

International Development Committee

Oral evidence: Definition and Administration in ODA , HC 547

Tuesday 27 March 2018

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Members present: Stephen Twigg (Chair); Richard Burden; Mrs Pauline Latham; Mr Ivan Lewis; Paul Scully; Mr Virendra Sharma; Henry Smith.

Questions 103 - 152

Witnesses

I: Harpinder Collacott, Executive Director, Development Initiatives; Amy Dodd, Director, UK Aid Network.

II: Blondel Cluff, Representative of the Government of Anguilla to the UK and EU.

III: Brenda Killen, Deputy Director, OECD Development Co-operation Directorate.

Examination of witnesses

Witnesses: Harpinder Collacott and Amy Dodd.

Q103 **Chair:** Good morning. Welcome to this evidence session as part of our inquiry into ODA. We have three panels today. Can I welcome our first panel? We will follow our usual practice: we will go straight to questions but please introduce yourself when you first answer a question.

At the moment, countries that graduate from ODA eligibility cannot then be eligible again. We know the OECD is considering changing the rules to allow reverse graduation. Is that something that you would support?

Harpinder Collacott: I am Harpinder Collacott, the executive director of Development Initiatives. It is a pleasure to be here with the Committee today. Let me just start by saying that, for me, the larger context of this debate is really important. The priority for ODA up until 2013 really must be about making sure that it remains a key contributor to inclusive and sustainable development, and remains fit for purpose. It is within this context that we are interested in understanding the role of ODA modernisation as we move forward. The other thing I want to say is that the UK up until now has played a significant leadership role in ensuring that ODA—its ODA in particular—is going to the poorest and most fragile countries. As ODA looks to be disbursed more across Government, it is essential that the focus on poorest and fragile countries remains its prime purpose.

It is within this context that I wanted to address the issue of eligibility. From my perspective and the Development Initiatives perspective, ultimately, the reverse graduation issue is not hugely controversial. Hurricane Irma and hurricane Maria have brought this to the forefront as a major issue. They have highlighted the complexity that many countries, particularly small island developing states, are facing as a result of climate change, but we are also seeing this as a result of conflict for some middle-income countries. From that perspective, it is controversial. We should be looking at this; the DAC should be considering this.

The key thing, when reverse graduation is being considered, is that it needs to be evidence based and set within the context of key criteria. The criteria need to be very clear and a review period needs to be set for when the criteria will be reassessed. Any ODA that is provided additional to this emergency response for previously high-income countries needs to be additional to current ODA that has already been provided. That is the first point.

Q104 **Chair:** What do you mean by that?

Harpinder Collacott: It needs to be additional. It should not be diverting already programmed ODA from one country to another country.



It needs to be additional on top of that. That is really important, because otherwise you end up with a diversion of ODA from one place, where the need may be greater, to another place. If we are diverting ODA from, say, South Sudan, DRC or Syria to potentially high-income countries, that is problematic. It needs to be additional. It needs to be delivered within that criterion of going towards development and infrastructure needs. It also needs to be meeting the needs of the poorest communities in those countries. That is really important. When it comes to reporting, which is where the ODA rules are important, we feel very strongly that it should be reported as an additional line, so we can see what is being given additionally in ODA as an emergency response to these unusual situations as they crop up.

Amy Dodd: I very much agree with everything Pin just said. This is happening somewhat in two strands. You have the bit where you are looking at reverse graduation, where countries have been evidenced by the World Bank to have dipped back below the high-income country level for a sustained period of time. That, to my mind, is very much uncontroversial.

The issue of giving aid in high-income countries where we do not have the evidence yet, because it takes time for national income levels to come through in the data and we do not yet have the information about whether they will dip back below that line, is much more complicated. I do not think any of us would want, from a humanitarian perspective, to not be helping the poorest communities in some of these countries. That requires a much more complex set of criteria and we would need to look at that in a lot more detail. It is a much more complicated situation and it needs a much more complicated response. That is one of the spaces where we have been keen, again in an evidence-based way, to look at what other proxies we have to measure whether those countries need that support: cash liquidity, the scale of the crisis, whether they have access to other forms of external financing and things like that.

Chair: Thank you. You have slightly anticipated the next question.

Q105 **Mr Sharma:** Are there any circumstances where the humanitarian assistance to high-income countries should be counted as ODA? For example, if the country is in danger of losing its high-income status due to a humanitarian crisis, should it be considered as going to ODA?

Harpinder Collacott: This is one of the reasons we are strongly advocating for this criterion to be in place at the DAC as to how the change in a country's status is classified. A humanitarian crisis can hit very quickly, very suddenly and a lot of things need to be looked at with regards to whether that should be classified as ODA. Ultimately, there is nothing at all stopping a Government giving humanitarian assistance to a high-income country in a humanitarian crisis. I think it was in 2016 that the UK gave significant amounts of money to high-income countries for managing the refugee crisis. In particular, Greece benefited from that. It just could not be classified as ODA.



The issue here is why it needs to be classified as ODA and the importance of classifying it as ODA. Similarly, in the hurricane crisis recently, the US gave significant amounts of non-ODA eligible humanitarian assistance to Puerto Rico. That was very significant in helping with the reconstruction of that country. As to the reason for it being classified as ODA, it needs to go back to the DAC assessing and putting in a criterion that allows it to assess whether the country has been so significantly hit as to move below the status it was previously holding. That is essential. As I said before, criteria need to be in place on the sort of assistance, what it is being spent on and for how long.

Amy Dodd: This is something I am really conscious of. It is a really challenging political question, if we think about giving aid to high-income countries, and maintaining support for aid in the UK and the UK's aid budget and development work more generally. Sending aid to high-income countries is a question we want to consider really carefully. Pin is right: we want to be looking at whether that need is genuinely there. We have to recognise that that is really difficult to assess. We are talking about really rapid onset crises, where we do not have a clear understanding of what their scale and impact will be. I know there is work happening in DFID and the OECD DAC to look at how you would start to assess this.

There is definitely stuff that already exists. A colleague from the CHASE team was talking about things like early-warning systems. We have some of that stuff in place. We are looking at some of those things and assessing whether they give us a strong enough basis to justify giving aid in these places, because there is a political risk and a huge opportunity risk to doing that.

Q106 **Mrs Latham:** You have both suggested that, in determining ODA eligibility, the OECD should consider vulnerability and resilience as well as GNI. Is there any realistic chance of persuading the OECD to do this, for example using the human development index instead of GNI?

Amy Dodd: There is a bit of a trade-off. First of all, the OECD DAC is made up of its member states, of which the UK is one and a very influential and important one. It is up to us as DAC members to decide how we would like to respond to that question. The question of whether we want to include some more qualitative criteria in whether a country is eligible for ODA is quite a difficult one. There is a real trade-off there. GNI is a limited measure. It tells us something about a country's development, but it definitely does not tell us everything and it obscures quite important things such as relative inequality. It has the benefit of being simple, straightforward, and very black and white: you are either below or above this.

Reopening that conversation is probably a much bigger piece of work. There is then the question about how and what other criteria you would want to bring in. How you measure vulnerability, for example, is quite a



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complicated question, and even things like I was saying before about early warning—

Q107 **Mrs Latham:** You do not really have any recommendations.

Amy Dodd: If this is something that the DAC is looking at, I would be interested to see whether we can come up with a solid evidentiary basis to support that. Can we come up with a set of criteria that makes sense and tells us something interesting and important enough to justify whether we spend ODA there? Again, politically that is quite a challenging thing to do. Once you open up that door, it starts to really change the basis on which we have allocated ODA for many, many decades. It is not a question that we want to jump into and say, yes, we should do it or, no, we should not do it. Have a look at it and see what the relatively merits and dis-merits are of doing it both ways, because there are strengths and weaknesses of doing it both ways.

Harpinder Collacott: I have a slightly different view on this. GNI as a measure is a rather crude measure. It is also no longer sufficient with regards to what is happening in many different countries. Many countries are facing a variety of issues, including the impact of climate change, which is really having devastating effects on their economies. We need to look beyond GNI as the simple, crude measure that we use with regards to ODA eligibility. This is as good a time as any to open up that debate, which is one we have been looking at for a while, with regards to the changes we are seeing in the global landscape.

I would argue for measures to be defined and brought in alongside GNI. GNI still needs to be one of those indicators, but we need a variety of other indicators that bring in inequality and vulnerability measures as well. It will be complicated, but the trick is to design it to be simple and balanced. From my perspective, HDI as a measure, unfortunately, does not go far enough to assess the environmental vulnerabilities that countries face. It is not a simple matter of not using GNI, but using HDI instead. We need to design a new mechanism that brings in some of the environmental vulnerability and human development indicators with the income. Getting something much more cohesive is going to be really critical. I would argue that it is a good time for us to start looking at this right now.

Q108 **Mrs Latham:** It may take some time.

Harpinder Collacott: It may take some time. That is always the challenge with opening up these debates. We started with ODA modernisation back in 2012, and we just agreed some of those major changes in October last year. These things take time.

Q109 **Richard Burden:** I have a couple of questions, both about reviews, and probably one to each of you. First of all to Amy, the UK Aid Network has suggested the ODA definition should be reviewed about once every five years. I would like you to say a little more about that: why five years?



Amy Dodd: A constant process of reform is something we would be concerned about. We need to introduce a little more predictability and stability into the system, as we are constantly looking at what we are doing with ODA. Equally, we recognise that there is no harm in going back on a regular basis and looking at where we are. Are we still fit for purpose? Are we addressing the kinds of issues and crises that we are facing today? Five years felt like a sufficiently long period of time to allow new changes to embed, but not so long that we would not be responding to things as they were happening. There is a balance between wanting to stay fit for purpose and having that predictability in the system. I would not necessarily stick on five years if people had a strong suggestion that it should be six, seven or four. That is open for conversation. An important criterion for me is a degree of stability over a reasonable period of time.

It is important to add that deciding to go back and look at whether we need to reform the definition is not necessarily saying that we should then do it. We might look back and say, "No, things feel okay; we feel we are in the right place and there are no major issues we need to look at", and decide to leave it for another period of time. It is just to introduce a bit of a system, as opposed to being ad-hoc.

Q110 **Richard Burden:** Harpinder, you agreed with the principle of regular reviews of the ODA definition. I was interested that you said they should start in 2030. That seems a long way away, given the fact that this is quite a live issue now. Are you opposed to reviews before then?

Harpinder Collacott: I would say "no major changes", simply because it has taken us five years to agree major changes, but we can be reviewing and making small changes that are required on an ongoing basis, as they present themselves. It is when we are talking about very significant, major reviews that it can distract us from the task at hand. The reason we are very focused on 2030 is that we have a global agenda, which we have agreed and signed up to. ODA plays a major role in supporting that global agenda of the sustainable development goals. Those will be complete by 2030. The job in hand at the moment is to make sure, as I said at the beginning, that ODA is most effectively targeting those most in need up until 2030, so we can drive forward and achieve the 2030 agenda. If we are constantly reviewing and changing ODA, we will hold ourselves back from achieving the job we have set ourselves in the 2030 agenda. That is the first and foremost reason.

The other role that ODA has to play is mobilising new resources for the 2030 agenda. That is very significant. The current changes that are being made are partly to bring new resources into the system so that ODA can be supported by new financing to help achieve the 2030 agenda. This in itself is a major task and donors should be concentrating on this task at this point, as opposed to tinkering with some of the smaller changes. That is our real focus.



Another important point, from my perspective, is that ODA is part of a larger ecosystem of financing. It is a small resource within that, but an important resource that can really be targeted at poverty. When we are looking at the role that all resources play in meeting the sustainable development goals and other agendas, including that set by the World Humanitarian Summit, we need to be looking at the role of all resources as a whole system, as opposed to ODA in itself. The ODA definitions are really about ensuring that the data that is reported by donors is accurate, consistent and reporting against the definition that is defined. A lot of the other changes that need to be made, particularly on the challenges that climate change poses, should be made outside ODA modernisation discussions.

Q111 Paul Scully: You talked about reforms but the ODA definition was broadened a couple of years ago to include more security-related spending. Some NGOs have argued that those changes should be reversed. Others have stressed the importance, as you said, of having stability. Which of those two is most important?

Harpinder Collacott: We have made some very important changes with regards to the security agenda. Security is an essential requirement when it comes to development; it really is. We have made some very, very important changes, but we could have gone further. I believe we could have gone further, potentially considering the role of non-UN peacekeeping missions, particularly regional peacekeeping missions. However, I believe that, at this, point we should hold where we are, be stable and see the implications that are still likely to come through the reporting of what this means, what has been captured, how useful that information is and what that means with regards to further security reforms.

Q112 Paul Scully: Amy, do you have a view on that?

Amy Dodd: I would agree with much of what Pin was saying. One of the things I have been concerned about in this conversation is that there has been a tendency to conflate peacekeeping with peacebuilding. Those two are not the same thing. SDG 16 is a much broader agenda. This may be where, for some NGOs, there were concerns that some of the changes encourage harder forms of security, such as countering violent extremism, which open the door to activities that are slightly questionable from an ODA perspective. We might slide down a slope towards spending ODA on activities that we would not feel particularly comfortable spending aid on.

What we are talking about with ODA reform is wanting to mobilise more finance and more money. If you look at SDG 16, there is a whole range of really important things under there around human rights, women's role in conflict, protecting children and things like that, many of which are already DAC-able and many activities around which are ODA-able, but which are underfunded. We see the same thing around humanitarian responses. The UK is probably an outlier in that, in terms of its response



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to humanitarian appeals. There are lots of things we can be spending money on that we do not. This idea that reforming and adding more stuff to the peace and security bit of the ODA definition will bring more money is not necessarily true.

One of the reasons why looking at regional missions or non-core DPKO funding would be interesting is that it would definitely bring more transparency to that spending. There is stuff that falls within our existing definition that we might want to look at. Again, we have only just agreed a new co-efficient on peacekeeping last year. Having more changes now is not going to be particularly helpful.

Q113 Mr Lewis: You know that the Government have committed to seeking significant changes to the ODA definition in terms of the OECD. The UK has said that, if that reform agenda is not delivered, it will adopt its own definition of ODA. I think you have both said previously that you do not agree with that. Having committed to seek unilateral changes through the OECD, what do you think the Government should do if they do not secure those major changes?

Harpinder Collacott: First, the Government have been a leader in the ODA modernisation discussion and have achieved quite significant successes with regards to ODA modernisation, particularly on peace and security and on PSI reforms. We have made major advances in both those areas. As you point out, we are very strongly in favour of working through the multilateral system and ensuring that we adhere to the DAC rules.

In particular, the global landscape is changing. A number of new actors are coming on board, who are also providing development co-operation. Part of the role that the UK plays is ensuring that they are providing their development co-operation in a similar framework as the one that ODA donors conform to, so that they share the same values and prioritise reaching the poorest people first. It also ensures they are linking up with the development effectiveness principles, which are all very important.

The UK has been playing a lead role in that area. By leaving the OECD DAC and defining a new definition, it will lose the ability to work with these new actors. That is a concern, particularly in the post-Brexit world, where we need to make sure we are building alliances with the new emerging actors. The DAC ODA definition framework allows us to ensure that those values are adhered to across the board.

Amy Dodd: Again, I would agree with what you are saying, Pin. Looking at the context, the UK has historically been a big champion of multilateralism. At a time when that is very much under threat, the importance of the UK holding the line and committing to the impact of the multilateral system is hugely important. Beyond the hard rules changes that the UK has played a huge part in securing—so it has met that commitment already in many ways—there has been a lot of work happening in other spaces. Big UK priorities such as the focus on gender



or transparency are maybe not as flashy as big changes to how we measure peacekeeping, but for the UK Government, and this is true across parties, they are really important and key areas. We are seeing those issues brought up through the DAC to gain a bit more importance.

Pulling away from the OECD DAC, we would not only lose that multilateral approach of working together, but it is also a really important accountability tool. A huge part of what the DAC and the DCD do, although they do not set the rules because the DAC members set the rules, is to look at how we are doing that. Processes such as peer reviews are really important to driving improvements, effectiveness and that sense of mutual accountability. Pulling away from that would undercut the international element to the accountability around aid. Frankly, it is a place where the UK plays a really key role. Pulling out of that would not be particularly helpful for us politically, either.

Q114 Mr Lewis: Are you aware of whether the UK is doing work on how it would define its own ODA in the event that it went down that route? Is anyone doing any serious thinking and work on that? Are we aware of that?

Amy Dodd: To the best of my knowledge, no. We have been working quite closely with our colleagues at DFID on this over the last four years, and certainly very much over the last year while the UK has been trying to define its reform agenda. I am not aware of anything like that. I know they are very much engaged with the DAC and with colleagues around the DAC in the work on finalising the current band of reforms, but I am not aware of anything that is happening to define it themselves.

Chair: Thank you both very much indeed. That completes our questions to you. Feel free to stay in the public gallery for the second and third panel.

Examination of witness

Witness: Blondel Cluff.

Chair: Can I welcome you back? This is your second time giving evidence to us. We are very grateful to you for joining us today. I will invite my colleague Pauline to open the questions for us.

Q115 Mrs Latham: Morning. You argued that DFID “struggled to provide aid to Anguilla and its fellow territories, as this would have detracted from its 0.7% commitment to provide international aid”. Would it not be fairer to say that the ODA rules did not prevent DFID from providing assistance; they just prevented DFID from reporting it as ODA?

Blondel Cluff: Arguably, that is correct. However, if you look at the International Development Act 2002, section 2 provides that the



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Secretary of State has absolute discretion to provide development assistance to British Overseas Territories. That assistance need not be for the reduction of poverty. Therefore, the introduction of the OECD criteria compromises the direct constitutional obligations between the sovereign state and the British Overseas Territories. In consideration for that level of support, the territories have given up a selection of human rights and political rights. This is the fundamental basis of our relationship with the sovereign state and needs to be treated accordingly.

Q116 Mr Sharma: Good morning. You argued, understandably, that the reasonable assistance needs of the overseas territories are a first call on DFID's budget. Does this mean you think such assistance should be counted as ODA, irrespective of the income status of the OTs?

Blondel Cluff: First of all, I draw your attention to the provisions of the FCO White Paper of 2012. In there, it is explicitly stated that the reasonable needs of the British overseas territories are to be a first call on the UK's international development assistance budget. This is something that has been dictated by the sovereign state. It says that the trade-off is that we will no longer have a full complement of human rights or political rights.

With regards to whether this comes out of the ODA budget, it is quite clear, as we have seen from the previous set of evidence, that that is highly unlikely to come to the rescue of a place like Anguilla, which was annihilated by the worst hurricane on record last year and is a mere two months away from what is predicted to be a very turbulent hurricane season, starting in June. We have not seen anything out of the designated budget and, from what I have seen this morning, we are unlikely to see anything out of the ODA budget.

Q117 Chair: You have argued that "the definition of development assistance/aid also clearly differs from one UK government department to another". By that, do you mean what you just said in terms of that Foreign Office White Paper in 2012 or are you talking about something else?

Blondel Cluff: Sadly, it is much worse. I am here to update you on my written evidence. Things have gone dramatically downhill since I wrote that paper. Indeed, I was briefed in the early hours of this very morning. We are not ODA eligible because of the introduction of criteria that are not meant to be involved in the relationship between a sovereign state and a British Overseas Territory; they are meant to come to our assistance whether it is for the reduction of poverty or not. We are not allowed to speak to anyone. We are not allowed to cry out to the world that we are in trouble and need help. We are mute. I attended the donors' conference to the UN last November where \$1.4 billion was raised to support the Caribbean. None of the British Overseas Territories were allowed to receive that aid, and they were not given permission to interact in order to attract assistance.



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We have been cornered. We are told that we are under the wing of the sovereign state. To date, we have not seen any of the £60 million that was delegated and allocated to us by Theresa May last November. It is due to be remitted from April, but that is perilously close to the commencement of the 2018 hurricane season. People at the moment are living surrounded by hazardous debris. We believe that, with every passing day, the risk to life is being significantly increased. It is anticipated that there will be six hurricanes, three of which will be severe, this year alone.

With regards to where we sit now, the reason why I respond in this way, Mr Chairman, is because the aid budget for Anguilla is now under the wing of HM Treasury and the FCO, with a non-ODA contribution, I believe, of about £10 million from DFID and some intervention in terms of how this is managed. This is very much a domestic family affair, where we are the minor partner in this relationship. We are bordering on a situation that is tantamount to domestic abuse, in that we are told that we can only have that aid if we now increase the taxes on the victims of hurricane Irma and cut their pay, in a situation where we have mass unemployment, where 90% of housing has been severely damaged by the hurricane and those people have to fund the repairs of their homes themselves.

At the end of the day, we cannot morally justify imposing further hardship upon those people. To a certain extent, it is of little matter to the people on the ground in Anguilla what the definitions of development assistance or humanitarian assistance are. The reality is that these people have nothing. They have very little. Their lives have been diminished and smashed. For us to be told now that it is a precondition of receiving aid from Her Majesty's Government that we tax them more and inflict further financial hardship on them, when we rely so much on extended families, is beyond all comprehension. Excuse my voice; I am very upset.

Q118 **Chair:** No, do not worry. If you want to, get some water. Can I first say that I think we all take what you have just told us very seriously. This is something that I will pursue and the Committee, I am sure, will want to pursue, because in a sense there are two issues here. There is the question of what is defined as overseas development assistance under international rules, which is the subject of our inquiry, but there is then the obligation the United Kingdom has to you and your people regardless of whether the funding of that counts as overseas development assistance. You have told us today that commitments that were made have not been followed through, and I will pursue that.

Blondel Cluff: They have been made conditional.

Q119 **Chair:** That was my next question. Can you give us a better understanding, for the Committee's knowledge, of those conditions? You mentioned in particular an expectation on you to raise taxes and reduce wages and salaries. Are you able to set out in a bit more detail how that



has been communicated by the British Government?

Blondel Cluff: Yes, indeed. My colleagues are holding a letter from Lord Ahmad that sets this out. I have attended meetings in person where relatively junior members of the Foreign Office have sat before us and said, "You can tell the people of Anguilla that their taxes must be raised in order to build resilience". We had instantaneous mass unemployment. We only have a handful of large resorts, but they are the main employer on the island. They were hit and hit very badly. We have mass unemployment. We are very traditional and very old fashioned. We do rely on extended family networks, so one family will support more than one household. It is intergenerational.

We have a very strange tendency to live a very long time. I remember visiting my mothers' village just a couple of months ago where my 101-year-old cousin, not the eldest—we go up to about 107 at home—lives in a typical wooden Caribbean home in the shadow of a huge building, the top floor of which has been smashed to smithereens. Should even a small, lower-grade hurricane hit Anguilla during this year, those chunks of concrete could become lethal missiles. What do we do without that reconstruction support? We have been told in writing by the Minister of State, Lord Ahmad, that he is already preparing Orders in Council that will effectively remove devolved powers from the Government of Anguilla for fiscal administration if we do not raise taxes and cut emoluments.

Q120 **Chair:** What sort of increase in tax are the Government urging you to undertake?

Blondel Cluff: The philosophy is that Anguilla may not be able to meet its banking commitments. Having said that, the income stream, which is largely from accommodation tax, is naturally down. We initially asked for some budgetary assistance until we got into the steps of reconstruction. Indeed, if you look at this month's *Economist*, you will see that, if that reconstruction funding comes through, because of the skills base within Anguilla, that will stimulate the economy in its own right, because we have a great skills base for construction. People will have work in reconstructing the island until the tourism is back on track. At the end of the day, there is no basis or justification for what has been put before us; it is illogical and morally corrupt.

Chair: The evidence you are giving us is very important. While it is, in a sense, slightly outside the question of the ODA definition, it is extremely important.

Blondel Cluff: Forgive me for that.

Q121 **Mr Lewis:** When the amount of assistance was first announced, was it clear that there would be conditionality, or was the nature of this conditionality a subsequent shock to you? You mentioned that you had given away democratic and human rights in return for financial assistance. Can you explain what that means?



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Blondel Cluff: First of all, I can explain to you that it is in the constitutions of the British overseas territories, section 28(2)(a) for Anguilla, that we no longer have freedom of expression. That is actually something. We cannot talk to the outside world without permission from the United Kingdom Government.

Q122 **Mr Lewis:** Is that new?

Blondel Cluff: No, that is the fundamental relationship. That is what I am saying in terms of the provisions of the International Development Act, section 2, saying that the Secretary of State has absolute discretion to meet the reasonable needs and, indeed, the interpretation by the Foreign Office in its White Paper that reasonable needs have first call. They go on to say that that is a contract, effectively, in consideration for which they will retain certain powers away from our people. That is how it works. We cannot speak. My Chief Minister cannot speak to the Premier of the next-door island, even if both islands are up in flames; he has no permission to do so officially.

With regards to the conditions that you mentioned, Mr Lewis, in November we received a letter outlining a reasonable condition: "You must make sure that we approve your budget and the expenditure". It has mutated into a dictation that it should take the form of what we perceive to be inflicting more harm upon people whose lives are already crippled. That is where it has gone. There is a derailment of the situation.

Q123 **Mr Lewis:** The argument is that, in order to achieve the budget that needs to be agreed, the assessment of the UK Government is that you need to raise taxes and cut wages.

Blondel Cluff: Yes. We are \$5 million—not pounds, dollars—off the target. The target was set to get things down to \$20 million; we have got them down to \$25 million. Now, there is a line in the sand. That happened about three o'clock this morning. We cannot go any further without taxing those people and cutting their wages. We simply cannot justify that.

Q124 **Mr Lewis:** To fill the gap—

Blondel Cluff: Of \$5 million.

Mr Lewis: —you are saying that you will need to raise taxes and cut wages.

Blondel Cluff: That is the proposal.

Q125 **Mr Lewis:** Okay, but that is slightly different from the Government saying you must raise taxes and you must cut wages. It is because the Government are requiring you to set a particular budget and the only way you can facilitate that is raising taxes and cutting wages.



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Blondel Cluff: It is at their suggestion, Sir, and with the threat of Orders in Council and seizing the powers of taxation, whereby they would inflict those particular provisions on the people. The threat is in writing in Lord Ahmad's letter.

Mr Lewis: "If you do not do it, we will".

Blondel Cluff: In fact, Orders in Council are already being prepared. It is: "Either you do this or we will do this".

Q126 **Henry Smith:** You are presenting very strong evidence indeed. You are slightly anticipating the question in terms of the overseas territory not being able to conduct its own external affairs by nature of your constitutional relationship. However, some other British overseas territories, BVI for example, were very badly affected by last season's hurricanes. Official channels may not have been used, but have there been unofficial communications and discussions with those other territories, in terms of perhaps better jointly lobbying the Foreign Office here in London?

Blondel Cluff: I have another job. That is that I am the chief executive of the West India Committee. It is a consulting NGO to UNESCO, specialising in small island developing states. At one stage, we too were members of BOND. The way that I can get Anguilla's voice heard is by changing my hats and becoming that chief executive; otherwise I too cannot speak on its behalf with external parties. With regards to BVI, I believe it is suffering in a similar manner. Its situation is not aid. Indeed, both BVI and TCI had the benefit of reserves; we had nothing when hurricane Irma hit, which is why we were allocated aid.

We have respected their right to deal with their matters themselves. It is not for me to impose myself upon that, but I believe they are suffering in like manner. Unlike BVI and other overseas territories, Anguilla is not particularly wealthy. Indeed, a lot of the work that goes on in London is done through the auspices of the West India Committee, which is the charity whose object is to help and improve the general welfare of the people of the Caribbean, because they simply do not have the budget that the likes of BVI, Caymans or the others have for lobbying.

Q127 **Mrs Latham:** After the devastation of the hurricane, tourism just stopped, I imagine. Is any of it coming back to help mitigate this, or are people still very reluctant to come because they perceive it to be much more of a devastated area than they realised?

Blondel Cluff: The situation is one of transport. We have a direct border with metropolitan France. In order to get to Anguilla, you have to land on the Dutch side of Saint Martin, make your way through what is an outermost region of the EU and come across by either boat or a short airlift. Our airport was smashed. We have a temporary airport and temporary control tower, which is two containers stacked on each other. It is not quite certifiable for major airlift. Indeed, the main international hub, Saint Martin, was completely crushed. I think they are still



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operating partially in tents. If you want a luxury holiday or even a comfortable holiday, this is probably not your first choice. On top of that, those Caribbean islands that were not hit are working very hard to maintain an interest in the region. As a result, a lot of the tourism is moving towards them, rather than those islands that have been hit, such as Anguilla, Saint Martin and BVI.

Q128 **Mrs Latham:** Until all this infrastructure is rebuilt, you are going to suffer from lack of tourism, which is very important.

Blondel Cluff: Absolutely. It is Catch-22. Also, to quote the Chief Minister, it is an absolute no brainer. If you release these funds, we can get on and start reconstructing. It is not a question of migrant workers coming in from abroad. Our people can do this, and that money will stay within our economy, stimulate it and tide us over until the resorts are rebuilt, because they took a direct hit, and the population can start to find their own balance in terms of work. We are already suffering from migration. A lot of our people are now beginning to drift away from the island and many may not come back.

Q129 **Chair:** I know that Anguilla has a significantly lower income than the other overseas territories in the Caribbean, but what would you say to the suggestion that, even in the light of that, Anguilla is a tax haven? Is that part of the Government's argument in terms of what you need to do?

Blondel Cluff: I have to refute this. In fact, only yesterday we had the Foreign Office take down a photograph of a Caribbean island inviting people to report tax evasion. People must stop defaming these places. These are fragile, vulnerable communities. It is very, very easy to defame someone who cannot speak. It is very easy to defame people who cannot speak.

With regards to tax, can I just enlighten you? With regards to the financial services industry, lo and behold, it is not a devolved power. Again, the very same Section 28(2)(a) of the constitution of Anguilla explicitly states that financial services and related financial matters are under the Governor, and the Governor is de facto the Government of the United Kingdom. It is your situation.

Q130 **Chair:** If there is an issue to raise around the allegation of Anguilla being a tax haven, that is one we should raise with our own Government.

Blondel Cluff: With due respect, we have low taxation because we have low public services. There is no public transport. We have a 32-bed hospital for 15,000 people. Now that has been reduced to one mixed ward with makeshift accommodation for maternity services. How can you say to people, "Up goes your council tax", when you do not have any services to provide them with?

Q131 **Chair:** What about corporations?



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Blondel Cluff: The registration of corporations is firmly under the remit of the Governor. Again, if you look at the White Papers of 2009 and 2012, they were actively encouraged to set these things up. I hope that Ms Harding-Hodge will forgive me when I refer to her now. We have one man and a dog running this in Anguilla. This is not the gleaming office blocks of certain other overseas territories. That one man and a dog is overseen by the Governor himself, who also is the head of the Anguilla Financial Services Commission and the head of the police unit dealing with financial services. We have about one or two inquiries a year, which are dealt with immediately and posted directly to the Attorney-General who, lo and behold, is appointed by the UK Government. We are tightly controlled by the United Kingdom Government.

Q132 **Chair:** I think you are saying, but I do not want to put words into your mouth, that there might be issues about corporation tax, but we should raise them with our own Government and not with you.

Blondel Cluff: If you look at the level and volume of business in Anguilla, it is nominal. It is virtually dead in the water. It has never been that active. We are not in the same league as other overseas territories. We never have been. We operate on tourism, fishing and agriculture.

Q133 **Paul Scully:** Just to clarify and follow on from what Stephen was saying, what are the income tax, corporation tax and capital gains tax rates?

Blondel Cluff: Off the top of my head, I do not know. I shall write to you. There are 11 tax heads in Anguilla. We are looking at additional sources of revenue as well, because we have a large expanse of sea that we wish to license. I will report to you on that one. It is around the same level that operates within the region, on the basis that many of these islands do not—

Q134 **Paul Scully:** You do charge income tax, corporation tax and capital gains tax.

Blondel Cluff: We do. It is nominal at the end of the day, particularly in terms of local businesses, because we are trying to stimulate them and have them remain. Again, increasing corporation tax on local businesses is something we are trying to refrain from, which is another suggestion for a precondition for access to the £60 million. Sir, I could write to you, rather than snatching figures. I do not have that to hand.

Paul Scully: That is fine. If you could write to us, that would be useful.

Q135 **Chair:** It would be very useful to have. You are making a perfectly good point around local businesses, but I am not sure what you are saying about international businesses that might be registered in your country.

Blondel Cluff: We have adhered to every requirement of the United Kingdom. Indeed, at the moment we are struggling to upgrade our 20-year-old computer, which was built by the UK, to meet the beneficial



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ownership timeframe. We are working on all of that, within our limited means.

Q136 Richard Burden: Could I take you back to what you said about what you are able to say in external fora? You have talked about the constitution of Anguilla, in that you are subject to the permission of the UK in what you can say. Are you saying that, because you operate under that regime, you have adopted a self-denying ordinance and have not been talking about the situation you face, or are you saying that you have tried to do so and the UK Government have told you that you are not able to do so?

Blondel Cluff: As I say, I have to change hats. Wearing the hat of the West India Committee, we prepared various comprehensive White Papers. For example, within two days of the referendum being concluded, we commenced work on the White Paper, *Anguilla and Brexit: Britain's Forgotten EU Border*. People here, including key people in Government, had simply ignored, if not forgotten, the fact that we have a direct border with France. On top of that, we are heavily, heavily dependent on the French and the Dutch. We are not viable without them.

The West India Committee worked in conjunction with the Government of Anguilla to produce that. Otherwise, no, they cannot do it. Even when you produce these things, it is very easy for them to be flicked to one side and disregarded.

Q137 Richard Burden: Have you been put under pressure by the UK Government?

Blondel Cluff: I have had former Ministers simply flicking the things to one side. We will not go away. There are 15,000 British citizens who need this. If necessary, we have to bring this to your attention. This is about the public of the United Kingdom and the public of Anguilla. The rest of us in the middle are merely serving their needs. We cannot fail to get this message across. We persist in that pursuit; that is what I am saying, Mr Burden. We have to.

Q138 Chair: Can I thank you for your evidence today? To repeat what I said before, you have raised some seriously concerning issues, which we will pursue. We very much would like to receive that information from you about the tax rates of companies and individuals.

Blondel Cluff: I shall write to you accordingly. It will be my pleasure. Thank you so much for your time.

Chair: Please feel free to stay to listen to the third witness. Thank you very much indeed.

Examination of witness

Witness: Brenda Killen.

Q139 Chair: Thank you for joining us. We have about half an hour with you, which is great. We are seeking to cover six areas during that time. Let me kick off. As you will know, at the moment, when countries graduate from ODA eligibility they cannot be eligible again, even if their GNI falls below the high-income threshold. I know you are looking at this issue, to potentially allow reverse graduation. You have also said “while ensuring no diversion of resources from existing ODA recipients”. How can you ensure there is no diversion of resources?

Brenda Killen: I will introduce myself. I am Brenda Killen, the deputy director of the Development Co-operation Directorate at the OECD. We are the secretariat that supports the Development Assistance Committee. I will apologise in advance; I have a terrible cold today, but hopefully you can hear me. On the question on graduation, to respond to points that were made earlier on, it is not strictly true to say that countries cannot go back on the list; it is just that we do not have an established procedure. While there are no written procedures for doing it, there are no written procedures or rules to say you cannot. You are right to say that we are working to establish a methodology, to be agreed by the donor members of the DAC, on reverse graduation where it is called for.

In terms of protecting the focus on existing recipients, we are in a process of aid modernisation at the moment, where we are looking at development finance as a whole. As some of the earlier speakers have said, it is important to look at aid as part of a wider ecosystem of development finance. In the work we are doing, we are taking a look at global development finance and how ODA can be used within that system to leverage private finance or to strengthen domestic resource mobilisation, so that we look at the whole space and make sure that we are raising the finance that is needed for the Addis Ababa action agenda: the billions to trillions. That is the type of work we are doing, so we can look at how we make sure that the poorest countries get concessional assistance and that aid is working to bring in other forms of finance to finance all the needs that exist within the SDGs.

Q140 Henry Smith: Are there any circumstances where a high-income country should be in receipt of ODA, for example if a particularly bad humanitarian crisis were to threaten its high-income status?

Brenda Killen: At the moment, aid has to go to countries on the DAC list. The DAC list is largely based on GNI. When countries graduate, we have a conversation among the members. If a country has gone over the limit but is still seen to be vulnerable, it may be delayed for another three years. Once a country is off the list and it is fully defined as high income, no, the assistance is not classified as aid. Among other things, that would undermine the definition of aid and present a precedent for



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spending in poor areas in our own countries. That is not a way to say that there are not ways of recognising assistance in those situations. If it is humanitarian assistance, it is recorded by UNOCHA, for example, even if it is not ODA. We are also developing broader measures of finance that is not ODA but is contributing towards the universal agenda of the SDGs.

Q141 **Mr Sharma:** In the aftermath of hurricane Irma, the UK requested a temporary waiver, allowing humanitarian assistance to the affected territories to be counted as ODA, even though the territories remained high income. Why did you reject the UK's request?

Brenda Killen: It was not the OECD that rejected it; it was the members of the DAC. The donors as a group have to reach consensus, so there is transparency and consistency. It was not so much a rejection; I seem to remember it was taken off the table before we got to the high-level meeting. There was an agreement that we would look to having methodology for re-establishing countries.

Q142 **Mr Sharma:** The waiver was not given.

Brenda Killen: No, there was no agreement on that at the high-level meeting.

Q143 **Chair:** Is there further consideration of that? You said it was taken off the table.

Brenda Killen: When the UK Minister came to the high-level meeting, this was not presented to it. I can share the minutes of the high-level meeting with you, if you want to look at them, but this was not tabled there. To add some context, around the table the different countries that make up the DAC have different views of their relationship with dependent territories. For some countries around the table, the view was that this is not overseas aid; this is our country. But it was not something we discussed at the high-level meeting.

Q144 **Chair:** Sorry to press this. Do you anticipate this is something the UK Government will come back on, or are you saying that effectively the British Government are no longer pursuing this issue?

Brenda Killen: My understanding from the high-level meeting was that we would look at a procedure to reinstate countries that had suffered a crisis and fallen back into being eligible for ODA, but not a discussion on countries' dependent territories.

Q145 **Chair:** I see. That makes sense to me. The focus now is more on the first thing I asked you about, which is reverse graduation, than the specifics of the position of overseas territories. It could apply potentially to an overseas territory, but in the context of reverse graduation rather than automatically in the context of it being a dependent territory.

Brenda Killen: Yes, that is one way of looking at it. There is also work, as I said, on a broader way of capturing investment in development that goes beyond ODA. Just because it is the right thing to do does not mean



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it has to be ODA, but let us recognise all the other efforts that our members make to support the achievement of the SDGs.

Q146 **Mrs Latham:** Many suggest that, in determining ODA eligibility, the OECD should consider vulnerability and resilience as well as GNI. Would you consider, for example, using the human development index instead of GNI?

Brenda Killen: At the moment, we refer to the human development index, particularly in our peer reviews. When we look at the effectiveness of our members' programmes, what their policies are and how they apply their aid, we use that to look at quality of assistance. There is quite a lively discussion going on in the DAC at the moment about how to have a better, more nuanced application. The definition of aid is quite permissive. I do not know if you have looked it up. It is how about we interpret it and how we agree that we will achieve the SDGs with the universal agenda. We heard just now about SDG 16 bringing in different aspects. We are looking at how we take account of more than simply GNI per capita. That goes hand in hand with broader work in the OECD to look at how we define national income anyway, because we are not measuring the right things at the moment to measure proper well-being.

Q147 **Mrs Latham:** We have had a lot of discussion about how to ensure the particular vulnerabilities of small island states are taken into account. Might the use of a more nuanced metric, such as HDI, be a better way of achieving this for those particular cases?

Brenda Killen: On the small island developing states, we have specific targets for our members to focus aid on the most vulnerable countries. We are working quite actively with the UN High Representative for the vulnerable states and small island developing states. We produce—I do not know if it is every year or every other year—a report on small island developing states. That is an active area of work, to look at the factors that donors should take into account in supporting those states.

Q148 **Mrs Latham:** We heard about climate change being a particularly vulnerable area. Do you take that into account?

Brenda Killen: Yes. In the work we are doing on the broader picture for development finance, we are looking at this from the point of view of specific types of countries. Where might they be vulnerable? We have developed resilience frameworks to identify where countries are most vulnerable and assist our members in targeting their aid programmes so they pick on things that are most relevant, particularly to the most vulnerable countries, small island developing states among them.

Q149 **Chair:** Can I take you back to this issue of reverse graduation, just so I completely understand where things are with it? This is still under consideration.



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Brenda Killen: The methodology is being discussed. We have groups of statisticians who meet and look at how we would do this. It is still being discussed. It will be presented again to the committee in June this year. The aim is that it is agreed this year.

Q150 **Chair:** Has this now become the focus for the UK's argument within DAC?

Brenda Killen: It is one of the areas of focus, yes, that we get an agreement on how we reinstate countries when they fall below the GNI, also because of a crisis.

Q151 **Chair:** That is clear. Thank you very much indeed. When I asked you about reverse graduation earlier, you talked about some of the other instruments for development beyond aid. My understanding is there is something confused about the extent to which non-concessional private sector instruments intended to demonstrate the viability of commercial investment can be counted as overseas development assistance. Are you able to shed any light on that issue for the Committee?

Brenda Killen: The work on private sector instruments is still going on. It rapidly gets quite technical, so I will not claim to have the latest details to hand. What members have agreed we should focus on is less about concessionality, which is in the definition of either grant aid or where we look at loans and convert them into grants to quantify ODA, and we are looking at additionality. If aid is used to create a private sector instrument, does it bring in resources that otherwise would not have gone to that country, that region or that issue? It is this idea of aid delivering the trillions that we call for in the quadruple A. That is the key focus in defining the aid component of a private sector instrument.

Q152 **Chair:** Last year, the Conservative manifesto said, if the attempt to change the definition did not work, they would "change the law to allow us to use a better definition of development spending, while continuing to meet our 0.7% target". The OECD was very strong in its objection to that. Is your understanding that the UK Government are no longer pursuing that objective?

Brenda Killen: You would know better than I do. It is not something I am hearing all the time in Paris. The broad range of instruments and categories we are developing to capture positive efforts to support development offer a way of recognising effort without having to change aid.

Chair: Thank you for that. Very unusually, we are ahead of time, so I am going to ask if my colleagues have any final questions to you. No, that was very crisp and concise. Thank you very much indeed, Brenda. Thank you to all our witnesses today.