

## How the government can limit the damage of the cuts to UK aid and development programmes

March 2025

On 25<sup>th</sup> February, the Prime Minister announced that UK aid will be cut from 0.5% of gross national income (GNI) to 0.3% to fund an increase of the defence budget, bringing the ODA (Official Development Assistance) budget to its lowest level in 25 years. This move has been widely condemned by parliamentarians across the political spectrum, military leaders, and 138 of the UK's leading NGOs who signed an open letter to the Prime Minister. This all exposes the false choice posited by the PM - that cutting UK aid spending was the only option to fund an increase in defence spending, ignoring the devastating effect this will have on the communities on the frontline of poverty, climate change and conflict. Development is the UK's first line of defence, and this short-sighted move weakens Britain's reputation and security.

### Understanding the impact of the cuts

The announcement to cut UK ODA to 0.3% of GNI could not have come at a worse time. These cuts will add to the nightmare scenario caused by previous UK ODA cuts in 2021 and the US aid freeze and cuts to 80% of US funded programmes. Rather than stepping up in this moment to demonstrate the UK's ability to be a 'genuine' partner in development, this decision follows in the footsteps of the Trump Administration in removing vital support from the world's most marginalised people. We have seen from the previous UK ODA cuts and the recent US decisions what the impacts of the Prime Minister's announcement will be: children will miss out on vaccines, girls will lose access to education, family planning and reproductive health clinics, HIV and AIDs clinics will close down, and medication will run out and healthcare services in refugee camps will be withdrawn.

UK aid, which is around 1p in every £1 of public spending provides a huge return on investment. It builds peace and prevents conflict, instability and forced migration; it provides basic services and access to clean water and sanitation; and it prevents the spread of diseases like COVID. UK aid helps make both the UK and the world a safer, healthier, and more prosperous place for us all. ONE's recent analysis shows that conflict prevention is significantly less costly than crisis response: every \$1 spent on activities that spur economic growth, and political stability can avert spending of up to \$103 on a future conflict. These cuts will undermine the UK's positive impact in the world and weaken its reputation and security.

**It is therefore urgent for parliamentarians to engage the government on the key decisions still to be made around the implementation of the ODA cuts. They can call on the government to prioritise options that maximise and channel the remaining ODA budget for critical 'overseas' programmes in lower-income countries, which provide essential support to the most marginalised people.**

To protect the remaining budget for crucial 'overseas' programmes and mitigating the impacts of the cuts, the government must take urgent steps to:

### **1. Protect 0.5% ODA for both 2025 and 2026**

Maintaining UK ODA at 0.5% is essential given the needs outlined above and will allow FCDO to make important multilateral payments over the next two years, including frontloading delivery of the UK's recent £2 billion pledge to World Bank IDA and new ambitious commitments to the Global Fund, GAVI and other important global funds being replenished in the coming months.

This will then allow for lower multilateral spending from 2027 onwards, helping to protect vital bilateral and centrally managed programmes, which FCDO had just started to rebuild following the last wave of ODA cuts in 2020-21. This approach would not create a 'cliff-edge' in spending, but in fact the opposite, instead smoothing ODA spending during the rest of this parliament.

### **2. Take decisive action to bring down in-donor refugee costs in the Comprehensive Spending Review**

A continued, but now intensifying, pressure on the UK aid budget is the high levels of ODA used to support asylum seekers in the UK (reported as 'in-donor refugee costs' (IDRCs)). In 2023, 28% of the ODA budget was spent within the UK on supporting refugees and asylum seekers. Research by the Centre for Global Development and the Institute for Public Policy Research reveals that the Home Office spends two and a half times more ODA per asylum seeker than any other G7 country and that while the number of asylum seekers may have doubled in the last five years, costs per asylum seeker have increased fivefold. Much of this is due to the expensive hotel accommodation- offering poor value for money and poor-quality accommodation.

The government must stop the Home Office raiding the ODA budget. The government could achieve this by committing to end the use of hotels for housing asylum seekers by 2026 at the latest and scale up the use of more cost-effective and appropriate community housing for these vulnerable people.

The government must also respond to the findings of the OECD's Development Assistance Committee (DAC) that state the UK is yet to apply its requirements to report IDRCs conservatively. It could do this through exploring the introduction of a cap on the inflated costs the UK reports per refugee. Finally, it will be important for the reductions in IDRCs secured from these measures to be allocated to FCDO to supplement its highly constrained budget.

Without these measures, even with an anticipated decline in the number of asylum seeker arrivals (reducing spend by roughly £1bn as compared to 2023), in-donor refugee costs could still make up as much as a third of the ODA budget in 2027– meaning barely any budget will be left for life-saving humanitarian assistance and overseas programmes.

### **3. Pause or reduce British International Investment (BII) capitalisation allowing this funding to be reallocated towards protecting programmes supporting basic needs in lower-income and fragile countries**

British International Investment (BII) is wholly owned by the government and invests in low- and middle-income countries, with its investments currently boosted by capital contributions from the UK (totalling nearly £6 billion since 2015) and returns also re-invested. The government disbursed around £900 million to BII in 2024/25, with similar levels planned annually in the coming years. A third of BII's investments (by value) are in India and two-thirds

are focussed on five middle-income countries (Egypt, India, Kenya, Nigeria and South Africa), with only 17% in Least Developed Countries.

Supported by the UK's capital contributions to date, BII's annual level of investments has increased from £297 million in 2014 to £1.31 billion in 2023. BII states in its own strategy that it can sustain this higher 'steady state' of investments without additional capital contributions. It would therefore be possible for BII to maintain this level of investment without additional government capital being provided for a period. This would allow up to around £900 million a year during 2026/27-2028/29 to be re-allocated to other programmes supporting countries in greater need of grant-based financing.

With a smaller UK aid budget, the government must prioritise providing UK ODA through grants. This is essential alongside debt relief and debt architecture reform-given the increasing debt crisis amongst many LDCs and LICs and the negative impact this has on countries' capacities to provide basic services.

#### **4. Set out a transparent and consultative process for assessing the impact of the anticipated cuts and deciding what to prioritise**

Ultimately, without a reversal of this short-sighted decision the government will have to make some hard choices about which of the crucial overseas programmes to cut. The government must set out an open and transparent process with meaningful consultation of civil society and relevant stakeholders, to ensure that sector expertise informs the decision-making process. This process must start with an equality impact assessment of the potential impacts of the anticipated cuts to ensure that this process is managed, and decisions are transparent, and evidence driven.

#### **5. Prioritise support for 'Leave No One Behind'**

Leave No One behind (LNOB) is the core principle behind the Sustainable Development Goals (SDGs) and recognises that sustainable development is not possible unless the needs and rights of those furthest behind are put first. Cuts to the UK aid budget over the last few years have disproportionately impacted programmes intended to support gender equality, children, people with disabilities, older people and other people who are particularly vulnerable to and affected by poverty and inequality. Those with overlapping inequalities – for example, women or children with disabilities – have been placed the most at risk. To ensure that those furthest behind are not again bearing the brunt of this new round of cuts the government must embed the LNOB principle in their assessment of the impact of the cuts and ensure that the remaining ODA is focused on programs that are targeted to leave no one behind.

#### **About Bond**

Bond is the UK network for organisations working in international development. Bond unites and supports a diverse network of over 350 civil society organisations from across the UK, and allies to help eradicate global poverty, inequality and injustice.

**For more information, please contact Paul Abernethy, Bond Government Relations and Public Affairs Manager, on [pabernethy@bond.org.uk](mailto:pabernethy@bond.org.uk)**