International Development Committee

Oral evidence: DFID's Allocation of Resources, HC 533

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Members present: Stephen Twigg (Chair); Fiona Bruce; Dr Lisa Cameron; Pauline Latham; Jeremy Lefroy; Wendy Morton; Albert Owen; Mr Virendra Sharma

Questions 59-107

Witnesses: ***Larry Attree***, Head of Policy, Saferworld, ***Harpinder Collacott***, Executive Director, Development Initiatives, and ***Julian Egan***, Head of Advocacy, International Alert, gave evidence.

Q59 Chair: Good morning, everyone, and welcome to this second evidence session on DFID's allocation of resources. We have two panels of witnesses, with three distinguished witnesses on each panel. The meeting will finish by 11.45, so we have 45 minutes for each panel. We have seven questions that we are going to cover with each panel, so if both questioners and respondents can bear in mind those time constraints, we will make the very best use of the time.

Can I kick off with a question that is aimed at all three of our witnesses, which is to look at the new aid strategy, which has, as we know, a focus on prosperity and fragile states, but also a great emphasis in its text on the national interest? Could each of you briefly say how far you feel that this reflects the way that DFID is already working and how far it represents a change in DFID's approach to the allocation of resources? Would you like to go first, Harpinder?

Harpinder Collacott: Thank you very much for having me come in to provide some evidence today. It is a pleasure to be with the Committee. With regards to the new aid strategy, Development Initiatives would very much like to welcome this new aid strategy. It is very firmly putting in the centre development priorities in regards to the UK's global agenda specifically. It brings together poverty and also other issues around instability and insecurity, which are, from our perspective, great to see. Ultimately, the development agenda is very closely wrapped up with the agenda on prosperity and growth, but also on instability and insecurity. This particular strategy brings that together in a very holistic way. It reflects, from our perspective, a continuation, to some degree, of the way that DFID has been leading globally in the role that it has been given, specifically in fragile states.

Already, DFID is providing more than 40% of its aid to fragile countries. Hopefully, this is a continuation and an extension of that particular agenda. DFID is a leader in this space; just recently international—the OECD DAC—data came out, which demonstrated that although there is a DAC trend of a decline in aid going to fragile contexts, and particularly to the least developed countries, DFID remains the leader in this space and continues to reinforce its aid to these areas. These areas are often where poverty is highly concentrated, more and more so as we go along. When we look at where poverty was back in 1990 and where it is now, over 93% of people who are living in extreme poverty are living in politically fragile or environmentally vulnerable contexts. This trend is set to increase as well, so this strategy demonstrates a progression of how we deal with the poverty agenda, alongside the root causes of poverty, vulnerability and insecurity, which are mainly concentrated in some of the fragile contexts and hard-to-reach areas of the world.

Q60 Chair: Thank you. Larry, would you like to comment on that?

Larry Attree: Yes, I would join Harpinder in welcoming the focus on peace and stability as one of four objectives, as well as looking at crisis, violence against women and other positive aspects of the agenda. These are the difficult challenges that lie at the heart of getting to extreme poverty over the next generation.

At the same time, it is important to understand how aid should work on peace and security and how it best serves the national interest. There are questions around some of the national-security-oriented framing of the aid agenda and putting that within the context of the wider Strategic Defence and Security Review. Overall, they are relatively positive, reinforcing core issues of working on democracy, inclusive politics, corruption and human rights. That is the right agenda. It is backed by powerful evidence. However, the focus in the SDSR on reinforcing strong state allies to combat terror and on increasing UK arms sales also appears to follow a model for stability that is slightly more short-term and may prove counterproductive.

In some senses, within DFID, there is a temptation to say that getting to peace is also about supporting strong state allies and relatively exclusive political settlements as a stepping stone towards more long-lasting peace, but that is not always the case. The use of aid specifically to combat the threat of terrorism could prove risky. The danger is about the UK using aid as part of war strategies and the potential of that to backfire. There are a few concerns around how this agenda is framed, and that firewalling—between a vision of aid supporting peace and security, which is about the wellbeing of people, and the wider national security military war imperatives that are also on the table—is a firewall worth safeguarding very carefully.

Q61 Chair: Thank you very much. Julian, if you could respond, in particular, do you agree with what Larry just said?

Julian Egan: There is certainly a need for continuing oversight. I do not think there is a fundamental inconsistency between our national interest and our national security. Complementary security is quite important, but maintaining that oversight to set the parameters and boundaries is important.

In responding to your earlier question, I agree with some of my colleagues that this is really responding to a change in context. The development we will see in the next 10 years is not going to look like the development of the past 10 years. Somewhere around 50% of people living in poverty are living in fragile states as of this year and that is set to increase, some suggest even up to 75% by 2030. If you look at who achieved or who did not achieve the MDGs, very few fragile states did. The OECD came out last year and said we will not achieve sustainable development goal 1 unless we deal effectively with conflict issues and that is pretty significant; we are potentially setting ourselves up for failure before we have even started unless we take this issue seriously.

DFID, which has historically been a leader in this space, here is, I would hope, attempting to up its game consistent with other donors. For example, Swedish Minister Lövin came out last year and said, "We will make all our development programming conflict-sensitive", and that means that it not only seeks to avoid exacerbating conflict, but contributes to promoting peace, beyond just discrete peace-building activities. They are definitely following part of a trend there.

Touching upon some of Larry's comments again, it is not a question of whether we should be doing this but how we should be doing it. In terms of how different this might look, if we look at the factors that promote peace and prosperity, they are things like fair access to power, the health and mental wellbeing of individuals, justice and insecurity, and also economic opportunities. These are fundamentals of development, but they need to be crafted in a way that contributes to peace. My underlying message would be that we are definitely heading down the right track. DFID has a reasonable track record, but there is still more to do.

Q62 Jeremy Lefroy: Just picking up on that last point, would you agree that the focus on economic development, and hence very much the focus on jobs and livelihood creation, is absolutely fundamental and that that plays an extremely important part both in stability and hence in avoidance of conflict?

Julian Egan: I would agree that there is definitely a virtuous cycle between prosperity and peace and stability. It really comes down to the quality of that prosperity and growth. For example, in Nigeria, in the years following the start of major oil production there, education indicators actually declined. There is not a natural equation between greater income and wealth within a country and greater peace and stability and poverty reduction, so it is getting those settings right.

Q63 Jeremy Lefroy: I was focusing more on job livelihood creation, which spreads the wealth more than just growth for its own sake, which as you rightly say may just accumulate to the wealthiest.

Julian Egan: That is certainly a dimension, but when you are looking at conflict settings, livelihoods are not the only factor, which I am sure you understand; it is also about political inclusion and access to basic services. It is really a multi-faceted approach that one needs to take.

Q64 Wendy Morton: Following on from the Chair's question, some of this has been touched on but we can expand on it. We have heard from DFID's Permanent Secretary that a prosperity and stability agenda encompasses DFID’s existing priorities and that the focus on prosperity means that DFID will not lose sight of the extreme poverty agenda. I would be interested to know what your views are on that and also what impact the definition of fragile states could have on DFID’s allocation of resources.

Harpinder Collacott: With regards to looking at prosperity generally within DFID’s agenda, we need to look at the root causes of extreme poverty overall as well. It goes beyond conflict. The agenda has to be widened to look at all the other aspects that cause numerous levels of shocks. These are economic; these are resource and food insecurity; these are resource requirements and low domestic spending. All sorts of caveats fall into this agenda. It is not just about politically unstable states. DFID’s agenda needs to be widened and its definition of fragility needs to be widened for it to encompass the various different levels and aspects that are contributing to fragility specifically. The more that DFID can do to clarify that would be incredibly helpful.

Currently, the list of 28 countries it looks at are very much associated with political instability as opposed to the wider economic shocks that countries will face, but also the impact of climate change on those countries as well. This is a very important aspect of the new sustainable development agenda. It is critical that DFID is a leader across Government to ensure that any aid funding that is being delivered across Government is being delivered through that agenda as well.

Q65 Wendy Morton: Just to clarify, when you say it needs to be widened, it needs to be widened beyond that political sphere?

Harpinder Collacott: I understand that DFID is currently looking at the way it is defining fragile states, which has been very narrowly defined up until now. This is a very good opportunity for DFID to widen that definition in the scope of all the various different causes that contribute to instability and insecurity. The root causes of conflict are often associated with various different neighbouring regions that may be encountering economic shocks, but also climate shocks, where you end up with mass migration, looking for work and food, etc. All those aspects need to be considered when understanding the nature of what labels a conflict region a fragile region as such. This is a good opportunity for DFID to look beyond the political instability aspects that are associated with its agenda.

Q66 Chair: Harpinder, can you name the sort of country that might then become a fragile state under a new definition?

Harpinder Collacott: Gosh, you are putting me on the spot. A good example is to look at the Middle East region. Five years ago, Syria would not have been at the top of that list, and we have seen a number of changes in the political landscape there in particular, which have really resulted in that change. Also, if we look further afield, at Latin America and economic shocks; they are much more likely to encounter economic shocks. That can reverse the progress that has been made in development, in particular.

Chair: Sorry, Wendy; I interrupted you.

Wendy Morton: No, it was a fair question, actually. I was thinking of asking it myself, but you were braver than I was. Larry.

Larry Attree: I would probably take a slightly different tack on how DFID should define fragility and question the value of developing a separate definition by itself. The

OECD is obviously in the process of looking at this as well. There has been this huge global conversation to define the priorities around peaceful and inclusive societies under the sustainable development goals. Within that conversation, we summarise the things that lastingly peaceful societies do well as five things: working to reduce violence and making sure the public feel safe; ensuring fair access to justice, livelihoods, resources and services; enabling voice participation and decision-making; having lower levels of corruption and bribery; and not being overly exposed to external stresses. There you have a five-pronged agenda that is quite well reflected in the world's global goal targets and soon to be indicators.

What DFID could do well is see those things, as set out in the SDGs, as priorities and support the process of developing strong, shared indicators with the global development community, through which it measures which countries are at risk of lapsing into instability. It is using them to diagnose where prevention is the priority and influencing. If it supports these strong shared global indicators and is using them itself, it is supporting a collective process of prioritising and co-ordinating, which is what is needed—not DFID trying to act and diagnose on its own, but influencing the shared agenda of different actors at different levels. That definition of fragility that comes through the SDGs is pretty helpful for DFID and should be what it is working to.

Julian Egan: I agree with different dimensions of the two previous speakers. "Fragile states" is a fairly easy handle. If you wanted to explain what we were doing to someone on the street, they would have a basic conceptualisation. However, it does not, at a more strategic level, when talking about an aid programme, help us to necessarily identify where we need to put those resources. The point that was made about the Middle East is the perfect example; they were not regarded as fragile states, but they were highly fragile societies. We need to find a way of assessing and determining that.

The UN definition of fragile states speaks to the dangers of having too formulistic a formula. For example, their current definition, which admittedly is also based on the politics of the UN, excludes Nigeria, Pakistan, Colombia, the Ukraine, all countries that I am sure we would agree are conflict affected in some way. Many of our major partners, which may be otherwise stable, also have sub-national conflict, such as Thailand, Philippines—even Indonesia. It is more useful to think of fragility as being on a spectrum: fragility over here and resilience over here, so the ability to peacefully manage conflict, and then countries will fall somewhere along that spectrum.

Coming back to Larry's point, how we actually determine those indicators of fragility is quite important. The SDGs is one set that we could look to. Similarly, there are also the state-building and peace-building goals, which were developed under the international dialogue, and to which the UK is a party as well, and they also provide a very useful formula for looking at elements of state fragility.

Q67 Wendy Morton: Can I just come back to Julian regarding the SDGs, because earlier in your answer you referred to the MDGs and the way in which many of the fragile states were unable to meet the MDGs? I would just be curious to know what your view is on how this new strategy might affect the UK's delivery of the SDGs over and beyond fragile states, because obviously they are much more far-reaching than that.

Julian Egan: I would probably say two things in terms of whether we will lose sight of that agenda or not, in terms of this broader security and prosperity agenda. The first is that when we went through the sustainable development goals negotiation process, while it is fantastic to have a peace goal in there—that has not happened before—what we lost was that integrated approach. Promoting peace and stability is fundamental to the achievement of all the sustainable development goals, not just goal 16. In terms of trying to better integrate the way that we work and to build peace into the various goals, we are setting ourselves to work much more effectively in fragile and conflict-affected situations.

The other opportunity that this represents is, while DFID has been a leader—a thought leader, certainly—in terms of working in these contexts, the practice has not permeated throughout the entire organisation. If we are looking at prosperity, there is a lot of economic development work, but it is not always closely integrated with peace objectives and peace goals, so there is still more work to do there.

Q68 Fiona Bruce: That leads me nicely on to my question, which is in light of the recent scale-up, what do you think DFID's current capacity is to operate in fragile states? Is it prepared for scaling up spending to 50%? If I can just set that in context, the Independent Commission for Aid Impact, which reports to this Committee, issued a report about a year ago that said that transformative impact in fragile states will take a generation to achieve and was dependent upon the development of in-country state capacity. It noted that DFID sometimes has difficulties in obtaining long-term results, particularly because it works to a three-year cycle. What do you think about DFID's current capacity to scale up to 50%, in light of that comment?

Chair: Thanks, Fiona. Sometimes it is good to have answers from all three of you, but not always, so Harpinder are you happy to take this one?

Harpinder Collacott: This one is not probably the best one for me on the basis that we manage the data side.

Fiona Bruce: I will ask you about data in a minute.

Larry Attree: The scale-up in fragile states is the right thing to do, even if the challenges of these states is not primarily about how much aid they are getting and how much money is available. Even though the focus on them is good, as ICAI explains, the focus needs to be on spending well and not just more. What does spending well in these contexts mean? It means smaller, more reactive or opportunistic programming, longer timeframes and flexibility.

If we look at the question of DFID's capacity, we have to acknowledge that DFID is specialised already in conflict settings on governance issues. It has much better systems for delivering programmes than other Departments at present. That capacity still needs reinforcing and improving. There seems to be some uncertainty at the moment about how much DFID still needs to take a lead on conflict, security, justice and governance types of programmes, what with the establishment of the CSSF. Wherever this stuff sits within Government, DFID's capacity on peace and human security needs to be maintained and strengthened. It has to have a leading voice in how HMG sees these issues.

DFID has the focus on people's interest and wellbeing, and that is the great strength of its approach. That is crucial for the whole of Government's approach. It is questionable whether other Departments have this and will be able to evolve it quickly, and how well set up they are for listening to and understanding people's perspective on the ground, which is really the crucial thing. This work is really political and requires work with societies to bring about change. The trend towards fewer and bigger projects in that context, implemented with perhaps hefty corporate partners or multilaterals, does not necessarily support what these kind of concepts really need. Working with these broader portfolios, where there are more partners and you are plugging in to where there is energy in civil society and readiness for change across the state, is where it is at. Doing that well means DFID having more people on the ground who understand the context better, and more management time to manage these more diverse portfolios. If that means accepting slightly higher operating budgets to deliver this agenda, that should be on the table, because in the end that is what is needed to make a difference.

Q69 Fiona Bruce: Thank you. There is a lot in that. If I could just unpack it and ask you about what particular skills or backgrounds you think DFID needs to add to its capacity when it recruits to build up and address this.

Larry Attree: If you take the example of the security and justice programme, which was a recipient of another ICAI review, it pointed to the idea of programmes in a few places replicating a template approach about building capacities of security services providers, which were not necessarily working, given the political terrain. What you need is people who can analyse a political economy—conflict advisers or governance advisers—spending longer periods on the ground, with the flexibility on the ground to make decisions there about how to get things done, given the political realities that are shaping what is possible, and taking decision-making more to a central level. Bringing in lots of Departments that have a national security context and what is threatening to the UK in mind is maybe going to distract from that agenda of being close to the ground and focused on how to shift things towards how to advance people's wellbeing, given the political realities. It is people who are equipped to analyse those political governance issues and strategise around them that DFID needs more of to make these programmes work.

Q70 Fiona Bruce: So conflict advisers and governance advisers—is it also people who can work on the ground on mediation, reconciliation and arbitration between potentially conflicting—or warring, even, if it came to it—communities, so that we are dealing with prevention rather than cure?

Larry Attree: DFID does not need the skills to do peace-building work but it needs to have the skills to manage others to do those kinds of things. You would have specialists in the different kind of areas, say, engaging with communities: "What are your security and justice needs? How can we strengthen your voice? How can we connect you with police, justice services and local government?" DFID should not be doing that work itself, but it should have enough time and knowledge to get to know the context so that it can manage those kinds of programmes really well, rather than procuring really big things, implemented, say, by multilateral agencies, which itself would be quite far from communities and quite far from the ground.

Q71 Fiona Bruce: I am interested because the parallel between the private sector work and our inquires have perhaps led us to—certainly, speaking personally—take the view that DFID needs to build its capacity within DFID of those who had worked in and understood the private sector, in order to be able to, as you say, manage projects and strategise. However, you are saying that that is not necessarily the case here; as long as DFID can manage, it does not need to build up capacity.

Larry Attree: It needs to build up capacity to manage.

Q72 Fiona Bruce: Thank you; that is fine. Can I ask a separate question about data? The challenges of measuring effectiveness and impact in fragile states are obviously great. Is the available data adequate?

Harpinder Collacott: A simple answer to that is no, especially in fragile contexts. One of the biggest challenges for DFID with regards to how it does much more effective programming in conflict situations is going to be about understanding the context within which it works and ensuring that it has clear data around people in poverty and vulnerability—those who are most affected and are being left behind in these contexts. However, unfortunately, that is where the challenge of data is the greatest as well.

If you look at the current list of DFID's priority countries, there are three countries on there for which there is just no data available on people at all, so we are looking at Zimbabwe, Somalia and Myanmar. There is just no data on people at all in those countries, so it is very hard to do effective programming and measure the progress of your work on the people and the changes it is achieving directly on the ground. That is the first big challenge.

You then look at the other countries that are on that list; we have 10 that just have out-of-date data information, so we have 10 that have no information beyond 2010. As we all know, the situation in a country changes exponentially with the demographic changes, the movement of people across borders, but also within borders. That is the sort of information that is critical for any donor, as well as the national government, to have on hand to really understand the impact of their policies and funding directly on the lives of people that they are trying to improve.

That is one of the biggest challenges for DFID. That is not DFID's challenge alone; that is a global challenge, ultimately, with regards to how we overcome this lack of data, especially in the context where the data is most critical to really understanding the impact that policies are having on people. One of the things I will add to that is that DFID is putting a lot of money into this area. Just recently it has made a big commitment to the World Bank Group Trust Fund on statistical capacity. It made a £16 million commitment to the World Bank on this particular area, stipulating that this money should go towards improving statistical capacity in 15 countries. Here is an opportunity for it to stipulate that those 15 countries should be those most in need and fragile, where the statistical capacity is particularly—

Q73 Dr Cameron: Following on from that question, in terms of achieving transformational impact, I would expect that would require long-term involvement and longitudinal outcomes. How well placed is DFID to achieve that in terms of what has been a three-yearly cycle? How can that be scaled up and achieved?

Harpinder Collacott: I will take this question from the financial modalities that are available to DFID. My colleagues may want to come in. Specifically, with regards to looking at the current way that financing goes into fragile contexts, in some of the research that we have been doing, we have found that most of this is humanitarian assistance that is generally being given in fragile contexts and protracted crises. It tends to be the mechanism that is used year-on-year, yet humanitarian assistance is very specifically designed for immediate crisis and urgent situations. Yet we are finding there are eight years where year-on-year humanitarian crises are going into protracted crises as opposed to other modalities being looked at and secured.

This is where the opportunities are strong with this new approach to look across Government funding for peace and security, peace-building methods and operations, as well as others that can contribute to taking that cycle through and not put all the weight on one particular financing modality, such as humanitarian assistance, so releasing that to go into countries and situations where it has a comparative advantage, and using other tools in the development tool kit, in particular, that may be better at responding to some of the longer-term protracted situations.

Larry Attree: Let me give you a practical example, because we have discussed how achieving success in these contexts is about helping the emergence of state institutions that are inclusive, responsive, effective and accountable. If you think about the context of Somalia, which was highlighted in the new aid strategy as a context where UK aid would provide consistent support to the state, in 2012, the UN Security Council's monitoring group on Somalia highlighted that the Government had been diverting something between 70% and 80% of the resources provided to it.

What is needed in Somalia is really a strategy to help Somali society to shape the institutions that they want and need, rather than just reinforcing the state that is there. If you think in short timeframes, you are thinking, "How can we fund this department, train their people and get on with this?" If you are thinking about state-building as it really occurs, you have to be thinking about decade-long, or longer, strategies for helping societies to evolve institutions, demand what they need and get that interaction between state and society going. It is not all about society but it is substantially more about society than it has been to date. It requires these longer time horizons, so anything that can be done to lengthen them is going to be good for effectiveness in fragile states.

Julian Egan: If we are talking about transformation, we are inherently talking about the political economy of states, communities and so on. This comes back to the earlier question; DFID needs to be able to conduct what you could call development diplomacy, build those relationships, and engage with the politics that hold back the delivery of services that promote corruption. That capacity is something that we certainly cannot overlook. It is transforming politics, rather than just technical processes, that promote development in these various countries. The other thing is, when we are looking at ways to move beyond the short term and looking to broaden our impact in these particular contexts, looking at how DFID's broader range of partners operates is also important because peace is not just promoted through peace-building activities. It is promoted through integrated health, education and other services. There needs to be greater attention to other partners, such as the World Bank, the African Development Bank and the UNDP, and how they apply this conflict-sensitive approach.

Q74 Dr Cameron: How does DFID's current method of allocating resources to multilaterals and bilaterals through the reviews carried out every few years allow for this adequate long-term planning?

Chair: If we just take one of you to answer because we are running very badly behind. Harpinder, do you want to answer that, or Julian?

Julian Egan: Some of us touched on the fact earlier that, fundamentally, if we are looking for impact in fragile contexts, it is about tailoring that particular assistance to the context. In many instances, it will mean smaller-scale activities, so there are many examples of where multilaterals are doing an excellent job, but there are other examples where we need to take a much more tailored approach. Again, coming back to DFID resourcing, if you shrink the number of people who are available to manage these baskets of funding, the drive is towards putting larger grants and finance through big multilaterals, rather than that tailored approach that we need. There is an inherent crossover with broader DFID staffing.

Q75 Albert Owen: You touched on, in your responses, cross-Government spending and, indeed, DFID capacity. With the larger proportion of UK aid being spent by other Departments, my specific question is: what level of oversight and involvement should DFID have in its involvement in cross-Government spending? As a Committee, our primary remit is to scrutinise DFID, but if other Departments are doing the job, it makes our job more difficult. My question is: what should DFID be doing to look at it, and do other Departments have the right focus and skills?

Julian Egan: Larry touched on it earlier; DFID has decades of expertise in this area and other Ministries are still developing that, so there is a need for some support and guidance in the delivery of non-DFID assistance. In terms of oversight, it certainly needs to be there. Whether that is a direct control mechanism within DFID or whether it is the type of committee system in which we are participating today, I am not sure at this stage. ICAI should certainly be involved in this as it looks across all ODA expenditure.

Harpinder Collacott: Can I just add to that? One of the areas that DFID has been a global leader on has been around transparency in UK aid spending. It is a leader in demonstrating all the way down to project level how money is being spent, where it is being spent and who it is being spent by. It is providing comprehensive, timely, forward-looking data. This is not just important for accountability this side; it is also incredibly important for partner countries, so recipient countries, to be able to make allocations of their domestic finance in accordance with how international funds are coming in too. On top of that, the transparency agenda has increased efficiency within DFID specifically. We have been working quite a lot with DFID analysing that data, and it has enabled them to see where there may be overlaps or insufficiencies, etc, so they have been able to improve their systems and their delivery of development co-operation on the ground.

Q76 Albert Owen: Do you think other Departments have those skills and expertise?

Harpinder Collacott: No, so that was exactly what I was coming to. There is a real danger here, if DFID does not play an oversight role in ensuring that other Departments continue that trend of being incredibly transparent and producing data—which DFID is now very comfortable producing on a monthly basis, which allows it to make these efficiencies, but also lead at the global level on the transparency side—that there will be a backward trend as a result of wider development co-operation being shared across Government. I would strongly recommend that DFID plays an oversight role, but also a training role to ensure that other Departments that are delivering development co-operation can also continue that trend in the right direction.

Q77 Albert Owen: That is very interesting. Larry, would you like to add anything?

Larry Attree: I have a specific point on the CSSF, if I may, which is that it is incredibly important for the CSSF to focus on delivering the fairly positive vision for peace, security and justice set out under the SDGs. DFID should have a leading voice, if half of the fund is coming from the ODA, in shaping the vision under the CSSF. There is definitely a role for oversight. I have a broader point about oversight around the CSSF: a lot of it is ODA; should there not be a bit more transparency also in how strategies are set?

Q78 Albert Owen: So you do not think there is sufficient scrutiny on the National Security Council, for example.

Larry Attree: It is scrutiny of a kind, but the strategies would benefit from being shared more and consulted on with people of conflict-affected countries and civil society. With a lot of Departments involved, which are not necessarily geared towards that what-is-needed-on-the-ground perspective, it is not really happening at the moment. If DFID could influence that and try to make sure the strategies are more inclusively formulated and oriented towards people's wellbeing, that would be fulfilling its mandate to advance people's wellbeing.

Q79 Pauline Latham: ICAI found that DFID lacks methods for ensuring the right balance of risk and return across its country portfolios, which leads to staff being often unsure of their ground when working on high-risk interventions. What should DFID be doing to improve risk management in light of the emphasis on fragile states and the new aid strategy?

Larry Attree: Others could talk more generally about risk. In international parliaments, there is the idea that a good way of working in fragile states is to be more accepting of risks and willing to turn on the tap to put water through the pipes of spending of the state systems in these contexts. I do not really agree with that perspective at all. You do need to accept that some of the things that you will try in fragile states may go wrong, so there are difficulties achieving impact. However, if you are going to get to extreme poverty, it is quite right that you have to go into the hardest contexts and do it there. That is a noble aspiration, but you must not accept the wrong risks. You must not accept the risks of reinforcing corruption, strengthening the agenda of those who abuse human rights and pumping resources through patronage networks. These are the problems that are at the heart of why these places are fragile. This stuff needs to be thought through really carefully. The way that you do that is with strong political economy and conflict-sensitive analysis, which is part and parcel of what DFID does, but it needs to be strengthened quite a lot more and have more of a say in strategic decision-making.

A specific area where you would want conflict sensitivity to really come across is in the prosperity agenda. Of course, livelihoods, economics development and growth are part of the fix for the fragile context but external investment has a very big track record of feeding into the divisive politics and difficulties impacting negatively on communities. A lot of conflicts are about resources, land and the things that are effective when private investment comes in. Therefore, the prosperity agenda, as applied to fragile states, desperately needs to be conflict-sensitive, thinking through impact on politics, business engagement, and communities. DFID should have a strong role in ensuring those risks are really thought through as a matter of routine, and that there is genuine accountability also for impacts on communities of an investment agenda.

Julian Egan: I do not have anything to add to that.

Q80 Jeremy Lefroy: The new aid strategy contains a commitment to modernise the definition of ODA, the OECD, and that is coming up fairly soon. There will be some discussions on that in February. What do you think the UK's priorities should be in modernising that definition? Julian, would you like to pick it up?

Julian Egan: Rather than starting as a basis of how we divide up ODA within our national Ministries, the question, again, is: how can we achieve the impact on the ground that we want to see? Where do we set the boundaries through the coding of ODA? Overall, it is not a bad thing to think about how we can be more inclusive in terms of addressing peace and security issues. Again, it comes back to what this mean in practice and what parameters we are setting around that to make sure it does not get extended into other areas that may not have the type of impact we are looking for.

Q81 Jeremy Lefroy: If I take, for example, peacekeeping, it is not included in the ODA at the moment, yet it seems to me to be a fundamental part of bringing stability, and it may detract from countries' willingness to contribute to peacekeeping if it is not considered part of ODA. What would you say to that?

Julian Egan: If you look at who is contributing to troops on the ground, it is mainly developing countries like India and increasingly China or Bangladesh.

Q82 Jeremy Lefroy: I am talking about the payment of it rather than who is actually doing it. The two are separate.

Julian Egan: Yes, but there is a recognition in the international community that it is quite important. If we are talking about the contribution of peacekeeping to building sustainable peace, in the long term peacekeepers are there basically to keep warring parties apart. It does not necessarily address those underlying causes of conflict. If you are coming from the basis that ODA around peace and security should be seeking to address those underlying causes, then peacekeeping may not be the best vehicle to achieve that.

Q83 Jeremy Lefroy: To press on this, given that countries which are in a position to make contributions are under tight fiscal restrictions, if they are on the one hand being encouraged to meet the 0.7%, which we very much hope they are and will do, but on the other hand are already contributing to peacekeeping, will there not be the danger that this will put a great squeeze on those critical peacekeeping budgets, given that the general public views all of these expenditures as one and the same, all part of the same thing: helping towards the maintenance of peace and security?

Larry Attree: If I may, peacekeeping is a noble endeavour and should be allocated a greater amount of resources, whatever the situation around ODA. The definition of ODA is to safeguard an amount of international spending, an attention to poverty and the wellbeing of people on the ground. At the UN, there is an ongoing push at the moment to try to encourage the use of UN peacekeeping operations for stabilisation and possibly counter-terror kind of objectives. This gets into the territory where the use of aid to support a military counter-terror or stabilisation agenda could, in some contexts, conflict with the security, justice and wellbeing of people on the ground. There are a number of examples, from contexts like Afghanistan, Somalia and Yemen, about where the reinforcement of security forces for counter-terror kinds of purposes, but also part of the stabilisation agenda, has enabled abusive, corrupt systems to persist unreformed. That has not worked out well in terms of people's wellbeing and has fed into greater levels of instability, support for rebellions and terror organisations. Not blurring the boundaries around the use of aid to support military capacities, given this ambivalence over whether it is a developmental activity or part of a war strategy, is a safeguard that is quite helpful to remain in place.

That does not conflict in any way with our long held and widely voiced view that security and justice for people is a very legitimate part of what development should be about. It is a question of setting the firewall very clearly around other things.

Jeremy Lefroy: There are many other questions I would like to ask on this but I know we are out of time.

Chair: I thank our first panel of witnesses. There was a lot to cover in a short period of time and that was really, really helpful evidence today, so thank you very much indeed.

Examination of Witnesses

Witnesses: **Jonathan Glennie**, Director of Policy, Save the Children, **Girish Menon**, Chief Executive, ActionAid UK, and **Aaron Oxley**, Executive Director of RESULTS UK, Action for Global Health, gave evidence.

Q84 Chair: Can I welcome our second panel of witnesses? Thank you very much indeed for joining us. As with the first panel, we have a lot of ground to cover. I am sure you all have a lot of things to say, which is fantastic, but we only have about 45 minutes to do it, and we have six or seven questions, so if all of us could just bear that in mind, both those of us asking the questions and those of you answering. Let me kick off in the way that I did with the previous witnesses: do you think the new UK aid strategy has the right focus?

Girish Menon: Good morning, Chair, and thank you very much to the Committee for having me here and this opportunity to give evidence. We need to welcome a number of key positives in the new strategy, if I could highlight some of them. The first one is about the potential for cross-departmental working, which is absolutely key. It has the potential to contribute significantly to policy coherence across the UK Government. There is also the work on tax that is mentioned in the document, which links to the agenda of Beyond Aid, which is very positive. The focus on fragile states is something we absolutely welcome, including a focus on disasters, climate change and diseases, all of which are absolutely critical for human development.

That said, we have a few concerns and that is what I would like to highlight. The first one is a risk of a potential loss of poverty reduction as the overarching agenda for UK aid, and a move away from social spending could have a devastating impact on everything that DFID has done in the past in improving the lot of women and girls, who are, across all contexts, the most marginalised. Finally, there is a question of accountability in a context where a large proportion of the aid budget is going to be spent across five to seven different Departments.

Jonathan Glennie: Thanks for having me. I agree with a lot of what Girish said. We think, at Save the Children, that there is a really good amount of good stuff in this. The overall clear focus on national interest is, to some degree, really sensible, especially given the political context. In my view, it is re-expressed very boldly. It is not necessarily that new; most aid donors—the UK included—have always balanced the moral duty and poverty focus with a degree of long-term and sometimes slightly shorter-term national interests. That is something to be looked at. We have to be careful with it and that is something we may come on to later, but that is fine.

The focus on fragile states is also something we welcome. I would have a particular concern about making sure it is joined up with other donors. It is one thing that is not mentioned. One of my criticisms in the previous round of the aid reviews, and with this one, is that there is not a huge emphasis on what other parts of the international aid community are doing. You cannot make a decision about ramping up money in a particular country in a particular way and in particular sectors without looking at what everyone else is doing. It is not mentioned very much here. It is not mentioned very much by DFID in general. That would be a concern, but broadly speaking, yes, we share some concern about what is going to happen to aid to stable, low-income countries that maybe do not make the headlines. However, that is the kind of classic aid fare. We know it is effective, much less risky and all that.

The one overall concern I have with this document is that it feels a little bit back to the future in some ways. Let us be honest: we do not know as much as we would like to, or sometimes pretend we do, about how we make aid effective. This document is written as if we know how you do it: "Let's cancel all the ones that do not work; let's build on all the ones that do work." That is fine and we have to make that analysis. There are some very great brains, some of them in this room, that are doing that. However, the reality is that we do not know as much as we would like to.

There is one thing we do know, which all the research points to, and that in the first 10 years of this century we spent a lot of time embedding. If you try to do it without partnering clearly with aid recipients, beneficiary governments and beneficiary organisations, the chances of achieving effective aid interventions are very, very small. You have to focus on building relationships with the places that are purportedly receiving aid. It is called ownership in some language. It is the heart of the Paris Declaration and all that aid effectiveness work that we have done, which is nowhere to be seen in this document or anywhere else, from what I can see, in DFID's and the Government's overall discussion of aid. That is a very, very dangerous road to be going down. Of course we support results. We support value for money. We support most of the things in this document, and we can go into them in more detail. We do not have to reinvent the wheel. The work has been done. It is in the Paris agenda. You have to focus on building relationships and systems with beneficiaries. I would love to see a lot more of that in future documents of this kind.

Q85 Chair: You mentioned Paris, but that also presumably applies to the sustainable development goals as well; would it be fair to say that there is a sense that this document does not reflect what the UK said in New York, as well as in Paris?

Jonathan Glennie: It does not reflect Paris, quite seriously. I would not say that about the SDGs; I think it fairly does. They have done a good job and the UK has played a huge role in pushing this—especially this "Leave no one behind" agenda—focus on the most excluded. Yes, we are slightly concerned about the possibility of moving money away from low-income countries, but we are not concerned about the British Government's focus on the most excluded groups—in our case, the most excluded children—which has been absolutely central to this document and to the UK Government's approach.

More broadly, the prosperity agenda is also something that I associate very much with the SDGs. It is not just focusing on the poorest. It is building countries' abilities to respond to their own problems through improved, growing economies. There is a whole bunch of stuff. If there is one criticism, and you have prompted me to it, it is an aid strategy. Therefore, it talks mostly about aid. It would be nice to see it within the context of the Government's overall development strategy, which is much bigger than aid. It is not placed within that context. Maybe there is a different document that does place it within that context.

Aaron Oxley: In terms of whether the document has the right emphasis, when you are laying out a whole pile of new areas that you are going to be expanding your work in, you need to emphasise those, and those come through very strongly. On first reading, tackling extreme poverty and helping the world's most vulnerable is the fourth bullet point of four and does not come out as strongly in the document as DFID has traditionally kept focus on—indeed, from the International Development Act back in 2002. This was something that raised a few eyebrows. On reading the document, you see quite a lot of appealing to the UK's national interest, which is not necessarily a bad thing, but it is obviously great if you can do both. However, we need to remind ourselves what we are doing this for and who we are doing this for. It seems odd that we need to continually make the case for aid, in the sense of bringing it back into the UK public national interest, because the UK public, for the most part, does get the moral good that our aid money does. There is appeal after appeal, like Comic Relief and *The Guardian's* recent appeal on the refugee and migrant crisis, which had huge public responses. The fact that this is something with its own good is a case that could have been made more strongly in the analysis and it underlies the document.

Just to re-emphasise the two previous contributions, particularly around partnership, which is absolutely essential, if we look at where we are going to be going in the next 15 years with the sustainable development goals and the end of extreme poverty, we are on a pretty tight timeframe with it. We should be planning for success and that will require partnership on all levels.

Q86 Mr Sharma: Jonathan touched upon that lack of—the term that Aaron used—partnership shown in this document. Do you think it is too late, or do you feel there is still time, and that we can start working in partnership to have that visionary approach for the future?

Jonathan Glennie: It certainly is not too late. I am sure a lot of colleagues in DFID, in London and around the world, would emphasise that they do constantly work in partnership. It is not like that will suddenly stop. That happens the whole time. It is just the rhetoric or language; ultimately, this strategy may or may not shift things hugely but it is implying a way of thinking about aid and, in some aspects, that is different from where we were at five or so years ago, when partnership would have been absolutely essential to a document like this. I literally just flicked through it again and could hardly find it. It feels like this is like DFID, or rather the UK Government, going out and sorting stuff out. That does not work and we have to remind ourselves about that.

There is also this concern that DFID colleagues will get that because they know. However, it is hard to spend aid effectively. The best case for aid that can be made is not rhetoric or a really well written strategy; it is effectively spent aid. We would be worried about people thinking that they know how to spend aid—a little trait of the British is generally thinking they know how to do stuff—and actually not. We would want DFID colleagues to really have a strong influence over the way that the rest of the Government spend aid, because they really do know the partnership stuff.

Chair: I am getting lots of questioners and answerers wanting to come in and we are still on the first question. I will take Girish and Jeremy, but we are going to have to be very, very disciplined in the other questions, if we do not want to overrun.

Girish Menon: Thank you very much. I have a very quick point on the partnerships: it is about how the aid strategy can align itself with nationally driven plans and resources so that it is not seen as a purely external intervention, but it builds the capacity of national governments to both plan and deliver. That is what will make it effective from a partnerships perspective.

Q87 Jeremy Lefroy: Given that DFID spends the highest amount, in terms of proportion, on multilateral organisations—for example the Global Fund, which specifically works in partnership with countries' governments and funds those proposals that are put forward by those governments—does that not rather dampen down the point you are making, because DFID is working in partnership through multilaterals more than any organisation I can think of?

Jonathan Glennie: I have just made that point; DFID is doing it. The danger is that DFID colleagues are slightly less pressured to do so by strategies such as this, which does not make it one of the big things. It does not say, "Go out—you are doing brilliant partnerships; now redouble your efforts on partnerships." It falls away from that a bit. It says, "Go out and make sure you get these results that we know how to get". That is just the balance that you have to get right.

Q88 Albert Owen: I will try to bring it in to the first set of answers where you talked about the strategy. It does not stand alone. There are a number of reviews going on. There is an opportunity for DFID to bring the strategy into its major reviews and learn from the past and plan for the future. Do you accept that these reviews are a good opportunity for that to happen?

Girish Menon: Yes. We are told that the bilateral and multilateral aid reviews are coming through, so that would be a good opportunity to answer some of the "how" questions. On the partnership side, we are still awaiting the outcomes from the Civil Society Partnership Review and we still do not quite know the timelines for that. There are some concerns coming from around the discussions. For example, civil society more generally has been very pleased with how PPAs have worked and there are a number of independent evaluations to show that PPAs have delivered results and are quite effective. Yet, we hear that there are moves to move away from a PPA type of mechanism, without understanding what is driving the potential decision to move away from that. Yes, we are looking forward to the outcomes of those reviews.

Q89 Albert Owen: Does anybody else want to comment on that? Can I just ask one final question? How well do you think DFID measures the effectiveness of the multilateral and bilateral programmes? Do you think it is an effective way of doing it, or would you like to see improvements?

Aaron Oxley: DFID has really led the world in looking at both multilateral and bilateral aid reviews. It was really telling that after the 2010 round of reviews finished, Australia did a similar exercise. Yes, DFID does a great job of doing that. The challenge there is, again, under what criteria the organisations in question will be judged. There you get into some really interesting territory where you are looking at questions about transparency or alignment with UK priorities versus countries' own priorities. The Global Fund is a very good example; I am glad that Jeremy made the point. It is how their programming is strongly in alignment with countries. If we are talking, like some of the previous speakers, about how that is in alignment with building up of civil society and those broader institutions then that can help hold a Government to account, provide good services for citizens. The UK investments in the Global Fund are doing exactly that kind of thing.

Q90 Albert Owen: Jonathan, DFID is leading the world, but can it improve?

Jonathan Glennie: It probably is leading the world. Donors in general, especially the biggest ones, but also some of the private ones, are way, way better at checking and accounting for the way money is spent than ever before. In fact, it holds organisations like us to account, in a way that maybe was not the case 20 years ago, which has to be a good thing. It pressures our kinds of organisations, or all kinds of organisations that receive money, and governments who receive money, to show that the money is being spent effectively. There is a danger, annoyingly, of this tension. Someone mentioned it earlier; if you have a 10-year—really, it is longer—development time horizon, that is what really effective aid means. It is possible to deliver short-term results, tick the box and move on, and this happens a lot in development, constantly; it has happened for decades. All of a sudden, five years later, there is a huge conflict or, classically, the toilet is being used to hold grain because it was not thought through properly or, most important of all, systems have not been put in place to deliver long-term health and education to citizens after aid donors have withdrawn. That is the kind of effective aid that I do not think anyone is good at analysing yet, and I am worried that DFID is not emphasising that kind of thing in this strategy. It is more about the short-term, value-for-money or results agenda, which is a part of it, but not the totality.

Q91 Fiona Bruce: Jonathan, if I can just ask you to expand on this? My key question was going to be how well DFID does on supporting NGOs in long-term planning and achieving long-term goals. You have partly said that you are very concerned about that. How could it do better? Just in the context of that also, if anyone in the panel wants to touch on the question I asked earlier, but only if they have something to add, do you think DFID has the in-country and the in-house capacity to operate this scaling-up of spending of 50% on fragile states? Is its structure right to help long-term transformative change?

Jonathan Glennie: I am going to pass that one to Girish, but very briefly to say that Save the Children also supports the PPA system. We think it works well and it is so important for organisations like ourselves to have long-term funding that is not all box-checking and supports the structure. I will let Girish answer.

Girish Menon: What NGOs are focusing on is transformational change, and it is moving away from a very projectised method of delivering services to, as Jonathan mentioned, strengthening the systems of delivery. It is looking at both the demand side and the supply side of things. On the supply side, it is looking at the capacity of the Governments to deliver. On the demand side, it is looking at citizen engagement and the voice. That requires a fairly flexible form of funding that is more strategic and not just looking at the numbers of toilets constructed or children immunised, but at the overall long-term capacity, so that, again as Jonathan said, when the donors withdraw, that capacity is sustained over a period of time and there are enough domestic resources which will continue to support the delivery of those services. That requires a long-term engagement with the governments to change, influence and advocate for that change, working in partnership with local communities. That is what a mechanism like the PPA enables NGOs to do. If we are going back to considering more projectised ways of delivery it is possibly a retrograde step, in my view. That is where DFID needs to think of how any future successor of the PPA mechanism provides a way to be strategic, flexible and responsive to invest in long-term sustainable development.

Q92 Fiona Bruce: One of the easier things about short-term projects is you can measure things. What are the challenges of measuring impact when working on longer-term projects in fragile states? How can we go about that effectively?

Girish Menon: Measuring impact is not easy and that requires this whole partnership, which colleagues were talking about, not just between DFID and governments but a number of other agencies working there, and civil society and local communities. However, it is not impossible. For example, if we are looking at Myanmar right now, and DFID is quite interested in focusing on Myanmar, there is a whole transition that we see in the country. It is possible to set up measures of success. One of my concerns about this document as well is that it does not define what success looks like. We have a strategy and any good strategy needs to have a strong section that talks about measures of success. Five years down the line, how do we know that the UK Government has been successful in implementing the strategy when those measures are not in place? That needs to be there at the very strategic and top level, and at the level of intervention.

On your earlier question on fragile states, there needs to be a very clear understanding of what the criteria are that define fragility. I understand that at this point in time DFID are thinking of three criteria, which are economic and social stress, state capacity and the potential instability in the neighbouring states. If those are the criteria for fragility, it gives an opportunity for DFID to work with the national governments and with other agencies working in the country to talk about what kind of transformation they are looking at. Is it fragility from an economic context? Is it an environmental fragility? Is it political fragility? Fragility comes in all shapes and forms. Unless we are clear on what we are signing up to and aligning our resources to that, it is very difficult to say whether we can measure impact or not. That is a dialogue that needs to take place as part of implementing the strategy.

Q93 Chair: Just so I understand it, is your view that it would make sense to have a broader definition of fragility than the one that has been used in the past?

Girish Menon: What I am trying to say is that we need to have clarity on what the UK Government means by fragility. I could potentially argue that Malawi is a fragile country, but would it fall in the list of fragility? It is one of the least developed countries. It is poor. It is stable, but it is potentially on the brink of stability because its Government may not have the resources to invest in basic services. If that continues, it is very difficult for the Government to be termed as a stable Government because it creates a crisis of a different kind, as we saw in Liberia and Sierra Leone, when the health systems completely broke down, which is what caused the Ebola epidemic.

Aaron Oxley: If we are talking about long-term support for civil society, it is also looking at not just civil society but a Government ending budget support in their strategies, which is an interesting decision. Looking at, for example, something like the concept of universal health coverage, the kind of thing that can bring to a population and the work that needs to go in to build up a health system, there is something that DFID and indeed the UK in general has a lot of expertise on. There are a lot of great UK doctors and nurses helping abroad with exactly that kind of thing.

This also links back to certain questions raised in the previous section about the prosperity agenda. Some of the really smart investments that DFID has made through that prosperity lens, in terms of supporting revenue services and in terms of countries being able to build out their own tax base and fund all these interventions themselves. If we do all this right, we do get into this virtuous cycle of the state being able to build its capacity and build in the basic services that we have heard help reduce fragility in so many different ways, and then continue to drive that prosperity agenda. These are all really important elements of this strategy and it is critical we get them to work together well.

Q94 Fiona Bruce: On the PPA, am I right that the average length is about three years for these agreements? Are you saying that it needs to be longer for NGOs in the funding? Is that what you are saying?

Girish Menon: Yes, but we also understand that the PPA may not be part of the DFID mechanism for supporting the civil society after the Civil Society Partnership Review. That is what we understand; it is not a confirmed decision. What I was trying to say is that that is an absolutely fantastic tool or instrument to support us in bringing about the transformational change in partnership with DFID and national governments. Any potential successor of the PPA needs to be a) long-term, b) strategic, and c) flexible.

Q95 Fiona Bruce: That is what I am trying to get at. Previous witnesses in the last Parliament did indicate longer-term commitment for NGOs from DFID would make a big difference to them being able to plan transformationally. I do not want to put words in your mouth, but I am seeking an answer.

Jonathan Glennie: The more money that is what we call unrestricted—now, that may not sound very good to you guys, but it is actually flexible for us to spend as we see fit—the easier it is for us to do our job. The higher the percentage of our organisation that is unrestricted, which means responding penny for penny to our donors—that is part of our world and it is absolutely understandable but we need a balance. If we end up with 90% basically implementing what we are being paid to do, quite specifically, that is quite a dangerous place to be. I do not know if I have expressed that very well. I hope you understand what I am saying.

Let me express it in a different way: I have managed multi-million-dollar aid programmes. Just to put two extremes; there are different ways of managing the money, which all goes to other organisations. There is the "Audit every penny" and then there is the "I really know this organisation well". They are two extremes; of course you do both. You try to know the organisation you are working with as well as possible and, of course, you have to audit the money. However, when you are in a situation where you do not know the organisation and you are just depending on audit, that is not a good accountability system at all. That is a desperately weak one. That is the last resort. What you want to be doing is building over five, 10 or—in the case where I was working—15 or 20-year—relationships with organisations. You know the people. You know what they are trying to do. You trust them. Sure, they might have made a mistake here or there. "Let's work together to work it out", rather than, "Oh my God. What are these numbers on the spreadsheet?" A lot of the reporting that is done is technocratic or bureaucratic and that is good; there is a place for that. The international development world has got a lot better in the last five, 10 or 15 years in actually making aid spenders report for their spend. That is fine, but let's not lose that long-term building of relationships, because ultimately that is what matters, whether it is with international or local NGOs or with Governments. Anyone who works on this kind of stuff knows that you can audit till the cows come home, but it is the relationships that matter. Ultimately, we know we have been effective once we have been working for a long period of time and not through simplistic responses.

Briefly, on fragility, Girish mentioned Sierra Leone and Liberia, our really clear lesson from the Ebola outbreak was: where are the systems? We responded quite well in a very difficult situation. Save the Children are very proud of the role we played in that. Nevertheless, the lesson was: where were the systems before that? That is the same when we think about Malawi. We are not that worried about DFID and the Government moving away from low-income countries. We are slightly worried, but not that worried. It would be the wrong thing to do if they did because you have to build systems precisely in the currently stable countries so that they do not move on to crisis, whether that be conflict, disease or other forms of environmental problems.

Q96 Jeremy Lefroy: Could we move on to the definition of ODA and the upcoming discussion of that at the OECD? There are two areas that are particularly prominent at the moment: one is measurement of peace and security and the other is measurement of private-sector expenditure and particularly the kind of financial instruments that are being used. Would anybody like to comment on that and give their views on where they think things should change and where they should not?

Girish Menon: I have one quick point on that, thank you very much. We think that any definition of ODA must, at its centre, be about poverty reduction. That should be the provision of the International Development Act of 2002. Therefore, in that context, we would be a bit concerned if there was an attempt to broaden the scope of ODA to include other forms of expenditure that are being discussed at this point in time.

Q97 Jeremy Lefroy: If I can just come back to you on that, at the moment, for instance, if you take other countries, a substantial part of ODA is often in the form of loans rather than grants. Long-term loans—of course they count as negative ODA when they are repaid, but that may be 10 or 20 years down the line. What is your view on that?

Girish Menon: It needs to be seen in the context of the recipient Government. For example, if it is to some of the middle income countries, potentially it is something that they are resilient enough to consider as an instrument. However, if that is said in the context of Liberia or Sierra Leone, it is just not going to benefit. It is going to be a huge burden, which we have seen in the past with World Bank loans.

Q98 Jeremy Lefroy: Thanks for that very precise answer, which goes to the nub of the point. On to the classification of middle-income countries, because ODA is applied to low and middle-income countries but the difference between the low and the high part of the middle-income range is enormous, do you think there should be any consideration of that, considering that some middle-income countries go up to about $13,000 or $14,000 per head per year?

Girish Menon: Absolutely. We now talk about countries like Ghana and Zambia, which sit in the middle-income range. It is rather unusual. One would never think that they would sit in the middle-income range. That brings in the whole discussion on inequality. Oxfam has, just earlier this week, published a report that talks about 1% of the population earning more wealth than the rest of the population. That is very important and we do not find enough reference to issues about inequality of wealth or inequality of power, for that matter, in the UK's strategy. When we talk about middle-income, we need to take it with a pinch of salt. Zambia, by no stretch of the imagination can be a middle-income country and be in the same category as China, India or Brazil, for that matter.

Jeremy Lefroy: Or Turkey.

Girish Menon: Or Turkey, indeed.

Jonathan Glennie: I had to inform the economic adviser of the President of South Sudan once that his country was a middle-income country. He did not know, because their oil receipts had just gone through the roof. I do not use "middle-income" anymore. It is a really, really misleading term. I have been at meetings such as this where people describe India as wealthy. A whole bunch of middle-income countries are described as out of the woods; they are not. It is a really, really misleading term.

Q99 Jeremy Lefroy: Do you think, in that case, that the OECD really needs to look at this whole concept of "middle-income country"?

Jonathan Glennie: It is the World Bank that manages that term. The previous World Bank economist has himself said in public that it is a misleading term and we should not use it anymore; we should move on from that. There are some categories that are useful. "Least developed countries" is a kind of self-declared category, which is very useful.

In the context of the SDGs, there are a whole range of things we need to spend ODA on that are about international public goods as well, not just about a really tight focus on the very poorest countries.

Q100 Jeremy Lefroy: It brings it into perspective at the moment because we are looking at replenishment of IDA for the World Bank, and there is a very strict definition that IDA can only go to middle-income and low-income countries. In fact, IDA is specifically for low-income countries. How would you redefine, in the case of something like IDA, how you would target it?

Aaron Oxley: The lens through which it is useful to look at this is the idea of development effectiveness. If what we are doing is, in terms of, for example, OECD DAC redefinition, bringing in new things that previously did not count, the question you have to ask yourself is: is this effective in reducing poverty and what is the evidence base we have for that impact? For me, those are the two really, really big questions. There are some very interesting things on the table that are good things to happen in the world, but do not necessarily have the evidence base for the kind of impacts that we have for some of the things that have been traditionally DAC coded, like health, for example, where the impact is very clear.

Jeremy Lefroy: Can I finally push you on security and where the line needs to come in terms of defining security expenditure as ODA or not?

Q101 Chair: Do you both agree with Girish's answer on Jeremy's earlier question on the definition of ODA?

Jonathan Glennie: We do have not a clear line on this, and a lot of us, within Save the Children and elsewhere in the NGO sector, recognise the political reality in this country. There are different political realities. When you are part of an international movement, there are different political realities in other countries, so parts of our movement are really absolutely clear that they are not near the 0.7%, to go back to the question you asked the previous panel. They are absolutely clear that the limited amount of ODA currently being spent should not include peace and security.

In the UK context, I personally recognise that it might be difficult for the Government to do 0.7% and then plus. We do have not a line, sorry.

Chair: That is all right, very honest.

Aaron Oxley: I agree with Girish.

Q102 Wendy Morton: I would like to take us back to accountability, which I think is where we first started from, on the seven Departments. With a higher proportion of UK aid spending now going to be spent by other Government Departments, how well suited do you feel other Government Departments are to this? Do you think that they have a sufficient level of focus, skills and culture to spend the aid effectively and in accordance with the 2002 Act? Maybe we should start with Girish.

Girish Menon: I agree with what the earlier panellists said about this. DFID has a major role to make sure that the other Departments, which have possibly not stepped into this sphere in the past to the degree to which DFID has, provide the necessary expertise and skills. It is looking at staffing and skillsets. I know there was a previous question on the skillsets required on working on fragile and conflict affected states.

That said, the point on accountability has two bits to it: one is the transparency bit, and DFID has always scored very highly on the transparency. We know that other Departments have not scored that much. There is a role for DFID to bring those other Departments up to speed, to those same standards of transparency on which DFID has been rated as very good.

Equally, there is a broader question on who is going to hold all these five to seven Departments accountable for the spend. I used to be in DFID in the past, and if I were in DFID I would find it very difficult to say that DFID has the clout, if I may use the word, to hold the Treasury, Defence or the FCO accountable. In my view, it has to be a much higher body of governance that sits across various Departments, possibly under the overview of the Prime Minister, Cabinet Office—and with possibly a role for the IDC as part of the annual accounts and reports—to ask questions, not just of DFID but across all the Departments that are using the ODA money, and possibly a statement by the Prime Minister in Parliament because it is a much larger issue now. If you are really talking about the national interest, it is something the whole Parliament should be interested in, not just those bits that are interested in ODA.

Q103 Wendy Morton: Following up from that, would there be an argument that says that could be linked with the SDGs as well—the fact that they are broader than just DFID?

Girish Menon: It is absolutely true. My personal view is that I would have loved to have seen many more references to SDGs in the document. One of my concerns is that the link is quite weak. This document has come less than two months after the SDGs were done. Britain led the world. The Prime Minister himself was a key spokesperson and a champion for the SDGs in the run up to the goals and he has always talked about "leave no one behind". There is only one reference to "leave no one behind" in the whole document, and that comes in Section 3 and below. That does prompt the question: should that have not been at the very top in terms of framing those? It is only the fourth objective that talks about tackling poverty. Should that not have been right up there? If I can quote UN General Secretary, Ban Ki-moon, he said ours is the first generation that can end poverty; that should have been an opportunity for the UK aid strategy to position the UK as a global leader in poverty reduction, and as a global champion in taking the SDGs forward. There is a slight concern on whether we have missed the opportunity. A lot of it will be in the detail, so it would be great if we can see, as we enter into the implementation phase, those global goals being absolutely reflected in how the ODA money is spent.

Q104 Wendy Morton: Jonathan and Aaron, would either of you like to comment on the ability of the other Government Departments to be accountable for the aid spending? You do not have to. I am just giving you the opportunity.

Jonathan Glennie: I am happy to say something. It is a great opportunity, so there is this great line in the strategy that says, "We want to meet our promises to the world's poor and also put international development at the heart of our national security and foreign policy." That is the great opportunity, but the flip side of that is the great risk. National security and foreign policy are at the heart of international development. Like I said earlier, there is always a balance. I am the eternal optimist. Aid spending is really, really difficult to get right, simply in terms of effectiveness and then in terms of motive and other incentives being brought to bear.

The creation of DFID was a great masterstroke and an important moment in the history of international development in this country, precisely because it gave this kind of powerhouse of poverty-focused spending. It is a great opportunity and this idea that we can become a policy-coherent Government where development is taken into account across the board is a great opportunity. That is what we should be fighting for and this gives us the platform to make that case. Nevertheless, the risks are really quite severe and we have to be clear on them.

Q105 Pauline Latham: About a year ago, ICAI released a report criticising DFID's response to the post-2010 scale up in fragile states. How well placed do you think DFID is to tackle the challenges of delivering on each of the goals of security and prosperity, particularly in fragile states? Where do you think they could improve on the security and prosperity agenda?

Chair: I suggest each of you answers this if you would like to and if there is anything else you would like to say by way of a brief conclusion as well.

Aaron Oxley: Looking at the security and prosperity agenda, one piece of the new strategy, which is quite new and interesting, is bringing in climate and risk insurance mechanisms as a new tool into the humanitarian space. The world is really ripe for that and DFID is poised to lead. That would be an incredibly valuable contribution. I will leave it there.

Jonathan Glennie: I have just a couple of points on how to spend aid well in fragile states. We think it needs to focus on ensuring future shocks are mitigated. I made that point a bit earlier—focusing on the systems and strengthening health security for the long term. There is also this new language that I have learnt recently called "no regrets", which is about spending on things that you know are really important and even if a crisis does not occur it is still going to be a good investment, rather than a wait-and-see approach, which has not worked.

Finally, we focus strongly on education because it is not always the focus in crises; it is health and survival. Our focus at the moment is education. We want to see a new fund for education in emergencies and protracted crises, agreed at the World Humanitarian Summit coming up later this year. Just a fact: conflict-induced displacement now averages 17 years, so a mechanism is required to ensure that entire generations are not robbed of an education by virtue of displacement. This is the big issue facing children in conflict and refugee situations.

Q106 Chair: Do you think, Jonathan, we should devote a bigger share of our ODA spending on education?

Jonathan Glennie: I am going to have to go back to my experts on that. I do not know.

Chair: It would be useful if you could and come back to us.

Jonathan Glennie: I will tell you this—and it is a point that Jeffrey Sachs was making in the run up to the SDGs—since 2000 we have seen huge efforts globally on health. It has been transformative, with the global health fund and all the other funds. We have some of those on education, but nowhere near the same size.

Q107 Chair: Yes, I agree with you. Thank you for that. Girish?

Girish Menon: DFID is a global leader in international development and has huge political capital across the number of countries in which it works. It has a huge wealth of experience working across countries at different levels of fragility or at different ends of the spectrum. That is something to be hugely leveraged. It has a strong team of governance advisers. It has had people working in conflict. It has the history of working very closely with the FCO on a number of these issues and therefore has the opportunity to combine its work on poverty reduction with the more diplomacy kind of work. Somebody used the term "development diplomacy"; that is the opportunity.

A great opportunity that DFID has is to bring women more into the framework of all the peace negotiations and discussions. It is great to see that we have Baroness Anelay, who is leading on women, peace and security. Those kinds of initiatives, together with what Baroness Verma is doing as international champion on domestic violence against women and girls, are some of the initiatives that need to be brought into this agenda. We know that only 8% of women typically participate in peace processes. If we are really talking about peace and security, women have to have a key role. Education of women and girls is absolutely important. Political participation and a greater enabling environment for women to participate actively in these processes is really important.

Again, going back to the point that I mentioned earlier about measures of success, it is really important for DFID to define what it means by peace and security and what it wants to achieve through its intervention in peace and security. Unless we have those standards of measurement upfront, right at the very beginning, we will never know what we are judging ourselves against.

Chair: Thank you very much indeed; we have covered a lot of ground. I am really grateful to all three of you for your evidence, which I think will be hugely useful for us as we take forward this piece of work, which is the bread and butter of our work—how the Department allocates its resources. We have touched on, in both evidence panels this morning, some of the risks that are faced at the moment, but also some incredible opportunities to do things better. Very many thanks to all three of you for being with us this morning.