

## UK DEVELOPMENT POLICY POST-BREXIT

- The UK is committed by law to spend annually the UN target of 0.7% equivalent of GNI on overseas development aid (ODA). This target is currently being reached
- The total UK spend on ODA in 2014 was **£11.7 billion**
  - 42% of this was spent through multilateral organisations (including the EU) and 58% as direct bilateral aid
  - 87% of UK ODA in 2014 was spent through DFID, including both bilateral aid and contributions to multilateral organisations
  - The remainder was spent through support by a wide range of other Government departments and agencies to specific international and bilateral programmes
  - The largest regional recipient area of ODA was Africa (£2.6 bn)
- The UK contribution to **EU ODA** in 2014 was **£816 million** (17% of UK multilateral ODA)
  - Additionally the UK contributed £328 million to the European Development Fund (EDF)
- This position remains unchanged following the UK vote to leave the EU, pending decisions to be taken by a new Government as from September 2016
- However in parallel with the process of re-establishing an independent UK tariff and trade regime, the new Government of the UK may decide to review its policy on development aid in terms of:
  - The degree of political and social priority to be accorded in future to overseas development; and
  - The equivalent proportion of GNI which will be devoted to development (the current 0.7%, or some revised level in the light of what the Government judges can be afforded?)
  - Any decision to reduce or otherwise adjust the ODA spending target of 0.7% equivalent of GNI would require primary legislation
- The UK contribution to EU ODA amounts to approximately 7% of the total ODA spend:
  - However the absolute figure, and the potential impact, particularly local impacts, of any change are considerable
- On the assumption that UK participation in EU ODA will cease, perhaps be phased out over a transitional period to be set, there will be knock-on effects for the volume and direction of UK ODA spend across the rest of the multilateral ODA budget, and in as far as assistance to individual countries is affected, the bilateral ODA budget as well
- The new Government will probably find it necessary to review:
  - The balance and interaction between different types of aid, viz. straight grants for targeted purposes and aid for trade (both of which entail budgetary costs);

and preferential entry for imports from developing countries (which has indirect costs in the form of tariff revenue foregone, and in respect of which a cash-equivalent figure for overall economic impact can be estimated)

- Whether and in what form and at what levels to continue a national GSP – should this continue to be the current EU scheme? Should UK participation in EU GSP be phased out and if so, over what period? What should be the basis of determination of a new national GSP?
- The UK will need to re-determine its priorities in terms of:
  - Whether to continue to apply some or all of the established development priorities of the EU, for example as regards ACP and EPA agreements and ODA to favoured recipients; or
  - Whether to define a new list of favoured recipients of UK aid, focused e.g. on LDCs, or on Commonwealth developing countries; or
  - Whether to apply narrower criteria placing greater emphasis e.g. on famine and disaster relief and on intermediate technology than on major development and investment projects
- In terms of countries designated to receive UK development aid, in whatever form, the new Government will need to review developing countries, LDCs and regional associations individually in terms of:
  - Economic performance and prospects
  - Social priorities and needs
  - Governance
  - Incidence of, and/or propensity to, corruption
  - Ability of the UK as donor to monitor and ensure the application of UK aid for the purposes for which it is granted

A revised list of designated recipients of UK aid may be determined in the light of these factors

- This review process will be wide-ranging and necessarily take time. It is assumed that the review will be spearheaded by DFID, the FCO and DBIS working conjointly, and in consultation with other concerned departments. Analyses and conclusions will be fed through the structure of interdepartmental expert committees to Ministers
- Review results will need, following exit from or phasing out of UK participation in EU ODA policies and schemes, to be clearly set out in a White Paper and may need to be implemented through primary legislation, which would necessarily be complex and time-consuming and should not be hurried.