



International Development Committee

Oral evidence: [Jobs and Livelihoods](#), HC 685

Wednesday 28 January 2015

Ordered by the House of Commons to be published on 28 January 2015.

Written evidence from witnesses:

- [Department for International Development](#)

Watch the meeting: [Wednesday 28 January 2015](#)

Members present: Rt Hon Sir Malcolm Bruce (Chair); Fiona Bruce; Pauline Latham OBE; Jeremy Lefroy; Sir Peter Luff

Questions 186-238

Witnesses: **Rt Hon Justine Greening MP**, Secretary of State for International Development, **Alistair Fernie**, Director, International Finance, DFID, and **Stefan Dercon**, Chief Economist, Research and Evidence, DFID, gave evidence

Q186 Chair: Apologies for the distance, but this was the only room available. I think there are road works down the main road, which are causing problems with the other Committee rooms. Thank you very much for coming in to this last session of our inquiry into jobs and livelihoods. Secretary of State, I wonder if you could, just for the record, introduce your team.

Justine Greening: Thank you very much, Chair. Obviously you know me; I am Secretary of State for International Development, Justine Greening. I will ask Stefan Dercon to introduce himself.

Stefan Dercon: I am Stefan Dercon. I am the Chief Economist at DFID.

Justine Greening: We also have Alistair Fernie.

Alistair Fernie: I am the Director for International Finance.

Q187 Chair: Thank you all very much indeed. Obviously you will know that we have set out on this inquiry and we have called it “Jobs and livelihoods” not least because, in sub-Saharan Africa, the general view is that the creation of formal jobs is unlikely in the short run to be a major contributor, although we do want to explore what contribution formal employment can make. Therefore, it is about improving the incomes and the livelihoods for what people do, whether it is in agriculture, added-value services or whatever it may be. We as a Committee have made it clear that, if you look at the successful countries that have come out of poverty, it is the expansion of the private sector, and the development of jobs,

livelihoods and employment in that territory that have been the main factor. We are in favour of that. The question is: to what extent aid and donor support can deliver economic growth and development, and what evidence there is to suggest that they can.

Justine Greening: First of all, Chair, thank you very much for running this particular inquiry. I am extremely supportive of the work that the Committee is doing in looking into this area, because it is something that I personally care very deeply about. Indeed, since coming into this role, it is one of the areas within the Department that I have sought to increase our effort and attention in to see what more we can do.

Wherever I go, particularly in sub-Saharan Africa, when you meet with the leaders of those countries, they are passionate about the need to create jobs for that young generation that is growing up in those countries. A World Bank report over the last couple of years talked about us needing to create 600 million jobs globally by 2020 for that young working-age population that is coming through, and many of those jobs will need to be in parts of the world like Africa. You are quite right, Chair, to say that at the moment only 16% of people in sub-Saharan Africa would have work that is waged employment in either services or industry. By far and away, most of them are working in the informal, perhaps the rural, sectors of their economy and many of them, although they are in work and having a livelihood, are still living in poverty.

I have really been determined to make sure that my Department can develop the most coherent, the most focused and the most ambitious approach to economic development that we have ever had. That has led us to begin a transformational change in the Department, a cultural change and also a cultural change amongst the partners that we work with. In terms of what we have been doing within DFID itself, we have reorganised; we have created a new Directorate that brings together five old parts of the Department under a new Director General. We have brought in fresh skills. We have brought in new diagnostics, so that we can understand what the economic development needs are in countries, and I am quite happy to go through how those work in more detail. We have increased overall DFID's focus on economic development. You will be aware that we are upping our investment; it will have doubled to £1.8 billion in the coming year. That sits along all the work of CDC and some of the existing mechanisms we have already set up, for example like PIDG, which already deliver.

This is a really exciting time for the Department. It is a challenging time, but we are absolutely right to now much more strategically step into this area of economic development. It is one that for a long time developing countries that we work in have wanted us to play a bigger role in; it is now that we are really starting to help them on their growth path. I can talk further about the strategic framework that we have brought in place, which looks at broadly improving international rules, supporting the enabling environment, looking ahead to help jobs being created, looking at capital trade and markets, engaging businesses domestically here in the UK but also overseas, and then this important part of making sure that growth that is taking place is inclusive, that it lifts the maximum number of people out of poverty, but also that it reaches particularly women and girls. I would really stress how inter-linked I see these two different elements of the Department's strategy.

Q188 Chair: Members of the Committee will want to pursue some of those points, so I will let them do that when we get to those questions. In one sense, it is not entirely new. Looking back, in 1990, 82% of ODA was spent on agriculture, industry and economic infrastructure in the private sector. That was 25 years ago. We have gone through a phase of

saying the way to stimulate development is to provide the public services and that sort of infrastructure, and somehow the private sector will ride on the back of that. What is different about it this time and how do you think DFID compares with other donors? Obviously some of those are our partners, like the World Bank and other bilateral donors. You have said you are creating a new Department, you are beefing it up, you have revamped CDC, something this Committee not only recommended but feel we helped to drive. We are supportive of all that, but what is going to be different this time from those kinds of focuses that have happened in the past?

Justine Greening: You are right to say that the focus had shifted away from economic development perhaps over the last 15 to 20 years. What we are seeking to do is get back that balance that is required. If you are going to invest in the health and education systems, and see those numbers of primary children in school and have countries in a position, first of all, to continue that, but ultimately to be aid-independent, then increasing the work that we are doing on economic growth is absolutely vital.

The country poverty growth diagnostics that we now use within the Department, which enable us systematically to look at countries' overall development—not just their investment in health and education, and water sanitation, but also their economic growth—are telling us is that we need to do more work to support them as they are going through their economic growth transition. We can see that with our own eyes: there has been growth taking place in some countries that has not lifted people out of poverty, whereas in other countries, for example China, it has been a key driver in lifting huge numbers of people out of poverty and improving their day-to-day lives.

What will be different about this push is, first of all, it will have some sustainability to it; secondly, it is coming at a time when it is badly needed; and thirdly, it is complemented by an overall sense in the broader development community, particularly with the World Bank with which we now have a strategic partnership on these sorts of economic development projects. They themselves are ramping up their work in this area and it is very welcome.

Q189 Chair: We have a debate this afternoon and I notice that, in advance of that, the Opposition has criticised the £1.8 billion funding, saying that they feel it is at risk of being wasted. Now, there may be an ideological problem there; let us acknowledge that. Can I put the question slightly more positively? Are you satisfied that, having increased it to £1.8 billion, you will find first of all enough viable schemes or programmes to engage in, and also that you will be able to measure what you have achieved?

Justine Greening: The short answer is yes, we are. When we went out to our country programme officers and asked them to have a higher level of ambition on economic development, they came back with way more proposals than we can actually fund with that £1.8 billion. In terms of understanding what we want to achieve with it, we already have a broad span of work that, as you say, has gone on in the past across a whole range of areas, which we can learn from. We do have an evidence base that can give us a clear sense of where we need to invest, but also some of the ways that we can do that sensibly.

There are some areas where we want to get stronger evidence, where we want to have more robust indicators, but I am absolutely confident that, not only can we scale up our investment in economic development, but we can do that in a way that really does drive results. It is fair to say that, in this current year for 2013-14, we will already have got up to a spend of just under £1.3 billion, so that transition is under way. I do not know

whether, perhaps at this point, it might be worth asking Stefan Dercon to give his sense, as our Chief Economist, about the level of demand there is and the need there is for this shift towards economic development.

Stefan Dercon: Thank you very much. It is important to realise that we live in quite a different world from 20 years ago as well. The relative emphasis that development experts are now putting on the real importance of many of these basic health and education indicators is really important. We are coming up to 2015, where quite a lot of countries have been achieving really dramatic progress in health and in education as well. We are getting now a huge generation of young people coming on to the labour market who do need to be absorbed. That is a very different situation from 20 years ago.

In that sense, that is where demand comes from in all the countries. They recognise that these other sectors remain important, and also for DFID they will remain, but there is an extra impetus to try to promote that shift further. What we are also responding to is not just us changing, but trying to respond to the needs and galvanising support among other players in this whole environment.

This is not going to be easy. Stimulating growth with aid is not self-evident, but the Department has quite a good record, even before the shift, to work around lots of specific things around the enabling environment and working with policymakers in the international space. In many ways, this is scaling up some of the things we were doing to go to a larger scale with a real ambition of trying to deliver more of that transformation, the actual job creation that is needed and the income opportunities that are needed. There is a clear evidence base and a demand that it is something worth doing and I have no doubt that there are plenty of great opportunities to do so, within a balanced portfolio, where we leave some of that good work we have done in other sectors there as well.

Chair: You will see from our reports on private sector development, CDC and future development finance, and then next week you will get our “Beyond Aid” report, that there is no disagreement between the Committee and the Government about the objectives. It is really just trying to focus on how it is going to happen, how quickly and how we will monitor. Can I bring in Jeremy Lefroy?

Q190 Jeremy Lefroy: Good afternoon. How is the focus on economic development going to fit in and how is it fitting in with the equal focus on work in fragile and conflict-affected states?

Justine Greening: That is a really good point. Indeed, there is an obvious crossover, as Stefan says. The broader point I would make is that economic development is important for stability. We have a whole generation coming through who will want to have some opportunity to reach their potential and to lead fulfilling lives, which includes, as it does anywhere in the world, having the chance to have a job.

If you look at some of our programmes, for example in DRC, part of those country programmes involve improving livelihoods, specifically in order to address instability risks. There is no doubt that it is more challenging. Indeed, one of the things that we have done is to try to challenge CDC, change its investment remit and strategy, to target it more on fragile and conflict states. If you look at some of the work that we ourselves have done within the Department, particularly on making finance available to SMEs, we have a very

successful programme with the International Finance Corporation that outperformed our expectations on driving that finance to SMEs, but in fragile and conflict states. It is certainly complex. Driving economic growth is possibly the hardest area you can focus on, but it is something that the Department does have as part of its overall portfolio of work.

Q191 Jeremy Lefroy: The ICAI report on Afghanistan, bilateral growth and livelihoods projects there, was fairly critical and said that it lacked strategic coherence. It recommended that, in future, the Department focuses strategy solely on poverty reduction. Now, given that I somewhat question how you can focus on poverty reduction without tackling growth and livelihoods, what would you say to that particular programme in Afghanistan, where it seemed to be very difficult for us to achieve our objectives?

Justine Greening: We did reach many of our objectives in relation to the country programme effort in Afghanistan. It is probably one of the most challenging places that we can try to do development. In many respects, it represents a good example of where we have successfully focused on economic development and driven job creation not just through working with companies to help them develop. When I visited Afghanistan, I had the chance to see for myself some of that work and visited, for example, one of the companies that we helped get going.

Secondly, we have done investment in vocational skills, which has led on to—I think I am right in saying—over 10,000 jobs, in terms of people being able to go on and get into work. The other piece of this, which is more around supporting the enabling environment, is to work with the Afghanistan Government to invest in building up their tax capability so that, as growth takes place, they can reap the benefits of it. Through that work, we have seen their tax revenues go from an original base of just \$200 million to now, I think I am right in saying, as of about 2012, \$2 billion. That is an example of a very challenging country, where we are working, where we have, in spite of those challenges, absolutely managed to drive an economic development agenda.

More broadly, there is a regional aspect to that, which is now seeing Afghanistan and Pakistan look at economic corridors, investment in energy and infrastructure, which really could unlock a much broader growth rate if they can collaborate on those sorts of programmes. Those are happening through the World Bank. We are supporting the World Bank in those programmes. The one I have in mind is called CASA-1000. It represents this broader piece of work that the Department is now involved in.

Q192 Jeremy Lefroy: There is a tension here, is there not? On the one hand, we have quite clearly the role of DFID to ensure that every penny of taxpayers' money is well spent, as your predecessor so eloquently put it, and yet, if we work in both fragile and conflict-affected states, and in the area of economic development, it is inevitable that some things, at some time, will go wrong, because these are risky areas. How ready are you to take those risks, which may mean that there have to be write-offs, because a project has gone wrong, either because of the nature of the state—that it is fragile and conflict-affected—or the nature of the activity, because it is related to economic development and not everything in economic development goes right, as we know, both having worked in the private sector?

How ready are you to take those risks and face the inevitable criticism, which comes from sources that are perhaps either hostile to international development or politically motivated?

Justine Greening: I will ask Alistair Fernie to follow on from my comments. Overall, key to managing those risks is, in the first place, to manage them down as far as we possibly can. That means having a clear structure by which we identify what the needs are in relation to economic development of a country and then where DFID particularly can play a role with the Government in working on addressing those needs. We need to work in the right ways in the first place.

Secondly, in relation to the business environment, we would always have due diligence underpinning any programme that we are involved in. Some of the comments you have made in a sense could be addressed to any of the programmes in some of the challenging countries in which we work, whether it is Jordan or whether it is doing work in Afghanistan. We simply have to do what we do, which is to make sure we have strong controls in place, very clear outputs that we can identify as success parameters and then, in the meantime, ongoing monitoring and evaluation; and then, at a prescribed period, annual reviews that also provide a formal check within the Department to assess progress. Where progress is not happening fast enough, we will have decisions about whether the programme can get back on track. If it cannot and that is not acceptable, we would then stop the investment.

Alistair Fernie: It is implicit in what the Secretary of State is saying that our risk appetite is quite high, but we want to manage those risks. I think it was the CEO of Google who said, “If you’re going to fail, fail small and fail quickly”. We have tried to build systems that enable us to take risks, particularly where nobody knows what will succeed, but if something is not going to work we shut it down, learn the lessons and move on.

Q193 Jeremy Lefroy: If I can just come back on that, if I may, Chairman, I fully understand that and it is a very reasonable position to hold, but it is in tension with the position that every single penny of Department’s money will be well spent. We inevitably know that, even if the intention is there to spend it well, sometimes the outcome is not there. How do we get across that appetite for risk without it being seen as being reckless and, in effect, admitting upfront that not every single penny of the UK taxpayers’ money is going to result in an outcome?

Alistair Fernie: I would suggest that, if you are supporting innovation, which is one of the key things that we want to support, the failure of an individual project is not failure. It tells you that a new technology or a new approach does not work. If you take, for example, the Africa Enterprise Challenge Fund, which the Committee looked at during your visit to Tanzania, that has as a business model to encourage small-scale innovation by private sector companies, which are trying to address particular challenges in agricultural technology or climate change adaptation. We know that some of the things that we fund have not worked but, if we had such a high bar of likely success and our risk appetite was so low, we would not support the things that do work. That is the nature of funding innovation in difficult environments.

What we need to do is have the right systems in place, both at project management level and across DFID as a whole—we can say more a bit more about some of the new risk management systems we are putting in place—so that we are able to manage those risks

effectively, and particularly also that we are able to learn the lessons. If something has not worked in Tanzania, our colleagues in Pakistan are able to pick up on that and apply that learning.

Q194 Jeremy Lefroy: Perhaps there is a case for the Department being much more upfront about these risks and the potential for failure, provided that the structures are in place to ensure that we have the best possible chance for success, because otherwise we are always open to the criticism that money has been wasted that should not have been wasted, because every penny of taxpayers' money will be well spent.

Justine Greening: As I said, Jeremy, the key here is demonstrably doing the work upfront before programmes get put in place to manage that risk down. Anybody who has worked in the private sector, as I have and I know many people on the Committee have, knows that investing has risk. You would not get a return unless there was some risk alongside the project. We are also conscious of the fact that, often, there is market failure, in the sense that the risks are out of kilter.

What we want to do is look at innovative new ways in which we can start to share risk in a way that unlocks investment from the private sector. Possibly one of the indicators that you can look at, particularly in infrastructure, is the extent to which the interventions and the investments we are making are leveraging in private sector investment to allow infrastructure projects to go ahead. That gives you a sense that, actually, companies that demand the bottom line are also prepared to invest in those same projects which, in many cases, tells you that those projects are high value to go ahead, nevertheless taking place in a risky environment with possibly a broader set of risks than people might be used to running businesses somewhere like the UK.

Q195 Jeremy Lefroy: Finally, turning to the economic development strategic framework, it states that economic development activities will be “rooted in country need”. Given that quite a lot of these programmes are centrally managed programmes, rather than run from bilateral country offices, how do we ensure that they truly are rooted in local need and not just determined centrally in London, for a wide variety of countries with very differing economic circumstances?

Justine Greening: It is fair to say that, of the £1.8 billion that we will end up investing over the coming year in economic development, about £1 billion of that will be in country. There is probably roughly a half-and-half split. We have a growth diagnostic that we now do to look at not just the broad economic context; it then looks at the opportunities for economic growth, some of the barriers where DFID can perhaps add value and some of the political constraints. It is a very structured way of helping us understand what needs to happen in country and that is an exercise that is being rolled out right now. The centrally managed programmes are often with partners like CDC, PIDG and the World Bank, which clearly does a huge amount of work in this area.

Just to very quickly go back to the last question, we have a real challenge. The World Bank is telling us that we need to have 600 million jobs being created for people, not over the next 15 years, but over the next five years. We know also that 90% of those jobs will come from the private sector, so we have to be in this area doing work, innovating, experimenting. There is no option simply to stand back from it and say, “Well, we’ll just keep on doing all of

the more traditional conventional aid that we have done in the past”. We do not have that as an option. We will be letting down those young people if we are not willing to step in, try to address the risks that are there but then, successfully nevertheless, be delivering these programmes. That is why we are so passionate about playing our role as an international development department in doing that.

Q196 Pauline Latham: Good afternoon, Secretary of State. How will DFID decide how to balance its spending in priority countries on the enabling environment to improve the investment climate and direct programmes to improve livelihoods?

Justine Greening: I am going to ask both Stefan and Alistair to briefly come in. Essentially it comes back to this growth diagnostic that sits alongside the strategic framework. We have set the breadth of our strategy with those five different pillars and then, within that, countries are looking particularly at where there are gaps we can address. I do not know if, Stefan, you want to give your reflections.

Stefan Dercon: It is just reaffirming that it is very much looking from within the countries at the barriers and also what the opportunities are. The balance that you refer to will have to come from carefully seeing whether there are opportunities there to do transformational growth activities. Are there opportunities to actually get some of these quite difficult mechanisms going, where job creation and a better formal sector, firms and so on can be created? If these barriers are really severe, and sometimes we know it will take a long time before there are enough of these opportunities, we will also have to balance this by having some of these other activities and providing income improvement for people.

Again, we need to take some of these risks on the transformational side and we need to try to unlock these things, because this is the virtual cycle of development that we want to promote. When you go and look at the portfolios in the countries, you see quite a lot of heterogeneity, which is very much embedded both in terms of what the conditions are and also what the opportunities are now for action for DFID.

Alistair Fernie: I would just add to that from my own personal experience. I was head of the DFID Kenya office in Nairobi for four and a half years, and one of the key constraints to economic growth, not just in Kenya but across other parts of the East African region, was Mombasa Port, which is outdated and has a number of inefficiencies in it, which prevent the faster and cheaper passage of goods through. When I arrived in Nairobi in 2009, everybody had analysed that problem, but everybody had also concluded that the political economy around trying to get reform in the port was stalled and that more offers of international support were unlikely to unlock that situation.

Over the last couple of years, it has become clear that there is now more political appetite among Kenyan politicians to try to get that changed, and there is some pressure from politicians from neighbouring countries, particularly Uganda, Rwanda and Burundi, which are heavily dependent on trade through Mombasa, to move things forward. We and other donors have now come in and are trying to offer the kind of support that will ultimately be more strategic and have a longer-term impact on more people’s livelihoods and create more jobs. There is no point in trying if you are going against the grain of local political sentiment.

Those judgments are country-specific ones and the growth diagnostic asks our country offices not just to analyse what the binding constraints to growth are, but to make a

political economy assessment of whether or not they can be overcome. The more the answer to those questions is that it is very difficult and we are unlikely to have much impact, the more the case is for us to invest more in direct assistance, which we know can have an impact in the shorter term.

Q197 Pauline Latham: Leading on from that, do you think politics and corruption are major problems holding some countries' economic growth back?

Justine Greening: If you ask businesses, they will tell you that the business climate is one of the key drivers, and there is a lot of evidence to show that, where it is hard to set up a business, where there is an absence of a consistent application of law, where there is corruption, it is much harder for companies to invest and then grow. It is critical that corruption is addressed in time and, as Alistair says, the key to doing that successfully is ultimately political commitment, from the very top, to rooting out corruption.

Some of the work, for example that we are doing in places like Nigeria, is about helping to strengthen and working with the institutions that are tackling corruption very directly, but the business environment piece is absolutely key, which is why it is one of our strategic framework pillars supporting that enabling environment, whether it is corruption in institutions, whether it is supporting tax revenue authorities, whether it is doing work to improve customs checkpoints so that goods can flow across borders. All of it supports companies being able to get on and create jobs.

Q198 Pauline Latham: How can the vested interests of the elites and the related problems of corruption be overcome? Can DFID have any influence on the corruption side? What happened to DFID's Drivers of Change initiative?

Justine Greening: I can see Stefan wanting to come in on this. Overall, we have to work within the art of the possible. As Stefan has just said, our growth diagnostic will very much give us a sense of not just what the opportunities are, but also the constraints. That includes looking at the political constraints. What it means is that a lot of our work will also be at a very grassroots level. You got to see some of that in Tanzania when you were there; some of the projects in which we are co-investing. Some Committee Members did get that chance. It shows that, alongside job creation, there is also this element of our economic development work which, Chair, you mentioned at the beginning, which is taking people who already have livelihoods and then helping them to be more productive and supporting their incomes through that. That is not held back by some of these broader enabling environment challenges, but you are quite right to say that they are important in the long term.

Stefan Dercon: Just to add very briefly, one of the key strengths of DFID has always been that we can work across different parts; we are not polarised in a narrow sense, so our economic development work can be strongly supported by our political economy work, our governance work and so on. In fact, we generally recognise that this is actually one of our strengths, so DFID can add quite a lot in many of the contexts around these themes. The World Bank and other international organisations then can really appreciate it. For them, that space to operate in a more political space is much more difficult. We can also work across Government in the UK to work with the Foreign Office and others to achieve

some of these things. This is why we can work quite politically in these kinds of contexts and are good partners to try to unlock some of these constraints that you are referring to.

The Drivers of Change analysis that you refer to was a key tool, where we would try to identify the key drivers of change within countries and see what we could do. That was a political economy tool that we were using. Actually, this has been fully subsumed but also totally embedded in the work we are doing on the country poverty reduction diagnostic. In fact, it is meant to bring these different parts across the whole system of poverty reduction together and the inclusive growth diagnostic again borrows quite a lot from this. If we want to change something in agriculture, and we want to work in agriculture and unlock some of these opportunities, we need to have that good knowledge. DFID is extremely well placed for this and saying this has disappeared would be totally wrong. In fact, it has been totally integrated now in the way we work.

Justine Greening: Part of this agenda ultimately has to have transparency alongside it. That is one of the reasons why we really, at the last G8 back in 2013, pushed transparency and got more countries signing up the Extractive Industries Transparency Initiative. That is all part of how we can, over time, enable a clearer sense of where funds are flowing, see when they are leaving the system and going into the pockets of elites corruptly. Of course, one of the things we have done over recent years is invest more in our Met Police unit right here in the UK to be able to take action when any of those funds touch the UK system.

Q199 Pauline Latham: Can you give any specific example of where you have known there has been corruption, you have dealt with it and it has stopped?

Justine Greening: The work that we have done in Nigeria, I think I am right in saying, has helped to bring 2,000 to 3,000 cases against individuals involved in corruption. Of course, the very high-profile case that the Met Police brought against James Ibori is perhaps one of the best examples where, right here in the UK, we have taken action against an individual who we have known has had involvement in corruption. That has gone through the UK courts and been judged.

Q200 Chair: A plug for our “Parliamentary strengthening” report published at the beginning of the week: is there not a role for parliaments in holding their own governments to account? They represent people, and in many of these countries the people will tell you, “The trouble with our country is that people at the top are corrupt”, and yet parliament, which is the intermediary, can, as it did in Tanzania when Jeremy Lefroy was there, take action and make a difference. That is one of the reasons why we think there is more scope to do more.

Justine Greening: One of our pieces of work in Nigeria has been to strengthen parliamentary accountability and to strengthen their version of the select committee approach to be able to do inquiries and hold ministers to account. You are right to say that that is part of the enabling environment. You only have to look most recently, as you have said, in Tanzania, about some of the role that parliament has played in holding ministers to account for corrupt activities that have arisen over recent months. We have seen ministers leave their jobs as a result of it.

Chair: It takes time, but that is part of the process.

Q201 Jeremy Lefroy: Turning now to the role of agriculture, which is obviously the biggest sector in most of the countries in which DFID operates, is it therefore right to assume that the economic development strategy will focus on agriculture? How much would you say that, since you became Secretary of State, agriculture has been a major element of your focus on economic development?

Justine Greening: It is inevitably going to be a key sector that we focus on. We held the Nutrition for Growth summit back in 2013. It was interesting to listen to agricultural ministers from countries in Africa talk about it in economic terms. They talked about productivity; they talked about prosperity, as well as food security. You are absolutely right to say that, for the economies we are working with, agriculture is one of their major sectors. In fact, it will represent around 85% of employment, and around 50%, potentially, of their GDP share.

We work with programmes, for example AgDevCo, which, as I think the Committee got to see, is investing directly to support agricultural projects and agro-business projects in Malawi, Mozambique, Ghana, Zambia and Uganda. We also have AgResults, which is a research programme that sits alongside all of that, and investment in the Global Agriculture and Food Security Program, which is around providing a competitive grant financing for governments' agricultural priorities, whether it is rural roads or irrigation.

I am not sure whether the Committee had a chance to head down to see the economic corridor that is called SAGCOT in Tanzania, but that is a very good example of a more holistic piece of work that the Department is now involved in, taking an economic priority of the Government of Tanzania, but looking more holistically at the different elements of a successful economic growth strategy for that part of the country. It is not just about some of the co-investment we are doing with agricultural companies and outgrowers in that area, but also rural roads and energy infrastructure. There is a sense we have in the UK that you have to pull all of these things together if you are really going to, in the medium term, see a growth in productivity and increased incomes through livelihoods, but then ultimately job creation itself.

Q202 Jeremy Lefroy: You mentioned AgDevCo, and I should declare an interest because AgDevCo has invested in Equity for Africa, which I helped to found and am still a director of. Could we then just move on to the agricultural strategy of DFID, which is yet to be published? When do you expect that to be published and will it be fairly narrowly focused on agriculture or will it take a wider approach and look at the contribution to food security, nutrition and indeed—and I will ask a subsequent question about this—manufacturing?

Justine Greening: The agricultural strategy is well under way. It will be clear about where this sector and this work fits in with the broader DFID agenda. Nutrition for Growth is a really good example of where you see work that can not only improve livelihoods and create jobs, but being absolutely fundamental for countries in terms of protecting food security. I had a chance to see part one of our programmes that we had helped finance in Zambia, which was about irrigation. The programme had enabled farmers to be able to farm all year round and, over a very short period of time, had transformed not only their incomes but the risk around those incomes too. You then saw them invest in improving their school and their local community health centre. At a micro

level, it is a great example of how economic development can then help generate that crucial investment for the public services that people rely on.

Q203 Jeremy Lefroy: Just to be clear, without wishing to push you too hard, do you expect the strategy to be published this year?

Justine Greening: Yes.

Q204 Jeremy Lefroy: The reason for asking that is that, in the past, we have seen agriculture be the flavour of the year or the decade, in the 1970s and possibly the early 1980s, go completely out of fashion in the 1990s and early 2000s, and now come back again. Having an agriculture strategy should ensure that it rightly retains DFID's attention and focus in the decades to come, rather than lose it.

Justine Greening: I am aware of these points you make, Jeremy, about there being some kind of almost fashionable aspect of this area, which I also found odd, in a way, because what we are seeking to do is have an overall development strategy that is appropriately balanced, addressing underlying sectoral and economic needs to make a difference in both hopefully the short, but crucially the medium and long term. We, as we have already talked about, have a very structured diagnostic approach to understanding what work we need to be doing. To the extent that countries do not change dramatically overnight, if we are doing that work right, it should mean that our strategy will evolve over time, but it should be sustained.

Q205 Jeremy Lefroy: Of course, one of the reasons was that agriculture was seen to be something of the past and manufacturing was the great new hope of the future and, therefore, lots of manufacturing industries were set up, sometimes without the markets to sustain them or even the skills to sustain them. Would you perhaps accept that, in fact, even in this country, the United Kingdom, the biggest sector in manufacturing is food manufacturing? It is based on agriculture. Countries like the Netherlands have grown their economies on the basis of agriculture, extended into manufacturing of foods and then into services. Therefore, that agricultural strategy should be broad-based and not just focused on growing crops.

Justine Greening: I absolutely agree, and the other reason it matters is that part of how we can help drive economic growth is to link countries and sectors into more global value chains. Some of the programmes that we have done have been very much focused on that. The Trade in Global Value Chains Initiative was all about linking often agricultural-based businesses into companies like Marks & Spencer. Of course, we do work with Fairtrade International and the Ethical Trading Initiative to help get those economies and get those companies docked into that much bigger trading market that is out there.

Q206 Pauline Latham: Could you tell us how far DFID's focus on increasing jobs compared with increasing incomes is likely to go?

Justine Greening: We do work on both and, in a sense, your question ties back to Jeremy's earlier point, which is that economies transition over time. While they are at that stage, as many of the sub-Saharan economies are, for example, of being predominantly still agricultural in terms of what drives their GDP growth, you will continue to see us put

a lot of weight on improving livelihoods. For example, if you look at the progress Ethiopia is now making, with its nascent successful manufacturing base in leather and shoes, and perhaps further along that process is Bangladesh with its retail and clothing manufacturing, you will steadily see the mix of our work gradually change towards work that can help, for example, improve access to finance at that more medium enterprise level, looking at working conditions. It is a slightly different mix, but ultimately it is a continuum. What we are trying to do is get the right blend of work to fit the country where it is at that point in time.

Q207 Pauline Latham: It is interesting that you should mention Ethiopia because, when we were there, a couple of us went to see a glove manufacturer. What they were saying was that they had been buying pelts from there for years and years. The problem is because of the nature of farming and the fact that the farmers no longer dip their sheep and they also let the rams in, unlike in this country where the rams only go in at a certain time of the year, so everybody knows when the lambs are going to be born. We dip our sheep, so we have insect-free pelts. They were saying they were thinking about setting up a model farm to show farmers that it is much better to only let the rams in at a certain time, so that there is good food, so that what you end up with is a regulated time when the lambs are born, where there is food available for them, but also good food, so they get fatter, so you get better pelts, bigger pelts and also explain about the dipping.

Has DFID ever thought of setting up a series of model farms to help farmers, not just in Ethiopia but in other countries, where clearly those skills or knowledge are limited, but could help them in many ways with quite a small investment; and I suppose setting up agricultural colleges, which is what their Government should be doing, to build on that? Has DFID ever thought about looking at it from that perspective?

Justine Greening: Some of the work done, for example, by AgDevCo, which is a social impact investor, gives the chance for that sort of knowledge to be shared more broadly. Indeed, some of the co-investment that we are doing in Tanzania is all about helping to improve productivity by helping farmers and smallholders understand how they can improve productivity for themselves.

Once you meet these farmers and start to talk to them about how they run their farms, you realise that these are big calls for them to make, because the price of trying to improve productivity and it going wrong is that their families go hungry, because they do not have that livelihood operating successfully. Being able to knit them together with good quality advice that can provide them with the reassurance that the changes that they will make in their farming practices really will make a difference to their livelihoods is absolutely key. Some of the programmes that we are investing in enable us to do that.

I have no doubt that, in countries such as Ethiopia, as their experience develops in relation to manufacturing and, indeed as you are talking about, the value chain and the supply chain that go before that, there are some real opportunities to work together with them to try to improve productivity and the livelihoods of people in those sorts of sectors. That is a really good example of how you can see development steadily taking place because of private sector investment, which then drives a whole series of changes for the better, much more broadly. It also demonstrates the challenges sometimes of measuring the impact of those investments because, in the case of manufacturing in Ethiopia, as you can see, it is

going well beyond just how many people get to work directly making shoes or making gloves.

Q208 Pauline Latham: Actually, what the company was saying was, “It’s not really our day job.” Although it would benefit them, I would have thought it was something that DFID could invest in, simply because it will help everybody. It will mean that the farmers get more money for their pelts, but they will have more meat to sell. From a sheep producing twins or whatever, they are going to have a much better livelihood, but the company making the gloves or the shoes will get much better-quality pelts, so they will get more pelt for their money. It is a win-win situation for everybody. I would have thought that is the sort of thing that DFID could do.

Justine Greening: It is the sort of thing that we are doing and it is a great example of why we should be getting more into this economic development agenda, because we can help a lot with those values that do not just go to the private sector, in terms of creating jobs, but go to a whole range of other people. One of the things we have tried to do over the last year and a half, and one of our pillars, is about engaging businesses, working with them to help them understand how they can have the broadest possible development footprint from the work that we are doing. We have focused on a few sectors, particularly for example extractives and retail, but as our evidence base of what works grows, we can start to look at other sectors.

Q209 Pauline Latham: Do you think DFID’s economic strategy has an adequate focus on the great majority of people in the development world who work in the non-wage, the household and self-employed sectors?

Justine Greening: I am going to ask Stefan perhaps to start this and then there are a couple of points I will make in addition.

Stefan Dercon: It comes back a little to the question you were asking earlier in terms of finding the right balance. DFID does quite a lot of work around livelihoods, very specifically trying to reach a lot of people in poor communities and trying to link them with the rest of the economy, but we also make a choice now to try to get that transformational growth processes going and start creating these longer-term, much more sustainable good opportunities for people. It depends on the local context and what we are doing and how we are doing it. Whether we pay enough attention very much depends on the local context. We try to be very careful in trying to get a good, balanced portfolio, but where there are opportunities for this transformational process to, with our help, accelerate, I think we should take them and that is also what we are trying to do at the moment.

Q210 Pauline Latham: What work have you done to help DFID understand this informal economy?

Stefan Dercon: From a research point of view, we have done quite a lot of work over many years. In recent times, we have definitely supported work that has been trying to understand, for example, what stops firms from formalising. Why do small informal sector firms not enter into the formal economy? It depends very much on where we are. Some of the answers are tax regimes are actually quite unfavourable. Sometimes it is a

little bit of worry about becoming easy targets for corruption in some places, because they become more visible while, in other places, it has much more to do with financial markets and if they have the ability to start growing. Again, it will depend very much on the context, but these are the kinds of things we do in trying to understand what stops small firms from getting a little better to enter the formal sector and so on.

What stops them from having high productivity growth? One of the findings that typically we have is that these very micro firms rarely become very big. We need to think a bit more about small and medium-sized enterprises, firms that already have 10 employees. How can we help them grow and so on? There is quite a body of work and that is what we are also trying, in all the countries we work in, to feed in to our activities. We know of Ethiopian programmes, where some of these lessons are being applied to thinking carefully about the financial sector and injecting capital into these sectors. I could give you far too many examples than you would have time to listen to, but we are quite happy to feed you more of these examples indirectly.

Justine Greening: Your question is important, Pauline, because it particularly goes to the women-and-girls aspect of economic development. Overwhelmingly, women and girls will be in that more informal, possibly rural, sector. Some of the programmes we have in place are, for example in Bangladesh, a programme called the Jita Rural Sales Programme. That has helped get 4,700 women, who would otherwise broadly be destitute, employed in the sales force, able to have a livelihood. We are also doing work, for example, in places like Mozambique.

Of course, we have for some time had programmes on micro-finance that, particularly for women, helped them to get small businesses established. As Stefan says, we are also conscious of the fact that, in the medium term, they tend not to grow possibly beyond that one person whose livelihood they have particularly supported. It can be part of what we do, but clearly there is a lot more that we need to do and, as I have talked about with Jeremy, that work needs to transition over time and so what we might be doing to support women in the workplace in Bangladesh, particularly in the retail sector, is different from what we might be doing in Ethiopia.

Q211 Chair: We might run against the bell. We have a number of topics to cover, so we will move along a little bit. I am just going to bring in Peter Luff. On the way, 85% of people are working in the informal sector and yet you talk about 600 million jobs that you are including in improving their livelihood. As you at the same time expand more formal employment, whether that is 10%, 15% or 20%, as it grows, do you think you should be engaged in looking at the quality of those? Bearing in mind that, under the first multilateral review, core funding in the ILO was ceased by the Department, if this area is going to expand again, do you not think it is time to reconsider—I know you engage on a programme basis—whether or not you should engage centrally again with the ILO, because you are going to be working much more in job creation?

Justine Greening: We will be re-doing the Multilateral Aid Review over the course of this year and it is likely that, as part of that, we look at doing a light-touch review of the ILO. As you have said, we do individual programmes with them and it is worth pointing out that they also partner with DFID on some of the World Bank work that is under way, looking at how we can drive economic development more broadly.

Q212 Sir Peter Luff: Good afternoon, Secretary of State. You have demonstrated your enthusiasm for addressing issues relating to women on a number of occasions, most recently just in answer to Pauline. I will give you the opportunity now to unpack some of those answers in a little more detail. The first easy question is: how far do you think the general programmes designed to address jobs and livelihood issues actually help women find jobs and livelihoods?

Justine Greening: I asked that very same question, because I wanted to really get a sense of how much we can now cross over these two important agendas. Broadly, about half of our programming already, either directly or indirectly, supports women and girls, which I think is a really powerful statistic. What it shows is that the work that Alistair and his team are doing is absolutely cutting across other key themes that we have within the Department, of women and girls. It does drive a huge amount of the women and girls agenda.

Q213 Sir Peter Luff: Do you need specifically targeted programmes addressing the needs of women and girls?

Justine Greening: 50% of the investment we are doing in economic development either directly supports women and girls getting into employment or livelihoods—

Sir Peter Luff: Targeted programmes focused on their needs?

Justine Greening: Yes. Or not even indirectly, but as part of the programme. It is actually a key element of the economic development agenda.

Q214 Sir Peter Luff: The general programmes have specific mechanisms to address the issues of women and girls' employment and livelihoods.

Justine Greening: We have done a systematic review of the economic development work to look at how we can weave in improving prospects for women and girls to the absolute max. Now, there will be some programmes, such as building a rural road, that are part of our economic development portfolio; it is hard to say that that specifically helps women and girls. That would not be part of what I am talking about, but the good news is that it really does feature very heavily directly supporting women and girls, which is good news and we are well set up to continue to make sure that, across the piece, as our economic development programme develops, it continues to have that lens on how this is supporting women and girls absolutely as part of that work.

Q215 Sir Peter Luff: Obviously women can face particularly tangible barriers in their access to credit. What about the social norms they face? How much do your programmes address the social challenges and the cultural hurdles they need to overcome, so that their employability is actually acceptable in their society?

Justine Greening: It is a really good point. It is one of the areas where building up the evidence base of what works is important, and it is an area where I think there needs to be more evidence gathered. What we do know is that work investing in improving women's access to capital, and improving their employment and their education, can all lead to improved overall prospects.

Around social norms, it is hard to say that there are some concrete conclusions that are applicable everywhere. In some countries, it will be simply a matter of economics that women are seen as more valuable staying at home and raising children. Where you change the parameters of their value to make them more valuable being able to go out and work, for example in the case of this Jita Rural Sales Programme, then they are able to do that but, alongside that, you are absolutely right that there may be some cultural norms that are far harder to address and will take time to change. There will be broader work, possibly around education, that can help address them.

Q216 Sir Peter Luff: So what DFID can do in this respect is limited.

Justine Greening: It is limited in the short term. In the longer term, we can have a steady impact on social norms, but it is a complex area and it sits alongside a much broader challenge on social norms that we run up against in programmes, for example, on FGM or on tackling child marriage. I would not say it is purely in relation to women's ability to get into employment.

Q217 Sir Peter Luff: You have already alluded to one of the challenges facing them—the unpaid care burden. What can you do about that?

Justine Greening: What would we do about it? The programmes that we are putting in place and many of the ones that are already there are about ensuring that women have more options. We should also recognise, as you say, that many of them essentially do provide care as a role that is largely unpaid. In the medium term, one of the ways that we can address that is through some of the education programmes we are doing and, as I said earlier, changing the parameters of how women are fundamentally valued, so that they have a value that gives them options that go beyond purely being a person who just stays at home providing care.

Q218 Sir Peter Luff: And giving women more control of their fertility by enhanced family planning work?

Justine Greening: Back in 2012, we held a London summit on family planning that was all about challenging the international community, including the UK, to do more work to allow women to have more choice around family planning. That is also something that we are now increasingly looking at in crisis situations as well, so that it is a general thing and it does not just break down when a crisis hits, for example in Sierra Leone.

Q219 Sir Peter Luff: Obviously that activity helps not just individual women address their own economic issues, challenges and preferences, but also helps to deal with trends in population growth in the developing world, the estimates of which have increased recently. Do you think you are doing enough on family planning?

Justine Greening: I am proud of the ambition that we have set ourselves as a country, in terms of increasing our investment in family planning, enabling more women to have access. Stefan can correct me if I am wrong, but the evidence is that, when women have more choice and when they have a greater confidence that their children will get the vaccinations that they need to be able to survive those early years, they tend to have smaller families. In many respects, these sorts of programmes that we are doing and the

work that we are doing will mean that countries have a much better control over population and that families end up being smaller, and resources within families can therefore be more focused and hopefully go further, in terms of bringing children up.

Q220 Sir Peter Luff: Finally, micro-credit, we had evidence from Owen Barder that micro-credit is not as successful as we originally thought. What is DFID's view of micro-credit? Will you be supporting micro-credit activities or not?

Justine Greening: We have also seen that evidence. As ever, the devil is in the detail. In our experience, micro-finance has provided huge opportunities to millions of people, including women around the world, to be able to set up their own businesses and improve their own livelihoods. At the same time, it is not a panacea.

Stefan Dercon: The evidence is showing that we have to be a little bit careful with micro-credit, especially when it is targeted to the poorest. There is evidence in particular settings that it has improved opportunities for the poorest people, but there is also quite a lot of evidence now emerging that, in some other contexts, it may well be doing harm. Our advice is very much in general that we want to be very careful and make sure that poor people are not getting in debt because of some of these schemes, so that actually we have safeguards in them. It is quite different for micro-enterprises or somewhat larger enterprises; there the evidence is not quite saying what I am saying. There, we are still quite positive about the opportunities. You have to be careful with it in general. It is a general thing in development: when we are doing things, a do-no-harm principle is a very important one as well.

Q221 Sir Peter Luff: One specific micro-credit question: you are aware, I am sure, of Lendwithcare. It is a peer-to-peer crowd-sourcing model of funding for micro-credit?

Justine Greening: I do not think I am, sorry.

Q222 Sir Peter Luff: We took evidence from them during this inquiry. For some reason, the aid-match scheme is not applying to their work. I guess there is a technical reason why that would be the case, but can I just ask that you take it away and look at whether aid-match could apply to Lendwithcare's funding model after all?

Justine Greening: Of course. Thank you. We will do.

Q223 Fiona Bruce: Good afternoon, Secretary of State. I have a number of questions about the challenge of providing employment for young people in developing countries. Could you tell us how DFID is prioritising this? We are interested to note that there was not a great deal of mention of it in your economic development strategy framework.

Justine Greening: It is important, because often it is the young who are occasionally discriminated against when opportunities do exist. When people get into jobs, they like to stay in them if they are good jobs and, therefore, it is sometimes hard for young people to break into work. They might not have the social networks or the influence to be able to get good opportunities.

What we are doing are really three different sorts of things. First of all, as we have talked about, we are supporting economic transformation so it can create the maximum overall number of jobs in the first place. Secondly then is work improving the access that young people have to those jobs. Thirdly, we are giving young people the chance to actually create their own opportunities and helping to support entrepreneurship in countries. That is something that we are increasingly seeing—this next generation coming through very keen to create their own opportunities and to set up their own companies, in some cases, or their own businesses.

Q224 Fiona Bruce: We wonder whether there should be more research done about this. How can there be a stronger evidence base and what is DFID doing to provide this?

Justine Greening: I will ask Stefan to talk about some of the work we are doing in relation to job creation and youth.

Stefan Dercon: This is in terms of the research work. One of the key areas that research has clearly shown is that to get job creation, the main thing is to get the appropriate investments that want to employ people. Especially for young people, they often do not have appropriate labour market skills to offer them, but we want to be careful to start with their skills only. We do need that other part of the economy to function; there needs to be the investment that wants to start using these people primarily.

However, there is a lot of scope and a lot of interesting studies going on in trying to get much better at forms of skills training. DFID is supporting quite a lot of these kinds of things, but also schemes in practice. For example in Nepal, we have been quite successfully supporting a particular vocational training programme that overcomes some of the typical evidence in this area. The evidence typically says that vocational training and skills training does not really generate that much benefit for people, because often the labour market does not quite absorb them anyway. In Nepal, the scheme we have designed, which has been very successful, has a payment-by-results element in it, where the vocational training colleges only get paid the final premium if indeed people have found jobs. It has created the right incentives to get much better training going and with much better outcomes.

Q225 Fiona Bruce: Can I ask you about the entrepreneur programme, which is linked to the International Citizen Service, which we saw in Tanzania and certainly looked to be effective, but it does only create a few hundred jobs? What other programmes could DFID provide that might also help produce employment for young people?

Justine Greening: First of all, the International Citizen Service programme has been hugely successful. I am really proud of the fact that we have got it established and actually we are now, as fast as we can do properly, increasing it. Alongside that, I was interested in doing the entrepreneur piece of the ICS again to tie back into the economic development strategy. We have literally just started it, Fiona, so some of the people you might have come across are the very first to get a chance to go on the ICS Entrepreneur programme. Based on the feedback we will get back from those people, that then gives us the option to maybe do a bigger, more ambitious version of ICS Entrepreneur. The people at the moment, though, are on that first pilot programme to see how we can make it work in practice.

It is interventions of that sort that will really help us understand how to tailor this youth element of the economic development portfolio over time. ICS is something that, whenever I meet young people who have been on it, they say what a life-changing fantastic programme it has been for them to be involved in. Hopefully it triggers a lifetime interest in international development too.

Q226 Fiona Bruce: BIS is doing some good work here—programmes on youth creation and business start-ups. Is DFID working alongside BIS to learn from that?

Justine Greening: Interestingly, one of the key sectors that we have worked in has been extractives. We took a decision to engage in that industry for lots of reasons, whether it is around transparency and responsible investment. One of the outcomes of that work with the extractives industry has been a new programme, which is all about skills and all about looking at how we can do the sorts of skills, vocational education and more higher education that sectors like that need in country, so that, when they are investing in the countries that they want to set up in and expand in, that can involve local staff rather than people brought in from the outside. That is a programme that has just been pulled together now, but it is a good example of how we can work together with industry and get these common benefits from doing that.

Q227 Fiona Bruce: Would you be looking at expanding programmes that match the skills employers need with the training that young people require, in order to fill those vacancies? One of the interesting things that we have become aware of is that there is often high graduate unemployment in developing countries, but there is also a lack of capacity for the very skills that businesses and the private sector need.

Justine Greening: The work that we are doing is both on the demand and the supply side. We talked a lot about the demand side, in terms of this programme around oil and gas, and harnessing that so that it is there. A series of employers will want to demand those skills. At the same time, there is work like the skills programme I just talked about to help make sure those skills are there in country and, alongside that, a broader piece of work across Government on how we can look at the higher education expertise that we have as a country and then partner that up with higher education institutions and policy in developing countries. It is really part of the very broad piece of work, where DFID has been involved with other Departments, to try to see how we can broaden out our offer well beyond what our own Department can do.

Q228 Fiona Bruce: That is excellent to hear, because there clearly is a hunger in developing countries. I speak from my experience and that of Mr Lefroy in Rwanda and Burundi, where young people want to set up a business, want to be involved in private enterprise, but cannot get the training that they need. Of course, many of these skills are exactly the same skills that young people in business or in enterprise need here. What you are saying to us is that you are going to look at how you can transfer learning from Education and from BIS increasingly.

Justine Greening: Absolutely. All of this can be done in a very strategic and a structured way, through doing the growth diagnostic. It will not just mean that we do it for the sake of doing that; we will be doing it in places where we know there is a solution to driving demand that can also be matched by some work on supply. All of this work is done with

some real thought behind it, in terms of an overall theory of change, as we would call it, about how it is going to join up and make a difference on the ground, in the medium and long term.

Q229 Fiona Bruce: Your economic development strategy framework is likely to reflect this when it is refreshed. Presumably you are also going to be recruiting increasingly to address these issues and develop the strengths DFID has to meet them.

Justine Greening: The framework is now in place. It covers all of the sorts of areas that you have talked about and the Committee has talked about more broadly. We have brought significant skills into the Department. The numbers of private sector experts in our cadre has increased from 30 people originally, before we started all this work, to now 80. Overwhelmingly, those are people coming in with experience in the private sector. If you then match that together with a much more structured and much more thoughtful engagement with industry, with these sectors I have talked about, it all adds up to a much smarter approach to engaging with business, but also then taking what we are learning and knitting that work into the development programmes that we have in place.

Q230 Chair: It was interesting that some of the evidence we had, from SABMiller for example, was saying that an awful lot of what they do they do because it strengthens their supply chain. They do it anyway, and they do not need your money, thank you very much. They say there are complementary things.

The second thing is, especially when you are looking at people working on the land—and you see it all over Africa—there are people who are, whether they know it or not, very small-scale entrepreneurs, whether they are farmers or whether they are trading. They should not really be thinking about, “How do I get a job?” but “How do I make what I am doing more productive and create my own work?” I wonder how you can work with that grain and how you feel your programmes can deal with that, in a way that is poverty-reduction focused, does not interfere with what the private sector should be doing anyway and does not raise the accusation that you are effectively providing subsidy to private investment or private profit.

Justine Greening: First of all, I agree with you. I think that companies like SABMiller have very much understood how important behaving responsibly, strengthening supply chains, improving resilience, investing in and being part of that local economy in which they are absolutely dependent, is for their business model viability going forward. So have companies like Unilever.

What we have tried to do over the last two years within DFID is really reach out to the UK corporate sector to make that case far more broadly. I believe that, over time, we are seeing more and more companies now seeing the opportunities, but also the necessity, to invest responsibly and with a lens on development, job creation and poverty reduction as part of how that investment works. Companies are getting that. Actually, that is about advocacy from DFID. It does not necessarily require any money at all.

On the piece on people improving their own livelihoods, this can have dramatic knock-on effects. The farmers who I met in Tanzania, having got the irrigation invested to enable them to farm all year round, had been able to employ an agronomist to further help them improve their productivity. They were very clear with the agronomist they had employed, as I could see, that if he did not help them improve their productivity, they would not be able to keep

employing him. You see all these quite sensible, rational decisions that people are taking as entrepreneurs. Some of the farmers had bought plots from other farmers, because they could farm better and get more out of the land. You see people behaving entrepreneurially very quickly after they are given the means to be able to start making those decisions for themselves.

Q231 Chair: How do you work with governments and civic society? Take a very poor country like Sierra Leone—we were there before it was overwhelmed by Ebola, but it will have to get back to normality in the end, hopefully sooner rather than later. There seems to be an idea that we are training people with skills for which there are no jobs, rather than training them in how to use their own skills or sharpen up their skills in ways that could actually create a livelihood for themselves. Is that not something where there needs to be co-operation, so that the Governments have some idea of how they are going to create viable employment? You get the impression that people go, “Let’s train people”, but we have no idea when we have given them the training what they are actually going to do with it.

Justine Greening: That is precisely what we try to avoid. There is significant, generally across-the-board Government support for these sorts of shifts that we are making in our portfolios to do more economic development. They are very much driven by the discussions that I am having with ministers, presidents and prime ministers. They want DFID to do more of this work. They also recognise themselves that it needs to happen as part of an economic strategy—dare I say a long-term economic plan?

Chair: You can say it in this company.

Justine Greening: They need that in place for their countries. Again, those are areas where we can help provide technical assistance and support, whether it is regional trade policy, which is what we do, whether it is helping to improve international rules or whether it is at the WTO level, to try to make sure that that broader environment is in place to help unlock all of this inclusive economic growth. You are right: it also involves smart long-term economic planning from governments that they will put policy then to line up behind.

Again, SAGCOT, that economic corridor in Tanzania, is a good example of an effort by a Government to do just that and to get policy lined up behind it. Time will tell whether the Government in Tanzania is able to work successfully to deliver on that agenda but, at the very least, it has clearly understood the need to work across the piece if it wants to get change on the ground and that it has to be joined-up. I agree with that.

Q232 Jeremy Lefroy: Let us cut to the chase on this. The opening line of DFID’s submission talks about the 600 million new jobs that are needed globally by 2020. If we put that in the UK context, that is at the end of the next Parliament, which we will be in within a few months. Clearly I am delighted that DFID takes this extremely seriously, but there is no evidence to me that the kind of programmes that we have or, much more importantly, that the World Bank and other agencies have are anything like working together with the countries on a scale to even approach meeting that type of challenge. As I say, DFID has shown very commendable leadership, particularly under you in the past couple of years, on this. What are we going to do to scale this up by a factor of 50 or 100, and what are we going to do to inject a sense of urgency into the thinking of, dare I say it, the World Bank, which again

recognises this problem, and more importantly the countries with which we co-operate and indeed other agencies? I feel it is business-as-usual-plus at the moment, whereas we need business-as-usual times a factor of 10 or 20” in this area, as a minimum.

Justine Greening: First of all, I think you are right. We are in a race against time here. These young people will grow up and they will want and deserve the opportunity of a job. That is why we are doubling our investment in economic development. There will be some people who say we are going too far too fast, but you have just set out why this is a challenge that we have to do our best to meet and that we do it in a thoughtful way that sees us investing smartly and sensibly in things that we have a good sense will make an impact on the ground, but we cannot do this on our own. Therefore, it does require different elements in place.

It does require the World Bank to similarly ramp up its efforts. I welcome the steps that President Jim Kim has taken to do just that, talking about shared inclusive prosperity—he is absolutely right—alongside poverty reduction. We hosted and co-chaired, with Jim Kim and the World Bank, at the last World Bank meetings, an entire day’s event on economic development. Part of this has to be other countries, other donor countries, other institutions and the corporate sector all weighing in behind this agenda to deliver the jobs and the growth that we need. I think we have a real challenge.

At the same time, you see, for some of the countries that we are working in, a reduction in the oil price really starting to, potentially over time, put a squeeze on their tax revenues that they are getting in. I hope that, although that will be very challenging, it will focus them on the need to look for broader economic growth across more sectors to be able to lift people out of poverty and provide opportunities. It will really set them a greater challenge too.

DFID and the UK will partner with them to meet that, but they need to have that ambition themselves. They need to be smart about having long-term economic plans in place to unlock the opportunities their countries have. They need to be working with us to address the things that hold businesses back from investing, like corruption, like poor rule of law, and then we need the international community, for example the World Bank, to be part of that macro piece of work that can help really drive significant job creation. We have seen in countries like China that it can dramatically improve the prospects of millions of people over a generation, but that is the scale of the challenge that we face looking ahead, and that is why it is important that this area of jobs is part of the next 2015 development framework too.

Q233 Jeremy Lefroy: You are determined to push on with this, which I would entirely support personally, and perhaps not be swayed by those who would want a retreat to a more traditional development agenda in areas like health and education, which are absolutely vital. No one will deny those. I would support that absolutely, but the Department will commit to focus on job creation, livelihood creation and income improvement, as an absolute priority.

Justine Greening: We think economic development is the key to enabling countries to be able to stop being dependent on aid in the long term and fund all of the things that we all depend on, like health, like education, and like care for the vulnerable. The two go hand in hand. You cannot have one without the other, ultimately, so we need to be investing in both of them. I think it would be a disaster if, in the future, anyone in my role rode back on trying to be part of addressing the jobs challenge that the world has. It would be a real retrograde step. Working with the private sector, when we know that 90% of the jobs that we need are going to have to come from the private sector, is an imperative. It is not an

option for DFID anymore; it is an absolute imperative. That is why I have been so passionate and determined to make the case for us doing that and to ramp up our work in this area. Certainly if I have anything to do with it, that will be sustained and it will become a core part.

I believe that people will look back on the times when DFID was doing less economic development and just see it as quite an odd thing that we were not doing as much as we possibly could. Certainly for the countries that we work with, the feedback that we are getting is that this is transformative for our relationship. They wish we had been doing this with them so much earlier and, indeed, many of them have been asking us for years to step more into the economic development agenda and their economic growth agenda, so I am really pleased that we are doing it now. We are doing it sensibly, responsibly, with an evidence base behind it and we are scaling up rapidly but, nevertheless, at a pace where we think we can manage returns on those investments.

The work that we are doing, to my mind, is absolutely pivotal and, within the Department, I have made the necessary internal changes, grouping all of that work, for the first time, under one Director General, and bringing in experts from the private sector to help us get it right. We have done all the right sorts of changes to enable us to be successful.

Q234 Chair: Will you be able to give us a list or an indication of some of the projects that you have already agreed? Are you in a position to give us that? It would be helpful to get some examples of the kinds of projects that you are backing or the kinds of programmes that you are backing. If you are able to do that after this, it would be very helpful.

Justine Greening: Yes, I would be very happy to do that. Why do we not give you a sense, across the different pillars, of the strategic framework about how we are investing?

Chair: I think that would make it more real.

Q235 Jeremy Lefroy: Given in our previous report on the future of development co-operation, particularly focusing on development finance, I believe we made a strong case for the use of more returnable and recyclable capital, could you just update us on that? It seems that, given the limitations on budgets that will always be there, if a large chunk of the £1.8 billion could be recycled in the form of returnable capital, which in many cases in the private sector is a logical thing to do, then we would be able to leverage the amount of money we spend quite substantially. Perhaps you could give us an idea of how you are going about that and the extent to which we are using returnable or recyclable capital at the moment.

Justine Greening: You are absolutely right, Jeremy. The other area of this is this so-called returnable capital. It may be that I try to re-term that, in a way, to be a bit clearer about what we are intending to use it for. If, rather than having to simply give grants, we are able to make investments where we have a chance of getting that money back, so that we can reinvest, then we can make that taxpayer funding into international development go way further, whilst still having dramatic development impacts on the ground.

We are pulling together and developing a pipeline of those sorts of investments. Some of them will possibly be made through CDC and through PIDG. We are looking at how we can use those existing mechanisms, the ones that we have also invested through the One

World Bank Group that is now in place. It is another reason why this move into economic development is different from what we have been doing in the past. We have really transformed for the better, as far as I am concerned, our relationship with CDC over the last two years.

The strategy that is now in place has been very successful. It is more targeted geographically on the poorest countries. It has a much heavier focus on development impact. We are now looking at how we can improve that, working together on the ground in country. All of those sorts of changes mean that this area of what we currently call returnable capital can really be a key important part of the economic development strategy going forward.

Chair: Sorry, Jeremy, I know the Secretary of State needs to go to a vote, but I do not want to choke you off.

Q236 Jeremy Lefroy: Very briefly—and you have already covered CDC and the Chairman spoke about it earlier; we very much welcome what is happening there—would it make sense then always, when supporting work with private companies where the money is going directly into a private company, for instance through the Africa Enterprise Challenge Fund or other similar funds, to assume that that money will be returnable capital, unless there is a very good reason, perhaps because it needs to be a grant, to enable a company to do a particular piece of research or development, which is quite long-term?

Justine Greening: Broadly you are right, yes. That should be the basic assumption although, as ever, there will always be some exceptions, where we think using an aid modality, if I can call it that, of grant is a better way to use the fund. This issue of setting up funds, impact funds, gives us a real chance to develop the portfolio of programmes we have in relation to returnable capital in a way that we have not been able to do in the past. As you know, we have enabled CDC to use a broader set of financial mechanisms to make its investment, which is making a big difference to the sorts of investments that it can make.

Q237 Jeremy Lefroy: Very finally on that, it would be very good to have some figures about the extent of DFID's use of returnable capital now. Also perhaps you could explain to us how DFID is managing the use of returnable capital. When we were in Pakistan a couple of years ago, we noted a fund where DFID had put up a £10 million guarantee for provision of finance to SMEs—a very good scheme. It had not been needed at all. It was a successful programme, so that £10 million was there, but it seemed to us at the time that there was not really a mechanism for ensuring that that money was returned to DFID in a way in which it could be reinvested. It was sitting there, almost as if we had expected to have to pay out those guarantees and not get the money back.

Justine Greening: I cannot speak for that programme.

Q238 Jeremy Lefroy: Have we developed those mechanisms or the structure for doing that in a more systematic way?

Justine Greening: The key to success is learning from some of the governance structures that have been set up in longer-term mechanisms like PIDG and how they need to be improved, and then making sure that the ones that we put in place around these newer

funds are really best in class, and that they reflect the broader risk management approach that we now have within the Department.

Chair: Thank you, Secretary of State. I am conscious of the fact that we have a vote in about five minutes.

Justine Greening: And then a very interesting position—

Chair: Thank you very much indeed to you and your colleagues for giving us this evidence. As I say, if you could give us some of those examples that would be really helpful. The Committee basically supports what you are doing, but we obviously want to see that it works. I guess that is the right approach to take. We have to see results. We wish you well and we will keep asking the questions. Thank you very much.

Justine Greening: Thank you. If I could, I would perhaps just thank all of my DFID officials for really taking on this economic development portfolio and then working with me to develop it. I have been impressed by the effort and the energy that has gone into it, and there is a real sense of energy within the Department for taking this forward. I just wanted to put that on record.

Chair: Thank you for that. I am sure they will appreciate that.