

UNITED KINGDOM

Development challenges as investment and business opportunities: The United Kingdom's policy and practices

The United Kingdom has been strengthening its focus on boosting wealth creation and using official development assistance (ODA) to maximise the development impact of public and private financial flows. The Department for International Development (DFID) is scaling up investment in this area, from GBP 614 million on wealth creation in 2012/13 to a planned spend of GBP 1.8 billion in 2015/16.

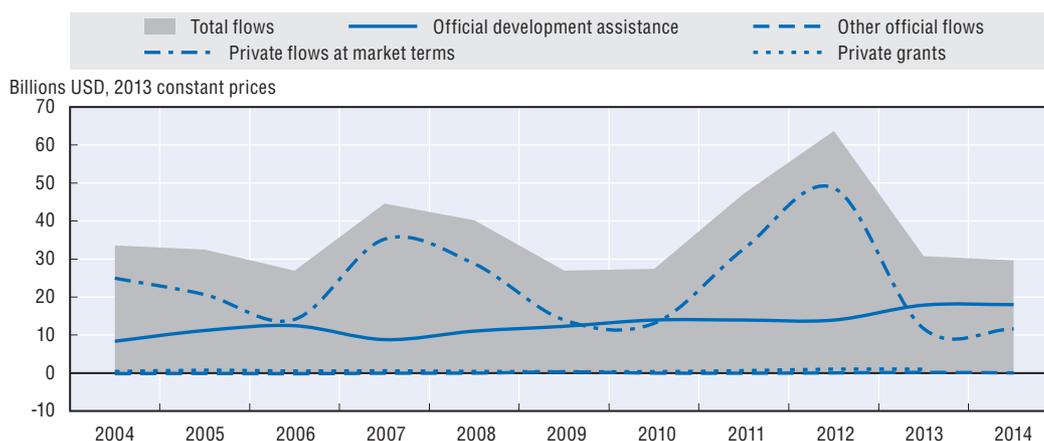
DFID's approach to private sector development is set out in its Economic Development Strategic Framework. It includes a wider focus on open societies and economies, investment climate, and international rules. The framework's five pillars are: 1) improving international rules for shared prosperity; 2) supporting the enabling environment for private sector growth; 3) catalysing capital flows and trade in frontier markets; 4) engaging with businesses to help their investments contribute to development; and 5) ensuring growth is inclusive, and benefits girls and women.

The United Kingdom uses a range of instruments and tools to support private investment for development. These include the Private Infrastructure Development Group and its development finance institution – the CDC, which is DFID's principal mechanism for leveraging private sector investment into poor countries. For example, DFID is investing GBP 197 million in the DFID-CDC Impact Programme targeting transformative enterprises, which serve the poor as consumers, producers, suppliers or employees.

According to the 2015 DAC Survey on Mobilisation (Benn et al., 2016), the United Kingdom mobilised USD 2.7 billion from the private sector through shares in collective investment vehicles in 2012-14.

Financial flows from the United Kingdom to developing countries

Figure 36.1. Net resource flows to developing countries, 2004-14, United Kingdom



Note: Data on private grants are not available for 2014.

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The United Kingdom uses ODA to mobilise other resources for sustainable development

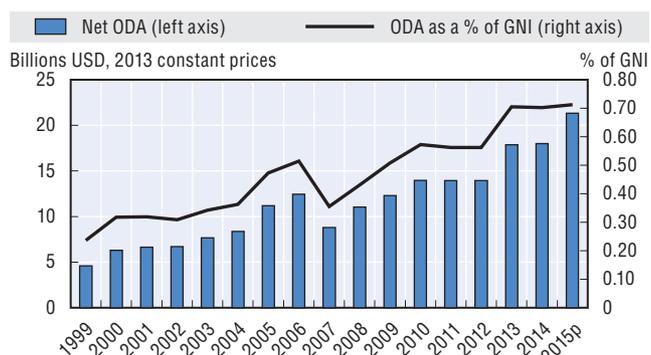
- **The United Kingdom contributes to the mobilisation of domestic resources in developing countries by supporting their tax systems.** In 2014, it is estimated that the United Kingdom committed USD 1.8 million of its ODA to tax-related activities in partner countries.
- **It promotes aid for trade to improve developing countries' trade performance and integration into the world economy.** It committed USD 1.1 billion (13.3% of sector-allocable ODA) to trade-related activities in 2014, a 3.4% increase in real terms from 2013. The trend has been increasing in recent years.
- **The United Kingdom has pledged USD 1.2 billion (GBP 720 million) to the Green Climate Fund,** which plays a key role in channelling resources to developing countries and catalysing climate finance at the international and national levels. In 2016, the United Kingdom will provide a further contribution of USD 45.1 million (GBP 30 million) to the Least Developed Countries Fund, which addresses urgent and immediate adaptation needs and supports national adaptation planning processes to reduce medium and long-term vulnerability to the impacts of climate change.

The United Kingdom's official development assistance

In 2015, the United Kingdom provided USD 18.7 billion in net ODA (preliminary data), which represented 0.71% of gross national income (GNI) and a 3.2% increase in real terms from 2014. It is the sixth largest Development Assistance Committee (DAC) provider in terms of ODA as a percentage of GNI, and the second largest by volume. The United Kingdom is one of only six DAC members to have met the UN target of 0.7% of ODA/GNI and it is strongly committed to keep this ratio stable. All of the United Kingdom's ODA (excluding administrative costs and in-donor refugee costs) was untied in 2014 (as well as in 2012 and 2013), while the DAC average was 80.6%. The grant element of total ODA was 98.9% in 2014, a decrease from 100% in 2013.

The United Kingdom reported USD 221.9 million of its in-donor refugee costs as ODA in 2014. These costs represented 1.1% of its total net ODA.

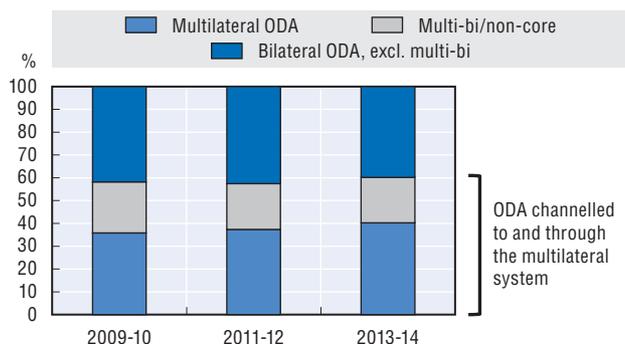
Figure 36.2. Net ODA: Trends in volume and as a share of GNI, 1999-2015, United Kingdom



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In 2014, 59.4% of ODA was provided bilaterally. The United Kingdom allocated 40.6% of total ODA as core contributions to multilateral organisations, compared with the DAC country average of 28.3%. In addition, it channelled 30.1% of its bilateral ODA for specific projects implemented by multilateral organisations (multi-bi/non-core contributions).

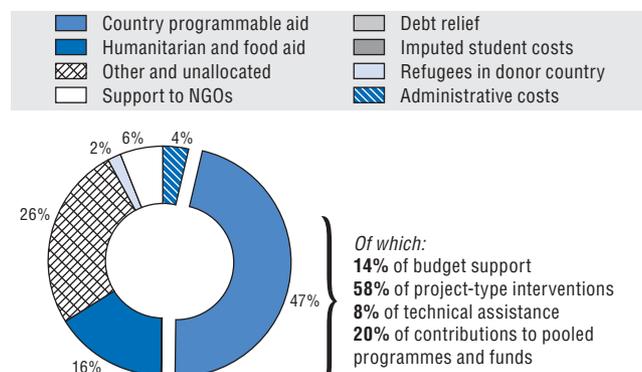
Figure 36.3. Share of ODA channelled to and through the multilateral system, two year averages, gross disbursements, United Kingdom



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In 2014, 46.5% of bilateral ODA was programmed at partner country level. The United Kingdom's share of country programmable aid (CPA) was lower than the DAC country average (52.9%). Project-type interventions accounted for 58% of CPA. Twenty-six per cent of bilateral ODA was categorised as "other and unallocated" aid.

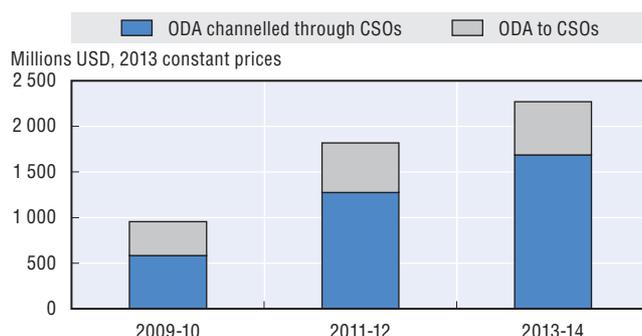
Figure 36.4. Composition of bilateral ODA, 2014, gross disbursements, United Kingdom



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In 2014, USD 2.6 billion of bilateral ODA was channelled to and through civil society organisations (CSOs). ODA channelled to and through CSOs has increased in recent years in volume (+15.5% between 2013 and 2014), and as a share of bilateral ODA (from 19.2% in 2013 to 22% in 2014). The DAC country average was 17.4% in 2014.

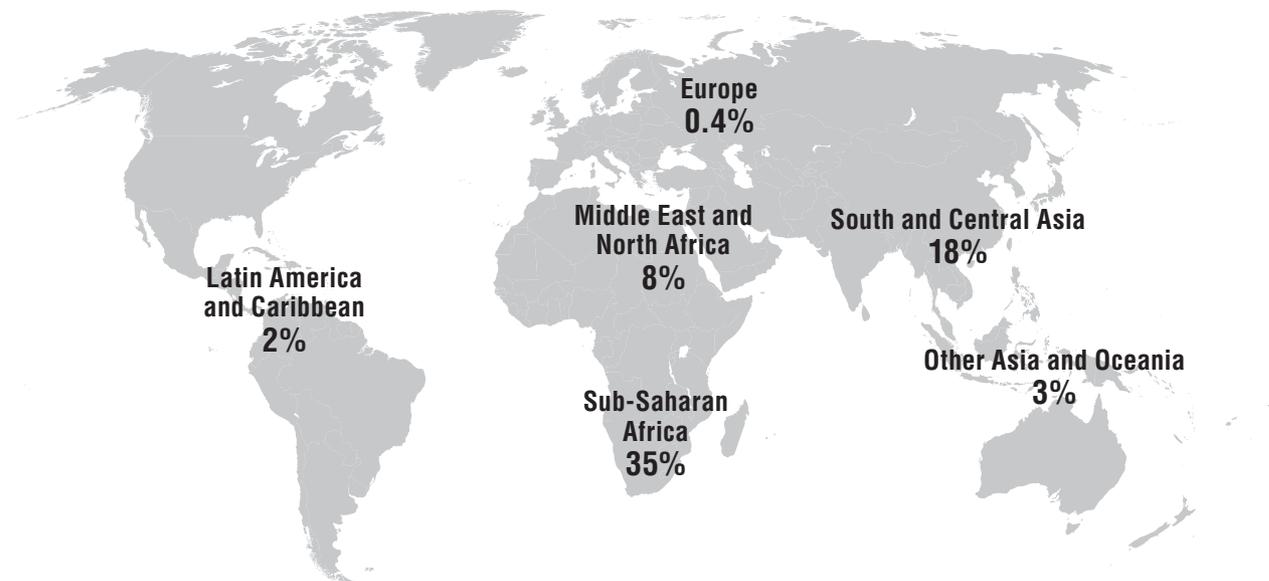
Figure 36.5. Bilateral ODA to and through CSOs, two year averages, gross disbursements, United Kingdom



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Bilateral ODA was primarily focused on sub-Saharan Africa. In 2014, USD 4.2 billion was allocated to sub-Saharan Africa and USD 2 billion to south and central Asia.

Figure 36.6. **Share of bilateral ODA by region, 2013-14 average, gross disbursements, United Kingdom**



Note: 34% of bilateral ODA allocated was unspecified by region in 2013-14. This share is not represented on the map.

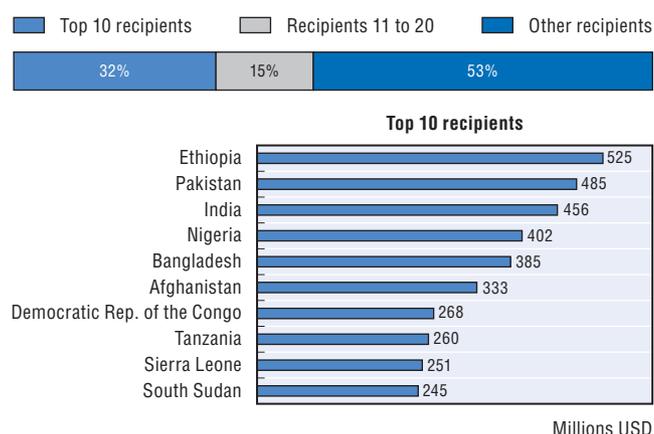
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In 2014, 31.4% of bilateral ODA went to the United Kingdom's top 10 recipients. The United Kingdom has focused its programme on fewer countries. It now has 28 priority partner countries (down from 43 in 2010). All of its top 10 recipients in 2013-14 are among its priority countries. In 2014, its support to fragile states reached USD 5.1 billion (42.9% of gross bilateral ODA).

In 2014, 33.1% of bilateral ODA was allocated to least developed countries (LDCs), amounting to USD 3.9 billion. This share has remained relatively stable in recent years, and is higher than the 2014 DAC average of 25.6%. LDCs received the highest share of bilateral ODA in 2014 compared with other income groups.

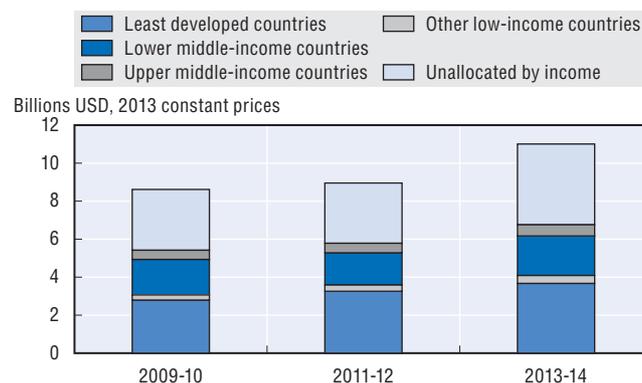
At 0.24% of GNI in 2014, total ODA to LDCs was well above the UN target of 0.15% of GNI.

Figure 36.7. **Bilateral ODA to top recipients, 2013-14, gross disbursements, United Kingdom**



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Figure 36.8. **Bilateral ODA by income group, two year averages, gross disbursements, United Kingdom**



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In 2014, 51.8% of bilateral ODA was allocated to social infrastructure and services, at a total of USD 4.4 billion, with a strong focus on population and reproductive health (USD 2.2 billion), government and civil society (USD 855.3 million), and education (USD 623.8 million). Humanitarian aid amounted to USD 1.2 billion.

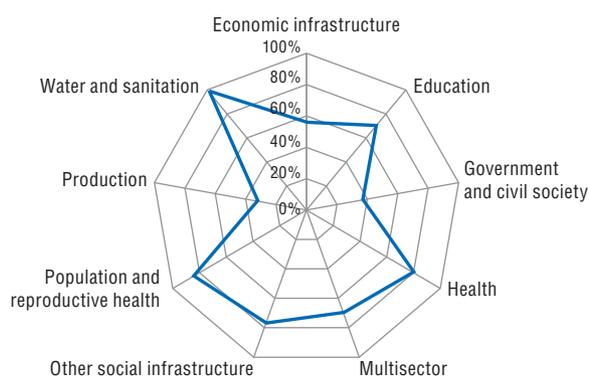
Figure 36.9. Share of bilateral ODA by sector, 2013-14 average, commitments, United Kingdom



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USD 4.3 billion of bilateral ODA supported gender equality in 2014. The United Kingdom's focus on women and girls was reinforced by the 2014 Development Act on Gender Equality. Gender equality is embedded in the bilateral programme, and issues affecting women and girls are also raised on the global stage. In 2014, 64.7% of the United Kingdom's bilateral allocable aid had gender equality and women's empowerment as a principal or significant objective, compared with the DAC country average of 34.7%. This represents an important increase from 42.1% in 2009 and 55.7% in 2013. The United Kingdom's aid to water and sanitation, population and reproductive health, other social infrastructure, and health focuses on gender.

Figure 36.10. Share of bilateral allocable ODA in support of gender equality by sector, 2014, commitments, United Kingdom



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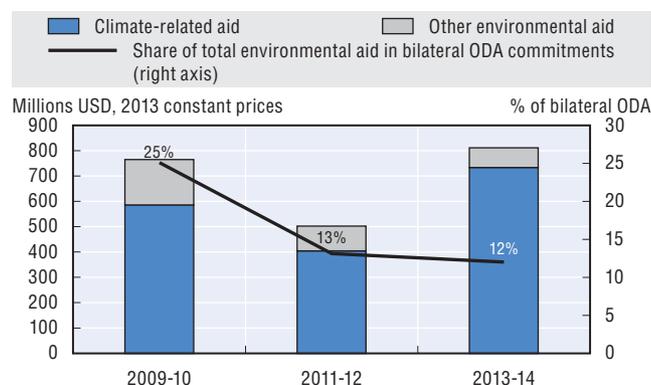
Note to reader: Annex B provides "Methodological notes on definitions and measurement for the Profiles of Development Assistance Committee members".

Reference

OECD (2014), *OECD Development Co-operation Peer Reviews: United Kingdom 2014*, OECD Development Co-operation Peer Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264226579-en>.

USD 859.9 million of bilateral ODA supported the environment in 2014. In 2014, 10.7% of its bilateral allocable aid supported the environment and 9.2% (USD 738.9 million) focused on climate change, compared with the respective DAC country averages of 32.2% and 23.9%.

Figure 36.11. Bilateral allocable ODA in support of global and local environment objectives, two year averages, commitments, United Kingdom



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