



International Development Committee

Oral evidence: [Beyond Aid: The Future UK Approach to Development](#), HC 663

Tuesday 28 October 2014

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Members present: Sir Malcolm Bruce (Chair); Hugh Bayley; Fiona Bruce; Fabian Hamilton; Jeremy Lefroy; Sir Peter Luff

Questions 75-116

Witnesses: Owen Barder, Senior Fellow and Director for Europe, Center for Global Development, and Karen Jorgensen, Head, Review, Evaluation and Engagement Division, OECD Development Assistance Committee, gave evidence

Q75 Chair: Good morning, and thank you very much indeed for coming in for our evidence session on our Beyond Aid inquiry. As Members of the Committee were saying, it is obviously a big subject. We do not want it to be a PhD thesis; we want it to be practical ideas of where we should be heading. In our previous session, the basic discussion was that development is in transition. It was simple and it was poor people in poor countries and delivering aid programmes, but it is now moving into a different, more complex environment. First of all, do you agree with that? When we talk about beyond aid, what are the non-aid issues that we should be looking at and how should we prioritise them? I am asking both of you the same sort of questions. I do not know who wants to go first. Sorry, I should have asked you to introduce yourselves for the written record.

Owen Barder: Good morning. I am Owen Barder from the Center for Global Development, where I am a Senior Fellow and the Director for Europe.

Karen Jorgensen: I am Karen Jorgensen from the OECD Development Co-operation Directorate. I head the Review, Evaluation and Engagement Division.

Owen Barder: You are absolutely right, Chair: we face a changing world, and development agencies around the world are thinking about what their role is in this new world. I would say that there are three key trends that development agencies need to think about. One is that increasingly we need to work out how to help fragile states, many of which are not low-income countries but middle-income countries. Secondly, we need to understand how to promote and support inclusive growth in middle-income countries and, thirdly, we need to understand better how to tackle global trends and particularly trans-boundary issues, such as climate change, financial regulation, disease surveillance

and so on. Aid has an important role to play in all three of those new kinds of challenge, but so too do non-aid policies.

In the evidence that I submitted with Alex Evans, we talked about policies within countries, issues like peace-building, security sector reform, supporting domestic revenue collection and so on. We talked about international policies, which are primarily a question of improving global governance and co-operation on things like tax collection and most obviously on tackling climate change. Then there is a set of issues about what we do here at home: our trade policies; agricultural subsidies; our policies on migration and remittances, research and development, intellectual property rights, and the global consequences of those policies; things like capital adequacy ratios; and our money laundering and financial secrecy policies, all of which have profound effects on developing countries and on poor people in middle-income countries. That is the set of policies; you asked what they were and I hope we can explore that in the evidence session. However, I want to flag three points about them.

The first is that the magnitude of the effects that we could have on people's lives by making even quite modest changes in some of those areas is considerably larger than we would expect to achieve through aid alone. If we want to have an impact on the lives of poor people, we do need to be looking at those policies.

Secondly, those policies have the characteristic that they tend to address the underlying causes of poverty, rather than address the symptoms of poverty. A lot of our aid work is very rightly humanitarian in character or is working primarily to mitigate the effects of poverty, rather than to address its causes, although some does address its causes. These policies are important for that.

The third reason that these policies are important is that they often benefit us too; they are often mutually beneficial. Increasing market access for exports from developing countries is good for British consumers, as well as for producers in developing countries, whereas aid of course, in the short term, imposes a cost upon us—a cost I think is well worth bearing for the long-term benefits, but nonetheless in the short term a cost. For those reasons, we should be identifying and pursuing a bigger range of policies to reduce poverty, given the changing landscape of poverty. I could say more about how we are doing on that, but I feel I would test the Committee's patience. I hope we will get to that.

Chair: We have other questions that will tease that out. Obviously you represent an organisation that looks across donors, so that might give a slightly different perspective on the same questions.

Karen Jorgensen: Thank you. I would associate myself with everything that Owen has said. I would just add a couple of nuances to that. It is also worth recognising that, in the changing aid landscape, we are also looking at more actors, more participants, as providers of development co-operation than we have seen before. They often provide development co-operation in different types of relationships and through different modalities, which are valued by partner countries as well. It is worth thinking about how our members in the Development Assistance Committee, of which the UK is one, situate themselves in that changed landscape.

It is also worth noting that there are more middle-income countries and fewer least developed countries today. There has been a shift in the poverty landscape, as we call it. There are more poor people in middle-income countries today, so there is the debate now about whether you should take your eye off the ball of the middle-income countries or whether you should stay committed to them. They themselves say they will need aid, but of a different type and in a different way than they have had it up until now.

It is also worth remembering that countries themselves have built up some capacity. In that sense, I would differ a little from what Owen said, because I do not think aid is just provided as a band-aid. It is not just to treat the symptoms. A lot of aid goes into building capacity, building up country systems, trying to build up the strength of developing countries themselves, and in particular now to raise domestic resources through taxes, charges and things like that. A lot of aid has been targeted to help strengthen the developing countries themselves.

In a recent survey that we have undertaken of 40 partner countries, where we had 61 respondents, there was an optimism coming through in all of the responses, saying that we are actually able and willing to take on more responsibility for our own development, so we need our partners to be recognising that and to be supporting us in that way.

Q76 Fiona Bruce: Owen, thank you for your introduction, which leads very well into my question. In your evidence with Alex Evans, you talked about these three what you called new priorities. You have just explained them again today: fragile state support, middle-income countries and global public goods. What I really want to do is to probe how you see this changing on the ground—how practically this would work out differently and is working out differently from what aid has always done.

Owen Barder: It is important to distinguish the question of what aid does in these contexts, which, as Karen said, is not only a band-aid but can also be supportive of building systems, of catalysing change, of supporting private-sector investment, of testing and spreading new ideas and of providing humanitarian relief, as we are now for example in Syria, where it is needed. I do observe, and this is more your department than mine, that the politics of providing aid to middle-income countries is becoming tense. There are many people who would wonder why we would give aid to middle-income countries that famously have a space programme. I still think that aid has a role to play in those contexts.

What I would like to emphasise is the role of non-aid policies in supporting middle-income growth. It is interesting that, in an inquiry about beyond aid, the implication of your first question is what aid would look like in middle-income countries. However, the interesting question is what things we could be doing to support middle-income countries through, for example, improving our trade policies and improving our intellectual property policies. It is interesting when you think of India, from which we are exiting grant aid, that at the same time we have seen a very substantial drop in the number of Indian students who are able to come to British universities and study—a 40% reduction in Indian student visas since 2011.

There are policies that we can pursue that would be good for middle-income countries, help to tackle inequality and improve inclusive and sustainable growth there that we should not be pursuing so much through our aid programme but through DFID's role,

working across the international system and across Whitehall and Government, and working in partnership with the Indian Government, to improve the policy framework. The change we need to see in the aid agency of the future is to think of it as a development ministry that is working on that broader range of policies, such as, for example, access to student visas, access to markets, tackling problems of intellectual property and access to finance to support private investment. These are all key issues for middle-income countries. It also needs to work on providing expertise and advice on things like how to establish social safety nets to support the poorest people in middle-income countries, not necessarily that we should be financing those but that we should be supporting their establishment and use to try to reduce inequality in middle-income countries.

Fiona Bruce: Thank you. There are potentially very wide spheres of action.

Karen Jorgensen: It is nice to speak after Owen, because it is easy to agree, but I can add a bit of nuance again perhaps. I mentioned that middle-income countries would be looking for a different way of working with partners from among our membership. We see this both from the survey that we have conducted recently and when we conduct field visits in the context of our peer reviews. They are saying that there is not enough attention to the other policies that affect their development that are not aid policies. They highlight in particular trade and investment, which is very much in line with what Owen said.

They also say that they will rely less on grant aid, because it is after all a very small portion of their own national budgets. What they really need is policy advice, and that is on a broad spectrum of policies. This again is where we should be looking more across government, linking up more on being clear on what our overall development objectives are, what we can provide for support beyond just providing funding and really giving the best concerted development advice that we can give, which is incidentally what we are also discussing at the OECD as an organisation.

Q77 Fiona Bruce: That again very neatly introduces the issue that I wanted to question particularly Owen about, which is focus. DFID does have to focus its efforts, and you have identified three levels of action for development: within countries, internationally and at home in the UK. Can you elaborate on how you see DFID should focus its efforts and why?

Owen Barder: You are absolutely right about focus. There is a danger of trying to become a general Kumbaya agency across Government that is trying to make the world a nicer place, but without bringing real evidence and focus to particular issues.

We do have an example of DFID doing this successfully and that is on trade policy. When I began my life as a civil servant in the Treasury, the UK had a very mercantilist trade policy. I worked in the Treasury and we were exasperated with the behaviour of the Foreign Office and the then DTI in promoting British exporters, but not promoting a free open trading system. DFID took that on, as many of you know, after the failure of the 1999 WTO Ministerial in Seattle, and wrote a really rather good White Paper in 2000 about how to make globalisation work for the poor. It established a trade policy department and 25 people were put to work on commissioning and building an evidence base about the impact of trade on poverty and on poor countries. Over a period really of about four years, they worked with the rest of Whitehall, with the Treasury, with No. 10, the Cabinet Office, the Foreign Office and especially with DTI. When the July 2004

White Paper was published, British trade policy was unrecognisably different from what it had been five or 10 years beforehand.

What that shows is the benefit of having a Department that is committed to evidence, understands how to use evidence in policy, but is also resourced, tasked and mandated to work with other parts of Government to develop new policies and help shift the centre of gravity within Government as a whole. That was an outstanding success, but it is interesting to me that it has very rarely been repeated. We have not seen a similar impact in other areas, such as investment, migration or, I would say, climate change.

It is important to pick some issues and focus on them, and really invest heavily in them, rather than trying to do a bit of everything, but I do think that this set of issues, things like trade policy, is as important as managing the aid programme effectively. DFID cannot afford to vacate the pitch on these key policy issues. They have to put serious resources into working on them.

Q78 Jeremy Lefroy: I am very interested in the fact that you have raised trade policy, yet Britain now runs the biggest trade deficit of all major countries, in excess of 4% of GDP. That was not the case 20 years ago. I am trying to see how this trade policy has actually had a positive impact on the UK's trade deficit, balance of earnings deficit, both invisible and visible.

Owen Barder: That is a very interesting question. I would find it hard to connect a chain of causation from Britain's more liberal trade policy developed in the 2000s to our current trade deficit. We are growing faster than our European neighbours. "I do not know" is the answer to that. I would need to think about whether there is a connection, but I suspect that there is not much of a connection.

Jeremy Lefroy: There is not much connection between the trade policy and the trade deficit.

Owen Barder: I mean between this aspect of trade policy of wanting, for example, to create opportunities for developing countries. African exports are 1.5% of world trade. Allowing African countries, or the least developed countries generally, access to European and British markets is not, I think, a major cause of Britain's trade deficit. It is very important for developing countries and very important for their prospects for growing out of poverty, but I would want to think about this a bit harder before committing myself to it. My hunch is that it would be hard to trace a connection between that and the evolution of Britain's trade deficit, where I would imagine that our trading patterns with the rest of Europe and with China are more important than whether or not we grant market access to developing countries.

Jeremy Lefroy: Sorry, when you talked about trade policy, I thought you meant trade policy in general. You are talking about trade policy with developing countries.

Owen Barder: I am talking about the impact of our trade policy on developing countries. To take an example, we support exporters in India to enable them to build new markets, export and grow their way out of poverty. That is a good thing. When they make an item of clothing and bring it to Europe, we charge 12% duty on it. This seems to me a rather strange thing to do: to be spending our public money supporting exporters to overcome the

cost differential created by our own policy of imposing an import tariff on textiles from India. A better trade policy in those circumstances, if we could agree it, would be not to impose an import tariff on textiles from India and let successful Indian firms export into British markets and European markets, if that is what they are willing and able to do.

That kind of trade liberalisation has much more impact on growth and incomes in poor countries than things that we would do with our aid policy. There is some evidence, for example, of the impact of the African Growth and Opportunities Act (AGOA), which the United States introduced, which has generated substantial investment in the countries that benefit from it, which creates jobs and creates incomes for export to the United States under AGOA terms. My guess again, and I have not looked at the numbers, is that probably makes no difference at all and comes out in the rounding of America's trade deficit, but it is fantastically important for those countries.

Those are important policies that we should be pursuing across the board. That is just one example, but there are many examples like that where we should be pursuing such policies. If we want to increase investment in developing countries, you need to give firms that invest in developing countries opportunity to sell their products to wealthy consumers, and that is us. That is a much more important way to encourage investment than through public-sector instruments of financing guarantees.

Q79 Hugh Bayley: We have gone down the trade road. Can you say a little more about the EU Everything But Arms? Has it had a similar impact to AGOA? This is an example, if you like, of tariff reduction and liberalisation of the kind you are arguing for. Perhaps as a counterpart, yes, it would be great if our trade policy achieved balance, but tariff reduction does achieve benefits for people in the UK. If you get rid of a 12% tariff on Indian clothes, they cost 12% less to people in the UK. The money that people have in the UK goes a bit further.

Owen Barder: That is exactly right. The evidence suggests that by far the majority of the benefits of trade liberalisation by wealthy countries would be to the consumers and citizens of wealthy countries. It would also benefit people in developing countries, because of the jobs and incomes it creates, but the majority of the benefits are for us. You are absolutely right about that.

Everything But Arms was an important move to duty-free, quota-free access to European markets for developing countries. The feeling at the time was that it was much less useful to many developing countries than AGOA, because it was combined with very difficult and bureaucratic rules of origin that made it difficult for people in practice to demonstrate that a sufficient part of the product had been made in the developing country and was therefore eligible for duty-free, quota-free access.

One of the lessons of this is that market access alone, in terms of what the rules say, is often not enough. What often matters is the amount of organisation and bureaucratic and institutional hassle you get when actually trying to take advantage of those opportunities. I think most people agree that the rules of origin have improved over time under Everything But Arms, but we are still far short of providing duty-free, quota-free access. Of course, Everything But Arms only applies to least developed countries. Those countries outside that category need to negotiate access to European markets through things like the European Partnership Agreements. Countries like Kenya, which might be

able to develop an industrial base, would not benefit from access just for least developed countries, because they do not benefit from that category.

Q80 Fabian Hamilton: Whole-of-government approaches are said to help drive a more consistent approach to development, but I wonder if you can give us some examples of successful whole-of-government approaches by DAC members in particular, and what factors make them work well. Karen, you have written extensively about this, I know.

Karen Jorgensen: What makes whole-of-government approaches work well is that there is a clear development policy objective. It can be written in law or it can be written in White Papers. It needs a clear development policy that is agreed by Government as a whole, so that all Departments buy into that development vision.

Some of our members have identified specific topics, as has the UK in fact, on transparency, illicit flows and climate change, where they are then set common objectives for what Government as a whole can contribute to addressing these issues through development co-operation, either funding or policy advice.

Some of our countries have, for example, worked extensively on tax regimes or on combating illicit flows, helping partner governments follow through on prosecution of cases of illicit flows or corruption, which shows that we get our policy regimes right at home when it comes to preventing tax havens or moving ill-gotten gains or illicit flows—money from corruption. We deal with that at home. At the same time, through our policy and aid relationships, we build up capacity in the partner countries to deal with these issues at home, both in terms of putting in place the right policies that they need but also the structures that they need to prosecute successfully when there has been corruption or transfers of illicit flows. These are some of the examples that have been quite successful. They are small, but they demonstrate that this is actually really possible to do.

Q81 Fabian Hamilton: Can you name some of the countries that have been better at doing this than others?

Karen Jorgensen: Together with the UK, Norway had a leading role when it came to illicit flows and corruption, as well as Switzerland of course, because of their status as a key global financial centre. Luxembourg has also worked on this. Again they are a financial centre, so that has been part of the driving force for this, but we have seen many good examples. In fact, the OECD put out a report recently on illicit flows, which also gives many examples of where this has been done successfully.

Q82 Sir Peter Luff: Can we move this debate now to the United Kingdom and you again, Karen? I am going to ask you to articulate your evidence, in some sense, because I do not quite understand how well you mark DFID and the UK Government for its policy coherence. You gave some strong marks on anti-corruption, climate change and trade, but you say in your evidence the UK “lacks a systematic way of ensuring its development efforts are not undermined by other Government priorities”. What can we do about that?

Karen Jorgensen: The OECD says that there are three things that you must address to have a good opportunity at least to be coherent in your policies. One is to have the political commitment. The second is to have institutions that are capable of addressing issues across Government. The third is that you must be able to analyse issues, follow

through, monitor and report what you have done. The political commitment is here. We think that the three examples that we cite in our report show that you are capable here in the UK of identifying topics and also setting up the institutional mechanisms that are needed to deal with those three issues. That is good.

Where we see that you could go further is perhaps to begin to think about the next-generation topics that you are going to be working on and underpin those with more systematic research and evidence building. What we found in particular was that, when our team went to two of your partner countries, there was really no discussion at country level about policy coherence, so there are huge opportunities missed for the British or UK representatives in the field to be discussing with partner countries which topics or issues are really having a negative bearing on a partner country's development. When you get that sort of evidence base from the bottom, you can then begin to look from the top at what you are not doing at home that you need to be doing more of, and where you need to put greater emphasis in your international debate on these topics as well, be it at the EU or truly at the global level.

Q83 Sir Peter Luff: I want to come back to in-country just for a second. Looking at the structure we do have here, the National Security Council, there has been a good deal of criticism of that from witnesses regarding its lack of effectiveness. How successful has the NSC been, do you think, in the British aid context?

Karen Jorgensen: There are two issues I would like to address. One is policy coherence, and that is in terms of actually changing policies. What the NSC does is bring a whole-of-government approach to interventions in developing countries. They are slightly different issues. The NSC has done very well in coming up with action plans in situations of conflict where the UK engages. You have brought all the relevant Departments together and come up with common plans that apply to all of them. That has been very good, so we commend the UK for having taken that approach, but the NSC does not address countries that are not really in conflict, the mainstream developing countries, which include some quite significant partners. It is also in these contexts that we need to be thinking about policy coherence, because there is a certain basis of development there and we need to think about how we fast-track it and get a quantum leap on development. That cannot be achieved by aid alone.

Q84 Sir Peter Luff: Is what you are saying that, where we are working on specific tasks, like anti-corruption, climate change and trade, or specific countries of concern, like Afghanistan, Pakistan, Iraq, Libya and Syria, we should and can do it, but in other places we are not succeeding?

Karen Jorgensen: That is correct. It comes back to Owen's point as well that you have to clearly define what it is you want to work on and then create the structures that you need to address those issues. Once you feel that you have addressed those issues, you can then dismantle those structures and create new ones to address new issues.

Q85 Sir Peter Luff: Obviously you are going to get the major Government Departments that are concerned engaged—the FCO, DFID itself, MOD and probably BIS—but would you actually succeed in attracting the other Departments? You potentially also

need to sort some of these deep-seated problems. They have more urgent tasks to pursue in their own domestic political agenda. Can we achieve this cross-government approach across the board for each of the subjects and countries?

Karen Jorgensen: What we see in the research that we do connected with peer reviews is that, when Departments understand that there is something in it for them as well, they are willing to co-operate. It is about building the case for why changing our policy in certain areas will be good for the UK as well as for developing countries. That is when you have a good opportunity for getting a good dialogue going.

Sir Peter Luff: That is the way DFID needs to do its work in the UK.

Karen Jorgensen: That is correct. That would be, as Owen also said, a key role for DFID to bring out the development aspects of these complex issues and to be able to provide the evidence base for why these issues matter in developing countries and what could be achieved if UK Government Departments get together.

Chair: To reassure you, Owen, there is a series of questions that are about DAC. We will be coming back to you in a minute.

Q86 Fabian Hamilton: Can I just follow on from Sir Peter Luff? The DAC peer review of the UK is due to be published before we see the Secretary of State. Obviously you will not want to share the content with us at this stage, I quite understand that, but I wondered if there was a question that you would like us to ask the Secretary of State when we see him.

Karen Jorgensen: On policy coherence for development, it would be interesting to ask what the strategy is going forward. What are the issues that they think they should be tackling in the short and medium term? Some of our members, Denmark for example, have written a policy coherence for development plan, so that they have set out both the rationale for why they want to do this as well as how they are going to go about doing it. Other countries have done that as well, but that is a good example of what could be done and what could also give more visibility to the agenda that could help engage more departments, as well as civil society. Again we see in many of our member countries that issues are actually treated at the government level only when civil society has produced a lot of evidence that shows that this is actually where you ought to go with it.

Q87 Fabian Hamilton: How good is the OECD itself at policy coherence?

Owen Barder: Do you want me to answer that?

Karen Jorgensen: Maybe I can start and then you can come back.

Fabian Hamilton: Let me expand on that. As the development agenda enlarges, are you not tripping over other parts of your own organisation? Perhaps you need a development department yourselves.

Karen Jorgensen: We have a Development Co-operation Directorate of course, and part of our role is also working with other directorates to try to advance development understanding in what they do. We have worked for a number of years very well on Aid for Trade, for example, with our Trade and Investment Directorate. In the last two years, we have expanded the PISA instrument, for which the OECD is very well known, to

developing countries, so we are showing how our own tools can be used abroad and how policies that we use can be used abroad.

Also, the development strategy that the OECD has set out is beginning to find its form, because now it is looking at three particular issues. It has looked at illicit flows; a report came out this year. It is looking at green growth; a report will be coming out next year. It looked at food security; a report came out last year on that. Every year in January, the Council meets as a council on development, so development is finding its footing in the organisation in a way that we perhaps did not see five years ago. Now it is your turn to tell us what we are not doing well.

Owen Barder: I agree with that. The Secretary-General's development strategy has been a big step forward at the OECD, and shows clear vision at the very highest level about joining up. The OECD is an organisation that does not have developing country members. One does wonder, when people are sitting around making the rules on, for example, tax co-operation to prevent base erosion and profit shifting, whether the interests of developing countries are properly being taken into account in those discussions. There is a tendency in some parts of OECD discussions—in common with many other international organisations, I might say—for wealthy countries to make the rules amongst themselves and to offer developing countries technical co-operation to help them improve, but not really to think about how the rules themselves are impacting on developing countries. The OECD is making enormous progress and it is a tribute to the leadership of the Secretary-General, but there is a way to go yet.

Chair: That is very reassuring, thank you.

Q88 Fiona Bruce: I would like to ask about working with the private sector. Karen, you wrote, “A quantum leap in development cannot be achieved by aid alone,” and the DAC's development co-operation review for 2014 has a great deal to say about the private sector. How could this be more effective, assuming it is a priority for development, particularly in light of the fact that this Committee, in the evidence given to us regarding DFID's work with the private sector, has clearly seen that DFID is on a learning curve in this respect?

Karen Jorgensen: It is fair to say that all of our members are on a learning curve when it comes to working effectively with the private sector. A number of our members have actually worked with the private sector for many years. It is also fair to say that they have not been unilaterally successful. I know less about how the US is working with the private sector, incidentally, and I think they have a lot of good examples to show.

We will be undertaking a study next year. We are just writing the terms of reference for a study looking at all of our members precisely to understand better which approaches have worked and which have not.

What we see in the UK is that, unlike in other countries, what the UK has started is not designed to subsidise or underpin UK businesses going abroad. There are enough examples to show that that does not work. What we saw in the field was that the UK is working to put in place, for example, capacity to engage better in the global trade regime and to develop the energy sector both in Nigeria and Nepal—not financing the energy sector but financing the capacities that are needed locally to be able to negotiate contracts

and find out what makes sense in terms of a development sector for these countries. Also, they are financing schemes to understand better what type of investment makes sense. It is really using aid to build capacity in the partner countries to be able to accept private sector investments, and then it is up to the private sector to find ways to capitalise on that.

What my team saw in Nepal and in Nigeria was positive. These are beginning interventions; there are pilots going on, but they were very positive about that, because it did not look like what we see in other countries, where the aid programme is being aligned very closely with the particular private sector interest of these countries. We always worry that that is going to lead to a commercialisation of the aid programme or to increased tied aid. Again we caution that, as the UK goes forward with its private sector programme, they be careful not to tie aid, because you have a good record now. In what we saw, there also was not a lot of evidence that that was about to happen.

Q89 Fiona Bruce: Owen, could I ask you to focus particularly on supporting the private sector in developing countries? Bearing in mind that the vast majority of that is very small private sector businesses but those are where the jobs are created, how can we focus on that difficult challenge?

Owen Barder: It is a difficult and extremely important challenge—you are absolutely right. Karen has talked correctly about the importance of the enabling environment: things that you can do to reduce the cost of setting up a business; to improve access to ports, transport infrastructure and communications—power is becoming increasingly a key issue; and of course to reduce the bribery and corruption that inhibit business. Small businesses are inhibited proportionately much worse by those kinds of barriers than big businesses, which can afford to overcome those costs: to run their own generators or to pay the bribes. The enabling environment is clearly important.

There is an interesting question that we are all learning about: the role of development agencies in providing direct support to specific private-sector partners. My own view is that there is a powerful case for doing that and that it could be, and often will be, a more effective use of development money than using that money for the direct provision of services yourself. What we need to be careful of, and Karen was right to warn on this, is that we do not recreate a 1970s corporatist relationship of Government funding for insiders, which is not only expensive in terms of the results it delivers but also inhibits competition, innovation and contestability in those markets, and so inhibits the emergence of a really efficient private sector.

I fear that we see some signs of that. For example, I am uncomfortable about the way that not just the UK but donors generally have invested heavily in the micro-credit industry. Micro-credit for very poor people I think is of questionable value. The empirical evidence of impact evaluations suggests it has not been a great success, but we are now in a situation where we have a number of incumbent organisations in receipt of development funds that are politically well connected and have powerful and credible voices. It is becoming difficult then for policymakers to say, “On reflection, having seen the evidence, we think that we should largely get out of the business of supporting micro-credit for very poor people.” Once you start providing subsidies to firms, it is very difficult then to exit doing that. That is true in developing countries as well as in developed countries.

We need to be careful about providing this direct support for companies in the private sector in ways that increase their contestability and their ability to innovate, and that do not create incumbents that are hard to dislodge and that then exercise political power in various ways to keep their subsidies flowing past the time when the benefits are worth having. We can do that and should do that, but we need to go into this with our eyes open to do it well.

Q90 Jeremy Lefroy: I entirely agree with what you have just said, particularly on micro-credit. In your evidence—if I can direct this to Owen, but please feel free to comment on it, Karen—which I found extremely thought-provoking, you made some strong statements about the erosion of DFID’s capacity since 2010. Could you give us a bit more detail on that? We raised this with our last panel and they quite significantly disagreed with that.

Owen Barder: I thought DFID’s written evidence on this was interesting. They provided rather a good list at the end of things they had been doing in this area. There are some striking positive examples. The first one on that list is tackling violence against women and female genital mutilation. It is just an outstanding example of where, with leadership from the Secretary of State, from Lynne Featherstone and from the Permanent Secretary, and from particular DFID staff—I am thinking of Jane Miller in particular—it actually makes me proud to be British to see that kind of effective campaign run on this cross-government issue and make a real difference. Credit where it is due: there are good examples of DFID leading across Government and making a real difference. Let me say that first.

Secondly, I am conscious that the Center for Global Development consider ourselves rather meticulous in our use of evidence. It is rather difficult to provide evidence about what DFID is or is not doing within Government. When I was in Government, I was conscious that we were often most effective when we were arguing quietly behind the scenes and not on *Newsnight* arguing in public. As I have moved from being a civil servant to being outside DFID, it might be that I am just seeing less of what is going on than I was when I was within the veil of secrecy of Whitehall. You should aim off to account for my perception that maybe there is more going on than I realise and I am just not seeing it from outside DFID. I acknowledge that.

With that said, if you were to look back at the 2000 White Paper *Making Globalisation Work for the Poor*, which I talked about earlier, and look at the range of issues that it discusses, development assistance is chapter five, six or seven, after it talks about the financial system, trade and the environment. I find it hard to imagine DFID today, on behalf of the UK Government, writing a White Paper with that degree of breadth and that degree of confidence about the range of issues that it tackles. That is a judgment call on my part and it is not one that I can bring you evidence for. As you bring other witnesses, you should test whether that judgment is right.

What we do have evidence about is what the impact of this is. The Center for Global Development produces a commitment to development index. We have been doing that now since 2003. We have assembled a database of hundreds of indicators of policy in wealthy countries affecting development, for 27 countries, over 11 years now. Denmark comes top. The UK comes seventh out of 27. As the DFID evidence points out, that

makes the UK the best performing G7 country. That is a credible performance; that is good.

To use a technical term, it is goodish. The “ish” part is that there has really been no improvement over the last 11 years in the policies as we measure them of the UK overall. There is a noticeable uptick, as you would expect, on the aid component: we have moved to 0.7%; our aid is both more generous and more effective. However, there has been a sharp decline for example in our policies on intellectual property rights, where we do not do very well, and a sharpish decline on security, where we are increasingly engaged, as this Committee knows very well, in arms sales to poor and undemocratic countries.

If DFID’s capacity to improve these policies is good, why are we not improving these policies? I guess that is the best evidence that I can bring to this question. My sense is that it is perhaps invidious to compare DFID with the past. We live in a different world now, but we collectively, as a country and our Government, are not rising to the challenge of addressing these global challenges. The aid agency of the future or the development ministry of the future is going to have to be part of the mechanism for addressing those challenges.

Q91 Jeremy Lefroy: While accepting that we certainly should be doing more about policy coherence, would you not say that the world in 2014 is a very different place from 2000? That was pre-9/11; that was pre-Iraq; that was pre an awful lot of things that have happened since, which quite naturally Government has had to give priority to. You may see that that is short termism or even medium termism, but we are talking about a very different world from then and, as the first duty of Government is to maintain the security of its citizens, you would expect that to be its priority and, therefore, that its development policy would reflect that.

Owen Barder: I agree with that; it is a very different world, but many of the arguments that were set out in that White Paper were about the problems that we would endure as a world if we did not ensure that the benefits of globalisation were shared. It seems to me that the implicit downside of failing to tackle these problems is coming to pass. We are failing to tackle environmental sustainability at the pace we need to tackle it to avert catastrophic climate change. We are failing to tackle growing inequality between and within countries, with consequences not only for poverty but for civil unrest. Many of the biggest problems of civil unrest are not in the poorest countries but now in middle-income countries.

The failures to manage globalisation in a way that delivers benefits for everybody, I would argue, have direct political manifestations in today’s political debate in the run-up to the general election next year. Yes, we live in a different world, but the analysis about the need to have strong, fair, rules-bound global institutions to share the benefits of globalisation properly seems to me just as valid today as it was then.

Jeremy Lefroy: I understand the point you are making. I just do not quite understand why you would say that DFID is not saying that as strongly now as it was five years ago, but that may be a slight difference in emphasis.

Owen Barder: I hope you will accept my aiming off a bit by saying that all I can do is offer my anecdotal judgment on this, and perhaps I am wrong.

Q92 Jeremy Lefroy: Your evidence states that “no one Government Department leads on foreign policy anymore”. One might say that the only Government Department that has ever led on foreign policy in Britain is No. 10, rather than the Foreign & Commonwealth Office, but “each has its own slice (Home Office on migration, DECC on climate etc.). The UK’s policies need to be more coherent, period,” which is I think something that many of us would accept. What mechanisms would enable that coherence? We have talked about the National Security Council as being one mechanism, particularly for countries that face conflict, as Fabian was saying. What about countries that are perhaps off the radar because, thankfully, they are peaceful?

Owen Barder: This is a combination of institutional structure, political momentum and desire. We have seen in the case of the European Union, for example, that requiring development impact assessments on all new policy proposals and legislation does not necessarily change people’s attitudes to those proposals, unless there is a sufficiently effective discussion about what those implications are, how we can change them and improve them, whether they matter and whether the analysis is any good. We should be cautious not to think that the solution to this lies in redrawing the organogram of government. In the end, it has to be a decision by you, the Government and the public that these things matter to us for our long-term prosperity and security.

With that said, I had the privilege in my civil service career of working in the Treasury, DFID and No. 10, and I am struck that the Treasury plays an interesting role within Government. It is committed to Britain’s long-term interest in financial stability, in ensuring that public expenditure remains under control and in trying to ensure that the economy functions efficiently. I do not think any of us doubt the value of having the Treasury play that role and being mandated to play that role across Government. We want education policy to be run by the Education Department, but we do not want them to do whatever comes into their head as their short-term interest without first consulting the Treasury, particularly about the public expenditure implications of that policy.

Moving from the Treasury via No. 10 to DFID, I was struck by how little it is possible to play that role in the case of our longer term interest in global prosperity, shared prosperity and sustainable prosperity across Government as a DFID official concerned about those things but without the political or institutional mandate to pursue them. I would talk to a civil servant in another Government Department—for example in DTI, as it then was—about the payments being made by developing countries for internet access, and they would tell me, in words that I will not use here, that they were not very interested in my views on that matter—that that was no part of their mandate.

It seems to me that the right analogy for the DFID of the future is not the Foreign Office or the National Security Council but the Treasury, not that it would expect to win the day on every battle but that it would expect to be consulted and it would have a strong mandate from the Government to safeguard Britain’s interests in these long-term systemic issues. If we do not have that, then we will continue to make decisions that are in our short-term interests, which are in our commercial interest in the short term perhaps or in our political short-term interest, but without anybody raising questions, bringing analysis and challenging whether those are also in our long-term interest.

When I look today for example at what is happening with Ebola in West Africa—and we should pay tribute to the people who are tackling that problem—would it not have been better if we had invested sooner in research and development for new vaccines and drugs for neglected tropical diseases? Would it not have been better if we had invested more heavily, not just money but our political clout, in improving the management of the World Health Organization to ensure that it had the capacity to do proper disease surveillance? Would it not have been better if we had been investing in health systems in developing countries and not merely funding vertical organisations designed to pick off particular diseases?

If we do not pay attention to our long-term interests in having more successful international institutions and in investing in global public goods like research and development, we will bear the costs down the line when you have the spread of these kinds of epidemics. This is quite a hard-nosed point; it is not a point about having a DFID in Government that is banging the drum for poor people, as a kind of internal NGO within Government. It is having an organisation within Government that is banging the drum for British citizens' long-term interests, which can, at the moment, be neglected by the short-term vagaries of decision-making.

Chair: At least our health report highlighted exactly the points you have just made.

Q93 Jeremy Lefroy: The final comment I would make about this is I entirely agree with everything you said there, other than that I think the UK Government has been doing a lot of these things. I declare an interest as Chair of the all-party parliamentary group on malaria and neglected tropical diseases. The UK Government has been, with the US, one of the only two countries that have really taken it seriously. You are absolutely right in what you say. The thing is Ebola has hit at a time just before certain things like the vaccines were available, and at a time when, as you rightly point out, health systems have not been strong enough, even though there has been this wider appreciation that they have to be horizontal, in addition to these vertical funds. It is, as you say, a real wake-up call that this needs to be done much faster. The UK has been in the mix on this, very much so, but it needs everybody doing it, not just the UK and, to some extent, the US.

Owen Barder: I agree with that. The UK alone cannot solve the world's problems, and that goes in part to the question of the capacity and nature of our staff: what kind of people we need to be able to build networks and coalitions, and influence and shape global policy, as well as deliver UK aid on the ground.

I happen to have in front of me a *Nature Medicine* paper from 2005, setting out early results of a successful Ebola vaccine in primates, speculating that with the right funding an Ebola vaccine could be tested and in use by 2010 or 2011. Why did that not happen? It did not happen because there was insufficient funding for research and development in medicines for neglected tropical diseases. Why? On the whole, we spend too little on global public goods such as R and D for new medicines, and we spend too much of our money in other ways.

It is not the case that there were not opportunities to develop an Ebola vaccine and have it now ready for use and properly tested. We made a priority choice not to do that. That is the wrong choice, and we need mechanisms within Government to increase our investment in global public goods, even though, as you have just said, the instinct of everybody is to

say, “We can’t do that on our own; everybody else has to do it too.” That is true and we need to work on that, but we have to get to work on this, because there are more and more global public goods that we need to invest in. The costs of failing to do so will come back to hit us in the future.

Jeremy Lefroy: The most obvious is antibiotic resistance.

Owen Barder: Antibiotic resistance is a very good example, and of course clean energy, agricultural technologies, health technologies, financial stability and information-sharing systems. There are institutions like the WHO doing disease surveillance. There are global public goods in which we are systematically under-investing. Not only is it not in our interest as humans, because it leads to human suffering, but it is not in our financial interests either. The costs of dealing in failure—and we often see this in domestic policy, as well as in international policy—mean it is better to invest in prevention than to have to bear the costs when things go wrong. This is a very good example of where we need to do a better job. That is not a crack at this particular Government or any previous Government. It is not a crack at the UK compared with other Governments around the world, but there are mechanisms to do this and we are just not spending enough money on it.

Q94 Hugh Bayley: I would like to pursue these questions about what DFID will look like in the future, in terms of its staff and its competences. You, Owen, note that it should be or could be doing more to broker partnerships to support the private sector and to innovate. What exactly do you mean? What is missing from the competences at the moment? If you were going to hire new people with these competences, where would they come from? What sort of people should DFID be hiring?

Owen Barder: Let me preface my answer by saying that I only have a rather indirect sense of what skills DFID is hiring. I know that they have done a lot in recent months and years to build up their capacity on private sector development, including bringing in people with more experience of project finance: putting together deals between the public sector and the private sector. That is clearly going to be an important skill to the extent that DFID is playing a role in co-financing public/private deals.

Q95 Hugh Bayley: Who would those people be? Bankers?

Owen Barder: These could be people who have experience of work in the City, people who have worked in development finance institutions, like the EBRD or the World Bank, or people who have worked in the EIB. These could be people who have worked in straight private project finance programmes—people who know their way around putting together a deal. I do not want to imply that these people are not already being hired by DFID. I cannot speak to that. It may be that DFID is doing a splendid job of bringing those people into the organisation. I suspect that, if they are, they have some way to go on it.

I also think it is important to ask, if you were now promoting a cadre of people to the senior civil service in DFID, would you be looking primarily for people with outstanding skills of project management, of aid management and delivery, which is an important skill set for DFID, or would you be looking primarily for people who are able to engage in

ideas-based leadership? If we are to persuade the rest of the world or the US that we need for example to reform international institutions or tackle problems with international co-operation, like on tax, watercourses or climate, is the skill set you are looking for delivery skills of the kind that would have been very important for the last 25 years, or is the skill set you are looking for something to do with influencing, networking, negotiating and using ideas and evidence?

Of course, the right answer is you want a bit of both in an organisation that is delivering an aid programme and delivering this broader agenda, but you need to be careful to be doing both and not to think that your primary business is managing an aid programme. If you think your primary business is managing an aid programme, then you will tend to reward and promote people who have skills in that area. That is discouraging for other kinds of people and those people will not tend to rise to positions of seniority. You need to manage both. I think DFID may well be managing both and doing both, but we need to be careful to make sure that they are developing both kinds of skills. There are some people who have both kinds of skills, and that is terrific.

Q96 Hugh Bayley: Maybe I can turn to Karen to ask some questions about the changing development landscape. The decade after 2015 probably will be the last decade when a DAC-type model of rich developed liberal democracies providing aid to poor developing countries will look like it looks now. I think particularly of the rise of the BRICS and the launch of a new Chinese development bank. How should DAC countries and how in particular should DFID respond to these challenges? Should we become an investor in the Chinese bank? The die is cast; the World Bank did not want it, but it is up and running. Would we be welcome? Why would a Tanzania go to the Chinese bank, rather than the World Bank or the African Development Bank?

Karen Jorgensen: One of the things that struck me in the survey that we just conducted was that the developing countries, and in particular the middle-income countries but also low-income countries, said that for investments they were looking to multilateral organisations. That tells us that they would be looking more at the World Bank and regional development banks for large infrastructure developments, but that they also like working with the new partners. Well, China is not a new partner, because it has had a development programme for 62 years now, I think. We keep talking about them as new development partners, but they are not. However, they provide a different kind of development assistance, which they were chided for, for many years, frankly, because they were so integrated. It was hard to see what was development assistance, what was commercial interest and what was government funding. Our members, I think it is fair to say, did not look on that as being particularly transparent or a good model.

More are beginning to look now at why that was successful, and we are getting more attention on blending and linking up different kinds of funding streams, policy advice or capacity building to get at more integrated models of delivering. What some of the partner countries have said is that they would like this kind of turnkey approach. They get everything and there are not many conditions attached. That is also something that our members have said: “We do want to be sure that there is attention to human rights and other global values that we have.”

Should we be financing a Chinese development bank? My answer would probably be no, but you might look at that differently. We should really be looking at what it is we have to offer that will go beyond funding because, as we progress, the great ODA portion will be increasingly less significant. We have to think about what it is we have to offer in different ways. We have talked about some of those already, in terms of the policy advice and the different kinds of development models that we have, and also learning from our own bad examples. We have learned a lot in the last six or seven years about our own economic issues. The model will change.

What do we have to do? We have to stay open to engage with them, which we are. The DAC has now, for the last five years, had a very good, constructive dialogue with China through the China–DAC Study Group. We are learning a lot about the approaches that they are taking in China to eradicate poverty domestically and looking at what we could use for the benefit of our members and their programmes. We are also working with China because they want to understand what we have done in our countries and what experiences we have to offer. That kind of dialogue is indispensable.

Owen Barder: It is very peculiar, faced with the rising powers, that we have systematically excluded them from the global institutions where we continue to exercise power, mainly in Washington. We have, as the Committee knows, promised them that, in return for more resources, they will get more voice. They have delivered more resources and we are stuck with Congress refusing to pass the necessary changes to give them more voice. We have resisted diluting our capital shares in multilateral development banks, not because we do not need a general capital increase in those development banks—we do—but because we are unwilling to share a voice with these countries that are willing to invest more into these international organisations; we are unwilling to share our power with them. That cannot be sustainable and sensible.

Q97 Chair: You say “we”; I think you have a specific we. What you are saying is that the UK could do more in that.

Owen Barder: Absolutely the UK should be doing more to build a coalition for shared multilaterals.

Karen Jorgensen: I know we are out of time, but I just want to say that they are systematically invited now to DAC meetings. We have, for the past couple of years, had South Africa, China, Indonesia and India—less so, I have to say. They are at our table. They are invited to participate in discussions. They are asked to offer a perspective and they do. Brazil has been there consistently and they do offer a perspective, from where they sit, both as a developing middle-income country but also as someone who provides development co-operation. We will continue to look for ways of getting that voice in at the more normative and policy-setting level. We are also inviting consistently now developing country representatives when we are discussing things like BEPS and other policy measures to get that additional perspective. This is how the DAC and the OECD will continue to evolve.

Chair: Thank you, both. I am sorry that time is against us but, if you reflect on anything you have said or that has been said and you want to give us any kind of supplementary information, we would be very happy to receive it, so please do. Thank you both very much indeed. I think it is been really helpful for all these issues.

Examination of Witnesses

Witnesses: **Gustavo Martín Prada**, Director, EU Development Policy, DG for Development and Co-operation, European Commission, and **Félix Fernández-Shaw**, Vice-Director Multilateral Relations & Global Issues, European External Action Service, gave evidence.

Q98 Chair: Apologies, gentlemen. I understand you have to leave at 12 sharp. Is that correct or do you have a little bit of flexibility? You have some flexibility. That would be helpful, because obviously we do want to give it some time. We have some difficulty with holding our quorum, but I think we will be alright. It is really important that we get to it. First of all, thank you very much indeed for coming; we do appreciate it. I wonder, for the record, if you could just introduce yourselves.

Gustavo Martín Prada: Good morning. I am Gustavo Martin Prada. I am Director of EU Development Policy in the European Commission.

Félix Fernández-Shaw: Good morning. I am Félix Fernández-Shaw, the head of division for development in the European External Action Service.

Q99 Chair: First, I wonder if I can ask you some questions about Ebola. It is very topical and, as you will know, our Prime Minister came back from the European Summit with an agreement that more should be done. What is your role in trying to ensure that we get both people and resources mobilised and quickly, so that the EU optimises or maximises its response?

Gustavo Martín Prada: I think both Felix and I are not directly involved in that, but let me tell you generally that, since the crisis started, there has been intense co-ordination in Brussels, both between different European Commission services, because it is the humanitarian aid department that is in the lead, and also our colleagues in the External Action Service and member states. You may have seen recently different meetings taking important decisions, including the foreign affairs Ministers' meeting last week, and the European Council a few days ago.

Most of the work that has been done was, on the one hand, to try to put together the enormous funds that we are now devoting to try to cope with this crisis. Our European leaders indicated a few days ago that we are going to put together around €1 billion for this crisis but, apart from that, there is a lot of operational co-ordination going on. The Task Force Ebola has been working in Brussels already for several weeks. This is hosted by the emergency response co-ordination centre, which depends on the humanitarian aid department in the European Commission. Last but not least, the last European Council decided to appoint a new European Commissioner for humanitarian aid as a co-ordinator of the whole EU and member states' effort in this crisis.

Q100 Chair: I do not know if you were aware that, when we did our report on Sierra Leone and Liberia, there was an issue about EU money that was supposed to be going into the health budget in Liberia but had not been passed through. Are you aware of that issue and, if you are, is action being taken to try to resolve it? Our understanding was that the money was given to Liberia to put into the health budget, but the finance Minister decided he had other priorities. In the circumstances, obviously we would expect health to be the priority.

Gustavo Martin Prada: I am not directly aware, but my information is that this is a sectoral health budget support operation and indeed part of it was paid. The other part was pending when you made that report, because several of the conditions of this budget support operation were not fulfilled. Taking into account the crisis, we had decided that all the money that still has to be disbursed in 2014 and 2015 is going to be advanced and is going to be paid before the end of this year.

Chair: It will be sent to the health sector.

Gustavo Martin Prada: Yes. Of course, in each budget support operation, there are different rules about how each Government Minister, finance Minister or sectoral Minister—in this case health—manages the money. Ultimately, we have to make sure that, if is money destined to the health Minister, it has to reach the health Minister—and quickly.

Q101 Chair: Thank you for that; that is helpful. On the more generic inquiry about looking beyond aid, how do you perceive the way that different member states approach it? What are the most effective approaches? You can name names, if you wish. For example, is legislation important, whether it is legislation to deliver on 0.7% or legislation focusing on poverty reduction, which we have here? When people are looking beyond aid in terms of policy co-ordination, who do you think does this well?

Félix Fernández-Shaw: There are many models in the member states. You have seen some of the evidence submitted on the different ways to categorise or classify these models. It is difficult to speak about who is more successful or who is better at doing things. What all the models try to do nationally is avoid a silo approach and silo thinking, and try to bring together experts and departments from different strands of government that can work together in trying to do successful and efficient aid spending, but also going beyond aid.

We have a particular model in the European Union, which so far has not been replicated. Just because it is original, it does not mean that it is better. It is a bit of a different kind of model, because we have a mix between the European Commission and the External Action Service. Whereas the European Commission and DG DEVCO, which is more the equivalent of DFID, is competent for development policy and the implementation of aid, the External Action Service helps DEVCO in defining development policy and in partnering development policy with foreign policy. Also, the European External Action Service is not the lead when it comes to country programming and, together with DG DEVCO, works together when defining the overall priorities in the next seven years to come. That is a particular joined-up approach between the foreign policy people, who I represent, and the development policy people, who Gustavo represents. At the same time, both of us are diplomats.

Chair: At the moment, you are being too diplomatic.

Félix Fernández-Shaw: He is a European diplomat from the European Commission and I am a Spanish diplomat, temporarily seconded to the External Action Service. In that sense, we try to bring both models together with some efficiency, I would say. It is to measure whether we are better than others. This is a model that is not replicated elsewhere but again tries to do what other member states are doing, which is to try to join up the Nordic model of many cabinet members with one single supporting service, but with a responsible cabinet member for development, which is different from Germany or the UK, which have a Department with a Minister. Regarding efficiency and success, it is difficult, but we are struggling with putting together people to mix and to try to join up efforts from both sides.

Gustavo Martin Prada: If I may add, there is clearly a wide variety of models, and not only in terms of structures—whether you have a separate ministry or whether you have development policy into the foreign affairs ministry and then another body that is implementing it. You also have models where you have development not with foreign affairs but with trade policy, as is the case with the Netherlands. There is a great variety of possible structures.

When it comes to looking beyond aid, which is the subject of your inquiry, and what we call in the development world “policy coherence for development”, there again it is not only so much a question of how many departments or ministries you have, or whether you have someone at cabinet level representing development, but also the many other issues that influence how much whoever is in charge—be it foreign affairs or development—can influence all the other departments in a government in order to produce policies that are hopefully positive for developing countries and certainly do no harm. There are issues of legal commitments there. In eight out of the 28 EU member states, there is a legal obligation to pursue policy coherence in this area. That means that in the vast majority there is not such a legal obligation.

Q102 Chair: Which countries have that?

Gustavo Martin Prada: It is in one of the submissions. I have the list; I can give it to you. By the way, in the European Union as a whole, we have in our treaties—so in our constitution—article 208, which obliges us to put in place a system to ensure this policy coherence. It is not only a legal obligation but, for us, a constitutional one.

Then there are many other cases where, instead of having a legal obligation to do that, you have a political commitment. There are different ways: it can be in development law; it can be in development statements that are made by governments. There you already have more than half of European member states where there is, in one way or another, a very clear political statement whereby, be it the Minister of foreign affairs or the Minister of development, when it is separated, they have the obligation to put in place a system to ensure this coherence.

There are many other ways of trying to ensure that this happens in reality. You have many member states, around half of them, where there are obligations to report to parliament and also to civil society about how effectively they are putting in place a mechanism to implement this coherence. Whether we are talking about legal political commitments,

structures or mechanisms, whether they are permanent or ad hoc, it is always a struggle, an uphill task, to try to bring together not only different ministries but different policy approaches that do not necessarily go in the right direction.

Just to give you an example from the EU, it can make eminent political sense or eminent development sense to provide trade advantages to a particular country, but then there are international legal commitments in the WTO that would not allow you to do so. It is not that people lack the will to co-ordinate and try to strive to get the best possible policy; it is that there are different policy objectives and different international commitments. Therefore, back to your question of whether there is an ideal structure, I do not think it is something that can be solved just by a structure or a particular mechanism. It is a continuous process of negotiation. Someone, at the end, has to arbitrate, which is unavoidable, contrary to the objectives.

Chair: It is just politics.

Q103 Sir Peter Luff: I can understand the reluctance of a diplomat to rank member states in order of performance and highlight particularly weak or good performers, but I must press you on the British performance. How good do you think the UK is at using a broad development approach? How coherent is our approach?

Gustavo Martín Prada: I am not going to give you my answer, but rather there are many peer review exercises being done, by the DAC, by measuring transparency, by measuring overall commitment to development in the Government. It is clear to me that DFID ranks very highly in all these comparative indicators and rankings. It is one of the most transparent bilateral donors and it has made, in the last few years, a lot of progress in trying to ensure coherence not overall but for different important issues in the development agenda. It is fair to say that DFID is considered one of the very good donors in the development field.

Félix Fernández-Shaw: If I may, not only in terms of efficiency but also in terms of co-ordination, DFID and in general the UK are always regarded as a very strong partner in bringing people together flexibly and responding flexibly.

Gustavo just explained about the Ebola co-ordinator in Brussels. Of course we are in a pre-adoption position; the new Commission will take up its office next week, but what is important—and this is the way in which the new President of the Commission wants to structure the whole work—is to create not only big structures that work on their strands but also are able to promote flexible project teams that can work on projects and can get together to try to solve the same kinds of problems from different angles. That is where the UK and DFID in particular, on many things, such as the work we have read and learned on the integrated approach in the National Security Council and others, does this very well in order to bring the development angle into the discussion, wherever that is needed.

Sir Peter Luff: All is for the best in the best of all possible worlds. There are no problems.

Félix Fernández-Shaw: We always have problems here and there. There are many, so we can always throw a nice little stone or have one thrown at us. One of the things on which

we are also working together is not only flexibility inside administrations but also flexibility to work across administrations. This is something on which the European Union and its member states are working together, and they are also out there in-country working together with the donors to try to bring together the Europeans and other donors to bring more added value. That is another flexibility test that we need to put, not only inside administrations but across administrations that share different ways of working into different countries.

Q104 Sir Peter Luff: We heard from our last witnesses that, where there is conflict in a country, we are good at bringing a whole-country approach—to Afghanistan or Pakistan; we were quite good at that. When there is not conflict, we are not. On some specific issues like climate change and corruption, we are pretty good. On issues, we are not. Do you really think that the British Government gets off as lightly as your last answer suggests? Is it doing as well as it could?

Félix Fernández-Shaw: We are all learning a bit. When the bell rings and you have to run, like with Ebola or other things, we all pay a lot of attention to the pressing issues. The countries you mentioned, the Afghanistans and Somalias, have pressing issues that all of us understand, both at the politicians and civil servants' level. We have to run, be efficient and be efficient quickly.

It is precisely in the countries you mentioned, where there is a more medium-to-long-term approach to many other policies, that we need to be very careful. I was just listening to the previous panel. Everybody these days talks, and rightly so, about China, India and the BRICS, which is the right thing to do.

Gustavo and I are also working on the post-2015 framework, together with DFID and with other member states, and we see every day in New York a host of other UN member states that are not the biggest and are not the poorest. They are well on their way out of poverty, like Chile, Colombia, Indonesia, Vietnam, the Philippines and Ghana, which are basically in the middle. The kind of approach that you are suggesting would certainly be beneficial for all of us. Our approach with them, not only from the development but also from the security angle—because there is no security angle to be had in Chile—is rather from the perspective of a more global discussion. That global discussion is to be had in New York and elsewhere, where these countries can also make a difference in terms of UN democratic legitimacy, because they can work, vote and work with us together to try to shape the medium to long-term approaches. That is about the combination of working in-country but also working globally with some of these countries that may help our approach.

Gustavo Martín Prada: If I may add something: of course, the main topic of this hearing is about trying to get coherence within the UK Government. It is our job, both for the European Commission and for the External Service, to try also to bring more coherence at the European level.

To give you an example, we have spent many years discussing how European and national institutions like DFID could work together in providing development assistance. After so many decades of discussion now, for the first time we have reached a point where the EU and member states, including DFID, are doing joint programming. We are devising the label, choosing different sectors, trying to have synergies and complementarities in over

40 recipient countries. In the past, each of us was working in 12 different sectors spreading scarce resources quite thinly sometimes, whereas now we have engaged. It was not easy at the beginning, but now it is starting to work and, in most important African countries, you will see that DFID, the European Commission and many other member states are doing a division of labour, trying to increase not only the coherence of what we do but also the impact.

Q105 Chair: Thank you for that. We are the only country in the OECD that has a separate development ministry and a separate cabinet Minister in charge of it. Do you see a difference in that? We operate first of all under our International Development Act, which has a focus on poverty. We have an Act of Parliament that has a focus on women and gender issues, and we have legislation going through enshrining 0.7% in law. From your perspective, is that something that you have noticed? Does it give Britain a different approach and different impact? You make the point that there are all kinds of different structures but, given that we operate in this way, does it give you a different sense of engagement from the UK compared with other member states?

Gustavo Martin Prada: As I said, I have no opinion on whether this structure is better than the other, but I can say that, with the current structure, DFID not only has a development policy that is considered one of the best in the world but also quite a lot of influence in other debates, for instance at the level of the European Union. We just mentioned the discussions on the post-2015 agenda; we may discuss later the Global Partnership for Effective Development Co-operation, which was agreed in Busan. We are now preparing the financing for the development conference in Addis Ababa. In all these fields the UK has a leading role. Although I do not want to say that this structure is better than the other, clearly the current structure is doing no harm in making the UK play a leading role in development issues.

Q106 Chair: Just added to that, since this Government came in, they set up the National Security Council to try to co-ordinate these things. The development Minister is a permanent member of that. Do you get any perspective of whether this kind of system helps improve co-ordination? From your point of view, do you get any sense of that?

Félix Fernández-Shaw: The other member state that I believe has a separate department with a separate Minister is Germany, which has the BMZ. Creating across-government structures like the National Security Council is always a good idea. We are in the Union, from next week, going to start recovering an old habit of the Commission—which is now joined by the High Representative Vice-President Federica Mogherini and the other Commissioners—to try to create a project team of Commissioners for climate change, for trade, for relics, for development, etc.

As your colleague was just asking, the National Security Council is a very security-oriented structure. It is very good in terms of approaching the needs of the UK and other needs, in terms of countries where there is a security issue and where security and development need to work together. That by the way is one of the things in which the European Union and DFID specifically are partnering, in trying to get peace and security into the post-2015 sustainable development goals, which would be a very important policy achievement.

However, there are other countries where security is not the main worry. There are others relating to climate change and trade, so other strands of government, where you do need to talk politically coherently across the foreign office, climate change, trade, migration, etc. These are words that need to be handled possibly in the same way as you handle them in the National Security Council, which is trying to merge. The Ebola co-ordination system that we have set up in Brussels is one of those; it is bringing people together.

This is where we have to learn in an increasingly complex world—we the politicians, we the civil servants—to pull everybody together to be able to deliver to you the best kind of information possible, so that people can take an informed decision. If you take a silo approach to the problems, you only get one angle on the issue. The right way of handling it in modern administration is partly to get people around the table with a pertinent angle or point of view to contribute to the discussion, so that the result of that discussion focuses on the right solutions.

In the Ebola example that Gustavo just gave, the Humanitarian Commissioner is going to be the Chair or the EU co-ordinator on Ebola, possibly because it looks like the humanitarian emergency kind of response is the core centre in Ebola. You would not just confront the Ebola issue with a humanitarian emergency response. Like you said, there are more long-term issues: to work on health systems in these countries; there are internal European, UK or whatever health issues you need to look into; and there are foreign office military possibilities that you need to work on. They need people who know about that and not only just the emergency people or the development people.

Q107 Jeremy Lefroy: In 2005, the EU made a solemn pledge that, by 2015, 0.7% of the GNI of the EU would be devoted to official development assistance. It seems quite clear that that is not going to happen. Has that pledge been torn up? Is it being ignored? What is the Commission doing about it? By my calculations, every year, Germany would be contributing an extra €9 billion; France would be contributing about €4.5 billion and other countries obviously more. The UK has taken that pledge very seriously. Other countries have not. Especially given what has happened over the past few days with the matter of a bill of £1.7 billion, are we going to expect the European Union to take as seriously these much larger sums that are being pledged and not coming forth?

Félix Fernández-Shaw: The first easy way out of the question is that the pledge for the 0.7% ODA commitment was of course a European pledge made by the European Council in 2005, but it was pledged by the member states. What we do, and this is probably what Gustavo will explain to you, is that we push, we corner, we kick. We can get aggressive or nice and tender, but what we try to do is have member states live up to their responsibilities.

If I may say so, you have done a great job in the UK in getting to the 0.7%. Others have. I think the Belgians have a law that obliges them to get to 0.7%, and the French are thinking about it too. What I have to say from the other side of the story, which is the global accusation that the European Union is not collectively living up to its commitment, is that by far we are the best performer. We are collectively above 0.4%, which is a pretty good score if you look at it in global terms. We are by far the largest donor in terms of GNI per capita, compared with the US, Japan, etc., which by the way do not have a pre-ODA commitment. They spend the money externally, and then they look at it to see

how much of that was ODA, which is a completely different approach from what we Europeans take.

Gustavo Martin Prada: I can add that of course you are right that we are not going to fulfil that commitment at EU level. There are a few member states, including the UK, that have achieved that. It is not going to happen overall. On the one hand, as Felix was saying, we are the best in the world in terms of development effort. We have increased to 0.43% in the midst of the most severe economic and financial crisis that we have seen in Europe probably this century.

In addition, every year, because you were asking what the EU is trying to do in order to push our member states to fulfil their commitment, we have imposed on ourselves an exercise that we call the accountability report, whereby we publish all details of not only what member states are doing or not doing in terms of official development assistance but also in many other areas that are linked to the financing of development agenda, which includes many other things apart from ODA. We impose this exercise, which is public, which then leads to member states at the highest level, at the European Council level, reaffirming every year that they intend to fulfil their pledge.

Of course, this is not happening in reality, but I have no doubts that, when we all go to Addis Ababa for the Financing for Development conference in July next year, there is going to be the solemn commitment of the EU to reach this level of 0.7% as soon as possible, although it will not be in 2015.

Q108 Jeremy Lefroy: What reliance will anyone place on that, given that there was a solemn commitment in 2005? France made the commitment to reach it by 2013; it is at 0.43% or something at the moment. Germany is actually even less than that. They said by 2015 and other countries have made similar commitments. I just wonder whether this does not derail the EU. I accept what you say about it being well above the US, which is 0.21%, or Japan and so on, but they have not made those pledges. We have as the European Union. Do you not think that it derails us or, in fact, that it was a stupid commitment to make because it was never going to be fulfilled? What sort of impact does that have? Are we going to get some transparency about it? Are we going to get the EU saying, “Yes, we made this pledge. We have not fulfilled it. That is a real problem, but we are definitely going to do something about it. We, or our member states, will fulfil it”?

Gustavo Martin Prada: I certainly understand your concern about our credibility when we face the new negotiations. Let me tell you, when you speak in the UN and in other international forums with developing countries about this, you would be surprised to see that most of them would tell you privately that they expected that, under the current circumstances, we would have reduced our aid. Of course, in public negotiations everyone is there to score points and we are going to be named and shamed for not having reached our commitment, but there is a clear understanding that, taking into account the circumstances, we have done rather well.

Secondly, we have remained committed to do even better. Thirdly, and this is part of the explanation of this, ODA has become less important for most developing countries. For most developing countries, perhaps with the exception of the poorest of the poor or the least developed countries, ODA has become a very small part of the story of their financing. For most of them, what the European Union has done in terms of trade policy,

which we call Everything But Arms—full access, tariff-free, quota-free, for all products coming from the least-developed countries—is far more important than having reached 0.43% or 0.54%.

I mention trade policy just as an example. If we manage to implement the commitment we are taking in the G20 to reduce the cost of remittances, just a reduction from around 12% today to an objective of 5% in the G20, and even less—3%—in the post-2015 framework, represents probably as much money as the total ODA from Europe, out of a volume of around 500 billion.

There are many other things that are on the table and, therefore, although we accept that we did not deliver on the promise, I do not think our credibility has suffered so much because, in the meantime, we have done many other things that are as important as ODA, and also because we continue to commit to that goal. It is not that we have abandoned it or that we are now saying that ODA is no longer so important; therefore, this commitment is not important anymore. We are not saying that.

Q109 Jeremy Lefroy: I understand that, but the problem with you making these other points, which are absolutely vital and important—about trade having, in many ways, a much greater impact on other things—is it is therefore taking the heat off countries to live up to their commitments. I was just getting the sense from what you were saying that, yes, 0.7% is something but, actually, these other things are more important and, therefore, the 0.7% does not particularly matter. It would be a great concern to the United Kingdom if that was what was coming out of the European Union: “Actually, we are about other things that are very important. We are going to concentrate on them and let countries off the hook from their pledges.”

Gustavo Martin Prada: Be reassured that this is not what I am trying to say. We still believe that reaching 0.7% is important and it is an obligation we have. We will continue, from the European Union point of view, to push our member states in this direction. We are certainly not planning to abandon or to downgrade this commitment in the future.

Q110 Jeremy Lefroy: Finally, from some of our visits to developing countries, we sometimes have the impression that DFID and the EU do not necessarily work together in-country as well as they might do. Is that something that you perceive or is that a false perception? If it is correct, how do you think we could do better?

Félix Fernández-Shaw: We started talking a bit about the issue of joint programming. We have launched, together with DFID and other member states, a joined-up approach in certain partner countries, whereby we try to sit together with the partner country or the European donors and talk to each other, so that we avoid risks of duplication and we look at each other’s portfolio, which is something that surprisingly did not happen before. It is happening now rather case by case, but we are very happy to promote that case by case. It happens locally at country level, where it has to happen, because people who work there know better what is happening or what is going on—the political, economic and social issues at local levels. It is happening a bit more.

Of course, in some places, DFID has a very important presence as probably the first or the second European donor in most of the places where DFID works. Therefore, we have to work with them, because the European Commission or European Union is also, in most of

the places, the first or second European donor. Yes, there is sometimes a little competition. When you are at the top, you have a little competition, but that is not necessarily wrong. It happens and it just needs a lot of people to get used to working together locally. So far, we are quite happy with the advances that we have had.

If I may just bring you back to the question you were asking before about credibility and Gustavo's reply, Gustavo and I are working together on the post-2015 negotiations. Sometimes we see things from the tactics of the negotiation, rather than the substance. The substance of the negotiations is, yes, the European Union will promote and defend 0.7%. It will try to push the member states. Some of them are in a reasonable economic situation; others are in a more difficult economic situation.

What we also have to realise is that the world of 2005, when we made that pledge right after the 2000 millennium declaration, right after the millennium development goals, is a bit of a different place. All the submissions that we have read have witnessed that. It is a different place from the one we have today. We have big emerging economies that can contribute, not ODA, but a lot of other things that are completely different but as influential and as determinant in the world's development as the ones we provide.

From a tactical point of view but also from the situation of universality, which post-2015 also promotes, we are looking together at how these other emerging economies, these upper-middle-income countries, which are a good way out of poverty, can contribute and contribute globally. We have gone through this crisis. We have seen that we are not as a group the richest. We are probably the richest in veteran richness, but we are not the richest anymore, and then we need to mobilise funding from across the world without undermining our own pledges for financing.

Gustavo Martín Prada: If I can give you an example that our colleagues from the OECD know very well, in the past we used to have, in successive conferences in Rome, Accra and Paris, a growing agenda on aid effectiveness. We continue to think it is very important. However, since Busan, so that is three years ago, when you see the discussions that we are having in these forums on development effectiveness, it is a completely different world, and not only because you have new actors, new donors and new instruments; it is just that the agenda has changed.

Justine Greening was co-chairing this global partnership, and there was another co-chair from Nigeria and another one from Indonesia. The whole discussion we had there was about how to help developing countries increase domestic resource mobilisation, not only in taxation but illicit flows, recovery of stolen assets, the role of the private sector, south-south co-operation and knowledge transfer. There was very little discussion about ODA. Of course, ODA can be useful for other things and it certainly has a catalyser effect. We should be devoting more ODA for instance to help developing countries increase domestic resource mobilisation, but the world has changed and the priorities in the discussion have shifted.

Félix Fernández-Shaw: An additional point on what we are going to do for 0.7% is I would probably ask you. You would be very useful in going to development committees similar to yours, in Paris, Berlin, Madrid or Rome, and telling them what you are doing for this commitment.

Chair: We have tried that.

Félix Fernández-Shaw: This is what we are also saying to the parliamentarians in Brussels. Budgets are voted in parliament. If these five countries did only 0.5%, we would see €50 billion a year in ODA, which is not unreasonable. The UK holds a very legitimate position to say, “It is not an easy world out there; we are struggling to do that. What are the rest of you doing?” What is the Spanish development or the Italian development committee doing with the finance or budget committee of their parliaments to spur some sentiment around the 0.7%?

Q111 Jeremy Lefroy: I fully understand that and appreciate what you are saying. I very much agree with it. The European Union often makes a mountain out of a molehill, as we have seen in the last week. A massive amount is made out of this budget issue and not enough is made out of these much more important global issues.

You say that ODA is not the main thing anymore, and I understand that. I chair the all-party parliamentary group on malaria and neglected tropical diseases. The amount of money that we need to tackle malaria and probably eliminate it by 2030, as far as we can, is \$5.1 billion a year. At the moment, there is a total going into it, including from endemic countries, of about \$1.9 billion. That is a huge increase on where it was 15 years ago, thanks to the Global Fund, the US, the UK, France and many others, but there is a gap of more than \$3 billion a year. You just mentioned €50 billion just by a few countries getting up to 0.5%. These are the things that ODA is needed for. I mentioned in the previous panel antibiotic resistance—a huge threat. It would make Ebola seem minor, however tragic Ebola is. This is a real massive problem that we have to overcome.

For instance, a fund like the Medicines for Malaria venture, which has been extremely successful in bringing forward new antimalarials, has depended on ODA. It has not depended on trade liberalisation. It has not depended on new forms of financing. It has depended on ODA. These are the kinds of things where we need that additional money and where the European Union can play a major role. That is why I am a bit concerned if the rhetoric coming out of the EU is somehow that the ODA thing is not quite so important. Actually, without hard ODA money that subsidises things the market will never do—the market will never produce something for malaria or something for Ebola and antibiotics—these things will not happen.

Gustavo Martin Prada: I think we absolutely agree. When I say that in these international discussions we are spending much more time talking about other things, that does not mean to say that ODA has become a non-issue at all or is irrelevant. On the contrary, the most difficult development challenges ahead of us are going to be in countries that are least developed, fragile and in conflict. For all these countries, ODA will remain essential for decades to come.

To use your example, when it comes to funding public goods, including vaccines and many other things, ODA can simply not be replaced. There is no alternative. It is not going to be trade and investment or private foundations that are going to deliver the amounts of money that are required for many of these issues. There is no disagreement. I am just saying that more and more ODA will be channelled to global public goods and fragile countries. It is not going to be channelled to the Chinas, Indias and Brazils of this

world, but it will remain vital for those countries and, therefore, we need more ODA and not less. We also need ODA that is spent more effectively.

Q112 Jeremy Lefroy: Just moving on to the new Commission and the fact that the new Commission has established a new cell of EU officials on external policy and the five priorities—trade and finance, climate change, food security, migration and security—what do you see as the value-added of the European Union as a beyond-aid actor compared with bilateral donors? For instance, if I take one example, we have seen ECHO being quite an effective organisation in the past. Are there any other areas in which you think that EU aid can add value in a similar way?

Gustavo Martin Prada: If I understand correctly, when you referred to these five priorities, these are the priorities that have been identified as key for our domestic internal procedures for policy coherence. It is not that they are priorities overall.

Jeremy Lefroy: They are absolutely core to development policy.

Gustavo Martin Prada: Absolutely. I have to say that, when it comes to policy coherence for development, the system we have put in place at the EU level—it is fair to say that I speak under the control of my colleagues from the OECD—is one of the most developed and sophisticated systems that you can find.

I mentioned before that we have included in the treaty a legal obligation for us to screen any initiative, legislative or otherwise, which goes to our Council of Ministers. At the very beginning, we have to do an impact assessment to see whether it is going to have an impact on developing countries or not. That is at the beginning. Of course, to do that properly you need sufficient research and evidence-based analysis. I am not going to claim that we have reached a satisfactory level there, although we are working very hard to change our toolbox to do that better.

The second step is that we have a whole set of inter-service groups within the Commission and with all member states to see different initiatives, different new policies and all of them being discussed with a policy-coherence-for-development lens. We have quite serious reporting, and some of you have commented on our report, which we do not only for the EU but also for our member states. Our European Parliament is extremely vigilant in the area of PCD.

In that framework, because there are so many things going on in the EU and member states, we have decided to put emphasis on these five priorities that you mentioned. When you look at the report, we carry out many other things besides these five priorities, and I think we can all agree that trade finance, climate, migration, security and food security are very relevant development issues. The system is not perfect. We have all the machinery there to do it. We spent a lot of effort and time trying to perfect the system, but we have one of the most ambitious systems in the world.

Félix Fernández-Shaw: Let me add an additional point. We also have one of the biggest diplomatic networks in the EU delegations. We are present in many countries. I am not sure I know the exact data, but it is over 130 or 140. In those countries, we have a very co-ordinated approach, because Commission officials work all together under the head of delegation, which is the ambassador, and they also have strict instructions from us,

because it is basically Gustavo and I instructing them, also to look at policy coherence for development at country level and to try to join up all these strands of European Union work in that country, including by working with the member states. By virtue of the Treaty of Lisbon, the EU delegations were also given the role of the local presidency. They are the ones chairing the groups, co-ordinating the meetings and getting requests and demands from member states to introduce certain issues. They are the ones in charge of putting together all the strands of development locally. That is another piece that contributes to that.

Q113 Jeremy Lefroy: Just one final thing, Chair, if I may: given what has happened in the last few months and the real concentration on global public goods in health particularly, would the EU be considering including that as another strand or does that come as a very important part of the existing strands? It is something that affects EU countries and affects countries around the world.

Gustavo Martín Prada: I cannot make any promises, but what I can tell you is that we review these priorities periodically. It is not something that the EU decides in itself; we discuss and agree this with member states and with the European Parliament. There is nobody out there denying the growing importance of health issues in developing countries. Clearly health issues will continue to be monitored. Whether they will make it to the five priorities or not, I do not know. Maybe in the future we will have more than five priorities. I do not really know, but we are all aware of their crucial importance. Unfortunately, the Ebola crisis is just the last reminder of their importance.

By the way, we are now concentrating on coping with the urgency of the humanitarian and health crisis, but we all agree, as was said before by previous speakers, that what the Ebola crisis shows is a lack of long-term investment in the health sectors in these countries. Therefore, all of us who are in the business of providing development assistance will have to pay special attention, not only in these three countries but many others, to building resilient and universal health services. There is still a lot that remains to be done there.

Chair: It has also forced co-ordination across a whole range of Government Departments, from health, development, foreign affairs, defence, transport and the Home Office. In one sense, there might be a legacy, both in policy coherence and in ensuring that what we do leaves better health systems behind than were there before.

Félix Fernández-Shaw: If I may, one of the temptations we all have in modern administration is we have a health issue in West Africa, we have Ebola, and then we have long-term health system development. One of the problems we would have is that we all now rush to do health in West Africa. What we would probably try to foster from the European Union is a bit of light co-ordination to make sure that, all of a sudden, not everybody jumps into health in West Africa. We have done our programming; DFID has done their programming; others have done their programming. All of a sudden, you need to change all your education experts.

The French have education experts in West Africa; now they need to change them to health experts. That takes a long time. Maybe some of us are already present in health and some of you are not present in the health sector. It does not help if DFID is not present in health in Guinea-Conakry and all of a sudden jumps off the boat and goes to health in Guinea-Conakry. They may or may not have been there; I do not know, but say

they do not have health experts. Maybe the Germans and the Dutch have health experts in Guinea-Conakry; it is better that we help them with technical assistance to do a better job in Guinea Conakry's health system.

That is the bit that we try to do at local country level with the joint programming. We can do it also with Ebola. We try to see who is best placed to work in health. We all agree there is a need for long-term development assistance in health in this region. All of a sudden, we are not all going to learn French, learn English or go to countries that we ignore as donors and jump into a health sector that we possibly do not know a lot about in that particular country.

Chair: That is eminently sensible, I would say. Can I just reinforce the point that Jeremy Lefroy is making about the 0.7%? It is just worth making. We made this commitment at a time when our economy was in much the same state as other economies are, and when our deficit was worse than anybody else's. I do not think people should turn around and say, "The UK's economy is looking quite good." These commitments were made and delivered when it did not. I do not think that would be a valid excuse for any other country, to be honest.

Jeremy Lefroy: Just to come back on that last point, I entirely agree and accept what you say. That is absolute common sense. What I think I am trying to get at is that, in the previous panel, Mr Barder produced an article from 2005, from *Nature Medicine*, saying basically that there is an Ebola vaccine that could have been developed by 2010, but it was not because the money was not available. We need to make sure that those kinds of warnings are heeded and that we never allow this situation to happen again. That is why I am talking about a much longer term approach to global public goods in health, which seems to need to be within one of these priorities of the EU, because it affects all member states, or a separate priority because it is so important. We have been given clear warnings on antimicrobial drug resistance by a lot of people, not least our own Chief Medical Officer, Dame Sally Davies, and many others. This is an area where, in talking about beyond aid, the new Commission could really make a difference, if they made this something that the EU was going to work together on, in the same way as we have done globally on, as I said earlier, Medicines for Malaria and other diseases. That is what I was trying to get at.

Chair: I think that was a comment.

Q114 Sir Peter Luff: I think we have started moving into the area I was going to ask a question about anyhow, but with the representatives of both the External Action Service and the DG for Development and Co-operation, I wanted you to have an opportunity both to boast and to look into your hearts deeply and examine your failings. Where do you think you have been particularly successful in achieving EU policy coherence between your two areas of activity and where have you particularly failed? Can you give me a specific example for both? You can start with the good news or the bad news.

Félix Fernández-Shaw: We have succeeded in coming together today on the same train. I had to change my train to join his.

Sir Peter Luff: Transport is a big failure, okay.

Gustavo Martin Prada: Let me tell you frankly I have been dealing with these issues for the last three or four years. Let me give you what I think are good examples. I have gone through all this machinery that I described before, and the outcome was better for developing countries than at the beginning.

One is what we call country-by-country reporting. There was a long discussion about the reporting that multinationals have to do in the EU about their financial dealings with their partner countries. The end result was much more ambitious than at the beginning of the discussions. We have managed to match the level of ambition of the American legislation there. That was a direct result of this policy coherence mechanism that we have, whereby the development people—us—have to impress upon our colleagues dealing with financial and corporate matters the necessity for these companies to report all their financial dealings with developing countries, which of course has to do with tax evasion but also with corruption and others. That result was pretty good.

Another recent example, where we had a long discussion, has to do with conflict minerals. There we have managed, together with our colleagues dealing with trade issues, to put in place a system to report operations on conflict minerals that, although voluntary, includes a commitment that this system will be reviewed after three years and may become compulsory. These are examples of small victories, technically, that when you see from the inside have been, in some cases, an uphill struggle in order to reform these policy initiatives to make them more development friendly.

Q115 Sir Peter Luff: Where would you like to achieve more? Let's put it that way. Where would you like to have done better still? Where frustrates you with that question of greater coherence?

Gustavo Martin Prada: For instance, we have been criticised for a long time, and I think rightly so, especially by developing countries but also by other people, about our trade policy or our agriculture policy. When you look at the reforms that have taken place in our Common Agricultural Policy, we are in a position today so that, in the post-2015 negotiations, there is a target for the elimination of trade-distorting subsidies. We can live with it, whereas our friends in the US cannot. Yes, our Common Agricultural Policy has never been very popular, not only in London but in most countries in the world, but it has been reformed, it has been improved and now it is considered to be no longer trade-distorting against developing countries.

It is the same for our trade policy more generally. We had discussions for many years about the wisdom of having what we call economic partnership agreements with African countries, with ACP countries, but we have to do it because we are obliged by the WTO. I am happy to report that, in the last few weeks, we have almost concluded these negotiations and we are now going to have in place agreements that we think are going to have positive effects on developing countries, including promoting their regional integration.

As I said at the beginning, it is a long process; it is an uphill struggle. The objectives of trade policy are not necessarily the ones that we would like. They are there because there are important economic interests in our dealings with the countries, for instance in the negotiations now with the United States. This is not about development policy per se, but it is our role and we have put in place all this machinery in order to be able to influence

those processes and hopefully the outcomes in a direction that is more development friendly. Are we there yet? Are those results ideal? No, far from that, but we continue to try. At least we have all these systems that allow us to do it.

Félix Fernández-Shaw: One of the places where we need to improve collectively, not only the External Action Service and the European Commission but also the member states, when working on foreign policy or external action is to understand that the European External Action Service is created under what the Lisbon Treaty calls the common foreign security policy, which is an intergovernmental thing, whereas the European Commission and development policy works on what we call the community pillar. We, the European External Action Service, were given responsibility for the overall programming exercise, particularly in-country. There we have worked together; we have done a pretty good job.

At the same time, we need to work together better with member states because, as you know, the European External Action Service is made up of diplomats like Gustavo and diplomats like me, coming both from the Brussels institutions and the member states. That is where we need to work a bit better in order to improve the impact of European aid: all that ODA; all those billions that we spend every day. We try to make them leverage a bit more value for money for the policies and the values we stand for, but also to try to improve our relationship with the partner countries.

Secondly, I would say that we have done a lot of work in putting together strands in conflict and fragility, in working together between the foreign policy security people and the development people, to try to join up. DEVCO has a dedicated unit for that, as much as the EAS as a whole, the Directorate and the whole administration department for that one. We are not working as formally as the UK's National Security Council, but we are working in getting people together more. We do not have as yet, and the UK does not either, a more comprehensive approach not only to countries in conflict and fragility but to the other kinds of countries where we have European interests. Part of those are development interests, but we have other interests, and we have to combine those together with the member states in having a European attitude towards those countries, so it is a whole-of-government approach.

Q116 Sir Peter Luff: Can you give me an example of where that has worked well in practice that you are proud of?

Félix Fernández-Shaw: I was trying to say that I am not proud of anything, because we do not have one. That is where we should tend to go. We have done some of that, for example in the Sahel strategy. We have done some of that in Afghanistan. We are starting to do a bit of that in Myanmar and I think we are starting in Somalia and Ukraine. You see, some of these countries are countries where you have a certain kind of urgency or post-emergency situation.

I would also like to see not only joined-up approaches between security, foreign affairs and development, but also other kinds of more peaceful-situation approaches, where we look more at migration, trade, energy, development, health, food security and more global kinds of approaches, which we can share not only at the European level but also with the member states. Much of the feedback we get from our diplomats and from yours is that, when you are abroad sitting in a distant part of the country, as Europeans we tend to look a

lot alike. When you look at us in Brussels, London, Madrid or Paris, we all see ourselves as the different members of the neighbourhood. When you go to Africa or to South East Asia, you tend to see the Europeans in a similar kind of boat.

Chair: Thank you very much. I think you have actually demonstrated the value of having co-ordination, even if it is a struggle to get it. Indeed, the idea of 28 member states not co-ordinated is not going to be good news for the developing world. However difficult it is and however challenging it is, individually within single states we have to try to be more coherent. Somehow, we have to ensure that that all fits together. Good luck for the job that you have in hand, and thank you very much for coming and giving us evidence. It is really helpful for us to get a perspective, because the aid perspective is changing pretty rapidly. We all need to think about the next five, 10 or 15 years, as Jeremy Lefroy said. It is no longer just about delivering poverty reduction and humanitarian relief, but how you change the rules of the game, so thank you very much indeed.