

International Development Committee

Oral evidence: Foreign, Commonwealth and Development Office's Annual Report and Accounts, HC 739

Tuesday 16 November 2021

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Members present: Sarah Champion (Chair); Theo Clarke; Mrs Pauline Latham; Chris Law; Kate Osamor; Dr Dan Poulter; Mr Virendra Sharma.

Questions 1 - 86

Witnesses

[I]: Sir Philip Barton KCMG OBE, Permanent Under-Secretary at the Foreign, Commonwealth and Development Office; and Juliet Chua, Director General, Finance and Corporate at the Foreign, Commonwealth and Development Office.

Examination of witnesses

Witnesses: Sir Philip Barton KCMG OBE and Juliet Chua.

Chair: I would like to start this one-off session of the International Development Select Committee, where we are looking specifically at FCDO's annual report and accounts. We are very fortunate to be joined by the Permanent Under-Secretary at the Foreign, Commonwealth and Development Office, Sir Philip Barton. Thank you ever so much for joining us. Also Juliet Chua, who is the Director General for Finance. Thank you both for making the time.

As you can imagine, this Committee has a lot of interest in these figures and I have to be frank with you and say we have been frustrated at the lack of transparency over the last year, 18 months, of getting these figures, so to have the two of you in front of us so that we can pick away at some of the details will be really helpful and I very much hope, going forwards, that we are able to have a more open relationship and get those figures in a timely manner. Could I start by asking Pauline Latham to do the first questions?

Q1 Mrs Pauline Latham: Good afternoon. Your annual report describes the merger as having created efficiencies. Apart from losing senior roles, how is the FCDO more efficient than DfID and FCO was?

Sir Philip Barton: First, thank you very much, Chair, for inviting me along. It is a great pleasure to be here and to be talking to you all in person.

Before I answer your question, Pauline, I think it is worth recalling that the annual report is for 2021 and at the start of that financial year there were still two Departments and the UK was at the height of its first Covid wave, so the last year has been a transitional year as we have brought the two Departments together. It has been challenging because of Covid. I want to pay tribute to all of my colleagues, both in the UK and around the world, for the work they have done in the face of the pandemic and in continuing to deliver UK objectives globally.

In terms of efficiencies, and what we have done over the first year of the Department and the seven months covered by this annual report, we put in place the basics of a single new Department to be ready on 2 September. We then set about restructuring at the headquarters end. We merged all teams around the world by the end of the financial year. We put in place a new system of the way we led internationally with heads of mission, our ambassadors and high commissioners—very clearly and explicitly at the Prime Minister's request—in charge of our international effort in the countries they were working in and, behind that, single country plans that they were working to for the one year of the financial settlement that we have this year. I think that has created the key efficiency.

It has meant that as we deliver internationally we are more effective. We are achieving more for the resources that we have at our disposal. I



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would like to illustrate that with a couple of areas that I imagine you might ask me about. One is climate change and the way in which we have brought diplomacy and development assistance and the environmental expertise together to achieve some of the outcomes we saw in Glasgow over the last couple of weeks, but also some of the support behind that. For example, the plan we put in place with the Government of South Africa to allow them to decarbonise and the innovative financing and development assistance behind that with us very much in the lead.

The second area I would highlight is global health and, in particular, the work we have been doing through the G7 to do our level best to make sure that, for example, vaccines are available around the world, with us taking a leadership role over the G7 presence on global health. I think some of the efficiencies may have achieved more and Juliet might like to add a little bit on the efficiencies on the internal side.

Juliet Chua: As Philip has described, this report obviously covers the first six months of the Department and we have laid in place the first building blocks. The transformation created by the new Department is essentially a longer term project that we are working through. In April we had single integrated teams. We put in place a single Microsoft Teams platform on which they could collaborate more effectively. In bringing together integrated teams it allows you to look at where you might have duplication of activity but, over the course of the next year, we will also be building out the work around a single HR finance system, building on a single programme operating model, so teams are working within the same evaluation framework essentially putting in place an arrangement so we work as one team across the organisation with the right sets of supports, tools, policies, processes. We work in a completely joined up way.

Q2 Mrs Pauline Latham: Could you expand on what you have been saying and could we explore how you are demonstrating that you are achieving greater impact now that it is a merged Department than when it was two separate ones? Because the key for me is you can have your teams in place—and obviously working in country it is good to be an integrated team—but how are the poorest people in the world being impacted by this?

Sir Philip Barton: The way to think about it is: it is not just teams working well together on the ground. It is how we start thinking about issues in the first place, as we formulate policy and give advice to Ministers in the UK with input from our global network, and doing that in a more integrated way. Making sure, as we think about development outcomes and poverty reduction, that it also has political influence interwoven into it. For example, if you are looking to increase the education of girls—which as you know is a Government priority of course—which means when a girl goes to school that is great and it is a specific outcome, but if you are also putting in place political influence, which means the Governments of the countries that you are working with are putting in place sustainable, enduring systems to ensure that the



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next generation of girls are also educated, whether or not there is UK development assistance about it, that is a more impactful and more enduring outcome.

Q3 **Mrs Pauline Latham:** That wasn't happening before?

Sir Philip Barton: It was happening in part but I think we are now being much more systematic and better organised about it.

Q4 **Mrs Pauline Latham:** It sounds to me as if things stopped when the merger happened and you are now rethinking everything and making decisions as to how you are going to reprogramme. Did things stop quite dramatically during that period of time?

Sir Philip Barton: I don't recognise the term "stopped". Like everything else in the world, the merger happened during the pandemic and that drove a lot of the emphasis of our work. There was obviously a very big focus that continues on, on global health and the work the UK has been doing internationally and the response to the pandemic. Work absolutely did not stop. We took quick and early decisions. For example, from day one—and again I think this is an illustration of how the merger is delivering more—the then Foreign Secretary appointed Nick Dyer as his personal envoy on humanitarian issues and famine prevention.

Again, as we have taken it forward, that work is both around the resources we put into humanitarian relief around the world but, also, recognising that many of these places are in a difficult situation because of conflict, and what is the political influence that we can also bring to bear to help alleviate humanitarian crisis? I think that is another area where we are more systematic and we are doing a better job using all the tools that the UK has at its disposal to help some of the world's most vulnerable people.

Q5 **Mrs Pauline Latham:** Are many of the efficiencies financial?

Sir Philip Barton: The merger was never about financial efficiency. That wasn't the driver for the merger. It was always about more impact for the UK internationally. There was a real efficiency driver behind the merger. It wasn't a financially driven exercise.

Q6 **Mrs Pauline Latham:** Are there any barriers to your ambitions?

Sir Philip Barton: That is a very broad question. I think the honest answer is that there are the things you put in place straightaway—the single headquarters, the merged teams—and there are other things that inevitably do take time to work through. For example, moving towards a single IT platform. It just takes a certain amount of time to work through the longer term things. That is the phase we are in now as we do the transformation, isn't it, Juliet, in terms of the longer term work we are doing?

Juliet Chua: Yes. I would not recognise the characterisation of everything stopping and starting. What we have is our teams working together. There are certain things we need to make sure that we have



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put in place in the course of the next year to give them the tools to work in the most integrated way possible so, as Philip has described, making sure that we have a single HR finance system, making sure that we have an inline set of terms and conditions. Those are all the things that will enable us to be an even more integrated organisation, but they are not at the moment stopping us being able to deliver, being able to have impact, but they are clearly critical parts of being a single merged Department in the medium term.

Q7 Mrs Pauline Latham: Buying lots of new IT systems is generally very expensive. Merging two systems, if they were not the same, and then a new HR system as well to cover everybody, that is going to have cost a lot of money, which will have come out of the development budget.

Juliet Chua: The FCO was already in the process of replacing some of its previous legacy IT through the creation of a program called Atlas. In September we identified that we would need to make sure that worked also for the former DfID that came together, so that was an investment that was already planned. We worked through in the course of the Spending Review making sure that we can accommodate that within our operating expenditure budget. Over time that has a business case that allows us to then be able to generate efficiencies against that business case.

Q8 Chair: Could I follow up on a couple of points that you have raised? We note in the Spending Review that there is a shift from resource money to capital money. Would things like the new IT system be coming out of the ODA capital money?

Juliet Chua: It will be captured in the non-ODA operational expenditure capital, not the ODA capital.

Q9 Chair: Thank you. Then the efficiencies you talk about seem to be working efficiencies, so internal efficiencies. I think what Pauline was asking was: are you seeing efficiency in the outcomes, so in the fact that we are able to do more on the ground to help the overarching objective of reducing and removing poverty?

Sir Philip Barton: I think, Sarah, the honest answer is we have gone through a period where, as you know, sadly as a result of the pandemic, more people are in poverty around the world but I do think in the areas that I have described more broadly we are achieving more as the UK in the face of that underlying position.

Q10 Chair: That is your hope going forwards?

Sir Philip Barton: Yes.

Q11 Mr Virendra Sharma: What kind of challenges do you face in securing the staff and skills necessary for the delivery of the UK aid programme, and what are you doing to address this?

Sir Philip Barton: The first thing to say is I think the new Department has inherited a fantastic—and I emphasise the word “fantastic”—set of



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development expertise from the Department for International Development, so we are absolutely not starting from scratch. I have a great set of colleagues, deep professionalism and recognised around the world as generally world leading in the areas we work in.

That said, as we look forward one of the things we are looking at, not just on the development side but across the board, is what are the capabilities we need to have in our people for the years ahead and what we want to do ahead. We will be looking at where the big areas of programming are that we want to do and what expertise we need behind that.

There is something for much of the Civil Service and government around better use of data and making sure that we have people who have the analytical skills and, indeed, sometimes the analytical capability in terms of IT, to make best use of data, to make sure we are giving Ministers the best policy advice and, as we think of our development programmes, that is informed by our best understanding of the world.

There are areas where we do want to build capability in the future. Again, as we look over the next few months at how we are going to allocate resources in the Spending Review period, I think we will look at the capabilities we need behind that and where we need to invest going forwards.

Q12 Mr Virendra Sharma: The annual report and accounts state that your staff have been under significant pressure as a result of the merger. What has been the impact on staff and what are you doing to resolve the situation?

Sir Philip Barton: I will let Juliet say a little bit in a minute on what we are doing on that: our monthly Pulse survey, the people survey results, what the Civil Service does, and a bit more about what that has been telling us and what we are doing.

We ought to recognise it has been a tough year for everybody. Covid has impacted all of our lives. It has particularly impacted colleagues in the FCDO for two reasons. One is it has changed the nature of what we are doing internationally but, secondly, for many of us the way we lead our lives and the way we have worked overseas has been based on the ease of international travel and that has been much more difficult.

We have done our best to support our colleagues, whether they are UK colleagues and their families around the world or whether it is our country-based colleagues perhaps working from home for the first time. We have professionally supported them in being able to carry on with their lives and, as I said at the beginning, I think they have done a fantastic job of delivering in the face of those challenges, but I think it has been a challenging period.

I think we are coming increasingly out of that for good reasons. There are parts of the world that are still sadly under lockdowns or travel restrictions, and it is hard for people to come and go, but I think things are getting better. I think, in terms of the new Department, people are



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seeing that we are delivering more, are seeing positive vision for the future and what we want to do with the transformation of the Department, so I think things are on the up but it has been a difficult period. Juliet, you can interrogate the data.

Juliet Chua: I will come in with a little bit more. Just to build on the first point, which is around what we have talked about, which is network resilience, essentially the health, wellbeing, the pressures on our staff during the course of Covid where we have done a lot to look at some of the details of some of the specific things that are proving challenging for staff this year, particularly things like travel and access to family. We have put in place various measures, such as being able to support country-based staff to work from home if they have particular restrictions in the particular country they are in.

Alongside that, we have also been looking at staff engagement in the context of the merger. The annual staff survey took place last year in October quite soon after we had merged. At that point it showed that we were a percentage above 67% positive staff engagement scores, which is a percentage above where the average Civil Service scores were.

We have continued to look regularly, as a management board, at staff attitudes, doing various sampling and Pulse surveys to look at staff responses and to make sure that we are staying in close touch. The next annual staff survey is taking place and those results will come out in December. We will want to pay very close attention to them in terms of responding to the specific questions raised and making sure we have continual programme support for staff.

Q13 **Mr Virendra Sharma:** Normally, when there is a freeze on any jobs there is always an impact on those people who are in the position. How has that freeze impacted the resilience in the Department?

Sir Philip Barton: We had a recruitment freeze because when we looked at the merger we knew that certainly we had to work out what capabilities we needed, what numbers of people, and at what levels. That is a process we have been looking at and we will bring to a conclusion in the next few weeks: what is our strategic plan for our workforce. As we merged teams we looked at who was where and we made some changes. We created some new directorates, new parts of the Department, which were new for either DfID or the FCO, and we moved people around. We will now have a second longer term more strategic look.

There have been some bits that have been very busy, people working with the G7, through our G7 Presidency, people working obviously on climate change and COP through Glasgow. We have done our best to put additional positional people in where we have seen pressures, but I think, looking forward, we will have a strategic approach. We are already considering where we can lift the recruitment freeze, where we know we need more people and to bring people in, which is a good thing. I think in a sense—Juliet, if you agree with that—in the next year or two we will



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start to return to normal workforce management with people leaving, people being recruited, as we establish ourselves as a new Department.

Q14 Mr Virendra Sharma: You mentioned people leaving. I am sure that there are quite a few people who have taken voluntary redundancies since the merger. What proportion of these redundancies were former DfID or FCO staff?

Sir Philip Barton: I will let Juliet speak to the numbers. We haven't had a formal exit programme of redundancy. There will have been people who have left in the normal way because they have another job or they wanted to move on, quite often actually to another part of the UK Government and go and work on secondment somewhere else. Juliet, do you want to say something about the numbers?

Juliet Chua: Just in terms of our retention overall: currently, we have a turnover rate of about 9.3%, which is slightly lower than comparable Departments, like Treasury and the Cabinet Office and, indeed, lower than I think the industry norms, which are about 15%. We are still seeing it slightly lower than the former DfID turnover rate was, if you look at the comparable period for the last couple of years. It is something we monitor closely. We look at where people go when they leave us. Sometimes they go to other Departments—about half of those who leave go to other Departments, which I think is positive in the context of sharing expertise across government overall, particularly in the context of making sure we are getting maximum impact on ODA. It is something we are going to continue to want to look closely at.

As Philip has described, we are in the process of putting in place a strategic workforce plan for three years. We obviously now have the benefit of a three-year Spending Review settlement. It allows us to be really clear, in the context of the integrated review, the priorities of the Foreign Secretary, and how we make sure we have put in place a very clear plan right across the organisation, to put resources against priorities. I think it opens up opportunities for staff but it is also about being really clear about where we will see growth areas over a period of time but, also, that we need to make sure that that strategic plan supports us being able to invest in our capability and, indeed, support the alignment of our terms and conditions. We are working through that in some detail at the moment.

Sir Philip Barton: The turnover rate is almost identical. September 2020 to August 2021: ex-DfID colleagues 9.6%, ex-FCO colleagues 9.2%.

Q15 Mr Virendra Sharma: When we talk about voluntary redundancy, I am more interested in if we look at which Department they were originally working for, FCO or the DfID section?

Juliet Chua: To be entirely clear, we haven't run a voluntary redundancy scheme in the period thus far since the Department came together. We are looking at whether or not to introduce one as part of our strategic workforce plan at the moment. That would need to be agreed with the Cabinet Office, the Treasury and, indeed, worked through with the unions



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but clearly, at the moment, we have not had a voluntary redundancy scheme.

Q16 Mr Virendra Sharma: You mentioned the people survey. What issues have staff been raising in your people survey?

Sir Philip Barton: In terms of challenges around workload, people are being asked to do too much. I think that is what I would describe as a hardy perennial. It was there before the merger. I don't think it is a new thing in a Government Department to feel that. For those of us involved in international work, there is always the pressure of events. The pandemic is obviously the single biggest thing but, also, crises like the crisis in Afghanistan over the summer do add to the workload. It is hard to plan for because these are unexpected things.

Inevitably, there are also some concerns that come through around what they find when they go to work: does their IT work, what is their day to day experience of that? We were talking about it this morning in our executive committee, about how we are systematically trying to work through some of the practical issues people have been finding as they come back to do more of their work in their office. Juliet, is there more around the headlines from last year's people survey?

Juliet Chua: The people survey is a cross-Government survey that looks at a whole range of different categories, bullying, harassment, discrimination, making sure that you have an inclusive workplace, asking questions about the quality of leadership. It looks at a whole range of different variables and then it brings together that single headline score I described of employee engagement.

As I say, this time last year in October we had a 67% employee engagement score. We will be looking closely at what that looks like this year. I think the scale of change we are going through—and indeed when we talk to our non-execs who have sat on a range of different organisations through a merger—change is challenging, inevitably. It asks a lot of staff and every individual involved in it. It is not surprising at the point through a merger that you might see some fall off, a set of concerns and uncertainty around the merger, but what you expect to then see, as you put in place those answers to things like our strategic workforce plan, actually, then you are in a position to look forward and see the response on that basis.

Sir Philip Barton: Finally, as again is always the case, and I think was the case in both legacy Departments, pay is always raised as a big concern by colleagues, whether they are working here in the UK or overseas.

Q17 Mr Virendra Sharma: What are your thoughts on the diversity of your workforce and do you have plans to increase diversity?

Sir Philip Barton: The short answer is yes. The longer answer is I am personally determined—and I have said this from day one—to see the creation of the new Department as an opportunity to ensure that we are



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fully inclusive and, in diversity terms, reflect the UK population that we serve and represent overseas. You then unpack that in different areas. I am sure Juliet will say a bit more but we are looking specifically at where we are on gender. While the overall numbers show balance, when you interrogate the numbers and look at seniority it is not diverse enough at senior levels. There is a slight underrepresentation but we have schemes.

We have a lift scheme to try to help those from an ethnic minority background progress through the organisation, to work out what are the barriers, hidden and otherwise, and what we can do to break them down and help people possibly in their careers, overall, with a total framing of being a really inclusive place to work where everyone feels welcomed and valued for who they are and what they bring to our efforts. Juliet can give more details on the specifics.

Juliet Chua: I will give the specific profile at the moment in September of this year: 51.8% of our employees are women; 17.2% are ethnic minority; 12.8% are disabled and 7% of employees are LGBT plus. That is the current picture. As Philip has described, at the moment that is the proportion. It generally decreases with increased seniority, so what we are looking to do is to make sure that we have the right architecture to really support progression across the organisation.

Also, we want to make sure that we are an organisation that values cognitive diversity. That we are really interested in social economic diversity, so we can represent the whole of the UK very effectively given the nature of our global network. As Philip described, we have a set of schemes in place specifically targeting the context of progression of colleagues from minority backgrounds.

In addition to that, we have a really strong set of staff networks who represent the different experiences of our staff and then a set of inclusion sponsors at a senior level who then work with those networks to make sure we are looking at our policies and really ensuring that we have the right type of working practices to be an inclusive employer.

Q18 **Kate Osamor:** I want to push you slightly more on ethnic minority. Can you tell me what that means to you when you use those words "ethnic minority"? Are there groups within this term "ethnic minority" that are more represented and groups within ethnic minority that are not represented?

Juliet Chua: I don't have the specific breakdown with me. I am happy to send that afterwards. Currently, we capture the protected characteristics in the overall category rather than the breakdown but I am happy to send what we currently capture after the session.

Kate Osamor: I would appreciate that.

Sir Philip Barton: Juliet mentioned our staff networks. We have a race and ethnicity network and this is one of the things that they think about and we have been in dialogue with them. I don't know what the data says but I think you will probably find from the data that we do need to think



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about individual parts of that, so think about black, think about people from a south Asian heritage. We will probably find differentials within the data. It is important that we don't think about it too much as a single group because I suspect there are different factors. We need to do some more work around the data and we want to be clear that we have the evidence so that our interventions are properly targeted in the right places. We need to do a bit more work around the data, but I think your question is the right question.

Kate Osamor: It is important not to clump everybody together—

Sir Philip Barton: Exactly.

Kate Osamor: —but you have identified that so thank you, Sir Philip.

Q19 **Chair:** If I could push a little bit more around this because of a vested interest. Both the FCO and the DfID staff were doing an amazing job but my heart and this Committee's heart is with the DfID staff. My assumption would be that there would be more diversity from the DfID team and more white males on the FCO, so amalgamated together you would probably get quite comfortable stats. Am I right in that or am I wrong in that or have you not identified it?

Sir Philip Barton: I think, with respect, you might be wrong on ethnicity. I think you would have been right at senior levels on gender where I think it is true.

Chair: I was talking about diversity in its broadest.

Sir Philip Barton: The FCO was on a journey on gender and was improving. At senior levels DfID was ahead on gender, but I don't think it is quite as black and white as you have just suggested.

Q20 **Chair:** If it would be possible to get more of a breakdown that would be very interesting. You mentioned gender in senior posts. It would be very interesting to look at women in senior posts percentage wise. You also said there was 67% satisfaction on the survey. Did you do a breakdown of the difference between former FCO and former DfID staff, as you say, with the last year captured, and was there a difference between the two?

Juliet Chua: This is obviously just a month after the new Department had come together, so it was very early at that point.

Chair: Exactly. That is the question.

Juliet Chua: Exactly. We did capture it in a way that allowed us to be able to capture the previous Departments, but we also sought to try to look at it as a single new organisation. We thought it was quite important to think about it in terms of the new teams and to have conversations as FCDO rather than necessarily to disaggregate it. We looked at it in the context of FCO and DfID but we also sought to respond to it as FCDO, to actually think about the organisational response as a new Department coming together. I am afraid I don't have in front of me what the breakdown was.



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Q21 Chair: It would be interesting. I may well be wrong but my assumption would be that there would be some difference on that. We were originally told, as a Committee, that there would not be any job losses. Then through osmosis we started to hear that you were looking at a 20% job loss and that the DfID staff team were going to be the main casualties of that. Is that true? Have you now with your future plan got any sort of concrete staff reduction plan?

Sir Philip Barton: I am happy to address this because it is very important, particularly for colleagues and for the Committee. That was never true. What was true and remains true is that we are looking to make savings in our pay bill, so it is about the money rather than the people. It is not a direct correlation between the two. Some of that is around efficiencies, so where we do our work, in some parts as we looked, for example, to move some of our positions to Scotland and our second headquarters in Abercrombie House. There is a cost saving again. It is more expensive to have UK staff overseas than in the UK, so again we will look at where people do the work.

There are other efficiencies, within the particular overall number, that we can achieve but we are also looking at what overall shape we need to have going forward. That is the work we are doing at the moment on the back of the Spending Review settlement. It is also on the back of the work we are doing to move to a single set of terms and conditions, so that colleagues, whichever legacy Department they came from, are on the same sets of terms and conditions going forwards.

The 20% figure isn't true and neither is it true that this falls disproportionately on development colleagues as opposed to former FCO colleagues. It is work we will do looking at what capabilities we need to do going forwards, and that will remain absolutely the heart of the Department and need to be resourced with people accordingly.

Q22 Chair: I think what I am hearing is that the 20% figure isn't true. However, you are looking at the shape of the new Department going forwards and that is obviously going to be looking at the staffing needs for that, so in the future there might be either redundancies or changing of job roles but, at the moment, you are not sure.

Sir Philip Barton: That is accurate, isn't it, Juliet?

Juliet Chua: We are working through our strategic workforce plan and, indeed, we will need to make sure that, against that, if there are any changes in people's roles, we work through that in the normal way essentially.

Q23 Chair: Juliet, you mentioned the uncertainty around a merger, which is always there, and the challenges around it, so what are you doing to retain staff through this quite challenging period? I fully take on the impact of the pandemic as well.

Juliet Chua: There are a number of things here, which is about putting in place the key building blocks, making sure that we have the right



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supporting structures around staff overall, but I wanted to respond to the conversation about capability. Particularly, I think this applies in areas like the fact that we are introducing an international development faculty within our international academy, so very clearly setting out how job roles will develop. Investment in that sort of professional development is a critical part of making sure that individuals can see their future and how they fit into the organisation. We could probably talk about this for the whole FCDO but I know your interest is with the development community particularly.

Chair: That is very interesting. Thank you. Can I pass over to Dan Poulter?

Q24 **Dr Dan Poulter:** Can I just very quickly pick you up on a couple of the issues to do with the staff survey? What percentage of staff fill out the survey?

Juliet Chua: The response rate this year is I think 63% for the Department. We have not yet had the results back, so that is currently 65% across the Department.

Q25 **Dr Dan Poulter:** That is a fairly accurate year-on-year figure?

Juliet Chua: It can vary year to year. This year it took place against the backdrop of a lot of other things going on in the Department, particularly COP, when many of our teams were very busy, so we anticipated that we might get a slightly lower response rate this year.

Q26 **Dr Dan Poulter:** When staff leave the Department, do they have an exit interview, an exit survey of any sort?

Juliet Chua: I would need to check on whether we have a formal process around that. Normally staff would have a conversation with their line manager and we would be seeking to understand their reasons for leaving. It is healthy in an organisation to have some turnover, I think, with part of an organisation being able to attract in new talent and to be able to give opportunities but, clearly, we do look to track where people go if they do leave, to learn lessons and draw particular conclusions from that.

Q27 **Dr Dan Poulter:** Do you think you may have any data on that at all?

Juliet Chua: We track where people move if they do leave the Department. I mentioned 50% of staff going to other Government Departments, so we look at that.

Q28 **Dr Dan Poulter:** You could share that information with the Committee?

Juliet Chua: In terms of where staff move to?

Dr Dan Poulter: Yes.

Chair: Can I just follow up?

Dr Dan Poulter: Yes.

Q29 **Chair:** I am really surprised at that answer, so what would happen if, for



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example, the staff member was leaving because they felt undervalued or bullied by their line manager? I would have assumed that all of that information would have been collated centrally.

Sir Philip Barton: Chair, if there was a formal complaint, absolutely.

Chair: Most people don't go to a formal complaint.

Sir Philip Barton: The onus at the moment is on the line manager. We have a model where elsewhere in the business we have HR business partners assigned to various areas of the business. They will have an understanding of what is going on in their areas overall, including departures and reasons behind that and that will be brought together by the HR director as he engages through his HR business partners around what is going on across the business.

Q30 **Mr Virendra Sharma:** Sorry, just very briefly, I am a bit surprised with the answer because I think it is very out of date. It is not the modern management style. If this is happening, if you are not aware of what the exit policy is and how you interview the people, how you gather the information, or whether the person is leaving happily, I am a bit surprised about that. I think that you need to look seriously at the satisfaction of the staff. You cannot gauge it without that kind of policy and the practice in the Department.

Sir Philip Barton: First, we do engage the mood of the Department regularly through monthly Pulse surveys, which were put in place before the merger. We have continued with those, recognising that an annual survey wasn't going to be sufficient. Secondly, you do learn something from where people are going. Clearly, someone going on secondment for a great job in another Government Department tells you one thing. Somebody that may not have a job to go to or is going somewhere else might tell you another thing, but this is an area that we want to carry on looking at: do we have the right information to be making the decisions we want to make around what is the mood of the Department's people, as it were, and what we are doing as the leadership to move forward?

Q31 **Chair:** What we are picking at is probably the only honest answer you will get about what needs to change in your organisation, when someone is leaving or left, is to someone independent, and by "independent" I mean an HR person rather than their direct line manager. It seems unfortunate that, particularly in a time of flux, you do not have a formal way of capturing that because—I don't know about you—I only learn by getting things wrong, so to get that honest feedback would be a really helpful way to learn.

Sir Philip Barton: Yes. Your input is valid and we will have a look at whether we are being systematic enough, but think a 9% turnover rate, I don't want to say it is normal but it is not an unreasonable number. It is important to understand what that 9% plus thinks of the Department as they leave or goes on secondment or whatever they do, but it is also just as important for us to understand the remaining 90% as well.

Q32 **Dr Dan Poulter:** Just changing direction slightly in questions now. Your



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2021 accounts included a figure of £14.9 million for other provisions. How much of that relates to termination costs for the early exit of programme contracts?

Juliet Chua: £2.5 million of it covers exit costs in relation to specific programmes.

Q33 Dr Dan Poulter: Can you identify any other costs or potentially wasted expenditure on programmes that have been cut or scaled back as a result of a reduction of ODA?

Juliet Chua: We have obviously made a very significant change in the shape of our ODA budget in the temporary shift from 0.7% to 0.5% and we have worked through that in a lot of detail, through a process of strategic prioritisation with Ministers in detail. We have sought to maximise value for money and absolutely avoid the sort of wastage you are describing. Indeed, teams provided detailed advice to Ministers on individual programmes to test where we could pivot, where we could amend programmes to sit against priorities as we come through that change.

Obviously, this account covers 2021. We will need to make sure that we capture any changes in programming and exit costs related to that in future years, as we always do in the context of Treasury guidance on managing public money and it would be presented in future accounts on that basis. As I say, we have worked hard through the process essentially of managing that strategic prioritisation and shift in the ODA budget this year to ensure that we maximise propriety regularity and value for money in the way in which we have made those changes.

Q34 Dr Dan Poulter: You mentioned earlier an understandable focus on efficiency and when you bring Departments together of course there are going to be efficiencies. Sometimes to drive those efficiencies there can be some short or medium term costs that are incurred. In terms of where there has been a result of the reductions in ODA, can you identify where some of those costs may be?

Juliet Chua: There will be instances where, if you are closing a programme, there will be associated exit costs and, as I say, they will be presented in accounts in the usual way. We have obviously gone through a process, a very significant prioritisation, of going through the programme portfolio in detail and, where there are instances, commercial colleagues will work with the programme SRO and then with the supplier to look at ways in which to try to manage and, indeed, change the programme or, if exit is the decision, if it is not within those ministerial priorities, to do that responsibly.

Sir Philip Barton: If I could just add, Chair, there is an important distinction to be made between costs of the merger on the one hand and reductions in the amount of ODA as a result of the difficult decision the Government took in light of the pandemic. On costs of the merger, as is normally the case, those are for us to absorb and that is part of our planning assumption, including the longer term costs over the SR period.



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On the ODA reductions exercise, that is something that has been worked through within this financial year and has been reported in a way that Juliet has described but they are separate things.

Q35 Dr Dan Poulter: To what extent would you say your priorities are being set by some of the reductions in ODA in respect to the costs that may be related to existing contracts and the like?

Sir Philip Barton: Would you mind just elaborating? I am not sure I completely understand—

Dr Dan Poulter: ODA has been cut and you identified that there are going to be termination costs that are directly related to exiting programme contracts and other items that will be identified in the forthcoming accounts. How much of that would you say informs your prioritisation setting?

Sir Philip Barton: I think the way it worked was the then Foreign Secretary—and this was announced back in November 2020—at the time of the announcement of the reduction from 0.7% to 0.5% temporarily set out seven strategic priorities to give us a strategic framing only for the one year because we had a one-year financial settlement—the choices we made and the advice we gave to Ministers around how to do that step down from 0.7% to 0.5%, so we tried our best as we did then. We thought that was the best way of thinking about it was to be strategic against the seven strategic priorities the then Foreign Secretary set out.

We then went through a rapid business planning process. We drove those down through the business and allowed the experts and the programme and portfolio managers to particularly look at what that would mean in their areas. Then we brought it back up to check it all added up before we then implemented it at the start of this financial year, and the allocations were made at the beginning of the financial year, so that is how it worked.

In terms of your questions around exit costs. It is variable so for big multilateral commitments, some of which we changed, this was not an exit cost. There was a commitment. We may have said we would meet it later or we may have changed our commitment. Then when you get to some of the programmes, there is often a contract with a break clause. There are ways, so the costs are variable. Sometimes it is grants that are not a contract. It is a mixed picture in terms of the way it then works through the portfolio of individual programmes.

Q36 Dr Dan Poulter: Just one final question. Did you have the time that you would have liked to analyse and set those priorities and to make the judgments you just identified in your prioritisations that you recommended to Ministers?

Sir Philip Barton: Civil servants would always like more time, is one way of answering your question. I think we did do a good job in the time available of analysing the choices and giving appropriate advice.

Q37 Theo Clarke: I would like to turn now to spending through multilateral



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organisations. In the absence of a recent review of multilateral spending, which was almost £5 billion last year, how do you know that this funding is securing value for taxpayer money? Also, can I ask when you plan to complete the next review?

Sir Philip Barton: I will let Juliet give a bit more detail, but overall as we look at all of our use of ODA, whether that is multilateral or bilateral, we are very clear that we want to be able to evaluate its impact. We have a long-term capability, which does that. With multilaterals obviously it will be in partnership with the multinational organisations themselves.

Then in terms of the second question, as we look at business planning for the Spending Review period ahead, we will give advice to Ministers both between multilateral and bilateral, but also within the multilateral element what that should look like. It is something we are in the process of beginning to do now and we will do over the next few months ready for the next financial year.

Theo Clarke: Do you want to add to that?

Juliet Chua: Philip has described it very clearly. It is a process now essentially of working through with Ministers how we allocate across the three years. What I would say obviously is that we hold a lot of information across our portfolio of the performance of individual programmes. Our annual review information gives us a lot of data about the performance of individual partners and how individual programmes are going. That is obviously data that we will draw into, being able to give informed advice to Ministers in that context.

Q38 **Theo Clarke:** My next question is, on average, in posts in Sub-Saharan Africa, what sort of percentage of the programme and the ODA budget does the post actually control?

Sir Philip Barton: I don't have that at my fingertips. I think the answer is it will be quite variable from country to country. You will have some countries that have quite large bilateral programmes with a high degree of devolved responsibility to a post with an overall strategy agreed with Ministers. There will be others where a lot of the ODA resource comes from what we call centrally managed programmes, which are usually thematic programmes looked at on a global basis but then are delivered in individual countries, so I think the picture will be variable but we will have to get back to you with the specifics on that.

Q39 **Theo Clarke:** I take that point. If I give you an example of a country like Nigeria, once you have deducted multilateral spend for things like the UN you have centrally managed programmes and things like the percentage of global commitments, for example, girls' education. I am interested in what actual discretionary spend a post actually has on the ground to deliver that bilateral programming. The Prime Minister made it very clear, in the summer of last year, that ambassadors should be empowered to have a say on that non-bilateral spend, so I would like to ask: how is that working and what are they spending in country?



Sir Philip Barton: The overall way the system works—part of our instructions are we have put in place country business plans, not just about development but we have very much embedded in them development aspects. That is the broad framing of what we are trying to achieve as the UK with a particular country.

Then on the development assistance side, as you would expect, depending on the size of the programme, we have a system of financial delegation. The very largest programmes we do in the end will be signed off at senior ministerial level. They may sometimes require—if they are multi-year or large enough—Treasury approval as well. Then as you go down through the scale you get some more delegated size of programmes right down to heads of missions, so it does depend on the size of the programme in the way you would expect in terms of prudent financial management.

Q40 **Chair:** Thank you. One of the criticisms of where the cuts fell was the lack of consultation with the sector with Governments and, indeed, with the ambassadors. What are you doing to make sure that doesn't happen with the allocation of this next round of money? Of course, the Ministers will set the priorities but one would hope that they set them on an informed basis.

Sir Philip Barton: We are starting the process, I hope, later this month, beginning of next month, and we will have what I hope is a more interactive process over the two months after that into the new year. At which point we will have returns to allow us to give advice to Ministers to take final decisions. I think that is a good window for us to engage, both across our global network but also with the sector with our other partners and around the world as well.

Chair: Is that a commitment that you will be consulting with them from now on.

Sir Philip Barton: We will be engaging with them.

Q41 **Chair:** Okay. That is an interesting difference. This Committee and the Foreign Affairs Committee were very keen to engage in that process. We thought we were going to be having a meeting with the Foreign Secretary. I know that ours has been put back until March, which, as we have been trying to get it from July, is quite disappointing. I have heard that the Foreign Affairs Committee's has just been cancelled, the one that it had scheduled before Christmas.

We think it is really important, as our job is to scrutinise in a cross-party way, that we do get to speak to the Foreign Secretary in that development phase rather than just being told the conclusions, because I think we have a lot to add. If you could feed that back that we are still very keen to meet with her before Christmas as, indeed, our sister Committee is, we would be very grateful for that.

Sir Philip Barton: I will certainly do that, Chair. I know she has written to you. I know a number of our Ministers will engage with you and see you in any event, but I will certainly take that message back.



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Chair: We appreciate that. Thank you. Over to Chris Law.

- Q42 **Chris Law:** We have been hearing from NGOs for some time now thoughts about the cuts that are being made given the fact they weren't asked in the first place before cuts were designed. What I want to know is, given that we expect increasing migration, the impact of climate, conflicts, do you not think that cuts in Africa are a threat to national security and not in our national interest?

I will give you some figures. I have 61% cuts in the Middle East and North Africa; 50% cut broadly across Africa and, in particular, the poorest people in the world, those who live below £1.40 a day are faced with 15% cuts, so my question is: can you explain the impact of these cuts and explain to me how this is in the national interest and is going to protect the security of these nations?

Sir Philip Barton: As you know, in the face of the pandemic and its impact on the Government's finances, the Government took the very difficult decision—

- Q43 **Chris Law:** Every nation on earth has had Covid, I am afraid to say, so there is no difference there. I am actually asking in real terms, we are now at severe threat, are we not, in the UK? Therefore, I am asking a very serious question: in the national interest and in terms of our national security, given the impact of those cuts, despite Covid, is it not in our interests to be reversing those cuts but, more importantly, to find out what the impact assessment has been, particularly in nations across Africa where there is great instability and, in particular, with those at the bottom end, on the £1.40 a day?

Sir Philip Barton: As I say, in light of the impact on public finances of the pandemic the Government took the difficult decision to temporarily reduce the amount of money the UK devotes to development assistance from 0.7% to 0.5%. Even with that temporary reduction, the UK is still spending a considerable amount of money on development assistance and is still one of the leading countries in the G7 to do that, and is still above the DAC average. As you will have heard the Chancellor saying in his statement around the Budget and the Spending Review, if the full costs of the economy turn out to be correct at the end of the forthcoming Spending Review period, the test to move back up to 0.7% will have been met, underlining the temporary nature of the reduction.

Then, to get to your question, as we looked at where to make those reductions we absolutely looked at the strategic priorities the then Foreign Secretary set, which include those sorts of things that you have been mentioning. It did absolutely include the conflict risks, the migration risks, and those were factored in as we took the difficult decisions around where to make reductions.

- Q44 **Chris Law:** That is helpful. Let me give you some examples. Save the Children said there would be 1 million excess child deaths. UNICEF pointed out specifically that in South Sudan there will be 73,000 children with wasting disease or who will die as a result of these cuts, so I want to



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know what specific impacts have been brought to your attention as a result of these cuts in the least developed countries and, also, in other parts of Africa because I haven't heard either what positive upturn there is going to be.

Sir Philip Barton: As we looked at our overall portfolio, we work through where best to make the reductions against the strategic priorities set by the then Foreign Secretary across the board. We took on balance decisions around where to retain programmes and where to reduce them.

- Q45 **Chris Law:** Thank you, Sir Philip. You accept then that there will be excess deaths as a result of this, women, children and people in the least developed countries? That is what I am asking here. I want to know the impact on the cuts to ODA on the least developed countries in the world. What we are hearing from NGOs is consistently that there is going to be a whole host of problems that will impact us here.

Sir Philip Barton: What I am saying in response is the UK is still spending a considerable amount of money above the G7 average, to deliver development effect against the sorts of issues that you have been describing.

- Q46 **Chris Law:** Okay. We will move on from that because, after all, none of the other G7 countries have made cuts. In fact, most of them have increased their aid, including within these islands.

I have just come back from COP. I was there for two weeks and it was really informing. We have the presidency for a year. I want to ask you a really blunt question: we are cutting spending on environmental issues by more than a third, so how are we going to deliver on environment and climate?

Just to give you some examples, in May this year the UK Government immediately ceased funding the green economic growth programme for Papua and Indonesia, which aimed to promote green growth and to prevent deforestation. This was described by COP President Alok Sharma himself as highly effective. Yet, at the same time as this was being cut, he was asking Indonesia to move forward to match its net zero carbon emissions by 2050.

Another example, and I won't go into too many, is that, similarly, NGOs complimenting the largest climate resilience building project in Malawi were told that their contract would be terminated due to UK aid cuts. In August this year, Anne-Marie Trevelyan, the United Kingdom's International Champion on Adaptation and Resilience, called what was happening a fantastic effort. Is it not the case that we are talking the talk but not walking the walk?

Sir Philip Barton: I also visited Glasgow at the beginning of last week, when they had adaptation day, and echo what the Prime Minister said in the House yesterday about the fantastic welcome the people of Glasgow gave to the world, as the focus was on Glasgow. It was a fantastically well organised event, including people like Police Scotland and others involved on the local level.



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On your question about resourcing, the UK Government have committed to doing more and we are doubling the amount of money we are putting into international climate finance to at least £11.6 billion by 2026, with the possibility of an extra £1 billion if the economy grows in the way currently forecast. We are going to be spending more than £10 billion this year on tackling the biggest issues of all. That is climate change, global health or the broader fight against poverty.

On some of the specifics around issues like adaptation, I think we did it successfully within the overall discussions and deal in Glasgow. We moved the dial in a very positive way, again, with UK money behind that. Finally, on areas where the UK has a particular focus on forests, significant new commitments, UK leadership putting in money alongside our own with others. As I say, the UK Government are very committed and are doing more and putting more money into climate.

Q47 Chris Law: Would you agree with me then that the £1 billion investment in Mozambique—which is currently politically very volatile and in conflict—to extract methane, which will be the equivalent of 112 million tonnes of CO₂ emissions per year for the next three decades at least, is doing the very opposite, given the fact that that will add 10% to Mozambique's nationally determined contributions it will have to achieve to meet net zero?

Sir Philip Barton: The Government have had a very clear position on fossil fuels, including the UK Government's—

Chris Law: Gas is a fossil fuel.

Sir Philip Barton: Yes, and you can include the UK Government's role in our overall approach to that.

Chris Law: I don't know if you are in a position to ask but you could perhaps ask the Ministers to consider reinvesting that £1 billion in renewables in Mozambique. I don't know if you have been in Mozambique but it is one of the sunniest places in Southern Africa, so I am sure there are plenty of other renewable sources. Anyway, I will move on. Thanks, Chair.

Q48 Chair: Sir Philip, are there any plans or have there been plans in place to look at a definition of what we will fund in relation to fossil fuels, because the exemptions to it are quite broad and open to misinterpretation?

Sir Philip Barton: I would hope they are not open to too much misinterpretation. In a sense, our aim is to not be absolute but to keep them narrow and only focus on areas where what we are doing is part of a very clear transition as people reduce their dependence on fossil fuels. That is the thinking behind the guidance. It is not to say absolutely never but, if the right criteria are met, if this is helping a country move in a positive way down the journey towards net zero, that is something we would want to encourage and look at supporting.

Q49 Chair: I agree but I think unless there is a timescale for that transition it still gives a lot of scope for wiggle.



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Sir Philip Barton: I think you would want to look at the individual circumstance of particular countries and where they are.

- Q50 **Kate Osamor:** In the FCDO's annual report and accounts for 2021 it shows bilateral ODA spending for Afghanistan will rise from £154 million to £286 million in 2021-22. Can you tell the Committee what activities this increase in spending will fund?

Sir Philip Barton: The Prime Minister announced a doubling of UK support to Afghanistan in this year in August, in light of the situation. What we are looking to support in particular is the provision of humanitarian aid, given the emergency there and the real risk of a full-blown humanitarian crisis. What we have stopped, in light of the Taliban takeover, is channelling aid through the Afghan Government. What we are spending money on—and the Prime Minister announced £50 million in that overall allocation to Afghanistan at the end of last month—is working with trusted partners, the UN and the ICLC, others who have the networks on the ground that give us confidence that the money and assistance will reach the people it is intended for. As I say, this is aimed at the humanitarian side in particular. That is our overall approach on Afghanistan considering developments there.

- Q51 **Kate Osamor:** I want to now move over to changes to FCDO's Estimates Memorandum. Prior to the merger DfID and FCO had separate accounts and I want to ask a few questions. Why did you, and I will say "you" as you are in charge, Sir Philip, decide to put the majority of the former DfID spend into one budget subheading in the main estimates?

Sir Philip Barton: What we want to do is move to a single approach, recognising we are a single Department, and to be as clear as possible around the legacy of the Departments. We have had good discussions between our finance officials and your clerks around how to do this going forward. We absolutely want to be transparent to enable you to scrutinise expenditure, and the Chair and I had an exchange of letters about this. We thought we were making technical changes; we genuinely were not trying to keep things from you as the Committee and prevent you from carrying out your work in scrutinising us as a Department. Juliet, do you want to add a little bit more on the technicalities?

Juliet Chua: To note there has been some good engagement between Committee clerks and the officials in terms of now looking at what we should present in the estimates going forward. As Philip has described essentially what we had were two different ways of presenting delivery channels between the two previous Departments. We brought that together and now we need to be clear about what will be in the memoranda and in the subheadings to be clear about the different types of spend that we have as FCDO.

- Q52 **Chair:** Putting £10 billion-ish into one lump does make scrutiny very difficult and does make people like us wonder if there is something that you are trying to hide by doing that.



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Juliet Chua: We did view it as a technical rationalisation, but going forward clearly we want to make sure that the estimate is presented in the most effective way. My observation is you do not want to change the estimate very often, because what you want is to be able to have a clear presentation going forward, so I welcome the engagement we have had so far.

Chair: We appreciate it also. Thank you.

Q53 **Kate Osamor:** You rightly said that you had been engaging with the clerks and with the Committee and I appreciate that. What challenges do you think there would be in recording both multilateral and humanitarian spend in one heading?

Sir Philip Barton: I am not a finance expert but off the top of my head I would say I think they are overlapping things, but not always the same. The other thing I would say is we make allocations at the beginning of the year but outturns, and Afghanistan is a good example of that, depend on developments. We do, through Development Tracker, report very regularly and very transparently as projects are established and money is disbursed and then report on an annual statistical basis. I think there are challenges in putting too much together like that.

Q54 **Kate Osamor:** Sir Philip, would you say that the merger has created practical issues in presenting the information, such as the legacy financial systems from the predecessor Departments, and how do you plan to overcome these issues, if there are any?

Sir Philip Barton: Inevitably there are some complexities when you do a big machinery of government change, which is what this is. We congratulate the finance teams. I think they did do a good job in basically running dual accounts, because we came together in the middle of a financial year in enabling us to present a single set of accounts unqualified by the National Audit Office, which are behind the annual report. We also put into the report because we thought we ought to, but were not obliged to, an assessment of our performance. They did a good job of bringing it together.

The work this year is we have single budgets now and we are moving towards single financial controls including the discussions with the clerks, working through the estimate side of that, so it is all presented collectively. Behind all of that the IT system Juliet talked about earlier, which we are bringing in, will provide a single IT platform for all of our colleagues to work on to do this together. It will include the type of day in, day out HR and other things you need to have for your employees, but also building on DfID's aid management platform. It also allows us to have a single platform for the way we monitor our overall programme financial management and can report against that. There is a bit of work still to do but we are making good progress.

Juliet Chua: I agree with that. I also note that in this year's annual report we also sought to include additional information in annex A so we included the imputed multinational share and the non-ODA allocation as



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well to try to build that picture more explicitly of some aspects of our spend in the bilateral ODA portfolio.

- Q55 **Kate Osamor:** Would you say that the merging of the two Departments has made it difficult or has impacted on timing of when you present the different financial issues that you have just spoken about?

Sir Philip Barton: That is a very good question. We decided at the beginning, recognising the complexities of presenting both the individual Departments and then the merged Departments accounts for seven months, that we should make sure we can set a deadline that we could meet. We agreed, with the people you agree these things with, to go for a date after the summer break, rather than before as is normal. We knew it was a bigger and more complex task than normal and I think that was the right decision because it meant that we did not have slippage and we did present the accounts when we said we would.

When we come to next year, we will have a look at where we are and what is the most sensible timetable for us to follow for reporting on this financial year.

- Q56 **Kate Osamor:** Sir Philip, do you think the new Department is as transparent as DfID was?

Sir Philip Barton: Last year was a transitional year. We are absolutely determined as a new Department to build on and take forward the transparency that was rightly welcome from DfID.

- Q57 **Kate Osamor:** How are you going to do that?

Sir Philip Barton: Literally now as we look at our overall business plan we are looking at how we are going to work. As I talked earlier about our integrated business planning, talked earlier about the single authority overseas of our heads of mission and high commissioners and ambassadors against the totality of UK effort. What we will look at is how we out of that process are also transparent about our use of development assistance. We are just working out how best to go about that.

- Q58 **Mrs Pauline Latham:** Could you tell us what the implications of the increase in FCDO capital budgets for UK aid spending are?

Sir Philip Barton: If you look at where we use capital I think the implication will be you will see an increased use of the instruments into which we put capital. For example, the CDC. That is the sort of area we will look at and some of the other instruments that we use in terms of other financial transactions, helping to create markets and economic opportunities in places like India. That is the sort of area where you will see increased use of capital. I think you will hear more as we work up the International Development Strategy around the Build Back Better World initiative which is a G7 initiative. We have called it Clean Green here but Build Back Better World is the way the United States in particular describes it. That is about us as the UK looking at how we can support developing countries secure the investment they need for clean infrastructure going forward. Again, that is an area where we want to



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bring a wide array of UK tools to bear to give developing countries better opportunities for clean reliable infrastructure investment.

- Q59 **Mrs Pauline Latham:** CDC are likely to get more funding than they have had before and India is likely to get more capital funding. What sort of things would you expect? I am pleased you answered the question about CDC but what sort of projects are you looking at to capitalise for India?

Sir Philip Barton: I was talking about what we have been doing in India. We have not made decisions around individual countries so I was not suggesting India would necessarily get more in the future. It may well do, but those decisions will be taken through the business planning process.

In terms of CDC I think we can be confident in saying they will have more. The Spending Review settlement does mean that CDC will have more capital resource over the Spending Review period. The way they work is we are in the process of agreeing with them a new investment strategy, which is the way in which they think about where they are going to invest over the period, and we are agreeing that with them at the moment. That will then allow them to take the decisions they take in a sense on where to invest against that strategy.

- Q60 **Mrs Pauline Latham:** In India, what different things have you spent capital on from what you have done in the past?

Sir Philip Barton: To be totally honest with you, I do not think there is anything new in the last year. We have carried on doing some innovative use of capital in India, which has been developed over the last few years, including in DfID.

- Q61 **Mrs Pauline Latham:** Are there any international debts on the Government's balance sheet, such as Sudan's, which if cancelled could be counted as ODA?

Sir Philip Barton: The short answer is yes. If Sudan's debts were cancelled then they would in part at least be scored as ODA. The one thing I would say on Sudan is clearly since the tentative agreement was reached on the debt side there has been the coup, so we are talking and Treasury colleagues are talking intensely to our partners on exactly what this means. The thinking behind the debt cancellation was that as a Government we want to support that they had a very positive economic and political reform programme, so we will need to work through the consequences, including for debt relief, of the political developments in Sudan.

- Q62 **Mrs Pauline Latham:** There are a lot of refugees in Sudan who are going into other countries and that has a big impact on the other countries when they have had their refugee budget slashed. I do not want to ask you about that now, but I do want to know if there are other donor countries planning on counting debt relief against ODA in the same way that the UK is considering.

Sir Philip Barton: I think we are counting ODA in the way we always do in terms of debt relief.



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Juliet Chua: Exactly. Relief and debt relief is scored as ODA. It has been standard practice within the debt eligibility criteria.

Q63 **Chair:** Can I ask a supplementary around the shift to capital spend from resources spend? Do you feel it will shift either your focus or effectiveness in the development sector, in the development work that we are doing?

Sir Philip Barton: It hopefully will make it even more effective.

Q64 **Chair:** In what way?

Sir Philip Barton: I think what we are doing here is enabling countries to do what we all want out of this, to basically develop so that over time they can graduate from needing development assistance and helping countries secure capital, including in areas where we provide some capital, that itself then provides them access to wider capital. That is an important step on the development journey. We also want to provide investment capital to enable that that countries can rely on, that does not saddle them with unsustainable debt and does help them on an economic development journey that lifts them as countries and their people out of poverty. I think we can be more effective.

In terms of focusing, the honest answer is the business plan process will tell us exactly what that means for our focus, but we will now work through how best to balance the different areas we work in, in making the most use. I should say there is some move into capital, but we are going to make a significant investment in humanitarian, a significant investment in girls' education and so on. That is absolutely not the whole picture of the ODA part of our Spending Review settlement.

Q65 **Chair:** Who would own the asset?

Sir Philip Barton: If it is CDC basically they are continuing the asset and over time they secure the return.

Q66 **Chair:** I thought the example you were giving was that you would be investing in a factory to build or make something so that the economic benefit goes direct to the country rather than something that we go in with a project and take away again. I am thinking we make that capital investment, so would the Government, the community or the UK own that asset?

Sir Philip Barton: What we almost always do, whether it is through CDC or whether we do it ourselves, is do it in partnership. It is often about establishing the financing of a project or a fund, which then itself finances projects and then what you are creating ideally through your investment is a mechanism in a sustainable way for repaying the investment. What we do often is invest in a way where the market sees a Government, the UK Government, in partnership with others investing then the market will often either come in as well or follow quickly behind. That makes it sustainable. As you would always find with any investment, there will be a contract around in asset terms who owns what, but our aim is to put this on a sustainable basis. CDC's job is to take more risk than a standard



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private sector investment decision, but also over time to get a return. They are not looking to make loads of money but that is the nature of the business they are in as a development finance institution.

Q67 Chair: I am interested in what is the driver for this shift? I can see from a Treasury point of view it is a lot cleaner, as it is with working with multilaterals where you give the money. Is that what it is? It seems odd that this quite large shift in priority has happened when we do not have the development strategy in place. I can see if it was following the development strategy, but the fact that it is ahead of it seems odd. What is the reasoning?

Sir Philip Barton: As we work up the International Development Strategy I think you will find this is a key part of it. You will find the Foreign Secretary talking about this. To go back to what I said earlier what we want to do is to create economic partnerships and these sorts of investment mechanisms are a good way to do that, to do that in a clean and green way as people look to invest and build back after the pandemic. We absolutely think it will be a big part of our strategy going forward.

Q68 Chris Law: I am really intrigued. I have been listening and it seems this is more like what you would consider to be international trade rather than international development. I am going to ask a few questions on this. What discussions have you had with NGOs and indeed INGOs on this new approach in advance of working up your development strategy? It seems like it is already underway. I am sitting here quite surprised. I do not know how my colleagues are feeling. Has there been any discussion?

Sir Philip Barton: The Foreign Secretary had a good introductory meeting with NGOs very early on in her tenure as a Foreign Secretary, which I know helped inform the overall approach that she took and the end advice that we gave her as she approached the Spending Review.

Q69 Chris Law: That does not really answer my question. I am asking fundamentally what discussions have taken place with NGOs? I have not heard a single thing from NGOs saying, "This is a great approach" or, "This is a terrible approach" so this to me is a novel approach. It seems to me as though the Foreign Secretary is moving from the Department for International Trade to taking it into development. Is that not the case? Can you tell me how they have differed?

Sir Philip Barton: I do not think it is a novel approach. I think it is investing more in an approach we have already been developing. It is absolutely around CDC, which is already there. We were already with CDC looking at how we do more on clean investment. As we work it up over the weeks ahead what is new is that we need to be more systematic in looking at what is the totality of the UK's approach to helping countries secure access from reliable sources to investment in the areas they want to invest in, as they build their infrastructure to develop and move out of poverty.

Q70 Chris Law: Which I fully understand and support, but the words you are



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using are investment, returns, business. I was in business for decades, so when I am listening to this I am saying to myself, "I want to invest. This seems like a great idea." You invest in a country that cannot invest in itself, you can develop programmes where you have returns. How do you separate this from the philosophy of aid and international development? To me this seems like they have been clouded together. I would imagine NGOs have had discussions about this and will be raising some alarms. A lot of the issues that people face around the world are not just caused by infrastructure. They are caused by a range of other issues.

Sir Philip Barton: I understand that. As I said earlier this is not the totality of what we are doing. I have mentioned humanitarian and girls' education. We talked earlier about climate. I think it is pretty well-established that if you are willing to invest where no one else will, if you do create markets and employment, particularly if you can do that in a way that creates employment for women as much as for anyone else, that is a crucial part of development. I do not think that is something on which we were particularly criticised by the sector.

Q71 **Chair:** One of the problems is that the example you keep giving is CDC and while CDC has funded some fantastic projects we have also been picking away at them about their support of fossil fuel, about the fact that their gender programme is tiny, so the number of schemes that they support where women are in the senior partnership role is very small, and also it is taking money away from the local people and giving it to bigger organisations, whether they be government or organisational structures. I think this is a shift from the priorities that you are talking about, so empowering women and girls, localism and so on.

Sir Philip Barton: Two things in response. You published your report on COP26 and I think CDC's policy is fully in line with the Government's policy on fossil fuels.

Chair: That is the concern, though.

Sir Philip Barton: It goes back to the point I was making to you earlier around they will only invest where that is part of a journey to net zero. That is part of it and on girls and gender issues the Foreign Secretary has been clear the priority she puts on this. As I said earlier we are in the process of agreeing a new investment strategy for the period ahead with the CDC.

Q72 **Chair:** I agree and hear what you are saying. Are you implying that you will be looking at shifting CDC's priorities going forward, so that they are more in line with the Prime Minister's and the Foreign Secretary's if that is your main brief?

Sir Philip Barton: Yes. In shorthand absolutely while recognising they are an arm's length body and rightly make their own individual investment decisions. That is important, but absolutely the strategy is about them being closely aligned with the Government's priorities and overall approach.

Chair: I do appreciate a lot of the projects that they do, but I think they



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could do more with taxpayers' money.

- Q73 **Chris Law:** One additional question. Given the Sustainable Development Goals are meant to be met by 2030, how aligned are these new capital infrastructure project investments and have they taken into full consideration the Sustainable Development Goals, many of which do not provide a return?

Sir Philip Barton: On the returns point, the point of the investment is the development outcome, but they do secure a return because that is in a sense how they operate, but that is not the driver. The driver is the development outcome and absolutely the development outcomes are aimed at the Sustainable Development Goals.

- Q74 **Chris Law:** Are you suggesting they are aligned?

Sir Philip Barton: Yes, that is part of the overall approach to development.

- Q75 **Mr Virendra Sharma:** Sir Philip, are there any other items that may be included or rebadged as ODA, such as the IMF Special Drawing Rights that were not treated this way in previous years?

Sir Philip Barton: On the Special Drawing Rights, two things. One is they are scored as ODA. That is the same as they have been treated in the past. This is not a new thing for the UK. Secondly, they do not sit on the FCDO, so they are outside of the allocations to the FCO and the Spending Review period, but their treatment as ODA is not a new thing.

- Q76 **Chris Law:** The fundamental question is we have heard from Rishi Sunak that we are having a burst of rapid economic recovery, but we have seen the 0.7% kick back to 2024-25. My question is, is that likely, realistic or achievable by 2024-25 because that is a 40% increase in UK aid spending? Given the fact that 2024 is likely to be a general election is it going to be politically popular?

Sir Philip Barton: What the Chancellor said is based on the economic forecasts produced by the OBR and that is the basis on which he told the House, told Parliament in his statement that the test for return to 0.7% would be met. In terms of the Spending Review settlement this is in the figures that allocated out ODA including our lion's share of it as the FCDO was done at 0.5% but we will now begin to look at as the forecast is met, and if there is a significant increase in resources in the third year of the period, how we should begin planning now. We will monitor, as will Treasury, how the forecasts evolve over the next year or two.

- Q77 **Chris Law:** In short, you think it is, based on the forecast, achievable and in that case it is a 40% increase?

Sir Philip Barton: Our job is to take the central economic forecasts the Government uses, which are the ones the Treasury presented, and plan against those. It is not our job to make judgments as civil servants about whether or not those forecasts are likely to be met. Those are the forecasts we plan against.



Q78 Chris Law: When should the FCDO begin preparations to return to 0.7% given it is in the forecast and what would be the process of signing off and preparations for returning to 0.7%?

Sir Philip Barton: I will ask Juliet to say how we will make this work in practice overall, but as you know development is a long-term business. We are thinking about the medium-term, including the end of the Spending Review period. In some of our commitments, and I mentioned international climate finance, that is a financial commitment that goes beyond this Spending Review period. We do think in a long-term way and as we think about our forward planning that is absolutely what we will do. We have been allocated resources at 0.5% with numbers against each year and that is what we will do hard planning against but we are beginning to think about this step-up as well.

Juliet Chua: I think Philip has set it out very clearly. We are preparing for scenarios of being able to return in 2024-25. That involves identifying options for where you might be able to scale up, to think about being ready, essentially with value for money options so that we will be able to scale up and be able to agree that with Ministers. It will be a conversation with the Treasury and a process of monitoring the forecast closely.

Q79 Chris Law: That is going to be a prolonged period of cuts to some of our most important NGOs, some of them have been up to 70% such as the HALO Trust, which is removing landmines from some of the most conflict-affected zones. Have you had discussions with NGOs and will be having ongoing discussions with NGOs over the next three or four years, given the time we are preparing for, of what that prolonged period of cuts will be and what kind of investment they will need, if that money does get scaled up in 2024-25? What we have heard in this Committee is that for every year or two of these cuts that is decades that get cut out of the work that is being built by these NGOs. What I want to know is the true cost, because it sounds great that we will return in 2024-25 but what is the true impact in the interim, and how do you negotiate that?

Sir Philip Barton: I do not recognise the term years and years of cuts.

Chris Law: Well, it is four years.

Sir Philip Barton: We made a step down. We are now, because the economy is growing the resources we have for the three years of the Spending Review, starting a business planning process to allocate those resources for the three years ahead. Our resources are growing over the next three years. They are not being cut. We will carry on engaging with the sector and I talked with the Chair earlier about that, over the period ahead. We will also look at, and I am sure the Government as a whole want to do this, the prospects for stepping back up again and engaging with the sector and others around that, in a forward looking way. We will look at how that fits with the International Development Strategy the Foreign Secretary will set out in the first part of next year.

Q80 Chris Law: To reiterate my question, is that something that you will be doing in discussion and alongside NGOs, who after all are going to have



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to deliver on the ground?

Sir Philip Barton: That will be part of our consideration, yes.

- Q81 **Chris Law:** The last point I wanted to ask, the Spending Review states that funds to attempt to return to 0.7% will be set aside to allow for spending to return as soon as the fiscal test is met. We know that it has not been met in the last eight years, so what happens to that money if the test is not met?

Sir Philip Barton: That is a question for the Treasury.

Chris Law: A straight answer. Thank you.

- Q82 **Chair:** Any other questions? I have a couple if that is okay. It is to do with a couple of inquiries that we are doing at the moment, so we are just wrapping up our one on racism within the aid sector, and one of the things that kept being brought to our attention was the practice of foreign nationals being paid differently to local people on the ground, so setting up different terms and conditions. You talked about alignment of pay and conditions with the merger. Is that something that you are also looking at internationally, rather than just within the UK?

Sir Philip Barton: The honest answer is no. We will be looking at two things. One is in countries where ex-DfID and ex-FCO both employ country-based staff, and we are doing this at the front-end, we have put money in there to align their terms and conditions between those two categories. We will be looking at the overall terms and conditions and reward package for UK staff to align those between ex-FCO and ex-DfID. We are not and we do not propose to align between UK staff on the one hand and country-based staff on the other. I think there are good reasons for that, because they are fundamentally different terms of employment. If you are a UK member of staff you are employed out of the UK and your life is a UK-based life and you are deployed internationally. If you are a country-based colleague, you are an absolutely key part of our overall Department—more than half of our people so absolutely fundamental to how we work—but you are employed on a contract that is a local contract and so this has different terms and conditions and reward.

- Q83 **Chair:** Can you see how that could be perceived as segregation, racism, or a difference between the two people, if they are employed to do the same job?

Sir Philip Barton: I can see how it can be perceived as different, because it is different. I genuinely do not believe it is racism. I do not think there are grounds for that. It is just different terms of employment. We are determined to make sure that we value all of our colleagues, whatever their terms and conditions, whatever the nature of their employment, whether they are employed from the UK or anywhere in the world.

- Q84 **Chair:** Next question, we are also starting, we are one session in, with our philosophy of aid inquiry. Sir Philip, before this you were an



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Ambassador in both India and Pakistan, so you have seen the amazing work that we can do on the ground, but you have also worked in countries that need that development support. What is your philosophy of aid?

Sir Philip Barton: I go back to what I said earlier about helping countries on their own journey and we need to. Sometimes there are humanitarian situations, something that is acute, where you just need to help people in their acute hour of need, even if all you are doing is helping them get through the next 24 hours or whatever it is. In the end you also want to work at the drivers of why they are in those desperate situations, whether that is political reasons or it could be recovery from a climate event or something else. You want to work on the fundamental reasons behind that.

For me what should be an important part of our approach is how we work in partnerships so that countries are partners and are transitioning out of needing our development help. That is the ultimate sign of success for me, partnership to get beyond the need for development assistance, which is why I use the example of education, which is based a bit on my experience as High Commissioner in Pakistan, of trying our best not just to educate this generation of girls who deserve an education but making sure that in these sorts of places girls are educated in an even-handed way for evermore.

Q85 **Chair:** Juliet, your job is finance, so I do not know if that aligns with your personal position and interests, but from your point of view should we be looking at trading out of poverty or what is your philosophy of aid and how it can help and support a country?

Juliet Chua: Sitting in the seat I sit in what I want to make sure is that we are maximising the impact of using our aid wherever we use it to make sure it is strongly evidence-based and we are learning effectively as an organisation and having maximum impact. That is certainly something that I look to see in the way in which we as an organisation are taking our aid budget forward.

Q86 **Chair:** That is very heartening to hear for this Committee, so thank you for that. My final final question. When the previous but last Permanent Under-Secretary for DfID brought in a term and condition that if anybody employed by DfID was buying sex, that was a disciplinary issue basically because of the inherent power imbalance that was there, that was not in the FCO terms and conditions. When we raised it with Minister Adams at the time he gave us assurance that it would be across both Departments, because this Committee is very concerned with the sexual exploitation that is going on in the aid sector. Sir Philip, has that happened? I know you are in the midst of rewriting?

Sir Philip Barton: It was true from day one of the new Department. It is something I personally was determined to see being absolutely categoric and being completely categoric with you. From 2 September 2020 we were aligned on that, that any case would be taken extraordinarily seriously. The answer is, yes, absolutely.



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Chair: That is heartening. Can I just say that the staff of both former Departments and now together, particularly over the last 18 months, have done incredible work and do incredible work, and we are enormously proud of what they do? Thank you. I know it is a turbulent time that you have entered into but thank you for trying to steady that. We will continue with our scrutiny, but I hope you take it as support to get the absolute best out of what everyone is capable of rather than criticism. Thank you all very much for your time. Unless Committee members have other questions I will call this session to a close.