HOUSE OF COMMONS

International Development Committee

Oral evidence: Future of UK aid: reductions to the aid budget, HC 1040

8 December 2020

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Watch the meeting

Members present: Sarah Champion (Chair); Theo Clarke; Brendan Clarke-Smith; Mrs Pauline Latham; Mr Virendra Sharma.

Questions 1 - 33

Witnesses

I: Harpinder Collacott, Executive Director, Development Initiatives; Mark Miller, Director of Programme, Development and Public Finance, Overseas Development Institute; Ian Mitchell, Senior Policy Fellow and Co-Director (Europe), Center for Global Development.

II: Romilly Greenhill, UK Director, ONE Campaign; Alan Mendoza, Executive Director, Henry Jackson Society; Simon Starling, Director of Policy, Advocacy and Research, Bond.

HOUSE OF COMMONS

Examination of witnesses

Witnesses: Harpinder Collacott, Mark Miller and Ian Mitchell.

Q1 **Chair:** I would like to start this next session of the International Development Select Committee. We are gathering evidence from two panels today, and we are looking specifically at the potential future of UK aid with the outline spending cuts that were made last week.

Our first panel is made of Harpinder Collacott, executive director of Development Initiatives; Mark Miller, director of programming at the Overseas Development Institute; and Ian Mitchell, senior policy fellow and co-director of the Center for Global Development. Welcome all and thank you for coming today.

We have a lot of questions for you so we would appreciate quite brief answers, because we want to get as much information out of you as possible. Could you introduce yourselves and tell us a bit about your organisation? Harpinder, I believe we should call you Pin for this session.

Harpinder Collacott: That is absolutely fine. I am happy to be called Pin. I am the executive director of Development Initiatives, as you have already pointed out. We provide data-driven analysis to inform policy and practice. I am looking forward to being part of this discussion today, so thank you for the invite.

Mark Miller: My name is Mark Miller. I am the director of our development and public finance programme at ODI. ODI is a UK-based research institute focusing on all issues of development and global challenges.

Ian Mitchell: My name is Ian Mitchell. I work at a think tank called the Center for Global Development based in Washington DC and London. We do economic research to improve policy to reduce global poverty.

Chair: It has been—I am trying to find the right word—an interesting year for the development sector, and we particularly want to focus on your thoughts about the proposed cuts from the 0.7% commitment down to what looks like a 0.5% commitment.

Q2 **Brendan Clarke-Smith:** Good afternoon, everybody. Looking at that reduction, what was your reaction to the Government's announcement to reduce the UK's annual ODA spend to 0.5% GNI?

Harpinder Collacott: Where to begin? There are a number of reactions that one can have. I can go into the data, if that is helpful, with regards to what its impact is. Fundamentally, the economic impact of Covid-19 was always going to see UK ODA drop based on the economic projections. Even if 0.7% was maintained, we were going to see some form of cumulative loss of around £5.2 billion from 2020 to 2025 if we kept it at 0.7%.

The cuts are going to mean that these reductions are even more severe. As a result of the cumulative effect, we are likely to see around £25 billion to £30 billion lost between 2020 and 2025. This is a pretty significant amount of money that will be lost from programmes and organisations that are some of the most vital programmes and institutions from the perspective of responding to world poverty and humanitarian crises.

In 2020, we have already seen a number of areas decline. The proportion of UK country-allocable aid to the least developed countries and the countries with high rates of poverty has already declined, as a result of the economic decline we have seen and reductions that were made previous to this announcement.

This announcement of a further £4 billion worth of cuts in the next annual period is larger than the UK's total spending on health, education and humanitarian crises in 2018. It is going to have a significant impact. We can talk about the impact in a bit, if that is of use.

Mark Miller: I suppose the headline behind the aid-budget cut was that it was out of fiscal necessity. My reaction to that was to look at the numbers a bit more closely. This year, the UK will have an enormous deficit of close to £400 billion. A £4 billion aid cut will do very little to close that.

The plus side, however, is that borrowing costs are still almost at historic lows. The UK Government were going to spend £13 billion less this year than forecast previously on repaying their debt. That raises questions as to whether this cut is primarily about protecting the fiscal situation or whether it is more of a political prioritisation decision about reducing a certain area of spending, using this moment as a window to reprioritise spending away from aid and to increase spending on other areas, for example defence. That is my initial reaction.

Ian Mitchell: I agree with that. If you think about the amount of aid we decide to give as a country, there is a domestic fiscal consideration; there is a global need consideration; and there is perhaps a comparative reference point with other providers.

Mark set out the fiscal situation pretty well. UK debt is going to be over 100% of GDP, so 0.2% out of the aid budget is not going to make a material difference to that. GNI is predicted to be back at its current levels in 2022. That is a relatively short, sharp recession. Fiscally, we also have the money we used to send to the EU coming back. The net amount that was spent in southern and eastern Europe was 0.3% of GNI, and that will fall to virtually zero in 2025. That is on the fiscal side.

Globally, the need has gone up. Other countries have also had the economic fallout from Covid and the health impacts. As you will be very aware, that has hit the developing world just as hard and perhaps harder, if you think about its capacity to cope. The World Bank is estimating around another 100 million people being pushed into poverty, pushing us back to 9.2% of the world being in poverty, which would otherwise have been 7.9%. That is a really dramatic difference. The Government do not seem to make reference to the global need going up.

Finally, on the comparative point, in terms of the reference point, the UK was a leader in being the only G7 country to meet 0.7%. If the cut goes ahead to 0.5%, as the Foreign Secretary pointed out, it would put us behind Germany. With France's plans as well, it will also put us behind France and several other countries, including Sweden, Denmark and Norway. Coming into chairing the G7 and the COP, it is a shame, because other countries were stepping up, following the UK's move to 0.7%. In that respect, it would be a shame if we stepped away.

Q3 **Brendan Clarke-Smith:** Harpinder, the Government have said these cuts are going to be temporary and the 0.7% target will return "when the fiscal situation allows". I think those were the exact words. What indicators would you use to assess when a return to 0.7% is possible?

Harpinder Collacott: One thing to look at is the IMF projections. Currently, they are suggesting that the UK economy will be back to pre-Covid levels by the latter half of 2021. If that presents a relatively reasonable timeframe and if these cuts are temporary, we should be looking at some of the indicators on economic recovery to return the 0.7% back.

I wanted to make the point that 0.7% was always designed to be a floor and not a ceiling. Therefore, the UK's approach to spending no more than 0.7% has always been in contrast to the original intention that no country should fall below the 0.7%. From my perspective, I would argue that 0.7% should be reinstated as soon as possible because it is already aligned to the UK's economic growth. It goes up and down accordingly; it reflects that pace of change in the economy regardless. I would really put an emphasis on this being a temporary reduction for an annual period, going back to the same level in 2022.

Q4 **Mrs Latham:** If we can look back to the halcyon days of 2002 and the International Development Act, Ian, what impact has the UK's framework of development legislation had on the effectiveness of UK aid?

Ian Mitchell: There are several parts to the legislation. The first part is the International Development Act 2002, as you mentioned, which gives the power to spend and includes a requirement for the spend to contribute to a likelihood of reducing poverty. That was 18 years ago now. Spending in any developing country would achieve that, especially in that period. More recently, the OECD definition allows you to spend this in any developing country. As developing countries have risen in income, that focus on poverty reduction is perhaps less obvious.

Another big element of the legislation is the transparency Act, which requires in particular DFID, or now FCDO, to report both on its own spending and the spending in other Government Departments. There is also a little used element that enables the Foreign Secretary to report on the non-aid impacts of policy on development. I guess trade impacts would be a good example where that is relevant at the moment.

Then there is the target Act, which was introduced in 2015. As Harpinder says, it introduced a floor on aid spending, not a ceiling. When we perhaps come on to talk about ICAI's report and the target, the very small landing zone the UK Government have given themselves relates to them treating it as a ceiling rather than a floor.

The other thing to draw out of that Act is the requirement on the Foreign Secretary to arrange for independent evaluation of aid spending, which was part of the deal for having this extra spending at the time. That is carried out by the Independent Commission for Aid Impact at the moment. If the Government do revise their legislation to change the target to 0.5%, it might be an opportunity to strengthen ICAI's independence and perhaps make it a parliamentary body rather than a Government body that has its head appointed by the Foreign Secretary, its budget set by the Foreign Secretary and, as we are seeing at the moment, its own terms of reference.

There is also the gender equality Act, which requires a consideration of opportunities to improve gender balance in spending as well. Those four pieces of legislation together are the aid architecture that the spending occurs under.

Q5 **Mrs Latham:** Ian and Mark, what is your view on the Government's decision to introduce new legislation in relation to the 0.5% target? The UK is unusual in having an ODA spending target enshrined in law. Has the legal duty of spending a percentage of GNI on ODA had an impact on the effectiveness of spending? Is there a risk that targets prioritise spending set amounts over achieving outcomes?

Mark Miller: On the target itself, there is a legitimate and continued debate that is important to have as a democracy as to how much the Government want to spend on overseas development assistance. No piece of legislation should be sacrosanct. The 0.7% is an international commitment, and it is a commitment that the UK has effectively used in the past to crowd in other countries to provide international support. We have seen that at Gleneagles; we saw it in the past. It should not be necessarily sacrosanct, as I say.

There has been a lot of focus put on the quantity of aid. The quantity of aid is clearly important. If we think about the global challenges of healthcare and education, we cannot pretend that cutting budgets by 30% will not impact on delivery. That said, I believe it is important to try to broaden the development debate. First, how can aid be used most effectively? What programmes are having impact? There is great research done by ICAI, for example, that shows which programmes are having impact and which are not. It would be great to see more prioritisation of aid programmes as a consequence.

There is also a wider discussion to be had about how a whole array of Government policies contribute to development objectives. If we think of climate change, clearly it is not just our ODA contribution that is going to make a difference on climate. It is also about issues such as our public spending on fossil fuel subsidies. Can we reduce those? It is about issues such as our own investments in research and the strategy around green energy. Can that generate new technologies that can support climate change?

Yes, quantity matters, but effectiveness also matters. We also have to think about the broader suite of policy instruments the Government have that affect development.

Ian Mitchell: It seems to me that the target was put into law deliberately so it forced a national debate if that target wanted to be changed, and that has worked. It has attracted criticism precisely for that reason; it has become a focal point.

It is not so different from other spending requirements, in the sense that it really just sets a budget. That budget varies a little. We make a huge fuss about the difficulty of meeting the increase in GNI, but, as we have said, if it was not treated as a ceiling that would not be very difficult. It is not difficult with the defence target for NATO, which we exceed. We spend 2.1% on it nearly every year; it is going to go up now to 2.2%. There is never any discussion about whether that target is distortionary or creates too much focus.

You had a Chancellor in George Osborne who maybe felt it was a bit higher than he wanted or a bit difficult in light of other big cuts to other Departments. For those of us who were officials in the Department at the time of the target step-up, the Treasury were trying quite hard to find things that could be classified as ODA during the last spending review.

To that extent, there has been an incentive to spend less well at the margin. When you step back to look at the share that is going to the least developed countries and the amount that is actually leaving the country, it has performed relatively well. The charge that 0.7% has meant that we spend it all in the national interest on tied aid does not hold up. There has probably been a slight decline at the margins in some programmes that perhaps are not as strong as others, but overall it has remained relatively strong. That is my assessment.

Q6 **Mrs Latham:** Mark, you mentioned ICAI. It has suggested specifying the target as a three-year rolling average. Is this an opportunity to investigate other changes to UK ODA?

Mark Miller: In the context of the current moment, we are switching from a hard 0.7% to a hard 0.5% overnight. If you gut almost a third out of any budget, there will be disruption from such measures. There have been some cuts to date, but the bulk of the work would need to be done in the next fiscal year, if that change were to take place.

If we think about how the 0.7% target was initially introduced, the commitment was made eight years ago and there was a gradual phase-up. A drastic cut-off now could be enormously disruptive. Thinking more about phasing would be a productive or useful debate to have.

There are other areas that could be considered. In the letter that was sent by the Foreign Secretary to this Committee, there was a shift to a discussion about global challenges. Giving some thought to what that means and the role of the FCDO in seeking to solve global challenges is an important debate to have beyond the International Development Act, which was focused on poverty reduction. Poverty reduction will continue to be critical, but it would be useful to specify responsibilities around those global challenges. That could be something to consider.

Ian Mitchell: On the rolling target point, let us say it is 0.7%. The risk is that it is 0.69% in the first year; it is 0.69% in the second year; then the Government will try to pick the very smallest figure in the third year to make it hit 0.7% exactly again. I do not see that as a solution.

There is a minor issue related to what Mark says. In the short term, given the steepness of this cut, we are trying to find at least 25% of the budget in basically three months. If you think about the increase when we went up to 0.7%, it was planned for years and it still attracted criticism for the steepness of the increase. We are now doing the inverse much more quickly. There is a real risk that harder-to-cut spend persists even if it is lower value and some of our better spend is stopped, and we end up in a worse situation than we would have been in if we had never gone up to 0.7% in the first place. That is the risk we are facing at the moment.

There are really big amounts committed. There is £1.5 billion to the EU; big climate commitments have already been made; there are deferred cuts from this year to 2021; that is all on top of the newly merged Department. It is a significant operational challenge for the Department to make the best cuts.

Q7 **Chair:** Can I pick up on a point that Pauline raised? Would we be better focusing on specific targets and outcomes rather than the specific 0.7% or 0.5% target, whatever figure it is? Ian, you touched on the flipside of having a hard target and how you are scrabbling around for money. What are your thoughts on having outcomes rather than spend limits or minimums?

Ian Mitchell: In the normal course of good government, that is absolutely the way to do things: look at the number of people who are treated, made better and so on. In international development, it is that much harder because you are contributing to such a big challenge that you are sharing with other donors.

The Conservative manifesto made commitments on ending preventable deaths, which is great, but we cannot do that on our own, and similarly in terms of access to education. It is right to have a focus on outcomes at the programme level: how many people will be reached or be better off as a result of the spending? At the departmental macro level, it is perfectly sensible to have a budget set according to the level of national income.

Q8 **Chair:** Mark, you mentioned the difficulty of bringing forward a cut of a third of the budget in potentially a year. Could you give us a little more information on that?

Mark Miller: It builds on what Ian was saying. A lot of the aid budget is already allocated; it is already committed, whether to multilateral contributions or to existing projects. The approach we have seen to date to the cuts, as the ICAI report suggested, has largely been a salami-slice deferral, where we will say, "Let us cut 20% to 30% on a lot of projects across the board on the understanding that next year the aid budget will bounce back and the activities will be able to continue". That makes sense as a strategy if you want to continue with business as usual. That simply will not work to get down closer to £10 billion. We will have to either break existing commitments or stop projects midway. There are going to be some pretty brutal decisions to be taken.

It is not just about making cuts; it is also about squeezing room to make new commitments. One of the things the UK has done quite effectively in the past is to crowd in other donors through its commitments at things like G7 events. We have maybe even seen that this year with, for example, the commitment to CEPI, which has helped crowd in support for the COVAX initiative. It is going to be very, very difficult to do anything bold or meaningful to support recovery when you are already trying to find £4 billion or £5 billion of cuts out of the budget.

Chair: Thank you very much. You gave me a beautiful segue to bring in Theo Clarke, who has done so much work around Gavi and CEPI.

Q9 **Theo Clarke:** My question is to Pin first. The Government have said that bilateral programmes will be the default for UK aid. I wanted to know what your assessment is of this approach

Harpinder Collacott: It is a really interesting direction and quite a significant change for the UK Government. The UK Government have largely been delivering their ODA through multilateral institutions over the last few years. Anywhere between 30% and 40% of UK aid has been delivered through the multilateral channels, so this is going to be a very significant shift for the UK. Only about 10% of its aid was going bilaterally to countries.

It is really important to understand what this is going to look like, how it is going to shift and what this will mean for the multilateral system. Looking at 2018, which is where we have the most comprehensive data at the moment on the UK aid portfolio, around £8.2 billion in ODA was invested in multilateral institutions. Of that *2.4 billion*[14.55.45] was to the World Bank. A large proportion, nearly 30% of its proportion of aid, was going to the World Bank.

Then you have the other big multilaterals that the UK supports, such as WHO. We have seen commitments being made again this year in light of the pandemic. The UK has shown tremendous leadership with regards to its support for WHO, particularly when other big global countries that would often be the ones leading on WHO support were pulling back. It has played a hugely important global leadership role in the multilateral system as well, and it continues to support that system up front.

It is saying it is going to ring-fence its support to two of the multilateral organisations I have mentioned, the World Bank being one and WHO being the other, but what will this mean for other multilateral institutions that will be hit? We are already seeing the deferrals that have been mentioned both by Mark and Ian. This year the Government have been holding back payments for some of the big multilaterals, but is that going to be more than just holding back and deferring payments? Will there actually be severe cuts?

Organisations such as the World Food Programme and UNICEF are hugely dependent on UK support. We really need to understand what these cuts will mean with regards to moving towards a greater bilateral programme and where the reductions will need to come in the multilateral space. As we have pointed out, if we make cuts of a third in ODA, someone has to lose out there at the end of the day. From what we are hearing, it sounds like this is going to be the multilateral system, but it is not very clear where these cuts are going to hurt the most.

For me, that is a really important point. It is about transparency in particular. At the moment, DI is the technical lead on the International Aid Transparency Initiative. We are the ones who know what this data is telling us, but unfortunately the way the data is being published by the Foreign, Commonwealth and Development Office means it is really hard to tell where those cuts are being made at the moment and where they are likely to come, because the publishing of this data is no longer really clear with regards to forward spend.

This is a problem. It is a problem because, at the end of the day, we should not have to be going into IATI data to get this information. FCDO should be very transparent and tell us up front how decisions are being made about cuts, what the consequences are and what this means for multilateral organisations, which need to plan for these changes to ensure that they can meet their mandates in the future.

Mark Miller: It sounds a bit of a cop-out in some senses, but the "bilateral versus multilateral" debate depends on what the question is. Historically, as Pin has said, the UK has used the multilateral system to channel aid, but it has also been a lever of UK influence. The UK is the largest provider to IDA. It has used large volumes of aid with multilateral institutions not just as a channel for delivery but to have influence over policy and the direction taken by multilateral institutions. The multilateral review is also a mechanism that the UK has used quite effectively to challenge agencies for reform.

That said, the UK also has some very effective bilateral programmes. Some of its system strengthening programmes in health and education are world class. The key point is the last one that Pin raised. We have read this statement, but how this comes out in the detail of where those cuts land is still unknown. The sheer volume means that there are going to have to be big bilateral and multilateral cuts if the 0.5% target is kept.

Q10 **Theo Clarke:** Pin, should the Government prioritise grants and contracts, in your view, to small and locally led organisations?

Harpinder Collacott: This is a very important question, because reaching a small and locally led organisation is very difficult. The UK does not have a very successful track record of channelling its aid to local organisations. It is very good at channelling it to NGOs, but these are largely INGOs. They are the global organisations.

I am having to think off the top of my head, but about 0.3% of the UK's ODA has been going through local organisations. That is a tiny, tiny amount. If it is going to go in this direction, which I would highly recommend, it needs to think about how it delivers its aid programming overall. It will need to rethink its approach. That will also require it to relook at the value-for-money framework it applies to local organisations. Some of the administrative burdens will be too much for most organisations to deliver on. It needs to rethink how it goes about doing this and what sort of partnerships it needs on the ground to deliver it appropriately.

Mark Miller: Some of the suggestions made in the letter to this Committee would be very supportive of that move. In the past, because of limits on administrative costs at what was DFID, there was a tendency to package these enormous projects often with large international suppliers managing framework contracts. That structure did not necessarily lend itself well to the more local support that would definitely be a positive. There are some promising suggestions in that letter around taking away limits on controls so that staff in FCDO can do the hard work in identifying partners over time and move away from some of the mega-contracts, as it were.

Harpinder Collacott: I completely agree with Mark that this is the right direction to go in, but the trend has been going in the opposite direction. This is really important. Most of the aid is delivered more and more through framework contracts. The UK is the leading donor that delivers a lot of its aid through the private sector in comparison to the wider DAC portfolio. Despite what was in the letter—I completely agree that this is the direction of travel, and it is a good direction of travel—it has not been supported by the way the portfolio has been going in the last few years.

Despite changes that have been recommended, small organisations, consortia led by locally owned organisations such as those in sub-Saharan Africa, often do not make it through the door at all. They do not make it through first past the post. This commitment is the right commitment, but I would like to see a little more detail—or a lot more detail, I should say—with regards to how this will be delivered.

Theo Clarke: Ian, would you like to comment on bilateral programmes or grants to small multilateral organisations?

Ian Mitchell: Briefly on the multilateral point, we go back to the integrated review and what the UK is trying to achieve in the world. For me, the international system needs to work. If in 35 or 40 years' time we have succeeded, it seems right that the international system is going to be working better than it is now. For me, that means engaging more with it. We see the multilateral system as a good way to spend.

That said, in a situation where you are facing very steep cuts, multilateral organisations are better able to smooth their payments. That is one of the features of them. I would understand the Government protecting their bilateral programmes relative to their multilateral contributions in the very short term.

Q11 **Chair:** Pin, you were talking a potential shift to more funding going to local on-the-ground agencies, and you said that other countries did this. Could you give us some examples of where it works well and what sort of systems they implement so they do not have that administrative burden?

Harpinder Collacott: The leaders in this field would probably be some of the Scandinavian donors. They have smaller sums of money; that is the first point. Secondly, they are much more operational on the ground with regards to how they deliver their programming. It is done through the country offices. They are much closer to the partners who are delivering the projects there. Largely, the aid is therefore delivered through their country programmes as opposed to being clustered at the headquarters office. That allows you to have greater impact at the national level and to work much more closely with the partners there.

Thinking about the reporting requirements and the criteria for driving the applications to bring them in, regular reporting is a critical part of that, but it has to align with what is feasible for the local organisations to deliver. We do not want to create a bureaucracy for the sake of creating a bureaucracy at that local level. The organisations are brilliant at what they do, which is working within the communities. They need to be supported to do that. That is really critical. We need to look at how the missions in country can play a much greater role in delivering ODA directly into local institutions and not using what the UK has been quite good at using, which is the multilateral system to get funding into countries.

This movement does suggest a move away from that, but it would require a much stronger infrastructure at the mission level.

Q12 **Chair:** Do you welcome the Foreign Secretary's shift away from subcontracting or contracting out the delivery and bringing that back in house?

Harpinder Collacott: Absolutely, there is a lot of evidence to demonstrate how much money we lose as we put more actors in that chain of delivery. The larger framework contracts are largely project management contracts. They are very effectively managed—I am not criticising that at all—but they do take a lot of overheads out across the chain. By the time the money reaches the local partners, there is very little of it left that directly goes into programming.

I am very excited to hear about this move, and I am keen to hear the details of how it can be delivered as quickly as possible.

Q13 **Mr Sharma:** I know that the answers to my questions were partially hinted at in the previous answers, but, Pin, you have an extra chance to expand on answers. Does the amount of money that UK aid allocates to multilateral agencies as core funding, which is £4.9 billion in 2019, represent a good use of UK aid money?

Harpinder Collacott: UK aid has been highly scrutinised. It is probably the most scrutinised in detail of all Government expenditure. It is highly effective and delivered very well. One of the challenges with delivering through big multilaterals is that you lose control of where that money then goes. A lot of the multilaterals are very effective at what they do, and they need that support behind them, but it ensures that they are delivering according to their overall mandated priority as opposed to the UK priority.

Having a balanced portfolio is very critical for aid. It should not be one or the other, and most donors are very good at balancing this out. The effectiveness is delivered through a number of projects. Some projects such as the humanitarian response will be short-term urgent responses that need to be delivered quickly and that will have an immediate impact, while some projects' effectiveness will need to be measured over a period of five to 10 years. The overall impact is not necessarily possible to measure in the short term.

When we look at the UK's portfolio across the wider donor portfolio, it has actually been highly effective. The UK has been more effective at targeting poverty reduction than other DAC donors. The only exceptions are Sweden and Canada. The UK has also been particularly strong at targeting countries with low Government resources where poverty is high. There is a greater need for aid there, and the UK has shown leadership in getting money into those places, including fragile contexts. It goes above and beyond the DAC average on fragility.

It also channels its funding through supported key critical multilateral institutions, which have been demonstrated to have quite significant impact in the way they deliver. I know we have mentioned the multilateral review before. It is very effective at constantly shifting that multilateral portfolio to ensure that, where there are perceived inefficiencies in a system, they are restructured and changes are made to that funding portfolio.

The UK has been very effective. It is seen as a global leader in the way it has prioritised and delivered its aid.

Q14 **Mr Sharma:** The share of UK aid channelled through core contributions to multilaterals appears to be reducing. What is your view on this?

Harpinder Collacott: Yes, unfortunately the multilateral system is hampered at the moment by earmarked funding. The trend overall in all of the DAC donors is to highly earmark the funds as opposed to providing core contributions to multilateral agencies. This is particularly for the UN agencies and the humanitarian agencies, which are seeing highly earmarked funding. The international financial institutions are still largely core-funded. There is very little earmarking there. We see quite a division within the multilateral system with regards to where earmarking is primarily focused and where core funding remains predominant.

The critical aspect of this is that we are seeing core funding reducing from member states. Those multilateral institutions are having to go out to other actors, non-state actors such as philanthropic organisations and industry, to raise their funding. The Bill and Melinda Gates Foundation is the third largest donor to the WHO. It is not a state; it is obviously not going to be accountable. It does not sit on the governing body, but it is the third largest donor.

It gives you an idea of how the priorities of that institution will be directed, if it is getting funding from other non-state actors, which will be defining what their priorities are and ensuring that the institution takes them into consideration. It has the potential to dilute the mission of an organisation, but it also hampers its ability to deliver its core mission. There are many pros and cons of this. Private financing is often much more willing to take risks than member states. It might be willing to fund things that member states are not, so there are pros and cons in both directions.

Q15 **Chair:** There are very interesting points being raised. Ian, when you were talking about the legislation from 2002 you also mentioned the Equality Act. Do you believe that its principles are embedded in our development work? Thinking about the 2018 strategic vision for gender equality that DFID brought forward, is a focus on gender embedded in the projects we are seeing funded or should we go further on that?

Ian Mitchell: My other panellists might be able to contribute to this as well. I am not a DFID insider, so I have not had hands-on experience of this. In the programme documents I look at and in the ICAI work, I get the impression it is being taken seriously. I imagine it is a challenge in particular countries, with a balance and an effort towards encouraging the partner Government to step up and ensuring that the money is spent in a way that benefits women in particular. My impression is that it is taken seriously, but there are probably people better qualified to speak on it.

Q16 **Chair:** Mark and Pin, do you have any thoughts on this? I know specific gender projects get a tiny proportion of money. I am more interested in embedding the principles of gender equality and equality full stop across all the work we do in development.

Mark Miller: This speaks a bit to the multilateral question, actually. One of the ways the UK has been really effective at influencing the multilateral system is by taking certain policy priorities like gender and seeking to mainstream some of those principles into other, much larger investments. In IDA funds, for example, there are quite a lot of rules to ensure that gender considerations are being factored into project development. I do not know for certain, but I suspect the UK had an influence on that in the same way as with climate change. I know the UK was quite keen to ensure that climate considerations were mainstreamed into the IDA19 replenishment. Gender is an area where the UK has had influence.

Harpinder Collacott: I agree. The UK has been quite good at leadership on gender in particular but on disability as well. That is another element I would bring in with regards to where the UK has been focused. Back in 2015, the UK brought in a policy approach on integrating the "leave no one behind" principle across all its programming. That particularly focused on gender and disability as key priorities, and that was then rolled out across its programming at the country level. Canada has been very, very strong on this as well. The UK and Canada have been hugely responsible for leading this in that DAC donor space.

As a result, we have seen quite significant impact and changes in significant projects that are gender-focused. The OECD DAC has a gender marker that was put in place in 2009. It has seen quite a significant increase. We can see that, in 2018, there has been a proportional increase in projects that are significantly gender-focused compared to previously. That has been driven by countries such as the UK and Canada, which insist on it being mainstreamed throughout their programme areas and require reporting on these gender markers, to ensure that there is traceability of how countries and organisations are doing in the projects around gender and disability. It also allows others to ensure that progress is being made in this area.

Mark Miller: I know the UK has also invested heavily in research. You see a lot of research on gender issues. I am familiar with projects on gender and taxation, for example; the ICTD does work on that. The UK has also played a very active role in getting us to understand gender more and how it interacts with development, through the research it has funded.

Ian Mitchell: We tend to focus a lot on aid, but we look at areas beyond aid where the UK promotes gender, for example in the mix that it takes of migrants and foreign students. On migrants, less than half are female, whereas some countries manage to do more than half. On foreign students, the balance towards women is much better. The other thing we look at is female peacekeepers. The evidence suggests that they have a distinct contribution in conflict and peacekeeping. Some countries like Australia have been very successful in raising the number of female peacekeepers, but the UK is relatively mid-table on that indicator. There are some areas outside aid where the UK could also make some progress.

Chair: Thank you to the first panel. It has been incredibly generous of you to give us the time and the information. We are looking to get this out into the public domain quickly. If there are additional questions or submissions you would like to make, we would really appreciate them in writing, if that is possible. Thank you very much.

Examination of witnesses

Witnesses: Romilly Greenhill, Alan Mendoza and Simon Starling.

Q17 **Chair:** I would now like to turn to our second panel today. We have Romilly Greenhill, UK director of the ONE Campaign; Alan Mendoza, executive director of the Henry Jackson Society; and Simon Starling, director of policy, advocacy and research at Bond. Welcome, panel. Could you introduce yourselves and tell us a bit about your work?

Romilly Greenhill: It is a real pleasure to be here. As you said, I am Romilly Greenhill. I am UK director at ONE. We are an international development advocacy and campaigning organisation with supporters all around the UK. We are campaigning to end poverty and preventable disease.

Alan Mendoza: I am Alan Mendoza. I am the executive director of the Henry Jackson Society. We are a foreign and security policy think tank, and we have had quite a bit to do with the idea of global Britain in the last couple of years.

Simon Starling: I am Simon Starling. I am the director of advocacy, policy and research at Bond, which is the UK network of international organisations working in development. We have 450 members, including all the household name organisations but lots of smaller NGOs working in development as well.

Chair: We have quite a few questions for you and quite a fixed amount of time to ask them in. Could I ask you to be focused in your answers? We want to get as much on record as we can; we want to get that information out of you. We will be directing the questions to individuals, but, if you want to come in, just flail around a bit and I will notice you.

Q18 **Brendan Clarke-Smith:** Good afternoon, everybody. In the midst of a pandemic, what will be the impact of aid spending cuts on the developing world?

Romilly Greenhill: The impact will be really serious. This is the last time when we should be cutting aid. We should never cut aid, but particularly not in the middle of the pandemic. The analogy we have used is that this is a bit like defunding the RAF right in the middle of the Battle of Britain. That is partly from the point of view of developing countries. We have heard about 100 million more people falling into poverty as a result of Covid. It is also not in our interests to do this. If we are thinking about the Covid vaccine, that vaccine needs to be rolled out everywhere as soon as possible. The Covid-19 crisis is costing the global economy $100 billion a week, and we are obviously feeling it up and down the UK.

We have seen fantastic news in the UK; we saw the first vaccine go into someone's arm this morning, but the critical element of that was having a nurse, a health centre and medical staff around. By making cuts to aid right in the middle of this pandemic, we are going to make it harder to get that vaccine, roll it out and get it to every last person in the world who needs it. That is going to be bad for the UK as well as for developing countries.

Alan Mendoza: It is an interesting question to start with. It ties in to some of the things you were saying in the previous session. You have to start by looking at this: what is the purpose of our aid? The Chair in her statement of 25 November put it quite succinctly. It is about transforming the lives of the poorest and most vulnerable across the world, enhancing our diplomatic influence and fostering peace and prosperity.

If you take it in the narrow terms you are looking at of the developing world and principally the lives of the poorest, there is going to be an obvious change if you cut the amount of money spent on aid. Once you take the overall basket of overseas spending you are doing, and you start considering the other two aspects of what we have been talking about, the diplomatic influence and the peace and prosperity, when you consider the defence increase we have had recently, how we use our money and also that division between multilateral and bilateral, you get a slightly different picture.

You could go with a headline figure argument and say, "That means the poorest people in the world will be getting 0.2% less of our GNI when it comes to that", but you could look at it another way and go, "Actually, we are increasing our overseas spending in other areas. We are looking to help the poorest people in the world in other areas and look at our influence and other factors in that way". You come to a very different conclusion. Plus you then have to drill down into what you are spending the money on. It is a lot less clear than might be made out by that headline figure.

Q19 **Brendan Clarke-Smith:** Simon, could I ask you what reaction you have received from partners in country about the change, on top of the question to the others?

Simon Starling: In terms of the immediate impact, the scale of these cuts is big. Save the Children did some analysis in October on the FCDO budget for next year. We were looking at cuts to programming budgets in Afghanistan of 80%, in the Congo of 84%, in Syria of 83%, in South Sudan similar. Those were 80% cuts in the world's poorest countries, and that was before the 0.5% announcement. That gives you a sense of the scale of the cuts that are coming. It is going to be those poorest countries that feel the impacts of this. This is children not in school and people dying; this is health systems crumbling. The impacts are going to be huge and are probably going to be felt in the neediest countries. That is the first thing I would say.

In terms of what we have heard from our partners, so far, because we do not know exactly where the cuts are coming, it is a little difficult to be clear. There is a lot of disappointment. As one of our colleagues said earlier, there have been quite a lot of cuts taken out this year already, around £3 billion. That kind of cutting of programming has already started.

Around £1.3 billion of the UK aid budget goes through civil society organisations around the world. That money is specifically being given to organisations that have the reach into the very poorest communities. It goes through international NGOs to local NGOs. A similar level of cut to those kinds of budgets, as opposed to multilateral finance institutions, will have a direct impact on access to healthcare, clean water and those kinds of things. The impacts will be huge.

Q20 **Brendan Clarke-Smith:** What message does reducing the 0.7% target send to the rest of the world?

Simon Starling: It does not send a great message; it sends a terrible message. We are in the worst humanitarian crisis for many years. It is a global pandemic. If you were going to push for a healthier, safer and more prosperous world for all of us, which we would all benefit from—no one is safe until everyone is safe in a pandemic—you would not expect this to be the time to be cutting back on the aid budget. In fact, it is almost the reverse: you would be looking to focus the interventions you do have on directly helping those most in need.

The message ahead of the G7 next year and the climate change conference is not good. We have already heard the chair of the least developed countries group in the climate change negotiations talking about how this is a step back from international leadership and a display of a lack of solidarity when absolutely the opposite is needed to move the climate negotiations forward. The signal has already been received badly.

Romilly Greenhill: I wanted to put some numbers on the impacts you were talking about earlier. If you look at an across-the-board cut to UK aid, if you assume everything is going to be cut proportionally, you are looking at 105,000 additional preventable deaths. You are looking at almost 1 million children no longer in school. It is that sort of scale, to put a bit of meat on the bones. We do not expect that they will do a uniform cut, but with the lack of any other information that is the assumption we have made. Having 105,000 children who would otherwise have been vaccinated die from a preventable disease is really severe.

In terms of the message for the countries and how this is being looked at around the world, I really endorse what Simon has just said about how it is being looked at from the climate change perspective and what that will mean for a successful COP summit next year. We have heard from very senior Democratic advisers. John Podesta, who was an adviser to Obama, talked about it being extremely unfortunate. We are hearing informally from some of our partners across Africa that they perceive this as a bit of a retreat from UK leadership in Africa. There is an interesting dynamic there, with China having engaged a lot in Africa over the last few years. There is going to be more leaning towards China.

The last thing I would say on this is from my personal experience. I sat a few years ago with some UN negotiators when they were trying to agree the sustainable development goals. I was sitting with people from countries like India and lots of developing countries. They were really incandescent about the failure, as they perceived it, of rich countries to meet the 0.7% target. They kept saying, "You are asking us to sign up to these big international commitments and sustainable development goals, but you are not actually putting the money in".

They said to the UK representative, "You are okay. You are putting the money in. We like you; we trust you". For other countries, there was a real sense that this was impacting the negotiations. That is something I have heard very directly from UN negotiators, and we should take it very, very seriously going forward.

Brendan Clarke-Smith: Alan, what is your perspective on the messaging?

Alan Mendoza: I have a slightly different conclusion than the other witnesses have drawn on this. It is a terrible mistake to look at this in isolation. If you wanted to look at this simply as an isolated move, you could draw all kinds of negative conclusions from it, but there are two different things you need to look at.

First, when it comes to overseas spending full stop, the UK is leading the field when it comes to our European allies in this area. If you look at defence, intelligence and overseas aid spending, we are top of the tree when it comes down to that. That matters. It is interesting to hear what colleagues have stated about the news they have had from partners about the cut. I have huge degrees of support and excitement about the level of money being put into defence by our partners and by other countries in the Asia-Pacific region and Africa, which are very keen to see Britain reassert itself in hard power terms as well as soft power terms.

When I put to them a simple question about whether to keep the 0.7% and skip the defence side, their line was, "No, we are grateful you are doing the defence side, because we know you intend to deploy some of those assets to regions of the world where you have been absent in previous years". It is important to consider where we are actually spending the money on defence and have that conversation in the round rather than simply focusing on the aid spending part of it.

Even with the aid spending cut, which, let us not forget, is only temporary—everyone accepts that it is a temporary cut, and the intention is to bring it back to 0.7%—we will still be the second top spender on aid in the G7. Germany is slightly ahead of us and it is possible that France may increase its total, but we currently lead all those other nations.

While there, therefore, may be a sense of disappointment that the percentage has declined slightly, there is also a realisation that, first, these are unusual times and, secondly, it is not as if Britain is retreating from the world. Britain is not retreating from the world; on the contrary, the idea is that we will very much expand our footprint. We will be looking at all sorts of other measures to improve British influence in the world. As such, I do not believe Britain's standing is going to be impacted by this when you consider this in the basket of overseas spending full stop. Once you do that, a very different picture emerges.

I would urge members to consider that when they think about the idea of British influence. What is it that defines British influence in the world? Is it purely aid spending or is it other spending as well? There are also cultural spending programmes that do not come in to ODA definitions of aid, which I am sure is another question we will get to. Again, consider it a larger basket, look at the overall impact and consider our influence within that aspect.

Q21 **Brendan Clarke-Smith:** Simon, in his spending review statement to the House, the Chancellor said that spending 0.7% of GNI on aid is difficult to justify to the British people. At a time of economic hardship, how can we build trust in aid and defend it as the right thing to do?

Simon Starling: That is a very good question. Historically, the British people have always been very generous. They support charities like the ones that are members of Bond in their millions. We have seen continued support for that.

Overall, there is just about more support for aid as a whole than there are people against it. That is good, although there has been recent polling that, as you will know, gave a sense that people supported a cut to the aid budget. It is also important to understand that people misconstrue the amount that we spend on aid. People do not think we spend 70p in every £100 on aid; they think we spend 10 times that on aid. There is a slight misconception in that polling that people would begrudge such a small amount of money on aid and development work.

There is a challenge of building public support for that. It has not been helped by the media campaign that has picked out examples of bad spending in the aid budget and made stories out of them. When you delve into these, they were not that relevant or worrying. They tended to be areas where the projects were more about the foreign policy work than the actual development work targeted directly at the poorest people. There is a risk of more of those kinds of stories coming out, as I am sure we will come on to talk about later, in terms of the focus and the new priorities of the FCDO.

Romilly Greenhill: I have a couple of things to say. First, if you look at the response to Covid, in polling we have done, we have seen a really strong degree of public support for equitable distribution of a vaccine. There is really strong support for that. If you look at the uses of UK aid, that is something the public really do support. Things like girls' education and so on always poll very significantly.

We did polling about what people want aid to be used for. This speaks to Simon's point. We found that 80% of people said that UK aid should be focused on helping people work their way out of poverty. When we look at the engagement of some of our supporters up and down the country, there is a really strong interest in UK aid and support for international causes and global Britain.

Q22 **Chair:** Alan, we asked the last panel whether we should be focusing on targets and outcomes when it comes to ODA spend rather than a fixed 0.7% or 0.5%. What are your thoughts on that?

Alan Mendoza: It is a very good question. The targets and outcomes are, after all, what we are looking to promote. In fact, it ties in with the previous question about how you promote aid spending as an essential part of the toolkit to the British public. Part of doing that is surely to show that the aid spending you are doing is effective, reaches the right people and has an impact.

You, therefore, need to tie what we are spending with the effectiveness of that spend. There is no point in saying, "Look, the money is shoved out of the door to hit a target". That is the fastest way to alienate the taxpayer on this issue, because it then becomes a checkbox exercise. "We will do it this way. Just put the money through". It also reflects the ways aid has been spent in the past. It is much easier under such a philosophy to fund massive projects. It is much easier to fund a £100 million project as opposed to 10 at £10 million, because your goal is to get the money through the door as quickly as possible, essentially.

You want to look at the projects that have the most effectiveness, and then tie those projects into the three prongs of why we do development spending full stop. Again, you are the person who articulated that very well recently. Yes, it is about ameliorating poverty, but it is also about British influence and about peace and prosperity.

If you look at the statements made over the last decade by politicians who have been instrumental in this, for example Andrew Mitchell and then David Cameron and George Osborne when they refocused the policy in 2015, in all those cases, you see a direct link to the security aspect that has come through in our aid spending. People want to see effective spending that they understand. Yes, of course it has a life-saving impact on people, but it also has a direct relevance to their lives in the UK.

There is a way that you can make people feel good about that spending, because it is going to the right cause but also doing things effectively for the nation. If you tie those things together and focus on those endpoints, you are on to a better winning strategy for how to get over the negative attacks on international aid.

Q23 **Mr Sharma:** The FCDO will now decide the final allocation of ODA to other Departments. Will this change provide greater coherence to UK aid spending? Is the FCDO the right Department to play this co-ordination role?

Alan Mendoza: It is very important that we had the DFID and FCO amalgamation. For the first time, you now have one Department that is able to control the output of this overseas expenditure. It is also quite right that the Department, therefore, oversees the spend of other Departments in this way to make sure there is some joined-up thinking within Government on this question.

Although there have been many excellent examples of aid spending, there have also been some curiosities, where one Department is doing something that another Department has rejected for various reasons. I am thinking primarily when it comes to giving money to certain countries that would no longer pass a test on being eligible for aid because of their income levels.

It is important that you have a co-ordinator. It makes sense for it to be the Foreign Office with, of course, the aid component brought into a central part of it as a Focado Department. As a result, I am confident that Department is the right place to lead on this and to direct that across all other Departments. For me, these have been very good changes. They will lead to our aid spending being far more effective in the coming years.

Romilly Greenhill: I do not necessarily agree with Alan on many things, but in this area we are agreed that it is really helpful having the lead

Department being able to take a more strategic and coherent approach. In previous years, the overall ODA envelope has been the result of what can be badged as ODA across a number of Departments, and it has not really been a very coherent or strategic approach. It is a good move. ONE was not in favour of the DFID-FCO merger, but there are some real advantages of having one of the great Offices of State overseeing the ODA budget and potentially able to play a bit more of a leadership role across the Cabinet.

The one thing that is needed—we heard this very strongly from the first panel—is a lot more transparency from the FCDO of how it is doing this ODA allocation process. There is very, very limited transparency about the 2020 cuts. There is absolutely no transparency, as far as I can work out, about what they are planning to do next year. If they really want to have that strategic approach and that co-ordination function, they need to be much more transparent and engage much more with the wider development community in the UK.

Simon Starling: I would agree with most of what the other witnesses have said there. It should provide more policy coherence across the UK Government's work. That is welcome, and the oversight is welcome. The proof is a little bit in the pudding. It is less about who spends the money than what it is spent on.

We want to see a continued focus on poverty alleviation, climate change and relieving the suffering of the world's most vulnerable people. The slight risk in FCDO being in charge of 93.5% of the budget is that it shifts away the focus from the traditional focus of the International Development Act and poverty alleviation. That would be the risk associated with that, but in theory it should lead to greater policy coherence.

Q24 **Theo Clarke:** My first question is to Romilly. What role does the UK's development legislation and adherence to the DAC rules play in determining the direction of UK ODA spending?

Romilly Greenhill: The DAC rules are incredibly important, and the UK has played a central role in developing and updating them. Sometimes the DAC rules can be seen as a little like manna from heaven that is imposed on the UK from outside, but we have a really, really critical role. We have pushed forward some really important changes to the DAC. For example, countries being eligible when their income level falls, some of the changes on peacekeeping and so on are things that the UK has really pushed forward. Us playing a supporting role and being a role model in adhering to the DAC rules is incredibly important.

In terms of the legislation, the focus of UK aid being on poverty is also really important, for two reasons. First, it is obviously the right thing to do, and that is how we can be very clear in terms of the results, but this is also something the public really strongly support. I talked about this a little earlier, but all the polling of the public shows that they want aid to be focused on poverty reduction. They think that is incredibly important.

As Simon says, the media scare stories about aid are generally not about children being vaccinated in Malawi. When there is a big media fuss about aid, it is often about aid in India, China and so on. The legislation is really important in making sure that we keep aid focused on its primary purpose and that we can tell a really good story to the public about how that money is being spent.

Alan Mendoza: You will not be surprised to learn that I disagree with this bit of the questioning. The reality is that the Prime Minister himself has made complaints about how restrictive the definitions are. He has tried and previous Prime Ministers have tried to change it. Yes, we have a curious relationship here: while we have formulated some of the definitional terms, we have also wanted to change some of them and have not been able to do so.

You can see the problems with the DAC definitions in two ways. You know the bit about where aid can be spent. This means we cannot spend money on some of our close allies despite their relative poverty. This would include British Overseas Territories and Caribbean islands if a natural disaster were to hit, because they are classed as relatively well developed. Yes, there is a definitional term for that, but surely, as a country, we should be able to choose to spend our money in this way. I note that the Foreign Secretary in his priorities would like us to do this more or in fact exclusively, but there appears to be a block on it as currently stands.

Secondly, in terms of what aid can be spent on, some of these spending rules are so restrictive. For example, you cannot spend on the BBC World Service. I encourage Committee members to look at the piece by Sarah Sands for Chatham House that came out last week. She tried to make the suggestion that the BBC World Service requires better funding, and it should be from this budget, because of the essential cultural role it performs and its role in spreading truth, peace and prosperity around the world. You have problems there.

Equally, we are then hamstrung in a way that other countries are not in tying our aid to objectives. For example, we are indeed a massive donor to east Africa, for example, but the way China's debt trap version of investment operates means that it can buy Kenyan elites. Therefore, although we have done great work in poverty reduction and, indeed, in helping some of the world's poorest people in that way, you are not seeing the benefits of that diplomatically and politically. Yes, you have the nice feeling that you have done the right thing, and there is absolutely a very important point in doing that, but other countries are getting different benefits by adapting the rules.

We have to look very carefully at how our definition of aid goes in the future. That is what the Foreign Secretary is edging towards, and quite rightly so, in some of the things he was saying in that letter to you.

Q25 **Theo Clarke:** Romilly and Simon, would you like to see any changes to the DAC rules? If yes, what would they be?

Simon Starling: The DAC rules are there for a reason, and the reason is to guarantee that aid money is spent on poverty alleviation. The rules are important to protect those commitments. There is a process of updating and revising those rules on a regular basis, and the UK is an instrumental part of that. We have succeeded in updating them in certain areas. Romilly mentioned conflict prevention earlier. We are involved in those conversations; we have succeeded in changing the rules before. They are fundamental in ensuring that ODA is not siphoned off into projects that it should not be. It is really important that we not only abide by the rules but also champion them. Any attempt to row back on them would undermine the UK's own commitment to the international rules-based system. That would be self-defeating.

It is another important signal to those we are trying to work with overseas that we will protect them. We are engaged in updating them as they need updating, and we should continue to do that, but we should not be rowing away from them. There are options to strengthen them in certain areas, but at the moment more of the battle is to protect the main tenets of them.

Romilly Greenhill: I do not really have anything to add. I completely agree with Simon. This is not the time to be looking at changing the rules; this is the time to be championing them. I would endorse what he has just said.

Q26 **Mrs Latham:** These are points for Romilly and Simon about what the Government should be doing to help ensure that better value for money in aid spending, and that whatever money we spend on aid is well spent—it was Andrew Mitchell who said that we need value for money for every single penny of every pound—for instance by putting sufficient safeguards in place to protect aid beneficiaries, as well as aid workers, from sexual exploitation and abuses.

Romilly Greenhill: There are two ways of thinking about value for money. You can think about it in the short term and in the long term. In the short term, you achieve value for money by following what the international community has spent years defining as best practice in aid spending. That includes things like not tying aid and making sure it is open to suppliers of any nationality. We know that, if aid is tied, it reduces value for money by 15% to 30%. We know that transparency is critical, as are being very clear about the results you are aiming to achieve and monitoring whether you are achieving them. There is an international consensus. We do know how to do this.

Across UK aid as a whole, we are very good at this. We often score very well on cross-country comparisons on effectiveness, but it is patchy by Department. We are seeing spending that is de facto tied in some Departments. We are seeing programmes that are not very clear about the results that are expected to be achieved, in funds like the prosperity fund, the Newton fund, some of the front-line diplomatic spending and so on. That is really important in the short term. How do we make sure that we are getting the best out of all the money we spend?

In the long run, it is thinking about how we allocate our aid across countries and sectors. You get real value for money when you put aid money where it is most needed, thinking about the countries that are least able to fund their own development efforts. ODI has done some good research on this, to look at where countries can better support their own development and are having greater challenges from their own domestic revenues.

You will get value for money over the longer term by focusing on the poorest, least developed and most fragile states, and by investing in things like girls' education, gender equality and health. Thinking about spending on vaccines, Gavi said that, if you invest in Gavi, you get $150 billion back for the global economy. If children are vaccinated, their parents can go to work and people are more productive over the long run. If you take that long-run perspective, it gives you a really good indication that gender equality has huge benefits for the global economy, as do things like peacekeeping. We all know that investing small amounts in peacekeeping can have significant financial benefits over the long term. Those are the two ways I would look at that question.

Simon Starling: I agree with that. The scrutiny that is given to the UK aid budget is fundamental. We mentioned ICAI earlier. The role it plays in providing that scrutiny is fundamental, so it is great to hear that that remit will continue. Its independence must be maintained, if not strengthened, to allow it to play that role. Parliamentary scrutiny is fundamental, so the role of this Committee is critical. I would love to see you continue and potentially even expand your remit to cover the whole ODA area. We expect parliamentary scrutiny of large amounts of money and that is fundamental.

Adding to Romilly's point on what we spend on, we know what works in development. To help the poorest people, it is focusing on the basics: health systems, nutrition—if you invest £1 in nutrition you get £17 back in terms of growing economies—education and social protection. Those are facts. We know what works. Making sure that that is maintained as we go forward and that the focus is on things that we know work rather than more speculative investments will be really critical.

Fundamental to that is transparency. The UK Government have a pretty good record of transparency on where they spend their aid. That enables us all to do lots of research on that. DFID had an excellent reputation for that and led the global charge on transparency, so we need to see that maintained through the FCDO. The FCO had a less good track record on transparency, so making sure that that is carried through the whole of the FCDO going forward will be really important.

Q27 **Mrs Latham:** This Committee has a big role to play to make sure that we ask them and hold them to account to be transparent. If we are in that situation, what mechanisms could be put in place, which we do not have already, to ensure that UK aid is spent in the best possible way?

Simon Starling: As I understand it, the systems are pretty robust. Every contract and grant made at programme level has quite extensive reporting requirements in terms of financial and impact assessment reporting. The UK Government are one of the global leaders on this work. The programme-level work is pretty well covered. The work of DFID previously was very, very strong on this. According to the independent evaluations, there was very little that was badly spent. There were a few areas that were more opaque, where we were looking at the CDC or financial investment mechanisms and it was a little unclear what their focus was in terms of reaching the poorest.

Provided that those systems are maintained and there is sufficient oversight through bodies like yours, we are not in a bad place on that. What people in countries that we are trying to support would worry more about is changes in political direction. One year it is this and another year it is that. It is quite problematic on the ground when you are looking at three or five-year programmes to address particular issues and there is a change in emphasis, which you do not know anything about, back in the donor country. That can create problems.

Alan Mendoza: Simon and Romilly have spoken brilliantly about the direct aid through bilaterals, but let us not forget that 35% of our spending goes through multilateral organisations. Let us be realistic about this: this is the big black hole. We often have no idea where that money essentially goes to and how effectively it is being spent. To give you two examples of some particularly egregious decisions recently, look at the failure the WHO had in detecting the scale of Covid, scrutinising China's claims at the start, upholding the international health regulations, its founding legal text, yet as a result of that it is going to get more money. There is no accountability for what happened at the end of last year and the beginning of this year. Instead, the answer is, "Here, just have some more money". There is a big problem there.

The second example is the United Nations Relief and Works Agency for Palestine Refugees in the Near East. We have spent tens of millions of pounds on an agency that perpetuates the problem of refugees in the area by cascading that status down the generations, which is a very unusual decision compared to most refugee statuses. Not only that, but the agency itself has been heavily criticised on ethics grounds for failures within the agency over time to manage its money effectively. Finally, there have been serious questions about some of the people teaching in their schools and some of the things being taught in their schools, which are antithetical to the idea of peace in the region, yet we are giving them tens of millions of pounds year on year without any questions being asked about how to do that.

It is notable that some other countries have raised questions about this, have withheld funds, and have ceased paying on the grounds that the money is not being spent effectively, fairly or in the way that aid should be done. We have to look at the multilateral angle of this, where there is huge scope for revisions and making sure that we get much better value for money or, indeed, that we stop funding some of these things altogether and instead direct it to some of the bilateral initiatives where it is much easier to monitor where the money goes.

Q28 **Chair:** Just for record, there are more than two sides to the case of the support for Palestinians that you raised, and the definition they are using is the inability to go home, which they would argue is still the case.

Romilly Greenhill: I am not familiar with the example that Alan cites, but I just wanted to put on the record that the biggest three multilaterals that the UK supports and certainly DFID, as was, supports—the World Bank, the Global Fund to Fight AIDS, Tuberculosis and Malaria, and Gavi—are all extremely transparent organisations, achieve a lot and are very, very clear about what it is that they are achieving. I have talked about Gavi a couple of times: 760 million children vaccinated, 13 million lives saved as a result of Gavi. Looking at the Global Fund to Fight AIDS, Tuberculosis and Malaria, UK aid through that fund alone has saved 2.3 million lives.

These are really effective, transparent, top-class multilateral organisations. I am not denying that there are some other multilaterals that may need to improve, and the UK has played quite a key role in pursuing that, as we heard from the earlier panel. In terms of the scale of our contribution, we are making some really important and effective contributions to multilaterals.

Q29 **Mr Sharma:** The Foreign Secretary has announced a set of global challenges against which all UK aid will be focused. What is your assessment of these areas?

Simon Starling: The Foreign Secretary laid out seven global challenges, many of which we would welcome. A focus on global health is always welcome, but particularly at the moment. Climate change is already having a massive impact on poor people around the world, so focus on that is important, as is the UK continuing its important role on humanitarian assistance. The UK has been one of the best donors around humanitarian assistance for some time, and has been seeking to reform the multilateral system that delivers humanitarian assistance for the better. There are opportunities around the FCDO's focus on open societies and democracy, which we would welcome as well.

In terms of the things that we are more concerned about, this is another new set of priorities being pushed out ahead of the finalisation of the integrated review. Talking to colleagues in the FCDO, there are a lot of priorities on top of priorities on top of priorities at the moment, so it will be interesting to see how it all comes down. Some areas where the UK has historically shown quite a lot of leadership are not present in those seven areas. One, which was mentioned in the earlier panel, is leaving no one behind, the really important promise that underpins the delivery of the SDGs, which the UK has championed. That emphasis on the SDGs, leaving no one behind and poverty alleviation seems to be slightly missing in some of those focus areas.

Sarah, you mentioned gender and women’s rights. The UK has played a huge global leadership role on that, and that seems to have been narrowed down into a focus on girls’ education, which is not quite the same thing. There are some areas, particularly around there, that I would worry about where the UK has traditionally played a really important global leadership role.

Romilly Greenhill: I would agree with a lot of that. That list is a good starting point and it covers a lot of the priority areas. I completely agree with what Simon said on gender equality. When DFID was merged with the FCO, we thought gender was an area where there could be some really good, collaborative working between the old bits of DFID and FCO where the UK has historically taken a very strong leadership role. I would like to see more emphasis on that.

The other thing that is not included in the list of global challenges is this ending preventable deaths commitment, which seems to have morphed into a commitment on Covid. We absolutely support the emphasis on the Covid response internationally, but that must not be at the expense of the ending preventable deaths commitment, which is really important, particularly for children.

Finally, the idea of utilising science, research and technology is important. That is welcome. We have a fantastic scientific base here in the UK, but we need to learn the lessons of some of the existing research funds like the Newton fund and the global challenges research fund, which have not offered best practice and followed best practice principles in terms of issues around tying and supporting partnerships in the lowest-income countries. We need to learn those lessons when we take that stream of work forward.

Alan Mendoza: I do not disagree with what Romilly and Simon have said. I agree, actually. It is interesting that the gender issue has been downplayed slightly. It is a bit of a mystery as to why that was, given that it is such an important part in not simply equality issues, but in peace and prosperous societies, and development of societies as well. It would seem sensible to return to that. I take the point that it is a starting document; it is not bad for a starting document. On seven bullet points, you have quite a broad range of issues that cover both immediacy and some of the systemic issues that you need in order to create better societies internationally. On balance, as with the others, I welcome it.

Q30 **Mr Sharma:** Simon, do these priority areas adequately fit with the needs of the poorest and most vulnerable communities in the developing world?

Simon Starling: That is a very good question. Time will tell. As we have said, we would welcome quite a lot of those priorities, such as humanitarian assistance. We have a bit of concern about the missing focus on poverty alleviation. A lot of it will depend on how the money is allocated. There is a slight worry that the statement about focusing on countries where the UK's development, economic and security interests align shifts us away from a focus on the poorest people in the poorest countries.

While I would not argue too much with the seven priorities and I would welcome most of them, there is a slight worry about a shift away from the things we know will help the poorest people—social protection, education, health and nutrition—towards more middle-income countries and more trade-focused areas. The worry is that, without this focus on leaving no one behind, as one of our panellists said earlier, the UK has been leading the world in getting money to the places that it most needs to be got to, and this list seems to slightly row away from that. That would be my main concern.

Q31 **Mr Sharma:** The Foreign Secretary has said that UK aid will only be given to countries where the UK's economic development and security interests align. What are your views on this?

Romilly Greenhill: We are very concerned about that statement. This goes back to the point I made earlier on value for money. Where do you get the best bang for your buck if you are thinking about the long term? UK aid is in our long-term security and economic interests because it will create a fairer, healthier world. That is without doubt. The best way we secure those long-term interests is thinking about the poorest countries and the most fragile states.

We have evidence that spending aid money and supporting things like education in fragile and conflict-affected states can help to reduce conflict. It can help to reduce things like violent extremism. We should be thinking about the long term; we should be targeting our resources in the countries that need aid money the most, and by and large that is sub-Saharan Africa and fragile states across the world. As I said earlier, the UK public also very much support that approach. There is not public support for spending money based on our short-term foreign policy and strategic imperatives.

Alan Mendoza: I welcome what the Foreign Secretary has said on this score. It reflects a change in the idea of security that has occurred in the last decade, since the original idea of security was expanded and linked to development aid. What am I talking about here? Look, 10 years ago, some of the biggest problems in the world, security-wise, were, indeed, what Romilly was saying: fragile states tipping over into terrorism, potentially, and other disasters at various times. Andrew Mitchell spoke about the need to stop economic migrants coming based on natural disasters in their lands and so forth.

Today, we are in a very different position to where we were. Those problems are still there, but when you look at security—and let us not forget that, for 10 years, security has been tied to aid very strongly as one of the prime reasons why we give it—the security challenges have changed. They have changed because we face a different set of challenges internationally, particularly the rise of China, an authoritarian state that has a very different viewpoint to aid spending from what we do, which is looking to expand its influence in whichever area it can.

It is simply not appropriate to look at aid spending on the security angle from the perspective of 10 years ago, ignoring what has happened since then, with Russia too, to a lesser extent. We now face a battle between open and closed societies, a free and un-free world, going on around us. Our aid spending has to be related to that if we are to continue making the argument that it is also security-driven in that way.

I take the point that you might not be getting the most bang for your buck in terms of individual projects, but if you tie it to security, first, you are tying it to a key part of the aid equation. Secondly, you are going back to that question about taxpayers' value for money and what it is that taxpayers are looking at, as a basket of interests within the development aid spending. Finally, you are tackling that head-on, because you are linking things to what Britain's security interests are today rather than a decade ago. He is right to have made that statement and it is to be encouraged, because this will again be part of what restores aid spending to be a very popular part of Britain's overall international posture.

Q32 **Chair:** Alan, on that point, one of my concerns is that, if we very tightly focus our aid spend on economic development and security interests, there could be a country bubbling up that is off our radar. Poverty seems to me a really good indicator that, if we support a country in the early stages economically, developmentally and with strong governance, we could prevent potential threats. Is that something that worries you?

Alan Mendoza: That is a real issue. There is no doubt about it; you have hit the nail on the head. You have to be careful and alert to where things may tip over from a purely humanitarian crisis—and there are many of those in the world from poverty—to a security crisis. You are then looking at specifics. Where is the country in the world? What are the likely forces that might take advantage of the chaos? Are other countries involved? What would they seek to achieve through the chaos?

There is no hard and fast rule about how you can approach this issue, other than being mindful of what is happening on a poverty level, on a destabilisation level, on a level of chaos in certain countries, and working out where our priorities should be, and most likely, as you say, where we should be in five years' time. Let us look in advance and assess this.

Five years ago, we were still dealing with the effects of terrorism, extremism and how those were working out. Fast forward five years, and, while those problems will still be there, there are surely bigger problems. What is China up to in Africa? What are its aims in the Asia-Pacific region? What do our allies want from us? What about small countries in the region that feel threatened by this and feel that they are going to be bought out if we are not there to support them instead? There are many parts to that, but it is a really great question to ask. It shows the importance of continued vigilance to make sure that we are aware of such threats and try to get on top of them ahead of the game, rather than playing catch-up, which unfortunately too often happens.

Q33 **Mrs Latham:** Does the UK still fund aid projects in countries like India and China?

Romilly Greenhill: By and large, no. The only scenario in which it should be funding aid projects in those countries are if they are around global challenges that will impact on the poorest countries in the world. There is a case for limited support for climate change mitigation, or if there was a research project that we would partner with India, or manufacturing a Covid vaccine in India, which would then be distributed across Africa, for example. Collaboration to tackle global challenges is worthwhile.

Investing in the country to support domestic priorities is not a good use of aid resources, partly because these countries, frankly, do not need it. They are very small amounts of money. We should be encouraging those countries to fund their own development when they have the resources to do so. As I have said before, it disproportionately impacts on public opinion. The public, quite rightly, ask questions about why we are putting aid money to China or India when these countries have space programmes. Those are perfectly legitimate questions.

Simon touched on this earlier. It overly distorts the public perception of aid. It gives the public an idea that we are giving vast quantities of money to these countries, whereas in fact it is very small. It is not the right thing to do and it unnecessarily colours the public debate.

Simon Starling: I do not disagree with that. It is right. The principle should be that we give aid where the need is greatest, to the people who need it most. That is a really important principle not to lose sight of on this. It relates to the earlier question about focusing on economic and security interests. There is a real danger that we leave people and countries behind if we do that. Those are the poorest counties in the world, and it will impact on all of us eventually. We have all learnt through this pandemic that we are only as strong as the weakest link. If we have weak health systems in any country in the world, it is going to negatively impact on all of us.

Making sure that, as we go forward, we have really strict targeting on need and where the need is greatest is going to be really important, particularly given the direction of travel in trying to align economic, security and trade interests. Those are the projects that will need more scrutiny, because the projects that focus on the poorest people and the sort of things we know work have typically performed very well previously. It is the ones that we are less clear about the purpose of that have scored less well in terms of independent scrutiny. Focusing on where the need is greatest is critical.

Alan Mendoza: I agree with Romilly and Simon on this. If a country has an advanced space or military programme, the idea that we should be bailing it out of its obligations to its own citizens where there is still need is absolute madness. We definitely should be very careful in those cases.

Chair: That has been absolutely fascinating. Thank you very much. We are going to try to get your evidence out as quickly as possible, but if you would like to write to us on any points that you have not been able to expand on or that have not been raised, we would really appreciate that. When everything seems to be in a state of flux or trying to figure out the way forward, it seems appropriate that we get your information out as quickly as possible.

Thank you very much for your openness and the information that you have all shared with us. Thank you very much to the Committee for your engagement on this important topic. It is one that I am quite sure we will be coming back to on a regular basis. Thank you all very much.