



Foreign, Commonwealth
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Sarah Champion MP
Chair of the International Development
Committee
House of Commons
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27 March 2025

Dear Sarah,

Initial 2025/26 Official Development Assistance (ODA) allocations and the Spring Statement

In my letter of 13 March 2025, I set out that as an immediate step the FCDO paused new ODA programmes following the decision to reduce the UK's ODA spending from 0.5% to 0.3% of Gross National Income (GNI) until an approach to setting initial 2025/26 ODA allocations was agreed. Following this communication of the pause, I am glad to write to you today on decisions I have made on our approach to initial allocations in 2025/26 and the impact of the Spring Statement.

The transition to spending 0.3% of GNI on ODA demands significant shifts in the scale and shape of our ODA spending, in line with the shifts underway as we modernise our approach to development. Our 2025/26 ODA allocations will therefore play an important role in laying the foundations for this pivot in our approach and to smooth the transition to 0.3%. To enable us to deliver this change effectively, the Foreign Secretary and I are prioritising maximising the FCDO's flexibility in 2025/26 ahead of setting final ODA allocations following the conclusion of the Spending Review (SR), while meeting legally binding commitments and existing live contracts and agreements.

To this end, I have set FCDO's initial 2025/26 bilateral ODA programme allocations at the level of live contractual agreements with partners, plus planned humanitarian spend for 2025/26 and a £100m crises reserve. This will apply to all bilateral ODA programmes with some targeted exceptions, including providing full 2025/26 ODA allocations for Ukraine, the Occupied Palestinian Territories, Sudan, and the Overseas Territories, and to fund in full the payments that were deferred into 2025/26 as part of the 2024 ODA calendar year management process. This will help deliver the flexibility the FCDO requires to set a transitional set of final allocations following the SR while ensuring we meet our legal obligations and can respond to pressing humanitarian needs in the interim.

To allow for critical new development work to continue, I am running an exemptions process, in which some programming may proceed if they meet the following criteria: planned humanitarian spend; protects value for money; mitigates significant reputational risks; mitigates risk of harm while responsibly exiting a programme; and enables delivery against Ministerial priorities.

For multilateral payments, Financial Transactions (FTs), Arm's-Length Bodies, International Subscriptions and Scholarships, initial 2025/26 ODA allocations have been set at the full planned level, with instructions to teams to delay multilateral and FTs payments where possible to provide the FCDO further flexibility as we consider final allocations. Further, teams have been instructed to pause signing new FTs agreements until we have had the opportunity to review the strategy to transition to a 0.3% context.

As teams take forward this approach to initial 2025/26 ODA allocations, they will continue to consider the equalities impacts and potential impacts on the supply chain and partners as decisions are made in their portfolios.

The Spring Statement sets out reductions to the UK ODA DEL budget until 2029/30, relative to 0.5% of GNI. HMT have agreed a transition from 0.5% of GNI this financial year to 0.3% by 2027/28 with the ODA budget gradually reduced over three years.

The Statement also confirms a change in the way HMT allocates ODA with implications for the FCDO. Whereas the UK previously set a percentage of GNI ODA spending commitment, the ODA allocations will now be in cash equivalent terms. This means the UK now sets the ODA budget based on GNI forecasts at an SR and these will not be adjusted for GNI fluctuations.

As a result of this change, the FCDO no longer holds the ODA 'spender and saver of last resort' role, meaning the FCDO is no longer required to adjust budgets to hit a calendar year spending commitment. This is a significant and positive change to the way the FCDO manages its ODA budget. The FCDO will no longer be automatically exposed to the volatility of GNI fluctuations or ODA spending by other departments, including demand-driven in-donor refugee costs, thereby increasing the predictability of our budgets and allowing us to plan with more certainty.

In addition, the Prime Minister has committed to a process to look across all ODA programming to ensure it delivers on UK objectives and provides the best value for money and strategic coherence. The Foreign Secretary will lead this cross-Departmental ODA review for the SR period (2026/27-2028/29 for RDEL and 2026/27-2029/30 for CDEL), proposing draft allocations to the Prime Minister, Chancellor and Chief Secretary to inform final Departmental SR settlements in June.

The decisions I have set out on initial allocations and the implications of the Spring Statement provide a strong basis from which to deliver the transition to 0.3% as effectively as possible. I will continue to keep the Committee updated as we work through this process.

Yours ever,

A handwritten signature in black ink, appearing to read 'Baroness Chapman'.

Baroness Chapman of Darlington
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