturn 2021-22

FCDO's 2021-22 total programme outturn was £8.4 billion, comprising £2.1 billion of spending on regional programmes; £5.2 billion on policy priorities, international organisations and humanitarian programming; and £1.1 billion on other programming. This spending is included in the £9.9 billion expenditure shown on page 8.

Foreign, Commonwealth & Development Office (FCDO) regional programme spending by region, 2021-22

Nearly three-quarters of FCDO's total regional spending was focused in Africa and the Middle East Programme Outturn (£mn)



Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Report and Accounts 2021-22

Examples of Expenditure

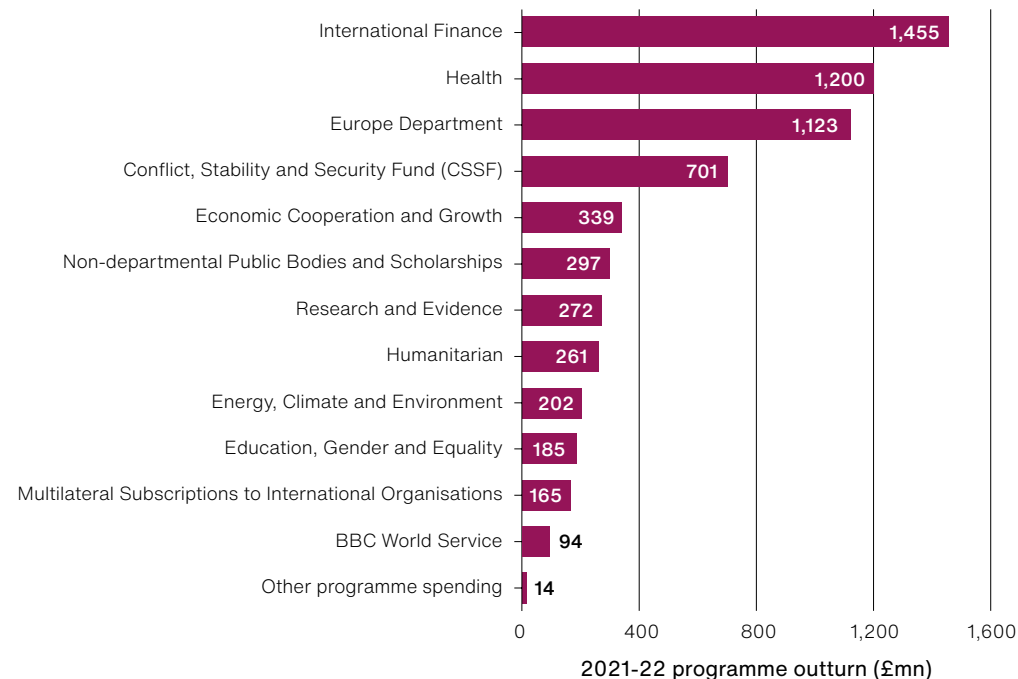
Africa: £925 million was spent in Africa in 2021-22. Spending was spread across the continent, with the largest contributions made to Ethiopia (£128 million), Nigeria (£90 million) and FCDO's Pan-Africa department (£104 million).

Middle East and North Africa: £607 million was spent in the region, with over half being spent in two countries experiencing humanitarian crises – £285 million was spent in Afghanistan and £84 million in Yemen.

Foreign, Commonwealth & Development Office (FCDO) other programme spending by sector, 2021-22

International Finance and Health were the largest categories of FCDO's spending not directly allocated against an individual region

Area of expenditure



Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Report and Accounts 2021-22

Examples of Expenditure

International Finance: Almost £1.5 billion was spent on International Finance, the largest category of FCDO's programme spending in 2021-22. This was mainly split between International Financial Institutions (£779 million) and the private sector (£648 million).

Health: Much of FCDO's £1.2 billion health spending focused on the COVID-19 pandemic. For example, the UK pledged around £1.7 billion, from 2021–2025, to Gavi's vaccine alliance mission, which aims to immunise 300 million more children and save eight million lives from vaccine preventable deaths.

FCDO financial support provision

In addition to spending on direct support through its Official Development Assistance (ODA) spending, FCDO also provides support in other ways, including through promissory notes and guarantees.

Promissory notes

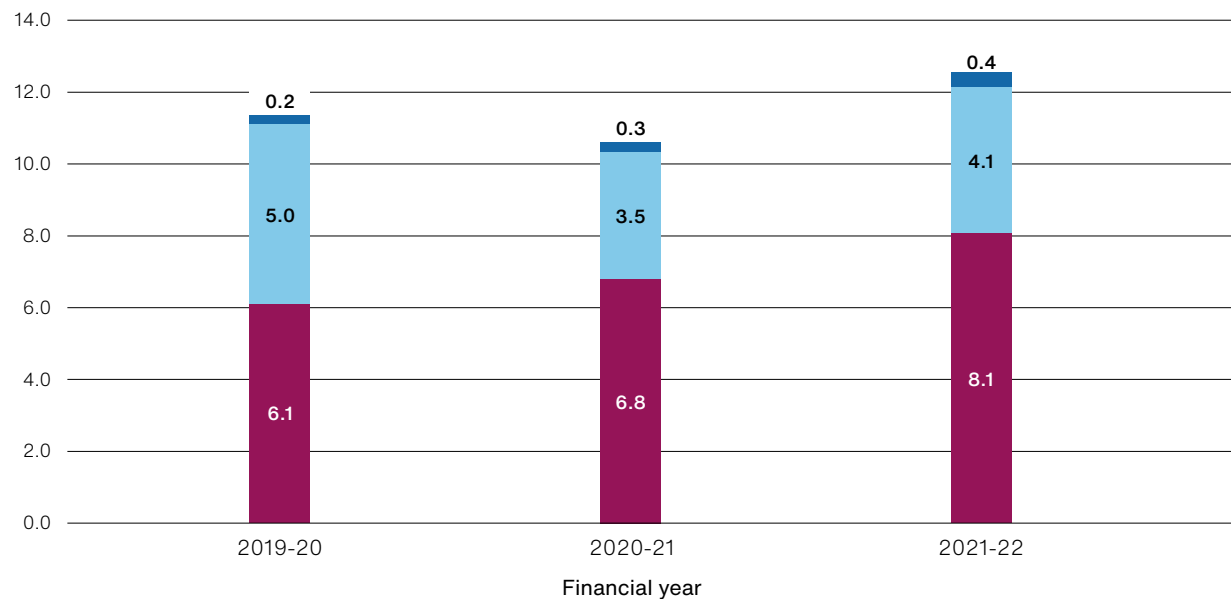
Promissory notes are legally binding undertakings that commit FCDO to provide a named beneficiary any amount of financing up to the specified limit at the point when this is requested by the beneficiary. They are largely used in arrangements with multilateral organisations, such as the International Development Association, where FCDO has committed a certain level of funding that is not yet required by the beneficiary. The balance of promissory notes payable on demand by FCDO totalled £5.3 billion in 2021-22, a £623 million reduction compared with 2020-21.

Financial investments

FCDO held financial investments of £12.5 billion as at 31 March 2022 (2020-21 £10.6 billion). This balance included:

- investment in British International Investment (see page 33) of £8.1 billion (2020-21 £6.8 billion);
- investments in International Finance institutions of £4.1 billion (2020-21 £3.5 billion); and
- other development capital of £397 million (2020-21 £270 million). This included investments to achieve defined development objectives while retaining an ongoing recoverable interest in the assets funded.

Foreign, Commonwealth & Development Office (FCDO) Financial Investments as at 31 March 2022
Valuation as at 31 March (£bn)



- British International Investment
- International Finance Institutions
- Other development capital

Notes

- 1 FCDO holds investments in seven International Financial Institutions. The largest investments by value are held in the International Bank for Reconstruction and Development (£1.5 billion) and the International Finance Corporation (£1.2 billion).
- 2 FCDO's other development capital includes equity investments of £193 million, debt instruments of £163 million, other returnable grant arrangements of £24 million and convertible loans of £18 million.
- 3 FCDO also holds investments in other public sector bodies valued at £5 million.
- 4 FCDO was formed from the merger of two government departments in September 2020. Values quoted in the figure above that relate to the time before the merger reflect the cumulative balances from both former departments.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Report and Accounts

FCDO financial support provision continued

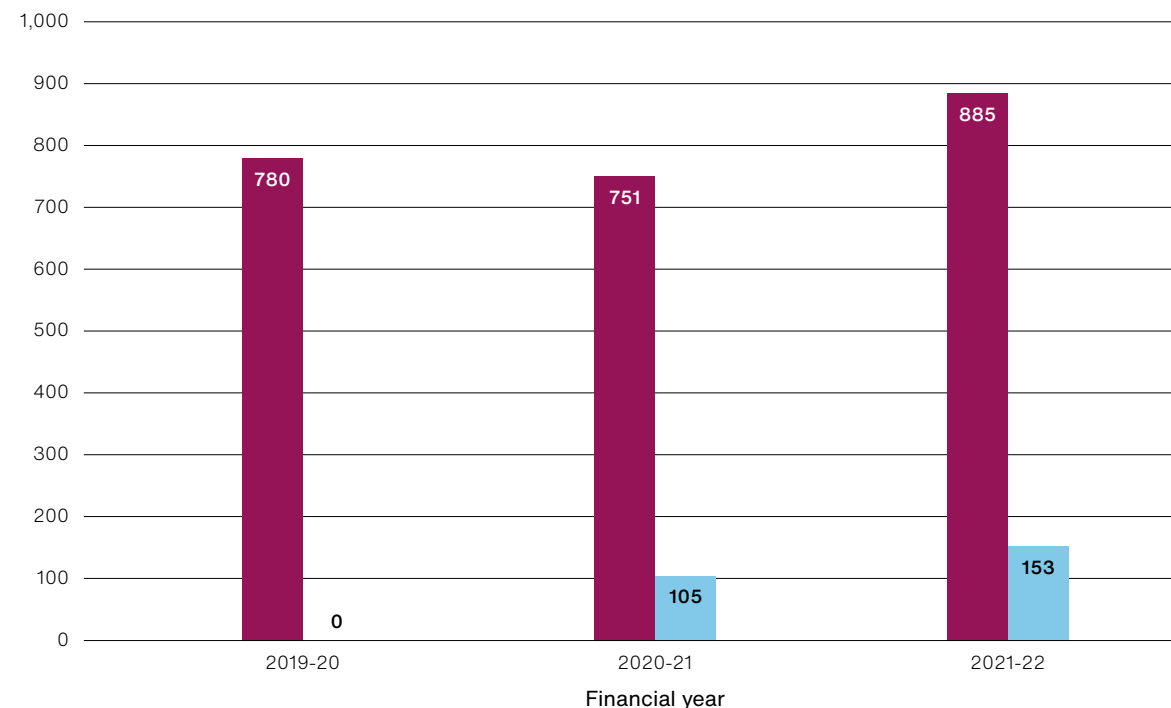
Financial guarantees

FCDO guarantees loans provided by the International Bank for Reconstruction and Development (IBRD) to the Government of Egypt, the Republic of Iraq and the Hashemite Kingdom of Jordan. FCDO also guarantees a credit facility given to the Government of Gibraltar to manage the financial impacts of COVID-19. FCDO acts as guarantor, which means that it is liable for repayment should the borrower default. The total guaranteed amount outstanding as at 31 March 2022 was £885 million (2020-21 £751 million). The fair value of guarantees at this date was £153 million (2020-21 £105 million).

The UK Government's Strategy for International Development (2022) outlines FCDO's intention to increasingly use guarantees to unlock more affordable finance for partner countries, demonstrated by the issuing of two new guarantees in 2022 (see page 12).

Foreign, Commonwealth & Development Office (FCDO) guaranteed amount outstanding at year end, 2019-20 to 2021-22

Guaranteed amount outstanding as at 31 March (£mn)



■ Guaranteed amount outstanding ■ Fair value

Notes

- 1 Amounts shown are presented as at 31 March each year. The guaranteed amount outstanding reflects the maximum financial exposure for guarantees in place each year. The fair value is a probability weighted estimate of losses FCDO estimates it may incur against the guaranteed amount outstanding. No value is provided for fair value in 2019-20 as per financial reporting requirements that year, which only required FCDO to disclose the guaranteed amounts outstanding as a contingent liability. Under current Official Development Assistance (ODA) reporting requirements, guarantees can only be recorded as ODA if they are invoked. The Organisation for Economic Co-operation and Development's (OECD's) Development Assistance Committee (DAC) is currently assessing how this support can be recorded as ODA, so the methodology and valuation of support through guarantees may be revised in future years.
- 2 FCDO was formed from the merger of two government departments in September 2020. Values quoted in the figure above that relate to the time before the merger reflect the cumulative balances from both former departments.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Report and Accounts

Future spending commitments

FCDO has entered into several new financial guarantees since the end of 2021-22, but it is otherwise aiming to reduce its spending overall.

Ukraine guarantees

By July 2022, FCDO had announced three sets of financial guarantees to support the government of Ukraine following the Russian invasion. This comprised guarantees of \$950 million for lending from the World Bank, and announcement of the UK's readiness to guarantee a further \$525 million of new World Bank lending.

FCDO will be called upon to meet the liability for this financing if the Ukrainian government defaults on repayments.



Room to Run guarantee

In April 2022, FCDO announced a \$1.6 billion guarantee issued to the African Development Bank (AfDB). The 'Room to Run' guarantee provides funding towards climate change projects across the continent and allows AfDB to increase its lending capacity.

The liability is anticipated to last for up to 15 years. FCDO is required to cover the liability through its ODA budget if a default occurs and if first loss cover provided by the African Trade Insurance Agency is exhausted.

Timeline of key events

March 2022

Future spending plans in FCDO's 2021-22 accounts

Unlike in prior years, FCDO did not include a detailed breakdown of its future budget allocations for ODA spending in its 2021-22 accounts, but it did include a high-level outline of planned programme expenditure set against historic programme costs. This is comparable to the spending shown on pages [8](#) and [9](#). It shows a 39% reduction in FCDO's strategic priorities and other programme spending between 2017-18 and 2021-22 (£9.5 billion to £5.8 billion) because of reductions in the ODA budget following the COVID-19 pandemic (see page [20](#)). The future spending plans included in Annex C of the accounts are classified differently and set out an expectation to return to close to pre-COVID-19 levels of programme spending by 2024-25. However, following the Autumn Statement later in 2022 (see below), these plans changed and the ODA budget for 2024-25 and beyond is uncertain.

July 2022

Pause in non-essential ODA spending

In July 2022, the government implemented a pause in non-essential aid spending as a result of unexpectedly high ODA spending on supporting refugees and asylum seekers in the UK (see page [25](#)). This pause was in place between July and November 2022.

At this time, 0.5% of gross national income (GNI) on ODA was both the target and the upper limit. ODA spending on refugees, asylum seekers and supporting resettlement is demand-led and dependent on the number of people arriving in the UK requiring support. This increase in in-country refugee and asylum costs put pressure on the overall ODA budget and created significant uncertainty about how much would be available for other areas of ODA spending. As spender and saver of last resort, FCDO had to adapt its programming and spending to ensure that the 0.5% target was met and not exceeded.

November 2022

Autumn Statement and the November 2022 written ministerial statement

The Chancellor of the Exchequer issued the Autumn Statement in November 2022. The Statement reiterated the government's commitment to returning to spend 0.7% of gross national income (GNI) on ODA when, on a sustainable basis, the government is not borrowing for day-to-day spending and underlying debt is falling. However, the Office for Budget Responsibility's forecast showed that the principles for a return to spending 0.7% of GNI on ODA had not been met. The Autumn Statement also announced additional ODA budgets of £1 billion for 2022-23 and £1.5 billion for 2023-24, with FCDO's total budgets for each period set at around £7.6 billion (although values for the 2023-24 budget remain indicative). The government also announced a shift in its approach to the ODA target from 'meet but not exceed' to "around" 0.5% (see page [26](#)).

A written ministerial statement from the Foreign Secretary on 22 November 2022 announced that the pause on non-essential ODA spending was lifted and set out how FCDO would determine the distribution of planned ODA allocations over the remainder of the Spending Review. The Foreign Secretary set out plans to focus spending on bilateral aid according to the priorities in the International Development Strategy, and to ensure that financial commitments to multilateral organisations are met.

The FCDO estate

FCDO owns and leases land and buildings all over the world, including 282 officially designated overseas posts, consular offices and residences for staff (see page 4).

Owned land and buildings

The value of FCDO-owned land and buildings totalled £2.3 billion as at 31 March 2022.

Russia and Ukraine

Following the sanctions on Russia and conflict in Ukraine, valuers were unable to ascertain the value of assets in these regions and attached a material uncertainty to their £126 million valuation.

Tokyo Sale

In October 2021, FCDO announced plans to sell part of the British Tokyo estate to Mitsubishi, with proceeds contributing to investments in other diplomatic buildings. This sale was completed in April 2022. The details remain confidential.

Washington and Beijing embassies

The Washington embassy and residence buildings are being refurbished to ensure that they meet health and safety requirements. The costs incurred to date for this work are recognised as an asset at £95 million. A new embassy and residence are also being planned in Beijing to replace buildings reaching the end of their useful life. FCDO's 2021-22 accounts do not show the value spent on this project individually. Both projects are assessed in the *Infrastructure and Projects Authority's (IPA) Annual Report 2021-22*: the Washington embassy project received an amber delivery confidence assessment (DCA) and the Beijing embassy received an amber-red DCA rating in 2021 but is exempt from grading in 2022.^{1,2}

Leases

Leases are contracts that allow FCDO the use of an asset but do not transfer the asset's ownership to FCDO. As at March 2022, FCDO had an operating lease commitment of £756 million.

Government Property Agency

In 2020-21, FCDO transferred all rights and freehold of King Charles Street, 22 Whitehall and Abercrombie House, valued at £276 million, to the Government Property Agency (GPA). FCDO continues to utilise these properties through a leasing agreement with GPA, leading to a significant lease liability.

IFRS 16 implementation

FCDO will adopt a new accounting standard, *IFRS 16 Leases*, for the 2022-23 financial year. Financial reporting standards required FCDO to disclose the expected future impact of implementing the standard in its 2021-22 accounts.

FCDO estimates it will hold assets held under lease agreements (referred to as right of use assets) of £670 million and a liability for leases of £645 million as at 1 April 2022 in its forthcoming 2022-23 accounts but notes in the 2021-22 accounts that this valuation may significantly change. This is because assessments of whether options for lease extensions or early termination have not been reviewed to consider whether FCDO is likely to exercise these options. This review is planned to take place in the 2022-23 financial year following the introduction of software to record lease details.

Notes

1 A DCA is an assessment of the likelihood of a project delivering its objectives to time and cost. They are published by the Infrastructure and Projects Authority (IPA) each year in its annual report. DCAs are not a comprehensive reflection of project performance but reflect a project's likelihood of success at a snapshot in time. Where a project receives active IPA support or has undertaken an independent IPA assurance in the last six months, the IPA will provide a DCA. For other projects, the DCA is provided by the Senior Responsible Officer. DCAs can change depending on the challenges projects are facing, the results of focused independent assurance reviews and actions taken by projects. By taking the right steps following reviews and managing delivery challenges effectively, DCAs are often improved over time.

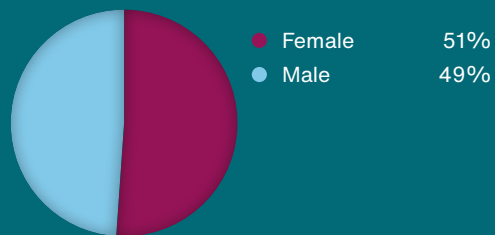
2 Performance data can be exempt from publication in IPA's annual report under exceptional circumstances and in accordance with Freedom of Information requirements – for example, in cases of national security.

Part Three // People and pay

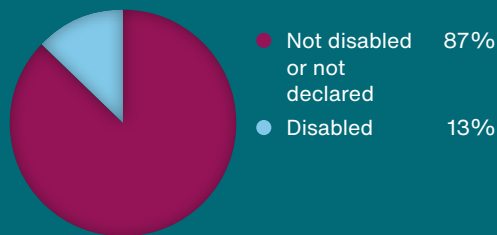
People and pay

FCDO employed over 16,000 people worldwide at a cost of £790 million in 2021-22, down from £834 million in 2020-21. It is increasingly using consultants and temporary staff.

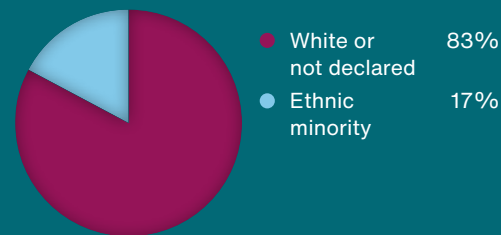
Gender



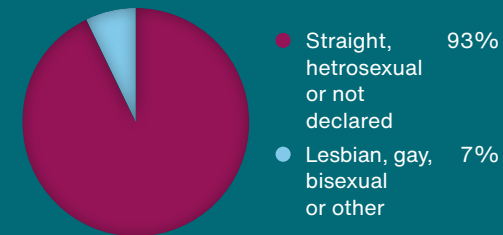
Disability



Ethnicity



Sexual orientation



Note

¹ Figures above reflect the diversity characteristics of FCDO's UK-based staff only.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Report and Accounts 2021-22



Staff numbers have decreased by around 1,000 people since 2019-20 – shortly before the merger of the Department for International Development and the Foreign and Commonwealth Office in September 2020 – from 17,152 employees in 2019-20 to 16,124 in 2021-22. FCDO attributes the decrease to the introduction of headcount controls while it develops a workforce plan to address the future size, shape and capability requirements of the organisation.

The total amount spent on staff, temporary staff and consultants increased between 2019-20 and 2021-22 (from £804 million to £836 million). This was partly due to an increase in median pay and an increase in the use of consultants and temporary staff (from £15 million in 2019-20 to £46 million in 2021-22).

Notes

¹ Percentage change movements are calculated based on unrounded values.

² FCDO was formed from the merger of two government departments in September 2020. Values quoted above that relate to the time before the merger reflect the cumulative spend from both former departments.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Reports and Accounts 2020-21 and 2021-22

Staff breakdown – 2019-20 to 2021-22 (headcount)

	Core department 2021-22	Core department 2020-21	Core department 2019-20	Change 2020-21 to 2021-22 (%)	Change 2019-20 to 2020-21 (%)
UK-based staff	7,076	7,471	7,891	-5.3	-5.3
Country-based staff	9,048	9,261	9,261	-2.3	0.0
Total permanent staff	16,124	16,732	17,152	-3.6	-2.4

Staff spending – 2019-20 to 2021-22

	Core department 2021-22 (£mn)	Core department 2020-21 (£mn)	Core department 2019-20 (£mn)	Change 2020-21 to 2021-22 (%)	Change 2019-20 to 2020-21 (%)
Consultancy	6	3	3	110.1	-7.4
Temporary staff	40	26	12	54.1	112.5
Sub-total	46	29	15	59.5	88.9
Permanent staff	790	834	789	-5.3	5.7
Total	836	863	804	-3.1	7.3

FCDO merger – overview

The Foreign & Commonwealth Office (FCO) and the Department for International Development (DFID) merged to form FCDO in September 2020.

Background

The Prime Minister announced the merger of FCO and DFID in June 2020, with the aim of maximising government's global impact in the service of British interests and values. The government's ambition was to bring the aid budget and development policy together with its global diplomatic network to drive a more integrated approach and increase its impact.

The government intends for FCDO to shape its policy priorities to align with the [Integrated Review](#) (page 18), particularly around the commitment to ensuring that the UK's international and national policies “deliver for our people and are firmly rooted in our national interests”.

FCDO was formed in September 2020. Work to create a fully integrated organisation from the two former departments – FCO and DFID – remains ongoing. Two programmes are underway (see page 17 for further detail):

- **Hera Programme:** This programme aims to implement a single enterprise finance and human resources IT system across the new department. It is scheduled to complete in March 2023.
- **FCDO Integration Programme:** This aims to fully integrate all other areas of the former government departments FCO and DFID into FCDO. This programme is scheduled to complete in October 2023.

Purpose, mission and priorities

As well as updating its organisational structure, FCDO has also updated its purpose, mission and priorities in response to the crisis in Ukraine to shift emphasis towards tackling its consequences.

Purpose

To deliver for the UK internationally, leading the government's diplomatic, development and consular work around the world.

Mission

To lead the UK in influencing and inspiring the world, rooted in economic and development partnerships, technology leadership and security ties, for a stronger Britain and stronger world. In doing so, FCDO promotes the Best of Britain internationally, countering malign influences, promoting freedom and democracy, and deepening the enduring ties with our allies.

Priorities

Against a shifting geopolitical landscape in the context of Russia's invasion of Ukraine:

- Promoting Britain and our values – freedom and democracy;
- Building strategic partnerships – economic, security, technology, climate change and the environment, and development;
- Protecting British interests;
- Supporting Britons travelling and living abroad; and
- Providing global insight and analysis.

FCDO merger – overview continued

Changes since the merger

Since the merger, single country plans covering the whole of the government's effort in-country are in place at overseas posts. Single budgets and a single programme operating framework are also in place.

FCDO's initial organisational structure mainly focused on combining geographic responsibilities with thematic ones, with individual directorates having different responsibilities in both areas. For example, FCDO's Africa Directorate combined responsibilities for the region with oversight of FCDO's global work on conflict stabilisation and international finance.

However, this structure, and FCDO's objectives, shifted significantly following Russia's invasion of Ukraine in early 2022. In response, FCDO separated responsibilities across its directorates, and each now has a singular regional or thematic focus (see page 6). It has established a new Director General Humanitarian & Development role focused on addressing the crises in Ukraine and Afghanistan.

FCDO states in its accounts that significant progress has been made this year with staff working in integrated structures to deliver on its priorities. However, it also acknowledges that the merger of two departments has created duplication and complexity in its technology estate that it is in the process of resolving.

In response to the 2021 Spending Review target to increase the efficiency and effectiveness of government functions, FCDO forecasts that it will achieve efficiency savings of **£32 million** in 2022-23, including:

- £20 million of savings against its planned Official Development Assistance (ODA) spending;
- £5 million of non-ODA workforce savings; and
- £5 million efficiencies in IT and estates.

Costs

FCDO incurred £33 million of costs directly attributable to merger activities by March 2022.

External perspectives – Independent Commission for Aid Impact (ICAI)

ICAI has not reported directly on the merger. However, its [follow-up review](#) of its 2020-21 reports, published in 2022, states that the merger and the successive reductions in ODA had a greater impact on FCDO in 2021-22 than any other factor that year, including the crises in Ukraine and Afghanistan.

The report identifies some positive outcomes following the merger – for example, a more joined-up approach in some programme delivery and, in some instances, greater alignment during engagement with third parties. However, ICAI also identifies instances of uncertain resourcing, strategic uncertainties and delays in responding to its recommendations.

FCDO merger – major programmes

Two programmes at the core of the merger of government departments into FCDO – the Hera Programme and the FCDO Integration Programme – are assessed in the Infrastructure and Projects Authority's (IPA's) [2021-22 Annual Report](#) on projects included in the Government Major Projects Portfolio (GMPP).

FCDO Integration Programme

Project details: Following the launch of FCDO in September 2020, the FCDO Integration programme – which commenced in 2021-22 – seeks to create a single FCDO to “deploy development and diplomatic expertise to deliver HM Government’s (HMG’s) global and foreign policy objectives” by:

- creating a structure to enable FCDO to deliver on its priorities;
- enabling better delivery of HMG international objectives;
- creating a modern, effective and value for money organisation; and
- investing in staff, aiming to ensure that FCDO is an employer of choice.

Baseline 2021-22 cost as per the March 2022 GMPP: £6.2 million.

Final forecast 2021-22 cost as per the March 2022 GMPP:

£4.5 million – savings against baselined cost are attributed by FCDO to staff vacancies in the delivery team.

Published IPA Delivery Confidence Assessment (DCA) 2021-22:¹

Red – indicating that “successful delivery of the project appears to be unachievable”. The IPA reviewed the programme again in July 2022 and its latest assessment is green, indicating that “successful delivery of the project to time, cost and quality appears highly likely”. The IPA’s change in assessment was because of a rescoping of the portfolio, streamlined governance and improved programme management and communications.

Scheduled completion: October 2023.

Accounting Officer Assessment: Not published.

Hera Programme

Project details: This programme aims to deliver a new single enterprise finance and human resources (HR) system to integrate many aspects of FCDO business operations and replace and modernise former DFID and FCO finance and HR systems. The project has previously experienced delays caused by resourcing challenges and technical issues.

Baseline 2021-22 cost as per the March 2022 GMPP: £29.7 million.

Final forecast 2021-22 cost as per the March 2022 GMPP: £24.7 million. The delayed ‘go live’ dates and issues around specialist resourcing in the programme resulted in an underspend against the original forecast budget for 2021-22.

Published IPA DCA 2021-22: Amber – indicating that: “successful delivery appears feasible but significant issues already exist, requiring management attention”.

Scheduled completion: Completion was delayed from October 2022 to March 2023 following resourcing challenges and technical issues. In its July 2022 review of the Integration Programme, the IPA noted the successful turnaround of the Hera programme, and that it was back on track for delivery. Phase 2 of the programme – to move all users onto a single Finance and HR platform – was completed in November 2022.

Accounting Officer Assessment: Completed and [published](#).

Our 2022 report [Accounting officer assessments: improving decision-making and transparency over government’s major programmes](#) showed that FCDO had published an Accounting Officer (AO) assessment for one of its six projects on the GMPP.² It was not possible to identify whether AO assessments had been completed for the remaining five programmes as and when required. All programmes on the GMPP are expected to complete an assessment when programmes join the GMPP or when an outline business case is completed, and where there has been a significant change. Departments are expected to publish these to increase transparency and accountability for key spending decisions, unless there are strong reasons not to – for example, commercial or security sensitivities.

Notes

- 1 Footnote 1 on page 13 gives further context regarding the IPA’s delivery confidence assessments. The assessments quoted above are published in the IPA’s annual report 2021-22, as at March 2022.
- 2 The NAO report reflected the level of projects on the GMPP as at December 2021. The more recent 2022 GMPP annual report includes two FCDO projects relating to the merger (the Integration Programme and the Hera Programme), and three FCDO projects not relating to the merger (Echo 2 – green rating, New Beijing Embassy and Residence – exempt rating, Washington Embassy refurbishment – amber rating).

Foreign policy

As well as the global development objectives and activities outlined in the following pages, FCDO has been involved with a number of other foreign policy programmes and initiatives. We include some of the most prominent of these below.

The government published its Integrated Review of Security, Defence, Development and Foreign Policy in March 2021. This review focuses on multiple government departments and outlines the UK's intent for its foreign policy to have a global, rather than regional, reach, terming this 'Global Britain', to be achieved via four objectives:

- sustaining strategic advantage through science and technology;
- shaping the open international order of the future;
- strengthening security and defence at home and overseas; and
- building resilience at home and overseas.

The government aims to meet the challenges presented by geopolitical shifts, technological change, systematic competition and transnational challenges through an integrated approach to security, defence, development and foreign policy. This was one of the reasons behind the merger of DFID and FCO to form FCDO in September 2020.

The Prime Minister commissioned an update to the Integrated Review in September 2022 to ensure that it could address the challenges faced following Russia's invasion of Ukraine. The updated review aims to ensure that the UK is investing in the strategic capabilities and alliances needed to stand firm against coercion from authoritarian powers overseas.

The UK's exit from the European Union (EU)

Our 2021 report, Progress with trade negotiations outlined how the Department for International Trade (DIT), FCDO and other government departments successfully transitioned 33 out of 39 agreements with existing non-EU trading partners ahead of the EU transition period deadline. We noted that DIT and other government departments had also made good progress in negotiations with new partners. However, we concluded that, in pursuing multiple new deals, there is a risk that the government will not allocate enough resource for implementing the deals already secured. To achieve value for money, departments need to work together to manage these risks effectively.

Conflict Centre

The Integrated Review included an objective to establish a new conflict centre within FCDO. The Conflict Centre aims to develop and lead a strategic conflict agenda to extend the UK's conflict and stability capabilities by bringing together expertise from across FCDO, the UK government and elsewhere.

The conflict in Ukraine

This conflict has driven substantial changes to FCDO's organisational priorities and structure (see pages [6](#), [15](#) and [16](#)). FCDO has had a substantial role in the UK's response to the conflict (see page [22](#)).

Indo-Pacific tilt

The 'Indo-Pacific tilt' reflects the government's desire to increase its foreign policy activity in that region. In September 2022, the Foreign Secretary reaffirmed the ambition for the UK to be "*the European partner with the broadest, most integrated presence in the Indo-Pacific*". The government is seeking to drive growth and improve security in the region. Against these objectives, the government has:

- obtained dialogue partner status with the Association of Southeast Asian Nations (ASEAN) to cooperate around security, defence, trade, development, and science and innovation objectives; obtaining dialogue partner status was one of FCDO's three priority outcomes in 2021-22 and was achieved in August 2021;
- supported the government's efforts to create a trilateral security partnership through the Australia, UK and United States partnership (AUKUS) in September 2021 to support Australia to acquire nuclear-powered submarines;
- announced in November 2021 plans to establish a new regional hub for British International Investment in Singapore and committed up to £500 million in the surrounding region until 2026; and
- negotiated the Digital Economy Agreement with Singapore, signed in 2022. This aims to increase confidence in digital trade.

Responding to crises – overview

Spending on addressing major humanitarian disasters and responding to crises has been a major area of focus for the government's Official Development Assistance (ODA) spending for many years.

Our 2022 report, *Managing Reductions in Official Development Assistance Spending*, indicated that the three-year average spending on humanitarian aid decreased from £2.1 billion following the government's decision to reduce overall ODA spending levels (see pages 27 and 28). Following this prioritisation exercise, FCDO's budget for humanitarian preparedness and response in 2021-22 was reduced to £0.9 billion.

This reduction happened at a time where FCDO needed to react to rapidly intensifying situations in Afghanistan and Ukraine (see pages 21 and 22), which has required FCDO to reprioritise and divert resources and spending.

In 2020, £1.5 billion of ODA was spent on humanitarian aid, mostly by FCDO. This was the second largest sector of ODA spending (after spending on health projects of £1.6 billion) and represents 16% of bilateral spending that year. However, in 2021, humanitarian spending decreased to £0.7 billion, representing 10% of total UK bilateral spending, and was the sixth highest bilateral spending sector. Between 2017 and 2021, the countries where FCDO spent the most on humanitarian projects were Yemen (£795 million), Syria (£700 million) and Somalia (£453 million) over five years. However, FCDO significantly increased its humanitarian spending in Afghanistan in 2021 by 161% from 2020, spending £136 million in 2021.

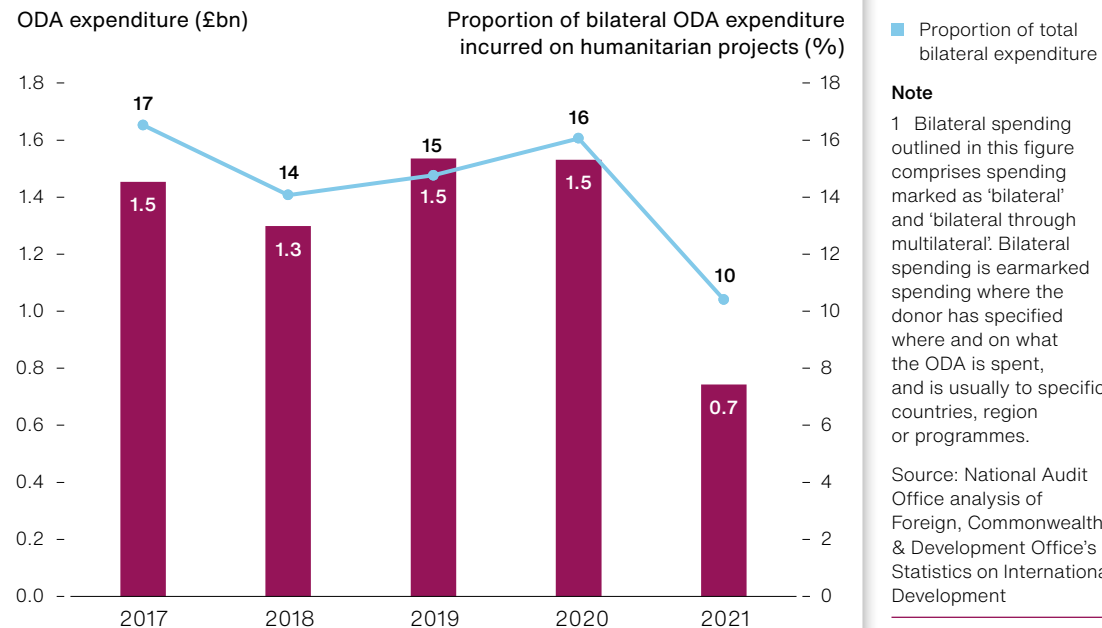
A dedicated hub is being created by the Office for Conflict, Stabilisation and Mediation to test and design approaches to conflict-related atrocity prevention. This will be used to measure impact in pilot countries and support learning across FCDO.

Recent reports from the Independent Commission for Aid Impact (ICAI) on the UK's humanitarian response to crises

Report	Grade	Summary findings
The UK's humanitarian response to COVID-19 (2022)	Green-Amber	The UK's rapid humanitarian response to the COVID-19 pandemic saved lives and built resilience, but could have done more on inclusion of some vulnerable groups.
The UK's approach to safeguarding in the Humanitarian Sector (2022)	Amber-Red	The UK has used its resources to galvanise action in this area and based its strategy on wide consultation. However, the government needs to do more to learn from people affected by humanitarian crises.
The UK's Preventing Sexual Violence in Conflict Initiative (2020)	Amber-Red	The Preventing Sexual Violence in Conflict Initiative is an important body of work on a neglected topic, but falls short of the government's stated ambitions and lacks an overall strategy and adequate mechanisms for survivor inclusion. Results reporting and learning activities are weak.
The UK's approach to funding the UN humanitarian system (2018)	Green-Amber	The Department for International Development had a strong strategy for using its funding and influence to strengthen UN humanitarian agencies and global humanitarian practice, but its record to date in promoting practical reforms is mixed.

Source: National Audit Office analysis of reports from the Independent Commission for Aid Impact

Total UK bilateral Official Development Assistance (ODA) spending on humanitarian aid, 2017–2021



Part Five // Foreign policy and responding to crises

Responding to crises – COVID-19

FCDO led the government’s efforts to prevent the spread of COVID-19 overseas and to support developing countries to tackle the pandemic. We set out some of the main elements of the response below.

Activities

FCDO responded to the pandemic by supporting developing countries to address and mitigate the impacts of the pandemic, with particular focus on vaccine provision and distribution via:

- adapting existing ODA spending to help countries tackle the impacts of the pandemic on health, the economy and education; and
- providing additional contributions to multilateral organisations, such as the International Monetary Fund.

FCDO also supported the government’s effort to leverage the UK’s presidency of the G7 to address the global pandemic. G7 leaders pledged to donate 870 million vaccine doses to developing countries following June 2021’s G7 summit in Cornwall. FCDO also provided consular services throughout the pandemic, including bringing over 38,000 people back to the UK from 57 different countries and territories, and enabling 1.3 million British nationals to return via commercial routes.

Impacts

In the November 2020 Spending Review, the government announced that it would spend only 0.5% of Gross National Income (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. 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.

External perspectives

The Independent Commission for Aid Impact (ICAI) published its review of the UK’s humanitarian response to COVID-19 in July 2022. It rated the UK’s response as green-amber, concluding that:

- The UK reacted quickly to recognise and seek to mitigate the likely impacts of the pandemic in developing countries, and FCDO’s response was coherent and coordinated.
- The creation of the merged FCDO in September 2020 came at an inopportune time and hampered the UK’s response.

COVID-19 programmes where FCDO is lead organisation, as reported in the National Audit Office’s June 2022 COVID-19 Cost Tracker

Project	Expected lifetime cost	Description
COVID-19 Official Development Assistance Adapted Spend	£777 million	Adaptions to existing programmes to support recipients to address COVID-19.
Contribution to COVAX	£548 million	Initiative designed to distribute a COVID-19 vaccine around the world.
The Coalition for Epidemic Preparedness Innovations	£250 million	Contributions to an international partnership working to find vaccines.
Vaccine donations	£160 million	Ancillary costs of donating excess vaccine doses from the UK’s domestic supply.
International Monetary Fund’s (IMF’s) Catastrophe Containment & Relief Trust	£150 million	Contributions to IMF programme seeking to mitigate COVID-19 impacts in developing countries.
Support for United Nations agencies	£130 million	Funding in response to a United Nations appeal for support to address COVID-19 globally.
Omicron response package	£105 million	Emergency aid to tackle the Omicron variant. Particular focus on Africa.
Other	£404 million	Various programmes with an individual lifetime cost of £50 million or less.
Total	£2.5 billion	

□ Active □ Finished □ Partly finished

Source: National Audit Office COVID-19 cost tracker

Responding to crises – Afghanistan

In August 2021, the Taliban took control of Afghanistan following the withdrawal of US military forces. FCDO led the evacuation of British nationals and subsequent humanitarian programmes in the region. We set out some of the main elements of the response below.

Activities

Spending: In 2021-22, FCDO spent £286 million on humanitarian assistance in Afghanistan, including £89 million provided to the World Food Programme.

Evacuation: Between 15 and 29 August 2021, FCDO evacuated more than 15,000 people from Afghanistan, including 8,000 British nationals. Around 6,000 people have arrived in the UK from Afghanistan since August 2021.

Consular: FCDO provided consular services for those fleeing Afghanistan. It faced criticism from the Foreign Affairs Committee for withdrawing all consular staff from Kabul as the evacuation operation began, leaving a 48-hour gap before replacements arrived.

External perspectives

The House of Commons Foreign Affairs Committee published its report *Missing in action: UK leadership and the withdrawal from Afghanistan* in May 2022. It highlighted systemic failures of intelligence, diplomacy, planning and preparation in the government's withdrawal from Afghanistan. It called upon FCDO to undertake a review of its processes for handling internal concerns about policies and, more broadly, to re-commit to transparency and positive engagement with Parliament. It stated that the failures of the withdrawal and evacuation made it even more important that the UK commits to a serious strategy for its future engagement with Afghanistan.

In its response, the government accepted that there were areas of its crisis response that needed improvement and said it was determined to raise standards in its preparedness for, and response to, future crises. FCDO conducted an internal lessons learned review and intends to conduct a similar review in due course regarding the Ukraine crisis.

The Independent Commission for Aid Impact (ICAI) published its review of UK aid to Afghanistan in November 2022. The review covered the period between 2014 and the takeover of Kabul by the Taliban in 2021. ICAI found that UK aid to Afghanistan lacked a credible and realistic approach to its central goal of building a viable Afghan state. While UK aid provided valuable support to Afghan citizens, including women and girls, it failed to make substantial progress towards the UK government's strategic objectives.

The review gave an overall amber-red score for UK aid to Afghanistan on the basis of unrealistic objectives, flawed approaches and limited evidence of progress towards its strategic objectives.

Current focus

The headline findings from FCDO's lessons learned exercise include:

- FCDO's contingency planning provided solid foundations for its response, but did not anticipate such a rapid collapse of the Afghan government.
- FCDO has a wide base of crisis skills, but its crisis training was disrupted due to EU Exit preparations and some staff were not familiar with crisis structures following the department's merger.

Since the conflict in Afghanistan, FCDO activities and priorities in Afghanistan have adapted:

- FCDO has invested in a number of new aid programmes in Afghanistan.
- At the UN Afghanistan Conference in March 2022, a further £286 million of aid was committed to the region.
- FCDO created a new Director General Humanitarian and Development role.

Responding to crises – Ukraine

Russia invaded Ukraine in February 2022. FCDO has led key aspects of the UK government's response, deploying over 840 staff members to work on it. We set out some of the main elements of the response below. Further detail on the UK's humanitarian response to the crisis is available on [gov.uk](https://www.gov.uk).

Activities

Sanctions: FCDO is responsible for the UK's international sanctions policy and has coordinated the UK government's imposition of sanctions against Russia. By October 2022, 1,418 individuals and 160 entities had been subject to UK sanctions under the Russia regime and the UK had targeted over 120 oligarchs with a net worth of over £130 billion. Sanctions have been targeted at financial institutions and on transport, trade, individuals and companies actively supporting Russian forces in Ukraine.

Spending: FCDO has committed £400 million to Ukraine in humanitarian aid for medical supplies, fiscal support grants and energy security.

Relief work: UK relief work inside Ukraine included provision of 11 million medical items, funding to the frontline medical charity UK-med and the UN-Ukraine Humanitarian fund, delivery of food, water and portable generators, and provision of 13 armoured vehicles to evacuate civilians.

Register your Presence: The consular response to the Ukraine crisis included the Register your Presence service. This allowed FCDO to send targeted messages to British people who registered their presence in Ukraine before the invasion.

Conflict, Stability and Security Fund (CSSF): FCDO has used the CSSF's cyber portfolio to provide the Ukrainian government with incident response capability to prevent cyber attacks and to support Ukraine to clean its IT systems.

International organisations: FCDO has supported and worked with international organisations, including United Nations and Red Cross organisations, to coordinate a response to the situation in Ukraine.

Impacts

March 2022: FCDO identified that at least 291 million people worldwide were in need of humanitarian assistance, up from 235 million in December 2020, because of crises in Ukraine, Afghanistan and Ethiopia.

July 2022: FCDO announced it has guaranteed loans of \$1.5 billion between the World Bank and Ukraine (see page [12](#)).

July 2022: FCDO announced it was unable to publish future allocations for its ODA spending in its 2021-22 Annual Report and Accounts because the crises in Ukraine and Afghanistan mean that it needed to revisit planned allocations.

July 2022: All non-essential development spending is paused (see page [25](#)) due to higher than forecast costs of resettlement following the crises in Ukraine and Afghanistan, and wider domestic asylum costs. This pause was lifted in November 2022.

October 2022: As at 20 October, the UK government had granted 192,600 visas via the Ukrainian visa schemes and had refused 2,700 applications.

Current focus

Following the invasion of Ukraine, FCDO adapted its organisational structure and revised its core priorities, comprising:

- promoting Britain and our values – freedom and democracy;
- building strategic partnerships – economic, security, technology, climate change and the environment, and development;
- protecting British interests;
- supporting Britons travelling and living abroad; and
- providing global insight and analysis.

The UK's humanitarian objectives in Ukraine are to:

- provide humanitarian aid, with a focus on the most vulnerable;
- work with the UK's allies to coordinate the international response; and
- press for respect for international humanitarian law.

Part Six // Official Development Assistance spending

Official Development Assistance spending patterns

Since 1970, the United Nations has endorsed a target for developed countries to spend 0.7% 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 1 of 14 countries to have ever met the target.

The UK made meeting the 0.7% target a legal requirement in 2015. Following the November 2020 Spending Review, the government announced that it would reduce its ODA contributions to 0.5% of GNI because of the continuing impact of the COVID-19 pandemic. The government has committed to returning to spending 0.7% of GNI on ODA “when the independent Office for Budget Responsibility’s fiscal forecast says that, on a sustainable basis, the UK is not borrowing to finance day-to-day spending and underlying debt is falling”. Until November 2022, the UK looked to meet but not exceed the target. For example, between 2013 and 2020, it aimed to spend exactly 0.7% of GNI on ODA and, between 2021 and 2022, it aimed to spend exactly 0.5%.

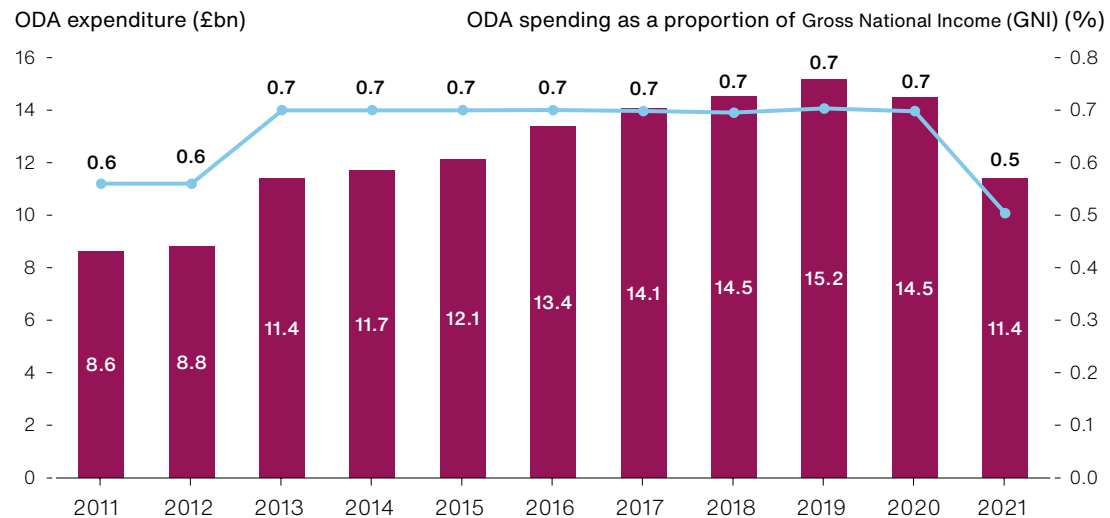
In November 2022, the Foreign Secretary announced that the UK would continue in the short term to spend 0.5% of GNI on ODA. However, going forward, the UK would aim to spend “around” this amount, rather than exactly, representing a significant change in approach. The announcement also detailed an increase in the annual ODA budget of £1 billion for 2022-23 and £1.5 billion for 2023-24.

In November 2022, FCDO released statistics on UK aid spending, setting out how this reduction in spending had been achieved and outlining ODA spending across government of £11.4 billion in 2021. ODA spending is presented as per requirements set by the Organisation for Economic Co-operation and Development’s (OECD’s) Development Assistance Committee (DAC). It is presented on a calendar year basis and is therefore prepared on a different basis from the spending outlined elsewhere in this guide.

These statistics demonstrate how:

- UK ODA spending across government has reduced by 21% (£3.1 billion) since 2020 and by 25% (£3.8 billion) overall since 2019 (which was the last full year of ODA spending before the COVID-19 pandemic).
- Several government departments spend ODA, but FCDO has the largest proportion of expenditure. ODA spending at other government departments was less affected by these reductions. FCDO’s share of total ODA spending fell from 76% in 2017 to 72% in 2021.

Total UK Official Development Assistance (ODA) expenditure, 2011–2021



Key

- UK net ODA
- ODA:GNI ratio

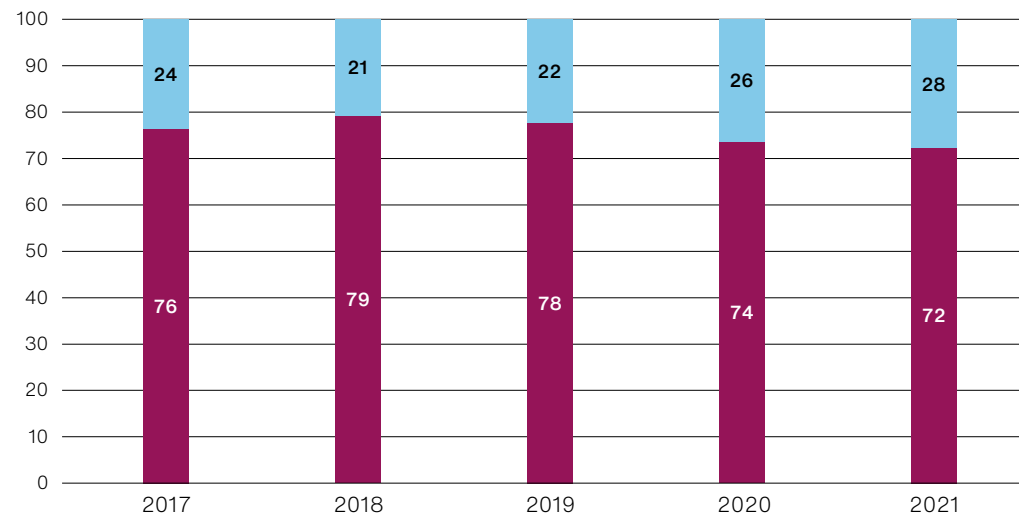
Note

1 Expenditure has not been adjusted for inflation to ensure that figures are consistent with published Statistics on International Development.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office’s Statistics on International Development

UK Official Development Assistance (ODA) by spending department, 2017–2021

Proportion of total overseas development assistance spending (%)



Key

- FCDO
- Other government departments and other contributors

Note

1 The spending department figure combines values relating to both former government departments – the Foreign & Commonwealth Office and Department for International Development – to represent FCDO between 2017 and September 2020.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office’s Statistics on International Development

Part Six // Official Development Assistance spending

Official Development Assistance spending patterns continued

FCDO has a target to increase its bilateral ODA spending to 75% of all ODA expenditure by 2025, but its spending on bilateral programmes decreased by 35% between 2020 and 2021.

Bilateral spending

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. The nature of the UK's bilateral ODA spending means that the spending department can make choices about where in the world ODA can be targeted, unlike the UK's contributions to multilateral organisations which tend to operate worldwide or across whole regions.

The UK government made a significant reduction to its ODA budget between 2020 and 2021 (see pages 23, 25 and 26). The International Development Strategy includes a target for FCDO to spend 75% of ODA on bilateral programmes by 2025. FCDO's bilateral spending decreased by 35% between 2020 and 2021 (from £6.9 billion to £4.5 billion) but its multilateral spending only decreased by 1% (from just over £3.7 billion to just under £3.7 billion). This is because, over the short term, the UK still needs to honour commitments made to multilateral organisations.

Spending by region

The UK still spends more ODA in Africa (39% in 2021) and Asia (30% in 2021) than any other region, but the proportion spent in both regions has decreased. The top three reductions in ODA spending in individual countries were in these regions – spending in Ethiopia decreased by £134 million between 2020 and 2021, in Somalia by £132 million and in Bangladesh by £116 million. The UK is not a recipient country of ODA but, if the costs of supporting refugees in the UK are considered as an individual region, they represent the only significant increase in regional spending between 2020 and 2021. The proportion of bilateral spending incurred on these projects in the UK nearly trebled between 2017 (£378 million) and 2021 (£1.1 billion) (see page 25).

Proportion of bilateral UK Official Development Assistance (ODA) spent by region – 2020 to 2021

	2020	2021	Percentage change
	(%)	(%)	(%)
Africa	46.0	38.6	-7.4
Asia	34.8	29.8	-5.0
Costs of supporting refugees in the UK	11.1	23.5	12.4
Americas	4.8	4.4	-0.4
Europe	2.9	3.4	0.5
Pacific	0.3	0.2	-0.1

Note

- 1 Bilateral spending not attributed to individual countries or regions is excluded from the analysis above. We have adapted the source data to present UK refugee costs as a single region. In practice, the UK incurs some additional ODA spending in the UK but it is not possible to identify all of this from the source data.
- 2 Values above may not sum to 100% due to rounding.

Top five countries – UK bilateral Official Development Assistance (ODA) spending – 2019 to 2021

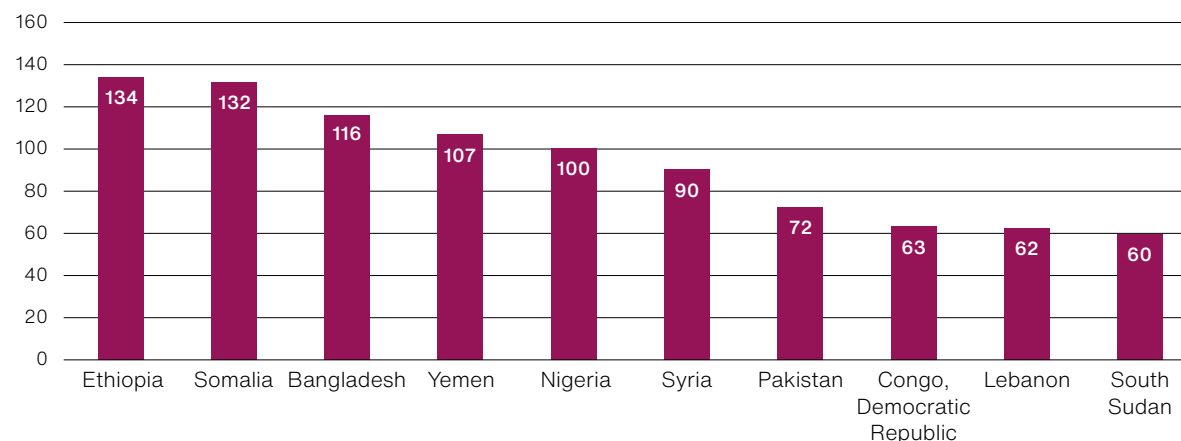
Rank	2019		2020		2021	
	Top five countries	(£mn)	Top five countries	(£mn)	Top five countries	(£mn)
1	Pakistan	305	Ethiopia	254	Afghanistan	187
2	Ethiopia	299	Nigeria	241	Nigeria	140
3	Afghanistan	290	Somalia	232	Pakistan	128
4	Yemen	260	Afghanistan	226	Ethiopia	120
5	Nigeria	257	Yemen	221	Yemen	114

Note

- 1 Bilateral spending not attributed to individual countries or regions is excluded from this analysis.

Top 10 country reductions in Official Development Assistance (ODA) spending between 2020 and 2021

ODA expenditure (£mn)



Note

- 1 This figure shows only reductions in ODA spent in individual countries and does not include figures for reductions in spending affecting entire regions.

Sources
(all figures above):
National Audit Office
analysis of Foreign,
Commonwealth
& Development
Office's Statistics
on International
Development

Part Six // Official Development Assistance spending

Official Development Assistance spending patterns continued

FCDO's ODA spending in 2021 and 2022 has been affected by pressures on the overall government ODA budget arising from higher-than-expected UK-based refugee and asylum costs.

Spending by sector

The reduction to the Official Development Assistance (ODA) target (see pages 27 and 28) meant that FCDO had to make some difficult decisions about where to prioritise its aid spending. Alongside this, the level of costs recorded as ODA for supporting refugees and asylum seekers in the UK increased significantly.

As a result, the level of spending in all sectors, aside from the costs of supporting refugees in the UK, has decreased. In many cases, these are significant reductions, including on Humanitarian Aid (51%), Health (39%) and Multisector (29%).

In-country costs of supporting refugees and asylum seekers

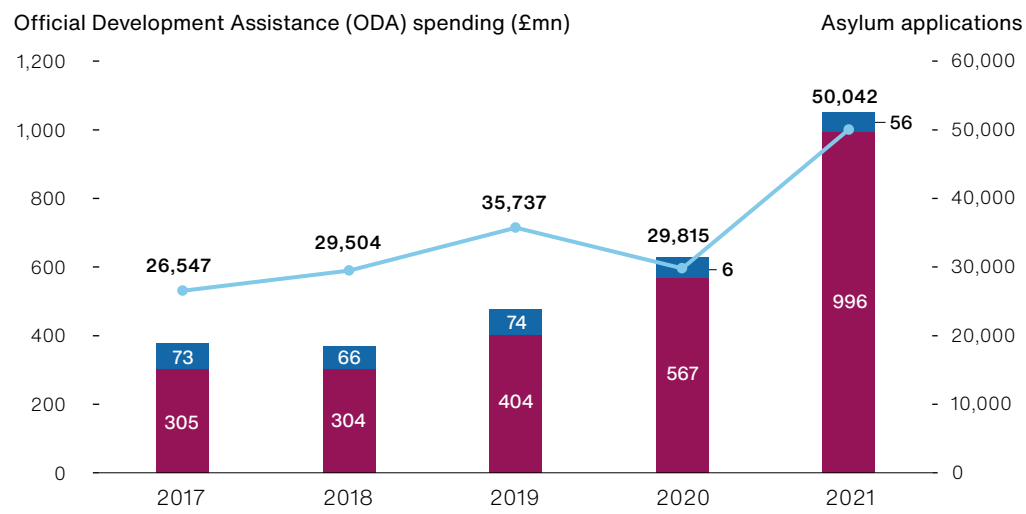
The Organisation for Economic Co-operation and Development states that support to refugees can only be recorded as ODA for "the first year of stay of refugees, and only to their temporary sustenance". It is difficult to determine the extent to which other countries record the in-country costs of providing support to refugees and asylum seekers as ODA. The UK government took the decision that all spending eligible to be recorded as ODA, in line with OECD rules, should be recorded as such.

The UK's spending on refugee and asylum seekers recorded as ODA increased by 178% to £1.1 billion between 2017 and 2021, with the majority of this being spent by the Home Office. Although applications for asylum nearly doubled during this time, there is no clear correlation between the number of applications and the level of spending recorded as ODA.

Official Development Assistance (ODA) expenditure by sector – 2020 to 2021

	2020		2021		Percentage change (2020-21)
	Spending (£mn)	Proportion of total bilateral spending (%)	Spending (£mn)	Proportion of total bilateral spending (%)	
Refugees in Donor Countries	628	7	1,052	15	68
Health	1,589	17	970	14	-39
Economic Infrastructure and Services	933	10	820	11	-12
Multisector/Cross-Cutting	1,112	12	795	11	-29
Government and Civil Society	1,043	11	773	11	-26
Humanitarian Aid	1,531	16	743	10	-51
Administrative Costs of Donors	784	8	740	10	-6
Production Sectors	672	7	489	7	-27
Education	545	6	457	6	-16
Other	696	7	307	4	-56

Spending on supporting refugees and asylum seekers in the UK by government department against asylum applications, 2017 to 2021



Key

- Home Office
- Other government departments
- Application for asylum

Notes

- 1 Values in the table above may not sum to 100% due to rounding.
- 2 ODA expenditure figures in both figures have not been adjusted for inflation.
- 3 Spending by other government departments outlined in the figure on the left comprises ODA expenditure from seven UK government departments and organisations. The other government departments with the highest spending on in-country refugee and asylum seeker costs in 2021 were the Department for Health & Social Care (£26 million), the Department for Education (£21 million), and the Department for Work & Pensions (£4 million).

Source (both figures): National Audit Office analysis of Foreign, Commonwealth & Development Office's Statistics on International Development and Home Office datasets

Part Six // Official Development Assistance spending

Official Development Assistance spending patterns continued

Further pressures on the ODA budget

As a result of the crises in Afghanistan and Ukraine in 2021 and 2022, the government launched resettlement schemes for citizens of Afghanistan and visa routes to eligible Ukrainians and their family members in early 2022. By 24 November 2022, 22,833 people had arrived in the UK under the Afghanistan resettlement scheme and, by 5 December 2022, 149,200 people had arrived on the Ukrainian schemes. A further 52,525 asylum applications were made during the first nine months of 2022. Between the resettlement schemes and wider asylum applications, this represents a significant increase compared with the 50,042 applications for asylum in the UK in the whole of 2021 and the 29,815 applications in 2020.

In July 2022, the government introduced a pause on non-essential aid spending, primarily due to higher than forecast ODA spending on domestic asylum costs, the Ukraine visa routes, the Afghan citizen resettlement schemes, and a desire not to exceed budgeted spending totals for the year (see page 12). FCDO's criteria for what it considered to be essential spending were to protect against the immediate threat to life or wellbeing; to prevent people falling into humanitarian need; to prevent delays to accessing healthcare, primary education, sanitation or clean water; and contractual and legal obligations.

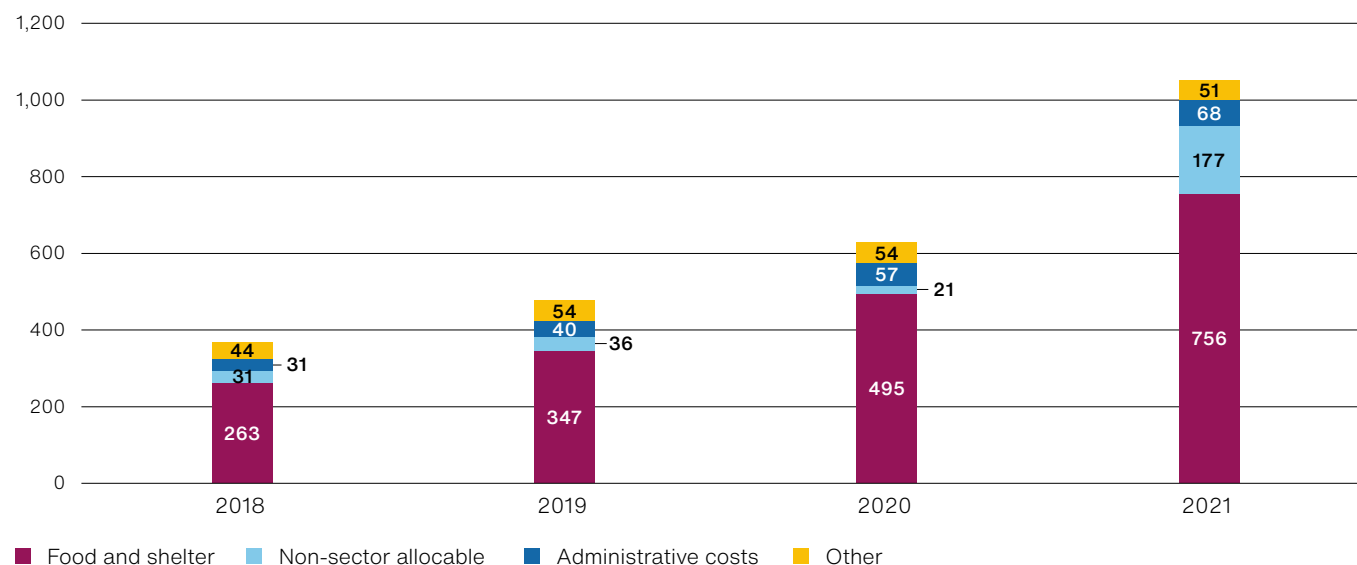
The pause in spending continued until November 2022 when the Foreign Secretary announced updates to FCDO's 2022-23 and 2023-24 budgets, and that government's overall ODA spending would be "around" rather than "meet but not exceed" 0.5% of gross national income (GNI) (see page 23).

The increase in support to asylum seekers and refugees has placed significant pressures on the government's ODA budget. Information about the precise level of additional costs is not yet publicly available. Organisations working in the international development sector estimate that around £3 billion of ODA will be spent in the UK to support refugees and asylum seekers in 2022. The Home Office's 2021-22 annual report and accounts show that asylum costs increased from £0.8 billion in 2020-21 to £1.5 billion in 2021-22.

FCDO published its final 2021 Statistics on International Development in November 2022, showing ODA spending across government. These show spending up to 2021 and highlight the significant increase in ODA spending on supporting refugees and asylum seekers in the UK (see page 25). UK spending on supporting refugees in the UK increased significantly and largely proportionately across all areas between 2018 and 2021.

Total UK spending on supporting refugees and asylum seekers in the UK by nature – 2018–2021

Official Development Assistance (ODA) expenditure (£mn)



Notes

- 1 'Non-sector allocable' includes expenditure on purposes such as the UK Resettlement Scheme, refugee support and other in-donor refugee costs.
- 2 The increase in the 'non-sector allocable' category in 2021 is largely because of £132 million of spending which is recorded as 'temporarily removed'. Due to the security situations in Afghanistan and Ukraine, further information was not available at the time of publication. FCDO is working to publish the data and intends to update the Statistics on International Development in due course.
- 3 'Other' spending represents four distinct areas of expenditure in the Statistics on International Development, which are health, training, transport and other temporary sustenance, but have been combined in this presentation.
- 4 ODA expenditure figures have not been adjusted for inflation.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Statistics on International Development

Part Six // Official Development Assistance spending

Managing reductions in Official Development Assistance spending

In March 2022, our report *Managing reductions in Official Development Assistance (ODA) spending* assessed FCDO's implementation of a reduction in aid spending from 0.7% to 0.5% of Gross National Income (GNI) and considered the extent to which government considered how to protect value for money in implementing this reduction.

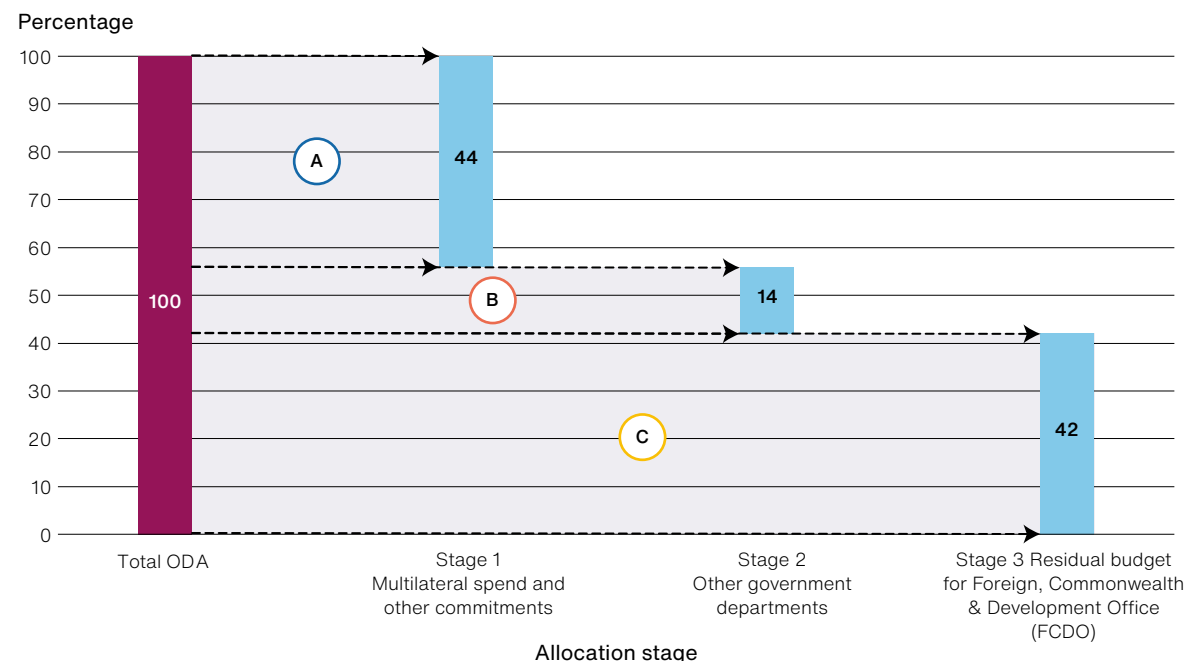
Following the decision to reduce the ODA budget, the then Foreign Secretary set out a new strategic framework for ODA to focus aid spending on the UK's strategic priorities through:

- 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".

Our findings:

- **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.** 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. 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.
- **FCDO had a clear, centralised approach to allocating a reprioritised and reduced ODA budget, but this did not fully consider the impact on outcomes.** FCDO led a three-stage approach which focused on seven new strategic priorities and two geographic priority areas for where UK ODA should be spent that had been set by ministers. Due to the short-time available, there was limited consideration of the impact on development outcomes.
- **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.
- **FCDO's country and regional offices were able to make decisions (based on their existing local knowledge) but were not able to consult local partners to inform this exercise, with the intention of avoiding any lobbying from beneficiaries.**

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



Spending Review 2020 (25 November 2020)

Overall ODA budget set as 0.50% of Gross National Income, estimated at £10.3 billion for 2021.

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.

Stage 2 (mid December 2020)

Foreign Secretary reviews bids from other government departments and discusses the proposals with ministers to agree settlements.

Stage 3 (December 2020 onwards)

Residual bilateral allocation calculated on the basis of the above and allocated across FCDO teams.

■ 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

Managing reductions in Official Development Assistance spending *continued*

Our conclusions

- The government's decision to reduce its target for ODA spending from 0.7% to 0.5% 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.
- 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 0.7% target – for which it should have more time and certainty.

Note

- 1 The £14.5 billion value included above relates to amounts reported by the UK as official development assistance for the calendar year 2020. The £10.3 billion value above reflects the ODA budget allotted as part of the 2020 Spending Review for the 2021-22 financial year ending 31 March 2022. This is due to differences between reporting periods used for global reporting of ODA spending (1 January – 31 December) and UK government financial reporting (1 April – 31 March). As such, only the £14.5 billion value is directly traceable to values set out on page 23.

Our recommendations

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.

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 0.7% target might help them address any issues that are identified.

FCDO and HMT should work with other ODA spending departments on scenario planning for a return to 0.7%.

One scenario already set out is a potential return to 0.7% 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.

FCDO and HMT should maintain oversight of 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.

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.

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.

International Development Strategy

FCDO published the [UK Government's Strategy for International Development](#) in May 2022, the first refresh of its overall strategy for international development since 2015. The new strategy increases FCDO's focus on trade and investment compared with the 2015 [UK Aid Strategy](#).

The UK Aid Strategy (2015)

A focus on poverty reduction and economic prosperity delivered predominantly by:

- 1 Aiming to promote global prosperity through the use of Official Development Assistance (ODA) focusing on poverty reduction.
- 2 Attempting to eliminate extreme poverty by 2030.
- 3 Seeking to strengthen resilience and responses to crises through focusing on ongoing crises, increasing spending on public health and climate change.
- 4 Tackling instability, insecurity and conflict with the intent of strengthening global peace, security and governance.

- 1 Significant financial commitments made to joined-up funds, for example the Conflict, Stability and Security Fund.
- 2 50% of all spending to fragile states and regions.

Increased spending through other government departments and cross-government funds. A 'geographic refocus' of spending, with increased support pledged to fragile and conflict affected states and the world's poorest countries.

A target for all government departments to be graded as 'good'/'very good' in the International Aid Transparency Index (IATI).

The 2015 Strategy and the 2016 Multilateral and Bilateral Aid Reviews do not include a commitment to contributing set amounts to either area.

The UK Government's Strategy for International Development (2022)

To support sustainable growth, alleviate suffering and tackle the root causes of shared global challenges, by:

- 1 Investments through British Investment Partnerships (BIP).
- 2 Supporting women and girls.
- 3 Providing humanitarian assistance to improve the effectiveness of international responses to crises.
- 4 Focusing on climate change, nature and global health to build economic, security and technological partnerships.

- 1 £8 billion per year by 2025 in UK investments via BIP.
- 2 Doubling of contributions to International Climate Finance to £11.6 billion between 2021-2026.

Development is seen as integral to UK foreign policy. The UK aims to use all its levers to deliver, including: diplomacy, investment, trade, defence and intelligence. Spending will be focused in low and middle income countries.

The government's financing model is to be 'characterised by transparency' but the strategy makes no commitment to specific rankings in the IATI, however FCDO's response to the Independent Commission for Aid Impact's 2022 report on [Transparency in UK aid](#) outlines FCDO's commitment to seeking to achieve a 'very good' standard in the 2024 IATI.

Rebalancing of FCDO's ODA spending from multilateral to bilateral channels, aiming to spend 75% of its funding for ODA on bilateral channels by 2025. FCDO spent 55% of funding on bilateral channels in 2021 (2020 65%).

Priorities

Significant commitments

Mechanics of delivery

Transparency

Bilateral/multilateral focus

Our 2019 report, *The effectiveness of Official Development Assistance expenditure*, found that the government's broad range of international development strategies and objectives in place at the time created complexities in terms of reviewing and reporting performance. This undermined the government's ability to align performance with the objectives set out in strategies and its poverty reduction efforts more broadly.

External perspectives

ICAI's 2022 report on [Transparency in UK aid](#) recommended that FCDO should commit to achieving a standard of 'very good' in the IATI by 2024.

Part Seven // The international development sector

Safeguarding in the international development sector

FCDO operates four centrally managed programmes focusing on safeguarding. It has stated that it seeks to prioritise safeguards against sexual exploitation, abuse and sexual harassment (SEAH) internally and in the organisations it funds.

Since 2018, FCDO's safeguarding activity has included:

- creating a [Resource and Support Hub](#) aiming to provide safeguarding support to global grassroots organisations;
- funding an Open University [safeguarding course](#) for staff in the international development sector; and
- forming the Cross-Sector Safeguarding Steering Group, which aims to address SEAH in the sector and produces annual reports.

FCDO outlines progress in its [Safeguarding against sexual exploitation, abuse and harassment in the international aid sector progress report 2021-22](#).

Spending on safeguarding

FCDO's 2021-22 annual report and accounts show that its Safeguarding Unit spent £6.2 million (£3.8 million in 2020-21). Four areas of programme spending comprise the main aspects of FCDO's work on safeguarding:¹

£5mn

Safeguarding Innovation and Engagement Programme Fund – 2018–2024. Programme aiming to raise safeguarding standards in the sector.

£10mn

Resource and Support Hub – 2019 to 2025. Programme aiming to support aid delivery bodies to strengthen safeguarding policy and practice.

£10mn

Project Soteria – 2019 to 2025. Programme aiming to prevent perpetrators of SEAH from working in the aid sector by improving criminal record checking.

£5mn

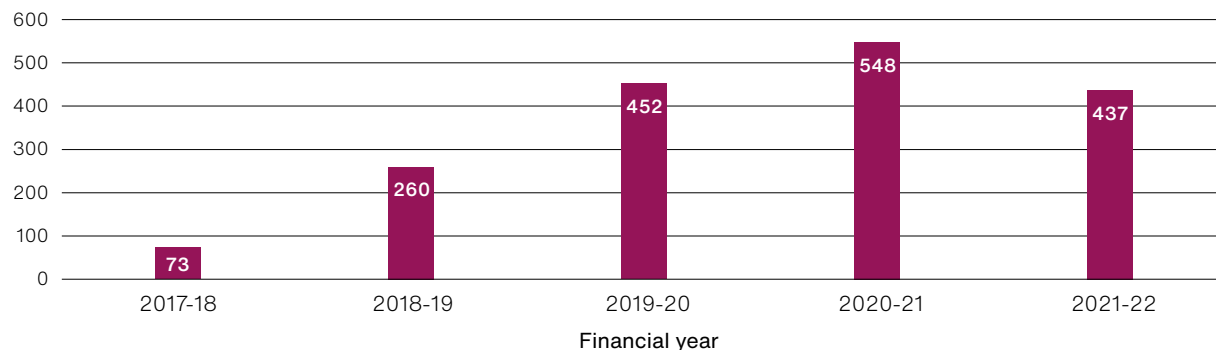
Supporting victims of SEAH – 2020 to 2023. Programme aiming to address challenges and barriers for survivors across the response chain.

Note

1 The budgets outlined above for FCDO's safeguarding programmes span multiple years.

Number of safeguarding concerns reported to Foreign, Commonwealth & Development Office (FCDO), 2017-18 to 2021-22

Number of concerns reported to FCDO



Note
1 Concerns reported comprise those raised by implementing partners and internally. Values shown relating to periods before September 2020 were reported to the former government department, the Department for International Development.

Source: National Audit Office analysis of Foreign, Commonwealth & Development Office's Annual Report and Accounts 2021-22

External perspectives

The Independent Commission for Aid Impact (ICAI) published its review of [the UK's approach to safeguarding in the humanitarian sector](#) in February 2022, assigning an amber-red rating and concluding that:

- Since 2018, the UK has been a key actor globally and its leadership has been instrumental in strengthening coordination on safeguarding.
- FCDO has recognised the importance of taking specific steps to target deeper cultural change around power disparities and gender inequality and is addressing culture change both internally and externally.
- FCDO should focus greater attention on ensuring that approaches to preventing sexual exploitation and abuse are tailored to local contexts and that the voices of affected people, victims and survivors are captured and used systematically to inform policy and programming.

Climate change

Addressing climate change is one of the four main priorities included in FCDO's 2022 International Development Strategy.

International Climate Finance (ICF) is the primary instrument used by government to support developing countries seeking to adapt to the impacts of climate change and to reduce their emissions. The UK's ICF portfolio involves more than 200 programmes worldwide. Support ranges from bilateral activities at the country level to investment in multilateral climate funds and initiatives.

Between 2016 and 2021, the government oversaw the investment of £5.8 billion of ICF. It has pledged to double this figure to £11.6 billion between 2021 and 2026, with £3 billion earmarked for development initiatives that aim to protect and restore nature.

ICF programme activity includes:

- **UK Partnering for Accelerated Climate Transitions** – partnerships with developing countries that strive to overcome barriers to clean growth to accelerate their climate change mitigation efforts.
- **Climate Action for a Resilient Asia (CARA) Programme** – aims to strengthen the resilience of vulnerable communities, economies and the environment against the impacts of climate change, and to promote low carbon growth across the Indo-Pacific.

Global summits

COP26

In November 2021, the UK hosted the 26th UN Climate Change Conference of the Parties (COP26) in Glasgow.

On 13 November, 197 parties agreed to the Glasgow Climate Pact, setting out:

- commitment to limit global warming to 1.5°C;
- agreement from 65 countries to phasing out the use of coal power;
- a pledge from 145 countries to halt and reverse forest loss and land degradation by 2030;
- agreement to double adaptation finance on 2019 levels by 2025; and
- increased climate finance contributions from governments and the private sector.

G7

The UK held the Presidency of the G7 in 2021. Through FCDO, it sought to leverage this to obtain member states' commitment to:

- halving their collective emissions by 2030;
- ending direct government support for international unabated coal power generation by the end of 2021; and
- conserving or protecting at least 30% of global land and 30% of the global ocean by 2030.

Paris Agreement

FCDO has adapted its Programme Operating Framework, which sets the standards for its programme delivery, to require all new FCDO ODA programming to align with the Paris Agreement. This will involve assessing the risks and impacts on climate change and the environment generally, and taking steps to prevent environmental harm.

External perspectives

In 2021, the Independent Commission for Aid Impact's carried out a rapid review on UK aid's alignment with the Paris agreement. It found that there was a lack of clarity in lines of reporting on the UK's efforts to align aid spending with the long-term goal of the Paris Agreement to make finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development. It also outlined a lack of transparency about measurements, which minimises public accountability and the government's ability to monitor progress.

Improving the lives of women and girls

FCDO currently has a strategic priority to promote gender equality and women's and girls' rights.

Key activity in 2021-22

Girls' Education Action Plan: in May 2021, the Prime Minister launched the UK's [Girls' Education Action Plan](#), which sets out actions needed to achieve new girls' education targets by 2026.

Global Education Summit: co-hosted by the UK and Kenya in July 2021. During the summit, a total of £2.9 million was raised for the Global Partnership for Education.

Gender Equality Advisory Council: the UK re-established the Gender Equality Advisory Council where G7 partners agreed to continue to tackle conflict-related sexual violence.

New programming

- What Works to Prevent Violence: Impact at Scale launched in October 2021 by FCDO (budget £68 million). FCDO asserts this is the first global effort to scale-up proven violence prevention approaches worldwide.
- The UK launched the What Works Hub for Global Education in May 2021 (budget £55 million). This aims to advise African and Asian governments on effective and economical methods to reform school systems and support the enrolment of females in schools.
- At COP 26, the Foreign Secretary announced that funding of over £22 million would be made available to end child marriage, support survivors and fund women's rights organisations.

Our report – *Improving the lives of women and girls overseas (2020)* – considered the former Department for International Development's (DFID's) 2018 [strategic vision for gender equality](#). We found the percentage of programmes with a focus on gender equality increased between 2009 and 2018. Our report also concluded that the strategic vision on gender equality is clear and well researched and, when considered individually, DFID's programme interventions were performing well. However, it also found that there were gaps. For example, DFID's Strategic Vision for gender equality was not set up in a way that gave good oversight of overall progress and value for money. DFID's estimate of its bilateral spending on programmes with a gender equality focus was £4.2 billion in 2018 (an increase of 71% on 2011) across programmes that looked to tackle a range of issues.

Our recommendations tracker shows that FCDO is currently working on implementing the recommendations in our report. FCDO plans to publish its follow-up Women and Girls Strategy in 2023.

Strategic developments

- The 2022 [UK Government's Strategy for International Development](#) sets out how the UK's approach to improving the lives of women and girls will be framed around Three Es:
 - **Education** – FCDO has pledged to support the G7 commitment to get 40 million more girls in school and 20 million more girls reading by 2026.
 - **Empowerment** – A focus on sexual and reproductive health and rights, and aiming to improve economic security and political and economic access for women and girls.
 - **Ending violence** – Seeking to do so through global advocacy, direct programming and by putting survivors at the heart of the UK's approach.
- The Strategy also outlines plans for FCDO to publish its *Preventing Sexual Violence in Conflict strategy*. This will set out how FCDO plans to work globally to combat sexual violence and support survivors.

British International Investment

The [UK Government's Strategy for International Development \(2022\)](#) contains several objectives relating to financing. British International Investment (BII) will have a substantial role in delivering these.

In April 2022, the government's development finance institution – CDC – was renamed as British International Investment (BII). BII is intended to be a major part of the government's British Investment Partnerships (BIP) initiative to deliver clean and reliable finance in developing and emerging economies. Through BIP, the government aims to mobilise up to £8 billion of UK-backed financing a year by 2025, including from the private sector.

BII's mission is to "help solve global development challenges by investing patient, flexible capital to support private sector growth and innovation". It invests between £1.5 billion and £2 billion every year in green infrastructure, technology and other sectors. Under its new five-year strategy (2022–2026), BII aims to:

- prioritise productive, sustainable and inclusive investments;
- continue to focus on Asia and Africa, while expanding through a phased approach into the Indo-Pacific and the Caribbean;
- focus 30% of its investments in climate finance; and
- work in sectors including digital infrastructure, technology and renewable energy.

Although FCDO has committed to increasing its investment in BII, unlike in prior years, Annex C to its 2021-22 accounts does not specify amounts allocated to this investment in future years. FCDO owns 100% of the issued ordinary share capital of BII, valued at £8.1 billion in FCDO's 2021-22 accounts.

External perspectives

The Independent Commission for Aid Impact's 2019 report on [CDC's investments in low-income and fragile states](#) had an amber-red rating. It found that following DFID's ambitions for development impact in low-income and fragile states, CDC had been slow at building in-country capacity to support a more developmental approach. It also had not done enough to build its capability to monitor, evaluate or deliver development results. ICAI conducted a follow-up of its recommendations in 2021, finding that CDC's investment decisions now addressed development impact throughout the development cycle, and that consideration of impact drove active management of investments to a much greater extent.

In August 2020, BII received an overall A+ rating for the third year in a row from the UN Principles for Responsible Investment.

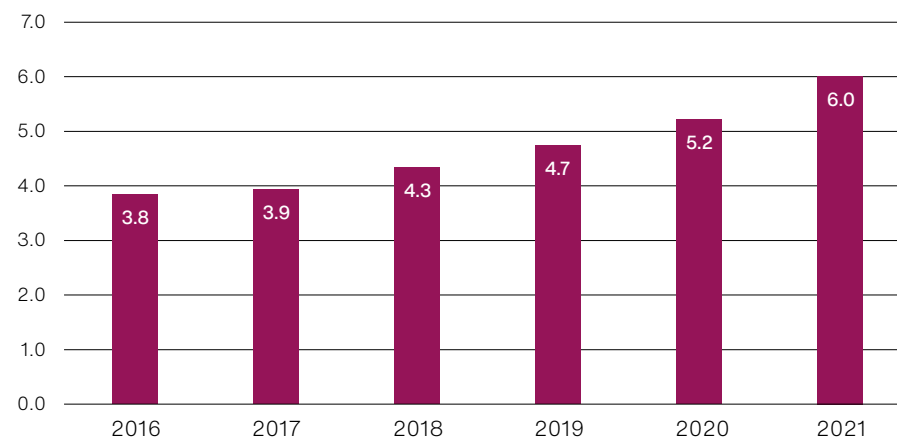
Key facts and figures as at 31 December 2021 – British International Investment (BII)

Regional breakdown of 2021 portfolio:	Africa – 57%; South Asia – 34%; rest of the world – 9%
Sectors invested in:	Financial services – 34%; infrastructure – 25%; health – 7%; food and agriculture – 5%; manufacturing – 5%; other – 24%.
New commitments in 2021 by sector:	Infrastructure – 40%; financial services – 26%; technology and telecoms – 11%; food and agriculture – 10%; other – 13%.
Total companies invested in:	1,327
2021 commitments by product:	Debt – 38%; direct equity – 35%; intermediated equity – 22%; guarantees – 5%.

British International Investment's (BII) portfolio value, 2016 to 2021

The value of BII's portfolio of investments increased by 58% between 2016 and 2021

Portfolio value at 31 December (£bn)



Note

1 BII was known as CDC until April 2022.

Source: National Audit Office analysis of British International Investment's and CDC's annual reports and accounts