Independent Commission for Aid Impact

Management of the official development assistance spending target

Information note

July 2025

The Independent Commission for Aid Impact (ICAI) works to improve the quality of UK development assistance through robust, independent scrutiny. We provide assurance to the UK taxpayer by conducting independent reviews of the effectiveness and value for money of UK aid.

We operate independently of the government, reporting to Parliament, and our mandate covers all UK official development assistance.

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1. Introduction

1.1 The period since the onset of the COVID-19 pandemic in 2020 has been one of exceptional turbulence for UK official development assistance (ODA). UK ODA spending was reduced from the statutory target of 0.7% of gross national income (GNI) to 0.5% in 2021, and is now being progressively reduced to 0.3% by 2027. At the same time, government expenditure on support to refugees and asylum seekers in the UK has increased, sharply reducing ODA available for spending overseas. The Foreign, Commonwealth and Development Office (FCDO) and other aid-spending departments have been required to manage both a succession of large-scale reductions and a lengthy period of uncertainty in their ODA budgets.

1.2 The costs of this turbulence have been high. Past ICAI reports have found that it has disrupted the UK's ability to support developing countries around the world and damaged the UK's reputation as a reliable development partner.[1] Over this period, financial constraints and targets, rather than government policies and priorities on international development, have driven dramatic changes in the allocation of UK aid.[2]

1.3 The challenge is ongoing. The government has committed to ending the costly use of asylum hotels within the life of this parliament,[3] but progress in bringing down ODA spending on refugees and asylum seekers in the UK towards historical levels remains slow.[4] If this expenditure is not brought under control, it could continue to absorb a share of a reduced ODA budget.

1.4 The Independent Commission for Aid Impact (ICAI) is therefore undertaking a review of the UK's management of the ODA target. This information note is an interim publication, designed to assist interested stakeholders with assessing the significance of ongoing government decisions around the ODA budget, including in the 2025 Spending Review.

1.5 The information note sets out the nature and origins of the ODA spending target, the processes by which ODA budgets are allocated across government departments, and how the ODA target is managed at the cross-government level. The note is factual rather than evaluative. However, it draws together ICAI findings since 2019 on how the government's interpretation and management of the ODA target affects the value for money of UK aid, and concludes with a set of outstanding issues that would merit further scrutiny, whether by ICAI itself or through other processes.

1.6 The note is based on information that is in the public domain or has been collected by ICAI during past reviews. It does not give an opinion on the level of the ODA budget, which is a matter of government policy. It does not consider the processes used to execute large-scale budget reductions, which ICAI will explore in an upcoming review. A separate note published in February 2025, 'How UK aid is spent', provided a statistical analysis of how the profile and allocation of UK aid has been affected by recent decisions about the aid budget.

1 Independent Commission for Aid Impact, 'UK aid under pressure: A synthesis of ICAI findings from 2019 to 2023', September 2023, paragraph 4.2

2 Independent Commission for Aid Impact, 'How UK aid is spent', February 2025

3 HM Treasury, 'Spending Review 2025', 11 June 2025

4 Home Affairs Committee, 'Main Estimates memorandum for the Home Office (2025-26)', 30 May 2025, page 2

2. The aid spending target

What is ODA?

2.1 The UK uses the international definition of 'official development assistance' (ODA), which is set by the Organisation for Economic Cooperation and Development (OECD). The OECD's Development Assistance Committee (DAC) – a group of 33 donor nations – agrees statistical standards for reporting development assistance. It also maintains the Creditor Reporting System (CRS), whereby DAC members and multilateral institutions report their ODA spending, and publishes global aid statistics.

2.2 The international definition of ODA is assistance for developing countries that meets a four-part test:

i. It must be provided by governments and official agencies (including subnational government).

ii. It must be provided to countries and territories on the DAC list of ODA-eligible recipients or via specified multilateral agencies.

iii. Each transaction must have the promotion of economic development and welfare of developing countries as its main objective (the primary purpose test).

iv. If provided in the form of loans, they must be concessional in character (that is to say, at less than market interest rates).

2.3 Under the primary purpose test, eligibility is defined by reference to the activity's intention, not its outcomes. Activities with a different primary purpose (for example, commercial or security objectives) are not ODA-eligible, even if they offer secondary development benefits. There are detailed rules for specific forms of support (such as military assistance, which is mostly not ODA-eligible), and for calculating the value of support to the private sector through loans, equity investments and guarantees.

UK statutory powers to spend ODA

2.4 The power to spend ODA is conferred on the Secretary of State and the Treasury by the UK's International Development Act 2002.[5] As well as incorporating the requirements of the international ODA definition, the act specifies that, for each spending decision, the minister must be "satisfied that the provision of assistance is likely to contribute to a reduction in poverty".[6]

2.5 The act is generally understood as imposing a stricter standard than the international ODA definition. Beyond an intention to promote economic development and welfare, the act also sets 'poverty reduction' as the overarching purpose of UK development assistance.[7] However, the provision leaves ministers wide discretion in deciding how spending is likely to reduce poverty.[8] It does not imply a particular theory of poverty reduction or require that people living in poverty be the direct beneficiaries of the assistance, so long as the minister has a genuine belief that poverty reduction is likely to result.

5 Official development assistance can also be spent under other statutory powers, as described in paragraphs 3.9 to 3.10

6 'International Development Act 2002', Section 1 (viewed on 8 June 2025)

7 Independent Commission for Aid Impact, 'A preliminary investigation of Official Development Assistance (ODA) spent by departments other than DFID', February 2015, paragraphs 2.8 to 2.10; International Development Committee, 'Draft International Development (Official Development Assistance Target) Bill', 2010, paragraph 22

8 John Harrington and Ambreena Manji, 'Judicial review and the future of UK development assistance: On the Application of O v Secretary of State for International Development', Legal Studies, volume 38, number 2, June 2018

2.6 The International Development (Gender Equality) Act 2014 adds a further requirement that, before providing ODA, the minister must consider providing aid "in a way which is likely to contribute to reducing inequality between persons of different gender".[9] There is also a requirement that humanitarian aid take into account gender-related differences in humanitarian need. This is reflected in FCDO's Programme Operating Framework, which specifies that all FCDO programmes and policies must provide evidence of how their interventions will impact on gender equality.[10]

The international aid target

2.7 The idea of an international aid target first emerged in the 1950s from lobbying by the World Council of Churches, which argued that developing countries needed official support and not just private charity. In the mid-1960s, economists with the UN Conference on Trade and Development (UNCTAD) produced economic modelling suggesting that transfers equivalent to 1% of donor country economic output were needed to enable developing countries to catch up with wealthier countries (see **Box 1**). In 1969, the World Bank's Pearson Commission proposed an international ODA target of 0.7% of donor country gross national income (GNI) by 1975 (on the basis that the remaining 0.3% would come from private financial flows). This target was formally adopted by the UN General Assembly in 1970, as a non-binding recommendation.[11]

Box 1: The merits of an international ODA target

The proposal for a transfer of 1% of national income from wealthy to developing countries emerged from economic modelling of the 'savings gap' – that is, the gap between the level of investment a country needs in order to achieve a healthy growth rate and the actual level of investment it can finance from domestic savings. This gap would need to be filled from external sources – both public and private. As private flows were volatile and unpredictable, a sub-target of 0.7% was selected for the public component (ODA).

The economic modelling behind these calculations is now outdated. Developing countries have much higher domestic savings rates today than in the 1960s, and private capital flows far exceed ODA for most developing countries.

The 0.7% target has nonetheless been retained, as a nominal figure to encourage donor countries to increase the scale and ambition of their development assistance. It is now understood as a benchmark for holding them accountable, reflecting their moral and historical obligations. Critics of the target argue that it has the perverse effect of making donors focus on the quantity of development assistance, rather than its quality.[12]

2.8 The 0.7% target remained largely aspirational until 2005 when, at the G8 Summit in Gleneagles, the UK and other European G8 members jointly pledged to reach the target by 2015 at the latest. The commitment was explicitly linked to financing the Millennium Development Goals (the precursor to the Sustainable Development Goals) and to the call by the Commission for Africa (an initiative established and chaired by the then UK Prime Minister, Tony Blair) to double aid for Africa.[13]

9 'International Development (Gender Equality) Act 2014', Section 1 (viewed on 8 June 2025)

10 Foreign, Commonwealth and Development Office, 'FCDO Programme Operating Framework', April 2025 update, page 32 (viewed on 8 June 2025)

11 Development Assistance Committee of the Organisation for Economic Cooperation and Development, 'History of the 0.7% target', original text from the DAC Journal 2002, volume 3, number 4, pages III to 9 and III to 11, March 2016; UN General Assembly, 'International Development Strategy for the Second United Nations Development Decade Resolution 2626', October 1970

12 Center for Global Development, 'Ghost of 0.7%: origins and relevance of the international aid target', Michael Clemens and Todd Moss, September 2005; ODI, 'Financing the end of extreme poverty: 2019 update', Marcus Manuel, Emma Samman and Martin Evans, September 2019

13 House of Commons Library, 'Gleneagles G8 commitments on debt relief and aid – two years on', Janna Jessee, June 2007

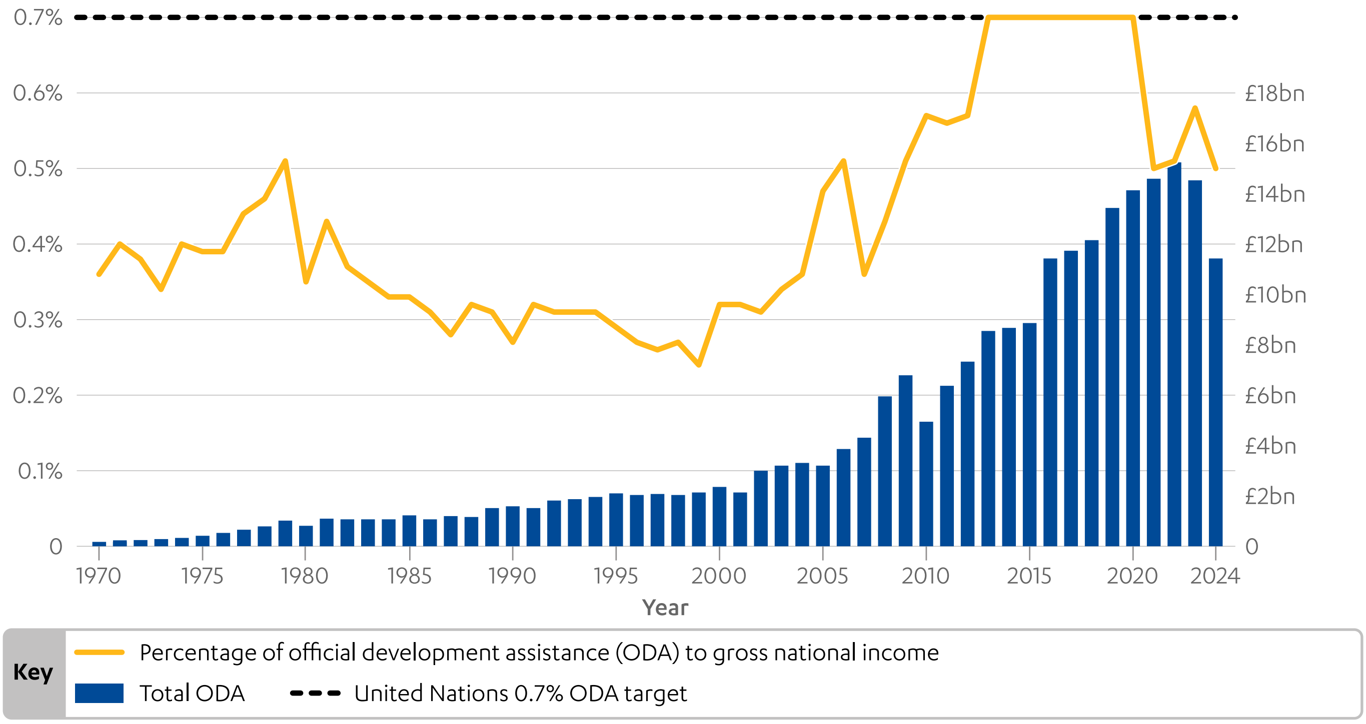
The UK's ODA spending target

2.9 At Gleneagles, the UK pledged to reach the 0.7% target by 2013. It achieved this by doubling its aid budget, from £5.9 billion (0.47% of GNI) in 2005 to £11.4 billion in 2013, and remained at the 0.7% level until 2021.

2.10 In 2015, the target was made a legislative commitment through the International Development (Official Development Assistance Target) Act 2015, which originated as private member's bill and received cross-party support. The act stipulates that:

> "It is the duty of the Secretary of State to ensure that the target for official development assistance... to amount to 0.7% of gross national income... is met by the United Kingdom in the year 2015 and each subsequent calendar year."

Figure 1: UK official development assistance (ODA) levels as a percentage of gross national income (GNI), 1970 to 2024



Note: From 2018 onwards, ODA has changed from being measured on a cash basis to being measured on a grant equivalent basis, following a decision taken by the DAC in 2014.

Source: Foreign, Commonwealth and Development Office, Statistics on International Development: Provisional UK ODA Spend 2024, April 2025, page 8

Description: The bar chart shows total UK ODA spend rising overall between 1970 and 2019, dropping in 2020 and 2021, then rising again in 2022 and 2023 before falling slightly in 2024. The line chart show UK ODA as a percentage of GNI trending overall upwards between 0.36% and 0.5% until 1979, downwards to 0.24% in 1999, and then upwards to reach 0.7% between 2013 and 2020. In 2021, the line drops downwards to 0.5%, rises to 0.58% in 2023, and falls again to 0.5% in 2024.

2.11 The act stipulates that if the target is not achieved, the Secretary of State must explain to Parliament why it has been missed (by reference to changes in UK GNI or other economic and fiscal circumstances), and the steps that will be taken to ensure it is met the following year. The act states specifically that the duty to report to Parliament is the only accountability mechanism attached to the spending target.

2.12 The UK is one of only two donors (with Belgium, which has not yet met the target) to have enshrined the 0.7% target in law. It is unique in that it historically treated the target as a ceiling as well as a floor. The government previously sought to hit the 0.7% target within two decimal places. This afforded a margin of error of approximately £100 million in either direction.[14]

Recent reductions to the UK aid budget

2.13 In 2020, the COVID-19 pandemic led to an unprecedented contraction of the UK economy of 5.9% of GNI. Given even more pessimistic GNI forecasts during the year, the former Department for International Development (DFID) was forced to implement around £2.5 billion in in-year reductions (16%) before adjusting back to a £1.43 billion (9%) reduction when compared to the aid budget forecast at the beginning of the year.

2.14 In the 2020 Spending Review, the government announced that, in 2021, it would spend only 0.5% of GNI as ODA.[15] The Foreign Secretary made the required statement to Parliament, describing this as a "temporary measure" and pledging that the UK would return to 0.7% "when the fiscal situation allows".[16] In July 2021, the Chancellor informed Parliament that the government had adopted two fiscal tests to determine when to end this temporary measure. The government would return to the 0.7% ODA target level when official forecasts from the Office for Budget Responsibility (OBR) showed that:

i. the government is not borrowing for day-to-day spending (that is, not running a current budget deficit), and

ii. the ratio of underlying debt to gross domestic product (GDP) is falling on a sustainable basis.[17]

2.15 The requirement for these tests to be met on a sustainable basis affords the government significant discretion in determining when the tests are met. They are not expected to be met within the OBR's forecast period, which runs until 2029-30,[18] and some commentators have questioned whether they will be met in the foreseeable future. The Institute for Fiscal Studies (IFS) has also pointed out the practical difficulties that would arise if the tests were assessed as met only a single year ahead, implying that a huge uplift in ODA spending back to 0.7% would be needed within a single year. The IFS suggested that a progressive return to 0.7% based on longer-range forecasts would make more sense.[19]

2.16 The Chancellor's July 2021 statement was submitted to Parliament for approval through a non-binding motion, which was carried by 333 votes to 298. The motion was opposed by prominent figures on both sides of the House, including former Prime Minister Theresa May and the chairs of the Foreign Affairs, Defence and International Development Committees.[20] Sarah Champion, chair of the International Development Committee (IDC), described it as providing government with a means to "delay a return to meeting the target indefinitely".[21]

2.17 In the Autumn Statement 2022, HM Treasury (HMT) provided £2.5 billion additional ODA resources over the two fiscal years 2022-23 and 2023-24, to offset rising ODA spending on refugees and asylum seekers in the UK. As a result, UK ODA was at 0.51% of GNI in 2022 and 0.58% in 2023, before returning to 0.5% in 2024.

14 Independent Commission for Aid Impact, 'Management of the 0.7% ODA spending target', November 2020, paragraph 3.9 and Annex 3

15 HM Treasury, 'Spending Review to fight virus, deliver promises and invest in UK's recovery', November 2020 (viewed on 8 June 2025)

16 'Official Development Assistance: Foreign Secretary's statement November 2020', 26 November 2020 (viewed on 8 June 2025)

17 'Treasury Update: Statement made on 12 July 2021' to Parliament, 12 July 2021 (viewed on 8 June 2025)

18 House of Commons Library, 'The 0.7% aid target', Philip Loft and Philip Brien, December 2024, page 5 (viewed on 8 June 2025)

19 Institute for Fiscal Studies, 'Three ways to improve the design of the UK's overseas aid spending target', Ian Mitchell, Yani Tyskerud and Ben Zaranko, 18 January 2024 (viewed on 8 June 2025)

20 Hansard, 'Division 49: 13 July 2021'

21 House of Commons International Development Committee, 'Chair of Committee condemns "indefinite" aid cut proposal', 13 July 2021 (viewed on 8 June 2025)

2.18 On 25 February 2025, Prime Minister Keir Starmer announced that the UK would reduce its ODA budget from 0.5% of GNI to the equivalent of 0.3% of GNI in 2027.[22] The reduction was announced as part of a plan to increase defence spending to 2.5% of GDP by 2027 (from a current level of 2.3%) and to 3% during the next parliament. Further details were outlined in the Chancellor's Spring Statement in March, including a shift from 2027 onwards to an aid budget set in cash terms based on GNI forecasts, rather than one adjusted each year based on actual GNI outcomes.[23] The 2025 Spending Review sets the total Departmental Expenditure Limits (DEL) for ODA in 2027-28 at £8.9 billion.[24] According to HMT, this represents a reduction of £6.5 billion by comparison to maintaining a 0.5% aid budget – equal to the planned increase in the defence budget.[25]

2.19 The 0.7% target remains in the legislation, and the 2025 Spending Review confirms that the government remains committed to returning to 0.7% "when the fiscal circumstances allow".[26] However, International Development Minister Baroness Chapman confirmed that this is not expected in the near future, describing 0.3% as the "new normal" and stating that FCDO is not treating the current round of budget reductions as temporary.[27] There is ongoing debate on the legality of this approach (see **Box 2**).

Box 2: The legality of spending below the 0.7% statutory ODA target

There is an ongoing debate – and threatened litigation – on the government's decision to reduce the aid budget to 0.5% and then 0.3% over a sustained period. The government argues that the International Development (Official Development Assistance Target) Act 2015 expressly permits it to miss the target when economic conditions require. The act also specifies that the government's only accountability in respect of the spending target is to Parliament, which passed a motion in July 2021 approving the fiscal tests for a return to 0.7%. However, legal experts have countered that, while the act permits the target to be missed in exceptional circumstances, it does not allow the government to plan in advance to do so, or to do so over an extended period.[28] Another view is that the 2015 act is itself flawed, setting "a target without teeth" by failing to provide an adequate enforcement mechanism.[29]

In 2021, the non-governmental organisation International Planned Parenthood Federation sought a judicial review of an FCDO decision to cancel its funding, on the grounds (among others) that the decision was linked to the government's unlawful disregard of the 0.7% ODA spending target. The High Court refused permission for judicial review, taking the view that the government was acting within the scope of the 2015 act.[30] In May 2025, following the 0.3% announcement, the ONE Campaign sent a pre-action letter, arguing that the government's 2025 decision to move to 0.3% was of a different character, in that it was not based on a temporary set of circumstances (such as the COVID-19 pandemic) but on a long-term shift of government priorities, based on strategic considerations that "are expected to continue indefinitely. It is a decision to change the target in substance".[31]

22 Hansard, 'Statement to Parliament on Defence and Security', Prime Minister Keir Starmer, 25 February 2025 (viewed on 8 June 2025)

23 Foreign, Commonwealth and Development Office, HM Treasury and the Rt Hon Baroness Chapman of Darlington, 'Press Release: Future international development spending set out in Spring Statement', 27 March 2025 (viewed on 8 June 2025)

24 The figure covers all Departmental Expenditure Limits (capital and resource DEL) and includes estimates for in-donor refugee costs. See HM Treasury, 'Spending Review 2025', June 2025, Table 5.11, page 68

25 HM Treasury, 'Spring Statement 2025', March 2025, page 20

26 HM Treasury, 'Spending Review 2025', June 2025, paragraph 2.15

27 The Guardian, 'Diminished UK aid budget is "new normal", says development minister', Heather Stewart, 17 May 2025 (viewed on 8 June 2025)

28 House of Commons Library, 'The 0.7% aid target', Philip Loft and Philip Brien, December 2024 (viewed on 8 June 2025)

29 Hansard Society, 'Breaching the 0.7% international aid target: a case study in legislative failure', Ruth Fox, 3 March 2025 (viewed on 8 June 2025)

30 Foreign, Commonwealth and Development Office, 'Corporate report: FCDO Legal Directorate Annual Review 2021', February 2022; R (International Planned Parenthood Federation) v Secretary of State for FCDO (2021) England and Wales High Court 3629, quoted in ONE Campaign, 'ONE Campaign challenges UK aid cuts: Pre-action letter sent to government ahead of potential judicial review', 13 May 2025 (viewed on 17 June 2025)

31 ONE campaign, 'ONE Campaign challenges UK aid cuts: Pre-action letter sent to government ahead of potential judicial review', 13 May 2025 (viewed on 8 June 2025)

How does UK aid spending compare to others?

2.20 The UK was only the sixth donor country to reach the 0.7% target on a recurrent basis, after Sweden, Norway, Luxembourg, Denmark and the Netherlands. Germany has met the target from time to time, but this was a result of spikes in ODA spending on refugees and asylum seekers in Germany, particularly following major influxes from Syria and Ukraine. Many European countries (including France, Italy and Spain) did not honour their Gleneagles commitment. Both the UK and the Netherlands have now fallen back below the target, leaving Sweden, Norway, Luxembourg and Denmark as the only countries spending at this level.

2.21 In absolute terms, the UK was the third largest donor in the period 2016 to 2021, behind the US and Germany. In 2022-24, it fell to fifth place, behind France and Japan. If UK ODA falls to 0.3% of GNI, total ODA is expected to be around £9.4 billion in 2027[32] – the lowest in cash terms since 2012, and the lowest as a percentage of GNI since 1999.[33] How this will affect the ranking depends on the extent of reductions by other donors. The UK's 0.3% announcement coincided with preliminary international aid statistics showing that global ODA fell 7.1% in 2024[34] – the first decline since 2017. Looking forward, commentators are warning of a 'contagion effect' among donors following the US government's dismantling of its aid bureau, the United States Agency for International Development (USAID).[35]

32 The Office for Budget Responsibility forecasts UK GNI for 2027 at £3,127.9 billion (see 'Economy Detailed Forecast Tables', Table 1.2, March 2025, cell 113/P – viewed on 2 July 2025), of which 0.3% is £9.38 billion

33 Foreign, Commonwealth and Development Office, 'Statistics on International Development: final UK ODA spend 2023', Table 3, September 2024 (viewed on 28 June 2025)

34 Organisation for Economic Cooperation and Development, 'International aid falls in 2024 for first time in six years, says OECD', 16 April 2025 (viewed on 8 June 2025)

35 Chatham House, 'First USAID closes, then UK cuts aid: what a Western retreat from foreign aid could mean', Olivia O'Sullivan and Jerome Puri, 16 April 2025 (viewed on 8 June 2025)

3. Allocation of the UK aid budget

How ODA is allocated across departments

3.1 There are three ways by which UK government departments can acquire a share of the official development assistance (ODA) budget:

i. through an allocation under a spending review

ii. by successfully bidding into a cross-government ODA fund

iii. through spending under other statutory powers that meets the international ODA definition.

Each of these is explained in more detail below.

Spending reviews

3.2 Spending reviews are the process by which the UK government, led by HM Treasury (HMT), sets spending plans for each department, typically for a three- or four-year period. These cover relatively predictable areas of expenditure (volatile elements, such as welfare payments, are not normally subject to limits). The process typically involves the following steps:

i. The government, led by the Chancellor, sets the spending priorities for the period, based on a fiscal forecast prepared by the Office for Budget Responsibility (OBR).

ii. Departments prepare detailed budget submissions, outlining how they will use the resources to deliver the government's priorities.

iii. HMT leads a process of review and negotiation, by reference to the government's spending targets.

iv. Budget allocations are communicated formally to departments through 'settlement letters' and approved by Parliament through the annual estimates process, which gives them legal force.

3.3 As part of this process, departments are asked to specify their proposed ODA expenditure. These submissions are reviewed and, if approved, ringfenced ODA budgets are included in the settlement. ODA budgets are classified into 'resource', for day-to-day operations, and 'capital', for investments that add to the government's stock of fixed assets, such as non-grant assistance (loans and equity), capital injections for British International Investment (BII, formerly CDC), and some multilateral contributions (if they add to the UK's share capital).

3.4 The National Audit Office has pointed out weaknesses in this approach to ODA allocation in past spending reviews, including a lack of consideration by HMT of each department's capacity to deliver ODA projects.[36] The Independent Commission for Aid Impact (ICAI) has also noted that, in the period from 2013 to 2019 when UK aid was scaling up, departments bidding for ODA budgets often lacked the systems and capacities required to spend them effectively, creating "significant value for money risks".[37]

3.5 The most recent Spending Review, published in June 2025 and covering the period from 2026-27 to 2028-29 for resource spending and from 2026-27 to 2029-30 for capital, involved some changes in respect of ODA allocation. For the first time, the Foreign, Commonwealth and Development Office (FCDO) advised HMT on ODA programming allocations to departments (in the past, DFID/FCDO had to bid in competition with other departments).

36 National Audit Office, 'Managing the Official Development Assistance target – a report on progress', July 2017. See also National Audit Office, 'The effectiveness of Official Development Assistance expenditure', 2019, which says: "However, there is insufficient focus on departments' capacity to implement programmes and on their effectiveness. Centrally, government makes limited use of performance information generated by departments, inhibiting its ability to make changes to improve effectiveness."

37 Independent Commission for Aid Impact, 'How UK aid learns: A rapid review', September 2019, page i

3.6 Spending reviews assign departments ODA budget limits for both resource (operational) and capital (investment) spending. ODA budgets for FCDO and other departments are divided into 'resource' (recurrent) and 'capital' (investment) components. The latter category includes capital contributions to BII and to multilateral development banks such as the World Bank. In 2019, ICAI found that this ringfencing of ODA for capital expenditure raised value for money risks, in that there were relatively few options for capital investments. Given that, over the 2015 to 2019 period, the government had invested substantial amounts of ODA into scaling up CDC/BII, ICAI recommended that any future capital contributions be based on stronger evidence of development impact.[38] The International Development Committee has also recommended that the rules on capital expenditure be relaxed, to avoid the department being forced to "spend large amounts of money through a small number of channels".[39]

Cross-government ODA funds

3.7 The second way to obtain ODA funding is by successfully bidding into cross-government ODA funds. Such funds have been used by the UK from time to time to mobilise expertise from across government on particular thematic areas. ODA funds are allocated to the successful departments to spend according to their own rules, over and above whatever has been allocated to them through spending reviews.

3.8 Currently, the Integrated Security Fund (ISF) is the only cross-government fund that operates in this way. In 2023-24, it allocated £853 million, of which 40.6% was ODA. FCDO received 85% of the resources,[40] with the Ministry of Defence (MOD) and the Home Office the next largest participants. The ISF is managed by the Integrated Security Fund Unit in the Cabinet Office and overseen by a cross-government ministerial board. Previously, the Prosperity Fund operated in a similar way. It spent £1.2 billion over five years before closing in March 2021.[41]

ODA spending under other statutory powers

3.9 Beyond their allocated ODA budgets, governments may from time to time engage in other spending that meets the international ODA definition. This is captured in the UK's aid statistics and counts towards the ODA spending target. For example, the MOD reported £3.6 million in ODA expenditure in 2023 (0.02% of UK ODA), even though it did not have an ODA budget allocated under the Spending Review.[42] The MOD provides training for security sector personnel from many countries, a small fraction of which is ODA-eligible (for example, training for civilian officials in democratic governance of the security sector).

3.10 These additional ODA figures are usually minor. However, this category of expenditure has become much more important since 2021, due to the dramatic rise in ODA spending on refugees and asylum seekers in the UK (see the next section).

The rise of in-donor refugee costs

3.11 Under the international ODA definition, some of the costs involved in supporting refugees and asylum seekers during their first year after arriving in a donor country qualify as ODA on the grounds that they can be considered a form of humanitarian assistance. Eligible costs include accommodation, food, health and children's education. This category in international aid statistics is known as 'in-donor refugee costs' (IDRC).[43] Around two-thirds of UK IDRC has been spent by the Home Office, which provides

38 Independent Commission for Aid Impact, 'CDC's investments in low-income and fragile states', May 2019, page iv
39 House of Commons International Development Committee, 'UK aid: allocation of resources, Seventh report of session 2016-17', 28 March 2017, page 17
40 Foreign, Commonwealth and Development Office, 'Statistics on International Development', September 2024, Table 4 (viewed on 8 June 2025)
41 Foreign, Commonwealth and Development Office, 'Prosperity Fund annual report 2020 to 2021', May 2022, Table 3 (viewed on 17 June 2025)
42 Foreign, Commonwealth and Development Office, 'Statistics on International Development', September 2024, Table 4 (viewed on 8 June 2025)
43 Organisation for Economic Cooperation and Development, 'In-donor refugee costs in official development assistance (ODA)' (viewed on 8 June 2025)

accommodation and other services to refugees and asylum seekers. Other IDRC-spending departments include the Ministry of Housing, Communities and Local Government, the Department of Health and Social Care, the Department for Work and Pensions and the Department for Education.[44]

3.12 The decision in 1988 to include IDRC in the ODA definition was a controversial one (see **Box 3**), because the funds are spent entirely in donor countries and therefore have only an indirect link to the economic development and welfare of developing countries. At the time, the UK opposed this change to the rules. It only began reporting IDRC in 2010 to be consistent with international statistical practice, and initially reported only small amounts.

3.13 In recent years, the UK's reported IDRC has risen dramatically, from £628 million in 2020 (4.3% of total ODA) to £4.3 billion in 2023 (27.9%) and a provisional £2.8 billion in 2024 (20.1%) (see **Figure 2**). The rise was linked to a number of factors, explored in detail in ICAI's 'UK aid to refugees in the UK' review. These include large visa schemes for Afghan and Ukrainian refugees, following the August 2021 fall of Kabul and the February 2022 full-scale Russian invasion of Ukraine, and a rise in the number of asylum seekers, including 140,553 people arriving in small boats in the period from 2021 to 2024.[45] However, the biggest factor was the widespread and long-term use of hotels to house asylum seekers and Afghan refugees. Before the COVID-19 pandemic, hotels were used only occasionally, as short-term bridging accommodation. By October 2022, lengthy stays in over 400 hotels were costing £6.8 million per day.[46]

3.14 The UK also set aside its reluctance to report large volumes of IDRC as ODA. The methodology used, which was discussed with the DAC Secretariat before adoption, is complex, using modelling built on assumptions and estimates.[47] In its March 2023 review, ICAI found that the methodology met OECD rules, but that the UK had not followed OECD advice to donors to adopt a "conservative" approach.[48]

Box 3: In-donor refugee costs (IDRC) – a controversial category of ODA

IDRC was first included in the international ODA definition in 1988, nearly 20 years after the Organisation for Economic Cooperation and Development (OECD) began collecting aid statistics. The rationale was that supporting refugees and asylum seekers with accommodation and basic services was a form of humanitarian assistance, wherever the assistance was provided. The rule has always been controversial, given that the funds remain within the donor country.

From 2015, the volume of IDRC reported by donors globally began to rise steadily, as large numbers of refugees, mainly Syrians, arrived in European countries to seek asylum. The full-scale Russian invasion of Ukraine caused total IDRC for Development Assistance Committee (DAC) donors to quadruple in 2022, reaching $31.8 billion (£23.5 billion) or 17.3% of global ODA.[49]

DAC surveys have found that there is significant variation among donors in their reporting of IDRC. In 2017, to promote greater consistency and transparency, the DAC issued five clarifications, urging donors to adopt a conservative approach to their reporting and to publish their chosen methodologies. According to the DAC, few donor countries attempt to track actual expenditure per refugee. Most use models and estimates, which can be complex and difficult to verify.[50]

44 Foreign, Commonwealth and Development Office, 'Statistics on International Development', September 2024, Supplementary Table 1 (viewed on 20 June 2025)

45 Home Office, 'Irregular migration to the UK detailed dataset, year ending 2024', updated 22 May 2025 (viewed on 8 June 2025)

46 Independent Commission for Aid Impact, 'UK aid to refugees in the UK: A rapid review' March 2023, page 7 (viewed on 8 June 2025)

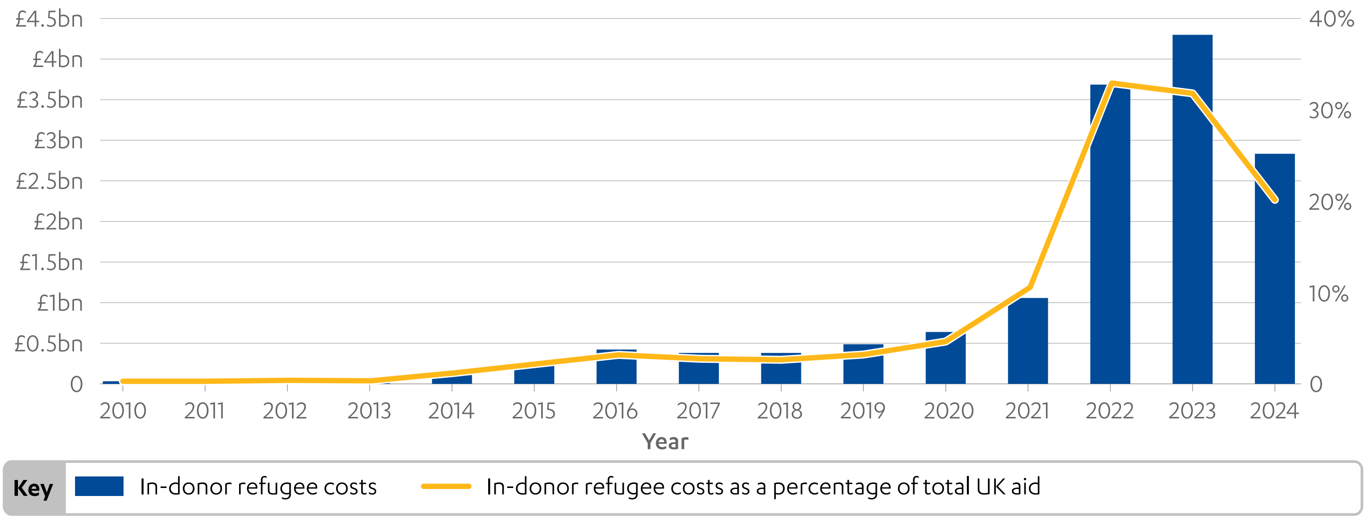
47 Organisation for Economic Cooperation and Development, 'United Kingdom in-donor refugee costs in ODA', June 2021

48 Independent Commission for Aid Impact, 'UK aid to refugees in the UK: A rapid review', March 2023, paragraph 5.3

49 Organisation for Economic Cooperation and Development's International Network on Conflict and Fragility (INCAF), 'INCAF Facts and Figures Series: ODA final data and trends for 2022 in relation to fragile and conflict-related contexts', January 2024

50 Organisation for Economic Cooperation and Development's Development Assistance Committee Working Party on Development Finance Statistics, 'Report on the implementation of the Clarifications on ODA reporting of in-donor refugee costs', June 2022

Figure 2: The rise of UK official development assistance for in-donor refugee costs



Source: Foreign, Commonwealth and Development Office, 'Statistics on International Development: Provisional UK ODA Spend 2024', Supplementary Table 1 (viewed on 8 June 2025)

Description: The bar chart shows rising in-donor refugee costs between 2010 and 2023, with a sharp rise from 2021 to 2023, and a fall in 2024. The line chart shows rising in-donor refugee costs as a percentage of total UK aid between 2010 and 2023, with a sharp rise between 2020 and 2023 and a fall in 2023 and 2024.

3.15 Because the UK has historically interpreted its ODA spending target as a floor as well as a ceiling, each pound spent on IDRC has meant a pound not spent on more conventional development support overseas. In addition, the Home Office has had difficulty producing accurate forecasts of its expenditure.[51] As discussed in the next section, this resulted in FCDO managing high levels of uncertainty in its own budget. ICAI found that, in 2022, this had inhibited FCDO's ability to undertake financial planning and forced it to put much of its own programming on hold, at significant cost to the many people around the world who depend on UK development and humanitarian assistance.[52] ICAI's 2025 'How UK aid is spent' report analyses the impacts of rising IDRC, alongside reductions in the aid budget, on UK aid. These include sharp reductions in support to many of the UK's traditional partner countries, as well as reduced ability to respond to humanitarian emergencies.

3.16 To avoid displacing other categories of assistance, some other donors have set limits on the amounts of IDRC they report. For example, Sweden caps its IDRC reporting at 8% of its total ODA budget,[53] while the Netherlands limited its ODA contribution towards the costs of hosting Ukrainian refugees to €150 million (£125 million) in 2022.[54] The UK government at the time rejected an ICAI recommendation to consider adopting such a cap.

3.17 While other European donors also experienced large rises in their IDRC, in 2022 the UK spent double the DAC average as a share of its aid budget on IDRC (28.9% of total UK ODA, compared to a 14.4% average for DAC donors). ICAI calculations showed that, in 2023, the UK's reported IDRC per asylum seeker was triple that of other European donors (France, Germany and Sweden), due mainly to the high cost of hotel accommodation.[55]

51 Independent Commission for Aid Impact, 'UK aid to refugees in the UK: A rapid review', March 2023, paragraphs 4.21 and 5.1
52 Independent Commission for Aid Impact, 'UK aid to refugees in the UK: A rapid review', March 2023, page iv
53 Organisation for Economic Cooperation and Development, 'Sweden: In-donor refugee costs in ODA', updated March 2025, page 7
54 Center for Global Development, 'Aid for Asylum Hosting: Time to Act', Laura Chappell, Sam Hughes and Ian Mitchell, 1 March 2025 (viewed on 8 June 2025)
55 Independent Commission for Aid Impact, 'How UK aid is spent', February 2025, Figure 14

3.18 IDRC directly reduces the resources available to support poverty reduction and humanitarian need in developing countries. In our report on 'How UK aid is spent', ICAI pointed out that, if IDRC is excluded from the figures, the ODA/GNI ratio fell to just 0.36% in 2022 – its lowest share in 15 years.[56] The 2025 Spending Review provides some information on the government's forecasts for IDRC in the coming years (see **Box 4**).

Box 4: What can we learn about ODA and IDRC from the 2025 Spending Review?

The 2025 Spending Review sets out plans for total departmental expenditure on ODA falling gradually as expected to £8.9 billion in 2027-28. It also shows departmental programming allocations excluding forecasted departmental expenditure on IDRC and estimates for ODA spending on research and development. While these figures do not provide a complete picture as they do not include non-departmental expenditure (for example estimates of IDRC spent by devolved administrations), comparing the published figures does provide an indication of the rate of progress the government expects to make towards its goal of bringing down IDRC. The comparisons, assuming that ODA spending on research and innovation remains at its historical modest levels, suggest a progressive reduction of departmental expenditure on IDRC from £2.2 billion in 2026-27 to £1.8 billion in 2027-28 and £1.5 billion in 2028-29.

	2026-27	2027-28	2028-29
Total Departmental Expenditure Limits (DEL) for official development assistance (ODA)	£10 billion	£8.9 billion	£9.4 billion
DEL for ODA excluding in-donor refugee costs (IDRC) and ODA for research and development spending*	£7.8 billion	£7.1 billion	£7.9 billion
Approximate DEL for ODA on IDRC	£2.2 billion	£1.8 billion	£1.5 billion

This suggests that IDRC is expected to continue to absorb approximately one-fifth of the aid budget in 2027-28. If total ODA falls to 0.3% of UK GNI, that would mean ODA funds available for purposes other than IDRC falling to around 0.24% of UK GNI, the lowest level relative to national income in more than 50 years of UK ODA statistics, matched only in 1999.[57]

Source: ICAI calculations from figures in 2025 Spending Review, Tables 5.11 and 5.12.

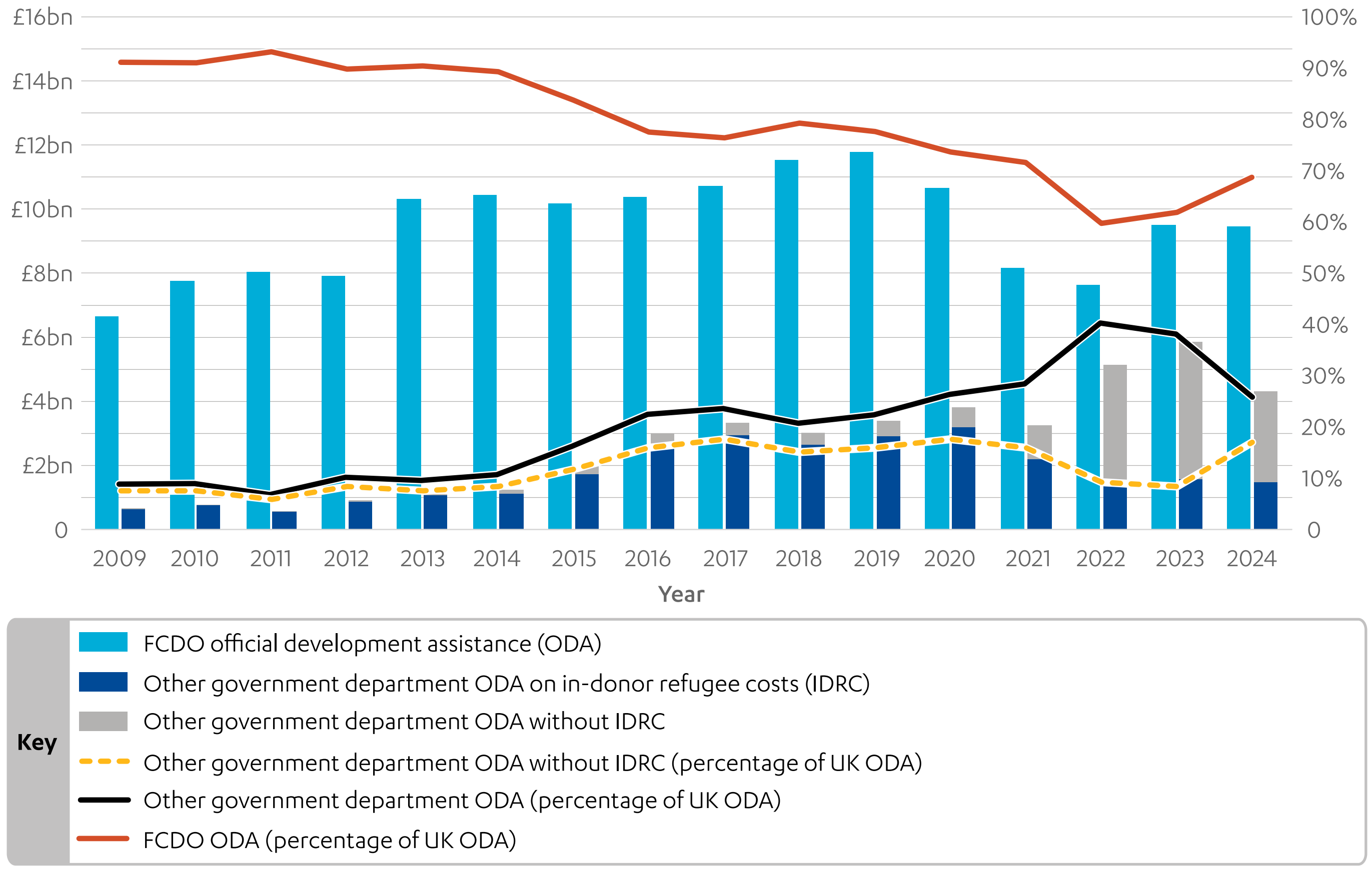
* ODA for research and development spending funded by UK Research and Innovation (UKRI).
The comparison assumes that UKRI ODA expenditure remains at the 2023-24 level of £51.1 million[58]

Trends in cross-government allocation of ODA

3.19 In 2013, when the 0.7% target was first achieved, the former Department for International Development (DFID) spent 87.8% of UK aid. In 2020, just before DFID's merger with the Foreign and Commonwealth Office, this had fallen to 69.4%. The rise in spending by other departments was driven by the growing importance of UK international climate finance, ODA-funded research, and the two large cross-government ODA funds, the Conflict, Stability and Security Fund (CSSF) and the Prosperity Fund.

56 Independent Commission for Aid Impact, 'How UK aid is spent', February 2025, Figure 12
57 Foreign, Commonwealth and Development Office, 'Statistics on International Development: final UK ODA spend 2023', Table C1, September 2024 (viewed on 18 June 2025)
58 UK Research and Innovation (UKRI), 'Annual Report and Accounts 2023-24', July 2024, page 21

Figure 3: Trends in the cross-government distribution of UK aid, 2009 to 2024



Note: 2009-19 FCDO figures are a total sum of the two former departments, Department for International Development (DFID) and Foreign and Commonwealth Office (FCO).

Source: Foreign, Commonwealth and Development Office, 'Statistics on International Development' (viewed on 8 June 2025)

Description: The chart shows that FCDO's share of total UK ODA has gradually declined, from above 90% in 2009 to under 60% in 2023. However, in recent years, the growth in ODA spending by other departments has been dominated by IDRC. If IDRC is excluded, there has been a consolidation of other ODA resources back to FCDO.

3.20 In keeping with this trend, FCDO's share of UK ODA has declined since its first full year of operations in 2021, from 71.6% to 61.9%. However, this has been caused by the sharp rise in IDRC. As **Figure 3** shows, if IDRC is excluded, there has been a consolidation of aid back to FCDO. From the forecasts in the 2025 Spending Review, this trend appears set to continue. In 2027-28, FCDO will spend 70% of total UK ODA, or 88% if IDRC is excluded.[59]

59 HM Treasury, 'Spending Review 2025', June 2025, pages 70 to 71

4. Cross-government management of the aid budget

The annual budget cycle

4.1 Since 2015, when the 0.7% target was enshrined in legislation, the former Department for International Development (DFID) and then the Foreign, Commonwealth and Development Office (FCDO) have been assigned the role of 'spender and saver of last resort'. This means that the department has been required to adjust its official development assistance (ODA) expenditure within each calendar year to ensure that the UK achieved, but did not exceed, the aid target. This entailed managing significant levels of uncertainty. The department could not finalise its ODA expenditure until a final UK gross national income (GNI) figure became available (various estimates are produced during the year) and until other departments finalised their ODA spending.

4.2 Each year, FCDO led a cross-government process to coordinate hitting the spending target.[60] It obtained regular spending forecasts from other departments (with confidence ratings) and quarterly reporting on actual expenditure. The process was managed by a cross-government Senior Officials Group, co-chaired by both FCDO and HM Treasury (HMT). Towards the end of the year, the frequency of monitoring would increase.

4.3 There were two main processes involved in hitting the target. First, any anticipated underspend of ODA budgets had to be declared by September, and the unspent sum was reallocated to other departments through Supplementary Estimates. Second, once the final figures were available in December, FCDO increased or decreased its own ODA expenditure as needed, to ensure that the target was hit with the required level of precision. This was generally done by managing the scheduling of multilateral payments. The aid target is calculated on a calendar year basis, but the UK government's financial year ends on 5 April. There is therefore scope to reschedule planned payments on either side of 31 December without affecting the department's own budget.[61] These timing changes do not usually affect the capacity of the relevant multilateral organisations to make use of the funds.

4.4 In its review of the management of the target in the pre-pandemic period to 2019, the Independent Commission for Aid Impact (ICAI) found that cross-government coordination was generally effective, given typical levels of variability in the aid budget. Using the technique of rescheduling multilateral and other large payments across year end, the department was able to minimise any impact on value for money. However, when ICAI revisited the question for 2020, when COVID-19 caused major shocks to the aid budget, it found that the process had real value for money consequences. In particular, it had led DFID/FCDO to implement large reductions to UK bilateral aid early in the year, based on what proved to be overly pessimistic GNI forecasts.[62] This might have been avoided if the government had taken up ICAI's recommendations for a more flexible interpretation of the 0.7% target.

4.5 Under the 2025 Spending Review, FCDO has been relieved of its role as spender and saver of last resort from 2025 onwards. This means that FCDO will now be allocated an annual ODA budget in cash terms, based on forecast in-donor refugee cost (IDRC) expenditure and UK GNI. High levels of IDRC may still mean lower ODA budgets for FCDO, but the in-year volatility described above is removed. Even if IDRC is unexpectedly high or does not fall as fast as expected, FCDO's in-year budget will enjoy some level of protection, as the Spending Review notes that "FCDO's budgets will no longer be automatically adjusted for GNI fluctuations or for unforeseen changes to the ODA budget,

60 The process is described in more detail in: Independent Commission for Aid Impact, 'Management of the 0.7% ODA spending target in 2020: A rapid review', May 2021

61 FCDO also makes use of promissory notes, which are legally binding undertakings to pay a specified amount to a multilateral development bank on request. These count as ODA at the time they are issued, even through the cash is not transferred until later. This helps the department in bringing forward future expenditure. At any given time, the UK has around £5 billion in outstanding ODA promissory notes. From the perspective of the multilateral development banks, a promissory note is functionally equivalent to a cash payment, as it enables them to commit to projects in advance of receiving the cash.

62 Independent Commission for Aid Impact, 'Management of the 0.7% ODA spending target in 2020: A rapid review', May 2021

such as if asylum forecasts change".[63] Based on ICAI's past findings on the high costs of uncertainty, this should allow FCDO to make more effective use of a smaller aid budget. On the other hand, FCDO will not automatically receive any additional ODA resources if other departments' ODA spending is unexpectedly low or UK GNI is unexpectedly high.

Wider coordination of UK aid

4.6 The cross-government coordination process described above is tightly focused on the management of the ODA target. Beyond that, the UK government has shown limited ambition to manage UK aid as a coherent or coordinated whole. It has also not been in a position where it can be confident that its portfolio of programmes has been securing value for money.[64] Each department manages its ODA spending according to its own policies and procedures, and answers to its own Select Committee. FCDO's formal role on cross-government ODA spending has been limited to coordinating the aid target and preparing UK aid statistics. In that capacity, it has the final say on what expenditure counts as ODA. Beyond that, it has provided only informal advice and support to other ODA-spending departments.

4.7 ICAI itself has formal responsibility for scrutiny of UK aid spent by any department (but not the devolved administrations[65]). ICAI fulfils the government's obligation under the International Development (Official Development Assistance Target) Act 2015 to ensure independent evaluation of the value for money of UK ODA.[66] Parliament's International Development Committee (IDC) also scrutinises ODA spending across UK government departments, and the National Audit Office routinely conducts value for money audits to scrutinise the management and effectiveness of ODA spending across government.

4.8 There have been some limited attempts to formulate strategies for UK aid as a whole, but no sustained effort to build an interdepartmental governance structure capable of ensuring coherence at a strategic level. For example, in May 2022 FCDO published a Strategy for International Development that stated:

> "This strategy sets the direction for all of the UK's development work. The FCDO will oversee the cross-government efforts to deliver the strategy."[67]

The strategy pledged to refresh "the [government]-wide governance framework to provide oversight, monitor implementation, measure progress, share learning, identify opportunities for collaboration and drive coherence", while reaffirming that individual departments remained accountable for their own ODA spending. We are not aware of any specific actions to take this commitment forward. Following a change in ministers, the strategy was replaced by the November 2023 White Paper on International Development. This referred broadly to the need for "a whole-of-UK effort for international development" but made no mention of a cross-government governance framework. It emphasised instead the need to rebuild FCDO's capacity and global leadership on development cooperation.[68]

63 HM Treasury, 'Spending Review 2025', June 2025, page 69

64 National Audit Office, 'The effectiveness of Official Development Assistance expenditure', 2019, paragraph 24

65 In 2024, the Scottish government spent £21 million in ODA and the Welsh government spent £1 million. Foreign, Commonwealth and Development Office, 'Statistics on International Development: Provisional UK ODA Spend 2024', Table 3 (viewed on 8 June 2025)

66 Independent Commission for Aid Impact, 'Independent Commission for Aid Impact and Foreign, Commonwealth and Development Department framework agreement', August 2022, section 1.14 (viewed on 18 June 2025)

67 Foreign, Commonwealth and Development Office, 'International Development Strategy', May 2022, page 30, paragraph 55

68 Foreign, Commonwealth and Development Office, 'International development in a contested world: ending extreme poverty and tackling climate change', November 2023

4.9 There are, however, a wide range of coordination processes for UK aid in specific policy domains or functional areas. For example:

- For security-related expenditure, the National Security Council (a cabinet committee chaired by the prime minister) provides strategic oversight of elements of UK aid that link to national security, including the work of the Integrated Security Fund (ISF). ISF programming is coordinated by a network of regional and country boards.
- There is a published strategy for the current phase of UK International Climate Finance (ICF3), which includes the pledge to spend £11.6 billion in International Climate Finance between 2021-22 and 2025-26, and an annual results publication against portfolio-level key performance indicators.[69]
- British Investment Partnerships was launched in 2022 as a collaboration across the UK government and with business and civil society, with a view to mobilising up to £8 billion of UK-backed financing for development countries per year by 2025.[70]
- In public health, there is a cross-government Global Health Framework, which sets shared objectives for health-related ODA, and a Global Health Oversight Group, led jointly by FCDO and the Department of Health and Social Care.
- For ODA-funded research and innovation, the Strategic Coherence of ODA-funded Research (SCOR) Board was formed in November 2017 to promote coherence in UK development-related science and research. It was put in place in response to ICAI's 2017 report on the Global Challenges Research Fund (GCRF).

69 HM Government, 'Together for people and planet: UK International Climate Finance Strategy', March 2023

70 Foreign, Commonwealth and Development Office, 'The UK government's strategy for international development', 2023 (viewed on 8 June 2025)

5. Conclusions and issues for the future

5.1 This section draws together past Independent Commission for Aid Impact (ICAI) conclusions on how cross-government management of official development assistance (ODA) spending has affected the value for money of UK aid. It concludes with some key issues on cross-government ODA management which are important for future scrutiny by ICAI and other stakeholders.

Key conclusions

5.2 Conclusions fall into four broad themes, each of which is a potential risk to value for money. The challenge the government faces is to manage the interaction between the budgetary systems used to allocate ODA, the processes for planning effective delivery, choices on the overall level of aid spending, and external shocks to the system, in order to maximise aid impact.

5.3 First, the decision – uniquely among donor countries – to interpret the ODA spending target as both a floor and a ceiling created clear risks to value for money even if those risks were not always crystallised.[71] A rigid spending target was manageable during periods when the budget was relatively stable, but became a problem from 2020 onwards when economic conditions became volatile. To hit the target precisely amid such uncertainty, the Foreign, Commonwealth and Development Office (FCDO) was repeatedly required to cut back or suspend its own programming. As ICAI showed in 'How UK aid is spent', these measures impacted disproportionately on UK bilateral aid. When in-donor refugee costs (IDRC) began to rise exponentially, the UK's rigid interpretation of the aid target made the challenge even greater, with an equivalent reduction in other forms of assistance (mitigated slightly by an additional allocation of £2.5 billion over the two fiscal years 2022-23 and 2023-24).

5.4 Second, the extended period of uncertainty in the UK aid budget from 2020 onwards has left FCDO operating for long periods without predictable annual and multiannual ODA budgets. ICAI has heard that this uncertainty has been almost as disruptive as the budget reductions. FCDO has found forward planning "all but impossible",[72] with the situation affecting its ability to use its reduced resources in a strategic way. As ICAI has reported elsewhere, this has reduced the effectiveness of UK aid and damaged the UK's reputation as a reliable development partner.[73] The challenge may have been resolved, at least temporarily, by the decision to allocate FCDO's budget in cash terms, based on gross national income (GNI) and ODA-spending forecasts, removing the department's role as spender and saver of last resort. However, it is still not entirely clear how future volatility will impact on the 0.3% annual ODA budget. Furthermore, predictability may become a live issue again when the government meets the commitment to return to spending at 0.7% under the statutory ODA target.

5.5 Third, ICAI has concluded that the rapid growth of IDRC from 2021 onwards represents poor use of UK ODA. UK spending on IDRC did not contribute to any of the strategic priorities set out in the May 2022 International Development Strategy.[74] ICAI found that the increase was primarily caused by the growing backlog of unprocessed asylum claims (which resulted in people being eligible for ODA-funded support for longer periods) and the consequent accommodation crisis, leading to the use of expensive hotel accommodation. As noted above, this led to the UK spending twice as much on IDRC (as a share of total ODA) and three times as much per refugee and asylum seeker compared to other donor countries.[75] ICAI found that Home Office controls over the value for money of IDRC were inadequate, and that unlimited access to the ODA budget weakened its incentives to pursue long-term solutions to the

71 Independent Commission for Aid Impact, 'Management of the 0.7% ODA spending target', November 2020

72 Independent Commission for Aid Impact, 'UK aid under pressure: a synthesis of ICAI fundings from 2019 to 2023', 2023, paragraph 2.21

73 Independent Commission for Aid Impact, 'UK aid under pressure: a synthesis of ICAI fundings from 2019 to 2023', 2023, paragraph 2.21

74 Independent Commission for Aid Impact, 'UK aid to refugees in the UK: A rapid review', March 2023, paragraph 4.2

75 Independent Commission for Aid Impact, 'How UK aid is spent', February 2025, Figure 14

accommodation crisis.[76] While IDRC is recognised internationally as a form of humanitarian assistance, ICAI noted that it is both less efficient and less equitable than supporting refugees and displaced people in their own regions.[77] The current government has pledged to bring down IDRC in the coming years. However, it has not to date revisited the previous government's rejection of ICAI recommendations to cap the proportion of the aid budget spent on IDRC and adopt a more conservative methodology for reporting IDRC.[78]

5.6 Fourth, ICAI has noted that cross-government processes for managing ODA have in the past been tightly focused on coordinating the ODA target. There was limited ambition to create an interdepartmental governance structure for ODA robust enough to ensure coherence at a strategic level, or a system for monitoring and reporting on whether the UK is achieving its international development objectives. The current government has announced an intention to strengthen interdepartmental coordination of UK aid, as well as to 'modernise' development cooperation,[79] with a new approach to partnership with developing countries and more strategic use of a reduced aid budget. While some novel allocation processes were used in the 2025 Spending Review, more substantial changes to cross-government coordination processes would likely be needed to support these objectives.

5.7 This review of past ICAI findings and other analysis on the management of the UK's ODA target suggests a number of important issues that will merit continuing scrutiny in the coming period, as the government implements its planned reduction of the aid budget to the equivalent of 0.3% of GNI.

i. How does the allocation of aid budgets across departments reflect the quality of their proposed spending and their capacity to engage in effective development cooperation?

ii. Given the government's stated intention to 'modernise' development cooperation, what processes will be established to improve cross-government coherence and coordination of a reduced aid budget?

iii. How will the government's approach to the allocation of aid budgets take account of its statutory requirements on reducing poverty and gender inequality?

iv. In implementing the reduction to a 0.3% of GNI aid budget, will the government provide aid-spending departments with predictable, multiannual allocations so that they can make more strategic use of the reduced resources?

v. What measures is the government taking to bring down IDRC over the life of the Spending Review? Given a reduced aid budget, will the government adopt a more conservative method for calculating IDRC, as recommended by the Organisation for Economic Cooperation and Development?

vi. How will the government manage unexpected departmental under- and over-spends during the Spending Review period?

vii. When fiscal conditions permit a return to the statutory 0.7% target, how will the government manage the large uplift in aid expenditure that will be required? Will it introduce a more flexible interpretation of the 0.7% target?

viii. In the current Spending Review period, will ringfencing of funds for capital investments or financial transactions constrain spending choices or compromise value for money?

5.8 ICAI will consider these and other issues for its ongoing full review of the UK's cross-government management of the aid target.

76 Independent Commission for Aid Impact, 'UK aid to refugees in the UK: A rapid review', March 2023, paragraphs 4.17 to 4.20

77 Independent Commission for Aid Impact, 'UK aid to refugees in the UK: A rapid review', March 2023, page v

78 Foreign, Commonwealth and Development Office and Home Office, 'Government response to the Independent Commission on Aid Impact's review of UK aid funding for refugees In the UK', March 2023 (viewed on 18 June 2025)

79 Foreign, Commonwealth and Development Office, HM Treasury and the Rt Hon Baroness Chapman of Darlington, 'Press Release: Future International Development spending set out in Spring Statement', 27 March 2025, page 19 (viewed on 8 June 2025)

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