

International Development Committee

Oral evidence: Definition and administration of ODA, HC 547

Wednesday 25 April 2018

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Members present: Stephen Twigg (Chair); Richard Burden; Mrs Pauline Latham; Chris Law; Lloyd Russell-Moyle; Paul Scully.

Questions 153 - 224

Witnesses

I: Harriett Baldwin MP, Minister of State, Foreign and Commonwealth Office; Dr Liane Saunders, Strategy Director, Foreign and Commonwealth Office; Mr Sam Gyimah MP, Minister of State, Department for Business, Energy and Industrial Strategy; and Dr Sharon Ellis, Director of International Science and Innovation, Department for Business, Energy and Industrial Strategy.

II: Jean-Christophe Gray, Director, Public Services, HM Treasury.

Examination of Witnesses

Witnesses: Harriett Baldwin MP, Dr Liane Saunders, Mr Sam Gyimah MP and Dr Sharon Ellis.

Q153 Chair: Good afternoon and welcome, everyone, to this oral evidence session as part of our inquiry into the definition and administration of overseas development assistance. We have two panels, our first panel before us, and then a senior Treasury official for the second panel. For the first panel, Ministers and officials, we are seeking to spend about 45 minutes with you. We are going to start with an opener to both Departments. Then we have some specific questions, first to the Foreign Office and then to BEIS. Then we will finish with some questions for both of you. Welcome and thank you all for coming.

Let me kick off with this. ODA delivered via DFID is bound by law to contribute to a reduction in poverty and to have regard to gender equality. There is not the same explicit guarantee with regard to ODA provided by other Departments. Do funds administered by your Departments meet this requirement in practice? In other words, is poverty reduction intrinsic to the ODA programming of the FCO and BEIS?

Harriett Baldwin: Thank you very much for giving us the opportunity to come in and speak about it. I am in both Departments, which is an innovation that was brought in last July. I follow this boundary very closely, working across both Departments. As the Committee will know from the written evidence that we have submitted from the Foreign Office, something like 4% of the country's total overseas development assistance spend is spent by the Foreign and Commonwealth Office, just to give the Committee a sense of the perspective on that. Yes, it is rigorously policed in terms of the definition. I am sure you will be getting to questions around the governance of that.

As far as the poverty question is concerned, I would draw the Committee's attention to the new aid strategy that was published in 2015. As you know, it highlighted the four strategic objectives: strengthening global peace, security and governance; strengthening resilience and response to crises; promoting global prosperity; and tackling extreme poverty and helping the world's most vulnerable.

That last category would be exclusively a DFID area, and first three would be ones where you could see how the Foreign Office has an important role to play. All those four things combined are the way that we need to pursue a fusion approach, in terms of tackling poverty around the world.

Q154 Chair: You will be aware that last year the National Audit Office did some work for the predecessor International Development Committee, in which it raised concerns about the capacity in Departments other than DFID to administer ODA. Can you say a little more from the Foreign Office perspective about the processes that the Department has in place to



ensure that ODA really is focused on poverty reduction?

Harriett Baldwin: I would agree that the National Audit Office and the work that it did is helpful. All this spending is subject to National Audit Office scrutiny. In addition to that, the previous Government, I think in 2010, established the ICAI Committee. As you know, that also looks very closely at this spending. It is very thoroughly scrutinised, not only by you but by these other external organisations, and of course in the transparency that we aim to have, in terms of the spending, in our published reports.

We much welcome some of the very constructive suggestions that have come, not only from the NAO report but from the Committee, and from the ICAI reports, in terms of ways in which we can improve capacity and transparency. We have acted on those. Extensive additional training has now been done for people in the Foreign Office who are involved in some of these decisions. Extensive further publications have been made, in terms of the transparency. The specific recommendations that came out of the most recent report by ICAI were, I thought, all very helpful and constructive. We will be responding in the formal way in due course, but I welcome all the recommendations.

Q155 **Chair:** In a moment we will come on to some of the specifics around ICAI's recent report on CSSF. I will come to BEIS and to Minister Gyimah with the same opening question. Is poverty reduction really in the Business Department's DNA in the way that we believe it is for DFID?

Mr Gyimah: The Business Department is incredibly well placed to help deal with the drivers of poverty and therefore poverty reduction, mainly because we have our science, research and innovation within the Department. There is a great deal of expertise when it comes to innovation and climate change. As the Committee is aware, we have two research and innovation ODA funds, the Global Challenges Research Fund and the Newton Fund. We also have the International Climate Fund.

In the case of all three, our programmes focus on poverty reduction, specifically through supporting economic development, good governance and social welfare in developing countries. A number of our projects address the theme of conflicts, including climate change.

The Global Challenges Research Fund specifically was launched as part of the aid strategy, recognising the UK's role as a world leader in development-focused research and innovation. The strategy highlighted the importance of climate change mitigation by specifically mentioning the Government's commitment to spend at least £5.8 billion in climate finance over the period 2016-17 to 2020-21. Hopefully, those highlight our commitment to poverty reduction.

BEIS leverages its internationally recognised strength in UK research, knowledge and expertise. We are making progress against the 17 sustainable development goals. Like Minister Baldwin said, we are also



subject to the scrutiny of ICAI. We will probably come on to some of their recommendations. A lot of what we are doing is around capacity building as well. In many ways, we are dealing with not just poverty reduction directly, but the underlying causes of poverty. The Department is very well placed to do that, while obviously following DFID best practice.

Q156 Chair: Minister, can I welcome the fact that you mentioned the sustainable development goals in your first answer? Can you say any more from the BEIS perspective on how the SDGs inform the work that BEIS does? That is not just the ODA applicable work that BEIS does, but more broadly across the Department.

Mr Gyimah: Speaking for the entire Department?

Chair: Go on. I will tempt you.

Mr Gyimah: Normally that is for the Secretary of State to do. You can look at our industrial strategy, which we launched late last year. It looks at some of the big global challenges, whether it is artificial intelligence, and the ethics around that, or whether it is problems of ageing as a society. Ageing is a new problem for us. If you go back to the 19th century, life expectancy in the UK was 40 years. Across the world, including the developing world, people are living longer. Whether it is mobility or clean growth, these big grand challenges are a key part of our industrial strategy, and need to be resolved not just here but in partnership with other countries. Doing so will help deliver some of the sustainable development goals agenda.

Q157 Mrs Latham: This is to Minister Gyimah. It appears that BEIS accounts for the majority of spending in China. I do not understand why we are doing so much spending in China. We are talking about £46.9 million. I had been told previously that we were not spending any more in China. It is a hugely fast-moving country, building cities and airports like there is no tomorrow. Why are we spending £46.9 million? Over 56.5% is with BEIS and Defra. Exactly how is that related to ODA?

Mr Gyimah: I am not surprised you asked that question, Mrs Latham. I remember when I was on the Committee there was the multilateral and bilateral aid review, looking to slim down the number of countries to which British aid was sent directly. The fact is that, despite economic progress, 70% of the world's poor live in middle-income countries. There are 270 million people in India living in poverty, and 6% of the world's poorest people live in China.

Let us remember that what we are doing here is looking at the underlying drivers of poverty. In terms of the scalable solutions that we need to develop, working together with some of these middle-income countries provides a good scale and a good environment in which to test and develop new solutions that you can export to other countries. This is slightly different to directly handing out aid to, say, China. It is a good



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environment within which to work on some of the innovative ideas that we have.

If I was to give one example, market barriers prevent green investments from happening at scale in developing countries. The ICF has been looking to transform these markets by lowering risk perceptions and building investor confidence. The Global Climate Partnership Fund uses donor finance to cushion risk and attract investments. We have been able to mobilise funds and support in middle-income countries, rather than low-income countries or even fragile states, in order to develop this and then export it.

If we look at the Newton Prize winner last year, that tested the introduction of a new maternity care device that predicts the risk of complications during pregnancy and saves lives. Across six African countries, 3,000 devices are being used by hospitals and clinics.

Q158 Mrs Latham: I am really sorry. Could I stop you reading a list? China is building airports by the dozen. They have new cities that are much more environmentally friendly than anything we build here. They are doing fantastic public rail schemes so that the places look beautiful. They have rapid transit things. Why can they not work out how to have babies safely? Why are we having to pay for things like that? I have nothing against China. In fact, I think they are doing an amazing job. They are having more eco-friendly stuff than we have ever dreamed of, and they are so far advanced on some of the stuff. We should not be spending any of this money, except maybe in diplomatic relations, which is miniscule in comparison with £46.9 million. I really do not understand why Britain is spending this. It may be a middle-income country with quite a lot of poor people, but it has its own aid programme, so why can it not look after its own?

Mr Gyimah: The first point I made is that the solutions that are developed can be exported. The second point I would make is that, when it comes to inequality, health pandemics or climate change, they do not respect borders in the same way that we look at these things. Working together with these countries can be a way of developing solutions that help make the whole world and the developing world a better place.

Q159 Mrs Latham: They are better than we are. I will leave it now and go on to my own question, which is to Minister Harriett Baldwin. The Committee understands a considerable proportion of FCO ODA is spent on administrative costs for FCO diplomacy. Do you feel this spending is an appropriate use of ODA funds? How can this spending explicitly contribute to tackling poverty and leaving no one behind, as the SDGs say?

Harriett Baldwin: Would it be helpful if I picked up on the China question in my response?

Chair: Yes, please.



Harriett Baldwin: We ended our bilateral programme with China, in terms of aid, some time ago. As you say, it is a country that has experienced very rapid economic progress, and very rapid lifting of people out of poverty. There is still some work that we will do with the foreign policy amount of our official development assistance. That is to do with lobbying on human rights and the importance of climate change measures and action. For example, last year China brought in a complete ban in terms of ivory sales.

Mrs Latham: Before we did, actually.

Harriett Baldwin: Things like that are important foreign policy lobbying and will count towards ODA.

To the specific point about administrative and overhead costs in some of the countries in which we are delivering our development assistance, I am minded to mention one I have visited recently. I have seen some very powerful delivery of our international aid budget on the ground in the Democratic Republic of Congo. To achieve that, we need to have a range of different staff on the ground in the DRC. Where they are working on the delivery of international development, the costs of those people will count towards our official development assistance.

Q160 **Mrs Latham:** Surely they are DFID staff, not FCO staff. They are FCO staff now, are they?

Harriett Baldwin: Of course, there will be some people who are 100% DFID staff. There will also be diplomats who spend some of their time on the overseas development assistance part of things. It will depend on the post. I mentioned the Democratic Republic of Congo, because it is one where a high percentage is engaged on that. Therefore, a high percentage of the administrative overhead for the work we do in that country will count towards our overseas development assistance work.

Q161 **Mrs Latham:** Could you possibly send us a list of countries that recorded front-line diplomatic activity as ODA last year, please?

Harriett Baldwin: Yes. It will be quite a long list, because I think there are 143 countries that are eligible for ODA, using the OECD definitions. I do not think we necessarily have projects in every single one of those countries, but there might be some small amount of ODA in every single one of those countries. Of course, that goes much wider than the 50 core countries that we will be working on as DFID, in terms of extreme poverty. I am happy to send the Committee that list, but it will be quite a long list.

Q162 **Chair:** Sorry, I probably should know this, but I do not. Does that mean that all diplomatic activity in those countries would count as ODA?

Harriett Baldwin: No, far from it. It would be a very, very small percentage of the total diplomatic activity. In fact, I think we have one



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post in the entire Foreign Office network where it is considered to be all overseas development assistance, and that is South Sudan.

Q163 Chair: The figure we have for FCO spend in China is £20.4 million, £7.6 million of which is through the Prosperity Fund, but nothing through CSSF. What is the other £13 million, beyond excellent work lobbying on human rights and climate change, which I am very supportive of? Surely that does not consume the full £13 million, which is a lot of money.

Mrs Latham: No, particularly as they are ahead of us on climate change now.

Harriett Baldwin: Other work would be done on other sustainable development goals. I have pulled out those specific examples, but there will be others. I would be happy to provide a detailed breakdown to Committee.

Chair: I would be grateful if you could write to us, Minister.

Harriett Baldwin: It is all to do with the activity that is required from a diplomatic post, a small amount of which is engaged in doing those kinds of activities. In this process, you will have been interviewing the Cabinet Office and the National Security Adviser. They administer, on our behalf and on behalf of other Departments, things like the Prosperity Fund.

Q164 Mrs Latham: You will be aware that we were trying to go to Burma earlier this year and we were refused. The British embassy in Yangon spent considerable efforts assisting the Committee with the unsuccessful application for our visas. Would time spent on that sort of administration be classified as ODA on the embassy's return?

Harriett Baldwin: It sounds like it would be. I can look into that specific example and let the Committee know. Rather than keep a detailed timesheet of every aspect of work that a diplomat does that could be construed as being overseas development assistance, DFID sits down with the Foreign Office to look very rigorously at each individual aspect of a post's activity and come up with a sensible coefficient in terms of that for the year ahead.

It is worth highlighting, and I think this was in the written evidence to the Committee, that a lot of the work of the British Council, although not all of it, would be eligible as overseas development assistance. That might be caught in the China numbers. As you know, it has been treated that way since the 1970s.

Q165 Lloyd Russell-Moyle: I have a list here of some of the figures, which Oxfam has sent me. Of course, it shows places like Brazil getting £9 million. This is 2011 to 2017. Mexico gets £7 million, Turkey £5 million. I wonder if diplomatic activity that would have been diplomatic activity anyway is being classed as ODA-able. You gave the examples of climate change, the ivory trade and human rights. I assume we make representations to the USA and Russia on all those three things, but we



would not ODA them because they are not ODA-able countries. I cannot see what the specific different activity is in China. I wonder if you could explain to me how it is actually different, apart from just being in a different country.

Harriett Baldwin: The activities that are highlighted in the countries mentioned may be to do with the International Climate Fund work in those countries. In the way the International Climate Fund works, it is based on the impact that it has in terms of tackling climate change.

Chair: That is the BEIS funding. That does not relate to the FCO.

Q166 **Lloyd Russell-Moyle:** We are talking here about FCO money, rather than BEIS money. What activity is the FCO doing in those countries that is different from activity it would do in non-ODA-able countries? How is the activity aid that is different from what it would have to do anyway?

Harriett Baldwin: There would probably be more of the activity that is occurring. To take the example of human rights, in our diplomatic network we will do more of that lobbying in countries that the Foreign Office has down as countries of human rights interest. I do not want to refer to any of the specific countries. As the Committee will know, we publish those countries on an annual basis.

Q167 **Lloyd Russell-Moyle:** I assume we do, for example, an extraordinary amount of work in Russia. You would not be able to ODA that. When you do it to China, you are able to. It does not quite seem like the activity is different, or even greatly increased.

Harriett Baldwin: Again, not to generalise, one would want to look at specifics. That is what happens in terms of the process, where DFID will sit down with the officials who are responsible for these definitions within the Department and look at the individuals and their activity on a case-by-case basis. The Committee should feel confident that DFID is very closely scrutinising that activity and the appropriateness of it being classified as official development assistance.

Dr Ellis: I am not sure if this will help the Committee, and I do not have a specific China reference. I can refer to the work that we do in Brazil, where we work very closely with Foreign Office colleagues. We have Newton officers, and science and innovation officers, who are joint FCO and BEIS colleagues in there. We had a very large programme in Brazil on the zika virus. We used the diplomatic connections there very strongly, to enable us to pull together a coherent programme of work that reached out to all aspects of the community and into other regions of Brazil. That is a very sensible thing that we would have scored as ODA, because it was connected directly to some of our research programmes. It is not a China example, but it is an example of something that we do. Hopefully that is helpful to you.

Q168 **Lloyd Russell-Moyle:** That is helpful, yes.



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Harriett Baldwin: Dr Saunders, who looks at the administrative side of things on this, may want to add something.

Dr Saunders: In answer to the variety of questions, to some extent it is true that we are doing similar work in ODA countries to what we are doing in non-ODA countries. The OECD DAC allows that work to be counted as ODA money under a directive. It has very strict rules for applying that. In addition to working with DFID, we work directly with the DAC to make sure it is content that the work we are calculating in that way is categorised like that.

As my BEIS colleague has already said, the FCO also runs the platform for Government overseas. In ODA countries, where DFID and other Government Departments operating aid delivery are sitting on our platform, that ODA amount will sit on the Foreign Office baseline. It is a service that we are providing for the whole of Government.

Q169 **Chair:** The Government have an aid strategy with an explicit target for more of the aid to be delivered by Departments other than DFID. Does that not provide an incentive for Departments to badge things as ODA that 10 years ago might not have been?

Dr Saunders: I do not think there is an incentive for Departments to do that. The work we are doing, which is done in a very integrated way, recognises the fact that we all bring different strengths to this broad range of aid work. Of course, there are the specific countries in extreme poverty that DFID deals with, but there are a range of other countries that are still suffering from elements of poverty. It is absolutely right that the skills that the Foreign Office brings to bear are applied there, just as the skills of BEIS and other Departments are.

Q170 **Paul Scully:** Harriett, you already talked about the fact that increasing amounts of ODA are going through via funds like the Prosperity Fund and CSSF. We have also touched on the fact that the ICAI report was quite critical of some of the funds. Do you think that increasing the amount of FCO ODA administered through those is a move in the right direction?

Harriett Baldwin: Again, I very much welcome the ICAI report. It made a range of very sensible recommendations, which we will be responding to in due course. You can look at specific examples. I am sure you will be taking evidence from the Cabinet Office on the specifics of the fund. In terms of the Foreign Office and DFID, I can give you an insight into one of the aspects that I signed off on recently, which was flagged to me as being red/amber, but is an important part of the work that we are doing in Somalia. That is training police to take over in due course from the United Nations mission there and bring security to the people of Somalia.

That was rightly flagged as an area where we are taking risks with that strategy, but I, as the Minister, given that decision, said to myself, "This is exactly the sort of thing that the Conflict, Stability and Security Fund



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should be doing". Of course, it will be operating in areas that are red/amber. So long as we are aware of those risks and taking steps to mitigate them, it is exactly the sort of thing that this fund was set up and designed to do.

Q171 Paul Scully: We have seen in some areas in other patches, whether it is education or whatever, that risk is part of UK aid. It is something that the Governments cannot do and we can.

Harriett Baldwin: It is part of what we do, absolutely.

Q172 Paul Scully: I wanted to just cover the fact that we took evidence from the acting head of the CSSF, who told us, in terms of transparency, that there is a presumption to publish information. They were talking about the transparency in a critical way as well. ICAI found the exact opposite. They felt there was a lot of redaction. I wonder if you can square off those two views.

Harriett Baldwin: My understanding is that, where there is non-ODA, bearing in mind that this may be things to do with either our defence budget or security budgets elsewhere in Government, there may be a need to redact. That is not something that I would be particularly sighted on. I do not know if you are taking evidence from any of those non-ODA example Departments. That is what immediately springs to mind when I hear that question.

Q173 Paul Scully: I appreciate that, but it does not necessarily cover the fact that the acting head was talking about the presumption to be open and ICAI was critical of the transparency. Naturally there are going to be times, as you say for defence and security purposes, when you need to redact, but it is slightly worrying when you hear one person saying "There is a presumption to publish", and ICAI is coming back and saying, "Actually, no, we think you are redacting too much". How do you achieve that balance?

Harriett Baldwin: I agree. As I say, we will study the recommendations, which I thought looked very sensible at first glance, bearing in mind that where there are these blended programmes there may be issues around that. We will respond formally in due course.

Q174 Lloyd Russell-Moyle: I was in Baghdad a few weeks ago, and I met with a colleague who said that the CSSF from her perspective was very good. I tried to then go and see what the project was when I came back, in terms of its outcomes. This is a fully ODA-able project. What is published is a paragraph of relatively wishy-washy aims to achieve, nice things, but nothing that is measurable. There is nothing to say, "This is how many people will be affected. This is the measurable outcome". Is there a danger that, in producing such broad assessments of these ODA-able things, the ODA is not able to be inspected and monitored properly in terms of its poverty reduction outcomes? This would not be acceptable in DFID. DFID would require a basis of much more measurable outcomes.



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Harriett Baldwin: Again, you may want to direct some of these questions to the Cabinet Office, which of course has the overall responsibility for these funds. We would anticipate that there will be more disclosure in due course. As you say, the DFID approach is very much towards transparency.

Lloyd Russell-Moyle: This particular project was FCO.

Chair: It is CSSF.

Q175 **Lloyd Russell-Moyle:** Projects within CSSF are led by different people. This one was led by FCO, and the other one by DFID.

Harriett Baldwin: The fund itself unfortunately does not matter. I would love to answer lots of questions on this, but it is ultimately not down to the ministerial responsibility within the FCO. I think you took evidence from Cabinet Office colleagues on this one.

Q176 **Chris Law:** Minister Baldwin, given ownership of these funds lies with the National Security Adviser, how much input do you have in the cross-Government fund activities?

Harriett Baldwin: In terms of the different structures, in the written evidence we gave to the Committee, we outlined in some considerable detail the way in which the various different Departments go up through their accounting officers, with the ministerial oversight of specific funds. It differs, depending on fund. I personally do not have ministerial oversight of these particular funds, but there will be colleagues who do. Of course, there is the governance structure below that, in the different Departments, which runs up through the accounting officer, who is usually the Permanent Secretary.

Q177 **Chris Law:** There was a small point you made there, but it is a very important one. You said you do not have oversight in your ministerial responsibility. Is that not a concern for us?

Harriett Baldwin: Personally, I do not. It is one of my colleagues who sits on the board of the Prosperity Fund.

Dr Saunders: As she described with the Somalia programme, the Minister will sign off individual programmes within her portfolio. In the Foreign Office, because the funds cover all the work across all the different ministerial portfolios, the responsibility will rest with the Minister who has the policy responsibility. After all, these programmes are there to deliver policy outcomes. It is absolutely right that the Minister who oversees the whole of that work understands how the programming elements fit in within that wider policy. That policy then connects up to the National Security Council, because the strategies relating to specific countries, themes and regions are a cross-Government effort, agreed at the National Security Council level. They are then run as integrated cross-Whitehall strategies, with programming given to the specific Department that has the responsibility, with Ministers signing off on that.



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Harriett Baldwin: It is the Foreign Secretary who represents the Foreign Office on the CSSF board. It is my colleague, Mark Field, who sits on the Prosperity Fund for the Foreign Office.

Q178 **Chris Law:** Is that the short answer, or should I ask? It was quite a complex response you gave there, so you can imagine our confusion. I will ask the same from the BEIS perspective. Minister Gyimah, how much oversight and input do you have into cross-governmental fund activities?

Mr Gyimah: As the Minister responsible for both the GCRF and the Newton Fund, I set the direction of the funds. I sit on the board. I chair the board, supported by BEIS research and innovation. Officials chair the portfolio and operations management board, which supports programme delivery and ensures effective management of any research. Then Ministers, including me and Claire Perry, who is on the climate change side, also work together.

We make sure that we follow DFID best practice as we do all this. There is a cross-governmental DFID inter-ministerial group that I attend. There we have discussions with DFID on the direction of our programmes.

Q179 **Chris Law:** Have your Departments received full briefing from the National Security Secretariat on the Government's new fusion doctrine and how this applies to the ODA administered by your Departments? If so, can we have a copy of this briefing for our Select Committee, please?

Harriett Baldwin: I have read the National Security Capability Review.

Q180 **Chris Law:** You have heard about the fusion doctrine.

Harriett Baldwin: I believe that is where it comes from.

Q181 **Chris Law:** Can a copy be given to this Select Committee?

Harriett Baldwin: The National Security Capability Review is in the public domain, yes.

Mr Gyimah: We follow the fusion doctrine as well.

Q182 **Chris Law:** The last question is for Minister Baldwin, and it is really a practical one. How can the FCO cope with administering more ODA, which has rocketed in recent years, given increasing demands on the Department by Brexit? As we have heard from the FCO, you are already overstretched on Brexit.

Harriett Baldwin: I have not noticed any deficiency in terms of the resources to do all this. One of the great advantages of the approach has been the fact that it allows individual posts to be much quicker and better at adapting to the particular situation on the ground. One thing that constrains us within DFID is that we do not have a country office in every place in the world, whereas the Foreign Office has pretty much complete coverage. There are quite a lot of very good examples of where we have been able to move rapidly to implement the type of programme that makes sense, in terms of what Foreign Office policy should be.



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I will give an example at random outside my policy area. We supported the peace process in Colombia, for example. There is one that I think the Committee would be very familiar with, which is the work of the White Helmets in Syria. It allows the network that the UK benefits from to be much quicker, more responsive and more adaptable to the changing situation on the ground, and to deliver on behalf of the UK.

One of the things I always say when I am going round different places around the world is that, to people in that country, it just comes across as one team UK. It is not seen by people in those countries as different Departments. It is seen as the work of the UK. Therefore, what is called the fusion doctrine is just part of one UK presence on the ground in posts.

Q183 Chris Law: On that note, has there been a significant increase in the volume of FCO staff? For the staff you have, do they have multiple portfolios, one covering Brexit, one covering ODA, for example? Is that the case, so we can understand?

Harriett Baldwin: In recent months, we have started to announce increases in staff. Increases in staff were announced immediately post the referendum, but I can go back and check the exact figures that were announced at that time. Recently, and with the Commonwealth meetings last week, the Foreign Secretary was able to make an announcement last week in terms of plans for new posts and staff in a range of different posts in Commonwealth countries. There is beginning to be an increase, in terms of the range of staff and the places in which they operate.

Q184 Richard Burden: I would like to concentrate on BEIS. A lot of the ODA administered by BEIS is through a quite complex range of funds and a whole range of partners, ranging from research councils right the way through to the space agency. With so many partners administering these programmes, how do you ensure that the outputs are all underpinned by the same objective of poverty reduction?

Mr Gyimah: I will give a general answer and Dr Ellis can add detail. A lot of it is done through research and innovation programmes, which we are very used to doing. Typically, as part of the grant money, you would write into that very clearly what you want the research to do and the pathway to the outcome that you want. It is a very well established process in the field of research and we apply that process to the area of poverty reduction. I do not know if you want to add some detail.

Dr Ellis: All our funds are focused on poverty reduction, as we said earlier, but they look at different aspects of it. For example, the UK Space Agency is doing a number of projects that focus on resilience to economic and environmental threats, to enable people to recover more quickly. The programmes there, in agreeing to fund a project, will have to have demonstrated a clear pathway to impact where the outcomes—clear poverty reduction or resilience outcomes—will have to have been demonstrated in the proposition that they put forward.



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Similarly, with the research councils, there are peer reviewers who check to ensure that there is a clear description of what the project will do to address poverty, or if it is health and disease related. They would need to clearly articulate what they are trying to achieve. That is what we call the pathway to impact. Those are all required to be reviewed before funding is granted. That is how we ensure that there is a clear articulation of how they meet the overseas development assistance requirements and what they will achieve in the field of poverty reduction, climate resilience or other things.

Q185 Richard Burden: What mechanisms do you have for achieving that? You talked about peer review. What other mechanisms do you have for ensuring that kind of coherence?

Dr Ellis: The Minister mentioned earlier that we have a portfolio board. We also have DFID officials sitting on our portfolio board. This is where we receive reports from those delivery partners, in terms of how well they are spending the money. Are they spending the money on the milestones and elements that they have said they would spend it on? We check and look with our delivery partners to make sure that those things are being delivered.

Q186 Richard Burden: Are the reports that you expect standardised across different Departments and different programmes?

Dr Ellis: Some of the elements will be, in terms of financial reporting and milestone reporting. We have to compile all that data to meet the DAC reporting requirements. DFID sets very clearly the kind of reports that it requires from us, and we work very hard together and with BEIS to make sure that we can report against the specific things that DFID asks of us.

Q187 Mrs Latham: I have another question for BEIS. In previous evidence sessions, the GCRF has received criticism for its failure to engage with partners from developing countries. Can you respond to that, please? How do you respond?

Mr Gyimah: Can I write to the Committee about this? This is the first time I have heard of this.

Q188 Mrs Latham: Okay.

Dr Ellis: I can give a bit, if that is helpful. I recognise that previous Committees have focused on the focus we have had on middle-income countries in GCRF. I absolutely recognise that. The Minister explained why we are doing that through the early stages of the fund. Over the last year we have been ensuring that there is greater engagement with lower-income countries.

Over the last eight months, there have been GCRF events in South America, sub-Saharan Africa and Asia, joint with other delivery partners, so the national academies would be part of those events, to reach out a bit more and show some of the work that is being done in middle-income



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countries. Through that, we can see if there is greater applicability and work with partners in, in my probably outdated term, the global south to see what the future generation of activity could be. Next week or in the coming weeks, the Minister will have a discussion with us at the board about whether we should be doing more with lower-income countries.

Mr Gyimah: It is next week, yes.

Dr Ellis: We have listened. We have done more engagement and we are presenting some options to Ministers.

Mr Gyimah: We can write and give you more detail.

Dr Ellis: I am very happy to.

Q189 **Mrs Latham:** The GCRF requires the use of UK academic institutions. How is this not seen as, or how is it not, tied aid?

Mr Gyimah: The UK universities that deliver our funds are identified by the OECD DAC as not-for-profit organisations. Therefore, funding delivered through universities is untied by convention, because they are not-for-profit organisations.

Q190 **Mrs Latham:** They have to use a UK academic institution. They cannot use an American one or a German one.

Dr Ellis: The aid that flows through research councils and the academies generally goes to the academic institutions and universities. Yes, by convention they are not for profit. Also, we do not put a restriction on how they can devolve those funds. They will work with the people who will generate the best research and innovation outcomes. That is one element. We are not putting restrictions in terms of how the money will flow out of those organisations.

Q191 **Mrs Latham:** You are giving the money to the UK institutions, are you, and then they devolve it out to who they like?

Dr Ellis: They are able to work with partners.

Mr Gyimah: They will choose whom to work with. They are not in any way restricted in the partners they can work with on the basis of whether they are UK institutions.

Dr Ellis: A lot of that work is in project-type funding. If you look at the DAC scoring methodology, that scores as untied. Equally, it is sort of capacity building. Because we do not restrict whom they work with, we have done a lot of work with DFID to assure ourselves that what we are reporting is untied.

Q192 **Mrs Latham:** The GCRF requires the primary applicant for funds to be UK research institutions.

Dr Ellis: It does.



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Q193 **Mrs Latham:** Surely that is tied aid.

Dr Ellis: We do not provide a restriction on the way that they then work with countries, where the money can flow and for what sorts of projects. We have worked very closely with DFID on this one.

Mr Gyimah: It is a starting point.

Dr Ellis: The advice we have received is that we can score this as untied aid, and we are.

Q194 **Mrs Latham:** They choose the subject that they are going to devolve the money to in other countries.

Dr Ellis: They will want to work with the best people to deliver the research and innovation outcomes. They are free to make that choice. I think I mentioned in a previous Committee that we are not the only country that operates in this way. Australia, Norway and a range of others report the aid similar to the GCRF as untied aid. That is according to the OECD DAC definitions.

Q195 **Richard Burden:** My question is why. If one of the things on which you score UK academic institutions is their ability to work with overseas partners where that is the right thing to do, why can you not engage with those overseas partners directly where that is the right thing to do?

Dr Ellis: They are engaging with those overseas partners, and there is a choice.

Q196 **Richard Burden:** Is that directly through GCRF?

Dr Ellis: I talked earlier about the workshops there have been directly with delivery partners in South America and sub-Saharan Africa. They are working directly with overseas academic institutions and other bodies that can generally help and support the delivery of that project. They are doing that, not in all cases, but that is certainly what generally happens. People work with the best to deliver the project.

Q197 **Chair:** We are going to finish this panel with a couple of questions about coherence. I know we have the senior officials group and the co-chair of that is the second panel, so I want to focus on the cross-ministerial group. Minister Gyimah, you mentioned that you represent BEIS on the cross-ministerial group. Are you able to tell us when it last met?

Sam Gyimah: About two weeks ago. We met within the last two or three weeks.

Q198 **Chair:** How frequently does it meet? Do you know?

Sam Gyimah: I was appointed in January and we have met once in the last three months. I would imagine that in the next quarter—

Q199 **Chair:** You would expect that it will be on a cycle.

Sam Gyimah: Yes, exactly.



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Q200 **Chair:** Do you both see that as the key mechanism for facilitating greater coherence and preventing duplication in ODA activities?

Sam Gyimah: At ministerial level, that makes a huge difference. Obviously, BEIS Ministers attend the Prosperity Fund. BEIS officials attend the cross-Whitehall senior officials group on ODA. Within Government there are a number of levels where there is cross-Government co-ordination to bring coherence to this effort.

Harriett Baldwin: As I said earlier, I am not involved in any of the particular boards at the moment. There is a colleague who is involved in that. I am sitting with a geographical portfolio in the Foreign Office and with a DFID portfolio that tends to go across different responsibilities, like climate change and the work we do on economic development. Personally, it does not feel to me that I am seeing more than just a piece of it. I am sure that there are people in charge of looking at the overall coherence.

Q201 **Chair:** The cross-ministerial group is co-chaired by the Secretary of State for International Development and the Chief Secretary to the Treasury.

Dr Ellis: The Foreign Secretary sits on it.

Chair: That was my question. From FCO, it is the Foreign Secretary representing the Department.

Q202 **Lloyd Russell-Moyle:** The Secretary of State for International Development has stated several times that ODA must not only be spent well, but money should only be spent in a particular project if it cannot be spent anywhere else better. Do you apply this to your respective Departments?

Harriett Baldwin: Yes, absolutely. I know you are taking evidence from her next week on this very question. That is a really good way to articulate the approach we should take to what we do, in terms of spending overseas development assistance. I am sure that your follow-up question is probably going to be some example of where the Committee disagrees.

Q203 **Lloyd Russell-Moyle:** It is not where the Committee disagrees, but where ICAI describes the CSSF as inadequate for theories of change, with an absence of effective results management and a weakness in programme management. On the Prosperity Fund, ICAI said that it had serious risks of failing to spend its money effectively and it lacked transparency. On the GCRF, ICAI, being the independent evaluator of these programmes, said that it needed to develop a clear framework for assessing its overall performance, which it currently did not have.

ICAI, the independent body, is effectively slating these programmes run outside of DFID programmes. We are meant to be saying that we only spend money if it cannot be spent anywhere else. What kind of message does it send to Oxfam, Save the Children or whoever, if the Government



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effectively rubber-stamp their own programmes that are failing on their own terms, and then crack down on external partners that are failing to meet maybe one or two little things? What kind of message does it send to outside bodies when you say one thing publicly but internally that seems to be ignored?

Harriett Baldwin: We set up ICAI. We welcome its engagement. We have asked it to do this and the initial recommendations, as I said, we broadly welcome. We will be replying to them in due course. The Committee should be aware that, with many of these programmes, there will be lots of those types of organisations and NGOs involved in the delivery of them. I am not sure that I see them being completely different from the types of things that DFID would do directly.

In terms of the points that have been made, the funds themselves, as the Committee will be aware, are in their second year of operation. They are not fully allocated yet. The points that have been raised seem sensible and will get a full answer in very short order.

Sam Gyimah: We had a rapid review of the GCRF in 2017. There was a review of the ICF in 2014. The honest answer is that it has enabled us to reflect on the work of the funds and the future. The recommendations are welcome and ICAI has supported us to refine the work of our funds. I would say that is the system working. That is what ICAI is there to do, and it is for us to respond appropriately. I am looking forward to the forthcoming recommendations for review on the Newton Fund. There is also a current review of the ICF.

I can give concrete examples of how this has been beneficial for the GCRF. The review led us to strengthen the BEIS strategic role and oversight of the fund. We have enhanced the governance procedures and the monitoring and evaluation programmes. That is real, tangible progress. On the ICF, we have diversified the range of delivery partners. An increasing proportion of the spend is being delivered bilaterally. We have also improved the way we engage with the private sector. In response to your question, it has been welcome and we are being very constructive. That is the purpose of ICAI.

Q204 **Lloyd Russell-Moyle:** Could I summarise by saying that, in the past, the respective Departments failed in Secretary of State Penny Mordaunt's test but, going forward, you are hoping you will be able to live up to her test, because of the changes you put in place?

Sam Gyimah: The changes are already underway.

Q205 **Lloyd Russell-Moyle:** What will happen if we get another bad report? Who will go? What programme will be shut down, or will there be a commitment to shut programmes down, if ICAI produces another negative report and the improvements have not been seen?

Chair: Minister Baldwin, I will give you the final word.



Harriett Baldwin: I can reassure the Committee there already is a rigorous process of internally reviewing any programme against what it was expected to do, and a rigorous process where we would obviously shut down things that we do not think are working. These are the kinds of actions that we will be looking at and taking on an ongoing basis. We do not need to wait for the report. As I say, we very much welcome the report and the recommendations, and we will be giving you our full response and giving them our full response very soon.

Q206 **Chair:** Can I thank you all? I have to draw this part of the session to a close, but thank you all for your evidence today.

Examination of Witness

Witness: Jean-Christophe Gray.

Chair: Let us start.

Q207 **Chris Law:** Good afternoon, Jean-Christophe. I understand you are the co-chair for the senior official group on ODA. Is that correct?

Jean-Christophe Gray: That is correct.

Q208 **Chris Law:** I understand that you meet four times each year. How long are these meetings that you have four times each year?

Jean-Christophe Gray: I would say between one and a half and two hours.

Q209 **Chris Law:** That is two hours every three months over a year. The obvious question to me is how you can possibly ensure that all implementing Departments are pursuing a consistently coherent approach to ODA, if that is all the time spent pursuing that.

Jean-Christophe Gray: In answer to that, I can try perhaps to explain the various parts of Whitehall that work collaboratively on that. The senior official group that I co-chair with a DFID colleague is one part of the various ways in which the Government establish coherence across their ODA spending. We may touch on various elements of it. You have, of course, the publication of the 2015 aid strategy that sets the Government's objectives. You have the various cross-Whitehall funds that you have heard reference to and taken evidence on here before. You have the National Security Council.

Establishing the senior officials group was one of the commitments in the 2015 aid strategy. It recognised the evolution towards a greater proportion of spend in non-DFID Departments, if I can put it that way. It was felt that that was a good way to continue the process of ensuring we have the right and appropriate value for money arrangements in place across Whitehall. I would very much situate the group as part of how the Government achieve the objective you asked about.



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Q210 **Chris Law:** Does it play an incredibly small part, because that only adds up to one working day per year, or even less, for that matter?

Jean-Christophe Gray: I would perhaps put it slightly differently. Of course, there is a great deal of work ongoing. The point of the senior officials group is to give direction to and ensure follow-up on the work that Whitehall is doing. For example, to give you some of the topics that we have considered, it is providing value for money guidance and advice to Departments with new programmes. The group would come together, would agree that was the right thing to do, and, over a period of weeks and months, we have put structures in place. DFID has been very active. The NAO report points to the amount of work that DFID has been doing with other Government Departments in that area. I would give that as one example of how we ensure that we are, across Government, working very consistently on this important subject.

Q211 **Chris Law:** Given the lack of time that you have an opportunity to meet together, and the amount of time when you are together is less than a couple of hours, surely more resources and more time should be spent with the senior official group in the future, to make sure we can be secure in our own minds that what you do is coherent and delivers the best strategy across the Departments.

Jean-Christophe Gray: As I say, the aid strategy set out why it was important to institute the group and the ministerial group. I would point to the structures that it works alongside. You took evidence about the programme hubs that provide a lot of the technical assistance and support to the various cross-Whitehall funds. I think you took evidence on that from Melinda Simmons a few weeks ago. As the NAO report very helpfully asks, should the group continue to evolve its role, in particular looking back at the effectiveness of the aid strategy? The recent ministerial group that Minister Gyimah just alluded to has asked the group to bring forward proposals on how best it does that. I am sure we need to continue to evolve its work.

Q212 **Richard Burden:** We understand that the Treasury produces a variety of written guidance documents to Government Departments that administer ODA. In fact, you referred to there being guidance on the programmes. Can you tell us a bit more about that? If you were going to give a summary of the kind of guidance you provide, what would that be?

Jean-Christophe Gray: I would perhaps point to two things. You may wish to pick up on them. The first is the guidance that applies to all public expenditure, and of which ODA is an important part, and which links into the parliamentary responsibilities that accounting officers have. You have *Managing public money*, for example, which sets out the propriety rules. In terms of project evaluation, you have the Government's green book, which sets out how all projects across Government should best be evaluated.



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DFID has substantial experience in this field and had already had a set of SMART rules, which it had developed for itself and had been shared with Government Departments. You have a series there, and then you have the guidance document to which you refer, which is one of the products of the group. It is intended as a working-level document for officials who are working day to day on ODA issues. It sets out the elements of guidance that are available to ensure that ODA is effectively spent, for example guidance on the DAC rules.

It sets out and reminds of the importance of governance within Departments. I think you had a couple of examples earlier, of both cross-Whitehall portfolio boards and boards that have been established within Government Departments. It refers to the importance and principles of programme design, which I referred to, such as in the green book. It refers to contracting and procurement, and monitoring and evaluation, for example ensuring that the best ways of interacting and the role of ICAI are properly understood.

That is a summary of what that specific guidance covers. As I say, it also sits alongside quite extensive guidance on how parliamentary accountability of public funds must be ensured.

Q213 Richard Burden: If you were going to identify the golden thread running through that, in your view, what would be the absolutely key themes around guidance to Government Departments in relation to ODA?

Jean-Christophe Gray: If I can draw probably a slightly crude distinction between the propriety and the policy, in terms of propriety, clearly you have the OECD DAC rules. Those are the rules against which all the OECD member states must report and must comply. You then have what I will call the accounting officer rules, which set out that each Government Department, through its accounting officer, through its annual reports, must account to Parliament and be scrutinised by the NAO.

You also have ICAI, which is very specific. It was established in 2010 and is a very specific part of this institutional framework. Of course, you also have the legislative frameworks that you were asking about at the very start of your session. I would not want to suggest that list is exhaustive, but those are some of the most important things when you come to managing public money and ensuring that we meet our international obligations in terms of how ODA is accounted for and reported.

Q214 Richard Burden: As well as there being the OECD DAC rules, various international development-related Acts that have been through this Parliament have had things that arguably go a bit further than the DAC rules. Does your guidance include those? If so, where?

Jean-Christophe Gray: It does. Mr Chairman's question earlier noted the 2002 Act, the gender requirements for example. The guidance refers



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to that. Of course, that is also an important element. In a sense, the legal basis of all public expenditure, be it overseas development assistance or others, is a very important part of managing public money. All accounting officers, whatever they are spending on, need to have a legal basis for their expenditure. It is one of the things the NAO would qualify accounts over if it judged that not to be the case, and rightly so.

Q215 Richard Burden: Could you just tell us a little more how Treasury liaises with DFID to ensure that coherence?

Jean-Christophe Gray: Yes, of course. I co-chaired a group. The principle, day to day and practical, is that the Treasury has a spending team; forgive the Treasury jargon. Each Department is shadowed by a spending team within the Department. There is a DFID spending team within the Treasury. They have a responsibility to monitor what I might call the Treasury's bean-counting responsibilities and own the Treasury's policy responsibilities in regard to international development. As well as our finance ministry function, the Treasury operates in this area through what is sometimes called its economic ministry function, particularly in the international economy, for example through the international financial institutions, such as the IMF and the multilateral development banks.

There would certainly be day-to-day, if not hourly, contacts between the teams there. We have the senior official group that we co-chair, and we will co-ordinate very closely with that. Then we will be working on a whole series of shared objectives in this sphere. For example, the guidance document that you asked me about was a joint production in terms of that. We have jointly participated with DFID in some of the capability support that is being offered to other Government Departments. Again, that is not exhaustive, but those are some of the ways that we would work very closely with our DFID colleagues.

Q216 Richard Burden: Do you think that the guidance that is issued to non-DFID Departments is really as good as it can be at the moment, in terms of ensuring that ODA is spent as effectively as possible? If you were going to say, "We could improve it in this way or that way", what would that be?

Jean-Christophe Gray: The NAO colleagues who came before your Committee several weeks ago, in the context of their report from last year, pointed to a number of very positive areas of DFID support. There was technical support, through seconding officials into Government Departments. They also noted that all the programmes they had looked at were being monitored by Government Departments. My judgment and hope would be that there has been a positive contribution from that guidance.

I am sure we may well want to look at it in the context of what the ministerial group recently agreed to, in terms of how we may choose to look at the coherence results of the 2015 aid strategy, which I was being



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asked about earlier. We will want to keep it under review. We may want to revise it in that context.

Q217 Paul Scully: The current bidding process for ODA administered by other Government Departments does not routinely take into account their capacity and capability in areas such as staffing, systems and knowledge. Do you agree that that needs to change?

Jean-Christophe Gray: On that, maybe I could explain a bit about the process that was undertaken. It was the SR15 process, where Departments were bidding in for funds. They bid under several headings, which were assessed by a panel. There was eligibility for ODA, the fit against objectives, and then, very specifically, value for money and deliverability of that. For example, on the panel of officials that was assessing the bids, we had a senior official from the Infrastructure and Projects Authority, who has specific expertise about the delivery of programmes and projects. We were specifically looking at the delivery of that.

It is absolutely right to say that some programmes will have been newer than others in that bidding process. This evolution of a greater proportion of departmental spending from outside DFID has been taking place over time. It was at 13% in 2013. It was up at 20% by 2015. It will be 30% by 2020 on the current figures. There has been an evolutionary process. It is fair to say that we will have had to assess some of the newer funds with a particular level of rigour. I take the Prosperity Fund as an example. If you look at the profile of the Prosperity Fund, it starts pretty small and ramps up. That is an acknowledgement that, through this process, we thought, "We need to keep a particular eye on that because it is a new fund".

I am sure we will want to, as part of the review of the strategy's coherence, look at whether we will continue to improve it in the next spending review. I would want to try and explain that the capability and deliverability of the SR15 bids was something that we considered as a panel.

Q218 Paul Scully: You considered it if they offered it proactively, but you did not necessarily ask for it in the first place.

Jean-Christophe Gray: Commonly in a spending review, Departments across the board will be asked to submit information in common formats. Apologies, "templates" is a bit of jargon. The templates specifically asked the bids to consider and explain their deliverability, for example the channel that would be used, why that channel has the capacity, why that channel has the deliverability. You are absolutely right to get at the fact that those were bids. Once moneys had been allocated, business cases in detail then had to be submitted. They will go into significantly greater levels of detail. Those business cases are drawn up within Departments and often shared with the Treasury for clearance, so there will have been



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further work afterwards. There was a deliverability assessment in the SR15 bid process.

Q219 **Paul Scully:** You are saying this is a first trawl, and then the business case would be done afterwards.

Jean-Christophe Gray: Commonly in spending reviews, particularly with areas where Departments are bidding to establish a new programme, you will ask for an evidence base. You will ask for, in this case, the eligibility criteria for ODA, the fit against the objectives, how a Department planned to channel those. Moneys are only ever disbursed once there is a business case, in compliance with the propriety rules that I was talking about with Mr Burden earlier.

Q220 **Paul Scully:** How do you deliver a level of consistency if some people are not necessarily proactively giving you the business case and other people are?

Jean-Christophe Gray: Apologies. Everybody has to submit the SR15 bids and then, in turn, all government programmes that are going to disbursement have to subsequently draw up business cases. It will be accounting officers in each Department, principally, who will be satisfying themselves that those business cases are adequate.

To give you a hypothetical example, a Department might have thought that it would be able to disburse funds on a profile of X, Y and Z. It would then do a business case and, for whatever reason, it might want to vary a particular channel that it wanted to use. You could change the profile of that spend to reflect further detailed work on the capacity of that delivery partner.

Q221 **Paul Scully:** Do you think there is anything more you can do to ensure consistency?

Jean-Christophe Gray: I am certain that there is always more that we can do. For example, at the next spending review we will have a full cycle of the performance of the new funds and new programmes that have been running since spending review 15. That is a very good area where we will have further additional information at the time of the next spending review.

Q222 **Paul Scully:** Finally, would you be able to provide us with a list of bids that have not been approved at the challenge panel, although clearly not now?

Jean-Christophe Gray: Gosh. The NAO report refers to this. It says that there were, from memory, £18 billion worth of bids, of which £7 billion was allocated. I will see what I can do.

Q223 **Chair:** It would be very useful for us to have information about the unsuccessful bids. Can I finish with a related question? You mentioned the growth in the non-DFID ODA spending from 13% to 30%. In that increase, that more than doubling, how much of it is new activity, and



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how much of it is simply rebadging existing activity as ODA?

Jean-Christophe Gray: It is almost entirely new. At SR15, in terms of spend that was existing but was not being reported to the DAC as ODA, that represents just a fraction over 1% of total ODA spend.

Q224 **Chair:** Right, so it is about £140 million.

Jean-Christophe Gray: Yes, just under £150 million, I think. Perhaps it would be helpful to explain the process that was undertaken at that time in SR15. There was a decision taken to protect the DFID budget in real terms. There was then looking across and seeing spend that already was consistent with the ODA rules but was not being reported as such. That is this just over 1%. Then there was a bidding round. This is the £18 billion, £7 billion of which was allocated. That was broadly the process that was followed. That is how the maths adds up for the spending review.

Chair: Thank you for your evidence. That completes our evidence session this afternoon.