Topic: UK Foreign Aid - Discussion led by George Thackray

Summary

George talked us through a number of powerpoint slides illustrating the scope and quantum of Official Development Assistance (ODA) given by the UK Government to foreign countries. He invited us to make comments or raise questions.

Discussion

Definition of ODA and official target

ODA is defined as 'resource flows to developing countries and multilateral organisations and is administered with the promotion of economic development and welfare of developing countries and can take the form of concessionary grants and soft loans.'

The UK has an ODA target of 0.7% of Gross National Income (GNI), but in 2021 British diplomats were instructed to achieve a 50% cut in bilateral aid. However, as the pandemic is expected to reduce the future size of the economy, this became an actual cut of 60% compared to the equivalent figure for 2019. The UK Government has pledged to restore the target to 0.7% of GNI when "the fiscal situation allows".

Government department administering Aid

The Foreign Commonwealth and Development Office (FCDO) administers the scheme. Previously, the Department for International Development (DFID) was in control. This ceased when it was merged with the Foreign and Commonwealth Office (FCO) in the very recent past. Some see this change as endangering the aid motivation and giving greater weight to using it as a tool to promote bilateral trade links beneficial also to the UK.

Strategic priorities

Aims, as stated by Dominic Raab, include the overarching pursuit of reduction in poverty, climate and biodiversity, Covid and health security, girls' education, defending open societies and resolving conflict and finally promoting trade.

Origin of funding the ODA

In 2019 UK total aid exceeded £15 billion; of this sum 73% (£11.1 billion) came from the DFID, whilst Other Government Departments contributed 23% (£3.9 billion). A more detailed listing shows that the Department for Business, Energy and Industrial Strategy contributed £951M, the FCO £675M, the Conflict, Stability and Security Fund £661M, the Home Office (for training overseas police officers etc.) £452M, the DHSC £225M and the Prosperity Fund £175M.

We ultimately came to the conclusion, after some debate, that funding from independent charitable organisations like Oxfam, Christian Aid, Water Aid and Tree Aid etc were excluded from these figures.

We did wonder how much of the above sums were expended in respect of general administration or other expenses such as first class air fares and hotel suites by individuals normally residing in the UK involved in selection and vetting of recipients.

List of most generous countries in 2019

Sucha listing depends on how generosity is measured. By size of total OAD China tops the list with $38 billion, followed by the US with $34.62 billion, Germany $23.81 billion and then the UK in fourth place with $19.37 billion.

However, listing countries in the order of aid per capita contribution, the picture changes to show at the top Qatar with $758 per inhabitant ($2 billion). Second is Sweden with $701 ($5.4 billion), Denmark (third) with $447 ($2.55 billion), Netherlands (4th) with $338 ($5.29 billion) and the UK in ninth place with $285 ($19.37 billion)

Countries receiving aid in 2019

The top five recipients were: Pakistan £305M, Ethiopia £300M, Afghanistan £292M, Yemen (scheduled to be halved in 2021/22) £260M and Nigeria £258M. All the other major recipients are based either in Asia, the Middle East or Africa.

Consideration of purpose of ODA

We are left with the impression that the form in which aid is given is not necessarily the most appropriate. We felt that cash sums deposited into recipient governments' banking accounts do not always reach the people or areas in dire need of help. It was suggested that help given in the shape of education and training provided either directly or indirectly by qualified UK individuals would be more beneficial and longer lasting. However, this action could be interpreted as neo-colonialism, particularly if coming from a past colonial power. China does not suffer in this respect and its 'Belt and Road' initiative started in 2013 has 'benefitted' over 70 countries thus far.

It is not uncommon to find that machinery provided as part of a training programme to set up a new industry fails through neglect once the help period has expired and inhabitants are left to themselves to continue the enterprise. It is thus important to instil a sense of personal involvement and pride in the people left to manage the future of any project, as well as continuing funding as necessary.

Fair trade alternative

We questioned whether fair and free trade considerations would not be better suited to support developing nations. Appropriate tariffs to prevent unfair competition could be implemented. Conversely trade subsidies could be granted to encourage a new trade set up by a developing country, with the objective of raising the standard of living and consequently purchasing power in the future.

Conclusion

There is no sanction or enforcement on member states to comply with their ODA target requirement that developed countries contribute 0.7% of their GNI, so this is perhaps a weakness.
Self evidently money should be wisely distributed, spent correctly, corruption policed efficiently and severely punished; not always achieved in practice.
'Help to help themselves' practical help should be the preferred form and multiple contributions to recipient countries' sinking funds should be eliminated.
Above give aid only where 'Aid can kick-start a fundamental change'.