



Foreign, Commonwealth
& Development Office

**The Rt Hon. Baroness Chapman of
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Minister of State for International
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Sarah Champion MP
Chair, International Development Committee
House of Commons
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Dear Sarah,

Thank you for your letter of 5 June, following my oral evidence session on The FCDO's Approach to Displaced People and The FCDO's Approach to Value for Money on 3 June. I thank the Committee for raising these important issues and look forward to reading your final reports. I will address each of your questions in turn.

The FCDO's Approach to Displaced People

1. What priority does the FCDO place on stabilisation programming for fragile and conflict-affected states?

Stabilisation Programming is an important aspect of the FCDO's response to conflict. Our approach focuses on restoring security and creating the right conditions for a political process to take place, where previous political capacity to manage conflict and counter instability have broken down. Our approach to stabilisation is an important complement to our wider efforts on conflict prevention and resolution, for example in Somalia, where the UK is supporting stabilisation activity in areas recovered from Al Shabaab.

Through UK leadership, international partnerships and expertise, the UK is working to prevent and reduce the drivers of conflict and fragility and build more sustainable and inclusive peace. We are focusing our efforts on supporting Ukraine, Gaza and Sudan, reform of the UN and other multilateral institutions to better prevent and tackle conflict and building new partnerships with countries like Qatar and Kenya to support their leadership on mediation and peacebuilding.

2. Can you outline the FCDO's strategy on stimulating the private sector across fragile states; and can you share examples of relevant programming?

The FCDO's strategy to stimulate the private sector in fragile and conflict-affected states (FCAS) focuses on promoting productive, job-rich sectors that contribute to peace and stability. As with all development work in FCAS, conflict sensitivity is central to the FCDO's economic development initiatives and enables us to manage the risk of our work unintentionally creating further instability. We undertake robust due diligence to assess these risks, and our projects are varied by geography to adapt to the specific fragility context of each region.

Key programming examples include:

- **British International Investment (BII)** – BII is a key institution through which the UK provides capital to support inclusive economic development in partner countries. BII has a strong focus on FCAS, with its investment portfolio in these countries over 30% larger than any of its equivalent European development finance institutions. BII co-created the *Africa Resilience Investment Accelerator (ARIA)* with other development finance institutions – a dedicated initiative to support unlocking investments and building investment ecosystems in the poorest and most fragile markets in Africa. So far, 144 potential opportunities have been identified, with 7 deals worth \$67 million already approved.
- **The Private Infrastructure Development Group (PIDG)** – funded by the UK and others – is also supporting private sector expansion in fragile and conflict affected states. Between 2019 and 2024, 79% of PIDG projects reaching financial close were in Least Developed Countries (LDCs) or FCAS. In 2024, PIDG committed \$166m to 9 FCAS projects, including a \$28m investment by its debt facility, EAAIF, in Africell's first \$300m five-year public bond. The funds will support telecom infrastructure in Angola, DRC, The Gambia, and Sierra Leone, including 673 towers over 2025–2026, enhancing connectivity for around 14 million underserved users. EAAIF's anchor role enabled Africell to access \$272m from over 50 institutional investors, overcoming country risk and limited private bond appetite.
- **International Finance Corporation (IFC)** – as the IFC's fifth largest shareholder, the UK supports expanding IFC investments in FCAS, which have nearly doubled since 2018, from \$2.4bn in FY18 to \$4.6bn in FY2024/25. The Blended Finance Private Sector Window has enabled IFC and the Multilateral Investment Guarantee Agency (MIGA) to enter new countries and sectors, such as making IFC's first ever investments in Burkina Faso, Djibouti, Liberia, Samoa, South Sudan and Yemen.

3. Will you consider working with British International Investment to update its investment priorities to explicitly include programmes that contribute to removing the drivers of displacement?

We will continue to examine the right geographic priorities for BII, as we look ahead to its next five-year strategy. The most impactful role for BII regarding displacement issues is its provision of long-term, patient capital in places where it is difficult to make investments, driving job creation, and supporting stable, inclusive economic growth in fragile countries.

This mitigates some of the key drivers of displacement before they take effect and increases access to goods and services which can support host communities and refugees.

4. Will you set out the extent to which the FCDO incorporates modelling of future climate-induced displacement into its programming?

The UK supports programming in areas that have been identified as most vulnerable to climate impacts, using tools such as the ND-GAIN Country Index, where the risk of displacement is often high and expected to increase. For example, under our humanitarian and resilience programme in South Sudan (2024-2028) the UK will provide funding to partners for measures such as rehabilitation of dykes and support to community disaster management committees, to mitigate increasing flood risks and help reduce potential displacement.

The UK takes an evidence-based approach to adaptation action in developing countries, supported by FCDO's flagship £110m Climate Adaptation & Resilience research programme (CLARE) which bridges critical gaps between science and action, including research on climate-related migration dynamics. The CLARE programme also funds our science for natural hazard emergencies, informing preparation and response from FCDO, across government, and other humanitarian partners, via partnerships with the Met Office, British Geological Survey, UK academia and other experts.

5. As referenced during the oral evidence session, can you please share the relevant documents stipulating what data programme delivery partners must collect on the displaced people they work with, including on persecution and on individual characteristics, such as age, gender, ability, religion and others?

The FCDO signed the [Inclusive Data Charter](#), building on previous DFID commitments to disaggregate development data and statistics by gender, age, disability status and geography. All FCDO programmes must adhere to the FCDO Programme Operating Framework (PrOF Rule 9) which requires programme teams to consider how the intervention will affect gender equality, disability inclusion, age, and geography and highlights our commitments under the Inclusive Data Charter (IDC). We provide teams with specific guidance on Disability Inclusion outlining what actions should be taken to align with the IDC. We also have detailed guidance notes on how to disaggregate programme data by disability.

As with all FCDO ODA programmes working with beneficiaries, those that work with displaced people must adhere to the PrOF rules and guidance notes on disaggregated data, and collecting data disaggregated by gender, age, disability status and geography as far as possible. However, it is often more challenging to collect data disaggregated by these characteristics in situations with displaced people, for example in humanitarian or conflict contexts. This is because disaggregated data frequently comes from governmental administrative systems which can be less complete or absent in situations of displacement. We recognise that displaced people may be in contexts where it is more difficult to collect disaggregated data and this is likely to affect our ability to collect and use this data. These issues and the FCDO's methods to address them with implementing partners are outlined in

individual programme business cases, usually following advice from FCDO specialist Statistics or Evaluation Advisers. Data on persecution and religion is not as routinely collected but may be gathered by specific programmes if it is needed and able to be collected in a cost-effective and ethical way.

FCDO also collects and publishes thematic results for International Climate Finance, gender-based violence, education, humanitarian and social protection, which are disaggregated by various characteristics.

Going forward, FCDO aims to publish and implement a new Inclusive Data Charter Action Plan (IDCAP) to help us achieve our commitments and improve the collection of data and statistics by gender, age, disability status and geography across all its work, including that with displaced people.

6. Can you update us on the UK's progress towards meeting the commitments made as part of the Grand Bargain 2.0?

The UK remains a committed signatory to the Grand Bargain. On the three core areas on which we regularly report to the Grand Bargain, progress includes:

- **Quality funding:** The UK is a long-standing implementer of multi-year humanitarian programmes and prioritises multi-year agreements with partners wherever possible. In recent years, due to fluctuations to the UK aid budget, a larger number of multi-year partner agreements have included annual budgets within humanitarian programmes. FCDO has also signed annual partner agreements. However, FCDO remains committed to providing quality multi-year funding to its implementing partners and are working to return to a practice of multi-year partner agreements and funding. We likewise remain committed to flexible funding, for example, last year we provided £105 million in core humanitarian funding to UN agencies, and £59 million in core funding to the Red Cross movement. The UK is also the largest overall donor to the Central Emergency Relief Fund since its inception in 2006, and last year provided £52 million. We also supported 12 Country-based Pooled Funds in 2024, totalling \$191.3 million.
- **Localisation:** The UK strongly supports the role of national and local organisations in meeting humanitarian needs and building resilience and we are committed to supporting initiatives which have a strong focus on supporting local responders, including ensuring partnerships take an equitable approach to administrative costs for local actors.
- **Participation:** Putting crisis-affected people at the centre is a key pillar in the UK's humanitarian approach. The UK advocates for the participation of affected communities and organisations that represent them to be prioritised in humanitarian responses, including in coordination and decision-making structures to the extent possible. The methods employed to promote the participation of crisis-affected people varies across contexts. In our core support to UN agencies and the Red Cross

movement, we have used 'payment by results' indicators relating to accountability to affected populations to incentivise progress towards developing organisational and collective standards.

7. Will the Government maintain financial support for host countries of large numbers of refugees, such as Jordan, at current levels?

The Spending Review allocated to the FCDO a total ODA settlement of £6.815bn in 2026/27, £6.188bn in 2027/28 and £6.945bn in 2028/29. The UK remains committed to investing internationally to build a safer world. The FCDO will continue to be a key humanitarian actor, with a significant portion of spend focusing on displaced people in or near their home countries.

The FCDO's Approach to Value for Money

1. Can you provide an example of where a private finance partnership has improved value for money in an FCDO project?

The UK, alongside other donors, helped to establish the Private Infrastructure Development Group (PIDG) in 2002 to mobilise private investment for infrastructure projects in Africa and Asia. PIDG's Emerging Africa and Asia Infrastructure Fund (EAAIF), is a long-term debt facility, to which the UK has provided \$332.9 million in capital since 2002. This equity from donors has enabled EAAIF to raise debt capital from Development Finance Institutions (DFIs) and private financiers who would otherwise deem the risk of investing in emerging markets and developing economies too high. As of 2024 the ratio of equity from donor finance to private finance stood at just over 1:4, with \$395 million cumulatively from all PIDG donors, and approximately \$1.7 billion cumulatively from DFIs and private financiers. EAAIF has been able to reduce its reliance on donor finance and now raises a large proportion of its capital from private investors including Standard Chartered and Allianz. To date EAAIF has supported 96 projects, which have benefitted over 154 million people with new or improved infrastructure across Africa and Asia; and created close to 24,000 permanent infrastructure jobs.

2. How does the FCDO ensure partners, both in the private finance sector and larger NGOs, adhere to the same value for money principles as its own programmes?

FCDO include value for money principles based on our Value for Money framework within all our contracts, grants and other agreements with third parties that are delivering programme outcomes or conducting investments on our behalf. This ensures our partners are obliged to achieve Value for Money for UK taxpayers. The PrOF embeds FCDO's approach to achieving value for money in programmes, centred around the 5E's framework of economy, efficiency, effectiveness, cost-effectiveness and equity.

New programmes are subject to assurance and approvals before FCDO commit to delivering a programme. The process includes a Quality Assurance Unit review of all aspects of a

Business Case (for programmes > £40 million or novel/contentious) and Investment and Delivery Committee approval. At each approval gate the programme is assessed against multiple factors, including value for money.

The Commercial Directorate use an extensive cost benchmarking database to test value for money considerations in new contracts to design evaluation criteria that will deliver the programme requirements and achieve value for money. Through the Supply Partner Code of Conduct, suppliers are required to embed value for money in their approach to delivery.

In Accountable Grants, value for money is clearly defined along with our expectations on delivery partners, including making the best possible use of resources to maximise our impact.

3. What metrics does the FCDO use to evaluate the effectiveness of its own programmes and ensure that value for money is being achieved?

The FCDO uses a mix of quantitative and qualitative data to assess value for money and inform decision-making in all our ODA programmes.

The FCDO supports various types of interventions in different sectors and countries, targeting different aspects of poverty which have different levels of attribution. The lack of data in many of the contexts we operate in means that quantitative metrics are often not possible or good quality (e.g. properly sourced, measurable at the start of the programme (or baselined), regularly measured and relevant to the programme). Also, different partner countries value things differently. Metrics of value, therefore, must change with the context we are working in, if we want to be a good partner. So, the FCDO use different quantitative metrics and qualitative evidence as appropriate to the context and programme.

In line with the FCDO's 5E's framework for assessing value for money, our internal guidance provides examples for programme teams of different value for money metrics they should try to use, where appropriate. These include:

- Input unit costs measure the **economy** of key programme cost drivers, e.g. cost per kg of grain, a litre of fuel etc.
- Output unit costs measure **efficiency**; the costs of achieving one output, e.g. the cost of a girl graduating, cost of getting an unemployed person into work, or cost per an election observer trained.
- Outcome unit costs measure **effectiveness**, the cost of achieving an outcome, e.g. cost per death averted in health interventions or percentage of election observers concluding an election was Free & Fair.
- Cost-Benefit and Cost-Effectiveness Analyses measure **cost-effectiveness** of alternative interventions.
- **Equity** can be captured by disaggregating output or outcome indicators across population groupings, using specific targets for vulnerable groups; and/or conducting a distributional analysis of outcomes, e.g. over wealth quintiles.

- **Proxy metrics** are also sometimes used in programmes or portfolios i.e. metrics that drive value for money, but do not directly link a cost to a result (e.g. leverage ratio of private sector finance).

Other important elements the FCDO uses to ensure programmes deliver value for money include:

- **Strong systems at programme level** - the Programme Operating Framework sets guidance on the design, results frameworks, monitoring and evaluation. For example, programme work within a results framework and report on results through annual reviews (which are published on DevTracker).
- An **Evaluation Strategy** that focuses on using robust impact evaluations in strategically important areas and developing evaluation tools.
- **Developing an organisational outcomes framework** to track overall FCDO impact across diplomacy and development.

4. **The FCDO's written evidence sets out that programme managers do not feel valued within the organisation. What steps are you taking to improve the experience for your staff?**

The FCDO recognises the value and importance of good programme management. We have introduced new mandatory learning for Heads of Mission to consolidate their understanding of programme management as a key aspect of their accountabilities. We continue to invest in our programme managers through an extensive learning and development offer – which includes opportunities to gain industry-standard professional qualifications. The FCDO programme management profession continues to expand via a supported accreditation process, enhancing career prospects for FCDO staff. We also celebrate and showcase the successes of FCDO programmes including through the Government Project awards (where FCDO won two awards this year). We also provide opportunities for professional networking and knowledge sharing across the global network, fostering a sense of community among programme managers.

5. **How much of the FCDO's ODA budget is currently being delivered through private contractors?**

ODA spend through contractors peaked in DFID contracts in FY2015/16 at 22%. It remained relatively stable at approximately 15% of ODA until the pandemic and the various reductions in ODA spend since 2020.

In FY2023/24, this proportion had reduced to 5.5% of ODA spent through contracts. This was particularly low due to pauses in decision making and approval of new business cases. In FY2024/25 spend through contracts increased to 9.6% of total FCDO ODA programmes (note this figure is provisional and subject to final audit of FCDO FY2024/25 outturn).

6. How does the FCDO assess whether private contractors are delivering better value for money compared to other channels?

During the development of new Business Cases, the FCDO's Commercial function support the programme team to assess the delivery routes available to achieve the programme objectives. For some large and complex programmes, we will perform a full Delivery Model Assessment to determine the optimal structure for the delivery of the programme.

When assessing the potential cost of delivery through contracts, FCDO Commercial utilise a Cost Benchmarking database with extensive details of the rates paid for comparable work. This approach ensures we can reach decisions on delivery route that will achieve optimal value for money in delivery of our programmes.

7. How does the FCDO determine what constitutes fair but not excessive profits for contractors?

FCDO are supportive of our suppliers making a fair profit through our contracts. We do not set a maximum profit level in our procurements. When bidding on opportunities, suppliers are assessed against the published commercial criteria, which incentivises suppliers to keep their costs, including overheads and profits competitive.

Once the level of profit is set in the contract, the supplier is unable to exceed this level and FCDO have the contractual right to recover excessive profits and re-invest them in the programme.

In our Cost Benchmarking database, FCDO track the agreed profit levels in our contracts. In 86 contracts awarded since 2023, the average profit was 4.04%. Including overheads, the total cost of using private sector suppliers is approximately 12.5%, this compares well with Accountable Grants that have total overhead costs of approximately 12.2%.

8. The FCDO's written evidence says that there are cost savings and efficiency gains to be made using FCDO staff rather than outsourced alternatives. Can you explain what these gains are?

Cost savings are calculated by comparing the cost of the FCDO salaries and associated costs with the fee rates we would typically pay for a consultant in the same specialism, location and level of experience, drawing on a database of actual fee rates paid on contracts for similar work. In the first year after ProF Rule 26 was introduced on charging the cost of FCDO staff to programmes, creating new FCDO staff roles to deliver parts of programmes saved an estimated £4 million, or 24% of the cost of an outsourced alternative.

Aside from cost savings, the gains from using FCDO staff to deliver programmes may include better coordination with other programmes and influencing work, improved learning within or beyond the programme, or shorter delivery chains and improved communication with frontline delivery partners. Gains of using FCDO staff in this way will vary between programmes. For some programmes providing technical advice to local counterparts, the

advice will have greater credibility if it comes directly from a member of HMG staff. In other cases, it will have more impact coming from an independent third party. Programme teams therefore make a judgement about the right balance between in-house and outsourced delivery for each programme.

Yours ever,

A handwritten signature in black ink, appearing to read 'Baroness Chapman', written in a cursive style.

**The Rt Hon. Baroness Chapman of Darlington
Minister of State for International Development,
Latin America and the Caribbean**