

Two Birds, One Budget: Using ODA for Influence and Development in the Indo-Pacific?

**Rachael Calleja, Samuel Hughes, and
Beata Cichocka**

Abstract

This paper explores the UK’s proposed “Indo-Pacific tilt” from a development perspective. In light of recent cuts to the UK’s official development assistance (ODA), we ask how the UK can use scarce development resources in the Indo-Pacific more effectively to capitalise on opportunities to support strategic objectives while ensuring that ODA remains squarely focused on development priorities. Our analysis seeks to understand both how the UK is positioned within the Indo-Pacific, which is an already-crowded development landscape, as well as where the UK’s strategic and developmental priorities in the region might meaningfully overlap. We find that while there are some opportunities for the UK to support both development objectives and strategic interests concurrently in the Indo-Pacific—such as in the provision of regional and global public goods—the countries with the greatest strategic value to the UK are not those where additional ODA could contribute most clearly to poverty reduction. We conclude the paper with six policy recommendations. Among others, we propose that the UK should consider partnering with other like-minded providers to maximise its presence in the region.

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Introduction

In early 2021, the UK Government announced plans to “increase[e] development efforts in the Indo-Pacific” as part of its *Integrated Review of Defence, Development, and Foreign Policy*.¹ The region features centrally throughout the review, which highlights the “geopolitical and economic importance” of the Indo-Pacific for the UK in the years ahead and outlines the UK’s goal of being the European partner with “the broadest, most integrated presence” in the region by 2030.² In a year that saw deep cuts to the UK’s official development assistance (ODA) budget,³ the intention to scale-up development efforts to the Indo-Pacific – a region that is relatively less poor than others – raises important questions about how the UK’s ODA engagements will be used to advance both its strategic and developmental priorities.

The UK is also not alone in its focus on the Indo-Pacific. The region is home to four Organisation of Economic Cooperation and Development’s (OECD) Development Assistance Committee (DAC) providers – Australia, Japan, Korea and New Zealand – each of which prioritize development cooperation with neighbouring countries to support regional stability.⁴ At the same time, other large providers including the USA, France, Germany, and the European Union (EU) have pivoted to the Indo-Pacific, having already developed strategies for increased engagement, including through development.

With less ODA available, the alignment of the UK’s development and strategic priorities in the Indo-Pacific raises questions about how and whether ODA can be used effectively to support strategic objectives while remaining focused on development priorities. In the best-case scenario, the convergence of priorities in the Indo-Pacific could create opportunities for deepening outcomes through more coherent policy action. Yet in the worst-case, this approach risks using ODA instrumentally to support strategic priorities to the detriment of development outcomes.

In this paper, we examine the UK’s “Indo-Pacific tilt” from a development perspective. We ask where the UK’s strategic interests might overlap with opportunities to support developmental objectives, using a series of basic indicators and qualitative data to inform the analysis. While we understand that the UK’s interest in the Indo-Pacific extends well beyond development, we argue that as long as the Indo-Pacific tilt is funded – even partially – through ODA, there is a responsibility to use scarce development resources efficiently and effectively to support development objectives. As the UK works to implement its “tilt” in the Indo-Pacific, it should ensure that ODA allocations to the region prioritize poverty reduction and human development. The UK should also support the Indo-Pacific in the production of

¹ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy* (London: HM Government, 2021), 46.

² HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, 6.

³ Will Worley, “Tracking the UK’s controversial aid cuts,” *Devex*, <https://www.devex.com/news/tracking-the-uk-s-controversial-aid-cuts-99883>

⁴ Australia’s latest *Partnership for Recovery* strategy aims to support stability, prosperity and resilience in the Indo-Pacific in the aftermath of the COVID-19 pandemic; New Zealand’s Partnerships in the Pacific focus on supporting prosperity and stability in the Pacific region; Japan aims to use its ODA to support its foreign policy vision of a “Free and Open Indo-Pacific”; while Korea’s *2020 ODA White Paper* notes a long-standing focus on countries in Asia. Of the 27 partner countries identified in its 2021 Strategic Plan, 12 are in Asia.

global public goods and tackling the global challenges that already affect the region. To move the needle on these objectives, the UK should consider partnering with other like-minded providers to maximise its presence, reach and engagement in the region, especially against the backdrop of cuts to the ODA budget.

This paper is structured in four parts. The first provides background on the rise of the Indo-Pacific as a global region of focus. The second uses data from the OECD-DAC to examine the UK's current ODA engagement in the region, how it has changed over time, and how it compares to others. The third provides analysis of the UK's strategic interests in the region, where these might meaningfully overlap with opportunities to promote the UK's development priorities and poverty reduction. Finally, a fourth section offers concluding comments and recommendations for the UK's Indo-Pacific engagement.

Background: The Indo-Pacific as a region of focus

The Indo-Pacific – as a region of focus – is a relatively new addition to the foreign policy lexicon. Emerging in the early 2010s, the concept recognizes the “growing economic, geopolitical and security connections between the Western Pacific and the Indian Ocean regions,” which are seen to create a single “strategic system.”⁵ In the years that followed, the concept gained prominence in foreign policy circles, due to its ability to neatly capture the “world's economic and strategic center of gravity.”⁶ Yet its definition remains fuzzy.

How is the Indo-Pacific defined?

Despite the prominence of the Indo-Pacific in foreign policy discourse, there is little clarity over which countries are included in the region. Broadly, the Indo-Pacific is understood as an area spanning the Indian and Pacific Oceans, with Southeast Asia as the geographical centre (see Box 1).⁷ Still, the Indo-Pacific can be best understood as a “framing device” that differs based on the interests of proponents, rather than a set “geographic reality.”⁸ In essence, this means that “each country has its own ‘Indo-Pacific’.”⁹

The UK has not yet clarified its understanding of the precise geographic bounds of the region. Based on our reading of the Integrated Review, Dominic Raab's letter to Parliament in June 2021,¹⁰ and the *FCDO's Annual Report and Accounts 2020 to 2021*, we assume that the UK's definition includes countries in South Asia and the Pacific but does not extend to Eastern Africa. The Integrated Review lists around 15 countries by name as part of its

⁵ Rory Medcalf, “Reimagining Asia: From Asia-Pacific to Indo-Pacific,” The ASAN Forum, accessed August 24, 2021, <https://theasanforum.org/reimagining-asia-from-asia-pacific-to-indo-pacific/>

⁶ Rory Medcalf, “Reimagining Asia: From Asia-Pacific to Indo-Pacific.”

⁷ Rory Medcalf, “Reimagining Asia: From Asia-Pacific to Indo-Pacific”; Rory Medcalf, “Indo-Pacific Visions: Giving Solidarity a Chance,” *Asia Policy* 14, no. 3 (2019): 79–95.

⁸ Allan Gyngell, “To Each Their Own ‘Indo-Pacific’,” East Asia Forum, accessed August 24, 2021, <https://www.eastasiaforum.org/2018/05/23/to-each-their-own-indo-pacific/>

⁹ Allan Gyngell, “To Each Their Own ‘Indo-Pacific’.”

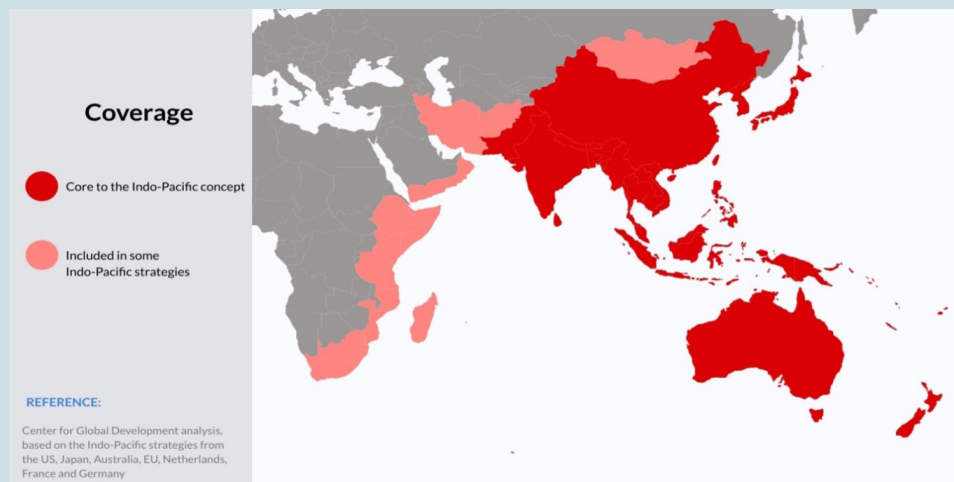
¹⁰ Dominic Raab, ‘Letter to the Chair of the International Development Committee’, 3 June 2021, accessed on August 1, 2021, <https://committees.parliament.uk/publications/6155/documents/68757/default/#page=3>

Box 1. Defining a diverse region: how do other foreign strategies interpret the “Indo-Pacific”?

Given the complexity of mapping the Indo-Pacific, we reviewed foreign policy strategies from several DAC providers that include a definition or map of the “Indo-Pacific” region (see Annex 1). Our analysis showed a common set of “core” countries, defined broadly by proximity to the Indian and Pacific Oceans. The EU, US and Japanese strategies also include East Africa and Gulf states. Others, such as the Netherlands, only include countries from Pakistan eastwards until the Western Pacific.

Although China is key to the Indo-Pacific concept, how it fits within strategic priorities is not clear-cut. Though the Europeans refer to China as a “strategic rival”, they also include it as a core country, highlighting potential avenues for future cooperation. Meanwhile, the US and Japan are less clear on China’s position in their Free and Open Indo-Pacific conceptions (and may be more directly positioning their strategies to counter China’s influence in the region).

Country coverage within existing Indo-Pacific foreign strategies



Source: Authors’ own analysis of eight Indo-Pacific strategies, linked in Annex 1.

Core countries: Australia, Bangladesh, Brunei, Bhutan, Cambodia, China, Cook Islands, Democratic People’s Republic of Korea, Fiji, India, Indonesia, Republic of Korea, Kiribati, Japan, Laos, Malaysia, Marshall Islands, Maldives, Micronesia, Nauru, Nepal, Niue, New Zealand, Palau, Pakistan, Papua New Guinea, Philippines, Singapore, Samoa, Solomon Islands, Sri Lanka, Tokelau, Thailand, Timor-Leste, Tonga, Tuvalu, Vanuatu, Myanmar, Vietnam.

Indo-Pacific tilt.¹¹ For development, Raab’s letter to Parliament listed eight Indo-Pacific countries for which bilateral ODA was allocated in 2021/22.¹² This list focuses UK bilateral ODA on South Asia and includes populous middle-income countries such as China, India and Indonesia, and fragile and conflict-affected situations in Myanmar and Afghanistan.

¹¹ Afghanistan, Australia, China, India, Indonesia, Japan, North Korea, South Korea, Malaysia, New Zealand, Pakistan, the Philippines, Singapore, Thailand and Vietnam; it also lists intentions to engage with the ASEAN group.

¹² Afghanistan, Bangladesh, China, India, Indonesia, Myanmar, Nepal, and Pakistan.

Why is the Indo-Pacific an important region of focus?

The increasing prominence of the Indo-Pacific in official documents, speeches and strategies highlights its growing importance as a geopolitical and economic region of focus. The region is home to half of the world's population, it produces 40% of global GDP, and includes some of the fastest-growing economies.¹³ The vast majority of the world's goods and energy supplies are transported via Indo-Pacific sea routes, making it a maritime "super-region" and consequently, a strategic vulnerability for countries that rely on these routes for goods, including oil.¹⁴ The Indo-Pacific is also the main arena where rivalry between the United States and China is playing out, with engagement in the region often positioned as an "alternative to the China-centric view of regional order being pursued by Beijing under the rubric of the Belt and Road Initiative."¹⁵ It is no surprise, then, that major actors' priorities in the region revolve around trade, connectivity, and security (see Annex 1 for more details on other foreign policy strategies).

On development in particular, the Indo-Pacific continues to see inequality and poverty. Though the rapid growth and spectacular poverty-alleviation successes in some Indo-Pacific countries over the last three decades is well known, large variation in both poverty rates and other development markers persists both within and across countries.¹⁶ Today, the Indo-Pacific remains host to pockets of extreme poverty, while recent analysis has shown that the broader Asia-Pacific region is off-track to reach any of the Sustainable Development Goals (SDGs) by 2030.¹⁷

Moreover, the sustainability of economic gains already achieved remains tenuous as global challenges such as climate change and conflict emerge as destabilising forces. Across the Indo-Pacific region, nine countries (nearly a quarter) are defined as fragile by the World Bank.¹⁸ Instability in Afghanistan and Myanmar poses risks of regional spill-overs, which could exacerbate internal and international displacement and impact economic growth across the neighbourhood.¹⁹ While the Indo-Pacific's large population – over half of the

¹³ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy* (London: HM Government, 2021): 66.

¹⁴ Rory Medcalf, "Reimagining Asia: From Asia-Pacific to Indo-Pacific"; Felix Heiduk and Gudrun Wacker, "From Asia-Pacific to Indo-Pacific: significance, implementation and challenges," Stiftung Wissenschaft und Politik (SWP) Research Paper 9/2020 (Berlin: SWP, 2020), accessed September 6, 2021, https://www.swp-berlin.org/publications/products/research_papers/2020RP09_IndoPacific.pdf

¹⁵ Rory Medcalf, "Indo-Pacific Visions: Giving Solidarity a Chance," 1; Felix Heiduk and Gudrun Wacker, "From Asia-Pacific to Indo-Pacific: significance, implementation and challenges."

¹⁶ Judy Yang, "A broader view of poverty in East Asia and Pacific," World Bank blog, accessed August 4, 2021 <https://blogs.worldbank.org/eastasiapacific/broader-view-poverty-east-asia-and-pacific>

¹⁷ World Poverty Lab, "World Poverty Clock," accessed November 17, 2021, <https://worldpoverty.io/map>; United Nations Economic and Social Commission for Asia and the Pacific, *Asia and the Pacific SDG Progress Report 2021* (Bangkok: UNESCAP, 2021).

¹⁸ Based on the 41 Indo-Pacific countries identified in Figure 1, this constitutes 21.9% of countries. Still, in comparison and using World Bank regional classifications, Sub-Saharan Africa features 19 fragile states (39.6% of 48 countries), while the Middle East and North Africa region hosts 6 fragile states (28.6% of 21 countries). World Bank, "FY22 List of Fragile and Conflict-affected Situations," accessed November 17, 2021, <https://thedocs.worldbank.org/en/doc/bb52765f38156924d682486726f422d4-0090082021/original/FCSList-FY22.pdf>

¹⁹ For example, see: Sebastian Strangio, "Myanmar's Crisis Is Starting to Spill Beyond its Borders," accessed August 15, 2021, <https://thediplomat.com/2021/03/myanmars-crisis-is-starting-to-spill-beyond-its-borders/>; or BBC, "IMF warns Afghanistan's economic slump will impact neighbours," BBC, October 20, 2021, <https://www.bbc.co.uk/news/business-58950560>

world's total – fuels high energy demand and makes significant contributions to the global carbon budget,²⁰ Indo-Pacific countries are also already disproportionately grappling with the adverse effects of climate change compared to other regions. The Indo-Pacific is the most highly represented region within the Global Climate Risk Index's top 20 most climate vulnerable countries, with a cluster of high vulnerability appearing especially around the Indian Ocean.²¹ Likewise, the effects of sea-level rise until mid-century are expected to be strongly concentrated in just six countries in coastal Asia.²² In short, emerging global challenges must be tackled both *with* the Indo-Pacific as a crucial player in any collective effort to safeguard global public goods and *within* the region as its interconnected and interdependent nature imposes high vulnerabilities to global threats.

UK ODA in the Indo-Pacific and compared to other DAC members

This section examines the UK's current ODA engagement in the Indo-Pacific, how it has tracked over time, and how it compares to other providers working in the region. The analysis draws on ODA data sourced from the OECD's Creditor Reporting System database. Our analysis focuses exclusively on bilateral ODA measured on a gross disbursement basis.²³ We exclude "regional" spending from the calculations presented below, as regions included in the OECD reporting do not map neatly against the "Indo-Pacific" region as defined in this study.²⁴

For this exercise, we examine how the UK ranks in comparison to all DAC members. This is partly due to data limitations which make it difficult to identify bilateral flows from non-DAC providers, including large actors in the region such as China and India.²⁵ We do not compare the UK's position relative to multilateral agencies (except EU Institutions) on the

²⁰ According to the IMF, Asia and the Pacific currently account for roughly half of global emissions. Coal accounts for roughly half of these. IMF, *Fiscal Policies to Address Climate Change in Asia and the Pacific* (Washington, DC: IMF, 2021).

²¹ According to the CRI's assessment of 180 countries, Indo-Pacific countries take 10 of the 20 top spots for most climate vulnerable countries in the long-term. David Eckstein, Vera Künzel, and Laura Schäfer, "Global Climate Risk Index," Germanwatch Briefing Paper, accessed August 10, 2021 https://germanwatch.org/sites/default/files/Global%20Climate%20Risk%20Index%202021_2.pdf#page=16

²² Climate Central, *Flooded Future: Global vulnerability to sea level rise worse than previously understood* (Climate Central, 2019), accessed August 10, 2021, <https://www.climatecentral.org/news/report-flooded-future-global-vulnerability-to-sea-level-rise-worse-than-previously-understood>

²³ While we understand that the OECD standard for DAC data is now the grant equivalent methodology, our analysis requires time series data which is not available in grant equivalents over multiple years.

²⁴ For instance, the OECD data includes regional spending for "Asia," "South Asia" and "Far East Asia," which include some countries counted in the Indo-Pacific, but also several beyond its bounds. As a result, we err on the side of caution by focusing on flows attributed to a specific country, instead.

²⁵ Although it is not possible to fully identify the partners of these non-DAC flows, a growing share of development finance is by provided by emerging cooperation providers beyond the DAC. In 2018, 13 non-DAC providers allocated \$26bn of Finance for International Development (a grant equivalent measure of cross-border, concessional finance publicly provided for development which enables comparison between traditional and emerging donors), equivalent to 17% of the total. See Euan Ritchie, Samuel Hughes and Ian Mitchell, *Finance for International Development Update* (London: Center for Global Development, 2021).

understanding that these actors do not seek the same direct benefits from engagement and are often seen as more neutral partners than bilateral providers.²⁶

Due to the absence of a clear definition for the countries included in the Indo-Pacific region, our analysis refers to two separate groups of countries:

- 1. UK Indo-Pacific bilateral ODA partners:** These are the eight countries which are identified as Indo-Pacific bilateral ODA recipients for the UK in 2021/2022 in Dominic Raab’s letter to parliament in June 2021 (see Figure 1).
- 2. Indo-Pacific region:** These are the “core” countries identified in Box 1, plus Afghanistan.²⁷ Seeing as our analysis focuses on ODA, we only include ODA-eligible countries in the analysis (see Figure 1).

Figure 1. UK bilateral ODA partners in the Indo-Pacific compared with wider country lists

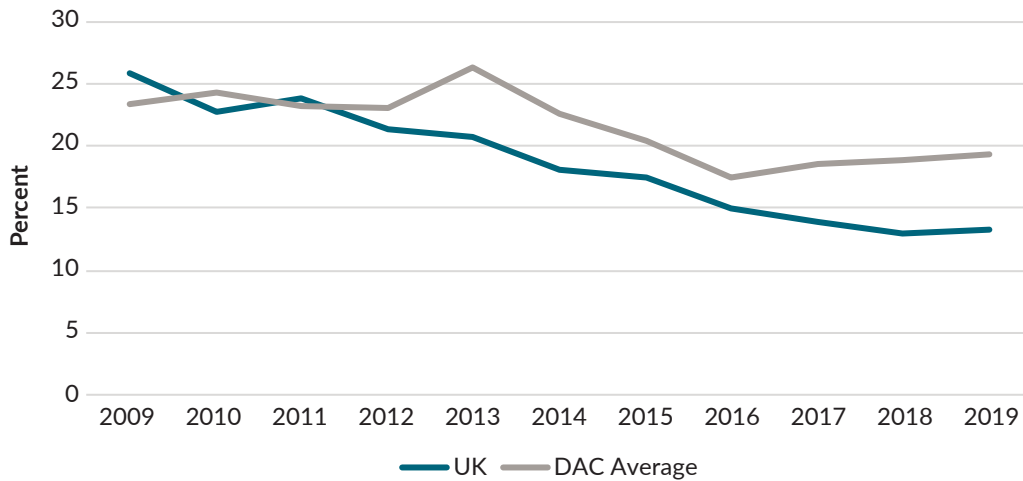
Indo-Pacific Countries		
Indo-Pacific Region – ODA eligible		Indo-Pacific Region – non-ODA eligible
UK bilateral ODA partners		
Afghanistan	Indonesia	Australia
Bangladesh	Myanmar	Brunei
China	Nepal	Japan
India	Pakistan	New Zealand
		Republic of Korea
		Singapore
	Bhutan	
	Cambodia	
	Cook Islands	
	Fiji	
	Kiribati	
	Laos	
	Malaysia	
	Maldives	
	Marshall Islands	
	Micronesia	
	Nauru*	
	Niue	
	North Korea (DPRK)	
	Palau*	
	Papua New Guinea	
	Philippines	
	Samoa	
	Solomon Islands	
	Sri Lanka	
	Thailand	
	Timor-Leste	
	Tokelau	
	Tonga	
	Tuvalu	
	Vanuatu	
	Vietnam	

Source: Authors’ elaboration based on review of several Indo-Pacific strategies (see Annex 1). *Nauru and Palau are now “high-income” countries. Palau will graduate from ODA in 2022 and Nauru will be proposed for graduation during the next review if it remains high-income.

²⁶ Nilima Gulrajani, *Bilateral versus multilateral aid channels: Strategic choices for donors* (London: Overseas Development Institute, 2016).

²⁷ Afghanistan is included in the regional definitions of some, but not all, providers, and so is identified as “non-core.” Still, we include it for the purpose of this analysis as it remains a priority Indo-Pacific country for the UK.

Figure 2. Share of bilateral ODA to Indo-Pacific countries from UK and DAC average, 2009-2019



Source: Authors’ own calculation using data from the OECD’s Creditor Reporting System (CRS); “DAC Average” calculated using data that reports “DAC Countries, total” in CRS. Figures report the share of bilateral ODA attributed to countries in the Indo-Pacific region, as defined above. We do not count “regional” spending in the numerator due to conceptual differences between the Indo-Pacific region and the regional categories for Asia defined in the OECD reporting.

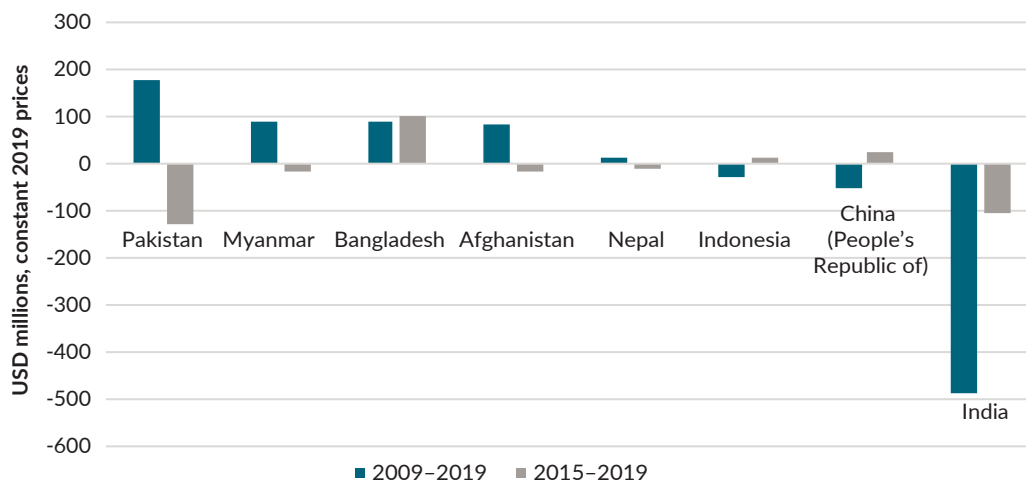
How much ODA does the UK spend in the Indo-Pacific and how does it compare to others?

In 2019, the UK disbursed US\$1.77 billion of bilateral ODA to countries in the Indo-Pacific region, equivalent of at least 13% of its bilateral ODA allocation (Figure 2). The majority of this spend – around US\$1.67 billion – was allocated to UK Indo-Pacific bilateral ODA partners. Over time the share of UK bilateral ODA allocated to the Indo-Pacific declined considerably from 26% in 2009 and remained below the DAC average of ODA to the region in each year since 2012. For the UK, the declining share to the region was due to both the scale-up of its ODA flows throughout the 2010s, and a decline in absolute levels of spending to the region, partly due to reduced flows to India (Figure 3). UK spending to the Indo-Pacific region peaked in absolute terms in 2013 at about \$2.07 billion, declining in the years that followed.

In 2019, the UK’s main partners in the Indo-Pacific region – in terms of ODA volumes – included Afghanistan (\$403 million), Pakistan (\$390 million), Bangladesh (\$334 million), India (\$153 million) and Myanmar (\$144 million). The UK’s top three Indo-Pacific partners – Afghanistan, Pakistan, and Bangladesh – have each been amongst the top-ten recipients of UK ODA for at least the last decade, with ODA increasing to each since 2009. Over the same period, India saw the largest reduction in funding (down almost \$489 million),²⁸ followed by China (down \$53 million) and Indonesia (down \$26 million) (see Figure 3).

²⁸ Cuts to ODA to India throughout the decade followed the Indian Government’s rejection of UK ODA, see Andrew Gilligan, “India tells Britain we don’t want your aid,” *The Telegraph*, February 4, 2012, <https://www.telegraph.co.uk/news/worldnews/asia/india/9061844/India-tells-Britain-We-dont-want-your-aid.html>

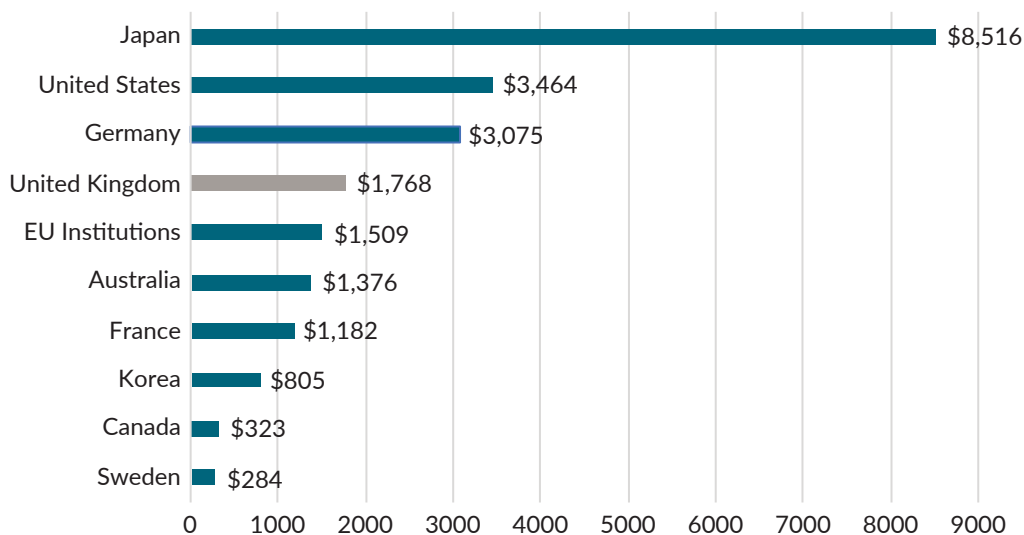
Figure 3. Change in volume of ODA for UK Indo-Pacific ODA partners between 2009–2019 and 2015–2019



Source: Authors' own calculation using data from the OECD's Creditor Reporting System.

In 2019, the UK was the 4th largest DAC provider of ODA to the Indo-Pacific region, behind Japan (\$8.5 billion), United States (\$3.5 billion), and Germany (\$3.1 billion) (Figure 4); since 2010, the UK has ranked consistently as the 4th or 5th largest bilateral DAC provider of ODA in the region, down from 3rd in 2009.

Figure 4. Top-10 providers to Indo-Pacific countries by volume of ODA in 2019



Source: Authors' own calculation using data from the OECD's Creditor Reporting System dataset. When measured in grant equivalents, Japan's total spending to the Indo-Pacific region falls to US\$6.4 billion; the UK's rank does not change.

However, recent cuts to the UK's ODA budget, which amount to around 30% of total spending and are expected to disproportionately affect bilateral flows,²⁹ mean that the UK is likely to slip behind other providers in terms of its regional development presence. Latest figures from the FCDO's annual report suggest that its bilateral ODA spending to the Indo-Pacific region could fall to a minimum of £694 million (or US\$957 million) in FY2021, excluding humanitarian funding and funds spent through Conflict, Stability and Security Fund (CSSF) and the Prosper Fund for which we have no Indo-Pacific estimates for 2021.³⁰ This figure could rise to around £826 million (US\$1139 million) if we assume that the share of funds allocated to the Indo-Pacific from the CSSF and Prosperity Fund remains similar to 2019 levels.³¹

Scaling up ODA to the Indo-Pacific: Where is the UK positioned to gain influence and support outcomes?

The UK's tilt towards the Indo-Pacific, including through its development spending, can be viewed through the lens of bringing together its strategic and development interests – this aim, after all, was the impetus behind the creation of the UK's FCDO.³² The notion that ODA can serve interests beyond development is far from new; as early as the 1960s, Morgenthau famously framed ODA as an instrument for foreign policy.³³ The basic idea is that the provision of ODA can – at least in part – build relationships with partner countries, sometimes to the economic or political benefit of the provider. Some have argued that providers can multiply the strategic benefit received from ODA by being the main contributor,

²⁹ Samuel Hughes et al., 'The UK's reduction in aid spending', Institute for Fiscal Studies Briefing Note, *Institute for Fiscal Studies Briefing Note* (Institute for Fiscal Studies: London, 2021); Will Worley, 'FCDO staff 'in shock' at scale of aid budget cuts,' Devex, February 1, 2021, <https://www.devex.com/news/fcdo-staff-in-shock-at-scale-of-aid-budget-cuts-99038>

³⁰ This figure represents the sum of the FCDO's plans for regional programmes for "Afghanistan & Pakistan," "Indo Pacific (China & N/E Asia)," "Indo Pacific (India & Indian Ocean)," and "Indo Pacific (S/E Asia & Pacific)" in Annex A; and accounting for its footnote 25 that the UK's commitment to Afghanistan was doubled to £286m after FY2021 budgets were agreed. It should be considered a minimum value as it does not capture funding which could be disbursed to the Indo-Pacific from budgets designated for "Policy, Priorities International Organisations and Humanitarian" or funding from the Conflict, Stability and Security Fund or Prosperity Fund, all of which could reasonably be allocated to the Indo-Pacific in 2021. Figures are transformed to USD using the Office of National Statistics 2021 GBP to USD exchange rate of 1.38. See: *Foreign, Commonwealth and Development Office, Annual Report and Accounts* (London: HM Government, 2021).

³¹ In 2019, around 17% and 18% of total CSSF and Prosperity Fund ODA was allocated to countries in the Indo-Pacific (using calculations based on UK reporting to the OECD Creditor Reporting System). If we assume that a similar share of each will be spent in the Indo-Pacific in 2021, then this will add approximate £132 million to UK spend in the region, bringing the total to £826 million (US\$1,139 million). With this spend included, the UK would still fall to 7th place. Figures are transformed to USD using the Office of National Statistics 2021 GBP to USD exchange rate of 1.38. See: *Foreign, Commonwealth and Development Office, Annual Report and Accounts* (London: HM Government, 2021).

³² Boris Johnson, "Prime Minister's Statement to the House of Commons on Global Britain," 16 June, 2020, accessed August 11, 2021 <https://www.gov.uk/government/speeches/prime-ministers-statement-to-the-house-of-commons-16-june-2020>

³³ Alberto Alesina and David Dollar, 'Who gives foreign aid to whom and why?' *Journal of Economic Growth* 5(1) (2000): 33–63; Alfred Maizels, and Machiko Nissanke, 'Motivations for aid to developing countries', *World Development* 12(9) (1984): 879–900; Robert McKinley and Richard Little, 'A foreign policy model of US bilateral aid allocation', *World Politics* 30(1) (1977): 58–86; Robert McKinley and Richard Little, 'The US aid relationship: a test of the recipient need and the donor interest models', *Political Studies* 27(2) (1979): 236–250.

or “lead provider” to the country.³⁴ Others suggest that positive relationships across multiple partners can be maintained through smaller ODA relationships, albeit, with the challenge of increasing transactions costs for providers and partners alike.³⁵ More recently, it has been argued that changing motivations for ODA in the post-Cold War period have altered the way providers seek influence through development engagements, with suggestions that ODA now follows a model of self-interested development that “targets” resources to countries or regions with the aim of reducing perceived “negative spill-overs” that could threaten provider interests.³⁶ The UK’s Indo-Pacific tilt could be understood from this perspective, with the Integrated Review stating intentions to deepen engagement in the Indo-Pacific to promote “regional stability” and protect the UK’s national interests.³⁷

The risk of strategies that view ODA as an instrument to protect or advance domestic interests is that ODA could be used inefficiently if targeted to achieve outcomes beyond development, as allocations to pursue strategic objectives may not always (or often) align with the best opportunities to foster long-term development and poverty reduction. There is plenty of evidence that ODA used to advance non-developmental motivations can lead to sub-optimal allocations that are both less efficient and effective at targeting developmental goals and outcomes.³⁸ While development and foreign policy actions can be mutually reinforcing – Norway, for instance, has been praised for its approach to linking security and development in its international engagements³⁹ – it is often difficult to do both well.

Based on the understanding that ODA is a scarce resource that should be used efficiently and effectively to reduce poverty, we examine where opportunities for poverty reduction and human development overlap with the UK’s strategic interests in the Indo-Pacific, and how the development landscape in the Indo-Pacific compares to the UK’s other development priority region of Sub-Saharan Africa. To do so, we begin by describing the UK’s strategic interests in the Indo-Pacific, including for its bilateral ODA partners, as outlined in the Integrated Review. We then examine the UK’s current positioning in its bilateral ODA partners alongside other basic contextual indicators to provide a simple understanding of where ODA may be most likely to support development outcomes and identify where development and strategic priorities may overlap. Understanding that the Indo-Pacific tilt risks prioritising ODA towards the region at the expense of others, we also map the UK’s positioning and contextual factors in Sub-Saharan Africa as a point of comparison.

³⁴ James Lebovic, “Donor Positioning: Development Assistance from the US, Japan, France, Germany and Britain,” *Political Research Quarterly* 58, no 1 (2005): 119–126.

³⁵ B. Mak. Arvin and Torben Drewes. “Are There Biases in German Bilateral Aid Allocation?” *Applied Economic Letters*, 8 (2001): 173–177.

³⁶ Sarah Bermeo, “Not your parents’ foreign aid: The shift from power to proximity and poverty,” *Brookings blog*, accessed November 22, 2021, <https://www.brookings.edu/blog/future-development/2017/09/20/not-your-parents-foreign-aid-the-shift-from-power-to-proximity-and-poverty/>

³⁷ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, 22.

³⁸ Christopher Kilby and Axel Dreher, “The impact of aid on growth revisited: do donor motives matter?” *Economics Letters* 107, vol 3 (2010): 338–340; Randall Stone, “Buying influence: development aid between the Cold War and the War on Terror,” Working Paper (Rochester: University of Rochester, 2010), accessed December 8 2021, http://www.sas.rochester.edu/psc/stone/working_papers/buying_influence.pdf; Axel Dreher, Vera Eichenauer, and Kai Gehring, “Geopolitics, aid, and growth: the impact of UN Security Council membership on the effectiveness of aid,” *World Bank Economic Review* 32, no. 2 (2016): 1–25.

³⁹ Organisation for Economic Cooperation and Development, Peer Review Norway (OECD: Paris, 2019).

What are the UK’s strategic interests in the Indo-Pacific?

The Integrated Review includes a dedicated section on the UK’s “Indo-Pacific tilt” framework. The framework positions the region as critical for the UK’s commercial, strategic, and values-based interests, with the new tilt justified as a forward-looking strategy designed to pre-empt the global challenges ahead. Specifically, the Indo-Pacific tilt focuses on deepening UK engagement on three key strategic priorities:

- 1. Deepening economic opportunities:** the Integrated Review positions the tilt as a way to deepen the UK’s economic engagement in the Indo-Pacific. The UK recognises opportunities to boost post-Brexit trade through deeper relations with the Indo-Pacific region, which already accounts for 17.5% of UK global trade and 10% of UK inward foreign direct investment (FDI),⁴⁰ and notes intentions to deepen economic engagement through “new trade agreements, dialogues and deeper partnerships in science, technology and data.”⁴¹
- 2. Supporting security:** the Integrated Review points to the Indo-Pacific as a “centre of intensifying geopolitical competition” and a focal point for key global challenges including climate change, nuclear proliferation, non-state threats and territorial disputes.⁴² Its engagement in the region is intended to both safeguard the UK’s interests – particularly around trade routes and shipping – as well as to support global security.
- 3. Promoting values:** the Integrated Review also notes intentions to deepen partnerships in the region to “promote open societies and to uphold international rules and norms that underpin free trade, security and stability,” including through development engagements.

Beyond these strategic priorities, the Indo-Pacific region is also diplomatically important for the UK, with long-standing links between the UK and the region’s Commonwealth members, including via large diaspora networks.⁴³

Development features in the Indo-Pacific tilt in a few ways. Most directly, the “values” priority includes specific reference to supporting poverty reduction, as well as working to support UK development priorities such as girls’ education and climate change.⁴⁴ Development is also part of the UK’s “force for good agenda” in the region, which includes “promoting

⁴⁰ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*: 66.

⁴¹ Ibid.

⁴² Ibid.

⁴³ The strength of such migrant and diaspora networks has been shown to play an important role, not only in promoting bilateral trade and investment, but also in the diffusion of political norms and values in countries of origin. See for example: David Leblang, “Familiarity Breeds Investment: Diaspora Networks and International Investment,” *American Political Science Review* Volume 104, no. 3 (2010): 584-600; Seema Sangita, “The Effect of Diasporic Business networks on International Trade Flows,” *Review of International Economics* 21, no. 2 (2013): 226–280; Thomas Lacroix, Peggy Levitt and Ilka Vari-Lavoisier, “Social remittances and the changing transnational political landscape,” *Comparative Migration Studies* 4, no. 16 (2016).

⁴⁴ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, 66.

open societies and protecting public goods through conflict prevention, strong rule of law, respect for human rights and media freedoms, girls' education and humanitarian response.”⁴⁵ Additionally, the framework references the UK's intentions to use its “ODA more strategically in support of” the objectives listed in the tilt, and pledges to “move gradually from offering grants to providing UK expertise and returnable capital to address regional challenges in our mutual interest” in cases where countries can finance their own development priorities.⁴⁶ While the Indo-Pacific tilt features development – and ODA resources – as an objective to be pursued alongside, and to reinforce, other strategic priorities, there is little clarity around how promoting the UK's commercial and strategic interests could reinforce its development priorities.

At the country level, the three pillars of the UK's Indo-Pacific tilt are intended to drive engagement across countries in the region – including, but also beyond, the UK's bilateral ODA partners. Table 1 (below) provides a basic summary of the country-specific interests mentioned in the Integrated Review for the UK's bilateral ODA partners; seeing as each has been designated as a bilateral ODA recipient in the region, we assume development objectives are applicable in all cases. Broadly, our mapping of UK interests across its bilateral ODA partners shows two distinct groups. The first is composed of China, India, and Indonesia, each of which are recognized as regional powers in the Indo-Pacific, with the Integrated Review also noting the importance of both China and India for trade, investment and tackling climate change. The second is composed of the UK's other bilateral ODA partners, three of which – Bangladesh, Myanmar, and Nepal – are not mentioned explicitly in the Integrated Review, while the remaining two – Afghanistan and Pakistan – are mentioned in relation to promoting stability and security. Pakistan is also singled out for its close historical ties with the UK.⁴⁷

Beyond the UK's bilateral ODA partners, much of the Indo-Pacific tilt is also targeted towards deepening partnerships with a broader range of countries in the region. These include high-income countries such as Australia, Japan, New Zealand, South Korea, and Singapore, that are positioned as strong commercial and strategic allies, as well as other ODA-eligible countries – including Malaysia, Philippines, Thailand, and Vietnam – that are viewed as important regional powers and ASEAN members;⁴⁸ in August 2021, the UK became an ASEAN Dialogue Partner which it sees as an opportunity to foster cooperation on issues including trade, climate change, science and technology, and education.⁴⁹ However, perhaps a notable exclusion from the tilt are small island developing states (SIDS), which receive only a single reference throughout the Integrated Review. This is surprising given the vulnerability to the impacts of climate change faced by SIDS and the UK's focus on climate action, including through ODA.

⁴⁵ Ibid.

⁴⁶ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, 66.

⁴⁷ Ibid.

⁴⁸ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, 66.

⁴⁹ British Embassy Manila, “UK becomes ASEAN Dialogue Partner,” accessed December 8, 2021 <https://www.gov.uk/government/news/uk-becomes-asean-dialogue-partner>

Table 1. Mentions of UK bilateral ODA partners in Integrated Review

Country	Type of strategic engagement mentioned in the Integrated Review
Afghanistan	“We will continue to support stability in Afghanistan, as part of a wider coalition” (p. 62).
Bangladesh	Not mentioned in Integrated Review
China	Positions China as a “systemic competitor” (p. 26) and notes that it’s “growing international stature is by far the most significant geopolitical factor in the world today...” (p. 62). Integrated Review states that the UK “will continue to pursue a positive trade and investment relationship with China, while ensuring our national security and values are protected. We will also cooperate with China in tackling transnational challenges such as climate change” (p. 22)
India	Positions India as a power in the region (p. 22). Notes that the “UK-India relationship is already strong, but over the next ten years we seek transformation in our cooperation across the range of shared interests” (p. 62), which appear to include science and technology diplomacy (p. 45), trade and investment, cultural links, security, climate change and global challenges (p. 62).
Indonesia	Positions Indonesia as a regional power (p. 22).
Myanmar	Not mentioned in Integrated Review
Nepal	Not mentioned in Integrated Review
Pakistan	“We have close historical links with Pakistan and will continue to develop a strong, modern relationship focused on security, stability and prosperity” (p. 62)

Source: Authors’ compilation based on HM Government, *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy* (London: HM Government, 2021).

Where is UK ODA well positioned to support development in the Indo-Pacific?

In 2019 – prior to the recent ODA cuts – the UK was a sizeable provider in several of its bilateral ODA partner countries in the region, ranking amongst the top-five DAC providers of ODA in 7 of its 8 partners and holding the top-spot in Pakistan (as of 2019, see Table 2). Over the past decade, the UK was also the top provider in Bangladesh, Myanmar, and Nepal. Across the broader Indo-Pacific region, the UK has a somewhat smaller ODA presence, ranking in the top-five ODA providers in Malaysia (2nd), the Maldives (4th), Samoa (5th), and Thailand (4th), yet with absolute volumes below USD \$18 million in all cases (see Annex 2). Moreover, differences in the allocations between the UK and the top-ranking provider are quite substantial in all UK priority countries except Nepal, even before the recent budget cuts. If the UK wanted to take the top spot in any other priority country in the region, it would need to direct roughly two-thirds of its total Indo-Pacific budget for FY2021, making it unlikely that the UK can gain influence through ODA alone.

Table 2. UK rankings relative to DAC providers in Indo-Pacific priority countries

Country	UK's Rank in 2019	UK ODA to Indo-Pacific partners in 2019 (USD, millions)	Difference between UK 2019 allocations and largest provider (USD, millions)
Afghanistan	4	403	1040
Bangladesh	3	334	922
China	4	88	749
India	5	153	2,546
Indonesia	7	43	621
Myanmar	3	144	613
Nepal	3	116	36
Pakistan	1	390	NA

Source: Authors' own calculation using data from the OECD's Creditor Reporting System. Data reported in gross disbursements. UK's rank is calculated out of the 30 DAC members, including "EU Institutions."

With the UK's ODA budget much smaller than in prior years, ensuring that the UK's ODA engagements in the region are targeted towards supporting development outcomes should be a priority. Typically, the development "focus" of ODA spending is measured by basic indicators that assess whether development finance flows to countries with the greatest development challenges, the lowest incomes, or high prevalence of poverty.⁵⁰ Using a similar logic, we examine how the UK's bilateral ODA partners in the Indo-Pacific compare on basic indicators of development – including performance on SDGs that broadly align with the UK's development priorities (see Table 3).⁵¹

Perhaps notably, six of the UK's eight partner countries in the Indo-Pacific are expected to be "on track" to reach SDG 1.1 on the eradication of extreme poverty by 2030. The exception is Nepal, which faces some challenges towards poverty eradication with 7% of the population currently living in extreme poverty.⁵² While data is not available for Afghanistan, there is reason to expect that poverty in the country is rising. Indeed, the picture emerging in recent months has been particularly troubling, with new research from the UNDP showing that Afghanistan could reach a poverty rate of 97% by mid-2022.⁵³ In the wider Indo-Pacific region, extreme poverty is also rising in Papua New Guinea, Timor-Leste, and Vanuatu, while poverty levels are "stagnating" in the Solomon Islands. Moreover, several of the UK's bilateral ODA partners in the Indo-Pacific region are lagging behind progress towards several SDGs that broadly align with the UK's stated development priorities. Table 3 shows that the bulk

⁵⁰ See Berthélemy (2005), for instance.

⁵¹ The 2021 Integrated Review notes that the UK's strategic priorities for ODA in 2021–22 are: "climate and biodiversity; global health security; open societies and conflict resolution; girls' education; humanitarian preparedness and response, especially food security and famine; science and technology; and trade and economic development" (p. 46).

⁵² See Nepal's 2021 Sustainable Development Report profile, available at <https://dashboards.sdindex.org/static/profiles/pdfs/SDR-2021-nepal.pdf>

⁵³ United National Development Program Afghanistan, *Economic Instability and Uncertainty in Afghanistan after August 15: A Rapid Appraisal* (Afghanistan: UNDP, 2021).

of UK bilateral partners – except China – face major or significant challenges to meeting several SDGs (specifically, SDG 2, SDG 3, SDG 5, and SDG 16). In addition, Afghanistan, Pakistan and Myanmar also show major challenges to meeting SDG 4 on education.

Despite continued development challenges across many of the UK’s bilateral ODA partners, there are clear differences across the group. Notably, several of the UK’s bilateral ODA partners are least development countries (LDCs) where opportunities to support development appear the clearest. This group includes Afghanistan, Bangladesh, Myanmar, and Nepal.⁵⁴ While Pakistan is not an LDC, major challenges across most of the SDGs examined suggests that clear opportunities for supporting development through ODA remain.

Table 3. Key indicators of progress towards SDGs for UK bilateral ODA partners in Indo-Pacific

Country	Income group	SDG 1.1: Eradicate Extreme Poverty	SDG 2: Zero Hunger	SDG 3: Good Health and Well-being	SDG 4: Quality Education	SDG 5: Gender Equality	SDG 13: Climate Action	SDG 16: Peace, Justice and Strong Institutions
Afghanistan	Low-income (LDC)	No data	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges
Bangladesh	Lower-middle income (LDC)	On track	Significant challenges	Major challenges	Challenges remain	Significant challenges	SDG Achieved	Major challenges
China	Upper-middle income	On track	Significant challenges	Significant challenges	SDG Achieved	Significant challenges	Challenges remain	Significant challenges
India	Lower-middle income	On track	Major challenges	Major challenges	Challenges remain	Major challenges	SDG Achieved	Major challenges
Indonesia	Lower-middle income	On track	Major challenges	Major challenges	Challenges remain	Significant challenges	Challenges remain	Major challenges
Myanmar	Lower-middle income (LDC)	On track	Significant challenges	Major challenges	Major challenges	Significant challenges	Challenges remain	Major challenges
Nepal	Lower-middle income (LDC)	Moderately improving	Major challenges	Major challenges	Challenges remain	Significant challenges	SDG Achieved	Major challenges
Pakistan	Lower-middle income	On track	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges

Source: Authors’ compilations. Data on progress towards other SDGs is sourced from country profiles presented in Sachs et al (2021), *Sustainable Development Report 2021*. Profiles are available at: <https://dashboards.sdindex.org/rankings>. Data for SDG 1.1 reflects indicator trend; all others show indicator rating. Income category from the World Bank’s income classification; LDC classification taken from the OECD’s ODA eligibility list for 2021.

⁵⁴ 2021 UNDESA Report on the LDC categories shows that Bangladesh and Nepal are scheduled to graduate from LDC status in 2026; Myanmar met LDC graduation criteria in two consecutive rounds, but graduation was deferred by the Committee for Development Policy (CDP). See United Nations Department of Economic and Social Affairs, *The Least Developed Country Category: 2021 Country Snapshots* (UNDESA, 2021).

The remaining three countries within the UK's Indo-Pacific bilateral ODA partners for 2021–22 – China, India and Indonesia – form a second group. While these countries continue to face some major challenges related to meeting SDGs for peace and security, hunger, and health, each are middle-income countries with large economies where ODA remains an insignificant source of development finance. Indeed, in each case, ODA received as a share of GNI is very low – less than 0.1%.⁵⁵ While there are clear differences between the countries in terms of the potential for development impact – India's income per capita was estimated at \$1,901 in 2020 compared to \$3870 in Indonesia and \$10,500 in China⁵⁶ – the relative insignificance of UK ODA and strong growth trajectories suggest that non-ODA support may be more impactful.⁵⁷

In the Indo-Pacific, how do UK strategic and developmental interests align?

The main take-away from our brief analysis is that while there are opportunities to support poverty reduction and development objectives within the UK's bilateral ODA partners in the Indo-Pacific, there is little clear overlap between where the UK's strategic and development interests can be achieved. On one hand, the countries with the greatest opportunities to support development outcomes – Afghanistan, Bangladesh, Myanmar, Nepal, and Pakistan – are not those with the clearest alignment to the UK's interests, with three receiving no mention in the 2021 Integrated Review. While both Afghanistan and Pakistan could be well-positioned to receive UK ODA that supports both development and other priorities – particularly related to security and regional stability – questions remain about how and to what degree the UK will continue engaging in Afghanistan following the return to Taliban rule.⁵⁸

On the other hand, the countries where the UK has the clearest strategic interests – China, India, and Indonesia – are those where the opportunities to support poverty reduction and development outcomes through ODA appear the weakest. In these three strategically important cases, the UK could seek to expand non-ODA engagements and cooperation to support mutual interests, instead of relying on limited ODA funds. Doing so would align with the UK's stated intention to move away from ODA focused engagement in countries that can self-finance development and could also align with partner country demand in cases where ODA is no longer a major source of development finance.⁵⁹

⁵⁵ Data sourced from the OECD Statistic Database, Table DAC2a.

⁵⁶ World Bank, "GDP per capita (current, US\$)," accessed December 6, 2021, <https://data.worldbank.org/indicator/NY.GDP.PCAP.CD>

⁵⁷ In FY22, India's economy is expected to grow by 7.5–12.5%, Indonesia's by 4.7–5.5%, and China's by 5.3%; see World Bank, "The World Bank in India – Overview," accessed December 6 2021 <https://www.worldbank.org/en/country/india/overview#1>; Bank Indonesia, "Bank Indonesia Projects Economic Growth in 2022 at 4.7–5.5%," press release, November 24 2021 https://www.bi.go.id/en/publikasi/ruang-media/news-release/Pages/sp_2331221.aspx#:~:text=Bank%20Indonesia%20projects%20national%20economic,terms%20of%20consumption%20and%20investment; Bloomberg News, "China faces more growth policy support in 2022," Bloomberg News, November 29 2021, <https://www.bloomberg.com/news/articles/2021-11-29/china-faces-more-growth-risks-increased-policy-support-in-2022>

⁵⁸ Will Worley, "Raab: UK could withhold aid to Afghanistan to hold Taliban to account," *Devex*, August 16, 2021, <https://www.devex.com/news/raab-uk-could-withhold-aid-to-afghanistan-to-hold-taliban-to-account-100620>

⁵⁹ Rachael Calleja and Annalisa Prizzon, *Moving Away from aid: Lessons from country studies* (London: Overseas Development Institute, 2019).

Across the wider Indo-Pacific region, there are some opportunities for the UK to support both poverty reduction and strategic priorities, particularly in Oceania. In terms of development, several SIDS in the Pacific region are LDCs (Kiribati, Solomon Islands, and Tuvalu), while others (Solomon Islands and Vanuatu) are off track to eliminate extreme poverty. These countries also continue to face major challenges to achieving SDGs that align with key UK priority areas. Yet for the UK, Oceania may also be an important diplomatic and strategic ally. Diplomatically, there are some indications of the UK's appetite to expand engagement in the region, with the government recently adding three diplomatic posts in the Pacific.⁶⁰ Many countries in the Pacific are also Commonwealth partners with long-standing historical links to the UK.⁶¹ Moreover, Oceania could be an important strategic region, both for countering China as well as for deepening engagement with other like-minded partners such as Australia and New Zealand. In 2018, for instance, Australia's then Foreign Minister, Julie Bishop, asked the UK to increase its ODA to the Pacific to counter growing engagement from China, which was estimated to have invested USD 1.29 billion in aid resources to eight Pacific countries in the decade to June 2016,⁶² although there is evidence that China's aid to the region has recently declined.⁶³ The UK responded with a small increase in ODA to the region – £2.9 million⁶⁴ – and has since announced further support for climate-related issues as part of COP26 in Glasgow. These include the provision of £10 million to support the “Infrastructure for Resilient Island States” facility and £40 million for the “Small Island Developing State Capacity and Resilience” programme.⁶⁵ Given the UK's intention to make “tackling climate change...its number one international priority,” and the vulnerability of SIDS to the impacts of climate change, there may be some scope for deepening the UK's development-focused engagement in the region.⁶⁶

How does the UK's Indo-Pacific position compare to Sub-Saharan Africa?

From a development perspective, a key concern around the UK's tilt to the Indo-Pacific is that scaled-up support could mean a relative shift in ODA spending away from other regions, potentially reducing ODA to places where poverty is more prevalent and domestic resources are scarcer in exchange for deepening engagement in the strategically important

⁶⁰ HM Government, “Foreign Secretary expands UK Commonwealth diplomatic network,” accessed October 14, 2021, <https://www.gov.uk/government/news/foreign-secretary-expands-uk-commonwealth-diplomatic-network>

⁶¹ Many also point to the large number of UN votes commanded by the region as part of its diplomatic importance (see Isenman, 1976).

⁶² Molly Anders and Lisa Cornish, “UK to Boost Pacific aid after Australia request,” *Devex*, April 26, 2018, <https://www.devex.com/news/uk-to-boost-pacific-aid-after-australia-request-92612>

⁶³ Jonathan Pryke and Alexandre Dayant, “China's declining Pacific aid presence,” *The Interpreter*, September 30, 2021, <https://www.lowyinstitute.org/the-interpreter/china-s-declining-pacific-aid-presence>.

⁶⁴ HM Government, “UK announces £2.9m for human rights across the Commonwealth,” accessed August 23, 2021, <https://www.gov.uk/government/news/uk-announces-29m-for-human-rights-across-the-commonwealth>

⁶⁵ HM Government, “PM announces support for Small Island States at COP26,” accessed 8 December 2021 <https://www.gov.uk/government/news/pm-announces-support-for-small-island-states-at-cop26>

⁶⁶ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, 4.

Indo-Pacific. This risk is perhaps the most acute for Sub-Saharan Africa (SSA), which has long been a key region of focus for the UK and remains the main locus of extreme poverty.⁶⁷

Indeed, differences in terms of opportunities to support development objectives between the UK's partner countries in the Indo-Pacific and Sub-Saharan Africa are striking. Of the 19 African countries listed in Raab's letter as bilateral recipients of UK ODA in 2021/22, the majority are LDCs, while prevalence of extreme poverty is rising in more than half (Table 4). Indeed, according to data for the 2021 Sustainable Development Report profiles, Ethiopia is the only UK ODA partner in Sub-Saharan Africa where progress towards SDG 1.1 is "on track." This stands in sharp contrast to the Indo-Pacific, where almost all are expected to meet the SDG 1.1 target. Moreover, Table 4 shows that major challenges remain on meeting SDGs for hunger, health, and peace, in all UK ODA partners in Sub-Saharan Africa.

At the same time, the UK's overall positioning in SSA is much stronger than the Indo-Pacific. In 2019, the UK allocated just over \$3.2 billion in bilateral ODA to Sub-Saharan Africa, making it the 4th largest bilateral DAC provider behind the US (\$9.5 billion), EU Institutions (\$5.1 billion) and Germany (\$3.3 billion).⁶⁸ At the country level, the UK ranked amongst the top 3 providers in all its bilateral ODA partners in Sub-Saharan Africa except Burundi (8th), Liberia (6th) and South Africa (5th) (as of 2019).

Taken together, the differences in the scale of developmental challenges and the UK's positioning as an ODA provider suggest that there are stronger opportunities for the UK to support poverty reduction and pursue meaningful dialogue in sub-Saharan Africa than the crowded Indo-Pacific. While sub-Saharan Africa remains a region of focus for UK ODA, with the Integrated Review positioning the Indo-Pacific tilt alongside stated intentions to "maintain" its commitment to Africa,⁶⁹ the scale of recent cuts to UK ODA alongside an increasing focus on aligning ODA with strategic priorities raises questions about how these dual objectives play out in practice. The post-cut reality facing the UK's bilateral partner countries – across the board – is that ODA has declined in an absolute sense, meaning that both objectives can only be met in a relative capacity. While more time (and data) is needed to examine if a relative resource shift is taking place, the point remains that any reallocation of ODA from sub-Saharan Africa to the Indo-Pacific as part of the UK's tilt, risks trading-off poverty reduction for domestic interests.

⁶⁷ Marta Schoch and Christoph Lakner, "The number of poor people continues to rise in Sub-Saharan Africa, despite a slow decline in the poverty rate," World Bank blog, accessed October 1, 2021, <https://blogs.worldbank.org/opendata/number-poor-people-continues-rise-sub-saharan-africa-despite-slow-decline-poverty-rate>

⁶⁸ Data sourced from the OECD's Creditor Reporting System and measures bilateral ODA to "South of Sahara, Total." In 2019, the UK allocated \$2.8 billion to its bilateral ODA partners in sub-Saharan Africa.

⁶⁹ HM Government. *Global Britain in a Competitive Age: The Integrated Review of Security, Defence, Development and Foreign Policy*, 46.

Table 4. UK rankings relative to DAC providers in African bilateral partner countries

Country	UK's Rank in 2019	Income group	SDG 1.1: Eradicating Extreme Poverty	SDG 2: Zero Hunger	SDG 3: Good Health and Well-being	SDG 4: Quality Education	SDG 5: Gender Equality	SDG 13: Climate Action	SDG 16: Peace, Justice and Strong Institutions
Burundi	8	Low-income (LDC)	Poverty is rising	Major challenges	Major challenges	Significant challenges	Major challenges	SDG Achieved	Major challenges
Democratic Republic of the Congo	2	Low-income (LDC)	Poverty is rising	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges
Ethiopia	2	Low-income (LDC)	On track	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges
Ghana	3	Lower-middle income	Moderately improving	Major challenges	Major challenges	Significant challenges	Major challenges	SDG Achieved	Major challenges
Kenya	3	Lower-middle income	Moderately improving	Major challenges	Major challenges	Significant challenges	Significant challenges	SDG Achieved	Major challenges
Liberia	6	Low-income (LDC)	Poverty is rising	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges
Malawi	3	Low-income (LDC)	Poverty is rising	Major challenges	Major challenges	Major challenges	Significant challenges	SDG Achieved	Major challenges
Mozambique	2	Low-income (LDC)	Stagnating	Major challenges	Major challenges	Major challenges	Major challenges	Challenges remain	Major challenges
Nigeria	2	Lower-middle income	Poverty is rising	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges
Rwanda	2	Low-income (LDC)	Stagnating	Major challenges	Major challenges	Significant challenges	Significant challenges	SDG Achieved	Major challenges
Sierra Leone	1	Low-income (LDC)	Stagnating	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges
Somalia	2	Low-income (LDC)	Poverty is rising	Major challenges	Major challenges	No data	Major challenges	SDG Achieved	Major challenges
South Sudan	2	Low-income (LDC)	Poverty is rising	Major challenges	Major challenges	Major challenges	Significant challenges	SDG Achieved	Major challenges
South Africa	5	Upper-middle income	Poverty is rising	Major challenges	Major challenges	Significant challenges	Challenges remain	Significant challenges	Major challenges
Sudan	2	Low-income (LDC)	Poverty is rising	Major challenges	Major challenges	Major challenges	Major challenges	SDG Achieved	Major challenges
Tanzania	2	Lower-middle income (LDC)	Stagnating	Major challenges	Major challenges	Significant challenges	Significant challenges	SDG Achieved	Major challenges
Uganda	2	Low-income (LDC)	Stagnating	Major challenges	Major challenges	Significant challenges	Major challenges	SDG Achieved	Major challenges
Zambia	3	Lower-middle income (LDC)	Poverty is rising	Major challenges	Major challenges	Significant challenges	Significant challenges	SDG Achieved	Major challenges
Zimbabwe	2	Lower-middle income	No data	Major challenges	Major challenges	Significant challenges	Challenges remain	SDG Achieved	Major challenges

Source: Ranks are authors' own calculation using data from the OECD DAC2a dataset; UK's rank is calculated out of the 30 DAC members, including "EU Institutions." Data on progress towards other SGDs is sourced from country profiles presented in Sachs et al (2021), *Sustainable Development Report 2021*. Profiles are available at: <https://dashboards.sdindex.org/rankings>. Data for SDG 1.1 reflects indicator trend; all others show indicator rating. Income category from the World Bank's income classification; LDC classification taken from the OECD's ODA eligibility list for 2021.

Conclusions and recommendations

The purpose of this paper has been to consider the UK's planned scale-up of ODA to the Indo-Pacific from a development perspective, and to identify where the UK could support strategic priorities without sacrificing development outcomes. At the core of the argument is the understanding that as a key region of geostrategic focus for many of the world's largest actors, the Indo-Pacific is becoming the test case for the UK's intentions to use development resources to support development, diplomatic, and commercial objectives. The risk, of course, is that such alignment could side-line development priorities for other national interests.

As the UK works towards its new international development strategy, we recommend six actions:

- 1. Define the Indo-Pacific region and clarify which countries will be included in the Indo-Pacific tilt for development, versus other, purposes.** There remains a lack of clarity over both how the UK understands the "Indo-Pacific" and which countries the UK intends to prioritise as development partners. This should be rectified, either as part of the International Development Strategy (on the development side) or through a separate strategy for UK engagement in the Indo-Pacific to outline its main objectives, partnerships, and instruments for the region. Several other large development actors – such as France, Japan, Germany, and the USA – already have Indo-Pacific focused strategies which provide a holistic overview of how development, diplomacy and defence will work together in the region to support their key objectives.
- 2. In the Indo-Pacific – and elsewhere – allocate ODA to prioritize action against poverty and human development challenges.** Any scale-up on ODA to the Indo-Pacific should focus on countries with the greatest absolute need or those which remain off-track to achieve the SDGs. In particular, the UK could seek to focus efforts on countries which face major challenges to meeting human development goals that align with the UK's stated development priorities, including on SDG 3 and 4 on health and education. At the same time, the UK should work to maintain the poverty focus of its ODA budget as a whole. Given clear differences in the prevalence of poverty across regions, particularly between the Indo-Pacific and Sub-Saharan Africa, the UK should ensure that pursuing its strategic interests in the Indo-Pacific region does not come at the expense of development outcomes.
- 3. Champion the provision of global and regional public goods in the Indo-Pacific.** In addition to country-level challenges and needs, the ambitious SDG agenda focuses attention on the need to address global challenges and provide global public goods to support long-term sustainable development outcomes. In the Indo-Pacific, there are opportunities to both support countries in the production of global public goods as well as to cope with the negative externalities of their under-provision. Climate change is a good example – the UK could use diplomatic networks and engagement to encourage climate mitigation, while using ODA to support adaptation programming in countries vulnerable to the impacts of climatic change. The UK could also work to support global public health, particularly in the context of the COVID-19 pandemic, as well as peace and security within the region.

4. **Search for partnerships in the region to expand presence, reach and engagement, particularly at a time of ODA cuts.** The ODA cuts mean that that the UK will likely become an increasingly middling development actor in the Indo-Pacific. However, the UK could still promote development and its diplomatic interests in the region through other means. One option is to consider partnerships with like-minded development actors with a broader presence in the region. Other providers are already collaborating in this way. France’s Agence Française de Développement (AFD) and Japan’s International Cooperation Agency (JICA), for instance, have been working on joint development projects in the region, particularly aimed at upgrading infrastructure and fostering climate change adaptation.⁷⁰ In South-East Asia specifically, France and Japan have agreed to work together on natural disasters and on water and energy supplies. For the UK, Australia and New Zealand could make natural partners with broad diplomatic and development networks in the Indo-Pacific.⁷¹ The UK could also seek to work with the EU on issues of mutual interest such as climate change and public health; the EU’s recent strategy on the Indo-Pacific signals an openness to partnering with the UK on such issues, in the region.⁷²
5. **Respond to demand to stay relevant and influential in the Indo-Pacific.** The UK’s middling position as an ODA provider in the Indo-Pacific (except for a few countries) means that its bargaining power is likely limited. This is particularly true in the current context of budget cuts, where the UK’s declining ODA volumes will make it more difficult to be viewed as a substantive actor in the region. In order to support the UK’s continued relevance as a partner, despite falling ODA volumes, the UK should ensure that its engagements respond to the priorities and preferences of partner countries to help position itself as a relevant and trusted partner.
6. **Use the International Development Strategy as an opportunity to define how the UK’s diplomatic and commercial engagements reinforce development, as well as the other way around.** The benefit of the merged department under the FCDO is the ability to bring both development and diplomatic tools together to support key initiatives. A question facing the department – especially in the case of the Indo-Pacific – is how diplomatic engagements can support development outcomes, rather than simply using development to advance geopolitical interests. There are opportunities for the UK to strengthen its policy coherence for development in the Indo-Pacific region. It could, for instance, ensure that trade and investment agreements made with partners in the region include considerations of climate sustainability, or commit to expanding technology transfers. Doing so could strengthen the UK’s ODA engagements by ensuring that diplomatic and development efforts are mutually reinforcing.

⁷⁰ Ministry for Foreign and European Affairs, *France’s Partnerships in the Indo-Pacific* (Paris: AFD, 2021).

⁷¹ Molly Anders and Lisa Cornish, “UK to Boost Pacific aid after Australia request.”

⁷² European Commission, “Joint communication to the European Parliament and the Council: The EU Strategy for Cooperation in the Indo-Pacific,” accessed October 1, 2021, https://eeas.europa.eu/sites/default/files/jointcommunication_2021_24_1_en.pdf

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Annex 1. Summary of DAC provider Indo-Pacific strategies

Country	Year	Strategy	Regional focus	Priorities
Australia	2016	Pacific Step-Up; 2016 Defence White Paper	“We define the ‘Indo-Pacific’ as the region ranging from the Eastern Indian Ocean to the Pacific Ocean connected by Southeast Asia, including India, North Asia and the United States”. (2017 Foreign Policy White Paper, p. 1)	Sovereignty, stability, security and prosperity, strengthening climate and disaster resilience; sustained economic growth; and support to promote healthy, educated, inclusive populations.
EU	2021	EU Strategy for Cooperation in the Indo-Pacific	Broad: areas bordering the Indian and Pacific Oceans, including East Africa, Gulf countries, China, South and Southeast Asia, and Oceania	<p>The EU emphasizes creating conditions for a sustainable and inclusive post-COVID recovery in the region, and highlights seven priority areas for cooperation in the Indo-Pacific:</p> <ul style="list-style-type: none"> • Sustainable and inclusive prosperity; • Green transition; • Ocean governance; • Digital governance and partnerships; • Connectivity; • Security and defence; • Human security. <p>The EU will deepen its engagement on the Indo-Pacific in particular with those partners that have already announced Indo-Pacific approaches of their own; and pursue multifaceted engagement with China where interests and values align.</p>
France	2018	The Indo-Pacific region: a priority for France	Broad: Indian and Pacific oceans, including China, Southeast Asia, and the Pacific Islands	France to act as an inclusive and stabilizing mediating “resident power” in the region, including on: securing shipping routes, deepening economic and trade relationships, commitment to promote common goods (climate change, health, education, high-quality infrastructure)

Country	Year	Strategy	Regional focus	Priorities
Germany	2020	Policy guidelines for the Indo-Pacific region. Germany—Europe—Asia: shaping the 21st century together	The Federal Government considers the Indo-Pacific to be the entire region characterised by the Indian Ocean and the Pacific	Fight against climate change and marine pollution; strengthen rule of law and human rights, free trade, connectivity, free access to information.
Japan	2016	A Free and Open Indo-Pacific	“Two continents and two oceans”: all countries bordering the Pacific and Indian oceans, including East Africa and Southeast Asia	Connectivity, freedom of navigation and overflight, promotion of peace and rule of law, free trade.
Netherlands	2020	Indo-Pacific: Guidelines for strengthening Dutch and EU cooperation with partners in Asia	The space between Pakistan and the Pacific Islands, including the South China and East China Seas. The shipping routes (including the Straits of Hormuz and Malacca) that link Europe with Asia and Oceania are central to the concept.	The strategy proposes that “the Netherlands and the EU will benefit from closer cooperation – both bilaterally and through the EU – with the countries in the region, and especially with like-minded democracies and countries with open market economies” (p. 1). Cooperation will focus on “challenges in the fields of climate change, international security, cybersecurity, maritime security, global value chains, global health, poverty, migration, human rights and the international legal order” (p. 2).
US	2017	A Free and Open Indo-Pacific	Broad: East Africa, Southeast Asia, Pacific coast of the US	Free, fair, and reciprocal trade, open investment environments, good governance, and freedom of the seas

Annex 2. Descriptive data on UK engagement in broader Indo-Pacific countries

Country	UK's Rank in 2019	Income group	UK ODA to Indo-Pacific partners in 2019 (USD, millions)	Difference between UK 2019 allocations and largest provider (USD, millions)	SDG 1.1: Eradicating Extreme Poverty	SDG 2: Zero Hunger	SDG 3: Good Health and Well-being	SDG 4: Quality Education	SDG 5: Gender Equality	SDG 13: Climate Action	SDG 16: Peace, Justice and Strong Institutions
Bhutan	9	Lower-middle income (LDC)	0.5	29.7	On track	Major challenges	Major challenges	Challenges remain	Major challenges	Challenges remain	Challenges remain
Cambodia	12	Lower-middle income (LDC)	3.9	188.4	On track	Significant challenges	Major challenges	Significant challenges	Major challenges	SDG achieved	Major challenges
Cook Islands	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA	NA
Democratic People's Republic of Korea	10	Low-income	0.4	8.8	No data	Major challenges	Major challenges	SDG achieved	Challenges remain	SDG achieved	Major challenges
Fiji	6	Upper-middle income	4.7	36.8	On track	Major challenges	Major challenges	SDG achieved	Major challenges	Challenges remain	No data
Kiribati	8	Lower-middle income (LDC)	0.0	20.5	No data	Major challenges	Major challenges	Challenges remain	Major challenges	SDG achieved	Significant challenges
Lao People's Democratic Republic	13	Lower-middle income (LDC)	1.5	75.1	On track	Significant challenges	Major challenges	Significant challenges	Significant challenges	Challenges remain	Major challenges
Malaysia	2	Upper-middle income	14.9	26.7	On track	Major challenges	Major challenges	Challenges remain	Major challenges	Significant challenges	Challenges remain
Maldives	4	Upper-middle income	0.8	13.9	On track	Major challenges	Significant challenges	SDG achieved	Major challenges	Significant challenges	Significant challenges
Marshall Islands	9	Upper-middle income	0.1	42.0	No data	Major challenges	No data	Challenges remain	Significant challenges	No data	No data
Micronesia	7	Lower-middle income	0.2	57.6	No data	No data	Major challenges	Significant challenges	No data	SDG achieved	No data
Nauru*	NA	High-income	NA	NA	No data	Major challenges	No data	Challenges remain	Major challenges	Challenges remain	No data
Niue	NA	Upper-middle income	NA	NA	NA	NA	NA	NA	NA	NA	NA

Country	UK's Rank in 2019	Income group	UK ODA to Indo-Pacific partners in 2019 (USD, millions)	Difference between UK 2019 allocations and largest provider (USD, millions)	SDG 1.1: Eradicating Extreme Poverty	SDG 2: Zero Hunger	SDG 3: Good Health and Well-being	SDG 4: Quality Education	SDG 5: Gender Equality	SDG 13: Climate Action	SDG 16: Peace, Justice and Strong Institutions
Palau*	NA	High-income	NA	NA	No data	Significant challenges	No data	Challenges remain	No data	No data	No data
Papua New Guinea	7	Lower-middle income	1.8	413.3	Poverty is rising	Major challenges	Major challenges	Major challenges	Major challenges	SDG achieved	Major challenges
Philippines	7	Lower-middle income	17.6	982.8	On track	Major challenges	Major challenges	Challenges remain	Significant challenges	Challenges remain	Major challenges
Samoa	5	Upper-middle income	2.4	34.9	On track	Major challenges	Major challenges	SDG achieved	Major challenges	SDG achieved	Significant challenges
Solomon Islands	7	Lower-middle income (LDC)	1.0	118.6	Stagnating	Major challenges	Major challenges	Significant challenges	Major challenges	SDG achieved	Significant challenges
Sri Lanka	8	Lower-middle income	11.4	214.5	On track	Major challenges	Major challenges	SDG achieved	Major challenges	SDG achieved	Major challenges
Thailand	4	Upper-middle income	17.8	241.6	On track	Major challenges	Major challenges	Challenges remain	Significant challenges	Significant challenges	Significant challenges
Timor-Leste	11	Lower-middle income (LDC)	0.4	52.3	Poverty is rising	Major challenges	Major challenges	Significant challenges	Major challenges	No data	Major challenges
Tokelau	NA	Lower-middle income	NA	NA	NA	NA	NA	NA	NA	NA	NA
Tonga	8	Upper-middle income	0.1	18.9	On track	Major challenges	Major challenges	Challenges remain	Major challenges	SDG achieved	Significant challenges
Tuvalu	8	Upper-middle income (LDC)	0.1	9.3	No data	Major challenges	No data	Significant challenges	Major challenges	SDG achieved	No data
Vanuatu	7	Lower-middle income	1.8	40.9	Poverty is rising	Major challenges	Major challenges	Significant challenges	Major challenges	SDG achieved	Major challenges
Viet Nam	9	Lower-middle income	15.0	635.6	On track	Major challenges	Major challenges	SDG achieved	Significant challenges	Challenges remain	Major challenges

Note: “NA” appears when no SDG profile is available; “no data” means that the indicator does not report data. Palau is now a high-income country and is scheduled to graduate from ODA on 1 January 2022. Nauru exceeded the high-income threshold in 2019; if it remains high income until 2022, it will be proposed for graduation during the next OECD triennial review of ODA eligibility.

Source: Authors’ own calculation using data from the OECD’s Creditor Reporting System. UK’s rank is calculated out of the 30 DAC members, including “EU Institutions.” Data on progress towards other SDGs is sourced from country profiles presented in Sachs et al (2021), Sustainable Development Report 2021. Profiles are available at: <https://dashboards.sdindex.org/rankings>. Data for SDG 1.1 reflects indicator trend; all others show indicator rating. Income category from the World Bank’s income classification; LDC classification taken from the OECD’s ODA eligibility list for 2021.