International Development Committee

Oral evidence: DFID's Annual Report and Accounts 2014-15, HC 576

Tuesday 23 Ferbuary 2016

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

Questions 1-74

Witnesses: ***Nick Dyer***, Director General, Policy and Global Programmes, ***Mark Lowcock***, Permanent Secretary, and ***Joy Hutcheon***, Director General, Corporate Performance Group, gave evidence.

Q1 Chair: Good morning, everyone. Can I welcome our three witnesses here this morning? Because today is Foreign Office questions, we would like to finish in good time for FCO questions, so my aim is to run the session for about an hour and a quarter, so until about 11.15. To give a sense of timings, we have 16 questions so we are aiming for just below five minutes on each question. Let me kick off with a question around the 0.7% target. My understanding is that the new method of calculating GNI would have meant that we actually did not achieve the target in 2013 or 2014. Can you confirm that that is the case and whether the new method will be used in future years?

Mark Lowcock: Good morning, Chair. Thank you very much. I have not precisely calculated the ratio on the new method for those two years. The effect of moving from the European system of accounts 1995 to 2010, which was done across the EU in 2015, is that more of economic activity is captured, so GNI is higher, so the 0.7% has to be higher if you want to achieve that. I guess the logic is that the score against the 0.7% would have been a bit lower in those two years. As you know, in the first of those years, we ended up quite a little bit above 0.7000%, so I would need to double check on that. In the second year, we were very close to it, so it is possible. I can calculate the precise numbers for you if that would be helpful.

Chair: Can you write to us, Mark?

Mark Lowcock: Indeed. The Government were absolutely transparent about the timing on which the methodology would change for the calculation of 0.7. We set all that out publicly on the website and so on. For the 2016 year, we are indeed moving to the new methodology, and the effect of that was captured in the budget that the Government set for the year 2016-17 up to 2021 to ensure that we could hit 0.7 each year.

Q2 Chair: So you are confident that the spending review settlement will enable us to hit 0.7% throughout the spending review period.

Mark Lowcock: That is the basis on which the budget has been set.

Q3 Fiona Bruce: Just looking at this UN target to get money out of the door by the end of December, how far is that putting pressure on DFID not to focus so much on value for money considerations?

Mark Lowcock: The Committee has asked us questions over a period on this topic. One of the things that we said to you last year was that we were going to work harder, as time moves on, to spread the spend out over the whole year rather than have that big jump in the November-December period. I would like to report to you, Chair, that for the 2015 year we believe we have been quite successful in doing that. December is not the highest month of spend for the 2015 year. There are a number of other months—April, July, August, September, October—all roughly the same as December. The November number is still a high number, which has to do with the deposit of various things we do that month, but we have made a big effort to spread the spend more evenly over the year.

The fundamental principle that we operate on is that we only pay bills when they are due, and we only want to finance activities that have strong value for money benefits. The position we are in now is that we have a lot more good uses for the Department's budget than we have funds available. That is conducive to picking the highest value-for-money activities, provided we manage them well. You know a lot about the efforts we have been making to improve the way we manage the Department's budget to maximise value for money. My own view is that we are in better shape on this than we were some years ago.

Q4 Fiona Bruce: I wonder whether you thought about liaising with the OECD to see whether the measurement might be over a longer period, say a three-year period.

Mark Lowcock: I understand the question. For us, the governing framework is the 2015 Act, which requires us each and every year to hit 0.7%. That trumps the political commitments successive Governments have made to the 0.7% definition in the OECD. We are now essentially instructed by Parliament to do that each year, every year, and that is the basis on which the Treasury sets the budget and we manage the Department's share of the budget.

Q5 Fiona Bruce: Can I just check you are not doing what we were told several years ago at this Committee, whereby quite large amounts of money were being passed over to large NGOs simply to fulfil an annual financial commitment? Those NGOs were saying, "Well, it is all well and good, but we also have to plan and it is difficult when this happens." Is that something that has now stopped?

Mark Lowcock: It is a sin in managing public money to write a cheque before it is due. If we were doing that, the NAO would call us out and I would be having an extremely uncomfortable time in front of the Public Accounts Committee. That has not happened. We are very clear with people in the Department: bills should be paid when they are due and activities need to generate value for money. That trumps other considerations.

Q6 Pauline Latham: In terms of the money we give to Europe, we were there recently and we understood that money had been given to them by us and others, and it had not been spent. How do we check with Europe that they are spending the money we give them? Do we only give it to them when they have spent it, or do we give it up front in a lump sum and say, "You do what you want with it"? We do not ever seem to know what they are doing.

Mark Lowcock: Perhaps I could ask Nick to comment on this, because he supervises Europe.

Nick Dyer: There are two ways we give money to Europe. One is through the European budget, which is the responsibility of the Treasury in terms of the attribution. In terms of the EDF, which falls to DFID, there is a process through the EDF committee where we look at the proposed schedule of financing and agree what the requirement will be for any one year. Once that is agreed, then we have an obligation to deliver on that financing.

Q7 Pauline Latham: Do we ever check that they have done it? I understand that it could be 25 years before they have spent the money we have given them.

Nick Dyer: The European accounts will tell you how much is spent when it is spent, so that is the mechanism by which we could check that.

Pauline Latham: But nobody agrees with those.

Nick Dyer: With the EDF, there is both a commitment period and an expenditure period. We are still spending some of the money on EDF 9 as well as programming for EDF 10, so they do overlap periods.

Q8 Pauline Latham: As European accounts are never ratified, how on earth do we know what is true?

Nick Dyer: On the EDF, we have a process in the EDF committees where we are agreeing every programme and reviewing the performance of the EDF, and there is an annual performance process with the EDF. So, with the EDF, there is a separate process of agreeing the allocations, agreeing the individual programmes and reviewing performance. Those are scrutinised through the Scrutiny Committee in Parliament.

Q9 Jeremy Lefroy: Following on from Pauline's question on the non-DFID EU attribution, which in 2014 went up enormously from £124 million to £442 million. Is that due to contributions to Syria through the European Union?

Mark Lowcock: That is due to a change in responsibility. That attribution was allocated for the Foreign Office to worry about, rather than us. The rationale for that was that those elements of the attribution were in parts of the world where we do not have a significant UK development programme. We do not have capacity in the Department to do a good job of scrutinising that expenditure. The Foreign Office has a policy lead on the instruments through which that spend is taking place. We in the Treasury agreed with the Foreign Office that it made sense for the discharge of the financial accountability to be better aligned with the policy responsibility.

Nick Dyer: The Foreign Office's attribution went up and ours went down. It netted out.

Q10 Jeremy Lefroy: Would it be possible to have a breakdown of that £442 million compared with the £124 million in the previous year?

Mark Lowcock: Absolutely. A little bit of it may be related to the Syria crisis, but most of the Commission's expenditure on the Syria crisis is through the humanitarian office, ECHO, which is still charged to our budget. We scrutinise that and engage with that. More of it is, say, Latin America, North Africa or the EU's near abroad. We will give you a note.

Q11 Stephen Doughty: I want to ask a couple of questions about non-DFID ODA and the transfers that are going on between DFID and other UK Government Departments. At the last Committee, you raised some concerns about the forecasting of non-DFID ODA, so I wanted to understand whether there have been any improvements in your relationships with other UK Government Departments about the forecasting of their spend of ODA. I also wanted to understand whether, regardless of Department, the spending comes under the terms of the International Development Act 2002 and is thus bound by its conditions, particularly relating to poverty reduction.

Mark Lowcock: On your first question, Mr Doughty, this is obviously becoming a much bigger issue for us and the Government because, as part of the 2015 spending review settlement, the share of the total UK ODA projected between now and 2020 that will be spent by DFID is coming down from about 85% to about 72%. That means the remaining 28% is being spent by other parts of Government. As I said when I was here, I think before you joined the Committee, on 8 December, the Government have put in place a set of arrangements to ensure that the value for money of all that expenditure is assured through a similar set of processes to those we and the Treasury have put in place for the DFID programme over many years.

There is a lot of scrutiny of the way other Government Departments will ensure value for money, with new cross-government committees set up; an expectation that, for example, ICAI will have a scrutiny role over the totality of Government ODA, and not just the Department's ODA; and an expectation that the Department will provide advice and support to other Government Departments in spending their money well. It is absolutely the case that, in managing the 0.7% each year, from this year, the Treasury will be less able to rely on DFID to sort the whole problem out. It will be much a more cross-government process. That is why the cross-government committee will become very important.

On your second question, each Department to which Parliament votes money to be ODA-able needs to satisfy itself that it has a legal framework to do that, clearly. For one or two Departments, for example the Foreign Office and the MOD, the conventions are that the royal prerogative is the framework. In other words, it is not legislative; it is the prerogative. Not being an expert in this, I understand that there is a general sense, not least in Parliament but more widely, that they should be reducing reliance on the prerogative, with more reliance on statute.

Partly for that reason, the Foreign Office has decided that, rather than continue to rely on the prerogative for the Prosperity Fund, it wants to rely on the 2002 International Development Act. That means it will have fully to comply with the provisions of that Act in the expenditure under the Prosperity Fund. For other Government Departments, the legislative base is case-by-case. They all need to satisfy themselves they have one. They may in some cases want to use the 2002 International Development Act, in which case they would clearly be required to operate within the framework of that Act.

Q12 Stephen Doughty: Do you have any idea of the proportion covered by the Act versus prerogative?

Mark Lowcock: The vast majority of the total ODA pot is covered by the Act, but one or two Departments are still working out the best legislative arrangement for some of the new provisions they have been given in the 2015 spending review. For example, BIS has very valuable and important programming: the grand challenges to generate research, knowledge and technology to solve development problems. I believe it has an Act going back to 1965 under which some activity can be mandated, but it is thinking about what legislative base it wants to operate under.

Q13 Stephen Doughty: That is really helpful. I have been looking through the supplementary estimates as well. There is quite a significant transfer out from the DFID RDEL into other Government Departments, on top of the Conflict, Stability and Security Fund. There are some quite interesting things in here: a transfer to DECC for the Chernobyl Shelter Fund; a transfer to DECC for the International Atomic Energy Agency; a transfer to the FCO for Falklands demining; inquiry costs. There is a whole series of things that certainly seem quite left of the poverty reduction mission and that cross-government departmental working. I wondered if you could say a little bit about that. What is the rationale for these? Are these included in that context?

Mark Lowcock: The first thing to say is, by definition, because they are in the estimates, it is completely transparent. On your list, some is ODA and some is not. The Falklands is not ODA. Ukraine is ODA-eligible. The clean-up of Chernobyl is a global public good, and that has been going on a very long time. Continuing to get that financed is in everybody's interest and, since it is in Ukraine, it is ODA-able.

The big point I would like to make in response to your question is that the Government made a commitment, in the aid strategy published in November, to maximise the transparency of everything that was happening, and in particular made a commitment that every Government Department spending ODA would be asked to get itself to the point of being judged by the International Aid Transparency Initiative, which does the league table on who is transparent and who is not, as "very good" or "good" in the rankings. Government Departments that are starting to spend more ODA have to work out how they reach the position, which, as you know, Chair, we are in, of being at the top of the league table, essentially, so that everybody can see what is going on and there can be proper scrutiny. Again, I am sure this is something that is in the mandate of ICAI to have a look at.

Q14 Stephen Doughty: In terms of practically meeting that, clearly, the transparency is there and you can see where the money is flowing. When you look at, for example, the interaction of staff between Government Departments, there is quite a lot of transfer of DFID staff between DFID and the FCO, but not between DFID and the MOD, DFID and DECC or even DFID and the Cabinet Office. How are you ensuring that your expertise and experience in doing this is being shared across other Government Departments?

Mark Lowcock: One of my current minor problems—or is it opportunities?—is that Government Departments are hiring like crazy from DFID because they want good-quality expertise to manage their ODA spend. The staff of the Department is fantastic and, if people can go and help other people do a good job, that is great, but I need to make sure we can sustain the calibre and levels of capability we have as well. Over the last two or three years, with some of the better-established funds like the Conflict, Stability and Security Fund, something like 30 people have now gone across to the Foreign Office in one place or another to help manage that. I think we will see a bit more of that across other Government Departments.

Q15 Pauline Latham: Our predecessor Committee also raised concerns about the non-DFID ODA, saying it was significantly less transparent than DFID's. What do you think DFID can do to improve the transparency in other Departments? What evidence is there of the effectiveness of cross-departmental funds, such as the Conflict, Stability and Security Fund, vis-à-vis departmental funding?

Mark Lowcock: On the first part of your question, the top two things are the commitment the Government have made to get to that high rating on transparency and the cross-government machinery to drive quality and value for money that I was talking about a bit earlier. Sorry, I have forgotten the second part of your question.

Pauline Latham: The effectiveness of the cross-departmental funds.

Mark Lowcock: Yes, and the evidence of that. I beg your pardon. ICAI has done some work already on some of those funds. A report was given to the predecessor Committee, for example, in the area of security and justice. This is a personal comment: it is a fair observation to make that there has been a bit less scrutiny of the cross-government funds than there has of the Department's ODA. Because the cross-government funds are getting bigger, I suppose there is a natural opportunity to have a bit more scrutiny there.

We also have our internal audit departments work together to do some scrutiny. For example, the internal audit departments of DFID, the MOD and the Foreign Office have done some very valuable work on the Conflict, Stability and Security Fund. This is going to have to be a growing area of activity.

Q16 Pauline Latham: What about the NAO? Will it be audited and looked at by the NAO?

Mark Lowcock: Indeed, and it is completely within the gift of the NAO to do value-for-money studies on ODA expenditure by other Government Departments to complement its annual auditing processes.

Q17 Pauline Latham: Does it look at the European spend?

Mark Lowcock: I am not exactly sure what the arrangements are for that. We would need to talk to the NAO about the process for that.

Q18 Mrs Grant: The annual report shows that DFID's promissory notes payable to multilaterals have increased by £1.1 billion in the financial year 2014-2015. Can you explain why that is?

Mark Lowcock: Essentially, the rationale for the promissory note system is that a lot of the organisations we finance—the World Bank, the regional development banks, organisations like the Global Fund to Fight AIDS, Tuberculosis and Malaria—enter into long-term, legally binding commitments to finance projects, many of which take many years to finance. In order for them to take on that legal commitment, they need a bankable assurance that they are going to be financed.

The reason we frequently do our share of that by promissory note is that that is a bankable assurance, but one that does not require the taxpayer to front up all the cash. We do this because it is a more efficient system for financing those institutions than simply writing a cheque up front, which would run into the kind of problem that Mrs Latham was worried about in respect of the EU: large amounts of cash sitting in someone else's bank account, waiting potentially for a number of years while all the activity is done to build the road or the power station, or to provide an assurance to someone who needs anti-retrovirals for the rest of their life that they will get them financed. That is the reason we use the promissory note system.

Q19 Mrs Grant: Bankable assurance is required for certain projects. That is why you have to do it in that way, and to avoid the UK taxpayer having to pay interest.

Mark Lowcock: Yes, or having to put money into the bank account, to write the cheque before it is going to be used. We have worked very hard to drive down the cash balances over the last five years or so in lots of organisations we finance, because it is not efficient for the British taxpayer to be giving up cash four or five years before it is used. One of the ways we have been able to make progress on that is to provide an assurance to institutions that they will be able to pay their bill, but they do not need the cash up front. Why should the taxpayer give it up before it is going to be used?

Q20 Jeremy Lefroy: May I ask a couple of supplementaries on Helen's questions? First, we have fairly consistently made the point that we would like to see DFID engage more in longer-term projects, the like of which we have seen, for instance, in the Nepal forestry programme, where commitments are made bilaterally over many years. We are giving promissory notes to multilaterals. What is the reason for not being able to give ourselves promissory notes for long-term programmes that we believe are in the best interests of our bilateral partners?

Mark Lowcock: My response to that is that it is not obvious to me why the taxpayer would want to fetter herself or himself in that way, given that we can make a commitment, with the backing of the UK Government, to finance a project for seven or 10 years, provided it is going well and we do not feel the circumstances have changed or have other problems with it. That is different to the position the World Bank is in. Essentially, it will not start the project unless it knows that it will have the resources to finish it. The position is slightly different.

Q21 Jeremy Lefroy: I understand that. I am just thinking of cases where a change of Government might result in a programme coming to an abrupt end, even though it has been seen to be in the long-term interest of the country with which we have a bilateral relationship. We seem to have the ability to finance multilaterals for long-term projects, which gives assurance to our partner countries that we are going to back it over a change of Government, but we do not necessarily have that for our own bilateral projects. That may, in the end, tend to bias against working bilaterally versus multilaterally.

Mark Lowcock: It is an interesting point. You are a bit above my paygrade, Mr Lefroy, on whether one Government should be able to change a decision made by a previous Government. Conceptually, the same thing could be done on the multilateral side for other commitments, though not for the promissory notes. Once you have deposited a note, the entitlement is with the person you have deposited the note with, so you have to stump up the cash when it is called down. But, conceptually—I am not sure I can envisage a circumstance where this would happen— a future Government could decide no longer to finance the World Bank or the Global Fund to Fight AIDS, Tuberculosis and Malaria. That would be plausible.

Q22 Jeremy Lefroy: The second point I would like to raise is that, in 2015, we have considerably increased the promissory notes issued to KfW, Kreditanstalt für Wiederaufbau, which is a German organisation, and to the German Development Corporation, so they now total nearly £50 million. I wondered what that was in respect of. Why are we issuing promissory notes to the DFID equivalents in Germany?

Mark Lowcock: I will write to you on the precise projects, but we are collaborating with Germany on a range of climate finance activities, for example. They have a lot of capability there. Those are relatively small sums. I expect that, for those kinds of activities, we will increasingly be able to build up the mandate, capability and breadth of operation of CDC, which is operating in some of the same spaces.

Q23 Jeremy Lefroy: Do we receive promissory notes from, say, the German Government in respect of programmes we are executing that they are partially funding?

Mark Lowcock: We certainly receive cash from other Governments to manage programmes that we are both committed to. I am not aware of any cases of us receiving promissory notes. Maybe other Governments are willing to write the cheque straight away and we have a slightly tighter approach to releasing our money before it is needed.

Q24 Jeremy Lefroy: Coming on to the question of bilateral as against multilateral aid, you told us in December that DFID aims to be in a position to give Ministers choices on how much aid will be bilateral and how much multilateral, given that we are the largest provider of multilateral aid globally. Do we have the staff capacity to manage a larger bilateral programme than we have at present?

Mark Lowcock: I also said on 8 December that we did not at that stage have the staffing budget agreed by the Treasury for the 2016-17 year. Now we have that agreed, and it permits us to put extra capacity into areas where we do not currently have enough capacity, for example on the Middle East, where we need more people to manage our investment capital programme, including the growing programme with CDC; and to provide more advisory services to other Government Departments.

I also said, in response to Mrs Grant's question, that one of my responsibilities is to avoid the Department being in a position where it did not have enough people safely to spend the money. I recall a period where that was something we worried about a lot. That is not currently the worry. The provision the Treasury has given us for 2016-17 will enable Ministers to make exactly the choices they want to make between multilateral and bilateral. That is not constrained.

Q25 Jeremy Lefroy: Finally on that, about 30% of bilateral aid has been channelled through multilaterals. Are there any plans to reduce that and spend more bilaterally?

Mark Lowcock: On the channels for bilateral aid through the country programmes, there are four or five choices: you could give money to the Government of the country concerned; you could hire a private contractor; you could give a grant to an NGO; or you could enter into an agreement with a multilateral organisation. Those are basically the choices available to us.

Our strategy to drive value for money is to have competition between the different choices. If we know we want a project to put another million girls in northern Nigeria into education, we get propositions from a variety of service deliverers and choose the one that is going to do it best with the best value for money. With that approach, the outcome of which sort of organisation delivers what for us is driven by value for money and competition, rather than an a priori view. That is the approach that we are keen to sustain.

Joy Hutcheon: Since 2010, the percentage being spent bilaterally through multilaterals has been slowly falling, and the percentage spent through NGOs and contracts has been slowly rising, as we have tried to expand competition and expand the supplier base.

Q26 Wendy Morton: I will briefly follow up on Jeremy's question. You talked about the way in which you look at the different options for delivering aid being driven by value for money, which was really helpful. I would be curious to know if you feel that, where you are operating in fragile states, the multilaterals have a comparative advantage over some of the other routes.

Mark Lowcock: My own judgment is that, in some fragile states, thinking about certain conflict environments in particular, the UN will often have a comparative advantage because it has a lot more capability, experience, expertise and, frankly, willingness to operate when things are extremely tough. It is not always the case that the development banks have the same capability or appetite. If you go to Mogadishu, for example, you see a lot of UN people, and I do not think there are any IFI people based there full time. Their capability varies. It is the case that, in most of those kinds of environments, we are very unlikely ourselves to put money through Government systems because the fiduciary framework does not pass the test that we set, so that option is reduced. Everywhere, you do have to pick from the available suppliers.

One thing we have been very encouraged by is the growth of the for-profit sector—although the profits these businesses make are minimal, typically—and contractors who are willing to work in the toughest places. We have very substantially grown the number of organisations we can attract to bid for competitions and then contract to. They are mostly SMEs. Britain has a lot of capability in this space. That is a very good thing, because it draws in more organisations to solving developing problems and helps generate value for money.

Q27 Wendy Morton: I would now like to turn to my next question. In 2014, the UK gave the most multilateral aid out of all the donors. Does the UK's large contribution mean that it has a greater say in how multilateral aid is spent? I am trying to establish whether there is a link between the level of contribution and the influence.

Mark Lowcock: I may ask Nick to come in on this as well. This is a bit multi-layered. If you take UN organisations, they are universal, with up to 200 members, and conceptually, theoretically, everyone has the same vote. There is a practical matter, of course. If you are a major financier, you should expect to have a thick dialogue and a point of view, and to be listened to. That is just the practical reality of being a generous financier. If you take some other organisations, like the development banks, the shareholdings in those institutions, which conceptually can be used as the basis for voting, although votes are very rare, are determined by how much you put in. The picture is a little different in reality from what the rules of the organisation might say.

The biggest issue is the quality of ideas and energy of dialogue you and other members bring to each institution. We are about to complete our third multilateral aid review, which is the biggest analytical, credible, independent assessment of about 40 multilateral organisations that anybody does. Because we do that and because it is highly regarded, it is taken quite seriously. That will tend to give us voice beyond simply our financial contributions.

Nick Dyer: The only thing I would add is just to reinforce that. To my mind, it is a function of how much effort you put it, not just the amount of resources you put in. That works at two levels: one is the board level and the other is in the country. When these organisations are designing their programmes on the ground, your ability to shape that is a function of getting in on the ground and talking to them where they are designing the projects and programmes. DFID and the UK have a reputation for ideas; we have a reputation for engagement, just because that is how we choose to work. Other countries also put quite a lot of resources in, but do not have the same amount of influence.

Q28 Chair: Mark, you mentioned the multilateral aid review. Do you have an update for us on the timescale for when we might have the outcome of the MAR and the BAR?

Mark Lowcock: What I said on 8 December, that Ministers would publish the outcomes in the spring, remains the case.

Q29 Dr Cameron: The spending review states that DFID will generate efficiency savings of over £400 million by 2019-2020. How does it intend to achieve these efficiency savings?

Joy Hutcheon: Those efficiency savings are through the programme, rather than in our operating costs or administrative efficiencies. As Mark said, we are actually expecting to see an expansion in our staff numbers, rather than a contraction. Those savings will come through improvements in our procurement and our contracting. We have a methodology agreed with the Cabinet Office for establishing what savings we have been able to make through our procurement procedure when we are letting contracts, and then identifying those and aggregating them.

Q30 Dr Cameron: From what you are saying, there are unlikely to be staff reductions as a result of those efficiency savings.

Joy Hutcheon: We have a modest administrative efficiency target agreed with the Treasury. There are a number of ways in which we expect to achieve that, but it will not be through staffing reductions.

Q31 Dr Cameron: Our predecessor Committee recommended that you report comparative data on staff turnover and the average service period for each of your country offices, with risk ratings for country offices where this is too high. Why have you not done this? Do you have the data available to do so?

Joy Hutcheon: I was not in this role during that last hearing. My recollection is that we did not agree with that recommendation. The reason is that our staff turnover is, at the moment, within the normal range for our organisation. We are recruiting very effectively. Our staff turnover had increased a little bit because of our graduate scheme. We are now bringing a number of people into the organisation as graduates but not expecting them all to stay, so we felt that the slight increase we had seen in our staff turnover was adequately explained.

In terms of our postings overseas, we keep under review how we are doing on filling overseas posts. We provide flexibility to country offices to decide how long they want to advertise a post for and whether it would be in the interests of the office or the programme to advertise a post for a longer period but potentially therefore reduce the pool of applicants. We are typically still seeing posts advertised for three years but extendable, as people get into post, see the portfolio they are managing, find out what it is like to live there. We have staff who are in post for four or five years, or even longer, but we have not mandated a longer posting period.

Q32 Dr Cameron: I understand that you did not agree with the recommendation, but surely publishing the comparative data on staff turnover would mean that that is transparent and you could therefore demonstrate the issues that you have explained.

Mark Lowcock: Can we take that away and have a look at it, Dr Cameron? To be honest, I do not remember the recommendation either, so we will have to have a look at the earlier discussion. The issue for us is that, if the data is easily collectible, we would be delighted to publish it. If we have to get lots of civil servants running around doing lots of extra work to collect it, then it becomes another process and someone has to do that work. We have, over the last few years, had hundreds and hundreds of process recommendations put to us and we have had to just take stock of them and work out the cost of discharging all those recommendations. That is the framework against which we have looked at some of those things. On your particular question, I will take it away and we will have another look at it.

Q33 Jeremy Lefroy: One recommendation, which was not a process recommendation, was that people be very much encouraged and, to some extent, almost expected to learn the languages of the countries in which they are going to live and work. That would greatly enhance their ability to do their work and to engage with the people in the countries where they are working. Is that happening?

Mark Lowcock: We wrote to you last year with the latest data. Maybe we could give you an update, Mr Lefroy.

Jeremy Lefroy: Thank you.

Q34 Mr Sharma: What proportion of the DFID's spend is currently made up of contractors? Has it increased over the previous spending review period?

Mark Lowcock: The current proportion is around 10%, and it has gone up somewhat, as Joy was saying earlier, over the last four or five years. That is partly a reflection of the fact that more of our activity is in fragile and highly challenging environments where we tend not to be able to work through the Government of the country. We do not have a projection for what that number will be by 2020, for the reasons I was running through with Mr Lefroy. It depends on which supplier, whether it is NGO, contractor or multilateral, makes the best bid for each programme we want to do.

Q35 Mr Sharma: Is DFID's commitment to increase spend on fragile states likely to increase the proportion of aid spent on contractors, due to difficulties in finding DFID staff to fill long-term posts there?

Mark Lowcock: I do not think that is going to be a driver. We have quite solid plans in place for meeting the 50% of the total departmental budget that will go into fragile states.

We published, after I was here on 8 December, the methodology we had used to set that target and the countries covered by it. As Joy was saying, we are happy with how successful we have been in hiring people we need to work in the tough places. We will continue to invest in doing that.

The overriding obligation I feel, the one I was talking about earlier, is to avoid being in a position where we have to make some choices because of our own staffing capacity. That is not the way we are trying to set the Department up. We are trying to set the Department up to be able to make the right choices to maximise value for money, and to be able to do that because we have the right staffing capacity.

Q36 Mr Sharma: Last year, you said DFID would examine whether commissioning practices were excluding small suppliers due to DFID's staff limitations. What did you find and what action did you take?

Mark Lowcock: The Secretary of State and I have had a series of meetings with all of our suppliers. We have been able to grow significantly the number of organisations, especially SMEs—small and medium-scale enterprises—that are bidding to get work from the Department. We are pleased about that progress. We would like to make further progress in that direction. That does not mean we do not also want to have large organisations bidding into us. We would like to have lots of competition from lots of sources, because we believe that that is how we get maximum value for money. Again, if it would be helpful, I can write to you with some more examples and a bit more detail. We are basically pleased with the progress we are making.

Joy Hutcheon: We can confirm that the Government have increased their target for spend through SMEs from 25% in the last parliament to 33% by 2020 in this parliament. We are already meeting that and are looking at a number of other ways of increasing that still further. We are finding under our framework contracts, where we have pre-cleared suppliers, that SMEs are particularly successful. 66% of organisations that win contracts under framework arrangements are SMEs. We are also finding that an approach of splitting some big programmes down into lots and letting lots separately is encouraging the SME market. In some cases, programmes that have been run by one of our big suppliers in phase 1 are going into phase 2 and we are finding lots being run by SMEs. We will keep working on that.

Q37 Mr Sharma: How does DFID ensure that it retains institutional knowledge when working through contractors?

Mark Lowcock: This is a key question. We have said to all our biggest suppliers that we expect them, as part of the relationship we have with them, to use some of their own time and effort to feed back lessons into the system. For example, two or three times a year we have events with them, workshops and so on, to gather experience. Obviously, through our annual review process, for everything we finance each year, we review its success and we feed all those lessons into the top of the organisation and disseminate them out again. That is another way in which we do this. Then we have a big evaluation programme.

The external evaluation programme by ICAI contributes to this as well. Many of the ICAI reports from the last parliament have a lot of lesson-learning material in them and we disseminate that too.

Q38 Dr Cameron: I was interested to hear about the increase in uptake of SMEs in terms of percentages. Are you able to monitor the level of SMEs run or led by women that are applying or have been successful in that respect?

Joy Hutcheon: We have certainly been having a good conversation, through our key supplier management process, about diversity and the way our suppliers both manage their internal business and contract on. I do not know the answer specifically to the question about women, but we will find out and come back to you.

Q39 Stephen Doughty: I want to turn to a process I have been involved in on all sides of the spectrum over the years, PPAs—programme partnership arrangements—with civil society organisations. Are you planning to change the system of PPAs? If so, what is the new system going to roughly look like?

Mark Lowcock: The answer to the first question is yes, and Nick will explain the answer to the second.

Nick Dyer: As you know, Mr Doughty, NGOs are a key part of development and DFID’s ability to deliver its development, as Mark explained, particularly in fragile and conflict-affected states, and elsewhere. PPAs will come to an end; they are coming to an end in December. Ministers have made that very clear. PPAs are only 10% of the total funding to NGOs, so some NGOs will find the closure of PPAs more challenging than others, because of their reliance on PPAs. I would expect those that are more challenged to already have been thinking about how they raise more money, what their operating model will look like in the future, how they can bid for additional DFID funds from elsewhere. There is a range of things the NGOs can do themselves.

In terms of DFID’s approach to NGOs, we have gone through the civil society review. NGOs have very much been part of that and given us their views. Proposals are currently with Ministers in terms of what shape the range of central mechanisms might take. It is not looking at the funding to NGOs through country programmes; that is separated out. There are a range of options open to Ministers, and a range of values open to Ministers as well, on the basis of looking ahead at the spending round. Those outcomes will be published alongside the bilateral and multilateral aid reviews.

Q40 Stephen Doughty: There are lots of pros and cons to the PPA system. One of the argued pros would be the flexibility it gave over a long period of time to organisations, particularly when it comes to fragile states and operating in or around those contexts. That could be a big benefit. How will you ensure that that flexibility and ability to work is retained in any new system?

Nick Dyer: NGOs tell us that there are two main reasons why they like PPAs. One is because they cover their operating costs, their back office functions, and their ability to monitor and review. Like private contractors, they should really be building that into their price. They can cover that in different ways, so PPAs are not a necessary requirement to do that. The other is the flexibility and the innovation. There are alternative ways we could do that. We could think about alternative windows through UK Aid Direct, or there are other mechanisms we could look at in terms of not only providing innovative space but also getting NGOs to work more collaboratively together. All those options are being looked at. PPAs are not the only way of delivering that.

Q41 Stephen Doughty: Are you looking to reduce overall the number of individual organisations you are working with, or will it remain the same but just through different mechanisms?

Nick Dyer: The PPAs are just over 40 of the biggest NGOs and, if you look at our NGO footprint across DFID, it is in the hundreds, so no. With PPA closing, I expect all those organisations that are getting PPAs to be engaged in some way in a DFID programme elsewhere. No, we are not looking to reduce. In fact, as you are looking at the challenge of how to engage southern NGOs, if anything it could actually grow.

Q42 Stephen Doughty: The Minister for the Cabinet Office has made this big point about inserting clauses in grant agreements from all Government Departments to prevent any kind of political lobbying. How he determines this is obviously for him, but how, practically, is that going to be implemented in civil society support going forward?

Nick Dyer: As I said before, we need to be clear to civil society what they can include in their price and what they cannot include in terms of bidding. That would include a list of things we would be happy to fund and a list of things we would not. Lobbying the UK Government would be one of those on the list of things we would not fund.

Q43 Stephen Doughty: But, potentially, lobbying other Governments and international organisations would still be fine.

Nick Dyer: Advocacy is clearly a key part of NGO activity and one that we have funded, but we need to be clear about where that line is drawn.

Q44 Wendy Morton: I would like to move on to another topic again, this time staff pay in the Department. The Department has recently come under some criticism. According to a report from the Institute for Government, DFID staff have the highest median wage and DFID has the largest proportion of its workforce earning more than £60,000 a year. I would be curious to understand why that is the case.

Mark Lowcock: Thank you for the chance to put the record straight on this, I hope. The Institute for Government's analysis looked at just the home civil servants in the Department. In other words, it excluded a third of our staff, whom we hire in the countries in which we work. They are absolutely key people in running our organisation, doing crucial programme assistant work, project management work, support work for all our overseas teams. It is a bit like if you had taken out a third of the least well paid staff in any other Government Department and done the comparison on that basis. It was not a like-with-like comparison.

For us, the big issue is whether, overall, we are running the Department in an efficient and lean way, with proper regard for what it should cost to run the institution. The NAO give you a bit of analysis on that every year. Our overhead costs, as a share of the total amount of money that we spend, are still at 2.3%. When they set the budgets for the Conflict, Stability and Security Fund and the Prosperity Fund, the Treasury decided that the right level of overheads would be about 5%. As it happens, we need our overhead cost as a share of the programme to go up a little bit, maybe to the rich level of 2.5%. But it is absolutely our intention to run the Department in a lean an efficient way and to be transparent about that. It is true that a lot of the people we have are highly experienced, highly qualified professionals. That is the bulk, but the data that was published was not really a like-with-like comparison.

Q45 Wendy Morton: Following on from that, you said you welcomed the opportunity to put the record straight, and we found it interesting to hear the record being put straight. Looking forward, how do we prevent those figures coming out again, which give people perhaps a different picture? Does DFID need to counteract this sort of negative publicity in a slightly more aggressive manner?

Mark Lowcock: Perhaps I should have a discussion about this with Peter Riddell, who runs the IFG, because it is a document they produce every year. I kind of understand why they have done that, because what they publish is data on the home Civil Service, but I will have a conversation with him to ask whether he could put it into perspective next time so it is a bit more like-with-like. More broadly, there is a choice for Ministers about how to respond to press inquiries and so on, which is something they think about all the time.

Q46 Mrs Grant: Going back slightly, but still on staff, I hear what you say about staff and numbers, but I still worry whether you will have enough people with knowledge within your own Department to spend this ever-increasing amount of money and to stand up to the rigorous scrutiny that DFID rightly has. Especially when you think of the drains to other Departments too, you are haemorrhaging staff quite heavily. Are you sure that you are going to be okay on that?

Mark Lowcock: This is one of our key responsibilities and we have to make sure we are okay. We do know that we have the budget to hire at the level we think we need. We know that, between 2011 and 2014, we brought a few hundred extra people in; the calibre was very, very high. We got up to a higher level, away from where we were, in the position you have just described, which was a bad place to be. The Department is attractive as a place to work. People have a high regard for DFID. Lots of people in development want to come and work with us; lots of young people are very keen to come and work in the Department. It is a management responsibility to make sure we are not in that position and we are not constrained from achieving that objective by the way the budget has been set. As I say, the overhead share will go up a bit, from 2.3% to maybe 2.5%.

Q47 Mr Evans: I am just wondering how many people in your Department earn more than the Prime Minister.

Mark Lowcock: I think the only person in that category is me.

Q48 Mr Evans: How many are on over six figures?

Mark Lowcock: I would need to check, but I think there are five or six people over six figures.

Q49 Mr Evans: Do you not see that as a problem as well sometimes? It could be portrayed that people are earning very large sums of money as compared to the rest of the population, when what you are dealing with is abject poverty.

Mark Lowcock: The rules for senior Civil Service pay—and the top 100 or so people are senior civil servants—are not set by the Department; they are generally set by the Government. Pay decisions for Permanent Secretaries are set at the highest possible level in Government every year. The Government have decided that they need to have a pay system to recruit, retain and motivate people, and that it should apply for the senior Civil Service in the same way across all Departments. The result of that inside DFID is just a matter of applying the system. It is important that we get high calibre people, but the people do a really good job. We are held to account, performance is well managed and we take our responsibility seriously.

Q50 Mr Evans: You work a lot with NGOs and charities in the international development field, where they do direct work on the ground. Do you take a view as a Department as to the salaries of the top people in those charities, and do you make public comment on them, particularly when some of them earn in excess of what even you earn?

Mark Lowcock: I am not aware of Ministers having commented publicly on particular cases. If there were a general concern in terms of pay in international development organisations, we would have more worries about some of the shared international organisations, like the banks and the UN, than certainly the not-for-profit sector. If you are the chief executive of a large not-for-profit international development NGO, you have a really big job. You have probably hundreds of people who are risking their lives every day in conflict environments. They want to know that they are being led by people who have very high levels of skills and capability, and will be able to look after them and deliver the programme well. That is the test that the trustees of agencies need to apply when they are hiring and performance managing the top-level people, and deciding what their compensation package should be.

Q51 Fiona Bruce: I have a number of questions about the operation of Smart Rules. They have been going since July 2014, so a full year now, and we are told that they are based on a clear set of principles. Can you tell us how you mark or measure performance? Is it numerically, or is there a traffic light system, so that there is a very clear understanding of whether there is effectively a pass or fail?

Joy Hutcheon: There are 37 mandatory Smart Rules. We monitor compliance with those depending on what they are. A significant number of them are monitored through our management information. Each month, the executive management committee will sit down with a set of MI, which tells us whether there are any programmes without an SRO, whether there are any programmes where the annual review is overdue, whether there are any programmes where the project completion report has not been completed. On other issues, we do more ad hoc monitoring. We look periodically to make sure we are compliant with our gender responsibilities; we have a separate process for looking at that. We monitor compliance against and through a series of processes.

Q52 Fiona Bruce: Is the SRO part of the in-country team for that project?

Joy Hutcheon: Some of our bilateral projects are in-country; some of them are run from the UK. If it is a country programme, the SRO will generally be in-country.

Q53 Fiona Bruce: So they are part of that team.

Joy Hutcheon: Absolutely. They are the hands-on person dealing with that programme.

Q54 Fiona Bruce: It is the SRO who is producing the report against the criteria. What I am concerned about is whether this is self-marking.

Joy Hutcheon: The SRO is responsible for ensuring that an annual review is done. They do not get to just write it and sign it off themselves. There is an independent element. Often, annual reviews have an independent person on the team, and then they have to be signed off at a higher level than the SRO before they can be accepted.

Q55 Fiona Bruce: And every project, because they are done at least once a year, now has one of these reports.

Joy Hutcheon: Yes.

Q56 Fiona Bruce: How many have failed?

Joy Hutcheon: Annual reviews score projects. Level A is performing satisfactorily. You can overperform, but you can underperform at level B or level C. It changes from month to month. Through the management information, we monitor every month how many programmes we have performing at a B and how many we have performing at a C. We also look at the time series data, so that we can see if it has been a B one year and then is still a B the next year, in which case that is a problem, and, if it is a C, whether it is rising or sticking at the same trajectory.

Mark Lowcock: In terms of the numbers now, about 15% of programmes, when they were last scored, so some time in the last 12 months, scored a B or a C. That number has fallen a little bit and the number overperforming has grown. Every month, Nick, Joy, Lindy Cameron, David Kennedy and I get an overall rating for the total portfolio. That is currently at the highest it has been for many years. The portfolio is overall performing well. There is a recognition that sometimes we will do things that do not work, and that will be reflected in the Bs and Cs. Then, with the Bs and Cs, you have a choice to fix it or to close it.

Q57 Fiona Bruce: That is excellent, because it brings me to my next question. I am moving things on, because I am conscious of time. How many programmes have you closed under the Smart Rules since they began in July 2014?

Mark Lowcock: On 7 December, the Secretary of State wrote to you, Chair, with the totality of the value of those programmes. It will not have changed very much since then. Maybe it would be best, so you get a bit more of a sense of how it changes over time, if we wrote to you later in the year with an update on that data, because it will not be very different to the 7 December numbers.

Fiona Bruce: It might be helpful if we had a letter before we closed this report. At what point, Chair, would that be helpful?

Q58 Chair: This is not a report; this is simply discussing the DFID annual report, but we can recirculate the Secretary of State's previous letter and then you can send us an update.

Mark Lowcock: Maybe we can put something in the annual report we are publishing in a few months' time.

Q59 Fiona Bruce: I think that would be helpful: how many were closed and why, and whether they were closed for performance reasons or value for money, which is a particular area.

Mark Lowcock: I am happy to do that.

Q60 Fiona Bruce: Can I ask one final question, which relates to the challenge you have to measure performance where you are working in fragile states? It is a big balancing act now, with issues like short-term measurement being required but fragile state work taking 30 years to come to fruition. How are you reviewing the Smart Rules?

Joy Hutcheon: The Smart Rules are designed to support implementation of programmes in fragile states. Most of the countries that we work in are fragile. The first of their key principles is to do a really honest assessment of risk when you design the programme. Smart Rule 7 says that the business case has to have an assessment of risk and risk appetite, and that the SRO has to make sure that in every annual review that risk is assessed.

Another key principle is to be very realistic in setting the milestones. In the past, we have found that sometimes an optimism bias creeps in, and people are over-optimistic and overambitious about where a programme will have got to at the end of the first or the second year. Then it looks as if the programme is underachieving. When you are running a difficult programme in a fragile state, you need to set really realistic milestones. It may not have achieved very much at the end of year one, but that may be exactly what you expected, and therefore it will score an A because it is doing what you thought it was going to do. Provided people are realistic, the Smart Rules work very well.

Q61 Fiona Bruce: What approach do you take when there are occasional press reports, which are fortunately very rare compared with the number of projects, that challenge value for money and use in DFID? Do you have a particular procedure to ensure that you rebut and respond as appropriate?

Mark Lowcock: An awfully larger number of things cross my desk, or Joy's or Nick's desks, that cause us to want to ask questions about value for money and how projects are performing than are reported in the press. This drive on value for money is something we do all the time.

Q62 Fiona Bruce: Yes, but the reason I am asking that is because that goes to public perception, so it is important, however minor it might be in comparison to the whole.

Mark Lowcock: Yes, I understand the point. Press-handling is something that Ministers want to take a view on and decide all the time. They will decide the particular way they want to handle, if at all, a response to a particular inquiry. We will always provide information, but that is something that rests very much with Ministers.

Fiona Bruce: It is a very interesting question. We will come back on that another time.

Q63 Mrs Grant: The UK's cancellation of late interest payments of £139 million on a loan that Cuba defaulted on in 1987 is to be counted as ODA. Should this be counted as ODA, given that the UK has had no realistic prospect of ever receiving it? It is particularly pertinent, having just had the conversation we have had about this honest assessment of risk. It is slightly retrospective, but I would be interested to hear what you say.

Mark Lowcock: The context of this is that Cuba had run up debts to other countries, essentially OECD countries, adding up to something like $11 billion. As part of the normalisation of its situation with the wider world, there was an agreement in something called the Paris Club, where creditors get together and decide whether they are willing to forgive debts a country has incurred in order to help normalise the economic situation. There was an agreement that $8.5 billion of that debt would be written off. $2.5 billion, by the way, is still there. The Cuban authorities have made a commitment to service it and to repay it over an 18-year period.

Of the $8.5 billion, about £140 million was owed to the UK. Consistent with all the debt relief operations that the UK has been a champion of, going back over 20 years, to help countries normalise their position, the UK has been supportive of debt relief for Cuba. If you take dozens of African highly indebted poor countries and their debt relief operations going back over 15 or 18 years, we have relieved more than £5 billion worth of debt. That has enabled countries to grow their economies faster, get more kids into school, vaccinate more children and so on. Basically, that same operation has happened now for Cuba as it tries to normalise its position in the world.

The rules for how you score that debt relief process have not changed at all over the last 15 or 20 years. Countries relieving debts are giving up an entitlement to be repaid. The international rules allow you to have credit for that in the ODA you score. This Cuban operation, which is a relatively small operation for the UK at £140 million, is being treated in exactly the same way as all other debt relief operations have been. We have budgeted, in the UK's 2016 ODA budget, for that operation to take place. We have an interest in enabling a number of other countries that are still very indebted—South Sudan, Somalia, Sudan and Zimbabwe—to have the same debt relief in due course if they are reforming and they earn it. It makes sense for countries that are giving up that entitlement to be repaid to get some credit through the ODA system for it.

Q64 Pauline Latham: We understand that, last week, changes were made to the OECD DAC and ODA rules regarding peace and security and private finance. The overarching principles to guide ODA on peace and security-related activities state, "Development co-operation should not be used as a vehicle to promote the provider's security interests." How do you think this reconciles with the emphasis on security and the national interest in the new aid strategy?

Mark Lowcock: I was in Paris last week to finalise these new arrangements. On peace and security, what they mean is that things involving military-to-military training on human rights issues, on the rule of law, anti-corruption, protection of women in conflict are now score-able as ODA in a way that they were not in the past. If the military were involved in de-mining, it did not used to be score-able as ODA. If you were wearing civilian clothes and doing de-mining, that was ODA, but, if soldiers were doing it, who are of course the people who have the real expertise, somehow that was not ODA. From our point of view, these changes were simply a sensible updating of something that was a bit dysfunctional in the previous system.

Likewise, changes were made in handling private sector instruments. Equity investments in the past, if they were successful, used to attract negative ODA. Mr Lefroy will remember, for example, a case where CDC invested in Celtel, which was a business that got mobile telephony going in dozens of African countries. It was extremely successful and it contributed to hundreds of millions of pounds of negative ODA in the way the system worked before these reforms.

Our view is that these reforms are a sensible tidying up of the system, because they create better incentives to do more things that are good for development. They build on an important reform that took place at the previous DAC meeting to rationalise the way lending was treated in the ODA statistics. Previously, essentially, you got the same ODA credit for a loan as you did for a grant, at the time the credit was issued. That created all sorts of inappropriate incentives. Of course, this is all within the framework of activities that are ODA having to have as their main benefit the promotion of sustainable social and economic development in the country in which they take place. That principle is not being violated in any way at all. These arrangements just allow more of the things that contribute to that aim to be recognised and therefore incentivised.

Q65 Pauline Latham: How is it going impact on the way DFID spends money?

Mark Lowcock: That will play out over time. It does mean that some things we have bene doing anyway that have not been scored as ODA will be scored as ODA a little bit. We will have an incentive to do more of those things. We will have an incentive to do a bit more training of militaries in other countries on human rights, treatment of women in conflict and so on. We will get ODA credit for that, and that is a good thing. We would have an incentive, if we wanted to take it up, to issue a few more guarantees, to enable developing countries to get access to cheaper finance.

There are choices for the UK in how we use these changes to the framework. We are not, as you know, a lending organisation in DFID. The biggest reform, which is on the treatment of lending, does not directly apply to us. The reforms on equity make a big difference to CDC and we will report consistent with the new rules from the report we do on 2015 ODA, which we will publish in the spring.

Q66 Jeremy Lefroy: Other countries, as you say, have used lending substantially in the past as part of their ODA. Do you think that, with this new definition coming in to complement ODA measures, total official support for sustainable development—TOSSD—those countries will continue to use lending and then say, "Actually, ODA is not the most important thing; we are going to use TOSSD and, as long as we reach 0.7% with TOSSD, we are fine or nearly there", and ODA will fall out of fashion with countries that much prefer the lending-based approach, such as Japan or France, for instance?

Mark Lowcock: That is not what I expect to happen. The changes to the lending regime mean that countries can still score as ODA part of their lending, but they can only score the grant equivalent, not the face value of the loan. I know that my French, German and Japanese counterparts intend to keep reporting as ODA the grant equivalent of their lending. The point about TOSSD is that there are quite a lot of activities that go beyond the ODA definition and are not fully captured in the description the OECD issues on how rich countries contribute to progress in poorer countries. In our view, it is a good thing if the totality of collaboration, that which does not quite pass the ODA test but is nevertheless valuable and important, like a lot of contributions to peacekeeping, for example, is recognised and valued, and countries get some minor kudos for contributing to that. The TOSSD concept is intended to contribute to that.

Q67 Jeremy Lefroy: Do you have an idea at the moment of what the UK's TOSSD would roughly be?

Mark Lowcock: We do not really, Mr Lefroy, because there has not been enough work to define the parameters for TOSSD. That is a big part of the agenda for the next year or so.

Q68 Jeremy Lefroy: Your view is that it will be substantially more than the ODA figure?

Mark Lowcock: I am honestly not sure; I have not looked into it enough. It may be just a modest increment on the ODA, but I am not sure.

Q69 Stephen Doughty: Who is the ultimate arbiter across HMG as to the interpretation of these rules? If there is a dispute or a grey area, which individual is responsible?

> ***Mark Lowcock***: The rules are agreed and set in the development assistance committee of the OECD. Each member of the development assistance committee reports to it every year on what its expenditure is.

Q70 Stephen Doughty: Who signs off that final report?

> ***Mark Lowcock***: For the UK, the process is that the Department, with the help of the Treasury and other Departments, assembles it. The chief statistician in DFID, who has a line to the chief statistician in ONS, confirms it is correct. The Office for National Statistics validates it, because it is a national statistic and therefore regulated by the ONS. We then report it to the DAC. If the DAC has questions, it comes back and asks us those questions. Ultimately, we never report anything over which there are question marks.

Q71 Chair: The final questions are from me. You published your new single departmental plan last week. Can I ask you two specific questions? The UK played a major role in the negotiation of the sustainable development goals, and yet they are not explicitly referred to in DFID's objectives in the way that the millennium development goals were. Can you explain the thinking behind that?

> ***Mark Lowcock***: The global goals, the 17 goals and 169 targets, provide a framework within which pretty much everything we do can fit. The Government, as all other Governments, will have to prioritise the areas within that vast framework that we want to concentrate the UK's development budget in. The single departmental plan takes as a given the global goals and tries to explain the areas in which the UK will make a discrete contribution.

Q72 Chair: It seems odd that there is not an explicit reference to something where the UK has a good story to tell of the role we played in bringing the goals about.

> ***Mark Lowcock***: They are referred to in the UK aid strategy. The single departmental plan is the way in which we are explaining in more detail how we are going to deliver the UK aid strategy. We will be publishing more details of that in the spring through the bilateral aid review, the multilateral aid review and so on. The issue with the sustainable development goals is that, unlike the MDGs, they are so broad that it is not realistic to use them in the same way as a prioritisation system. We need to explain what we are going to contribute to against the 17 goals and 169 targets.

Q73 Chair: In the plan, it says that DFID spending on climate change prevention and adaptation over this parliament will be £3.6 billion. Is that an increase or a reduction compared to the previous parliament?

Mark Lowcock: For the Government as a whole, the figure will be £5.8 billion over the parliament and our £3.6 billion is a share of that. That £5.8 billion is a 50% increase on the last parliament.

Q74 Chair: Taking you back, finally, to the previous question I asked about the publication of the MAR and the BAR, you repeated what you had said previously, Mark, that it would be in the spring. My understanding is that purdah for the EU referendum kicks in on 26 May. Can I therefore take it that the definition of spring is on or before 25 May?

Mark Lowcock: I will consult the Secretary of State, Mr Twigg, on the answer to that question.

Chair: Fair enough. Thank you so much for giving evidence to us today.