

A conversation with the Center for Global Development, February 14, 2018

Participants

- Owen Barder – Vice President, Director for Europe, and Senior Fellow, Center for Global Development (CGD)
- Hauke Hillebrandt – Research Associate, CGD Europe
- Anita Käppeli – Senior Policy Analyst, CGD Europe
- Ian Mitchell – Deputy Director and Senior Policy Fellow, CGD Europe
- James Snowden – Research Consultant, GiveWell

Note: These notes were compiled by GiveWell and give an overview of the major points made by Mr. Barder, Dr. Hillebrandt, Ms. Käppeli, and Mr. Mitchell.

Summary

GiveWell spoke to Mr. Barder, Dr. Hillebrandt, Ms. Käppeli, and Mr. Mitchell of CGD about the expected impact of Britain's decision to leave the EU on the global health and development funding landscape. The conversation focused on the likely global aid funding decisions and priorities of the EU and UK following the UK's departure, and on countries and programs where funding gaps might be created.

Impact of the UK's departure from the EU on aid funding

During its time as part of the EU, the UK has been contributing about £1.3 billion (roughly \$1.9 million) a year to the EU's development aid budget; about \$638 million of this goes through the European Development Fund (EDF), and the rest goes through the Development Cooperation Instrument (DCI) or other channels. While it is possible that the UK could continue to provide some of that funding in some form after leaving the EU, this may be unlikely because:

1. There has been increased scrutiny of the UK's budget contributions following its departure from the EU, and £1.3 billion is a relatively large amount in that context.
2. There is ongoing debate over how close the trade relationship between the UK and the EU will be. The UK government has said it will leave the European Single Market and EU Customs Union.

(Mr. Mitchell thinks the UK is quite unlikely to continue contributing aid funding to the EU; Mr. Barder thinks it will probably continue to contribute at least some.)

The gap in EU aid funding created by the UK's departure might be relatively small compared to budget gaps created in other areas (e.g., migration, security, agriculture), since a number of other countries are increasing their official development assistance (ODA) spending.

If the UK does decide to contribute any ongoing funding to the EU's budget, aid seems like a likely area, in part because funds repatriated by the UK would still have

to go towards international aid in order for the UK to meet its ODA commitment (so there is less political benefit to getting those funds back). However, the UK would no longer have any official input into how its aid contributions are spent and they may not be spent cost-effectively. Proponents of the UK's departure in particular might argue against the EU retaining control of that money.

The UK might continue to provide some funding for dealing with, e.g., refugee migration in southern Europe, potentially through a trust fund or the EDF. That contribution could free up funding from other EU countries to go to fill other gaps.

Ongoing global participation by the UK

Britain's decision to leave the EU does not necessarily indicate general anti-globalization sentiment. Theresa May's first speech following the vote to leave the EU emphasized that Britain would still be a global actor. Supporters of the decision to leave the EU often also support Britain expanding its international partnerships, and many politicians and media sources that supported the UK's departure from the EU have also criticized the EU's limits on overseas aid.

On the other hand, increased media scrutiny of the UK's aid spending has made it more difficult to get support for international programs for which a clear parallel can be drawn to some domestic program (e.g. cash transfer programs, although these have received some support from the Prime Minister's office).

Differences between EU and UK aid priorities

Gaps in some areas of aid might be caused not only by the loss of the UK's funding contribution but by the removal of the UK's influence over EU development spending decisions in general. CGD's impression is that the UK's influence over EU development spending has historically gone beyond its proportional contribution, in part because DFID is large and well-resourced, and has been able to provide compelling evidence and arguments to the EU for the spending decisions it supports.

Potential impacts on particular aid sectors

It is difficult to predict how the UK's departure from the EU will affect specific sectors or types of aid. Data from the Organisation for Economic Co-operation and Development (OECD) on UK institutions' spending on health in Africa (which is broken down to some extent by program and disease) could help produce a rough estimate of the potential impact of the UK's departure on particular health areas.

Areas that might see funding decreases, and which might be beneficial to support, include:

1. Programs that promote growth in the developing world in ways that could be perceived as creating competition with UK firms and businesses (e.g. the International Finance Corporation).
2. General support for public health and education systems in developing countries. There has been a general shift towards earmarking funding for specific diseases; for instance, public health systems in some developing

nations currently depend on polio funding to support major portions of their overall health systems. If polio is eradicated and that funding stream stops, it will likely be very difficult for those nations to find other funding for core health services, assuming the EU and/or US are not providing adequate general budget support (see below).

Budget support

The EU has been fairly effective at providing budget support and strengthening government systems in developing countries. A reduction in EU budget support could hurt developing world programs across the board. It seems unlikely that the UK would increase its budget support funding to developing nations under the current government (though Theresa May has expressed some interest).

It seems likely there will be a decline in funding through multilaterals in favor of bilaterals; how large that decline will be depends in part on upcoming replenishment processes. DFID might choose to direct repatriated funding to other multilaterals, and it is possible those multilaterals could move into budget support.

Potential impacts on particular geographic areas

Because the EU tends to spend money more geographically locally than the UK, the impact on particular geographic areas may be more significant than on overall spending for particular programs or diseases.

The UK has, in general, been a proponent of focusing aid on the poorest low-income countries. The EU directs a much higher proportion of its aid budget to middle-income countries than the UK does. Without the UK's influence on EU spending, a continued shift in that direction seems likely; more EU aid might go to, e.g., north-African Mediterranean nations, and less to, e.g., sub-Saharan Africa.

EU aid funding may also skew more heavily toward countries with stronger ties to remaining EU member countries, which could create gaps in other countries. The UK will have to decide whether to use its repatriated funding to fill those gaps (though it seems likely that completely filling those gaps would end up requiring all of the UK's repatriated funding and then some).

Investment in education in non-European states might increase now that the UK is not involved in EU decisionmaking (many parties support such investment on the grounds that it will increase those states' capacity to retain their populations and reduce migration flows to Europe).

Potential response to US family planning spending

When George W. Bush reinstated the Mexico City Policy, the UK committed to offset any US funding that aid organizations consequently lost. The UK did not make that commitment when the policy was recently reinstated by the Trump administration. This may be because the UK is now more concerned about maintaining a good relationship with the US after leaving the EU. Generally, the UK now appears less willing to take actions that could be seen as challenging other countries' approaches

and priorities. There may be an opportunity for EU to fill gaps in family planning funding instead.

The Trump administration's most recent budget request includes \$302 million for family planning (down from roughly \$600 million previously).

Migration policy

There is ongoing debate in the UK around how many migrants to admit from developing countries and the accompanying policy framework. If the UK government hits its target of reducing annual net migration to less than 100,000, it will have a major impact on the UK's contribution to development overall.

Some UK politicians have argued that the number of European migrants entering the UK prevents the UK from accepting more migrants from India and other developing nations. CGD agrees that it is likely more impactful from a humanitarian perspective to prioritize admitting migrants from developing nations. However, there also seems to be a growing consensus in favor of admitting skilled over unskilled migrants, which tends to favor immigrants from developed nations.

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