

International Development Sub-Committee on the Work of the Independent Commission for Aid Impact

Oral evidence: ICAI's information note on UK's aid engagement with China, HC 716

Wednesday 22 September 2021

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Watch the meeting

Members present: Theo Clarke (Chair); Mr Richard Bacon; Sarah Champion; Mrs Pauline Latham.

Questions 1 - 41

Witnesses

I: Sir Hugh Bayley, Commissioner, ICAI; Gideon Rabinowitz, Team Leader on ICAI's China information note.

Examination of Witnesses

Witnesses: Sir Hugh Bayley and Gideon Rabinowitz.

Q1 **Chair:** Welcome to our witnesses for this evidence session on the Independent Commission for Aid Impact's information note into UK aid engagement with China. Can I first of all welcome our witnesses this morning and ask you to introduce yourselves, starting with Sir Hugh?

Sir Hugh Bayley: My name is Sir Hugh Bayley. I am one of the two part-time commissioners of ICAI and I was the lead commissioner for this piece of work, this information note on China.

Gideon Rabinowitz: I am Gideon Rabinowitz. I am a senior manager with Agulhas Applied Knowledge, which is the lead service provider for ICAI, and I was the team leader for this information note.

Q2 **Chair:** Thank you very much for joining us today. If I could direct my first question to Sir Hugh, is it accurate to say that the UK gives aid to China?

Sir Hugh Bayley: Yes, it is. In 2019, which is the last year for which we have figures, bilateral aid to China reached a record high of £68.4 million according to the DAC definition of what counts as aid. We identified an additional £13 million spent on engagement with and on China, which is not included in the bilateral aid figure because of the way DAC requires the Government to report aid in their aid statistics.

I should perhaps make the point that a relatively small part of UK aid to China is spent in China. The Newton fund, for example, which is managed by BEIS and accounts for almost half of the aid—£33 million of ODA in 2019—pays its money largely to UK universities to fund research collaboration with Chinese institutions, on the basis that the Government of China put in matched funding for the Chinese institution.

I do not know whether it would help if Gideon, who led the research team, explained the difference between aid to China, aid with China and aid on China, and why we have used these different definitions.

Q3 **Chair:** Yes, it would be helpful to have a brief overview.

Gideon Rabinowitz: One thing we looked to do with this report was to bring clarification to the really quite diverse portfolio of aid engagement with China. The way we did this was to distinguish three categories of aid. The first is aid to China, which is aid that is recorded as per the DAC definition and reported in the UK's aid statistics. That is essentially aid that is used to support China's development in some way or another.

We identified two other categories—aid with China and aid on China. Aid with China is essentially collaborations with China in third countries. This is where a UK institution or a body funded by the UK collaborates with a Chinese organisation to support disaster risk reduction efforts, to tackle malaria or to educate teachers, drawing on Chinese expertise, or where



HOUSE OF COMMONS

there is a collaboration at a global level to address global development challenges, for example if the UK and China were working together to reduce carbon emissions to tackle climate change.

Aid on China is a relatively modest pot of money that was managed by DFID. We are not entirely clear whether it is still ongoing within the FCDO. This is essentially about supporting third countries, predominantly in Africa—that is where the engagement is—to be better partners and collaborators with China. For example, it has supported analysis helping countries to understand the debt implications of taking Chinese finance. It has supported their efforts to negotiate mineral exploitation rights in a more effective way with China. It is about supporting third parties to engage more effectively with China.

Q4 **Chair:** Sir Hugh, can you explain the rationale behind China still receiving aid as the world's second largest economy?

Sir Hugh Bayley: ICAI reports on how UK aid is spent, but we do not make Government policy. That is really a question for Ministers. As a matter of context, I would add that the OECD DAC defines which countries are eligible to receive aid according to an income threshold. China is deemed eligible at the moment because its per capita income is just below the threshold, but it is expected that within four to six years its income per capita will grow to such a point that it is no longer eligible under the DAC definition.

Our outlook throughout this piece has been that the UK Government have decided to collaborate using ODA with China on a whole range of things, but it would be wise for them to have a transition plan, because within a matter of a few years it will no longer be possible to use ODA to collaborate on the things that they are currently collaborating on.

Chair: I should say for people watching today that we did invite Ministers to attend today's session but, due to the reshuffle, they were unable to come.

Q5 **Mrs Latham:** Sir Hugh, can you briefly explain the findings and conclusions of ICAI's information note and explain why you produced this update?

Sir Hugh Bayley: We seek to do three things in the information note. We provide a brief history of the aid relationship between the UK and China. In a nutshell, aid to China fell from about £40 million a year in the early 2000s to £15 million in 2011, which was the point at which DFID announced that it was ending its bilateral aid to China. It then rose again to £68 million, as I said, in 2019, because other Government Departments started building aid relationships with China. I have mentioned the Newton fund, which is one example.

Since 2019 it has fallen, of course, although we do not have figures for the subsequent two years. We cannot tell you exactly how much it has fallen, but we do know it has fallen because the Foreign Secretary made



HOUSE OF COMMONS

an announcement in April that one of the portfolios was being ended entirely.

Q6 Sarah Champion: Sir Hugh, in your view, was poverty reduction the primary focus of the UK's aid engagement with China? If so, was the portfolio of projects we supported the most effective in addressing poverty?

Sir Hugh Bayley: I should perhaps have said to Pauline that there were two other key themes in the note. We identified that there was spending by 11 different Departments and agencies, which is itemised in the report. We ended up with four lines of inquiry, which were matters that we did not reach conclusions about because it was a non-evaluative piece of work but which either ICAI, you or the Government might want to follow through on at a later stage.

On poverty, the International Development Act 2002 says in clause 1(1), "The Secretary of State may provide any person or body with development assistance if he is satisfied that the provision of the assistance is likely to contribute to a reduction in poverty", so poverty reduction must be the central focus of British aid.

In interviews with officials, we asked how their programmes contributed to poverty reduction, and they gave a number of examples: for instance, expanding primary health services in China; improving China's expertise to deal with disaster management in Africa; screening Chinese infrastructure projects in Africa for social and environmental impact and working with the recipient Governments in Africa to discuss strategies for negotiating the terms on which such projects would be conducted; developing health technologies that are suitable for low-income countries. Those are a good number of examples of aid with a clear poverty focus.

However, let us be frank about it. We saw less emphasis on poverty reduction in the China programmes than you would expect in programmes in low-income countries. We noted in particular that Government policy seeks secondary benefits to the UK from aid to China. Perhaps I can give you a couple of examples. UK aid, we discovered, secured agreement from China to import a UK-developed health technology from a UK company worth hundreds of millions of pounds to the UK in exports. That work was supported by UK ODA. Overall, the prosperity fund told us that the secondary benefits to the UK that its work had delivered included £912 million of additional UK exports to China, which were achieved through aid spending.

Q7 Sarah Champion: I am shocked by that. While I want the UK to benefit from its relationships with any country, that is not the primary focus of what ODA is meant to be. Indeed, I thought that undermined the eligibility for that money to be categorised as ODA. Is that correct?

Sir Hugh Bayley: Whether this is an appropriate use of aid is something the Committee needs to discuss with the Government. This particular



HOUSE OF COMMONS

piece of work is an information note, which, unlike our full reviews, does not make recommendations and does not provide traffic lights. I cannot answer your question, but we have suggested that the poverty focus, and in particular whether the current rules make the poverty focus for middle-income countries like China appropriate, is a matter for further inquiry, and it is therefore one of our lines of inquiry.

Gideon Rabinowitz: On that point, when we were scrutinising the project documents for these projects, quite detailed projections were made of the long-term development benefits from these projects alongside the secondary benefits as well. The question can only really be answered once these projects have been fully implemented—most of them are at a relatively early stage—and once the full impact has been felt both on the development side and on the secondary benefits side.

Certainly, the fact that UK exports have already been generated at that level suggests that the projects will have to meet quite a high development impact threshold, which is very possible. It will only be able to be looked at in the round once those projects have been fully implemented.

Q8 **Sarah Champion:** Could I push you a little further on some of the details? I was surprised that we are funding negotiations with a third country over whether it should be having Chinese aid. That seems rather an extraordinary position to be in. It could compromise us. Do we do that with other countries? Is that unique to Chinese funding?

Gideon Rabinowitz: I cannot comment on other countries. This has been a really interesting piece of work, because we have not done an evaluative piece but we have done some detailed work to understand in full the nature of the relationship between the UK and a major emerging economy. It is those types of relationships where you see these issues come out.

The way the Departments involved describe this is that the secondary benefits flowed out of the activity that was undertaken to pursue the primary benefit.

Q9 **Mr Bacon:** Could you say that again?

Gideon Rabinowitz: The secondary benefits flowed out of the activity that was undertaken to pursue the primary benefit.

Q10 **Sarah Champion:** The secondary benefits to the UK, that is.

Gideon Rabinowitz: Yes, to the UK. Essentially they were saying that, through the primary activities of the programme, relationships were developed with certain Ministries, institutions or individuals and those relationships were then leveraged or utilised in some way to gain a secondary benefit. The primary benefit drove the emergence of the secondary benefit. That is the narrative that we heard from Departments.



HOUSE OF COMMONS

Q11 Sarah Champion: From what you are saying, the UK's funding to China is not as black and white as it would be in other countries. It was more subtly used.

Gideon Rabinowitz: I cannot comment on how this would compare, because we have not done a similar piece of work for other countries to compare this specific aspect of the relationship.

Q12 Sarah Champion: Sir Hugh, in 2018-19 the UK gave £500,000 to China specifically around human rights. I find that very challenging, because, at the same time, there is more and more evidence of persecution and genocide of the Uighur. Does the UK use its aid to try to challenge those sorts of persecutions or is it turning a blind eye to those persecutions implicitly by giving the money as well?

Sir Hugh Bayley: The UK does have a programme to defend human rights in China. When the Foreign Secretary made his announcement of the cuts in April, he made it clear that £900,000 would be retained for work on human rights. The question of transition comes up again, though. If it is going to become impossible to spend aid in China in four or five years' time, and the UK wants to continue to do work on human rights or on other issues like trade promotion, it has to work out where the non-ODA funding is going to come from.

Q13 Sarah Champion: In your note, you identified other Government Departments also spending significant amounts of ODA. Does the residual UK ODA spend in China have poverty reduction at its core? I ask this because I know there has been a lot of criticism of the Newton fund, for example, spent by BEIS.

Sir Hugh Bayley: Our remarks about there being a less clear focus on poverty reduction in the China programme than for programmes in least developed countries applies to all Government Departments. The policy about seeking secondary benefits for the UK through aid spending applies to all Government Departments.

It is quite clear, when you are talking about commercial business and trade, what the secondary benefits might be. I have given you a couple of examples. Of course, there are secondary benefits that could accrue to the UK through the work of the FCDO. Diplomats are there to advance the UK's agenda on many things. There are conversations at the moment about what stance China will take at the COP talks in November. There will be all sorts of things that will be discussed.

At the moment, 40% of the cost of our general diplomatic team, rather than our development team, in China is funded by ODA because the Government take the view that 40% of their time is devoted to work that is ODA fundable.

Q14 Sarah Champion: For me, there is a difference between soft power and the influence that ODA gets you, and direct trade benefits, which is starting to have a whiff of tied aid about it.



HOUSE OF COMMONS

Sir Hugh Bayley: There is a distinction. I understand the distinction that you make. You asked whether this question about poverty focus applies across all Government Departments, and the answer to that is yes.

Q15 **Mrs Latham:** Gideon, what should FCDO and other Government Departments do to better co-ordinate the UK's ODA spend in China and align it with the objectives set out in the integrated review?

Gideon Rabinowitz: One thing we note in our information note is that there is no single strategy for spending aid in China. There is no China development strategy that aid can align behind. The main Government strategy, which aid is making a contribution to, is the national security strategy for China. We made a request to review that—that was not me personally; I do not have the same level of clearances as Hugh—but Hugh was not able to see that strategy, although he did have a briefing about it. As has already been shared with Parliament, the Government have indicated what the main pillars of the national security strategy for China are. What we were told is that UK aid makes a contribution to all of these pillars, except for the one on Hong Kong, because Hong Kong is not ODA-eligible.

Around the integrated review, clearly, there is an opportunity for a more coherent approach for UK aid to China, but that will depend on ensuring that development objectives remain at the heart of that type of collaboration. A great deal will depend on what happens with the implementation of that strategy and the degree to which aid has a distinct role. That is why a lot of the questions that you are asking about the poverty focus are relevant. It is also why one of our recommendations for lines of inquiry is to look at other ways in which aid with China and other emerging economies can be more effectively focused on poverty reduction and the ways in which we can protect that poverty focus.

Q16 **Mrs Latham:** Hugh, do you want to add anything? You had the briefings.

Sir Hugh Bayley: Gideon has answered your questions, unless you have supplementary points.

Mrs Latham: No, I just wanted to know if you wanted to add anything.

Q17 **Mr Bacon:** Could you tell us what development opportunities you think may exist for collaboration? For example, global health and climate change are two obvious areas where China and the UK have a common interest. How do you think our ability to collaborate in those two areas, for example, will take place going forward, particularly in light of the national security challenges?

Sir Hugh Bayley: The first question that the Government need to address is the transition away from aid. I am sure the UK will wish to continue collaborating with China on public health, the manufacture of medicines and climate change for decades to come. At the moment, a great deal of that work is funded by ODA, and in the long term it cannot



be. That is not a question for us; it is a question for Government to determine.

We produced a review on transition about four years ago, which you might wish to turn to. Our advice would be that you need to plan long term and talk with your partner long term rather than say in the course of a year, "We are going to end our aid relationship and we want to build a different relationship". It takes time to build commitment to these things both from the partner country and by adapting UK policy.

Q18 Mr Bacon: Can I just pursue that in relation to the £33 million that you said is spent on UK universities in matched funding with Chinese institutions to do joint-funded research in the UK? At the moment, that comes under the heading of ODA. It might be the case both that it could not come under the heading of ODA—possibly quite soon, in the next one to four years, for DAC reasons—and that we wanted to continue doing it.

Are you saying that in a world in which that happened you would simply take the £33 million, for example, remove it from the FCDO ODA spend, put it somewhere else and carry on? Is that the sort of discussion that could happen relatively easily, if the Government were determined to pursue the policy? I know you are not responsible for Government policy, but are you saying, through this business of transition, that this is the sort of thing that could happen?

Sir Hugh Bayley: Yes. I will make a couple of points. We would advise you that the likely change in the DAC rules is probably four to six years away. The Newton fund programme is a BEIS-run programme, so it is a question for BEIS. When ODA can no longer be spent on partnerships with China, would you want university research partnerships on the basis of mutual funding from UK and Chinese institutions to continue? In that case—this is about preparing for transition—the Department would need to have a conversation with the Treasury about the level of funding and the sort of transition.

Q19 Mr Bacon: The point I am trying to make is that it does not need to be that complicated. It is not a lot more than rebranding, is it not?

Gideon Rabinowitz: There is a simpler option, which we were told is potentially already underway with the Newton fund, that they reorient the partnerships away from focusing on challenges around China's own development to collaborations on global public goods.

At that point, the primary beneficiary of the aid is no longer China. It is development more broadly at the global level; it is countries in which you are doing trilateral co-operation. Therefore, it could in some way be continued to be reported as ODA. That is another simpler option in many respects.

Q20 Mr Bacon: You could stretch the definition. People are good at stretching definitions when they want to.



HOUSE OF COMMONS

I would like to ask you about the point you made about helping countries that are negotiating with China to make their negotiations “more effective”, using your phrase, in relation to things like mineral rights—effective for whom?

Gideon Rabinowitz: Well—

Mr Bacon: That is why I am asking the question.

Gideon Rabinowitz: It is effective from the perspective of the institutions that are being supported. We did not evaluate these projects, so we do not know the full extent to which the objectives of the institutions that were being supported match those of the broader populace of those countries. It is effective from the perspective of the organisations being supported and, we would hope, the broader population.

Q21 **Mr Bacon:** Is that organisations or countries?

Gideon Rabinowitz: A lot of the advice is being provided through research, which is then shared with Government and discussed with Government. A lot of that type of collaboration is happening directly with Governments in some role or with organisations that are playing an advisory role with Government in those countries.

Sir Hugh Bayley: We would stress that the beneficiary Government would be the Government of the low-income country, typically in Africa. UK aid would be providing them with advice about the danger of a debt build-up, if they were engaging in infrastructure projects financed by Chinese—

Q22 **Mr Bacon:** Yes, or the downside of losing their mineral rights for the next 100 years.

Sir Hugh Bayley: Yes, exactly.

Q23 **Mr Bacon:** I can see that. I spent a lot of time in Africa a few years ago. Everywhere I went, from east Africa to west Africa, I got the same message: “China did this”; “China did that”; “China has just built this road”. I drove on a road in Sierra Leone for several hundred kilometres that was in the process of being built, so it was a bit bumpy. I was assured it was going to improve, because China was building it.

There has been a lot of concern that they have signed away their mineral rights in return for a football stadium, a road, a piece of infrastructure or whatever it is, for far too long a period of time. Is that essentially the sort of thing you are talking about trying to make sure they negotiate more effectively?

Gideon Rabinowitz: A lot of that is really so that they understand the costs and benefits of the different options they have for exploiting natural resources or other types of collaborations that they are engaging with.

Q24 **Mr Bacon:** I had one more, which is about the belt and road initiative.



HOUSE OF COMMONS

This is kind of a segue from my previous point, because it is their flagship international policy. Our Government have said they will only engage with it where there is a transparent benefit to the UK and where it aligns with our national interests, security and prosperity objectives. As we start moving beyond aid, should the UK continue to engage with the belt and road initiative?

Sir Hugh Bayley: "Should" is not something we should comment on in relation to an information note. We should describe what the UK does, which we attempt to do. In relation to belt and road, one of the deep dives we did in one of the specific areas of the study was to look at infrastructure spending. We explained what the UK does at the moment and how it manages policy. The FCDO has a belt and road supervisory board.

Gideon Rabinowitz: It is called the belt and road initiative strategic oversight board.

Mr Bacon: We have one of those here, do we?

Gideon Rabinowitz: Yes, we do. The Foreign Office does.

Q25 **Mr Bacon:** Do we know who is on it?

Sir Hugh Bayley: No.

Gideon Rabinowitz: We do. FCDO oversees it. There are a lot of Departments: Treasury; Cabinet Office; BEIS; MoD; Department for International Trade; Ministry of Justice, because legal issues are dealt with in the board as well; and Defra. We have a nice handy table in our report where you can see which Departments are involved in this and other oversight bodies.

Q26 **Mr Bacon:** Do we know how often this strategic oversight board meets?

Gideon Rabinowitz: It meets pretty regularly. It meets quarterly, and it is supported by a working group of civil servants. Their role is to ensure that there is adherence to UK strategic priorities across all of the collaborations that happen across Government around the BRI.

We did see a very strong emphasis on the need to apply a consistent approach to pursuing transparency and strong investment standards in the BRI through the UK's engagement with that initiative. One thing we saw was that DFID and the DFID team that ended up in the FCDO were playing a really active role in advising that board and also other Departments and maintaining that focus.

One question about the future of UK aid to China is whether that strand of work will continue. We are not sure whether that DFID China team that then moved into the FCDO pretty wholesale is still being maintained or whether that expertise is being spread across the Department. That was certainly one role they were playing with the BRI: to emphasise the



HOUSE OF COMMONS

development objectives and issues around strong investment standards and transparency.

Mr Bacon: I would just like to apologise for using the word “should”. I know it is naughty, but “should” was in my brief, so they were naughty, too.

Q27 **Chair:** We have some protestors outside; hopefully we can still hear.

Can I just go back to this point that you were making, Sir Hugh, about the transition? You will recall that last year the Sub-Committee looked at the work ICAI produced on a report on the changing nature of UK aid to Ghana. That was specifically looking at how they were progressing beyond having aid recipient status.

I just wanted to come back to your point. Is the UK well prepared to manage this transition? You mentioned that there is going to be a lot to do if China no longer has ODA status in three or four years’ time. Did the Departments tell you that they have done any work, planning or looking ahead towards that? It is going to hugely impact on our relationship with China going forward.

Sir Hugh Bayley: No, we do not think they have done a great deal of work to date, and we do not think the Government are well prepared. We put the question to officials, and I think I am right in saying that the answer we got was that, because there was a one-year spending review rather than a longer-term spending review, it was difficult to look that far ahead. In any case, when a three-year spending review happened, it would still be likely to be covering the period when there was an aid relationship with China, so they have not yet started preparing for the transition. We are not reaching conclusions in an information note, but we are flagging the issue of transition and the preparations made for it as a live issue that needs to be addressed through further study.

Q28 **Chair:** To clarify, are you saying that the spending review would cover the period up to China moving out of the ODA eligibility criteria and they have not planned ahead for what would happen after that.

Sir Hugh Bayley: No, officials were not saying that. They were saying that they were focused on the short term because the spending plans and the allocation of ODA that they were aware of at the time, and that they were bidding for, were for a short-term period. They were not making preparations for the transition at the time we were interviewing them.

Q29 **Chair:** Given that they have not prepared for the long term and they are focused on the short term, can I ask what steps the Government should be taking to improve transparency and public understanding of why the UK is still spending aid in China?

Sir Hugh Bayley: We felt there were two reasons for the lack of transparency. In part it occurs because there are significant security challenges that the UK teams in China have to face. China is a large economy with a sophisticated Government. If the UK set out its objective



HOUSE OF COMMONS

as being to influence China policy in certain ways, it would probably undermine the UK's ability to influence. There is good evidence of influence on carbon emissions, for instance. The UK has been working with China.

There are parts of the aid programme that are difficult for the Government to describe in public, but it was also clear to us from what officials were saying that there is a reluctance in government to describe in detail what the aid programme is doing, because they are concerned that there might be an adverse public reaction. Our view is that, the less you tell the public, the less you take the public into your confidence, the more likely they are to be suspicious and mistrustful.

There are parts of the programme that are clearly delivering important global benefits. Climate change would be one of them. If the Government were describing that it does this work as part of its aid engagement with China, it would be in a position where it was explaining to the public what it was doing. We had one official who described how his work had produced some quite significant achievements. I said, "Well, why do we not read about this in the newspapers?" He said, "I wish we would, but the decision about what to release publicly is taken in London. It was felt that this was not something that would become a Foreign Office press release".

Q30 Sarah Champion: Sir Hugh, I am sorry. I would like to push you on this. A lot of what I have heard today has rather shocked and disappointed me, but this particularly. Officials are saying that there is a reluctance to broadcast how they are spending taxpayers' money—it is not their money—because there might be an adverse reaction to it.

If the focus is about alleviating and preventing poverty, there would not be an adverse reaction, because that is exactly what it is meant to do. It really concerns me that, from what you heard, there would be a reluctance to put it in the public domain. I take the sensitivity around soft power and influence, but that should not be the primary focus of ODA spend. Are you actually saying that there is an inherent contradiction between what is being spent and what should be being spent? We are back to the "should" again.

Sir Hugh Bayley: It is for you to determine, as a policy issue, where UK ODA should be spent and what the priority should be. The purpose of this note is to describe to you where money is being spent to help you reach those conclusions. I must say that we had some quite positive feedback from people who work in this field, in UK-China relations, and look at the aid relationship to say, "This is a valuable piece of work, because it has made clear how much we spend and broadly the areas in which it is spent".

Q31 Sarah Champion: They did not have that clarity before your report.

Sir Hugh Bayley: I think that is the case.



Gideon Rabinowitz: They did not have the same level of clarity. In aid statistics, in recent years the Government have started disaggregating spent per country and per Department. You can see, for China, how much each Department has spent, broadly, which is a very positive development. That has been reported on for the last five or six years.

You do not get a full elaboration on the specific projects and activities that are being implemented by those Departments. As Sir Hugh said, on some level this is about national security concerns and sensitivities. There are certainly areas that are much less sensitive—let us say the British Council's educational and cultural collaborations in China—where there could be much more information published and made available.

Q32 **Sarah Champion:** From your understanding, this reluctance is coming from Ministers rather than the Department itself.

Sir Hugh Bayley: We are not sure where it is coming from. "London" was the word the officials in the field used to us. Clearly, in the system in London there is a degree of sensitivity about reporting on China ODA spend. As you have rightly said, there are bits that the Government understandably do not put in the public domain. There are other things, such as the work they are doing to curb the illegal wildlife trade.

Sarah Champion: Yes, they should be proud of that.

Sir Hugh Bayley: When they achieve something significant in that field, why are they not telling the British public that this is something they have done? To use that as an example, it is a very low level of spend. It is hundreds of thousands; it is £100,000. It is not a great deal of money that goes into this, but it achieves things that the British public would generally applaud.

Q33 **Mrs Latham:** This is the trick question, if you like. I would like both of you to answer it, if you can. Should the UK view China as a competitor or a partner in international development?

Sir Hugh Bayley: In terms of realpolitik, it is both. There are areas where we need to collaborate and we need a partnership, such as climate change and public health, and there are areas where they are a competitor. Richard was talking about his experience in Africa. We might be wanting to engage multilaterally through the World Bank on an infrastructure project in Africa. If China has an alternative proposal and we believe that the development benefits of ours would be better, there is competition there. That is the reality of the world. Our officials in China and back at base here need to be able to rise to both kinds of challenges.

Q34 **Mr Bacon:** Can I add a supplementary to that? How good are we at disaggregating these different interests so that we can do things that appear to be contradictory simultaneously? I am thinking, for example, of the way in which, despite what was going on with Ukraine and Russia, we had a very successful diplomatic relationship in Vienna with the Russians among others on the joint comprehensive plan of action for Iran. It was



unaffected by what was going on elsewhere.

I suppose I am really asking about the nature of the relationship that we have, which you have been studying, and whether we are capable of disaggregating for the good in the way that I have just described.

Sir Hugh Bayley: That goes beyond the ICAI remit, because you are really talking about how the UK reconciles the different strands of the national security strategy—how it reconciles its position on Hong Kong under the strategy and the work it is doing on trade under the strategy. Neither of those has an ODA dimension. It is a wider question that we as ICAI, with the remit to look at how ODA is spent, cannot really advise on. We can advise on the need to use ODA effectively but not on those wider questions around policy trade-offs.

Mr Bacon: It was worth a try.

Gideon Rabinowitz: What I would say is that this period covers quite a difficult phase of UK-China relations. We saw in some cases relatively modest amounts of money targeted at very specific institutions that had resource needs and common interests. Those collaborations were happening at certain levels in Government, and were moving forward quite productively even during a period of very challenging relations. That bit of project funding allowed a collaboration that was seen as valuable and adding value. It did proceed at the same time as the diplomatic relationship was in a more challenging place.

Q35 **Chair:** I have a question. We heard from Tamsyn Barton previously that it was very difficult sometimes to access information from the FCDO. In order to increase co-operation, would it help to have improved transparency and public understanding of these more contentious topics such as our engagement with China? I would like to hear how it was for you specifically to work with the Department. We are concerned as a Committee that there has been pushback or it has been difficult for us to get the level of information that we require.

Sir Hugh Bayley: First, I would want to thank publicly the officials who did provide hundreds of documents and hours of interviews, without whose help we could not have written this information note. With this particular piece of work, we were acutely aware that we were working in a field where much more material was classified than is typical with an ICAI review. Where documents were not provided, as Gideon mentioned earlier, officials held face-to-face meetings with me and our ICAI secretariat to provide verbally information that they would not provide on paper. We found that very useful.

We do remain concerned about two things in particular. First of all, the national security strategy for China was not made available to us. It is a classified document. We could not refer to it or describe it in our report. To understand what the strategy was would have enabled us to do our job as a watchdog over the use of aid more effectively.



HOUSE OF COMMONS

The strategy clearly sees ODA as a tool to be used for the pursuit of not all but quite a number of the objectives in the strategy. Of course, as you know well, when we produce a draft report we send a draft to the Government for a fact-check. That is for matters of fact to be corrected, but it also provides Government with an opportunity to say, "We think you have overstepped the boundary of what you can disclose to the public". There is a safeguard, for the Government and the public interest, when classified material is provided to us.

The second area where I am, frankly, surprised that we did not get further information was in relation to the update we did following the Foreign Secretary's announcement of cuts. We asked for spending information for 2020-21 and budgets for the current year, and these were not provided except for a very small budget of £100,000 that Defra had agreed on the basis that budgets had not been finalised. This was some months into the current financial year.

I am surprised that budgets were clear enough to enable the Foreign Secretary to make his announcement about a 95% reduction in certain strands of his Department's aid spending, but that his Department was unable to release budgetary information or provisional out-turn information in relation to the previous year.

The explanation they gave for this is that they would publish the information in the statistics on international development in the usual way and the information will therefore be available imminently. They publish these figures in the autumn, so it is not that the information will not be made available. If we, as a watchdog, are going to help Government to spend ODA more effectively and achieve better value for money for the taxpayer, when we are doing a study like this it would be helpful if they were completely open and shared with us provisional information. They might put a marker down and say, "Please do not publish this, because these are not final figures".

I am sure this is a point Tamsyn had made to the Committee, too. First of all, Andrew Mitchell decided to set up ICAI because he wanted a public watchdog to reassure the public that ODA spending was achieving benefits. Following the departmental merger, thanks in large part to the representations made by members of this Committee, the Government decided that ICAI would continue. If we are to do the most effective job for the Government and identify what works and how money can be best spent, the more open they are with us, the better the quality of our work. The better the quality of our work, the more financial saving they ought to make as a result of it.

Chair: Thank you. That is very useful for our Committee to note.

Q36 **Sarah Champion:** I have a couple of quickfire questions. Sir Hugh, why did you commission this note?



Sir Hugh Bayley: We initially planned to do a longer review looking at the tripartite partnership between the UK and China in relation to development in Africa. When DFID announced that it was ending its bilateral aid to China, it set up this model of a tripartite relationship. In our initial discussions with officials, we decided that this was not a wise thing to do, partly because many of those tripartite programmes had been wound up and not replaced. We felt there would not be a great deal to review. The reasons for that in part had to do with security matters, which we could not refer to in our report.

We recognised that there was an appetite from the British public to understand more about the UK's aid relationship with China. We try to do a country study each year. Chair, you mentioned the Ghana study. This was going to be a follow-up study. Because of the nature of the aid relationship with China and the security concerns, we decided that a piece of work we could do that would help public understanding would be to produce an information note that described simply what was happening in terms of aid spend without passing judgment about what was effective and not effective.

Q37 **Sarah Champion:** The Government pushback to your report was stronger than I have seen before. Is that an accurate statement? Were the criticisms that they made in their replies accurate and fair?

Sir Hugh Bayley: You mean following publication.

Q38 **Sarah Champion:** Yes, their comments on the report following publication. I believe you went back to correct some of the factual points that the Foreign Secretary was making.

Sir Hugh Bayley: I see. There was a factual misunderstanding on the part of whoever wrote that letter. We received a letter from the Foreign Secretary at the time of initial publication, which expressed concern that we had not properly represented the statement he made, his Written Ministerial Statement.

Q39 **Sarah Champion:** That was that 95% of aid to China was being cut.

Sir Hugh Bayley: That is right. He quoted precisely what he had said in his letter, and we sent him a copy of the report that states verbatim precisely what he said. He had not realised that, or the official who drafted the letter had not realised that, at the time the letter was sent.

My personal view is this: the Foreign Secretary did not like the press coverage that our report provoked and wanted to push back at that. It might have been more appropriate to raise concerns with the media rather than with the report, because the report had covered all the points that he highlighted in his letter as matters of concern, which the chief commissioner documented to him in writing and which I understand he accepts.

Q40 **Sarah Champion:** On the reluctance to release data on ODA spend,



HOUSE OF COMMONS

aside from the security-restricted documents, it sounds as though you have been unable to find a clear strategy across Government Departments in relation to China. It is a big amount of money. Is that normal or is that, from the reports ICAI has done, unique to China—both the reluctance to give information and the lack of clarity in the public domain?

Sir Hugh Bayley: There is a clear strategy in the form of the national security strategy. It is not an ODA strategy. We ask the question, "Would it make sense to have a public strategy describing the use of UK ODA in partnerships with China?" If that were to happen, it would help with public understanding. It also ought to help the co-ordination of the work of different Departments, if there is a clear statement of what the overall goal of aid spending in China would be.

Sarah Champion: I agree.

Q41 **Chair:** You were talking then about the 95% reduction to the FCDO's ODA budget for programme delivery. It is fair to say that the press coverage made it look like that was a 95% reduction to the whole of China's aid spending, but, as you have made clear, that is for the programme delivery. Could you talk a bit more about that? I know you have an update to your information note that refers to that.

I note that in 2011 DFID ended its bilateral aid in support of China's development, but other aid-spending Departments did not follow suit. I wonder whether you could tell us a bit more about the justification for why they are doing that.

Sir Hugh Bayley: On the first issue, the Foreign Secretary's written statement made it very clear that he was talking about aid for programme delivery. It was not a phrase that we came across during the review, so we had to ask the Department what it covered. We found that it covered about 22% of the overall aid spending. So 22% of our overall aid spending, using 2020-21 figures, was covered by the 95% reduction. A number of journalists reported this as a 95% reduction in our overall spend, which was not the case.

In relation to DFID's decision, we were both members of the Committee at the time. At the time, the Committee was asking questions of the kind that you are asking today about the priority that ought to be given to aid to China. DFID at that time took the decision under Andrew Mitchell's leadership that bilateral aid to China would cease. We saw at that time a project in which children in Chinese primary schools were sitting around small tables, as you would see in a reception class in the UK, doing child-centred learning rather than all facing a blackboard and being asked to sing out their times tables. That kind of work was being done. In 2011, DFID decided to end those programmes, and there was a sharp fall in aid spending to about £15 million at that time.

Since then, Government priorities have changed and the ability for other Departments to spend aid has been introduced and increased. The aid



HOUSE OF COMMONS

spend has grown considerably since then. We mention in our report that 2019 was the high point. Spending of £68 million was a record high and it probably will remain the record. We do not know, because these figures have not yet been published, how much aid spending to China has reduced since then, but, from what we were told, we would expect the figures to be on a downward curve now, with an expectation that, when the DAC decides that China has passed the income threshold for eligibility, it will cease within relatively few years.

Chair: Thank you very much to our witnesses for joining us this morning.