



International Development Committee

Oral evidence: Independent Commission for Aid Impact's Annual Report 2014–15 and ICAI's Reports on (i) How DFID Works with Multilateral Agencies to Achieve Impact, and (ii) Follow-up of ICAI Reviews from Years 1, 2 and 3 HC 423 Tuesday 20 October 2015

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Members present: Stephen Twigg (Chair), Fiona Bruce, Mrs Helen Grant, Fabian Hamilton, Pauline Latham, Jeremy Lefroy, Wendy Morton, Mr Virendra Sharma.

Questions 1-55

Witnesses: **Graham Ward CBE**, Former Chief Commissioner, **Diana Good**, Former Commissioner, **Mark Foster**, Former Commissioner, **Dr Alexandra Cran-McGreehin**, Head of Secretariat, and **Nigel Thornton**, Contractor (Agulhas) ICAI, gave evidence

Q1 Chair: Good morning and welcome. I do not know if it is unprecedented for a Select Committee to start early, but thanks to all of you for being early. We have a lot of ground to cover, because there are a number of different aspects we have brought together. We have essentially an hour and a half, so we want to have 45 minutes with you and then 45 minutes with DFID to follow up the points we have discussed with you. We will go straight in, and we are going to start with ICAI's performance in phase 1. Graham and I had a brief conversation. I am keen where possible to have just one answer to each question so that we can cover all the ground, but I will allow you to form a judgment and, if there is definitely something someone else can add, to bring them in. Helen is going to ask the first question.

Q2 Mrs Helen Grant: Coming straight to you, Graham, what major lessons do you think have been learned from ICAI's performance in phase 1 that you have been able to pass on to new commissioners?

Graham Ward: Good morning, members of the Committee. The first major lesson is that we believe we have been able to make a real and positive difference to DFID and thereby a real and positive difference to the lives of the world's poor. The lesson for DFID, particularly coming out of our last year, but I think it goes all the way through, is that strategically they need to do more to design coherent portfolios of programmes to achieve mutually reinforcing impact. They need to do that across sectors. They need to do it by

working in partnership with others, and we have seen perhaps too many occasions where DFID has been working in silos, and that has not led to as effective an outcome for the poor as it might have done.

Q3 Mrs Helen Grant: Graham, can you give me an example of what you mean by a coherent programme? I sometimes hear these expressions and I am not sure exactly how it plays. Can you pick one out?

Graham Ward: A coherent programme is where you are really bringing together the different players and the different aspects of a situation to produce a benefit for people. If we go to, say, Western Odisha, where we looked at a rural livelihoods programme, there was real coherence there between and among DFID, the Government of India, the governance of individual villages, districts and states, people who were providing seed capital for cottage industries, and people who were providing capital to enable irrigation to take place, bringing together what we have called a political settlement. What DFID is trying to do in order to reduce poverty ties in really closely with what the people and the governance structure of the place where this is happening want to do as well. Everybody is working together in tandem to achieve what needs to be achieved for the benefit of the poor.

Mrs Helen Grant: That is helpful. Thank you.

Q4 Fiona Bruce: I want to ask a question about the contractors' involvement and your comments on it. You report in your June 2015 report about some of the challenges you have had with the contractor consortium and perhaps the difficulties that they have had producing more thematic reports, which have led to a drop in consistency that you have identified here. They have perhaps not always performed as well in areas that you have previously flagged as requiring development. I wondered if you could comment on that.

Graham Ward: Absolutely. I will ask Alexandra to comment on that, if I may.

Dr Cran-McGreehin: The first thing I wanted to say on this was that we have published 46 reports over four years and we absolutely could not have done that without our contractor consortium. They have put in a lot of effort, time and resources to make that happen. One of the good things about it was being able to bring in experts for particular reviews, which is one of the positive things about the model. You are absolutely right: what we found last year was that we were doing eight thematic reports, which was a big portfolio of complex reports, and it just felt to us that the secretariat and the commissioners were having to put a lot more extra work into quality assurance and getting our reports to be clear and accessible. We were having to put in a lot of effort there in quite a lot of the reports to make that happen, so that I think explains it.

There were some reports where there were particular deficiencies. In one report, we did not pay for a chunk of work because it was basically nugatory and had not contributed to what commissioners really wanted, so we did not pay for about £75,000 of work in that instance. In another case, we withheld an amount of the monthly management fee that we pay every month for that quality assurance as well, because we did not get the standard of service that we would have expected. But there was a lot of good work as well, and some shining examples of good reports too.

Q5 Fiona Bruce: Graham and Nigel, can you give us some examples of specific lessons learned from the first contractor consortium that you feel have fed into the process of appointing a new one and helped you improve the consistency in quality?

Graham Ward: In fact, by design I was not involved at all in the appointment of the second contractor consortium, so I cannot provide you with an answer because I am totally ignorant as to what happened. It is really back to Alexandra—she is the only one of us who was intimately involved in that.

Dr Cran-McGreehin: I think we went through a good procurement process and Agulhas came out successful in that. That demonstrates that they were probably our strongest partner in the first phase as well. We have also made some changes to our structure and how we do things to make improvements in phase 2. We are not paying the contractor management fee I talked about any more, because our secretariat has expanded to provide a bit more oversight and management in one team, which we believe will be more streamlined in terms of oversight.

Q6 Wendy Morton: One of the recurring themes from your reports this year has been the need for DFID to focus on the longer term, rather than just focusing on short-term goals. I wonder if you can explain to me how that can be reconciled with the fact that the environment DFID works in is often very fragile and often changing in a very rapid and complex manner.

Graham Ward: I will ask Diana to address this one, if I may.

Diana Good: Clearly, DFID is working in a very complex environment: many complex and very fragile states, crises, etc. But we do feel very strongly that there needs to be and can be a combination of short-term flexibility with long-term multiple reinforcing objectives and systems, and that combining that with a focus on an enduring benefit for the poor is the way in which to produce the best long-term outcomes. Even in humanitarian crisis relief, there is a need to move very rapidly from rapid response mode into dealing with what in many instances are chronic recurring crises, so that means anticipating. It means a long-term view to anticipate and prepare, so that one is spending less in advance on preventative measures rather than an enormous amount on the crisis. That obviously cannot always work out, but, even in a crisis that has taken everybody unawares, you need to move very rapidly into long-term developmental mode as opposed to ongoing recurring short-term mode.

Q7 Wendy Morton: Could you give us an example of where you think it perhaps could have worked better in practical terms?

Diana Good: Certainly one could take Syria as an example of that. That clearly would be one. We have seen, when we have looked at, for instance, drought relief in the Horn of Africa, that greater preparation would result in a better outcome in terms of the crisis relief. In Sudan, where we were looking at water and sanitation, we saw that recurring one-year cycle spending modes prevented having a longer-term plan for a multiple-year approach to something that had become a chronic situation, not an emergency.

Wendy Morton: That is really helpful. Thank you.

Graham Ward: If we come back to Western Odisha, one of the things that made that such a great programme was that it was a 10-year programme and was planned to be such, and we really saw the benefit of that coming through.

Q8 Mrs Helen Grant: Specifically, and going back to the question, are you saying that DFID needs to be more flexible to reconcile the long and the short term? Is that the key thing? Do they need more flexibility, or what?

Diana Good: They certainly do need flexibility. They are good at the short-term flexible response. What they need to concentrate more on is the longer-term objectives, planning and strategy.

Q9 Chair: Diana, do you have any sense that that is happening?

Diana Good: They certainly intend to look at things in the longer term. I was quite struck, when I went to an ODI conference two weeks ago on the World Disasters Report and humanitarian crises, that the DFID head of policy for humanitarian crises said, “What we need is a long-term approach.” I felt that it sounded like they had been reading our reports.

Q10 Jeremy Lefroy: In its annual report, ICAI says, “According to both its own senior management and its peer agencies, DFID has a robust appetite for risk in its programming choices”, which you agree is essential to achieving a transformative impact. Yet despite this, “DFID itself has recognised that its risk management is not yet up to scratch.” Do you detect any change in that? Do you detect movement on that, given that they have an appreciation that it is not up to scratch?

Mr Mark Foster: Yes. I think DFID have started to be more explicit about their risk management interventions and be clearer that the issue of managing risk is a fundamental part of the role that they play. We would still feel there was an opportunity for more explicit interaction particularly between the headquarters and the field around the risks associated with a particular programme. We do recognise that much of the work that DFID does is inherently risky. If you are trying to reform the police in a far-off state in Pakistan, that is going to be a very difficult and risky undertaking. We felt that there was more opportunity to almost explicitly recognise how difficult that is; be clearer with both the DFID team on the ground about what success might look like; be clearer and more realistic with contractors about what success might look like; and maintain a more dynamic dialogue as to how those risks are actually evolving in that context. There is more we think they can do around active and explicit risk management.

Q11 Jeremy Lefroy: Do you think there has been sufficient analysis of the play-off between risk, value for money, results and indeed other things that you have already mentioned, like the long-term nature of projects and the fragility of the areas in which DFID often operates? Has there been that kind of analysis? Is it ongoing?

Mark Foster: Our feeling is that it is ongoing. As we said in our fragile states report, our sense was that there was clearly inherent risk in operating in these kinds of fragile environments. We felt in our report that DFID had learned over the course of the last Parliament about how to spend its money more wisely, in a more focused fashion, in those kinds of environments, but clearly there is more to do. The nature of risk and where it is

occurring around the world is continually evolving, and I think it is keeping a dynamic eye on that. As we said then, it is about spending well rather than just more. Our view would be: keep a very strong, targeted view on your overall risk environment, manage that actively and spend according to the realistic building blocks of change.

Q12 Jeremy Lefroy: DFID often makes, understandably and quite justifiably, comments about how many children are being vaccinated, how many girls have gone to school, how many people have been helped in particular disaster areas. That is something that the general public can identify with. Do you think there is room for DFID to look at and indeed publicise, and perhaps publicise in quite a critical manner, the more general aspects of the work that are much more to do with the long-term results of maintaining stability, preventing conflict, improving governance—things that are much more difficult to characterise in a results-based agenda?

Diana Good: There is no doubt that the results agenda has brought considerable discipline and accountability to the work that is done, and it has been influential around the world with other donors and other players. There is a trade-off in all of this, and undoubtedly our reviews and experience have been that there has been an unintended effect of focusing attention on quantity of results, extent of results—the quantity of the numerical—over actual quality and depth of transformative impact. As you rightly say, that is much more difficult to convey.

Our conclusion over a great many of our reviews is that, going back to the issue of the long term, it has to be a combination of multiple interventions and absolutely building on intuitional capacity and policy. DFID does do that, but it is a question of prioritisation; it is a question of how their own tools and processes assist them. It is not just a question of communication externally; it is a question of measurement and the value placed on things internally.

As our impact report has said, their tools and processes are very much geared, whether tools, the operational plans, etc., to look at the short-term outcomes of activities rather than longer-term transformative impact. The tools and processes need re-gearing. Then that would enable them, I would suggest, to better communicate to the public, and to their implementers and partners, who themselves are getting the message that what they need to be able to report back are big numbers over the shorter term, rather than the longer, harder game of transformative impact in the more difficult areas.

Q13 Fabian Hamilton: Graham, when following up on your years 1, 2 and 3 reviews, were there any areas where you felt that DFID had not fully engaged with your recommendations or where implementation had been lacking?

Graham Ward: The way in which they have followed things through very often is better than they admit in their management response to the recommendations that we issue in the first place. We do need to realise that they accepted 123 of the recommendations that we made, partially accepted 57 and rejected only 13, so the hit rate in terms of them realising that the recommendations had some merit is pretty good. We have found that, in the country offices, people on the ground have been much more constructive in their response to our recommendations than perhaps the people in the centre. They have shown a very serious intent to follow through in relation to what we are doing.

As we came to the last few reports, we did begin to engage with DFID in between issuing recommendations and the recommendations being responded to by DFID, really to make sure that they had a more in-depth understanding of what it was that we were getting at and what they needed to do to make sure that those things were implemented properly. That did not work in every case. The multilaterals are one example, which I understand, Chairman, you are going to come to in a moment, and I will ask Mark to fill in on that. Diana, is there any example of failure you would like to draw attention to?

Diana Good: The issue, and it is something we have brought up before and has been a growing tendency, particularly through years 3 and 4, is an inconsistency in terms of what the response means. Where DFID say they are already doing the work that we recommended, sometimes they partially accept, sometimes they accept and sometimes they reject, and it is just not possible to understand on what basis those decisions are being made.

We have certainly seen some striking contrasts of response. In the Montserrat report, they rejected or partially accepted things that actually, when we discussed with them afterwards, they said they could have easily accepted. On learning, we were given what we thought was a very inadequate management response, but in practice they were doing a great deal behind the scenes, which they did not report. On multilaterals, which we are going to come on to discuss, we are extremely dismayed by the number of rejects; Mark is better placed to speak on that. There is an inconsistency in there, and it makes it very difficult to engage with.

Q14 Fabian Hamilton: Can I ask you, though, as a follow-up, once you had started engaging with DFID in between reports, as you mentioned, Graham, was there an improvement in the responses that you were given, or was there no relationship between engagement and responses?

Graham Ward: I am sad to say there was not really much of an improvement in responses, and we hope things work better in phase 2.

Q15 Chair: As you have highlighted, we are keen to focus in now on the piece of work that you did on how DFID works with multilateral agencies to achieve impact. It is probably just worth us reminding ourselves that the central issue you identified was: “DFID lacks a clear strategy for its engagement” with multilaterals. I will put the first question; we have a number of questions to Mark. Were you surprised that DFID rejected four of your recommendations?

Mark Foster: I was surprised. I was surprised because, first of all, this was a very thorough and comprehensive piece of work, coming as it did towards the end of our time as a commission in which we had spent a great deal of time seeing the work of the multilaterals and seeing DFID’s work with them around the world, even outside the specifics of this particular report. Also, as Graham has mentioned, we had started to have a model of engaging more with DFID, not around the negotiation of our recommendations in this case, but around making sure that people understood the direction we were taking with our emerging recommendations.

I personally engaged in a number of meetings with DFID officials with regard to where we were going with the multilaterals report, the critical things that were coming out, as we

saw this as a very fundamental report that is going to influence where £30 billion of spend is going to occur over the next five years. From that interaction, I was given a very strong sense that, directionally, we were on the money and that the need for more strategy, both overall at the centre and in the in-country programmes, around directing how multilateral agencies play their part in the mix of DFID's work was a critical area in which they felt there was scope for improvement.

I must admit that I was surprised that, when the management response came out, there was so many rejects, particularly around the strategic points in the report. Clearly that disappoints me, because, to some extent, this interaction was taking place before we finalised on whether we were going to give this a green-amber or an amber-red. I would say that the positive nature of the interactions I was having influenced us towards making this a green-amber rather than an amber-red report, because we felt that DFID was going in the right direction. I feel that, in the hindsight of seeing their response, we might have had a different overall rating for this report.

Q16 Chair: Wow. What do you think happened?

Mark Foster: I cannot comment on that, but clearly other points of view weighed in on this. In the end, there is always time for reflection on any report, and I am sure there is time for groups to look at things and identify different areas. Our disappointment came because we feel there is an opportunity missed here. It is an opportunity, particularly let us say strategically, to say: we are going to spend £30 billion with the multilaterals over the next five or six years. We have issues like how we support the global goals. We have issues like how we work in fragile states. We have issues like how we support economic development. What role are the multilateral agencies in the round going to play in that work, but also, individually, where do they contribute most?

Our sense is that the MAR, which they are about to undertake, is a valuable process that helps them to assess some of the capabilities and the overall direction of travel of the key agencies. It does not talk to how DFID sees the real core competencies of these agencies playing out in their model. How do they see the banks engaging, for example, in infrastructure programming around the world? What role will the banks play in the economic development agenda? Again, how do they see the other, more normative agencies impacting on fragile states, livelihood development, etc.?

Q17 Chair: In a moment, we will come on to some of those issues of substance that are very important, but I am quite keen to get a sense of what happened in terms of the process, because it is really important for ICAI's work going forward and, bluntly, for us in terms of our effectiveness as well as ICAI's. Can I ask if any of the other witnesses could be a bit less diplomatic than Mark was in answer to that question about what happened?

Graham Ward: When we say we were hugely disappointed, we are not being deliberately diplomatic for the sake of it. That is true.

Chair: What I meant was more in terms of what happened.

Graham Ward: It was a shock, to be honest. What happened in terms of the internal processes, frankly I do not know. Clearly, somebody in the chain took a very, very

different view, but, as to who that person might be, I am sorry, I do not know who that was or indeed why.

It is interesting that the criticism that there is a lack of an overall strategy is not just our view, if “just” is an epithet I should apply to our view. It is not just our view. It was also the view of a large number of people from within the DFID organisation to whom we spoke. It was the view of the OECD DAC when they carried out a review of DFID’s work. To have a flat denial of it really took us very much by surprise, and we could not understand what had given rise to the change in view. If it is not too cheeky—

Chair: Please be cheeky.

Graham Ward: Perhaps it is a question that might be put to the DFID witnesses later on, as they would be better placed to understand.

Q18 Mrs Helen Grant: Have you gone back to DFID, either officially or unofficially, to express your mystification and concern at their change of direction on such an important issue?

Graham Ward: I have not, because they actually published it after my term of office ended, so I lacked locus.

Mrs Helen Grant: Did anybody else?

Graham Ward: Did anybody else? Alexandra is the continuing person.

Dr Cran-McGreehin: Not in a formal sense, no.

Q19 Mrs Helen Grant: Informally?

Dr Cran-McGreehin: Not really. We were waiting for this session to have a discussion about it.

Q20 Pauline Latham: In light of what you said, how do you think DFID could alter and better use the MAR this time to create an overall strategy for dealing with multilaterals and reform of the system as a whole?

Mark Foster: The MAR is a very important opportunity. I believe that the potential to provide more of a strategic front end to it, and by that I mean a really strategic front end, would be very, very valuable, as would moving away some of the questions and criteria that were looked at from the generic effectiveness of an agency towards evaluation of their specific impact in specific sectors in specific parts of the world. At the end of the day, what we have found is that an agency is not a homogenous thing. They are very, very different in terms of their effectiveness in different parts of the world and in playing in different sectors.

I would suggest, as the MAR starts to go deeper, while last time they did engage with the countries, there is an opportunity for more interaction with them this time around. There is more to be done through explicit discussion around how much the multilateral agencies play a part in delivering on DFID’s goals and how much they are going to rely on other bilateral routes and approaches.

The MAR needs to be important; it probably needs to be deep-diving more into specific competencies. Again, the interaction between DFID and the agencies needs to shift itself from overmuch scrutiny in the micromanagement of individual projects and programmes to more thought leadership, strategic direction and, frankly, whether or not these agencies are building up their capabilities in these difficult parts of the world to do more difficult and complex things. The big filter to put against the MAR this time will be what part these agencies can play in the global goals and how they play that role collectively, as opposed to individually.

Q21 Pauline Latham: You mentioned that DFID can sometimes be seen as a difficult donor. Is that because they are micro-managing? Is it because they are more rigorous in their assessment than maybe other countries and other donors are?

Mark Foster: First of all, we should give DFID due credit for the fact that their results framework and their focus on results have been of benefit to the whole network. The agencies themselves will say, “It is better that we are now clear about what we are trying to achieve; we are held more to account.” DFID has played a very important part in that journey and it should take credit for it. It is always about how far the pendulum swings in terms of that kind of interaction, and we felt there was an opportunity to step back somewhat.

Going back to the comments Diana made earlier about a more long-term perspective and the comments I made earlier about risk management, the more there is a joint sense that we are trying to solve this particular long-term problem together over a multi-year, possibly five, 10 or 15-year cycle; the more the conversation is about that and whether we are on the way to doing that, rather than about whether the thing we did last week is making the difference that we thought it was; the more the conversation is about whether the agencies, together with the other players in-country, are truly building capacity, as opposed to merely ticking off what they were asked to do on the work programme, the greater the chance for that to be a better interaction, by moving it from the tactical and somewhat low-level interactions that often characterise this to higher-level interactions with more senior personnel.

Another of our recommendations was that DFID should have more senior top-to-top interaction, not just at headquarters but actually in-country, to direct and interact with these players. There is a lot to be gained from that.

Q22 Pauline Latham: You also talk about the arrogance of DFID. Is that because they are able to sit there and say, “Britain is spending 0.7%, and of course that is an increasing amount of money as the economy improves”? Is that why you or others have seen them as arrogant, or is it just the nature of the beast?

Mark Foster: I do think the fact that, in many parts of the world now, DFID is the largest funder of these agencies creates a certain dynamic. We have some of the biggest pockets in town in some of these countries. We were quite surprised at what relatively small amounts of the core funding that goes to the agencies ends up in-country. Therefore, a lot of the country agencies are forced to somewhat tin-cup around to the donors to find money to do the programmes in-country and maintain their scale. That inevitably creates a certain dynamic.

At the end of the day, we should respect the fact that DFID has a right in some respects to be arrogant, because a) it has the money, but b) it has the ideas and policy in many cases as well, so there are many, many reasons why they should have a strong point of view at the table. We recommended, again, in our report, that the opportunity to work with other bilateral donors in-country, so that it is more of a collective interaction rather than perhaps so much a DFID-led one, could help defuse some of that feeling.

Q23 Pauline Latham: Because they have so much more money than they had and it is increasing, do you think the difficult donor bit is because they have to keep a very tight grip on the money to make sure it does not just get wasted? As you have more and more money, it is harder to spend it effectively. Do you think they are becoming or are difficult donors because they have to keep the focus on how it is being spent?

Mark Foster: I do think that is a very important part of it, and we should recognise they do feel that huge accountability to look after our funds. There is a lot of money there and therefore, inevitably, a lot more of the questions and scrutiny will come around what has happened to that piece of funding.

I would say, though, to some extent, these agencies mostly have very strong financial systems. We have not found much evidence in our travels of the major multilateral agencies having an issue with their systems. To some extent, we are scrutinising in a way a piece that ought to be one of the pieces of accountability that these agencies have themselves. Our view was: just shift the balance. Do not give up on that, because it is still very important and they need to be able to follow every penny, but please make sure you are having the strategic dialogue as well. Please make sure you are talking to these agencies with the right level of person about the bigger picture more often, because then we will make more of a difference.

Graham Ward: It is worth emphasising in relation to that the World Bank, which is actually very positive and does work very well because it follows these good principles that Mark has enunciated.

Q24 Wendy Morton: I just wanted to go back very briefly to this issue of the rejection of the four recommendations. Forgive me, because I am new to this Committee, but, when this happens, how would you as ICAI expect it to play out in terms of making sure that lessons are learned on all sides? I would like to have some thoughts on that, if I may.

Graham Ward: A key part of the way in which ICAI operates is to follow through on the recommendations that are being made and see what has been happening in terms of implementing them. It may be that those who rejected the recommendations hoped that would mean that there would be no follow through of them because there were no actions to pursue, but in fact, in the past when there have been rejections, that is not the way in which we have behaved. We do still look and see whether anything has been done to deal with the issue that gave rise to the recommendation.

In certain cases such as the Montserrat one, to which Diana drew attention just now, even though the recommendation was rejected in the first place, on second thoughts they have actually gone ahead and done it. That was also true of some of the recommendations we made in relation to education. There was a big suite of reports we did in relation to education where they said, "We are really not sure about changing this focus from the

number of people sitting on forms in classrooms to the educational attainment.” But, in fact, on reflection they have changed the approach that they are taking and have moved towards educational attainment in a pretty big way. Things are not always lost simply because the recommendation was rejected in the first instance.

Q25 Wendy Morton: You are saying that it is not just put on a shelf and forgotten about.

Diana Good: In this instance, of course, all of our contracts came to an end at the end of June, so we have no more function in terms of follow-up. Where we are talking about earlier reports, we clearly have an ongoing dialogue and discussion and ask questions, but here we have not been able to.

Wendy Morton: It is what happens in phase 2. Thank you very much.

Q26 Mr Virendra Sharma: The general perception about DFID is that they are arrogant or not working as equal partners but rather have a big brother/small brother attitude. That is the perception. You briefly said that there are ways to improve it. Is that attitude country-to-country, or is there a very standard perception about DFID that they behave in this manner everywhere?

Graham Ward: Nigel, would you like to comment on that one?

Nigel Thornton: Yes. There is a great deal of variation. In this case, in this multilaterals report, a lot of the messages were coming from the multilateral headquarters that this was a pattern that was being found. But, if one goes from DFID office to DFID office, the cultures of the offices are very different and, like any organisation, the culture is often set by the leader. If you have a good head of office who has a particular style, then that will affect and direct how the whole office works. It is not overall something you can say is homogeneous across the organisation. There is a degree of difference. In this case with the multilaterals report, it was a pattern that came out again and again and again, but notably from the headquarters interactions that we had.

Q27 Mr Virendra Sharma: I know this may be difficult to answer, because it may not be diplomatic, but do you have any examples we can use to see where a particular country’s DFID section generally has gained a more co-operative impression?

Nigel Thornton: You are asking me for my opinion.

Mr Virendra Sharma: Yes.

Nigel Thornton: This is a very personal opinion. One was always impressed by the India office. The India office has been one where, on a personal level, I have always found there has been much more co-operation and engagement, and much more of a partnership approach. One can speculate on some of the structural reasons why that might be.

Mr Virendra Sharma: I fully agree.

Graham Ward: I would agree, with another personal view, that the India office is the one that has impressed me more than any.

Mark Foster: I would also reflect, though, that in some countries we are trying to do some very difficult things, with in many cases dysfunctional or non-functioning Government partners. The overarching point, to me, would not be to focus on the arrogance point. The overarching point would be to say: everyone is trying to do the right thing. Behaviours can emerge when you are the biggest dog in town, but you are also trying to solve some very difficult things and sometimes knock heads together, quite appropriately, to do that.

Generally speaking, DFID would be viewed as a good partner. In fact, one of the reasons we gave them a green-amber was that we felt that aspect was generally good. We were just saying they had to be careful that, if they start to think about engaging for the long-term, they do not erode these partnership behaviours. Particularly for the headquarters, we got a very different feel.

Q28 Chair: My next question is one you have touched upon, but I want to put it in this way, because it is a way that it is often put to me and to other members of the Committee. To what extent would you concur with the view that it is often the habit of DFID to spend large amounts of money through multilateral means without a proper strategy, simply as a way of achieving the 0.7%?

Mark Foster: First of all, we have to reflect how much money does go down the multilateral channel, so it is important to say, whether it is easy or not, that is the way a lot of money goes, with over 40% going to core funding and another 20% to bilaterals in-country. The truth is, when they are trying to spend some money to make a difference, they have very much chosen these channels and they are therefore using them. It does probably mean that, when cycles are occurring, they are more or less likely to use these channels. Indeed, some of the National Audit Office reports have identified that habit. We should also reflect that we use multilateral agencies because we want to get the scale effect from them. To some extent, absolutely, you would expect that we would want to use those channels to get more collective and driven effects on key challenges around the world.

We come back to our concern, which is, in the absence of a strategy, that we see quite a few of these decisions as being taken in quite a tactical fashion. If we look over the arc of the next five years and we are going to spend £30 billion, can we be thoughtful about where we are going to spend that? How much will be core? How much will be in the bilateral programmes? Which will be the likely big partners for us? Why do we think they are going to be the right partners to do the task we have in hand? How does it align with our overall policy directives?

I mean that at a more granular level than simply saying that we are looking for the ones that are going to help us reduce poverty. We want to find the ones that are going to help us do the specific things we want to do around economic development in the key parts of the world—the specific agencies that are going to help us make states less fragile. How do we think about that? Then funding decisions and budget decisions made in-year or at the end of year can be against a much clearer framework. Right now, that framework is neither visible nor probably, we believe, there.

Graham Ward: Given that the vision, certainly in my mind, is to move the aid environment away from recipient countries being receivers of the dole to being self-sufficient countries with citizens having self-respect and proper systems of education, good economics and good systems of health, that is a strategic issue that requires

long-term engagement focused on achieving those strategic outcomes. An approach based on tactical choices is highly unlikely to get there, and almost certainly not going to get there in the most effective and efficient way

Q29 Jeremy Lefroy: When I saw the perception of DFID as a difficult donor, I thought “good”, actually. That is not a bad thing to be. I would not like DFID to be thought of as an easy donor, if that is the opposite of difficult, especially if you bear in mind the problems that some of these multilaterals have been through. I think of the Global Fund, which came close to collapse four or five years ago and had to go through special measures, to which we were one of the biggest contributors. I think of the World Health Organisation, which is undergoing a fundamental root-and-branch review at the moment, and may come out in a very different format because of the problems in the response to Ebola.

Do you not think that, actually, DFID is quite right to be a difficult donor, and that it is not just a matter of strategy, but that the detail is important as well? Let us not forget that an organisation like the WHO, without the voluntary contributions of the United Kingdom and some others, would not be able to do much more than keep the lights on through its assessed contributions.

Mark Foster: First of all, you have raised some very important points about the fact that there are shortcomings in these agencies, absolutely. If we have a concern, it is that DFID is still focusing on trying to solve these issues by working down in the weeds on particular areas and maybe not seeing the wood for the trees or the bigger issues that you talk about. One of the opportunities we see is for greater transparency, which was one of our recommendations, in terms of a broader visibility of what these agencies are trying to achieve in all the different parts of the world. They are not just the parts of the world, by the way, where we have our offices, as we discovered with Madagascar, where we have no office but there is probably about £30 million of our money embedded in what is going on in those agencies.

Our main concern is not around the fact there should not be scrutiny; it is around whether the kind of scrutiny there is is catching the kind of things you are concerned about. Our view would be: try and make sure that those eyes are lifted and the interactions take place at a more strategic level. I think we can help the WHO and other organisations be better as a result of that.

Q30 Jeremy Lefroy: Then I come on to the strategic level, and clearly you have done a lot more work on this, but my experience in engaging particularly with the Global Fund and with the World Bank is that DFID’s strategic input is greatly valued. You did mention the World Bank as being one of the better ones, where obviously there is a permanent executive director there from DFID. But it does seem to me that we can concentrate on things like global public goods and the fact that, for instance, the Chancellor made a commitment to spend £500 million a year on malaria in 2007, which has been achieved. That was a strategic decision, based on the fact that a disease like malaria has a huge impact on some of the most fundamental problems, women’s and child health particularly, and a direct impact on poverty. I would class these as very strategic decisions that are implemented, yes, partly through bilateral programmes, but also through the

multilateral programmes that are the only ways you can achieve these global public goods that are so important.

Chair: That will have to be the last question, so just bear that in mind.

Mark Foster: We would agree with you. We believe these multilateral agencies are vital channels to make a difference strategically. Our point of view would just be that, if you are, and we believe you should be, focusing on making a real difference to malaria, you should be really clear about which agencies you are using, how they are going to be effective around the world and how you are going to spend that money effectively and strategically in your interaction.

One thing that came through from our interactions back in New York and Geneva was a concern that a lot of the conversations strategically were actually about reform, i.e. reform in terms of processes, as opposed to what we are doing to think about issues like malarial resistance, our strategy around that and how we are getting thought leadership. The big deficit strategically was thought leadership input, as much as anything else.

Chair: Thank you very much indeed. This, I think, will be the last time that you are before us, so I reiterate, on behalf of the whole Committee, our thanks to the outgoing commissioners for the work that you have done. Today has been immensely helpful and we are now going to put some similar questions to DFID officials. Thank you very much indeed.

Graham Ward: Chairman, thank you very much indeed. May we say what a great pleasure it has been to work with the Committee, and indeed the Sub-Committee, and how much we appreciate the support that we have been given during the course of our work?

Chair: Super. Thank you very much indeed.

Examination of Witnesses

Witnesses: **Nick Dyer**, Director General for Policy and Global Programmes, **Gwen Hines**, Director for International Relations, and **Beverley Warmington**, Director, Asia, Caribbean and Overseas Territories Division, DFID, gave evidence.

Q31 Chair: Welcome. Thank you very much indeed. It is great that you were here to hear the evidence session with ICAI. We will follow broadly the similar path that we did with them, so we are going to start with some questions that relate to ICAI's annual report of 2014-15, and I pass over to the chair of the Sub-Committee, Fabian.

Fabian Hamilton: I wonder if I could start with this question. How do you feel the relationship between ICAI and DFID has developed over phase 1 of the existence of ICAI, now that we are into the second phase? Do you think that ICAI's work has been useful in improving DFID's working methods? That must have been one of the aims of setting it up in the first place.

Nick Dyer: Yes, indeed. Just to introduce myself, I am Nick Dyer, Director General for Policy and Global Programmes, and I am accompanied by—

Beverley Warmington: Beverley Warmington, Director for Asia, Caribbean and Overseas Territories.

Gwen Hines: Gwen Hines, International Relations Director.

Nick Dyer: Looking at the last four years, my perception, and I think the perception of the Department, is that ICAI has been a very positive experience for us. Any organisation with the depth and the complexity DFID has should, and we certainly do, embrace the external scrutiny, and the independent scrutiny indeed. ICAI has come at a time when we ourselves have faced quite a lot of challenges. Many of the issues that ICAI have pulled out of their reports, particularly the more recent thematic report, mirror some of the challenges that we face internally around results, around risk, around programme management, around capability. What it has done is both to help us give momentum to some of those issues, but also to challenge us to reflect a bit more on those issues and to see how we are going to address them. Overall, it has been very positive, yes.

Q32 Jeremy Lefroy: One of the common themes identified by ICAI over the last year has been the need for the Department to develop a stronger, as they call it, overarching strategy in key areas. Could you perhaps explain what you are doing to ensure that that happens?

Nick Dyer: Clearly, any organisation needs to be clear about what its priorities are, and the Secretary of State has been pretty clear about her priorities. Over the next period, we have our manifesto commitments that we need to deliver, so those are very clear in terms of the expectations of what we are trying to deliver. It is notable that, in many of the ICAI reports, there is a call for more strategy, more guidance. My reflection is that there is a balance to be struck. In many cases, our experience of strategies is they are not read. The multilateral report for the World Bank demonstrates how little of their own policy guidance is read. Quite often, they get out of date very quickly, and they quite often codify things that, a bit further down the line, with experience, you wish you had not codified in that way.

I am as attracted to the other challenge from ICAI, which is how we get the organisation learning better, sharing knowledge and experience and using that as a way of getting the organisation to learn, to adapt and to respond. There is a balance to be struck between codifying things and learning as we go, while working within that broader framework that is set out by the Secretary of State and her Ministers.

Q33 Jeremy Lefroy: I am very glad to hear that, because I certainly would share the view, as I am sure colleagues would, that there is the need to have that. That brings me on to the question of learning and the long-term nature of programmes that so many people have already referred to. I think of the afforestation programme that we saw in Nepal, which had been going on in co-operation with the Nepali Government for decades, and how impressed we were with that and the clear, visible results that it had had. There has seemed to us often too short-term an approach to too many of the programmes, and I think this will probably come out later on when we talk about multilaterals, for instance the Global Fund to Fight AIDS, Tuberculosis and Malaria. That is a long-term approach to a problem.

Is there a sense in DFID that there is a need to look much more long-term? You might say that that is something to do with strategy. You might just say it is something to do with effectiveness. If you take a problem and address it over the long term, you are more likely, in

co-operation with the Government, to achieve the results that you wish to than if you just go in for a two or three-year programme, achieve a few results and then move on.

Nick Dyer: My colleagues may have a view on this, but I would approach this from a number of levels. If you look at our country poverty reduction diagnostics, what many of them say is that the real long-term transformation in the country is not going to come from individual interventions. Actually, it is going to come from political change, social change and some of the policy issues that affect the country that will not only be delivered by aid. There is a broader context. To look at whether we are addressing the long-term challenges of a country, you have to look at the wider portfolio rather than just an individual project. Does the portfolio capture many of those wider challenges that we think are important for the long-term development?

Within a particular project, there are issues around sustainability. How can we ensure that this project is going to be sustained after we have withdrawn? We have had many examples, and the world is littered with failed development projects because there has not been that attention to sustainability. We are giving a lot more attention now—you mentioned the Global Fund—to country-level sustainability, so should we continue operating in that country at that kind of scale? I would look at it both in the broader context in terms of the range of things you need to do, but also in terms of the individual projects and countries, the financial and institutional sustainability of the project and the intervention and making sure that those are in place.

Gwen Hines: To add a couple of comments, all of us have run DFID country programmes. There was a comment earlier about quantitative versus qualitative. It is very difficult to capture qualitative impact. It is very difficult, as we know, and as previous ICAI reports have said, to capture the impact of influencing, including things you stop happening. We definitely do that in the work we do at country level. It is a fair point that it is very hard to capture that and therefore to recognise it in terms of results frameworks and other things, but it is something we do very much at the country level.

There are also a couple of things worth flagging that we have done in recent years. The Better Delivery Taskforce and the new smart rules are very clear. There is nothing to stop people doing longer-term projects. This is something that comes out across a lot of aid agencies, and the World Bank has the same, in terms of whether we have too many short programmes. There is nothing that stops people doing long-term projects, and so part of the cultural shift is encouraging teams to think about that and use that space.

Equally, with the new senior responsible officer, you have the continuity mechanism between people working on projects and programmes, which gets carried through. One of the criticisms from ICAI, which we have recognised ourselves, was that we have a lot of staff turnover over a 10 to 15-year period, and you need to make sure you have got that continuity following through to tackle these long-term issues.

Nick Dyer: Yes. There are some good examples of 10-year programmes that we have got.

Beverley Warmington: We are looking at the moment in Vietnam, as we close our programme there, at what we have achieved over the period at a meta level, so that we can see at that level the sustainable work DFID has done, how we have helped the country as we exit and what we consider a success story for development. That is something we are

looking at. I was really pleased to hear what you said about Nepal. It is obviously in my patch, and I agree with you there are some long-term programmes where we really feel we have made a difference, and in India as well.

I also wanted to come in on this point, though, about our results. At a very high level, where we have aggregated a number of results, they will always be probably looking at more of the numerical. They are an aggregation of country operational plans, which are in themselves an aggregation of our project-level work. At the lower level, there are always going to be lots of different types of indicators. You are looking at a summary of those, and a very small number, but the overall projects and the way we evaluate those are going to have a much broader range and subset of indicators, which will probably explain a bit more about some of the longer-term work we do at that level.

Chair: We are going to move on—we are obviously covering a lot of ground in one session—to some issues around follow-up of ICAI reviews.

Q34 Pauline Latham: ICAI found evidence that DFID were poor at tracking the implementation of the recommendations. What are you doing to rectify this and to ensure that the lessons learned are being taken on board for the long term?

Nick Dyer: Each of the recommendations is tracked on an annual basis. Each of the teams who are responsible for the ICAI report annually is required to provide an update in terms of how it is getting on and progressing against the recommendation.

Q35 Pauline Latham: To whom?

Nick Dyer: Then that is transmitted to ICAI, and actually the IDC, and we put it on our Government website. The tracking system is there for us to demonstrate what we are doing in terms of follow up.

Q36 Pauline Latham: That is all you do, then.

Gwen Hines: I am responsible for the follow-up to the learning report, and learning obviously came out very clearly as a theme across a number of different ICAI reports. There was also a deeper report looking specifically at learning, which recognised that DFID is doing a lot of good practice but challenged us, rightly, to make that more systematic. In following that up, we are following up, in the narrow sense, the recommendations that came out of there, but we have a learning team, a network of learning champions across the business. We are working very much on a five-year timescale, because we have that recognised one of the challenges there is about leadership and culture and changing the way that people operate so that they really think about learning as part of impact and the way they work.

A report like that has led to a much broader process and an ongoing set of issues. We are, through that team, picking up learning and other recommendations that come out of individual ICAI reports, because we are very interested, with the kind of issues flagged in the annual report from ICAI and looking across all the different reports, in the common themes and what we do about them. The learning team we have cuts across the business. I sit in international relations; there are people who work on the programme delivery side, people who work on the research and evidence side, people who work on the systems side,

because we are also trying to make sure our technology is fit for purpose. That is a cross-DFID initiative following up a number of different ICAI reports.

Q37 Chair: Can I probe a bit further? The report from ICAI gives us an example, and perhaps Beverley is best to respond to this, of the report on DFID's health programmes in Burma. ICAI say they did not fully reflect some of the challenges in implementation, such as the proposed baseline survey. Can you respond to that and talk to us about what the follow-up has been from DFID on that specific proposal?

Beverley Warmington: Yes, of course. Nick was talking about the tracking, and we were asked how we track, but responsibility for the delivery will obviously lie with the head of the business unit that has been assessed. If it is particularly a Burma issue, then it will be the head of the Burma office's responsibility for the delivery, and, as director, ultimately I am then responsible to ensure it has been done.

The particular issue on the health programme was that we were looking to do a consultation. What we decided to do was, with the change in approach from the Government, which we were quite pleased about, that we should try and work with Government. We decided to join up with Government on this piece of work on local consultation, and so obviously it got slightly delayed because we wanted to work closely with Government. We are now moving forward. It just got delayed a bit while we waited for Government to get their systems in order as well, so we are now doing this in conjunction with Government, and it will be completed soon.

We wanted to delay it to make it a more comprehensive piece of work and a bigger piece of work that was done with the Government, which was an opportunity we thought we should take up. We are not ignoring it; we are delivering it. There has just been a slight delay in the time of doing that.

Q38 Fiona Bruce: ICAI have produced quite substantial comments on the education reports that they produced and then you commented on. I would like, if I may, to ask you one or two specific questions, because you are quite right, Nick, that long-term change will come from addressing fundamental issues like education. In response to ICAI's review of the education reports, you have partially accepted two of the three recommendations, and I wonder if you could give us more detail, because there was a limited amount of detail, in the acceptance, on your plans to address these points.

Could I take them in turn? The first one is recommendation 1, which is on page 15 of their follow-up review, and this is the recommendation that says you should look at intensifying your support for Governments to set targets and timelines that reflect realistically achievable rates of improved educational attainment. So you are, in other words, providing not just more but better education, and that would include the scaling-up of teacher training. Could you give a specific and more detailed response than perhaps has been given before as to how you are following that up?

Beverley Warmington: Yes. This is linked to the ICAI report, which said that we should not just focus on getting children into school; we should also look at how much they are learning. This is something that DFID has been doing. We started it in India. We are doing it across all of our country programmes now, and it is something that we have been keen to do. There is now data on learning in all the DFID countries in which we work, and we

are working with partner Governments to prioritise what works and track progress in learning.

For example, in Rwanda and Ethiopia, we are looking at setting targets on learning and then linking funding. We are also on track to train 190,000 teachers in this current reporting period. We have, in our research programme, a research in systems of education programme called RISE, where we are improving our system approach to education programming by looking at what the systemic issues are. It is something that we are keen on doing to improve the quality of data and look at learning—not just getting children into school—and we are rolling that out across. We have data on that in all our country programmes.

Q39 Fiona Bruce: That is something that you have done since these recommendations came out.

Beverley Warmington: Yes. We are responding, but we had started to do it before the recommendations. It is an area that DFID was working on. We have continued to roll it out since the recommendations have come out, yes.

Q40 Fiona Bruce: You mentioned data. Can I refer then to the second recommendation that we want to highlight? It is actually No. 3. This is the recommendation that you intensify your support for local government to improve the use of data systems, quality control, analysis and performance review to support locally determined actions for improving pupil learning. I would be very interested to know specifically how you have taken that forward, if at all, and particularly in the different countries that you are working in.

Beverley Warmington: Yes, sure. As I say, we now have data on learning in all the countries in which we work. We are successfully working to improve the quality of data in education, so we are looking at the data on learning outcomes. For example, following the Ebola crisis in Sierra Leone, we have helped the Government redesign the education programme so that we can get district-level data to inform local districts on outcomes in education. It is something we are working at with different Governments to try and improve their data so that they can work this down at district levels.

Q41 Fiona Bruce: Are you finding it challenging that different Governments have different resources? One of the things ICAI said was you needed to be sensitive to that. How are you addressing that recommendation?

Beverley Warmington: We will work in the context of the country and always be aware of what their limitations are and what kind of data they can collect. Clearly, for example, Sierra Leone, the example I gave you, do not have that. Resource-wise, they are very constrained at the moment, so we are trying to help alongside the Government in what we can do to fund it there, but it will very much depend on the context of the country.

Fiona Bruce: You are looking at each one individually as to how you work to help collect that.

Beverley Warmington: Yes.

Nick Dyer: Can I just add to that? The biggest challenge, of course, is the capabilities and having the systems in place, and we do have some interesting examples of using mobile phone technology to collect data in real time. There is a good example in Sudan on an education programme where it is actually tracking attendance of teachers and pupils on a daily basis. Testing and leap-frogging the need to put in deep capabilities and systems is something we are quite keen to keep exploring.

Q42 Fiona Bruce: Can I ask you then about the results-based funding? ICAI concluded that the wider case for that had not been proven, but you are carrying out three pilots. Is it Rwanda, Ethiopia and Tanzania? I believe the final report is due in 2015. Are you able to share with us any early conclusions from those pilots?

Beverley Warmington: Yes. Very early conclusions on these are that it takes time to build trust with local communities and to encourage communities and teachers to believe that the financial incentives linked to student learning and the provision of grants are real, so it is about the timeline. We have realised that sufficient time is needed to embed a different approach to the delivery of aid. It has highlighted the complexities of getting the initiatives right, which with respect to indicators and targets has been very difficult, and the importance of political economy analysis.

For example, in particular in Ethiopia, year on year we have discovered that more girls and boys are sitting and passing grade 10 exams, which triggers the release of funds to education officers and schools. Early results from the 2015 exam appear to show dramatic improvement, particularly in the poorest regions of Afar and Somali that have previously lagged. These results are currently being interrogated by independent verifiers, but we are forecasting that we will disburse against these. The receipt of this flexible funding by schools is seen as being very good. Some schools are receiving a 100% increase on their non-salary recurrent budgets, and they have been used for a wide variety of initiatives. We are seeing some good outcomes and we have learned lessons across these.

However, what we are really learning, as I said earlier, is the difficulty in evaluating the impact of these pilots. It is proving very difficult to ascertain whether the improvements in the availability and the quality are attributed to the pilot or due to a Government's overall push in education. The attribution is going to be very difficult, so that is something that is coming out of the early pilots that we are looking at. How we can verify the attribution is a piece of work we are doing at the moment. We are talking to DFID's evaluation department, the Ethiopia team, about how we can do that better to quantify exactly what difference these are making and that broader picture, where the Government in Ethiopia are having a big push on education themselves. How you look at that is going to be interesting. Those are the early findings of our pilots.

Q43 Fiona Bruce: In terms of any plans to take results-based funding forward in the future, in a sentence, you are still looking at it.

Beverley Warmington: We are still looking at it. These are the early findings from the pilots.

Q44 Chair: We have decided as a Committee to do a major inquiry into education, not least because of the global goal on education and the bigger focus on quality, but moving into secondary and tertiary. These will be issues we will be pursuing in the new year.

What I would like us to do now is to move on to how DFID works with multilateral agencies. We have a number of questions of substance but I want to start with some of the process issues that arose in the evidence from ICAI. Mark Foster told us that he had very constructive discussions with senior DFID staff as ICAI developed their multilaterals report, and he was therefore surprised at the rejection of four of the recommendations. Can you tell us how that came about?

Nick Dyer: The process of responding to recommendations is one where initially the team will review a recommendation. They will look at it in terms of its acceptability, in terms of how much work we are doing on the area already, and then look at the proportionality of the costs and benefits. They consider, if we implemented it or did more follow-up work, whether it would make sense given how much it would cost us, and whether it is just generally proportionate. That probably explains to some extent the perceived inconsistency of some of the recommendations across the reports. Some of the recommendations cover more than one issue, and our judgment in terms of whether this is proportionate may or may not be related to how much action we have already taken.

The team will come up with a recommendation. It will be reviewed by me and we will have a conversation around whether these responses are right. It will then go to Ministers, and there will be another conversation with Ministers about what they think about the responses. Ultimately, it is a ministerial decision, but there is an opportunity for the officials to have a conversation with Ministers about the outcome of the recommendations, the response to the recommendations. Ultimately, as the responsible director general for this report, I am comfortable with the response that we have given.

Q45 Chair: Are you surprised that he was surprised?

Nick Dyer: This is one of those areas where some ambiguity and inconsistency with previous recommendations might have made this a smoother conversation. If we had said, “We partially accept this because we are already working on these things”, we might have had a different conversation, but what we are saying here is that we do not think this necessarily reflected all the work that we are doing. We do not think that it is proportionate to follow up some of these recommendations in the way that they were accepted, so we stand by the response. Am I surprised? Well, maybe I am not surprised, because people will always be unhappy when you reject a recommendation.

Q46 Chair: Do you accept the point that there is a problem in terms of the relationship between ICAI and the Department, and therefore between this Committee and the Department, if there is that sense in good faith that a particular response is going to come from the Department and then four of the recommendations are rejected?

Nick Dyer: This is a process of us receiving the report and having conversations internally. We have had conversations with ICAI before. We are not judging ICAI on the quality of its report. That is for others to judge. We are responding to how we think the recommendations can be proportionately applied, and if they cannot, then we will say so.

We think in this case that, for four of the seven recommendations, we have already got plans in place or are already acting in a proportionate way.

Q47 Chair: You heard the evidence earlier, and Mark Foster actually said that had there been a sense from the Department of the kind of response you were going to give, then ICAI might have given a different, more negative rating. How do you respond to that?

Nick Dyer: These things are process, and there are many people involved in the conversations on the report and on the recommendations, and in not all cases are they the same people.

Q48 Wendy Morton: I just wanted to touch on the point you made when you said you feel that the report did not fully reflect the work that had been done. Do you feel therefore that you did not have the opportunity to feed the evidence into the report or that the process could have been slightly different? I just really wanted to probe that area and get some thoughts on that.

Nick Dyer: Gwen may want to put a view on this as well. A good example would be the recommendation on the number and seniority of staff. I understand how that conclusion was drawn, because it is taking the number of people who work in central departments, but our judgment is that we have more people working out in our delegations; we have people who we seconded into these organisations; we have people on the ground who deal with these organisations through their non-core funding. Senior people in the organisation are engaging these bodies all the time. Just two weeks ago, we had bilateral talks with the European Commission. About a few months ago, we had bilateral talks with the World Bank. These involved Ministers, senior people, so our view is that there is a lot more senior engagement than was reflected in the report.

Wendy Morton: Thank you for that example.

Gwen Hines: If I can add, just to be really clear, we found the report and the discussion and analysis that went into it very helpful. I would like to be clear: it is not a wasted opportunity, which somebody earlier suggested they feared it might be. These are issues we are working on. It is not that we are rejecting the idea that we should be strategic. It is not that we are rejecting the idea that we should engage very much with other donors in working on the multilaterals. It was a difference of opinion over the extent to which we are already doing this. The ones that we rejected were the ones where we felt we are already doing this to a sufficient extent, and the ones we partially accepted or accepted were where we recognised we should go further.

Another example, just to build on Nick's, was that, where it said we should be more strategic in our engagement, again I do think there are a huge number of examples, whether it is the nutrition summit or the girl summit, where the UK played a really key role in mobilising global action and then driving that through multilaterals. We are playing a similar role at the moment in thinking through the world humanitarian summit next year. We played that role on financing for development in the global goals summit. We used those strategic moments to really drive forward what that means then for the multilaterals. Of course, with the multilateral aid review, the MAR, there is a huge amount of policy work that goes into the individual policy discussions we have around replenishments or

individual agencies. It is not just about nuts and bolts and spending targets. It is very, very much focused on policy.

Q49 Fabian Hamilton: I note that DFID rejected the recommendation from ICAI that it needs clear objectives for working with multilaterals in its country-level strategies, but I wondered whether you had done anything about improving the way in which the country offices work with multilaterals to make clearer and more coherent working methods.

Gwen Hines: I would be happy to respond to that. The DFID country strategies and the country operational plans, as they were called in 2010, talk a lot about how DFID is going to work with multilaterals at that level. As Nick has already mentioned, heads of offices and heads of delegation do a lot of work at that level. We are now in the process of reviewing all those country strategies. We are also looking again at multilaterals, and we are looking very hard at the links between those two to make sure that they add up to more than the sum of their parts.

We have also taken a number of steps over recent years. For example, in the past there was a concern about so-called multi-buy trust fund money, so we have nominated leads within the Department to help those working at the country level who are doing a trust fund with the World Bank, for example. There is now a lead person they can turn to for advice on how to do that. We have collected good practice and shared that across the business in terms of lessons learned and how best to work with the Bank to get that done. We have also done a lot of education across the Department on what is happening in different multilaterals and what those headquarter-level policy priorities are that we are looking for people help us drive forward. There are a number of things which have been done, and we continue to build on that.

Q50 Fabian Hamilton: I am slightly baffled, because it seems from what you say, Gwen, that you have done an awful lot, so I wonder why you rejected that recommendation in the first place.

Gwen Hines: As I say, it is a difference of interpretation. We rejected it because we felt it was asking us to do something we were already doing.

Q51 Fabian Hamilton: Why did you not say that?

Gwen Hines: A point was made earlier that, in terms of the way DFID responds to the recommendations, it does not always capture the full extent of what we are doing. Having read all these reports in great detail, there is a huge wealth of detail and analysis in them, and similarly the recommendations when they come out in black and white often do not capture that wealth of detail. It might be something to look at going forward in terms of how that interaction between the report, the recommendations and the response can be improved to capture more of that qualitative detail.

Q52 Fabian Hamilton: If I was in your shoes and somebody was saying to me, “Look, you should be doing this, this and this”, and I knew I was already doing it, I would say, “We are doing it, so why are you recommending it in the first place?” I would turn the question back to ICAI. That might be helpful to us to understand why you rejected some of those recommendations in the first place: “Look, we are doing them and, yes, we always

welcome information and advice as to how we can do them better, but we are doing them and you clearly do not realise that.”

Nick Dyer: As Gwen says, this may be an area of conversation to have in the second phase with the new commissioners.

Fabian Hamilton: I am sure we will.

Q53 Chair: As you know, we have decided to do our own piece of work on allocation of resources, including the next multilateral aid review, and to ask ICAI to work with us on that. Learning from this process, what do you think might be different this time to prevent some of the issues that we have been addressing with you today?

Nick Dyer: On the multilateral aid review?

Chair: On the multilateral aid review, but also on the communication with ICAI, and then, in a sense, communication with us, because ICAI work for us.

Nick Dyer: On the multilateral aid review, there have been a number of studies done by the NAO and the IDC that were quite positive about the multilateral aid review process that we go through. They also challenged us, as have some of the multilaterals themselves, on how we capture the agencies that set standards rather than spend money, how we capture a sector rather than an individual organisation. Those are all issues that we are thinking through in terms of how we respond to those in the MAR.

In terms of working with ICAI and the Committee, there are some lessons we need to reflect on as we go into the second stage, such as whether the conversations we are having through the processes leading up to a report being done, and after recommendations have been made, are sufficient, whether we are comfortable with that and whether we need to change that in any way. I know the new commissioners are thinking about that, and we look forward to engaging them in having that conversation.

Q54 Jeremy Lefroy: Can I raise something that is nothing to do with the questions on the paper but that I really think is important? It has been brought to my attention that the Indian Government has placed great restrictions on imports into Nepal. I do not know how much you are aware of this. I am sure you are probably more aware than I am. In the context of our recent report on Nepal and the recovery from the earthquake, I wondered if you could give us your reflections on the impact that is having on Nepal at the moment. I gather that there are huge restrictions on the imports, for instance, of fuel. Is that the case and, if so, what is going on and what is DFID Nepal’s response to that crisis?

Beverley Warmington: There are issues at the border between India and Nepal. As you know, a new constitution has just been agreed in Nepal, something we are pleased about. There are issues with some of the border areas, and people who live in the border areas feeling that their concerns have not been adequately reflected in the new constitution. There are issues around the borders, and this has led to problems in Nepal, and particularly with fuel but also with other commodities, and prices are increasing. The office is aware of that. We are doing what we can with the India office as well and with the High Commission, at political level as well as at working level.

We are, as you know, continuing to respond to the humanitarian issues from the earthquake, and we continue to do that. This piece of work is being taken forward as well

as looking at what we can do to help alleviate this crisis, in particular with our own local staff, so it is something that we are looking at.

Q55 Jeremy Lefroy: Is there any indication of the impact it is having on Nepal's recovery from the earthquake?

Beverley Warmington: It is obviously not helpful to have this at the same time, but it is different areas. This is a crisis affecting everyone, because it is a fuel crisis and it is goods coming in. The humanitarian response that is going on is in quite hard to reach and remote areas anyway, and we continue to get goods into those areas.

Chair: Jeremy, thank you for taking the opportunity to raise it. It might be helpful if we could have a letter to me, which I can share with Committee colleagues, setting out in a bit more detail the Department's view and the Government's view of the current situation there, because it is of great concern to all of us on the Committee. Thanks, Jeremy, for raising it. Thank you to all three of you for coming to give evidence to us today. That brings today's meeting to a close.