

**University of Aberdeen – Centre for Global Development
and
Aberdeen for a Fairer World**

Aberdeen One World Week

Monday 15th October 2018

**The Future of Aid: The Impact of the Trump Administration
and of the Brexit Prospect**

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The Future of Aid

- This presentation will focus on two particular issues which will potentially have a major impact on the entire international aid industry
- The first, and already having an effect (which is not reflected in the statistics yet), is the change in the policy priorities and approach of the US Government following the election of President Trump
- The second is the potential impact of the withdrawal of the UK from the European Union

The Future of Aid

- The two particular issues selected for this presentation mean that there is not time to consider other important developments within the overall aid ‘scenario’ including:
 - 1) Increased emphasis on ‘security’
 - 2) Increased attention to the national interest of donor countries
 - 3) Increased focus on donor country private sector interests
 - 4) Varied commitment by donors to international agreements – particularly the Paris Declaration of 2005
 - USA and UK are not committed to the Paris Declaration
 - EU and Nordic states are committed to the Paris Declaration
 - Recipient countries are, broadly, committed to the Paris Declaration
 - 5) Increased tendency to ‘blend’ various sources of funding – ODA, OOF, FPI, International Bond Market – within the ‘new’ Aid Architecture of Severino and Ray (2009 and 2010)

Recent US Aid developments

- A Google search of US newspaper articles from the 'serious' press and from other respected sources was undertaken
- Statements from President Trump include reference to a) needing to significantly reduce aid, b) moving resources to defence/security expenditure and to domestic priorities – and c) to the poor returns which US aid has achieved
- These concerns reflect what might be termed a 'neo-conservative' perspective on aid – a tendency which has also influenced recent UK aid policy

Recent US Aid developments

- The intentions of the Trump administration are reflected in the 2017 and 2018 (2019) Budget proposals
- These proposed a cut of the overall US foreign aid budget of 30 to 33 per cent
- However, it is Congress which controls expenditure, and for 2019 US foreign aid funding has been held at 2017 levels
- US Aid statistics show that, for 2016, the Department of Defense contributed \$15 billion, while USAID contributed \$19 billion
- Over the years 2012 to 2017 US ODA disbursements amounted to (respectively)

24.13%, 23.19%, 24.06%, 23.55%, 23.74% and 24.05%

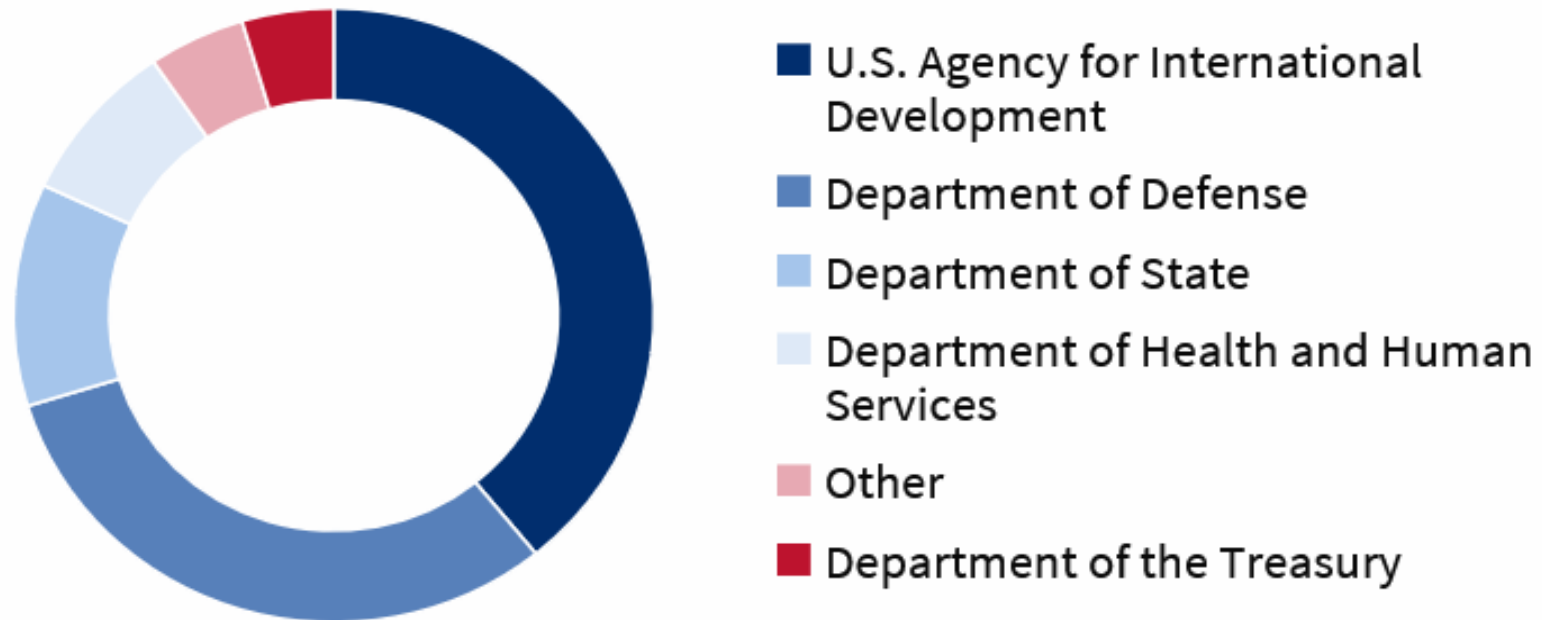
of all aid disbursed by DAC countries ((OECD DAC Query Wizard for International Development Statistics – these statistics reflect the DAC definition of ODA – excluding e.g. military aid and non-concessionary aid)

Recent US Aid developments

US Aid breakdown for 2016

Source: <https://explorer.usaid.gov/agencies>

Spending vs Other Agencies



Grappling with Aid Statistics

The aid statistics demonstrate the problems associated with comparing aid data between different donors. The source for the 'own' definitions data for the US is the USAID Foreign Aid Explorer (<https://explorer.usaid.gov/aid-dashboard.html>), for the UK is DFID Statistics (<https://www.gov.uk/government/statistics/statistics-on-international-development-2016-to-2017-gpex-tables>) and for the EU is the EU Aid Explorer (<https://euaidexplorer.ec.europa.eu/AidOverview.do>). The OECD DAC source is the Query Wizard for International Development Statistics (<http://stats.oecd.org/qwids/>)

Using 'National' or 'Own' Definitions

	Euros	Sterling	US\$
Total Aid - EU Institutions 2016	17,100,000,000	13,680,000,000	19,152,000,000
Disbursements - US - 2016	50,400,000,000	32,143,500,000	45,000,000,000
Total Spend - UK - 2016	16,721,414,235	13,377,131,388	18,727,609,391

Using OECD DAC Definitions

Disbursements - EU Institutions 2016	15,273,571,429	12,218,857,143	17,106,400,000
Disbursements - US - 2016	30,724,642,857	24,579,714,286	34,411,600,000
Disbursements - UK - 2016	16,118,571,429	12,894,857,143	18,052,800,000

Exchange Rates used – Bank of England mid-2016

US\$ 1.00 = UK£ 1.40; €1.00 = UK£ 1.25; UK£ 1.00 = €0.80; UK£ 1.00 = US\$ 71.43

Grappling with Aid Statistics

- It is apparent that the USA Government uses a different definition of 'Aid' to that used by the OECD (Development Assistance Committee) and other international bodies
- This particularly relates to military aid, and defence-related aid – but this is becoming a wider problem in the context of re-alignment of aid policy in countries such as the UK
- The question of military and security-related aid will appear later in this presentation as well

Recent US Aid developments

- Some particularly notable ‘cuts’ to US Aid achieved by the Trump administration have been in the health sector – providing an example of the attempt to use ‘leverage’ to extend the US / Trump approach to as much global ODA as possible
- This is also evident in the Trump administration’s approach to the Middle East (UNRWA, Israel, Palestine etc) (Jerusalem Post 28 September 2018 and Indian Express 30 September 2018)
- and is potentially very significant
- In both of these cases, however, multilateral or alternative bilateral donor agencies have indicated that they will cover the funding lost through the US withdrawal
- Unfortunately this type of replacement will not be possible for all potential US cutting of its ODA

United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA)

Recent US Aid developments

- “ ... the Trump administration radically expanded version of the so-called "Mexico City Policy." Also known as the Global Gag rule, the policy conditions US funding for global family planning on a commitment from NGOs that they won't promote or perform abortions using funds from any source. ... and
- The Trump White House has expanded the rule to apply not just to funding for family planning, but all global health assistance, including funding for HIV/AIDS, maternal and child health, malaria, nutrition, and other programs. If a foreign group provides or discusses abortions, even using non-US funds, the administration will pull its aid funding for all health programs.” (CNN 8th March 2018 – see also New York Times 23rd January 2017, CNS News 24th January 2017, VOA News 12th May 2017)
- “As a result, the rule's impact has expanded from affecting \$575 million in US funding for family planning to impacting an estimated \$8.8 billion in global health assistance, according to Human Rights Watch.” (CNN 8th March 2018)

Recent US Aid developments

- Pakistan has been the target for particular criticism and for aid cuts – “The \$255m is approximately a third of total US aid to Pakistan – other aid covers funds for education, energy, food and health. Although the US ambassador to the UN said recently that President Trump was willing to stop all funding, the State Department said that civilian assistance programmes were not included in the suspension.” (BBC News 5th January 2018 – see also Washington Examiner 1st January 2018, The Hill 7th January 2018, DevEx 31st January 2018)

Recent US Aid developments

- A number of issues or conclusions arise from the review of news and respected websites undertaken in preparing the earlier (June 2018) version of this presentation (which also referred to Brookings Institution, Center for Global Development, Council for Foreign Relations, and Foreign Policy publications)
 - a) The actual impact of the Trump administration's aim to cut aid substantially will only become clear as 'actuals' emerge – rather than from 'statements of intent'
 - b) There is a considerable difference between administration 'statements of intent' and budget measures approved by Congress – there are 'rearguard' actions within Congress to defend US Aid from the concerted attack
 - c) There are significant time-lags between the introduction of a radical approach to US aid policy and significant changes to implementation of policy
 - d) However, US Aid is so big that changes could have a major impact on the global 'aid industry' – particularly if the "Mexico City Policy" is used as leverage on recipient countries and on the donor community

UK Aid Policy 1

- A significant issue is the re-organisation of UK Aid – the 2015 Policy Statement emphasises the role of new institutions in the UK Aid system – within an approach which involves a widening range of new and existing institutions other than DFID (the principal UK Aid institution)
- The new institutions are: the Conflict, Stability and Security Fund (CSSF) (supporting global security) (see the CSSF 2016–17 Annual Report), the ODA crisis reserve (supporting resilience and crisis response) and the Prosperity Fund (PF) (supporting global prosperity and opportunity) (see the PF 2016–2017 Annual Report)
- Both of the first Annual Reports (CSSF and PF) have Forewords by the UK Government’s National Security Adviser, Mark Sedwill – following their announcement in the UK Government’s Aid Policy Statement of 2015 (HM Treasury 2015 p 10)

UK Aid Policy 2

- The CSSF records an expenditure of £1.110 billion in 2016–2017 relating to National Security Objectives – with £235.55 million accounted for by Afghanistan, Syria, Somalia, Jordan and Lebanon (Annual Report 2016/17)
- The PF Annual Report for 2016–2017 states that it “was announced in the 2015 Strategic Defence and Security Review, and represents a key component of the prosperity pillar of the UK Aid Strategy.”
- “The Fund ran 395 projects in its first year (2016/17) spending a total of £63 million, of which £5 million was non-ODA. The projects laid the groundwork for the larger multi-year programmes operating from 2017/18 onwards

UK Aid and the European Union's Aid

- In 2015/16 the DFID UK contributed 23.68% (£825.7 million) of its multilateral aid contributions to the European Commission, and the equivalent contribution in 2016/2017 was 26.05% (£970.6 million)
- The share of DFID's total aid expenditure going to the European Commission in 2015/2016 was 8.62% and in 2016/2017 it was 9.61%
- EU ODA comes in two main parts – the European Development Fund and the Development Share of the Budget – and other elements, making the whole EU ODA 'architecture' somewhat impenetrable – and making statistical comparisons less than straightforward
- The Donor Tracker website (donortracker.org) gives the UK contribution to the European Development Fund within the 2014–2020 EDF Framework as 15 per cent which tallies with the Foreign and Commonwealth Office document (UK FCO 2013) which gives a figure of 14.67% – and this proportion can perhaps be used as an indication of the UK's contribution to EU ODA as a whole

UK Aid and the European Union's Aid

- EU net ODA in 2016 was US\$14.9 billion, making the UK contribution approximately US\$2.235 billion or £1.596 billion (by calculation) (2016 was a 'high' year for EU Aid)
- The UK contribution to the 2014–2020 Framework Agreement (relating to the EDF only) was 14.6% of the total amounting to €4,477,860,000 (£3,582,288,000) – or a little over £500,000,000 per annum over the seven years
- There will be impacts on UK aid and on EU aid if the UK does withdraw – the impact would come after the end of the 2014–2020 EU Framework Agreement – with a) a 15% drop in funding available for EU Aid, and b) an equivalent increase in the amount of UK Aid which would have to be reallocated within the 0.7% of GNI

The Impact of Brexit on EU Aid

- A 2017 study by the EU is entitled *Possible impacts of Brexit on EU development and humanitarian policies* found that “The UK’s leaving would challenge the EU’s role as the world’s leading donor: while global aid may decrease by up to 3 %, the EU could lose between 10 % and 13 % of its world aid share.” (page 1)
- It identifies three possible approaches to Aid policy by the UK Government after Brexit: Nationalist; Realist; and Cosmopolitan
- It notes that “the 0.7 % commitment is currently under attack from the same media which actively supported the Brexit campaign” (page 18) so that one post-Brexit scenario could include reduced UK ODA
- It also considers changes to UK allocation of aid post-Brexit so that “As a consequence of this new political vision on the UK’s global development role, the British Administration could alter its current pattern of bilateral aid allocation. Funds might be redistributed, diverting aid from least developed countries (LDCs) with high rates of poverty as well as weak economic connections to the UK and increasing aid to Commonwealth and middle-income countries (MICs) with historic and/or economic ties with the UK (Te Velde et al., 2016).” (page 19)

The Impact of Brexit on EU Aid

- The 2017 study also considers the possibility that post-Brexit there will be a collaborative approach by the UK to its relations with EU aid policy:
- “.... our interviews in London and Brussels reveal that at this point close collaboration and even joint action in development policy after Brexit cannot be discarded. Furthermore, the UK has an interest in preserving its position within EU development policy for several reasons.” (page 20)
- A 2018 Briefing Paper prepared by the House of Lords Library is also available – entitled “Brexit: Overseas Development Assistance” – essentially outlining similar conclusions to the EU study summarised above.

Common Features of Recent US and UK Aid Developments

- Referring to the range of sources for post-2016 trends in US Aid policy and to a range of UK sources – including the 2015 Aid Policy Statement, the 2016 Aid Review, and the content of the DFID website there are a number of common features which can be identified
- First, the emphasis on domestic priorities rather than international priorities is clear in both the US and UK government thinking
- Second, the increased focus on ‘security issues’ is clear, with parts of defence expenditure being regarded as part of ‘Aid’ architecture
- Third, and related to the absence of any reference to the principles of the 2005 Paris Declaration (a pillar of the OECD DAC and EU approach to ODA), is the dominance of donor interests over aid recipients’ interests
- Fourth, again in the international context, there is an absence of awareness of the interaction between individual donors and between donors and recipients – it is almost as though the US and the UK act alone on an international stage

Contrasts between Recent US and UK Aid Developments

- Notwithstanding the commonalities, there are also contrasts between trends in US and UK aid policy
- UK aid policy formulation does appear to be somewhat more evidence-based than that in the USA – although there are contrasts between the Trump administration's actions and statements and those of the US Congress and of US Aid institutions (such as USAID)
- The UK government has a clear commitment to retaining the 0.7% of GNI target for UK ODA – however, the composition of aid expenditure is regarded as being flexible within that 0.7%
- The Trump administration has been looking to reduce US Aid below the current approximately 1.3% of the Federal budget (Council on Foreign Relations 11th Apr 2017) and 0.17% of US GNI (New York Times 3rd Feb 2018)

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- The report can be downloaded directly from www.oecd.org/dac/evaluationnetwork/pde and ordered free of charge online www.evaluation.dk
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