HOUSE OF COMMONS

International Development Committee

Oral evidence: Foreign, Commonwealth and Development Office's Annual Report and Accounts, HC 765

Tuesday 18 October 2022

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Watch the meeting

Members present: Sarah Champion (Chair); Richard Bacon; Chris Law; Mr Ian Liddell-Grainger; Nigel Mills; Mr Virendra Sharma.

Questions 1 - 135

Witnesses

I: Sir Philip Barton KCMG OBE, Permanent Under-Secretary, FCDO; Juliet Chua CB, Director General, Finance and Corporate, FCDO; and Christian Rogg, Director for Development and Parliament, FCDO.

Examination of witnesses

Witnesses: Sir Philip Barton, Juliet Chua and Christian Rogg.

Q1 **Chair:** Let us start this session of the International Development Select Committee. I am very grateful to have in front of us three witnesses, whom I will let introduce themselves.

This is our review of FCDO's 2021-22 annual report and accounts. The document "sets out the FCDO's performance during another year of unprecedented challenges on the global stage. It also marks the FCDO's first full year as a single, merged department, bringing together the UK's diplomatic and development activity to maximise our global impact." That is a broad brief that you have been working to and it is a broad one that we are going to be scrutinising you on, so please bear with us. We have different topics that we want to cover and we will probably throw you some curveballs as well, if that's okay.

Sir Philip, would you like to introduce yourself and your team? I think you have an opening statement you would like to make.

Sir Philip Barton: I am Philip Barton, the Permanent Secretary at the Foreign, Commonwealth and Development Office. I have with me Juliet Chua, who is our director general of finance and corporate, and Christian Rogg, who is our director for development but also Parliament and capability.

Thank you very much for the invitation to come and give evidence to you today on the annual report. I was pleased that you had a chance to talk to our new Foreign Secretary and our new Development Minister yesterday. I wanted to make three points by way of introduction to give the context for what I think you want to get into.

You have made one of the points for me already, on the world we have been in for the last three years. There have been two very extreme shocks: the Covid pandemic and then Putin's brutal invasion of Ukraine. They have had a very significant impact, in particular on development needs but also on the resources available to us. We, as a Department, have responded. As you know, on health, last year we put vaccines at the heart of our G7 presidency. This year, in March, we hosted the Global Pandemic Preparedness Summit to help to accelerate preparations for vaccines if there are future health threats. On Ukraine, we pivoted and made sure we are doing humanitarian assistance but also economic support to Ukraine, and tackling the secondary effects around things like food insecurity.

Unfortunately, because of the extreme nature of these shocks, it has had an impact on the resources available to us: the very difficult decision, in the wake of a significant contraction in the UK economy and its impact on public finances, to step down from 0.7% to 0.5%. I am happy in this session to go through more detail of exactly where we are now on our finances.

Thirdly, I wanted to recognise that the turbulence in the world has had a big impact on all my colleagues in the Department. Whether they are in Kyiv or Mogadishu—on the frontline—or in Abercrombie House, or King Charles Street here in central London, it has been a difficult period for them, but they are doing fantastic, dedicated work and I salute their resilience and everything they are achieving for the UK overseas, which I hope comes out through our annual report.

Q2 **Chair:** Thank you very much for that. We salute and honour the staff; they are indeed doing remarkable stuff in the most challenging of circumstances. The third big shock was the cut to our ODA spend. That is something that we want to dig into in quite some depth. This is the first of my curveballs: is the FCDO now going to lift the suspension on Oxfam?

Sir Philip Barton: That is a matter that is under very active consideration. I cannot give you a final answer this afternoon.

Q3 **Chair:** If that could be expediated, I would be very grateful. What effect has the war in Ukraine had on the overseas aid budget?

Sir Philip Barton: It has had two impacts. First, as I have already namechecked, we have been doing more on Ukraine. That has two parts to it. It has roughly £400 million-worth of humanitarian and economic grant support, which is made up of an approximately £220 million package of humanitarian aid and a £74 million support grant, channelled through a World Bank trust fund, and about £100 million that goes to support Ukraine's energy and security reforms. As a Department, we have also guaranteed about $1.5 billion-worth of lending by the World Bank and the EBRD to help to keep the Ukrainian economy afloat. That is work we are doing now to support Ukraine and to help to respond to the direct impacts of Putin and Russia's invasion, the people outflows and the other challenges we have seen in the region.

Secondly, when you look at some of the other big global challenges we face—for example, around food insecurity and risks of famine—they were there before. They have just become more acute. We have tried our best to support, for example, the initiative to get grain out through the Black Sea in support of the UN. We have been active behind the scenes, supporting that effort to try to help make a difference, not least to global prices. We have seen wide impacts on both food and energy security and are taking that into account in our overall approach.

Thirdly, and perhaps to get to another part of your question, there is potentially a pressure on our own budget. As you know, I had hoped in our annual report that we would publish forward allocations. I did not do that and judged it was not right to do that, because we could not be certain. I flagged in the relevant annex that one of the pressures we face is the ODA costs of those who have come to the UK from Ukraine and are being hosted here, which is welcome. We appreciate the support of British people who have chosen to bring Ukrainians into their homes, but it has created an ODA pressure, alongside wider pressures from asylum costs, the resettlement of Afghans and some of the wider migration pressures. That is having an impact on our overall resources going forwards as a Department.

Q4 **Chair:** Save the Children estimated that the cost of visas and resettlement is about £3 billion. Is that an accurate figure?

Sir Philip Barton: In terms of figures, it is a dynamic situation. These are people flowing into the UK all the time. Exactly how many are going to come in any particular period is not certain, so I cannot put an absolute cost on this. This is a very significant pressure. We are in active discussion with the Treasury about what that pressure might be in this and future financial years and what it means for our own budget as a Department, as the majority but not the only spender of ODA in the UK Government.

Q5 **Chair:** I know that other countries have not used their ODA allocation for such things. I know that we have also had quite a lot of criticism from low and middle-income countries that are saying, "Why are you taking money that is meant to be for development and spending it in your own country?" Why is it that we decided to take it out of ODA?

Sir Philip Barton: The Government looked at this earlier in the year, before the summer, and took a decision that expenditure that could be scored as ODA should be kept within the 0.5% that they had decided to devote to ODA temporarily, before we could step back up to 0.7%.

Q6 **Chair:** What happens after the first year? I thought that the allocation was for a year.

Sir Philip Barton: Do you mean how the costs can be ascribed to ODA? I am not the expert. The expertise is in the Treasury and the Home Office, but I think there are the first-year costs, but this is not a one-year problem, in terms of flows into the UK.

Q7 **Chair:** No, I agree. It is a rolling problem. By February, for the Ukrainian refugees, we are up to a year, so I wonder where that money is going to come from. Sadly, I cannot see the conflict being resolved in the short term or the infrastructure being in place for them to go home within that one-year timeframe. As you say, it is a rolling programme and of course we have the cost of the small-boat migrants as well.

Sir Philip Barton: The wider policy questions around the longer term, including future funding arrangements, are a matter for the Treasury, the Home Office and the Department for Levelling Up, Housing and Communities and are being actively discussed.

Q8 **Chair:** We have them in front of us in two weeks' time. Do you think there is a possibility of the definitions around our foreign aid spending being changed, adapted or expanded as a consequence?

Sir Philip Barton: I would expect us to carry on following the DAC rules and definitions.

Chair: I hope you are right.

Q9 **Nigel Mills:** I am slightly intrigued, Sir Philip, that you say you are not an expert on what happens after the year ticks by. Isn't whether those costs are still in ODA or have to be borne by another Department going to be quite fundamental to your Department's budget? I would have thought you would be pretty close to being an expert. We are halfway through this financial year.

Sir Philip Barton: We are given a financial allocation. That is the bulk of ODA, but not all of it. The rest is managed between the Treasury and individual Departments in their areas. Yes, absolutely we are involved in understanding what those pressures are. As spender and saver of last resort, to make sure the Government meet the calendar year GNI target, we need to know what we are aiming for. Do you want to say a bit more about how the whole process works, Juliet?

Juliet Chua: On ODA eligibility, we have a team who are the experts on that. They advise other Departments—they provide advice to the accounting officers. Ultimately, spending of ODA in other Departments sits within the parliamentary accountability line, hence the reason why you will be having colleagues coming to talk to you about those specific schemes. We provide advice on the technical end and obviously have an interest, in the way that Philip has described, in terms of the overall picture in terms of ODA spending, what those pressures may be, and contributing to those conversations with Treasury about what that looks like in terms of the calendar year and the financial-year picture over multiple years.

Q10 **Chair:** Does the FCDO get 72% of the budget now?

Juliet Chua: We have £9 billion. I do not have the percentage.[1]

Sir Philip Barton: I thought it was a bit higher than that.

Q11 **Chair:** It dropped a little bit. That is all. To go to Nigel's point, it must be an almost impossible thing to forecast if you do not actually know how much money is coming out of your budget.

Sir Philip Barton: We are in a challenging situation. I could take you through where we are, from the spending review last autumn, to explain where we are today, if that is helpful.

Nigel Mills: That sounds helpful.

Chair: Yes, that would be lovely.

[1] The actual figure is £9.3 billion in 22/23.

Sir Philip Barton: The spending review obviously gave us a three-year settlement. It is nearly £29 billion over the three years in the settlement. These are published figures from last autumn. Those figures include, in the financial year we are in at the moment, some £9.3 billion. As you know, we published the international development strategy in May and the last Foreign Secretary came and gave evidence on that to you at the time, setting out our priorities, and we allocated, indicatively, those budgets in line with the strategy and the integrated review.

We were then informed by the Treasury, before the summer break, at the end of June, of this substantial pressure that I have described and were asked to pause anything that was not essential. We have done that in a way that allows us to carry on making sure that the most critical areas of our work, particularly life-saving humanitarian work and wider critical support, is going ahead. We are now in a very active conversation with the Treasury around the exact size of those pressures and how they are accommodated and dealt with going forward. I hope that Ministers will take final decisions very shortly, certainly by the time that the Chancellor makes his wider fiscal statement at the end of the month.

Q12 **Chair:** We are hearing that there might be a drop down to 0.3%. Are you hearing that?

Sir Philip Barton: I am not hearing 0.3% mentioned. We are in a discussion with the Treasury about the size of the pressure over this year and potentially over future years and how that is dealt with. No decisions have been taken by Ministers.

Q13 **Chair:** Your budget is fluid and opaque.

Sir Philip Barton: We had allocations. As I said at the outset, we have now had two extreme events: first the pandemic, which was behind the step down to 0.5%, and now the invasion of Ukraine, which has created particular pressure through migration. These are very extreme things and that has led to the challenge we are in. We are discussing with the Treasury, and in their conversations with other Departments, the cost pressures that has led to.

Chair: I agree that they are extreme, which is why it is more frustrating that the budget to deal with global issues is becoming more restricted.

Q14 **Nigel Mills:** Can I take you back? I think you just mentioned the freeze on non-essential aid; can you talk us through how you define what is essential and what is non-essential?

Sir Philip Barton: It is a pause rather than a freeze. Once we know where we are, we will be able to, I hope, unpause as much as possible. It is work that is vital to protect against the immediate threat to life or wellbeing—some of our humanitarian work, work to prevent people falling into humanitarian need, work that prevents delays to accessing healthcare, primary education, sanitation or clean water. We will also be looking at value for money and making sure we carry on meeting our contractual and legal obligations. Those are the criteria we have used.

We have then looked, programme by programme, at the extent to which they do or do not fall into those categories. It is actually quite a permissive framework, in terms of what we have been able to carry on doing. We have carried on doing a lot—family planning, basic healthcare, projects in water, sanitation, hygiene, humanitarian assistance, other preparedness and capabilities. That is the overall approach to the pause the Treasury asked us to implement.

Q15 **Nigel Mills:** What proportion of spending is paused?

Sir Philip Barton: Do you know the figure, Christian? I do not know the figure.

Christian Rogg: No.

Juliet Chua: Because this is about new and planned activity, we can certainly follow up and set out the proportion in writing. This is about new programming and making judgments about what is essential to proceed with. These are multi-year programmes and have fairly lumpy profiles across the course of the year. This is a process that is taking place across these summer months, so it may not be fully representative of the profile of programming across the year.

Christian Rogg: To be clear, when we use the term "pause" we look at two dimensions. One is new agreements, MOUs, contracts and so on. The other one is payments. This is about whether a certain activity has to start now or can start later. We look at whether there is a significant impact, using the criteria that were just mentioned, but also at where we have flexibility in terms of making payments. Clearly, if something is urgent, like a humanitarian need, that payment goes ahead immediately. If we maybe have an agreement that gives indicative timeframes of when we make payments, we look at the flexibility to make that payment later if possible. To be clear on pausing, in many cases that means payments are being made; in other cases it means payments may be made later.

Q16 **Nigel Mills:** I must have been naive, because I assumed that when the Treasury rings up and says, "We have not got as much money as we thought. Can you pause stuff?", it would want you to go back and say, "Yes, we have stopped having to spend X million this financial year by pausing," but that is not the conversation that you have, by the sounds of it.

Sir Philip Barton: No final decisions have been taken, so this is a pause until Ministers have taken final decisions.

Q17 **Nigel Mills:** You cannot tell us roughly how much you have reduced what you would have had outgoing by these pauses. That is not a number that you have.

Chair: A number or a percentage.

Sir Philip Barton: As you know, year on year we are running a portfolio of development work that includes, for example, multilateral payments to multilateral organisations or multilateral funds, where there is often flexibility about exactly when you make the payment. We manage against, overall, a calendar-year input target, the GNI percentage, but also the financial year control totals that are voted to the Department on development assistance, in terms of our overall budget. There is flexibility about what we spend when.

Until we have certainty around our budget for this financial year, we will not be able to take a final decision. We will not be able to answer questions like the percentage because, in a sense, we are in flight, managing a portfolio of development work with a cost attached to it.

Q18 **Nigel Mills:** The Treasury must be getting a bit soft if it rings up and says, "We do not have as much money as we thought. Can you save some?", and you say, "We may have to delay a bit and we will move a payment that was meant to be October to November. Do not worry. We can shuffle a few things around." Is it not saying, "Can you spend less than we told you you could? How much less can you spend?" Is that not what it really means?

Sir Philip Barton: It asked us to pause. The Chief Secretary wrote asking us to pause, pending Ministers taking final decisions.

Q19 **Nigel Mills:** You cannot tell us how much the value of the pause is. Is this just your Department's approach, or have all the ODA-spending Departments done the same thing?

Sir Philip Barton: All the ODA Departments have been asked to look at their expenditure in this area. Some of it is driven by costs—for example, the migration costs that I have talked about. Clearly that depends on migration flows, which are not so readily controlled by a Department.

Q20 **Nigel Mills:** I am trying to get my head around where the process goes from here. Is it deciding how much money you can actually have this financial year, next year and the year after, and then you are going to fit your programmes to the budget? Or are you saying, "There are these things that are absolutely essential that we really have to do, and therefore we need to keep a budget of X, but you can take back the rest"?

Sir Philip Barton: We are absolutely giving the Foreign Secretary advice on what we think the needs are, what we want to use the money for against the original allocation, and what the hard choices might be if there are any changes to that, and then he is engaging in the way you would expect with his Cabinet colleagues.

Q21 **Nigel Mills:** Are you having to advise the Foreign Secretary that there is a possibility that some of the stuff that you now count as essential may not be able to be done if the number goes below a certain amount? Is there a possibility that even stuff you have not paused might have to be?

Sir Philip Barton: We are being really clear in the advice we are giving. Juliet might say a bit more about what this looks like in practice. We are really clear in the advice we are giving about the consequences of changes to our budget, both this year and in future years.

Juliet Chua: To build on that, as Philip described we had a settlement back in the autumn, which set out the three-year plans that were initially set forward, so we know what our portfolio would have been. We are in a good position to be able to give very clear advice to Ministers about the choices that lie in that, across the full ODA portfolio across multiple years. We have always been in a position to be able to look at things like the flexibility of multilaterals. We can lay out very explicitly what it means in terms of some of the choices and trade-offs.

Q22 **Nigel Mills:** There is not much chance of you doing forward allocations by territory at the moment if you do not even know, to several billion, what your actual overall budget is, by the sounds of it.

Sir Philip Barton: There is a framework we have where the FCDO, and DFID before the merger, was the spender and saver of last resort and took decisions at the end of the calendar year around making sure that the GNI target was hit. That worked well when there were not significant swings. At the moment, because of the two big shocks that the world has had and the impact on the UK, we are faced with much bigger swings. That is putting the framework under a good deal of stress. You are right: it is making forward financial planning incredibly difficult and that is challenging for us, because it is a long-term business that we are involved in and we want to make long-term forward plans.

Q23 **Nigel Mills:** Finally, in your discussions with the Treasury about how much lower your budget gets, you are not expecting it to take some of the Ukraine costs out of ODA and give you some of that money back so you can deliver your programmes. That is not something you expect.

Sir Philip Barton: I am not sure I completely followed you.

Nigel Mills: At the moment, you have lost a whole chunk of your budget because the Ukraine resettlement costs are being borne as part of ODA, are they not? You are not expecting the Treasury to take those back and put them in crisis spending or something and let you have your full nine-point-something billion for the year.

Sir Philip Barton: Final decisions have not been taken. We have been really clear. We were arguing to be able to spend the money we were allocated. It is a matter of active discussion.

Q24 **Nigel Mills:** You are not expecting a happy outcome.

Sir Philip Barton: No decisions have been taken.

Nigel Mills: I am not asking what has been decided. Perhaps we will not labour that one.

Q25 **Chair:** I am going to have to labour it a bit more. I still do not understand the distinction between the essential and non-essential and who it was that has made that decision. I am hearing that the Treasury said, "We want you to pause ODA spend"; did the Department or the Ministers then push back and say, "We cannot stop the essential stuff," and then you have defined what is or is not essential? Is that what happened?

Sir Philip Barton: The then Chief Secretary to the Treasury wrote to the then Foreign Secretary on 30 June, notifying her—the Department—of the pressures I have described. There was then a further letter on 18 July, which explicitly asked us as a Department to pause non-essential spending, particularly business-as-usual bilateral ODA RDEL. We then—I think it was the only responsible thing to do in the circumstances—looked at what that meant in practice. We, as a Department, transparently with the Treasury, worked out how to implement that in practice and applied the criteria I described earlier. That is how it worked in process terms. We were hoping that final decisions would have been taken by now. I hope they will be by the end of the month.

Q26 **Chair:** We got the letter yesterday saying that the pause continues until 31 October. Where I get confused is the list of what you gave as essential was the majority of what I would expect you to be spending money on. For example, would Covid-19 vaccines be classified as essential or non-essential?

Christian Rogg: That falls under a number of categories where it would be an exemption. For example, a lot of that is essentially about immediate needs—healthcare—some of them humanitarian, where we distribute them in very fragile environments?[2]

Q27 **Chair:** How are those needs raised with you? Is that our staff in country? Is that the country itself? How do you weight them? Is there a grid or a risk assessment that you have?

Christian Rogg: The risk assessment is the criteria that the PUS outlined. We go through that on a weekly basis, because the other thing we want to avoid is that decisions are not taken and things are stopped by accident almost. It is a very regular process every week where we look at the requests for new contracts, MoUs and so on, and where we look at the requests for payments, and then apply the criteria so that, where possible, things keep moving.

Sir Philip Barton: They will come depending on where the budget holder is, whether it is in country or at the UK end. For some of the centrally managed programmes, they will come to the central team with the

[2] The ODA pause began after the FCDO had completed its 2022-23 COVID-19 vaccine spending".

propositions. We have made sure everyone is aware of the criteria, and then judgments can be made around how to take things forward, very much trying not to stop too much.

Q28 **Mr Bacon:** You said the Treasury has written to you asking you to pause all non-essential expenditure. What is the value of the expenditure that you have not paused?

Sir Philip Barton: I do not think that is an answerable question. In a sense, we have developed the criteria, then we look, programme proposal or funding-line proposal by proposal, at whether it meets it. We have not looked at the totality of our potential expenditure this year and said, "This percentage is non-essential and that percentage is essential." We are looking at it as and when things come up.

By way of example to illustrate why it is hard to answer, there may well be a programme in development that will not be ready for financial sign-off until January. While I very much hope that we will have lifted the pause and have certainty by January, that is not captured. That work will carry on and a decision will be taken at the right time. We have not gone top to bottom. That would have been disproportionate for what I still hope will be a relatively short pause.

Q29 **Mr Bacon:** At the moment, you do not have two lists, one headed "essential" and the other headed "non-essential." You do not have that yet.

Sir Philip Barton: We have some criteria, which are the ones I set out and which we apply as things come to decision.

Q30 **Chair:** Is it possible for the Committee to get a copy of the criteria?

Sir Philip Barton: They are the things I went through.

Chair: They are broad.

Sir Philip Barton: They are those broad criteria.

Q31 **Mr Bacon:** Once you have your criteria, as you have, you have to do the work of going through the expenditure programmes and applying those criteria to say, "That is a sheep. That is a goat." How far down that process are you? Or are you just doing it on a day-by-day basis?

Juliet Chua: This is the process Christian has just described. On a weekly basis, teams are identifying potential programmes that would qualify as essential. We are being careful and applying due scrutiny to that to comply with what the Treasury asked us, which was to slow down spend to create space for Ministers to be able to make decisions on the overall budgetary position.

Q32 **Mr Bacon:** You are doing that every week at the moment.

Juliet Chua: We have been doing that every week since the letter came in July. As the Minister wrote to you, we have extended that to the end of

October, but we very much hope that we will be in a position where decisions will have been made then.

Q33 **Mr Bacon:** We have a financial statement—a fiscal event—on 31 October. Are you expecting that, by very early November, you will have a clear answer to the question of "That is essential; that is non-essential" going forward, covering the totality?

Sir Philip Barton: I hope we will have a budget that means we no longer have a pause and are not applying the criteria. I hope that we will have certainty around our financial allocation for this financial year. We will not be paused then. We will have a budget we have to keep within.

Q34 **Mr Bacon:** You are expecting that to come out of the 31 October event.

Sir Philip Barton: I very much hope that by then there will be final decisions.

Q35 **Chair:** The thing that concerns me is the unintended consequences. We had a big battle previously over the equalities impact assessment. Do you have a strategic overview, or a strategy full stop? What worries me is that if you are doing it on what is coming in to your inbox, the knock-on effect might be quite catastrophic if you have something that is really urgent but has not landed for another two weeks and you have spent all the money by then or, by taking money from here, it is going to have a negative impact over there. Do you have that oversight?

Sir Philip Barton: We will have to see how much longer the pause lasts. It is a very temporary period. We started it only in July, so it has been two or three months, rather than a longer period. We have been open across the Department and with partners. Christian can say a little bit about how we have engaged outside the Department on where we are. Therefore, those who are managing particular areas of work with a number of different programmes will absolutely have in their mind what you have just said: "If we are doing this now, does that preclude something different further down the tracks?"

We are absolutely looking at that and people have the information to make those judgments. As and when things go to Ministers, we are looking at those sorts of choices, but against a degree of uncertainty, because we do not know yet what our actual final budget is going to be for this year. Christian, do you want to say a bit more about the way we have done this externally and with our colleagues overseas?

Christian Rogg: Yes, and I will also build on what you just said. What the Chair referred to as unintended consequences or the impact is one of the key lenses that we apply as we look at this process on a weekly basis. We do so in two ways. One is that if you look at the list of what is exempted, a number of things are exempted precisely because of that reason. It is about the most vulnerable people. It is about humanitarian context or risk of falling into humanitarian context, and other activities that fall under some of the other categories, like access to some of the most basic services.

That is definitely part of how we look at it but, in general, for every proposal that comes, in terms of signing a new agreement or making a payment, we are explicitly asking about the impact and for teams to flag the risks with us immediately. We look at that alongside the other factors around, for example, whether it is legally binding. It features every time we look at anything.

In terms of the outreach and engagement we have had, we have had quite a lot of internal sessions with colleagues who need to understand these issues, because they need to calibrate their own decisions or advice in line with the steer from the Treasury that we are then translating and implementing at the headquarters level. Also, last week we had a session with, I think, between 200 and 300 of our suppliers, where we talked through where we are at and what that means in practice, in terms of our partnerships.

Q36 **Chair:** That gives me some reassurance. Also, it puts all of you in a horrible position, so I am very sorry that you are. Certainty is the one thing that everyone needs and I have been hearing that contractors do not want to work with us on some of the projects we are tendering for because we are not seen as a reliable partner anymore. Is that something that you have heard?

Sir Philip Barton: I have heard one or two reports along those lines. I hope that as soon as possible we will have decisions that mean we have planning certainty on the financial side and we can get back to being clearer over the rest of this year, but also the medium term, about what our resources are and where we are going to be using them, so people know where they stand.

Q37 **Chris Law:** I want to have a look at the return to 0.7%. The Government previously set out the fiscal conditions that would signal a return to the 0.7% ODA target. Given we have had more Chancellors than I can care to remember this year and we are likely to have a Tory advent calendar of Chancellor of the day, can you tell me if the fiscal conditions we have heard about previously will still apply?

Sir Philip Barton: The Government's policy has not changed. It was a temporary reduction to 0.5% because of the Covid impact on our economy. The then Chancellor set out two fiscal tests for a return to 0.7% in July of last year. You know what they are. The forthcoming forecast for the UK economy will give an indication around when those tests might be met. As of today, Government policy remains as is.

Q38 **Chris Law:** Given that the accounts for 2021-22 state that costs have become increasingly volatile—we all accept that—and given the difficult forecast, what other options have you considered for managing the 0.5% ODA target?

Sir Philip Barton: Do you mean in terms of how we manage pressures? Can you explain what you mean?

Q39 **Chris Law:** Given things are so volatile, I wanted to know how you cope with that on a day-to-day or week-to-week basis, not to mention the churn of Number 11 and the number of Chancellors. I wanted to know where you were on that.

Sir Philip Barton: I will ask Juliet to explain the kinds of processes we particularly get towards the end of the calendar year. Overall, as we look at our overall financial situation, we have two things in our mind. One is where we are against the calendar year and the GNI target and, as I said earlier, against the financial year, which is the money voted by Parliament to the Department and the ODA allocation on that side. Juliet, do you want to explain a bit more about how we actually manage it, particularly towards the end of the calendar year?

Juliet Chua: For a long time, as part of the 0.7% commitment, at the end of the calendar year FCDO acts as the spender and saver of last resort, which means that the latest forecasts are taken into account and adjustments are made in terms of what the calendar year spend should be. That also means that FCDO, as the majority spender, was in a position to be able to bring forwards programmes and to push back payments if needed into the end of the financial year, rather than the calendar year. Those are quite long-established, well-rehearsed mechanics, with a very effective team that has been running that process for a long time.

As you say, in the accounts, played out through 0.5% mechanics as well, it is getting harder. We have just been rehearsing some of the challenges. The scale of the pressures are unprecedented for unprecedented reasons. It is getting more challenging, but we anticipate that for the end of this calendar year we will play the role of spender and saver of last resort and need to manage the 0.5% target on that basis.

Q40 **Chris Law:** In the last few weeks it would be an understatement to say that there has been volatility in the value of sterling. Given the decline in the value of sterling against the dollar, how much has this affected development delivery? How do you manage to cope with it? For every other market, they have been completely scratching their heads.

Juliet Chua: In terms of our foreign, currency policy, this sits with in line with the managing public money guidance from HMT—the overall Government framework for the way in which we operate. We put our contracts in sterling, with an expectation that that allows us, right across the world, to be in a position to anticipate long-term programming and respond to fluctuations.

For individual programmes, programme managers will be working with local contractors on a risk basis, responding to an understanding of what different cost pressures may be in different markets and potentially having conversations about what that may mean in terms of outcomes for that particular programme. Clearly, for multi-year programmes you will see foreign currency fluctuations, which will vary hugely around the world. That is part and parcel of running a global network. That is something that has been long-established practice.

Q41 **Chris Law:** Do you agree that it is unusual that we have seen such a drop in sterling, which has been considered in the past to be pretty stable? That must have an impact on every NGO that is interacting with you, in terms of their budgets. What feedback have you had from them about their deep concerns about what this is going to do for their projects?

Juliet Chua: We have been talking to our programme managers in detail about what they are hearing and seeing. There are different examples across different countries. As I say, the impacts are varied. It depends, in terms of different local markets and different foreign currency fluctuations. As I say, they will be having conversations about the specific impacts on individual programmes and what that looks like. Because many of our programmes run over multiple years, they will be thinking about impacts over time, depending on the different performance of the different currency mix in different localities.

Q42 **Mr Bacon:** Your in-year accounts for 2021-22 showed in-year expenditure from the merger of FCDO and DFID of £27.6 million. What was the total expenditure on the merger?

Juliet Chua: The total expenditure was £32.6 million.

Q43 **Mr Bacon:** What was the initial estimate of the total cost?

Juliet Chua: The costs are broken down into three different areas. There is the cost of the team that has been supporting the merger. I have what is called a transformation directorate—a small internal team supported with a small amount of additional consultancy cost that has been doing organisational development work supporting the merger. We have a portfolio of seven different programmes, which are due to complete at the end of this financial year. At that point, we will have completed the integration work for the merger. The other portion of the spend has gone on IT support—new software licensing, support in terms of bringing people on to the same platform and reducing friction costs.

Q44 **Mr Bacon:** I wanted to come on to that, but first may I ask about the more general administrative process and systems efficiencies that the annual report talks about? There are obviously proposed benefits from the merger; have you quantified them? How are you measuring them?

Juliet Chua: We have individual business cases for five of the seven integration projects that will have gone through, which will have individual benefits attached to them. For example, the large programme that I am responsible for, which is called Hera—it is called an ERP single IT system for HR and finance—has a set of benefits accrued to that. Each of the business cases has that individual business benefit alongside, within the overall merger framework. At that point you get into a conversation about some of the strategic and operational benefits of working in an integrated way, which we look at in the overall framework of the performance of the Department.

Sir Philip Barton: It is worth remembering that savings were not a driver of the decision to merge the two Departments. It was about having more impact overseas by being more coherent.

Q45 **Mr Bacon:** I was not necessarily saying that there had been a financial saving. There may be other benefits. I realise that. It has been reported that the ex-DFID and the ex-FCO having different IT systems hampered the response to Afghanistan and, more recently, has hampered the response to Ukraine. You mentioned digital integration in your previous answer; how far along the road are you with that and what is the total cost of that integration?

Juliet Chua: I am pleased to say that we are making good progress. As of this summer, all ex-DFID users are now on what is called Osprey, which is the single platform—one shared IT platform—which addresses the initial friction of things like not being able to see each other's diaries. Although everybody was on Microsoft Teams, there were slightly different iterations of that. We now have that in place, so everybody is on the same platform.

Q46 **Mr Bacon:** Is the integration of the IT basically complete?

Juliet Chua: No. The second half of what I described earlier—Hera, the big ERP—is taking place in the autumn. All ex-FCO users came on this summer and all ex-DFID users will come on in the autumn, at which point we will have a single HR and finance system, with one set of data—one set of information for the entire Department. There is obviously continuing work that we do to upgrade and improve, but those will be the two core systems in place.

Q47 **Mr Bacon:** How much is that integration costing?

Juliet Chua: Ex-FCO was already planning to introduce Hera, so much of the business case was about upgrading existing legacy programmes. Indeed, the upgrade to the single platform was already planned, so much of the initial business case was already identified. The integration costs are what is captured in the merger numbers that are in the annual report, in terms of that £32 million, but obviously in addition to that there was quite a large investment in our ERP overall.

Q48 **Mr Bacon:** There has been a creation of a Minister for Development. Is that an admission that the integration of diplomacy and development policy is not really fully possible?

Sir Philip Barton: No, I do not think it is at all, actually. We had a particular structure, both on the ministerial side and on the official side, from day one. In the end, Ministers and their portfolios and job titles are a matter for the Prime Minister. The fact that we now have a Minister for Development and a director general for development and humanitarian is a good thing. It makes us much stronger in our ability to engage with our development partners externally, at both Minister and official level, having somebody with it explicitly in their job title.

This is not about creating one part of the Department that does development and everyone else doing diplomacy. It remains the case that development and diplomacy are spread throughout the Department. It gives us, at senior level, a focus point: you can lead across the system, particularly in terms of having a Minister engage externally on development issues at ministerial level.

Q49 **Mr Bacon:** I remember one of your predecessors, or a Permanent Secretary, saying after the merger that when it first happened there were ambassadors coming through who had a DFID background, not an FCO background. How many of the ambassadors who are currently in post have come via DFID rather than via FCO?

Sir Philip Barton: The number has definitely gone up. It is not just in countries where development is the majority of our business; it is across the board. We would have to come back to you on the actual numbers.

Mr Bacon: You can write to us.

Sir Philip Barton: It has gone up. For me, one sign of the success of the merger is we are now drawing on a wider group of people becoming our ambassadors and high commissioners around the world, from a broader set of backgrounds, including a development background. Juliet and I, between us, chair the two most senior panels that do appointments for our overseas ambassadors and high commissioners. I think we have both seen the same thing, have we not, Juliet?

Juliet Chua: Yes.

Q50 **Mr Bacon:** That is encouraging. Perhaps you could write to us.

Juliet Chua: We can certainly write with the final number. It is worth saying that there is obviously a community of people who had worked for both predecessor organisations, so it is not a single tribe. It is about increasing the number of people who have very strong development backgrounds—

Mr Bacon: If you could write to us with a bit of narrative as well as the numbers, that would be very helpful.

Juliet Chua: Yes, absolutely.

Q51 **Chair:** The merger to date has cost £32.6 million. The IT has cost £21.8 million, but you rightly point out that the efficiencies were not financial when it was projected. The transformation programme, which is the merger bit, received a red, high-risk rating, indicating that the successful delivery of project appears to be unachievable. Project Hera, which you have been talking about, which is integrating the finance and HR systems, received an amber rating. Are these two ratings fair? What are you doing about that?

Juliet Chua: I am pleased to be able to give you an update on both of those ratings. The IPA came back in again this summer to have another look at the transformation portfolio and it judged us to be green. We are, as a Government Department, the fastest turnaround, in terms of going red to green.

The reason why it judged us red at the time was because it judged that there were a number of decisions that it wanted to see us make—for example, communicating our vision and mission—which we were able to do relatively easily off the back of being poised to do it at the point where it came in. We also did some very careful scoping to be very clear about the absolutely crucial, must-do aspects of integration. When the IPA came back in, it had a really thorough look and judged us to be green. That is not to say it is all done, but it is absolutely a positive external endorsement that, from a delivery perspective, we were on track.

On Hera, we continue to be amber but have very positive feedback about the first wave of implementation. These are large, complex implementation programmes across Government. We are one of the first to be going through these major ERP roll-outs. The IPA continues to give us really good input in terms of where we are in terms of that amber judgment. It is a more complex job in the autumn to bring on board the ex-DFID users, because many of them are programme managers. It is a different sort of financial functionality. I could get quite techy. There, again, we are continuing to make good progress in terms of delivery.

Q52 **Chair:** You did not answer Richard's question about IT, the two systems, the changeover and the impact that it had on Ukraine.

Sir Philip Barton: There were some challenges in our lessons learning around the response to the Afghanistan crisis and how quickly you could bring people together when they were coming from two different systems. That is no longer the case.

Because we did a very thorough lessons learning process in the autumn of last year, after the Afghanistan response, when we came to respond to the Ukraine crisis at the beginning of this year we did not have similar problems. We did not have the same volume of correspondence, which was the underlying challenge on Afghanistan. We made sure, as we went into our response to Russia's invasion, that we did not have the same IT challenges. We have made further progress, as Juliet has said, in bringing in the Osprey system across the whole Department now, so it has fixed the underlying problem. We took account of it as we prepared for our Ukraine response.

Q53 **Chair:** Are you confident, when and if there is another similar international incident of the same scale, that the system is in place, the lessons are learned and we are good to go?

Sir Philip Barton: I made sure that, in the autumn of last year, in the wake of our response to events in Afghanistan, we had a proper, deep lessons learning process. There was a long letter to the FAC, maybe six pages long, which you had a copy of, with the headline conclusions of that. We have a process through this year, because some of the things we need to do take a bit of time to make sure we are doing it.

I have asked the non-executive director who chairs our audit and risk assurance committee to look at the progress we have made in November this year and then come to the management board. I will then report back to the Select Committee on progress around making sure we have learned the lessons and implemented them. That is rather a long-winded way of saying yes, but there are some things that were longer term that we are still working on.

Q54 **Mr Liddell-Grainger:** Can I carry on with the workforce? Your staff turnover has gone up enormously—about 10%, which is a lot. When there was the annual people survey, the dissatisfaction across all measures has gone up enormously. I suppose there are two questions. First, do you know why? Secondly, if you do, what are you doing to address the situation?

Sir Philip Barton: I will let Juliet say a bit about the people survey and retention. What you have said is not quite right. It is not true that there has been a significant increase in people leaving. The people survey told us a lot, but it told us some positive things as well as negative things.

Chair: That figure has come from the 2020 score for leadership and management change record. That is where we go that figure from.

Juliet Chua: I think we are talking about turnover rates. Our turnover is 10.1%. It has not gone up significantly from previous years. It has not gone up by 10%. Our current turnover rate is 10.1%.

Chair: It says it has doubled since the merger.

Q55 **Mr Liddell-Grainger:** What was it before the merger? You may not know. What was the turnover?

Juliet Chua: I do not think it is a significant increase.

Chair: Those stats say that it has doubled, so it is 10%.

Mr Liddell-Grainger: You are saying the figures that we have are wrong.

Q56 **Chair:** The figures we have from that report say that the FCDO staff turnover has doubled since the merger, rising to 10.1%.

Sir Philip Barton: I do not recognise that.

Q57 **Chair:** So those figures must be wrong. Could we correspond on that? Are your staff happy and is your turnover rate acceptable?

Juliet Chua: Our turnover rate is something we look really closely at. We seek to understand it. We look in detail at what patterns of turnover there are across the workforce. Compared to some other Departments, we actually have a slightly lower turnover rate. All organisations should have some turnover, but clearly you need to be really attuned to the reasons why people are leaving and what is driving that turnover.

On the staff survey, there again I do not recognise a massive change in the way you characterise it, but our staff survey results, which were last October, showed some drop off. There was 63% staff engagement overall. There was really positive feedback in some areas. If you look at staff survey results on things like people's team and their work—82%, 79%—those are strong scores.

Nevertheless, as you identify, on things like leading and managing change there is less of a positive story, as well as on areas such as frustrations with aspects of the integration work. One thing we did in response as a management board was to double down on getting on with the merger—the integration work we have just been talking about—in terms of getting to those frustrations about bringing the technology together and making sure we are trying to operate as a single organisation.

This year, we have been making sure that we have single pay frameworks in place, which is another area that is a source of frustration for staff if they are continuing to be on different pay arrangements. We have made good progress on that this year. In addition to that, we have also invested in leading and managing change support for our leaders right across the organisation, against a backdrop of a lot of change and a lot of challenge externally in the environment. That was an area we also have put significant time into.

Q58 **Mr Bacon:** What proportion of your staff are female? Do you measure that?

Juliet Chua: It is 51%.

Q59 **Mr Liddell-Grainger:** Since the merger, what difference in percentage of people leaving between DFID and FCO has there been? Do you know?

Juliet Chua: Ex-DFID turnover rate is 11% and the ex-FCO turnover rate is 9.3%, so there is a slight difference between the two former Department groups. As time passes, we try not to differentiate between two different groups. As Philip has described, you have a range of staff from different organisations also across the staff overall.

Q60 **Mr Liddell-Grainger:** When people leave, do you ask them why they are leaving and what the problems are? What is the general feedback as to why people feel that they want to move on?

Juliet Chua: We do exit interviews and gather that information through our HR business partners and look for a range of different patterns. As I say, our turnover rates overall are not significantly higher than for comparable organisations, but we seek to look and understand different circumstances for people, against a challenging backdrop, also looking for what they want to do next, or indeed moving across Government.

Q61 **Mr Liddell-Grainger:** I am going to ask the question again. What are the five top reasons that people leave? Let us look at it the other way. It does not matter if it is five. Why do people leave? What is the biggest reason that they give to you?

Sir Philip Barton: Some people will leave to go to another Government Department, or sometimes another part of the wider public sector. Some people leave to go to the private sector, sometimes because they are better rewarded outside of Government service. Some people will leave because of their personal circumstances. International careers may mean they want to work in another part of the world. There is genuinely a wide variety of different reasons.

It is striking that we have not seen a big increase in people leaving, so I do not think we can point to a particular set of issues. We monitor it closely, in particular the headlines, and would be worried if we started seeing either a particular spike or a particular trend or a single factor that was meaning that people were choosing to leave the Department. Some coming and going is a good thing; we do not want to be completely static. Obviously you do not want too much or too little, frankly.

Q62 **Mr Liddell-Grainger:** How many people have said to you, "I cannot work with this. The merger is not working for me. I am going to move on"? Can you measure that?

Sir Philip Barton: I am not sure if we have a metric on that, to be honest.

Q63 **Mr Liddell-Grainger:** You do not actually have any clue. I get the moving within Departments. You have done it; everybody does that in the Civil Service. I would like to know how many people have said, "This is not for me. I am going to become a builder, a scientist or whatever."

Sir Philip Barton: When we knew that the merger was happening, before it took place, we looked at some of the lessons we could learn from what, for example, the Australians and Canadians did when they brought together development and diplomacy and, in the Australian case, trade as well. One thing that they found—I think Australia is the biggest example of this—is that there was an exodus of people with development expertise. We worked consciously and explicitly, including at senior levels, to do our level best to mitigate that. I personally tried my best with the most senior development expertise—for example, the chief scientific adviser, the chief economist we had and so on—to avoid a repeat of the Australian experience. I think we have managed to do that.

We need to carry on investing in all the capabilities, including and in particular on development capabilities, to make sure it was not just about people's first reactions back in 2020 but actually that those with the expertise we want, particularly on the development side, continue to see us as an attractive place to work. If you are interested, Christian will be able to say a bit more about our capability work, but I will maybe pause there as an answer to your question.

Mr Liddell-Grainger: Yes and no. It is intriguing to know why people leave. Any industry wants to know. Yours is interesting, because there are budgetary pressures. We have just heard that from my colleagues. I would be interested to know whether people just feel the time has come, because of the changes and where the future lies, and whether people are voting with their feet.

Q64 **Mr Sharma:** Can I make it a little easier? I know the question is uncomfortable. In normal practice—we have all done it—you have the exit interview when the staff are leaving. You have the person leaving and you have a one-to-one meeting. I am sure not everybody leaves because they are going for a better job. Not everybody leaves because there is a good salary outside. There are other reasons as well, such as that the person is not happy. Can you give me any example, if it is possible, of where, because of that interview, when the staff are leaving and turnover is high, you have changed your working pattern inside because that exit interview helped you to do that?

Juliet Chua: I would continue to say that I do not think we judge that our turnover is particularly high relative to comparators.

Chair: We accept that statement.

Juliet Chua: Nevertheless, in this conversation we absolutely recognise that we want to make sure that we retain, support and develop our staff across a whole range of different functions, not just on the development side but right across—in some of my areas there is hot competition for talent, such as in technology, commercial and other areas.

On your question specifically about whether we are learning things as people leave that we are then incorporating into the way we run our business, I can think of two examples. This is not on the development side. This is actually in some of my functional teams. Certainly it is clear to me that providing good career paths really matters. As we brought together some of the functional teams, thinking hard about what career paths were available in the merger that might not previously have been available in the two separate Departments, that has given opportunities, which we have been able to then offer to staff—different types of jobs, such as finance colleagues working on ODA who did not work on ODA before, or vice versa. There are definitely examples where we are able to incorporate reasons why people might have left previously into thinking about how we continue to build the Department.

My counter would be that last week I was in New York, talking to many colleagues who work in the UN mission. There are examples in that team of staff talking about completely new jobs and opportunities they have had since the merger. They were working in Abercrombie House in corporate teams and have now actually moved across, brought their experience to bear and are working in diplomatic posts. There is a rich story, in an organisation that has come through a huge change in the merger, of the diversity of roles and different opportunities that are coming through.

I wanted to briefly build on Philip's point about development capability. It is absolutely critical that we continue to grow our capability. That is a baseline for the whole Department, about the whole Department being able to speak development and understand it. We now have a development faculty as part of the International Academy, deliberately thinking about what things both senior leaders and people right across the organisation need to know, but also accrediting—creating paths into what were called the cadres, the development expert groups in DFID, from ex-FCO and indeed from outside Whitehall as well. That is providing opportunities to move into those roles.

Q65 **Chair:** You can have a career in development still and stay there and you would not be penalised or side-lined.

Juliet Chua: That is critical.

Q66 **Mr Liddell-Grainger:** In the last published accounts that we have, according to the figures we have, your consultants and temporary staff went up by £17 million. The question I would like to ask is whether that was budgeted for and there was an expectation that would happen. Secondly, why on earth are there so many people on temporary or consultancy contracts? From what you have said, are we losing too many people and they are not being replaced?

Juliet Chua: Increasing consultancy spend this year is directly related to the conversation we have just been having about the specific large-scale IT programme that we have been rolling out. Rather than bringing in staff permanently, there have been specific specialist consultancy skillsets we have needed, on a temporary basis, to bring in and ensure we can effectively deliver it. I would not anticipate retaining consultancy spend at this level for future years. The intention is that, as part of the business case that was agreed, we have specific support needed and then we will be in a position to let that roll away. Then we will be running that as a business-as-usual system within the Department.

Q67 **Mr Liddell-Grainger:** Basically, it is going to go back down to where it was before, so it will be at least £17 million less after this has been dealt with. Is that right?

Juliet Chua: We will continue to monitor and manage our consultancy spend overall and our use of contingent labour. All those things have controls attached to them. Ministers also play a role in terms of signing off, looking at and scrutinising where we use consultancy and contingent labour. Once we are through the big hump of large-scale technology delivery, I would anticipate that our need to be able to draw on specialists and particular skillsets will be different.

Q68 **Mr Liddell-Grainger:** Have you budgeted for that?

Juliet Chua: It is in our business case.

Q69 **Mr Liddell-Grainger:** You have budgeted for that. You expected it to rise by this figure. In the next reporting year, you expect that to drop back down by a considerable amount.

Juliet Chua: We will need to continue to manage and monitor it, but my expectation is that the bulk of the implementation of Hera falls in this financial year that we are currently in. We will then tail it off over the course of the year after.

Q70 **Chris Law:** I just want to go back to Sir Philip Barton's comment earlier that in comparison to Australia we have not had the same pattern of a brain drain since the merger. Looking at the numbers, you have said that roughly the same number of people are leaving every year. Can you tell me what positions they were in? Have you lost the top tier of people in development in the UK? If so, where have you lost them to?

Sir Philip Barton: There have been one or two more senior people with a development background who have left. For example, our former chief economist, who was the chief economist at the Department for International Development, returned to her academic career in the United States. She came into DFID and into the Department and then, for perfectly understandable reasons, chose to go back to her previous career. She was clearly one senior development expert. We then recruited an excellent new chief economist, also with a development background, from the London School of Economics. That is a specific example.

In terms of overall numbers by grade, we would have to come back to you. In a sense, we do not particularly categorise people in quite such an explicit way because of the crossover point that Juliet made about people moving, if they have the right skillset, between jobs that might have more of a development focus and jobs that might have more of a diplomatic focus.

Q71 **Chris Law:** The figures I have been given are completely different to "one or two"; I have been told that you have lost almost 100 senior civil servants, some of whom have gone over to our counterparts in Germany, for example. Does that sound like something you might be aware of?

Sir Philip Barton: You may well be right about some of them going to work in Germany. I am not aware personally.

Q72 **Chris Law:** Could you possibly write to the Committee about this? I am seriously concerned about the expertise and institutional memory that we have lost as a result of the merger. It would be helpful for the Committee to understand what impact that has had as the UK continues to shrink globally in its reputation. I would like to know whether it is possible for you to come back to us.

Sir Philip Barton: We can absolutely write to you. I will just underline the point that Juliet and I have been making: if you look at the overall figures, it is about 10% or so. It is not massively out of kilter with previous figures for DFID.

Chris Law: The thing I am concerned about is who is leaving. You could count anybody for the figures, but I want to know whether we are losing institutional memory and expertise and, if so, where to.

Q73 **Mr Bacon:** I would like to know that as well. That dovetails with the question I was going to ask. I was with the Comptroller and Auditor General at the Public Accounts Commission. One of the things he said was that the turnover rate at the National Audit Office among audit principals, which is a particular grade of fully qualified accountant—if you are a fully qualified accountant at this moment, you are hot property, in his words—is 20%. He appeared to know what was going on in each tier at what level.

It does not sound to me—I could be wrong—like you have the same quality of information. If you do not agree with Mr Law, you certainly should have that information so that you can say, at a glance, "Here are the 9.3% or 11.1%"—it does not really matter what the figure is—"of people. The totality is X. They are brigaded in the following different ways, at the following levels, at the following salaries. Therefore, these are the people we need to replace"—that is if you still have the establishment and that is not being cut—"and here are the skills we have lost." I would expect you to have that information at your fingertips.

Sir Philip Barton: We have a set of professions such as health advisers and government lawyers. There is a whole set of advisers. We have a head of each one. They absolutely know—

Q74 **Mr Bacon:** What kind of advisers are they?

Sir Philip Barton: It could be health adviser, headed by a senior health body. Each head of profession will know the situation in their particular area of expertise.

Q75 **Mr Bacon:** Hang on. When you say "head of profession," do you mean the heads of profession across HMG?

Sir Philip Barton: No, in the Department.

Juliet Chua: When we are talking about development specialism, there are three broad types. There are programme managers, who run development programming. There are what were previously called the cadres within ex-DFID; essentially, they are groups of professional experts who had deep technical expertise in environment, conflict, health or humanitarian policy. Then there are senior leaders who come from a development background and some more development generalists. We are talking about quite a broad population here.

Q76 **Mr Bacon:** Yes. I would expect you to be able to say, quite easily, "There were seven programme managers, four from the cadres and three senior leaders," or whatever it is. It does not now seem like you have that information at your fingertips.

Juliet Chua: We are doing analysis of our expert development capability. We could certainly write and follow up. I do not recognise your exact characterisation.

Q77 **Mr Bacon:** Rather like Mr Law, what worries me is that if you do not have that information now, you do not know what skills you are losing, but you are doing that work now. That brings me directly to the question I was going to ask. You carefully answered questions about exit interviews by saying, "Yes, HR business partners do this." It sounds like you farm out the exit interview to an HR consulting organisation of some kind. Is that right?

Juliet Chua: No, HR business partners are part of our organisation.

Mr Bacon: I see. It is internal.

Juliet Chua: Yes, it is internal.

Mr Bacon: Phew. That is good. I am glad to hear that. If you have 9% or 11% every year—as you say, so you should—and you know you are going to have it, it ought to be an in-house skill you have.

Q78 **Chair:** To build on what Richard said, we had a briefing from a humanitarian organisation, working in a conflict situation, with which the UK has long been a partner. They were saying that in the last 18 months they have gone through a number of different desk officers. When they were trying to express where resources were needed, the person did not understand the country or the situation.

Our concern is that, aside from the money, the reason DFID was so well regarded was because of that depth of knowledge and experience, which we would share globally. I share my colleagues' concern around this. It is not just about numbers; it is about that depth of knowledge. We want to make sure you are protecting that as much as possible, and we will fight with you to protect that as much as possible. It is about whether there are particular areas where you are losing skills as well as what the particular jobs are.

I also want to ask about the exits. Have there been any voluntary or compulsory redundancies? Do you see any on the horizon?

Sir Philip Barton: There have been no compulsory redundancies, and there is no general voluntary scheme. There were one or two bespoke voluntary exits.

Q79 **Mr Sharma:** What evidence supports bilateral expenditure being more effective than multilateral expenditure?

Sir Philip Barton: I just want to make sure I understand the question. Do you mean evidence in terms of the strategy?

Mr Sharma: What evidence supports the strategy?

Chair: Why is one better than the other?

Sir Philip Barton: Very clearly set out in the strategy is the rationale behind it. I will let Christian say a bit more, having been instrumental in the development of the strategy together with the previous Foreign Secretary. It is about being clearer in the way in which development is one part of our overall approach to our international work and being clearer in our bilateral relationships about how we are going to support and partner with countries and help them develop. Christian can say a bit more about the evidence behind the choice.

Christian Rogg: It is not so much about one being effective and the other one being ineffective or big differences in terms of effectiveness. They serve different purposes to some extent. Ultimately, what we focus on is the combination of the two. It is a portfolio approach to addressing issues through multilateral and bilateral instruments.

A lot of it has a lot to do with the fact that there is more control over the spending through bilateral channels, which means it can be more focused on the Government's priorities and on the geographies where the biggest need or the biggest prioritisation is seen. Ultimately, the proposition behind this, therefore, is that we recognise that certain policy areas are best delivered on through multilateral channels, but there are others where we have a choice and where we have prioritised more on the bilateral side.

If you look at some of the global agendas around climate change, vaccines, pandemic preparedness and so on, there are quite a lot of activities where we have prioritised multilateral spending in the past and where we recognise the importance of working with others, reaching scale and making it easier for partner countries to have a joint interface. At the same time, in an environment where we have moved from 0.7% to 0.5%, where resources are more constrained and ultimately we have an international development strategy that is more prioritised and focused than the one we had previously, we want to make sure the resources are most closely aligned with those priorities.

Q80 **Mr Sharma:** The new international development strategy outlined a plan to move towards administering a greater proportion of ODA spending through bilateral rather than multilateral means. However, our analysis suggests that there were disproportionate reductions in bilateral spending during 2021. How will you achieve this desired shift?

Sir Philip Barton: The reason why that happened was that as the step down to 0.5% happened we had a pre-existing set of commitments, including in particular to multilateral institutions. Some of those were legally binding, but there was less scope to flex in those areas. The strategy takes a forward look at the balance we want to have going forward, where there is more space for choice. Christian, do you want to say a bit more about the forward-looking approach?

Christian Rogg: When you look at our multilateral payments, some of them are annual payments, such as core membership fees and so on, but some of the biggest are multi-year replenishment rounds, whereby we sign legally binding agreements. If you then have a change in the overall amount of ODA, it is very difficult to change that. It is legally binding and multi-year. The next opportunity for Ministers to look at it again is at the next replenishment cycle. That means there is a significant lag effect.

For example, you will have seen it at the end of last year when the replenishment at the World Bank took place for the International Development Association. That was the moment to make the adjustment. Then there are other replenishments to come in the following months or next year.

Q81 **Chair:** There is one at the end of this month for the Global Fund. Are we going to be seeing that shift taking place with the Global Fund? Are we going to honour our agreement since 2002?

Sir Philip Barton: The Minister wrote to you. She was really clear about the value of the Global Fund.

Q82 **Chair:** That is the moral commitment. I was talking about the financial commitment.

Sir Philip Barton: Yes, final decisions have not been taken on the level of our commitment going forward. It is very much in our minds.

Q83 **Chair:** Are you getting an extension beyond the end of the year?

Sir Philip Barton: I am not sure. I would have to come back to you.

Chair: If you could, thank you.

Christian Rogg: Madam Chair, you asked whether we were honouring our previous commitments. The conversation right now is about the period ahead. It is the next replenishment round. It is not about the commitments that were made previously.

Q84 **Chair:** No, what I mean is that since 2002 we have stepped up and honoured our commitment to the Global Fund, not anything retrospective. Did the then Foreign Secretary Dominic Raab understand, when he made the statement about the shift to bilateral, that we did have many big contracts that he would not be able to get out of?

Christian Rogg: We went through all the multilateral commitments, line by line, to look at the impact. A lot of what we discussed earlier has been an effort that has been under way since then, which is to look at the flexibility we have within those multi-year windows to spread the payments in a way that is advantageous from a UK fiscal perspective while meeting our commitments and legal requirements. That conversation did happen.

Q85 **Chair:** It just felt very cruel that, to meet a political decision, the smaller bilateral agreements that were easier to get out of or stop at very short notice felt the brunt of that. It is good to hear that, going forward, you are trying to rebalance that.

I want to ask about the development strategy. It is very interesting, very broad-brush and very top-line. What targets are in place and how are they being monitored? Will they go into the public domain?

Sir Philip Barton: Christian is leading the process that is looking at this. It is a strategy and it is designed to be at the strategic level. It is not designed to be attached to any particular resource envelope. It is not a 0.7% strategy or a 0.5% strategy. It is designed to set out the overall strategic priorities for our development work, critically in terms of how we are going to monitor it going forward.

Christian Rogg: Yes. That work is under way in terms of monitoring. Soon it will be half a year since the strategy was published. There are several elements to it. The first one, as the PUS was saying, is that there are relatively few commitments in the strategy. We are interpreting "commitments" here much more broadly. To give an example, there is a commitment to reduce bureaucracy. We treat that alongside a financial commitment in terms of tracking progress.

Importantly, because this is not an FCDO-only strategy but a cross-Government strategy, it is also a process that we are working towards with other Government Departments to ensure that, when we provide updates, they are done holistically. Many of the policy areas are as much led and delivered by other Government Departments as they are by FCDO.

Q86 **Chair:** Will that go into the public domain or is that all going to be internal? It is very hard to scrutinise what is going on within FCDO. We do not have country allocations. We are very grateful that we got three lines of budget detail rather than the one or two we have had before, so thank you for that, but it does make it hard. Is that information going to be in the public domain?

Christian Rogg: That is under discussion with our Ministers. At this stage, exactly how we will publish and handle the communications has not been decided.

Mr Bacon: You could always encourage the National Audit Office to probe a bit deeper. They do have statutory access. I just make that point in parentheses.

Sir Philip Barton: They are always welcome.

Q87 **Mr Bacon:** I am sure they are. I would like to ask more about the international development strategy. It signals an enhanced role for British International Investment. Can you characterise how important you see BII as being to your development strategy?

Sir Philip Barton: It is very important, but I would put it in the context of what we have labelled British investment partnerships. Those have BII at their heart, but it is not the only part of them. It is about how we build economic partnerships to facilitate high-quality investment in low and middle-income countries.

In addition to the capital investment that BII brings on the development finance side, we also have, for example, a programme to mobilise financing through capital markets by helping them to develop listed products, which produces finance for developing—

Mr Bacon: Did you say "listed products"?

Sir Philip Barton: Yes, products listed on stock markets.

Mr Bacon: They are listed on exchanges.

Sir Philip Barton: Those produce capital on that side for developing countries that would not otherwise be available. We are also developing our UK expertise offer through centres of excellence. That is work in progress. Those cover things like green growth, cities, infrastructure, public finance, financial services and so on.

Taken as a total, that is a very important part of the strategy. It is about how, in partnership with developing countries, we help their economic development and therefore help people to come out of poverty. Christian, do you want to say a bit more about how it fits into the wider strategy?

Christian Rogg: Yes. BII is very much one of the key elements, as the PUS was saying, under the investment heading of the international development strategy, alongside other measures. We very much recognise that for growth and poverty reduction to take place it requires investments, expertise and on-the-ground support for reform efforts and so on. It is very clearly anchored there. At the same time, when you look at the new strategy that was put in place following BII's launch—the strategy is starting this year—it very much also focuses on areas that help to deliver some of the other objectives on the climate side, for example, or on the resilient-economy side.

Q88 **Mr Bacon:** I was going to ask about this. Your strategic goals include girls' education, reversing biodiversity decline, improving global health and so on; how are you going to deliver those when you do not have control over where the bulk of the ODA is invested?

Sir Philip Barton: We do have control over the something like 70% to 80% of the ODA that is spent by this Department. If that changes, that will have an impact. That is a matter under active discussion now.

Q89 **Mr Bacon:** How will the effectiveness of the BII's investments be measured when you are reporting on the FCDO's contributions to the SDGs?

Sir Philip Barton: The BII is wholly owned by the FCDO. We are the only shareholder.

Q90 **Mr Bacon:** Do you have a director on the board now?

Sir Philip Barton: I do not think we have a—

Q91 **Mr Bacon:** DFID never had a director on the board when it was the only shareholder. That personally surprised me. Are you still the only shareholder?

Sir Philip Barton: We are the only shareholder. There are formal governance arrangements—

Q92 **Mr Bacon:** That do not include you having a director.

Sir Philip Barton: I attend annually their key stakeholder meetings.

Q93 **Mr Bacon:** What about their board meetings every month? We are members of the IMF and we send an executive director to that—that was Tom Scholar for a while, before he went to the Treasury. We do not do that for this.

Sir Philip Barton: We have an agreed strategy. We have deep ongoing dialogue. I am sure we have people at all their board meetings.

Q94 **Mr Bacon:** Are you sure?

Sir Philip Barton: I am pretty sure we have people at their board meetings but not as board members. There is FCDO involvement, including Ministers, in the way public appointments are made to the board and other members. To your question around impact, BII measures the impact of its investments, including in terms of development outcomes.

Q95 **Mr Bacon:** They mark their own homework, in other words.

Sir Philip Barton: They do a professional job in assessing the impact of their investments.

Q96 **Mr Bacon:** There is something I do not understand. When there is only one shareholder—it is you, and you are the accounting officer for the Department—what is the downside of having a director from the FCDO, one senior person, as a board member? What is the downside of doing that?

Sir Philip Barton: It is an arm's length body, which was set up to make investment decisions that have development impact and to secure a return for the money—

Q97 **Mr Bacon:** That is the answer to a different question, which I did not ask. If I had asked, "Is it an arm's length body?", you would have given me a perfect answer. My question was what the is downside of your organisation, the FCDO, having an appointed board member in this organisation in which you are the only shareholder. What is the downside of doing that?

Sir Philip Barton: We have pre-existing governance arrangements, which work well both from the perspective of—

Q98 **Mr Bacon:** Again, that is the answer to a question I did not ask. I did not ask, "Did you have pre-existing governance arrangements?" I am asking you what the downside is to your appointing to this organisation, in which you are the only shareholder, a director.

Sir Philip Barton: The downside is that, in the end, you have a board running a financial institution. You want to have a set of expertise on that board across a whole range of different areas, from people who are deeply expert in finance through to people who understand how the board is managing BII's human resources and so on.

Q99 **Mr Bacon:** Yes, I understand all that. Of course, you would expect the people at the top of the board to be experts and to have responsibility. I am talking about a non-executive director. After all, each Government Department has non-executive directors, does it not? Where is the downside in the organisation you lead, at an administrative and professional civil service level, appointing somebody from your organisation at a senior level to be a non-executive director of this organisation, British International Investment, in which you are the only shareholder?

Sir Philip Barton: I will come back to you with some more refined argumentation on your point about the overall governance and the relationship with the Department, including your point about board members.

Mr Bacon: With respect, it sounds to me like you do not have an answer to the question.

Q100 **Chair:** When we speak to BII about this, it is very clear that you are a shareholder. They do not see you as having any role in their direct decision making. We know that last year you gave £660 million to what was then the CDC. We know you have given £200 million to date to BII. We do not know what you have allocated for this year. That is going to be one of your biggest single allocations. Would you not like more control over how that money is spent? How do you make sure they are meeting their objectives? I have seen the glossy brochure and it is lovely, but there is not much detail about how it is impacting on the ground.

Sir Philip Barton: We have agreed a strategy, which gives them strategic direction. That was signed off by the then Foreign Secretary. In a sense, that is what the Department, on behalf of the Foreign Secretary, has asked them to deliver. The board is then charged with the responsibility of meeting that strategy, taking the day-to-day decisions and running the organisation.

Q101 **Chair:** If you were giving £660 million to a country, to a specific project or to the World Food Programme, would you have more or less scrutiny than you have over BII?

Sir Philip Barton: We have a whole series of interactions with BII, including transparency around all of their work and their management information. You have different models for the way in which you interact depending on who you are dealing with.

This is a wholly owned arm's length body of a Department of the British Government. You will have a different way of working with them than you would with a partner country or a partner international organisation or philanthropic body.

Christian Rogg: We need to come back to the question about the board, but more generally, to your question about direct influence, if you look at the five-year strategy that started this year and the decision on the investment criteria, which are ultimately then used within the organisation to take decisions on which investments to proceed with, those are also agreed. Likewise, when you look at some of the key elements of the strategy, such as the shift towards the Indo-Pacific and the recent opening of a Singapore office to drive that forward, those are very much in line with UK foreign policy priorities and ministerial steers.

At the same time, this is ultimately about mobilising financing. It is about delivering effective solutions with the private sector and through private sector mechanisms. This is where the risk of being too direct can have adverse consequences in terms of the ability to take proper investment decisions. Many of the organisations I have met that value working with BII value it precisely because it provides something different from the FCDO. They are also as close to the private sector as any of the other instruments we have in our portfolio.

Q102 **Chair:** Are they the single biggest recipient of ODA? I am not talking about the refugee schemes.

Christian Rogg: The decision on capital replenishment has not been taken. That is with Ministers at the moment. They are definitely a key element of the portfolio. If you look at the agreement or the ambition in the strategy, it is for BII to make commitments of $2 billion to $2.5 billion per year, which is a step up from before. Essentially, one would then need to look at what that means in terms of when the FCDO injects money, in terms of the capital, but then also at the fact that the investments are commitments over many years.

Q103 **Chair:** They will not get a one-off one chunk of £2 billion. They will be able to draw down from that account, effectively, over two to three years.

Christian Rogg: Many of the investments they are making now are possible because of previous capital injections. The current one is under consideration.

Q104 **Mr Bacon:** It has been some time since I looked at the CDC—it was many years ago when I was on the Public Accounts Committee—but it was a car crash. It is one of the reasons I remain suspicious about the hands-off or distanced approach, although I can see that it has advantages.

Is it the plan that BII will operate in an essentially similar manner to the way that CDC operated? That is to say, it will inject certain layers of capital into projects, whether it is equity, mezzanine debt or whatever else, in order to encourage other market players to come forward with further capital so you leverage the input of BII much further than what the FCDO itself is putting in.

Sir Philip Barton: That is absolutely right. It is often in partnership. That is sometimes with local partners and sometimes with other internationals. It is often in situations where, unless they stepped in, there would not be anybody. They help to create investment opportunities and give others the confidence to come in in places where they would not otherwise go.

Q105 **Mr Bacon:** There is nothing inconsistent about having a non-executive director attending a board meeting regularly to have some direct input and, as much as anything else, to report back to FCDO Permanent Under-Secretary and finance director on what is going on, is there?

Sir Philip Barton: Let me come back to you on that.

Chair: Just to let you know, we are doing a long inquiry into BII.

Sir Philip Barton: I am very happy to give input at the right time.

Chair: We appreciate that very much.

Q106 **Mr Sharma:** What risks do women and girls face as a result of the freeze in aid spending?

Sir Philip Barton: It is a pause, not a freeze. We set out the criteria. A lot of the things that I described will carry on. The essential criteria that I described will absolutely benefit women and girls. At the moment, we are paused. We will have to see what the future holds.

Q107 **Mr Sharma:** The current—I use the word very carefully—Prime Minister stated that women and girls were a priority for UK aid spending. Is the budget on track to be restored to £745 million for 2022-23, as was stated in the 18 May 2022 evidence session?

Sir Philip Barton: You are right. The strategy sets out the priorities. It absolutely has women and girls at the top, but there are other key ones mentioned in the strategy. I explained earlier this afternoon where we are on budget allocations in the light of our spending review settlement and the strategy. We made initial allocations towards the beginning of the financial year, including in the area of women and girls. That is where we are at the moment. As I have explained, we have paused pending final decisions on allocation for this financial year.

Q108 **Mr Sharma:** I take it that it is on track to be £745 million.

Sir Philip Barton: We made allocations, but at the moment we are paused.

Q109 **Chair:** Was the allocation for £745 million?

Juliet Chua: We have reflected the international development strategy in the way the allocations were set out. As Philip has said, we are currently paused. We are going to need to be looking in the context of those decisions.

Q110 **Chair:** I do not know any other way to ask the question. Was the allocation £745 million before the pause or freeze?

Christian Rogg: The allocations were in line with the strategy and the ministerial commitments. That included women and girls. That included, for example, £1 billion for humanitarian per year and £3 billion over the three years of the spending review. There was consistency between the public announcements and the allocations.

Chair: I genuinely do not know how else to ask a very straightforward question, I am afraid. You are not answering that question.

Q111 **Mr Sharma:** Are you saying yes or no? That is it. I gave the exact figure: £745 million.

Chair: That is what was stated by the Foreign Secretary.

Mr Sharma: That is what was stated in the 18 May evidence session. Whether it was paused or frozen, whatever term is used, is that £745 million—

Sir Philip Barton: We obviously have not been clear enough. It is in the strategy. It is a priority. We have made allocations in line with ministerial commitments. The answer is yes but, as I have explained, those were the allocations that we made in line with the strategy against the spending review settlement we had. We are now paused pending final ministerial decisions.

Q112 **Chair:** Yes, it was in your strategy pre-pause. Now you do not have a clue until the freeze thaws and we—

Sir Philip Barton: Now I do not know yet.

Chair: That was quite hard work.

Q113 **Mr Sharma:** The annual report states that the UK is proud to champion sexual and reproductive health rights. How has the FCDO approached targeting these programmes, given the previous cuts to this area and the freeze on non-essential expenditure?

Christian Rogg: There are a number of important points in response to your question. First, when you look at what the international development strategy says, prioritising women and girls is one of the four key areas. It then also sets out quite explicitly the elements there.

We are working, as has been communicated previously, towards a women and girls strategy that sets this out in more detail. One of the key elements there is precisely what you referred to. It is about sexual reproductive health; it is about the key risks to women, including other areas that I know the Committee cares a lot about such as female genital mutilation and so on.

The priorities that are spelled out and explained at a higher level in the strategy will be spelled out in more detail in the women and girls strategy. As was said previously, when it comes to allocations to deliver on that, it was allocated previously. The exemptions process we are running now is very much protecting those activities. Programmes about gender-based violence, women at risk of violence in conflict areas, sexual reproductive health or access to basic health services are all activities that are prioritised as part of the exemptions process.

Q114 **Chair:** When the first round of cuts came, there were women's sexual health projects where we were the sole provider of the finances that we cut. Are those being reinstated or have you brokered relationships with other donors to meet that shortfall? I am trying for the life of me to think of the name of the one big project that we cut.

Christian Rogg: This was not an automatic decision about reinstating some programmes and not others. It is very much decision making in line with what we say elsewhere in the strategy. In the case of particular countries, development directors and heads of mission advise on which programmes we should continue and which programmes we should restart if the programme was cut previously. That very much takes into consideration the need in the country, how other development partners have responded and whether they have filled the gap or not. There is not a top-down decision on that. That is very much based on the evidence in country.

Q115 **Chair:** There was UNFPA, and I think it was Marie Stopes in Bangladesh. Do you do a post analysis as to whether there is alternate funding, if that suddenly becomes a priority on your list? Once we have walked away, is that the end of it?

Christian Rogg: Those are now the key criteria used for the exemption, but previously those were the types of questions we would be using with our teams in country to advise on whether, in this case, UNFPA or Marie Stopes are the partners to prioritise going forward.

We have not talked about this, but there are a lot of additional factors that also come into the space around the performance of those partner organisations and the value for money from those investments. That was part of the active consideration. I am happy to look into particular programmes. Do you have a particular one in mind?[3]

Chair: I do, if I remember it. If not, I will write to you. Thank you.

Q116 **Chris Law:** The biggest thing coming down the line and the most important thing that comes through my mailbag these days are questions around climate change and what we are doing about it. It is an existential crisis for our planet as well as for ourselves. My first question is going to be about the integrated review and the new international development strategy, which made climate change and biodiversity loss a priority and committed at least £11.6 billion to the UK's international climate finance between 2021 and 2026. Is that money going to be protected? Or is it likely to see cuts?

Sir Philip Barton: I can do nothing other than repeat what I have already said about our financial situation. That is not money that only sits with the FCDO, and it goes out beyond the spending review period. The commitment is out to 2026.

Chris Law: That is not really a straight answer, with respect.

Chair: There is a theme coming out here.

Q117 **Chris Law:** Yes, we are hearing it repeatedly. It is true that we do not know where the money is going or whether there are going to be future cuts coming, which is incredibly worrying given that this is the No. 1 existential crisis for all our futures.

Have there been discussions around trying to protect that budget of £11.6 billion over the five years? Has there been any progress made to persuade the Government that you cannot hide from this coming down the track and that it is already here? Can you give us sort of any indication of when we are likely to know?

Sir Philip Barton: In terms of the FCDO budget, the part of that which is our share of the ICF commitments is ring-fenced. Those were the terms of the settlement in the spending review. That is money allocated for those specific purposes. In the end, we will have to have a conversation with the Treasury about our budget going forward in the way that I describe, including elements of the ICF.

[3] UNFPA Supplies Partnership is a Global Health Initiative (GHI) dedicated to the procurement and distribution of contraceptives and maternal health medicines in over 48 of the world's poorest countries. It is a pooled fund with 20 government and private donors as of 2022. UNFPA Supplies provides over 40% of the world's donated contraceptives and relies on the UK for around half of its funding. Despite the UK reducing its contribution from £144m to £20m in 2021, the FCDO remain the largest donor overall.

I am speaking on behalf of the FCDO. In terms of the Government's overall commitment, the commitment stands. The commitment has not been changed. No one has changed the commitment that you are citing to me. We had a leadership role and we continue our leadership role. We are about to hand over, in terms of COP26, to the Egyptians, but we will have an ongoing role. We are very committed to the Biodiversity Conference discussions in Montreal in December. Our leadership on climate on the back of what we achieved in Glasgow last year will carry on.

Q118 **Chris Law:** I appreciate that answer. Am I right in saying there has not been a cross-departmental discussion between the heads about that commitment across each of the Departments to ensure we meet our pledges? Otherwise, the pledges are meaningless. I have been to nearly every COP since I was elected, and I will be in Egypt next month. I just need to be clear that we are all on the same page about how we are going forward, that the UK is committed to the budget and that it is not going to make cuts.

Sir Philip Barton: I described the position for the FCDO fully earlier. We have an allocation. We have a ring-fence, which is around our share of the ICF to meet our part in the existing Government commitment.

Q119 **Chris Law:** How much progress has been made against the £11.6 billion target? Can you tell me what total figure has been spent on these climate programmes since 2021? The figures I have here are alarming, but I will come to them in a minute.

Sir Philip Barton: I do not have cross-HMG international climate finance figures. I will have to come back to you on that one.

Q120 **Chris Law:** Do you have the FCDO figures, though?

Sir Philip Barton: No.

Q121 **Chris Law:** I can give you them, in that case. In 2020-21, £331 million was spent. Interestingly, since we got the presidency of the COP last year, it has dropped by £129 million to £202 million, if I have got that right. That means there has been an actual drop in spend on the very thing we are supposed to be focused on. I wonder what your reaction is to that.

Sir Philip Barton: I am not sure I recognise the years you are citing.

Q122 **Chris Law:** I am looking at the current number for this year. It says £202 million has been spent for this current year, 2021-22. In 2020-21, the year before—the previous year—it was much higher, at £331 million, which gives us an actual decline rather than an increase, given the commitments that have been pledged.

Christian Rogg: We would need to look at the exact spending figures.

Chris Law: They are your figures, actually.

Christian Rogg: I mean in terms of explaining it with numbers. This is not about reducing activities or programmes. This is explained by the lumpiness of some payments, particularly where it is through multilateral channels' joint funds to which the UK contributes. As a result, it does look uneven.

Q123 **Chair:** Have all those pledges now been disbursed? Are they still up in the ether? The COP27 president said that a lot of them had not been disbursed yet.

Christian Rogg: The £11.6 billion is multi-year. If you look at the other amounts that have been announced since then or even beforehand, they are also multi-year. I am not quite sure what you refer to when you say they have not been disbursed yet. Relative to which timeframe do you mean?

Chair: The pledges have future deadlines on them.

Q124 **Chris Law:** Just so I understand correctly, if we look at the numbers, they are pretty slow. If £11.6 billion is to be spent by 2026, we are so far at 4.6% and we are nearly at the end of 2022. It is going to be one hell of a spend over the next four years to catch up. Is that correct?

Sir Philip Barton: It was always in the financial plans that it would be stepped up, not least because it takes time to make effective use of the money. The whole idea was to build it up. You are right: it does increase over the period.

Q125 **Chris Law:** We have a long way to go: 95% in the next three years. To follow on from that, the new international development strategy is supported by a three-year budget. What spending plan is in place for reaching the £11.6 billion by 2026, in that case?

Sir Philip Barton: I am going to be boring, I am afraid. In terms of the FCDO's budget, we had allocations that included funding that was ring-fenced year by year around the ICF part of that. It is all subject to the conversation we are having at the moment with the Treasury about our budget going forward.

Q126 **Chris Law:** Currently, we do not know what the spending plan is for the next three years. That would be an easier way of putting it.

Sir Philip Barton: It is subject to the conversations and the final ministerial decisions, given the pressures.

Q127 **Chris Law:** Taking this a bit further—I am expecting the same answer you have just given, probably—what focused strategy or implementation plan does your Department have to co-ordinate expenditure across Departments? This goes back to my earlier point. What inter-departmental conversations are happening?

Sir Philip Barton: I am going to ask Christian to talk about the inter-departmental arrangements we have put in place at official level. As

Christian said earlier, this is a Government strategy on international development. We are putting in place the mechanisms to have conversations around climate. Now that we have a Minister for Development, she will be doing likewise at ministerial level to get at the point you are making. Christian, do you want to say a little bit about how you do this officially?

Christian Rogg: The cross-Whitehall co-ordination mechanism that links to the strategy first and foremost is about policy coherence because that is one of the key objectives we want to achieve with the strategy. We want to have coherence between Departments working towards the same objectives and staying in lockstep. There is also a co-ordination mechanism on the finance side.

Having said that, when you look at the commitments that are made, the FCDO's role in them is very different. For example, the last one, climate, is one where you have other Government Departments spending a significant share of ODA, whereas on humanitarian that is not the case; the idea is about policy coherence, but ultimately the spending authority, the monitoring, the reporting and so on is entirely within the FCDO.

Q128 **Chris Law:** Thank you for that, because that is helpful. I have here that the UK Government made several commitments during COP26—I remember—such as £290 million to help poorer countries to cope with climate change. How is the FCDO ensuring that UK Government follow through on their commitments? Let us be blunt: is this pledge essential or non-essential aid? In my constituency—I am sure it is the same for all of our constituencies—it is utterly essential.

Sir Philip Barton: I went through the criteria. You have rightly pointed out that there is a step-up. A lot of these will fall into the category of programmes that are being developed. They will be the ones that will be in our pipeline coming forward for decision. They are not in the category of immediate life-saving in the way I described.

Chair: They are non-essential.

Q129 **Chris Law:** The planet being on fire is not essential; is that what we are saying?

Sir Philip Barton: With respect, you are putting words into my mouth. I am saying that these things are part of long-term development work. At the request of the Treasury, as I explained, we were asked to pause decision making pending final decisions. We have put in place a process to make sure we have not paused things that are absolutely critical in terms of saving life today. The humanitarian response to climate incidents such as the floods in Pakistan would be a good example of that. That is absolutely not paused, and we are still taking decisions around that.

Q130 **Chair:** You will fund the consequences but not the prevention at this point.

Sir Philip Barton: We have paused some decisions temporarily.

Christian Rogg: One of the criteria was also to prevent people from falling into humanitarian need. If we pause one activity and it becomes an urgent humanitarian crisis, we recognise that is not in the interests of us working with those countries and communities and it is also, frankly, not in the interests of the UK taxpayer in that space.

This is very much about not just people who are in humanitarian crises but also preventing people from falling into humanitarian crises. Pakistan was mentioned, but when you look at the Horn of Africa or other parts of the world, a lot has to do with climate, drought or flooding. It does feature very prominently in the process that is under way.

Q131 **Chris Law:** That is really helpful. I am just looking at some of the pledges that have been made. You mentioned Pakistan; I see that at COP26 £55 million was pledged to Pakistan to fight climate change, manage water more sustainably and unlock climate investment. That is quite important. How much of that money has so far been spent since that pledge last year?

Sir Philip Barton: I would have to come back to you. I do not know off the top of my head.

Chris Law: If you could write to me about that, that would be helpful.

Q132 **Chair:** Would you also be able to come back and say how much of the pledged money or disbursed money is grants or loans?

Sir Philip Barton: Yes.

Chair: We are doing our next inquiry, the week after next, on debt relief. It is quite a pertinent thing for us.

Christian Rogg: Just to answer your question, with a few exceptions—for example, we talked about guarantees in the case of Ukraine—the funding we are talking about is grant. We do not really have loan elements in the sense that other G7 countries or other development donors have. We will confirm that.

Q133 **Chris Law:** Just before I come to my last question, to be clear, the decision making that needs to happen yesterday is on pause. We do not know how we are going to get the money spent by 2026. It has been said at the UN and at COP26 that the five years we are living through now will determine the next 5,000 years. Do you have any indication of when this pause is going to be unpaused so we can get on with the programme of trying to protect our environment and our planet?

Sir Philip Barton: I do not recognise your description. As I said, the ICF commitment extends out beyond the spending review period. The spending review settlement absolutely took account of how to meet the overall ICF commitment in a staged way. As I said, the FCDO part of that was ring-fenced.

In terms of your question about when, we hope decisions will be taken before the end of the month and by the time of the Chancellor's promised announcements on the wider fiscal approach at the end of October.

Q134 **Chris Law:** How do we measure progress against the commitments we have been discussing? How are they monitored and reported on?

Juliet Chua: We receive monthly updates at the management board of the FCDO on the forward pipeline on ICF projects and programmes. We can see what is coming through in terms of that pipeline against what has already been identified, and also ensure that teams are doing the work to be able to make sure that, as we described, there is significant scale-up in future years. We get monthly updates on that.

My investment committee also had a thematic review conversation with the climate and environment team specifically going through their forward thinking on ICF overall. There are updates to Ministers, but it is also something we monitor at the management board.

Q135 **Chair:** Is that something we could get a copy of?

Sir Philip Barton: Let me come back to you on that.

Chair: If you are unable to share the exact data, it would be most helpful to see the headlines you are getting people to report on.

As my wonderful Committee colleagues have said, the programme I was trying to remember was the IPPF's WISH programme. I would also like to correct myself. It was Marie Stopes in Pakistan, not Bangladesh. If you were able to give me an update on those, I would be most grateful.

Thank you. You have given us an awful lot of time. You have given us as much information as you were able to. I have never been more aware of the political decisions of individuals having a very direct impact. This Committee is always incredibly impressed by the development work this country does. We have such awe and admiration for the experts in the team. I give them our great thanks. Thank you for trying to be as full as you can with your answers. We really appreciate it.