

## HOW MUCH IS THE UK EXPENDITURE ON INTERNATIONAL DEVELOPMENT?

1. This section first shows how much the UK has spent on international development in recent years and then draws comparisons between the UK and other donors.

2. UK development expenditure is reported for the three classifications described in detail in 'What counts as aid?' (page 2):

- DFID aid programme;
- Gross Public Expenditure on Development (GPEX), and
- Official Development Assistance (ODA).

3. Breakdowns within the tables highlight different types of bilateral expenditure (described on page 7 and in the glossary) and spend via various multilateral organisations. In this year's *SID* the headings under which the bilateral programme is reported have been revised to reflect the evolving nature of the aid programme. Key changes are that Poverty Reduction Budget Support (PRBS) is now shown as a separate item within DFID bilateral expenditure, while Aid and Trade Provision (a declining flow) has been merged with other types of financial aid. (These changes also apply to the Tables showing aid to individual countries reported in Section 3.) In the reporting of non-DFID aid flows, debt relief, an important

component, can now be identified separately.

4. During the past year DFID has undertaken a thorough review of expenditure on technical cooperation and found that some projects had been incorrectly coded. Recoding has now taken place, resulting in changes to reported expenditure on consultants and 'other personnel'<sup>1</sup>. Key elements of expenditure on technical cooperation are shown in Table 1 (there is no longer a separate table with more detailed breakdowns, however this is available on request).

### The DFID Aid Programme in 2004/05

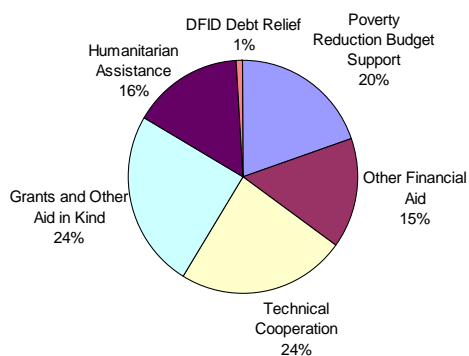
5. In 2004/05 total DFID programme expenditure was £3, 838 million; over half of this (56%, £2,145 million) was bilateral assistance and 39% (£1,504 million) was channelled through multilateral organisations. The remaining 5% (£190 million) was spent on administration costs (see Table 1 for figures and Table 3.1 for percentages).

6. Figure 1 shows that in 2004/05 a little over a third (35%) of DFID's bilateral expenditure (excluding administration costs) was provided as financial aid, of which over half was Poverty Reduction Budget Support (PRBS) (20%). A quarter was disbursed as 'grants and other aid in kind' and the same proportion took the form of 'technical cooperation'. Most of the remainder (16%) was humanitarian assistance. Further breakdowns can be seen in Table 1.

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<sup>1</sup> In 2003/04 this resulted in a 5% increase in spend on consultants and a decline of 85% in expenditure on 'other personnel'. For *SID* 2004 an errata Table 12 was issued on DFID's website.

**Figure 1**  
DFID Bilateral Programme 2004/05 by Aid Type



7. DFID's multilateral expenditure in 2004/05 was channelled primarily through three organisations; the EC received £898 million (60%), World Bank Group £206 million (14%) and UN agencies £194 million (13%). Other recipients are shown in Table 1.

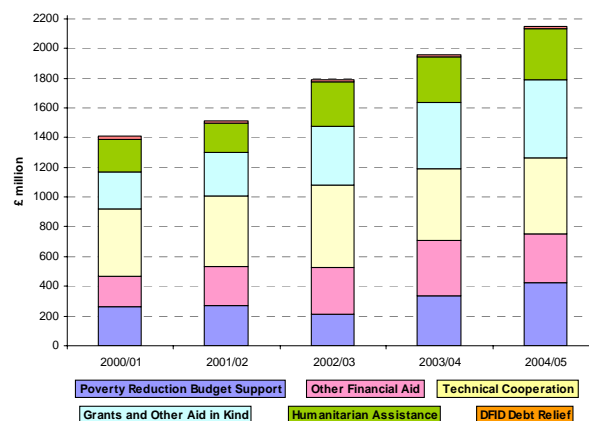
8. DFID's Humanitarian assistance in 2004/05 totalled £437 million. £344 million of this was spent bilaterally and £93 million was spent multilaterally (via the EC and UN).

### Trends in the DFID Aid Programme

9. The DFID bilateral aid programme has increased year on year over the past five years (see Figure 2). While there have been actual increases in expenditure on all aid types (except DFID debt relief), the percentage shares of the various types of aid have altered relatively little. Over the past five years technical cooperation has represented a declining proportion of total expenditure and 'grants and other aid in kind' a slightly increasing proportion. Within some of the broad types of aid there have been some changes in the types of aid instruments used – for example increased

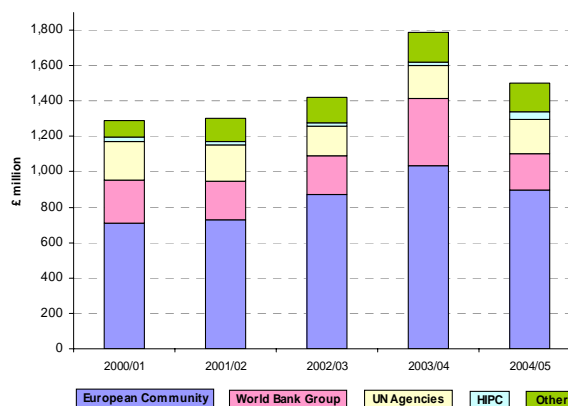
use of grants for civil society organisations (CSOs), which can be identified from the detail in Table 1.

**Figure 2**  
DFID Bilateral Programme 2000/01 - 2004/05 by Aid Type



10. DFID's multilateral expenditure increased year on year between 2000/01 and 2003/04 and then fell in 2004/05 (Figure 3). There were two reasons for the lower expenditure in 2004/05: attribution of the EC development budget for ten new EU member states moving from DFID to the Treasury in 2004/05 and a particularly large flow to the World Bank in 2003/04. The 2004/05 position represents an increase when compared with 2002/03.

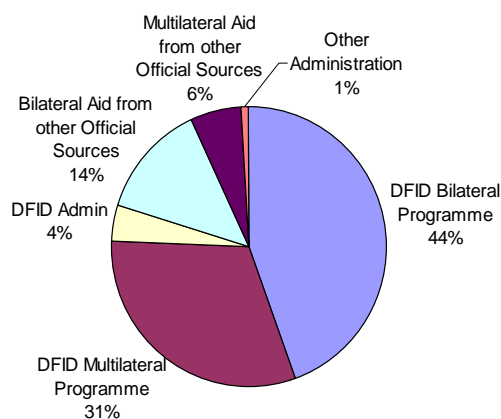
**Figure 3**  
DFID Multilateral Programme 2000/01 - 2004/05



## GPEX in 2004/05

11. In 2004/05 total GPEX was £4,823 million (see Table 3). The DFID bilateral aid programme made up a little under half this amount (44%) and the DFID multilateral programme accounted for just under a third (31%). A fifth of GPEX came from non-DFID sources (Figure 4 and Table 3.1). Table 2 shows that CDC investments and debt relief are major components of non-DFID aid, along with contributions from other UK government departments.

**Figure 4**  
**Gross Public Expenditure on Development 2004/05**



## Trends in GPEX

12. Total GPEX has increased in each year since 2000/01. While moving the attribution of EC aid to new EU member states from DFID to the Treasury reduced 'DFID multilateral aid' in 2004/05, it had no impact on total GPEX.

13. Figure 5 and Table 3.1 show the percentage share of the various DFID and non-DFID components of the UK's GPEX for recent years. It can be seen that DFID

bilateral aid has consistently represented 40-45% of total GPEX and that the entire DFID programme has accounted for around 80% of GPEX in each year. The increase in expenditure in the 'other' category in Figure 5 reflects the Treasury gaining attribution of the development budget for EU member states that was previously attributable to DFID.

## Trends in UK ODA Flows and Comparison Between the UK and other DAC Donors

14. Table 4 shows what the UK has reported to the DAC in terms of the break down of our aid into ODA, OA and OOF in each of the last three years. This also includes information on private flows from the UK to developing countries<sup>2</sup>. In 2004, total ODA amounted to £4,302 million. This represented 0.36% of the UK's gross national income in that year.

15. In 1970 the UN General Assembly endorsed a target that 0.7% of the gross national income (GNI) of donor countries should be given as ODA. Progress on this indicator since 1970 is shown in Table 5 and Figure 6. It can be seen that the UK's ODA/GNI ratio increased in the 1970s, reaching a peak of 0.51% in 1979. It then fell through the 1980s and remained around 0.30% for the first half of the 1990s before dipping further to reach a low of 0.24% in 1999. Since then the ODA/GNI ratio has been on an upward trajectory. The UK Government is now committed to reaching the UN target

<sup>2</sup> For Private Flows see 'Official and Private Flows' in the glossary.

and has set a pathway for doing so (see Box 3).

**Box 3:**  
**UK Government ODA/GNI target**  
 On current plans, the UK's ODA/ GNI ratio will rise to 0.39% in 2005, 0.42% in 2006 and 0.47% in 2007. The Government wishes to continue to raise UK ODA at the rate of growth achieved in 2007, which would mean that total ODA would reach the UN target of 0.7% by 2013.

16. Table 6 and Figures 6 and 7 compare UK ODA figures and ODA/ GNI ratios with those for other DAC donor countries. Some countries have already reached the 0.7% ODA/ GNI target (Norway, Denmark, Netherlands, Luxembourg, Sweden), while others are notably lagging (e.g the USA, Italy and Japan). Despite their relatively poor performance in terms of ODA/ GNI ratios, the USA and Japan have the largest total volumes of ODA and many of the countries who have reached the 0.7% target, are among the smaller donors in terms of overall aid flows. The UK ranked as the fourth largest donor overall in 2004.

