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UK aid: Reducing spending to 0.3% of GNI by 2027/28

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Summary

In February 2025, the UK Government announced that UK aid spending will be "gradually reduced" from 0.5% of gross national income (GNI) to 0.3% of GNI in 2027. The reduction is intended to fund an increase in defence and security spending, which will reach 2.6% of gross domestic product (GDP) in 2027.=

The International Development Minister, Anneliese Dodds, resigned following the announcement, saying the fall in aid spending will "likely lead to a UK [aid] pull out from numerous African, Caribbean and Western Balkan nations" and a reduced UK role internationally, including in climate negotiations and at the World Bank.

The fall follows a period of extended pressure on the aid budget since 2020, with spending falling from 0.7% of GNI to 0.5% of GNI in 2021. Up to 28% of UK aid has also been on refugees based in the UK. Other major donors, including the US and European countries, are also reducing aid spending.

This research briefing sets out the government's decision, its plans on managing the reduction, and responses in the UK Parliament and aid sector.

What has been announced?

The government will reduce UK aid spending to 0.3% of GNI by 2027 (PDF). Ukraine, the Occupied Palestinian Territories, the UK's Overseas Territories, Sudan, and addressing corruption, instability, climate change and global health are stated as continuing UK aid priorities.

In 2025/26, for all other country programmes, new aid spending decisions have been paused, with exceptions for ministerial priorities, humanitarian need and other named criteria (PDF). The government also plans to delay payments to multilateral bodies to give it greater flexibility for spending in specific countries. It also wants to reduce Home Office spending on refugees in the UK, which constituted 20% of UK aid in 2024, down from 28% in 2023.

The Prime Minister, Sir Keir Starmer, has acknowledged the move "remains a cut" and said the government will return to spending 0.7% of GNI as soon as possible. This was not projected to occur during the 2024–29 Parliament, based on existing fiscal tests and economic growth.

The International Development Minister, Annelise Dodds, resigned following the announcement and the Chair of the International Development Committee, Sarah Champion, called the reduction a "false economy". The Leader of the Opposition, Kemi Badenoch, backed the government's decision as "absolutely right" while Liberal Democrat Leader, Sir Ed Davey, said the reduction would result in a vacuum for China and Russia to fill.

What are the plans for UK aid spending?

The government expects aid reductions to provide £500 million for defence in 2025/26, £4.8 billion in 2026/27, and £6.5 billion in 2027/28. Aid at 0.3% of GNI in 2027 will total an estimated £9.2 billion, the lowest in cash terms since 2012. It would have reached £15.4 billion if aid had remained at 0.5% of GNI. As a proportion of GNI, spending will be the lowest level since 1999.

The Foreign, Commonwealth and Development Office (FCDO) annual report, due for publication in summer 2025, will set out spending plans for 2025/26. The FCDO is leading a cross-government review of UK aid (PDF) to ensure value for money and "strategic coherence". The government will consider impact assessments when determining future spending plans.

What alternatives will be pursued?

The government says it will work to raise more private finance, such as through the City of London, to support development, and maximise the impact of UK aid through working with multilateral development banks.

The International Development Committee Chair, Sarah Champion, has suggested that the government act on debt relief for low-income countries to free up their own budgets, consider allowing British International Investment (BII) to borrow (BII already re-invests its profits from its investments), and increase its use of UK Aid Match. Bond, the umbrella organisation for UK civil society groups, has made similar recommendations for UK action, and says the UK must prioritise "leav[ing] no one behind" in development.

What happened to aid from 2020 and 2025?

The UK aid landscape has changed significantly since 2020, with the creation of the FCDO in 2020, the (immediate and continuing) impact of the covid-19 pandemic on development goals, and the reduction in aid spending from 0.7% of GNI to 0.5% of GNI in 2021. Further pressure came from increased Home Office spending of aid funds on refugees and asylum seekers in the UK.

The Commons Library research briefing UK aid: spending reductions since 2020 and outlook from 2024/25 sets out these spending changes and provides analysis of their effects.

1 Announcing the move to 0.3%

1.1 What has the government announced?

In February 2025, the Prime Minister, Sir Keir Starmer, announced that the UK would reduce its aid spending from 0.5% of gross national income (GNI) to 0.3% of GNI from 2027. He said this would fund a rise in defence spending to 2.6% of gross domestic product (GDP) (including security and intelligence services).[1]

The Commons Library Insight UK to spend 2.5% of GDP on defence by 2027 provides information on plans for UK defence spending.

In the Spring Statement and correspondence to the Commons International Development Committee in March 2025, the government confirmed that:

- Aid spending will be reduced "gradually" over three years between 2025/26 to 2027/28.
- The falling aid budget is expected to save £500 million in 2025/26, £4.8 billion in 2026/27 and £6.5 billion in 2027/28, which will be used for increased defence spending.
- Aid budgets will be allocated on cash terms based on GNI forecasts at a spending review. They will no longer take account of later GNI changes (see section 2.5).
- The Foreign, Commonwealth and Development Office (FCDO) will no longer act as the "spender and saver of last resort" (see section 2.4). This means the department will not automatically have to commit or reduce its own aid spending near the end of a calendar year to ensure the aid spending target (now 0.3% of GNI) is met.[2]

The government also said it remained committed to the UN target for countries to spend 0.7% of their GNI on aid and would do so when fiscal conditions allow.[3]

1 HC Deb, 25 February 2025, c633

2 HM Treasury, Spring statement 2025, 26 March 2025, sections 2.12 to 2.15 and table 2.1; Minister for International Development to International Development Committee (PDF), 27 March 2025

3 HL Deb, 4 March 2025, c127, HL Deb, 27 March 2025, c1836

The Labour government had previously said it would determine when to return to 0.7% by applying the same two tests the Commons voted in favour of under the Conservative government in 2021. These are that:

- the Office for Budget Responsibility (OBR) shows that “on a sustainable basis” the country is not borrowing for day-to-day spending
- the ratio of underlying debt to GDP is falling

The Commons Library research briefing The 0.7% aid target has further information and analysis.

In January 2025, the government had said it did not expect these two tests to be met during the current Parliament (2024 to 2029).[4]

Statutory requirement to spend 0.7% of GNI on aid

The International Development (Official Development Assistance Target) Act 2015 sets a duty for the government to spend 0.7% of GNI on aid. If missed, the government must report to Parliament explaining why this was the case (explanations take the form of written statements). If relevant, the act says, the explanation may include reference to economic or fiscal circumstances in the UK or overseas, including borrowing, taxation and public spending. This reporting requirement is the only accountability mechanism in the act.

Following the announced reduction in UK aid spending from 0.7% to 0.5% of GNI in 2021, there was debate on whether legislation was needed to amend the act, but no changes took place. Instead, a non-binding vote was taken in the Commons on the tests to restore spending.[5] In 2025, the Director of the Hansard Society, Ruth Fox, argued that the act’s minimal role in 2021 and 2025 “exposes the flaws in declaratory legislation, weak parliamentary scrutiny, and executive dominance of Parliament”.[6]

4 PQ 25236 [Development aid], 29 January 2025

5 For these debates and parliamentary events that followed the announced reduction, see sections 2 and 3 of the Commons Library research briefing, The 0.7% aid target

6 Hansard Society, Breaching the 0.7% international aid target, 3 March 2025

1.2 What has been the reaction?

Within Parliament

In response to the Prime Minister's announcement in February, the Leader of the Opposition, Kemi Badenoch, welcomed the rise in defence spending and said it was "absolutely right" to use the aid budget to finance it.[7]

Liberal Democrat Leader, Ed Davey, supported the increase in defence spending, but said the reduction in aid was a "big mistake" and would "only leave a vacuum for Russia and China to fill", undermining UK security.[8]

The Chair of the International Development Committee, Sarah Champion, argued that the reduction was "a false economy" and that UK finances should be centred on preventing conflict, such as poverty and insecurity, "not the deadly consequences".[9]

The International Development Minister, Anneliese Dodds, announced her resignation after the Prime Minister's announcement. She said the decision would "likely lead to a UK pull out from numerous African, Caribbean and Western Balkan nations" and reduced commitments to multilateral bodies at a time when Russia and China are increasing their actions abroad.[10]

General Lord Dannatt, former Chief of the General Staff, argued that "cutting aid to fund [defence] is a fundamental strategic error that risks making us weaker". He said that UK development helps to stabilise fragile states, build alliances and reduce the conditions for extremism to develop.[11]

Before the UK announcement and following the earlier announcement of the Trump administration's review of US aid spending in February 2025, the Foreign Secretary, David Lammy, had told the Guardian newspaper that "in the absence of development [aid] … I would be very worried that China and others step into that gap".[12]

Non-governmental organisations, civil society groups and academics

Bond, an umbrella group for UK civil society groups, said the reduction "will have devastating consequences for millions of marginalised people worldwide". In March 2025, it recommended that the government:

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7 HC Deb, 23 February 2025, c635
8 Liberal Democrats, Britain must lead on defence and aid, 25 February 2025
9 International Development Committee, Chair responds to aid cuts, 25 February 2025
10 Anneliese Dodds MP on Twitter/X, It is with sadness I have had to tender my resignation […], 28 February 2025
11 Richard Dannatt, I ran Britain's army […], The Guardian, 27 February 2025
12 Trump's foreign aid cuts could be a "big strategic mistake", says Lammy, Guardian, 7 February 2025

- maintain spending at 0.5% of GNI for 2025 and 2026 to allow the UK to contribute to multilateral health, development and other global funds before transitioning to bilateral spending from 2027 (2024 and 2025 have been described as a “replenishment traffic jam”, with multiple multilateral funds requesting new aid injections for their work)
- take action to reduce spending on in-donor refugee costs and stop the Home Office from using the aid budget to fund this
- pause or end capitalisation of the British International Investment (BII) to allow the UK to protect country programmes
- launch a “transparent and consultative process” to assess the impact of the reductions
- prioritise support for the sustainable development goals and ensure “no one is left behind” (such as on the basis of gender, location or income)[13]

Ian Mitchell, writing for the think tank, the Center for Global Development, has criticised the decision to reduce aid spending gradually, arguing that a “steep drop” in 2027 would “give the government more choice” and allow the UK to protect its multilateral commitments. As set out in section 2.2, below, the government plans to delay these, where possible.[14]

Chatham House analysts argue the UK could use the reduction to improve the “development model” globally by seeking reforms to the international system to better help aid-recipient countries to raise their own funding and investments, improve their debt sustainability, and look to new donors, such as the Arab Gulf states, to fund these efforts.[15]

Analysts have also warned that the UK must significantly reduce the costs of hosting refugees in the UK (which are met by the aid budget, for the first 12 months they are in the UK), or risk less aid being spent overseas.[16]

The Commons Library research briefing The UK aid budget and support for refugees in the UK, 2022 to 2025 provides information on this spending.

1.3 What are other aid donors doing?

Global aid was at record levels in 2023, with aid forming 0.37% of total donor country GNI. However, while aid to Ukraine has risen and it is now the largest recipient, aid to sub-Saharan Africa has fallen from its 2020 peak.[17]

13 Bond, Four ways the government can manage the planned UK aid cuts [...], 12 March 2025
14 Center for Global Development, Why a cliff edge is better than a glide path, 13 March 2025
15 Chatham House, First USAID closes, then UK cuts aid [...], 3 March 2025
16 Center for Global Development, Breaking down Prime Minister Starmer’s aid cut, 26 February 2025
17 OECD, Official Development Assistance (ODA)

The UK decision comes at a time when other countries, notably the United States, France and Germany, are reviewing or reducing spending from 2025. This may result in total global aid falling from its 2023 peak.[18]

Multiple international agencies and funds have current funding appeals, and reductions will mean increased competition for donor funding.[19]

Further reading on US aid and the global aid landscape

The Commons Library research briefing US aid, the UK, and funding for multilateral bodies in 2025 sets out the importance of the US as an aid donor, the Trump administration announcements, and analysis on raising aid funding beyond traditional donors. It also includes further reading on these topics.

The Overseas Development Institute compares aid and defence spending by NATO members in its Data story of two global targets (March 2025).

18 Donor Tracker, The budget cuts tracker, 7 March 2025
19 Center for Global Development, The 2024-2025 replenishment traffic jam, 2 January 2025

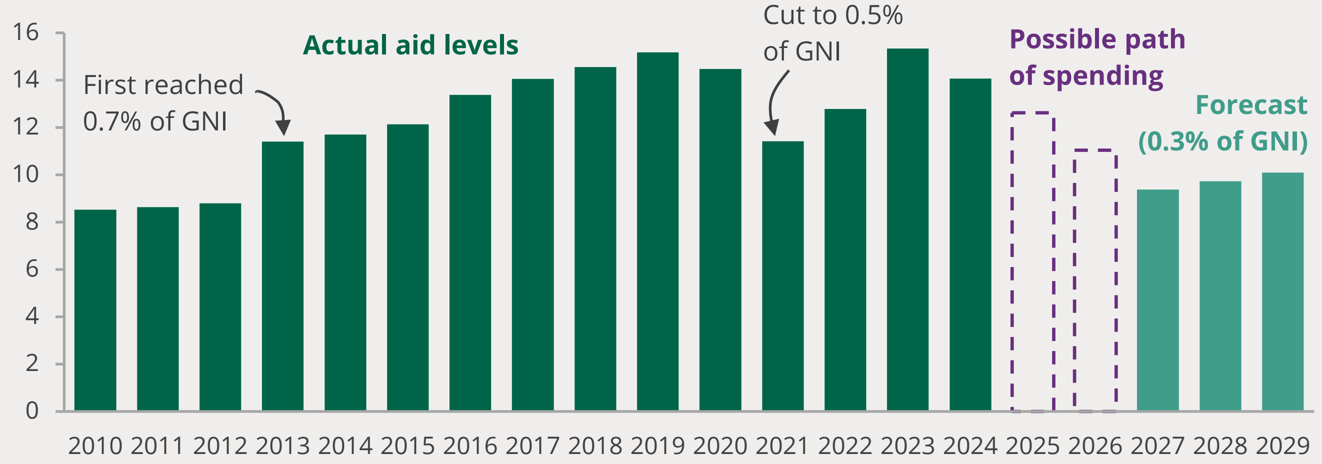
2 How will spending change?

2.1 How much will be spent on total UK aid?

The government has not yet published the exact amounts that it intends to spend on aid over the next few years. However, as the chart below shows, based on current economic projections, if aid falls to 0.3% of gross national income (GNI) in 2027, it will likely be around £9.4 billion in that year. This will be about £4.7 billion lower than in 2024 and the lowest level in cash terms since 2012. If it then remains at 0.3% of GNI, the amount of aid is forecast to increase along with the size of the economy. At 0.3%, this will be lowest proportion of UK GNI spent on aid since 1999.

Levels of UK aid are set to fall to 0.3% of GNI in 2027

£ billions, not adjusted for inflation



Source: Actual aid levels: FCDO, Statistics on International Development: provisional UK ODA spend 2024, 3 April 2025, table C1. "Possible path of spending" based on aid as % of GDP given in OBR, Economic and fiscal outlook – March 2025, 26 March 2025, chart 5.10. Forecast levels based on GNI forecasts in OBR, Economic and fiscal outlook – March 2025, 26 March 2025, economy detailed forecast table 1.2.

Aid levels will fall gradually from 0.5% of GNI to 0.3% of GNI; the dashed purple bars in the chart above show a possible path of spending, based on figures from the Office for Budget Responsibility (OBR).

The government published the amounts that it expected to save as a result of the move to 0.3% of GNI in the 2025 Spring Statement. Compared with continuing to spend 0.5% of GNI, it will save £0.5 billion in 2025/26, £4.8 billion in 2026/27, and about £6.5 billion or more a year thereafter.[20]

[20] HM Treasury, Spring Statement 2025, 26 March 2025, table 2.1

2.2 What are the government's aid priorities?

Thematic areas and multilateral spend

Announcing the reduction in February 2025, the Prime Minister said that the UK would continue to support work on global health, including vaccination, and addressing climate change.[21]

He also told the Commons Liaison Committee in April 2025 that the government's intention is to support a "healthier, thriving world, where we reduce conflict, tension, corruption and ill health".[22]

On taking office in July 2024, the International Development Minister, Anneliese Dodds, had said the UK's "aid mission" would be to "create a world free from poverty on a liveable planet". She said UK aid would focus on four areas:[23]

- economic transformation and unsustainable debt
- climate finance
- humanitarian aid
- empowering women and girls

Since the announcement was made in February, the government has:

- confirmed it will adhere to a pledge to spend £11.6 billion on international climate finance up to 2025/26 (the Conservative government made this pledge in 2019)[24]
- said it is "on track" to spend up to £1.5 billion on nutrition objectives between 2022 and 2030 (the Conservative government made this pledge in 2022)[25]

While it has not announced any new funding, in March 2025 the government also said that "Education Cannot Wait and the Global Partnership for Education remain important partners for the UK".[26] These are funds that use aid from multiple donors to support education.[27]

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21 HC Deb, 25 February 2025, c633

22 Liaison Committee, Oral evidence: work of the Prime Minister, 8 April 2025, Q 50

23 See section 2.2 of the Commons Library briefing, UK aid: spending reductions since 2020 and outlook from 2024/25 for Labour Government policy from July 2024 to February 2025.

24 HL Deb, 3 March 2025, c10

25 HC Deb, 25 March 2025, c316WH

26 PQ 36405 [International day of education], 24 March 2025; HC Deb, 12 February 2025, c258

27 See Commons Library debate briefing, UN international day of education 2025, for information on UK aid spending on education.

Also in March 2025, the International Development Minister, Baroness Chapman, said that she found it "difficult to envisage a situation where the United Kingdom does not play a leading role in the fight against [HIV/AIDS, tuberculosis, malaria and other diseases]".[28] The UK is due to co-host the funding conference for the Global Fund to fight AIDS, Tuberculosis and HIV in 2025.[29] See the below box for government statements on Gavi and the Global Fund.

Aid reductions and global health funding

One area of the global funding landscape expected to come under pressure in 2025 is global health. This reflects the decision of the US, which is the single largest bilateral donor in many related areas such as population and family planning, to substantially reduce its aid spending in 2025 and to withdraw from the World Health Organization.[30] On 15 May 2025, there will be a Westminster Hall debate to discuss UK aid to Gavi and the Global Fund.

In the BMJ, Bob Kitchen, vice president for emergencies and humanitarian action at the International Rescue Committee described proposed cuts to UK aid as a potentially "devastating blow".[31] Noting that the UK has been a "pioneer" in immunising children, including through its investment in Gavi, the Vaccine Alliance, he argued that the government should be increasing efforts to "consolidate global health security:"

> The UK's health investments have tackled urgent needs in some of the world's most challenging contexts, with the children's immunisation programme standing out as a success story among other shrewd aid interventions.
>
> […] In a world where conflict and climate change are amplifying the spread of infectious diseases and health threats from new unknown diseases continue to arise, we should be increasing our efforts to consolidate global health security, not scaling them back.

A May 2025 letter to the Times, signed by over 130 academics, notes that global investment in fighting TB, HIV, Malaria and vaccine preventable diseases, has "saved the lives of an estimated 200 million people".[32] It highlighted research published in the Lancet HIV that modelled potential international cuts in funding "risk sending positive trends for HIV into reverse" and said that "international donors must unite to recognise the appalling impact that severe cuts could have."

28 HL Deb, 20 March 2025, c1328

29 Global Fund, South Africa and the UK unite […], 18 February 2025

30 See the Commons Library research briefing, US aid, the UK and funding for multilateral aid bodies in 2025, April 2025

31 Bob Kitchen, Opinion: UK aid cuts will undermine global health and pose a risk to children's lives, BMJ, March 2025

32 The Times, Cutting foreign aid threatens the fight against disease, 7 May 2025, and The Times, Foreign aid cuts will cost lives, scientists warn Keir Starmer, 12 May 2025

The research organisation, Wellcome and the Royal College of Nursing have also issued critical statements on spending changes.[33]

The Prime Minister has said that global health will be one of the UK's aid priorities going forward (see above, section 2.2). In response to a parliamentary question about 2025 UK pledges for replenishments for the Global Fund and Gavi, the vaccine alliance, on 14 May 2025, the Minister of State at the FCDO, Stephen Doughty said that the UK was working to ensure a successful replenishment of Gavi and the Global Fund:

> The UK is one of the largest donors to Gavi, the Vaccine Alliance. We have committed £1.65 billion to the current strategic period covering 2021-2025. The UK is working to ensure a successful replenishment of Gavi and the Global Fund through our diplomatic and development network. [...] Announcements on individual investments will be made following the completion of the Spending Review process.[34]

The minister also said the government would not be "blasé or relaxed about reducing [aid] spending that contributes towards our security", in response to a question on aid to other states to combat external inference.[35]

Since taking office in July 2024, the Labour government has also announced pledges for the World Health Organization (£310 million for 2024 to 2028) and International Development Association (part of the World Bank; £1.98 billion from 2024 to 2027).[36]

In March, the government said that for 2025/26, it will seek to delay multilateral payments where possible to give the Foreign, Commonwealth and Development Office (FCDO) greater flexibility.[37]

The government also says it will be a "strong supporter of the multilateral development banks" to leverage UK funding.[38] The Prime Minister says he has discussed the issue with the president of the World Bank.[39]

Bilateral spending

Bilateral spending is spending on a specific country or programme.

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33 Wellcome, Wellcome responds to UK aid budget cut for defence funding, 26 February 2025; Royal College of Nursing, Cutting overseas aid budget makes us more vulnerable to future global health threats, says Royal College of Nursing, 25 February 2025

34 PQ 49369 [Gavi, the vaccine alliance, and Global Fund], 14 May 2025

35 HL Deb, 4 March 2025, c130

36 HCWS243 [WHO: investment round], 21 November 2024; FCDO, New UK investment to unlock billions to tackle root causes [...], 28 November 2024

37 Minister for International Development to International Development Committee (PDF), 27 March 2025, p2

38 HM Treasury, Spring statement, 26 March 2025, para 2.13

39 HC Deb, 3 March 2025, c29

In February 2025, the Prime Minister said that Sudan, Ukraine and Gaza would continue to receive UK support.[40] In a letter to the International Development Committee in March, the government also said that for financial year 2025/26 it had:

- Set bilateral programme allocations at the level of live contractual agreements with partners, plus planned humanitarian spend and a £100 million crises reserve.
- Made exemptions for Ukraine, the Occupied Palestinian Territories, Sudan and the UK's Overseas Territories (the aid-eligible UK Overseas Territories are St Helena, Tristan da Cunha, Pitcairn, and Monserrat). These will receive full 2025/26 allocations, beyond live contractual agreements.[41]

The government has said that it has an exemptions process to allow "critical new development work to continue" for those other than the four recipients listed above. For new programming to proceed, it must:

- qualify as "planned humanitarian spend"
- protect value for money
- mitigate "significant reputational risks"
- mitigate the risk of harm while responsibly exiting a programme
- help meet ministerial priorities

The government has not set out further detail on these criteria.[42]

Assessments of former international development ministers on possible reductions

In her resignation letter of February 2025, Anneliese Dodds said that "it will be impossible to maintain" the priorities the government had announced, adding that this would cost UK global influence and benefit Russia and China:

> [The Prime Minister] has maintained that [the UK] want[s] to continue support for Gaza, Sudan and Ukraine; for vaccination; for climate; and for rules-based systems. Yet it will be impossible to maintain these priorities given the depth of the cut; the effect will be far greater than presented, even if assumptions made about reducing asylum costs hold true. [...]
>
> The cut will also likely lead to a UK-pull out from numerous African, Caribbean and Western Balkan nations—at a time when Russia has been aggressively increasing its global presence. It will likely lead to withdraw from regional

40 HC Deb, 25 February 2025, c633

41 Minister for International Development to International Development Committee (PDF), 27 March 2025, p2

42 As above, p2

> banks and a reduced commitment to the World Bank; the UK being shut out of numerous multilateral bodies; and a reduced voice for the UK in the G7, G20 and in climate negotiations. All this while China is seeking to rewrite global rules […][43]

Former International Development Minister and Deputy Foreign Secretary during the Sunak premiership, Andrew Mitchell, told the Commons International Development Committee in March 2025 that a gradual decline from 0.5% to 0.3% of GNI would help avoid value for money risks but judged bilateral aid was likely to suffer. He also agreed that China, Russia and terrorist groups were likely beneficiaries of British and American reductions:

> […] stopping and starting development spend is very bad value for taxpayers' money and we should avoid it all costs […]
>
> […] they should do it in steps. That will help mitigate the bad value for money for taxpayers which will result from that cliff edge from 0.5% to 0.3% […]
>
> If you cut back to this extent I fear that the bilateral programmes will lose out in the end. That is because people will seek to protect the World Bank, Gavi [the vaccine alliance], the Global Fund [to Fight AIDS, Tuberculosis and Malaria] and the Green Climate Fund […], as we know that those are very effective ways of spending British taxpayers' money and getting real results. […]
>
> If Britain withdraws these bilateral programmes, and America too, there will be a number of effects, but here are two of them. First, there will be an impact on HIV/AIDS in the Horn of Africa, where America saved millions of lives through PEPFAR [President's Emergency Plan for AIDS Relief]. That pull back by USAID will have a very serious effect on disease prevention and HIV/AIDS in the Horn of Africa.
>
> Secondly, there will be a political effect. If we vacate the territory, who do you think will come in? It will be the Chinese and the Russians, and it will be the terrorists.[44]

Mr Mitchell also told the committee that "it is the abolition of DFID [Department for International Development; in 2020] and the structure of doing development that is causing us the most trouble; it is the lack of expertise".[45] He has previously said that the "development" part of the FCDO is "struggling to be heard" since the merger in 2020 and that this had affected UK global action and leadership on development and humanitarian responses.[46]

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43 Anneliese Dodds MP on Twitter/X, It is with sadness that I have had to tender […], 28 February 2025

44 International Development Committee, Oral evidence: The FCDO's approach to value for money, 25 March 2025, Qs 80-83

45 As above, Q 70

46 Andrew Mitchell MP, Britain has lost its once great development prowess, Politics Home, 10 December 2024; HC Deb, 18 July 2024, c224

2.3 What alternatives is the government pursuing?

In the 2025 Spring Statement, the government said it would work with the financial sector and international partners to mobilise additional private capital for international development and climate projects. It said this would include working with the City of London and UK universities. It also reiterated that it would be a "strong supporter of multilateral development banks".[47]

The Overseas Development Institute think tank cautions that UK attempts to influence the international regulatory landscape and stimulate private and other investment may struggle, given the reduced value of UK aid, lack of knowledge in the development sector of private investment and working through development banks, and lack of developed coordination between UK aid and related efforts such as UK Export Finance.[48]

The government has also pledged to reduce the amount of aid spent on in-donor refugee costs, and said in March 2025 that it expected its actions to "drive down" these costs.[49] In 2024, around 20% of UK aid was spent on these costs, rather than overseas.

The Commons Library research briefing The UK aid budget and support for refugees in the UK has more details on this spending.

International Development Committee Chair statement

During a Commons debate on FCDO spending in March 2025, the Chair of the International Development Committee, Sarah Champion, called on the government to take further steps, including: [50]

- Reducing spending on in-donor refugee costs.
- Allowing the FCDO to take over aid programmes managed by other departments, or other departments reimbursing at least part of the funding that they take from the aid budget.
- Allowing British International Investment (BII) to borrow against its investments. The BII invests in businesses overseas to create jobs and reduce poverty and reinvests its profits in these goals. The Commons Library research briefing on BII provides an introduction to its remit and work. In 2025, the government says it is considering options to enable BII to "continue mobilising private capital at scale".[51] FCDO/DFID capital

47 HM Treasury, Spring statement, 26 March 2025, para 2.13; FCDO and HM Treasury to International Development Committee (PDF), 25 March 2025

48 Overseas Development Institute, Looking beyond the latest round of UK aid cuts, 13 March 2025

49 PQ 3896 [Development aid], 27 March 2025

50 HC Deb, 5 March 2025, cc342-3

51 PQ 38518 [BII: borrowing] , 20 March 2025

injections into BII ranged from 3% to 8% of the annual aid budget between 2012 and 2022.[52]

- Changing UK policy and law to support debt relief, address illicit finance, and access to special drawing rights:
  - The committee has previously recommended that the government legislate to require private creditors to participate in debt relief schemes. For more information, see the Commons Library research briefing Debt relief for low-income countries.
  - Illicit finance refers to money that is illegal in its source (such as from corruption or smuggling), its transfer (such as tax evasion) or its use (including terrorist financing). It results in a loss of revenue for states that could be used to address development challenges.[53]
  - Special drawing rights are issued by the International Monetary Fund and can be used to support foreign exchange reserves, meet loans and payments, and be exchanged for currency. Many were released to support the global response to the covid-19 pandemic.[54]
- Making greater use of UK Aid Match. The UK Government matches £1 of UK aid to every £1 donated to a UK Aid Match charity appeal, up to the value of £2 million.[55]

Bond statement

The non-governmental organisation umbrella group Bond has made similar recommendations, suggesting the government take action to control the in-donor refugee budget, pause capital contributions to BII and mobilise new sources of finance.[56] See section 1.2 above, for more recommendations made by Bond.

2.4 The FCDO and “spender or saver of last resort”

Past practice

Since 2015, DFID and the FCDO have acted as the “spender or saver” of last resort on the UK aid budget.

This means that DFID/FCDO have been required by the Treasury each year to spend (or save) the difference between non-DFID/FCDO spend and the 0.7%

52 Commons Library research briefing, British International Investment, section 2.2
53 World Bank, Illicit finance flows, 7 July 2017
54 IMF, FAQs on special drawing rights, 23 August 2021
55 UK Aid Match, About
56 Bond, Four ways the government can manage the planned UK aid cuts [...], 12 March 2025

(or 0.5%) aid target to ensure the UK meets the target by 31 December each year.[57]

These late-year spending decisions required DFID/FCDO to monitor spending by other departments and changing GNI estimates. The Treasury has required government departments to spend between 80% and 95% of their aid budgets in the first three-quarters of the financial year to help DFID/FCDO perform this role.

In recent years, the proportion of aid spent by the FCDO has fallen from 75% in 2020 to a low of 60% in 2022. It 2024, it had increased to 67%.[58] As the number and value of aid programmes outside the FCDO has increased, so have the potential risks of volatility and value for money for the FCDO.

The National Audit Office (NAO) and Independent Commission for Aid Impact (ICAI) have considered the value for money risks of the DFID/FCDO's role:

- In 2017, the NAO noted that DFID had spent 40% of the value of its aid for 2013 in the last two months of that year, but in later years had developed a set of projects that exceeded its budget and therefore gave the department choice on managing value for money.[59]

- In 2020, the ICAI judged that "the risks were mostly modest and well managed by DFID" and the department had developed a "strong pipeline of programmes that were ready to launch and could be brought forward at need, and by rescheduling multilateral payments". It recommended that DFID be assigned a spending floor, to ensure a degree of certainty in its spending and noted that at times of "significant shocks" (such as changes in spending) the value for money risks for the department were greater.[60] The government did not accept the recommendation of a spending floor, saying it would require too many factors to determine.[61]

- In 2020 and 2021, UK aid spending was reduced following a decline in gross domestic product (GDP) and the government decision to move from 0.7% to 0.5% of GNI on aid. Providing an updated assessment in 2021, the ICAI noted the 2020 reductions in UK aid largely took place at the start of the year to minimise the risk of the 0.5% target being overshot, but they occurred "at a point of significant uncertainty" in GNI projections. It said that this resulted in larger value for money risks for UK bilateral spending and that these "might have been avoided" if decisions had been taken later.[62]

[57] ICAI, Management of the 0.7% ODA spending target, 24 November 2020; ICAI, Management of the 0.7% ODA spending target in 2020, March 2021
[58] FCDO, Statistics on international development: provisional UK ODA spend 2024, April 2025, p6
[59] NAO, Managing the ODA target: a progress report, 18 July 2017, para 19
[60] ICAI, Management of the 0.7% ODA spending target, 24 November 2020
[61] FCDO, Government response to ICAI report on management of the 0.7% aid target, January 2021
[62] ICAI, Management of the 0.7% ODA spending target in 2020, March 2021

- In 2023, the ICAI also noted that the FCDO had to pause non-essential aid spending in July 2022 in response to the rise and unpredictability of Home Office spending on in-donor refugees. It noted that because the FCDO had already made significant reductions in its bilateral spending in 2021, the department "lacked options to find further reductions in 2022 without causing harm to its development partnerships and to the people relying" on UK aid.[63]

The ICAI plans to publish a further review on the management of the aid spending target in spring 2025.

Approach from 2025

In March 2025, the FCDO said it would no longer hold the role of "spender and saver of last resort" and would not have to "automatically" respond to changes to GNI or aid spending by other departments. The International Development Minister, Baroness Chapman, described this as a "significant and positive change" that would no longer expose FCDO aid to changes in GNI or spending by other departments, increasing the certainty of its aid spending.[64]

The Chair of the International Development Committee, Sarah Champion, said the change could be positive and "protect aid spending" from Home Office spending on asylum seekers. However, she said more information from the government was required, including whether the aid budget will rise if economic forecasts improve.[65]

2.5 What does moving to cash budgets mean?

In the past, the Treasury allocated a percentage of the GNI Official Development Assistance spending commitment to the FCDO. Going forward, these will now be in cash equivalent terms and based on GNI forecasts at a spending review. They will not be adjusted for GNI fluctuations.[66]

Aid levels would likely have been at least slightly different if this had been the policy in previous years. In the chart below, we compare actual aid levels with what the allocations would have been if aid levels had been set in cash terms at the spending reviews in 2013, 2015, 2019, 2020 and 2021, based on the most recent GNI forecasts available from the OBR at the time.

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63 ICAI, UK aid to refugees in the UK, March 2023, para 4.5

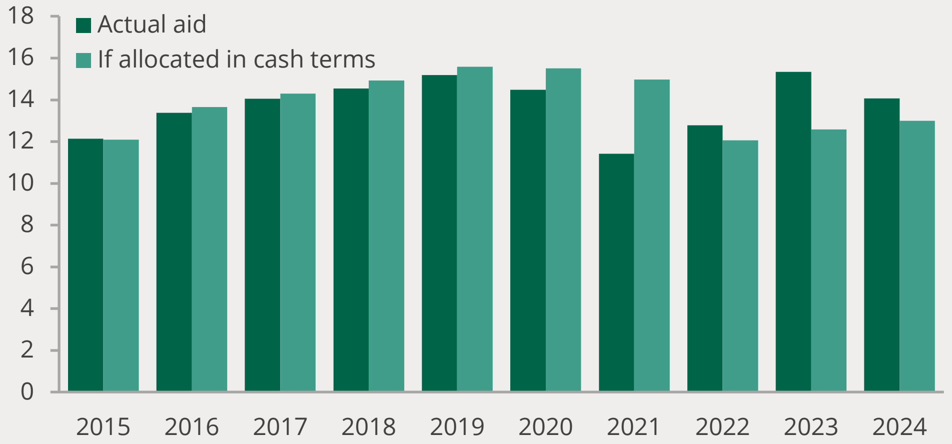
64 Minister for International Development to International Development Committee (PDF), 27 March 2025, p2

65 International Development Committee, Government announces substantial changes [...], 27 March 2025

66 Minister for International Development to International Development Committee (PDF), 27 March 2025

Aid allocations would have been different if set in advance

£ billions, not adjusted for inflation



Source: Actual aid levels: FCDO, Statistics on International Development: provisional UK ODA spend 2024, 3 April 2025, table C1. Hypothetical levels are Library estimates, based on the most recent OBR forecast of GNI available at the time of the spending reviews in 2013, 2015, 209, 2020, and 2021.

As this chart shows, between 2015 and 2019, aid allocations would generally have been slightly higher if set in advance because the forecasts for GNI overestimated the actual level. This was particularly true for 2020, because the spending levels for 2020 would have been set in cash terms at the 2019 Spending Round, before the covid-19 pandemic, and for 2021, because the 2020 Spending Review took place before the decision to cut aid to 0.5% of GNI.

However, the reverse would have been true for the years between 2022 and 2024: aid allocations would have been set at a lower level than the amounts that were actually spent. This is partly because the GNI forecasts available at the time of the 2021 Spending Review underestimated the actual level of GNI, and partly because the extra pressures on the aid budget caused by spending on refugees from Afghanistan and Ukraine could not have been foreseen at that point.

Spending allocations made at spending reviews are not legally binding, and the government is free to change the amounts that it chooses to spend in response to changing situations. This means that even if aid allocations had been set in cash terms, the government would have been able to spend more (or less) than it had allocated if it so chose.

In April 2025, the former International Development Minister, Anneliese Dodds, said "the shift to a cash basis may limit resources further".[67] The international development network Bond noted in March 2025 that setting

[67] HC Deb, 3 April 2025, c500

allocations in cash terms could result in less than 0.3% of GNI being spent on aid because of underestimates of GNI.[68]

2.6 When will more future plans be released?

As of April 2025, the government is assessing future spending decisions as part of the ongoing Spending Review. It will base its decisions on factors including impact assessments, effects of changes on partners and suppliers, and any legally binding contracts and commitments.

The Foreign Secretary is also leading a cross-departmental review to ensure all UK aid programming fulfils UK strategy and provides value for money.[69]

Government reviews into international development, which concluded in early 2025 and which have not been published, will also influence spending decisions.[70]

The FCDO says it will publish its country spending plans for 2025/26 in its annual report and accounts, which will be published in the summer of 2025. The report will also include final FCDO country spending for 2024/25.[71]

Final aid spending figures for each calendar year are published annually in the following September (those for 2024, for example, will be published in September 2025), as part of the FCDO's statistics on international development series.

68 Bond, The Chancellor's Spring Statement adds to the expected pain of the UK aid cuts, 27 March 2025

69 PQ 38893 [Development aid], 25 March 2025; Minister for International Development to International Development Committee (PDF), 27 March 2025, p2

70 PQ 41579 [Development aid: reviews], 4 April 2025

71 PQ 26946 [Development aid], 10 February 2025; PQ HL 6064 [Development aid: education], 24 March 2025

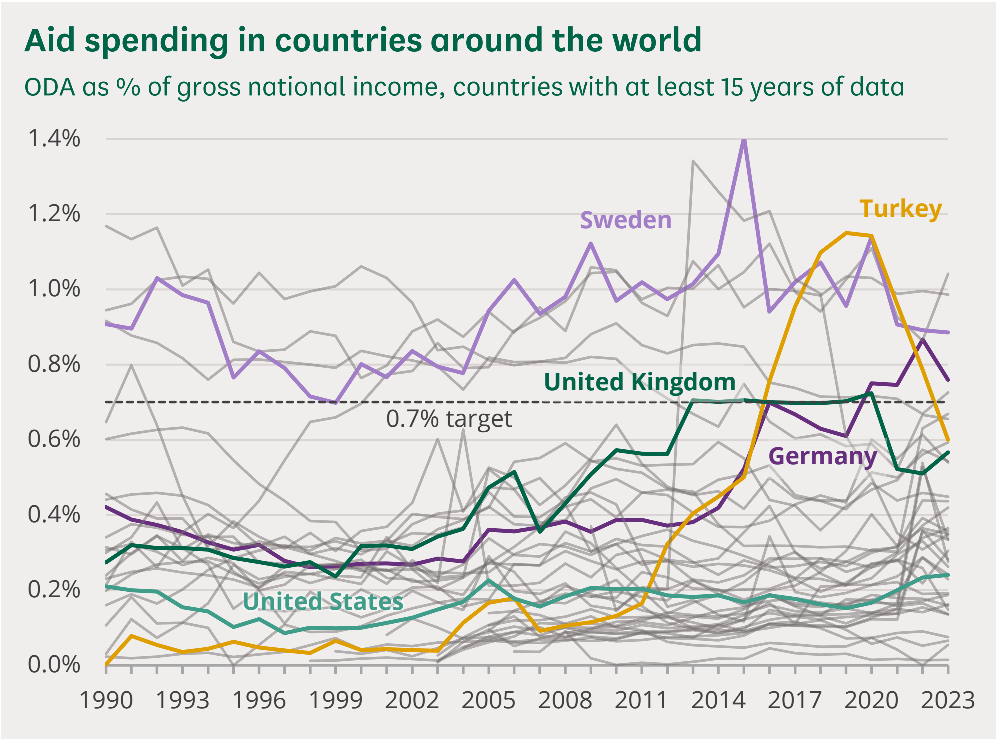
3 What happened to UK aid spending between 2020 and 2025?

3.1 Achieving the 0.7% aid target

2013: UK achieves target for the first time and continues to do so until 2020

In 2013, the UK met the target to spend 0.7% of its gross national income (GNI) on overseas aid for the first time. It was one of only 15 countries to have done so since 1960, according to Organization for Economic Co-operation and Development (OECD) data.

The chart below compares aid spending in every country for which the OECD has at least 15 years' worth of data, covering the period 1990 to 2023.



Source: OECD Data Explorer, database DAC1, 16 October 2024

3.2 Announcing the move to 0.5% of GNI on aid

2020: A "temporary" reduction to 0.5% announced

Citing the impact of the covid-19 pandemic on the economy and public finances, in November 2020 the government announced that UK aid would be reduced to 0.5% of GNI from 2021. The then Foreign Secretary, Dominic Raab, said this would be a "temporary measure", and that the UK "would remain a "leader in the global fight against poverty".[72]

3.3 Setting the tests to restore spending to 0.7% of GNI

Restoring spending to 0.7% is based tests on debt and borrowing falling

In July 2021, the House of Commons backed a government motion setting out the tests to be met to restore spending to 0.7% of GNI. These are that the Office for Budget Responsibility (OBR) shows that "on a sustainable basis" the country is not borrowing for day-to-day spending and the ratio of underlying debt to gross domestic product is falling. The Labour government says it will apply the same tests.

There is no legislative requirement for these tests to be in place. The tests are not projected to be met during the current Parliament (2024 to 2029).[73]

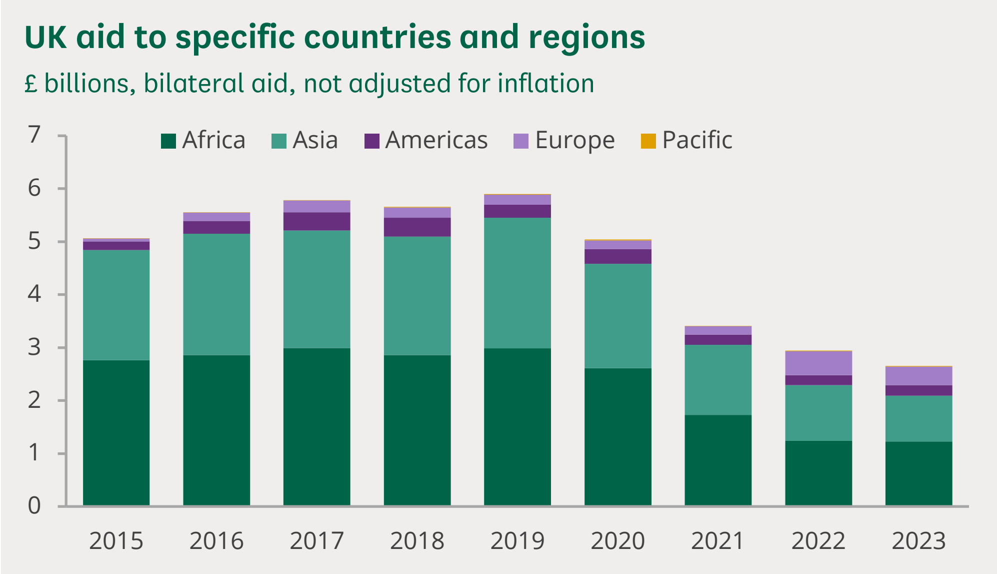
3.4 Widespread reductions in UK aid spending

2020 to 2023: A fall in the value of bilateral aid every year

As a result of the reductions, the value of UK aid to specific countries and regions fell every year between 2020 and 2023 (the last full year of data). From 2021, the UK also did not meet its goal of spending 0.2% of GNI in the world's 45 least developed countries. The chart below shows regional trends.

72 HC Deb, 26 November 2020, c1018

73 Commons Library, The 0.7% aid target



Source: FCDO, Statistics on International Development: final UK aid spend 2023, 26 September 2024, and earlier editions

Analysis by the Independent Commission for Aid Impact, the National Audit Office and the International Development Committee, and impact assessments carried out by the Foreign, Commonwealth and Development Office (FCDO) set out the effects of aid reductions on the UK's response to covid-19, support for education, gender equality and marginalised groups, and a loss of transparency in UK aid spending.[74]

3.5 Rising in-donor refugee costs, especially from 2021

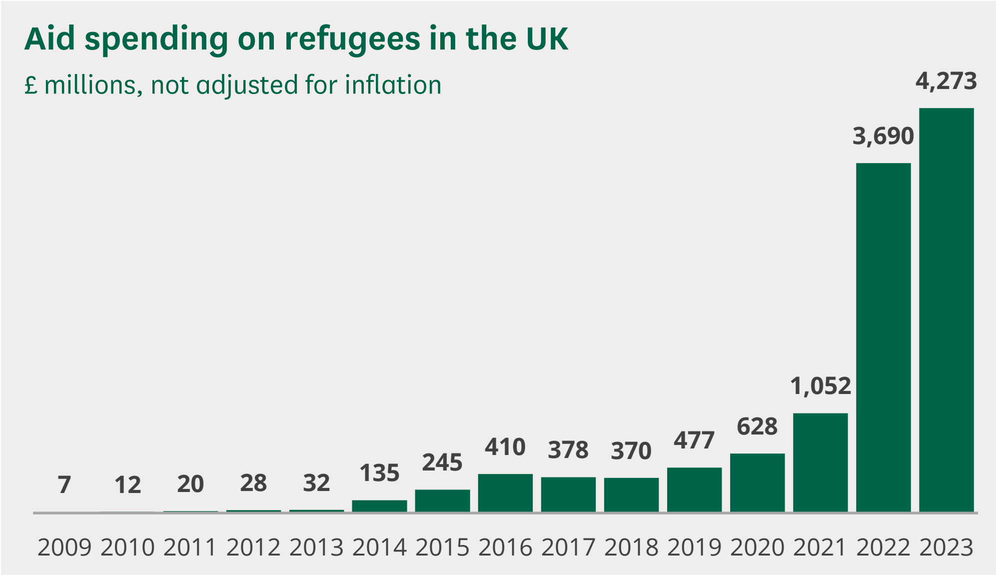
2021 onwards: Increased in donor-refugee spending

A further pressure on reduced budgets was an increase in spending on refugees for the first 12 months they are in the UK. This is known as "in-donor refugee" spending.

As the chart below shows, from 2014 onwards the UK began to report increasingly large amounts of spending on refugees as aid, reaching £4,273 million in 2023. This represented 9% of the aid budget in 2021 (with the introduction of the Afghan citizens resettlement scheme), and then increased further to 29% in 2022 and 28% in 2023 (because of several schemes introduced following Russia's invasion of Ukraine). It fell to 20% in 2024.

In 2021, 2022 and 2023, bilateral aid on refugees in donor countries was the largest single sector of UK bilateral aid spending, exceeding, for example, health, education and humanitarian aid.[75]

[74] Commons Library, UK aid: spending reductions since 2020 and outlook from 2024/25, sects. 5 and 6
[75] FCDO, Statistics on international development: final UK aid spend 2023, 26 September 2024, table A7



Source: FCDO, Statistics on International Development, various editions, September 2024

3.6 Plans for increased country spending and white paper

2024/25: Country spending begins to recover

In 2023, the Conservative government published a white paper on international development. This followed the publication of an international development strategy in 2022, intended to be in place until 2030.

The white paper was widely seen in the aid sector as marking a "relaunch" of UK aid work, while noting that spending challenges remained and that development challenges were substantial.[76] The FCDO also announced plans for bilateral spending to rise from 2024/25, the first time in three years.[77]

3.7 Labour government announces review

Shortly after taking office, the Labour government announced a review of the UK's development work. This was concluded in early 2025. The government has not announced a new aid strategy and said it would adhere to the same fiscal tests as the Sunak government.[78]

76 International Development Committee, Chair comments on the FCDO global development white paper, 21 November 2023; Development Studies Association, Responses to the FCDO white paper on international development, November 2023

77 UK bilateral aid to start rising after "terrible" cuts, The Guardian, 17 July 2023

78 See section 2.2 of the Commons Library briefing, UK aid: spending reductions since 2020 and outlook from 2024/25 for Labour Government policy from July 2024 to February 2025.

3.8 Announcing the move to 0.3%

2025: Announces reduction to 0.3% for defence

In February 2025, the Prime Minister, Sir Keir Starmer, announced a further reduction in UK aid, saying it would fund an increase in defence spending.

See the previous sections of this paper on the 2025 decision and its effects.

Further reading on changes between 2020 and 2025

- Commons Library research briefing, The 0.7% aid target
- Commons Library research briefing, UK aid: spending reductions since 2020 and outlook from 2024/25. Covers the period to early 2025.
- Commons Library research briefing, The UK aid budget and support for refugees in the UK, 2022 to 2025
- Commons Library research briefing, UK aid: FCDO merger and the move to 0.5% four years on, August 2024
- Independent Commission for Aid Impact, UK aid under pressure: a synthesis of ICAI findings from 2019 to 2023, September 2023
- National Audit Office, An overview of the FCDO for the new parliament 2023-24, November 2024
- Independent Commission for Aid Impact, How UK aid is spent, February 2025