Foreign, Commonwealth & Development Office

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25 March 2025

Dear Sarah,

Reductions to the Official Development Assistance (ODA) budget

Thank you for your letter of 5 March about the reduction in UK ODA to 0.3% of gross national income (GNI), to which we are responding on the Prime Minister's behalf. As the Minister for Development emphasised in her letter of 13 March, the International Development Committee will play a vital role as this change is delivered.

As you know, the Prime Minister's commitment to increase spending on defence to 2.5% of gross domestic product from April 2027, funded by reducing ODA to 0.3% of GNI, reflects a commitment to national security as the first duty of the Government. In recent years, the world has been reshaped by global instability, including Russian aggression in Ukraine, increasing threats from malign actors, rapid technological change, and the accelerating impacts of climate change.

The difficult decision to reduce international development spending balances our national security objectives with our commitment to a world free from poverty on a liveable planet, while remaining within the Government's fiscal rules to safeguard economic stability. This is not an ideological decision, but a hardheaded one, recognising that the balance of resources devoted to diplomacy, development and defence has long evolved to reflect the global context. This is not a step away from foreign policy, but reprioritisation which addresses the world as it is, not as we wish it to be.

In a tough fiscal environment, all our spending must be focused on ensuring that every pound is spent in the most impactful way. We will continue to play a key humanitarian role in the world's worst conflict zones of Ukraine, Gaza and Sudan tackling climate change, supporting multinational efforts on global health and challenges like vaccination. The Government remains committed to returning development spending to 0.7% of GNI when the fiscal conditions allow. This is in our national interest and in the interests of our partners across the globe.

The Government had already begun modernising its approach to development through a range of significant shifts. To transition ODA spending to 0.3% of GNI we will intensify and accelerate these shifts. For example, we are establishing broad long-term partnerships based on mutual interests and respect and using the full range of resources and expertise across Government and UK institutions, such as in the science and technology sector, the City of London and our universities. The Government is strengthening links with the financial sector and our international partners to mobilise private capital for international development and climate projects. The Government will also continue to be a strong supporter of the multilateral development banks, which can leverage ODA contributions, broadening the UK's development offer.

We strongly agree on the importance of ensuring more ODA is spent overseas. The Government inherited an asylum system in chaos, with tens of thousands of applicants stuck in a backlog, claims not being processed and costs spiralling. We are already making progress in restoring order to the system through a significant increase in returns activity and are working to end the use of hotels.

Delivering this reduction will require many hard choices, at a time of significant geopolitical tension in a fast-changing global landscape. Detailed decisions on how the ODA budget will be used will be addressed as part of the ongoing Spending Review. Equalities impacts, value for money and risk mitigation will be considered throughout. We look forward to continuing engagement with your committee during this process and have enclosed responses to your specific questions with this letter for publication. The Minister for Development will write to you shortly after the Spring Statement with further updates reflecting the latest progress.

Yours ever,

D Lammy

Rachel Reeves

THE RT HON. DAVID LAMMY MP
Secretary of State for Foreign, Commonwealth and Development Affairs

THE RT HON. RACHEL REEVES MP
Chancellor of the Exchequer

Will the reduction from 0.5% in 2025-26 to 0.3% in 2027-28 be managed through tapering ODA spend across the next two years, or a full reduction in 2027-28?

Impacts on ODA budgets are under review. Our commitment is to prioritise legal obligations and minimise disruption. Decisions on future ODA budgets and departmental allocations are yet to be taken and will be considered in the round at the Spending Review.

Will in-donor refugee costs from the Home Office continue to be classified as ODA? What is your target reduction for in-donor refugee costs, and when will you share the expected timescales for achieving this target?

The UK has always reported ODA spending consistent with internationally agreed OECD Development Assistance Committee (DAC) rules. Thanks to the measures taken by the Home Secretary to reduce the asylum backlog and work towards exiting costly asylum hotels in this Parliament, we expect overall ODA asylum spending in 2024 to be lower than in 2023. In-donor refugee costs for 2024 will be reported in April as part of the provisional Statistics on International Development. Although there will always be some unpredictability in asylum numbers, we expect these actions to further reduce the Home Office's in-donor refugee costs in the next Spending Review period.

Will ODA funding for both the FCDO and the Home Office continue to be provided through a percentage settlement, rather than flat cash?
What level of control will the FCDO retain over cross-Whitehall spending of ODA, including but not limited to, the Home Office? Will the FCDO retain its current "spender and saver of last resort" responsibilities?

Departmental allocations are not determined as percentages of total ODA. Departments are provided with ODA budgets as part of their departmental settlements based on evidence of best value for money. Allocations will be considered in the round at the Spending Review. The framework for ODA spending is under review.

Will ODA spending by other departments, such as DEFRA, DSIT and DfE, be maintained?

Departmental allocations will be considered in the round as part of the Spending Review, where the government will review ODA across all departments.

What will be the process to ensure that ODA contributes to a reduction in poverty and is provided in a way that is likely to contribute to reducing gender inequality, as set out in the International Development Act 2002?

All UK ODA will be implemented consistent with the International Development Act 2002. Detailed decisions on how the ODA budget will be used will be worked through as part of the ongoing Spending Review based on various factors including impact assessments.

Will the Government honour its £1.98 billion commitment to the IDA21 replenishment, and commit to supporting the current health funding rounds by multilateral organisations such as Gavi and the Global Fund?
How will this reduction affect the FCDO's Resource and Capital Departmental Expenditure Limits for the next two financial years?

Decisions on future allocations, including Resource and Capital Departmental Expenditure Limits for FCDO, will be taken in the round through the Spending Review. ODA allocations for future years are being worked through following the Prime Minister's announcement. We will work to maximise the value of our ODA budget through the ongoing Spending Review and set out plans in due course. The UK will continue to play a key humanitarian role in Sudan, in Ukraine and in Gaza, tackling climate change, supporting multinational efforts on global health and challenges such as vaccination.

What is the expected impact on FCDO staffing levels, and what measures will be taken to retain development expertise and capacity?

The FCDO was already running a significant voluntary exit scheme. The Foreign Secretary has highlighted reforms needed to ensure FCDO is fit for the future and delivering for the British people. That includes technological transformation and innovation.

We are committed to ensuring that the FCDO has the development capability and technical expertise needed to deliver this government's ambition on international development, even as the ODA budget is reduced. The FCDO has a strong reputation for its development capability, particularly high-quality development leaders, expert technical advisers and programme managers.

Development capability and expertise make a key contribution to the UK's foreign policy objectives and UK diplomatic and trade relationships. Alongside programming, the UK development offer makes use of policy influencing, global convening and trade, economic and other levers to deliver development impact. Development expertise will continue to be essential to this work.

Has an impact assessment been performed on the anticipated effects of this ODA reduction? Will further assessments be performed on individual areas of ODA spend? And will the results of these analyses be published?

Detailed decisions on how the ODA budget will be used will be worked through as part of the ongoing Spending Review based on various factors including impact assessments. Equality impact assessments are an essential part of decision making, including on ODA allocations, and their publication will be considered in due course.

Are there plans to revise the affordability criteria for returning to the 0.7% target?

The government is committed to returning to spending 0.7% of GNI on ODA when the fiscal circumstances allow, in line with the International Development Act 2015 (the Act). We will return to spending 0.7% of GNI on ODA when, on a sustainable basis, the UK is no longer borrowing for day-to-day spending and underlying debt is falling. The Office for Budget Responsibility's latest fiscal forecast indicates that these ODA fiscal tests are not due to be met within this Parliament. The government will continue to monitor future forecasts closely, and each year will review and confirm, in accordance with the Act, whether a return to spending 0.7% GNI on ODA is possible against the latest fiscal forecast.

Can you provide an update on the status and planned use of frozen Russian assets in the UK, including the proceeds generated from the sale of Chelsea FC? Will these funds be used to support humanitarian work in Ukraine and other communities impacted by the war?

The G7 has repeatedly underscored that Russia must pay for the damage it has caused Ukraine. As the Prime Minister has made clear, we are looking at all options to ensure Russia pays, alongside our allies.

On top of this, in March, the UK disbursed the first £750 million of its £2.26 billion loan to Ukraine as part of the G7's $50 billion Extraordinary Revenue Acceleration Loans. These funds are earmarked for military spending and will be repaid using the profits generated on sanctioned Russian sovereign assets in the EU.

Separately, we are determined to see the proceeds from the sale of Chelsea FC reach humanitarian causes in Ukraine as soon as possible. We are doing everything we can to bring that about quickly. This is a complex legal issue, but the UK is working with international partners, has engaged with Abramovich's team, and is exploring all options to ensure the proceeds reach vulnerable people in Ukraine who are most in need.