

International Development Committee

Oral evidence: Sub-Committee on the Work of the Independent Commission for Aid Impact – ICAI's review on DFID's approach to supporting inclusive growth in Africa, HC 727

Wednesday 7 February 2018

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Members present: Paul Scully (Chair); Mr Ivan Lewis; Stephen Twigg.

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Witnesses

I: Tina Fahm, Lead Commissioner, Independent Commission for Aid Impact; Marcus Cox, Team Leader, Independent Commission for Aid Impact.

II: Rachel Turner, Director of Economic Development, Department for International Development; Melinda Bohannon, Head of Growth and Resilience Department, Department for International Development.

Examination of witnesses

Witnesses: Tina Fahm and Marcus Cox.

Q1 Chair: Thank you very much for coming, Tina and Marcus. We have, as usual, 40 minutes to go through a handful of questions, but what I would like to do is give you a minute to give us an opening statement about the report, if you could.

Tina Fahm: Thank you very much, Chair. As lead commissioner for the review on DFID's approach to inclusive growth in Africa, the reality is one that is a good start. With 10 million young people entering the labour pool each year, job creation and economic development has become the key development challenge. Our review found that DFID's response, both through its economic development strategy and the investment it made in the diagnostic tools, to be a welcomed and appropriate response. That said, it also aligns very strongly with the strategic development goals. However, we found that aspects of the Department's work were variable in quality, and we made four recommendations relating to this in our report.

In closing, I would like to draw out two key messages. The first is that it is important that DFID focuses on where its investment can make the strongest impact, and does not spread itself too thinly. This is a huge and complex agenda, and it is not going to be sorted or resolved in the short term. The second is that we know that economic development initiatives can transform lives and lift people out of poverty. We have seen this in Asia, and increasingly so in Africa. It is important that DFID recognises that there invariably will be winners and losers, and that the poor and marginalised are kept in view in terms of its economic development efforts.

In conclusion, we awarded the review a green-amber score.

Q2 Chair: Thank you very much. If we can just talk about the methodology for a few minutes, the review had three case studies: Ethiopia, Zambia and Tanzania. However, you only visited two of them. Can I ask why you did not visit Ethiopia?

Tina Fahm: The three countries formed part of our case studies, so we conducted in-depth case studies, and from those case studies selected 12 programmes to look at further, in terms of design and impact. At the time of arranging those visits, we were aware of a degree of unrest in Ethiopia, and during our review timetable the visits really occupy a definitive window as part of our evidence-gathering.

That said, I would like to reassure the Committee that the three countries in total were selected because they gave different insights. They allowed us to see, for example, the east Africa and southern Africa dynamics, a landlocked country and a country with a port, that being Tanzania. There



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were different approaches to economic development: in Ethiopia light manufacturing, in Tanzania the rural dimension, as with Zambia. We purposefully chose these countries, and I do not think that the review suffered any detriment because we were unable to visit Ethiopia.

Q3 Chair: Why do you believe it was not compromised because you could not visit?

Tina Fahm: We were able to assess the information and gain the information that we required to inform the review, from the in-depth desk review that we did.

Q4 Chair: Do you think there would have been any more you could have found, though? Obviously in visiting those other countries you are adding value. I understand the limitations, as you have explained. I am just wondering, because the fact is that you know you can add value by visiting the other two countries. You have done the best with what you have got, clearly, but there would have been added value if you could have visited, I am sure.

Tina Fahm: I am sure we would have had a different perspective. I only visited one of the two countries. I went to Tanzania. A colleague visited Zambia. However, Chair, these are very much team efforts, and we visit the countries as a team. Even with teams, I was in Nepal two weeks ago, and we split the team in order to have greatest impact. I am confident that we were able to garner and mine the data we had sufficiently to inform the review.

Q5 Chair: You acknowledge that the conclusions of the report are not transferable to other parts of the report necessarily. Are they at least transferable to other parts of Africa?

Tina Fahm: Yes, very much so. You will see, in Annex 1 of the report, that we list the 12 programmes, and there are diverse programmes. Really, DFID has been innovative in its approach. We must recognise that. The other thing is that this was a learning review. We make recommendations regarding improvements in guidance and the learning that is coming out of the new diagnostic approach. Certainly, whether it is the sub-regions or geographically, there are lessons to be learnt.

Q6 Stephen Twigg: Let us talk a bit more about the economic development strategy. You make the point in the review that some evidence urges caution in terms of the transferability of the Asian model, with industrialisation creating large number of jobs, to Africa. In particular, you suggest that small-scale agriculture should remain an important part of DFID's economic development work. In its response, DFID said it will periodically review its approach. Did you feel that was a satisfactory response?

Tina Fahm: It is a start, as with all things. The reality is this: currently sub-Saharan Africa has a population of just over 1 billion. By 2050, that will double. Jobs are in need. Investment is required. DFID is certainly



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on the right tracks, and I am not sure that we can really generalise between the African and Asian model. Africa has its own complexities and so on. We are content with the start that has been made.

The other thing is that we should not throw the baby out with the bathwater. DFID has a track record of excellent work in its pro-poor programming, particularly around Africa, and economic transformation is not going to happen overnight. There needs to be a “both/and”. Our contentment with the approach is certainly from that aspect. I do not know if I can bring Marcus in on this.

Marcus Cox: The economic development strategy, in our reading, reflects an increase in ambition. DFID has this traditional work, directly working with the livelihoods of the poor, trying to get incremental improvements in income, and, as Tina says, that is necessary and important. However, it is not particularly transformative, and what the economic development strategy does is come in with a new agenda saying we are going to push for larger processes of economic transformation that can drive poverty reduction at a larger scale. The report very much endorses that increased ambition, but also sends some messages about realism and about the time it is going to take to achieve that. You can see progress happening in countries like Ethiopia, where you have a level of industrialisation already happening, but once you move into the poorer, landlocked countries and so forth, that have so many more disadvantages, it is going to be a much longer timescale. The report has some strong messages about advising DFID to keep a good balance between that livelihoods focus, making sure its work is truly pro-poor, as well as making some sometimes more speculative investments in transformative economics.

Q7 Stephen Twigg: Tina, you mentioned the complexity of Africa and that different countries are in different situations, and one feature is that there are different government and political attitudes to foreign investment. Both Zambia and Tanzania are relatively sceptical about foreign investment. Do you think the fact that that is two of your three case studies might limit the wider applicability of your findings to other parts of Africa?

Tina Fahm: That was not one of our conclusions. We were aware that in 2015 both Tanzania and Zambia changed Governments. The governance and government element, working with Government, is crucial to the success of economic development. We recommend that DFID needs to get better at that politically smart programming, because sustainable economic development will not happen without involving Government and working with them.

Q8 Stephen Twigg: Did you consider another country like Rwanda, which has a reputation for being much more open to foreign investment?

Tina Fahm: Yes, we did, in our deliberations. I suppose we need to make a decision somewhere about where our focus will be, and the



choice of Ethiopia, Tanzania and Zambia, collectively, seemed to make a good set for us to work with.

Marcus Cox: Ethiopia is quite a good proxy for Rwanda, because they both have these strong developmental regimes. We did deliberately choose a diversity of countries, in terms of that political profile. Zambia has very specific issues, regarding being a mineral-rich country with a lot of mining revenues. That affects both the politics and the economic dynamics. Tanzania is a big and complex country with a lot of quite deep governance problems. We were looking at how DFID responded to those governance conditions, and in fact that is one of the recommendations from the review: to lift their level of investment in analysis of some of those underlying political conditions and think harder about how they relate to Governments in these countries.

Q9 **Mr Lewis:** Good morning. In the review you talk about the diagnostic tool used by country offices to look at economic development programming. You expressed concern—and I think you just alluded to this—that it does not take account of political economic analysis, social inclusion or climate change. The current diagnostic tool does not take account of those factors. The question that we would like to get to the bottom of is why, in terms of its purpose of supporting economic development programming, you think it also needs to take account of those other factors. You have explained the political to some extent already. Were you satisfied with DFID's response, which essentially says that they will make some changes to the diagnostic tool, or would you have preferred them to have started again with a new diagnostics tool in response to your recommendations?

Tina Fahm: There are two questions there. The first is about whether we were satisfied with the response. We have to be clear that this is very much the beginning of a journey for DFID. The economic development strategy signalled this change, and the investment in diagnostic tools was that initial stab at this huge development agenda. In our report, we highlight improvements for working with country offices, and there is an opportunity for learning there. Certainly climate change, Government, the inclusivity aspect, identifying marginalised groups and supporting women are areas that we say DFID could have done better in. There is scope for improvement.

In terms of the current diagnostic tool, the Committee would be pleased to note that it is our practice to follow up on our reviews a year later. That follow-up process is currently in play. There is an opportunity now to review our findings of this report, in terms of the diagnostics and what DFID is planning to do differently.

Q10 **Mr Lewis:** Just to be clear, you feel that making some tweaks, if you like, to the diagnostic tool to take account of the factors you felt were missing, was an adequate response at this stage in the process.



Tina Fahm: It will be for DFID to determine how the diagnostic tools are developed and improved. In terms of things such as climate change and working with Governments, there are a host of areas in which the diagnostic tools will need to evolve if they are to remain relevant.

Marcus Cox: Our discussion so far with DFID during the follow-up process for this review suggests that they do have some quite ambitious plans for how they will revise the diagnostic next time around, which I am sure they will tell you about.

Q11 **Chair:** Looking at the marginalised groups, of the 12 programmes you scrutinised, only two contained targets on gender equity, and none referred to any other marginalised groups. Do you think in the response DFID commits to, where they talked about improving analytical tools with respect to marginalised groups, that this goes far enough?

Tina Fahm: It does not. We would have liked to have seen DFID go further and be a lot more specific. We know from previous ICAI reviews that DFID has quite a good track record on its work on gender, and embedding gender in its programming. We feel that certainly with the diagnostic work initially, gender was an oversight, which was since picked up. The recognition of whom these marginalised groups are, because they will differ in countries, and the commitment to that inclusion is something that really has to be front and centre of DFID's work in economic development.

Marcus Cox: It is important to note that the new economic development strategy has some very strong language about benefiting women, young people, people with disabilities, marginalised groups and so forth. The commitments are there in quite strong words. A lot of the programmes that we were reviewing had been designed prior to that commitment. We looked at them to see to what extent they were in a position for a good foundation to deliver on these new commitments, and what we found was that while many of the programmes had some useful language around particularly benefiting women, in their business cases it was at a rather abstract level. That was not necessarily carried through into specific design features in the programme, into specific interventions that would benefit women. While they had made some progress towards the simple disaggregation of their results data by gender—how many jobs had been created for men and women, and so forth—what they did not really have was the sort of detailed analytics in them that would enable them to see whether the benefits were being shared.

This is one of the most important gaps in DFID's practice that the report points to, which is that DFID's own analytical work makes it very clear that there is nothing automatic about the poorest and most marginalised groups benefiting from an economic development programme. Also, economic transformation as a process tends to create winners and losers, and I think there is an obligation on DFID to be aware of that, to track who is benefiting and who is potentially losing out, and to build in mitigations to make sure that they are not disadvantaging people.



At the moment, we can say that the programming that we reviewed was really not in a position, in terms of the design and the monitoring frameworks, to be able to deliver on the new commitments in the economic development strategy. Where we would be hoping that DFID would make progress in the coming period is to be much clearer about what the processes are that need to come into place to deliver those commitments for the next generation of programming.

Q12 Chair: To summarise, you think there are good learning lessons for the future programmes, but is there any scope for changing these specifics in the programme mid-stream?

Marcus Cox: We certainly did not see that happening, but there were some examples in our sample of programmes that had set themselves some sort of broad goals around advantaging women, had realised that it was not happening, and had tweaked their design midway through. It is certainly possible to adjust programmes mid-stream to make sure that those inclusion commitments are respected.

Q13 Chair: Tina, finally, is there anything you want to sum up? We have got to the end of the points that we want, but is there anything you really feel that we should be taking away, in terms of the real learning points?

Tina Fahm: The real learning points are that DFID has made a welcome response in terms of these developments facing Africa. It would be helpful if the Committee could perhaps probe further the actions that DFID will take in response to our recommendations. We felt they were somewhat vague, and greater clarity would be appreciated. Perhaps you will succeed in that.

Chair: Very good. Can I thank you very much, as ever, for coming? It was short and sweet, but to the point. Thank you so much for a really good report.

Examination of witnesses

Witnesses: Rachel Turner and Melinda Bohannon.

Q14 Chair: It is good to see you, Melinda and Rachel. Can I just ask you to introduce yourselves, very quickly, and give us one minute on your response to the report?

Rachel Turner: I am Rachel Turner. I am the director for economic development in DFID.

Melinda Bohannon: I am Melinda Bohannon. I am a deputy director in DFID and I head up our economic growth and resilience department.

Rachel Turner: Thank you very much, Chair and members. Let me just say a few words in response to the report. We found this a really useful



and helpful report, and we welcome the report. First off, we are very pleased that ICAI is supportive of the economic development strategy and of our overall approach to Africa. Particularly, they recognise the ambition that we are setting ourselves to support Africa's economic transformation, and the focus on jobs, particularly, that we have set out in the strategy. Chair, I think you know that the UK has a profound interest in unlocking Africa's economic potential, and that Africa could play a hugely positive role in growing the global economy, but the challenge is high. It is a huge challenge to support Africa on this economic transformation, and we are determined to act now and with really high ambition.

The timing of this report, coming as it does right at the beginning of the launch of our economic development strategy, is helpful for us. We are determined to respond to the recommendations and increase our ambition and our analytical approach and our creativity in supporting Africa on its path to economic transformation.

I have a couple more points. We particularly welcome the fact that the report recognises the way we have managed to build new programmes that we are running, programmes that we call jointly managed or centrally managed programmes, which we are running from London but with footprint in countries. We particularly welcome ICAI's support for those, because it is something that ICAI has raised in previous reviews—concerns about the coherence between central programmes and country programmes—so we are very pleased with the report's recognition that this new way of working looks as if it will be innovative and really be able to drive forward impact at speed.

We can talk to you as we go through about the specific questions around how we are going to be improving our analytical work, our approach to monitoring, et cetera, but overall we found it was a useful report, and one that we are certainly taking seriously and responding to.

Q15 Stephen Twigg: On the economic development strategy—you would have heard my question to Tina in the first panel—can you tell us a bit more about where DFID sees small-scale agriculture fitting into its economic development strategy for Africa?

Rachel Turner: Maybe I will say a little bit, and then hand over to Mel. Mel is responsible for our core agricultural team. We felt the approach of the review slightly, if you like, bifurcated the choice between smallholder and economic transformation. Our ambition, and a large proportion of our programming in the economic development space, is focused on supporting and linking smallholders into commercial agriculture and into agricultural value chains, including value chains that are focused on exports and trade. We really see the opportunity here to not think about the smallholder separately from the economic transformation, so we have been building a new programme of work very much based on looking at economic transformation from the point of view of the smallholder,



looking at the challenges and constraints they face, and linking into commercial value chains.

I do not know how much time we have, but Mel could say a little bit more about that.

Melinda Bohannon: It is a really good question. The short answer is that we see it as central to the economic development strategy ambition, for the reason that the report set out very eloquently, which is that smallholders working in agriculture make up a significant part of the transformation challenge, and our agriculture policy framework, which was launched before the economic development strategy, sets out quite a strong ambition for how we are going to work in the agriculture space. That speaks to the challenges of working with smallholders to hang in, those that are going to realistically be involved in smallholder farming indefinitely stepping up, so increasing the productivity of those smallholders to increase their incomes, and then stepping out, which is more of the diversification, rural-urban transition piece.

We have invested a lot of time and thinking in understanding the challenge in the agricultural space. What we know is that, as Rachel says, the real challenge is how to support the process whereby smallholder farming—the small commercial scale: those below five hectares—are investable, because whether that is domestic or international, through the links between the two, it is a very difficult challenge. Our work, both through centrally managed programmes, in advising the country teams, but also now with the likes of CDC, is to really try to understand what we can do to support the investability at that level, to link commercial investment to smallholders through a value-chains approach, and then to really stand back from there and think about the international investor piece and how to make sure that that all works seamlessly. It is partly a response to do with finance, it is partly a response to do with land tenure and clarification of land rights, and it is partly to do with collective voice.

Q16 **Stephen Twigg:** I would prefer that we did not look at CDC, because that has been looked at elsewhere relatively recently, but are you able to update us on conversations you are having with CDC in the specific context of small-scale agriculture in some of the African countries we are talking about.

Melinda Bohannon: Yes, we are having really productive conversations with CDC. They are very interested in working with us on ways to make sure that their investments maximise the opportunities for impact on smallholders, and the question that we are looking at with them at the moment is how to approach such a facility that might work at the country level, on value chains, where CDC is already invested, to maximise the link. They are very open and the conversations have been very productive.

Q17 **Stephen Twigg:** Can I ask you about this issue of the political context in



each country? We had a bit of discussion about this in the first panel. Does the attitude of different Governments to foreign investment shape how the strategy applies country by country? Are you more likely to be focusing on the small-scale agriculture in a country that is quite hostile to foreign big-business investment, and less likely in a country that is more open to international investment? Is that a simplistic way to analyse this?

Melinda Bohannon: No, it is a very good question, and it is a question that we mulled over a lot when we were putting together the economic development strategy. The part of the strategy that talks about political economy and capturing governance sets out what our approach is going to be, and there are two answers to your question. The first is even where there is a hostile or unpredictable environment for business, for whatever reason that might be, there are ways and means to work on economic development on transformation, on working with investors, which can be supportive and conducive.

The second answer is, yes, absolutely, we need to make sure we are understanding and investing in our understanding of what the governance issues are, but really thinking about our approach to transformation and our strategies in that context. For example, in Tanzania, which was a country study of the report, and where I was recently, we were thinking very hard with the team about how, given the environment, we could invest in the agriculture space, but do so in a way that gradually over time built the infrastructure, the capability and the openness to international investment, and have a very clear conversation with Government about what the vision should be, which perhaps supports greater government ambition and understanding of the foreign investment piece in their objectives.

Q18 **Stephen Twigg:** One of the suggestions from ICAI is that the department could focus more on the informal economies, but also particularly on promoting green growth. What is your view on that recommendation, and what are you doing to take that forward?

Rachel Turner: On the piece about the informal economy, to some extent Mel has partly answered that in relation to the agricultural piece, which is absolutely at the core of our ambition to begin to support the informal moving into more formal value chains. Nevertheless we are very aware that for many people, many young people particularly, they will spend a large part of their economic lives in Africa in the informal sector. We are absolutely not excluding the informal sector from our strategy, and thinking about how we can best respond to the informal sector. If you look at the portfolio of activities we have been building up since the economic development strategy was launched, we are beginning to look at specific programmes that can support people in the informal sector, particularly in cities and in the urban environment. One of the key things is about how cities are organised to best support people to work productively in the informal sector.



Then, of course, there is also the separate piece around giving people, particularly young people, the skills to be productive in the informal sector. You know that the Secretary of State has spoken about and launched our new education strategy, and one of the key objectives of that is to ensure that as people leave school they do have the capabilities and skills to be productive in the informal sector.

Q19 Stephen Twigg: Rachel, you mentioned the informal sector, particularly in the cities, and obviously urbanisation is a key feature of what is happening in most parts of Africa. We heard earlier about winners and losers, and the risks of divides opening up or gaps widening. How do you ensure that your economic development strategy does not leave the poor in rural areas behind?

Rachel Turner: Exactly. The question that you asked also about making sure that we understand the overall impact on the whole economy, and on all cohorts and all groups of people within an economy as countries move through their economic transformation is one that we are very committed to. This is something we do not think that DFID alone should do. This is something that we think the international community needs to do collectively, and in partnership with civil society and with Governments of the countries where we work, absolutely understanding how people in all income groups are benefiting or not benefiting in particular from rural-urban transitions is something we are committed to doing. We have a number of research programmes now that are helping us to understand that, including beginning to invest in longitudinal research. We have found that one of the most useful ways to deepen our understanding is really to understand and follow people on those journeys from rural to urban.

Q20 Stephen Twigg: You have tempted me there. Can you say a bit more about the longitudinal research? Is that something you are still considering, or is that something that is underway?

Rachel Turner: It is something that we are working up with our colleagues who lead our research work, as part of their new research programming in the economic development space.

Stephen Twigg: It would be really interesting to be kept abreast of that as it develops over the months ahead.

Melinda Bohannon: Talking about green growth, our understanding is that what we mean by that is the low-carbon transition pathways, but also the resilience and adaptability of existing infrastructure, for example. We really welcomed ICAI's recommendation. Of the programmes that ICAI looked at there were only one or two which edged into that, but actually DFID has quite a strong approach working with the rest of Government on understanding what green growth means in development, and to describe it in the context of the economic development strategy, I would say there are two aspects to it.



One is helping, at central government level, to establish plans for low-carbon growth and low-carbon transitions. DFID invests in the Global Green Growth Institute, as well as a number of the rest of the international climate finance architecture, to both look at the ways in which multilateral and bilateral finance can be brought together and channelled, but also to help Governments really to understand what low-carbon transition pathways meant to them and what the investments are that they need to target in order to achieve that.

The second—and this is where the economic development strategy really comes in—is at the sector level, because we know that a lot of these transitions need to happen, for example, in infrastructure, in energy, at the city level, in agriculture. What we are doing is taking each of those, both at strategic level and in our programmes, to really try to unpack what low carbon looks like in that space, what our approach to energy should be, such that we are maximising simultaneously energy supply, reaching energy needs and demands, but also ensuring that we have an optimal renewable energy mix within that context, that works for that country. That is just one example.

Q21 Stephen Twigg: I just have a final question on the economic development strategy more broadly. It is really about capacity, because it is an ambitious strategy; it includes sections on trade, on the financial sector and on development capital investments. Are you confident that you have the capacity, or do you need to recruit further specialist capacity?

Rachel Turner: Over the last year we have been scaling our teams up. On the development capital and the investment piece, we also spoke about this to the PAC when they took the review of CDC. We have had a specific effort to bring in skills from outside DFID, from the financial sector. That has been successful. We are confident, now, on the investment piece. We are, though, keeping those skills in one team. We are making sure that that team is the team that is able to advise the wider network, rather than dissipating them. We are confident in the capability and capacity on the investment piece.

We have also been scaling up our trade capacity team. We have a growing team with trade policy skills. Trade policy skills, of course, are in some competition across Whitehall at the moment, but we have worked, of course, in development space on trade and advising Governments on trade policy for many years. I am also confident that we have a good trade team with a good understanding of trade issues.

Q22 Chair: You would have heard the conversation we were having before about marginalised groups. Of the programmes scrutinised by ICAI, none of them contained any specific measures to target women and girls, and only two of them contained targets on gender equity. None referred to any other marginalised groups. How can you justify that?



Rachel Turner: Since we launched the report, we would find a very different situation, and I hope that ICAI will find that when they come back and do their one-year review. ICAI do, of course, in their report note some very good instances of targeting women and girls. They also refer to a specific new programme we have launched, Work and Opportunities for Women, that we have set up specifically to target integrating women into our economic development strategy and economic development opportunities.

I hope that you will also find that we have significantly stepped up our approach to disability, and that is something that you heard the Secretary of State is very committed to do, and something we are now beginning to weave much more strongly into all our programming.

Melinda Bohannon: We were also struck by that finding. Women's economic empowerment has been an agenda we have invested heavily in since 2015 and the launch of the SDGs, the global goals. The UN High-Level Panel for Women's Economic Empowerment was the first to set out and bring together what the international community understands to be the real drivers behind women's economic empowerment. It is a very difficult challenge. Many of our programme teams struggle with that challenge.

We have responded to that by investing in our understanding of what underpins that challenge, and formulating our ideas and policies around it, designing new programmes specifically to try innovative things and bring cutting-edge research to what we are already doing in some of these programmes already, but how we are going to go forward with new programmes that really focus on bringing women into supply chains, for example. Thirdly, on working with business, what is very encouraging is many businesses come to us and ask, "What is your advice on how we can work constructively and well with women at supply chain level? We want to do more than 'do no harm'; we want to be proactive". This is a very difficult, thorny issue. It crosses the boundaries of cultural issues, social norms, access issues, disability issues and so forth.

In recognition and respect of how difficult the challenge is, that is the approach we have taken. As Rachel says, we hope when ICAI comes back again, it can look at the way in which we have approached this in our diagnostic tool, progress on our centrally managed programmes, and then talk to some offices that have really tried some of this cutting-edge work, through agriculture, through cities, through local housing or whatever it might be, to talk about what we have learned.

Q23 **Chair:** ICAI talked about failures to monitor the impact on marginalised groups, so each individual project rather than the aggregate, and they described it as a serious gap. Notwithstanding what you have just said, is there anything you want to say particularly on the monitoring of individual projects?



Rachel Turner: Every team is seriously committed to monitoring their programmes in DFID. Every annual report is publicly available. The recommendations from ICAI were very much about how we understand the overall impact of economic transformation on the economy. What we feel is very important is to put our effort into really understanding what is happening in the overall transformational piece. Yes, we will be reinforcing the approach at the project level. However equally, as Mel said, there are a series of complex issues to really understand how opportunities are changing and shifting at the overall economy level; that really remains at the heart of what we want to do as we go forward with the strategy.

Q24 **Chair:** You talked about if ICAI came back and you talked about new projects. I have the same question as I was asking Tina: what about flex of existing projects, to bring in more measures and monitoring?

Melinda Bohannon: When we talk to country teams, what we have talked to them about is what their response is to the economic development strategy, and how we can help them deliver that. We would hope to find that flex at multiple levels. We would hope to find that flex in terms of the strategic objectives of the programme, the way in which results are being set and monitored, and then at the individual programme level, in terms of how we are bringing almost a more strategic thread into those programmes and how we are linking those programmes. The whole point of the economic development strategy is to give us that momentum and that clarity of vision, to which we then want country teams to respond.

Again, when I was talking to the team in Tanzania about exactly this, they were citing moments when they could bring in independent monitoring and evaluation of their urbanisation work, of their agricultural work or of their cities work, to help to articulate what the central thing is that we are trying to deliver here, what the programme is for, and how that adds up overall to a strategic vision in Tanzania for how we are trying to achieve transformation, and then how can we talk to Governments about it.

We have been very keen to take the monitoring and evaluation piece out of its box, if you will, and make it feel much more systemic to a country's approach.

Q25 **Mr Lewis:** In terms of ICAI's report, they found that the diagnostic tool that is used specifically with regard to inclusive growth did not have very much impact on programming. In part, this is because it was not embedded into the offices' programming and planning cycle. How are you going to resolve that specific finding from ICAI? It is pretty fundamental, I would imagine.

Melinda Bohannon: In lots of ways. The first would be that broadly my response would be that it did impact on programming, but more so on new programmes that we were able to design at the centre in response



to diagnostic analysis, which we could then work with country offices to deliver. Our new programmes on cities and infrastructure for growth, for example, on manufacturing and investment, on business-enabling environment, on agriculture and on commercialisation were intended as a direct response to the findings of the diagnostics.

The second point is that this has to be an iterative process with country offices. A lot of the decision-making capability rightly rests with country offices, to think about, "What does the diagnostic mean for us?" and to think about, in the context of their own programme cycle and their own spending plans, how to use the findings to shape the current programmes that they are doing differently, or how to introduce new programmes.

Rachel Turner: Going forward, of course, we will be able to be in a position when DFID is next doing its big strategic planning to make sure that we do the diagnostics up front and early enough to be able to inform the next large phase of strategic planning.

Q26 **Mr Lewis:** You mentioned job creation being at the centre of the economic strategy, but there does not seem to be very much focus on the quality of jobs, and there being decent work rather than just a job. Why is that, and are there any plans to change that going forward?

Melinda Bohannon: The job creation challenge is the number one imperative, and that is what we talked about in the strategy and have designed our response around. We are thinking very hard about the decent work agenda. It is front and centre of the global goals on economic growth and on infrastructure, and it is something that we need to work to and respond to. Our understanding, our definition, discussing with other parts of HMG, is around the need for more and better quality jobs. The work that we do on manufacturing, for example, is bringing that to the centre: how do you create a job but how do you also make sure that that job complies with ILO definitions of decent work?

There are two challenges for us. One—and this is a positive one—is that a lot of companies we work with are actually wanting our advice again on exactly this. Many of them will only invest if they think the reputational risk is something that they can take. One aspect of reputational risk is quality of work and quality of jobs. We work very closely with companies, for example in Ethiopia, to really look at what that means in the context of manufacturing and factory employment.

The other challenge, of course, is what to do if we find that we are investing in a place where the quality of labour or labour standards are poorer than international standards, and there is a reputational risk there. We have worked very closely with CDC, for example, on the Code of Responsible Business Conduct, and the way that they invest. We also have programmes, for example, called RATE—Responsible, Accountable and Transparent Enterprise—which helps companies understand how to look at and support labour standards in the countries in which they work.



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Simultaneously, there is an approach of working directly with the companies themselves and the investment, knowing how to build the standards and support that, but secondly having an absolute red line below which we will not go on labour standards.

Q27 Mr Lewis: If DFID invests at country-level, in terms of initiatives that are about job creation, and that is judged by numbers, so as a consequence of DFID's investment—in partnership, no doubt, with others—X number of jobs were created. That is one thing. However, if you actually say in each country office where that is relevant, "We are looking for you to stimulate the development of decent jobs", then that is arguably a different challenge.

Melinda Bohannon: The numbers that DFID will report on will be generated by the programmes that are targeting jobs. What we need to do is work with those programmes to apply ethical codes of conduct and decent work definitions.

Q28 Mr Lewis: Is it policy to do that?

Rachel Turner: Yes, it is, and our policy is one of progressive improvement. Our policy is not one of walking away because this is too difficult, and we recognise working to improve work. The decent work definition, of course, does include more jobs. The decent work definition is more and better jobs; it is not just about the level of wages or the quality of employment. Our policy is one of progressive improvement.

Our policy is also one of tackling particular concerns we have around work. I think you know that the whole of Government has put a huge amount of effort into the modern slavery and child labour issues, and that is something about which, across Government, we now have very strong campaigns; we have a new research programme to help us understand, working closely with business on modern slavery, about what that feels like down the supply chain for businesses, and also how we can help businesses understand their supply chains on modern slavery.

It is absolutely our policy to work on progressive improvement in the quality of work.

Q29 Mr Lewis: I would just make a point that you can have national policy and strategy, but if that is not built into the design of country offices' programmes, there is also a risk to DFID, because DFID could be seen to be supporting the development of jobs and then, because, for example, minimum labour standards are not applied, if something horrendous were to happen, DFID could be regarded as being partially responsible for partnering others. It is a risk factor as well as a good practice factor. Certainly from my position, it would be a good practice factor, but it is also a risk issue as well.

Melinda Bohannon: Just to quickly respond on that point, using our Invest Africa programme as an example, this is where you get into the level of detail around how you design a business case, how you structure



a terms of reference, and what the indicators are that you look for in a contract. To reassure the Committee, issues around women's economic empowerment, for example, but also issues around quality of work, decent work and so forth, are very much built in at those levels. We are hopeful that this learning, through our new programmes but also making sure that we have very strong filters for existing programmes, is absolutely going to be supportive at programme level.

Q30 Mr Lewis: Moving on to a slightly different issue, if you ask most people to identify one of Africa's great challenges, it is about young people being disengaged and not being economically active, and yet DFID's economic development programmes in Africa do not seem to have a focus at all on youth and teenagers. What would your response be to that?

Rachel Turner: We have reached a point in Africa where talking about young people as if they are a small niche and the programmes are targeted on everyone else is just not the reality of the shape of the population. Absolutely, young people are part and parcel of our ambition to the economic development strategy. We do have some interesting programmes that we are developing in east Africa, particularly, that are focusing on young people. There are new programmes in both Tanzania and Kenya. There is a growing portfolio that is responding to the youth employment challenge. However, the wider piece as well speaks to the need to create jobs for young people.

We are also very aware that young people are particularly likely to be employed in the small and medium enterprise sector, in the formal sector, in the SME sector, as well as in the informal sector, and we have a number of programmes that specifically target products and new products for SME growth.

Melinda Bohannon: Again, a couple of angles in addition to what Rachel has said. Education and skills is obviously a major theme, and working with adolescent girls is another major theme. The skills piece is particularly hard, because what you do not want to do is have a supply-driven approach to skills, which says, "Here are some helpful skills; go off and find employment". What you do want to do is look at the demand created by hopefully growing investment into productive sectors and matching the skills to that. Our approach needs to be very carefully tailored to skills for work, and linking that back from tertiary education to secondary and primary, such that we have one coherent approach to education and skills. However, as Rachel says, that is very much part of our wider approach, both in the economic development strategy but also DFID's education policy.

On adolescent girls, this links back to the women's empowerment challenge, and was a key finding from the high-level panel. The right moment to target girls for employment happens in adolescence, so again our work around gender equality and the gender strategic vision needs to and is recognising that, but often the ways to solve that are not necessarily purely through job creation for a segment of the population;



it is through building confidence, awareness and access to assets, and that starts early. This is not only about the coherence and integration of our economic development work; it is about the coherence and integration of DFID's overall agenda and the understanding of how these different themes interlink.

- Q31 **Mr Lewis:** If you look at successive Governments in this country, there is obviously a link between the education and skills system and the labour market. It is quite a challenge to synergise those things. We also do have customised programmes specifically aimed at young, unemployed people, to get them on the first rung of the ladder in terms of economic activity and then support those young people, and develop their skills and earning potential further. You mention young women, which I think is very important. However, if you look at urbanisation, you have lots of young men roaming around cities in Africa with nothing productive, constructive and positive to do, with very little hope. That is a real risk to those countries' development.

In your answers, you have not said to me, "Oh, yes, we recognise that there will be a need to look at specifically supporting youth unemployment, and programmes that are specifically designed and focused on getting young people into the labour market".

Melinda Bohannon: The answer I would offer is that we do recognise that. Our work on cities and urbanisation, for example, very much recognises the unemployment challenge being particularly youthful. Again, there are two ways to solve that. One is to work at the aggregate level, to do what we can to support economic transformation in-country, but the other is to make sure that our work in cities, for example, is maximising the opportunities for people to work. For example, our work in Uganda, in Kampala, on city design looks at enabling and creating market centres or commercial centres where people can bring products to market to sell, and making sure that those are accessible for everybody, for women and for youth as well.

It is more than a silver-bullet approach to specifically tackling youth. We have to look at all of the sectors we have in the economic development strategy—agriculture, urbanisation, manufacturing—and think about those through the lens of how we solve the challenge of unemployment, which is increasingly youthful, rather than segment a portion of the population, and say that we are going to have targeted measures specifically and only for them.

- Q32 **Chair:** Can I just start with a follow-up question to Ivan's line of questioning? I welcome the fact that you referred to the education policy refresh that the Department published last week. Can you tell us how in practice your team works with the education policy team here in the UK?

Melinda Bohannon: The micro response is that we share team members, and our team members work coherently, specifically on the skills agenda, and our work was thinking through what the policy issues



might be that we would reflect in the education strategy document, either integrated throughout or in specific boxes. However, the idea is very much combined intellect.

- Q33 **Chair:** In-country are there similar arrangements? I presume it varies quite a lot from country to country, but in those countries where there is both an economic development focus and an education focus, is there a similar integration, or is that something that needs to be looked at?

Melinda Bohannon: Absolutely. Our message from the centre, if you will, as we are talking to teams about doing the diagnostics or delivering on the economic development strategy, is, "Sit together with education advisors, governance advisers, livelihoods advisers, economists, private sector people, and bring the boundaries down and really think about what coherence needs to look like".

You are right that it is very varied, for lots of different and sometimes very good reasons. It is about supporting that.

- Q34 **Chair:** Can I ask a couple of questions about what ICAI said about the issue of alignment with country priorities? ICAI noted concern from some stakeholders that DFID is more interested in the delivery of your own programmes than necessarily working with and through Governments in partner countries. Do you think this is a fair criticism?

Melinda Bohannon: It would be good to unpack that criticism a little bit more. Every country programme and every country approach needs to work very carefully to understand what the alignment with government priorities actually are, but also think about how to work in sectors where government intervention—going back to a conversation we were having—might be more hostile to growth in investment. Every country programme needs to get the right balance between autonomous engagement and engagement with and through governments.

We think going back to the governance approach, what is absolutely clear is that sometimes it takes not much money but some very good understanding to really think about how to work in a politically smart way, and what the public-private dialogue should look like. The answer is that we need to have a sensible approach everywhere, even if that means adjusting, aligning, rethinking and sometimes pulling back but then reengaging with the Government.

- Q35 **Chair:** I just wanted to finish off by talking about monitoring and evaluation very quickly. Of the 12 programmes that ICAI scrutinised, only six of them had clear theories of change, whilst a majority had significant gaps in monitoring practice, such as "missing baselines or planned monitoring activities that had been cancelled or delayed", to quote the report. What would you say in response to that?

Rachel Turner: I would say that all of those programmes have annual reviews. All of those programmes have monitoring annually that we have seen and we have looked at. The challenge from ICAI was not so much



the fact that the programme had no theory of change; it was that the articulation of the theory of change in relation to the wider impact on economic transformation was lacking. This is the piece that we discussed almost in answer to the first question, which is about how, as we move forward—and of course these were programmes that were designed before the economic development strategy was set up—we absolutely can give you a commitment and we have an imperative to make sure that the collective sum of our programming is able to articulate at country level how it delivers our overall ambition and theory of change of economic transformation.

Q36 **Chair:** They also said that you did not have standard methods of measuring results from economic development programmes. What are you doing to address that?

Rachel Turner: There are two parts to that. The first part is on measuring jobs and measuring job creation, and ICAI does, later in the report, recognise the challenge of doing that anywhere, and we all know that measuring the net job creation in any economy is a particularly difficult thing to do. There are macro issues; there are issues around structural transformation in one sector or another. ICAI does welcome the fact that we are working closely with the World Bank on a new programme of work to bring the absolute best approach to understanding how we measure and assess our net job creation, both at the programme level and at the project level.

We have actually brought in on secondment from the Office for National Statistics someone who is experienced in analysing labour markets, to help us work on the best approach and techniques to do that. That includes ways in which we can use what we call tracer studies. We are particularly alive to the fact that we can talk about a job, but we also need to understand what happens to the person who got that job. Do they stay in employment? Do they then move? Do they move on to better work? Do they sink back into rural areas? We are also working on a robust methodology for tracer studies. We are also working on robust methodologies to understand multiplier effects attached to our investment, and that is something we are doing in partnership with CDC, and some of our other investment vehicles, because it is also very important to understand it is not just the single programme. Programmes can have multiplier effects through normal economic channels that then can create wider waves of employment opportunity through supply chains. We do have a robust programme of work around that piece as well.

Chair: Thank you so much for coming, Rachel and Melinda. It is really kind of you to come and see us.