HOUSE OF COMMONS

International Development Committee

Oral evidence: Aid spending in the UK, HC 898

Tuesday 13 December 2022

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Watch the meeting

Members present: Sarah Champion (Chair); Chris Law; Nigel Mills; David Mundell; Kate Osamor; Mr Virendra Sharma.

Questions 1 - 54

Witnesses

I: Enver Solomon, Chief Executive, Refugee Council; Daphne Jayasinghe, Director of Policy—Europe, International Rescue Committee.

II: Ian Mitchell, Senior Policy Fellow, Center for Global Development; Professor Michael Collyer, Professor of Geography and Development Studies, University of Sussex; Professor Stefan Dercon, Professor of Economic Policy, University of Oxford.

Examination of witnesses

Witnesses: Enver Solomon and Daphne Jayasinghe.

Q1 **Chair:** I would like to start this evidence session of the International Development Committee, where we are looking at aid spending in the UK. We are joined first by Enver and Daphne; we have a second panel after that. I wonder whether I could start by getting you to introduce yourselves and also the organisations you are representing.

Enver Solomon: My name is Enver Solomon. I am the chief executive of the Refugee Council. We are the largest single provider of services to people in the asylum system and those who come here on Government programmes, such as the Ukrainian programme or the Afghan programme—ACRS. We have been in operation for just over 70 years, since the UK was one of the founding signatories of the UN convention on refugees. We came into being after this country signed that convention.

Last year, we supported and worked with just over 12,300 individuals in the asylum and refugee protection system. We also have a dedicated service working with children who come here alone, unaccompanied, commissioned by the Home Office to provide support to every individual unaccompanied child who comes to England.

Daphne Jayasinghe: My name is Daphne Jayasinghe. I am the director of policy for the International Rescue Committee in Europe. The International Rescue Committee is a humanitarian organisation, working in over 40 countries across what we call the arc of the crisis, in the immediate aftermath of an emergency and crisis, providing lifesaving support, right through to the integration of refugees when they have found a safe home. We are currently operating in the UK as well, having launched our programming in the UK in 2021.

Q2 **David Mundell:** Can I ask Enver a small point of clarification? How do you work with the Scottish Refugee Council and refugee councils across other parts of the United Kingdom? This inquiry is relating to the whole of the United Kingdom.

Enver Solomon: We have a very close relationship with the Scottish Refugee Council and the Welsh Refugee Council. Both of those came into being after we were founded. We work very collaboratively and closely. We sometimes do joint initiatives together. During the Covid pandemic, we did a big programme funded by the National Emergencies Trust to meet the needs of people right across the UK. We do other joint work in collaboration. We work very closely, and what I talk about will reflect the situation right across the UK. Where there are differences, particularly sometimes in Scotland, I will highlight those.

Q3 **Chair:** Enver, over the past two years we have seen a significant increase in the amount of foreign aid spent in the UK, as thousands of people have fled crises in Ukraine, Afghanistan and elsewhere. Home Office aid spending is predominantly being spent on UK refugee accommodation

and hosting costs. We have seen an increase of £144 million—that is 74%—from 2020 to 2021. This Committee is interested in how that money is being used to support refugees in the UK. To be very much on the record, we absolutely support the help that they are getting. We are just concerned about the impact that it is having on overseas support that we would traditionally be giving with that money.

I wonder whether you could tell us a little more about the type of refugees your organisation supports, where they are from and the support you are providing. What are the main challenges you face in delivering that support?

Enver Solomon: We will work with people who come on Government programmes—what are often referred to as safe and legal routes. We had the Syrian programme and then that became the UK resettlement scheme. There are still people arriving on that scheme affected by the conflict in Syria and other conflicts in the Middle East.

We will also work with Ukrainians who come here, with local authority funding to provide support for Ukrainians on both schemes: the Homes for Ukraine scheme and the family visa scheme. There is no funding for local authorities to support Ukrainians on the family visa scheme, so we are filling a gap there.

With Afghans who have come—who came post the evacuation from Kabul on ARAP, and now the Afghan citizens resettlement scheme—we are working with Afghans who are still in hotels. There are 9,000 in hotels.

In addition, we will support people in the asylum system. We are working with people in the asylum system who are in hotels in different parts of the country. We will provide a range of support, including therapeutic support and a tailored programme, as I was saying earlier, for children who come here unaccompanied—alone. We will often meet their immediate needs. There are people in hotels who do not have clothing or toiletries, and do not know how to access information about their case and what is happening to them. We will meet those needs in a holistic way. Where we think they might need therapeutic support, if they are experiencing post-traumatic stress disorder, for example, we also have a therapeutic team that will try to meet their needs as well. There is a broad range of support. About 50% of those we work with are in the asylum system and 50% through so-called safe and legal routes.

There are different challenges for people if they are on the Ukraine scheme or the Afghan scheme. Very simply, for the Afghan scheme, it is the fact that they have been stuck in hotels for many, many months—over a year. I have visited families in hotels where they are living in an individual cramped room. There are issues about how that impacts on their mental health and wellbeing. There are also issues that come into play around domestic violence in those settings.

There are real issues about concern for the family members back in Afghanistan. There are issues around access to healthcare and particularly to early years education. It is fair to say that local authorities have stepped up and really helped Afghans to access schooling.

For Ukrainians, the big challenge at the moment is coming to the six-month point—the transition—moving out of hosting arrangements. Some hosting arrangements have broken down. I was with a Ukrainian grandmother who came alone, by herself, from Ukraine many months ago. She was in a hosting arrangement up in the Yorkshire and Humber region. That arrangement broke down after two months, but the council stepped in, to its credit, because she is particularly vulnerable, and found her council accommodation. There is a real issue around access to long-term and stable housing.

For people in the asylum system, the No. 1 issue is the backlog, from our perspective. There are 150,000 waiting for a decision, with tens of thousands waiting over three years even, and some waiting over five years. In our view, the system has been woefully underresourced. We think that it has been mismanaged, too. As an illustration, it is only this year that a proper computer database was brought in. Previous to that, spreadsheets were being used to manage cases. This was confirmed by the inspectorate—the Government's own inspectors.

The way that the system has been operated and run has not been fit for purpose, to be frank. There is much more that needs to be done there. The Government, the Prime Minister, made a commitment today to clear the backlog in the next year. You will have heard it in the House of Commons. That is a very ambitious commitment. We are sceptical, having not seen the detail yet, about whether that will be delivered, but there are certainly ways and means that that can be delivered.

The way that the issue of channel crossings is approached is a concern because of the lack of safe and legal routes, for example if you are an Afghan and wanting to join a family member here. This is happening today, as I speak. Afghans will be taking dangerous journeys because the rules around what is called family reunion are very restrictive. Those could be expanded to provide more safe routes, but there was no indication from the Prime Minister around that today.

To suggest that everyone coming through so-called irregular routes, including crossing the channel—let us remember that not everyone who comes across the channel comes through an irregular route, but people are still coming in the back of lorries today, as we speak—is illegal or that what they are doing is criminal is fundamentally wrong. The UN convention is very clear that that is not the case.

There are many people across this country who have come here—taken irregular routes to get here—to reach safety in the UK. Indeed, the Iranian founder of the first private hospital that operated a contract under the NHS came here because we supported him through an irregular

route, having to take a dangerous journey. The suggestion that they are all illegal and criminal, and therefore we should not be giving them a fair hearing on UK soil, is of grave concern to us, too. I hope that provides an overview, but I am happy to dig deeper into particular issues.

Q4 **Chair:** It does. Could I take you back? You said that the IT database was non-existent and it was a spreadsheet. I am assuming you are talking about a piece of paper spreadsheet. That then makes sense of why, when I am trying to follow up some casework, no one knows what is going on. There was no central database for all this information to go on until last year.

Enver Solomon: There was no digital case flow database system in operation. The chief inspector of borders and immigration reported this in his report at the end of last year. He went in and, when he was looking at the asylum and decision-making process, he found caseworkers having to resort to spreadsheets because they did not have a digital, effective, systematic database case flow system.

The Home Office is addressing that and has started putting one in place, but that should not have been happening this year. We should have had that years ago.

Q5 **Chair:** Exactly, it is shocking. Daphne, from IRC's perspective, can you tell us a little bit about the sort of refugees you are helping, the situations and the challenges?

Daphne Jayasinghe: The International Rescue Committee launched its programme on refugee integration in the south-east in 2021. We have been proud to support 400 people with integration. That includes refugees from the Syria region, Ukraine and Afghanistan. The type of support that we offer is largely integration support, such as job readiness programmes and cultural orientation to support refugees navigating the NHS or particular services, including English conversation classes and English classes. Most recently, we have launched our Ukraine response project to specifically support Ukrainians.

A chief challenge that we are encountering is resourcing the growing needs that we are identifying. We have seen them significantly increase this year in particular. A very striking example of that is the shortage and provision of ESOL classes, so for speakers of English as a second language. That includes the shortage of teachers themselves, but also the limited availability of those classes, which are so vital for integration and, particularly, for employment. At the moment, those classes take place once a week. We would prefer to see longer classes, so that people can learn English more quickly, along with provision of childcare for women, who suffer increased and different barriers to the labour market, and so further challenges in accessing those employment opportunities.

I also wanted to pick up the point Enver made about the trauma that is created by separation from family. That really poses a challenge to

integration when people are uncertain of the safety of their loved ones or when they will see their loved ones again.

Likewise, Enver described the challenge of housing and accommodation. When people do not have any certainty about where they are going to be living or how long they are going to be living there for, which is the case for both the Afghans and Ukrainians, as Enver said, it is very difficult to commit to employment, to realistically seek employment, and to integrate into society. That is creating huge challenges to effective integration.

Q6 **Chair:** I did not know that International Rescue Committee worked in the UK. Is this a new phenomenon, or is this something that you have expanded recently?

Daphne Jayasinghe: That is right, yes. We have built on our expertise from our integration programming in the US and elsewhere, and launched programming in 2021 in the UK. We have benefited from our experience of education in emergencies to also build on our healing classrooms approach, which is support for teachers, as part of our Ukraine response project, who are receiving refugee children and have to tailor their response to their needs, in order to make them feel welcome, and do everything it takes to help a child to get over the trauma of displacement.

Q7 **Mr Sharma:** I know that both of you partially touched on this. How has demand for your services in the UK changed over the past two years? You both touched on it, but there is certainly room to expand on how it has been changed in the last two years.

Enver Solomon: Absolutely, yes. It has changed in a number of ways. If you look at the asylum system, the number of people in hotels has dramatically increased in those two years. There are now tens of thousands of people in hotels. That is not just people in the asylum system but Afghans. Two years ago, we did not have 9,000 Afghans in hotels. We did not have over 30,000 people in the asylum system in hotels.

That creates a number of challenges, including their access to local health services or to support. Often, these hotels are stood up by the Home Office without consultation with local agencies, including the local council, health agencies, care trusts or, indeed, the police. Remember, there are far-right organisations targeting those hotels. We have seen this in parts of the country.

There is a whole number of needs around that, in terms of needs of access to essentials, such as basic clothing and toiletries, but also access to support around health needs. Lots of people arrive with health conditions that need to be met, whether that is diabetes or a kidney condition. Sometimes they will have developed health conditions on the dangerous journey they have had to take to the UK, as well as issues

around trauma and mental health needs. There is a whole cluster of needs there.

In addition to that, we have seen a big increase particularly in relation to unaccompanied children. There are now seven hotels for unaccompanied children that have been stood up because the system of them accessing local authority care around the country is not working in the way that it should be. There have been poor-quality age assessments done, so we have a huge demand for that service of ours, where children who feel that they have been wrongly assessed as an adult will seek help around correcting that age assessment. Local authorities have found children in adult hotels whom they have then had to take into care because of poor-quality age assessments.

The other area where we have seen a real need is in that support around integration. This is Ukrainians, but it is also people who have come from Hong Kong on the BNO scheme. We are operating a welcome hub in one part of the south-east to support people from Hong Kong. There is a multiplicity of needs there, around access to housing, employment, English language, as you heard, and basic orientation around the UK—how to open a bank account, how to get their documentation that enables them to function, all the things that we take for granted.

There has been a huge change in the nature of the demand and the nature of that for us, as an individual organisation, but also for local authorities and other charities. A big issue is the poor-quality advice available from the Home Office service, which is a helpline service. If you are in the asylum system and you want to know what is happening to your case, there is one phone number you can call to seek advice. That service is often inundated. People can be on the phone for two or three hours. Their legal representatives can be on the phone for two or three hours. That is not an efficient and effective system.

Q8 **Chair:** Is it multilingual?

Enver Solomon: Yes. There are translators provided. The system is operated through a contract with a company called Migrant Help, but the nature of the contract does not meet the needs of the individuals that are trying to contact them. Remember as well that there are real issues for people in the asylum system around the whole question of destitution. They are given £6 a day to live on. Their mobile phone is often taken away from them, so they are unable to make contact. Through a partnership with Vodafone, we have distributed mobile phones to people in the system.

If you wanted to create a system that is efficient, effective, fair and orderly, you would create a system where people are kept informed about their case, there are timely decisions and people have advice they can access, so they get all the information right first time around, to avoid the likelihood of appeal if they have good-quality upfront legal advice too.

Daphne Jayasinghe: As we said, there has of course been the growing need created by the conflict in Ukraine this year. We have seen a different type of service required. Our Ukraine response project includes mental health and psychosocial support. It includes cultural orientation for newcomers and some of that job readiness training that I mentioned.

It is also worth mentioning that, along with the new schemes that have been created, there is room for a lot of confusion. There are a number of discrepancies between the schemes. For example, for Ukrainians, knowing what constitutes family varies between schemes. Some of the provisions on funding for local authorities and for the Homes for Ukraine scheme differ. In the last year, we have seen a range of schemes that have been adapted to meet the needs. They are vital and welcome schemes, but that creates a lot of uncertainty among communities as well.

Q9 **Mr Sharma:** We know that, when there is a change and there is a demand, the pressures are there. You touched on it, but I repeat that there is room to expand. How challenging was it to keep up with the demand?

Enver Solomon: It is challenging, but it is challenging because the resource in the system is not being spent well. Also, the system is not responding in an effective and well-managed way. It does not make sense to have a multiplicity of schemes: one for Syrians over here that has come to an end; one for other people coming on the resettlement scheme through the UN; one for Afghans; one for Ukrainians; and one for Hong Kongers. It creates an overlap in time and effort by central Government and with local authorities.

Local authorities are crying out for one single integrated scheme to meet the needs of people who come on safe and legal routes where you can plan and you can look at housing need across the piece, and you do not have different bits of budget that local authorities have to apply for and they can use budget across all needs of refugees in a more integrated and systematic way. If we had a joined-up approach, where we had a single programme around integration support for all people who come here or people who come through the asylum system, once they have permission to stay, to meet their integration needs, we would use resource far more effectively. Local authorities and health agencies would be much better placed to respond.

At the moment, as an illustration, if you are a health trust and you want to meet the needs of someone who has come on UKRS, you have to apply for a separate pot of money than if you want to meet the needs of Afghans, where there was a modicum amount for basic health needs, but there is nothing for Ukrainians. We are not using the resource that is in the system to the best of the ability to meet people's needs. As a consequence, you have a system that does not function effectively.

If you take the amount being spent on hotels—£7 million a day for Afghans and people in the asylum system—there would be a far better way to use that resource if there was effective planning and a mechanism to look at how people could be accommodated. You could grant people the right to work in the asylum system after six months. You could look at an arrangement whereby you were working across local authorities, with other housing providers, such as social landlords, that are interested in providing accommodation in this space. We have created a piecemeal approach that has been crisis and demand-driven, rather than a systematic approach that uses resources to the best of Government's ability and meets the needs of those who come here as refugees, as well as those in the asylum system.

Daphne Jayasinghe: I would agree with that—these bespoke schemes create a lot of confusion and discrepancies. It has given us the benefit of something to build on. We have tested new provisions that have been introduced. For example, with the Homes for Ukraine scheme, we have demonstrated the public support and generosity for hosting displaced people and Ukrainian families.

As Enver says, we would prefer to see that well-run and UN-administered scheme, the community sponsorship scheme, which is protection-centred and additional in nature. Those are not characteristics of the Homes for Ukraine scheme. While we have seen an expansion, to some extent, there is a narrowing in the limitations that these schemes offer. They are not consistent with the provisions that we have come to expect from the formal UNHCR schemes and the formal resettlement schemes. That integrated approach certainly makes a lot of sense for efficiencies and effectiveness.

Q10 **Mr Sharma:** Enver, I am not going to use the term that it is a failure of the system, whether or not there is mismanagement. As you have expressed, we, as Members of Parliament, have all had the cases in our constituencies and raised these issues with the Home Office and the Ministers. Has the system ever approached you to say, as you are the national organisation dealing with the cases that has the knowledge on the ground, "Can we sit down and plan it together to resolve the situation?" Has that situation arisen? Has anybody approached you, or have you offered your services on the basis of that type of knowledge and saying, "The system is breaking down. How best can we approach this?"

Enver Solomon: I co-chair a group with a senior official in the Home Office, which is the group that brings together NGOs working in the field and Home Office officials. Because Government have been in reactive mode, and because they have been focusing on an agenda framed by the Nationality and Borders Act and then the new plan for immigration, there has not been an approach that is about saying, "These are the challenges we face. How do we collectively respond to those challenges?"

Unfortunately, it has often been reactive, rather than proactive, I would say.

There has been good engagement from DLUHC on the Homes for Ukraine scheme to try to take a more co-produced approach. Again, it has been primarily reactive, but there has been much more co-production—or attempt at co-production—and engagement than, for example, in response to Afghans or the situation facing people in the asylum system.

Chair: That was a good question.

Chris Law: Enver and Daphne, I was listening to both your responses. I am putting my anthropologist's hat on now, as I used to do many years ago. Two questions come to me. First, if you were to think of a good example of best practices and a systematic approach in Europe, what would it be? Should we be speaking to them and getting evidence as well? Secondly, is there a bit of an island mentality here in the UK?

Enver Solomon: On the first question, we could start by looking to the Scottish Executive, which has brought forward an integration strategy to meet the needs of refugees. It is a strategy very much on paper and the implementation has not been as positive as was hoped for, but there is a plan and a strategy on paper there to take a much more joined-up approach. That provides a good model, but there are still some challenges with the implementation in Scotland.

There are examples of more Government-led integration programmes, for example in Sweden historically, with more funding in place to meet the needs on English language, for example—or Swedish language, the equivalent there, but the language needs. There are pockets of good practice in other parts in Europe.

In relation to your second question, could you repeat it again, specifically?

Q11 **Chris Law:** If you think of the narrative over the last decade or so in the press, particularly in the tabloid press, is there a bit of an island mentality?

Enver Solomon: There is, understandably, a desire for a balanced approach, one that balances the need to control one's borders with showing compassion. From our perspective, that approach is entirely understandable, but it is about whether you get the balance right. We would argue that the balance has been far too much towards control and not enough towards compassion in recent years. We need to rebalance so we provide a bit more compassion in our response to all those, regardless of how they reach the UK, as well as the right and proper desire to control our borders.

Q12 **Chair:** Enver, you said £7 million a day is being used on hotels. The Prime Minister earlier today said that it was £5.5 million. Where are you getting your £7 million from?

Enver Solomon: Maybe he was referring to a figure for the asylum system. As I understand it, the latest figure that I think was given to the Home Affairs Committee by the Home Secretary and the Permanent Secretary, when they appeared before them last, was a figure of up to £7 million when you include Afghans in hotels and people in asylum system.

Daphne Jayasinghe: I wonder if I might answer the question about best practice across Europe as well. The IRC is following the provisions created by the EU, but also in other European countries, including Germany. There are a number of best practice examples on the integration and resettlement sides, with ambitious targets set, but also models for integration, which we would be very happy to share with the Committee in more detail.

It is also worth noting some of the commitments made by a number of European countries and the UK in line with the global compact on refugees and the pledges made at the Global Refugee Forum in 2018, where a number of pledges were made by different European countries. Progress against those pledges has been tracked, so that is evidence of the types of models and commitments being made across Europe, which are examples of good practice.

Q13 **David Mundell:** Enver, what funding do you receive from the Government to provide your services across the UK?

Enver Solomon: As I explained earlier, we are contracted by the Home Office to provide an advice and support service to every unaccompanied child when they are in a placement with a local authority—so, in a care placement with a local authority. That service is our independent unaccompanied asylum seeking service. We are under a contract for three years with the Home Office to provide that. That is direct funding from the Home Office. This is a dedicated service, which is entirely separate from any of our other services, with a separate management structure and a whole range of requirements to meet the contract.

We then are funded by local authorities across the country in response to meeting the needs of Ukrainians in some local authorities or to meeting the needs of Afghans in hotels, or, in relation to the UK resettlement scheme, to support families when they arrive on that scheme and to help them to integrate and settle in the UK. Those are individual contracts with local authorities, primarily in Yorkshire and Humberside, in Hertfordshire and in parts of London as well.

Q14 **David Mundell:** All of that money comes from the local authorities, not through some arrangement with the Department.

Enver Solomon: It is all directly contracted with local authorities, entirely separate from central Government.

Q15 **David Mundell:** No other Government Departments are directly involved with your funding.

Enver Solomon: No.

Q16 **David Mundell:** Are you aware of the extent to which Home Office funding is derived from the aid budget?

Enver Solomon: Not to our knowledge, and it has never been presented to us in that way by either central Government or local government.

Q17 **David Mundell:** Daphne, could I ask you a similar series of questions? What funding do you receive from the Government?

Daphne Jayasinghe: We receive Government funding from the asylum, migration and integration fund, alongside a diverse portfolio of funding, including from private foundations and funders. The AMIF—asylum, migration and integration fund—is coming to a close at the end of the year as well.

Q18 **David Mundell:** Is that administered by the Home Office?

Daphne Jayasinghe: That is managed by the UK responsible authority, which is based in the Home Office.

Enver Solomon: To be clear on that, that is funding from the EU. It is an EU programme and, when we report, we are reporting under EU funding requirements. We are not reporting back to the Home Office. Some of that funding has gone to the Scottish Refugee Council, the Welsh Refugee Council and a whole range of organisations across the UK around meeting the integration needs of any refugee, regardless of how they have arrived in the UK, but once they have permission to stay in the UK. It is an EU-funded programme, which we distinguish from Government funding, because the funding and the reporting mechanism is direct to the EU. It ends at the end of 2023.

Q19 **David Mundell:** In your answer to that question, you were excluding that funding, but you receive that funding.

Enver Solomon: I was indeed, yes. Yes, we do.

Q20 **David Mundell:** Daphne, are you aware of any other UK governmental funding that you receive?

Daphne Jayasinghe: No.

Q21 **Kate Osamor:** I wanted to start by asking Daphne a little bit about the private funders that you mentioned. Are you able to name them or write to the Committee?

Daphne Jayasinghe: Since there is a diverse range, it might be best if I provide that in writing, if that is okay.

Q22 **Kate Osamor:** Of course, yes. Thank you so much. Daphne, do you work mainly with central Government or local government? When I say "you", I mean as in the organisation.

Daphne Jayasinghe: In connection with the support for refugees in the south-east, I would need to check, but it could be a combination of both. I think that it is worth me checking that.

Q23 **Kate Osamor:** Anything you could provide to the Committee would be great. In regards to the Government, which Department do you work with the most?

Daphne Jayasinghe: Much like Enver, we are part of the community of the refugee sector that is consulted on policy by both the Home Office and the Department for Levelling Up, Housing and Communities.

Q24 **Kate Osamor:** You work mainly with the Home Office, to your knowledge, but you sometimes work with the Levelling Up Department as well.

Daphne Jayasinghe: That is to my knowledge. In a consultative capacity, certainly we are developing a report that will be published with the UK Government in mind, so that is the extent to which we work with them.

Q25 **Kate Osamor:** Is your organisation involved in supporting refugees who come into the UK through any of the Government resettlement schemes?

Daphne Jayasinghe: Yes, it is. That would include the Afghan resettlement scheme that we mentioned, the UKRS and the Ukraine schemes.

Q26 **Kate Osamor:** Enver, in your assessment you have spoken about the asylum system. I would really like you to speak a little more about whether it is efficient. Is it working?

Enver Solomon: I do not think that a system that is efficient would have a backlog of getting on for 150,000. I would not describe a system whereby up to 40,000 have been waiting three years and longer as efficient. I would not describe the fact that the average time to make a decision is getting on for a year and a half as efficient. Nor would I describe a system as efficient when an individual who is in the system has to wait on a phoneline for up to two hours to find out information about how their case is progressing through the system.

I would say that, as it is currently constructed, the system is not efficient, and it can be. In Germany and, indeed, in other parts of Europe, they take decisions within six or seven months. The system is the way it is because it has not been properly invested in. It also has not been properly given the attention by Government to ensure that you have good-quality, timely decision-making and the right staff, with the right abilities, level of caseloads, and systems and processes to take decisions.

It is really interesting, because we do not need to be where we are. The UNHCR submitted a proposal back in the summer of 2021 about how the Home Office could improve the way it deals with asylum decision-making, including an upfront triaging process to look at claims that might be

deemed to be either well founded or manifestly unfounded. None of the proposals in the UNHCR recommendations were taken forward, so it is not surprising that we are where we are today, where the Prime Minister has to speak in the House of Commons and make a commitment to try to rapidly clear a backlog within 12 months.

Q27 **Kate Osamor:** Are you—I was about to say "happy", but is it a good thing that he is making that statement? Is it something that you support at this stage?

Enver Solomon: We are very supportive of the Prime Minister's desire to clear that backlog and absolutely supportive of a commitment to do it in the next 12 months. We are less clear on whether that can be delivered, whether it is overpromising and there will be more underdelivering, and whether it is just a hollow political commitment or a serious political commitment.

We have not been consulted on how the Government could approach the backlog. We have lots of ideas. We have lots of evidence and proposals, as do others. When we are not clear on the nature of the plans—on the details—it is difficult to know whether that commitment will be met or whether it will be delivered in a way that ensures people are given a fair hearing and ensures timely, good-quality decisions.

Q28 **Kate Osamor:** Would you be able to provide the Committee with those suggestions?

Enver Solomon: I would absolutely be happy to write to the Committee. We are doing some work that we can share with you on the backlog, which will be completed very soon. We can share other work that we have done with you, yes.

Q29 **Kate Osamor:** Daphne, would you like to add anything?

Daphne Jayasinghe: We would agree that a system that prioritises protection and swift decision making is what constitutes an efficient approach.

Q30 **Chair:** Enver, has it always been like this?

Enver Solomon: That is a very good question. No, it has not always been like this. If you talk to officials in the Home Office who have been there for a number of years, there has been a pattern where a backlog builds up, Government try to deal with that backlog and then, five or six years later, another backlog builds up. Attention is focused on a short-term period to deal with a crisis, not a long-term committed solution to create a system that works well.

It is not dissimilar to the NHS, if I might draw that parallel, where backlogs are cleared and then they build up again. That is, arguably, a consequence of Government focus and attention, and different priorities, but backlogs can be cleared. There was a backlog over a decade ago during the last Labour Administration. There was a clear attempt to focus

on clearing that, with a case resolution directorate put in place, a clear plan to do that and even an attempt to enable individuals to track their cases online.

There are ways and means that can be adopted to address the backlog and ensure it does not grow. We have had similar situations, but it certainly does not have to be like this.

Q31 **Nigel Mills:** Enver, I think you have said that you were not aware of whether the aid budget was being used to fund your work. What do you think will happen next spring or summer, when the one-year period in which you can use aid money expires? Are you being warned that maybe the budgets will get tighter, or are you not expecting that to happen?

Enver Solomon: Budgets for programmes like the Ukrainian scheme and the Afghan scheme all go through to local authorities. No one has talked to us about what the budget envelope might look like, but we are told that there are challenges around departmental spending and difficult negotiations to be had with the Treasury. We do not expect the situation to necessarily improve going forward.

We are also aware of the large spend on hotels and the challenges that poses for Government. Our argument is that if you look at the total resource, you could spend it more effectively if you were not spending it in crisis reaction mode continually, took a longer-term view around contingency planning and worked much more in collaboration with local authorities, too.

Q32 **Nigel Mills:** Do you think that it is appropriate to use the aid budget for spending in the UK? It is allowed under the rules, but is it appropriate?

Enver Solomon: Our view is very clear. The movement of people as a consequence of persecution due to war, violence or other factors is a global challenge. That global challenge has to be met by looking at the drivers behind it—the factors that cause it. The aid budget and how that is deployed is a critical element of trying to address those causes—those drivers, if you like; the so-called push factors—that cause people to take dangerous journeys and seek safety.

Bear in mind this is not a problem just for the UK. Double or triple the number are coming across the Mediterranean into Europe. This is a pan-European and global challenge. There is a challenge for the US on the Mexico border as well. It is a challenge that impacts disproportionately on those countries that we often direct aid to. You can look at, for example, Lebanon and the number of refugees it houses, or Pakistan.

We should be using the aid budget in a systematic and intelligent way to try to address the push factors that cause people to take dangerous journeys and to have to flee and seek safety in Europe and in the UK. There should be a dedicated, well-resourced fund to achieve that. At the same time, it should not be an either/or. There should also be resource

that meets the needs of people when they come to the UK that is well spent and is spent on a system that is efficient, effective, well managed and adequately resourced. At the moment, I do not think that we are getting either right.

Q33 **Nigel Mills:** I was not sure whether that was a yes or a no. What is the least bad option next summer-ish? Is it to change the rules on how we use aid spending to say, "Actually, we will turn the 12 months into 24 months and we can continue"? Or do we try to find the money from somewhere else at a time of a tight fiscal envelope, or do we cut back what we spend?

Enver Solomon: My argument is that, even with a tight fiscal envelope, there are choices to be made. There is resource being spent at the moment that could be used more effectively. Say you had decisions being made in a matter of months. The current dispersal accommodation system for people in the asylum system is designed to deal with 60,000. There are Government contracts with three accommodation providers. There is no reason why you could not have a stock of people in the asylum system if you are making timely decisions within a matter of months, or six months, where you always have a stock because you have people flowing through. Therefore, you would use your resource much more effectively.

My argument would be to use the resource that is already there more efficiently and effectively. Recognise that there are choices within that fiscal envelope. If you are serious about responding to the global challenge, you have to resource your aid budget and the FCDO to do that work multilaterally, with other nations, in the way that we resource the effort to tackle climate change, which again requires a multilateral response, because it is a global challenge. If you fail to do that, you are not effectively going to get to the heart of the challenge and issue here, which requires us to look at the so-called push factors too.

Q34 **Chris Law:** Daphne, you will be aware that the aid budget has been cut by almost a third. It was falling, as well, as a result of Covid. What is shocking is where the money has been going and what is remaining. Looking at the numbers, spending on provision of services to support refugees in the UK in 2018 was £370 million. There is estimated to be an eightfold increase by the end of this year of nearly £3 billion. I wondered what impact you think this is having on provision of aid for the world's poorest people, who live overseas.

Daphne Jayasinghe: We are starting to feel the effects of those cuts in the aid budget, but also that diversion of the spending of aid on domestic refugee needs. I really agree with everything that Enver has said about the drivers of displacement. As IRC, we think that the aid budget should be applied to where it is needed most and, in the words of the new Development Minister, where it does the maximum amount of good. We see that as most needed in fragile and conflict-affected states. We think

that at least half of the aid budget should be channelled to those contexts. That is with the purpose of the aid budget in mind.

We know that 85% of the world's poor will be in fragile and conflict-affected countries by 2030. The World Bank sees conflict as a driver of extreme poverty. Without action in fragile and conflict-affected settings, we cannot eliminate extreme poverty. We need to prioritise those countries that are facing humanitarian disasters, which are growing in need.

As an illustration of how the aid budget has been impacted, we have seen a reduction in support for countries that are currently facing recurring drought and famine, such as those in east Africa. As an illustration, in the face of droughts from 2016 to 2018, when the UK championed the humanitarian response and mobilised other bilateral donors, we saw a combined response during that period to east Africa of £700 million. That has fallen to just a fifth this year, at £156 million. That is in the midst of growing needs in east Africa, where the number of people facing acute food insecurity and, in some contexts, famine conditions has doubled.

While those needs are growing significantly and year on year, given climate change, in fragile and conflict-affected settings, we are seeing a shrinking of the UK aid budget, and not only that, but a reduction of the aid budget. Of course there are needs that need to be met in the UK, but they are not met on top of that already reduced budget. That is of serious concern.

It is particularly of concern when we think about Britain's role in the world and the credibility that the UK has with other high refugee hosting countries. As Enver said, countries such as Lebanon that receive aid are taking the overwhelming responsibility for global displacement. The UK is not taking its fair share in terms of responsibility, but has these expectations of these countries. At a time when, as the Foreign Secretary said in his speech yesterday, the UK is creating new alliances and maintaining existing relationships globally, it seems imperative that the UK maintains that credibility and leadership. UK aid is a form of soft power and an asset for the Government in these situations. That somehow seems to undermine that ambition.

Chair: Thank you to the two of you for the information you have given us.

Examination of witnesses

Witnesses: Ian Mitchell, Professor Michael Collyer and Professor Stefan Dercon.

Q35 **Chair:** Let me start our second panel. Could you introduce yourselves and the organisations you are representing?

Professor Dercon: I am Stefan Dercon. I am professor of economic policy at the Blavatnik School of Government, University of Oxford.

Ian Mitchell: Hi, I am Ian Mitchell. I am a senior policy fellow and co-director of our Europe programme at the Center for Global Development, a thinktank in Washington and London.

Professor Collyer: I am Michael Collyer. I am professor of geography at the University of Sussex.

Q36 **Chair:** Stefan, statistics recently published by the FCDO show that the Government spent nearly 10% of the aid budget supporting refugees in the UK in 2021. This is likely to have increased this year due to the support being provided to Ukrainian refugees too. Do you think that spending this proportion of aid in the UK is an effective and/or ethical use of the ODA budget?

Professor Dercon: The first point to make is that, as far as I am concerned, the issue is not whether the Government should spend on refugees or asylum seekers and pay their housing costs. The previous panel has talked about the fact that these people have a lot of needs. For me, the important question here is whether it should be ODA that is used for that spending. Maybe it is helpful to briefly remind you of the definition of ODA. It is official development assistance. It is defined by the OECD as Government aid that promotes and specifically targets the economic development and welfare of developing countries.

My point is that, if we go to the ethics of it, we have clearly pushed the definition very far. We pushed it in a way to suit our needs, basically fiscal needs, to try to find ways of covering budgets in other ways. It is important to also understand that these rules are made by the DAC and the OECD. We make these rules. The UK has been pushing, together with other countries admittedly, over the years, to make this definition broader and broader, further from what the official definition actually is, so that—to put it differently—the rules allow all kinds of spending to do this.

We are getting into a situation where we have been pushing these rules and we apply these rules not necessarily in the way that they were intended. The rules are not that you have to call everything that is within these guidelines ODA. You are allowed to report them as ODA. You do not have to. I know Government hold another position in public, but actually they do not have to count it as ODA.

We have to admit that, given these expenses that we have at the moment, with a policy decision to, exceptionally and at an extremely high level, support Ukrainian refugees and, to some extent, Afghans, we are crowding out the rest of the ODA budget. We did not have to put these costs on the ODA budget. We do, and therefore we make an ethical choice to say that we allow the needs of this group, for which we make a

very particular decision and which we support in an exceptional way, to crowd out support for extreme situations in Africa or Asia.

Is it ethical? I would say no. We have pushed it very far. The previous panel has been addressing it. Is it an effective use of Government resources? Obviously, quick decisions, maybe getting these people the right to work and having a quick resolution of their cases, would make it far more effective. That is not the issue. The issue for me is whether we should have booked it on ODA to the extent that we are doing. I do not think that that is correct or fair. Indeed, that is not ethical.

Q37 **Chair:** You were the chief economist of the Department for International Development between 2011 and 2017. Was the UK attributing spend such as this to ODA then? If the Foreign Secretary or Chancellor was coming to you, suggesting that we did, what would you have said?

Professor Dercon: For full disclosure, I worked as a civil servant and, later on, as a policy adviser to Rory Stewart when he was Secretary of State. I also worked as a policy adviser to Dominic Raab and indeed, briefly, for Liz Truss. In that period, I have seen, all the time, the following. There are repeated attempts to put strong pressure on our representatives in the DAC to broaden the rules and make them broader and broader, so we can put more and more spending on it. Sometimes you could say that there is a reasonable case to be made. Other times, it got very out of hand. The counting of refugee costs even predates that, but it was a time that this was really timely.

The main issue has been that we have been trying to use our budget more and more as a fallback position for costs that we do not really want to put on other budgets and, therefore, squeezing out development. This budget is increasingly not a development budget in the way that even previous speakers were describing what we should be working on inside these countries. This is increasingly a budget to plug holes.

This was counted in that period, but the costs were, relatively speaking, small, so these were maybe not the things to fight over. I can only repeat the battles I had as policy adviser, trying to push back all the time what we did with the special drawing rights—"No, the country does this"—and with the vaccine costs. We charged more than it would cost if the multilaterals were to buy them themselves, and so on. We do this. We basically treat this budget as a way of creative accounting, rather than a budget in the spirit of saying, "Let us try to use this really effectively for development". Over time, it got worse

Q38 **Chair:** Boris Johnson came to the Chamber and described the ODA budget as the cashpoint in the sky. Is that accurate for how it is being used now?

Professor Dercon: Yes, indeed. I like your analogy. Maybe it becomes the cashpoint for Departments that somehow can squeeze some budgets that they are not able to control on to the budget. Yes, it is maybe

appropriate, although the Prime Minister at the time probably used it in another spirit, with an unfortunate analogy. Andrew Mitchell, the current Minister, very correctly said that it was a very unfortunate use of language.

We see and we saw, from my time as chief economist, increasing attempts to find ways of charging things that maybe initially would have been not counted as ODA to count as ODA, all the time saying, "We have to do this". That is actually not true. It is a rule from the Treasury that we do this. It is not a rule from the DAC that we must report it.

Other countries do not do this. They do it for some of these things. The US, for example, really does not like this and has always been pushing back on our attempts to change the rules and to push it further. It is not something that we should be very proud of. I hope that we can slowly put a stop to this, go back to development spending in the spirit of the original definition, i.e. trying to help to develop these countries, and use it wisely in that respect.

Q39 **Chair:** Michael, should we be spending so much ODA in the UK?

Professor Collyer: I would agree with Stefan. We have to emphasise that this is a voluntary position. If we take a slightly longer historical view, this has been allowable under DAC rules since 1988. The UK pushed back against that for a very long time and did not allow any DAC spending to go on refugee expenditures in the UK until 2009, when it was a couple of million. Then it was David Cameron's announcement that development should be a whole of Government responsibility—it was his phrase—that started a significant expansion in this.

If the choice is between supporting refugees in the UK, which, as everyone has said, is clearly something that should be done, and spending to support poverty reduction programmes in very low-income countries, for example, the choice is clear. It needs to go to areas where poverty reduction can be much more effective. As Enver said, I think, in the previous panel, it should not be an either/or decision. That is the way I would frame it.

Ian Mitchell: I have a couple of points. I also agree with nearly all of what Stefan said. The ODA definition is an important point. If you set the rules by having a committee entirely made up of providers, with no recipients in it, over time the definition is eroded. With a Government that are looking to make an alternative offer to developing countries that is different from China, more open, honest and fair, a system where you can count many things as ODA that do not even benefit a developing country is one that is unsustainable. At the margin, ODA is overcounted, and it undermines the whole concept and even the wider economic model.

There is another point I would make. Stefan has alluded to this, but the real problem is that lots of us, including me and members of this

Committee, think of the ODA budget this way. We have been indoctrinated in that by the Treasury approach of treating it as a ceiling—a maximum; a fixed envelope regardless of events. I still see people talking about it like that. It would not be so bad if we were just counting the refugee spend as ODA and reporting it as such. The problem is that we are reducing another budget.

On the ethical question, we have to take the Government at what they said. Prime Minister Johnson said that the UK would have a very generous approach to Ukrainian refugees, but surely that is not consistent with asking your lower-income country partners to fund it. The Government must answer that question themselves.

Q40 **David Mundell:** Ian, what potential effects might increases in aid spending in the UK have on levels and outcomes of the UK's aid spending overseas?

Ian Mitchell: We have done some projections of what the costs could be. It is perhaps worth noting that the number of asylum seekers from small boat crossings has materially increased. That is a real change. A few years ago, we were talking about hundreds and now we are talking about tens of thousands. Of course, the 180,000 or so Ukrainian refugees is a dramatic increase in the number of refugees arriving.

Depending on how much the Government report as ODA, we think that the costs in this year, 2022, could be £3 billion and next year could be around £2.7 billion, just from the arrivals this year and the flow of the costs. Putting that in the context of the total, if that came out of the fixed envelope ODA budget it would be a quarter of the budget.

The Treasury, in the autumn statement, made some extra provision of £1 billion this year and £1.5 billion next year. We do not think that that will be enough to protect the remaining aid budget from cuts. The reduced budget that the FCDO has now received is £600 million less than it was last year and perhaps £1 billion below where FCDO expected it to be. That is the level of cuts that they are having to implement at the moment to accommodate those costs.

Q41 **David Mundell:** Stefan, can I follow that up with you? You have said previously that ODA spending on overseas bilateral programmes could be as low as £3 billion in 2022 because of what Ian has identified as being spent in the UK. What did you base that assessment on? What would the effect of such cuts look like in practice?

Professor Dercon: I definitely did not base it on the data that Government freedom of information requests were supplying. Ian has done a brilliant job in this respect, as have others. Working also with Ranil Dissanayake, we have been trying to recreate some, partly based on Ian's figures and others that were in the public domain.

The way to make sure that we have no misunderstanding is to think of the ODA budget consisting of three large parts. One part is all these

things that get taken off the budget even before FCDO can start thinking about spending it on development. Of course, the Ukraine costs, the housing costs of refugees and so on are all part of that. If we think that it may well be, even based on the numbers that the Prime Minister was quoting today, perhaps £2 billion, but we think it is probably going to be £3 billion to £5 billion from next year, we also know that there are multilateral obligations that we commit to. They are a bit longer term. They are already much less than we used to do, but, with Global Fund, World Bank and other kinds of things, if that is about £4 billion, for the total budget of existing ODA, £3 billion is roughly the number that you get up to.

That £3 billion is bilateral spending we do directly in partnership with the countries. Actually, it is not even the money that gets to these countries because it also includes research and some other spending we may be doing, much more indirectly, with them.

At the moment, I am spending a lot of time in—and am talking to you from—Madagascar, where they basically have no budget anymore. I was in Ethiopia, where, over the last four years, the budget has been reduced by 90%. These are basically the budgets that our teams on the ground can control. These budgets have been decimated and they are now spread very thinly. They have gone through their third round of cuts now and that keeps on happening. These are the things we do closely with the partner Governments and local organisations on the ground, and these budgets are, essentially, decimated. Whether it is £3 billion, I do not know. Maybe at some point we are allowed to see the budget, but actually it may well be even less than that.

Q42 **David Mundell:** You have given some examples there of the programmes and countries that have been most affected. Was there any pattern to that—or logic, or proposal—or is it your interpretation that what has happened is entirely random?

Professor Dercon: I definitely will never accuse my former colleagues in FCDO of trying to do this randomly. One of the things I had to do under Dominic Raab, after I had been hired, was that within a few weeks our budget was cut by £4 billion when we moved to 0.5%. I have been staring at these spreadsheets forever. There is no reasonable way of cutting billions off a budget. You are locked in with contracts. You cannot do it. You cannot necessarily optimise for value for money. You make some programmes unviable. It is just chaos—total chaos.

By the way we do these things—by all the time, at the last minute, getting all these numbers and cuts through—we are not just estimating programmes and the budgets themselves, but the whole idea of having a coherent, consistent portfolio of development action has disappeared.

I think that Minister Mitchell has alluded to it. The budget is larger than it was when he was Minister for the first time. Now we have 0.55% of a slightly larger GDP than the 0.51% or something that he had at the time,

but at the time we could build up a coherent budget. We were not just permanently victims. I am sorry; I am still saying "we". I have been a civil servant in the system long enough.

When you are sitting in the chair there as a civil servant, as a policy adviser to Ministers, you take it all the time. It is a bit like what Ian was saying. These budgets are not set in stone so that you have to cut these things. If you have unexpected contingency, which is generosity towards Afghanistan and generosity at a huge scale relative to Ukraine, you do not have to stick to 0.5%. You are allowed to go over that because it is a contingency for unpredictable things.

At the moment, good, long-term, careful development programmes are being decimated across the world, whether by multilaterals or bilaterals, because of the total. Those are the more random events, with a sudden commitment to very large sums that nobody can control within the FCDO or among development colleagues. That is the consequence.

Q43 **David Mundell:** In the present arrangements, there is no capacity for prioritisation.

Professor Dercon: They will do it. We tried to do it at the time with Dominic Raab. We kind of identified seven areas, but the problem is lock-in. At the same time, these budgets are liable to endless ringfences that the Treasury imposes. You have all the global commitments to climate and all kinds of stuff. That means that your hands are tied and that is why these budgets that go really directly locally, in terms of the bilateral programme, are always the victim and where they cut most. Then it is very hard to prioritise because it becomes an issue of how you can rethink, reorganise and so on these types of things. The scale involved makes a very rational approach to rebuild a sensible development budget really hard in the current circumstances.

Q44 **Kate Osamor:** Michael, aid spending on refugees in the UK has risen dramatically over the past few years. What do you think are the main reasons for this rise?

Professor Collyer: As we have already said, we have to focus on choice. This is not inevitable. There are rules that allow this to happen. I did some rough calculations on the way here. In 2016, for every asylum seeker, there was about £10,000 on the aid budget. In 2020, it went up to about £27,000 for every asylum seeker. That is a problematic statistic for various reasons, but it is a rough, back of an envelope indication that we are spending an awful lot more per individual than we were even five or six years ago.

That is because of a set of choices. That is not because it suddenly cost two and a half times as much to support an asylum seeker over that period. It is a set of choices to start to classify much more costs, many of which are unknown. There are a set of costs that the UK calculates, such as housing and accommodation, linked to every asylum seeker, but then

there is a set of costs around education and healthcare that are not really known.

There is just a rough calculation based on the age of each asylum seeker that is assumed to be the national health service cost. There is a figure almost plucked out of thin air to justify some of the ODA budget going towards the NHS, in this case, to support those sorts of costs, without any certainty or knowledge that those asylum seekers are actually getting those services. In fact, as we know, in many cases it is very difficult for asylum seekers to get health services in this country.

These choices really resulted in this substantial increase. It is not really explicable by any change in the external circumstances. This year, in 2022, it is exceptional because of the Ukraine situation, but this increase was happening well before 2022. That illustrates the fact that it is a set of accountancy choices, really, that shift more and more of the costs that may or may not be associated with supporting refugees and asylum seekers on to the ODA budget. These policy accounting choices have to be the most significant part of this explanation.

Q45 **Kate Osamor:** Ian, you have estimated that the UK could spend £3 billion on in-country refugee costs in 2022, which is an increase of 300% from 2020. How did you reach that figure?

Ian Mitchell: It is a combination of the numbers, which are exceptional this year, and what Michael is referring to. There have probably been two phases. There has been one phase throughout the early 2010s, where the Government were finding new costs to report. It went from almost zero up to 2017, I would guess. From that point on, we have seen a big increase in the per head costs.

The statistics on international development included some detail on that. One example is that food and shelter costs were £4,000 per head in 2017 to 2019. In 2021, they were £14,500 per head in food and shelter. That probably ties into what we were hearing from the witnesses earlier about the hotel costs. It is a combination of those factors.

It will be interesting to see what the actual costs and reported costs for the Ukrainian refugees are. There is quite an interesting survey of those refugees undertaken by the ONS that shows over half of them are now in work and so therefore contributing tax to the system. Nearly a fifth of them are meeting their own accommodation costs. In some ways, that scheme could be a model for how low a cost could be achieved, and how people can contribute more quickly to society and integrate more effectively. That will be interesting. If those costs turn out to be lower than they are, for example, for asylum seekers, our £3 billion estimate will be an overestimate.

Q46 **Kate Osamor:** In your assessment, how transparent are the Government about the amount of ODA they spend in the UK?

Ian Mitchell: The general point on transparency is that, as Stefan alluded to, the attitude to freedom of information requests and openness has gone backwards. Even on decisions that have been taken, such as reporting to the OECD, the Government appear unclear. Even the FCDO does not know what the costs per refugee were, or it says it cannot share them. I do not think that either of those is right.

It is worth saying that the numbers are very transparent. The Home Office numbers of who is arriving are very clear. I have some sympathy with the Government, in that it is hard to know what the costs are in real time. That goes back to our last conversation. If you were not trying to hit a fixed aid ceiling, that would not be a problem. You would work out what the costs are afterwards and then you would report them. It is only the fact that you are trying to land on this very precise figure that creates this intense scrutiny over what those costs are.

Q47 **Kate Osamor:** Michael, in your assessment, how transparent are the Government about the amount of ODA they spend in the UK?

Professor Collyer: There are some figures that are available if you are willing to dig around for them. It is quite difficult to calculate them. Statistics to do with migration are generally problematic all around the world. It is very difficult to get precise assessment. Often, we have figures for the number of people who claimed asylum this year and then the number of decisions made this year, and they do not match up, for obvious reasons. There is a challenge to working with these statistics. Broadly, it is difficult to get the information. I would agree with what has been said previously around that.

Q48 **Kate Osamor:** Michael, do you think there is sufficient transparency of the ODA spending to facilitate scrutiny by Parliament, civil society and taxpayers? You are a professor, so you know where to look.

Professor Collyer: There have been some interesting reports recently. The UK Government are one of, I think, 24 or 25 Governments that reported details of expenditure to the OECD. In 2017, the OECD released a series of clarifications around the categorisation of in-donor refugee costs as ODA and invited Governments to report on how they classified that. The UK's response to that provided some information about, for example, the calculation of how much is allocated per refugee for NHS costs.

In their response to that, other Governments—I have read the French response in some detail—said, "We do not do this. If we do not know a per individual cost, we do not report any costs at all." They are both relatively transparent. There is a degree of honesty in not knowing a cost and therefore not reporting it as ODA, whereas attempting to come up with some calculations based on the fact that there might be some relationship is inherently problematic. That is very difficult to tease out from these reports. It is a question of days of work to investigate that. What is going on is not immediately obvious.

Ian Mitchell: There is a wider problem with transparency. The Government had committed to "very good" on the aid transparency index in their last strategy. It was one of the only concrete targets in the last strategy. They did not meet it. Now they have dropped it and committed to "improvement". The Government, by their own admission, have gone backwards on transparency. On refugees and asylum seekers, I have some more sympathy. Reporting in real time is difficult.

Professor Dercon: I wanted to make a slight distinction between reporting ex post and being willing to be transparent in real time. I sat on the other side, so to speak, at the FCDO, trying to help manage what is, as the other speakers are referring to, the uncertainty in this, and not getting the information inside Government even, in terms of the clarity of what is going on. That is also very weak. There is very little idea about what the costs are and how they are being managed.

I have to make this point. For any other Government Department budget, especially for refugee costs, this is essentially an open-ended envelope. If I misspent it, it would still come under ODA and squeeze out the development budget. If I am inefficient and do not book the hotels in time, it does not really matter. I can pay the rack rate and it does not matter. ODA will pay for it.

The incentives there are really wrong and very untransparent in relation to how it is handled. It makes a lot of problems for those in FCDO trying to financially manage it, because they carry all the time the residual risk of inefficiencies in the rest of the system. That would never happen in any other Government budget. That is actually quite an important point to make.

On transparency, I would still say that we may have a bit of sympathy, but on the answers that Baroness Sugg got in the House of Lords on her parliamentary questions, for example, we would hope that they do their homework a bit better and give some clearer answers to relatively clear questions.

Chair: The lack of clarity is the driver for why we are doing this inquiry, because we are unable to get the actual costs. The point that you made, Stefan, that FCDO is taking the brunt of another Department's spending was well said. Sir Philip Barton said a couple of months ago that he did not know what his budget was anymore and last week the Development Minister said that the budget was out of control over the summer, which is very chilling to hear.

Q49 **Chris Law:** It is good to see you again, Stefan. I have completed your book, *Gambling on Development*, which was excellent. That was a free plug for you.

Based on your experience working with DFID, has there been sufficient oversight of ODA spending by other Government Departments, or is it just an easy place for blank cheques to be written from?

Professor Dercon: Yes.

Chris Law: That is a good answer.

Professor Dercon: Yes, actually. Importantly, I think, and I have always thought, it was a mistake to not allow DFID and now FCDO to have a very tight control over ODA spending in other Government Departments. The decision at the time—I think it was in 2015—by Chancellor Osborne to make it a budget that should be used whole of Government led to a budget that was allowing plugging of holes in their budgets as well.

What got lost is twofold. One is this real sense of control: is this really in the spirit and at the core of what development spending should be about? Secondly, is this being managed in a way that those people at the time in DFID, many of them now in FCDO, knew how to manage these budgets in these very difficult places—these are very messy environments that we need to spend that money on—and to have it all the time within the spirit, not necessarily the letter, of the ODA principles, in terms of how to spend it?

That derailment that the money had to be spent by all these other Government Departments is partly responsible. I am not trying to say that all that money was badly spent. There are some incredibly good, honest and sincere people interested in development, but it led to this total departure from a sensible control around what the development spending of the UK should be about and whether it is effectively managed in the way that the best experts are keeping an eye on it.

Q50 **Chris Law:** I wondered what your thoughts were in terms of the merger. There was plenty of opining coming from the Foreign Office that it does not have enough money and certainly not money ringfenced for its office. Perhaps one of the reasons for this merger with DFID was to get its hands on more money for itself. Do you agree with that and is there any evidence that different Departments might have conflicting priorities?

Professor Dercon: I have no doubt, and I have lived through the time when the secondary benefit feels like it becomes more important than the primary benefit. The endless looking for secondary benefits to justify why we were doing it is clearly not in the spirit of how ODA spending should be done. To be clear, the DAC rules allow that there is a secondary benefit to the UK, as long as the primary benefit is the economic development and welfare of developing countries.

Yes, that always felt like the case. Can we maximise the secondary benefit and who cares about the primary? That is absolutely something I have observed. It is partly at the root of the problem. We should go back to principal development spending, spending that asks, "What does it do for development?" If it has a benefit for the UK, it is good. It is a small part of the budget—around 1% or less of overall Government spending. Do it well. That is how we got to be a development superpower, by being always recognised internationally as doing this. From the moment we

created ambiguity about it, trying to chase other objectives, it was a problem.

Specifically on FCO, and FCDO now, but the Foreign Office part of our merged Department, one thing I learned being in the private office and supporting Foreign Secretaries is that the Treasury decided to stop giving money for foreign policy in lower-middle-income countries. Then of course they were saying, "We have no more money", because it was only if they could do it with ODA and then they get into trouble.

I am a big fan of actually funding a Foreign Office sensibly. It is okay to support British business. It is okay to do counterterrorism. It is okay to do international crime protection for the UK in that respect. All these things are fine, but give them a budget for it and do not try to squeeze it in an aid budget, which then will be badly spent for development and badly spent for foreign policy. I am afraid that that is where we are.

Chris Law: It undermines our global leadership in development as well, I would assume. Andrew Mitchell has been a big supporter from the Back Benches of where international development needs to go. Time will tell now that he is a Minister. In a recent interview in *The Times*, he proposed the creation of a sort of star chamber to scrutinise allocation of the development budget around Whitehall. Do you think that that is a good idea?

Professor Dercon: For me, it has to start from a shared commitment within Government to want to spend development money well. It should come from the level of the Prime Minister and other Cabinet members being willing to really and genuinely wanting to do it. I have seen star chambers. When we had to do the cuts, we were trying to chair star chambers. This is not a new idea, but it has to be principled and not try to squeeze all kinds of spending that is not really development through because it is really good for the UK or whatever it is.

It is not the form that it takes, but the underlying commitment of the people who are members of that star chamber, that will determine whether the outcome is going to be good for development. It could be a step, so I am sympathetic to it. If they can pull it off, and if Andrew Mitchell is given the authority to pursue development results and can tell any Department—the Department of Health; BEIS; whatever it is—that this is not really good development and to stop certain programmes, I am happy with that.

That has to be seen, because this is not the first time that a star chamber has been used. It all has to be about the underlying commitment to development that is at the core of it. That is what we now need to see changing fast.

Q51 **Nigel Mills:** Is one of the risks here that strange rules drive us to do strange things? It is right to say that, once the year ticks by next spring, we cannot count support in the UK as ODA and we cannot count support

in Poland as ODA, but we could count support in Moldova or Ukraine as ODA, because both territories are on the ODA list. That might mean that we move from doing what we think is best for people who have been displaced to doing what we think is best for a bizarre budget calculation. That would be a perverse outcome for this.

Stefan, you are nodding, so what is the solution to that? Do we just make the ODA 12-month rule a 24-month rule, or do we have to go and find more money? What is the solution that the Government should take here?

Professor Dercon: Spending should follow sensible policy decisions. If we are committed to doing something, we should be willing to allocate resources to it. Previous speakers said that there are good reasons to support what is happening with refugees here or overseas. The ODA rules are more like norms of behaviour. We do not have to squeeze it in. It was simply a mistake to try to squeeze it in now for our own accountancy purposes. Accountancy should never drive policy, and that is where we are. Accountancy is driving policy, and the dilemma that you describe comes from that.

If we decide that we really want to support these Ukrainian refugees, we should be allocating public resource to it. If we later feel like reporting that to the DAC, that should be fine, but we should not, as Ian also said earlier, treat it this way: "Well, everything must be squeezed into that other thing—that 0.5% or 0.55% of the budget." We should not let accountancy drive policy. Policy should say, "Is it worth spending money on it? Let us do it."

If we want to support these refugees, let us support them and make effective policy, and then let the accountants count it how we should count it. That would be a much healthier approach to public policy. I fear that, in the last two years, this is not the only example. I have seen countless examples of where accountancy rules policy, and that does not seem right to me.

Ian Mitchell: I agree with that, of course. All rules, definitions, measures and targets have these sorts of effects to some extent, and it is about how seriously the decision makers take them. It would be great to move to a situation where that was a tertiary consideration. As you say, where should we provide the support?

We were talking earlier about priorities and cuts in Departments. Last year, when the Government were making their big cut from 0.7% to 0.5%, one of the areas where they increased spending was on British International Investment, and substantially so. The reason they did so is that the Treasury had set a target in the spending review to spend a certain amount of non-fiscal ODA, which is spending that does not count towards the Government's expenditure when they do their annual reporting to the OBR and so on.

Even aside from the 0.5% and ODA, there are other targets that are creating perverse behaviours. As Stefan and Ministers have said, implementing the cuts last year was very difficult. This year, it is very difficult and there are only certain budgets to be cut, but there is a clear policy choice there, which is a substantial increase for BII, alongside deep cuts to our health and social budgets, which is born of another problematic measure.

Professor Collyer: Just to mention another bizarre restriction that we are bound by: the money from ODA that is spent on refugees cannot be spent on integration. It is uncertain exactly what integration involves, but when it was first introduced, in 2015-16, there was an explanation that the cut in Government funding for English language courses was because English language teaching was part of integration, which could not then be classified as ODA.

It has since been clarified by OECD that language instruction can be used within this first year, but there are various sorts of tertiary courses that cannot be supported. There is a range of restrictions on how we support refugees in that first year that are imposed by this desire to classify this as ODA, but which mean we are not supporting refugees very well, which is a further illustration of these points.

Q52 **Nigel Mills:** There is a real danger that the tail is wagging the dog in this situation. I saw this problem in Moldova last week. The best way to provide healthcare to refugees is to make the Moldovan healthcare system work, but, if you are not careful, that is not what you are meant to do, even though it is clearly the right thing to do. Equally, we committed to a few projects and then could not get the money out in time, so they had to go and find somebody else to do it.

Are we not just in danger of the volatility and the uncertainty making us an unreliable development partner that no one is going to want to do projects with, because they think they might get canned halfway through or something? Is there a realistic danger that we start to get into that position?

Professor Collyer: We have already got into that position. The UK's development superpower reputation has now largely been trashed not simply because of the cuts, but because the cuts have fallen on ongoing projects that were contracted and had been planned, and then, halfway through, are cut, or there is uncertainty about the cuts and some of them are put back again. It is the management of those cuts that has been so problematic and has really resulted in damage to this reputation. The situation that you describe is already here.

Ian Mitchell: Just to briefly add to that, we have been through a period of a global pandemic that hurt developing countries more than us, and a war in Ukraine that has increased food prices, which are much higher in lower-income countries, because the amount of money that is spent on food in lower-income countries is much higher than ours. Coming down

the road, we are going to have some sort of commitment to rebuilding Ukraine and supporting the partner countries. If, through all of that, you say that our fiscal contribution to this is exactly what it was beforehand, you are going to face these sorts of difficult choices and seem like an unreliable partner.

For me, it is about broadening our horizon, seeing the changing needs in the world and having a response, rather than focusing inward and saying, "We have fiscal difficulties here, so we all need to fit in this envelope and that cannot change."

Nigel Mills: We have produced a mess, really, have we not? That is going to be the answer. Presumably, the answer is that it matters less how much you spend than spending it in a predictable and reliable way that people can have trust in. That would be better than playing numbers games to hit arbitrary targets, in effect.

Q53 **Chair:** For clarity, you have all spoken about how, technically, spending in the UK is permitted under the OECD DAC rules, but can I just ask the same question that I put to the first panel? Do you think that it is right to do so, and is it ethical and moral to do so?

Professor Dercon: I do not think that it is right to do so, and the moral choices that derive from it are dreadful. I do not think that it is right. It is not in the spirit of how we have historically thought about development assistance. We should simply not count costs in the UK of this nature towards this budget.

Ian Mitchell: I do not have much to add. That is right: I do not think that it should be counted as ODA. It would not be so problematic if we were just reporting it and not reducing other aid. That is the key for me. To one of the earlier questions, it does need paying for. Either it needs to come out of taxation, or we need to borrow or to reduce spending, but the only spending that we have reduced is the foreign aid budget. In all the other Government Departments, there has been no reduction in spend, and so, for that reason, it is hard to defend.

Q54 **Chair:** Michael, yesterday on Radio 4, Lord Harrington said, "Overseas aid is for overseas. What happens in the UK should not be from the overseas aid budget". You are nodding. Would you agree with that?

Professor Collyer: Yes, definitely, as other speakers have said. The only thing I would add is that it creates these perverse disincentives to spend money efficiently, because it is almost like a blank cheque, as Stefan was pointing out, and it restricts spending in certain ways, like however we classify integration over that first year. It does not mean that we have a very efficient asylum or refugee system if we are trying to make it fit these ODA definitions. It is bad for overseas development overseas and it is bad for asylum and refugee policy in the UK.

Chair: Thank you, all of you, for your ongoing work in this field—it is really helping us to do our job—and also for your honesty today. What

has come across most to me is from the Refugee Council and the International Rescue Committee. The services that they are delivering in the UK are ones that we know from our inquiry into long-term refugees overseas that they will be delivering from the ODA budget, but they do not seem to know whether it is coming from the ODA budget in this country.

We have a session at the end of January, where we will have the Home Office, Treasury and FCDO in front of us, because, one way or the other, we are going to get to the bottom of this. It might be kicking and screaming rather than a more gentle approach, but let us hope that I am proved wrong by the end of January. Thank you very much for all of your help.