HM Treasury, 1 Horse Guards Road, London, SW1A 2HQ

Lord Purvis of Tweed
House of Lords
Houses of Parliament
Westminster
London
SW1A 0PW

25 July 2025

Dear Lord Purvis,

Thank you for your question on what assessment this Government is making on the additional borrowing costs faced by developing countries following the reduction in ODA spending to the equivalent of 0.3% of GNI by 2027. My apologies for not having an answer for you in the chamber.

Reducing ODA now is a difficult but necessary decision to respond to the pressing security challenges our country faces. The Spending Review ODA settlement tracks a gradual reduction, allowing time for programming to be reprioritised, and to consider the impacts, such as on the borrowing costs of developing countries. The government will continue to work closely with partners to deliver ODA through multilateral and bilateral channels. As the government transitions to 0.3% of GNI, it will focus ODA spending on the UK's development priorities: addressing humanitarian crises, climate and nature, and global health security, underpinned by economic development, all whist continuing to prioritise multilateral spending in target areas, which provides good value for money for the taxpayer.

The UK will remain a credible partner and committed to tackling global challenges and supporting the poorest, and we will remain focused on ensuring that every pound spent has significant impact on our development priorities. The government is working closely with the private sector to unlock and mobilise private capital for international development and climate projects, including to promote global growth and jobs. We remain committed to international development and to returning ODA to 0.7% of GNI when the fiscal circumstances allow.

The UK fully recognises the high debt servicing pressures facing many low and middle-income countries in the near term and continues to advocate for the rapid implementation of the IMF and World Bank's three-pillar approach, to deliver support. This is designed to coordinate action to improve revenue mobilisation and implement sound economic policies, with efforts to provide new flows of finance at concessional rates from international financial institutions, and other partners – including the private sector – as well as providing debt relief on a case-by-case basis where needed.

The UK is committed to working with other creditors to address country debt vulnerabilities in a timely and coordinated way, providing swift debt treatments where required. We seek to build consensus with other official creditors on debt treatments that significantly reduce the risk of debt distress in these countries, in line with the IMF and World Bank Debt Sustainability Analyses. We progress this work through international fora and mechanisms, including the G20, Paris Club, the Global Sovereign Debt Roundtable, and the G20 Common Framework.

I am also pleased to highlight that the Economic Secretary is co-chairing a new London Coalition on Sustainable Sovereign Debt, alongside José Viñals, former chairperson of Standard Chartered Bank. The Coalition brings together government and private sector stakeholders to find innovative solutions to more sustainable sovereign debt financing in developing economies, with a focus on private debt. It will look to drive improvements in debt transparency, consider the uptake of UK-led contractual innovations – namely Climate Resilient Debt Clauses (CRDCs) and Majority Voting Provisions (MVPs) – in private lending, and improve challenges with private sector creditor coordination on the whole.

A copy of this letter will be placed in the Library of the House.

Yours sincerely,

Spencer Livermore

FINANCIAL SECRETARY TO THE TREASURY