

International Development Sub-Committee on the Work of the Independent Commission for Aid Impact

Oral evidence: ICAI's review on DFID's approach to managing exit and transition in its development partnerships, HC 857

Wednesday 14 December 2016

Ordered by the House of Commons to be published on 16 December 2016.

[Watch the meeting](#)

Members present: Fiona Bruce (Chair); Stephen Doughty; Jeremy Lefroy; Paul Scully; Stephen Twigg

Questions 1-77

Witnesses

I: Francesca Del Mese, Lead Commissioner, Alison Evans, Chief Commissioner, Kate Tench, Team Leader, ICAI service provider, Catherine Cameron, Director, ICAI service provider, Independent Commission for Aid Impact

II: Lindy Cameron, Director-General, Country Programmes, Richard Montgomery, Director, Asia, Caribbean and the Overseas Territories, Department for International Development

Examination of Witnesses

Francesca Del Mese, Lead Commissioner, Alison Evans, Chief Commissioner, Kate Tench, Team Leader, ICAI service provider, Catherine Cameron, Director, ICAI service provider, Independent Commission for Aid Impact

Q1 Chair: Good morning, everyone. Thank you for coming today. Thank you for the fact that there are so many of you. On behalf of the Sub-Committee, can I thank you for this report? We welcome it and appreciate the detail and the forthright and clear comments you put into it, and the result that you have concluded, so thank you. Because we have not necessarily met all of you before, would you like to just introduce yourselves for the record?

Alison Evans: Alison Evans, Chief Commissioner of ICAI.

Catherine Cameron: Catherine Cameron. I am on the review team.

Francesca Del Mese: Francesca Del Mese. I am the commissioner leading the review.

Kate Tench: Kate Tench. I was the team leader for this review.

Q2 Chair: Hello, and thank you for coming. Francesca, you are the lead commissioner. It is a highly critical report. You have identified serious weaknesses in DFID's approach to transition in a number of key areas: communications, relationship management and learning. Would you like to make a brief opening statement about the report?

Francesca Del Mese: Thank you and good morning. We really felt that the way that DFID exits from countries and transitions its relationships was very important to review, partly because of the changing nature of the UK landscape, and also because this Committee has noted that donors, including DFID, are operating increasingly in a "beyond aid" environment. They are changing their relationships and delivering different forms of assistance.

We do have some major concerns, but we did note that there are some very strong examples of where DFID did a transition particularly well. Vietnam stands out as a strong example. We also thank DFID, because they helped us enormously in arranging meetings and giving us communication.

Our concerns really touch upon three topics, which I will briefly outline now. The first is communication and transparency. The terminology around the closing of bilateral programmes can be very confusing for the UK taxpayer and for broader stakeholders. When someone reads that a programme is coming to an end, they may think that all financial aid to that country is ending. That was actually never the case in any of the contexts we looked at. The bilateral development review touches on this,



HOUSE OF COMMONS

saying that the UK will “push for a global transparency revolution, opening up budgets at every level so that people around the world can see how their money is being spent”. We feel that DFID needs to do much more work around exits and transitions if they are going to meet this standard.

The second concern we have surrounds relationship management. I should say that DFID is very highly regarded as being a world leader in delivering aid in all the countries that we looked at. Precisely because of this, any significant relationship management failings were really felt all the more acutely.

The last major concern that I will flag now is around lessons learning. We feel that there is a systemic weakness in that there is no single repository for information where lessons around exits and transitions can be captured, catalogued and processed. Therefore, there is no mechanism by which they can be monitoring, learning and building on previous experiences. We were quite surprised by this, because these are not one-off incidents. They are bound to happen again in future. We welcome this opportunity to answer your questions. Thank you.

Q3 Chair: Thank you very much for that summary. We will be touching on some of those areas in more detail. I would also like to comment that you are right. You did say that there were some examples of good practice, although they seem to be rather as a result of the responsibility and diligence of individual in-country managers, rather than a general overall strategy. That was very concerning. You commended Vietnam, for example. Who was the manager who took a lead on that? Do you have a name?

Francesca Del Mese: I do not have a name for that. Do you, Kate?

Kate Trench: There were several over the course of the process. The one that we highlighted was Jim Carpy, the reason being that he then moved to a different office, which was also part of our sample. That was China, and he was handling some of the post-transition relationship issues there. That was one of the things that we found really useful; he was using his experience from one country in another. However, it seemed to be a serendipity event, rather than a corporately planned use of that skill and competence.

Q4 Chair: Absolutely. I would be interested to know, because those individuals deserve commendation. They were clearly working without clear overall guidance. That came out from your report, and was deeply concerning. It is one of the things that I, as Chair of this Sub-Committee, am most concerned about. You rated DFID “red” as to how effectively it is capturing and applying learning. The bilateral development review indicates that DFID will be intensifying its efforts to help countries in transition. What lessons do you think DFID should be learning to avoid repeating the failings that you have identified in this review? How should they do things differently going forward?



HOUSE OF COMMONS

Francesca Del Mese: First, we think that they should improve their communications around the objectives. We felt that poor communications really put at risk exactly what DFID should have been proactively trying to protect, which was its reputation. For example, when we were in China, people that I spoke with, including donors, NGOs and other wider stakeholders, were not clear about DFID's objectives post-transition.

We also felt that communications and transparency were really lacking in some instances. I know that this Committee has already looked at South Africa, but there was an incident in April 2013. There was an agreement between the countries that there would be a joint announcement about the closing of the UK aid programme, but the UK went ahead and issued its own unilateral statement, which obviously was an avoidable incident, we felt, and placed stress on that relationship, which required diplomatic handling.

With regard to communications to the public, we really feel that they need to make sure that DFID is not only technically correct in what it is saying, but that it is correctly understood by an audience in accessible language—an audience that is going to comprise people who are not development specialists. For example, the recently published statistics on aid say that DFID aid going to China is zero. That is simply not the case. We know that an estimated £8 million to £10 million a year is going to China. Other Government Departments are spending money in China. We really feel there is more to be done around transparency.

We also feel that lessons learning is something that really needs to be built on at the systemic level in DFID. There needs to be some kind of process by which they can really absorb information and build it into their institutional memory.

Q5 **Chair:** Our Sub-Committee takes your comments on the issue of transparency extremely seriously. You also criticise the communication across other Government Departments. That is again something that is very serious, because of the increased amount of aid money that is being spent by other Departments. How should that be improved? You have communication with the staff and with the countries that they were transitioning from, but then there are other Government Departments as well. What are your comments on that?

Francesca Del Mese: That is a very good point, especially with the integrated HMG approach, and the co-locating of offices, which we are seeing now in China. I am going to pass to Kate, who knows a little bit more about that.

Kate Tench: We found some good examples of pragmatic working together at the ground level in country offices. We certainly did where DFID staff and FCO staff co-operated and worked quite closely together. What we were surprised by was that it was not a more systemic arrangement. We were surprised to speak to some of the other Government Departments represented at country level who had very little



knowledge of what DFID was doing. They knew the individuals, perhaps, but not what the objectives were or what they were trying to achieve and how that worked with their own work programmes in-country. There are also examples of Whitehall-level co-ordinating meetings and committees. What we found was that the disconnect was more between post and London. There were difference of opinion in working together at country level, and at central level, which meant that sometimes the people in the field were left not being quite sure how far they should go towards that, particularly when it comes to some of the cross-Government funding mechanisms, and the degree to which DFID staff should wholeheartedly be involved in planning and delivery of those when they are not DFID mechanisms as such. There was a little bit of a lack of strategic steer, if you like. That was the challenge.

Chair: Which, as you say, resulted in misunderstandings.

Q6 Paul Scully: Thanks for coming in front of us, and thanks for the report, which is incredibly informative. You set out a number of limitations in your methodology, which you say is an evolving area of practice. Why did you choose to conduct a performance review, rather than a learning review, into the evolving area?

Alison Evans: The essence of a performance review is to really get under the bonnet of how DFID is working, and really try to assess operational practices around effective delivery. In this case what we did not have is a set of longitudinal data, if you like, around which we could assess the impact of these transitions. However, we did have quite a lot of practice, dating back to 2010 and even before, to be able to understand the way in which the Department was organising itself to deliver effective exit and transition. We did not feel it was appropriate for a learning review, because we felt we had historic information. The learning reviews have tended to focus on an area of real-time innovation or scale-up. This did not feel like it was in that category. This feels like an area where we can assess, and did assess, very rigorously, a range of business practices linked to transition and exit. That made it perfectly suited to a performance review in our view.

Q7 Paul Scully: You raised concern about the harm that is done to relationships with beneficiaries and partners as a result of weaknesses in DFID's processes for exiting and transiting out of countries. Do you think this report would benefit from a greater focus on impact?

Alison Evans: Impact is in this sense implicit in our test of effectiveness in this review. What we are not calling it is an impact review, in the sense that we have explicitly gone forward to test the impact evaluation evidence around results achieved. There simply is not any. There is not a sufficient body of evaluation evidence on exit and transition for us to be able to do a rigorous job assessing impact in the purest sense of the word. What we are trying to approximate in this review is an assessment of the likelihood that impact will be positive over time, which is



essentially our effectiveness question. As you will see from this review, we are rather uncertain about that.

Q8 Stephen Twigg: You looked at a number of case studies. I understand you visited two of them, China and India. Can you tell us why you chose China and India for the visits?

Francesca Del Mese: Certainly, yes. India was chosen for a country visit partly because of the materiality of spend. DFID bilateral aid spend was £150 million in 2015, as opposed to South Africa being £7 million. From a practical perspective it was only China, India and South Africa that were identified as suitable for country visits, primarily because there were people in situ, in-country, who could talk to us with the relevant experience at that time. We conducted one field visit that was really aimed at considering the consequences of transition, and only China met those criteria at the time of the review.

Q9 Stephen Twigg: You have already touched upon, during the Chair's earlier questioning, the more positive examples of Vietnam and also Indonesia. Can you talk us through in a bit more detail what DFID did well in those two cases, and make the contrast with the other five?

Francesca Del Mese: Vietnam and Indonesia both provide really good examples that can be transferred to over contexts, regardless of the other contexts. Vietnam highlights that DFID did transition very well. We outline this on page 26 of the report, where the Government of Vietnam itself says that other donors should look to DFID's example of bilateral assistance in future. They communicated their objectives very well, they managed expectations and they also, as you can see from box 11 on page 27, spoke about what would happen when the programme closed. I will pass to Catherine, who can talk a little more about Indonesia.

Catherine Cameron: Indonesia is a good example of where DFID worked closely with the Government to ensure that their priorities were aligned, and they found a common theme in addressing climate change. DFID was then able to work both domestically and internationally on climate change, fully aligned with the Government of Indonesia's priorities at the time. What was really interesting about the Indonesia case was where DFID staff were able to work very adaptably on working with the current programme and adapting that towards the climate change focus that the programme then adopted. They had a strong relationship with civil society organisations there, and they were able to work closely with them and repurpose programmes to work on the climate change agenda. This is a good example of where DFID was able to work with the civil society organisations in Indonesia. That is now an integral part of the programme going forward. We found quite different practices working with civil society in some of our other case studies.

Q10 Stephen Twigg: Do you have a sense of why that was? Was it that it just happened that the climate change issue was there and civil society organisations were well organised on that issue in Indonesia?



Catherine Cameron: They had to repurpose programmes that were at that stage primarily working on governance and enabling increased voice and accountability in Indonesia. They were able to work with The Asia Foundation, TAF, to repurpose that programme around forest governance and addressing the issue of illegal logging. That has been a very successful programme, which we also commented on in earlier reviews. We found in other countries, for example India, taking forward work with civil society organisations has been much more challenging because of the way in which the programme has shifted to working differently in India compared to in Indonesia. What we found was an inconsistent approach towards civil society organisations across our case studies.

- Q11 **Stephen Twigg:** We as a Committee have expressed concern about the decision to exit Burundi. Tell us a little bit about what you saw in terms of the Burundi exit and why there was not that comparable positive engagement?

Catherine Cameron: In the Burundi case, we were quite heavily dependent on the very good Committee work that you did there. We had a lower number of interviewees there. It was our lowest number of interviewees, because we depended more on your work. What was interesting there was we found that the decision was taken to work through a regional programme. That was again a pragmatic response to a particular case there that seemed to have transferred relatively straightforwardly.

- Q12 **Chair:** Can I just come back on the fact that you have given us two positive examples—Vietnam as a piece and Indonesia in part? There were serious staffing problems there for years? I have asked you if you would like to give us the names of any individuals who should be commended for their work in those two countries. Please write to us on that if you would like to. What really concerns me is what you say on page 18: that there was no central function within DFID for supporting country offices through transition processes. Again, on page 27, you talk about “minimal documentation at central levels addressing the question of how to manage relationships during this sensitive period”. What role should have been responsible for tackling this in DFID?

Alison Evans: I would very much hope you do ask the DFID team exactly the same question.

Chair: I will be doing that.

Alison Evans: It seems that the lack of a central clearing house of both strategic direction and of learning and knowledge sharing was significant by its absence in this case. The Director-General for Country Programmes would seem to be the obvious place for some of that to be located. It is the role on the senior management team with the largest oversight of country and regional programming, and it is within the offices of that Director-General that one would expect to see some kind of central brain, as it were, that is providing strategic steer on this issue.



HOUSE OF COMMONS

We absolutely understand—and the report makes it very clear in a number of places—that there are very unique characteristics to some of these bilateral relationships with countries. This inevitably makes lesson learning something one needs to be smart about. You cannot simply take a blueprint from Vietnam and transport it to India. Within the context of the experience in a good case like Vietnam, there is a plethora of good learning to be transferred. The report makes a really good case for saying countries have unique characteristics, but there is a plethora here of good practice that is applicable on a wider landscape. It is that central function within DFID that should be providing the infrastructure for that learning to be both undertaken and shared systematically.

Q13 Chair: As far as you're concerned, there really needs to be a drawing together of how that best practice can be shared, and a review of this issue?

Alison Evans: I think so. This begins to get at what is sometimes quite a profound tension between the centre and the country programme in the Department. That tension can be very useful and creative in the sense that the decentralised structure of DFID allows for some really good delegated decision making to happen at country level, but there are moments when that tension undermines where the Department is trying to go with some of its objectives.

Q14 Chair: What concerned me on reading the report was, as you said on page 23, the lack of clarity on an area of considerable public interest. This was not a small piece of work, was it? We are talking about the reduction from over 80 countries at the start of 2010 to about 32 that DFID were funding.

Alison Evans: Certainly it was 32 by the end.

Chair: This is very substantial work. For there to be no clear strategic guidance after 2011 is a very serious criticism indeed.

Q15 Stephen Doughty: You have raised serious concerns about how DFID communicates its objectives when it is exiting or transitioning to a new relationship with a country. What do you think the implications of that have been, including for the relationship with those countries? What should they be doing differently?

Francesca Del Mese: There have been some quite significant issues that have arisen. For example, when we were in China we spoke to the Ministry of Education, and they did not understand. The programme had stopped. It stopped early. There was no flexibility about that. They felt that they were not able to transfer to programme to anyone else, and they felt there was no protection of any development gains. We cannot speak specifically about individual relationships, but we did generally feel that there was a lot of confusion. For example, the main interlocutors in the Government of China knew what was happening, but more broadly there was confusion about objectives.



- Q16 **Stephen Doughty:** What do those main interlocutors, for example in China, think our relationship is now? What do they think our aid spend or our relationship is about now?

Francesca Del Mese: They realise that now we are carrying out trilateral work. We are helping China, in the words of the country head office there, do its thing in other countries, so China is working overseas.

Stephen Doughty: China working as a development partner.

Francesca Del Mese: Yes, that is correct.

- Q17 **Stephen Doughty:** I am confused as well because UK Ministers have answered recently saying that UK ODA is spent in China to maximise UK-China trade. That is a parliamentary answer, and is different from what the interlocutors have told you. It is clearly different from how it has been communicated to an individual programme. What sort of confusions do you think this is creating? What do you think the implications of that are?

Francesca Del Mese: The implications are largely around risk. I will let Kate answer that.

Kate Tench: As Francesca has said, the thing that worried us most in this context was that a number of these issues touched on the very things we thought DFID should have been managing most proactively through this process, which were reputational management and risk management. With the examples in China, as you have raised, we did find that the central stakeholders in central parts of the Chinese Government knew well what DFID was doing. They had changed objectives and they were working alongside them closely.

However, we found that other parts of Government that had previously had relationships with DFID when it had a bilateral aid programme were not sure what had happened. They did not know that the aid programme had necessarily ended. They did not know what the new objectives were. We found that other stakeholders, donors and donor partners who had previously had close relations with DFID, including some of the civil society partners, were not aware of what these differences were. We had quoted to us that it was not DFID but UK aid, or it was not UK aid but the name of one or other type of spending programme. Some stakeholders felt that these were different entities, rather than one UK Government. That was a level of confusion.

I would stress that we were concerned about this because of the reputational risk management. We also did not find evidence that there was damage to DFID's reputation over the longer term. As Francesca has said, that is because of the strength of relationship over time, and the high regard in which DFID is held by all of those partners, both in-country and also internationally. It was not something that had negative consequences that we picked up on. The issue was really that there could



HOUSE OF COMMONS

have been more proactive communications to make some of those changes clearer.

Q18 Stephen Doughty: Was that down to individual staff not communicating what was going on, or was it a responsibility in terms of that wider strategic relationship between the UK and China, India or wherever it might have been?

Kate Tench: Where we did find more detail around objectives was in some internal documentation. With DFID in-country talking to DFID London, there was more meat on the bones; it was not complete, and we have made that point in the report. Those were internal documents; they were not public documents. They were not documents that were shared with broader stakeholders either in the UK or in-country. That is the source of people not being quite sure what the change was. If you look on the website, for example, at what they are doing, it is not entirely clear what those objectives are, what the priorities for delivery are, how DFID is going to be working with these countries and so on. It is that public face of it, if you like, to catch the broader set of stakeholders.

As an example, we were told by staff in DFID China who had been there throughout the entire period, which was a lengthy number of years, that they did memo and minute those stakeholders in Government they were working with directly at the time. However, those who had had a programme that had ended six or 12 months before, of course they did not. That explains why, when we spoke to some people in certain ministries of the Government there, they did not know what had happened, because their active programme was not active at the time that the transition happened. It is really about that, and the public face of some of that information that was missing.

Q19 Stephen Twigg: It leads on to the broader issue of communication, particularly with the British public. Francesca made the point earlier, reinforcing what it says in your report, that a potential impression was created that all aid to China and India was being phased out. How did you react to the way that DFID responded when your report was published?

Francesca Del Mese: We were a little bit surprised by that. We have made an offer to DFID, which still stands. We would like to meet with them and unpack the findings a little bit more, if they would find that useful, because this is quite ground-breaking. There is no study that has been conducted like this before. We hoped they would seize this opportunity to learn from it.

I have to say that the report was not rushed. DFID said that the report was rushed and that we did not take account of the full picture. It was not rushed. It is not one of our rapid reviews, which has a three or four-month turnaround. It is the standard nine-month time limit. In our approach paper at the outset, we did state quite clearly that we were going to publish in November or December. That is exactly what we did. We had a meeting on 9 August with senior DFID staff who videoed in



HOUSE OF COMMONS

from other countries. They were aware of our emerging findings. In October, they had the standard two-week fact check where they responded to us on any inaccuracies in the report. We accepted some; we rejected others. That is not a rushed process. We interviewed 247 people. We triangulated all the evidence. We painstakingly went through documentation.

With regard to not taking account of the bigger picture, that is something again that we just disagree with. The whole emphasis of this report is actually really panoptic. We looked at seven countries on different continents. They were involved in both the transition process and the exit process, and at different stages of the process. We also go beyond DFID by saying that there is no reporting by country including non-DFID spend. We do make that point, and it is a bit difficult to understand how we could have taken account of the bigger picture more. We do speak about specific anecdotes, but that is because they go towards the bigger picture. That evidence reflects the bigger picture, which is all about DFID's reputation and the relationships that we feel they could do much better at. We would like to assist them. We are very open still to talking with them more about our findings.

Q20 Stephen Twigg: In the light of your findings, what is your assessment of the ongoing work that is still happening in China and India and how affected or damaged that might have been by some of the impact on relationships in the transition?

Francesca Del Mese: I have to say we did not assess existing and ongoing programmes. We did not look at that particularly. What we are concerned about is the risk and the communication with other Government Departments. There does not seem to be any ownership of those statistics, whether they are centrally managed programmes, cross-Government funds, the Ross Fund, the Newton Fund, the Prosperity Fund, etc. It was very difficult for us to find statistics about what aid was going to which country; if it is going to be difficult for us, it is going to be difficult for anybody, including members of the public.

Q21 Stephen Doughty: I would like to follow up on this. I have been trying to look at this myself. You were talking about China and the statistics you had. I have an answer that says that we spent £44 million last year in China on ODA. That is an answer from Lord Bates. That was apparently on maximising UK-China trade, which is very confusing to me, and it again mentions different funds. If you delve into, for example, funding by the Foreign Office to the British Council, it is going to all sorts of countries. The Prosperity Fund is going to Malaysia, Mexico, and India—all sorts of places where we ended programmes ages ago. You would make a very strong recommendation that there should be absolutely clear reporting centrally of all ODA, scorable aid by country, what it is going on and what vehicles it is going through.

Francesca Del Mese: Exactly, yes.



Q22 Chair: Do you also think there should be a lot more strategic direction on the role of DFID with middle-income countries? One of the comments you make is that the lack of clarity on transition reflects that uncertainty. It is something that I felt was concerning when this Committee visited Brazil in 2014. Yet this is increasingly a coming issue, and if we want countries to transition out of aid then we really must have clarity on how we are going to work with such countries. How do you think DFID should improve with regard to that role with middle-income countries?

Francesca Del Mese: We completely agree. In fact, we were quite concerned about their approach to middle-income countries, because this is a growing area. The vast number of the world's poor are going to be living in middle-income countries. I am going to pass to Catherine, who has some more comments about that.

Catherine Cameron: This came up at our emerging findings meeting with DFID, where we highlighted that in the absence of a middle-income country strategy, which was allowed to lapse some years ago, this challenge has been created, which appears very much in our recommendation about the need for better relationship management with these middle-income countries, particularly the big ones that we looked at: China, India and of course South Africa and Brazil. I hope DFID are able to talk about this in more detail, but apparently DFID are very aware of this issue and have debated amongst themselves the need for a more coherent approach to working in middle-income countries going forward.

It speaks directly to our recommendation about improving relationship management. We found in China and in India that long-standing and deep partnerships have had difficulty in this process. We heard in India that there is recognition that that partnership could be retrieved and that there is much respect for the work of DFID, the FCO and the UK more broadly in India. It is a long and deep partnership. There is a recognition that the country officers were very much policy-takers. They were taking a policy from London that originated in many countries under this review in the 2011 bilateral aid review. There is a very sophisticated understanding in India about what has happened, and a real willingness to co-operate in a way that means that that relationship can strengthen and deepen going forwards.

Q23 Chair: You talked about how some responsibility certainly lies with the director of country programmes for a lack of overall strategic direction on transition. Am I correct in understanding that what you are saying regarding the overarching strategy for middle-income countries is that responsibility for looking at that should go even higher up DFID, because it is such a critical issue?

Alison Evans: I would agree with you. Clearly we have to be careful in terms of moving into to space that is the preserve of Ministers. However, it would appear that there is a failure to put in clear black and white what the strategic aims are for the Department in relation to supporting middle-income countries. That needs to be driven from a vision from the



top, rather than patched together from the country back up. This seems to us to be a really important moment now, and the bilateral development review creates absolutely the momentum for that. It takes on this agenda and has more language in it, to be fair, that would very much accord with the findings of this review. It is an absence, and an absence that needs addressing.

Chair: That is why your review here merits a really in-depth response from DFID, does it not, as it is picking up on some very serious high-level issues?

Q24 **Paul Scully:** You mentioned in a report that in many cases DFID has not planned for a responsible exit. Do you think that that principle of “do no harm” has been respected?

Francesca Del Mese: We did not look specifically at the evidence through a “do no harm” lens, and DFID does not have that as a policy objective. We did look at the risk of development reversal. We do note that DFID worked hard to ensure it protected its development gains, particularly in Vietnam, in Burundi and in Cambodia. For example, DFID tried to get other donors to carry on and take on some of their former programmes. However, we did not find that this happened across the board. We did not find any evidence that DFID was doing this explicitly in India or China. For example, I have already mentioned the educational programme in China. In Vietnam, there was a switching in the last three years of the programme that went to governance and growth and climate. That was seen as a way to tackle the main obstacles of future poverty reduction. That was quite a positive thing that we saw.

Kate Tench: As Francesca has mentioned, this was not a specific policy objective in the context of transition. It is also something, having looked at other donor practices, that was not in their specific objectives about exiting in cases where they have exited as well. It was one of our original review questions, and we felt in some ways that the implicit bar set on that question was a little too high. As Francesca said, there were examples of handing over work, but it did not happen everywhere. There were examples, particularly in Vietnam, of analysing the work and seeing how proactively in the last few years of a programme it could be used to strengthen local capacity and so on, so that the country had a better chance of managing its own poverty reduction efforts going forward. There has been published during the time of our review a review by the Dutch Government of their exit processes. They did look at the issue of impact, and they calculated numbers of children no longer supported through school by the withdrawal of the programme. We did not do that because we thought that was methodologically inappropriate. As I say, it was not one of the clear objectives for transition that DFID has, so we did not feel it was something that we should analyse too fully. In answer to your question, “do no harm” was not something we looked at, but at the same time DFID did not proactively go as far as they might have done.

Q25 **Paul Scully:** You talked about the handover, and you also mentioned the



possibility of small targeted investment, which would help you invest in those countries for the future. Did you find any good examples of that at all?

Kate Tench: There were some examples. In the area of civil society, the South Africa programme worked proactively with regional civil society organisations in southern Africa to find alternative sources of finance for them. That meant that when the bilateral programme ended their support, they had alternative sources of finance, including through DFID central finance.

There were examples of things that could have happened but did not, where some of the existing commitments were not honoured, particularly in China and India. There had been agreement to provide a certain amount of aid for a certain set of objectives, and that was then cut and withdrawn. That caused problems; if they had extended it slightly over the end of the aid deadline, by a number of months with a small amount of resources, they would have been able to maximise the lesson learning and the value addition from the previous investments. We found those sorts of examples where doing a bit more would have been helpful.

Q26 **Paul Scully:** You talked about Vietnam and having a particularly good person in post that helped that. How do you think that could be rolled out into other areas across countries?

Kate Tench: Vietnam was also evaluated by DFID and by the Government of Vietnam. There was an investment in that learning process. There is documentation of what those good-practice lessons are. The issue comes back to the one that we discussed a few moments ago, which is about a central repository and use of that learning, and the sharing of that learning across countries. We found that some other countries did say they had looked for learning and lessons when planning their own exits and could not find any. We found that staff in Vietnam had offered to do more active lesson learning processes and sharing with staff across DFID, but could not find a corporate client within DFID headquarters. There are those issues about sharing the lessons across.

In Vietnam particularly, it was one of the cases where we found that the transparent discussion with partners about what and how the exit would take place was something that was particularly valuable. That was something that was particularly missing elsewhere—a broader dialogue with stakeholders, rather than just with London or with the ambassador and the key contact in the central part of the Government. Their engagement was much broader than that. That was really one of the features of success.

Alison Evans: In the Vietnam case you have a good example of a patient approach to exit, where the timeframe was very appropriate to handing over these relationships in a very orderly manner. There is something to learn across the piece around where this patient approach can be built in reasonably. It should be attempted at all times.



HOUSE OF COMMONS

Q27 Chair: I have a final question regarding value for money. Obviously the overall report is “amber/red”, although concerningly you have one “red” section, evidence and learning. Approach to transition is “amber/red”. Effectiveness and value for money is “amber/red”. I wanted to talk specifically about the value-for-money element of that conclusion, because you say, “Value-for-money considerations were not a major focus of effort through the implementation of exit or transition in most cases.” You also say, “Value-for-money concerns were largely absent at country level.” Those are very grave, serious criticisms. I wonder, if you were having to grade value for money alone, as opposed to together with effectiveness, how would you grade it, and why? Would it still be “amber/red” if it was value for money alone?

Francesca Del Mese: To be honest, that is very difficult to answer. It may not be “amber/red”; it may actually be “red”. It is difficult for us to know without knowing a little bit more about that. We know that value for money was possibly a major driver of the exits and transitions, but that is a policy issue. In terms of the operational aspects, it was very hard for us to see. We did not see that that was a major driver. We did see that in Vietnam, where there was attention to detail in terms of planning when to close the programme and/or move staff, and also in Burundi, where there was a shift to other donors. TradeMark East Africa was cited for efficiency reasons. However, we really felt that that value-for-money component was missing operationally and strategically when it came to carrying out those exits and transitions.

Q28 Chair: I will let Alison have the final word, but you have pinpointed it, have you not? Value for money was a major reason why the consolidation into fewer countries happened. However, it just does not seem to have been carried through in terms of implementation.

Alison Evans: This is a really tough one, because obviously you know very well there are two levels to this. One is the overall gain to the aid programme from consolidation. That is a very big, wicked problem to try to assess that rigorously. We took it down to a lower level, and asked in each case, against the objectives that were driving exits and transition, whether there was a clear and due attention to value-for-money considerations around timing, staff issues, relocation, closure of programmes, and, to some extent, also to handing over.

There are some good examples in here that do support the “amber/red”. However, there clearly was not consistency. We have come to you with this point quite a lot; yet again it was very hard to piece together the full story of how value-for-money considerations were being pursued. We have said this to you in so many different ways and reviews. That is why we are going to look at this as a standalone piece very soon.

Q29 Chair: We are very pleased that you are going to look at value for money as a specific inquiry, and that you will be taking forward some of the issues of concern here. Thank you very much for coming today, for your evidence and for your report.

Examination of Witnesses

Lindy Cameron, Director-General, Country Programmes, Richard Montgomery, Director, Asia, Caribbean and the Overseas Territories, Department for International Development

Q30 **Chair:** Good morning, representatives from DFID, Ms Cameron and Mr Montgomery. Would you like to just introduce yourselves and your roles?

Lindy Cameron: I am Lindy Cameron. I am the Director-General of Country Programmes for DFID.

Richard Montgomery: I am Richard Montgomery. I am the Director for Asia, the Caribbean and Overseas Territories.

Q31 **Chair:** Thank you. Just for the record, can you just confirm to us how long you have been in those posts?

Lindy Cameron: I have been in this post since January this year, so a year.

Richard Montgomery: Same here. I have been in this post since January.

Q32 **Chair:** In terms of responding on behalf of DFID, you have come to do that today, but, in terms of responsibility, others were in post at the time for much of the work that has been reviewed.

Lindy Cameron: In these specific roles, yes, but obviously I have held a series of country programmes roles over the last few years, including actually being responsible for the Iraq transition.

Q33 **Chair:** Thank you. This is a highly critical report. You have heard the evidence from our earlier session. It has identified a number of serious weaknesses in DFID's approach to transition: no central strategic direction; I would go so far as to say no central leadership; no clear objectives regarding transition; deeply concerning comments regarding communications internal and external; particularly regarding transparency of funding; failure to translate the high-level objectives or goals into specific aims; a lack of translating best practice from individual countries across the piece; a poor co-ordination with other Departments; and a lack of attention to value for money.

Why did you not provide a clearer management response promptly? You have had three weeks to provide a response to this report. It is such a critical report. I would have thought that you would have wanted to respond to the criticisms within it in detail and quickly, rather than the, I have to say, rather bland statement that a DFID spokesman put out for the press.



HOUSE OF COMMONS

Lindy Cameron: As you said, Chair, this is a report that deserves really serious consideration. We really welcome this report. It is a serious report about an important issue. It reports on both the series of exits that we undertook as a result of the 2011 bilateral aid review, but also the complex set of transitions to a different set of relationships with a series of really important G20 countries. We think it is a report that merits thought about how it is that we take those recommendations forward, some of which are helpful, backward-looking recommendations on lesson learning. Some of them require us to think about how it is we are going to move forward. We wanted time to do that.

Q34 **Chair:** So we and ICAI can expect a much more detailed and informative response.

Lindy Cameron: A more thoughtful response perhaps.

Q35 **Chair:** Thank you. I think that is right. If I may say, that would be courteous to the commissioners who put a lot of work into this, and this Committee. You say that it does not tell the whole story.

Lindy Cameron: We put a huge amount of effort into this, as did the team. We have huge respect for Alison and the ICAI team who did a long period of work on this. It is a really important topic. We said in the bilateral development review that the Government intend to intensify their efforts to help countries transition from aid, shifting from grant aid to trade and investment, and taking a nuanced approach to transition. We were really looking forward to this report helping us with some of that. We undertook a very extensive fact check, involving more than 150 fact check enquiries. The report came out rather rapidly after that. We are really looking forward to the dialogue with ICAI that they have offered. However, that is effectively offered after the report comes out. We are really looking forward to it, but we want to be thoughtful in our response.

Q36 **Chair:** Just for the record, how long have you had this report? How many weeks have you had this reports? You have it before publication, do you not, for fact-checking?

Lindy Cameron: That is a separate process, as we have described. The fact-checking is done by staff at the working level. For example, that will have been the heads of office in the countries that were visited and the teams on the ground, making sure that the detail of that is correct. Senior management and Ministers have had it since it was published. Essentially we get it, embargoed, shortly beforehand.

Q37 **Chair:** Talking about overall responsibility, we heard in the earlier session an indication that, in terms of providing that strategic direction that appears to be lacking across the piece, the person who is Director-General of Country Programmes probably was responsible for that. I wanted to stress at the start, Ms Cameron, that you were not in post at the time when most of this work was undertaken, and indeed when this very important issue, which is of considerable public interest,



HOUSE OF COMMONS

was embarked upon. It began at the start of the coalition Government. Could you tell us who you think should have been responsible for providing the strategic direction role at DFID?

Lindy Cameron: There are a series of places. We did ourselves provide a very clear how-to note on exits.

Chair: In 2011.

Lindy Cameron: In 2011; that is right.

Q38 **Chair:** But that was in 2011, many years before much of this work was undertaken.

Lindy Cameron: 2011 is the point at which we identified in the bilateral aid review that we were planning to exit a series of 16 countries as part of the consolidation of the programme that allowed us to, as you describe, reduce our footprint. We produced the how-to note, which was produced as a result of a recommendation from our own internal audit team, to give teams clear guidance on that. That was primarily focused, absolutely, on exit.

In that bilateral aid review, we had only identified two transition opportunities of moving to new relationships; we identified two more after that, so you are right that there is not the same set of specific guidance around transition. That is partly because each of those four countries represents a really significant relationship for the UK that is quite different—South Africa, China, India, Indonesia—and so, while there are some similar issues, there are also some very country-specific issues that we wanted to look at in individual cases.

However, since then, our Chief Economist's office has produced a whole set of papers and given the Department a very different and very thoughtful response to how we think about transition as an issue for every country we work in. We are now moving to a system of thinking about, essentially, countries' own ability to self-finance their exit from poverty. This means we expect every head of office, every country programme to think about that, whether that is in five years, 10 years or 50 years, as a long-term issue, because we do not want to see permanent aid dependence. Clearly, there are some countries, like Afghanistan, for whom that is not a near-term issue, but there are others for whom it should be one that countries are considering.

There is a whole set of guidance, therefore, from the Chief Economist's office, which provides, in a sense, a sort of think-tank within DFID, about how that can be done. Ultimately, though, you are right, it is the Director-General for Country Programmes who is responsible for making sure that is delivered as part of the geographical footprint, as it were, in DFID, and I am happy to be that.

Q39 **Chair:** That guidance, if I am right, was called "think pieces" or a similar phrase, rather than a sharing of best practice so that there could be real



learning. There is a difference, is there not?

Lindy Cameron: That is absolutely right, yes. It was not a look at each of the four transition countries where we had moved to a new kind of relationship; it was looking at the concept of transitioning away from dependence on aid to a self-financed exit from poverty. That is why we should no longer think about a slightly arbitrary bar of middle-income status as being the issue. The question is at what point countries can self-finance their own exit from poverty. Countries like Lebanon, for example, which we would have expected to be able to do so, have received shocks that are absolutely, as ICAI described, development reversals that mean they are in a different stage from that which they might have expected to be a few years ago.

We have provided different kinds of thinking, but of course all of that then fed into the process of the bilateral development review that we undertook. Each country undertook a country poverty reduction diagnostic and a growth diagnostic, to use those think pieces and that guidance to think about what they wanted to focus on over the next few years.

Q40 Stephen Twigg: You mentioned the how-to note in 2011. What ICAI noted was that there was no central policy or strategy guiding the objectives of exit and transition. For example, in India, they found that "Government officials, other donors and civil society representatives were consistently puzzled about DFID's transition objectives and concerned about missed partnership opportunities." How did you measure success?

Lindy Cameron: I might ask Richard just to comment on the India-specific case, but success, for us, in the exit context was successfully closing offices and programmes in a responsible way, which absolutely considered carefully a number of the risks. The how-to note rather helpfully lays out a number of the risks that offices should consider: the risks to poor people in the achievement of MDGs, the political risks to development partnerships, and the risks to DFID staff. That note covers rather helpfully a number of the issues that the ICAI report itself considers, and also co-ordination with the rest of HMG and, indeed, communications. Teams were asked during the exit process, which was the focus of the 2011 bilateral aid review, to think about all of those issues quite carefully, and a successful exit was a responsible exit, which meant that we considered all of those factors carefully and did what we were asked to do.

In transition, the objectives are much more specific. Where we move to a new relationship, in Indonesia, India, South Africa and China, it is much more specific to that individual country, but the bilateral development review lays out rather nicely the way that we see transition going forward. Richard might want to just comment on India.

Richard Montgomery: On India, the annex to ICAI's own report, on page 39, has a useful timeline, which shows that the idea of transitioning



HOUSE OF COMMONS

to a new relationship with India has been around for many years, since 2011, when Secretary of State Mitchell gave a speech to Chatham House. There is a lot of evidence—and the team in Delhi are pretty adamant about this—that there was a lot of Government-to-Government dialogue at DG and, indeed, Permanent Secretary level as well as ministerial level, to put a shape to the future relationship of the development partnership with India.

- Q41 **Stephen Twigg:** Sorry to interrupt, but do you disagree with ICAI's conclusion that, amongst others, Indian Government officials were consistently puzzled about what your transition objectives were?

Richard Montgomery: They may have talked to some Government officials who were puzzled. India has a very big Government, and with the people we work with in the Ministry of Finance and External Affairs and in our state partnerships, we should also be able to find officials who are understanding of our transition.

- Q42 **Stephen Twigg:** Surely you would want consistency. Consistency is consistency. With some officials understanding it and others being puzzled, there is clearly a problem, is there not?

Richard Montgomery: Obviously, in any big change management process with multiple stakeholders, there will be different views held about what is happening and that may be something we want to talk about. In general, though, the Delhi team is very clear that we had a communications plan agreed with the Indian Government over several years and that we stuck to it.

- Q43 **Stephen Twigg:** When I asked about success, I had given India as an example, but I did not just mean in the case of India. More broadly, you cited what was in the how-to note, but in practice how was success measured?

Lindy Cameron: In practice, success was measured by a responsible exit, on the timeline we laid out, managing those risks.

- Q44 **Stephen Twigg:** You mentioned communication, and communication was obviously one of the key criticisms that ICAI set out. Again, to give the South Africa example, DFID had agreed with Government counterparts on a joint announcement about closure of the UK aid programme, then the UK made a unilateral announcement in April 2013, causing a negative reaction from the Government in South Africa, which accused the UK of unilaterally "redefining our relationship". What went wrong there?

Lindy Cameron: Our public statements on transition were clear and factual at all times in both the South Africa and the India case. On South Africa, we announced the end to bilateral aid after months of discussion with the South African Government at both ministerial and senior official level. The Foreign Secretary said at the time that there was some bureaucratic confusion around the announcement, which we



HOUSE OF COMMONS

thought led to the initially negative South African response, but we are also confident that those relationships have been managed since and that we have a very positive and constructive engagement with the South African Government now.

Q45 Stephen Twigg: Do you accept, though, there was a failure of communication at the time?

Lindy Cameron: I would rest with what the Foreign Secretary described it as—a minor bureaucratic confusion.

Q46 Chair: What does that mean? Who is responsible for that bureaucratic confusion? It not just in South Africa; it happened in India as well. ICAI tell us that the South Africa communications error followed a similar one in India, where an agreed communication plan between the two Governments was set aside when the UK Government responded unilaterally to critical reporting by the British press of its aid in India. This, in turn, triggered a negative public response from the Indian Government. It cannot just be that we can blame some distant bureaucrats elsewhere when there is a pattern happening here.

Lindy Cameron: There are two instances, and it will be worth Richard just commenting on the special India case, but, as I say, we were very clear and factual in our statements at all times. We had a good relationship with the Government and agreed that. In India, we had very clearly a jointly agreed plan and jointly agreed communication plan, and we stuck to that.

Richard Montgomery: I was not in India at the time, but the briefing I have had is that there was no unilateral announcement by the UK.

Q47 Chair: Let me suggest that in your detailed response we are going to ask you to clarify this, because you are clearly at odds with the conclusion. My concern is you are also clearly at odds with the overall conclusion that ICAI reach about managing relationships and the general strategic direction from central Government on this. At page 27, ICAI say, "We found only minimal documentation at central or country level addressing the question of how to manage relationships during this sensitive period." My impression is that you are saying you do not agree with that, but if ICAI did over 200 interviews, why did you not provide that documentation when they talked to you?

Lindy Cameron: The how-to note rather helpfully suggests that people should not just rely on detailed central guidance; they should talk to other people. I know myself from the experience in Iraq that what teams did was talk to other teams. Remember, we had a series of exits that were all announced at the same time, where teams all knew which other countries were exiting. We are sure that there was informal discussion. For example, the 2011 Cambodia experience did feed into other examples. We would challenge the idea that there was no sharing of thinking. We would agree with the idea that there was not a carefully identified central hub, but lesson learning is not an institutional exercise;



HOUSE OF COMMONS

it is an issue of incentives and getting people to share experience in a helpful way.

Q48 **Chair:** We are not looking for a hub, but we are looking for some clear guidance, and unless there is documentation when people are working hundreds of thousands of miles away, it must be, surely, very difficult.

Lindy Cameron: We are clear we did give some central guidance with the how-to note, but we also do not expect to give responsible heads of office, who are deputy directors or very senior A-band staff, detailed guidance on every interaction they have with Government. This is part of what we appoint them for and why we have very senior staff leading offices overseas. We pick people with the right experience, the right skills and, very clearly, as you said, there are some people who come out of this extremely well having done a very good job of managing those stakeholders and that is the kind of performance we expect.

Q49 **Chair:** I was going to come on to that. Why was it that there was such a good example in Vietnam and some good practice in India, but these appear to be isolated cases? If you say that you were disseminating advice as to how transition well, why was that not more broadly found by ICAI?

Lindy Cameron: What we wanted from this review was a lesson learning review, basically. We completely agree that this is something we need to do more thinking about: how it is that we share lessons and best practice across offices. That is a really helpful part of the review that we welcome and it has given us real food for thought about how it is we take that forward, understanding where it worked well and where it did not, and how to do it not just over time in the same office, but to do it across offices that are perhaps going through the same process at stepped intervals and different time periods.

Q50 **Chair:** I am very glad to hear that. What is frustrating for people who have been on this Committee for some years is that we have been saying that for some years: that there ought to be better dissemination of best practice, better learning. This was not a minor issue, was it, as we have remarked earlier in this session? This was an area of considerable public interest. Just looking at the statistics, in 2008-09, as I understand it, 140 countries were receiving some form of UK bilateral aid, including 87 from DFID alone. That has reduced to 32 priority countries in 2015. There must have been best practice over that period that could have been shared better than going back and back again, as you keep referring to, to a 2011 note.

Lindy Cameron: The 2011 note is the guidance. I am not suggesting it is the best practice shared—

Chair: Exactly. There does not seem to have been any best practice documentation to evidence to ICAI. That is the point we are making.



Lindy Cameron: The how-to note encourages teams to do that, learning lessons from other offices going through the same process in an informal way; it suggests that you avail yourselves of any opportunity you have to network with those who have already been involved in country office closures; that is what it says specifically. It also encourages people to look at how they evaluate their experience, whether formally or informally, and we know that was done in a number of cases, but, of course, because these exits were stepped, in some cases, frankly, later transitions benefitted from understanding the experience of earlier ones, of exits in particular.

On transitions, we are clear. There were four quite discrete cases: one was in Indonesia, which is quite unique in the sense that we transitioned to a climate-change-specific relationship; the other three were with major G20 partners, who are very significant for the UK overall as well as just the development relationship and for development globally. Therefore, we did not take a cookie-cutter approach of having very specific guidance on what they should do. We trusted really effective heads of office to take that forward and to deliver that themselves.

Chair: Paul, your supplementary, in particular, is relevant here.

Q51 **Paul Scully:** It is, because you talked about the heads in-country, but ICAI noted that there was no central function within DFID for co-ordinating that engagement, especially with middle-income countries as well as supporting country offices through transition processes. Why is that?

Lindy Cameron: We are looking both historically at a set of exits and then currently at a set of transitions to new relationships.

Paul Scully: Yes. I will come on to the future in a minute.

Lindy Cameron: It is absolutely right that my team, under the Director-General for Country Programmes, the regional directorate, is the team that pulls together all the four regional directors' offices and helps to share lessons. One of the reasons Richard is here with me today is because the majority—three out of four—of those transitions sit within his directorate: India, China and Indonesia. Of course, part of the reason the team that worked on the ICAI response is within his area is because that is where the majority of the lesson learning has been shared. Obviously, we make sure the read-across to South Africa is there as well, but we are talking about four case studies specifically and we are talking about four quite unique ones.

Aside from the work we do via Turkey to Syria, we have no other G20 partners in our priority countries. We are focused, as we said in 2011, on the countries that need us most and, if we can, helping them to head towards that long-term exit from poverty. We have gone through an experience that is quite unusual, where there are four quite different case studies, but absolutely I accept that it is in my area where we need to make sure that we learn those lessons both within individual regional



areas and across them as well and that is part of my job.

- Q52 **Paul Scully:** You clearly agree, moving forward, with co-ordinating it. Are you suggesting then that there will be a few different central repositories within the regional heads, or are you going to take responsibility as a single one?

Lindy Crawford: We are reflecting on how best to do this at the moment. There are a number of different things that teams can do in different ways, some of them better than others. For example, the regional team under me is very good at making sure we have a consistent approach, but we do have an approach that says it is not just about top-down; it is also about bottom-up. We want country offices to respond to the unique and specific contexts of each of those countries, and so we do want to make sure it is a two-way dialogue. My team can do that.

The Chief Economist's office is better placed to do that blue-sky thinking and think about whether we are helping the whole development system to respond to the challenges of international development. For a while, we had a global development partnerships team during the last Government period, which focused on our relationship with emerging powers, which is the alternative focal effort for those transition relationships.

As I say, within Richard's specific area, obviously there are lessons across those country programmes he is still responsible for. There are a number of different areas. I do not think there is any single place in DFID where you could simply put all of this in one box and expect it would then work. It is about incentives for individuals; some of the World Bank thinking and learning suggests that. It is about how you incentivise people to actively learn all the time rather than simply identify a place where they can go and find a document and then expect that to work.

- Q53 **Chair:** Can you help us understand the line management? You have the in-country officer. Talk us up through the chain of accountability to the point where, for example, a clear strategic direction on DFID's role in working with middle-income countries going forward should be set. That is something in our previous witness session we discussed as clearly lacking at the moment, so tell us the roles.

Lindy Cameron: If I can just focus on the middle-income countries issue for a second, we do not agree that it is a helpful way to categorise countries. We have focused on countries that are currently unable to self-finance their exit from poverty, or are experiencing shocks that are sending them into reverse.

- Q54 **Chair:** Okay, tell us the role. We are trying to understand where responsibility lies.



HOUSE OF COMMONS

Lindy Cameron: In terms of accountability, the head of a country office, if they are a deputy director, reports directly to the regional director, who reports to me. Perhaps Richard can give you a couple of examples.

Q55 **Chair:** Who do you report to?

Lindy Cameron: The Permanent Secretary.

Richard Montgomery: Many of my country offices in AsCOT division are run by deputy directors and they report directly to me. There are some, including Indonesia and China, which are run by A1s, the grade below SCS, and those report in to a deputy director, who reports to me.

Lindy Cameron: Over the period you are looking at, those relationships have changed as the country offices have changed. For example, Cambodia, for a period of time during its closure, reported via the office in Vietnam, in the same way that Burundi has transitioned to having a relationship with Rwanda.

Q56 **Chair:** Talking about the fact that there seems to be a void in terms of there being a strategic plan of DFID's role working with middle-income countries, and setting aside the fact that you just said that was not the issue here—forget that—this is a gap that has been highlighted by this report. Who is responsible for setting that strategic direction? Is it you or is it the Permanent Secretary?

Lindy Cameron: It is a combination of different parts of DFID, and Ministers of course, but what I am saying is that during a period in the past, under a previous Government, we focused on the graduation point of moving to middle-income status. That is not the way we think about the system of poverty reduction at the moment. Partly as a result of changes in the different countries, we think about the ability of a country to self-finance an exit from poverty. Nigeria would be a good example.

Q57 **Stephen Twigg:** When was that change made?

Lindy Cameron: I do not recall specifically.

Richard Montgomery: The big shift happened in 2012-13, when the Chief Economist's office began producing papers that relate to what Lindy said. We were trying to identify what the process is through which countries can exit from poverty, and this was not about a simple LIC-MIC cut-off—a low-income country, middle-income country cut-off. This is where the Chief Economist's strategic papers, which are slightly downplayed in the ICAI report—

Chair: These are the think pieces.

Richard Montgomery: They are think pieces, but they are widely read and they feed into the guidance for the country planning process. Every one of my country offices has had to do, in the last three years, a country poverty reduction diagnostic, an inclusive growth diagnostic and, more recently, a business plan. In the guidance in 2013, for every country



poverty reduction diagnostic, one of the checklists was, "What is the path to transition for this country?" For some, as Lindy said, like Afghanistan, fragile states, success is not getting worse or stabilising in a way that means the transition guidance was not applied to those business plans.

If you look at any other country, including stable LICs as well as MIC countries, there was some analysis in 2014 of what it would take for a country to exit from poverty. If you look at a lower MIC, or some quite secure MICs in income terms but are either suffering big shocks or reversals and have big stability, conflict-related problems, you will find that there is a lot of work about stabilisation in the transition. We are not going to get transition until we stabilise the country, build capability, get growth going. In stable LICs, or LICs that look more stable, examples might be, until recently, Nepal and Bangladesh, where you have seen a lot of progress in poverty reduction; you had transition plans that are looking at a 10 to 15-year timeframe, based on national plans, the prospects for growth, the quality of Government, whether that growth is going to be converted into poverty reduction.

At the other end, you have the big countries like China, India and South Africa, where clearly the relationship has to change, in the same way that the IDC for some years has been talking about the beyond-aid relationships with these larger rising powers. We do not call them emerging powers any more; we call them rising powers, because that is a more effective description. Our relationship with those states has changed, which is why the South Africa, India and China relationships are so important, but they have changed in different ways depending on the local context.

Q58 Chair: There was an analysis, you say, in 2013-14, but clearly, to my impression, reading this report, it was not translated into practical guidance for the in-country officers who were managing these process, because on management ICAI is very critical. It says, "Poor planning led to weaknesses in a number of areas, including staffing, communications and relationship management. DFID's failure to capture and share lessons centrally, despite a clear demand from country officers for support and guidance, contributed to these failings". You might have been thinking at HQ, but was that being translated into practical help for people in-country? That is not the impression we are getting here.

Lindy Cameron: You are describing a process that evolved from the 2011 bilateral aid review when most of those exits were planned immediately after that and undertaken in the years following it and where the ICAI report describes that exit process as broadly successful. We acknowledge that our lesson learning could be better. That is why we wanted this review to focus on how we learnt lessons, partly because it is quite difficult to capture the lessons of a series of quite different, disparate, unique cases on the transition side, and also recognising that we could probably have done better on capturing the specific lessons for



exit, although we do not plan any further immediate exits and, therefore, in a sense, that is a retrospective analysis.

- Q59 **Stephen Doughty:** Just to follow on, I am still a bit hazy, to be honest, about where this central co-ordination is of these relationships. Whether or not you use middle-income status or whatever else, it is still very unclear. Can you be clear about what responsibility and oversight you have for all ODA spending in these countries, particularly places like India and China? As directors, what oversight do you have of the Prosperity Fund, of CDC and of spending by other Government Departments?

Lindy Cameron: That is a very good question. In fact, Nick Dyer, who is the Director-General for Policy and Global Programmes, and I have just issued something to teams asking them to make sure that they think about this matrix relationship. I have asked the heads of office to really make sure—and this comes out in the bilateral development review—that they do not simply see the DFID bilateral footprint as all that they are responsible for, but that they are able to communicate to their partners in-country, and also understand themselves and their teams, the full footprint that we have in a country. We do expect country heads to understand what it is CDC is doing in a country, to understand what centrally managed programmes are operating in their country, but also, increasingly, with our Secretary of State, to focus on multilaterals, also to understand how it is that the way they are interacting with multilateral partners, for example, in bilateral programmes is consistent with our guidance centrally and our relationships with those multilateral stakeholders. We do expect heads of office to be directly accountable for their bilateral budget, but then to have understanding and oversight—awareness, I would say—of the full DFID footprint in-country.

- Q60 **Stephen Doughty:** You heard what the panel said before. Why is there no central list of what is being spent, country by country, of all ODA and classifying what routes that is coming through—bilateral, multilateral, imputed, other Government Departments' funds? Why is there no simple, straightforward list? How are your staff going to find that out if we cannot find it out?

Lindy Cameron: It is not absolutely straightforward to do. For example, the imputed multilateral share for a country is only something we can work out in retrospect. On transparency, we recognise that we have come a long way, as DFID, further than many other development partners. Nevertheless, as our Secretary of State would say, we are looking for a transparency revolution, which will take us much further still. That is exactly the point that plays to, which is that is something we want to try to achieve, which is the better, broader transparency about all of those downstream partners. We do make sure that, for example, centrally managed programmes identify clearly to country offices where they are specifically allocating funds. Sometimes it is not always possible, so in some regional programmes they are operating at the genuinely regional level, you cannot identify the countries, but where they are, we



HOUSE OF COMMONS

do expect country offices to know that, know who the senior responsible officer of those programmes is and, for example, if there is an issue with the relationship with that Government, to make sure that the SRO for those centrally managed programmes is aware of that.

Richard Montgomery: If I could just come in, if you are a head of office in China or India, you can get a list off our system of all the centrally managed programmes that claim to have a footprint in that country. Those lists are often very long and the footprint may be very minor, so in every business plan that the country head will have to do every few years there has to be a prioritisation of which centrally managed programmes are most relevant for that country in terms of scale and footprint. When it comes to other Government Departments, as Lindy said, if you are the head of a DFID office, you are not what we would call in Civil Service language the sub-accounting officer for the funds spent by Prosperity or Newton or the conflict fund, because the accountability goes through whichever Department is spending the money.

Stephen Doughty: Right, so not through you.

Richard Montgomery: If I can just clarify, there are funds like the Newton Fund that, for example, this year, I believe, has an allocation of £23 million in China to work on science and innovation in key areas of shared UK comparative advantage and interest in global health and climate issues, for examples. That is run by the Department of Health. There are DFID people on the governance mechanism for that and we have a list of what they are doing, so we can see where the synergies are. On the Prosperity Fund, which is slightly different, it is a cross-Government fund into which, for example, DFID is bidding and in the case of India, for example, there will be some Prosperity Fund money, most likely, which will go through DFID's systems and some will go through FCO's systems.

Q61 **Stephen Doughty:** This is incredibly complex and, therefore, regarding the findings from this report about that complexity of those relationships, and particularly when you are claiming you are exiting from countries but actually continuing ODA funding in those countries and, in some cases, you are re-entering into countries if you look at overall ODA spend, why is this not set out somewhere centrally in Government, through the Cabinet Office, for example, about who is spending what, where, so that we can see it, so that your staff can see it and there can be some proper accountability? It does not seem to be the case at the moment.

Lindy Cameron: The aid strategy last year laid out a strategy for a broader cross-Government use of ODA. Effectively, what Richard and I are describing is there is the challenge internally within DFID of making sure that country heads, who are responsible for that direct bilateral footprint, understand the full range of what we are doing, for example, on health policy across Africa, let us say, where we run regional programmes on, say, drug procurement—



HOUSE OF COMMONS

- Q62 **Stephen Doughty:** Excuse me, Lindy; I understand the strategy. I have read the bilateral and multilateral aid reviews, but there is not the clear, understandable data there for the public, for others and that really worries me.

Can I just move on to another point? The ICAI report that, in most instances, DFID did not prioritise protecting past development gains through the exit and transition process. Why were there such failings on that, particularly with regard to some of the issues around staffing, as has been mentioned by the Chair? What went on in Indonesia? Because for instance, 18 to 24 months were lost there because all the staff in the office were changed bar one? That does not seem to me to be a responsible way to exit from that type of relationship and protect the work that has been done there in the past, whether or not that is going to continue.

Richard Montgomery: We have to fall on our sword on one aspect, in that we did not pick this up in the fact check and we should have done, and so it is our mistake that there is what we think is now a mistake in the report. The depiction in Indonesia of staff turnover is just not absolutely correct in the way it is represented. First, it is clear that from DFID Indonesia, when it transitioned into being a climate-focused unit, which was a cross-Government unit—a UK climate change unit—eight DFID staff moved across. The head remained in post for a year after the transition, the deputy head arrived three months before the transition formally happened and stayed for another four years, so we would argue that in Indonesia there was quite a lot of staffing continuity. That was our fault for not picking it up; it is not ICAI's fault.

- Q63 **Stephen Doughty:** Are you going to issue a correction, then?

Richard Montgomery: We would like time to do that.

- Q64 **Stephen Doughty:** Okay, but can you address the wider question, which is why there was not a priority put on protecting past gains from the programmes?

Lindy Cameron: I simply do not think we would agree with that, to be honest. When we undertake transitions, we look both at the project level and at the portfolio level. There is very clear guidance and smart rules that ensure that one of the 10 things you look for when you are approving a project is that programmes have a proper exit strategy. It is clear that it is the responsibility of any senior responsible officer running a programme to make sure that their programme exits carefully at project level. We undertake a range of different ways of doing this. For example, in India, we extended a civil society programme in order to ensure that local civil society had time to look for a sustainable strategy for their own funding. We worked with other donors to ensure that there were alternatives to funding for programmes. In Burundi, for example, we worked with the European Union to think about how we could sustain some of the gains. We can see numerous examples of where, at programme and portfolio level, we have been thoughtful about how it is



we protect those gains. Clearly, development is never linear. I closed the Iraq office only to have to reopen it as the result of a rather disappointing and unexpected reversal in Iraq's development, so we cannot always predict what is going to happen. On the other hand, we can plan sensibly for where it is we can make it as difficult as possible to reverse those gains and I think we did.

Q65 Chair: You say you can plan sensibly, but there does not seem to have been consistency. That is an issue regarding the impact of transitions on civil society. This is a criticism. ICAI is saying you did not consistently address the impact of your transitions on civil society. Page 22 of the report says, "Civil society organisations faced a double loss": loss of funding from DFID, and loss of access to Government representatives in the countries. In fact, there is a third one cited also, which is loss of protection, which civil society operators are telling us was reduced. In fact, we hear about the overall closing of the space they can function in. Why did you appear to have so little regard for the impact of exit for civil society organisations, because they are highly critical of your transition process, are they not?

Lindy Cameron: Yes, and we would expect that civil society partners whose funding ended as a result of our closures would have concerns about that.

Chair: It is not just civil society partners; ICAI have concerns, do they not?

Lindy Cameron: Indeed, but in the interviews that people did it is not unexpected that stakeholders whose programmes ended as a result of us ending funding to countries were disappointed with that. We did our best to try to find ways to ensure that for, for example, international civil society there were alternative funding streams, drawing attention to some of the centrally managed programmes where you can access that.

For local civil society, the best example we have is that in India we did think very carefully about how to try to ensure that sustainability and extended the programme a number of times to recognise that. It is a valid concern, and we take from the report to think about how we can do that and particularly the issue around influence. Clearly, when we go back to the 2011 aid review, the thinking behind that was to try to consolidate our time and effort in a smaller number of countries, so that we could do better at that in a small number of places, rather than spread ourselves so thin.

Also, in all of these places, we left an HMG footprint that still retained some responsibility for those issues of understanding dialogue between Government and civil society. That is where we worked with the rest of Government, but we have to focus our efforts on areas we think are most important and the needs are greatest.

Q66 Chair: You started off by saying, "We did our best", but then you qualified that quite a lot. Do you really think you did your best?



HOUSE OF COMMONS

Lindy Cameron: Looking at the report, it is clear there are areas where we could have done better.

Q67 **Chair:** Yes, and will you be looking again at how, as part of your more detailed response to this report, you could improve and disseminate better practice across all the countries that you deal with where you are seeking to reduce aid dependency?

Lindy Cameron: That is absolutely right. As I say, that is a longer-term issue for many of them, but it is something we will take into consideration as part of that long-term strategy.

Q68 **Jeremy Lefroy:** First, may I apologise? I have just been at a Brexit Select Committee.

There are really two points following on from that. I think you said, Ms Cameron, that we obviously have an FCO footprint in all these countries, which is quite right.

Lindy Cameron: Yes. I need to double-check that is true in absolutely every single context.

Q69 **Jeremy Lefroy:** Not in Burundi, of course, except through the Rwanda office, but there are responsibilities there. Was there specific briefing, training given to colleagues in the Foreign and Commonwealth Office in our representation there, so that they would be able to take on the work of advice as to where sources of funding were available, perhaps through global DFID programmes or perhaps through other programmes? Was there a specific FCO diplomat tasked with that job who is still there—not necessarily the same person, but that role is still there, in Indonesia or in these other places, and should that not be the case if it is not?

Lindy Cameron: In areas where we still have some kind of footprint, for example, Indonesia, where we have the climate change unit, then clearly that is the place people go to. In areas where we have completely exited, in some cases they are very small missions and so, no, we would have to rely on people being able to access DFID centrally or regionally to do that.

Q70 **Jeremy Lefroy:** Do you not think it would be a good idea and a responsibility, where we have exited, to ensure that there is a Foreign Office post within the embassy or the high commission that is responsible for DFID-related matters, even though they were not necessarily a DFID staff member?

Lindy Cameron: We have to be careful. Part of the point of the BAR in 2011 was to have a more efficient not just DFID footprint but also HMG footprint and, in recent years, we have worked very closely with the Foreign Office on the One HMG programme to consolidate and co-locate the HMG footprint to ensure that we have the most efficient use of all Government resources. We have to make some tough decisions about where it is we can allocate time as well as money. Time is, in many ways, our most precious resource and so I am not sure that in all cases it would



HOUSE OF COMMONS

make sense to do that, because we have had to make tough choices about where it is we want to have most impact and simply passing that workload from one department official to a different department official would not necessarily be the most efficient way to do that.

Richard Montgomery: Just to add, not perhaps earlier in the time period of this report, but we now have regional boards where people like myself sit with our counterparts in the FCO and those boards are chaired by FCO. Other Government Departments go as well, not just DFID. We now have these joint funds, both in Prosperity and also in CSSF, the Conflict, Stability and Security Fund, which are joint funds, and the regional boards play a role in advising and sometimes deciding on allocations of those funds.

For example, where there has been a reversal or we have a concern that is rising, where DFID does not have a country programme any more, there is quite often a discussion about whether we should be finding some other mechanism of providing support. In past years, we have had discussion on the South Asia board on Sri Lanka, for example, where we do not have a programme. In the case of Burundi, after the spring 2015 political upheaval, there was some quite quick work to use the CSSF funding to support some civil society human rights monitoring. We do have now, under One HMG, the regional board process, ways of working at headquarters level, not just through ambassadors, because that would be the obvious thing. You would go through the ambassadors and the head of political section; those would be the first point of call for my team sitting in London if we or our Ministers think there should be some more intervention in a particular country where we do not have an office.

Q71 **Jeremy Lefroy:** I welcome hearing that. It is extremely important, but it does go back to the point that we have raised with the Permanent Secretary on at least one, if not two, occasions, which is the lack of institutional memory of DFID's work in countries over a period of time. We have challenged him, and I think he has agreed to look into it in one or two countries, because it is vital that, in a country where we have had engagement for decades, the memory of that, and indeed some of the programmes and the results of them, are retained and, in some cases, maintained, even if it is not a matter of funding, but of support. There is absolutely no reason why Her Majesty's Government's presence there should not retain a strong interest in a programme that was started 20 years ago with DFID support, as opposed to just saying, "Well, there is nothing more we can do about that".

A second point I would raise, in the context of us exiting the European Union, is that the European Union has a far greater footprint in terms of development across the world than we do. We have had access to that since 1973. We will not have access to that in future. We may have contact with it, but that means that we, ourselves, need to step up our engagement in those countries where the European Union currently has a development footprint and we do not. I am not talking about



spending money. I am talking about understanding the context, which we currently are able to do through our membership of the European Union. I wondered—and I do think this is relevant, Chair, to this particular point—how we are proposing to do that and what plans are in place.

Lindy Cameron: On communications, you make a very fair point. In fact, one of our Ministers at the moment is discussing with his Foreign Office counterpart how we can make better use of the communications capability across the whole of Government, to ensure that we are explaining what DFID is doing, for example, as part of the “global Britain” concept in each country. We are trying quite hard to make sure that there is a clear narrative.

For example, in each country that is of concern to the National Security Council there is a clear NSC strategy under which the DFID programme is clearly nested. You can see that relationship in the strategy and we hope that, therefore, there is a coherent understanding of the full range of what it is HMG is doing in a country and how it is DFID is part of that. It is fair to say we have become better at that over the years, and it is particularly strong in areas where you have a really strong, vibrant mission that has clear, strong representation from lots of Departments. Afghanistan and Pakistan are two very good examples of that.

On the exiting the European Union point, it is certainly the case that, in due course, we will have to consider the changing impact of that different relationship with the EU, but I do not think that is for me to comment on now.

Jeremy Lefroy: With all due respect, I would suggest it needs to happen now.

Lindy Cameron: It is certainly the case that we need to think about that.

Q72 **Stephen Doughty:** I just have a small point. Given what you have both just said about the One HMG approach in-country, does it not worry you that CDC is going to set up new offices of its own separately in a bunch of locations?

Lindy Cameron: Sorry, I probably could have explained more articulately to you what I was saying. We expect heads of office to understand what the whole of DFID is doing, what the whole of HMG is doing, and that includes understanding what CDC is doing in a country, so that they have an understanding of the full impact of UK ODA spend in a country. Absolutely, we expect the CDC to be a separate, discrete entity with a very different role, but nevertheless we would expect the head of office to know that head of CDC office and to have a relationship.

Q73 **Stephen Doughty:** Why not simply co-locate, to save costs, to ensure there were those relationships there. It seems very odd to be allowing an organisation, 100% owned by the taxpayer, to go off elsewhere.



Lindy Cameron: It is a different organisation with a different set of skills and a different role.

Stephen Doughty: But spending a large proportion of the aid budget.

Richard Montgomery: It is spending a different type of resource as well. It is investment capital of a certain type and it needs to leverage other private sector as well as Government institutions, which requires a certain set of relationships of not just skills—a set of relationships of brand and confidence, which is different from being a bilateral donor.

In India, we have a very close relationship with the CDC team in understanding what their strategy is and what our strategy is. There is a lot of co-ordination in the sorts of sectors, like urban development, where there is a coming together of what you might see as India's development needs, because urbanisation is going to be the big story in India in the coming future. That is where most jobs are going to be created. That is where India's growth is going to be driven and that is where poverty reduction is going to happen most. That is where our shared prosperity in terms of India's drive and engine for global growth is going to come from.

That focus on urbanisation fits with the prime ministerial focus on what Prime Minister Modi called smart cities, and we are putting DFID technical assistance into helping those cities plan, to construct bankable investment projects for both private and public funds. We are looking at using the Prosperity Fund to leverage additional finance from the Government of India, as well as from the City, as well as from the Prosperity Fund. We sharing all of that market information with the CDC and saying, from a private-sector perspective of private-sector investment, we are looking to the CDC to also look at the opportunities in that sector. There is a Venn diagram that means the overlap is becoming greater, and that is a good illustration of a transition challenge, which is India does not need conventional resource transfer. It has huge capability, it has good leadership, it has great opportunity for private as well as public finance, but we can play a catalytic role and we can use different instruments in order to achieve an objective, which is successful poverty-reducing urbanisation with the shared benefit that this is going to be a relationship that, in the future, will be very important to the UK in terms of our own economic opportunities and prosperity.

- Q74 **Chair:** I want to move on to value for money, but before I do, these questions are really important—the question, for example, that Mr Lefroy has raised—because the criticisms in this report are very stark, are they not and, going forward, things have to be different? Page 32 says, “DFID has not made any substantial attempt to capture lessons on transition either at country or at headquarters level.” That is really serious. On page 25, there is another remark: “The process was marred by significant communication failures”. These are lessons that have to be learned, do they not, going forward, particularly in the context of what Mr Lefroy has just asked about?



HOUSE OF COMMONS

Can I move on now to value for money? We remarked in the earlier session that value for money was a key driver behind the huge reduction in the number of countries, to really focus effort on around 32. However, ICAI says, "Value-for-money considerations were not a major focus of effort through the implementation of exit or transition in most cases." Even more critical, ICAI says, "Value-for-money considerations were largely absent at the country level". Should value for money not be a major focus in all of DFID's work, wherever it is operating?

Lindy Cameron: Yes, absolutely it should. I think our Secretary of State has said everybody working in development has a moral responsibility to maximise the impact and cost-effectiveness of our work, so we clearly think that is the case. I would point in the report, if I can, to some of the positive evidence that is brought out on the exits from Burundi and Vietnam at country level, the use of value-for-money audits and the savings we achieved in Cambodia.

The risk is that the report looks rather at the tactical value-for-money considerations at project and programme level when, in fact, the point of the 2011 bilateral aid review was to achieve value for money by consolidating our footprint. It was about achieving better value for money from the scarce resource we had, particularly in terms of people capability in our whole global footprint, and I think value for money at that level produces a rather different response.

Q75 **Chair:** You have just agreed with me though that value for money should be a major focus of your work wherever you are functioning.

Lindy Cameron: Correct.

Q76 **Chair:** Whilst the overall report is "amber/red", in terms of value for money in the course of transitioning, certainly I have concerns that if that had been assessed on its own it would have been "red". This is of major concern to the UK public: how DFID manages money and not just across the piece but individual projects as well. What are you going to do to change the way in which DFID approaches value for money through the transition process and through exiting countries, because this is an issue that is, as we have said, not just an area of considerable public interest but you are working in a number of countries with an aspiration that they will not be aid-dependent in the future?

Lindy Cameron: The report says that we had basically clear objectives and were broadly effective in our exits in the 14 countries that we planned to leave.

Chair: That might be what you say; that is not the impression I have on value for money. That is why I have quoted what I have quoted.

Lindy Cameron: We are considering the report. It is certainly the case that we think we can and should do better, and it is something that ought to be considered at every project level, at every portfolio level and as part of the overall strategy.



Q77 **Chair:** Are you going to review and give some guidance to countries, because this is again the theme that is coming across again and again? I am talking about guidance really from the very top of DFID as to how maintaining a presence in-country post-transition can be most effective in terms of value for money.

Lindy Cameron: In terms of transition countries, that is part of our overall broader thinking about value for money, which, as I am sure you are aware, is a key focus for our Secretary of State.

Chair: Thank you very much for coming today. In conclusion, what I would like to say is that the Committee is very deeply concerned about this report. We take the criticisms very seriously. We are disappointed that DFID has not provided a management response for our Committee at this stage, or indeed for ICAI, satisfactorily or at all. To simply put out a press statement, we believe, was discourteous to ourselves and to ICAI.

You say that one of the reasons for that is because there is so much within this report that you need to consider. In the light of that, I am going to ask you, please, if you would go through page by page and deal with every single criticism within it of yourself from ICAI. Please comment on them and please let us have a detailed management response in writing. If you do not deal with any of the criticisms, we shall assume that you accept them. Thank you very much for coming today.