Foreign, Commonwealth & Development Office

Nick Dyer
Second Permanent Under-Secretary of State
King Charles Street
London
SW1A 2AH

Tel: 020 7008 2150
Email:
pus.action@fcdo.gov.uk

22 September 2025

Dear Jillian

Progress update - ICAI review recommendations

Thank you for your recent correspondence requesting updates against recommendations reviewed in ICAI's most recent follow-up report, published in May 2024.

I am pleased to provide updates against the requested recommendations (outlined below) in the annexed document.

Review	Recommendation Number(s)
UK aid to India	1 & 4
The FCDO's Programme Operating Framework	2
UK aid to agriculture in a time of climate change	5
Tackling fraud in UK aid through multilateral organisations	3
UK aid's alignment with the Paris Agreement	4

I look forward to continuing to work with you and the Commission to ensure UK aid is delivered to the highest standards and achieves maximum impact.

Yours sincerely

Nick Dyer

July 2025

Annex A: Government progress update against ICAI review recommendations

1. This update provides an account of progress made against recommendations reviewed in the Independent Commission for Aid Impact's (ICAI) most recent follow-up report (May 2024). As requested by ICAI, the update focuses on recommendations where ICAI assessed progress to be inadequate, relating to the following reviews: UK aid to India; the FCDO's Programme Operating Framework; UK aid to agriculture in a time of climate change; Tackling fraud in UK aid through multilateral organisations and UK aid's alignment with the Paris Agreement.

2. UK aid to India

2.1. **Recommendation 1 (partially accepted)**

2.2. The UK should focus its aid portfolio to India on a limited number of areas where UK aid can help make India's economic growth more inclusive and pro-poor, with clear theories of change to guide the design of aid programming and development diplomacy.

2.3. ICAI's most recent follow-up report (2024) noted FCDO projects in support of civil society groups that are well designed and impactful. ICAI would like to see stronger evidence on how interventions funded by ODA contribute to inclusive growth and address persistent 'pockets of poverty' in India.

2.4. **Progress**

2.5. Work has started on an Inclusive Growth Diagnostic for India. This will update and deepen our understanding of growth in India and provide a basis for diplomacy and any future programmes. It is expected to be completed before the end of the year.

2.6. The Theory of Change developed for the India-UK Economic Cooperation Programme (ECOP) in 2023 was updated following the elections in India and the UK, aligning it better to the growth priorities. This is now the sole bilateral programme working in this area, and complements the capital investment programmes that ICAI reviewed and assessed separately and which have a strong focus on inclusive, sustainable growth.

2.7. ODA reductions meant that new activities within the programme could not be agreed and the possibilities to reorient existing commitments were also limited. The current ECOP targets:

- Private financial flows to MSMEs, a key job-creating segment which is a key priority for India.
- Climate finance.

- Women's economic empowerment, buying into the SheTrades programme.
- Public financial flows to address barriers to inclusive growth and to increase domestic revenue.

2.8. **Recommendation 4 (partially accepted)**

2.9. British International Investment should reassess its approach to ensuring additionality in its India portfolio.

2.10. ICAI's most recent follow up report (2024) found BII's new India country strategy (published July 2023) links to poverty reduction, with a greater focus on inclusion and regional inequalities in India. However, ICAI determined that the new strategy does not seem to be shaping investments sufficiently.

2.11. **Progress**

2.12. BII's revised investment approach in India, covering both direct and intermediated investments focuses on high impact opportunities with an emphasis on two key development objectives of climate and inclusion. BII is on track to meet its climate ambition set in the UK-India Economic and Financial Dialogue 2021 to invest $1 billion in climate-related projects over 2022-2026, having invested over $715 million to date. Within this it has made pioneering investments that tackle both climate and inclusion objectives such as Grow Indigo, which is creating new income streams for smallholder farmers through carbon credits by supporting the adoption of regenerative agriculture practices. In addition, BII has made significant progress in its approach to mobilising private capital in India. Key actions include innovating with new product structures, achieving significant investment exits, and launching a dedicated new Mobilisation Facility specifically targeting investments with large institutional investors.

2.13. BII's approach to non-commercial due diligence is set out in its Policy on Responsible Investing. The Policy sets out the requirements of investees, which are based on legal requirements as well as guidance from international frameworks such as the IFC Performance Standards; ILO Core conventions; OECD and UN conventions on combating bribery; FATF and Basel standards on anti-money laundering; and draws from the UN Principles of Business and Human Rights.

3. <u>UK aid to agriculture in a time of climate change</u>

3.1. **Recommendation 5 (accepted)**

3.2. The Department for Science, Innovation and Technology (DSIT) and UKRI should integrate learning about development effectiveness, including from previous ICAI reviews, into future ODA-funded agricultural research.

3.3. ICAI's most recent follow up report (2024) found that FCDO has led a strong response to ICAI's recommendations to improve the UK's aid to agriculture in a time of climate change, and the overall response to the review is adequate. However, ICAI found that weaknesses remained in cross-government coordination and the work of BII, UK research and Innovation and the Department for Science, Innovation and Technology (DSIT). ICAI have requested further information on how FCDO and DSIT work together to integrate learning on development effectiveness into the design of future ODA-funded agricultural research programmes.

3.4. **Progress**

3.5. Ongoing progress has been made on improving monitoring, evaluation and learning systems, and VFM approaches, within DSIT and UKRI's ODA-backed Research Funds, and on cross Departmental coordination (FCDO, DSIT, UKRI, others), including for development impact through the food and agriculture-focused Gilbert Initiative and other fora.

3.6. The International Science Partnerships Fund (ISPF) is part of the UK's commitment to prioritise strategic science partnerships to deliver public goods. The fund supports the Government's ambition to be a reliable partner on science, collaborating through shared endeavour to address the challenges we face both here in the UK and around the world, including those challenges linked to agriculture and food sustainability, particularly relating to the impacts of climate change on nature and the environment. ISPF will stimulate research impact and mobilise UK science and technology expertise, recognising that advances in science succeed best when we work together. This will support foundations for long-term prosperity for us and our partners.

3.7. DSIT continues to work closely across HMG to ensure coherence and strategic alignment of ODA programming, whilst using departments' expertise and learning to improve programme delivery. DSIT worked closely with the FCDO and other departments throughout the Spending Review process which culminated in the June 2025 announcement, to build in learnings from previous spending rounds in order to minimise disruption to researchers. Further, DSIT and FCDO have worked together to improve coherence between our portfolios, and are continuing to review approaches with ministers.

3.8. Previous ICAI reviews of DSIT's legacy funds – the Global Challenges Research Fund (2017), the Newton Fund (2018) and UK aid to agriculture in a time of climate change (2024) – set out recommendations and expectations for improvements in Monitoring, Evaluation and Learning (MEL). Recognising these recommendations, DSIT has invested significantly in MEL across both legacy and new funds. Furthermore, for the new international R&D fund, the ISPF, DSIT has developed and rolled out a MEL plan which ensures that there is robust evidence to assess fund performance and value-for-money, for learning and accountability purposes, and to inform changes to delivery and bids for future funding. Examples include:

Monitoring Framework: The development of a Key Performance Indicator (KPI) monitoring framework to measure the impact of research and innovation has been crucial to successful evaluation of the existing funds and continues to be developed for ISPF.

Fund level evaluations: Comprehensive externally commissioned evaluations at fund level have been conducted for the Newton Fund, Global Challenges Research Fund and ISPF, using and combining innovative evaluation methodologies to answer complex evaluation questions in a development context.

Value for Money (VfM): Traditional VfM assessment methodologies cannot be applied to Research & Development (R&D) funds as outcomes are not typically designed to be monetised. DSIT has developed a rubric-based VfM assessment which allows comparability across a range of activities with different types of evidence. Where appropriate, return on investment assessments will be made for ISPF activities.

Governance: DSIT places a strong focus on robust MEL across all its funds. There are well-established governance arrangements and processes in place to develop, manage, and quality-assure MEL arrangements.

Additional MEL at partner level: Where appropriate, Partner Organisations (POs) conduct additional MEL activities for their programmes, contributing further to learning and accountability.

Learning strategies: All evaluations are published as part of the government social research publication protocol for transparency and learning. MEL evidence is shared through the Evaluation Working Group (EWG) and the PO-led Delivery and Learning Group (DLG) for policy colleagues and POs to make use of, where appropriate, for learning. Evaluations provide recommendations for future fund design and for future policy development.

3.9. UKRI remains committed to enhanced coordination of agricultural research and innovation for development across government ODA R&D activity. In particular, UKRI has continued to be an active participant of the Gilbert Initiative as a tool for greater coordination of agricultural research to build climate-resilient food systems. UKRI has conducted an exercise to learn lessons from the experience of engagement with a similar cross-HMG initiative, the Ayrton Fund, and shared these with the Gilbert Initiative.

3.10. UKRI's strategy for monitoring and evaluation has been improved to ensure learning is brought in as a key component of decision making and programme design. This includes systematic collection of KPIs and research outcomes, coupled with thematic programme evaluations, and sits alongside DSIT's ISPF fund-level evaluation framework. UKRI has continued to develop policies in support of equitable partnerships, including the development of clear principles and a definition for equitable partnerships to enable these values to be embedded into all our ODA activities. UKRI has worked to champion best practice through support for attempts to enact system-level change, for example, through the Association of Research Managers and Administrators (ARMA) work to reduce barriers to direct overseas funding.

4. The FCDO's Programme Operating Framework

4.1. **Recommendation 2 (accepted)**

4.2. FCDO should prioritise developing its programme management software's capability to provide timely management data on programme compliance, overall portfolio risk profile and performance to programme staff and Portfolio Senior Responsible Owners, which Centre for Delivery can monitor and Internal Audit can assess.

4.3. ICAI's most recent follow up report (2024) found that FCDO's actions in response to ICAI's findings were adequate overall. ICAI noted that FCDO have made positive progress in promoting the Programme Operating Framework (PrOF) at all levels, including learning and support for staff. However, ICAI found that compliance and audit functions of the Aid Management Platform are not fully used and that work to increase reliability of data published on DevTracker needs to continue.

4.4. **Progress**

4.5. All FCDO staff now have access to the Aid Management Platform (AMP). In the period since the last ICAI follow-up, a number of technical developments have been made to AMP to strengthen performance and reliability including relating to financial reporting from the main finance system Hera. This has led to improvements in the reliability of data published to Devtracker. Reporting of data/MI on compliance is issued to the business monthly, as well as being discussed at key strategic boards and reviewed by 2PUS on a monthly basis.

4.6. All staff also have access to a "PowerBI" dashboard of programme reporting. This provides an intuitive user interface to review summary data and management information which has been drawn from AMP at individual programme level or at various levels of aggregation. For example, teams can review their programme's (and other programmes') data, and Directors and others can view aggregated summary data on performance and compliance at portfolio level. A summary version of the dashboard is updated monthly and circulated formally at DG level to drive improvements in compliance and capability across the organisation.

4.7. Amongst other performance indicators, the dashboard tracks the completeness of documents published to DevTracker, which is driving improvements to publication. Using DevTracker user research commissioned by FCDO in 2024, we are developing further improvements. In parallel FCDO is funding an Aid Transparency Review of other UK government departments who are major spenders of ODA. This will deliver further recommendations which if implemented should enhance the quality of data on DevTracker still further.

4.8. In June, FCDO launched a new programme document library (PDL) feature on AMP. This provides all programme teams with access to a SharePoint based document storage facility which includes all major programme document templates and an automated facility for external transparency publication. The PDL is a significant enhancement to AMP and supports improved efficiency in programme management, strengthening audit trails and assurance, and improvements to the quality and timeliness of transparency reporting.

5. Tackling Fraud through multilateral organisations

5.1. **Recommendation 3 (partially accepted)**

5.2. FCDO should renew and document its assessment of the European Commission's ODA fraud risk management, in line with its processes for all multilateral organisations it funds.

5.3. ICAI's most recent follow up report (2024) recognised modest improvements in FCDO's relationship with the European Commission to manage risks, but that more progress could be made to ensure sufficient oversight of risk management and counter fraud practices. Previous ICAI follow up processes assessed progress against the other recommendations in this review to be adequate.

5.4. **Progress**

5.5. The FCDO welcomes the feedback and recommendations from ICAI in its March 2022 report on 'Tackling Fraud in UK Aid through Multilateral Organisations' and the May 2024 'Follow-up Review'.

5.6. Tackling fraud is an important issue for FCDO, we are committed to seeking feedback and listening to recommendations from external experts and partners. We strive to continually improve systems and processes in place to prevent, detect and respond to fraud to ensure that they are sufficiently robust.

We review available published content from a range of partners (including OLAF). We have engaged with EU representatives on fraud issues in fora such as the International Public Sector Fraud Forum (the EU attended the September 2024 summit) and via InvestigAid (a conference that OLAF founded and co-host which FCDO representatives attend annually).

5.7. On the issue of FCDO oversight of UK funding to the EU's ODA programmes, the FCDO initiated contact with the EU Commission during 2025 to propose counter-fraud dialogue involving the EU's Anti-Fraud Office (OLAF). We have engaged with UK government OLAF points of contact in other government departments. The FCDO's Deputy Director for Strategic Partnerships wrote to the EU Commission in 2025 to request a working-level meeting between counter-fraud experts in the FCDO and their counterparts in the Commission and OLAF. We aim to use this engagement with EU partners to open a dialogue with OLAF. This will enable us to review how UK contributions are protected from fraud, and to discuss key issues relating to fraud risk management.

6. UK Aid's alignment with the Paris Agreement

6.1. **Recommendation 4 (accepted)**

6.2. The UK should work with other leading countries, including developing countries, to establish and promote international best practice on Paris alignment of ODA.

6.3. ICAI's most recent follow-up report (2024) acknowledged collaboration with other leading countries, but found engagement with developing country partners inadequate. Overall, ICAI are satisfied that progress against the other recommendations in this review is adequate.

6.4. **Progress**

6.5. **Developing countries are at the core of the UK government's approach to Paris Alignment of ODA.** Design and implementation of climate considerations in development programming includes consultation and cooperation with, as well as consideration of impacts on, developing country partners:

i. Consultation with host governments, civil society groups and communities in developing countries is the norm for the UK's international development programmes during design stages and monitoring and assessment of programming.
ii. We require that programmes align with countries' national climate and environment plans. This by default takes a proportionate view of Paris

alignment given that each country has its own pathway to net zero and specific adaptation/environment needs/resources. It also encourages collaboration with host governments, and direct engagement with their domestic climate and environment policy targets.

iii. We also make efforts to ensure there is no undue burden here (or conditionality) in delivering aid that is "Paris aligned": FCDO's current framework allows for carveouts from Shadow Carbon Pricing and other pillars. The Programme Operating Framework (PrOF) Rule 5 (which is mandatory and applicable to all FCDO programmes), covers this in cases where alignment would be burdensome given country partners' context.

iv. We engage in numerous climate projects directly with partnership countries, e.g. through initiatives such as UK PACT. We also work directly with developing countries on issues such as access to finance, Nationally Determined Contributions, the Coalition of Finance Ministers for Climate Action, etc.

6.6. **In addition, the Paris alignment team has consulted several developing countries** on their perspectives on the UK's approach to Paris alignment in general. These conversations included discussions and consideration of the bigger picture of our guidance and Paris Alignment across FCDO, the UK, and donor countries in general.

6.7. Since the beginning of 2024, we have consulted a number of governments where the UK has ODA programming, including Ethiopia, Tanzania, and Uganda, among others. UK ODA programme portfolios in these countries were closely aligned with host governments' priorities (e.g. intersectional climate, health and gender benefits). Officials from various governments and ministries confirmed that their priorities - for a climate resilient green economy, and climate mainstreaming into development in general - are in sync, not in tension, with the UK approach to Paris alignment.

6.8. In both bilateral and multilateral spaces, the UK's approach is praised by developing partner countries who value the strong cooperative relationship with the UK on climate and development finance. Conversations with partner governments allowed us to discuss challenges that are common across all development donors. For example, reporting can lack clarity, if the intersections of climate and development objectives and their financing are not made clear to hosts in initial programme design and implementation stages. This can lead to a mismatch in partners' expectations and published finance figures, which damages trust in donors; and is also a missed opportunity as partners cannot contribute to maximising the impact of these joint objectives. The UK is working with counterparts and collaborative institutions, to improve transparency and trust. The UK has already contributed to the workstream for the OECD paper on *Integrating Climate Action into Development Finance*, addressing transparency of measurement and reporting for climate finance and development finance.

6.9. **FCDO also continued to consult developed countries and institutions** on our approach to Paris alignment of our ODA, including the Agence Française de Développement (AFD), the OECD DAC Environet, and USAID. These conversations involved trading best practice and learning from one another on implementation and monitoring of Paris alignment, as well as open discussions on future ambition and avenues for impact.

6.10. **Paris alignment is also addressed by FCDO colleagues based overseas.** Across regions, teams at post who consult developing countries on our climate and nature policy positions demonstrate strong knowledge and support for Paris alignment objectives in development programming. We have continued to strengthen implementation and collaboration across FCDO, for example discussing barriers and opportunities for Paris alignment, in terms of capability, connectivity, strategic priorities and external context, with the Latin America regional network.

6.11. FCDO will continue outreach and engagement on Paris alignment with developed and developing countries, expanding our regional reach and leveraging our strong existing climate partnerships. We will use the lessons learned from our engagement so far to influence our planned revision of guidance on Paris alignment (e.g. PrOF Rule 5), share our findings with other ODA-spending government departments and bodies; and help to build capability with platforms for knowledge and evidence-sharing. A good example of proactive support for Paris Alignment in FCDO programming is the FCDO CLEAN Helpdesk. CLEAN helps UK Posts and policy departments deepen engagement with partner governments and development partners to recognise risks and opportunities across climate, environment, and nature.

6.12. Examples include:

- **South Sudan (S-SHARP):** Delivered a climate risk and adaptation assessment and a climate mainstreaming review, including advice on ICF KPIs to help the programme achieve its 40% ICF ambition.
- **World Bank engagement:** Supported the integration of nature into the World Bank's Country Climate Development Report, and integration of nature into the Low-Income Country Debt Sustainability Framework (LIC-DSF).
- **Jordan:** Worked closely with the Embassy to develop a multi-year concept note aligned with Jordan's national climate policies and development priorities.

- **Zambia:** Climate mainstreaming review and identification of ICF opportunities for the Girls' Education and Women's Empowerment and Livelihoods (GEWEL 2) programme.
- **Congo Basin Forestry Action Programme:** Provided support to the business case, delivering economic climate analysis and assisting the programme design team to confirm the programme, now progressing through inception phase.
- **Egypt:** Mapped UK-supported climate investments against Egypt's national priorities, identifying opportunities for further UK support.